



APPLICATION OF KING IV PRINCIPLES AS FROM 1 JULY 2017

The Group endorses the principles contained in King IV. The Board is of the opinion that the Group complies in all respects with the material provisions of King IV for the financial year commencing 1 July 2017.

A summary of the King IV principles adopted and applicable from 1 July 2017 are explained below, including the summarised responses thereto.

PRINCIPLE	DESCRIPTION	SUMMARISED RESPONSE
1.	The Board should set the tone and lead ethically and effectively. Members of the Board should individually and collectively cultivate the following characteristics and exhibit them in their conduct: integrity, competence, responsibility, accountability, fairness and transparency.	Applied. The Board has adopted a Board Charter that sets the tone at the top and responsibility for the Board to ensure that Stellar Capital is ethically and effectively managed. The conduct of the Board, Committees, individual directors and Company Secretary are evaluated and reviewed at least annually to establish that those charged with governance exhibit the required characteristics. Along with directing the strategy of the Group and being tasked with its performance, the responsibility for good corporate governance is that of the Board of Directors. Accordingly, management is required to make decisions that are strategically sound, are in compliance with the relevant legislation and Company policy, are cognisant of the interests of stakeholders, and encompass the principles of good corporate governance.
2.	The Board should ensure that the Company's ethics is managed effectively.	Applied. The Board has taken responsibility for creating and maintaining an ethical corporate culture and ensures that the ethical standards which have been set are adhered to in all aspects of the business. Ethical standards and expectations are clearly communicated to all employees and breaches of ethical conduct are viewed in a serious light. The Social and Ethics Committee is included in the 2017 integrated annual report on page 39. The Company has also adopted an Ethics Policy in terms of its Board Charter. Monitoring of compliance by the Company with ethical matters is also standing agenda items for the Audit and Risk Committee and Social and Ethics Committee.

3.	The Board should ensure that the Company is a responsible corporate citizen.	<p>Applied. The Board acknowledges that it in addition to Stellar Capital's economic performance is also responsible for the Company's social and environmental performance. The Board has constituted the Audit and Risk Committee, Remuneration Committee, Nominations Committee and the Social and Ethics Committee to assist it with the discharge of its corporate governance responsibilities. Applicable corporate governance and committee reports are included in the integrated annual report.</p> <p>The key focus areas of the Social and Ethics Committee, a sub-committee of the Board, is to monitor the adherence to legislation, accreditation and additional commitment by Stellar Capital relating to the following core subjects:</p> <ul style="list-style-type: none"> i) Human rights ii) Labour practices iii) Consumer issues iv) Community involvement and development v) The environment vi) Fair operating practices <p>Areas of improvement and progress in terms of agreed commitments and deadlines are reported to the Board regularly.</p>
4.	The Board should lead the value creation process by appreciating that strategy, risk and opportunity, performance and sustainable development are inseparable elements.	Applied. Progress against the adopted Group strategic plan is monitored on a continuous basis. The Board exercises ongoing oversight of the implementation of the strategy and operational plans by management against agreed performance measures and targets. Stellar Capital seeks to deliver total shareholder return in the form of NAV growth and shareholder distribution (where applicable) of at least 15% and more per annum over each rolling 3 year period target.
5.	The Board should ensure that reports and other disclosures enable stakeholders to make an informed assessment of the performance of the Company and its ability to create value in a sustainable manner.	Applied. The Board ensures that the integrated annual report provides and accurate, complete and integrated representation of the Group, including financial performance, corporate governance, risk management and sustainability. Management have implemented controls to enable the verification and safeguarding of the integrity of the integrated annual report. Included as part of this, is the review and consideration of the financial statements by the Audit and Risk Committee and a process to ensure that independence and competence of the Group's external auditors.
6.	The Board should serve as the focal point and custodian of corporate governance in the Company.	Applied. The board meets regularly to fulfil its duties and responsibilities in terms of the adopted Board charter.

