

APPENDIX B



APPLICATION OF THE KING III CODE PRINCIPLES

Key: Level of Application:

A: Applied

NA: Not applied / will not be applied

ITEM NO.	KING III PRINCIPLE REFERENCE	KING III PRINCIPLE	LEVEL OF APPLICATION	COMMENTS
Ethical Leadership and corporate citizenship				
1.	1.1	The board should provide effective leadership based on ethical foundation	A	The board provides effective leadership based on ethical foundations and sets the values for the group. The values are formulated in the board charter. The group’s core values are creativity; integrity; goals and results focused; collaborative and respectful; and conviction. These values, together with the King III governance values of fairness; responsibility; transparency; and accountability underpin our culture and signal how we operate as a business. The Employee Handbook contains MAS’ expectations around “Valuing Diversity and Dignity at Work”.
2.	1.2	The board should ensure that the company is and is seen to be a responsible corporate citizen	A	The board considers not only its financial performance, but also the impact of its operations on society and the environment. Details of our social, environmental and economic initiatives can be found under “Sustainability”, in the About Us section of our website masrei.com , as well as within the body of our integrated report.
3.	1.3	The board should ensure that the company’s ethics are managed effectively	A	In terms of the board charter, the board ensures that the group’s ethics are managed effectively. A formal Social and Ethics Committee is in the process of being established. In the interim, social and ethics matters are considered on an ongoing basis and feature in discussions at all of the committees’.

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				All employees are aware of, and have been issued with a copy of, the Whistleblowing policy.
Board and directors				
4.	2.1	The board should act as the focal point for the custodian of corporate governance	A	The board has a charter that clearly sets out its role and responsibilities. The Corporate Governance Framework (an internal document) provides further detail around Group Corporate Governance and how this manifests itself in practice.
5.	2.2	The board should appreciate that strategy, risk, performance and sustainability are inseparable	A	Same as principle 2.1 above. The board both informs and approves strategy. Analysis of actual versus projected performance, and any underlying assumptions, together with the primary and detailed risk registers (outlining the pertinent risks facing our business e.g Market, Property, Funding, Operational, Strategy, Regulatory and Governance, Ethical) all serve as effective mechanisms to flag any concerns. In light of business growth, dedicated strategy sessions with both the board and the senior management are regularly undertaken.
6.	2.3	The board should provide effective leadership based on an ethical foundation	A	Refer to principle 1.1 above.
7.	2.4	The board should ensure that the company is and is seen to be a responsible corporate citizen	A	Refer to principle 1.2 above.
8.	2.5	The board should ensure that the company's ethics are managed effectively	A	Refer to principle 1.3 above.

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9.	2.6	The board should ensure that the company has an effective and independent audit committee	A	Refer to principle 3.1 below.
10.	2.7	The board should be responsible for governance of risk	A	Refer to principle 4.1 below.
11.	2.8	The board should be responsible for information technology (IT) governance	A	Refer to principle 5.1 below.
12.	2.9	The board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards	A	Refer to principle 6.1 below.
13.	2.10	The board should ensure that there is an effective risk-based internal audit	A	Refer to principle 7.1 below.
14.	2.11	The board should appreciate that stakeholders' perceptions affect the company's reputation	A	Refer to principle 8.1 below.
15.	2.12	The board should ensure the integrity of the company's integrated report	A	Refer to principle 9.1 below.
16.	2.13	The board should report on the effectiveness of the company's system of internal controls	A	Refer to principles of chapter 7 and 9 below.
17.	2.14	The board and its directors should act in the best interests of the company	A	The board and its directors always act in the best interests of the group and its stakeholders. The board has unrestricted access to the group's information, documents and records. Real or perceived conflicts of interest are disclosed and managed in accordance with the Conflicts of Interest Policy.
18.	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 South African Company's Act, 71 of 2006	A	The board continually monitors whether the group is financially distressed for purposes of considering its business rescue proceedings.

