

Pembury Lifestyle Group Limited – King III Checklist

King III Ref	King III Principle	Comply/ Partially Comply/ Do Not comply	Commentary
CHAPTER 1 - ETHICAL LEADERSHIP AND CORPORATE CITIZENSHIP			
Principle 1.1	The Board of Directors of the Company (the Board) provides effective leadership based on an ethical foundation.	Comply	The Board is considered the guardian of the values and ethics of the group and established a board charter at its first board meeting prior to the listing of the Company. In addition, a Social and Ethics Committee has been established and terms of reference have been adopted. The Board is committed to effective leadership based on an ethical and moral foundation.
Principle 1.2	The Board ensures that the Company is and is seen to be a responsible corporate citizen.	Comply	The social and ethics committee has been established and reports to the Board and shareholders and will reflect PL Group's commitment to responsible corporate citizenship.
Principle 1.3	The Board ensures that the Company's ethics are managed effectively.	Comply	The Board is responsible for ensuring that the Company protects, enhances and contributes to the wellbeing of the economy, society and natural environment.
CHAPTER 2 - BOARDS AND DIRECTORS			
Principle 2.1	The Board acts as the focal point for and custodian of corporate governance.	Comply	The Board will ensure that the Company applies the governance principles contained in King III and continues to further entrench and strengthen recommended practices through the Group's governance structures, systems, processes and procedures.

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Principle 2.2	The Board appreciates that strategy, risk, performance and sustainability are inseparable.	Comply	The Board, as a whole and through its Committees, approves and monitors the implementation of the strategy and business plan of the Company, sets objectives, reviews key risks and evaluates performance against the background of economic, environmental and social issues relevant to the Company and global economic conditions.
Principle 2.3	The Board provides effective leadership based on an ethical foundation.	Comply	The Board is considered the guardian of the values and ethics of the group and has established a board charter to guide the Board.
Principle 2.4	The Board ensures that the Company is and is seen to be as a responsible corporate citizen.	Comply	The Social and Ethics Committee has been established, reports to the board and shareholders and will reflect PL Group's commitment to responsible corporate citizenship.
Principle 2.5	The Board ensures that the Company's ethics are managed effectively	Comply	The Board is responsible for ensuring that the Company protects, enhances and contributes to the wellbeing of the economy, society and natural environment.
Principle 2.6	The Board has ensured that the Company has an effective and independent audit committee.	Comply	The Board appointed an Audit and Risk Committee ahead of its listing comprising three Non-executive Directors, two of which are independent, and is thus considered independent and has established Audit and Risk Committee Terms of Reference. The board considers that it has an effective and independent Audit and Risk Committee.

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			The effectiveness of the Committee will be evaluated annually by the Directors.
Principle 2.7	The Board is responsible for the governance of risk.	Comply	The Board is responsible for the governance of risk and the Audit and Risk Committee assists the Board with this responsibility.
Principle 2.8	The Board is responsible for information technology (IT) governance.	Do not comply	An IT Governance Framework, including processes, procedures and structures, has not been adopted by the Board. This will be considered in due course.
Principle 2.9	The Board ensures that the Company complies with applicable laws and considers adherence to non-binding rules, codes and standards.	Comply	The Audit and Risk committee, together with the Social and Ethics Committee and Company Secretary, review the adequacy and effectiveness of the Group's procedures on an on-going basis to ensure compliance with legal and regulatory responsibilities.
Principle 2.10	The Board should ensure that there is an effective risk-based internal audit.	Do not comply	The Company currently does not have an internal audit function as it is not deemed cost effective by the Audit and Risk Committee due to the size and centralised control of finances of the Company. The need for this function will be reviewed by the Audit and Risk Committee on an on-going basis.
Principle 2.11	The Board should appreciate that stakeholder perceptions affect a Company's reputation.	Comply	The Company engages with its stakeholders on multiple levels and this allows the Company to manage issues effectively and timeously and reduces the likelihood of

