



**APPLICATION OF THE KING IV REPORT ON CORPORATE GOVERNANCE FOR SOUTH AFRICA 2016™ (King IV™) Copyright and trademarks of King IV are owned by the Institute of Directors in Southern Africa NPC and all of its rights are reserved**

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King IV™ advocates an outcomes-based approach, with the achievement of the following outcomes when leadership applies corporate governance in an ethical, responsible and effective manner:



**ETHICAL CULTURE**



**GOOD PERFORMANCE**



**EFFECTIVE CONTROL**



**LEGITIMACY**

Curro Holdings Limited (Curro or the Company) is listed on the South African stock exchange, the JSE Ltd. The JSE Listings Requirements (paragraph 3.84) have made certain practices contained in King IV™ mandatory for listed companies, with effect from 1 October 2017. Curro complies with these requirements. Furthermore, this report contains Curro's application of the 16 principles contained in King IV™.

The following is a synopsis of these 16 principles.



Leadership ethics and corporate citizenship	Strategy, performance and reporting	Governing structures and delegation	Governance functional areas
<p><b>Principle 1</b> <b>Leadership</b> The board should lead ethically and effectively.</p>	<p><b>Principle 4</b> <b>Strategy and performance</b> The board should appreciate that Curro's purpose, risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value-creation process.</p>	<p><b>Principle 6</b> <b>Primary role and responsibilities of the board</b> The board should serve as the focal point and custodian of corporate governance in the Company.</p>	<p><b>Principle 11</b> <b>Risk governance</b> The board should govern risk in a way that supports Curro in setting and achieving its strategic objectives.</p>
<p><b>Principle 2</b> <b>Organisational ethics</b> The board should govern the ethics of Curro in a way that supports the establishment of an ethical culture.</p>	<p><b>Principle 5</b> <b>Reporting</b> The board should ensure that reports issued by Curro enable stakeholders to make informed assessments of Curro's performance, its short, medium and long-term prospects.</p>	<p><b>Principle 7</b> <b>Composition of the board</b> 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.</p>	<p><b>Principle 12</b> <b>Technology and information governance</b> The board should govern technology and information in a way that supports the Company in setting and achieving its strategic objectives.</p>
<p><b>Principle 3</b> <b>Responsible citizenship</b> The board should ensure that Curro is and is seen to be a responsible corporate citizen.</p>		<p><b>Principle 8</b> <b>Committees of the board</b> The board should ensure that its arrangements for delegation within its own structure promote independent judgement, and assist with balance of power and the effective discharge of its duties.</p>	<p><b>Principle 13</b> <b>Compliance governance</b> The board should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the Company being ethical and a good corporate citizen.</p>
		<p><b>Principle 9</b> <b>Evaluations of the performance of the board</b> The board should ensure that the evaluation of its own performance and that of its committees, its chair and individual members supports continued improvement in its performance and effectiveness.</p>	<p><b>Principle 14</b> <b>Remuneration governance</b> The board should ensure that Curro remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term.</p>
		<p><b>Principle 10</b> <b>Appointment and delegation to management</b> The board should ensure that the appointment of and delegation to management contribute to role clarity and effective exercising of authority and responsibilities.</p>	<p><b>Principle 15</b> <b>Assurance</b> 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 Curro's external reports.</p>
			<p><b>Principle 16</b> <b>Stakeholder relationships</b> 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 interest of Curro over time.</p>



## CURRO'S APPLICATION OF KING IV™ PRINCIPLES

Glossary/definitions:

<b>Board</b>	The governing body of the organisation, which is Curro Holdings Ltd.
<b>Code of ethics</b>	The Company's code of ethics, which is the code of conduct that sets out the ethical foundation that employees are to adhere to.
<b>Code of conduct</b>	The schools' code of conduct that sets out the ethical foundation which governs educators, learners and their guardians/parents.
<b>Company or Curro</b>	The organisation that is Curro Holdings Ltd (registration number 1998/02581/06), incorporated in South Africa and listed on the JSE Ltd, and that includes its subsidiaries
<b>Companies Act</b>	Companies Act No. 71 of 2008, the act governing companies in South Africa
<b>Management</b>	All levels of managers employed by the Company.

