



## KING IV™ APPLICATION REPORT, 2019

Octodec Investments Limited (“Octodec” or “the company” or “the group”) board of directors (“the board”) endorses the King IV™ Report on Corporate Governance for South Africa, 2016 (“King IV™”), which plays a key role in benchmarking our corporate governance framework and policies.

The JSE Listings Requirements stipulate that certain principles of King IV™ are mandatory, whilst the balance should be adopted on an “apply and explain” basis. The table below addresses all the principles of King IV™. We have expanded these outcomes to better fit the company’s scope of disclosure. The board has opted to apply all 16 of the applicable King IV™ principles and the application status of each of these principles, grouped under the desired key governance outcomes of ethical culture, good performance, effective control and legitimacy, is noted in the table which further discloses where information regarding the application of the King IV™ principles may be obtained.

OUTCOMES AND PRINCIPLES	DISCLOSURE REQUIREMENT: KING IV™	EXPLANATION OF APPLICATION OF PRINCIPLES	KEY GOVERNANCE POLICIES AND PROCEDURES
<i>Outcome: Achieving an ethical culture</i>			
<p><b>Principle 1:</b> The board should <b>lead ethically and effectively</b></p>	<p>The board should disclose the arrangements by which the members are being held to account for ethical and effective leadership.</p> <p><i>The 2019 integrated report, page 85 confirms the commitment of Octodec’s board to lead an ethical culture.</i></p>	<p>The board sets the tone of an ethical culture. The board charter and code of ethics commits the board to effective and ethical leadership. The board is devoted to applying and enforcing applicable corporate governance principles. The directors recognise that sound corporate governance practices enhance both shareholder value and the long-term sustainability of the business, and it continues to develop and review its governance policies, practices and procedures.</p> <p>The chairman of the board monitors the behaviour of board members who are expected to display the characteristics of integrity, competence, responsibility, accountability, fairness and transparency. The performance of the directors is formally assessed biennially. As at 31 August 2018,</p>	<ul style="list-style-type: none"> <li>– Board charter</li> <li>– Revised code of ethics</li> <li>– Declaration of financial, economic and other conflicts of interest</li> <li>– Biennial assessments of individual directors, the board and board committees</li> </ul>

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		<p>their performance was assessed as being adequate. The next assessment will be undertaken at 31 August 2020.</p> <p>The induction of new directors and ongoing board development ensures that directors are equipped and have the necessary knowledge and competence to fulfil their duties.</p>	
<p><b>Principle 2:</b> The board should govern the ethics of the organisation in a way that supports the <b>establishment of an ethical culture</b></p>	<p>The board should with regard to ethics management ensure disclosure on: Overview of the arrangements for governing and managing ethics key focus areas during the reporting period, measures taken to monitor organisational ethics, how the outcomes were addressed and planned areas of future focus.</p> <p><i>For the 2019 focus areas, key decisions and actions taken by the SERT committee and 2020 focus areas, refer to pages 80 to 83 of the 2019 integrated report.</i></p>	<p>The board is supported by the Social, Ethics, Remuneration and Transformation committee (“SERT”) which, as part of its scope, is tasked with ensuring that the group’s ethics are managed effectively. In addition to monitoring adherence to the code of ethics, the SERT committee is responsible for oversight of organisational ethics. Relevant sanctions and remedies are consistently applied when ethical standards are breached.</p> <p>Octodec’s revised code of ethics, which was rolled out during 2019, is binding on all directors, employees, managers, independent contractors, agents, service providers and business partners. It forms the ethical foundation of our group and informs how we conduct ourselves and interact with all stakeholders.</p> <p>Ethics is monitored through various means, including an independent ethics and fraud hotline, the details of which are available on <a href="http://www.octodec.co.za">www.octodec.co.za</a>. Employees are encouraged to report any approach made to them or of which they are aware, by any person or entity, seeking favour or preference in terms of business dealings with the group. The independent ethics and fraud hotline is</p>	<p>The established foundation of ethics is supported through various mechanisms:</p> <ul style="list-style-type: none"> <li>– Board charter</li> <li>– SERT committee’s terms of reference</li> <li>– Revised code of ethics</li> <li>– Newly launched <i>Be Heard</i> whistle-blowing reporting facility</li> <li>– Newly updated whistle-blowers’ policy</li> <li>– Trading in shares and price sensitive information policy</li> <li>– Disciplinary code and procedures</li> </ul>

