



KING IV APPLICATION REGISTER

Background

- (i) King IV was published on 1 November 2016.
 - (ii) Hosken Passenger Logistics and Rail Limited ("**HPL&R**") was dormant until the GABS acquisition which was effective 1 February 2018.
 - (iii) As a new Holding Company preparing for a listing on the main board of the JSE Limited ("**JSE**"), and acknowledging the need to apply the principles set out in King IV, the initial focus of the Board of Directors of HPL&R's ("**the Board**") has been to ensure that all JSE standards of practice are effectively implemented and there is substantial compliance with the overarching principles of King IV. This has been in practice in the underlying group companies of HPL&R as Golden Arrow Bus Services Proprietary Limited ("**GABS**"), being a Major Subsidiary of HPL&R, has been a 100% held subsidiary of Hosken Consolidated Investments Limited ("**HCI**") since 2004, and continues to be effectively a 73.5% held subsidiary of HCI from 1 February 2018, and as such the board of GABS has implemented practices of good corporate governance as part of a listed group.
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KING IV APPLICATION REGISTER

From 1 October 2017, all JSE listed companies are required to issue annual reports and circulars that comply with the King IV Report on Corporate Governance for South Africa 2016 (King IV). HPL&R has accordingly benchmarked our governance practices against the principles of King IV. This King IV application register explains how HPL&R complies with King IV.

Principle	Application
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Governance outcome: Ethical culture	
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Principle 1: Ethical leadership
 The governing body should lead ethically and effectively.

The Board of directors of HPL&R sets the tone for the leadership ethos and culture of the group, including identification of clear principles on quality, sustainability, responsible citizenship and ethical conduct.

The role and functions of the Board of Directors are set out in the Board Charter, which will be presented at the first meeting of the Board, and the Directors are cognisant of and understand their responsibility in terms thereof. The Board is responsible for the approval of the HPL&R policy framework and all the policies of HPL&R.

At the first board meeting the Board will be presented with the code of conduct for HPL&R. The Company's Major Subsidiary, Golden Arrow Bus Services Proprietary Limited ("GABS") has an approved Code of Conduct that has been adopted across the group companies. The Board of HPL&R is also represented in the management and the board of the Major Subsidiary, GABS. It is the Board's responsibility to ensure that its own and management's conduct sets the example for how the Company's values are conducted.

Measures are in place to ensure all Board members have sufficient working knowledge of the organisation, its industry, its operating context and all key laws, rules, codes and standards.

Each company within the HPL&R group develops its company strategy which will be presented to the Board for input and approval. The strategic plan of each group company is implemented by Management and monitored by the Executive Committee on an ongoing basis. The Board will receive reports on the performance against strategic objectives during its scheduled meetings.

KING IV APPLICATION REGISTER

Principle	Application
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Governance outcome: Ethical culture	
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<p>Principle 1: Ethical leadership (continued) The governing body should lead ethically and effectively</p>	<p>The Board is cognisant of its role in ensuring the general viability of the business of HPL&R as a going concern and its ability to create value in a sustainable manner. The budget of the group has been approved at the HCI board level, and will be presented to the Board at the first Board meeting.</p> <p>Board members have all completed the required annual declaration of interests and have been advised to ensure that they provide updates to HPL&R should any conflict of interest arise between the completions of such annual declarations. The declaration of interests will be a standing agenda item on all Board and Board committee meetings.</p> <p>All deliberations, decisions and actions of the Board are based on fairness, accountability, responsibility, transparency.</p>
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<p>Principle 2: Organisation values, ethics and culture The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture</p>	<p>The Board takes its responsibility in respect of ethical governance and management of ethics seriously.</p> <p>Whilst the management of ethics, including the implementation of the Code of Conduct for Employees and the application of ethical practices and policies is the responsibility of Management, the governance of the ethics of HPL&R remains the responsibility of the Board. The Board has appointed the Social and Ethics Committee to assist with the oversight and governance of ethics within HPL&R, which will report to the Board on the general state of the ethics within the HPL&R Group.</p> <p>Each Group company has clearly defined values which all employees are expected to abide by. The Board sets the values which promotes an ethical environment of fairness and transparency. At each company level, the Board has delegated the authority to management to implement and execute the code of ethics and polices but remains ultimately responsible for the ethics of the HPL&R Group.</p>
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KING IV APPLICATION REGISTER

