

## EPE CAPITAL PARTNERS LTD (“ETHOS CAPITAL” OR “THE COMPANY”)

### APPLICATION REGISTER OF THE KING IV REPORT ON CORPORATE GOVERNANCE FOR SOUTH AFRICA, 2016 (“KING IV”)

The Board is responsible for ensuring compliance with all statutory obligations as specified in the Constitution of Ethos Capital, the Mauritius Companies Act, the JSE Listings Requirements and all other applicable regulatory requirements.

The application of King IV became effective in respect of financial years starting on or after 1 April 2017, and became mandatory for companies listed on the JSE with effect from 1 October 2017.

Where appropriate, the Board applies the best practice principles of King IV and is satisfied that the Company substantially applied the principles, which have been set-out below on an “apply and explain” basis

It should be noted that Ethos Capital, as an investment holding entity, does not have and will not conduct traditional operations, and thus not all the traditional corporate governance structures and practices envisaged by King IV are appropriate to Ethos Capital and its business as an investment holding entity. The Company does not employ any staff.

## LEADERSHIP, ETHICS AND CORPORATE CITIZENSHIP

### *Leadership*

#### **Principle 1:**

“The governing body should lead ethically and effectively”.

The Board of Directors acts as the governing body of Ethos Capital. The Directors are collectively and individually committed to achieving good governance principles through conduct embodying integrity, competence, responsibility, accountability, fairness and transparency, and are all accountable towards each other, and to the Company and its stakeholders. The Directors accept full responsibility for the application of these principles to ensure that good corporate governance is effectively practised in Ethos Capital and for providing effective, responsible and ethical leadership.

The Board is responsible for the long-term strategic vision and objectives, and for defining, adhering to and monitoring the Company’s Code of Ethics and Conduct. The Board believes, as a whole, it currently represents an appropriate balance of skills, outlook, experience and knowledge relevant to the business environment of the Company.

Formal performance evaluations are conducted annually to assess the performance of the individual Directors and the Board, and the Board Committees, which performance was individually and collectively deemed satisfactory this past year. All Directors are subject to the Code of Ethics and Conduct.

In order to fulfil the above responsibilities and ensure effective governance, the Board has delegated specific responsibilities to the: Audit and Risk Committee; Remuneration Committee; Investment Committee; and Social and Ethics Committee. The Directors attended all Board meetings during the year, and all relevant Directors attended the Committee meetings.

## *Organisational ethics*

### **Principle 2:**

“The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture”.

The Board is responsible for and directs the organisational ethics through the Company’s Code of Ethics and Conduct and Disclosure of Information policy, to which all Directors and management subscribe. These policies were approved by the Board and the Social and Ethics Committee and aim to achieve the highest standards of ethical behaviour.

In addition, the Company drives the desired ethical principles indirectly through the activities of its Investment Advisor and the Portfolio Companies that it invests in. The selection of an Investment Advisor that demonstrates adherence to sound ethical principles and culture, internally and through its Portfolio Companies, is a critical decision of the Board.

The Board has endorsed the policies of the Investment Advisor, Ethos Private Equity (Pty) Ltd (“Ethos”) and monitors on an ongoing basis its investment activity and management of the Portfolio Companies to ensure they are compatible with Ethos Capital’s own policies, to benefit the Company’s shareholders and the society at large.

## *Responsible corporate citizenship*

### **Principle 3:**

“The governing body should ensure that the organisation is seen to be a responsible corporate citizen”.

The Board is responsible to ensure that the Company acts as and is seen to be a responsible corporate citizen, in the workplace and in the wider society and environment in which it operates. This includes the adherence to the Mauritius Companies Act, the JSE listing rules, other investing and reporting standards, as well as Ethos Capital’s own policies as noted in principle 2.

Being an investment holding company, a key conduit for the Company to drive its sustainability and social footprint, is through the activities of its Investment Advisor and the investment into Portfolio Companies. The selection of an Investment Advisor that is able to demonstrate adherence to responsible investing and sustainability, is again a critical decision of the Board.

The Board has endorsed Ethos’ policy of sustainability and responsible investing, and monitors its investment activity and management of the Portfolio Companies to ensure they are compatible with these policies to benefit the Company’s shareholders and the society at large. Ethos produces a two-yearly Sustainability Report which documents the findings of its Environmental, Social and Governance review.

