

CORPORATE GOVERNANCE

KING CODE

The King Code

The Company, and the Board, is committed to effective corporate governance, and the need to conduct the business of the Company in a manner which upholds the principles of responsibility, accountability, fairness and transparency advocated by the King Code.

The table below, to the best of the knowledge and belief of the Board, sets out the extent of the Company's current application of the principles of the King Code and explains the non-application of certain of its principles where principles are not fully applied.

	Principle	Status	Comments
1.	ETHICAL LEADERSHIP AND CORPORATE CITIZENSHIP		
1.1	The Board should provide effective leadership based on an ethical foundation.	Applied	Ethics form an integral part of the values of the Company and the Board. In conducting the affairs of the Company, the Board endorses the principles of fairness, responsibility, transparency and accountability advocated by the King Code. The Board is in the process of implementing a Board Charter, that will govern Hulisani's approach to good governance as contained in the King Code.
1.2	The Board should ensure that the Company is, and is seen to be, a responsible corporate citizen.	Applied	The Board is responsible for ensuring that the Company protects, enhances and invests in the well-being of the economy, society and the environment. To this end, the Board has established a social and ethics committee that will be governed by a charter in line with the King Code.
1.3	The Board should ensure that the Company's ethics are managed effectively.	Applied	A social and ethics committee has been established which will be responsible for, <i>inter alia</i> , the implementation of a Code of Ethics for communicating and applying this code throughout Hulisani.
2.	BOARD AND DIRECTORS		
2.1	The Board should act as the focal point for, and custodian of, corporate governance.	Applied	The Directors are aware of their fiduciary duties. The Board considers sound corporate governance practises to be critical and recognises that it is the ultimate custodian of corporate governance. The implementation of good corporate governance principles will be implemented by the executive management and overseen by the audit and risk committee.
2.2	The Board should appreciate that strategy, risk, performance and sustainability are inseparable.	Applied	The Directors of the Company subscribe to the principle that they have accountability to shareholders and an obligation to all stakeholders (including shareholders), to ensure that the Company's resources are utilised to ensure its continuing viability. The Board appreciates that strategy, risk, performance and sustainability are inseparable.
2.3	The Board should provide effective leadership based on an ethical foundation.	Applied	The Board is in the process of implementing a Board Charter, that will govern Hulisani's approach to good governance as contained in the King Code.
2.4	The Board should ensure that the Company is and is seen to be a responsible corporate citizen.	Applied	The Board has established a social and ethics committee that will be governed by a charter in line with the King Code.
2.5	The Board should ensure that the Company's ethics are managed effectively.	Applied	A social and ethics committee has been established which will be responsible for, <i>inter alia</i> , the implementation of a Code of Ethics and will be responsible for communicating and application this code throughout Hulisani. Contravention of this code will meet with the consequences as contained in the charter governing the social and ethics committee.
2.6	The Board should ensure that the Company has an effective and independent audit committee.	Applied	The audit and risk committee has been established in line with the King Code, and consists of three independent non-executive Directors. The members of the audit and risk committee have the necessary experience and skills. Both the internal audit and external auditors will have access to this committee, through nominated representation.
2.7	The Board should be responsible for the governance of risk.	Applied	The Board is responsible for the governance of risk and ensures that the Company has an effective risk management system. The Board is in the process of implementing a Board Charter, that will govern Hulisani's approach to risk management, as contained in the King Code.

