



King IV application 2018

KING IV APPLICATION

HomeChoice International plc's ("HomeChoice", the "company" or the "group") application of the corporate governance principles as set forth in the King IV Report on Corporate Governance™ for South Africa 2016 (King IV™) is shown below.

The explanation should be read in conjunction with the group's 2018 Integrated Annual Report (the IAR), 2018 Annual Financial Statements (the AFS) report and the group's website at www.homechoiceinternational.com.

The governance practices detailed below have been implemented throughout the company and progress has been made towards achieving the group's aspirations in relation to good corporate governance whilst embodying its group values as indicated below.



TOPIC	PRINCIPLE	APPLICATION AND KEY FOCUS AREAS DURING THE YEAR
Leadership	1. The governing body should lead ethically and effectively.	<ul style="list-style-type: none"> • The board of directors of HomeChoice (the board) is committed to the corporate governance principles as set forth in the King IV™. The board has established three committees, namely the social and ethics, audit and risk, and remuneration and nominations committees, to assist it achieving compliance with the letter and spirit of the law, King IV™ and JSE Limited Listings Requirements (the JSE Listings Requirements). • The board continues to lead the company with integrity and competence, and in a manner that is responsible, accountable, fair and transparent to ensure leadership that results in the achievement of the company's strategy while embodying its values. • The roles and responsibilities of the board are outlined in the board charter which incorporates King IV™ recommendations and is reviewed on an annual basis. • In line with the principle of ethical leadership the group has adopted a code of good ethical conduct that applies to all directors and the company to ensure the group's commitment to responsible business conduct and achieving its goal of sustainable growth. • In line with the principle of transparency the board has adopted a conflict of interest policy which ensures that directors' interests are tabled at the commencement of each board meeting and non-independent directors are recused in matters that may impact them. A comprehensive directors' register of interest is tabled annually at each board meeting. • The 2018 performance assessment of the board and that of its committees took place in March 2019 and included questions relating to the ethical conduct displayed by the board. • The social and ethics committee assists the board in exercising oversight of the company's ethics and ensures that the board is sufficiently equipped to deliver on its goal of having a sustainable ethical culture.

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Organisational ethics	2. The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.	<ul style="list-style-type: none"> • Despite being a Maltese company, the group adopted the requirements of a social and ethics committee in terms of section 72 of the South African Companies Act, 71 of 2008 as amended (the Companies Act). • The committee oversees the group's code of ethical conduct and values, and monitors on a continuous basis the supplier governance, ethical trading and sustainable growth across the company. The group's values reflect the current environment and context in which the group operates and are embedded in the group's induction programme. The code of ethical conduct ensures that its operations are conducted in a responsible manner and regulates, amongst others, anti-bribery, anti-money laundering, conflicts of interest, employment equity, and health and safety. • The code of ethical conduct is introduced at induction level to each director and employee and is included on the company's intranet site and referenced in employee contracts. • The awareness of and commitment to the code of ethical conduct and values are incorporated into the annual employee survey which is tabled at the committee. • A tip-off line is available in the group's South African operations and is managed by Deloitte South Africa. All tip-offs are sent to and reviewed quarterly by the chairmen of the social and ethics, and audit and risk committees and dealt with by the appropriate parties. Significant issues are reported to the board.
Responsible corporate citizenship	3. The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen.	<ul style="list-style-type: none"> • The social and ethics committee oversees the company's values, strategy and conduct that are congruent with it being a responsible corporate citizen. • The committee performs an oversight and monitoring role with regard to overall direction of the group's social responsibility. Specific management members are invited to attend the meetings to report back on performance in respect of the company's key focus areas which were, for the 2018 financial year, and which will continue to be monitored in the 2019 financial year: <ul style="list-style-type: none"> – Social and economic development The committee approved the group's B-BBEE strategy and targets for the group's South African operations which are reported on quarterly at the group's South African operations level and biannually to the committee. Key focus areas for the 2019 – 2020 financial years are, amongst others, talent acquisition, ringfencing succession/target promotions, talent development, and reviewing enterprise and supplier development. – Good corporate citizenship The company aligns itself to early childhood development and the HomeChoice Development Trust (HCDDT) is the primary driver which manages corporate social responsibility for the group. Since inception the HCDDT has donated just over R30 million to beneficiaries which assisted 21 025 children under the age of six to receive a quality start to education. More on the HCDDT is contained in the IAR. – Environment, health and public safety Water-saving, waste reduction and electricity usage initiatives are set and reviewed monthly by management. The key focus area for the 2018 financial year was to ensure that water usage had been reduced and the group's South African operations successfully reached its internal targets and continue to implement restrictions in this regard. Key focus areas for the 2019 financial year is to achieve a sustainable electricity and waste reduction plan which will be carried on for the foreseeable future. The group's South African operations are also in the process of obtaining its five-star green star South African rating in relation to its head office in Wynberg. The committee monitors the South African operations' distribution centres' developments against the goals and principles set out in the International Organization for Standardization (ISO). The group's Cape Town distribution centre has obtained ISO accreditation and its Johannesburg distribution centre is in the process of obtaining such accreditation.

