



CORPORATE GOVERNANCE REPORT

COMMITMENT AND APPROACH

The directors endorse and accept full responsibility for the application of the principles necessary to ensure that effective corporate governance is practised consistently throughout the group. In discharging this responsibility the board complies with the King Code in both letter and spirit, unless where it is not practicable as explained. Compliance with the King Code is also reported in the King Compliance Register on our website, www.holdsport.co.za.

APPLICATION OF KING III PRINCIPLES

All JSE-listed companies are required to report and disclose the application of the King III principles in their integrated annual reports. The directors have proactively taken steps to ensure that the elements required to make the group compliant with the recommendations incorporated in the King Code have been implemented.

The board has applied the principles of King III and elected to explain the principles that are not applied:

- Principle 7.1 of King III provides that the board should ensure that there is an effective risk-based internal audit. The Report further suggests that the internal audit function “should adhere to the Institute of Internal Auditors’ Standards for the Professional Practice of Internal Auditing and Code of Ethics at a minimum”. The group does not have an independent internal audit function, but engaged independent specialist firms to conduct reviews of the design and effectiveness of selected key controls in the IT environment. These reviews did not identify any material weaknesses in the system of internal control.

- Principle 3.2 of King III recommends that the chairman of the board should not be a member of the audit committee. The chairman of the board, Syd Muller, currently serves on the audit and risk committee due to the small size of the board. The nomination committee considered the issue and recommended to the board that Mr Muller should remain a member of the audit and risk committee owing to his skills, knowledge and experience which allow him to make a significant contribution to the committee. The board accepted and approved the recommendation that he continues to serve on the committee. The group’s audit and risk committee comprises three non-executive independent directors, including the board chairman.
- Principle 9.3 recommends that sustainability reporting and disclosure should be independently assured. The external auditor has assured the Annual Financial Statements. The group has not sought external verification of the content of the Integrated Annual Report.

BOARD OF DIRECTORS’ ROLE

The company’s board of directors currently consists of three executive directors and five non-executive directors. The board of directors is ultimately responsible for the day-to-day management of the group’s business, its strategy and key policies. The board of directors is also responsible for approving Holdsport’s financial objectives and targets. Members of the board of directors are appointed by the company’s shareholders.

The group’s executive directors, who are also members of the executive committee, are involved in the day-to-day business activities of the group and are responsible for ensuring that the decisions of the board of directors are implemented in accordance with the mandates given to it by the board.

COMMITTEES

The board of directors has delegated specific responsibilities to board committees, each with its own terms of reference that define its powers and duties. The board committees meet independently and report back to the board through their chairpersons. All committees are chaired by an independent non-executive director.

LEADERSHIP

The board elected the chairman after the last AGM in August 2016 and will continue to follow this practice after the AGM each year.

The roles of the non-executive chairman and the chief executive officer are formalised, separate and clearly defined. This division of responsibilities at the helm of the group ensures a balance of authority and power, with no one individual having unrestricted decision-making powers.

The non-executive directors have extensive business experience and specialist skills across a range of sectors, including accounting, finance, law, retailing, construction and human resources. This enables them to provide balanced and independent advice and judgement in the decision-making process.

Non-executive directors have direct access to management and may meet with management independently of the executive directors.

CORPORATE GOVERNANCE REPORT (continued)

The group has no controlling shareholder or group of shareholders.

The board meets at least four times a year. Additional meetings can be convened to consider specific business issues which may arise between scheduled meetings. No additional meetings were required during the year.

DIRECTOR APPOINTMENT AND INDUCTION

The remuneration and nomination committee considers directors for appointment to the board and motivates these candidates to the board in a thorough and transparent process.

Newly appointed directors undergo a formal induction programme which outlines their fiduciary duties and

provides an in-depth understanding of the group and its operations. This includes meetings with business unit heads and visits to stores and distribution centres.

Directors do not have a fixed term of appointment. One-third of the directors, being those longest in office, are required to retire by rotation each year and are eligible for re-election by shareholders at the AGM. Directors appointed during the year are required to have their appointments ratified at the following AGM.

INDEPENDENCE ASSESSMENT

King III requires the board to review the independence of long-serving non-executive directors.

The remuneration and nomination committee conducted an evaluation of the independence of the chairman and non-executive directors.

All relevant factors which could impact on their independence were considered, in particular the factors outlined in King III and the Companies Act. The nomination committee believes there are no factors which prevent the directors from exercising independent judgement or acting in an independent manner. All four non-executive directors, including the chairman, are therefore appropriately classified as being independent in terms of both the King III definition and the guidelines outlined in the JSE Listings Requirements.