Note: this report is to be read in conjunction with the annual integrated report to ensure comprehensive understanding of the Company's business, its environment and related information.

*The following table contains a summary on how Curro applied the King IV™ principles for the year ended 31 December 2017, including post-year-end developments prior to posting of the integrated annual report. The board is satisfied with the manner in which Curro has applied the King IV™ recommendations and practices to achieve good performance and effective control whilst promoting ethical culture and maintaining its legitimacy.*



## LEADERSHIP ETHICS AND CORPORATE CITIZENSHIP

### Leadership

**Principle 1 The board should lead ethically and effectively.**

The board sets the tone for leadership in how it provides leadership to management and approves the Company's code of ethics, which is the foundation of the Company. The ethical compass sets clear principles on responsible citizenship, transformation and ethical conduct and management is empowered by the board to implement the code of ethics so that it is embedded in the culture and values of the Company over time. The schools' code of conduct is approved in accordance with the protocols set by the board and sets the tone for the ethical foundation for the schools' educators, learners and their guardians/parents.

The board continues to lead the Company ethically, portraying characteristics of integrity, competence, responsibility, honesty, authority and accountability, which are moral standards that can be expected of quality leadership and under the leadership of the independent non-executive chairperson of the board. Directors have individual and collective responsibility to hold one another accountable for decision-making and ethical behaviour, including how it handles conflicts of interests and complies with the Companies Act in this regard. The board ensures that it retains effective control of the Company by setting the Company's strategy and having oversight of the implementation through the board structures (board, committees, delegation of powers and limits and reporting) that are in place.

### Organisational ethics

**Principle 2 The board should govern the ethics of Curro in a way that supports the establishment of an ethical culture.**

The board governs ethics in a manner that reflects a serious attitude to its responsibility in ensuring that governance of ethics goes beyond legislated requirements and that these ethical practices are entrenched in the Company. The nature of the Company's business, being a provider of education (up to Grade 12) with a national footprint in South Africa and a sizeable school campus in Namibia, and the recently added school in Botswana, not only positively impacts the establishment of an ethical culture of the Company, but also directly/indirectly society at large. The ethics governance protocols are summarised as follows:

- The board sets the tone for leadership in how it provides leadership to management and approves the Company's code of ethics, which is the ethical foundation of the Company. This ethical compass sets clear principles on responsible citizenship, transformation and ethical conduct, and management is empowered by the board to implement the code of ethics so that it is embedded in the culture and values of the Company over time.



- The social, ethics and human resources committee, a board committee, under the leadership of an independent non-executive director, approves the whistleblowing, moonlighting, responsible citizenship (which also includes aspects relating to anti-bribery and corruption, human rights and non-discrimination principles), health and safety policies and empowers management to implement these principles in the group. Furthermore, in 2016 a dedicated transformation committee was formed for a fixed term to assist the executive management of the Company with its transformation strategy formulation (which was approved in 2016) and implementation, as transformation remains a key imperative for business success in the current South African context. This committee reports to the social, ethics and human resources committee.
- The schools' code of conduct is approved in accordance with the protocols set by the board and sets the tone for the ethical foundation for the schools' educators, learners and their guardians/parents. Structures at the schools are in place, for example, schools' management and employee representation committees, transformation committees and parent advisory committees, which support the executive heads and school management to resolve breaches in ethics that may occur in the day-to-day running of the business. Furthermore, protocols exist for the escalation of breaches in ethics, and depending on the seriousness of a matter. Breaches can be escalated, for example, from executive head to regional head, to executive committee member level and even to the CEO or reporting to the social, ethics and human resources committee or to the board. This reflects the seriousness of the Company towards ethical conduct.
- The Company has no tolerance for discrimination, corruption and bribery and has disciplinary policies, procedures and practices to deal with same. The audit and risk committee, a board committee under the leadership of an independent non-executive director, is responsible for monitoring fraud and corruption management in the Company. During the year ended 31 December 2017 no incidents were reported to the audit and risk committee, and this committee is pleased with the ethics performance of the Company in this regard.
- Protocols are in place for reporting on ethics management to the board.
- The board is pleased that for the financial year ended 31 December 2017 and the date of the posting of the annual integrated report, ethics have been managed appropriately and are moving towards enhancing and embedding an ethical culture in the Company. The focus area for 2018 is for management to continue its focus of embedding the Company's ethical practices to enhance the ethical culture of the Company.