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		<p>– Consumer relationships The group's South African operations' customer experience function actively engages with customers, stakeholders, monitor public relations activities, compliance with CPA and reports quarterly at South African operations level and biannually to the committee. This ensures that the committee is kept abreast of the quality of customer and stakeholder relationships.</p> <p>– Labour and employment The group's South African operations have obtained Training Provider Accreditation by the Skills Education Training Authority (SETA) and have launched its Siyafunda Learnership Programme (<i>we are learning</i>) for its contact centre staff. In 2018, 15 employees commenced their National Certificate in Contact Centre Support and the committee approved an increase in the programme to 100 learnerships which will be the key focus in 2019.</p> <p>The group's South African operations also recently launched its Siya Phambili (<i>moving forward</i>) initiative at its Johannesburg distribution centre which focuses on the development of employees by equipping them with the necessary skills to diversify their roles within the distribution centres.</p> <p>Learnership development policies previously approved are tracked quarterly at the group's South African operations level and biannually by the committee.</p> <p>Annual feedback on employee pulse surveys are discussed and remedial actions (if any) are approved.</p> <p>Human resources annually reviews employee benefits which are continuously circulated on the group's intranet site. In the 2018 financial year the group implemented various additional benefits associated with its wellness & ChoiceCare initiatives resulting in, amongst others, financial well-being assistance, drug awareness, reflection rooms and smart housing plans for employees.</p> <p>In dealing with its stakeholders the group is committed to meeting the principles set out in the United Nations Global Compact Principles.</p>
<p>Strategy and performance</p>	<p>4. The governing body should appreciate that the organisation's core purpose, its risk and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value-creation process.</p>	<ul style="list-style-type: none"> • The board acknowledges that it is ultimately responsible for the company's strategy, performance and sustainable development. Biannually management sets aside three-day strategy sessions, in which it considers its three-year strategy and tracks performance against previous years and assesses the risks and opportunities the company faces. This three-year strategic plan is deliberated, approved and monitored by the board. The implementation of the approved strategic plans is delegated to management through the group's delegation of authority.
<p>Reporting</p>	<p>5. The governing body 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.</p>	<ul style="list-style-type: none"> • The board is assisted by the audit and risk committee and its subsidiary operations to ensure that the necessary controls are in place to verify and consider factors and risks that could impact the integrity of the IAR and any other disclosures. • The committee reviews and recommends the annual financial statements and IAR together with ensuring that these are prepared using the appropriate reporting frameworks which is subsequently reviewed and approved by the board. One of the key focus areas for the committee in the 2018 financial year was to ensure the timeous implementation of <i>IFRS 9, Financial Instruments</i> and <i>IFRS 15, Revenue from Contracts with Customers</i>. • The board ensures that its annual and interim reports relevant to stakeholders are published on the company's website as well as through other media as it deems appropriate.