7.	The Board should ensure that in its composition it comprises a balance of the skills, experience, diversity, independence and knowledge needed to discharge its role and responsibilities	Applied. The majority of directors are non-executive and independent. The conduct of the Board, Committees, individual directors and Company Secretary are evaluated and reviewed at least annually to establish that those charge with governance exhibit the required skills, diversity, independence and knowledge.
8.	The Board should consider creating additional governing structures to assist with the balancing of power and the effective discharge of responsibilities, but without abdicating accountability.	Applied. The Board has constituted the Audit and Risk Committee, Remuneration Committee, Nominations Committee and the Social and Ethics Committee to assist it with the discharge of its corporate governance responsibilities. The terms of reference of committees are reviewed at least annually and the committees are appropriately constituted considering the relevant legislation and objectives of the Group. Applicable corporate governance and committee reports are included in the integrated annual report.
9.	The Board should ensure that the appointment of and delegation to, competent executive management contributes to an affective arrangement by which authority and responsibilities are exercised.	Applied. Senior management represent the Company on investee boards and report to the Group Board regularly. Each investee company operates within its own established governance framework which is aligned with the Authority Levels Framework adopted by the Stellar Capital Board.
10.	The Board should ensure that the performance evaluations of the Board, its structures its Chairman and members, the CEO and Company Secretary or corporate governance professional result in continued improved performance and effectiveness.	Applied. The conduct of the Board, Committees, individual directors and Company Secretary are evaluated and reviewed at least annually. Areas for improvement and committed corrective action are monitored by the Board on a continuous basis.
11.	The Board should govern risk and opportunity in a way that supports the Company in defining core purpose and to set and achieve strategic objectives.	Applied. The responsibility for the risk management function, specifically implementing risk management processes, is that of management. The Board has assigned oversight of the Group's risk management function to the Audit and Risk Committee. The Board ensures that there is effective communication and coordination of its oversight activities so as to enable the Audit and Risk Committee to be informed of all significant actual or potential financial and non-financial risks that may impact the Group.
12.	The Board should govern technology and information in a way that supports the Company in defining core purpose and to set and achieve strategic objectives.	Applied. Given the nature of the business of the Group and the relatively minimal IT infrastructure required, the focus of the governance of IT is on risk management, specifically the mitigation of risks relating to loss or destruction of information and relating to business continuity. Management are

		responsible for the monitoring, implementation and rectification of IT related matters and issues, which responsibility is overseen by the Audit and Risk Committee. The Board has implemented a formal IT governance framework that is appropriate and that allows for oversight to investee IT governance.
13.	The Board should govern compliance with laws and ensure consideration of adherence to non-binding rules, codes and standards.	Applied. The Board is responsible for the group's compliance with applicable laws, rules, codes and standards. Compliance is monitored by the Social and Ethics Committee or Audit and Risk Committee, where applicable. The main areas of focus are covered in the report of the Social and Ethics Committee included in the integrated annual report.
14.	The Board should ensure that the Company remunerates fairly, responsibly and transparently so as to promote the creation of value in a sustainable manner.	Applied. The remuneration policies and practises aim to create value for the Group over the long term. The Remuneration Committee assists the board in its responsibility for setting and administering remuneration policies. The Group provides full disclosure of each individual executive and non-executive director' remuneration in the integrated annual report. There are no Prescribed Officers in the Group other than the Chief Executive Officer and Chief Financial Officer during the 2017 financial year. The Group's remuneration policy and implementation report is presented to shareholders as non-binding advisory votes at each Annual General Meeting.
15.	The Board should ensure that assurance results in an adequate and effective control environment and integrity of reports for better decision-making.	Applied. The executive directors conduct an annual review of the Company's internal controls, and report their findings to the Audit and Risk Committee. This review covers financial, operational and compliance controls, as well as a review of the risk management policies and procedures of the Company. Internal audit functions are recommended and monitored at investee level and risks are reported on to the Audit and Risk Committee by way of quarterly risk report reviews or verbal feedback from stellar Capital representatives how serve on investee sub-committees to the extent justified by the size and nature of investee operations. In its consideration of the integrated annual report, the Audit and Risk Committee considers any factors that may influence management to present an incomplete or misleading picture of the Group's position, performance of sustainability. The Audit and Risk Committee is responsible for evaluation the significant judgments and reporting decisions made by management affecting the integrated annual report, including changes in accounting policies, decisions requiring a major element of judgement

		and the clarity and completeness of the proposed financial and sustainability disclosures.
16.	As part of its decision-making in the best interest of the Company, the Board should ensure that a stakeholder-inclusive approach is adopted, which takes into account and balances their legitimate and reasonable needs, interest and expectations.	<p>Applied. In order to act in the best interests of the Company, the Board understands its responsibility to all stakeholders and therefore considers, as far as possible, the legitimate interest and expectations of its stakeholders as part of its decision-making. The Board understands that relationships with stakeholders can only be built and maintained if the Group provides complete timely, relevant, accurate, honest and accessible information. Regular communication with stakeholders and the Group, including expectations and commitments between the parties.</p> <p>Management has implemented various techniques for managing the Company's relationships with all stakeholders so as to contribute towards sustainability and promote enhanced levels of corporate governance.</p> <p>The Board is also mindful of the fact that minority shareholders are to be protected from abusive actions by or in the interest of larger shareholders. Stakeholder relationships and communications are outlined in the integrated annual report.</p>