	Principle	Status	Comments
2.	BOARD AND DIRECTORS CONTINUED		
2.8	The Board should be responsible for information technology (IT) governance.	Applied	The Board bears ultimate responsibility for IT governance. The Board is in the process of implementing a Board Charter, that will govern Hulisani's approach to IT governance, as contained in the King Code.
2.9	The Board should ensure that the Company complies with applicable laws and considers adherence to non-binding rules, codes and standards.	Applied	The Board is responsible for ensuring that the Company complies with applicable laws and considers adhering to non-binding rules, codes and standards.
2.10	The Board should ensure that there is an effective risk-based internal audit.	Explain	As the Company was recently incorporated as a public company, it has not yet appointed an internal auditor and the Company has not performed an internal audit. Once an internal auditor has been appointed, the Board will ensure that an effective risk-based internal audit is performed. Once a Viable Asset has been acquired, the appropriate internal audit function will be appointed.
2.11	The Board should appreciate that stakeholders' perceptions affect the Company's reputation.	Applied	The Board believes that stakeholders perceptions are of critical importance and to this end the Board will ensure transparent and effective communication with stakeholders and treat shareholders equitably.
2.12	The Board should ensure the integrity of the Company's integrated report.	Explain	As the Company was recently incorporated as a public company, it has still to issue an integrated report, which will be done for the 2017 financial year end. However, the Board will consider and approve the Company's annual report when issued.
2.13	The Board should report on the effectiveness of the Company's system of internal controls.	Explain	Once operations have commenced, the Board will report on the effectiveness of the Company's system of internal control. The Company's audit and risk committee will provide the Board with assurance on the effectiveness of the internal control framework. Once a Viable Asset has been acquired, the appropriate internal controls will be established.
2.14	The Board and its Directors should act in the best interests of the Company.	Applied	The Directors are aware of their fiduciary duties. The Board considers sound corporate governance practises to be critical and recognises that it is the ultimate custodian of corporate governance. The implementation of good corporate governance principles will be implemented by the executive management and overseen by the audit and risk committee. The Board of Directors individually and collectively understand their fiduciary responsibility to act in the best interests of the Company and disclosures of interest and Director's dealings are reported on in accordance with a policy adopted by the Board in this regard.
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 Companies Act.	Applied	The Board is aware of the requirements of the Companies Act regarding business rescue.
2.16	The Board should elect a chairman of the Board who is an independent non-executive Director. The CEO of the Company should also not fulfil the role of chairman of the Board.	Applied	The Company is exempted from compliance with this principle in accordance with LR 4.39(a) but has nevertheless chosen to comply. The chairman is a non-executive, independent director and the roles of chairman and chief executive are separated.
2.17	The Board should appoint the chief executive officer and establish a framework for the delegation of authority.	Applied	The Company is exempted from compliance with this principle in accordance with LR 4.39(a) but has nevertheless chosen to comply. The CEO is appointed by the board and formal delegation of authority will be established.

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2.	BOARD AND DIRECTORS CONTINUED		
2.18	The Board should comprise a balance of power, with a majority of non-executive Directors. The majority of non-executive Directors should be independent.	Applied	The Company is exempted from compliance with this principle in accordance with LR 4.39(a) but has nevertheless chosen to comply. The board consists of nine directors, of whom five are non-executive, independent directors.
2.19	Directors should be appointed through a formal process.	Applied	The Company is exempted from compliance with this principle in accordance with LR 4.39(a) but has nevertheless chosen to comply. All directors' appointments will require shareholders' ratification.
2.20	The induction of and ongoing training and development of Directors should be conducted through formal processes.	Applied	Training of Board members is arranged at the Company's expense as and when required.
2.21	The Board should be assisted by a competent, suitably qualified and experienced company secretary.	Applied	The Board is assisted by a suitably qualified company secretary, who has adequate experience, who is not a Director of the company and who has been empowered to fulfil his duties. The Board reviews the company secretary at least annually and the Board is satisfied that the company secretary maintains an arms-length relationship with the Board and is sufficiently qualified and experienced to execute the required duties.
2.22	The evaluation of the Board, its committees and the individual Directors should be performed every year.	Explain	As the Company is recently incorporated as a public company, the evaluation of the Board, its committees and Directors is yet to be performed. The Board will ensure that such evaluations are performed on an annual basis.
2.23	The Board should delegate certain functions to well-structured committees but without abdicating its own responsibilities.	Applied	The Board has delegated certain specific responsibilities to the audit and risk committee, the social and ethics committee and remuneration committee without abdicating its own responsibilities. These committees will operate in accordance with written terms of reference approved by the Board and reviewed annually.
2.24	A governance framework should be agreed between the Group and its subsidiary boards.	Explain	The Company does not currently have any subsidiary companies.
2.25	Companies should remunerate Directors and executives fairly and responsibly.	Applied	The remuneration committee has been established, and consists of three independent non-executive Directors. The members of the remuneration committee have the necessary experience and skills. It is also intended that the Board will review and determine the remuneration of directors and executives based on recommendations made by the remuneration committee, taking into account market conditions, expert advice from remuneration specialists and in accordance with the remuneration policy (once finalised and approved by the Board).
2.26	Companies should disclose the remuneration of each individual Director and certain senior executives.	Explain	The Company will disclose Directors' remuneration in the annual financial statements.
2.27	Shareholders should approve the Company's remuneration policy.	Explain	The remuneration policy will be disclosed in the annual report and will be put to shareholders to approve by way of a non-binding advisory vote. The remuneration of directors will remain the responsibility of the remuneration committee and the Board. The remuneration of directors will be subject to shareholder approval by way of special resolution at the Company's annual general meeting.