### **Responsible citizenship**

#### **Principle 3 The board should ensure that Curro is and is seen to be a responsible corporate citizen.**

Curro has been a proud provider of education to learners since 1998 and believes that education is a cornerstone in the development of quality leaders and responsible citizens who will positively impact society.

Curro's product offering is one of the largest for-profit independent school groups in Africa today and provides education services to approximately 52 000 learners in 145 schools across South Africa and Namibia and the recently added school in Botswana. This, in itself,

is evidence of Curro being a responsible citizen. Coupled with its approximately 5 000 employees, the access provided to education by further developing 5 new campuses in 2018 and a bursary fund with about R7 million funding for the 2018 academic year (119 bursaries provided to learners in 2017), reflects Curro's contribution.

Furthermore, Curro continuously focuses on how it can be more mindful in the usage of energy, water and other environmental resources (by having its models for school facilities reviewed by expert architects, for example), thereby contributing to the responsible citizenship principle of environmental sustainability for the generation/s to come.

At the schools the learners, from as early as Grade 1, are taught to be responsible citizens at their level of understanding through the curriculum, indirectly contributing to development of responsible citizenship in the broader society.

The ethical culture (refer to principle 2 above) incorporates responsible citizenship standards and protocols that are in place (not repeated here) assist with the governance thereof.

The board reviews the strategy of the Company annually so that it is adaptable in prioritising focus areas without deviating from its vision to have about 80 campuses (or 200 schools) to accommodate many more learners moving into 2021, which, reflects the responsible citizen that Curro is.

The focus area for 2018 is to continue to provide opportunities for learners from all walks of life to obtain quality education within the strategy set by the board. Furthermore, Curro is considering strategies on how it can influence the promotion of quality education nationally, portraying its concerned responsible citizenship approach.



## STRATEGY, PERFORMANCE AND REPORTING

### Strategy and performance

**Principle 4 The board should appreciate that Curro's purpose, risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value-creation process.**

The board in the way it governs the business takes an integrated approach on how it develops the strategy, which is articulated in a business model. This model is linked to budgets and other performance targets to achieve its vision and goals that have been set for the short, medium and long term, and to ensure effective oversight of the performance thereof.

The board and the executive committee members, as invitees at this meeting, review and set the strategy of the Company annually. All schools have 10-year plans, and a bottom-up budgeting process takes place annually to set the goals for the forthcoming year. The relevant executive committee members and chief executive officer and chief financial officer are present in these school budget

discussions to allow for an integrated approach, aligning long-term goals to short-term and medium-term goals; ensuring alignment of strategies of functional and support areas, which mitigates the risks of schools and divisions of the Company operating in silos and helps to balance different stakeholder needs and allows for discussions on risk management (including opportunities). This approach furthermore promotes management buy-in, inclusivity of leadership in decision-making, positive engagement and strategic thinking at all levels in the Company.

The board reviews performance against the strategic focus areas set quarterly.

Details of the strategic review and operating context can be found in the annual integrated report at [www.curro.co.za](http://www.curro.co.za).

