

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

Principle	King IV™ Principle	Applied/Partially Applied/Not Applied and Explanation
Principle 1	The governing body should lead ethically and effectively.	<p>Applied</p> <p>The Board of Directors (“Board”), as governing body, holds one another accountable for decision-making and ethical behaviour. The Board Chairperson oversees this on an ongoing basis. This responsibility is contained in the Board Charter.</p> <p>The Board’s role and responsibilities as set out in the Board charter include, amongst other things, establishing and adhering to ethical standards, disclosure and management of conflicts of interest, as well as representing the interests of stakeholders.</p> <p>The Company continues to take active steps in its investment and growth strategy, taking into account its short- and long-term impact on the economy, society, environment, and its stakeholders.</p> <p>The Company Secretary keeps a register of declarations of interest for all directors.</p>

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		<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 are encouraged to obtain independent, external, professional advice concerning matters within the scope of their duties at the Company’s expense and have unrestricted access to all company information, records, documents, and property and the directors may request documentation or set up meetings with executive management as and when required.</p> <p>Directors regularly attend Board and Board Committee meetings, with meeting attendance at 96%. This affirms the Directors’ commitment to the effective oversight of the principles of integrity, accountability, fairness and transparency necessary to sustain a successful and ethical business.</p> <p>All deliberations, decisions and actions of the Board are based on fairness, accountability, responsibility, transparency.</p> <p>Explanation</p> <p>The Board is committed to good corporate governance principles as set forth in King IV, to act in the best interest of the Company and is conscious of the impact of its activities across its stakeholder spectrum.</p>
<p>Principle 2</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</p> <p>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 Charter.</p> <p>Management is responsible for the management of ethics, including the implementation of the Business Conduct Policy and the application of ethical practices; however, the governance of the ethics of the Company remains the Board’s responsibility.</p> <p>The Social and Ethics Committee reports on an ongoing basis to the Board on the general state of the ethics within the group.</p>

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		<p>Explanation</p> <p>Board members continuously hold each other accountable for ethical decision-making and behaviour.</p>
<p>Principle 3</p>	<p>The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen.</p>	<p>Applied</p> <p>The Board oversees the Company’s conduct as a good corporate citizen. It delegates the responsibility for oversight and monitoring of the overall corporate citizenship performance and the impact of the operations and activities of the Company on its status as a responsible corporate citizen, to the Social and Ethics Committee, with the support of the Audit and Risk Committee and the executive management team.</p> <p>The Company’s vision is to contribute to the growth of sustainable energy initiatives across emerging markets in an innovative manner, while contributing to the sustenance of local communities in which it operates. To this end, the Company has improved its BEE Contributor Status level from Level 8 to Level 4, thus evidencing the commitment of the Company to broad based empowerment.</p> <p>Training on the Employment Equity Act was provided to all employees during 2019.</p> <p>To promote employee wellness, the Company is investigating the introduction of employee benefits.</p> <p>Regarding local procurement, the Company strives toward purchasing from suppliers that achieve and maintain a minimum of a Level 2.</p> <p>Explanation</p> <p>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. Value creation is therefore one of the factors taken into consideration in the evaluation of potential acquisitions. Sustainability, consistency, and growth are at the heart of the Company’s business.</p> <p>There are no negative safety, health and environmental impacts on communities, employees and/or customers, in terms of the group’s operations, activities and services.</p>

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<p>Principle 4</p>	<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</p> <p>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 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 Charters of the Board and the Audit and Risk Committee. Additionally, the Audit and Risk Committee and the Board review the risk assessment and ranking methodology.</p> <p>Annual strategic and risk workshops are held with the Board in order to review and approve the strategy, developed by the Executive Committee, that considers opportunities, related risks, the availability of capital and resources, sustainability, and stakeholder interests. Management is responsible for the implementation of the strategic plan and achievement of the performance targets contained therein. Any acquisitions, investments or disposals take place in terms of an approved delegation of authority.</p> <p>Policies and operational plans that are approved by the Board include financial, ethical, compliance, sustainability, B-BBEE, performance, and risk measures.</p> <p>Explanation</p> <p>The Company’s ability to create value in a sustainable manner is illustrated throughout its business model.</p> <p>The Board continuously monitors the Hulisani group against the targets set by the approved strategy.</p> <p>Executive’s performance is measured against the achievement of the Company’s strategy and objectives and bonuses are linked to the delivery thereof.</p>
<p>Principle 5</p>	<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</p> <p>The Company’s Integrated Report provides an assessment of its performance. In addition, the Company issues unaudited interim results and audited consolidated financial statements for the year-end results. The publication of external reports, press releases and releases on SENS on the Company’s website, enable stakeholders to make informed assessments of the Company’s performance in the short-, medium-, and long-term.</p>