The Board, and through the Social and Ethics Committee’s work, considers on an ongoing basis the contribution and impact that the Company has on the economy and environment, and adheres to responsible and transparent tax affairs, and has no tolerance for fraud and corruption.

## STRATEGY, PERFORMANCE, AND REPORTING

### *Strategy and performance*

#### **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".

The Board is responsible for the business and investment strategy of the Company, to ensure the Company's core purpose is realised. The Board is assisted by the Investment Advisor, through the Senior Advisors, to develop and implement its short, medium and long-term strategy, and especially its investment strategy. The Board approves this strategy prior to its implementation.

The Board monitors strategy implementation through the establishment of budgets and other performance targets, and exercises ongoing oversight through Board meetings, monthly and quarterly reports, or direct access to the Senior Advisors and other representatives of the Investment Advisor.

The Board, the Audit and Risk, and Investment Committees regularly (and as a minimum at Board and Committee meetings) review the going concern status of the Company, and focus on the liquidity and solvency status of the Company, especially when the investment strategy and opportunities are considered, commitments are made, or share buyback programmes are considered.

### *Reporting*

#### **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".

The Board and the Audit and Risk Committee are responsible for the integrity of all communications issued to stakeholders, including: the Annual Integrated Report, which includes the Annual Financial Statements; Interim Report; other governance and financial reports; and SENS announcements. The Audit and Risk Committee will perform a thorough assessment of the above documents, before recommending them to the Board for approval and publication.

The Senior Advisors, under the direction and oversight of the Board, are responsible for the preparation of all such communications and reports and ensuring that all material and reasonably expected items are included and reported.

The Company has a Disclosure of Information policy to assist with the proper flow of information to stakeholders, and a Policy for Dealing with Price Sensitive Information ("PSI") to identify and consider PSI.

The corporate governance disclosures in terms of King IV, the Annual Integrated Report and Annual Financial Statements, the Interim Report and other reports are all published on the Company's website.

## GOVERNING STRUCTURES AND DELEGATION

### *Primary role and responsibilities of the governing body*

#### **Principle 6:**

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

The Board of Directors is responsible for the direction and leadership of the Company, for corporate governance and for ensuring compliance with all statutory obligations as specified in the Constitution of Ethos Capital, the Mauritius Companies Act, the JSE Listings Requirements and all other applicable regulatory requirements.

The Board's roles and responsibilities, membership requirements, frequency of meetings, and procedural conduct are set out in the Board charter, which is reviewed and approved by the Board on an annual basis.

The Board Committees are also responsible for supporting the Board in managing corporate governance, with each Committee's roles and responsibilities being defined in their respective charters.

The Board meets at least twice a year, with additional meetings if required for urgent matters or decisions.

Board members are authorised to seek information from the Investment Advisor or its executives, and to obtain outside or independent professional advice when deemed necessary.

The Board and Committees of the Board are satisfied that they have fulfilled their responsibilities in accordance with the respective charters.

### *Composition of the governing body*

#### **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".

The Board considers the composition of the Board annually to ensure it represents an appropriate balance of skills, outlook, experience, diversity, independence and knowledge to enable the Board to discharge its roles and responsibilities effectively.

The Board believes that diversity of experience, culture and outlook, including gender and race diversity, amongst Board members is of great importance. It is the Board's policy to give careful consideration to issues of Board balance and diversity when making new appointments, and to do so on merit. The Board currently does not have any gender or race diversity targets, but the Board has to consist of at least two Directors that are resident in Mauritius.

The Board currently consists of five independent non-executive Directors, the majority of whom are non-South African residents. The Chairperson is female, is an independent non-executive Director, and is a member of, but does not chair, the Social and Ethics Committee, and does not serve on any other Committee.

In order to facilitate Ethos' rendering of services in terms of the investment services agreement and to support the Board, Ethos has provided Senior Advisors to fulfil the roles of Ethos Capital's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"); these individuals are not members of the Board of Directors.

At least one-third of the non-executive Directors retire by rotation at each Annual General Meeting ("AGM"). Retiring Directors are eligible for re-election until they have completed nine years of service as a Director.

Board succession management and the nomination and appointment of Directors are considered to be matters for the Board as a whole. Appointments will be made via a formal and transparent procedure in terms of Ethos Capital's Constitution. Directors will be nominated based on their calibre, credibility, knowledge, experience, impact they are expected to have and the time and attention they can devote to the role. The Board does not currently have a formal succession plan.

