

Compliance with King IV

The Group is moving towards complying with the principles of King IV. The Board is satisfied with the Group's progress in applying the recommendations of King IV and the other codes used in the countries in which the Group operates. Sixteen of the governance principles in King IV apply to our business. The following is a summary of our evaluation of where we have complied, or if not, our efforts to ensure full compliance:

King IV Reference	King IV Principle(s)	2019	Commentary
Principle 1	The Governing Body should lead ethically and effectively.	Applied	The Board and its Committees, in accordance with the Board and Committee Charters, is the focal point and custodian of corporate governance. Board members are required to comply with the Board Charter, which embodies the ethical characteristics listed in King IV, the Botswana Stock Exchange (BSE) equity listings requirements and the Johannesburg Stock Exchange (JSE) debts listings requirements. The Board and Committee Charter set the tone and outlines the responsibility of the Board to ensure that Letshego Group is ethically and effectively managed. While the Board's performance against these requirements should be evaluated every other year, the formalisation of this process has been identified as an area requiring improvement.
Principle 2	The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.	Partly Applied	The Board has delegated to GNSEC the responsibility for the monitoring and reporting the social, ethical, and sustainability practices that are consistent with good corporate citizenship. The rollout of the Group social, ethical, and sustainability practices that are embedded in the Corporate Governance Framework for subsidiary boards is at various stages of implementation across its subsidiaries in Africa.
Principle 3	The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen.	Applied	The Board has tasked the GNSEC with the responsibility to oversee the discharge of its corporate governance agenda. The responsibility of the committee is to monitor the adherence to legislation and accreditation. The Group's Strategic and Social Investment (SSI) policy continues to remain focused on sustainable development and the improvement of lives in communities.
Principle 4	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.	Applied	The Board approves and monitors the implementation of the strategy and business plans for each of the territories in which the Group operates. The Board and GRC review key risks and opportunities that have an impact on the achievement of its strategic objectives across its operations. The Board holds an annual strategy session, in which it deliberates on the Group's strategy, assesses the risks and opportunities, considers progress made the implementation of the strategy and ensures that it is in line with Group mandate and long-term success and sustainability of the Group's business. To this end, the Group has identified, within its risk appetite, the critical risks associated with its business model, including the mitigating factors.
Principle 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.	Applied	The Board works with the GRC and GAC to review and approve the Integrated Annual Report. The report is prepared in line with the Companies Act, the BSE Equity Listings Requirements, the JSE Debt Listings Requirements, King IV, and International Financial Reporting Standards (IFRS). The Board ensures the integrity of the Group's integrated report on an annual basis. The Group's Integrated Annual Report covers both its historical performance and future outlook to the extent required and permitted by regulations. Together with other communications, this report is made available to enable stakeholders to make informed assessments of Letshego's prospects.

King IV Reference	King IV Principle(s)	2019	Commentary
Principle 6	The governing body should serve as the focal point and custodian of the corporate governance in the organisation.	Partly Applied	The roles, responsibilities, and procedural conduct of the Board are documented in the Board Charter, which is reviewed every other year. For subsidiaries, the role, responsibilities, and procedural conduct of boards is contained in the Corporate Governance Framework for Subsidiary Boards, which is at various stages of implementation.
Principle 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.	Applied	The Board, assisted by GNSEC, considers, on an ongoing basis the balance of skills, experience, diversity, independence, and knowledge needed to discharge the Board's role and responsibility. The Board Charter and the Directors Induction guidelines lays out the Directors appointment process, including criteria for assessing whether the potential candidates are competent and can contribute to the business. All Non-Executive Directors appointments are voted on by shareholders at Annual General Meetings by either ratification of appointments made by the Board or by voting on the re-election of directors who retire by rotation. With regards to its subsidiaries across Africa, the Board composition was at various stages of completion. The Group Board is now fully constituted. During the year and post year end it was strengthened by three new appointments.
Principle 8	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.	Partly Applied	The Board has five committees that help it to discharge its duties and responsibilities being: GAC, GRC, GNSEC, GSIC, and GRemCo. The committees operate in accordance with the terms of reference, which the Board reviews and approves every other year. Following Board resignations in 2018 and 2019, certain committees did not have majority INED. The restoration of committee composition for compliance with King IV was attained on 25 February 2020. The composition of various subsidiary boards and committees in line with local regulations and with King IV was at various stages of completion as at 31 December 2019.
Principle 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.	Partly Applied	A formal appraisal of the Board was performed in 2018 by the IoDSA. In-house self-assessment for board committees was conducted during the period under review apart from GRemCo. The results were presented to the Board during the first quarter of 2019 meeting with all the areas identified as requiring improvement were set out as actionable tasks. Formalisation of subsidiary board appraisal processes and self-assessment processes is underway. Both the Group and subsidiary boards are yet to formalise and carry out individual board members' performance evaluation exercises.
Principle 10	The governing body should ensure that the appointment of, and delegation to, management contribute to role clarity and effective exercise of authority and responsibilities.	Partly Applied	While retaining overall accountability and subject to matters reserved to itself, the Board has delegated authority to the Group CEO to run the day-to-day affairs of the company in line with the Delegation of Authority framework, which sets out authority thresholds and governs sub-delegation. The framework also prescribes authority levels for each of the territories in which the Group operates. Cascading the Delegation of Authority framework to the subsidiaries is underway.

