

# KING IV APPLICATION REGISTER

**Hosken Passenger Logistics and Rail Limited  
("HPL&R" or "the Group" or "the Company")**

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*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 its governance practices against the principles of King IV. This King IV application register explains how HPL&R complies with King IV.*

Principle	Application
<b>Governance outcome: Ethical culture</b>	
<p><b>Principle 1: Ethical leadership</b> The governing body should lead ethically and effectively.</p>	<p>The Board of directors of HPL&amp;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.</p> <p>The role and functions of the Board of Directors are set out in the Board Charter, and the Directors are cognisant of and understand their responsibility in terms thereof. The Board is responsible for the approval of the HPL&amp;R policy framework and all the policies of HPL&amp;R.</p> <p>The Group has an approved code of conduct which has been adopted across the subsidiary companies of the Group. The Board of HPL&amp;R is also represented in the management and the board of the Major Subsidiary, Golden Arrow Bus Services Proprietary Limited (“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.</p> <p>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.</p> <p>Each company within the HPL&amp;R Group develops its company strategy which is 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 receives reports on the performance against strategic objectives during its scheduled meetings.</p>

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Principle	Application
<b>Governance outcome: Ethical culture</b>	
<p><b>Principle 1: Ethical leadership (continued)</b>            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&amp;R as a going concern and its ability to create value in a sustainable manner. The budget of the Group is approved by the Board and performance is measured against budget and presented at each Board meeting.</p> <p>The company secretary keeps a register of declarations of interest for all directors. The declaration of interests is a standing agenda item on all Board meetings. Directors are not disqualified from contracting within the Group by virtue of their office. However, full disclosure of the nature of a director’s interest is made at every Board meeting. Should a matter arise in which a director has an interest, the director is disqualified from voting and is required to recuse him/herself from any meeting where the matter is discussed.</p> <p>All deliberations, decisions and actions of the Board are based on fairness, accountability, responsibility, transparency.</p>
<p><b>Principle 2: Organisation values, ethics and culture</b>            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&amp;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&amp;R, which reports to the Board on the general state of the ethics within the HPL&amp;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&amp;R Group.</p>

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Principle	Application
<b>Governance outcome: Ethical culture</b>	
<p><b>Principle 3: Responsible corporate citizenship</b>            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&amp;R minimises the potential negative social impacts of its operations, while promoting opportunities for local communities. The Group’s major subsidiary, GABS has made significant contributions to the social and economic development element of the group’s BBBEE rating. GABS has over its 158 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>The Social and Ethics Committee is responsible for monitoring the Group’s activities, having regard to any relevant legislation, other legal requirements and prevailing codes of best practice, in respect of social and economic development, good corporate citizenship (including the promotion of equality, prevention of unfair discrimination, the environment, health and public safety, including the impact of the Group’s activities and of its products or services), stakeholder and consumer relationships and labour and employment issues. The Social and Ethics Committee draws to the attention of the Board, matters within its mandate as occasion requires.</p>
<b>Governance outcome: Performance and value creation</b>	
<p><b>Principle 4: Strategy, implementation and performance</b>            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 its 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 is developed by the Executive Committee, is presented to the Board for consideration and approval. 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>

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Governance outcome: Performance and value creation (continued)

<p><b>Principle 4: Strategy, implementation and performance (continued)</b></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 is explicitly set out in the Audit and Risk Committee Charter.</p> <p>The implementation of the strategic plan and achievement of the performance targets contained therein is the responsibility of Management. The Board delegates 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 of this task to the Executive Committee does not absolve it of its responsibility and accountability.</p> <p>Policies and operational plans that are approved by the Board include financial, ethical, compliance, sustainability, BBBEE, performance and risk measures.</p>
<p><b>Principle 5: Reports and disclosure</b></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&amp;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 takes responsibility for the approval of the annual financial statements ("AFS"), all interim and provisional reports and the content and integrity of the annual integrated report (including the corporate governance, sustainability and corporate social investment reports contained therein). The publication of all necessary documentation is included on the HPL&amp;R website to enable stakeholders and interested parties to understand the business, its ethos, its performance, and vision.</p>

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<b>Governance outcome: Adequate and effective control</b>	
<p><b>Principle 6: Role of the governing body</b>            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&amp;R. The Board’s role, responsibilities, membership requirements and procedural conduct are documented in the Board Charter.</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&amp;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 is in place that allows all Board members, including the Audit and Risk Committee, to obtain professional advice as required.</p> <p>The Board has unrestricted access to all company information, records, documents and property.</p>
<p><b>Principle 7: Composition of the governing body</b>            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&amp;R has a Gender and Race Diversity Policy dealing with the Board. The Board continues to further Board diversity as an inherent function of its role.</p>

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Principle	Application
<p><b>Governance outcome: Adequate and effective control (continued)</b></p>	
<p><b>Principle 7: Composition of the governing body (continued)</b>                      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 at each Board meeting, 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 at all Board 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>

