CALGRO M3
Group

2022

KING IV™ APPLICATION REGISTER 2022



KING IV™ APPLICATION REGISTER

Principle 1

The governing body should lead ethically and effectively.

Directors adhere to a high standard of ethical conduct and act in accordance with the Code of Ethics and Conduct Policy and King IV™, as adopted by the Board, and as amended from time to time.

Directors have a reputation for integrity, honesty, and service of adherence to high ethical standards. In addition to fulfilling their statutory and fiduciary duties, Directors are expected to display the characteristics of integrity, competence, responsibility, accountability, fairness and transparency. The Board embodies these ethical characteristics in order to offer effective leadership that results in achieving strategic objectives and positive outcomes. Directors regularly attend and participate in meetings and are afforded the opportunity to engage meaningfully in Board deliberations and challenge when they have a concern.

Comprehensive registers of individual directors' interests in and outside the Company are maintained, updated and noted by the Board at each Board meeting. Where there are conflicts of interest, these are minuted and the affected Directors are recused from the relevant discussion and/or decisions.

Directors have a sound understanding of the business and the required working knowledge of the markets in which the Group operates. They sufficiently familiarise themselves with the general content of applicable laws, rules, codes and standards that govern the activities of the Group in order to be able to discharge their duties. Detailed operational and financial information is provided to Non-Executive members to ensure they are familiar with all items that affect the organisation.

The Board and its committees are assessed biennially by the respective Director participants and the results of the assessments are discussed at Board level.

The Group has a 24-hour anonymous ethics hotline that enables anyone to report any fraudulent, corrupt or unethical behaviour.

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 has ensured that codes of conduct and ethics-related policies, through which ethical standards are clearly articulated, have been established and implemented. An external whistleblowing hotline has been established, on which unethical behaviour can be reported anonymously. The hotline information is displayed in numerous locations within the organisation and awareness campaigns are regularly done for all parties that interact with the Group. The results of the whistleblowing reports are presented at the Audit and Risk Committee and feedback is given to the Board by the chairman of the Committee.

The Board, through the Social and Ethics Committee, ensures that the Group's ethics performance is assessed, monitored, reported and disclosed. The Committee provides regular reports to the Board in this regard.

Management ensures that the Values, Vision and Mission of the Group as well as the Code of Conduct are displayed throughout the organisation as well as communicated to employees to ensure awareness.

Following rigorous and comprehensive brainstorming sessions held throughout the Group, at all levels, the following five values, along with their value statements, were chosen and launched over a five-month period:

Calgro's values

Respect	Integrity	Quality	Excellence	Passion
I acknowledge that everyone has a unique role in the business, and no one person is more important than the other.	I do the right thing no matter who is watching.	I always strive to achieve the best.	I strive to excel at everything I do.	I put my heart into everything I do.

A roll out was planned to ensure the effective implementation of the final values and to embed these into the business through various campaigns which spread over the five-month period, each month was capped off with a nomination for the value champion of the month. The values have been well received and are the core foundation for the Group's ethical culture.

Principle 3

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

The Board considers not only financial performance, but also the impact of the Group's operations on society and the environment. Measurable corporate citizenship programmes and policies have been developed and implemented. The Board protects, enhances and invests in the well-being of the economy, society and the environment.

The Board has mandated the Social and Ethics Committee to monitor and report on responsible corporate citizenship. The Committee's mandate includes oversight of safety, developing and retaining a skilled and diverse workforce, and ensuring the implementation of the Company's transformation and environmental sustainability strategies. Matters identified by the Committee are referred to the Board and dealt with at Board level.

The Social and Ethics Committee deliberated on the recommendations by the UN Global Compact on how companies can navigate the sustainability challenges magnified by the Covid-19 pandemic. The Group is fully compliant with the UN Global Compact Principles and it is at the Global Compact advantaged level, being the highest compliant level.

The Health, Safety and Environmental Report is compiled and referred to the Social and Ethics Committee for deliberation on a quarterly basis and reported on at Board level.

The Group has established a Health, Safety and Environmental management team to enhance the Group's compliance to international standards. The Group has successfully completed the external audit process of its internally developed HSE Management System and has achieved certification for ISO 45001:2018 and 14001:2015.

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 informs and approves strategy on an annual basis, as opposed to being a passive recipient of strategy as proposed by management. The strategy is aligned with the purpose of the Group, the value drivers of its business and the legitimate interests and expectations of the stakeholders. The Board approves the Strategic Plan after careful consideration of the Group's financial position and liquidity requirements, alternative sources of capital reasonably available to the Group, and other relevant factors. The approved Strategic Plan highlights the strategic objectives, short, medium and long-term strategies of the Group and the individual businesses within the Group.

