



# Phumelela Gaming

Phumelela Gaming and Leisure Limited

Sustainability report 2014



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### Sustainability report

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## Sustainability reporting

This report aims to provide our stakeholders with an overview of our economic, social and environmental performance. We endorse a stakeholder inclusive approach to governance as recommended by King III and provide an account of our engagement with these groups.

Our sustainability performance has been grouped according to the following Key Performance Indicators (KPIs), all of which are underpinned by stakeholder engagement.



## Stakeholder relations and engagement

Phumelela views stakeholder engagement as a necessary tool to ensure transparency and accountability with those entities and individuals that are impacted by or interested in our activities, products and services. Through continuous engagement, Phumelela is able to ensure that the reasonable expectations and interests of our stakeholders are addressed in a mutually beneficial manner to ensure the long-term sustainability of our business.

Our broad range of stakeholders is both internal and external and can be defined as those parties who are invested in Phumelela (our employees, shareholders, suppliers, owners, trainers, jockeys) and those who have interests in our operations (regulators, communities, unions, customers); all of whom may either be directly affected by or have influence over our activities at a corporate or operational level.

Our stakeholder engagement processes are used as a tool for continuous dialogue, listening to views, and addressing

concerns in order to drive an active and productive relationship and ensure the Group's performance. The engagement methods employed are as diverse as the various stakeholders we engage with and include the use of SENS announcements, face-to-face meetings, our integrated report, committees, media releases, posters, and hotlines, among other methods.

Stakeholder engagement is managed at both a management and operational level. Members of Phumelela's management team are positioned on various external boards relating to the sport of horseracing, for example the National Horseracing Authority (NHRA), and they regularly interact with the Racing Association, various gambling boards and government. From an operational level, the racing operations department interacts with owners, trainers, breeders, jockeys and grooms. The betting operations and on-course hospitality divisions interact with customers and attendees of horseracing events.

An overview of the process is provided in the following diagram:



## Stakeholder relations and engagement (continued)

Key stakeholder	Overview of interaction
<b>Shareholders and the investor community</b>	<ul style="list-style-type: none"> <li>▶ Shareholders and members of the investor community are invited to attend bi-annual financial results presentations that take place in Johannesburg and Cape Town, with the most recent results presentation being aired live on Business Day TV. Further information is made available through the publication of the integrated report and as necessary via Securities Exchange News Service (SENS) announcements.</li> <li>▶ Of particular interest is Phumelela's international initiatives, fixed odds operations and sports betting developments.</li> </ul>
<b>Owners, trainers and jockeys</b>	<ul style="list-style-type: none"> <li>▶ The industry liaison committee meets quarterly to discuss racing and other industry related matters concerning, inter alia, the health and safety of grooms, jockeys and horses, maintenance and quality of stabling facilities, grooms' quarters, training tracks, racetracks and industry regulatory/governance matters.</li> <li>▶ During 2013 Phumelela installed a synthetic racing surface (polytrack) at its Fairview racecourse in the Eastern Cape, a first for South Africa. The first race meeting on the new surface was held in October 2013.</li> <li>▶ Phumelela enjoys representation on the National Horseracing Authority's board, where it is able to ensure that racing matters and issues related to maintaining the integrity of the sport of horseracing are addressed at board meetings held four times a year.</li> <li>▶ Trainers' committees are established at each racing/training venue. Monthly meetings are scheduled to discuss the condition of training tracks, facilities and racetracks among other matters.</li> <li>▶ The South African Jockey Academy regularly engages with Phumelela to ensure the provision of training for prospective jockeys.</li> <li>▶ The Racing Association represents the interests of racehorse owners in eight of the nine provinces in South Africa and engages with Phumelela on a regular basis.</li> <li>▶ The programming committee is tasked with the production of race programmes that meet the needs of owners and trainers.</li> </ul>
<b>The Thoroughbred Horseracing Trust (TBHRT)</b>	<ul style="list-style-type: none"> <li>▶ Phumelela engages with the Thoroughbred Horseracing Trust (Phumelela's largest shareholder) through a board of trustees who concern themselves with the promotion of the interests of everyone interested in and affected by the sport of horseracing in South Africa.</li> </ul>
<b>Customers</b>	<ul style="list-style-type: none"> <li>▶ Phumelela's customers are engaged on a daily basis through a dedicated customer call centre; and as necessary through direct contact with area and branch managers at relevant betting outlets; the Tellytrack channel on DStv; media and notices in branches; and quarterly meetings of the National Responsible Gambling Programme.</li> <li>▶ Key customer concerns raised and addressed in 2014 relate to: <ul style="list-style-type: none"> <li>• customer service, where call centre staff have received training to improve service;</li> <li>• the poor conditions of certain branch facilities is being addressed through a continuous programme of upgrading said facilities;</li> <li>• software enhancements have improved queue management to address concerns over queuing to place bets;</li> <li>• to provide more information to punters: dedicated minimum bet value selling windows have been introduced; personal computers and printers have been supplied in branches; Information is also provided online via the websites, <a href="http://www.phumelela.com">www.phumelela.com</a> and <a href="http://www.tabonline.co.za">www.tabonline.co.za</a>; and on the mobile platform, <a href="http://www.tabsa.mobi">www.tabsa.mobi</a>;</li> <li>• betting rules have been amended to accommodate customer preferences. The Amtote betting software has been upgraded;</li> <li>• on certain feature races the payment of dividends to accommodate the first six placed horses, allows for customers to have an improved chance of winning on place bets;</li> <li>• the removal of couplings for the Pick6 bet has resulted in sustained extraordinary dividends, and assisted in the largest ever Pick6 pool for the Vodacom July of over R13 million;</li> <li>• the introduction of new bet types, such as the Bi-Pot, Mixed track Jackpot (Jackpot quickmix) and the Soccer GG allows for the customer to have more options; and</li> <li>• work with the National Responsible Gambling Programme (NRGP) has taken place to increase visibility and public awareness of responsible gambling and staff continue to receive training to identify and assist problem gamblers.</li> </ul> </li> </ul>

## Stakeholder relations and engagement (continued)

Key stakeholder	Overview of interaction
<b>Employees and their families</b>	<p>▷ Phumelela engages with employees through a variety of formal and informal platforms. In addition to daily interaction and communication between line managers and staff, employees are formally engaged during performance reviews and as necessary/relevant through meetings arranged by human resources personnel. A fraud hotline is available to enable employees to report suspected incidents of fraud and unethical behaviour on a safe and anonymous platform. Trauma counsellors are provided where required.</p> <p>▷ Additional aspects of employee engagement are outlined below:</p> <ul style="list-style-type: none"> <li>• Medical aid benefits: Meetings are held with staff, human resources and relevant consultants to discuss medical aid benefits and ensure that all staff understand the various options available at the time of annual renewal and to address issues throughout the year.</li> <li>• Pension benefits: Quarterly meetings are held with trustees regarding pension benefits, which have resulted in the development of an online platform to provide access to personal details and retirement fund value.</li> <li>• Retirement options: Pension fund administrators and human resources personnel meet quarterly regarding retirement options.</li> <li>• HIV/Aids: Phumelela provides engagement through an outsourced call centre and trained professionals who are able to provide support for our HIV-positive employees. It has been observed that our staff are reluctant to utilise this facility due to concerns regarding confidentiality.</li> <li>• Finance: Phumelela has a housing loan scheme linked to the Retirement Benefit Fund. Employees are also provided with interest-free loans for educational purposes, where a full refund is given to employees when they successfully pass a course.</li> <li>• Phumelela have implemented a human resources intranet system which allows for the needs of all Phumelela employees to be addressed through a formal approach.</li> </ul>
<b>Communities</b>	<p>▷ Phumelela actively engages with the communities in which it operates in order to foster a good relationship and transparency. Meetings take place with a variety of community stakeholders in order to ensure that community/company projects are of mutual interest.</p> <p>▷ Ad-hoc meetings with the Turffontein Residents Association has resulted in the erection of a barrier wall to reduce sound levels during floodlit racing at Turffontein. We communicate monthly with the mounted SAPS at Booyens Police Station regarding security matters. Regular communication takes place with SOJO (South of Joburg Business &amp; Residents Group), through which we invest in the rejuvenation and upliftment of business and tourism in the Turffontein precinct. Our SOJO membership also allows us to have regular interaction with municipal officials regarding municipal service delivery. One such event is the Charity Mile Raceday held in conjunction with the City of Johannesburg.</p> <p>▷ Phumelela contributes to the Highveld Horse Care Unit which cares for undernourished or abandoned horses throughout the country.</p> <p>▷ Phumelela contributes to the SOS Village, which cares for orphaned and underprivileged children. Phumelela also contributes to a feeding scheme in the Limpopo province for the underprivileged.</p>
<b>Suppliers</b>	<p>▷ Phumelela aims to support local industry suppliers which are engaged through our procurement manager in terms of operational requirements.</p> <p>▷ Of material concern to our suppliers is the timely payment of invoices, which has led to the re-evaluation of the existing procurement system. Phumelela will be looking at implementing a new electronic procurement system during the course of the ensuing year. Phumelela gives preference to empowerment rated suppliers, requesting the relevant certification from potential suppliers. Phumelela's procurement scoring reflects its commitment to transformation.</p>