All Directors are required to sign an annual declaration stating they are not aware of any conflicts of interest that may exist as a result of their interest in or association with any other company, except as disclosed, setting out for record-keeping purposes all business-related interests they have. As soon as a Director becomes aware of any conflict of interest, they must disclose such conflict immediately, and in addition, all conflicts have to be declared and noted at the commencement of each Board and Committee meeting.

The Board has assessed the status of the Directors, considering a number of factors and on a substance-over-form basis, and is of the view that all the Directors are independent of the Company.

The Board has considered the need for the appointment of a Lead Independent Director and, in the current circumstances, has concluded that there is no need for such an appointment.

Further details of the Directors are provided on pages 52 - 54 of the Integrated Annual Report for the year ended 30 June 2020.

#### *Committees of the governing body*

##### **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".

The Board has delegated certain roles and responsibilities to four Committees of the Board. The members of these Committees are all Directors of the Company. The terms of reference, membership and attendance details, and the duties and responsibilities of each Committee are set out in the Committee charters, which are reviewed and approved annually by the Board. The Board has determined the composition of the relevant Committees to ensure a balanced distribution of power, time and authority and that no one Director has unfettered powers of decision-making. Information is made available to each Committee in advance of meetings to ensure the members can make informed and independent decisions.

All the Committees have three members, except for the Investment Committee which has two members, and the Board is of the view that each Committee has the necessary skills, knowledge, experience and capacity to execute its duties effectively. All members are independent, non-executive Directors. The Committee meetings are normally attended by the Senior Advisors and representatives of the Company Secretary, and where possible or required, other Directors or advisors.

While King IV recommends for each Committee of the Board to have three members, the Board is satisfied that given the specific levels of private equity experience required and the specialised nature of the Investment Committee's roles and responsibilities, that by having only two, but highly experienced, skilled and knowledgeable members of the Investment Committee, is for now appropriate for the Investment Committee to execute its duties effectively. Furthermore, the

Committee reports to and is accountable to the full Board, who remain ultimately responsible and accountable for the investment decisions of the Company.

The Chairperson of each Committee presents relevant information to the Board and makes recommendations where required, to ensure the Board can make informed decisions.

### ***Audit and Risk Committee***

The prime objectives of the Committee are to assist the Board in discharging its responsibilities in relation to: the safeguarding of assets; financial and internal controls, compliance and reporting; financial and other risk management; the external audit and assurance, and the integrity of the Annual Financial Statements; and corporate governance.

Refer to pages 54 and 56 of the Integrated Annual Report for the year ended 30 June 2020 for a more detailed list of the Committee's responsibilities, membership, and meetings attendance, and to the Company's website for the Committee's charter.

The Committee meets three times a year, with the CFO and/or CEO in attendance and the external auditors at appropriate times.

The Committee is of the view that the external auditor is independent of the organisation and is satisfied with the quality of the external audit. All non-audit services, of which there were none performed during the year, have to be pre-approved by the Chairperson of the Committee. The external audit firm and the current designated partners, responsible for South African and Mauritian matters respectively, have been the auditor of the Company for the past four financial years.

The Committee considered the effectiveness of the CFO and the finance function and believe that they are suitably qualified and experienced and the Committee is satisfied that the internal controls and risk policies were sufficiently effective to manage the risks of the Company.

During the year under review, the Committee again considered the impact and disclosure of the requirement to prepare Group (consolidated) financial statements, which were subsequently prepared in accordance with IFRS 10.

The Committee is satisfied that, given the nature of the Company's operations and the extent of reliance placed on its service providers, especially the Investment Advisor, the Company does not currently need an internal audit function.

### ***Investment Committee***

The prime objectives of the Committee are to assist the Board in discharging its responsibilities in relation to: investment strategy and guidelines; investment analysis and evaluation; proposing investments to the Board; and monitoring the performance of the investment portfolio.

Refer to pages 55 and 56 of the Integrated Annual Report for the year ended 30 June 2020 for a more detailed list of responsibilities, membership, and meetings attendance, and to the Company's website for the Committee's charter.

The Committee meets as and when required, and formally met once during the current year. The CEO and/or CFO would typically be in attendance and where requested, representatives of the Investment Advisor and/or prospective Portfolio Companies can also attend.

During the year, the Committee considered, and subsequently approved to the Board, making commitments to a number of Ethos Funds, as well as participating in a number of Direct Investment opportunities, as well as acquiring a Secondary Investment in Ethos Fund VI; and has closely monitored the Company's current and forecast liquidity position.

