


# Application of King III principles

| Item number  | King III reference | King III principles   | Extent of compliance   |
|--|--------------------|---|--|
| <b>1. ETHICAL LEADERSHIP AND CORPORATE CITIZENSHIP</b> |                    |   |  |
| 1.   | 1.1                | The Board should provide effective leadership based on an ethical foundation                    | York is driven to always operate as a responsible corporate citizen. The Board of Directors is committed to ensuring ethical and sustainable business practices.   |
| 2.   | 1.2                | The Board should ensure that the Company is and is seen to be a responsible corporate citizen   | York's plantations are audited annually by an external party to determine if York complies with the 10 principles of sustainability required by the Forest Stewardship Council certification. York fully complies with the principles required.<br><br>Expansion plans are in place to enable York to extract optimum value from its trees. Processing technology will be invested to improve volume recovery, which is key to the success of raw material optimisation.   |
| 3.   | 1.3                | The Board should ensure that the Company's ethics are managed effectively                       | York is committed to the highest standards of honesty, integrity and fairness.<br><br>The York Timbers Hotline, operated by KPMG, was established in 2010 with the aim of enhancing an honest work ethic and simultaneously providing employees with a mechanism to bring unethical business practices to the attention of management. Training in ethics and the existence of the ethics line, as well as the procedure of reporting issues, is implemented intermittently with reminders appearing on email, notice boards, etc. |
| <b>2. BOARD AND DIRECTORS</b>                          |                    |   |  |
| 4.   | 2.1                | The Board should act as the focal point for and custodian of corporate governance               | The Board Charter emphasises this responsibility and the Board acts accordingly. The Board, as custodian of corporate governance, has delegated the Company Secretary to monitor compliance within the Group. The Company Secretary, Sue Hsieh, reports directly to the CEO and has direct access to the Chairman.   |
| 5.   | 2.2                | The Board should appreciate that strategy, risk, performance and sustainability are inseparable | The Board Charter emphasises the fact that the Board acknowledges that strategy, risk, performance and sustainability are inseparable. The Board gives effect to this principle by contributing to and approving the strategy on an annual basis, ensuring that the strategy will result in sustainable outcomes. The Board also considers sustainability as a business opportunity that guides strategy formulation.  |
| 6.   | 2.3                | The Board should provide effective leadership based on an ethical foundation                    | Refer to principles 1.1 and 1.3.   |
| 7.   | 2.4                | The Board should ensure that the Company is and is seen to be a responsible corporate citizen   | Refer to principle 1.2.  |
| 8.   | 2.5                | The Board should ensure that the Company's ethics are managed effectively                       | Refer to principles 1.1 and 1.3.   |
| 9.   | 2.6                | The Board should ensure that the Company has an effective and independent Audit Committee       | Refer to principle 3.1.  |
| 10.  | 2.7                | The Board should be responsible for the governance of risk                                      | Refer to principle 4.1.  |
| 11.  | 2.8                | The Board should be responsible for information technology (IT) governance                      | Refer to principle 5.1.  |