## Reporting

**Principle 5 The board should ensure that reports issued by Curro enable stakeholders to make informed assessments of Curro's performance, its short, medium and long-term prospects.**

The board ensures that Curro reports on material matters regarding its business activities through the media channels as required in terms of the JSE Ltd Listings Requirements and also issues audited financial statements and an integrated report annually. The board has also approved protocols for communication that are appropriate for the Company.

The board annually approves protocols for the review of these reports to safeguard the integrity of its annual financial statements and annual integrated reports that are issued.



## GOVERNING STRUCTURES AND DELEGATION

### Primary role and responsibilities of the board

**Principle 6 The board should serve as the focal point and custodian of corporate governance in the Company.**

The board is the focal point and custodian of corporate governance of Curro, as is evident in the way it leads; its responsibilities that are formally documented in its charter; its seriousness towards compliance with the Listings Requirements of the JSE Ltd, its fiduciary responsibilities set out in the Companies Act and the Company's memorandum of incorporation; its appointed board committees and their charters; and how it oversees executive management's implementation of the strategic direction that it sets for the business. Refer to the corporate governance framework that is included in the annual integrated report, found at [www.curro.co.za](http://www.curro.co.za).



The board determines the powers of board committees and executive management by reviewing the delegation of authority limits of the Company annually.

The board, as well as any directors of board committee members, have access to the board-appointed company secretary to provide guidance on their fiduciary responsibilities. Furthermore, the board, directors and committees may obtain independent external professional advice at Curro's expense concerning matters within the scope of their duties as directors. Directors have access to all information of the Company and may, via the chief executive officer and company secretary, set up meetings with management as and when required.

Refer to the corporate governance report at [www.curro.co.za](http://www.curro.co.za) for more details on the board's dynamics, and an abbreviated summary of its roles, responsibilities and related information.

### 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.**

The board has the appropriate balance of knowledge, given that it consists of ten members (seven non-executives (five independent non-executive directors), three executives with a wide range of experience and skills, diversity (two females and four black people), and with their ages ranging from 40s to 60s. The majority of the non-executive directors are independent. Voluntary targets have been set for race and gender diversity on the board. The chairperson of the board and company secretary ensure adherence to protocols for the composition of the board and committees. The calibre of non-executive directors who are on the board provide sufficient independence of mind and have sufficient depth of experience, to enhance the objective and effective leadership that the board of directors provides to the group. The board composition complies with the JSE Ltd Listings Requirements, Companies Act and due consideration of the King IV™ practices (except for Curro opting not to appoint a lead independent deputy chairperson, as the board does not believe this role as described in King IV™ to be necessary for the Curro board given the strong independent leader Curro has on the Board as chairperson, and will regularly review the need for same).

Refer to the leadership profiles and corporate governance report at [www.curro.co.za](http://www.curro.co.za) for more details on the board composition.

### Committees of the board

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

The board has a remuneration committee, audit and risk committee and social, ethics and human resources committee, consisting of members of the board in accordance with the JSE Listings Requirements, Companies Act and practices and guidelines of King IV™. These committees have clearly articulated responsibilities set out in their board-approved charters to assist the board in its duties and allowing for



the promotion of independent judgement. The composition of these committees provides balance of power (as the membership of the committees differ), but at the same time integration (a committee of one committee may be on another committee to promote alignment between committees' views as it pertains to specific committee roles). The composition of Curro's board committees adheres to the King IV™ practices.

No nominations committee exists, but the function of the nomination committee as it relates to board appointments is dealt with formally and by the board as a whole (an ad hoc committee for the screening of curriculum vitae/interview processes is usually formed to assist the board). The other functions (inter alia succession planning and evaluations), usually dealt with by a nominations committee, are dealt with by the remuneration committee or the Chairperson of the Board or ad hoc committees formed for this purpose.

The delegated powers to the board committees are formally documented and annually reviewed and approved, ensuring that the board retains effective control and remains responsible for the corporate governance of the Company. The chairpersons of the board committees report back on committees' decisions and recommendations that are for the board's consideration.

