

IMBALIE BEAUTYLIMITED
CORPORATE GOVERNANCE
Analysis of the application of the 75 corporate governance principles
as recommended in the King III Report

| Area | Requirement | Status | Comments |
|--|---|---------|---|
| 1. Ethical leadership and corporate citizenship | | | |
| | 1.1 The Board should provide effective leadership based on an ethical foundation | Applied | The Board is responsible for effective leadership based on an ethical foundation through the constituted Social and Ethics Committee. |
| | 1.2 The Board should ensure that the company is and is seen to be a responsible corporate citizen | Applied | The Social and Ethics Committee are regulating this responsibility of corporate citizenship. |
| | 1.3 The Board should ensure that the company's ethics are managed effectively | Applied | The Board ensures that the group's ethical standards are clearly articulated and supported as an integral part of conducting business. The Company's ethics are further regulated through the code of ethics and ethics related policies. |
| 2. Boards and directors | | | |
| Role and function of the Board | 2.1 The Board should act as the focal point for and custodian of corporate governance | Applied | The Board has a Board Charter in place that details and governs the manner in which the business is to be conducted by the Board in accordance with the principles of sound corporate governance |
| | 2.2 The Board should appreciate that strategy, risk, performance and sustainability are inseparable | Applied | The Board approved a strategy that is continuously being monitored by management. |
| | 2.3 The Board should provide effective leadership based on an ethical foundation | Applied | The Board Charter regulates and deals with Board leadership, and defines the separate responsibilities of the chairman and the chief executive and the role of the lead independent director. |
| | 2.4 The Board should ensure that the company is and is seen to be a responsible corporate citizen | Applied | The Social and Ethics Committee is regulating the responsible corporate citizenship. |
| | 2.5 The Board should ensure that the company's ethics are managed effectively | Applied | Please see the paragraph on the Social and Ethics Committee as part of the Corporate Governance Report. |
| | 2.6 The Board should ensure that the company has an effective and independent audit committee | Applied | Please see the paragraph on the Audit Committee as part of the Corporate Governance Report |
| | 2.7 The Board should be responsible for the governance of risk | Applied | Please see the paragraph on the Risk Committee as part of the Corporate Governance Report |

| Area | Requirement | Status | Comments |
|------|--|-------------------|---|
| 2.8 | The Board should be responsible for information technology (IT) governance | Explained | The Group IT structure is a standardised system and therefore the Board is committed to comply with best practice. The group's IT structure is not complex. Standardised systems are in place and therefore IT governance minimal standards are complied with and managed by the IT steering committee. The IT Steering Committee Charter was finalised during the period. The function currently fell within the portfolio of the Information Technology manager, who reported directly to the executive committee. The IT team was strengthened during the period to ensure the compliance as stated above. |
| 2.9 | The Board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards | Applied | The boards as well as all the committees are dedicated to ensure compliance with applicable laws and consider adherence to non-binding rules, codes and standards. Compliance to applicable legislation forms part of the Risk Committee work plan. |
| 2.10 | The Board should ensure that there is an effective risk-based internal audit | Explained | Due to the size of the company and cost constraints, it did not have a formal appointed internal auditor and/or internal audit department. Internal audit related functions were fulfilled and various procedures and controls had been put in place to address discrepancies identified. The Risk Matrix and the Risk committee monitor all internal controls and procedures to develop the combined assurance model. Formal reporting to the Audit Committee on the processes is done on a regular basis. |
| 2.11 | The Board should appreciate that stakeholders' perceptions affect the company's reputation | Applied | The Board notes the group's stakeholders' relationships on a regular basis. |
| 2.12 | The Board should ensure the integrity of the company's integrated report | Partially applied | The group is in the process of expanding and improving on sustainability reporting, this will however be a three to five year project. |
| 2.13 | The Board should report on the effectiveness of the company's system of internal controls | Applied | Please see the paragraph on the Audit Committee as part of the Corporate Governance Report. |
| 2.14 | The Board and its directors should act in the best interests of the company | Applied | This forms part of the Board's charter, which is reviewed on an annual basis. |

