

King IV™ disclosure

The 17 principles as set out in King IV Report on Corporate Governance (“King IV™”) guide what companies should strive to achieve in its application of good corporate governance practices.

King IV™ is principle and outcomes-based and envisages that companies embark on a governance journey with a view to demonstrating the achievement of four governance outcomes, namely, ethical culture, good performance, effective control and legitimacy.

King IV™ requires that the disclosure be concise and guided by considerations of materiality.

Hulisani Limited (“the Company”) is committed to good corporate governance. Through the Company’s investment in the energy sector, it aims to nurture economic benefits for all its stakeholders and to build an environment for job creation and socio-economic benefits.

The table below provides a summary of the Company’s application of the King IV™ principles.

King IV™ application statement

King IV™ Principle	Applied/Partially Applied/Not Applied	Explain
The governing body should lead ethically and effectively.	<p>Applied - The Board of Directors (“Board”), as governing body, hold one another accountable for decision-making and ethical behaviour. The Chairperson of the Board oversees this on an ongoing basis. This responsibility is contained in the Board Charter.</p> <p>The Board exercises effective leadership, adhering to the duties of a director. The Board is committed to acting in the best interest of the</p>	<p>The Board is of the view that its members have an appropriate mix of capability, skills and experience. The Company adopted a Board Charter which incorporates a Code of Conduct and Ethics which clearly states the high ethical standards under which the Company conducts business.</p> <p>The Board Charter outlines the policies and practices of the Board on matters such as</p>

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	<p>Company and is conscious of the impact of its activities across its stakeholder spectrum.</p> <p>The directors have the necessary competence and act ethically in discharging their responsibility to provide strategic direction and control of the Company as provided for in the Board Charter and the Company's Memorandum of Incorporation.</p>	<p>directors' dealings in the securities of the Company and declarations of conflicts of interest. Directors adhere to the Company's declarations of interest policy, which is based on the requirements of the Companies Act.</p> <p>The Company's directors, executives and senior employees are prohibited from dealing in the Company securities during certain prescribed periods. The investment strategy of the Company is focused on creating a sustainable business and considers all stakeholders.</p> <p>The Company takes active steps, in its investment and growth strategy, taking into account the Company's short and long term impact on the economy, society, environment and its stakeholders. The Board exercises control through the governance framework of the Company which includes detailed reporting to the Board and its committees. Internal controls are improved on a continuous basis.</p>
<p>The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.</p>	<p>Applied - The Board, through the Social and Ethics Committee, is responsible for the monitoring and governance of the ethics of the Company. This is contained in the Social and Ethics Committee terms of reference.</p>	<p>As part of the Committee's social and ethics report. The Committee considered, its statutory duties against its prevailing legislative and regulations.</p> <p>The Business Conduct Policy sets out the standards by which business at the Company is conducted and specifically addresses, amongst</p>

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		<p>others, the unlawful and questionable payments, gifts/business entertainment/personal purchases/commissions, political contributions and reporting of policy violations. The Business Conduct Policy provides that where an employee encounters a situation where they believe the policy has been violated, they are required to report the violation to the SEC in order to protect the Company's interests. The Policy further provides that any reprisal or retaliation against an individual because the individual in good faith reported a violation or suspected violation is strictly forbidden and is, in itself, an act subject to disciplinary action.</p>
<p>The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen.</p>	<p>Applied - The Board oversees the Company's conduct as a good corporate citizen and with the assistance of the Social and Ethics Committee, is responsible for monitoring the overall responsible corporate citizenship performance of the Company. The Board has a deep appreciation of the importance of the Company being perceived as a good corporate citizen that creates value for all stakeholders.</p> <p>The Company's vision is to contribute to the growth of sustainable energy initiatives across emerging markets in an innovative manner. Value creation is one of the factors taken into consideration in the evaluation of potential acquisitions.</p>	<p>The Company has the following policies in this regard:</p> <ul style="list-style-type: none"> • Procurement Policy; • Code of Conduct Policy; • Grievance Policy; • Harassment Policy; and • Disciplinary, Poor Work Performance and Incapacity Policy <p>A workshop educating employees about the Company's policies will be held annually.</p> <p>The Procurement Policy sets guidelines on the values and procedure to be followed for the procurement of goods and services (e.g. goods or services should be procured from suppliers with at</p>

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	Sustainability, consistency and growth are at the heart of the Company's business.	least a Level 2 BEE status and should be procured by means of a tender process (etc.).