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Primary role and responsibilities of the governing body	6. The governing body should serve as the focal point and custodian of corporate governance in the organisation.	<ul style="list-style-type: none"> The board serves as the focal point and custodian of corporate governance in the group. The board operates within the ambit of the board charter which ensures: <ul style="list-style-type: none"> meetings are held quarterly, and the work plan is managed according to the board charter to ensure that all matters are covered during the course of the year; directors have unrestricted access to executive management and group information as well as the resources required to carry out their duties and responsibilities; directors have access to independent, external specialist advice at the group's expense pertaining to matters within the scope of their duties; and roles and responsibilities of the board are revised annually to align with King IV™. The group's governance framework and corporate governance practices are disclosed in the IAR and available on the group's website.
Composition of the governing body	7. The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.	<ul style="list-style-type: none"> The board comprises four independent non-executive directors, two non-executive directors, one alternate non-executive director and three executive directors. The composition of the board is reviewed on an annual basis to align with King IV™, taking into account the group's board race and gender diversity policies implemented in the 2018 financial year. As custodian of the group's governance framework, the board reviewed the board structure of both the South African and Mauritian operations. Recommendations were made to bolster the independence and appropriate skills and diversity that are relevant for both operations. The composition of the HSA board was refreshed in 2018 to ensure that it has the appropriate diversity, skills and expertise to manage and provide oversight for the South African operations and to be able to constructively challenge management to create value for all stakeholders. Two independent non-executive directors were appointed during 2018. The operations in Mauritius have been expanding and an additional independent non-executive director was appointed to the board in January 2019. In terms of the company's memorandum of incorporation, one third of non-executive directors must retire at every annual general meeting and are eligible for re-election. The nominations committee assists the board when considering appointments or re-election and give consideration to the board size, skills, knowledge and resource required, diversity and demographics. The current board comprises skills relating to accountancy, financial services, finance and legal – all of which are relative to the group's operations. The group's subsidiary operations are, similarly, appropriately formed. The board agreed that, given the size and nature of the group, the chairman of the board would continue to be a member of the audit and risk committee for 2018.
Committees of the governing body	8. The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement and assist with the balance of power and the effective discharge of its duties.	<ul style="list-style-type: none"> The roles and responsibilities of the committees are directed through the board, the board delegation of authority, JSE Listings Requirements and King IV™. The nominations committee reviews the composition of each committee annually, considering factors such as diversity, skill and operational requirements. External auditors and members of management attend committee meetings by invitation to report back on performance in respect of the company's key focus areas. The board and committees' charters were reviewed in 2018 to keep in line with JSE Listings Requirements and King IV™.

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Evaluations of the performance of the governing body	9. The governing body should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness.	<ul style="list-style-type: none"> • The nominations committee is responsible for evaluating the performance of the board, chairman, the committees and individual directors. • A formal performance process is followed at least every two years. The 2018 financial year performance review of the board and that of its committees was conducted internally by way of questionnaires. The results indicated that the operations of the board and its committees are satisfactory – strong. Areas for improvement were identified and action plans will be addressed during the course of 2019.
Appointment and delegation of management	10. The governing body should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities.	<ul style="list-style-type: none"> • A delegation of authority was approved by the board, taking into consideration the principles of King IV™, and applicable legal and regulatory requirements. The delegations of authority matrix detail the powers and matters reserved for itself and those to be delegated to management through the CEO. The board ensures that key management functions are led by a competent and appropriately authorised individual and are adequately resourced. • The board charter clearly defines the role of the chairman and the board in terms of roles and responsibilities, thereby ensuring role clarity. • The company secretary's expertise and competency are reviewed annually. The group is of the view that the company secretary, George Said, has been in private practice for over 15 years and is a senior partner in a legal practice and therefore competent to hold the position.
Risk governance	11. The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives.	<ul style="list-style-type: none"> • The audit and risk committee oversees the group's risk management processes. • The committee approves the internal audit plan on an annual basis and meets quarterly to review progress against the plan and to consider any changes to risks and the related mitigating responses. • Material issues are reviewed by the board and are disclosed in the IAR.
Technology and information governance	12. The governing body should govern technology and information in a way that supports the organisation in setting and achieving its strategic objectives.	<ul style="list-style-type: none"> • Information technology (IT) risk governance is overseen by the board through its audit and risk committee and significant IT investments and expenditure are reviewed and approved by the board. • An IT governance charter has been established and an information security sub-committee regularly reviews the technology initiatives to ensure that they support the group's strategy. This is then monitored by management and quarterly updates are provided at each committee meeting by the head of technology. • The information security sub-committee also reviews and enhances controls over the security and processing of data in the group, while any changes to the IT production environment are formally monitored by a change control committee. • Developments in technology are monitored closely by the head of technology through close relationships with service providers and attendance at regular conferences and trade shows. • The board has adopted an IT governance framework.

