

ANNEXURE: APPLICATION OF THE PRINCIPLES IN THE KING CODE

Stor-Age is committed to the principles of transparency, integrity, fairness and accountability as also advocated in the Code of Corporate Practices and Conduct in South Africa as laid out in King III.

It therefore strives to meet those objectives in accordance with the content of the table below.

KEY – Level of compliance:

- 1 – Not applied/will not be applied
- 2 – In process/partially applied
- 3 – Full application

Principle number	Description	Level of compliance	Comments
Chapter 1: Ethical leadership and corporate citizenship			
1.1	The board should provide effective leadership based on an ethical foundation.	3	Ethics form part of the values of the board and group.
1.2	The board should ensure that the company is and is seen to be a responsible corporate citizen.	3	The group identifies and contributes to selected corporate social investment initiatives.
1.3	The board should ensure that the company's ethics are managed effectively.	3	The board meets regularly to review management of the company.
Chapter 2: Boards and directors			
2.1	The board should act as the focal point for and custodian of corporate governance.	3	Contained in board charter as guiding principle.
2.2	The board should appreciate that strategy, risk, performance and sustainability are inseparable.	3	The board, in accordance with the board charter, is responsible for aligning the strategic objectives, vision and mission with performance and sustainability considerations.
2.3	The board should provide effective leadership based on an ethical foundation.	3	Contained in board charter as guiding principle.
2.4	The board should ensure that the company is and is seen to be a responsible corporate citizen.	3	The group identifies and contributes to selected corporate social investment initiatives.
2.5	The board should ensure that the company's ethics are managed effectively.	3	The board meets regularly to review management of the company.
2.6	The board should ensure that the company has an effective and independent audit committee.	3	Audit and Risk Committee is in operation.
2.7	The board should be responsible for the governance of risk.	3	Contained in board charter as guiding principle.

Principle number	Description	Level of compliance	Comments
Chapter 2: Boards and directors			
2.8	The board should be responsible for information technology (IT) governance.	3	Contained in board charter as guiding principle.
2.9	The board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards.	3	Contained in board charter as guiding principle and reviewed regularly.
2.10	The board should ensure that there is an effective risk-based internal audit.	1	An internal audit function is not deemed relevant for the size and type of company.
2.11	The board should appreciate that stakeholders' perceptions affect the company's reputation.	3	Contained in board charter as guiding principle.
2.12	The board should ensure the integrity of the company's integrated report.	3	Board reviews the integrated report.
2.13	The board should report on the effectiveness of the company's system of internal controls.	3	Include in the Audit and Risk Committee report to shareholders.
2.14	The board and its directors should act in the best interests of the company.	3	Contained in board charter as guiding principle.
2.15	The board should consider business rescue proceedings or other turnaround mechanisms as soon as the company is financially distressed as defined in the Act.	3	None of the related companies are currently in business rescue.
2.16	The board should elect a chairman of the board who is an independent non-executive director. The chief executive officer of the company should not also fulfil the role of chairman of the board.	3	Board has elected a chairman. The chairman is independent and is not the CEO.
2.17	The board should appoint the chief executive officer and establish a framework for the delegation of authority.	3	The board has appointed a CEO.
2.18	The board should comprise a balance of power, with a majority of non-executive directors. The majority of non-executive directors should be independent.	3	The board consists of seven directors of whom four are non-executive and three of whom are independent.
2.19	Directors should be appointed through a formal process.	3	A formal and transparent process is in place for appointed directors. The board assists with the process of identifying suitable candidates.