	Principle	Status	Comments
3.	AUDIT COMMITTEES		
3.1	The Board should ensure that the Company has an effective and independent audit committee.	Applied	An audit and risk committee has been established in terms of both the Companies Act as well as the King Code. The terms of reference of the audit and risk committee have been approved by the Board.
3.2	Audit committee members should be suitably skilled and experienced independent non-executive directors.	Applied	The audit and risk committee comprises three independent non-executive directors, who are suitably skilled and experienced. The Chairperson of the Board is not a member of the audit and risk committee.
3.3	The audit committee should be chaired by an independent non-executive director.	Applied	The audit and risk committee is chaired by an independent non-executive director.
3.4	The audit committee should oversee integrated reporting.	Applied	In accordance with its terms of reference, the audit and risk committee is responsible for overseeing the Company's integrated reporting process.
3.5	The audit committee should ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities.	Applied	Hulisani will apply a combined assurance model to ensure a coordinated approach to assurance activities. The audit and risk committee oversees/will oversee the assurance activities of the group. The committee will also oversee the establishment of effective systems of internal control to provide reasonable assurance that Hulisani's financial and non-financial objectives are achieved.
3.6	The audit committee should satisfy itself of the expertise, resources and experience of the Company's finance function.	Explain	The audit and risk committee has satisfied itself of the effectiveness of the Financial Director and will satisfy itself of the expertise, resource and experience of the Company's finance function. This will be reevaluated formally on an annual basis.
3.7	The audit committee should be responsible for overseeing of internal audit.	Explain	The audit and risk committee formulates and monitors the Company's risk management policies, monitor the Company's governance compliance and oversees the scope and performance of internal audit.
3.8	The audit committee should be an integral component of the risk management process.	Explain	The audit and risk committee will form an integral component of the risk management process. The committee's terms of reference set out its responsibilities in terms of risk management.
3.9	The audit committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process.	Applied	The audit and risk committee is responsible for overseeing the external audit process, fees and terms of engagement of the external auditors and to recommend the same for approval to the Board. The committee is responsible for determining the nature and extent of non-audit services provided by the auditors to the Company. The appointment of the external auditor is put forward for approval at each annual general meeting.
3.10	The audit committee should report to the Board and shareholders on how it has discharged its duties.	Applied	The chairperson of the audit and risk committee will report to the Board after each meeting of the committee. The audit and risk committee compiles a written report on how it has discharged its duties annually. This report will be included in the integrated report of the Company.

