

# Holdsport Limited – Register of Compliance with King III

## Apply or explain principle of King III

The board of directors (the board) of Holdsport Limited (Holdsport or the group) supports the Code of Corporate Practices and Conduct as recommended by the King III Report on Corporate Governance for South Africa 2009 (King III). In this report the application of King III within the group as required by the JSE Listing Requirements is explained, as well as the reasons for not applying certain recommended principles. The board endorses the fundamental principles of good financial, social, ethical and environmental practices as set out in King III.

An analysis of the application of the 75 corporate governance principles as recommended in King III is set out below. The board continues to consider the recommendations of King III with reference to the group's size and stages of development. Recommendations of King III that were not applied are listed below.

No.	King III principle	Status
	<b><u>Chapter 1 : Ethical leadership and corporate citizenship</u></b>	
1.1	The board should provide effective leadership based on an ethical foundation	Applied
1.2	The board should ensure that the company is and is seen to be a responsible corporate citizen	Applied
1.3	The board should ensure that the company's ethics are managed effectively	Applied
	<b><u>Chapter 2 : board and directors</u></b>	
2.1	The board should act as the focal point for and custodian of corporate governance	Applied
2.2	The board should appreciate that strategy, risk, performance and sustainability are inseparable	Applied
2.3	The board should provide effective leadership based on an ethical foundation	Applied
2.4	The board should ensure that the company is and is seen to be a responsible corporate citizen	Applied
2.5	The board should ensure that the company's ethics are managed effectively	Applied
2.6	The board should ensure that the company has an effective and independent audit committee	Applied
2.7	The board should be responsible for the governance of risk	Applied
2.8	The board should be responsible for information technology (IT) governance	Applied
2.9	The board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards	Applied
2.10	The board should ensure that there is an effective risk-based internal audit	Note 4
2.11	The board should appreciate that stakeholders' perceptions affect the company's reputation	Applied
2.12	The board should ensure the integrity of the company's integrated report	Applied
2.13	The board should report on the effectiveness of the company's system of internal controls	Applied
2.14	The board and its directors should act in the best interests of the company	Applied
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	Applied
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.	Applied
2.17	The board should appoint the chief executive officer and establish a framework for the delegation of authority	Applied
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	Applied
2.19	Directors should be appointed through a formal process	Applied
2.20	The induction of and ongoing training and development of directors should be conducted through formal processes	Applied
2.21	The board should be assisted by a competent, suitably qualified and experienced company secretary	Applied
2.22	The evaluation of the board, its committees and the individual directors should be performed every year	Applied

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No.	King III principle	Status
2.23	The board should delegate certain functions to well-structured committees but without abdicating its own responsibilities	Applied
2.24	A governance framework should be agreed between the group and its subsidiary boards	Applied
2.25	Companies should remunerate directors and executives fairly and responsibly	Applied
2.26	Companies should disclose the remuneration of each individual director and certain senior executives	Note 1
2.27	Shareholders should approve the company's remuneration policy	Applied
	<b><u>Chapter 3: Audit Committee</u></b>	
3.1	The board should ensure that the company has an effective and independent audit committee	Applied
3.2	Audit committee members should be suitably skilled and experienced independent non-executive directors	Note 2
3.3	The audit committee should be chaired by an independent non-executive director	Applied
3.4	The audit committee should oversee integrated reporting	Applied
3.5	The audit committee should ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities	Applied
3.6	The audit committee should satisfy itself of the expertise, resources and experience of the company's finance function	Applied
3.7	The audit committee should be responsible for overseeing of internal audit	Applied
3.8	The audit committee should be an integral component of the risk management process	Applied
3.9	The audit committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process	Applied
3.10	The audit committee should report to the board and shareholders on how it has discharged its duties	Applied
	<b><u>Chapter 4: The governance of risk</u></b>	
4.1	The board should be responsible for the governance of risk.	Applied
4.2	The board should determine the levels of risk tolerance	Applied
4.3	The risk committee or audit committee should assist the board in carrying out its risk responsibilities	Applied
4.4	The board should delegate to management the responsibility to design, implement and monitor the risk management plan	Applied
4.5	The board should ensure that risk assessments are performed on a continual basis	Applied
4.6	The board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks	Applied
4.7	The board should ensure that management considers and implements appropriate risk responses	Applied
4.8	The board should ensure continual risk monitoring by management	Applied
4.9	The board should receive assurance regarding the effectiveness of the risk management process	Applied
4.10	The board should ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders	Applied
	<b><u>Chapter 5: The governance of information technology (IT)</u></b>	
5.1	The board should be responsible for information technology (IT) governance	Applied
5.2	IT should be aligned with the performance and sustainability objectives of the company	Applied
5.3	The board should delegate to management the responsibility for the implementation of an IT governance framework	Applied
5.4	The board should monitor and evaluate significant IT investments and expenditure	Applied
5.5	IT should form an integral part of the company's risk management	Applied

No.	King III principle	Status
5.6	The board should ensure that information assets are managed effectively	Applied
5.7	A risk committee and audit committee should assist the board in carrying out its IT responsibilities	Applied
	<b><u>Chapter 6: Compliance with laws, codes, rules and standards</u></b>	
6.1	The board should ensure that the company complies with applicable laws and considers adherence to nonbinding rules codes and standards	Applied
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	Applied
6.3	Compliance risk should form an integral part of the company's risk management process	Applied
6.4	The board should delegate to management the implementation of an effective compliance framework and processes	Note 3
	<b><u>Chapter 7: Internal Audit</u></b>	
7.1	The board should ensure that there is an effective risk based internal audit	Note 4
7.2	Internal audit should follow a risk based approach to its plan	Note 4
7.3	Internal audit should provide a written assessment of the effectiveness of the company's system of internal controls and risk management	Note 4
7.4	The audit committee should be responsible for overseeing internal audit	Note 4
7.5	Internal audit should be strategically positioned to achieve its objectives	Note 4
	<b><u>Chapter 8: Governing stakeholder relationships</u></b>	
8.1	The board should appreciate that stakeholders' perceptions affect a company's reputation	Applied
8.2	The board should delegate to management to proactively deal with stakeholder relationships	Applied
8.3	The board should strive to achieve the appropriate balance between its various stakeholder groupings, in the best interests of the company	Applied
8.4	Companies should ensure the equitable treatment of shareholders	Applied
8.5	Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence	Applied
8.6	The board should ensure that disputes are resolved as effectively, efficiently and expeditiously as possible	Applied
	<b><u>Chapter 9: Integrated reporting and disclosure</u></b>	
9.1	The board should ensure the integrity of the company's integrated report	Applied
9.2	Sustainability reporting and disclosure should be integrated with the company's financial reporting	Applied
9.3	Sustainability reporting and disclosure should be independently assured	Note 5

**Notes:**

1. King III recommends that the remuneration of the three highest paid executives, excluding executive directors, be disclosed. This information is not disclosed separately, due to the value of these individuals to the group and the highly competitive South African retail environment, but has been disclosed in aggregate on page 51 of the Integrated Report.
2. The chairman of the board remained a member of the audit and risk committee for the period under review.
3. The board as a whole with the assistance of its sub-committees considers and oversees compliance. There is no independent compliance position within the Company at present.
4. The group does not have an independent internal audit function as the size of the group does not justify the cost of developing and maintaining an internal audit function at this stage. The audit and risk committee together with the group's finance department and external auditors fulfils this function. The board remains ultimately responsible to oversee internal financial processes.
5. There was no external assurance on the integrated report. The board will consider the benefits of obtaining external assurance on the integrated report relative to the cost implications thereof.