Principle	Application
Governance outcome: Ethical culture	
<p>Principle 3: Responsible corporate citizenship The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen.</p>	<p>The Board takes responsibility for and oversees how HPL&R minimises the potential negative social impacts of its operations, while promoting opportunities for local communities. As a subsidiary of the HCI group, GABS has made significant contributions to the social and economic development element of the group’s BBBEE rating. GABS has over its 157 years of existence leveraged its asset base and competencies to provide mobility services to vulnerable groups and community based organisations as reciprocity for the patronage received and to address social deficits which plague its traditional client base in the Cape Metropole.</p> <p>HPL&R’s policy framework is a work-in-progress, however, as policies are developed and finalised by the appropriate Board Committees, such policies will be submitted to the Board for its approval. The Board will ensure that its commitment to responsible corporate citizenship is integrated across the compendium of policies.</p>
Governance outcome: Performance and value creation	
<p>Principle 4: Strategy, implementation and performance The governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.</p>	<p>The Board challenges and signs off on management’s proposed strategies in terms of the group’s purpose, business value drivers and the legitimate interests of our stakeholders. Management has processes in place to define and align the group’s short-, medium- and long-term macroeconomic, financial, operational and strategic objectives with its risk appetite.</p> <p>The Board considers sustainability to be a business opportunity and recognises that all capital resources are interconnected and fully aligned with operational requirements. The Board and management endeavour to balance the use of capital resources to support future sustainability.</p> <p>The strategic plan, which was developed by the Executive Committee, and has been presented to HCI, will be submitted to the Board for consideration at its first Board meeting. The plan tangibly outlines the deliverables and its associated timeframes which provides a succinct measurement of executive performance in achieving the Group’s strategic goals and objectives.</p>

KING IV APPLICATION REGISTER

Principle	Application
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Governance outcome: Performance and value creation (continued)

<p>Principle 4: Strategy, implementation and performance (continued)</p> <p>The governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.</p>	<p>The Board acknowledges the need to evenly engage a framework of risk-and-opportunity assessment rather than a singular focus on risk. The Audit and Risk Committee is specifically tasked by the Board to assist with the governance of risk and it continuously monitors risks and ensures the implementation of various mitigating controls. This responsibility will be explicitly set out in the Audit and Risk Committee Charter, to be approved at the first meeting of the Audit and Risk Committee.</p> <p>The implementation of the strategic plan and achievement of the performance targets contained therein is the responsibility of Management. The Board delegated the oversight of achievement against performance targets to the Executive Committee, which meets bi-monthly, and receives reports on progress from Management and Executive Committee members. The Board is duly cognisant thereof that the delegation to of this task to the Executive Committee does not absolve it of its responsibility and accountability.</p> <p>Policies and operational plans that will be approved by the Board include financial, ethical, compliance, sustainability, BBBEE, performance and risk measures.</p>
<p>Principle 5: Reports and disclosure</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>HPL&R is in process of concluding its communication protocols, which will be presented to the Board for approval, with regard to Management's determination of reporting frameworks and standards. HPL&R's Major Subsidiary, GABS, operates a public relations division specifically tasked with communication to its diverse stakeholder base. This is in accordance with the Company's declared commitment to sensitise all stakeholder groupings of its strategic mission and reporting of associated deliverables and to be a repository of inputs to facilitate meaningful dialogue.</p> <p>The Board Charter determines that the Board must take responsibility for the approval of the annual financial statements ("AFS") and the content and integrity of the annual integrated report (including the sustainability and corporate social investment reports contained therein). HPL&R has not as yet prepared an integrated annual report, however, as a component of its commitment to transparency and cooperative governance and stakeholder partnerships, HPL&R will ensure the publication of all necessary documentation on its website to enable stakeholders and interested parties to understand the business, its ethos, its performance, and vision.</p>