Compliance with King IV (Continued)

King IV Reference	King IV Principle(s)	2019	Commentary
Principle 11	The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives.	Partly Applied	<p>The Board, with support from GRC, is ultimately responsible for the governance of risk. The role of GRC as set out on page 53 is to ensure that the Group has implemented an effective framework for risk management that enhances the Group's ability to achieve its strategic objectives. The GRC is responsible for the development and implementation of the Enterprise Risk Management Framework (ERMF) including the policies, systems, processes, and training needed to ensure effective risk governance.</p> <p>To further enhance the ERMF rollout, a formal comprehensive Risk Appetite Framework (RAF) will be developed and implemented in 2019/2020. The RAF will have the objective to support the Group's underlying businesses, ensuring that our risk profile is known and assessed against established risk appetite targets and limits. In line with King IV, our Group internal audit function reports directly to the Group Audit Committee. GAC approves a risk based internal audit plan at the beginning of each year and ensures that the internal audit function has adequate resources, budget standing and authority to enable it to discharge its functions.</p> <p>The Group Head of Internal Audit has a functional reporting line to the Group Audit Committee, and administratively reports to the Group CEO.</p>
Principle 12	The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives.	Partly Applied	<p>The Board recognises the importance of technology and information as it is interrelated to the strategy, performance and sustainability of the Group.</p> <p>The Board Charter requires the Board to assume responsibility for IT governance. The Board has delegated oversight responsibility to GRC. At management level, the Group established a Group Technology and Operations Committee to ensure effective IT governance. The Group IT strategy is integrated with the Group's business strategy and business processes. GRC is responsible for managing the performance and sustainability objectives of the Group and ensures that IT is aligned to these objectives.</p> <p>The IT Governance Framework and the Enterprise Risk Management frameworks of the Group include the assessment and management of all significant IT risks. IT risk management includes disaster recovery planning, cyber security, system implementation of operational controls/policies, IT legal risks and compliance with laws, rules, codes, and standards and are an integral part of the Group's risk management.</p> <p>The GRC and GAC charters require the committees to ensure that IT risks are adequately addressed, and that assurance is given to confirm that adequate controls are in place. GRC reviews IT risks and controls, adequacy of business continuity management, including disaster recovery plans for IT, information security, privacy, and authorized access.</p>
Principle 13	The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that it supports the organisation being ethical and a good corporate citizen.	Applied	The Board, with assistance from GNSEC, GAC and GRC, oversees the governance of compliance. Compliance falls within the risk matrix and forms part of the business risk management process. Through GRC, the Board can address the legal and compliance requirements of the institution. The legal and compliance update is a standing agenda item of GRC; during which the Board is apprised

King IV Reference	King IV Principle(s)	2019	Commentary
Principle 13 (Continued)			<p>on legal and compliance risk, and deliberate over the applicable legislations, and the Group's approach to the stated laws.</p> <p>Applicable laws are reported to the Board, via GRC, by the legal and compliance function. Any new legislation or rules which affect the Group and its subsidiaries are notified to the Board, advising on the legal requirement applicability and how the rules are being disseminated to the applicable areas of business which are impacted.</p>
Principle 14	The governing body should ensure that the organisation remunerates fairly, responsibly and transparently to promote the achievement of strategic objectives and positive outcomes in short, medium and long term.	Partly Applied	<p>The Board, with assistance from GRemCo, ensures that staff members are remunerated fairly, responsibly, transparently, and in line with industry standards to promote the creation of value in a sustainable manner. The implementation of a Group-wide Remuneration Policy and Framework has been identified as an area requiring improvement. All the remuneration-related shortcomings will be addressed during the year ending 31 December 2020 as part of improving this policy and framework.</p> <p>The Group participates in annual remuneration surveys for the purposes of benchmarking and also provides performance-based short- and long-term remuneration incentives to attract, incentivise, and retain good performers as part of the overall alignment of shareholders and company objectives. The remuneration of each individual executive and non-executive director is included in this Integrated Annual Report.</p>
Principle 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.	Partly Applied	In line with GAC charter, the committee ensures that the combined assurance received from the external and internal auditors is appropriate to address all the significant risks facing the Group. A Group wide combined assurance model is being formulated. GAC monitors and supervises the effectiveness of the internal audit function and ensures that the roles and functions of external audit and internal audit are sufficiently clarified and coordinated to provide an objective overview of the operational effectiveness of the company's systems of internal control and reporting. The Group Audit Committee recommends to the Board which firm(s) should be appointed in the event of a change of external auditor(s), their reappointment, and/or removal. The committee also evaluates the performance of the external auditor(s) and the engagement partner is rotated at least every five years or such other frequency deemed to be appropriate, based on the external audit firm rules to enhance actual and perceived independence.
Principle 16	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.	Applied	The Company Secretary and the Group Head of Investor Relations act as a primary points of contact for institutional investors, other shareholders, and all stakeholders. The Board encourages proactive engagement with shareholders, including engagement at the AGM. Directors are present at the AGM to respond to shareholder queries on how the Board has executed its governance duties. The designated partner of the audit firm also attends the AGM.
Principle 17	The governing body of an institutional investor organisation should ensure that responsible investment is practiced by the organisation to promote good governance and the creation of value by the companies in which it invests	Not Applicable	The principle is not applicable as the Group is not an institutional investor.