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continued

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| <b>2. BOARD AND DIRECTORS</b> continued |                    |  |  |
| 12.                                     | 2.9                | The Board should ensure that the Company complies with applicable laws and considers adherence to non-binding rules, codes and standards                                     | Refer to principle 6.1.  |
| 13.                                     | 2.10               | The Board should ensure that there is an effective risk-based internal audit   | Refer to principle 7.1.  |
| 14.                                     | 2.11               | The Board should appreciate that stakeholders' perceptions affect the Company's reputation   | Refer to principle 8.1.  |
| 15.                                     | 2.12               | The Board should ensure the integrity of the Company's integrated annual report  | Refer to principle 9.1.  |
| 16.                                     | 2.13               | The Board should report on the effectiveness of the Company's system of internal controls  | Refer to principle 7.3.<br> The review and reporting thereof is done through the Audit Committee. This is disclosed on page 130 of the integrated annual report.  |
| 17.                                     | 2.14               | The Board and its directors should act in the best interests of the Company  | The Board strictly adheres to the fiduciary duties and duty of care and skill as contained in the Companies Act. Directors' interests are declared at each Board meeting.  |
| 18.                                     | 2.15               | The Board should consider business rescue proceedings or other turnaround mechanisms as soon as the Company is financially distressed as defined in the Act                  | The Audit Committee reviews financial information in detail and recommends any specific action to the Board if required.   |
| 19.                                     | 2.16               | The Board should elect a Chairman of the Board who is an independent non-executive director. The CEO of the Company should not also fulfil the role of Chairman of the Board | The Chairman, Dr Jim Myers, is an independent non-executive director and the CEO is Pieter van Zyl.  |
| 20.                                     | 2.17               | The Board should appoint the Chief Executive Officer and establish a framework for the delegation of authority   | The Board appointed Pieter van Zyl as CEO on 8 April 2009. The role and responsibilities of the CEO are stipulated in the Board Charter. A detailed delegation of authority policy and framework indicate matters reserved for the Board and those delegated to management.  |
| 21.                                     | 2.18               | The Board should comprise a balance of power, with a majority of non-executive directors. The majority of non-executive directors should be independent                      | York has a unitary Board structure, comprising as at year-end: <ul style="list-style-type: none"> <li>• Eight independent non-executive directors;</li> <li>• Two non-executive directors; and</li> <li>• Two executive directors, being the CEO and CFO.</li> </ul> The status of directors with regard to their independence is assessed in terms of the King III definition and the guidelines provided by the JSE Listings Requirements.                           |
| 22.                                     | 2.19               | Directors should be appointed through a formal process   | As per the Board Charter, the Remuneration and Nomination Committee is responsible for identifying suitable candidates as independent non-executive directors.<br><br>The appointment of the directors is a matter for the Board as a whole, after recommendation and assistance made by Remco to ensure a formal and transparent process.<br><br>Brief résumés of directors standing for election and re-election appear in the notice of the annual general meeting. |



# Application of King III principles

continued

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| <b>2. BOARD AND DIRECTORS</b> continued |                    |   |  |
| 23.                                     | 2.20               | The induction of and ongoing training and development of directors should be conducted through formal processes           | <p>New directors are informed of their responsibilities through extensive induction material, discussions and visits to key business units.</p> <p>Every year, the directors visit the operational businesses in Mpumalanga and also have an opportunity to interact with senior management.</p>   |
| 24.                                     | 2.21               | The Board should be assisted by a competent, suitably qualified and experienced Company Secretary                         | <p>Directors are entitled to seek independent professional advice at York's expense, concerning the affairs of the Company, and have unfettered access to the Company Secretary. The Company Secretary performs her duties in accordance with the Companies Act, the JSE Listings Requirements and the provisions of King III and, as such, provides the Board and directors individually with guidance on the discharge of their responsibilities and on matters relating to ethics and good corporate governance.</p> <p>Sue Hsieh was appointed Company Secretary for the Company on 15 November 2013 and is not a director of the Company or the subsidiaries of the Company.</p> <p>A formal assessment was conducted by the Board to satisfy itself of the competence, qualifications and experience of the Company Secretary. The assessment was performed by reviewing the qualifications and experience of the Company Secretary as well as completion of an assessment detailing all legislative and King III requirements. Sue Hsieh holds an LLB degree, has completed a programme on Introduction to Corporate Governance and is an admitted attorney and conveyancer in the High Court of South Africa with over 12 years' post-graduate experience in civil, criminal and commercial law. The Board agrees that the Company Secretary has performed her role as gatekeeper of good governance in the Company.</p> |
| 25.                                     | 2.22               | The evaluation of the Board, its committees and the individual directors should be performed every year                   | <p>An evaluation process was carried out to assess the effectiveness of the Board and the individual contributions of the directors during the period under review.</p>  |
| 26.                                     | 2.23               | The Board should delegate certain functions to well-structured committees but without abdicating its own responsibilities | <p>The Board sub-committees assist the Board in executing its duties, powers and authorities. The Board delegates to each committee the required authority to enable it to fulfil its respective functions through Board-approved terms of reference.</p> <p>The Board is aware and fully acknowledges that although its functions are delegated to sub-committees or management, the Board and its directors remain accountable for its duties and responsibilities.</p> <p>The Chairman of each sub-committee reports on committee deliberations and key issues at each Board meeting.</p> <p>York has the following sub-committees:</p> <ul style="list-style-type: none"> <li>• Audit Committee;</li> <li>• Remuneration and Nomination Committee;</li> <li>• Risk and Opportunity Committee; and</li> <li>• Social and Ethics Committee.</li> </ul> <p> Details relating to the sub-committees are contained in the corporate governance report on pages 34 to 55 of the integrated annual report.</p>   |