| Area | Requirement | Status | Comments |
|---|---|-------------------|---|
| | 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 | Not Applicable | Not applicable. |
| | 2.16 The Board should elect a chairman of the Board who is an independent non-executive director. The CEO of the company should not also fulfill the role of chairman of the Board. | Explained | The chairman is not independent and a lead independent non-executive director is appointed. |
| | 2.17 The Board should appoint the chief executive officer and establish a framework for the delegation of authority | Applied | The CEO of the company is Esna Colyn. Please see the report of the CEO on page 6. |
| Composition of the Board | 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 | Applied | The Board comprised of seven Directors, of whom only two are Executive Directors and five Non-Executive Directors, three of whom are independent. |
| Board appointment process | 2.19 Directors should be appointed through a formal process | Applied | Please see the paragraph on the Remuneration and Nominations Committee as part of the Corporate Governance Report. |
| Director development | 2.20 The induction of and ongoing training and development of directors should be conducted through formal processes | Partially applied | The Board will continue to focus on improvements and attend training courses for overall improvement. |
| Company secretary | 2.21 The Board should be assisted by a competent, suitably qualified and experienced company secretary | Applied | Please see the paragraph on the Company Secretary as part of the Corporate Governance Report. |
| Performance assessment | 2.22 The evaluation of the Board, its committees and the individual directors should be performed every year | Applied | Self-assessments were completed for the period under review and the Board will continue to focus on improvements. |
| Board committees | 2.23 The Board should delegate certain functions to well-structured committees but without abdicating its own responsibilities | Applied | Please see the paragraphs on Board Committees, part of the Corporate Governance Report. |
| Group boards | 2.24 A governance framework should be agreed between the group and its subsidiary boards | Applied | The governance framework forms part of the Board work plan. |
| Remuneration of directors and senior executives | 2.25 Companies should remunerate directors and executives fairly and responsibly | Applied | Please see the paragraph on the Remuneration and Nominations Committee, part of the Corporate Governance Report. |
| | 2.26 Companies should disclose the remuneration of each individual director and certain senior executives | Applied | Please refer to the Annual Financial Statements. |
| | 2.27 Shareholders should approve the company's remuneration policy | Applied | The group's remuneration philosophy as set out on page 17 is included as a non-binding advisory vote. |

| Area | Requirement | Status | Comments |
|--|--|-------------------|--|
| 3. Audit committees | | | |
| Membership and resources of the audit committee | 3.1 The Board should ensure that the company has an effective and independent audit committee | Applied | The group has an Audit committee comprising at least three independent, non-executive directors who were nominated by the Remuneration and Nominations committee and elected at the AGM by the shareholders. The Audit Committee has clear terms of reference, approved by the Board, which complies with section 94 of the Companies Act and King III. |
| | 3.2 Audit committee members should be suitably skilled and experienced independent non-executive directors | Applied | Please see the paragraph on Board of directors on page 4-5. |
| | 3.3 The Audit Committee should be chaired by an independent non-executive director | Applied | The chairman of the Audit Committee is Mitesh Patel, an independent non-executive director of the company. |
| Responsibilities of the audit committee | 3.4 The Audit Committee should oversee integrated reporting | Applied | The terms of reference of the Audit Committee requires the Committee to oversee, and take responsibility for the integrity of, the integrated report and imposes suitable duties upon the committee to ensure that this is attended to. |
| | 3.5 The Audit Committee should ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities | Partially applied | The Group is in the process of expanding and improving on sustainability reporting; this will however be a three to five year project. |
| Internal assurance providers | 3.6 The Audit Committee should satisfy itself of the expertise, resources and experience of the company's finance function | Applied | The work plan of the Audit Committee requires the Committee to annually review the appropriateness of the expertise and adequacy of the resources on the finance function and the experience of the financial directors responsible for the financial function. The results of such a review are disclosed in the integrated report. |
| | 3.7 The Audit Committee should be responsible for overseeing of internal audit | Explained | Due to size of the company and cost constraint it did not have a formal appointed auditor/ or internal audit department. Internal audit related function is fulfilled and various procedures and function had been put in place to address anomalies identified. The risk matrix and Risk Committee monitor all internal controls and procedures to develop the combined assurance model. Formal reporting to the Audit Committee on the processes is done on a regular basis. |

