

KING IV APPLICATION 2019



HOMECHOICE INTERNATIONAL PLC



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 2019 Integrated Annual Report (the "IAR"), 2019 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. In line with the company's policy, board and committee assessments are conducted biennially. During the year the board and its committees conducted an internal evaluation process. The results indicated that the performance of the board and committees were considered as being satisfactory to strong. Certain areas were highlighted for improvement for which an action plan around these concerns were put together. 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 No. 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 meeting. • 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 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 all of which can be found in the Social and Ethics Committee Report on pages 108 and 109 of the IAR.
Strategy and performance	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.	<ul style="list-style-type: none"> • The board acknowledges that it is ultimately responsible for the company’s strategy, performance and sustainable development. <p>In F2019 the Retail and Financial Services divisions each held three strategy breakaway sessions wherein targets, forecasting and strategy were rigorously discussed. These strategies were then presented by senior management to the board and, after much deliberation, approved by them. The implementation of the approved strategic plans is delegated to management through the group’s delegation of authority.</p>

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Reporting	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.	<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 integrated report and any other disclosures. • The committee reviews and recommends the interim and annual financial statements and IAR together with ensuring that these are prepared using the appropriate reporting frameworks which are subsequently reviewed and approved by the board. One of the key focus areas for the committee in the 2019 financial year was to ensure the timeous implementation of the <i>IFRS 16, Leases</i> standard. In doing so, the committee assessed the assumptions specifically relating to renewal periods, discount rate and impaired indicators and were found to be within reasonable range. • 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.
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 are 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"> • As at 31 December 2019 the board comprised five independent non-executive directors, one non-executive director and his alternate, and three executive directors. The composition of the board is reviewed on an annual basis to align with King IV™. To bolster its independence the board noted the retirement of non-executive director, Rick Garratt, and replaced him with an independent non-executive director, Pierre Joubert. The board is aware of its non-achievement in meeting its targets set out in the board race and gender policies and maintains its view that the company benefits from the depth of understanding of the business that a stable board, that includes long-serving non-executive directors, brings. The policies will, however, be given affect during the review of the board as a result of the redomiciliation process of HIL to Mauritius. • As custodian of the group governance framework, the board reviewed the board structure of both the South African and Mauritius operations to bolster the appropriate diversity, skills and expertise to manage and provide oversight for the operations. • 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 gives 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.

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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 2019 to keep in line with JSE Listings Requirements and King IV™.
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 HSA board and committee appraisals took place in March. The results indicated that the performance of the board and committees were considered as being satisfactory to strong.
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 statutory 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.

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Technology and information governance	12. The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives.	<ul style="list-style-type: none"> • In 2019 the board approved the information technology (IT) governance framework. • 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 executive technology 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. • An information security sub-committee 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.
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. Specialist external resources are engaged to monitor compliance with specific legislation. • Project teams are established to review new legislation and identify any compliance requirements. Currently the implementation of DebiCheck, POPI and DPA are under way. • 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 2020.
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 are 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 June 2020. • 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.

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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 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 procedures; – nominations of the external auditors for appointment, monitoring and reporting on their independence, approving the terms of engagement and scope of the audit, and fees paid; – ensuring that the annual financial statements are independently assured by PWC; – consideration of the appropriateness of the expertise and experience of the finance director and group's finance function; and – reviews of the King IV™ assessment and gap analysis and approving the implementation plan of significant issues.

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Stakeholders	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.	<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
governance@homechoiceinternational.com

Registered office
93 Mill Street
Qormi
QRM3012
Republic of Malta

Auditors
PricewaterhouseCoopers
Republic of Malta

Corporate bank
Butterfield Bank (Jersey) Limited

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
June 2020

Distributions to shareholders
April and September

Reports and profit statements
Publication of annual report: April
Interim report: August

