

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 8.62 (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 2023, York applied all the principles of King IV as disclosed in the table below.

All page references below are to York's 2023 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 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 delegated authority to relevant committees to ensure that all issues of strategy, performance, resources, standards of conduct and responsible governance are applied.

Refer to pages 18 to 28 for reports by the Board committees.

PRINCIPLE 2 ORGANISATIONAL ETHICS

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.

PRINCIPLE 3
RESPONSIBLE
CORPORATE
CITIZENSHIP

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

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 will be measured against agreed performance targets that is in support of York's strategic imperatives. The performance targets were approved by the Board.

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

The Board is committed to its strategy of delivering value for all stakeholders. A permanent CEO was appointed at the start of the 2023 financial year and the framework for the performance targets in line with the 10-year strategic plan (Plan) were thereafter approved. This enables the Board to measure performance.

York's assessment of risks and opportunities is depicted on pages 5 to 7.

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

The Company publishes an annual report every year. It is a stand-alone report that connects information at a high level and, in a complete, concise way, the matters that could significantly affect the Company's ability to create value. The annual report captures the Company's governance, performance and prospects in the context of its external environment. The annual report further includes, *inter alia*, the consolidated and separate annual financial statements. York provides information to stakeholders through the JSE Limited's Stock Exchange News Service (SENS), the media and its website www.york.co.za.

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 from page 11.

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 12 to 13, reflecting York's Board.

York's policy on the promotion of broad diversity at Board level 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 Board 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 Chairperson of the Board chairs such discussions. The Chairperson of the Remuneration Committee chairs the meeting when remuneration matters are discussed.

The composition of the committees of the Board and the distribution of authority between the Chairperson and other directors is balanced.

Refer to pages 18 to 28 for reports by the Board committees.

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 Chairperson and individual members will be performed in the upcoming financial year due to the reconstitution of the current board. The evaluations will be conducted formally and in accordance with the methodology approved by the Board.

The Board is satisfied that all committee members collectively have the skills, experience, independence and knowledge to fulfil the mandate and that all the committees have performed their responsibilities in compliance with their terms of reference for the period under review.

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.

G Stoltz was appointed as the full-time CEO with effect from 1 July 2022 and S Barnard was appointed as the CFO with effect from 1 May 2023.

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 5 to 7 for an overview on how the performance and current operations 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 page 19 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.

There were no criminal sanctions and prosecutions for non-compliance during the period under review.

PRINCIPLE 14
REMUNERATION
GOVERNANCE

The board should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term

York remunerates fairly, responsibly and transparently so as to promote the creation of value in a sustainable manner.

Refer to the remuneration report (containing a background statement and overview of remuneration policy) and the implementation report from page 20.

PRINCIPLE 15
ASSURANCE

The board should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation's external reports

The Board is satisfied that assurance results in an adequate and effective control environment and integrity of reports for better decision-making.

Refer to information on assurance contained in the Audit Committee's report on page 27.

PRINCIPLE 16
STAKEHOLDERS

In the execution of its governance role and responsibilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time

York has identified its stakeholder groups and is active in balancing their legitimate and reasonable needs, interests and expectations.