ANNEXURE: APPLICATION OF THE PRINCIPLES IN THE KING CODE (continued)

Principle number	Description	Level of compliance	Comments
Chapter 2: Boards and directors			
2.20	The induction of and ongoing training and development of directors should be conducted through formal processes.	3	Continuous training of board members is taking place.
2.21	The board should be assisted by a competent, suitably qualified and experienced company secretary.	3	The board considers the company secretary to be suitably qualified and experienced and in a position to advise the company.
2.22	The evaluation of the board, its committees and the individual directors should be performed every year.	3	The board delegates certain functions to the following committees: Audit and Risk Committee, Remuneration Committee, Social and Ethics Committee.
2.23	The board should delegate certain functions to well-structured committees but without abdicating its own responsibilities.	3	The board has formed standing committees to perform certain functions and ad hoc committees are formed as and when required.
2.24	A governance framework should be agreed between the group and its subsidiary boards.	3	The Stor-Age governance framework has been applied to all subsidiaries.
2.25	Companies should remunerate directors and executives fairly and responsibly.	3	Directors' remuneration is determined annually based on market related benchmarks by the Remuneration Committee chaired by an independent director.
2.26	Companies should disclose the remuneration of each individual director and certain senior executives.	3	The company discloses directors' remuneration in the annual report.
2.27	Shareholders should approve the company's remuneration policy.	3	The policy was approved by the Remuneration Committee and will be tabled at a future annual general meeting.
Chapter 3: Audit committee			
3.1	The board should ensure that the company has an effective and independent audit committee.	3	The board has an audit and risk committee in compliance with King III.
3.2	Audit committee members should be suitably skilled and experienced independent non-executive directors.	3	Committee consists of suitably qualified and experienced independent directors.
3.3	The audit committee should be chaired by an independent non-executive director.	3	The committee is chaired by Gareth Fox, independent non-executive director.

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Chapter 3: Audit committee			
3.4	The audit committee should oversee integrated reporting (integrated reporting, financial, sustainability and summarised information).	3	The committee reviews the integrated report prepared by management.
	The audit committee should be responsible for evaluating the significant judgements and reporting decisions affecting the integrated report.	3	All significant judgements and reporting decisions are reported to the committee.
	The audit committee's review of the financial reports should encompass the annual financial statements, interim reports, preliminary or provisional result announcements, summarised integrated information, and any other intended release of price-sensitive financial information, trading statements, circulars and similar documents.	3	The audit and risk committee reviews all integrated reports, interim results and any provisional results announcements.
3.5	The audit committee should ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities.	3	The audit and risk committee oversees the assurance activities to ensure that they are constructed in a co-ordinated manner.
3.6	The audit committee should satisfy itself of the expertise, resources and experience of the company's finance function.	3	The audit and risk committee satisfied itself as to the appropriateness of the expertise and experience of the financial director, Stephen Lucas, and the finance function and concluded these were appropriate.
3.7	The audit committee should be responsible for overseeing of internal audit.	1	An internal audit function is not deemed relevant for the size and type of company.
3.8	The audit committee should be an integral component of the risk management process.	3	The company has a combined audit and risk committee.
3.9	The audit committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process.	3	The committee oversees the external audit functions and reviews the appropriateness and independence of the external auditor annually.
3.10	The audit committee should report to the board and shareholders on how it has discharged its duties.	3	The committee formally reports to the shareholders in the annual report and on a frequent basis to the board.

ANNEXURE: APPLICATION OF THE PRINCIPLES IN THE KING CODE (continued)

Principle number	Description	Level of compliance	Comments
Chapter 4: The governance of risk			
4.1	The board should be responsible for the governance of risk.	3	The board, with the assistance if the audit and risk committee is responsible for the governance of risk.
4.2	The board should determine the levels of risk tolerance.	3	The audit and risk committee assesses the levels of risk tolerance for the group.
4.3	The risk committee or audit committee should assist the board in carrying out its risk responsibilities.	3	See 4.1
4.4	The board should delegate to management the responsibility to design, implement and monitor the risk management plan.	3	The board has delegated the day-to-day responsibility for risk management to management.
4.5	The board should ensure that risk assessments are performed on a continual basis.	3	The audit and risk committee actively monitors the group's key risks as part of its standard agenda.
4.6	The board should ensure that the frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks.	3	The audit and risk committee operates within its approved charter, framework and policy which will be reviewed on an annual basis.
4.7	The board should ensure that management considers and implements appropriate risk responses.	3	Management reports any material risks and its approach to the audit and risk committee on a regular basis.
4.8	The board should ensure continual risk monitoring by management.	3	Management reports any material risks and its approach to the audit and risk committee on a regular basis.
4.9	The board should receive assurance regarding the effectiveness of the risk management process.	3	The audit and risk committee shall review and report to the board on the effectiveness of the company's risk management processes.
4.10	The board should ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders.	3	The board is comfortable with the existing processes which are in place.