# Application of King III principles

continued

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| <b>2. BOARD AND DIRECTORS</b> continued |                    |   |   |
| 27.                                     | 2.24               | A governance framework should be agreed between the Group and its subsidiary boards   | All York subsidiaries have adopted and comply with the delegation of authority framework and policy, which stipulates the governance framework.   |
| 28.                                     | 2.25               | Companies should remunerate directors and executives fairly and responsibly   |  Full details are disclosed and contained in the Remuneration and Nomination Committee report on page 47 of the integrated annual report.  |
| 29.                                     | 2.26               | Companies should disclose the remuneration of each individual director and certain senior executives  |  The remuneration of each director is disclosed in note 34 to the consolidated annual financial statements on pages 171 and 172 of the integrated annual report.   |
| 30.                                     | 2.27               | Shareholders should approve the Company's remuneration policy   | At the 2015 annual general meeting, 84,38% of shareholders voted in favour of the remuneration policy by means of a non-binding vote. This resolution has been incorporated again into the notice for the 2016 annual general meeting.  |
| <b>3. AUDIT COMMITTEE</b>               |                    |   |   |
| 31.                                     | 3.1                | The Board should ensure that the Company has an effective and independent Audit Committee   | As of 21 September 2015, the Audit Committee consists of three independent non-executive directors.<br><br>The Audit Committee operates in accordance with the specific statutory duties imposed by the Companies Act, the JSE Listings Requirements and is in line with its terms of reference.  |
| 32.                                     | 3.2                | Audit Committee members should be suitably skilled and experienced independent non-executive directors                                      | All three members of the Audit Committee meet the academic qualifications and experience requirements stipulated in regulation 42 of the Companies Regulations, 2011. The Chairman, Gavin Tipper, is a chartered accountant.  |
| 33.                                     | 3.3                | The Audit Committee should be chaired by an independent non-executive director  | The Chairman, Gavin Tipper, is an independent non-executive director.   |
| 34.                                     | 3.4                | The Audit Committee should oversee integrated reporting   | This responsibility has been assigned to the Audit Committee and is detailed in its terms of reference.   |
| 35.                                     | 3.5                | The Audit Committee should ensure that a combined assurance model is applied to provide a co-ordinated approach to all assurance activities | In addition to its statutory external audit, the Company has an outsourced, risk-based internal audit function. The activities of external and internal audit are co-ordinated and the assurance provided is appropriate to the Company's operations.   |
| 36.                                     | 3.6                | The Audit Committee should satisfy itself of the expertise, resources and experience of the Company's finance function                      | The Audit Committee determines the appropriateness of the expertise and experience of the CFO on an annual basis.   |
| 37.                                     | 3.7                | The Audit Committee should be responsible for overseeing of Internal Audit  | This responsibility is contained in the committee's terms of reference. The committee approves the Internal Audit Plan and budget and the internal auditor provides a report at Audit Committee meetings.   |
| 38.                                     | 3.8                | The Audit Committee should be an integral component of the risk management process  | Although risk management is reviewed by the Risk and Opportunity Committee, the Audit Committee retains accountability for financial risk.  |
| 39.                                     | 3.9                | The Audit Committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process       | The Audit Committee assesses the suitability of the independent external auditor for re-appointment before recommending such to the shareholders at the annual general meeting.<br><br>The Audit Committee considers the report of the auditors before recommending the annual financial statements be adopted by the Board.<br><br>The committee meets with internal and external auditors without management present once a year. |