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		<p>supported by strong investigative capabilities and rigorous disciplinary processes and sanctions and is monitored to the satisfaction of the relevant board committee.</p> <p>Following an ethical leadership presentation to the Board in 2019, the building of ethical leadership would commence with an ethical barometer survey being rolled-out and followed up with group awareness training.</p> <p>Our board has established procedures to enable the directors, prescribed officers and employees to notify the company of any actual or potential conflict situation and to declare any significant interest in the company or its contracts. The company regularly obtains details from directors on external shareholdings and directorships that may create conflicts of interest while serving as directors on our board. The declarations are closely scrutinised by the group company secretary and are tabled at each board meeting. Where a conflict arises, directors must recuse themselves from discussions. As far as possible, the company requires that directors avoid potential conflicts of interest.</p> <p>In addition to the relevant legislation and regulations, Octodec has a policy regulating dealings in its shares by directors and relevant employees. No director or employee may deal, directly or indirectly, in the company's shares based on unpublished, price-sensitive information and in closed periods. These include the periods between our interim and financial year ends and the dates on</p>	

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		which those results are published, and any time when Octodec is trading under a cautionary announcement. Employees who are classified as insiders are also prohibited from trading during Octodec's closed periods.	
<p><b>Principle 3:</b> The board should ensure that Octodec is and is seen as a responsible <b>corporate citizen</b></p>	<p>The board should with regards to corporate citizenship ensure disclosure on:</p> <ul style="list-style-type: none"> <li>– overview of the arrangements for governing and managing responsible corporate citizenship;</li> <li>– key focus areas during the reporting period;</li> <li>– measures taken to monitor corporate citizenship and how the outcomes were addressed; and</li> <li>– planned areas of future focus.</li> </ul> <p><i>For more information on how the group addressed its responsibilities as a responsible corporate citizen, refer to pages 13 to 15 and 80 to 83 of the 2019 integrated report.</i></p>	<p>The concept of responsible corporate citizenship is integrated into our strategy and its principles underpin all key aspects of our business. Given the broad scope of our social strategy and initiatives, oversight vests with the SERT committee, to monitor the impact of its activities against targets and limits set by the board.</p>	<ul style="list-style-type: none"> <li>– Board charter</li> <li>– SERT committee's terms of reference</li> <li>– Corporate citizenship policy</li> <li>– SODA (delegation of authority framework)</li> </ul>

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<i>Outcome: value creation</i>			
<p><b>Principle 4:</b> The board should appreciate that Octodec’s core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the <b>value creation process</b></p>	<p>In respect of disclosure on strategy and performance, refer to <i>Principle 5</i> below.</p>	<p>The board is responsible for Octodec’s performance by steering and providing strategic direction and overseeing the annual adoption of its strategy, originated by management, against agreed performance measures and targets, linked to the group’s strategy. Management is expected to continually assess and respond, in a responsible manner, to the consequences of the group’s activities and outputs in all areas of the business. The board has a particular focus on the general viability of the business and its status as a going concern. For this reason, the solvency and liquidity of Octodec is monitored on a continuous basis.</p>	
<p><b>Principle 5:</b> The board should ensure that <b>reports</b> issued by Octodec enable stakeholders to make informed assessments of Octodec’s performance, and its short, medium and long-term prospects</p>	<p>The organisation should issue a report annually that presents material information in an integrated manner and that provides its users with a holistic, clear, concise and understandable presentation of the organisation’s performance in terms of sustainable value creation in the economic, social and environmental context within which it operates.</p> <p><i>Further information on executive and City Property Administration (Pty) Ltd.’s (“CPA”) performance against the strategy is reported in the remuneration and</i></p>	<p>The board is committed to clear, transparent, balanced and truthful communication to stakeholders. In line with the JSE Listings Requirements and the Companies Act No. 71 of 2008 (“Companies Act”), Octodec reports to stakeholders on both its financial and non-financial performance twice a year, at interim and year-end and releases these reports to stakeholders timeously.</p> <p>In developing our integrated reporting, we are guided by the International &lt;IR&gt; Framework of the Integrated Reporting Committee of SA. In the 2019 integrated report, we strive to report on improved linkages and interdependencies between the factors that enable Octodec to create value.</p> <p>To assist the board in ensuring the integrity of the integrated report, which presents material information in an integrated manner and provides</p>	<ul style="list-style-type: none"> <li>– SERT committee’s terms of reference</li> <li>– Audit committee’s terms of reference</li> <li>– Combined assurance plan</li> <li>– Shareholder roadshows</li> <li>– Integrated Report</li> <li>– SENS announcements</li> </ul>

