



KING IV ASSESSMENT  
FOR THE YEAR ENDED 31 DECEMBER 2022



# GRINDROD BANK

## CONTENTS

### 1. KING IV OVERVIEW

#### 1.1 KING IV IN A NUTSHELL

#### 1.2 THE FUNDAMENTALS CONCEPTS OF KING IV

#### 1.3 NEW/ENHANCED KEY FEATURES

### 2. GOVERNING BODY RESPONSIBILITIES

### 3. CREATING VALUE THROUGH GOOD GOVERNANCE

### 4. OUR GOVERNANCE FRAMEWORK

### 5. APPLICATION OF KING IV PRINCIPLES

#### 5.1 LEADERSHIP, ETHICS AND CORPORATE CITIZENS

#### 5.2 STRATEGY PERFORMANCE AND REPORTING

#### 5.3 GOVERNING STRUCTURES AND DELEGATION

#### 5.4 LEADERSHIP, ETHICS AND CORPORATE CITIZENS

#### 5.5 STAKEHOLDER RELATIONSHIPS





## FRAMEWORK OVERVIEW



# CORPORATE GOVERNANCE AND KING IV IN A NUTSHELL

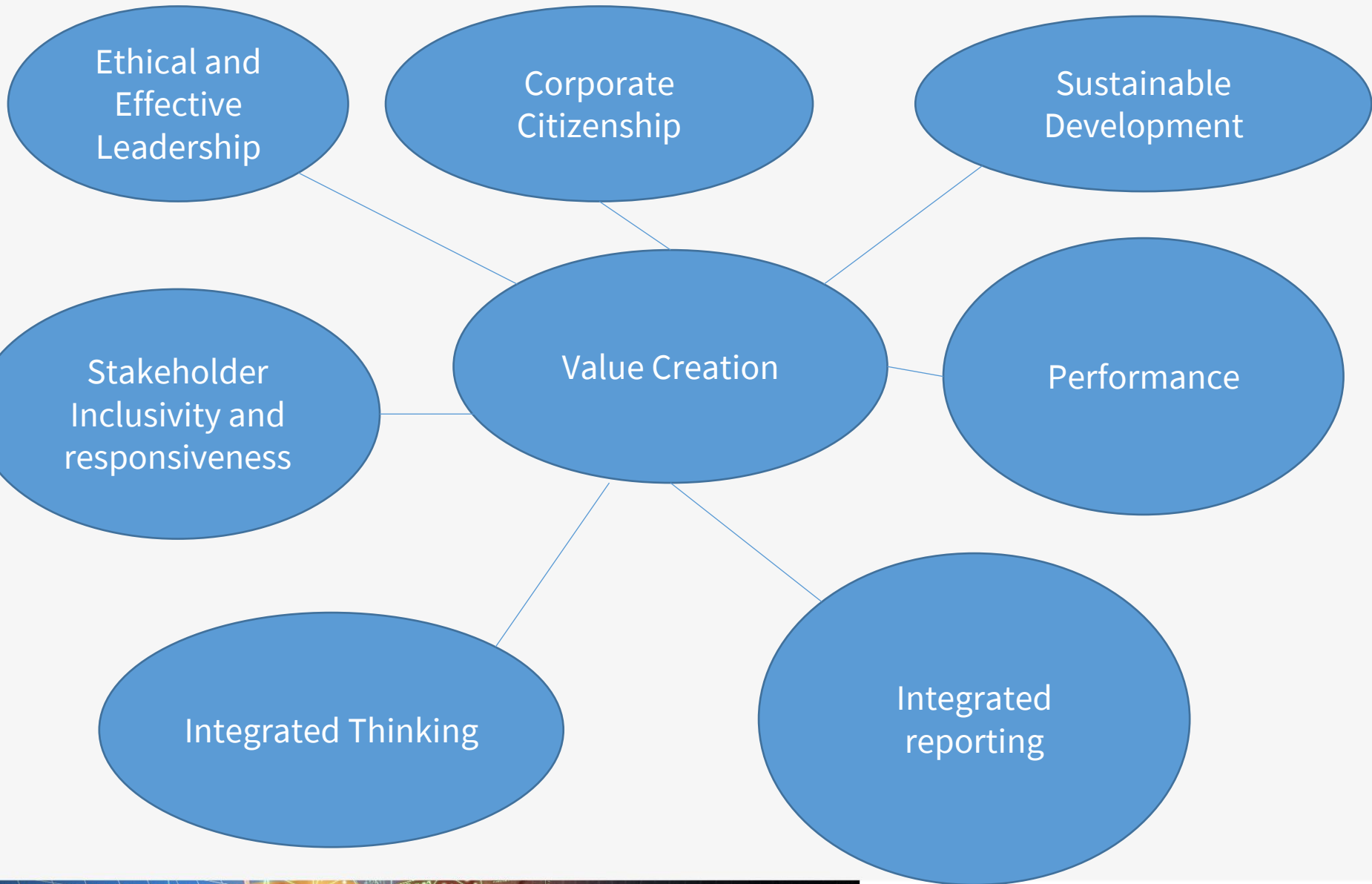
Our organisation views King IV as an outcomes-based corporate governance code fit for a changing world.

