



**Phumelela Gaming**

Phumelela Gaming and Leisure Limited



**2019**

KING IV ASSESSMENT  
REGISTER

# KING IV ASSESSMENT REGISTER

PRINCIPLE	PRACTICES IMPLEMENTED AND PROGRESS UPDATE
<b>Principle 1</b>	
<p><b><i>The governing body should lead ethically and effectively</i></b></p>	<p>The Board has reviewed the Code of Ethics which creates the foundation of how the Group operates. The composition of the Board as well as the reporting structures allow for the Board to provide effective leadership. The Board Charter outlines the policies and practices of the Board on matters such as directors' dealings in the securities of the Company and declarations of conflicts of interest.</p> <p>The Social and Ethics Committee assists the Board in ensuring that the Group is and remains a good and responsible corporate citizen. The Board remains responsible for ensuring that management endorses a culture of ethical conduct. These values are encapsulated in the Group Code of Ethics which commits management and employees to the highest ethical standards of conduct.</p>
<b>Principle 2</b>	
<p><b><i>The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture</i></b></p>	<p>The Board Charter defines the Board responsibility in terms of ethics and application throughout the organisation and business dealings. The directors have set the overall tone for ethical leadership of the Board by being signatories to a declaration that lists their commitment to the ethical principles of the Company, together with the Executive Committee. The Code of Ethics has been revised to ensure that it is up date with the latest trends. An independent whistle-blowing hotline has also been implemented to detect breaches of ethical standards.</p> <p>The Code of Ethics states the organisation's philosophy on ethics. The Social and Ethics Committee is tasked with monitoring ethics management in the organisation.</p>
<b>Principle 3</b>	
<p><b><i>The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen</i></b></p>	<p>The Board serves as the focal point and custodian of corporate governance. Through stakeholder engagement and collaboration, Phumelela has committed to understanding and being responsive to the interests and expectations of stakeholders and to partnering with them in finding lasting solutions to sustainability challenges. To facilitate dialogue with the industry at large, various meetings were held during the year with key stakeholders to assess issues and opportunities facing the horseracing industry.</p> <p>The Board Charter defines the Board's responsibility regarding being a responsible corporate citizen in terms of financial, community and environment. This is also reflected in the Social and Ethics Committee terms of reference which defines the corporate citizenship in terms of:</p> <ul style="list-style-type: none"> <li>• Ethics management;</li> <li>• Corporate social investment;</li> <li>• Environmental management including public safety;</li> <li>• Health and wellness;</li> <li>• HR matters, employment equity and transformation; and</li> <li>• Consumer relationships.</li> </ul> <p>Phumelela is committed to responsible gambling. We are a member of the South African Responsible Gambling Trust ("SARGT"), a public/private sector partnership accountable to the South Africa Advisory Council on Responsible Gambling which funds the South African National Responsible Gambling Programme ("NRGP"). The NRGF is communicated to our employees and customers thus increasing visibility and public awareness of responsible gambling.</p>

# KING IV ASSESSMENT REGISTER CONTINUED

PRINCIPLE	PRACTICES IMPLEMENTED AND PROGRESS UPDATE
<b>Principle 4</b>	
<p><i>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</i></p>	<p>The Company's top risks are identified annually by executive management and linked to strategic objectives to ensure sustainability.</p> <p>The Audit and Risk Committee assists the Board with the governance of risk.</p> <p>The Board is aware of the importance of risk management as it is linked to the strategy, performance and sustainability of the Company. The Audit and Risk Committee delegates to management to continuously identify, assess, mitigate and manage risks within the existing and ever-changing risk profile of Phumelela's operating environment. Mitigating controls are formulated to address the risks and the Board is kept up to date on progress on the risk management plan.</p>
<b>Principle 5</b>	
<p><i>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</i></p>	<p>The Board, through the Audit and Risk Committee, ensures that the necessary controls are in place to verify and safeguard the integrity of the integrated reports and any other disclosures. The integrated report includes all relevant information to enable stakeholders to make an informed assessment of Phumelela's performance in the short, medium and long term.</p> <p>The interim and final results, the integrated report, sustainability reports and any other relevant information to stakeholders are published on the Company's website, as well as through other media as is appropriate.</p>
<b>Principle 6</b>	
<p><i>The governing body should serve as the focal point and custodian of corporate governance in the organisation</i></p>	<p>The Board is the focal point and custodian of corporate governance. Its role and responsibilities and the way that it executes its duties and decision-making are documented and are set out in the Board Charter. Further aspects of governance are addressed through the established Board committees.</p>
<b>Principle 7</b>	
<p><i>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</i></p>	<p>The Board is assisted by the Nominations Committee who considers, on a regular basis, the composition, balance of skills, experience, diversity, and independence of members in order to determine their effectiveness to discharge their duties. The race and gender targets for the Board are regularly reviewed to ensure that Board appointments are aligned with the Company's policy on gender and race diversity and the B-BBEE codes.</p> <p>The role of CEO and Chairman are separate. A lead independent non-executive director has been appointed. The Board comprises a majority of independent non-executive directors. A rigorous review of the independence and performance of independent non-executive directors serving more than nine years is undertaken by the Board with the support of the Nominations Committee.</p>