KING IV APPLICATION REGISTER

Principle	Application
Governance outcome: Adequate and effective control (continued)	
<p>Principle 6: Role of the governing body The governing body should serve as the focal point and custodian of corporate governance in the organisation.</p>	<p>The Board is the focal point and custodian of corporate governance of HPL&R. The Board’s role, responsibilities, membership requirements and procedural conduct are documented in a Board Charter that will be presented to the Board at the first Board meeting.</p> <p>Practical implementation is evident in how the Board conducts itself, the ethos it sets, and in its leadership of and guidance to HPL&R. The appointed Board committees and their charters/terms of reference, and the manner in which the Board oversees management’s implementation of the approved strategic direction of the business exemplifies its commitment to sound governance principles and management activities. In summary, the Board and its sub-committees comply with the requirements in terms of King IV. There is a clear balance of power both in the Board and the Committees to ensure that no individual/s has undue decision making powers.</p> <p>A professional advice policy will be adopted that allows all Board members, including the Audit and Risk Committee, obtain professional advice as required.</p> <p>The Board has unrestricted access to all company information, records, documents and property subject to following a Board approved process.</p>
<p>Principle 7: Composition of the governing body The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.</p>	<p>When determining the size of the Board and the number of directors needed, the Board considered factors such as the appropriate mix of business, commercial, social and industry experience and skills; as well as demographic diversity. The Board considers and decides on the optimum combination of executive, non-executive and independent non-executive members.</p> <p>HPL&R has a Gender and Race Diversity Policy dealing with Board. The Board continues to further Board diversity as an inherent function of its role.</p>

KING IV APPLICATION REGISTER

Principle	Application
<p>Governance outcome: Adequate and effective control (continued)</p>	
<p>Principle 7: Composition of the governing body (continued) The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.</p>	<p>The Directors have been clearly designated as independent non-executive, non-executive, and executive and the substantive independence of all members confirmed. The chairperson of the Board is a non-executive director who also serves as the Chairperson of GABS. When appointing the chairperson, due cognisance was taken of the other commitments of the identified individual and his/her strategic knowledge and position within HPLR's critical business sector. The Chairperson is expected to conduct himself in line with best practices.</p> <p>In line with best practice, the majority of the Directors (five) are non-executive Directors and the majority (three) of the non-executive Directors are also independent.</p> <p>There are two executive Directors. All Directors are required to declare their interests in financial, economic and other interests on an annual basis, as well as any matters of relevance that may arise in the interim. The declaration of interests is also a formal item on the Agenda of all Board and Board Committee meetings.</p> <p>A formal induction programme was held prior to the first meeting of the Board, where the CEO provided a comprehensive outline of the Group and its business. During this meeting as well as successive meetings, the Board will continue to be engaged and informed on governance expectations based on the Acts and regulatory environment in place.</p> <p>The Board is supported by an effective committee structure. The committees have been constituted with due reference to the principles outlined in King IV including a minimum of 3 (three) members on each committee.</p>

KING IV APPLICATION REGISTER

Principle	Application
Governance outcome: Adequate and effective control (continued)	
<p>Principle 7: Composition of the governing body (continued) The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.</p>	<p>The Board has a Remuneration Committee, Audit and Risk Committee and Social and Ethics Committee consisting of Members’ of the Board in accordance with the JSE Listings Requirements and Companies Act. These Committees will have clearly articulated responsibilities set out in their Charters and Terms of Reference, which will be presented at the first meeting of the Committees and adopted once approved, to assist the board in its duties. These Committees’ compositions provide balance of power (as the membership of the committees differ) but at the same time integration (Board members may participate in more than one committee promoting integration and alignment between structures).</p>
<p>Principle 8: Committees of the governing body 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>The Board has established a stable and balanced distribution of skills, experience and role allocation through all its committees. A set policy stipulates a clear balance of power and authority at Board level, to ensure that no one Director has unfettered powers of decision-making.</p> <p>In addition to that which has been reported above, the chairperson ensures that Board applies its collective mind to all reports and matters for decision. All Board and committee Charters/Terms of Reference stipulate the critical aspects of composition, role, function, authority, and reporting requirements for the committee - and will be presented to the Board for approval at the first Board meeting.</p> <p>The Board also appoints the Chairpersons and members of the Board Committees ensuring the appropriate skills and expertise for the performance of the committee’s allocated responsibilities. Committee meetings will be scheduled in the preceding year and co-ordinated to avoid duplication of issues. Acknowledging that overlaps of issues between committees will be necessary, the Charters and Terms of Reference will ensure that the focus and role responsibility of each committee on such issues is clearly spelled out.</p> <p>Members of the Executive Committee and Management of GABS may also be invited to meetings to provide information and clarity on specific matters.</p>