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			reputational risks.
Principle 2.12	The Board should ensure the integrity of the Company's integrated report.	Comply	The Board is responsible for the integrity of the integrated report. This was not previously a requirement as an unlisted but has fully complied with the Company's first integrated annual report.
Principle 2.13	The Board reports on the effectiveness of the Company's internal controls.	Partially Comply	This was not done historically as an unlisted company. The Company currently does not have an internal audit function as it is not deemed cost effective by the Audit and Risk Committee due to the size of the Company. The need for this function will be reviewed by the Audit and Risk Committee at every meeting. The Board reports on the effectiveness of internal controls in each annual report.
Principle 2.14	The Board and its Directors should act in the best interests of the Company.	Comply	Directors are mindful of their fiduciary duties and their duty to act in accordance with applicable legislation. Records of Directors' financial interests are kept and updated on an on-going basis. The Board as a whole acts as a steward of the Company and each Director acts with independence of mind in the best interests of the Company and its stakeholders. In its deliberations, decisions and actions, the Board is sensitive to the legitimate interests and expectations of the Company's stakeholders.

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Principle 2.15	The Board will consider business rescue proceedings or other turnaround mechanisms as soon as the company may be financially distressed as defined in the Companies Act, 71 of 2008.	Comply	The Board is aware of the requirements of the Companies Act regarding business rescue. The Company will establish a risk management process that will evaluate controllable and non-controllable risks continuously, as well as threats and opportunities to ensure that the Company is operating optimally and is not in distress. In connection with the issuance of the Interim and Provisional Results, management has been requested to table a solvency and liquidity memorandum, the content of which will be considered and confirmed by the Board on a regular basis.
Principle 2.16	The Board has elected a chairman of the board who is an independent non-Executive Director. The CEO of the company does not also fulfil the role of chairman of the Board.	Comply	The Chairman of PL Group is an Independent Non-Executive Director. The roles of the Chairman and Chief Executive Officer are separated and clearly defined.
Principle 2.17	The Board has appointed the Chief Executive Officer and has established a framework for the delegation of authority.	Comply	While retaining overall accountability and subject to matters reserved to itself, the Board has delegated authority to the Chief Executive Officer and other Executive Directors to run the day-to-day affairs of the Company. An approval framework was tabled for review at the first board meeting held on 28 November 2016. Mr Andrew McLachlan is appointed as CEO. A delegation of authority

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			document has been prepared and will be reviewed and approved by the Audit Committee in due course.
Principle 2.18	The Board comprises a balance of power, with a majority of Non-executive Directors. The majority of Non-executive Directors are independent.	Comply	The Board has a majority of Non-Executive Directors. There are two Executive, three independent Non-executive, and one Non-executive Director.
Principle 2.19	Directors are appointed through a formal process.	Comply	To ensure a transparent process, any new appointment of a Director is considered by the Board as a whole. The selection process involves considering the existing balance of skills and experience on the Board and a continual process of assessing the needs of the Company. Directors are appointed in terms of the Company's MOI and any interim appointments are confirmed at the next Annual General Meeting.
Principle 2.20	The induction of and on-going training, as well as the development of Directors is conducted through a formal process.	Comply	New appointees to the board are familiarised with the Company appropriately through an induction programme and on-going training will be provided if deemed necessary by the board and/or Company Secretary. Attendance at the Directors Induction Program in accordance with the AltX Listings Requirements will be ensured.
Principle 2.21	The Board is assisted by a competent, suitably qualified and experienced Company Secretary.	Comply	The Company Secretary is appointed by the Board in accordance with the Companies Act and the

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			JSE Listings Requirements and will be evaluated annually. The Board is satisfied that the Company Secretary is independent and is properly qualified and experienced to competently carry out the duties and responsibilities of Company Secretary.
Principle 2.22	The evaluation of the Board, its committees and individual Directors is performed every year.	Do not comply	The performance of the Board as a whole and the Board Committees individually is not evaluated on an annual basis currently. This will be reconsidered in due course.
Principle 2.23	The Board delegates certain functions to well-structured committees without abdicating its own responsibilities.	Comply	The Board has delegated certain functions without abdicating its own responsibilities to the following committees: <ul style="list-style-type: none"> • Audit and Risk committee; and • Social and Ethics committee.
Principle 2.24	A governance framework has been agreed between the Group and its Subsidiaries' boards.	Comply	The governance of wholly-owned Subsidiaries is handled by Board and Board Committee resolutions.
Principle 2.25	The Company remunerates its Directors and executives fairly and responsibly.	Partially comply	Disinterested members of the Board will oversee the remuneration of Directors and Senior Executives and will make the determination taking into account market conditions, expert advice from remuneration specialists and in accordance with the Remuneration policy. Non-executive Directors' fees are submitted annually to shareholders for approval

