

KING IV APPLICATION REGISTER: TASTE HOLDINGS LIMITED 2019

OUTCOMES AND PRINCIPLES	EXPLANATION OF APPLICATION OF PRINCIPLES
Outcome: ethical culture	
<p>Principle 1: The board should lead ethically and effectively</p> <p>Disclosure requirement in Code The governing body should disclose the arrangements by which the members are being held to account for ethical and effective leadership.</p>	<p>The charter of the board commits the board to effective and ethical leadership. The board is also committed to the highest standards good corporate governance. In addition to fulfilling their statutory and fiduciary duties, all members of the board are expected to display the characteristics of integrity, competence, responsibility, accountability, fairness and transparency. The chair of the board is required to monitor the behaviour of board members in this respect.</p>
<p>Principle 2: The board should govern the ethics of TASTE in a way that supports the establishment of an ethical culture</p> <p>Disclosure requirement in Code The governing body should with regards to ethics management ensure disclosure on:</p> <ul style="list-style-type: none"> • Overview of the arrangements for governing and managing ethics • key focus areas during the reporting period • measures taken to monitor organisational ethics and how the outcomes were addressed; and • planned areas of future focus. 	<p>TASTE has a code of ethics in place which is applicable to all employees, as well as the board of directors. The code is based on the TASTE values of unity, integrity, commitment and accountability. The ethical standards are imbedded in processes for the recruitment, evaluation of performance and reward of employees as well as the sourcing of employees. The Board, assisted by the social and ethics committee is tasked with ensuring that the group's ethics are managed effectively. In addition to monitoring adherence to the Code of Ethics, the social and ethics committee is responsible for oversight of organisational ethics. Relevant sanctions and remedies are consistently applied when ethical standards are breached. A whistle-blowing mechanism is in place to assist with the identification of possible unethical behaviour.</p>
<p>Principle 3: The board should ensure that TASTE is and is seen as a responsible corporate citizen</p> <p>Disclosure requirement in Code The governing body should with regards to corporate citizenship ensure disclosure on:</p> <ul style="list-style-type: none"> • Overview of the arrangements for governing and managing responsible corporate citizenship • key focus areas during the reporting period • measures taken to monitor corporate citizenship and how the outcomes were addressed; and • planned areas of future focus. 	<p>Compliance with the laws of the country throughout the group, including the Constitution of South Africa and the Bill of Rights, is non-negotiable. The core purpose and values of TASTE, as well as its strategy and conduct, are congruent with it being a responsible corporate citizen. The board has delegated responsibility for monitoring the group's overall responsible corporate citizenship performance to the social and ethics committee. The scope of the committee's mandate in this regard includes the relevant activities of the group in the workplace, in the economy, society and the environment. Where relevant, specific targets have been set against which the performance of the group is monitored on an ongoing basis.</p> <p>For more information on how the group addressed its responsibilities as a responsible corporate citizen, the reader is referred to the integrated annual report (www.tasteholdings.co.za).</p>
Outcome: value creation	
<p>Principle 4: The board should appreciate that TASTE's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the TASTE creation process</p> <p>Disclosure requirement in Code In respect of disclosure on strategy and performance, refer to Principle 5 below</p>	<p>The board is deeply aware of the expectation for value creation across various elements of the business and any discussions of strategy, risk and opportunities, as well as the business model and performance are based on the prerequisite for long-term sustainability and sustainable development. This is also within the context of the difficult market and trading conditions faced by the construction industry over an extended period of time. For more information on the vision and future direction of the group as well as the value created for the group and its material stakeholders, the reader is referred to the integrated annual report (www.tasteholdings.co.za).</p> <p>The board sets key performance measures and targets in order to continuously monitor and assess the achievement of strategic objectives and agreed plans for value creation over the short, medium and long term. Management is expected to implement and execute on the approved strategy and business plans. Management is furthermore expected to continually assess and respond, in a responsible manner, to the negative consequences of the group's activities and outputs in all areas of the business.</p> <p>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 TASTE is monitored on a continuous basis.</p>

OUTCOMES AND PRINCIPLES

Principle 5: The board should ensure that reports issued by TASTE enable stakeholders to make informed assessments of TASTE’s performance, and its short, medium and long-term prospects

Disclosure requirement in Code

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.