| Area | Requirement | Status | Comments |
|---|---|---------|--|
| | 3.8 The Audit Committee should be an integral component of the risk management process | Applied | The Audit Committee of a great part of the risk managing process where the Risk Committee will give feedback on all risk related matters. |
| External assurance providers | 3.9 The Audit Committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process | Applied | The work plan of the Audit Committee requires the Committee to annually review the external auditors. The terms of reference of the committee further requires the committee to oversee the external audit process. |
| Reporting | 3.10 The Audit Committee should report to the Board and shareholders on how it has discharged its duties | Applied | Please see the paragraph on the Audit Committee as part of the corporate governance report. |
| 4. The governance of risk | | | |
| Board's responsibility for risk management | 4.1 The Board is responsible for the governance of risk. | Applied | In terms of the Board Charter, the Board is responsible for the governance of risk and the Risk Committee assists the Board with this responsibility. |
| | 4.2 The Board should determine the levels of risk tolerance | Applied | The work plan of the risk Committee requires the Committee to determine the levels of risk tolerance |
| | 4.3 The Risk Committee or Audit Committee should assist the Board in carrying out its risk responsibilities | Applied | Please refer to item 4.1 |
| Management's responsibility for risk management | 4.4 The Board should delegate to management the responsibility to design, implement and monitor the risk management plan | Applied | Management is responsible to design, implement and monitor the risk management plan. Management report to the Audit Committee and the Risk Committee on a quarterly basis. In turn these committees provide feedback to the Board. |
| Risk assessment | 4.5 The Board should ensure that risk assessments are performed on a continual basis | Applied | The work plan of the risk Committee requires that risk assessments are performed on a continual basis. This committee provides feedback to the Board in this regard. |

| Area | Requirement | Status | Comments |
|--|---|-----------|--|
| Risk assessment | 4.6 The Board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks | Applied | The Risk Management Plan sets out the risk management process activities for the year. This is approved by the risk committee, Audit Committee and Board. These activities include risk management training and risk workshops. As part of the risk management methodology, management is required to identify risks as part of their day to day management process. Management gives the Board and relevant committees regular feedback regarding the risk identified to ensure that the risk are monitored efficiently and the assurance that the risks are management effectively |
| Risk response | 4.7 The Board should ensure that management considers and implements appropriate risk responses | Applied | Please refer to item 4.6 |
| Risk monitoring | 4.8 The Board should ensure continual risk monitoring by management | Applied | Please refer to item 4.6 |
| Risk assurance | 4.9 The Board should receive assurance regarding the effectiveness of the risk management process | Applied | Please refer to item 4.6 |
| Risk disclosure | 4.10 The Board should ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders | Applied | The Risk Committee is required to disclose in the integrated report any undue, unexpected or unusual risks, as well as the Board's view on the effectiveness of the risk management process. There are no major risks to report at this stage. |
| 5. The governance of information technology | | | |
| | 5.1 The Board should be responsible for information technology (IT) governance | Explained | The draft IT Steering Committee Charter was being finalised. A suitably qualified CIO had not yet been appointed. The function currently fell within the portfolio of the Information Technology manager, who reported directly to the executive committee. As the IT team would be strengthened, the appointment would be further considered by the executive committee and the Board during the next financial year. |
| | 5.2 IT should be aligned with the performance and sustainability objectives of the company | Explained | Please refer to item 5.1 |
| | 5.3 The Board should delegate to management the responsibility for the implementation of an IT governance framework | Explained | Please refer to item 5.1 |