## Stakeholder relations and engagement (continued)

Key stakeholder	Overview of interaction
<b>Unions and other employee representative forums</b>	<ul style="list-style-type: none"> <li>▶ Approximately 33% of the permanent workforce has trade union membership, with the majority belonging to the South African Catering and Allied Workers' Union (SACAWU) and a small minority belong to the South African Transport and Allied Workers' Union (SATAWU). Engagement occurs through regular union meetings, collective bargaining forums, and shop steward consultation.</li> <li>▶ Material issues addressed relate to minimum shift hours, pension fund membership, and annual increase parameters. Unions are informed of strategic matters where their assistance is required in job creation and support in making representations to gambling boards.</li> <li>▶ Monthly meetings with the health and safety committees at each racing and training centre have resulted in the provision of health and safety training for senior management during the year.</li> <li>▶ Engagement with the employment equity committee has focused on internal promotions and has given rise to increased emphasis on the promotion of staff where vacancies occur.</li> <li>▶ The Skills Development Act has resulted in the creation of a training forum that meets bi-annually to approve the Company's skills development plan and reports.</li> <li>▶ In compliance with the Employment Equity Act, Phumelela has established an employment equity forum which meets bi-annually to approve the Company's employment equity plan and reports.</li> </ul>
<b>Provincial gambling boards</b>	<ul style="list-style-type: none"> <li>▶ Phumelela meets regularly with the appropriate bodies of provincial gambling boards in order to ensure approval of new outlets, compliance with licences, taxes and regulations, as well as to ensure that Phumelela is involved in decision making that affects all stakeholders in the industry.</li> <li>▶ Meetings with the appropriate officials regarding the "open bet" have yet to see this issue resolved. In 2006 the Constitutional Court ruled that bookmakers should be allowed to take "open bets" – in effect, offering customers tote bets without placing the bets with the tote operators. The subcommittee on gambling's consideration of the Gambling Review's commission report appointed by Parliament recommended in its final report issued in March 2012 that the open bet should be outlawed. Phumelela continues to lobby government and the various gambling boards to find a fair and equitable solution in relation to contributions made by bookmakers to the sport of horseracing.</li> <li>▶ The risk and compliance department ensure, inter alia, that regulatory licences are renewed timeously.</li> <li>▶ Phumelela has successfully achieved level 2 B-BBEE contributor status two years ahead of the 2015 deadline. The Company continues to focus on improving its B-BBEE scorecard.</li> </ul>
<b>Business partners</b>	<ul style="list-style-type: none"> <li>▶ Phumelela interacts directly with its business partners both locally and internationally through various business initiatives that include, inter alia, the Tellytrack joint operation between Phumelela (61%), Gold Circle and Kenilworth Racing, Premier Gateway International (a licensed tote operator in the Isle of Man) jointly owned by Phumelela and Tabcorp Holdings Limited (Australia) and tote agents through a dedicated agency care manager appointed to facilitate the relationship between Phumelela and agents.</li> </ul>
<b>Operators (Gold Circle and Kenilworth Racing)</b>	<ul style="list-style-type: none"> <li>▶ Gold Circle conducts racing and totalisator betting in KwaZulu-Natal and Kenilworth Racing conducts racing and totalisator betting in the Western Cape.</li> <li>▶ The Tellytrack partnership, a joint operation between Phumelela, Gold Circle and Kenilworth Racing, operates the Tellytrack channel for the exclusive benefit of the partnership. The Tellytrack channel is a television channel on which live broadcasts of race meetings and other audio visual content and data pertaining to race meetings is broadcast in South Africa. International television broadcast standards will require that racing broadcasts move to high-definition technology and 16:9 formats in the short to medium term.</li> <li>▶ The programming committee ensures that annual race programmes are coordinated and optimally scheduled.</li> </ul>
<b>Bookmakers</b>	<ul style="list-style-type: none"> <li>▶ Phumelela continues to engage bookmakers, regulators and the various ambits of government to find a solution for an equitable contribution to the sport of thoroughbred horseracing by bookmakers. Phumelela's wholly owned subsidiary, Betting World, is one of a number of leading licensed bookmaking concerns in South Africa.</li> </ul>