Outcome: effective control

Principle 6: The board should serve as the focal point and custodian of corporate governance in TASTE

Disclosure requirement in Code

The following should be disclosed in relation to the primary role and responsibilities of the governing body:

- Number of meetings held during reporting period and attendance at those meetings.
- Whether the governing body is satisfied that it has fulfilled its responsibilities in accordance with its charter for the reporting period.

Principle 7: The board should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively

Disclosure requirement in Code

The governing body should ensure disclosure on the following:

- whether the governing body is satisfied that its composition reflects the appropriate mix referred to above
- targets set for gender and race representation and progress against these targets
- categorisation of each member of the governing body as executive or non-executive
- categorisation of non-executive members of the governing body 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 governing body on the independence of the member
- the qualifications and experience of members
- the length of service and age of members of the governing body
- other governing body and professional positions held by each member
- reasons for removal, resignation or retirement of members of the governing body.

The governing body should disclose on the independence of the chair and whether or not a lead independent director had been appointed and the role and responsibilities assigned to the position.

EXPLANATION OF APPLICATION OF PRINCIPLES

Refer to the integrated annual report on www.tasteholdings.co.za that presents material information in an integrated manner and provides stakeholders and users with a holistic presentation of the group’s performance in a clear, concise, accurate and understandable manner. The integrated annual report contains, amongst others, the annual financial statements, corporate governance disclosures in addition to those contained herein, as well as the notice of the annual general meeting of shareholders.

The board, with the assistance of the audit and risk committee, ensures that reports are issued as is necessary to comply with legal requirements and/or to meet the legitimate and reasonable information needs of material stakeholders. The integrity of all reporting is ensured with the assistance of relevant internal and external role players forming part of the integrated assurance process.

The board fully appreciates that it is first and foremost accountable for the application of corporate governance principles and practices in TASTE. It furthermore understands that its key functions are to set the strategic direction of the group, to approve appropriate policies and plans to give effect to the approved strategy, to delegate implementation of the afore going to management and adequately monitor the performance of management of TASTE and to ensure accountability through reporting and the principle of transparency. The role and functions of the board are set out in the board charter and also incorporated into the board’s annual workplan. The board is satisfied that it has fulfilled its responsibilities in accordance with its charter for the reporting period.

As previously indicated, the board is fully committed to ethical and effective leadership. This entails, amongst others that the board appropriately manages its duty to act as custodian of corporate governance in the group.

Refer to the integrated annual report at www.tasteholdings.co.za for the requisite information and disclosure regarding the number of board meetings and attendance during the reporting period.

With financial and retail experience represented amongst the independent non-executive directors, complementing the extensive skills and experience of the chairman and executive directors, the board has an appropriate mix of knowledge, skills and experience. The composition of the board also introduces the required element of diversity and independence. The board is therefore comfortable with its composition under current circumstances and considering the challenges faced by the business.

Refer to the TASTE website at www.tasteholdings.co.za for the requisite information and disclosure regarding the composition of the board and each of the directors.

The nominations committee continues to play an active role in assessing the board composition and identifying appropriate candidates for appointment to the board.

There is a policy in place regarding race and gender diversity at board level. As vacancies on the board arise, candidates, within the scope of the race and gender diversity policy, with the appropriate skills, experience and qualifications are considered for appointment.

None of the independent non-executive directors have served on the board for longer than 9 years.

OUTCOMES AND PRINCIPLES

Principle 8: The board 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

Disclosure requirement in Code

The governing body should ensure disclosure of the following as regards each of its committee:

- the role and functions
- 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, and
- whether the committee is satisfied that it has fulfilled its responsibilities for the reporting period in accordance with the terms of reference.