| Area | Requirement | Status | Comments |
|--|---|-----------|--|
| | 5.4 The Board should monitor and evaluate significant IT investments and expenditure | Applied | The financial director monitors and evaluates significant IT investments and expenditure and reports it to the Board. |
| | 5.5 IT should form an integral part of the company's risk management | Applied | This forms part of the risk management processes |
| | 5.6 The Board should ensure that information assets are managed effectively | Applied | Management ensures that assets are management effectively. Any irregularities are reported to the Board |
| | 5.7 A Risk Committee and Audit Committee should assist the Board in carrying out its IT responsibilities | Applied | The work plan of the Risk Committee and Audit Committee requires the committees to assist the Board in carrying out its IT responsibilities |
| 6. Compliance with laws, rules, codes and standards | | | |
| | 6.1 The Board should ensure that the company complies with applicable laws and considers adherence to nonbinding rules codes and standards | Applied | The work plan of the Board requires that the compliance of legislation is reviewed. |
| | 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 | Applied | The Board and individual director's responsibilities to have a working understanding of the effect of the applicable laws, rules, codes and standards on the company and its business. |
| | 6.3 Compliance risk should form an integral part of the company's risk management process | Applied | This forms part of the risk management processes |
| | 6.4 The Board should delegate to management the implementation of an effective compliance framework and processes | Applied | The Board has delegated to management the implementation of an effective compliance framework and processes |
| 7. Internal audit | | | |
| The need for and role of internal audit | 7.1 The Board should ensure that there is an effective risk based internal audit | Explained | Due to the size of the company and cost constraints, it did not have a formal appointed internal auditor and/or internal audit department. The employees had fulfilled the internal audit related functions by arranging surprise stock takes, mystery shopping, cash controls and service quality checks. Feedback had been given management to address the discrepancies that had been identified and to ensure that the various standard operating procedures and controls had been in place and adhered to. The detailed testing had further been addressed in the Risk Matrix and the Risk committee monitored all internal controls. An internal audit plan would be drafted in consultation with the external auditors to develop the combined assurance model. |
| | | | |

| Area | Requirement | Status | Comments |
|---|--|-------------------|--|
| Internal audit's approach and plan | 7.2 Internal audit should follow a risk based approach to its plan | Explained | Please refer to item 7.1 |
| | 7.3 Internal audit should provide a written assessment of the effectiveness of the company's system of internal controls and risk management | Explained | Please refer to item 7.1 |
| | 7.4 The Audit Committee should be responsible for overseeing internal audit | Explained | Please refer to item 7.1 |
| Internal audit's status in the company | 7.5 Internal audit should be strategically positioned to achieve its objectives | Explained | Please refer to item 7.1 |
| 8. Governing stakeholder relationships | | | |
| Stakeholder relationships | 8.1 The Board should appreciate that stakeholders perceptions affect a company's reputation | Applied | The Board ensures that good relations are maintained with major and its strategic stakeholders. |
| | 8.2 The Board should delegate to management to proactively deal with stakeholder relationships | Applied | This forms part of the CEO's KPIs |
| | 8.3 The Board should strive to achieve the appropriate balance between its various stakeholder groupings, in the best interests of the company | Applied | This forms part of the CEO's KPIs |
| | 8.4 Companies should ensure the equitable treatment of shareholders | Explained | Although the draft stakeholder relations policy had not yet been finalised, the Board considered the legitimate interests and expectations of all its stakeholders and there had been equitable treatment of all holders of the same class of shares issued, including minorities and between holders of different classes of shares in the company. |
| | 8.5 Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence | Applied | The Board and management ensure that the communication to stakeholders is transparent and effective to maintain their trust and confidence. This requirement also forms part of the Code of Ethics policy of the company. |
| Dispute resolution | 8.6 The Board should ensure that disputes are resolved as effectively, efficiently and expeditiously as possible | Applied | Dispute resolution clauses are included in contracts to deal with external disputes. Internal dispute processes include the HR function. |
| 9. Integrated reporting and disclosure | | | |
| Transparency and accountability | 9.1 The Board should ensure the integrity of the company's integrated report | Partially applied | The Board, assisted by the Audit committee, assumes responsibility for the Integrated Report and ensures that the report fairly represents the performance of the group and ensures that there are controls in place to enable it to verify and safeguard the integrity of the integrated report. |
| | 9.2 Sustainability reporting and disclosure should be integrated with the company's financial reporting | Partially applied | Please refer to item 2.12 |
| | 9.3 Sustainability reporting and disclosure should be independently assured | Explained | Please refer to item 2.12 |