## Environment

The key environmental impacts relating to the operations at Phumelela are predominantly at our racetracks and include: energy and water usage to maintain the racecourses and the management of waste generated from the attendance on race days, as well as the manure from the horses stabled on site. The racecourses/training centres occupy large areas of “agricultural” land which require constant monitoring in terms of their impact on biodiversity and the chemical materials needed to maintain them.

### WATER USE

Water is essential to the maintenance of our tracks. Wherever possible we use our own water resources to irrigate the tracks and maintain the gardens. Our water usage is carefully monitored to ensure that there is no wastage. Tracks are watered at cooler times of the day when there is no wind. All chemical spillages on site are dealt with to ensure that there is no contamination of the storm water that fills our storage dams.

During times of drought, our storage dams are utilised and permission is sought for use of municipal water if required. There are no water sources significantly affected by the withdrawal of water used for Phumelela’s activities.

### Water consumption

The recent droughts in the greater Johannesburg area resulted in an increased usage of both municipal and dam water at the Turffontein Racecourse. Dust pollution from a tip dumping site adjacent to the racecourse requires increased water usage to maintain and clean the facilities.

Overall consumption in the Eastern Cape increased primarily due to the drought conditions experienced in the region.

The Randjesfontein polytrack continues to aid in the decrease of water consumption.

The Company’s current environmental management structures have facilitated a more economical approach to water consumption within the Company in a more favourable manner.

### New developments

New developments include the installation of a water reticulation system in mitigation of fire hazards at the Vaal Racecourse, and the upgrade of emergency lighting at Turffontein Racecourse.