KING IV APPLICATION REGISTER

Principle	Application
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Governance outcome: Adequate and effective control (continued)	
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<p>Principle 8: Committees of the governing body (continued) 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>The Audit and Risk comprises 3 independent non-executive Directors who are suitably qualified and bring the necessary experience to deal with matters of both audit and risk insofar as the business of HPL&R is concerned.</p> <p>All members of the Remuneration Committee are non-executive and the majority are independent.</p> <p>The Social and Ethics Committee comprises one executive and three non-executive members.</p>
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<p>Principle 9: Performance evaluations 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>The Board of HPL&R determines its own role, functions, duties and performance criteria as well as that for Directors and Board committees in accordance with recognised best practice benchmarks. The process for evaluation of the Board will be discussed in the first Board meeting, and adopted in the Board Charter once approved by the Board.</p>
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<p>Principle 10: Delegation to management 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>The CEO, who is also the CEO of GABS, leads the Group in the implementation and execution of its approved strategy, policy development, and operational planning ensuring a co-ordinated and integrated approach to activities of the business. The CEO is, at all times, accountable to the Board and reports to the Executive Committee bi-monthly, to the Board of GABS quarterly, and to the Board on a quarterly basis. The CEO remains the effective conduit between the Board and management.</p> <p>In the performance of his functions, the CEO is not a member of either the Audit and Risk Committee or the Remuneration Committee but may be invited to attend all meetings as an invitee at the Board's request.</p> <p>Delegations to management are documented in the MOI, however there is no formal Delegations Framework in place yet. This is a matter for the attention of the Board.</p>
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KING IV APPLICATION REGISTER

Principle	Application
Governance outcome: Adequate and effective control (continued)	
<p>Principle 10: Delegation to management (continued) 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>The Board has appointed a Company Secretary, satisfying itself with regard to the elements of competence and objectivity, and recognising the ability to provide necessary guidance to the Board. The Board has easy access to the Company Secretary, while recognising the need to keep the Company Secretary at arm’s length and independent of the Board. The Board has formally satisfied itself that the Company Secretary is suitably qualified and experienced to carry out its duties as stipulated under section 84 of the Companies Act, 2008 and the King Code. The Board will annually assess the performance and competence of the Company Secretary.</p>
<p>Principle 11: Risk and opportunity governance The governing body should govern risk in a way that supports the organisation in setting and achieving strategic objectives.</p>	<p>The Board is ultimately responsible for setting the risk appetite of the group, identifying strategic risks and opportunities and managing these. This responsibility for risk governance is expressed in the Board Charter, which will be presented at the first Board meeting. A policy and plan for a system and process of risk management will be developed by the Board and implemented across the Group.</p> <p>In addition, risk management and governance will be a standing item on the Audit and Risk Committee agenda and included in the Audit and Risk Committee Charter (to be presented and if appropriate, approved at the first Audit and Risk Committee meeting). This specifically requires the committee to assess and evaluate risk appetite, risk tolerance and levels and management’s actions to mitigate these and or to accept the level of risk, which will be reported to the Board.</p> <p>The Board ensures that appropriate risk management programmes are in place and monitors their implementation against key risk indicators. Each year the Board will evaluate the Company’s risks against current realities and will reset risk tolerances as necessary.</p> <p>The Board has delegated the management of risk to the Group’s executive management team, which executes this responsibility through processes within an established risk management policy and governance framework. HPL&R’s subsidiary companies will report on subsidiary key risks and responses in terms of their risk management frameworks to the Risk and Audit committee.</p>