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19.	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	A	The board has elected a chairman of the board who is an independent non-executive director. The CEO does not fulfill the role of chairman of the board.
20.	2.17	The board should appoint the chief executive officer and establish a framework for the delegation of authority	A	The board has appointed the chief executive officer. There is an approved delegation of authority framework within the group.
21.	2.18	The board should comprise a balance of power, the majority of non-executive directors. The majority of non-executive director should be independent	A	The roles of chairman and CEO are clearly separated and there is a majority of non-executive directors on the board to ensure a balance of power and authority. This ensures that no one director has unfettered powers of decision making.
22.	2.19	Directors should be appointed through a formal process	A	Directors are appointed through a formal process. The Nomination Committee identifies and makes recommendations to the board for approval. All new director appointments are tabled for approval at the next shareholders meeting.
23.	2.20	The induction of and ongoing training and development of directors should be conducted through formal processes	A	An induction programme aimed at accelerating understanding of the group is delivered to all newly appointed directors by the company secretary and executive directors. A Corporate Governance Framework handbook has been developed, which is also a valuable resource to support the induction of new directors, as well as providing an easy reference tool for existing directors. The Nomination Committee assesses and manages the training of board members as required. Each Director completes both a self and a peer skills assessment, as well as a Board assessment questionnaire on an annual basis. These are reviewed by the Nomination Committee to ensure any training needs are identified and addressed.
24.	2.21	The board should be assisted by a competent, suitably qualified and experienced company secretary	A	The company secretary has been with the company since its inception. She is a qualified Chartered Secretary with over 25 years'

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				experience in the finance industry, including tenure at the local Financial Regulator. She is a member of the Institute of Chartered Secretaries. The company secretary is empowered by the board to effectively manage her duties.
25.	2.22	The evaluation of the board, its committees and the individual directors should be performed each year	A	The board, its committees and directors are evaluated each year. The board charter sets out the role and responsibilities of the board against which directors' performances are assessed.
26.	2.23	The board should delegate certain functions to well-structured committees without abdicating its own responsibilities	A	The board delegates certain functions to well-structured committees without abdicating from its own responsibilities. The board has established Audit, Risk, Nomination and Remuneration Committees to assist the board in fulfilling its obligations. Each committee operates under formal terms of reference.
27.	2.24	A governance framework should be agreed between the Group and its subsidiary boards	A	A delegated framework has been agreed between the boards of the group's parent company and its immediate subsidiary.
28.	2.25	Companies should remunerate directors and executives fairly and responsibly	A	Directors and executives are remunerated fairly and responsibly. Remuneration of executives is determined by the Remuneration Committee and approved by the board.
29.	2.26	Companies should disclose the remuneration of each individual director and certain senior executives	A	The remuneration of each director and certain senior executives is disclosed in the annual report.
30.	2.27	Shareholders should approve the company's remuneration policy	A	At the Annual Shareholders Meeting on 17 February 2017 the shareholders approved the Rules of the MAS Share Purchase Scheme. Updates to the group's remuneration policy will be presented to shareholders from time to time.
Audit Committees				
31.	3.1	The board should ensure that the company has an effective and independent audit committee	A	The board has ensured that there is an effective and independent Audit Committee. Membership of the Audit Committee comprises 3 independent non-executive directors. The Audit Committee's terms of reference have been approved by the board.

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32.	3.2	Audit committee members should be suitably skilled and experienced independent, non-executive directors (subsidiary exemption)	A	Audit Committee members are suitably skilled and experienced independent non-executive directors. The Nomination Committee evaluates and satisfies itself that the skills and expertise of the Audit Committee members are appropriate to effectively fulfill their responsibilities.
33.	3.3	The audit committee should be chaired by an independent non-executive director	A	The Audit Committee is chaired by an independent non-executive director who is a qualified Chartered Accountant.
34.	3.4	The audit committee should oversee integrated reporting (integrated reporting, financial, sustainability and summarized information)	A	The Audit Committee oversees integrated reporting. The Audit Committee reviews and approves relevant sections of the Integrated report prior to approval by the board and publication of the report.
35.	3.5	The audit committee should ensure a combined assurance model is applied to provide a co-ordinated approach to all assurance activities	A	The Audit Committee has ensured that a combined assurance model has been applied to provide a co-ordinated approach to all assurance activities.
36.	3.6	The audit committee should satisfy itself of the expertise, resources and experience of the company's financial function	A	The Audit Committee has satisfied itself of the expertise, resources and experience of the group's financial function and its financial director.
37.	3.7	The audit committee should be responsible for overseeing of internal audit	A	The Audit Committee is responsible for overseeing of internal audit as evidenced by the committee's terms of reference.
38.	3.8	The audit committee should be an integral component of the risk management process	A	The Audit Committee is an integral component of the risk management process as evidenced by the committee's terms of reference.
39.	3.9	The audit committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process	A	The Audit Committee recommends the appointment of the external auditor and oversees the external audit process. The Audit Committee approves the external auditor's terms of engagement and remuneration and is the main contact between the external auditors and the board.