Location/racecourse	Main water sources	Potable water consumption (m <sup>3</sup> )		
		2014	2013	2012
Turffontein (Johannesburg)	Potable municipal water supplies in offices; storage dam of 65 000 cubic metres filled with rain run-off provides the water we need to water the track, maintain the grounds and clean the stables	302 735	235 709	109 760
Randjesfontein Training Centre (Midrand)	Potable municipal water supplies in offices; racecourse dam 130 000 cubic metres	199 213	241 060	327 192
Vaal (Vereeniging)	Potable municipal water supplies in offices; three reservoirs and raw river water usage	77 031	76 405	105 317
Flamingo Park (Kimberley)	Potable municipal water supplies in offices; racecourse dam 10 000 cubic metres.	<b>No municipal water</b>		
Arlington (Port Elizabeth)	Potable municipal water supplies in offices; boreholes	6 427	34 216	40 000
Fairview (Port Elizabeth)	Potable municipal water supplies in offices; recycled water from a sewerage plant to water the tracks; boreholes; dams	67 266	31 378	40 000
<b>Total</b>		<b>652 672</b>	618 768	622 269

**ENERGY USE**

Direct energy consumption consists of petrol and diesel used to transport our staff, jockeys, grooms and horses; as well as for the running of generators at all racecourses. Diesel generators are primarily used as a back-up when there are power shortages on the national grid, except in the case of night racing at Turffontein where the light masts are powered by 14 additional free-standing diesel generators. The generators are cheaper to run, more reliable and are regularly tested for noise levels by a professional service provider, DB Acoustics, who monitor sound levels.

The closure of the Arlington racecourse resulted in a blended net saving in energy consumption in the Eastern Cape and helped reduce overall consumption on the comparative period.

Air pollution (in the form of nitrogen oxide) is also monitored.

Diesel and petrol consumption (ℓ) (data from transportation, maintenance vehicles and generators)									
Location/ racecourse	Litres			Person hours worked			Litres per person hours worked		
	2014	2013	2012	2014	2013	2012	2014	2013	2012
Turffontein	202 692	204 783	173 451	743 040	447 120	441 000	0,27	0,45	0,39
Randjesfontein	49 060	74 306	72 000	49 920	58 320	52 920	0,98	1,27	1,36
Vaal	155 004	150 904	101 443	67 200	69 120	50 176	2,30	2,18	2,02
Flamingo Park	33 209	36 700	29 718	28 800	34 560	52 920	1,15	1,06	0,56
Arlington	2 718	13 527	14 000	9 600	38 880	19 992	0,28	0,34	0,70
Fairview	44 585	36 209	28 000	67 200	54 000	33 712	0,66	0,67	0,83
<b>Total</b>	<b>487 268</b>	516 429	418 612	<b>965 760</b>	702 000	650 720	<b>1,81</b>	0,99	0,97

Indirect energy consumption comprises electricity usage. The energy-saving programme is ongoing with the replacement of certain electrical fittings and installation of energy-saving light bulbs a key priority.

The closure of the Arlington racecourse assisted in reducing overall consumption on the comparative period.

As yet we do not measure greenhouse gas emissions or our carbon footprint.

Electricity consumption (kWh)									
Location/ racecourse	kWh			Person hours worked (annually)			kWh per person hours worked		
	2014	2013	2012	2014	2013	2012	2014	2013	2012
Turffontein	2 551 728	2 681 325	2 359 592	743 040	447 120	441 000	3,43	5,99	5,35
Randjesfontein	627 485	647 629	513 713	49 920	58 320	52 920	12,5	11,10	9,70
Vaal	1 703 626	1 690 344	1 829 842	67 200	69 120	50 176	25,3	24,45	36,46
Flamingo Park	275 093	209 276	388 674	28 800	34 560	52 920	9,55	6,05	7,34
Arlington	48 207	77 476	78 500	9 600	38 880	19 992	5,02	1,99	3,92
Fairview	678 199	651 089	585 000	67 200	54 000	33 712	10,0	12,05	17,35
<b>Total</b>	<b>5 884 338</b>	5 957 539	5 755 321	<b>965 760</b>	702 000	650 720	<b>10,9</b>	10,2	13,35

Calculation notes:

\* Estimated values provided for the 2012 period.

The person hours worked by employees of outsourced companies that operate and use our premises within our racecourses are not reflected in the above totals.