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	<i>implementation report on pages 84 to 91 of the 2019 integrated report.</i>	stakeholders and users with a holistic view of the group's social and environmental contributions and its performance in a clear, concise and understandable manner. The audit committee oversees the audit and integrated reporting process, determines that it complies with legal requirements and meets the legitimate and reasonable information needs of material stakeholders to prior to making a recommendation to the board for approval.	
<b>Outcome: effective control</b>			
<p><b>Principle 6:</b> The board should serve as the <b>focal point and custodian of corporate governance</b> in Octodec</p>	<p>The following should be disclosed in relation to the primary role and responsibilities of the board: Number of meetings held during reporting period and attendance at those meetings and whether the board is satisfied that it has fulfilled its responsibilities in accordance with its charter for the reporting period.</p> <p><i>The 2019 integrated report, pages 70 to 71, references to the board's role as custodian of corporate governance.</i></p> <p><i>For the governance structure, 2019 board and board committee attendance, focus areas, key decisions and actions taken by the board,</i></p>	<p>The board, as custodian of corporate governance, is ultimately accountable for the performance and the reputation of the group and ensuring that it continues to operate responsibly, ethically and sustainably. Our governance structure and processes enable oversight and ensure that the group is on the right journey to deliver our vision. The amended group framework adopted during 2019, articulates how decisions are made not only in compliance with legal and regulatory requirements and but also drives streamlined outcomes-based decision-making.</p> <p>The role and functions of the board are set out in the board charter while our MOI addresses the special powers of the company and that of the board. An annual work plan is developed from the board charter which sets the framework for board meetings. Board charter and board committee terms of reference have been reviewed and are aligned with King IV™. Reports from board committee chairmen and certain administrative items are considered at each board meeting. Our board meets</p>	<ul style="list-style-type: none"> <li>– Memorandum of incorporation</li> <li>– Governance framework</li> <li>– Board charter</li> <li>– Board committees' terms of reference</li> <li>– Board protocol on access to independent, professional advice</li> </ul>

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	<p><i>and 2020 focus areas, refer to pages 72 to 78 of the 2019 integrated report. For more information, the audit and SERT committees' performance, please refer to pages 80 to 83 and 94 to 96 of the 2019 integrated report.</i></p>	<p>quarterly and on an ad hoc basis, if required. Several governance policies provide context for execution in terms of the delegation of authority.</p> <p>All directors are entitled to seek independent professional advice on the affairs of Octodec at the group's expense, if they believe that course of action would be in the best interests of the group.</p> <p>The board is satisfied that it has fulfilled its responsibilities in accordance with its charter for the reporting period.</p>	
<p><b>Principle 7:</b> The board should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its <b>governance role and responsibilities</b> objectively and effectively</p>	<p>The board should ensure disclosure on the following: whether the board is satisfied that its composition reflects the appropriate mix referred to previously, targets set for gender and race representation and progress against these targets, categorisation of each member of the board as executive or non-executive, categorisation of non-executive members of the board as independent or not, and when a non-executive member has been serving for longer than 9 years, a summary of the views of the board on the independence of the member, the qualifications and experience of members,</p>	<p>Octodec has a unitary board structure, comprising two executive directors and six non-executive directors (the majority of whom are independent non-executive directors as defined by King IV™). The board composition also introduces the required element of diversity and experience. The separate roles of the chairman and chief executive, as set out in the board charter, ensure a balance of power and authority and preclude any one director from exercising unfettered powers of decision-making. The chairman is responsible for leading the board and for its effectiveness. Octodec's chairman, Sharon Wapnick, is not independent and as such Derek Cohen acts in the role of lead independent director.</p> <p>We believe that board rotation is imperative and is being done in a systematic and gradual manner, to maintain a balance of new insight, depth of experience, continuity and diversity of the board. The nominations committee evaluates the categories of directors, their independence and</p>	<ul style="list-style-type: none"> <li>– Board charter</li> <li>– Nominations committee's terms of reference</li> <li>– Lead independent director charter</li> <li>– Policy on the promotion of race and gender diversity at board level</li> <li>– Board induction manual</li> <li>– 2019 board skills matrix and board development programme</li> </ul>

