

KING IV APPLICATION REGISTER 2020

<i>Principle</i>	<i>Responsibility</i>	<i>Actions in Review Period</i>
Governance outcome: ethical culture		
<p>1. Ethical leadership</p> <p><i>The governing body should lead ethically and effectively.</i></p>	<p>The Board of Famous Brands is responsible for ensuring that the appropriate tone is set for the Group, which is one of integrity, fairness, transparency and accountability. The Board operates under a Charter that outlines the responsibility.</p>	<ul style="list-style-type: none"> • The Board Charter is reviewed annually, and was reviewed in the review period. • The Board reviewed its standing in relation to corporate governance failures across other industries. • The Board ensured that the Code of Ethics was implemented and monitored. The Code of Ethics outlines acceptable standards of conduct throughout the Group. • In assessing performance evaluations of the Board itself and members of the executive committee, compliance with the required standards is essential. • New members of the Board are required to subscribe to and accept responsibility for providing the highest standards of ethical leadership.
<p>2. Organisation values, ethics and culture</p> <p><i>The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.</i></p>	<p>The Board sets the direction of the Company's values, ethics and culture. Although the Board assumes responsibility for the governance of ethics, it has delegated the responsibility to the Audit and Risk Committee and the Social and Ethics Committee. The day to day implementation of the Code of Ethics is delegated to management. Management is required to ensure that it is implemented in all functions and sectors of the business on a day to day basis, which include, inter alia, recruitment, remuneration, supplier selection, franchisee appointments and engagement with all stakeholders. The Code of Ethics is reviewed annually. Stakeholders are made aware of the Code by making it available on the Company's website and by regular communication to employees.</p>	<ul style="list-style-type: none"> • The Audit and Risk Committee reviewed and approved the Code of Ethics. The Audit and Risk Committee also monitors reports received on the independent whistleblowing facility in order to ensure that appropriate action is taken. The Committee is assisted in this regard by the Internal Audit function. • The directive issued by CIPC in November 2018 relating to corruption was reviewed by both the Audit and Risk Committee and the Social and Ethics Committee. Management had commenced with the process of ensuring that the recommendations were implemented and monitored. • Ethics training was provided to Executive and senior management throughout the Group and a communication programme has been rolled out. An online conflict of interest portal was launched encouraging employees to declare their interests.
<p>3. Responsible corporate citizenship</p> <p><i>The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen.</i></p>	<p>The Board accepts that it is essential that the Company is and is seen to be, a responsible corporate citizen. Being a responsible corporate citizen entails that it is sensitive to the cultural and acceptable standards where it has its operations and places responsibility on its employees, franchisees and suppliers in ensuring that its operations are environmentally friendly. The Social & Ethics Committee is mandated to ensure that the Company complies amongst others with the 10 Principles of the United Nations Global Compact, the OHS Act, NEMA, BBBEE and EE legislation. The Board has a zero tolerance for non-compliance with legislation. The Board delegated to management the responsibility of ensuring compliance with the Company's own policies and procedures. Material breaches were reported to the Board.</p>	<ul style="list-style-type: none"> • The Audit and Risk Committee reviewed any breaches of legislation and recommended action. • The Social & Ethics Committee reviewed the Company's compliance with OHS, NEMA and relevant Labour legislation and its standing with regard to transformation, sustainability and ethics. • The Board ensured that its strategy is consistent with the requirement that the Company is a responsible corporate citizen. • The Board reviewed and approved the delegation of authority policy that is reviewed annually. • Areas of focus on minimising environmental impact were identified by the Social & Ethics Committee and are outlined in the Sustainability Report of the IAR

Principle Responsibility

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Governance outcome: performance and value creation

4. Strategy, implementation and performance

The governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process

The Board sets the direction, purpose and strategy of the Company and delegates to management the responsibility of formulating and implementing the strategy. The Board annually approves the overall strategy and operational strategic plans. The plans include key performance measures and targets approved by the Board and oversees the reporting on and implementation of the plans. The Board thus plays a key role in the oversight of strategy implementation. In assessing and approving the strategy, the Board takes into account risks and opportunities relating to the strategy and its implementation. The Board satisfied itself that the business model is appropriate for the strategy implementation and that sustainable development is an important factor in the strategy.

- The Board reviewed the progress on the strategy implementation and approved the strategy for the following five years in November 2019.
- At each Board meeting, management reported on progress with regard to its implementation of the approved strategy and whether targets that had been set were met.
- Enhanced focus has been given to the assessment and mitigation of risk, and its impact on strategy implementation, which is reported on in the IAR.

5. Reports and disclosure

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.

The Board sets the direction, approach and conduct for reporting to the Company's stakeholders and approves the framework and when necessary, the detail to be used. The Board ensures that the reporting frameworks are compliant with all regulatory requirements, which include the Companies Act, the JSE Listings Requirements which include the requirement to adhere to the provisions of King IV. The Board approves the Integrated Annual Report, the basis of materiality to be used within the report and satisfies itself as to the assurances required from external parties. The Board further ensures that regular and requisite disclosures are made to investors, shareholders, employees and customers informing them of the Company's performance and prospects.