## King IV in a nutshell

- Is a set of voluntary principles and leading corporate governance practices.
- King IV has been drafted to apply to all organisations, regardless of their form or manner of incorporation.
- King IV has been aligned to shifts in the approach to capitalism (towards inclusive, integrated thinking across the six capitals) and to take into account specific corporate governance developments in relation to effective governing bodies, increased compliance requirements, new governance structures (e.g. social and ethics committee), emerging risks and opportunities from new technologies and new reporting and disclosure requirements.
- King IV focuses on outcomes. The King IV codes, principles and practices are linked to desired outcomes, therefore articulating the benefits of good corporate governance.
- King IV code differentiates between principles and practices. Principles are achieved by mindful consideration and application of the recommended practices.
- Incorporates the “Apply and Explain” regime (as opposed to ‘Apply or Explain” regime in King III).
- Proportionality is explained and advocated.



# THE FUNDAMENTAL CONCEPTS OF KING IV



## NEW/ENHANCED KEY FEATURES OF KING IV

- Balanced composition of governing bodies and independence of members of the governing body;
- Delegation to management;
- Delegation to committees;
- Fair, responsible and transparent organisation – wide remuneration;
- Responsible and transparent tax strategy and policy;
- Corporate governance services to the governing body;
- Performance evaluations of the Governing Body;
- Audit Committee disclosures;
- Risk governance;
- The combined assurance model;
- Social and ethics committees;
- Performance evaluations;
- Responsible institutional investors; and
- Technology and information.



# GOVERNING BODY RESPONSIBILITIES

Strategy

Policy

Oversight

Accountability

16 King IV principles and  
Recommended practices

Outcomes

Ethical  
Culture

Good  
Performance

Effective Control

Legitimacy



# CREATING VALUE THROUGH GOOD GOVERNANCE

Our governance structures and approach remained stable throughout the revision of our strategy and operating model, creating a solid foundation upon which to build the trust of our stakeholders

## OUR APPROACH TO GOVERNANCE

Our values-based governance approach enables the achievement of our strategy, the long-term sustainability of the Bank and value creation for our stakeholders.

## OUR GOVERNANCE PHYLOSOPHY

The board recognises the paramount importance of corporate governance and believes that the application of sound governance principles supports its fundamental goals and strategies, creates transparency and trust, and contributes to the Bank's long-term sustainability.

As the guardian of responsible governance, the board is committed to maintaining high standards of business ethics and compliance with law.





# Our governance framework

## The board is guided by a governance framework, based on:

- King IV principles
- Banks Act regulations, the BCBS, relevant statutes, national and international financial services benchmarks
- JSE Debt Listings Requirements, which relate to the Bank's listed notes managed through its DMTN programme
- The Bank's core values of sustainability, teamwork and trust, respect, intellect, integrity and innovation, virtue and excellence in service
- A high focus on ESG underpins our business and social sustainability



## APPLICATION OF KING IV PRINCIPLES

Companies are required to disclose how each of the 16 principles, leading practices and governance outcomes of the King Code have been applied or explain why, or to what extent, they were not applied.

Grindrod Financial Holdings Limited (GFHL) and Grindrod Bank Limited (GBL) are committed to King IV and believes that its principles embody the aspirations of the journey towards good corporate governance, that the principles present fundamental areas for development, and are integrated with each other to achieve a holistic and reliable set of corporate values.