# KING IV ASSESSMENT REGISTER CONTINUED

PRINCIPLE	PRACTICES IMPLEMENTED AND PROGRESS UPDATE
<b>Principle 8</b>	
<p><i>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</i></p>	<p>The Board has exercised its prerogative to establish various Board committees, which are legally compliant and constituted, in order to assist it to effectively discharge its duties and also allows for balance of power since the distribution of authority between the Chairman, Board, and Board committees does not lead to instances where individual(s) dominate decision-making within governance structures.</p> <p>External advisors, executive directors and members of management attend committee meetings by invitation. The committees play an important role in enhancing high standards of governance and achieving increased effectiveness within the Group. Formal terms of reference are established and approved for each committee, which are reviewed annually.</p> <p>The Audit and Risk Committee is satisfied that the auditor is independent. Non-audit services were not performed during the year. The audit firm has been appointed with the designated audit partner having oversight of the audit. An effective internal audit function is also in place.</p> <p>The Finance Director oversees the finance function and is assisted by suitably qualified staff. An assessment of the effectiveness of the Finance Director's performance is conducted annually by the Audit and Risk Committee and confirmed in the integrated report.</p>
<b>Principle 9</b>	
<p><i>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</i></p>	<p>The Board continues to be committed to regularly reviewing its own effectiveness and that of its committees. Given the changes in the Board composition during the year, trading pressures, bookmakers' disputes, amendments to the Gauteng Gambling Regulations, report of the Public Protector in connection with the corporatisation of the horseracing industry in South Africa, possible restructuring and survival of the horseracing industry, the Board deemed it prudent to defer the effectiveness review. Various sub-committees were appointed to assist the Board with these challenges.</p> <p>The Company Secretary's performance is also evaluated to ensure that there is an arm's length relationship between the Board and the Company Secretary in that the objectivity and independence of the Company Secretary is not unduly influenced.</p>
<b>Principle 10</b>	
<p><i>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</i></p>	<p>A detailed Delegation of Authority indicates matters reserved for the Board and executive/senior management. The Board is satisfied that its delegation to management contributes to an effective arrangement by which authority and responsibilities are exercised.</p> <p>The CEO is the key link between the Board and management. He is not a member of the Remuneration and Nominations Committee or the Audit and Risk Committee but attends by invitation.</p>

# KING IV ASSESSMENT REGISTER CONTINUED

PRINCIPLE	PRACTICES IMPLEMENTED AND PROGRESS UPDATE
<b>Principle 11</b>	
<p><i>The governing body should govern risk in a way that supports the organisation in setting and achieving strategic objectives</i></p>	<p>The Audit and Risk Committee assists the Board with the governance of risk. The Audit and Risk Committee assesses processes by which the risks to the sustainability of the business are identified and managed. The risk management function is largely based on operational and strategic risk assessments. Levels of risk tolerance will be set in the near future as identified by the risk maturity assessment conducted by the committee.</p> <p>In addition, PricewaterhouseCoopers (“PwC”) has been appointed as the Group’s internal auditor. Internal audit prepares formal reports for each Audit and Risk Committee meeting. Included in the reports are the activities and key findings of the internal audit function and significant control weaknesses, as well as management action plans.</p>
<b>Principle 12</b>	
<p><i>The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives</i></p>	<p>The Board has the ultimate responsibility for IT governance of the Company and that of the Group. The Group Chief Information Officer (CIO) oversees the IT function, requirements and investments. Operations continuously report to the Board, ensuring significant information and technology risks are identified together with the mitigating controls. Plans are in place to address and mitigate any potential cyber threats in the organisation.</p> <p>Regular audits of the IT control environment are conducted internally and by third parties. Regular backup and disaster recovery testing are also conducted. In addition, external auditors and internal audit perform assessments as part of their audit of related controls. All significant related audit findings are reported to the Audit and Risk Committee and the Board and managed accordingly.</p>
<b>Principle 13</b>	
<p><i>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</i></p>	<p>The Company is committed to conducting its business in compliance with all applicable laws and regulations. The Legal and Compliance division is responsible for managing Group compliance in this regard. It further provides regular updates to changes in legislation that may affect the Company and reports to the Audit and Risk Committee on these matters. A legal register is also tabled at each meeting of the Audit and Risk Committee and matters of significance are highlighted to the Board.</p>

# KING IV ASSESSMENT REGISTER CONTINUED

PRINCIPLE	PRACTICES IMPLEMENTED AND PROGRESS UPDATE
<b>Principle 14</b>	
<p><i>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</i></p>	<p>The Board, assisted by the Nominations and Remuneration Committee ensures that Phumelela remunerates fairly, responsibly, transparently and in line with industry standards so as to promote the creation of value in a sustainable manner. This responsibility is contained in the terms of reference of the Remuneration and Nominations committee. The remuneration policy is reported on in detail in the integrated report. The policy aims to enable the attraction and retention of skilled resources and results in rewards aligned with shareholder interests. The policy is designed to achieve the following objectives:</p> <ul style="list-style-type: none"> <li>• To attract, motivate, reward and retain human capital; and</li> <li>• To promote positive outcomes aligned with short, medium and long-term objectives, an ethical culture and responsible corporate citizenship.</li> </ul> <p>Phumelela discloses the remuneration of each director and prescribed officer individually in its annual financial statements. In line with the recommended practices in King IV, the remuneration policy will be tabled for a non-binding advisory vote by the shareholders at the annual general meeting.</p>
<b>Principle 15</b>	
<p><i>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</i></p>	<p>The Board has delegated the effectiveness of assurance services to the Audit and Risk Committee. The control environment is monitored through Phumelela's own internal controls and regular progress reports from the independent internal and external auditors.</p>
<b>Principle 16</b>	
<p><i>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</i></p>	<p>It is a business imperative that Phumelela understands and is responsive to the needs and interests of our key stakeholder groups which amongst others include: employees and their representatives; government and regulators; shareholders and the investor community; the communities within which we operate; suppliers and customers; as well as business partners. The individual stakeholders within these groups are highly diverse and therefore Phumelela is constantly seeking to improve the way in which it engages with its diverse stakeholders to respond effectively to their expectations. During the year, a stakeholder engagement forum was held with various industry players and significant stakeholders to discuss a potential restructure of the industry.</p>