Refer to the corporate governance report as contained in the annual integrated report at [www.curro.co.za](http://www.curro.co.za) for more details on board committees' composition and the governance practices relating thereto.

#### **Evaluations 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 individual members supports continued improvement in its performance and effectiveness.**

The board has opted to do a combined self-evaluation of the board, chairperson of the board and board committees biennially, the outcome of which is discussed at its board meeting after the results have been populated (independently by the company secretary and shared with the chairperson of the Board). If any actions or further discussion on matters highlighted therein is necessary, this is then discussed and decided on by the board.

The board view is that this approach is appropriate for the organisation when taking the profiles of the board members who are on the board into account, where all board members have substantial experience of being directors; the know-how to function collectively, and strong leadership through its chairperson. The chairperson of the board will review on a regular basis whether the board's approach to evaluations remain appropriate.

The culture of the board is to address any individual performance issues of, for example, a non-executive director or the CEO via the chairperson of the board, or those of another executive director via the CEO, with the individuals as and when the performance issue arises.



## Appointment and delegation to management

**Principle 10 The board should ensure that the appointment of and delegation to management contribute to role clarity and effective exercising of authority and responsibilities.**

The CEO is empowered by the board and Company's MOI to implement the board-approved strategy and to effectively run the business on a day-to-day basis. The CEO is supported by an executive committee to fulfil his responsibilities. The remuneration committee determines the key performance areas of the executive committee and CEO annually and measures performance against same (after the CEO has provided his input on the performance of his executive team). The CEO has a contract of employment, which ensures role clarity and clarifies conditions of employment covering, inter alia, leave, notice periods, confidentiality, intellectual proprietary rights, restraints of trades, and breach of contract.

During the year under review the board's CEO succession plan was implemented when the COO was promoted to the CEO role in July 2017. A focus area in the future will be the formulation of a succession plan for the newly-appointed CEO.

The appointment and role clarity of management and delegations are well governed through Curro's MOI, charters, delegation of authorities, policies and procedures so as to ensure the effective exercise of authority and responsibilities. The limits of authorities that are reviewed and approved by the board annually contain protocols for the approval of the policies of the Company, the charters and Curro's MOI, ensuring effective governance thereof.

The company secretary is appointed by the board in accordance with the Companies Act and JSE Ltd Listing Requirements and is not a director of the Company, nor related to any of the directors. The performance of the company secretary is evaluated by the chairperson of the board and CEO.

The board is satisfied that the company secretary is properly qualified and experienced to competently carry out the duties and responsibilities of company secretary. The company secretary has a direct channel of communication to the chairperson of the Board, maintaining an arms-length relationship with the directors as far as reasonably possible (the company secretary reports functionally to the CEO of the Company).

Refer to the leadership report, as contained in the annual integrated report at [www.curro.co.za](http://www.curro.co.za), for more details on profiles of the CEO, executive committee members and company secretary.



## GOVERNANCE FUNCTIONAL AREAS

### Risk governance

**Principle 11** The board should govern risk in a way that supports Curro in setting and achieving its strategic objectives.

The board governs risk and determines the risk appetite of the Company so that risk is governed in a way that supports strategy implementation. The board governs risk in that it has delegated the oversight thereof to the audit and risk committee, which assesses and evaluates risk appetite, risk tolerance and levels and management's actions to mitigate these and/or to accept the level of risk. Material risks, as and when they arise, that could significantly impact Curro's business are discussed with the board from time to time. To enhance the risk management processes within the group, risk opportunities that have in the past been raised and discussed as and when identified between and among directors and executive management, are in the future also being included in the risk barometer of the Company.

Refer to the risks and responses report as contained in the annual integrated report at [www.curro.co.za](http://www.curro.co.za) for more details on the top risks and Curro's responses thereto.

### Technology and information governance

**Principle 12** The board should govern technology and information in a way that supports the Company in setting and achieving its strategic objectives.