# 1. LEADERSHIP, ETHICS AND CORPORATE CITIZENS

## 1.1 Leadership

### Principle 1: The governing body (i.e., the Board) should lead ethically and effectively

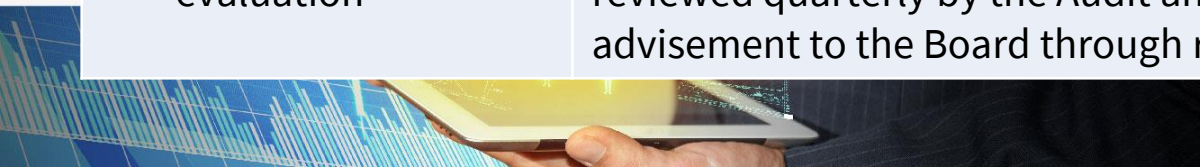
Integrity	The board exercises integrity in all governing matters
Competence	All members are well qualified with a good diversity of skills and with substantial business experience
Responsibility	Each director is fully cognizant of their fiduciary and other duties, and accepts full responsibility thereof
Accountability	Each member accepts that they are fully accountable both severally and jointly in the leadership of the company
Fairness	The board practices fairness in all key matters that are dealt with, and in particular with the employees of the company
Transparency	The members exercise full transparency with each other and present their views and advice without restriction



## 1.2 Organisational Ethics

### Principle 2: The Board should govern the ethics of the organisation in a way that supports the establishment of an ethical culture

2.1 Ethics	The Board approved a code of Ethics which is supported by the company's management policy and has an ethics forum, that reports into the Social and Ethics committee
2.2 Conduct	The Board has established safe reporting mechanisms which all employees are aware of and encouraged to be used, ensuring the confidentiality of matters recorded, as well as the protection of whistle blowers
2.3 Communication	The policy and procedures are published on the company's website and form part of employees' induction and training programs
2.4 Disciplinary measures	The company's management apply strong disciplinary measures for cases related to fraud, corruption, harassment, and unfair labour practice
2.5 Implementation of controls	The Social and Ethics Committee (SEC) is responsible for code of conduct with suppliers and service providers, and the training and development of employees
2.6 Monitoring and evaluation	Matters pertaining to breach of ethics and poor conduct are reviewed quarterly by the Audit and Risk Committee with further advisement to the Board through reporting mechanisms.



## 1.2 Responsible Corporate Citizen

### Principle 3: The Board should ensure that the organisation is and is seen to be a responsible corporate citizen

3.1 Establishment and delegation	The Board is responsible to ensure that the company operates as a good corporate citizen, by delegating responsibility to all levels of management
3.2 Environment, health, and safety(EHS)	The Board has appointed a EHS Manager to monitor and develop EHS matters across all business divisions
3.3 Monitoring and evaluation	The SEC meets quarterly to review the EHS reports and assess the progress being made on development and remedies required, and advises the Board of key matters



## 2. STRATEGY PERFORMANCE AND REPORTING

### 2.1 Strategy and Performance

**Principle 4:** The Board should appreciate that the core purpose of the organisation, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process

4.1 Strategy	<p>The Board reviews and approves the strategy developed by executive management at least on an annual basis.</p> <p>The annual budgets are reviewed and approved by the Board</p>
4.2 Direction	<p>The Board ensures that the key deliverables of the strategy are set up as KPAs for all senior management, and their incentives are based on performance achieved</p>
4.3 Monitoring and evaluation	<p>Management exercises quarterly business reviews with divisional management, and a summary report is provided to the Board.</p> <p>Regular reviews are done by the Board on the company's solvency and liquidity as well as ensuring that the business is a going concern</p>
4.4 Corrective measures	<p>The Board ensures that there is a continual assessment of negative consequences in the business, and that corrective measures are implemented in a timely manner</p>



## 2.2 Reporting

**Principle 5: The Board should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the performance of the organisation, and its short, medium, and long-term prospects**

5.1 Reports	The Board has delegated to management the responsibility of preparing and submitting regular reports that provide information that enables appropriate business decisions to be made and implemented and if necessary to address areas of concern
5.2 Stakeholders	Regular reports such as AFS, staff and investor presentations are produced to provide adequate information to all key stakeholders
5.3 Integrity of information	The Board commissions the services of external and internal auditors and corporate advisors to provide a professional view on the integrity of information being produced



### 3. GOVERNING STRUCTURES AND DELEGATION

#### 3.1 Primary role and responsibilities of the Board

##### **Principle 6: The Board should serve as the focal point and custodian of corporate governance in the organisation**

6.1 Corporate governance standards	The Board has developed and approved charters for the board and its committees which are reviewed and updated on an annual basis
6.2 Policies and procedures	<p>The Board has delegated the responsibility to management for the development and implementation of key policies.</p> <p>The policies are available on the company's intranet, and forms part of the employees training program</p>
6.3 Corporate practices	The Board has established a program for regular board and committee meetings, using a corporate calendar process, and monitors the attendance and participation of each member
6.4 Assessment	Where deemed necessary the board commissions advice from professional consultants on key matters pertaining to corporate governance concerns





## 3.2 Composition of the Board

**Principle 7: The Board should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively**

### 7.1 Independence

The composition of the Board represents a majority of non-executive directors (NEDs), the majority of whom are classified as Independent non-executive directors (INEDs).