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			at the Annual General Meeting.
Principle 2.26	The Company has disclosed the remuneration of each individual director and prescribed officer	Comply	The remuneration of Directors and Prescribed Officers is included in the Integrated Annual Report.
Principle 2.27	The shareholders have approved the Company's remuneration policy.	Comply	The Company's Remuneration Policy, approved by the Board, is tabled each year for a non-binding advisory vote at each Annual General Meeting of shareholders.
CHAPTER 3 - AUDIT COMMITTEES			
Principle 3.1	The Board has ensured that the Company has an effective and independent audit committee.	Comply	The Board has appointed an Audit and Risk Committee ahead of its listing and has established a Charter. The board considers that it has an effective and independent Audit and Risk Committee. The effectiveness of the Committee will be evaluated annually by the Directors. The group has an Audit and Risk Committee comprising three Non-executive Directors, two of which are independent, and is thus considered independent.
Principle 3.2	Audit committee members are suitably skilled and experienced independent Non-executive Directors.	Comply	Two of the three members of the Audit and Risk Committee are independent Non-executive Directors and one is a Chartered Accountant. All three members have the appropriate professional skills and experience to sit on the Audit and Risk Committee. The Board will consider the independence (in terms of King III), skills and

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			experience of the Committee members annually. The Companies Act allows for non-executive directors who are not independent directors to be members of an audit committee.
Principle 3.3	The audit committee is chaired by an independent Non-executive Director.	Comply	The Board has appointed a suitably qualified Independent Non-executive Director to chair the Audit and Risk Committee.
Principle 3.4	The audit committee oversees integrated reporting.	Comply	The Audit and Risk Committee will have oversight over the preparation of the Integrated Annual Report including the annual financial statements and sustainability information, and will recommend the approval of the Integrated Annual Report to the Board.
Principle 3.5	The audit committee has ensured that a combined assurance model has been applied which provides a coordinated approach to all assurance activities.	Partially comply	Where necessary or relevant, the Company is committed to appointing service providers to provide independent assurance on both the financial and non-financial aspects of the business based upon their specific expertise and experience. The Audit and Risk Committee oversees the assurance activities to ensure that they are performed in a co-ordinated manner.
Principle 3.6	The audit committee is satisfied with the expertise, resources and experience of the Company's finance function.	Comply	The Audit and Risk Committee has evaluated the expertise and experience of the Financial Director and the Company's finance

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			function and will review this annually. The Committee discloses the results of its evaluation of the expertise and experience of the Financial Director and the finance function annually in the Integrated Annual Report.
Principle 3.7	The audit committee should be responsible for overseeing the internal audit process.	Do not Comply	The Audit and Risk Committee will be responsible for overseeing the internal audit function. The requirement for internal audit will be considered on an on-going basis throughout the year and is a standard agenda item. However, at present, due to the size and centralised finance function of the business, an internal audit function has not yet been established.
Principle 3.8	The audit committee is an integral component of the risk management process.	Comply	The Audit and Risk Committee is responsible for overseeing risk management.
Principle 3.9	The audit committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process.	Comply	Annually, the Audit and Risk Committee oversees the external audit process, approves external audit fees and fees for non-audit services. The Committee also evaluates the performance, and reviews the independence of the external auditor, including the professional suitability of the lead auditor and if appropriate recommends their re-appointment to the Board and shareholders for the forthcoming financial year.
Principle 3.10	The audit committee has reported to the board and the	Comply	The Audit and Risk Committee reports to the