The board has delegated authority to the executive committee to ensure the alignment of information and technology with the strategic objectives of the Company. This Committee's cross-functional management of the business assures that technology and information strategy can seamlessly respond to the needs of Curro. The board has oversight on these activities in that it has information and technology as a standard item of discussion at its board meetings and that the technology and information strategy is presented to the board. The board monitors the progress on annual goals set through the quarterly report to the board thereon. In respect of technology and information risk governance, this is delegated by the board to the audit and risk committee and is a standing item on this committee's agenda.

## 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 Company being ethical and a good corporate citizen.**

The board governs compliance with applicable laws and adopted, non-binding rules, codes and standards in that it has delegated to management the governance of compliance risk in a responsible manner, the oversight thereof which is delegated to the audit and risk committee and forms part of risk management through the biannual reporting thereon at its meetings. The executive committee's individual members are responsible for ensuring their areas of responsibilities are compliant on a day-to-day basis and the protocol that exists is that any material breaches in compliance with law are to be escalated and reported on to the collective members, being the executive committee, and then to the audit and risk committee and board, depending on the severity of the breach. A focus area for 2018 is to formalise the review of changes to legislation that take place in the South African milieu from time to time and the protocols on reporting of same.

As part of the internal control and assurance environment, the outsourced internal auditors' mandate includes limited scope reviews on compliance with laws in the internal audits. Executive committee members are also empowered to obtain expert advice on compliance issues at the expense of the Company, as and when so required.

## Remuneration governance

**Principle 14**    **The board should ensure that Curro remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term.**

Curro's remuneration strategy promotes a balance in attracting, motivating and retaining human capital through competitive practices while creating shareholder value. The board has opted to delegate to the remuneration committee the oversight role to ensure that Curro remunerates fairly, responsibly and transparently. In this regard, this remuneration committee has approved a remuneration policy with appropriate processes for the setting and approving of remuneration and an implementation report. The board's input is sought on strategic matters as it relates to remuneration when the Company's strategy discussions take place annually and when budgets are approved.

The board has opted not to apply King IV™ as it relates to remuneration governance in the following areas:

- Only the remuneration of the top three earners of prescribed officers' remuneration is disclosed. The reason for this is that there are only two large private education sector-listed groups, and from a competitiveness point of view Curro prefers not to make the remuneration of its key executive managers public.

Refer to the corporate governance report and the remuneration policy, remuneration implementation report and the notice for the annual general meeting as contained in the annual integrated report at [www.curro.co.za](http://www.curro.co.za) for more details on remuneration governance and the policy



and implementation reports that have been submitted for consideration by shareholders at the forthcoming annual general meeting that will be held in June 2018.

### **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 Curro's external reports.**

The board has delegated to the audit and risk committee the oversight role for the effectiveness of the assurance services of the external auditors, internal auditors, finance function, information and technology governance and compliance governance through a risk-based and combined assurance approach and ensuring the integrity of financial management, reporting and the internal control environment.

Appropriate assurance providers have been appointed and their appointments are reviewed regularly. In doing so their contributions and performance are evaluated by key management and the audit and risk committee chairman. For any significant issues identified by assurance providers, actions are formulated to enhance the internal control environment.

Refer to the audit committee and corporate governance reports on [www.curro.co.za](http://www.curro.co.za) for more detail on how the governance of assurance providers takes place.

### **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 interest of Curro over time.**

Curro is committed to a stakeholder-inclusive approach. Key stakeholders have been identified and appropriate protocols are in place regarding the manner in which this stakeholder engagement takes place. Curro's board and management ensure stakeholder relationships are managed and strengthened and that their interests, legitimate needs and in some instances stakeholder approval are sought as Curro is cognisant of how this has an impact on Curro's business success.

Refer to the stakeholder engagement report included in the annual integrated report at [www.curro.co.za](http://www.curro.co.za), where the key stakeholders and their needs have been identified and Curro's responses thereto are provided.