### *Remuneration Committee*

The prime objectives of the Committee are to assist the Board in discharging its responsibilities in relation to: fair and responsible remuneration of the non-executive Directors; and appropriate disclosure and reporting of remuneration matters.

Refer to pages 55 and 56 of the Integrated Annual Report for the year ended 30 June 2020 for a more detailed list of responsibilities, membership, and meetings attendance, and to the Company's website for the Committee's charter.

The Committee meets at least once during the year and met once during the current year. Mr Mark Parsons, CFO of Ethos, the Investment Advisor, acts as an independent external advisor to provide input and recommendations on the appropriate remuneration levels of the members of the Board, for the Committee's consideration. The CEO and/or CFO would also be in attendance.

### *Social and Ethics committee*

The prime objectives of the Committee are to assist the Board in discharging its responsibilities in relation to: the social and ethical conscience of the Company; and to ensure it behaves like a responsible corporate citizen.

Refer to page 56 of the Integrated Annual Report for the year ended 30 June 2020 for a more detailed list of responsibilities, membership, and meetings attendance, and to the Company's website for the Committee's charter.

The Committee meets at least once a year and met once during the current year, with the CEO and/or CFO in attendance.

The above Committees are all satisfied, respectively, that during the current year they have fulfilled their responsibilities in terms of the respective charters.

### *Evaluations of the performance of the governing body*

#### **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".

Formal performance evaluations of the Board, individual Directors, and the Committees of the Board, are conducted annually. The Directors are of the view that the Board and its Committees have discharged their responsibilities effectively. The Board consists of an adequate mix of skills and experience, and functions to the required standards.

### *Appointment and delegation to management*

#### **Principle 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".

The CEO and CFO are provided by Ethos to fulfil these roles and functions under the investment services agreement, and are appointed by the Board but contracted to Ethos.

The Board is satisfied that the delegation of authority and respective responsibilities provided for in the investment services agreement, are appropriate to the Company's needs and purposes.

The CEO is responsible for the implementation of the strategy as set by the Board, is accountable to the Board, and ensures frequent feedback to and communication with the Board, and the CEO



also serves as a link between the Board and the Investment Advisor. The CEO is not a member of the Board nor of any of the Board Committees, but is in attendance and presents relevant information and input at Board meetings and most Committee meetings.

The performance of the CEO has been evaluated by the Board, who are satisfied with the CEO's performance.

The Board appointed Ocorian (Mauritius) Limited as the outsourced Company Secretary. Ocorian is a management company and has suitably qualified, competent and experienced staff to discharge its role. The Company Secretary is not a Director of the Company, is deemed to be independent of the Board and the Company, and the Directors have unlimited access to their services, advice and support. In addition, the Board has access to external advisors, if required, to assist with any legal or governance matters.

For the year under review, the Board assessed Ocorian's competence, qualifications, experience, independence, suitability and performance, and found Ocorian to be competent and suitably qualified to act as Company Secretary for the current and the next financial year.

## GOVERNANCE FUNCTIONAL AREAS

### *Risk governance*

#### Principle 11:

"The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives".

The Board, through the Audit and Risk, and Investment Committees, is responsible for risk governance and the identification and management of risks. The Audit and Risk Committee is responsible for the development and periodic review and updating of a policy and framework for risk management and integration of the framework into the day-to-day activities of the Company and the activities provided by the Investment Advisor. The Company's risk register is reviewed regularly, at least as a minimum at the Board and the Audit and Risk Committee meetings.

As an investment holding company, Ethos Capital has no employees or its own operational processes and systems, and relies upon certain services provided by external advisors and the Senior Advisors, and specifically the Investment Advisor. The Company is therefore largely dependent upon the risk management structures and practices, and the internal control systems of the Investment Advisor.

The security of the Company's assets and integrity of its accounting records, as well as its compliance with regulatory and legal requirements, depend on the effective operation of these systems. The Audit and Risk Committee monitors and discusses the effectiveness of these processes with representatives of the Investment Advisor, and has access to internal control reports. Furthermore, the external auditor also provides limited assurance on these controls, which is considered by the Audit and Risk Committee.

Likewise, the effective management of the Company's investment risk is largely dependent on the Investment Advisor's related structures, practices and systems.

The related Committees and the Board believe that the Company's systems and risk management processes are sufficiently effective to manage the risks of the Company.



### *Technology and information governance*

#### **Principle 12:**

"The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives".