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		<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.</p> <p>Explanation</p> <p>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. The Board, assisted by its committees, oversees that the various reports are compliant with legal reporting requirements and meet the reasonable and legitimate needs of the stakeholders.</p> <p>The Committee Chairpersons provide feedback to the Board on relevant matters. The Chairpersons of the Audit and Risk Committee and Social and Ethics Committee report back to shareholders at each annual general meeting of the Company.</p>
<p>Principle 6</p>	<p>The governing body should serve as the focal point and custodian of corporate governance in the organisation.</p>	<p>Applied</p> <p>The Board is the focal point and custodian of corporate governance within the Company. The Board Charter, the Company’s Memorandum of Incorporation, the requirements of the JSE Listings Requirements, Companies Act, and King IV™, guide the Board in the execution of its role and responsibilities in an ethical manner and based on principles of good corporate governance. The Board is supported by various committees which have a delegated responsibility to assist the Board in fulfilling specific functions. They are governed by a Charter and provide a report to the Board at every Board meeting.</p> <p>Explanation</p> <p>The Board and its committees comply with the requirements in terms of King IV. There is a clear balance of power both in the Board and its Committees to ensure that no individual/s has undue decision-making powers.</p> <p>The Board continuously monitors the governance practices within the Company and is always seeking to further enhance its practices.</p>

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Principle 7	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>Applied</p> <p>The Board’s composition provides for diversity and independence to enable it to discharge its duties effectively and objectively. The majority of the Board members are independent non-executive directors. Its composition is reviewed by the Nominations and Governance Committee.</p> <p>The division of responsibilities of the Chairperson and CEO has been documented and approved by the Board to ensure a balance of power. There is a clear division between the role of the Chairperson and the CEO, the latter being fully responsible and accountable for the operations of the Company, and whose role and function are formalised.</p> <p>The Board and Board Committee Charters also ensure that a balance of power exists and that conflicts of interest are detected and managed appropriately. Declarations of interest are tabled at every Board and Board Committee meetings. The declaration of interests is also a formal item on the agenda at all Board and Board Committee meetings. Should a matter arise in which a director has an interest, the director is not permitted to vote and is required to recuse himself/herself from any meeting where the matter is discussed.</p> <p>The Board Chairperson is an independent non-executive director, not a member of the Audit and Risk Committee and is a member of, but not the chairperson of, the Remuneration and Human Resources Committee.</p> <p>The Board adopted a Board Diversity Policy during June 2020 that promotes broad diversity at Board level. Race and gender targets for the Board have been reviewed to ensure that future appointments are aligned with this policy and the B-BBEE codes. Following a review of its composition, the Board aimed to have at least 30% female representation by the end of the 2020 financial year, and accordingly appointed 2 (two) female Board members. A formal induction programme will be held in due course.</p> <p>The Board adopted a Board Nominations, Election and Appointment Policy for the formal and transparent process for the nomination, election and appointment of directors.</p> <p>Explanation</p> <p>The Board is satisfied that its composition is appropriate, considering the size of the group, requirements of knowledge, skills experience, independence, committees, quorum</p>

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		<p>requirements, and regulatory requirements. The Company remains committed to diversity at Board level.</p>
<p>Principle 8</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 Charter and the Company’s Memorandum of Incorporation provide that the Board may delegate particular roles and responsibilities to standing committees. The Board Committees comprise the Audit and Risk Committee, Investment Committee, Nominations and Governance Committee, Remuneration and Human Resources Committee, and the Social and Ethics Committee. These committees are appropriately constituted, with each committee having at least 3 (three) members appointed by the Board, with the exception of the Audit and Risk Committee whose members are annually nominated by the Board and approved by shareholders. The Nominations and Governance Committee reviews the composition of each committee, taking into account factors such as diversity and skills. Each Committee has an approved Charter in place. Any Board member is entitled to attend any Board Committee meeting as an observer and may allow management to attend by a standing or <i>ad hoc</i> invitation.</p> <p>Explanation The Board is also satisfied that the current composition of the board committees contributes to effective collaboration as well as a balanced distribution of power so that no individual has the ability to dominate decision-making and no undue reliance is placed on any individual.</p>
<p>Principle 9</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 conducts annually, an assessment of its own performance and of the appropriateness and effectiveness of its procedures and processes. An annual assessment of the performance of the Board’s Committees is conducted and reported to the Board as appropriate.</p>