Principle number	Description	Level of compliance	Comments
Chapter 5: The governance of information technology			
5.1	The board should be responsible for information technology (IT) governance.	3	The board understands the importance, relevance and inherent risks in IT and has delegated the management thereof to management. The risk and audit committees assist in ensuring appropriate compliance structures are in place.
5.2	IT should be aligned with the performance and sustainability objectives of the company.	3	
5.3	The board should delegate to management the responsibility for the implementation of an IT governance framework.	3	
5.4	The board should monitor and evaluate significant IT investments and expenditure.	3	
5.5	IT should form an integral part of the company's risk management.	3	
5.6	The board should ensure that information assets are managed effectively.	3	
5.7	A risk committee and audit committee should assist the board in carrying out its IT responsibilities.	3	
Chapter 6: Compliance with laws, codes, rules and standards			
6.1	The board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards.	3	The board requires management to report on compliance on a regular basis.
6.2	The board and each individual director should have a working understanding of the effect of the applicable laws, rules, codes and standards on the company and its business.	3	Training is provided to board members from time to time as required.
6.3	Compliance risk should form an integral part of the company's risk management process.	3	The audit and risk committee operates within its approved charter, framework and policy which will be reviewed on an annual basis.
6.4	The board should delegate to management the implementation of an effective compliance framework and processes.	3	Management is responsible for compliance processes.

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Principle number	Description	Level of compliance	Comments
Chapter 7: Internal risk			
7.1	The board should ensure that there is an effective risk-based internal audit.	1	Due to the size of the company, the board does not consider it to be cost effective to maintain a full-time internal audit function. The company's situation and needs in terms of an internal audit function will be reassessed on an annual basis. The board has mandated the audit and risk committee to initiate internal audit investigations as and when deemed necessary.
7.2	Internal audit should follow a risk-based approach to its plan.	1	
7.3	Internal audit should provide a written assessment of the effectiveness of the company's system of internal control and risk management.	1	
7.4	The audit committee should be responsible for overseeing internal audit.	1	
7.5	Internal audit should be strategically positioned to achieve its objectives.	1	
Chapter 8: Governing stakeholder relations			
8.1	The board should appreciate that stakeholders' perceptions affect a company's reputation.	3	Stor-Age recognises that developing and nurturing positive relationships with its significant stakeholders are key drivers of success that inform business strategy and enable the group to better understand and address the impact of its activities on society.
8.2	The board should delegate to management to proactively deal with stakeholder relationships.	3	Management is responsible for dealing proactively with stakeholder relationships.
8.3	The board should strive to achieve the appropriate balance between its various stakeholder groupings, in the best interests of the company.	3	All stakeholders are considered during decision making processes.
8.4	Companies should ensure the equitable treatment of shareholders.	3	The board considers the equitable treatment of shareholders in decision making.
8.5	Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence.	3	Communication to stakeholders is the responsibility of the executive team and company secretary and is monitored by the board.
8.6	The board should ensure that disputes are resolved as effectively, efficiently and expeditiously as possible.	3	All disputes communicated to the board are resolved as effectively as possible.

Principle number	Description	Level of compliance	Comments
Chapter 9: Integrated reporting and disclosure			
9.1	The board should ensure the integrity of the company's integrated report.	3	The board is responsible for the integrity of the integrated report.
9.2	Sustainability reporting and disclosure should be integrated with the company's financial reporting.	3	The company's vision and mission statements, strategic objectives and value system are integrated into all policies, procedures, decision-making and operations, with 'sustainability' being one of the company's four Core Values.
9.3	Sustainability reporting and disclosure should be independently assured.	1	Sustainability reporting is not currently independently assured, as all information can be derived from the audited annual financial statements. The board will investigate the necessity to obtain independent assurance on a periodic basis.