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Principle	Application
<b>Governance outcome: Adequate and effective control (continued)</b>	
<p><b>Principle 7: Composition of the governing body (continued)</b>            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 Committee have clearly articulated responsibilities set out in their Charters and Terms of Reference, 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><b>Principle 8: Committees of the governing body</b>            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.</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 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, as required.</p> <p>The Chairperson leads the Board and is responsible for the governance of the Board and also is poised to facilitate constructive relations between the executive and the non-executive directors. It should be noted that the current Chairperson, is not an independent director due to his directorship of HPLR’s major shareholder, HCI.</p>



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Principle	Application
<p><b>Governance outcome: Adequate and effective control (continued)</b></p>	
<p><b>Principle 8: Committees of the governing body (continued)</b>                      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>In this regard, HPL&amp;R has appointed a lead independent director to act as Chairperson where the independence of the Chairperson may be compromised. Given the Chairperson’s knowledge of the business and his commercial experience, the Board deems this arrangement appropriate and essential in achieving HPL&amp;R’s business objectives.</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 who is fully responsible and accountable for the operations of the Company, and whose role and function is formalised.</p> <p>The Audit and Risk Committee 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&amp;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>
<p><b>Principle 9: Performance evaluations</b>                      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&amp;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.</p> <p>The Board evaluates the composition of the Board annually to ensure the appropriate mix of skills and experience. In addition, the Board is evaluated annually by the Remuneration Committee on a collective basis, and the CEO is evaluated on an individual basis. Such evaluation is based on a performance benchmark set by the Board in its charter. In turn, the Board evaluates the performance and effectiveness of the Board sub-committees.</p>

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Governance outcome: Adequate and effective control (continued)

<p><b>Principle 10: Delegation to management</b> 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 is invited to attend all meetings as an invitee at the Board’s request.</p> <p>The Board has delegated the power to manage the daily operations of the Group to the CEO, who may delegate some of these powers. The CEO is supported by the executive management team of the individual subsidiary companies</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 annually assesses the performance and competence of the Company Secretary.</p>
<p><b>Principle 11: Risk and opportunity governance</b> 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. A policy and plan for a system and process of risk management has been developed by the Board and implemented across the Group.</p> <p>In addition, risk management and governance is a standing item on the Audit and Risk Committee agenda and included in the Audit and Risk Committee Charter. 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>

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Principle	Application
<b>Governance outcome: Adequate and effective control (continued)</b>	
<p><b>Principle 11: Risk and opportunity governance (continued)</b>            The governing body should govern risk in a way that supports the organisation in setting and achieving strategic objectives.</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&amp;R’s subsidiary companies report on subsidiary key risks and responses in terms of their risk management frameworks to the Audit and Risk committee.</p>
<p><b>Principle 12: Technology and information governance</b>            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, which is 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 and Risk committee at each Committee meeting. HPL&amp;R is in the process of finalising 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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Principle	Application
<b>Governance outcome: Adequate and effective control (continued)</b>	
<p><b>Principle 13: Compliance governance</b>            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&amp;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> <p>Compliance with all relevant laws and regulations are included as an Agenda item in the Social and Ethics Committee meetings.</p>
<p><b>Principle 14: Remuneration governance</b>            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 Remuneration Committee is primarily responsible for reviewing and approving the remuneration and incentives of the executive directors and approving and awarding share incentives to executives and the Group's key management. It takes cognisance of local best practice relating to remuneration in order to ensure that such total remuneration is fair and reasonable to both the employee and the Company. In addition, the Remuneration Committee assists the Board in reviewing non-executive directors' remuneration recommendations, which are voted on at each annual general meeting of shareholders.</p> <p>The Implementation report of the remuneration policy is presented at each annual general meeting for a non-binding advisory vote by shareholders.</p>

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Principle	Application
<b>Governance outcome: Adequate and effective control (continued)</b>	
<p><b>Principle 15: Assurance</b>            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, 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>The Audit and Risk Committee 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. The Committee is responsible for the appointment of the Internal auditors who report directly to the Chair of the Committee. The Committee oversees cooperation between internal and external auditors, and serves as a link between the Board of directors and these functions. In assessing the system of internal control, the Committee reviews the internal audit reports and interrogates the findings directly with the Internal auditors</p> <p>The Audit and Risk Committee satisfies itself as to the independence of the external auditor and the suitability for the re-appointment external auditor which is presented to the shareholders at the Annual General Meeting.</p>
<b>Governance outcome: Trust, good reputation and legitimacy</b>	
<p><b>Principle 16: Stakeholders</b>            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&amp;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. Stakeholder management and execution is therefore currently the responsibility of management, principally through GABS which provides regular reports to the Board who conversely provides advice and guidance regarding the optimal approach and engagement with critical stakeholders.</p>

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Principle	Application
<b>Governance outcome: Trust, good reputation and legitimacy (continued)</b>	
<p><b>Principle 16: Stakeholders (continued)</b></p> <p>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>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 Group has adopted a policy for dealing with price sensitive information and discussions with journalists and investment analysts.</p> <p>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.*