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	<p>the length of service and age of members of the board, other board and professional positions held by each member and reasons for removal, resignation or retirement of members of the board.</p> <p>The board should disclose on the independence of the chair and whether or not a lead independent director has been appointed and the role and responsibilities assigned to the position.</p> <p><i>The 2019 integrated report, details on pages 70 to 75, the information on the chairman and lead independent director, composition of the board and its committees, the categorisation of directors' their independence, inclusiveness, experience, tenure, age and diversity of expertise.</i></p>	<p>board composition annually. It plays an active role in evaluating the skills and expertise required in identifying and making decisions regarding new candidates for appointment to the board, which continues to form part of an ongoing exercise.</p> <p>A formal induction process is in place for newly appointed directors to ensure that directors develop a full understanding of their areas of responsibility and the complex businesses and operations that make up the group.</p> <p>Directors are encouraged to take charge of their individual developmental needs to execute their responsibilities effectively. In response to comments received from the 2018 board evaluation, specialist training will be available to directors to supplement their knowledge and improve the effectiveness of the board. Further development is supported by additional training as part of a customised board development programme, approved annually by the nominations committee.</p>	
<p><b>Principle 8:</b> The board should ensure that its arrangements for <b>delegation</b> within its own structures promote independent judgement,</p>	<p>The board should ensure disclosure of the following as regards each of its committees:</p> <ul style="list-style-type: none"> <li>– the role and functions</li> </ul>	<p>The board has a coherent and comprehensive board committee structure with clear and specific terms of reference for each committee under which specific functions of the board are delegated with defined purposes, membership requirements, duties and reporting procedures, to enable it to</p>	<ul style="list-style-type: none"> <li>– Board charter</li> <li>– Board committees' terms of reference</li> <li>– SODA (delegation of authority framework)</li> </ul>



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<p>and assist with balance of power and the effective discharge of its duties</p>	<ul style="list-style-type: none"> <li>- composition, including each member's qualifications and experience any external advisers who regularly attend or are invited to attend committee meetings key areas of focus number of meetings and attendance</li> <li>- whether the committee is satisfied that it has fulfilled its responsibilities for the reporting period in accordance with the terms of reference.</li> </ul> <p>In addition to the general disclosure required in respect of each committee of the board in terms of King IV™ and statutory disclosure, the audit committee should ensure disclosure on the following:</p> <ul style="list-style-type: none"> <li>- whether the audit committee is satisfied that the auditor is independent of the organisation which disclosure should be done with reference to: <ul style="list-style-type: none"> <li>▪ the nature and extent of non-audit services rendered</li> </ul> </li> </ul>	<p>properly discharge its duties and make effective decisions. All our board committees are chaired by independent non-executive directors who report to the board at each board meeting and attend our annual general meetings to respond to any shareholder queries.</p> <p>The board committee structures and the relevant terms of reference are reviewed annually to ensure effective decision making, discharge of duties and independent judgement, taking into consideration the changing environment within which the group and the board is operating.</p> <p>The composition of the board committees and the allocation of roles across committees are regularly considered and reviewed by the nominations committee, to ensure effective collaboration, efficient use of board resources and a balanced distribution of power across the committees.</p> <p>The current Octodec board committees are:</p> <ul style="list-style-type: none"> <li>- Audit;</li> <li>- Nominations;</li> <li>- Risk;</li> <li>- Social, ethics, remuneration and transformation; and</li> <li>- Independent sub-committee.</li> </ul>	