KING IV APPLICATION REGISTER

Principle	Application
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Governance outcome: Adequate and effective control (continued)	
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<p>Principle 12: Technology and information governance</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>The Board is responsible for IT governance, and it will be a standing Agenda item at Board meetings.</p> <p>GABS, as the Major Subsidiary, maintains the IT infrastructure for the Group and as such assumes responsibility for the direction and approach to IT and technology, which will be reported to the Audit committee through the risk report on a quarterly basis. HPL&R will finalise an IT strategy that will be based on that implemented by GABS, and reported to the Board for approval. The rationale of delegating IT governance to GABS (which is monitored by the Executive Committee and reported to the Board) is to ensure the alignment of information and technology with the strategic objectives of the business, and assures that the technology and information strategy can seamlessly be integrated to each company in the Group.</p>
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<p>Principle 13: Compliance governance</p> <p>The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen.</p>	<p>Compliance with laws, rules, regulations and relevant codes is integral to the Company's risk management process. It is management's function to implement and execute the actions to ensure appropriate levels of compliance. The Board has delegated the oversight function to the Audit and Risk Committee.</p> <p>The Board, and the board of the subsidiary companies ensure that the legal compliance policy, as approved by the Board, is implemented by management.</p> <p>The Board has delegated the responsibility for the implementation and execution of compliance management to the relevant boards and management of the subsidiary companies. The Board of HPL&R is also represented in the management and the board of the Major Subsidiary, GABS. The subsidiary companies have confirmed that there is sufficient management capacity and controls in place to ensure that all relevant laws and practices are complied with.</p>
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KING IV APPLICATION REGISTER

Principle	Application
Governance outcome: Adequate and effective control (continued)	
<p>Principle 14: Remuneration governance 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>The first meeting of the Remuneration Committee is scheduled to take place in the first quarter of 2018, at which meeting the direction and principles of remuneration will be approved by the Remuneration Committee and recommended to Board. In terms of the draft policy, the Remuneration Committee is primarily responsible for reviewing and approving executive Directors’ remuneration and assisting the Board in reviewing non-executive Directors’ remuneration recommendations. The remuneration policy will be informed by the direction provided by the Remuneration Committee, and will be submitted to the Remuneration Committee and the Board for approval.</p> <p>The remuneration of the Executive Directors is paid by the Major Subsidiary, GABS. The Board of HPL&R is also represented on the board of GABS. Under the Share Incentive Schemes, the Executive Directors may also be granted Share options, as approved by the Board This has been implemented in order to promote longevity of tenure. The fees payable to the independent non-executive Directors will be presented to the shareholders at the first Annual General Meeting in 2018, for their approval.</p>
<p>Principle 15: Assurance 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>In addition to what has been reported above, the Charter for the Audit and Risk Committee, will be presented to the Board for approval at the first Board meeting. This provides for internal and external audit responsibilities in line with good practice and the principles of combined assurance. In terms of such charter, the Board has delegated the oversight of the internal audit to the Audit and Risk Committee.</p> <p>GABS employs an internal audit department to perform internal audit functions across its business. Applicable reports will be presented to the Audit and Risk Committee for review, as appropriate.</p> <p>The external auditor has been appointed by the current shareholders of HPL&R and will be presented to the shareholders at the first Annual General Meeting in 2018, for their approval.</p>

KING IV APPLICATION REGISTER

Principle	Application
<p>Governance outcome: Trust, good reputation and legitimacy</p>	
<p>Principle 16: Stakeholders 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>	<p>HPL&R is committed to a stakeholder inclusive approach that will balance the needs, interests and expectations of material stakeholders in the best interests of the organisation. Given the business and specialist sectoral knowledge and experience of the Executive Board members, the Board and the Management share a clear view of the critical stakeholders whose interests, expectations and approvals are vital to ensure the success of the business.</p> <p>The Board has not approved a formal policy or plan for stakeholder engagement, and acknowledges the need to formalise this policy. The CEO and the CFO will engage with investors and analysts at corporate level, while the Subsidiaries Executives (which include the CEO and CFO) and Management engage with applicable National, Provincial and Metropolitan Transport Departments, unions, employees, the media, commuter groups and other stakeholders. The stakeholder management and execution is therefore currently the responsibility of management, principally through the Corporate Affairs department of GABS which provides regular reports to the GABS board who conversely provides advice and guidance regarding the optimal approach and engagement with critical stakeholders.</p> <p>Assessment of stakeholder risks have been integrated into the organisational strategic risk register and material risks have been identified, mitigation plans developed and monitoring takes place as part of the overall risk management process through the Audit and Risk Committee.</p> <p>Shareholder communication is through SENS announcements and the required integrated, interim and provisional reports of the Company. The Board also engages with shareholders at the Annual General Meeting and on an ad hoc basis when required.</p>

**Principle 17 of King IV is not applicable to HPL&R.*