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continued

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| <b>3. AUDIT COMMITTEE</b> <i>continued</i>         |                    |  |   |
| 40.  | 3.10               | The Audit Committee should report to the Board and shareholders on how it has discharged its duties  | The Audit Committee reports to the Board on its activities. The Audit Committee report is included in the integrated annual report and the Chairman of the committee is present at the annual general meeting to respond to questions.  |
| <b>4. THE GOVERNANCE OF RISK</b>                   |                    |  |   |
| 41.  | 4.1                | The Board should be responsible for the governance of risk   | The Board remains accountable to risk governance, although this responsibility has been delegated to the Risk and Opportunity Committee.  |
| 42.  | 4.2                | The Board should determine the levels of risk tolerance  | The Board is aware of the importance of risk management as it is inter-related to the strategy, performance and sustainability of the Company. The Risk and Opportunity Committee implements a process whereby risks to the sustainability of the Company's business are identified and managed within acceptable parameters. |
| 43.  | 4.3                | The Risk Committee or Audit Committee should assist the Board in carrying out its risk responsibilities  | The Risk and Opportunity Committee delegates to management to continuously identify, assess, mitigate and manage risks within the existing and ever-changing risk profile of York's operating environment.  |
| 44.  | 4.4                | The Board should delegate to management the responsibility to design, implement and monitor the risk management plan                                   | Risk assessments are highlighted and addressed at senior management meetings. Mitigating controls are formulated to address the risks and the Board is kept up to date on progress on the risk management plan.   |
| 45.  | 4.5                | The Board should ensure that risk assessments are performed on a continual basis   | The Risk and Opportunity Committee considers the risk matrix and mitigating control actions at every committee meeting.   |
| 46.  | 4.6                | The Board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks              | Management and Internal Audit identify, monitor and control current risks. The Risk Officer and management monitor and control medium-term risks. The Risk and Opportunity Committee considers medium- to long-term risks as well as significant current risks.   |
| 47.  | 4.7                | The Board should ensure that management considers and implements appropriate risk responses  | Although this responsibility has been delegated to management by the Board, the risks and responses are considered in detail by the Board.  |
| 48.  | 4.8                | The Board should ensure continual risk monitoring by management  | Refer to principle 4.4.   |
| 49.  | 4.9                | The Board should receive assurance regarding the effectiveness of the risk management process  | The Internal Auditor provides assurance to the Board on the effectiveness of the risk management process.   |
| 50.  | 4.10               | The Board should ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders | Material issues relating to risk are disclosed in media reports and on the JSE Stock Exchange News Service (SENS) throughout the year, as deemed appropriate.   |
| <b>5. THE GOVERNANCE OF INFORMATION TECHNOLOGY</b> |                    |  |   |
| 51.  | 5.1                | The Board should be responsible for IT governance  | This responsibility has been delegated to the Risk and Opportunity Committee and is contained in its terms of reference.  |
| 52.  | 5.2                | IT should be aligned with the performance and sustainability objectives of the Company   | The IT governance framework was implemented, which focuses on the strategic alignment, value delivery and risk management of IT services.   |
| 53.  | 5.3                | The Board should delegate to management the responsibility for the implementation of an IT governance framework  | The IT manager and department are responsible for the implementation of the IT governance framework.  |

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continued

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| <b>5. THE GOVERNANCE OF INFORMATION TECHNOLOGY</b> <i>continued</i> |                    |   |   |
| 54.   | 5.4                | The Board should monitor and evaluate significant IT investments and expenditure  | Information and communications technology acquisitions fall within the same capital-approval parameters as other projects in the Company. It is thus based on value and elevated to the Board.  |
| 55.   | 5.5                | IT should form an integral part of the Company's risk management  | The IT governance framework provides that the Risk and Opportunity Committee should ensure that IT risks are adequately addressed and obtain appropriate assurance that controls are in place and effective in addressing IT risks. The risks that the business faces by virtue of its use of IT, as well as the associated controls used to mitigate those risks, will be continuously assessed and placed in the IT management framework.                                       |
| 56.   | 5.6                | The Board should ensure that information assets are managed effectively   | The Company has approved IT policies and procedures, including IT security, which are annually reviewed and audited. These procedures require an annual formal disaster recovery exercise. This and all other IT-related activities are reported on at the monthly Exco meetings. The overall IT implementation is reported to the Risk and Opportunity Committee.  |
| 57.   | 5.7                | A Risk Committee and Audit Committee should assist the Board in carrying out its IT responsibilities  | Refer to principles 5.1 and 5.5.  |
| <b>6. COMPLIANCE WITH LAWS, RULES, CODES AND STANDARDS</b>          |                    |   |   |
| 58.   | 6.1                | The Board should ensure that the Company complies with applicable laws and considers adherence to non-binding rules, codes and standards                                    | The following compliance assurance activities have been concluded and findings reported: <ul style="list-style-type: none"> <li>• Forestry Contractors' audit;</li> <li>• Forestry Stewardship Certification audit;</li> <li>• Employment Equity audit by the Department of Labour;</li> <li>• Audit by the Forestry Sector Education and Training Authority on training implemented and utilisation of grant money; and</li> <li>• An internal Human Resources audit.</li> </ul> |
| 59.   | 6.2                | The Board and each individual director should have a working understanding of the effect of the applicable laws, rules, codes and standards on the Company and its business | Information on laws, rules, codes and standards are shared with the Board regularly through reports in Board and Board sub-committee meetings.  |
| 60.   | 6.3                | Compliance risk should form an integral part of the Company's risk management process   | Refer to principle 4.4.   |
| 61.   | 6.4                | The Board should delegate to management the implementation of an effective compliance framework and processes   |  The internal controls, methods and procedures adopted by management to safeguard assets, prevent and detect errors, etc. are contained in the Audit Committee's report on page 130 of the integrated annual report.   |
| <b>7. INTERNAL AUDIT</b>  |                    |   |   |
| 62.   | 7.1                | The Board should ensure that there is an effective risk-based internal audit  | TKBA (Tereo Krino Business Assurance Consultants) is the independent internal auditor to York. TKBA works closely with and reports to the Audit Committee, CEO and CFO to ensure TKBA adopts a risk-based approach to its audit.  |
| 63.   | 7.2                | Internal Audit should follow a risk-based approach to its plan  | Refer to principle 7.1.   |