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	<ul style="list-style-type: none"> <li>▪ audit firm tenure and, in the event of the audit firm having been involved in a merger or acquisition, including tenure of its predecessor, rotation of the designated audit partner, and significant changes in management during tenure of external audit firm.</li> <li>– significant matters that the audit committee has considered in relation to the AFS and how these were addressed by the committee</li> <li>– the audit committee’s view on the quality of the external audit, with reference to audit quality indicators such as those that may be included in inspection reports issued by external audit regulators, the audit committee’s view on the effectiveness of the chief audit executive and the arrangements for internal audit</li> <li>– its views on the effectiveness of the design</li> </ul>		

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	<p>and implementation of internal financial controls</p> <ul style="list-style-type: none"> <li>– the nature and extent of any significant weaknesses in the design, implementation or execution of internal financial controls that resulted in material financial loss, fraud, corruption or errors</li> <li>– audit committee’s views on the effectiveness of the CFO and the finance function</li> <li>– the arrangements in place for combined assurance and its views on the effectiveness thereof.</li> </ul> <p><i>The 2019 activities of each committee are reported on separately and can be found on pages 76 to 78 of the 2019 integrated report.</i></p>		
<p><b>Principle 9:</b> The board should ensure that the <b>evaluation</b> of its own performance and that of its committees, its chair and its individual members support continued improvement in</p>	<p>The board should ensure disclosure on:</p> <ul style="list-style-type: none"> <li>– A description of the performance evaluations undertaken during the reporting period, including the scope whether formal or informal and whether</li> </ul>	<p>We hold our directors accountable through formal external board evaluations at least every two years. Every alternate year, the board conducts an assessment of its own performance and of the appropriateness and effectiveness of its procedures and processes. The actions from these assessments are agreed, and implementation thereof is tracked. All matters that arose from the</p>	

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its performance and effectiveness	inhouse or facilitated externally, an overview of results and remedial actions taken, and its views on whether the evaluation process is effective in improving the performance and effectiveness of the board.	<p>2018 assessment were recorded, addressed and resolved during the year under review.</p> <p>The board further evaluates the independence of its independent directors, particularly in respect of the independent directors who have served on the board for an aggregate term exceeding nine years.</p> <p>The board, with the assistance of the nominations committee, also evaluates, on an annual basis, the performance of the managing director and financial director and the non-executive directors retiring by rotation.</p>	
<p><b>Principle 10:</b> The board should ensure that the appointment of, and <b>delegation</b> to, management contribute to role clarity and the effective exercise of authority and responsibilities</p>	<p>The board should ensure disclosure on:</p> <ul style="list-style-type: none"> <li>– In relation to the CEO: notice period in employment contract and contractual conditions related to termination, other professional commitments of the CEO, including membership of governing bodies outside the organisation, whether succession planning is in place for the CEO position.</li> <li>– In relation to delegation: statement on whether the board is satisfied that the delegation of authority framework contributes to role clarity and the effective exercise of</li> </ul>	<p>A board-approved delegation of authority framework is in place, which together with the duties and authorities that form part of the board charter, delineate the authority of the managing director who is responsible for the implementation and execution of the group's board-approved strategy, policies and business plans.</p> <p>As an executive director of Octodec, the managing director plays a key role in providing a link between management and the board and ensuring that board decisions are communicated to and implemented by management.</p> <p>The managing director, Jeffrey Wapnick, was re-appointed by the board in terms of its memorandum of incorporation from 1 July 2018 to 30 June 2023.</p> <p>The board is supported by a full-time, suitably qualified and experienced group company secretary. Elize Greeff was appointed effective 1</p>	<ul style="list-style-type: none"> <li>– Memorandum of incorporation</li> <li>– Board charter</li> <li>– SODA (delegation of authority framework)</li> </ul>