In addition to the general disclosure required in respect of each committee of the governing body in terms of this Code and statutory disclosure, the audit committee should ensure disclosure on the following:

- whether the audit committee is satisfied that the auditor is independent of the organisation which disclosure should be done with reference to:
 - the nature and extent of non-audit services rendered
 - 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
- significant matters that the audit committee has considered in relation to the AFS and how these were addressed by the committee
- 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
- its views on the effectiveness of the design and implementation of internal financial controls, and on 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
- audit committee’s views on the effectiveness of the CFO and the finance function
- the arrangements in place for combined assurance and its views on the effectiveness thereof

EXPLANATION OF APPLICATION OF PRINCIPLES

The following board committees were established:

- Audit and risk committee
- Nominations and remuneration committee
- Social and ethics committee

Each committee has a minimum of three members as recommended by the King IV Code. The composition of each committee is also aligned with the King IV recommendations except for the composition of the audit and risk committee where the chairman of the board serves as a member of the committee. The other members of the audit and risk committee are both independent non-executive directors. The reason for the chairman of the board serving on the audit and risk committee is due to the limited number of independent non-executive directors and the particular areas of expertise of each director. The board is furthermore of the opinion that the extensive experience of the chairman of the board in the business of the group outweighs the potential downside of the chairman acting as a member of this committee. The board is comfortable that the current composition of the audit and risk committee contributes to its effectiveness in fulfilling its duties. This position is monitored on a continuous basis and will be reassessed should the board be able to appoint additional directors in due course, depending on the financial position of TASTE. The re-election of the Chairman as member of the Audit committee at the forthcoming AGM will specifically take his dual role into account in accordance with the JSE Listings Requirements.

The board is also comfortable that the current composition of the board committees contributes to effective collaboration as well as a balanced distribution of power so that no individual has the ability to dominate decision-making and no undue reliance is placed on any individual.

Refer to the TASTE website at www.tasteholdings.co.za for access to the terms of reference for each of the board committees as well as the integrated annual report that provides the following information:

- Composition of each committee and qualifications and experience of members
- Information on external advisors who regularly attend committee meetings
- Key areas of focus of each committee
- Number of committee meetings and attendance
- Confirmation by each committee that it is satisfied that it has fulfilled its responsibilities for the reporting period

Refer to the TASTE website at www.tasteholdings.co.za for access to the report of the audit committee included in the integrated annual report. The report confirms, amongst others, that the audit committee has satisfied itself with:

- the independence and performance of the external audit firm as well as the quality of the external audit
- the effectiveness of the CFO and finance function and specifically with the qualifications and experience of the CFO
- the effectiveness of the design and implementation of the internal financial controls
- the effectiveness of the combined assurance process

Significant matters addressed by the audit and risk committee have been addressed in the report of the committee contained in the latest integrated annual report.

OUTCOMES AND PRINCIPLES

Principle 9: The board 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

Disclosure requirement in Code

The governing body should ensure disclosure on:

- a description of the performance evaluations undertaken during the reporting period, including the scope, whether formal or informal and whether in-house or facilitated externally
- an overview of results and remedial actions taken, and
- its views on whether the evaluation process is effective in improving performance and effectiveness of the governing body.

Principle 10: The board should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities

Disclosure requirement in Code

The governing body should ensure disclosure on:

- 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
- In relation to delegation:
 - statement on whether the governing body is satisfied that the delegation of authority framework contributes to the role clarity and the effective exercise of authority and responsibilities
- In relation to company secretary:
 - arrangements in place for accessing professional corporate governance services and a statement on whether the governing body believes those arrangements are effective

Principle 11: The board should govern risk in a way that supports TASTE in setting and achieving its strategic objectives

Disclosure requirement in Code

The governing body should ensure disclosure of the nature and extent of the risks and opportunities the organisation is willing to take without compromising sensitive information.

The governing body should ensure disclosure on:

- overview of arrangements for governing and managing risk
- 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
- actions taken to monitor the effectiveness of risk management and how the outcomes were addressed, and
- planned areas of future focus

EXPLANATION OF APPLICATION OF PRINCIPLES

There was no formal assessment of the evaluation of the board, chair or individual members as there have been numerous changes to the board. A full assessment will be undertaken for the financial year ending February 2020.

The board has the authority to exercise all of the powers and perform any of the functions of TASTE, except as otherwise provided in the Companies Act of 2008 or the Memorandum of Incorporation of TASTE. Specific authority and powers of the board have been delegated to management and such delegation is captured in a formal delegation of authority framework that is reviewed by the board on a regular basis. The board is comfortable and satisfied that this framework contributes to role clarity and the effective exercise of authority and responsibilities.