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	shareholders as to how it has discharged its duties.		Board at each Board meeting. A report to shareholders on how the Committee discharged its duties is included in the Report of the Audit and Risk Committee in the Integrated Annual Report.
CHAPTER 4 - THE GOVERNANCE OF RISK			
Principle 4.1	The Board is responsible for the governance of risk.	Comply	The Board is responsible for the governance of risk and the Audit and Risk Committee will assist the Board with this responsibility.
Principle 4.2	The Board has determined the levels of risk tolerance.	Do not comply	This was not done historically as an unlisted company. The Board, through the Audit and Risk Committee, will monitor the controls and residual risk profile of the principal risks of the Group against set criteria/tolerance levels and will periodically review the levels of risk tolerance. A risk register will be established in due course.
Principle 4.3	The risk committee and/or audit committee has assisted the Board in carrying out its risk responsibilities.	Do not comply	The Board is responsible for the governance of risk and the Audit and Risk Committee will assist the Board with this responsibility. This was not done historically as an unlisted company.
Principle 4.4	The Board has delegated to management the responsibility to design, implement and monitor the risk management plan.	Partially comply	The Board has delegated the day-to-day responsibility for risk management to management. A risk management plan has not been implemented as yet but will be in due course.
Principle 4.5	The Board has ensured that risk assessments are performed on a continual basis.	Do not comply	This was not done historically as a private company. The Audit and

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			Risk Committee will actively monitor the group's key risks as part of its standard agenda.
Principle 4.6	The Board has ensured that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks.	Do not comply	This was not done historically as an unlisted company. All risks are to be identified and steps to mitigate these will be outlined, including reasonably unpredictable risks.
Principle 4.7	The Board has ensured that management has considered and has implemented appropriate risk responses.	Do not comply	This was not done historically as an unlisted company. The implementation of controls is monitored by management on an on-going basis.
Principle 4.8	The Board has ensured continual risk monitoring by management.	Do not comply	This was not done historically as an unlisted company. Responsibility for identified risks will be assigned to an appropriate member of the group's senior management team, who will be required to report to the Board on the steps being taken to manage or mitigate such risks.
Principle 4.9	The Board has received assurance regarding the effectiveness of the risk management process.	Do not comply	This was not done historically as an unlisted company. The Audit and Risk Committee will report to the Board regarding the efficacy of the risk management process.
Principle 4.10	The Board has ensured that there are processes in place which enable complete, timely, relevant, accurate and accessible risk disclosure to stakeholders.	Do not comply	This was not done historically as an unlisted company. Risk disclosure will be made annually in the Integrated Annual Report in due course. The Board intends to disclose the top risks faced by the Company and will confirm

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			its satisfaction with the management of the risk management processes.
CHAPTER 5 - THE GOVERNANCE OF INFORMATION TECHNOLOGY			
Principle 5.1	The Board is responsible for IT governance.	Partially Comply	This was not done historically as an unlisted company. An IT Governance Framework, including processes, procedures and structures, has not been adopted by the Board. This will be considered in due course as the group grows.
Principle 5.2	IT has been aligned with the performance and sustainability objectives of the Company.	Comply	The IT strategy and procedures are considered to be aligned with the performance and sustainability of the Company, bearing in mind the size and nature of the Company.
Principle 5.3	The Board has delegated to management the responsibility for the implementation of an IT governance framework.	Do not comply	A delegated director will take responsibility for the implementation of an IT governance framework in due course.
Principle 5.4	The Board monitors and evaluates significant IT investments and expenditure.	Partially complies	The Board will be responsible for monitoring and evaluating significant IT investments and expenditure as an when the need arises. However, an IT Governance Framework is yet to be adopted by the Board. The Board will consider appointing an individual who will report to the Board on anticipated and required IT expenditure when deemed to be of a material nature that requires Board approval and will report to the Board on IT anticipated expenditures and possible