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	<p>authority and responsibilities.</p> <p>– In relation to the company secretary: arrangements in place for accessing professional corporate governance services and a statement on whether the board believes that those arrangements are effective.</p> <p><i>See our managing director's abbreviated CV on page 26 of the 2019 integrated report.</i></p> <p><i>The board's confirmation, following the nominations committee's assessment of the group company secretary, in terms of section 3.84(j) of the JSE Listings Requirements, is included on page 73 of the 2019 integrated report.</i></p>	<p>July 2018 and plays a pivotal role in the corporate governance processed. She provides guidance to directors on the execution of their duties and supports and coordinates the functioning of the board and board committee meetings. She reports to the board via the chairman, has unfettered access to the board, is not a board member, acts independently from management and maintains an arm's length relationship with the board and its members.</p> <p>Elize's performance in terms of her independence, competence, qualifications, experience and arm's length relationship with the board is assessed annually by the nominations committee.</p>	
<p><b>Principle 11:</b> The board should govern <b>risk</b> in a way that supports Octodec in setting and achieving its strategic objectives</p>	<p>The board should ensure disclosure of the nature and extent of the risks and opportunities the organisation is willing to take without compromising sensitive information.</p>	<p>The board has established an enterprise-wide risk management framework, which is a structured, holistic, integrated, forward-looking and process-orientated approach to managing all key business risks, within acceptable parameters and defined risk appetite tolerance levels, to maximise shareholder value for the group.</p>	<ul style="list-style-type: none"> <li>– Risk committee's terms of reference</li> <li>– Enterprise risk management policy and framework</li> <li>– Combined assurance and internal audit plan</li> </ul>

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	<p>The board should ensure disclosure on:</p> <ul style="list-style-type: none"> <li>– overview of arrangements for governing and managing risk;</li> <li>– key focus areas during the reporting period, including objectives, key risks as well as undue, unexpected or unusual risks and risks taken outside of risk tolerance levels;</li> <li>– actions taken to monitor the effectiveness of risk management and how the outcomes were addressed; and</li> <li>– planned areas of future focus.</li> </ul> <p>Further information on the governance of risk is reported on pages 20 to 25 of the 2019 integrated report.</p>	<p>As part of the asset and property management services, CPA undertakes the risk management function on Octodec's behalf, on a shared resource basis. CPA has established this risk management function in line with the recommendations of King IV™ and in accordance with the guidelines set out in the International Standard for Risk Management – ISO 31000: 2018. CPA identifies, assesses, mitigates and manages risks within the existing and ever-changing risk profile of our operating environment.</p> <p>The board, through the risk committee, is kept up to date regarding the embedding of an integrated assurance risk management monitoring framework and culture, aimed at providing adequate assurance to the board that material risks are monitored and mitigated to acceptable levels of tolerance, in a cost-effective and optimal manner.</p> <p>In terms of Octodec's combined assurance and internal audit plan, adopted in 2019, management comprises the first line of defence in the management of risk, the risk and compliance oversight functions are the second line of defence, and independent assurance (both internal and external) comprise the third. Each of these three "lines" play a distinct role within Octodec's wider risk governance framework.</p>	
<p><b>Principle 12:</b> The board should govern <b>technology and information</b> in a way that supports Octodec in</p>	<p>The board should with regards to technology and information ensure disclosure on:</p> <ul style="list-style-type: none"> <li>– overview of arrangements for governing and</li> </ul>	<p>The board assumes overall responsibility for technology and information governance. The audit committee assists the board in overseeing this function. CPA is responsible for the oversight, maintenance and protection of the group's</p>	<ul style="list-style-type: none"> <li>– Information and technology charter</li> <li>– Information communication</li> </ul>