Additional information on executive management can be found on the TASTE website and in the integrated annual report at www.tasteholdings.co.za.

The CEO does not have any commitments outside of TASTE. The notice period of the CEO in terms of his employment contract is three months. There are no other conditions relating to termination of employment for the CEO which are not standard employment conditions in the group.

TASTE has appointed a company secretary on an outsourced basis. Fluidrock Governance (Pty) Ltd represented by Claire Middlemiss has acted as company secretary for a number of years and the board is satisfied that TASTE secretary has the requisite knowledge, experience and qualifications to effectively fulfil the role of company secretary. Based on the collective governance experience of the Fluidrock team, the board has access to extensive governance support and guidance at all times. The performance of TASTE's company secretary is also assessed on a regular basis. No major issues of concern have been identified.

The governance and oversight of risk management has always been a material item on the board's workplan. This function is fulfilled with the assistance of the audit and risk committee. The committee's responsibilities in respect of risk include, amongst others:

- Developing an integrated risk management strategy for approval by the board
- Assisting the board in setting the levels of risk tolerance and appetite
- Ensuring effective communication of all risk related information, instructions and recommendations throughout the group
- Monitoring the effectiveness of implementation of risk controls and mitigation measures to ensure an effective control environment is in place

A comprehensive risk framework is in place for identifying, evaluating and monitoring the nature and extent of risks affecting the business. Risk is assessed on an ongoing basis in a "bottom-up and top-down" approach. The CFO evaluates the process for managing key operational, financial, compliance risks and reviews the group risk register on a continuous basis and submits a risk report at each meeting of the audit and risk committee.

Refer to the TASTE website at www.tasteholdings.co.za for access to the risk report included in the integrated annual report. The report elaborates on the arrangements for governing and managing risk as well as the key focus areas during the reporting period and the planned areas of future focus. Key risks and actions taken to monitor the effectiveness of the risk management process are also addressed in the report.

OUTCOMES AND PRINCIPLES

Principle 12: The board should govern technology and information in a way that supports TASTE setting and achieving its strategic objectives

Disclosure requirement in Code

The governing body should with regards to technology and information ensure disclosure on:

- overview of arrangements for governing and managing technology and information
- key focus areas during the reporting period, including objectives, significant changes in policy, significant acquisitions and remedial action taken as a result of major incidents
- actions taken to monitor the effectiveness of technology and information management and how the outcomes were addressed, and
- planned areas of future focus

EXPLANATION OF APPLICATION OF PRINCIPLES

Technology and information governance is ultimately the responsibility of the board. An IT governance framework is in place which is customised to our environment, integrated into our key business objectives and monitored for compliance and performance. The key aims of the framework are to standardise business processes across the group, reduce internal costs and ensure sound governance.

IT governance is the responsibility of the executive management team which, who submits an IT report at annually to the audit and risk committee.

The IT governance policy in terms of the charter has taken into account the material issues affecting all relevant stakeholders including the board, employees and specific departments, for instance finance.

The board receives an annual update on IT risks. All risks presented in the year were deemed to be within defined tolerance levels and not considered material.

These included:

- Business continuity
- Prolonged downtime
- Back-up and off-site storage
- Security of network and devices
- Policies on:
 - BYOD (“Bring your own device to work”)
 - Electronic communications and social media
- Corporate governance compliance
- Physical access to servers
- Level of third-party vendor access to the network
- Software licensing

Principle 13: The board should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports TASTE being ethical and a good corporate citizen

Disclosure requirement in Code

The governing body should with regards to compliance ensure disclosure on:

- overview of arrangements for governing and managing compliance
- key focus areas during the reporting period
- actions taken to monitor the effectiveness of compliance management and how the outcomes were addressed, and
- planned areas of future focus

The governing body should also ensure disclosure on:

- material or repeated regulatory penalties, sanctions or fines for contraventions of, or non-compliance with, statutory obligations – whether imposed on the organisation or on members of the board or officers in relation to the organisation
- details of monitoring and compliance inspections by environmental regulators, findings of non-compliance with environmental laws or criminal sanctions and prosecutions for such non-compliance

The board is ultimately responsible for the governance of compliance with applicable laws and adopted, non-binding rules, codes and standards by setting the direction for how compliance should be approached and addressed. The board’s approach to compliance is addressed in the board charter and confirms that the group is expected to be a law-abiding citizen of the country. Compliance is considered by the board not only for the obligations it creates but also the rights and protection it affords.