Strategy is translated into key performance and risk areas (including finance, ethics, compliance and sustainability); and the associated performance and risk measures are identified and clear. Operational updates are presented at all Board meetings for deliberation.

Through the Risk Management Plan, material strategic business and sustainability risks are identified and outlined in the risk register and mitigating controls are implemented to manage the identified risks to a tolerable level in line with the Risk Appetite and Tolerance Policy.

The Audit and Risk Committee reviews a documented assessment, performed by management, of the going concern premise of the Group.

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.

With the assistance of the Board Committees, the Board is responsible for the reporting of the Integrated Annual Report, the approved Annual Financial Statements and all other statutory reporting on key matters affecting the Group and its stakeholders. All reports that are included in the Integrated Annual Report are referred to the Board for review, and approval thereof is subject to all changes effected to the reports by the Board.

The Integrated Annual Report and Annual Financial Statements are prepared in consultation with the Group's internal and external advisers to ensure that they comply with the relevant legislation and regulations and to ensure that shareholders and other stakeholders alike are able to ascertain whether the affairs of the Group are managed competently.

With the assistance of the Audit and Risk Committee, the Board ensures that the Integrated Annual Report, ESG Report and Annual Financial Statements of the Group enable stakeholders to make informed assessments of the Group's performance and its short, medium and long-term objectives. The Group has controls in place to enable it to verify and safeguard the integrity of its Integrated Annual Report and other disclosures.

The corporate governance disclosure, a yearly Integrated Annual Report, Annual Financial Statements and related external reports are published on the Group's website. Current and archived integrated annual reports can be accessed on the Group's website.

Principle 6

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

The Board serves as the focal point and custodian of corporate governance in the Group by managing its relationship with management, the shareholders and other stakeholders.

The scope of authority, responsibilities, composition and functions of the Board are contained in a formal Charter which is reviewed on an annual basis. As detailed in its charter, the Board's objective is to provide responsible business leadership to the Group, acting ethically, with leadership and integrity in the execution of its duties with due regard to the interest of all stakeholders.

A Board Work Plan has been developed and implemented to ensure that the Board attends to all its responsibilities that have not been delegated to Board Committees. Board meeting agendas are prepared in line with the Board Work Plan which has been strategically structured to ensure that the Board monitors the progress of the implementation and execution of tasks delegated to management and Board Committees.

Feedback in respect of the delegated tasks is provided at the next meeting and recorded in the minutes of that meeting.

Board Committees are entitled to obtain independent professional advice at the cost of the Group on any issue within the ambit of their scope and subject to following a Board approved process.

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.

Board composition

The Board operates as a unitary Board comprising Executive and Non-Executive Directors. It comprises a majority of Non-Executive Directors, of whom the majority are independent. At least one-third of Non-Executive Directors rotate every year.

The Chairperson of the Board is an Independent Non-Executive Director. The Board has a Lead Independent Director who is an Independent Non-Executive Director and whose functions include to serve as a sounding board for the Board Chairperson, to strengthen the independence of the Board and to offer support and guidance to the Directors. The Chief Executive Officer and the Financial Director are members of the Board. The Board composition is reviewed on an annual basis to ensure that it complies with the relevant legislation, regulations and policies.

When determining the number of Directors to serve on the Board, the knowledge, skills and resources required as appropriate to the business of the Group is considered. The Nomination Committee ensures that candidates being considered to serve on the Board also qualify to serve on Board Committees. All appointments to the Board are recommended by the Nomination Committee. The Board decides on any appointment to the Board, subject to shareholder approval. The Board, with the assistance of the Nomination Committee, ensures that candidates for election are not prohibited from being appointed as Directors in terms of section 69 of the Companies Act.

Procedures for appointments to the Board are formal and transparent and are a matter for the Board as a whole, assisted by the Nomination Committee. The Company has adopted and implemented a policy that sets out the approach to achieve broader diversity at Board level, specifically focusing on the promotion of the diversity attributes of gender, race, culture, age, field of knowledge, skills and experience. The targets set out in the policy are in line with national demographics and aim to achieve a balance of representation at Board level. Any new appointments are considered against these targets.

Currently, there is no formal mentorship policy in place. If any required training or guidance is identified, the specific Director is sent for specific training to address the need. There are no inexperienced Directors currently on the Board. The Board ensures that Directors receive regular briefings on changes in risks, laws and the business environment.