## Environment (continued)

### WASTE MANAGEMENT

One of the major sources of waste is horse manure which is stored in sheds, purpose built in accordance with the

requirements of the Department of Health. The removal of the manure is managed differently at each of our sites.

Location/racecourse	Method of removal	Horse manure (soiled bedding) data					
		Volume (m <sup>3</sup> per year)			Weight (t)		
		2014	2013	2012	2014	2013	2012
Turffontein	Outsourced service provider removes the manure on a weekly basis	13 920	12 720	14 400	4 640	4 240	4 800
Randjesfontein	Purchased by Culterra for processing and resale as organic fertiliser	20 562	19 725	21 400	6 854	6 575	7 133
Vaal	Outsourced service provider removes the manure on a weekly basis	13 312	12 288	15 600	4 437	4 096	5 200
Flamingo Park	Collected by independent third party for composting	1 260	2 199	1 400	420	733	466
Fairview	Removed daily at no cost to Phumelela	18 200	2 199	1 900	6 066	733	633
<b>Total</b>		<b>67 254</b>	<b>49 131</b>	<b>54 700</b>	<b>22 417</b>	<b>16 377</b>	<b>18 232</b>

Calculation note:

Data has been estimated at each of the racecourses by the amounts removed on either a daily or weekly basis.

Waste management systems across Phumelela's operations are continuously under review.

A recent initiative is the installation of drums at all sites for the collection of spent neon bulbs, which are disposed of by using specialised tube crushers that assist in reducing the environmental impact. (Tube crushers and drums are currently being used at Turffontein and Vaal Racecourses.)

Hazardous waste comes in the form of oil and diesel spillages in the workshops which are dealt with and cleaned immediately so as to avoid the contaminants flowing into storm water drains. There have been no significant spills to report.

Wet waste at Turffontein Racecourse is produced by our outsourced hospitality and corporate events catering company (Isizwe) and varies monthly according to the catering demands and number of functions. Waste separation is endorsed by Phumelela, which includes the separation of waste as per wet waste, glass, plastic, paper and metal.

Non-hazardous solid waste is sent to the Robinson Deep waste disposal facility which is a landfill site adjacent to Turffontein Racecourse. Phumelela is a member of the

Robinson Deep environmental monitoring committee and engages with the facility's management to reduce the impact that this site has on the surrounding environment. We also supply chemicals to assist with the control of odour and flies emanating from the site.

### POLYTRACK

Polytrack is regarded as one of the best synthetic racing surfaces used by the racing fraternity, offering safety benefits to horses plus environmental benefits. This surface is currently used by the larger horseracing communities including the USA, Canada, United Kingdom, Ireland, France, Singapore and Turkey.

In addition to our polytrack training track at Randjesfontein, Phumelela has installed the first polytrack racing surface in South Africa at the Fairview Racecourse at a cost of approximately R35 million.

The polytrack offers certain environmental benefits. In comparison to a conventional sand track, the polytrack is dust-free and requires less harrowing and watering, thus reducing water usage and track maintenance costs.

## Human capital

### SAFETY

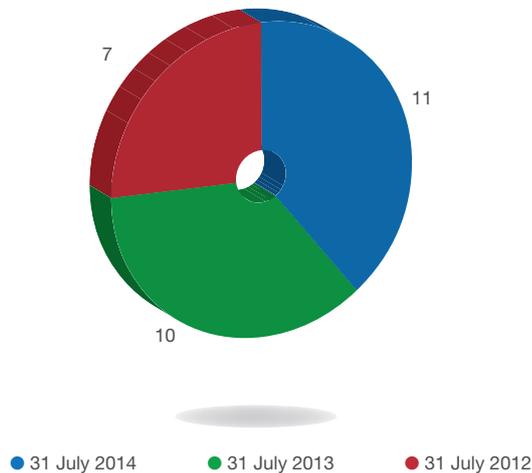
At Phumelela we are committed to conducting our business in a manner that prevents injury or illness to employees, contractors, customers and the public who may be affected by our work activities. We encourage best practice in health and safety management within this wider Phumelela community.