The Board, through the Audit and Risk Committee is responsible for the governance of information technology ("IT"). As an investment holding company with outsourced finance and administration processes, the governance of IT is largely dependent on the IT-related governance, risk management and controls of the Investment Advisor, and to a lesser extent other external advisors, e.g. the Company Secretary.

These controls are discussed and reviewed with the appropriate management levels, largely focusing on business continuity, and the Board is satisfied that the Company's controls and monitoring of IT governance are appropriate.

### *Compliance governance*

#### **Principle 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".

The Board is responsible for compliance with applicable laws and aims to adhere to all relevant laws and adopted, non-binding rules, codes and standards that the Company subscribe to or have to comply with, including: The Mauritius Companies Act 2001; The JSE Listings Requirements; and King IV.

The implementation and execution of managing the compliance requirements have been delegated to the Senior Advisors and where relevant, the Company Secretary. The compliance framework is reviewed at least once a year, or more frequently where required, and updated following any changes to the above mentioned laws, rules, codes and standards.

There were no regulatory penalties, sanctions or fines for non-compliance with statutory obligations during the reporting period.

### *Remuneration governance*

#### **Principle 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 short, medium and long term".

The Board, through the Remuneration Committee, is responsible for the governance of remuneration.

As an investment holding company, Ethos Capital has no employees and has no executive management remuneration, as the Senior Advisors are contracted by the Investment Advisor.

Refer to page 55 of the Integrated Annual Report for the year ended 30 June 2020 for a more detailed list of the Committee's responsibilities, and to the Company's website for the Committee's charter.

The Board is of the view that the remuneration policy achieves its stated objective, and the objective of this principle.

The remuneration report, consisting of a background statement, the remuneration policy and implementation report, is disclosed on pages 61 and 62 of the Integrated Annual Report for the year ended 30 June 2020. This report will be tabled at the forthcoming AGM for a non-binding vote by the shareholders.

### *Assurance*

#### **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”.

The Board, through delegation to the Audit and Risk Committee, is responsible for the design and implementation of the combined assurance framework that aims to address the Company’s significant risks and provide an effective control environment.

The Company’s risk register identifies and address the significant risks and documents the mitigating controls that are in place at the Company, the Investment Advisor and where relevant, other advisors. The register is reviewed and maintained at regular intervals by the Senior Advisors and submitted to the Committee for consideration. In addition, the Committee monitors the external audit function, performed by Deloitte, as well as the qualifications, experience and performance of the CFO and the finance function, all of which present a source of assurance to the Audit and Risk Committee.

The Senior Advisors, under the direction and oversight of the Board, are responsible for the preparation of all financial and compliance reports, and to ensure that accurate and relevant reporting is achieved. The Audit and Risk Committee will perform a thorough assessment of these reports and obtain input and feedback from the report preparers, the external auditor and Company Secretary, before recommending the reports to the Board for approval and publication.

The Board and the Audit and Risk Committee have considered the need for an internal audit function and concluded that, given the nature of the Company’s business and operations and the services provided by the Investment Advisor, an internal audit function is currently not required. This will be considered again in the next financial year.

## **STAKEHOLDER RELATIONSHIPS**

### *Stakeholders*

#### **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”.

Regular meetings are held with significant shareholders throughout the year, and presentations are hosted post the release of the interim and annual results, which are available for all current and prospective shareholders. Information is provided at regular intervals on the Company’s website and on Stock Exchange News Service (“SENS”).

All Directors, or at least a majority, aim to attend the Annual General Meeting alongside the CEO, CFO and representatives of Ethos and Deloitte. The results of the AGM, including the percentage votes for each resolution, are disclosed on the Company’s website and on SENS.

*Responsibilities of institutional investors*

**Principle 17:**

"The governing body of an institutional investor organisation should ensure that responsible investment is practiced by the organisation to promote the good governance and the creation of value by the companies in which it invests".

The Board, supported by the Social and Ethics committee, is committed to responsible investing, which is implemented and executed through the Environmental, Social and Governance management system and policies of Ethos, the Investment Advisor. The Board has endorsed Ethos's policy of sustainability and responsible investing, and monitors its investment activity and management of the Portfolio Companies to ensure they are compatible with these policies to benefit the Company's shareholders and create value within the Portfolio Companies. Further details are provided in the Sustainability and Social and Ethics Report on pages 63 - 66 of the Integrated Annual Report for the year ended 30 June 2020.

25 September 2020