The Board is chaired by an INED, and the role of the Chairman is separate to the role of the company's Chief Executive Officer (CEO).

### 7.2 Knowledge, skill and experience

Each Board member has been appointed based on the assessment of their business experience, qualifications, knowledge of the industry

### 7.3 Diversity

The current Board is sufficiently diverse as regards gender, race and qualifications. The Board has also developed a Diversity Policy which focuses on diversity, gender and age.

The Directors Affairs Committee reviews annually the composition of the board and identifies future opportunities for development of diversity

### 7.4 Functionality

The company's MOI requires that a third of all non-executive directors go through a process of re-election as approved by the shareholders in the AGM



### 3.3 Committees of the Board

**Principle 8: The Board should ensure that its arrangements for delegation within its own structures promote independent judgement, and assist with the balance of power and the effective discharge of duties**

#### 8.1 Board Committees

The Board has appointed the following committees with delegated authority, to assist the Board in fulfilling its duties:

- Audit and Compliance Committee (ACC)
- Risk and Capital Management Committee (RCMC)
- Credit and Large Exposure Committee (CLEC)
- Directors' Affairs Committee (DAC)
- Human Capital and Remuneration Committee (HCRC)
- Social and Ethics Committee (SEC)

#### 8.2 Composition of Board Committees

Each committee is chaired by an independent non-executive director and the majority of the members of each committee consists of independent non-executive directors (INEDs).

The Executive Directors (EDs) of the company have standing invitations to the various committee meetings.



### 3.3 Committees of the Board / continued

#### 8.3 Succession planning

The Board recognises the importance of succession planning, not only in terms of board representation, but also in terms of Executive and Senior Management.

The Board regards effective succession planning as a key measure to continually identify suitably skilled and experienced individuals who are capable of steering the organisation through challenges brought about by ongoing changes in the business and operating environment, transformation, market disruption, innovative technologies, new business models and other forms of competitive pressures.

Proper succession planning also enables the Board to be agile and proactive in its response to changes in the financial services sectors and markets in the composition of the Board, Board committees, senior management and other key roles



### 3.4 Evaluation of the performance of the Board

**Principle 9: The Board should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in performance and effectiveness**

#### 9.1 Evaluation

The Board performs an annual assessment of its members and committee members, using a “360” procedure of assessment amongst its members.

The following positions are reviewed and assessed annually:

- Chairman of the board
- Chairman of the Audit Committee
- Chief Executive Officer
- Chief Financial Officer
- Company secretary

#### 9.2 Effectiveness

The effectiveness of the Board and Board committees is evaluated annually by means of self-assessments and, where required, corrective action is taken to ensure that the Board and each committee achieves their mandate and objectives in terms of the Board charter and board-approved terms of references



## 3.5 Appointment and delegation to Management

### CEO Appointment and Role

**Principle 10: The Board should ensure that the appointment of and delegation to management contribute to role clarity and the effective exercise of authority and responsibilities**

10.1 Chief Executive Officer (CEO)	<p>The CEO is responsible for leading the implementation and execution of approved strategy, policy and operational planning and serves as a link between the Board and management</p> <p>The CEO is not a member of the remuneration, audit or nomination committees but attends as a permanent invitee</p>
10.2 Succession	<p>Succession for the CEO forms part of the Board's overall succession planning strategy</p>
10.3 Performance Evaluation	<p>The Board evaluates the performance of the CEO against agreed performance measures and targets annually</p>
10.4 Delegation	<p>While the Board has reserved certain powers to itself, an approved Approvals Framework is in place whereby the levels of authority delegated to management and senior staff is clearly defined and is updated regularly</p>



### 3.5 Appointment and delegation to Management / continued

#### 10.5 Corporate Governance services

The Board has access to professional and independent guidance on corporate governance and its legal duties when required to support the functioning of the Board and its committees

If required, the Board outsources critical matters to recognised and reputable legal firms for advice

The Board has appointed a Company Secretary who maintains an arms-length relationship with the Board and management, to provide guidance and advice on matters of corporate governance

The Board is satisfied that the Company Secretary has the necessary qualifications, skills and experience to fulfil the role