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<p>The governing body should appreciate that the organisation's core purpose, its risk and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.</p>	<p>Applied - The Board approves the strategy and priorities of the business, including the Company's material matters and, more specifically, those related to sustainability.</p> <p>The Company's ability to create value in a sustainable manner is illustrated throughout its business model.</p>	<p>The Audit and Risk Committee assists the Board with the governance of risk and continuously monitors risks and ensures the implementation of various mitigating controls. This responsibility is contained in the Board's terms of reference and those of the Audit and Risk Committee.</p> <p>Through the development of a detailed stakeholder communication policy, the Company has committed to understanding and being responsive to the interests and expectations of stakeholders.</p> <p>The Board, with the support of the Audit and Risk Committee, Social and Ethics Committee and the executive management team, oversees and monitors how the operations and activities of the Company affect its status as a responsible corporate citizen.</p> <p>The Company is enhancing its performance management system to ensure that the management team and all employees are measured against performance targets which support the Company's strategic imperatives.</p>

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<p>The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance, and its short, medium and long term prospects.</p>	<p>Applied - The Company's Integrated Report provides an assessment of its performance.</p>	<p>The Board, through the Audit and Risk Committee, ensures that the necessary controls are in place to verify and safeguard the integrity of the annual reports and any other disclosures. Reporting frameworks and materiality are approved by the Audit and Risk Committee to ensure compliance with legal requirements with regard to reporting. The Audit and Risk Committee oversees the integrated reporting process and reviews the audited financial statements. The Board expects the management team to continuously enhance its systems of internal control and to provide assurance to the Board on the effectiveness of such controls.</p>
<p>The governing body should serve as the focal point and custodian of corporate governance in the organisation.</p>	<p>Applied - The Board is the focal point and custodian of corporate governance within the Company. The Board Charter and charters of all Board committees have a strong focus on this principle.</p>	<p>The Board's role and responsibilities and the way in which it executes its duties and decision-making, are documented and set out in the Board terms of reference. Further aspects of governance are addressed with greater impetus through the established Board sub-committees namely Audit and Risk, Remuneration, Nomination and Human Resource, as well as Social and Ethics Committees.</p> <p>The Board has an approved charter which it reviews annually. The Charter sets out its governance responsibilities including the role, responsibilities, membership requirements and procedural conduct. The Board monitors the</p>

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		<p>governance practices within the Company and is always seeking to further enhance its practices.</p> <p>The Board, as well as any director or committee, may obtain independent, external professional advice at the Company's expense concerning matters within the scope of their duties and the directors may request documentation or set up meetings with management as and when required.</p>
<p>The governing body should comprise an appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.</p>	<p>Partially Applied – In compliance with the recommendation as provided by King IV™, every other year, the Board and its sub-committees consider its composition in terms of balance of skills, experience, diversity, independence and knowledge and whether this enables it to effectively discharge its role and responsibilities.</p>	<p>The Board is satisfied that there is a balance of skills, experience, diversity, independence and knowledge needed to discharge its role and responsibilities.</p> <p>The majority of directors are independent non-executive directors. The Board gender diversity policy was adopted. The Board has implemented the policy and intends to review it on the basis of gender and race diversity before the end of the 2019 financial year.</p> <p>A standing agenda item on all Board and committee meetings is 'conflicts of interest'. This is to ensure that decisions are made without undue influence or prejudice.</p>

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		<p>There is a clear distinction drawn between the roles of the CEO and the Chairperson and these positions are occupied by separate individuals.</p>
<p>The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement and assist with balance of power and the effective discharge of its duties.</p>	<p>Applied - The Board and its sub-committees comply with the requirements in terms of King IV™. There is a clear balance of power to ensure that no individuals have undue decision-making powers.</p>	<p>Committees have been established to assist the Board in discharging its responsibilities. The committees of the Board comprise the Audit and Risk Committee, the Remuneration and Human Resources Committee, the Social and Ethics Committee, the Investment Committee and the recently appointed Nominations Committee.</p> <p>The Audit and Risk Committee is satisfied that the auditor is independent, that non-audit services are not performed and the audit firm has been appointed with the designated audit partner having oversight of the audit. The Chief Financial Officer oversees the finance function and is assisted by suitably qualified staff.</p> <p>An assessment of the effectiveness of the Chief Financial Officer's performance is conducted annually by the Audit and Risk Committee and confirmed in the Integrated Report.</p> <p>The Remuneration Committee reviews the composition of Board committees and makes recommendations to the Board with regard to their composition, including the appointment of the</p>

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		<p>chairperson of each committee, taking into account factors such as diversity, skills and the need to create an even spread of power and authority. External advisors, executive directors and members of management attend committee meetings by invitation.</p> <p>The Audit and Risk Committee and Social and Ethics Committee reports have been constituted in compliance with the recommended practices of King IV™ and both these committees have issued more detailed reports in the Integrated Report.</p>
<p>The governing body should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness.</p>	<p>Applied - The Board and all sub-committees' terms of reference include the onus of annual assessments.</p>	<p>Assessments of the performance of the Board, its sub-committees and the Company Secretary will be conducted every other year as per the recommended practice.</p>
<p>The governing body should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities.</p>	<p>Applied - A detailed delegation of authority policy and framework indicate matters reserved for the Board and senior management.</p>	<p>The Board is satisfied that the Company is appropriately resourced and that its delegation to management contributes to an effective arrangement by which authority and responsibilities are exercised.</p>