Embargoes can also be placed on share dealings at any other time if directors or executives have access to price-sensitive information which is not in the public domain.

Directors are required to obtain written approval prior to dealing in the company's shares. It is also mandatory for directors to notify the company secretary of any dealings in the company's shares within three days. This information is then disclosed on SENS within 24 hours of the trade being executed. These dealings are also reported retrospectively at board meetings.

DIRECTORS' INTERESTS IN CONTRACTS

Directors do not have any interest, directly or indirectly, in any contracts with the group.

DIRECTORS' AND OFFICERS' INSURANCE

The group has directors' and officers' insurance in place.

REMUNERATION

Remuneration is dealt with in the Remuneration Report on pages 48 to 52.

Shareholder approval will be sought at the upcoming AGM for the increase in fees for the 12-month period to 31 August 2018.

DONATIONS TO POLITICAL PARTIES

While the group supports the democratic system in South Africa it does not make donations to political parties.

EXECUTIVE COMMITTEE

The board determined that the prescribed officers in terms of the Companies Act are the members of the group executive committee, which comprises Toni Haarburger, Kobus Potgieter

(the Managing Executive: Outdoor Warehouse), Johan Strydom (the E-Commerce Executive), Anthony Shaw (the Operations Executive: Sportsmans Warehouse), Stuart Young (the General Manager: Wholesale), André van Zyl (the Operations Manager: Performance Brands) and the three executive directors, namely Kevin Hodgson, Cobus Loubser and Bradley Moritz.

These are the people who exercise general executive control and management of the whole or a significant portion of the group's businesses and activities. All other senior management employees report to members of the group executive.

No fees are payable to executives for service on this committee.

COMPANY SECRETARY

Raymond Thomas CA (SA) replaced André Erasmus van Zyl CA (SA) as the company secretary on 28 May 2015. Raymond Thomas is a financial manager in the group and is not a director. The board is comfortable that he maintains an arm's length relationship with the board on that basis.

The secretary of the company is required to provide the directors of the group, collectively and individually, with guidance as to their duties, responsibilities and powers. He is also required to ensure that the directors are aware of all laws and legislation relevant to, or affecting, the group and reporting to any meetings of the shareholders of the group or of the group's directors, any failure on the part of the group or a director to comply with the company's memorandum of incorporation (MOI) or the rules of the company or the Companies Act.

The company secretary must certify in the group's Annual Financial Statements whether the group has filed required returns and notices in terms of the Companies Act, and whether all such returns and notices appear to be true, correct and up to date, and ensure that a copy of the group's Annual Financial Statements is sent, in accordance with this Companies Act, to every person who is entitled to it. Furthermore, the company secretary is responsible for carrying out the functions of a person designated in its annual returns to ensure the group's compliance with its transparency, accountability and integrity of requirements set out in sections 22 to 34 of the Companies Act, and the enhanced accountability and transparency requirements set out in chapter 3 of the Companies Act, to the extent applicable.

The company secretary is also required to ensure that minutes of all shareholders' meetings, directors' meetings and the meetings of any committee of the directors are properly recorded in accordance with section 24(d) and (e) and section 73 of the Companies Act.

The board, having assessed Raymond Thomas's abilities based on his qualifications, experience and the level of competence he has demonstrated as Holdsport's company secretary, as required in terms of paragraph 3.84(i) of the JSE Listings Requirements, agreed that Raymond Thomas is sufficiently qualified, competent and experienced to act as Holdsport's company secretary.

BOARD AND COMMITTEE MEETING ATTENDANCE

	Board	Audit and risk	Remuneration and nomination	Transformation, sustainability, social and ethics
Syd Muller	4*	3	2	2
Bryan Hopkins	4	3	2*	–
Keneilwe Moloko	4	3*	–	–
Phillip Matlakala	4	–	–	2*
Kevin Hedderwick	4	–	2	–
Kevin Hodgson	4	3	2*	2
Bradley Moritz	4	–	–	–
Cobus Loubser	4	3	–	2*
Meeting attendance in 2017 (%)	100.0	100.0	100.0	100.0

* By invitation.

* Chairperson.

BOARD EVALUATIONS

The board has the relevant knowledge relating to the group's business. The directors believe board meetings are well organised, efficiently run and all relevant aspects of the group's businesses are dealt with thoroughly by the board and its various committees which have all discharged their responsibilities adequately.

PERSONAL SHARE DEALINGS

The group's insider trading policy precludes directors and staff from trading in the group's shares during two formalised closed periods. These closed periods run from the end of the interim and annual reporting periods until the financial results are disclosed on the Securities Exchange News Service (SENS) of the JSE.