Employees and contractors have specific responsibilities for observing and maintaining a safe working environment, as detailed in the health and safety vision and policy. Feedback, discussion, hazard analysis, auditing and drills are used to continuously improve procedures and practices.

Employees and management are continually trained in first aid, fire marshal and SHE awareness, as well as general health and safety.

Phumelela investigates and reports all accidents, near misses and hazards. The primary index used to measure safety performance is the total recordable case frequency rate (TRCFR), which is defined as the number of recordable cases (medical treatment and lost-time injuries) hours worked for Phumelela employees and contractors.

### Injuries on duty



None of the incidents reported were classified as fatal or disabling.

### HEALTH

At Phumelela we are committed to our employees' wellbeing and believe that healthy people are vital to a healthy business and we strive to ensure that employees have access to a high level of healthcare, as well as a working environment that is not harmful to their wellbeing.

Close working relationships have been formed with service providers both in the private and public sector to provide assistance to our employees in the following areas:

- ▶ HIV/Aids awareness and education, voluntary testing, counselling and treatment.
- ▶ Financial wellbeing.
- ▶ Trauma counselling.
- ▶ Substance abuse treatment and counselling.

Medical surveillance, in line with the Occupational Health and Safety Act (OHS Act), has been introduced throughout Phumelela's operations, monitors the wellbeing of employees who might potentially be exposed to hazardous working conditions.

### EMPLOYEES

As a service company, our people are key to the success of our business. We respect and value the individuality and diversity that every employee brings to the business and seek to create a positive, open, working environment wherever we operate.

The Phumelela HR philosophy is firmly founded on the belief that the organisation will achieve its goals and objectives if it is resourced with highly competent and motivated people.

In support of this philosophy, the Company is committed to develop, sustain and communicate a corporate culture that is able to attract and retain enthusiastic, highly talented and competent people with a strong service ethic and market orientation and rewarded in line with a remuneration policy which is fair, just and equitable.

The Company objective is to create an empowered environment where continuous learning and growth, high performance and contribution are encouraged, recognised and highly valued. Phumelela does not tolerate any form of discrimination or sexual, physical, mental or other harassment of any kind toward our employees, whether from our own staff or others.

## Human capital (continued)

The Company operates in an environment of trust and as such we do not tolerate any fraudulent or dishonest behaviour by our employees, either within the Group or in dealing with other stakeholders.

Promoting diversity within our workforce remains an important pillar of our human resources principles. We

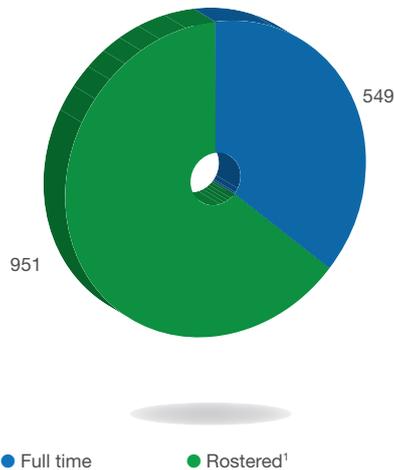
endeavour to have a balanced workforce as is reflected in the continued improvement of our employment equity score of 13,24 against 12,09 in 2013. We strive to retain and develop black talent in our operations. The total workforce as at 31 July 2014 was 1 500.

