

Application of the King IV Report on Corporate Governance for South Africa 2016 (King IV)

York Timber Holdings Limited (York or the Company) is listed on the Johannesburg Stock Exchange operated by the JSE Limited (JSE). The Company complies with the principles of King IV and the mandatory corporate governance requirements of the JSE.

Paragraph 8.63 (a)(i) of the Listings Requirements stipulates that issuers are required to disclose the implementation of the King Code through the application of the King Code disclosure and application regime. For the period ended 30 June 2019, York applied all the principles of King IV as disclosed in the table below.

All page references below are to York's 2019 integrated annual report.

PRINCIPLE 1 LEADERSHIP

The board should lead ethically and effectively.

The York Board of Directors (the Board) is the governing body and committed to the good corporate governance principles as set out in King IV. York's values of commitment, integrity, responsibility, innovation and connectivity guide the behaviour of how everyone goes about their daily duties.

A governance framework is in place between York as the holding company and its subsidiaries in terms of which the sub-committees of the Board assume responsibility for the subsidiary companies. Subsidiary companies have considered and adopted the holding company's policy with regards to risk, information and technology, compliance and remuneration.

The Board has adopted a stakeholder-inclusive approach in the execution of their governance role and responsibilities. Refer to pages 12 to 16 for York's detailed stakeholder engagement.

The board should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.

The Board determines and sets the tone for York's values and the requirements of being a responsible corporate citizen. The responsibility for monitoring the overall responsible corporate citizenship performance of the organisation was delegated to the Social and Ethics Committee by the Board.

An independent hotline facility is available where employees can report any unethical practice anonymously and free from victimisation. The York Timbers Ethics Hotline is managed by KPMG. The audit firm operates as an independent channel aimed at bringing any unethical business practices to the attention of management. A variety of initiatives have been put in place to create awareness of ethical conduct requirements and the Ethics Hotline, these include corporate induction of new employees and annual ethics refresher training at least once a year for all employees. Any incidents of unethical behaviour is investigated and reported to management.

York's code of ethics and business conduct (the code) guides the ethical behaviour of all York employees and directors to ensure that York maintains the highest level of integrity and ethical conduct. The code is published on the Company's website and incorporated by reference in employee contracts, contractor handbook as well as in employee induction and training programmes. Refer to the Social & Ethics Committee report on pages 44 and 45 for more information on organisational ethics.

PRINCIPLE 3 RESPONSIBLE CORPORATE CITIZENSHIP

The board should ensure that organisation is and is seen to be responsible.

The Board approves the strategy and priorities of the business in accordance with its role of overseeing the Company's conduct as a good corporate citizen. The Board, with the support of the CEO and together with the management team oversees and monitors how the operations and activities of the Company affect its status as a responsible corporate citizen. This is measured against agreed performance targets that is in support of York's strategic imperatives. The performance targets contains financial and non-financial measures. Non-financial measures encompass the areas of workplace, economy, society and environment so that the Company's core values, strategy and conduct are congruent with it being a responsible corporate citizen.

PRINCIPLE 4 STRATEGY AND PERFORMANCE

The board should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.

York's ability to create value in a sustainable manner is illustrated throughout its business model. Refer to pages 10 and 11 that presents material information in an integrated manner to provide users with a clear, concise and understandable presentation of York's performance in terms of sustainable value creation in the economic, social and environmental context within which it operates.

York sets and achieves its strategic objectives with reference to its risks and opportunities. The Board assesses both the positive and negative outcomes resulting from its business model continuously and responds to it. This is depicted on pages 17 to 23.

York's strategic objective is value creation through optimisation. To view how York's strategic road map is aligned to its business model, which in turn enhances the six capitals, refer to pages 6 and 7 for York's business model.

PRINCIPLE 5 REPORTING

The board should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance, and its short, medium and long-term prospects.

York's integrated annual report is published annually and available online and in printed form. The report connects the more detailed information at a high level and in a complete, concise way, to reflect matters that could significantly affect or improve the Company's ability to create value. The report also includes the consolidated annual financial statements and complies with legal requirements and all required disclosures.

Refer to page 28 for progress against York's strategic initiatives.

PRINCIPLE 6 PRIMARY ROLE AND RESPONSIBILITIES OF THE BOARD

The board should serve as the focal point and custodian of corporate governance in the organisation

The Board's role, responsibilities, membership requirements and procedural conduct are documented in the Board Charter to guide effective functioning. The Board serves as the focal point and custodian of corporate governance of York.