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Compliance governance	13. The governing body 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.	<ul style="list-style-type: none"> • The group's legal function regularly reports on updates on laws, rules, codes and standards relevant to the group's business operations. • Project teams are established to review new legislation and identify any compliance requirements. • Specialist external resources are engaged to monitor compliance with specific legislation. • The group maintains relationships with key stakeholders, such as industry bodies, regulators and external advisers. • The group's compliance governance framework will be approved in 2019.
Remuneration governance	14. The governing body 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.	<ul style="list-style-type: none"> • The remuneration committee approves and oversees the remuneration and implementation policies which is reported on in detail in the IAR. • The remuneration and implementation policies will be tabled for separate non-binding advisory votes by shareholders at the annual general meeting in May 2019. • The committee ensures that the directors' remuneration (non-executive and executive) are appropriate and that the necessary disclosures are made. • Further information is disclosed in the remuneration report in the IAR.
Assurance	15. The governing body 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.	<ul style="list-style-type: none"> • The group has an internal audit function to provide assurance on the adequacy and effectiveness of internal control and risk management practices, and to assist management by making recommendations for improvement. This function is independent and objective and reports to the audit and risk committee. • The scope, approach and charter of internal audit plans is approved and monitored by the committee. • The head of internal audit has direct and unencumbered access to the chairman of the committee. Management openly supports the work of internal audit and internal audit does not assume the responsibility for any operational line functions. • The services of a professional audit firm were engaged in the 2018 financial year to evaluate internal audit and the result thereof confirmed that its performance standards are acceptable with areas for improvement identified. • The committee's role includes providing: <ul style="list-style-type: none"> – an annual review of the effectiveness of the group's internal control environment, including its internal financial controls, IT controls as they pertain to financial reporting and the effectiveness of its risk management process for the period under review; – an annual review of the assurance on the adequacy and effectiveness of the group's systems of internal financial and operational control and compliance with laws and regulations; – nominates the external auditors for appointment, monitoring and reporting on their independence, approved the terms of engagement and scope of the audit, and fees paid; – ensures that the annual financial statements are independently assured by PWC; – considers the appropriateness of the expertise and experience of the finance director and the group's finance function; and – reviews the King IV™ assessment and gap analysis and approved the implementation plan of significant issues.

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Stakeholders	<p>16. 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.</p>	<ul style="list-style-type: none"> • As stakeholder engagement forms an integral part of a systematic approach to risk, responsibility and reputation management, the board is guided by a stakeholder engagement policy which is considered on a biannual basis. The policy seeks to balance the needs, interests and expectations of material stakeholders in the best interest of the company over time. Stakeholders which have been identified are: <ul style="list-style-type: none"> – customers; – employees; – shareholders; – suppliers; – regulatory bodies; and – the community. • The social and ethics committee monitors the relations with the identified stakeholders which include: <ul style="list-style-type: none"> – biannual reports detailing feedback from customers obtained through customer surveys and the contact centre; – annual reports detailing feedback from internal surveys, management meetings and the annual pulse survey; – feedback from shareholders at the annual general meeting and through responses to media releases, interim and annual reports, results presentations and ad hoc investor presentations; and – feedback from beneficiaries of the HCDT obtained through regular visits and reports from trustee meetings. • The board ensures that information provided to its stakeholders is complete, timely, relevant, accurate and accessible via its group’s website.

ADMINISTRATION

Country of incorporation
Republic of Malta

Date of incorporation
22 July 2014

Company registration number
C66099

Company secretary
George Said
gsaid@maltatransportlaw.com

Registered office
93 Mill Street
Qormi
QRM3012
Republic of Malta

Auditors
PricewaterhouseCoopers
Republic of Malta

Corporate bank
Deutsche Bank International Limited
Channel Islands

JSE listing details
Share code: HIL
ISIN: MT0000850108

Sponsor
Rand Merchant Bank, a division of FirstRand Bank Limited

Transfer secretaries
Computershare Investor Services Proprietary Limited

SHAREHOLDERS' **DIARY**

Financial year-end
31 December

Annual general meeting
11 April 2018

Distributions to shareholders
April and September

Reports and profit statements
Publication of integrated annual report: March
Interim report: August