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<p>setting and achieving its strategic objectives</p>	<p>managing technology and information</p> <ul style="list-style-type: none"> <li>– key focus areas during the reporting period,</li> <li>– including objectives, significant changes in policy, significant acquisitions and remedial action taken as a result of major incidents</li> <li>– actions taken to monitor the effectiveness of technology and information management and how the outcomes were addressed</li> <li>– planned areas of future focus</li> </ul> <p><i>Read more about information and technology governance on page 95 in the 2019 integrated report.</i></p>	<p>technology and information resources and that the technology solutions provided to Octodec are relevant, integrated with existing systems and user friendly so that they add value to the end user and supply accurate information that can be relied upon.</p> <p>Internal audit provides assurance to management, the audit committee and board on the effectiveness of IT governance, based on detailed controls to manage identified risks and reduce vulnerability.</p>	<p>technology strategy road map – CPA</p> <ul style="list-style-type: none"> <li>– Combined assurance and internal audit plan</li> </ul>
<p><b>Principle 13:</b> The board should govern <b>compliance</b> with applicable laws and adopted, non-binding rules, codes and standards in a way that supports Octodec being ethical and a good corporate citizen</p>	<p>The board should with regards to compliance ensure disclosure on:</p> <ul style="list-style-type: none"> <li>– overview of arrangements for governing and managing compliance</li> <li>– key focus areas during the reporting period</li> <li>– actions taken to monitor the effectiveness of</li> </ul>	<p>The board is ultimately accountable and continually provides guidance on and oversight of the governance of compliance with applicable laws and adopted non-binding rules, codes and standards.</p> <p>Octodec’s compliance management policy and framework together with the enterprise wide risk management policy and framework and regulatory universe, managed by the shared CPA/Octodec chief risk officer, ensures that the effectiveness of</p>	<ul style="list-style-type: none"> <li>– Risk committee’s terms of reference</li> <li>– Compliance management policy and framework</li> <li>– Regulatory universe</li> <li>– Code of ethics</li> </ul>

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	<p>compliance management and how the outcomes were addressed</p> <ul style="list-style-type: none"> <li>– planned areas of future focus.</li> </ul> <p>The board should also ensure disclosure on:</p> <ul style="list-style-type: none"> <li>– material or repeated regulatory penalties, sanctions or fines for contraventions of, or</li> <li>– non-compliance with, statutory obligations</li> <li>– whether imposed on the organisation or on members of the board or officers in relation to the organisation details of monitoring and compliance</li> <li>– inspections by environmental regulators</li> <li>– findings of non-compliance with environmental laws or criminal sanctions and prosecutions for such non-compliance.</li> </ul> <p><i>An overview of arrangements for governing and managing compliance appear on pages 20, 21 and 24 of the 2019 integrated report.</i></p>	<p>the key internal controls in place to mitigate our compliance risks are continually monitored and that risk management plans are in place to ensure compliance with new legislation or amendments to current legislation.</p> <p>As part of the asset and property management services, CPA undertakes the compliance management function on Octodec's behalf, on a shared resource basis and assists the board, risk committee and management in meeting legal, regulatory and supervisory obligations and to promote and sustain a sound compliance culture. This includes the integration of legal and regulatory compliance implications into material strategic, financial and operation decisions.</p> <p>A comprehensive legislative universe has been compiled by external service providers and all pieces of legislation have been ranked as being either core, pertinent or secondary.</p> <p>There were no material regulatory penalties, sanctions or fines for contraventions of, or non-compliance with, statutory obligations during the year under review.</p>	