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			budgets.
Principle 5.5	IT is an integral part of the Company's risk management plan.	Does not comply	The company was formerly a private company and as such did not have a formal risk management plan. This will be considered in due course.
Principle 5.6	The Board ensured that information assets are managed effectively.	Does not comply	The company was formerly a private company and as such did not have a formal information asset management plan. This will be considered in due course.
Principle 5.7	A risk committee and audit committee assists the Board in carrying out its IT responsibilities.	Partially Comply	The recently formed Audit and Risk Committee will assist the Board with this function.
CHAPTER 6 - COMPLIANCE WITH LAWS, CODES, RULES AND STANDARDS			
Principle 6.1	The Board ensures that the Company complies with applicable laws and considers adherence to non-binding rules, codes and standards.	Comply	The Audit and Risk committee, together with the Social and Ethics Committee and Company Secretary, review the adequacy and effectiveness of the Group's procedures on an on-going basis to ensure compliance with legal and regulatory responsibilities.
Principle 6.2	The Board and each individual director have a working understanding of the effect of applicable laws, rules, codes and standards on the Company and its business.	Comply	The Directors and the Board understand the appropriate applicable laws, rules, codes of standards required by the Company and its business. This understanding was reinforced by the Director Induction Programme that all Directors attended in 2016.
Principle 6.3	Compliance risk should form an integral part of the Company's risk management process.	Partially comply	Compliance risk will be considered by the Audit and Risk Committee and the Social and Ethics Committee going forward.
Principle 6.4	The Board should delegate to	Do not	This was not done

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	management the implementation of an effective compliance framework and related processes.	comply	historically as an unlisted company. This function will be delegated to management in due course.
CHAPTER 7 - INTERNAL AUDIT			
Principle 7.1	The Board should ensure that there is an effective risk based internal audit.	Do not comply	This was not done historically as an unlisted company. The Company currently does not have an internal audit function and this will be considered on a regular basis by the Audit and Risk Committee as a standing agenda item.
Principle 7.2	Internal Audit should follow a risk based approach to its plan.	Do not comply	This was not done historically as an unlisted company. The Company currently does not have an internal audit function as it is not deemed cost effective by the Audit and Risk Committee due to the size of the Company. The need for this function will be reviewed by the Audit and Risk Committee at every meeting.
Principle 7.3	Internal Audit should provide a written assessment of the effectiveness of the Company's system of internal controls and risk management.	Do not comply	This was not done historically as an unlisted company. The Company currently does not have an internal audit function. However, the Audit and Risk Committee will oversee that management effectively addresses internal control weakness that are identified by the external auditors
Principle 7.4	The audit committee should be responsible for overseeing the internal audit process.	Do not comply	The Company currently does not have an internal audit function.
Principle 7.5	Internal audit should be strategically positioned to achieve its objectives.	Do not comply	This was not done historically as an unlisted company. The Company

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			currently does not have an internal audit function.
CHAPTER 8 - GOVERNING STAKEHOLDER RELATIONSHIPS			
Principle 8.1	The Board should appreciate that stakeholder' perceptions affect a company's reputation.	Comply	The Company engages with its stakeholders on multiple levels and this allows the Company to manage issues effectively and timeously and reduces the likelihood of reputational risks.
Principle 8.2	The Board should delegate to management the authority to proactively deal with stakeholder relationships.	Comply	Management is responsible for maintaining stakeholder relationships.
Principle 8.3	The Board should strive to achieve the appropriate balance between its various stakeholder groupings, in the best interests of the Company.	Comply	The appropriate balance is assessed on a continuous basis.
Principle 8.4	Companies should ensure the equitable treatment of shareholders.	Comply	The Company will act in accordance with the requirements of the Companies Act and the JSE Listings Requirements regarding the treatment of shareholders.
Principle 8.5	Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence.	Comply	The Board is committed to a communication policy to ensure that timely, relevant, accurate and honest information is provided to all stakeholders.
Principle 8.6	The Board should ensure that disputes are resolved effectively and as expeditiously as possible.	Comply	The Board ensures that disputes are resolved effectively as is possible.
CHAPTER 9 – INTEGRATED REPORTING AND DISCLOSURE			
Principle 9.1	The Board should ensure the integrity of the Company's integrated report.	Comply	The Board is responsible for the integrity of the integrated report.
Principle 9.2	Sustainability reporting and disclosure should be integrated with the Company's financial reporting.	Partially comply	This was not done historically as an unlisted company The Board will ensure that the company's reporting is holistic and integrated across all areas

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			of performance and should include reporting in the triple context of economic, social, and environmental issues.
Principle 9.3	Sustainability reporting and disclosure should be independently assured.	Do not comply	This was not done historically as an unlisted company. At present the Company does not obtain independent assurance. This will be considered in future.

The above table covers all 75 principles as set out in King III.