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		<p>Explanation</p> <p>The Nominations and Governance Committee annually considers the competence of the Company Secretary.</p> <p>The Audit and Risk Committee annually considers the competence of the CFO.</p>
<p>Principle 10</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</p> <p>The Board is overall responsible for the Company and delegates authority to the executive management to manage the day-to-day business and affairs of the business.</p> <p>The CEO has a clearly defined role and is assisted by the Executive Committee under his leadership.</p> <p>The Board has approved and implemented the Delegation of Authority, which details the powers and matters reserved for itself and those delegated to management via the CEO, which is annually reviewed by the Board. The Board Charter and the Company's Memorandum of Incorporation also address the Board's and executive management's responsibilities and powers.</p> <p>Explanation</p> <p>The Delegation of Authority addresses all operational aspects of the business and details the levels of authority and required approvals for these aspects.</p> <p>The Delegation of Authority by the CEO to the members of the Executive Committee ensures the delivery, implementation, and management of the Company's strategy.</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>
<p>Principle 11</p>	<p>The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives.</p>	<p>Applied</p> <p>The Board is ultimately responsible for ensuring that risks are managed effectively. The Board accepts that it is responsible for the governance of risk and has the ultimate responsibility for risk management as well as for developing the risk appetite and monitoring risk tolerance levels assisted by the Audit and Risk Committee and management.</p>

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		<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. It regularly reviews the risk register and reports to the Board on the risk management principles in the Company.</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>An annual risk workshop was held with the Board during January 2020 in order to review and approve the top strategic risks faced by the Company.</p> <p>Explanation</p> <p>The Committee maintains an understanding of the risk universe that needs to be addressed if the group is to achieve its objectives, ensures that a risk profile is compiled by management, and monitors the operational and strategic risks of the group.</p> <p>Mitigating controls are in place to address identified risks, which are monitored on a continuous basis.</p>
<p>Principle 12</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</p> <p>The Board, through 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>The Executive Committee manages related risks which it reports to the Audit and Risk Committee.</p> <p>Various policies have been approved to guide and monitor the information technology environment and an internal legal and compliance specialist monitors compliance with all relevant laws, information security, and the protection of personal information.</p> <p>Explanation</p> <p>Technology and information have been identified as one of the key risks to the achievement of the Company's strategy.</p> <p>Compliance within the information technology environment is regularly reported to the Audit and Risk Committee.</p>

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<p>Principle 13</p>	<p>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.</p>	<p>Applied</p> <p>The Board is ultimately responsible for the governance of compliance with applicable laws and adopted, non-binding rules, codes, and standards. Compliance with laws, rules, regulations, and relevant codes is integral to the Company's risk management process.</p> <p>The Social and Ethics Committee assumes oversight of the compliance function within the group, and is assisted by the Company Secretary and in-house legal resources, to monitor compliance with the various regulations to which the Company is subjected. Assessments of legal compliance are regularly undertaken by independent legal experts in key areas of the business in order to provide additional assurance. Compliance with all relevant laws and regulations are included as an agenda item in the Social and Ethics Committee meetings.</p> <p>Explanation</p> <p>The compliance function provides guidance and assurance to the Company and the Board and its relevant committees on the level of compliance within the organisation, while also promoting a corporate culture of compliance.</p> <p>The Company has not had any regulatory penalties, sanctions or fines for contraventions or non-compliance with regulatory obligations imposed on it or any of its directors or officers.</p>
<p>Principle 14</p>	<p>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.</p>	<p>Applied</p> <p>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> <p>The Remuneration and Human Resources Committee, on behalf of the Board, annually reviews the Remuneration Policy and Implementation Report, which are approved by the Board and tabled at the annual general meeting for a non-binding shareholder advisory vote. This helps to ensure that shareholders are able to express their views on the implementation of the Company's remuneration policy.</p>

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		<p>The Remuneration Policy and Implementation Report are published online as a part of the 2020 Remuneration Report.</p> <p>At the August 2019 Annual General Meeting, 89.14% of votes cast were in favour of the policy.</p> <p>Explanation</p> <p>The Remuneration Policy is reviewed annually to ensure that the Company remunerates fairly, responsibly, and transparently, and in line with industry standards, so as to promote the creation of value in a sustainable manner.</p> <p>The Board will take the outcome of the vote into consideration when considering amendments to the Remuneration Policy and its implementation.</p>
Principle 15	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>Applied</p> <p>The Board has delegated the oversight of the internal audit to the Audit and Risk Committee.</p> <p>The Audit and Risk Committee's Charter provides for internal and external audit responsibilities, which are in line with good practice and the principles of combined assurance and is responsible for ensuring that the Group's internal audit function is independent and has the necessary resources, standing, and authority in the organisation to discharge its duties.</p> <p>Explanation</p> <p>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>
Principle 16	In the execution of its governance role and responsibilities, the governing 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>Applied</p> <p>The Company is committed to a stakeholder inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation.</p> <p>The Board has an approved Communications Strategy document to guide its engagement with stakeholders. Management has also procured the services of expert investor relations consultant to improve the Company's engagement with its stakeholders.</p>

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		<p>Explanation</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 management of stakeholder risk forms part of the function of the Head: Legal, Risk and Compliance.</p> <p>The Company strives to treat all its stakeholders fairly, and to enhance and develop communication channels to meet its shareholders' expectations.</p>
<p>Principle 17</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>