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40.	3.10	The audit committee should report to the board and shareholders on how it has discharged its duties	A	The Audit Committee reports internally to the board and in the Integrated report to shareholders on how it has discharged its duties.
The governance of risk				
41.	4.1	The board should be responsible for the governance of risk	A	The board is responsible for the governance of risk. This function is delegated to the Risk Committee which oversees the group's risk management policy and processes and makes recommendations to the board. The board is ultimately responsible for the governance of risk.
42.	4.2	The board should determine the levels of risk tolerance	A	The board determines the level of risk tolerance. The Risk Committee makes recommendations to the board regarding levels of risk tolerance which the board considers and if appropriate approves.
43.	4.3	The risk committee or audit committee should assist the board in carrying out its risk responsibilities	A	The Risk Committee performs this function, with input from the Audit Committee as and when appropriate. The Risk Committee reviews the group's risk management policies and processes as evidenced by the committee's terms of reference.
44.	4.4	The board should delegate to management the responsibility to design, implement and monitor the risk management plan	A	The board has delegated to management the responsibility to design, implement and monitor the risk management plan. The financial director is responsible for assisting the board and senior management in executing their accountability towards responsible risk management within the group.
45.	4.5	The board should ensure that risk assessments are performed on a continual basis	A	The board ensures that risk assessments are performed on a continual basis. A primary and a detailed risk register are in place and are reviewed on a periodic basis by the management team. These registers are presented at each Risk Committee meeting, with any significant issues escalated to the board.

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46.	4.6	The board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks	A	The board, through the Audit and Risk Committees, has ensured that frameworks and processes are in place and implemented to increase the probability of anticipating unpredictable risks.
47.	4.7	The board should ensure that management considers and implements appropriate risk responses	A	The board has ensured that management considers and implements appropriate risk responses.
48.	4.8	The board should ensure continual risk monitoring by management	A	Primary and detailed risk registers are held and these are reviewed and updated periodically by management. Other scheduled forums, such as the fortnightly Operations meeting, discuss current and emerging risks, which are then captured on the register.
49.	4.9	The board should receive assurance regarding the effectiveness of the risk management process	A	The Risk Committee provides assurance to the board. It reviews the risk registers and the risk management process and will take into consideration the scale and maturity of the organisation, as well as the overarching risk landscape and will offer recommendations to support management actions as required.
50.	4.10	The board should ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders	A	The board has ensured that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders.
The governance of Information Technology (IT)				
51.	5.1	The board should be responsible for information technology (IT) governance	A	The board is responsible for IT governance. This function has been delegated to the Risk Committee but the board is ultimately responsible. Management provides feedback to the board regarding IT-related matters.
52.	5.2	IT should be aligned with the performance and sustainability objectives of the company	A	The board ensures that IT has been aligned with the performance and sustainability objectives of the group.
53.	5.3	The board should delegate to management the responsibility for the implementation of an IT governance framework	A	The board has delegated to management the responsibility for implementation of an IT governance framework. The Head of Operations assumes responsibility for IT related matters and reports to the CFO who is ultimately held accountable by the board.

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54.	5.4	The board should monitor and evaluate significant IT investments and expenditure	A	The board monitors and evaluates significant IT expenditure and investments and authorisation of any spend is in line with the Delegated Authority Framework, with unbudgeted expenses above the prevailing limit requiring authorisation by the board.
55.	5.5	IT should form an integral part of the company's risk management	A	IT forms an integral part of the group's risk management. IT specific risks are captured on the detailed risk register for visibility.
56.	5.6	The board should ensure that information assets are managed effectively	A	The board ensures that information assets are managed effectively. A Mobile Device Policy, Password Protocol Policy, Email, Fax and Internet Procedure Policies are in place.
57.	5.7	A risk committee and audit committee should assist the board in carrying out its IT responsibilities		The Audit and Risk Committees assist the board in carrying out its IT responsibilities by ensuring that IT risks are adequately addressed through its risk management processes.
Compliance with laws, codes, rules and standards				
58.	6.1	The board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards	A	The board ensures to the best of its ability that the group complies with applicable laws and considers adherence to non-binding rules, codes and standards. The Audit and Risk Committees assist the board with the oversight of compliance related matters.
59.	6.2	The board and each individual director should have a working understanding of the effect of applicable laws, rules, codes and standards on the company and its business	A	The board and each director have a working understanding of the effect of applicable laws, rules, codes and standards on the group and its business. Updates and presentations on changes to applicable laws, rules, codes and standards are provided as and when necessary.
60.	6.3	Compliance risk should form an integral part of the company's risk management process	A	Compliance risk forms an integral part of the group's risk management process.
61.	6.4	The board should delegate to management the implementation of an effective compliance framework and processes	A	The board has delegated to management the implementation of an effective compliance framework and process. The company secretary assists the board in executing their responsibility towards