## 4. LEADERSHIP, ETHICS AND CORPORATE CITIZENS

### 4.1 Risk Governance

#### **Principle 11: The Board should govern risk in a way that supports the organisation in setting and achieving its strategic objectives**

11.1 Responsibility and direction	<p>The Board assumes responsibility for the governance of risk and sets the direction for how risk should be addressed</p> <p>The Board treats risk as an integral part in decision making and the execution of its duties</p>
11.2 Risk mitigation	<p>The Board has a risk governance and risk appetite framework in place to ensure effective risk mitigation in the execution of the Bank's lending and operational activities</p>
11.3 Oversight	<p>Risk governance and oversight takes place through the Risk and Capital Management Committee (RCMC), chaired by an independent non-executive director and independent non-executive directors as members</p>
11.4 Delegation	<p>The Board has delegated the responsibility for the effective implementation and execution of risk management to management who reports quarterly to the RCMC</p> <p>The Board has appointed a Chief Risk Officer who heads the risk management function of the Bank</p>



## 4.2 Technology and Information Governance

**Principle 12: The Board should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives**

12.1 Responsibility	The Board assumes responsibility for the governance of technology and information and sets the direction for how technology and information should be addressed
12.2 IT Policies	The Board has approved a set of group IT policies and delegated authority to the Head of IT that addresses, inter alia, IT security, IT network, IT data protection and back-up, and data classification. Particular attention is directed towards the identification and mitigation of fraud and cyber risk
12.3 Architecture and integration	The Bank has sufficient integrated architecture and IT systems in place to effectively support the Bank's operational requirements and to ensure confidentiality, integrity and availability of information
12.4 Compliance	The Bank complies with POPI regulations in respect of the protection of privacy of personal information





## 4.3 Compliance Governance

**Principle 13: The Board 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**

13.1 Responsibility	The Board assumes responsibility for compliance governance within the Bank and is assisted by the Audit and Compliance Committee (ACC) in fulfilling its role
13.2 Compliance Standards	The compliance function is headed by the Chief Compliance Officer who is responsible to implement and execute the various compliance policies and standards adopted by the Board, including a comprehensive Risk and Compliance Management Programme (RCMP)
13.3 Monitoring	The Chief Compliance Officer submits comprehensive compliance reports to the ACC and the Board quarterly



## 4.4 Remuneration Governance

**Principle 14: The Board should ensure that the organisation remunerates fairly, responsibly and transparently to promote the achievement of strategic objectives and positive outcomes in the short, medium and long-term**

### 14.1 Responsibility

The Board assumes responsibility for the governance of remuneration and human capital and is assisted in its role by the Human Capital and Remuneration Committee (HCRC)

### 14.2 Remuneration Policy

The Board has adopted policies designed to attract, motivate, remunerate and retain human capital to support the Bank's operational requirements

### 14.2 Remuneration Report

Remuneration and Remuneration Implementation reports were included in the Bank's 2021 Integrated Annual Report (IAR)

Following the acquisition of the Bank by African Bank Limited, an IAR will not be produced this year. These reports will be included in the African Bank IAR 2023 during the latter part of the year



## 4.5 Assurance

**Principle 15: The Board 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**

15.1 Responsibility	The Board assumes responsibility for assurance and sets the direction concerning the arrangements for assurance services and functions.
15.2 Oversight	The responsibility for overseeing that the assurance arrangements are effective and ensure an effective internal control environment, is delegated to the Audit and Compliance Committee who reports to the Board quarterly
15.3 Combined Assurance	The Board has implemented a combined assurance model which is designed to effectively cover the Bank's significant risks and material matters through a combination of the assurance providers and functions
15.3 Internal Audit Function	The role of the Board is assisted by a fully fledged Internal Audit function headed by a qualified and experienced Chief Internal Auditor.



## 5. STAKEHOLDER RELATIONSHIPS

### 5.1 Stakeholder relationships

**Principle 16: In the execution of its governance role and responsibilities, the Board 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**

#### 16.1 Responsibility

The Board assumes responsibility for the governance of stakeholder relationships and sets the direction of how internal and external stakeholder relationships should be approached and conducted

#### 16.2 Policy

The Board has adopted a Stakeholder Engagement Policy to guide the interactions with external stakeholders and clients in the Bank's day-to-day operational activities

#### 16.3 Delegation

Th Board had delegated the responsibility for maintaining sound stakeholder relationships to the Executive Committee to ensure consistent application of the Stakeholder Engagement Policy