Independence and conflicts

Board members are required to complete and sign declaration of interests forms annually as well as in respect of all matters on the Board agenda at every Board meeting, and to disclose conflicts of interest as soon as they become aware of such conflict or potential conflict. Directors recuse themselves from discussions and decisions on matters in which they have a conflict of interest. Directors confirm their financial, economic and related-party interests on an annual basis and they are required to notify the Company Secretary of any significant changes.

With the assistance of the Nomination Committee, Independent Non-Executive Directors serving for longer than nine years are subjected to a rigorous review of their independence and performance by the Board. The Board makes full disclosure regarding individual Directors to enable shareholders to make their own assessment of Directors. The classification of Directors as independent or otherwise is disclosed on the basis of the yearly assessment of the independence of the Independent Non-Executive Directors. There is reporting on the procedure and outcome of the assessment of the suitability of Independent Non-Executive Directors to continue on the Board as such, for a period longer than nine years.

Chairperson of the Board

A formal role description for the Chairperson of the Board is outlined in the Board Charter. Taking into consideration the number of outside professional positions that the Chairperson of the Board holds and the size and complexity of the business operations of the Group, the Board is satisfied that its Chairperson is able to perform his duties effectively.

The Chairperson of the Board is the Chair of the Nomination Committee and member of the Remuneration Committee. He is not the Chairperson of the Remuneration Committee, but only a member thereof.

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 Charter allows for the delegation of some of its responsibilities to Committees formed by it to assist in the execution of its duties, power and authorities. The delegation of authority to Committees does not mitigate or discharge the Board and Directors from their duties and responsibilities. The Board ensures that it fulfils those responsibilities that have not been delegated to a specific Committee.

The Board has established the following Committees:

- Audit and Risk Committee
- Social and Ethics Committee
- Remuneration and Nomination Committee

The terms of reference of all Board Committees have been adopted by the Board and are reviewed annually. Each Committee's terms of reference deal with the composition, objectives, purpose, activities and delegated authorities. This includes the extent of power to make decisions; tenure; and reporting mechanism to the Board.

The Board has authorised all its Committees to investigate any activity within its terms of reference and to seek any information it requires from any employee of the Group. All employees are required to cooperate with any request made by the Committee. The request is channelled through the CEO.

Members of each Committee collectively have adequate and appropriate knowledge, skills, experience, and capacity to execute their duties. The Board evaluation process permits Directors to evaluate the performance and effectiveness of each Committee.

In instances where more than one Committee has jurisdiction to deal with a similar matter, the specific role and positioning of each Committee in relation to such matter is defined in the terms of reference of the Committee to ensure complementary rather than competing approaches.

KING IV™ APPLICATION REGISTER (CONTINUED)

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.

The Board conducts performance assessments of the Chairperson, the Board as a whole, and Board Committees, including Committee members, in order to evaluate their effectiveness and performance. The assessments are conducted through self-evaluation forms in the form of a questionnaire to be completed.

The assessments are conducted every two years in line with the King IV™ recommendations.

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 Board has appointed a CEO. The CEO's role and functions are set out in the Board Charter. There is a benchmark; i.e. performance measures, in place to evaluate the performance of the CEO. The evaluation is conducted on an annual basis.

There is a delegation of authority policy which sets out matters which are strictly reserved for Board and management approvals and prescribe authority thresholds for different Board Committees. The delegation of authority policy is reviewed annually by the Board. The Board has delegated authority to the CEO to run the day-to-day affairs of the Group. The CEO is assisted in his responsibilities by an Executive Committee.

The Board is satisfied that the delegation of authority policy contributes to role clarity, and the effective exercise of authority and responsibilities is disclosed in the Integrated Annual Report.

Principle 11

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

The Board's responsibility for risk governance is expressed in the Board Charter and the Risk Management Plan. The Board is assisted by the Audit and Risk Committee in order to govern risk in a way that supports the Group in achieving its strategic objectives. Independent Non-Executive Directors also serve on the Audit and Risk Committee ensuring there is coordination in respect of the evaluation and reporting of risks.

A risk register approved by the Board sets out the various risks that should be considered as part of the risk identification process. These potential risks are reviewed and updated on a quarterly basis to ensure all relevant industry issues are considered.

The Board has adopted a Risk Appetite and Tolerance Policy that sets out acceptable risk limits that the Group has the capacity to tolerate. Upper and lower tolerances have been set for each of the identified risk tolerance areas and they are monitored on a quarterly basis.