An appropriate governance framework and the necessary policies and processes are in place to ensure that the Company and its subsidiaries adhere to governance standards.

York's corporate governance practices are disclosed on pages 36 to 41.

PRINCIPLE 7
COMPOSITION
OF THE BOARD

The board should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively

The Board, with the assistance of the Remuneration and Nomination Committee, considers on an annual basis its composition in terms of balance of skills, experience, diversity, independence and knowledge and whether this enables it to effectively discharge its role and responsibilities. The Board is satisfied that there is a balance of skills, experience, diversity, independence and knowledge needed to discharge its role and responsibilities. The Board has taken steps to strengthen its succession plan to also include an immediate and interim succession plan in the event of an unforeseen event.

Refer to pages 32 to 34, reflecting York's skilled and experienced Board.

York's diversity policy is available on its website.

PRINCIPLE 8
COMMITTEES
OF THE BOARD

The board should ensure that its arrangements for delegation within its own structures promote independent judgement, and assist with balance of power and the effective discharge of its duties

Membership of the committees are as recommended in King IV, except in the case of a combined Remuneration and Nomination Committee. When nomination matters are discussed at the combined committee meetings, the Chairman of the Board chairs such discussions.

The Chairman of the Remuneration and Nomination Committee chairs the meeting when remuneration matters are discussed.

The composition of the committees of the Board and the distribution of authority between the Chairman and other directors is balanced and does not lead to instances where individual(s) dominate decision-making within governance structures or where undue dependency is caused.

The Audit Committee is satisfied that the auditor is independent as non-audit services are not performed and the auditor firm has been appointed with the designated partner having oversight of the audit. The Chief Financial Officer is the head of the finance function and he has two senior managers reporting to him. Internal audit is fully outsourced and the Chief Financial Officer is responsible for overseeing and co-ordinating the effective functioning of the outsourcing arrangement. An assessment of the effectiveness of the Chief Financial Officer function is performed annually by the Audit Committee.

PRINCIPLE 9
EVALUATIONS OF THE
PERFORMANCE
OF THE BOARD

The board should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continues improvement in its performance and effectiveness

Performance evaluations of the Board, its committees, the Chairman, individual members and company secretary were conducted formally and were not externally facilitated but in accordance with the methodology approved by the Board. The overview of the evaluation results is that there were no issues raised and the contribution, value and participation was considered satisfactory and positive. The skills represented on the Board were also assessed to be well balanced.

The company secretary's performance is also evaluated to ensure that there is an arm's length relationship between the Board and the company secretary in that the objectivity and independence of the company secretary is not unduly influenced. The company secretary's performance is assessed annually and no major issues or concerns have been identified. The Board is satisfied that the company secretary and the function that she oversees are performing well.

PRINCIPLE 10
APPOINTMENT
AND DELEGATION
TO MANAGEMENT

The board should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities

A detailed delegation of authority policy and framework indicate matters reserved for the Board and those delegated to management. The Board is satisfied that York is appropriately resourced and that its delegation to management contributes to an effective arrangement by which authority and responsibilities are exercised.

The Chief Executive Officer does not have any work commitments outside of York. A succession plan for the Chief Executive Officer is in place.

PRINCIPLE 11
RISK GOVERNANCE

The board should govern risk in a way that supports the organisation in setting and achieving its strategic objectives

The Risk and Opportunity Committee assists the Board with the governance of risk. The Board is aware of the importance of risk management as it is interrelated to the strategy, performance and sustainability of York. 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.

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. Mitigating controls are formulated to address the risks and the Board is kept up to date on progress on the risk management plan.

Refer to pages 17 to 23 for an overview on how the performance, current operations, and future strategic objectives are affected by uncertainties in the operating environment.

PRINCIPLE 12
TECHNOLOGY AND
INFORMATION
GOVERNANCE

The board should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives

The Risk and Opportunity Committee assists the Board with the governance of information technology. The Board is aware of the importance of technology and information as it is interrelated to the strategy, performance and sustainability of York.

Refer to the Risk and Opportunity Committee report on pages 42 and 43 as well as page 70 for York's information technology strategy.

PRINCIPLE 13
COMPLIANCE
GOVERNANCE

The board should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen

There were no material or repeated regulatory penalties, sanctions or fines for contraventions of, or non-compliance with, statutory obligations imposed on the Company, members of the Board or officers.

Refer to pages 14 to 15 for a brief review of the monitoring and compliance inspections by environmental regulators. There were no findings of non-compliance with environmental laws or criminal sanctions and prosecutions for non-compliance.