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				responsible management of regulatory compliance requirements within the group.
Internal audit				
62.	7.1	The board should ensure that there is an effective risk-based internal audit	NA	There is not an effective risk based internal audit function in place due to the scale and size of the business. The audit committee, however, ensures that a combined assurance approach is taken to the management of risks across the group.
63.	7.2	Internal audit should follow a risk-based approach to its plan	NA	Refer to principle 7.1 above
64.	7.3	Internal audit should provide a written assessment of the effectiveness of the company's system of internal control and risk management	NA	Refer to principle 7.1 above
65.	7.4	The audit committee should be responsible for overseeing internal audit	A	Refer to principle 3.9 above
66.	7.5	Internal audit should be strategically positioned to achieve its objectives	NA	Refer to principle 7.1 above
Governing stakeholder relationships				
67.	8.1	The board should appreciate that stakeholders' perceptions affect a company's reputation	A	Under the board's charter, the board appreciates that stakeholders' perceptions affect the company's reputation. Relationships are cited as one of the group's five capitals given that they are fundamental to the operation and as such, critical to the delivery of the strategic goals. The group fosters long lasting relationships and key relationships have typically been established and nurtured over many years.
68.	8.2	The board should delegate to management to proactively deal with stakeholder relationships	A	Key stakeholders have been identified, with an executive assigned as the primary relationship contact. Regular and/or periodic touch points are scheduled with all key stakeholders. Further details of the key stakeholders and how we engage with them can be found

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				within “The Capitals – Relationships” section of our integrated report.
69.	8.3	The board should strive to achieve the appropriate balance between its various stakeholder groupings, in the best interests of the company	A	The board strives to achieve appropriate balance between its various stakeholder groupings and the best interests of the group. The board considers both the legitimate interest and expectations of stakeholders and the best interests of the group in its decision making.
70.	8.4	Companies should ensure the equitable treatment of shareholders	A	The group, through the board, ensures equitable treatment of shareholders. The majority of the non-executive directors of the board are independent.
71.	8.5	Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence	A	There is transparent and effective communication with stakeholders through the provision of regular, timeous and accessible information to stakeholders in the company’s Integrated report, the company’s website and via SENS announcements.
72.	8.6	The board should ensure that disputes are resolved as effectively, efficiently and expeditiously as possible	A	The board endeavours to ensure that disputes are resolved as effectively, efficiently and expeditiously as possible.
Integrated Reporting and disclosure				
73.	9.1	The board should ensure the integrity of the company’s integrated report	A	The board ensures the integrity of the integrated annual report through a combined assurance approach: <ul style="list-style-type: none"> - Thorough understanding of the requirements and need for information integrity by the individuals responsible for preparation of the input material, emphasising a culture and environment that identifies deficiencies at source; - Management and executive management review of the information prepared, and comparison to budget/expectation; - Independent review by the Audit Committee; - Further independent review by external auditors; and

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				- Input from external consultants The board's responsibility statement confirming that the annual report addresses all material matters and offers a balanced view of performance is contained within our annual report.
74.	9.2	Sustainability reporting and disclosure should be integrated with the company's financial reporting	A	Sustainability reporting and disclosure is integrated with the group's financial reporting. Key metrics are in place to monitor progress towards our strategic goals. The integrated report references performance against these during the reporting period, together with a number of forward looking statements.
75.	9.3	Sustainability reporting and disclosure should be independently assured	A	Sustainability reporting and disclosure is independently assured by the Audit Committee.



APPLICATION OF PARAGRAPH 3.84 OF THE JSE LISTINGS REQUIREMENTS

ITEM No.	JSE REF.	JSE LISTINGS REQUIREMENT	COMMENTS
1.	3.84(a)	There must be a policy detailing the procedures for appointments to the board of directors. Such appointments must be formal and transparent and a matter for the board of directors as a whole, assisted where appropriate by a nomination committee. The nomination committee must constitute only nonexecutive directors, of whom the majority must be independent (as defined in paragraph 3.84(f)(iii)), and must be chaired by the chairman of the board of directors or the lead independent director if required pursuant to paragraph 3.84(c) below	The nomination committee comprises only non-executive directors of whom the majority are independent and is chaired by the chairman of the board of directors. Appointments are referenced in the MAS REI Board Charter as well as the Nomination Committee Terms or Reference.
2.	3.84(b)	There must be a policy evidencing a clear balance of power and authority at board of directors' level, to ensure that no one director has unfettered powers of decision-making	The Memorandum and Articles of Association, MAS REI Board Charter, the Terms of Reference for its sub committees and the Corporate Governance Framework documents all make provision for this. The roles of chairman and CEO are clearly separated and there is a majority of non-executive directors on the board to ensure a balance of power and authority, thereby ensuring that no one director has unfettered powers of decision making.
3.	3.84(c)	The issuer must have an appointed chief executive officer and a chairman and these positions must not be held by the same person. The chairman must either be an independent non-executive director, or the issuer must appoint a lead independent director, in accordance with the King Code	The group has an appointed chief executive officer and a chairman and these positions are not held by the same person. The chairman is an independent non-executive director as stipulated in our Board Charter.
4.	3.84(d)	All issuers must, in compliance with the King Code appoint an audit committee and a remuneration committee and if required, given the nature of the business and composition of the board of directors, a risk and nomination committee. The composition of such committees, a brief description of their mandates, the number of meetings held and other relevant information must be disclosed in the annual report	The group has, in compliance with the King Code, appointed an Audit Committee and a Remuneration Committee as well as a Risk and Nomination Committee. Terms of reference exist for each committee.