	Principle	Status	Comments
4.	THE GOVERNANCE OF RISK		
4.1	The Board should be responsible for the governance of risk.	Applied	The Board takes overall responsibility for risk management with a formal process implemented for managing risk while delegating authority to the audit and risk committee. The Board is in the process of implementing a Board Charter, that will govern Hulisani's approach to risk management as contained in the King Code.
4.2	The Board should determine the levels of risk tolerance.	Explain	It is also intended that specific limits be set annually at the audit and risk committee meeting which limits will be approved by the Board. These limits will take account of both external and internal risk factors.
4.3	The risk committee or audit committee should assist the Board in carrying out its risk responsibilities.	Applied	The audit and risk committee has been established to assist the Board in carrying out its risk responsibilities, oversees internal financial controls, fraud risks as they relate to financial reporting and IT risks as they relate to financial reporting.
4.4	The Board should delegate to management the responsibility to design, implement and monitor the risk management plan.	Applied	Management will be accountable to the Board, through the audit and risk committee, for embedding the risk management process in the business.
4.5	The Board should ensure that risk assessments are performed on a continual basis.	Applied	The risk assessment process identifies risks and opportunities and the process is formalised and regular.
4.6	The Board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks.	Explain	The audit and risk committee will be responsible for the implementation of these frameworks and methodologies.
4.7	The Board should ensure that management considers and implements appropriate risk responses.	Applied	The implementation of controls, existing and new, is monitored on an ongoing basis.
4.8	The Board should ensure continual risk monitoring by management.	Applied	There is continual risk monitoring and the process is monitored by management.
4.9	The Board should receive assurance regarding the effectiveness of the risk management process.	Explain	Once operations have commenced, the Board will report on the effectiveness of the risk management process. The Company's audit and risk committee will provide the Board with assurance on the effectiveness of risk management process.
4.10	The Board should ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders.	Applied	The Board will disclose the top risks facing the Company. Each risk area identified by the Board will be defined and an effective control procedure will be implemented to manage the identified risk.

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5.	THE GOVERNANCE OF INFORMATION TECHNOLOGY		
5.1	The Board should be responsible for IT governance.	Applied	The Board takes overall responsibility for IT governance. The Board is in the process of implementing a Board Charter, that will govern Hulisani's approach to IT governance as contained in the King Code.
5.2	IT should be aligned with the performance and sustainability objectives of the Company.	Applied	IT is fully integrated into the strategic planning process ensuring strategic, tactical and operational alignment in the achievement of business objectives.
5.3	The Board should delegate to management the responsibility for the implementation of an IT governance framework.	Explain	As the Company was recently incorporated as a public company, the IT governance framework has not yet been finalised. Management will be responsible for the implementation of the IT governance framework, once this framework has been finalised by the Board. Once a Viable Asset has been acquired, the appropriate IT governance function will be appointed.
5.4	The Board should monitor and evaluate significant IT investments and expenditure.	Applied	IT investments and expenditure forms part of the normal budgeting process, and therefore has to be approved by the Board.
5.5	IT should form an integral part of the Company's risk management.	Applied	IT is considered an integral part of risk management and will be managed as part of the audit and risk committee's oversight.
5.6	The Board should ensure that information assets are managed effectively.	Applied	The audit and risk committee is responsible for ensuring that systems are in place for the management of information which includes security, information management and privacy.
5.7	A risk committee and audit committee should assist the Board in carrying out its IT responsibilities.	Explain	The audit and risk committee will review key elements of IT practice including IT internal controls and risk management.
6.	COMPLIANCE WITH LAWS, CODES, RULES AND STANDARDS		
6.1	The Board should ensure that the Company complies with applicable laws and considers adherence to non-binding rules, codes and standards.	Applied	The Board is responsible for ensuring that the Company complies with applicable laws and considers adhering to non-binding rules, codes and standards. As the need arises, the board will consider the establishment of a separate legal function that will have oversight of legal governance and compliance.
6.2	The Board and each individual Director should have a working understanding of the effect of the applicable laws, rules, codes and standards on the Company and its business.	Applied	Training will be provided to the Board and each individual Director from time to time as required.
6.3	Compliance risk should form an integral part of the Company's risk management process.	Applied	Compliance is an integral part of the Company's risk management process.
6.4	The Board should delegate to management the implementation of an effective compliance framework and processes.	Explain	As the Company was recently incorporated as a public Company, the compliance framework and processes have not yet been finalised. Management will be responsible for the implementation of the compliance framework and processes, once the framework and processes have been finalised by the Board. As the need arises, the board will consider the establishment of a separate compliance function. Once a Viable Asset has been acquired, the appropriate compliance frame work will be implemented.