# Application of King III principles

continued

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| <b>7. INTERNAL AUDIT</b> continued            |                    |  |  |
| 64.   | 7.3                | Internal Audit should provide a written assessment of the effectiveness of the Company's system of internal controls and risk management   | The internal audit function performs independent evaluations of the adequacy and effectiveness of the Group's controls, financial reporting mechanisms and records, information systems and operations, and provides assurance in regard to safeguarding of assets and the integrity of financial information. |
| 65.   | 7.4                | The Audit Committee should be responsible for overseeing Internal Audit  | Refer to principle 3.7.  |
| 66.   | 7.5                | Internal Audit should be strategically positioned to achieve its objectives  | The internal auditor reports to the Audit Committee, the CEO and CFO. The internal auditor is a standing invitee to management results meetings and Audit Committee meetings.  |
| <b>8. GOVERNING STAKEHOLDER RELATIONSHIPS</b> |                    |  |  |
| 67.   | 8.1                | The Board should appreciate that stakeholders' perceptions affect a company's reputation   | This principle is specifically acknowledged in the Board Charter.  |
| 68.   | 8.2                | The Board should delegate to management to proactively deal with stakeholder relationships   | Management is accountable for dealing with various stakeholder relationships, including corporate affairs, investor relations and human capital. Management strives to engage openly and proactively with internal and external stakeholders.  |
| 69.   | 8.3                | The Board should strive to achieve the appropriate balance between its various stakeholder groupings, in the best interests of the Company | York has identified its stakeholder groups and the appropriate management members representing the relevant functions within York are assigned to manage stakeholder relationships.  |
| 70.   | 8.4                | Companies should ensure the equitable treatment of shareholders  | The Company complies with the JSE Listings Requirements on disclosure of information to shareholders.  |
| 71.   | 8.5                | Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence             | York employs various channels such as media relations, integrated reporting, its website, social media platforms and the JSE SENS to reach as many stakeholders as possible.   |
| 72.   | 8.6                | The Board should ensure that disputes are resolved as effectively, efficiently and expeditiously as possible                               | Dispute resolution clauses are encouraged and contained in agreements entered into with third parties. This is based on the principle that certain issues can be resolved without the necessity for litigation.  |
| <b>9. INTEGRATED REPORTING AND DISCLOSURE</b> |                    |  |  |
| 73.   | 9.1                | The Board should ensure the integrity of the Company's integrated annual report  | The Audit Committee reviews the integrated annual report and recommends approval of the report to the Board. The Board reviews and finally approves the content of the report prior to publication.  |
| 74.   | 9.2                | Sustainability reporting and disclosure should be integrated with the Company's financial reporting  | The process of sustainability reporting and disclosure is still maturing. Continuous efforts will be made to improve the level of integration.   |
| 75.   | 9.3                | Sustainability reporting and disclosure should be independently assured  | Independent assurance will be obtained as sustainability and disclosure reporting progress further.  |