OUTCOMES AND PRINCIPLES	DISCLOSURE REQUIREMENT: KING IV™	EXPLANATION OF APPLICATION OF PRINCIPLES	KEY GOVERNANCE POLICIES AND PROCEDURES
<p><b>Principle 14:</b> The board should ensure that Octodec remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term</p>	<p>The board should ensure that remuneration is reported on in three parts:</p> <ul style="list-style-type: none"> <li>(i) background statement;</li> <li>(ii) an overview of the organisation's policy on remuneration; and</li> <li>(iii) an implementation report in terms of the Companies Act, if applicable, which contains details of all remuneration and benefits paid and awarded to individual members of the board and prescribed officers during the reporting period.</li> </ul>	<p>The remuneration report detailing the remuneration policy and implementation thereof is set out on pages 84 to 91 of the 2019 integrated report.</p>	<ul style="list-style-type: none"> <li>– SERT committee's terms of reference</li> <li>– Total reward philosophy, strategy and policy</li> <li>– Directors' remuneration policy</li> </ul>
<p><b>Principle 15:</b> 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 Octodec's external reports</p>	<p>External reports should disclose information about the type of assurance process applied to each report, in addition to the independent external audit opinions provided in terms of legal requirements.</p> <p>The information should include:</p> <ul style="list-style-type: none"> <li>– a brief description of the nature, scope and extent of the assurance functions, services and processes underlying the preparation and presentation of the report; and</li> </ul>	<p>The board is accountable for combined assurance and sets the direction for the group assurance services and functions by means of the combined assurance and internal audit plan. The board delegates to the audit committee the responsibility for overseeing that our combined assurance activities are effective in achieving their objectives.</p> <p>Our combined assurance framework establishes integrated and consolidated assurance activities between the three lines of assurance across the group. It is designed and implemented to effectively cover significant risks and material matters through the various assurance service providers and functions. There is continued and ongoing focus on increased collaboration and sharing of information as well as reducing duplication of activities.</p> <p>Internal audit services are in terms of the management agreement, provided by CPA on</p>	<ul style="list-style-type: none"> <li>– Audit committee's terms of reference</li> <li>– Combined assurance and internal audit plan</li> </ul>

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	<ul style="list-style-type: none"> <li>– a statement by the board on the integrity of the report and the basis for this statement, with reference to the assurance applied.</li> </ul> <p><i>Refer to the audit committee’s disclosures on page 94 to 96 of the 2019 integrated report concerning:</i></p> <ul style="list-style-type: none"> <li>– application of combined assurance</li> <li>– internal audit arrangements and the internal control environment</li> <li>– assurance on the group’s financial statements</li> <li>– its statutory duties in terms of section 90 of the Companies Act.</li> </ul>	<p>Octodec’s behalf. The shared CPA/Octodec internal auditor will work in collaboration with an independent audit firm, yet to be appointed, in a co-sourced relationship.</p> <p>The board is satisfied that the assurance activities result in an adequate, effective control environment and the integrity of reports relied upon for decision-making.</p>	
<b>Outcome: Legitimacy</b>			
<p><b>Principle 16:</b> In the execution of its governance role and responsibilities, the board should adopt a <b>stakeholder-inclusive approach</b> that balances the needs, interests and expectations of material stakeholders in the best interests of Octodec</p>	<p>The board should with regards to stakeholder relationships ensure disclosure on:</p> <ul style="list-style-type: none"> <li>– overview of arrangements for governing and managing stakeholder relationships</li> <li>– key focus areas during the reporting period, actions taken to monitor the effectiveness of</li> </ul>	<p>The board is ultimately responsible for the monitoring and the quality of stakeholder relationships and the effectiveness of our stakeholder engagements. Along with the publication and dissemination of results biannually, the company regularly hosts visits, presentations, briefings and meetings with interested shareholders, institutions and other stakeholders. Feedback is a critical element of such an engagement process and is committed through management for discussion at board level.</p>	

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	<p>stakeholder management and how the outcomes were addressed, and planned areas of future focus</p> <ul style="list-style-type: none"> <li>– minutes of AGMs of listed companies should be publicly available.</li> <li>– a holding company should disclose an overview of the group governance framework that is implemented across the group.</li> </ul>	<p>For an overview of our stakeholder engagement practices, refer to page 16 to 18 of the 2019 integrated report.</p>	
<p><b>Principle 17:</b> The board of an institutional investor organisation should ensure that <b>responsible investment</b> is practised by Octodec to promote good governance and the creation of value by the companies in which it invests</p>	<p>The responsible investment code adopted by the institutional investor and the application of its principles and practices should be disclosed.</p>	<p>Octodec is not an institutional investor.</p>	

The group's 2019 integrated report can be accessed on <https://www.octodec.co.za/wp-content/uploads/2019/12/Integrated-Report-and-Annual-Financial-Statements-2019.pdf>