	Principle	Status	Comments
7.	INTERNAL AUDIT		
7.1	The Board should ensure that there is an effective risk based internal audit.	Explain	As the Company was recently incorporated as a public company, it has not yet appointed an internal auditor and the Company has not performed an internal audit. Once an internal auditor has been appointed, the Board will ensure that an effective risk-based internal audit is performed. Once a Viable Asset has been acquired, the appropriate internal audit function will be appointed.
7.2	Internal audit should follow a risk based approach to its plan.	Explain	Once an internal auditor has been appointed, the Board will ensure that an effective risk-based internal audit is performed.
7.3	Internal audit should provide a written assessment of the effectiveness of the Company's system of internal controls and risk management.	Explain	Once an internal auditor has been appointed, the Board will ensure that an effective risk-based internal audit is performed.
7.4	The audit committee should be responsible for overseeing internal audit.	Explain	Once an internal auditor has been appointed, the Board will ensure that an effective risk-based internal audit is performed and this performance will be under the oversight of the audit and risk committee.
7.5	Internal audit should be strategically positioned to achieve its objectives.	Explain	Once an internal auditor has been appointed, the Board will ensure that an effective risk-based internal audit is performed and this performance will be under the oversight of the audit and risk committee.
8.	GOVERNING STAKEHOLDER RELATIONSHIPS		
8.1	The Board should appreciate that stakeholders' perceptions affect a Company's reputation.	Applied	The Board believes that stakeholders perceptions are of critical importance and to this end the Board will ensure transparent and effective communication with stakeholders and treat shareholders equitably.
8.2	The Board should delegate to management to proactively deal with stakeholder relationships, stakeholders and the outcomes of these dealings.	Applied	Stakeholder relationships are critical for the Company and management is responsible for dealing proactively with stakeholder relationships. Financial results, trading updates and announcements will be published in accordance with the JSE Listings Requirements and results announcements and the integrated report will be published on the Company's website.
8.3	The Board should strive to achieve the appropriate balance between its various stakeholder groupings, in the best interests of the Company.	Applied	The Board strives to maintain a balance between the various stakeholders while acting in the best interests of the Company.
8.4	Companies should ensure the equitable treatment of shareholders.	Applied	The Company provides timely and equitable disclosure of information to the market and all shareholders are treated equally in this regard. Information is posted on the Company's website as well as in the integrated report.
8.5	Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence.	Applied	The Company provides timely and equitable disclosure of information to the market and all shareholders are treated equally in this regard. Information is posted on the Company's website as well as in the integrated report.
8.6	The Board should ensure that disputes are resolved as effectively, efficiently and expeditiously as possible.	Applied	Open and transparent dialogue is encouraged and maintained on an ongoing basis in an effort to prevent disputes and if needs be to resolve disputes effectively and efficiently.

	Principle	Status	Comments
9.	INTEGRATED REPORTING AND DISCLOSURE		
9.1	The Board should ensure the integrity of the Company's integrated report.	Explain	As the Company was recently incorporated as a public company, it has still to issue an integrated report, which will be done for the 2017 financial year end. The Company intends to adhere to the relevant principles contained in the King Code relating to integrated reporting and disclosure.
9.2	Sustainability reporting and disclosure should be integrated with the Company's financial reporting.	Explain	As the Company was recently incorporated as a public company, it has still to issue an integrated report, which will be done for the 2017 financial year end. However, the Board will consider and approve the Company's financial report when issued. The Company intends to adhere to the relevant principles contained in the King Code relating to integrated reporting and disclosure.
9.3	Sustainability reporting and disclosure should be independently assured.	Explain	As the Company was recently incorporated as a public company, it has still to issue an integrated report, which will be done for the 2017 financial year end. However, the Board will consider and approve the Company's annual report when issued. The Company intends to adhere to the relevant principles contained in the King Code relating to integrated reporting and disclosure.