The regulatory universe is continually monitored by management to identify changes and developments that may have an impact on the group. New legislation that impacts the group is discussed at board meetings. The group risk officer, along with the executive management (CFO) and company secretary, assists in this regard with the use of a comprehensive compliance checklist.

There were no material or repeated regulatory penalties, sanctions or fines for contraventions of, or non-compliance with, statutory obligations. No compliance inspections by environmental regulators had taken place during the period under review and no incidences of non-compliance with environmental laws were identified.

OUTCOMES AND PRINCIPLES

Principle 14: The board should ensure that TASTE remunerates fairly, responsibly and transparently so as to promote the achievement of strategy objectives and positive outcomes in the short, medium and long term

Disclosure requirement in Code

The governing body should ensure that remuneration is reported on in three parts: (i) background statement; (ii) an overview of the organisation's policy on remuneration; and (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.

Principle 15: The board 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 TASTE's external reports

Disclosure requirement in Code

- External reports should disclose information about the type of assurance process applied to each report, in addition the independent external audit opinions provided in terms of legal requirements. The information should include:
 - 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
 - A statement by the governing body on the integrity of the report and the basis for this statement, with reference to the assurance applied.

Refer to audit committee disclosures for recommended disclosure by the committee concerning:

- application of combined assurance
- Internal audit arrangements and the internal control environment

EXPLANATION OF APPLICATION OF PRINCIPLES

The remuneration and nominations committee supports the board with the governance of remuneration throughout the group and ensuring fair and responsible remuneration practices.

Detailed disclosure regarding remuneration is contained in the integrated annual report which can be accessed on www.tasteholdings.co.za.

In accordance with the principles of the King IV Code and the JSE Listings Requirements, TASTE will seek approvals at the forthcoming AGM (through non-binding advisory votes), of TASTE's remuneration policy and implementation report as detailed in the integrated annual report.

Refer to the integrated annual report on www.tasteholdings.co.za for information on assurance provided. Additional disclosure on the integrated assurance process can be found in the report of the audit and risk committee as well as the disclosure under Principle 8 above.

OUTCOMES AND PRINCIPLES	EXPLANATION OF APPLICATION OF PRINCIPLES
<p>Outcome: legitimacy</p> <p>Principle 16: In the execution of its governance role and responsibilities, the board should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of TASTE</p> <p>Disclosure requirement in Code The governing body should with regards to stakeholder relationships ensure disclosure on:</p> <ul style="list-style-type: none"> • overview of arrangements for governing and managing stakeholder relationships • key focus areas during the reporting period • actions taken to monitor the effectiveness of stakeholder management and how the outcomes were addressed, and • planned areas of future focus <p>Minutes of AGMs of listed companies should be publicly available.</p> <p>A holding company should disclose an overview of the group governance framework that is implemented across the group.</p>	<p>The board has identified material stakeholders of the group and considers the legitimate and reasonable needs, interests and expectations of such stakeholders on an ongoing basis as part of the decision-making process and in acting in the best interest of TASTE.</p> <p>Refer to the website and integrated annual report on www.tasteholdings.co.za for additional information on the management of stakeholder relationships as well as the minutes of the previous annual general meeting.</p> <p>The board fully recognises the separate legal existence of each subsidiary as well as the statutory and fiduciary duties of the directors of such subsidiaries. The audit and risk committee as well as the social and ethics committee fulfil oversight functions also in respect of relevant subsidiaries. group policies are applied in all subsidiaries unless regarded as not being in the interest of a subsidiary in which event the directors of the subsidiary may recommend appropriate amendments to such policy.</p>
<p>Principle 17: The board of an institutional investor organisation should ensure that responsible investment is practised by TASTE to promote good governance and the creation of TASTE by the companies in which it invests</p> <p>Disclosure requirement in Code The responsible investment code adopted by the institutional investor and the application of its principles and practices should be disclosed</p>	<p>TASTE is not an institutional investor.</p>