- The Board has satisfied itself that all reporting has been done in compliance with the Companies Act and the JSE Listings requirements.
- The Company has engaged with stakeholders to discuss its reporting and how the reporting can be enhanced and improved.
- The Company has further benchmarked its IAR with reports prepared by other comparative companies, identified areas for improvement and has sought to implement these where possible.
- All requisite reports are included in the Integrated Annual Report.

Governance outcome: adequate and effective control – governing structures and delegation

6. Role of the governing body

The governing body should serve as the focal point and custodian of the corporate governance in the organisation.

The Board fulfils its responsibility as being the focal point and custodian of corporate governance in the Company and exercises this leadership role through ensuring that it performs its functions in terms of its Charter and the Charters of the Committees of the Board in line with the principles of King IV and the provisions of the Companies Act and its MOI. This role is further emphasized in its Delegations of Authority framework.

- The Board reviewed and is satisfied that it has fulfilled its obligations in terms of its Charter. The Board formally met five times in the period under review, being four quarterly Board meetings and one strategic planning meeting. Details of the meetings and attendance appear in the Governance Report of the IAR.
- The Audit & Risk Committee reviewed and updated the Delegations of Authority framework for the organization.
- The Board is satisfied that there is no one director or group of directors who have unfettered powers of decision making.

7. Composition of the governing body

The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance

The Board comprises a majority of independent non-executive directors. The Nominations Committee considers whether the size, knowledge, skill, diversity experience and independence of the Board are appropriate for the Company. The Committee is satisfied that the Board currently has the appropriate skills set. The CEO and CFO are executive directors. The Board encourages and supports diversity of gender, race, age, culture and fields of expertise. The rotation of Board members is outlined in the Company's Memorandum of Incorporation.

- An internal Board evaluation done on an anonymous basis, was conducted. The evaluation comprised a questionnaire, broken down into the following categories: Board Composition, Board Culture, Role and Responsibilities, Board Committees, Relationship between Board and executive management, Board meetings, Evaluation and fees, Leadership pool and Stakeholders.
- The Board and the Nominations Committee considered the results of the evaluation and have agreed steps to further

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<p><i>role and responsibilities objectively and effectively.</i></p>	<p>The process for the nomination and approval of new Board members is outlined in the Charter of the Nominations Committee. There is a formal induction process for new Board members. Conflicts of interest are required to be tabled in terms of the Companies Act and are updated at each Board meeting. The Chairman of the Board is independent. The Chairman is not Chairman of the Audit and Risk Committee, the Remuneration Committee nor the Social and Ethics Committee.</p>	<p>improve the functioning of the Board and the knowledge base of Board members.</p> <ul style="list-style-type: none"> • The Board has adopted a diversity policy as part of the Charter of the Nominations Committee, which encourages broad diversity in the Board, and its Committees. The Board's spread of skills, gender, race and experience are outlined in the Governance Report of the IAR. • The Nominations Committee assessed the independence of Board members and the directors who are required to rotate
<p>8. Committees of the governing body</p> <p><i>The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement, and assist with balance of power and the effective discharge of its duties.</i></p>	<p>The Company has established the statutory Audit and Risk and Social and Ethics Committees. It was considered appropriate that the assessment of risk would be the responsibility of the Audit Committee.</p> <p>The Board has also established a Remuneration Committee, a Nominations Committee and an Investment Committee. The Investment Committee is convened on an ad hoc basis when considered appropriate.</p>	<ul style="list-style-type: none"> • The Committees met on a regular basis, details of which are outlined in the IAR. Details of the membership of the Committees are also reflected in the Governance Report of the IAR. • The Charters were all reviewed. The reports of the appropriate Committees setting out how they have fulfilled their functions are included in the IAR.
<p>9. Performance evaluations</p> <p><i>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.</i></p>	<p>The Board acknowledges that it is important that a regular assessment be made of the performance and composition of itself and of its Committees through an evaluation exercise.</p>	<ul style="list-style-type: none"> • An evaluation was conducted by the Board which was on an online anonymous basis. Details of the process are reflected in Principle 7 above. • In addition the Audit & Risk Committee conducted an evaluation of the Finance Director and the finance function, the external Auditors and recommended various changes. • The Board also conducted an evaluation of the Company Secretary and was satisfied that she had the necessary skills and competence and had was sufficiently independent to fulfill her function effectively.
<p>10. Delegation to management</p> <p><i>The governing body should ensure that the appointment of, and delegation to, management contribute to role clarity and effective exercise of authority and responsibilities.</i></p>	<p>The Board delegated the responsibility to the CEO, assisted by his management team, to lead the implementation of strategy and operational management.</p> <p>The CEO is not a member of the Audit and Risk Committee, Remuneration or Nomination Committees, but attends meetings by invitation. The CEO is a member of the Social and Ethics Committee. Succession of the CEO and senior executives is considered by the Nomination Committee.</p> <p>A delegation of authority framework is delegated to the Audit and Risk Committee for annual review. The Board is satisfied that it contributes to clarity of responsibilities and assists in the effective exercise of authority and responsibilities. The Remuneration and Nominations Committees have been delegated the responsibility of ensuring that executive management functions are appropriately resourced and remunerated. The performance of the CEO and senior executives is annually evaluated by the Remuneration Committee.</p> <p>Board members are entitled to seek independent legal advice.</p>	<ul style="list-style-type: none"> • The Delegation of Authority framework was reviewed by the Audit and Risk Committee. • The Nominations Committee assessed succession of the CEO and senior executives. • The report of the Remuneration Committee which outlines the remuneration policy and the remuneration implementation report are outlined in the IAR. They are submitted to shareholders in terms of the Notice of the AGM in non-binding advisory resolutions.