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<p>The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives.</p>	<p>Partially Applied - The Board has direct responsibility for the governance of risk and approves the Company's risk policy that gives effect to its set direction on risk.</p>	<p>A risk workshop was held on 23 January 2019.</p>
<p>The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives.</p>	<p>Applied - The Board, together with the Audit and Risk Committee, oversees the governance of information technology. The Board is aware of the importance of technology and information in relation to the Company's strategy.</p> <p>Measures to ensure compliance to all relevant laws, information security and the protection of personal information are in place and an internal legal and compliance specialist has been appointed to assist with monitoring the environment.</p> <p>Various policies have been approved to guide and monitor the information technology environment.</p>	<p>The Audit and Risk Committee assists the Board with the governance of risk. The Board is aware of the importance of risk management as it is linked to the strategy, performance and sustainability of the Company.</p> <p>The Audit and Risk Committee implements processes by which the risks to the sustainability of the business are identified and managed within acceptable parameters.</p> <p>The Audit and Risk Committee delegates to management to continuously identify, assess, mitigate and manage risks within the existing operating environment. Mitigating controls are in place to address these risks which are monitored on a continuous basis.</p> <p>The Audit and Risk Committee regularly reviews the risk register, mitigation actions and risk appetite of the Company and reports to the Board</p>

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		on the risk management principles in the Company.
The governing body should govern compliance with applicable laws and adopt non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen.	Applied - The Board, through the Social and Ethics Committee, assisted by the Company Secretary and in-house legal resources, monitors compliance with the various regulations the Company is subject to.	The Board has the right to contract the services of external experts, if the need arises. There were no material penalties, sanctions or fines for contraventions of, or non-compliance with, regulatory obligations
The governing body should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term.	Applied - The Company is committed to remunerate fairly, responsibly and transparently to achieve the strategic objectives of the Company in the short, medium and long term.	<p>The Board, assisted by the Remuneration, Committee, ensures that employees are remunerated fairly, responsibly, transparently and in line with industry standards so as to promote the creation of value in a sustainable manner.</p> <p>This responsibility is contained in the terms of reference of the Remuneration Committee.</p> <p>The remuneration policy aims to enable the attraction and retention of skilled resources and results in rewards aligned with shareholder interests. The policy is designed to achieve the following objectives.</p> <ol style="list-style-type: none"> 1. To attract, motivate, reward and retain human capital 2. To promote the achievement of strategic objectives in a manner which is aligned with the Company's approach to risk management 3. To promote positive outcomes aligned with short, medium and long-term objectives,

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		<p>an ethical culture and responsible corporate citizenship.</p> <p>At the August 2018 Annual General Meeting, 93.62% of votes cast were in favour of the policy.</p> <p>The Company discloses the remuneration of each director and prescribed officer individually in its annual financial statements and a remuneration report has been included in the Integrated Report.</p> <p>The remuneration implementation report, included in the remuneration report, has been included in the notice of the annual general meeting for a non-binding advisory vote by shareholders. This enables shareholders to express their views on the implementation of the Company's remuneration policy. The Board will take the outcome of the vote into consideration when considering amendments to the Company's remuneration policy and its implementation</p>
<p>The governing body should ensure that assurance services and functions enable an effective control environment and that these support the integrity of information for internal decision-making and of the organisation's external reports.</p>	<p>Applied - The Board is satisfied that the assurance results indicate an adequate and effective control environment and the integrity of reports for better decision-making.</p>	<p>This responsibility is contained in the terms of reference of the Board and the Audit and Risk Committee.</p>
<p>In the execution of its governance role and responsibilities, the governing</p>	<p>Not Applied - Various stakeholder groups have been identified and the Board balances their</p>	<p>The Company is developing a stakeholder communication policy which clearly identifies</p>

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<p>body should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time.</p>	<p>legitimate and reasonable needs, interests and expectations.</p>	<p>stakeholders and the minimum communication requirements per stakeholder.</p> <p>The Company is committed to an integrated approach to creating value for its stakeholders and the environment for a sustainable future.</p>
<p>The governing body of an institutional investor organisation should ensure that responsible investment is practiced by the organisation to promote the good governance and the creation of value by the companies in which it invests.</p>	<p>Not Applied</p>	<p>The Company is not an institutional investor and the principle is not applicable.</p>