As an approach to increase the probability of anticipating unpredictable risks, the Group monitors developments associated with risks on a regular basis. As a means of strengthening its business continuity capabilities, the Group has developed a Crisis Management Plan.

The Board is kept up to date on progress on the Risk Management Plan. Consideration is given periodically for the need to receive periodic independent assurance on the effectiveness of risk management. An overview of the risk management process is highlighted in the risks and mitigation strategies report in the Integrated Annual Report.

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 assumes the responsibility for the governance of IT and recognises the importance of same as it is inter-related to the strategy, performance and sustainability of the Group. The Audit and Risk Committee assists the Board with the governance of IT. The IT Report by the IT Steering Committee is compiled and referred to the Audit and Risk Committee for deliberation on a quarterly basis and reported on at Board level.

The Board ensures all personal information is treated by the Group as an important business asset and is in compliance with the POPIA act. The security of information within the Group is monitored on a regular basis by internal and outsourced external experts.

External providers are contracted to do penetration and security tests on the entire IT environment and to ensure controls are functioning optimally on a biennial basis. Internal assessments are performed by management every other year to ensure that IT controls are functioning effectively.

The Company launched a new cyber security awareness training platform designed to reduce and guard against security breaches caused by human error in the workplace. The training covers topics such as phishing, passwords, data protection, information protection and office hygiene. Training is compulsory and allows the IT department to determine which individual or departments need to be closely monitored for security risks.

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 has implemented appropriate structures, policies, processes and procedures to monitor compliance and remain appraised of any new legislation, non-binding rules and codes applicable to the Group. It is assisted by the Audit and Risk and Social and Ethics Committees in monitoring compliance.

The Board receives assurance on the effectiveness of the controls around compliance with laws, rules, codes, and standards from procedures performed by the internal auditors.

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 the short, medium and long term.

The Remuneration Committee ensures that the Group's Remuneration Policy is aligned with its strategy and it also reviews and approves the remuneration of Executive Directors and Senior Management.

The Remuneration Policy and Implementation Report are set out in the Integrated Annual Report. A non-binding advisory vote on the Remuneration Policy and Implementation Report are tabled at the Annual General Meeting and has been duly approved by shareholders in prior years.

Executive and prescribed officer remuneration comprise a combination of guaranteed remuneration (total cost to Company) and variable remuneration (short-term incentives and long-term incentives). The weighting depends on the level of seniority in the organisation. Annual reviews of guaranteed remuneration are benchmarked against remuneration surveys and comparisons of remuneration for similar executive jobs within the sector and industry.

The Directors, Executives and employees are remunerated fairly and responsibly in line with the Remuneration Policy. The Board is satisfied that the Remuneration Policy achieves its objectives.

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 has delegated the Audit and Risk Committee with the responsibility of overseeing the effectiveness of assurance arrangements within the Group. The Committee ensures that internal controls are effective and adequately reported on for auditing and regulatory purposes. Internal controls have been established not only over financial matters, but also operational, compliance and sustainability issues.

The assurance arrangements in place support the Audit and Risk Committee and the Board in making endorsement on the effectiveness of internal controls in the Integrated Annual Report and to support the integrity of information used for internal decision-making within the Group.

The Committee's oversight over the arrangements for assurance services and functions contribute to ensuring that an effective control environment is enabled, supporting the integrity of external reports issued.

Assurances are currently obtained from audits performed by the internal and external auditors together with tests performed by management on a regular basis.

The Board assumes responsibility for the integrity of external reports provided by the Group and sets out the direction on how assurance in this regard should be approached and addressed.

Principle 16

In the execution of its governance role 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.

The Board recognises its responsibility for the governance of stakeholder relations within the Group. Transparent communication and engagement with stakeholders are vital to ensure that the principles on stakeholder management are adopted in line with King IV™. The Board believes in the principle that all shareholders should receive equal consideration regardless of the size of their shareholdings.

The Board has adopted the Stakeholder Communication Policy which sets out the approach to stakeholder engagement across the Group. The Executive Management has been mandated to ensure effective stakeholder engagement and management.

Stakeholders which could materially affect the operations of the Group are identified, assessed and dealt with as part of the risk management process.

The Board regularly communicates its strategy, performance, and vision to shareholders through presentations delivered during financial results road shows and the Stock Exchange News Service. Management regularly meets with investors and shareholders in one-on-one meetings. The Annual General Meeting provides an important platform for engagement with shareholders and offers them the opportunity to participate in discussions relating to the Group.

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