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Governance outcome: adequate and effective control – governance functional areas		
<p>11. Risk and opportunity governance</p> <p><i>The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives.</i></p>	<p>The Board is responsible for the governance of risk. This responsibility has been delegated to the Audit and Risk Committee. The assessment of risk and the implementation of risk management is the responsibility of executive management.</p>	<ul style="list-style-type: none"> The Board has reviewed the assessment of risk management during the year. The refinement of risk management was identified previously as an area that required enhanced focus. The outcome of the enhanced focus on Risk is outlined in the Risk report in the IAR.
<p>12. Technology and information governance</p> <p><i>The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives.</i></p>	<p>The Board accepts that the role of technology is a key enabler for success and competitive advantage, and as such, gives rise to enhanced risk for the Company and its operations. The Board has acknowledged it holds responsibility for the governance of technology. The Board has delegated to management the implementation of effective technology and information practices and to monitor the rapid advances and improvements in technology. Management has established an Information Technology Steering Committee to manage this important function.</p>	<ul style="list-style-type: none"> The Board has sought from management assurance as to the effectiveness and reliability of the Company's technology and information arrangements. The Board has overseen the risks associated with technology as a key area of focus. There have been no major incidents during the review period.
<p>13. Compliance governance</p> <p><i>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.</i></p>	<p>The Board sets the requirement of compliance by all operations with relevant legislation, codes, regulations, standards and policies. There is a zero tolerance policy towards breaches of legislation where material breaches are reported to the Audit and Risk Committee. The Board delegated to management the responsibility of ensuring such compliance.</p>	<ul style="list-style-type: none"> Compliance is an ongoing responsibility for directors, employees, franchisees and suppliers. No material breaches have been brought to the attention of the Audit and Risk Committee during the review period. The Board seeks assurance on compliance from internal and external audit functions. Particular focus has been given to implementing the minimum guidelines outlined by the CIPC in November 2018.
<p>14. Remuneration governance</p> <p><i>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.</i></p>	<p>The Board through the Remuneration Committee sets the direction and approach for remuneration practices. The Remuneration Policy and Implementation Report are detailed on pages 140 to 147 in this report.</p>	<ul style="list-style-type: none"> During the period under review particular focus has been given to reviewing the remuneration practices and the LTI and STI plans. The views of major shareholders were sought, the outcome of which is outlined in the Remuneration Policy and Implementation Report. Shareholders will be requested to vote on the Policy and Implementation Report at the AGM.
<p>15. Assurance</p> <p><i>The governing body should ensure that assurance</i></p>	<p>The Board has delegated the responsibility for the oversight of direct assurance services and functions to the Audit and Risk Committee. The Audit and Risk Committee has assumed the responsibility in order to ensure the existence of an effective internal control environment and thus</p>	<ul style="list-style-type: none"> The Audit and Risk Committee has addressed the assurance issues in compliance with its Charter and responsibility to the Board. The Internal Audit function was enhanced through additional appointments. The Internal Audit Charter was

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<p><i>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.</i></p>	<p>reliability can be given to the integrity of information for decision-making. The Committee is responsible for ensuring that an applied assurance model is implemented that covers significant risks and material matters through the use of internal and external assurance providers. The Committee is satisfied as to the effectiveness of the model in respect of both financial and non-financial issues.</p> <p>The Board has delegated the oversight of the Internal Audit function to the Audit and Risk Committee. The Internal Audit Charter is reviewed annually. The Internal Audit Executive has a direct reporting line to the Chairman of the Audit and Risk Committee in addition to his day to day internal management reporting line.</p>	<p>reviewed. The Internal Audit Executive attends the Audit and Risk Committee meetings and the Internal Audit report is part of the agenda for each meeting.</p>
<p>Governance outcome: trust, good reputation and legitimacy</p>		
<p>16. Stakeholders</p> <p><i>In the execution of its governance roles 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.</i></p>	<p>The Board accepts that stakeholder management is a key responsibility that it holds. It has delegated the responsibility to management. Stakeholders include employees, shareholders, franchisees, suppliers, consumers and government.</p>	<ul style="list-style-type: none"> The Board has encouraged pro-active engagement with shareholders. A management committee meets regularly to discuss investor relations issues in a structured approach. Engagement with major shareholders took place on remuneration issues in order to assess their views on best remuneration practices. The engagement was seen by both management and the shareholders as being positive and constructive. The quality of the relationship with significant stakeholders is regarded as sound.