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			The composition of these committees, a brief description of their mandates, the number of meetings held and other relevant information is disclosed as appropriate in the Intergrated Report.
5.	3.84(e)	A brief CV of each director must be provided in respect of a new listing. It should further be noted that a brief CV for each director standing for election or re-election at a general meeting or the annual general meeting (in relation to Main Board issuers, such election or re-election may not take place at a meeting contemplated in Section 60 of the Act) should accompany the notice of the general meeting or annual general meeting	A brief CV for each director appointment or re-election will accompany the notice of the shareholders' meeting.
6.	3.84(f)	The capacity of each director must be categorised as executive, non-executive or independent, using the following as guidelines to determine which category is most applicable to each director: (i) executive directors: are directors that are involved in the management of the company and/or in full-time salaried employment of the company and/or any of its subsidiaries; (ii) non-executive directors are directors that are not: (1) involved in the day to day management of the business, or (2) full-time salaried employees of the company and/or any of its subsidiaries; (iii) independent directors are as defined in the King Code. In addition, it must be noted that any director that participates in a share incentive/option scheme, will not be regarded as independent	The capacity of each director is categorised as executive, non-executive or independent and is documented and published in our Integrated Report.
7.	3.84(g)	All issuers must have an executive financial director. The JSE may, at its discretion, when requested to do so by the issuer and due to the existence of special circumstances, allow the financial director to be employed on a part time basis only. This request must be accompanied by a detailed motivation by the issuer and the audit committee	The group has an executive financial director (Chief Financial Officer – CFO) who is employed on a full time basis and is a qualified chartered accountant.

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8.	3.84(h)	The audit committee must consider, on an annual basis, and satisfy itself of the appropriateness of the expertise and experience of the financial director. The issuer must confirm this by reporting to shareholders in its annual report that the audit committee has executed this responsibility.	The audit committee considers, on an annual basis and satisfies itself as to the appropriateness of, the expertise and experience of the financial director (CFO). This is confirmed by reporting to shareholders in the annual report.
9.	3.84(i)	The board of directors must consider and satisfy itself, on an annual basis, on the competence, qualifications and experience of the company secretary. The issuer must confirm this by reporting to shareholders in its annual report that the board of directors has executed this responsibility. This communication must specifically include details of the steps which the board of directors took to make this annual assessment as well as providing information which demonstrates the actual competence, qualifications and experience of the company secretary	The board of directors considers and satisfies itself on an annual basis of the competence, qualification and expertise of the company secretary. The group confirms this by reporting to shareholders in its annual report, such confirmation includes details of the steps which the board of directors took to make this annual assessment and provides information which demonstrates the actual competence, qualification and expertise of the company secretary.
10.	3.84(j)	The recommended practice of the King Report on Governance for South Africa highlights, inter alia, that the company secretary should maintain an arms-length relationship with the board of directors and that the company secretary should ideally not be a director. The board of directors must specifically consider these two points and provide an explanation in the annual report as to why it believes that there is an arms-length relationship between itself and the company secretary. If the company secretary is a director of the company or if the board of directors otherwise concludes that there is not an arms-length relationship between itself and the company secretary, the board of directors must justify how the issuer is still able to ensure that the company secretary effectively performs the role as the gatekeeper of good governance in the issuer and how they have been able to adequately and effectively perform and carry out the roles and duties of a company secretary. Where the company secretary is a juristic person the board of directors in its assessment must consider the individual/s who perform the company secretary role as well as the directors and shareholders of the juristic person. The imposition of a juristic person in itself does not create an arms-length relationship.	The company secretary maintains an arms-length relationship with the board and is not a director. The board specifically considers these two points and addresses these in the in the annual report.