### Breakdown of employees by employee type (excluding Betting World)

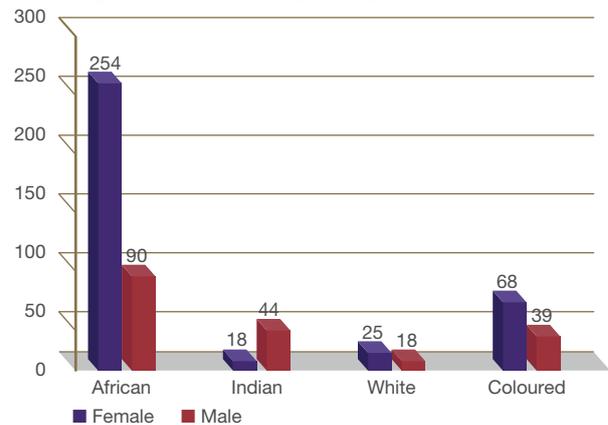
Province	2014			2012	2012	2011
	Full time	Rostered <sup>1</sup>	Total	Total	Total	Total
Gauteng	397	653	1 050	1 040	1 062	1 059
Limpopo	15	58	73	75	83	82
Mpumalanga	11	38	49	53	55	62
North West	11	50	61	61	64	74
Free State	46	62	108	103	107	107
Northern Cape	18	13	31	35	35	35
Eastern Cape	51	77	128	128	140	140
<b>Total employees</b>	<b>549</b>	<b>951</b>	<b>1 500</b>	<b>1 495</b>	<b>1 546</b>	<b>1 559</b>

<sup>1</sup> Rostered employees are employees who work in our tote betting outlets according to the roster of races being run in a particular week.

### Breakdown of employees by employee type



### Betting World employee figures 2014



### BETTING WORLD EMPLOYEE FIGURES 2013/2014

	2014			2013		
	Female	Male	Total	Female	Male	Total
African	254	90	344	192	69	261
Indian	18	44	62	28	8	36
White	25	18	43	22	15	37
Coloured	68	39	107	64	31	95
<b>Total</b>	<b>365</b>	<b>191</b>	<b>556</b>	<b>306</b>	<b>123</b>	<b>429</b>

**Total full-time workforce by employment type, race and gender**

		Male					Female					Total staff
		Black	White	Coloured	Indian	Foreign	Black	White	Coloured	Indian	Foreign	
Top management	2014	2	5	0	2	0	0	0	0	0	0	9
	2013	2	5	0	2	0	0	0	0	0	0	9
Senior management	2014	6	19	0	2	0	4	9	0	0	0	40
	2013	3	22	1	2	0	3	8		0	0	39
Professionally qualified	2014	16	28	2	3	1	16	11	2	1	0	80
	2013	19	29	2	3	1	12	10	2	0	0	78
Supervisory and technical	2014	78	20	3	4	0	149	48	17	2	0	321
	2013	75	24	3	4	0	147	51	19	3	0	326
Semi-skilled	2014	103	9	5	2	0	590	14	49	3	0	775
	2013	98	5	6	2	0	588	18	48	3	0	768
Unskilled	2014	86	3	5	0	0	180	0	1	0	0	275
	2013	90	0	3	0	0	181	0	1	0	0	275
<b>Total</b>	2014	291	84	15	13	1	939	82	69	6	0	1 500
	2013	287	85	15	13	1	931	87	70	6	0	1 495

The turnover of employees, defined as the number of the employees who leave the organisation voluntarily or due to dismissal or retirement, for 2014 decreased from 6,9% in

2013 to 2,1% in 2014. The churn rate likewise decreased from 13,6% to 4,6%.

2013 headcount	2014 turnover data		2013 turnover data	
	Number	%	Number	%
<b>Left Company</b>			1 495	
Resignations	15	1,0	59	3,9
Retirements	3	0,2	10	0,7
Dismissals	10	0,7	19	1,3
Redundancies	0	0,0	1	0,1
Other reason for leaving	4	0,2	14	0,9
<b>Total departures</b>	<b>32</b>	<b>2,1</b>	103	6,9
<b>New recruits</b>	<b>37</b>	<b>2,5</b>	100	6,7
Net turnover	5	0,3	(3)	(0,2)
Less: Category adjustment			(48)	
Churn rate	69	4,6	203	13,6
<b>Total employees</b>	<b>1 500</b>		1 495	

## Human capital (continued)

### TRAINING AND DEVELOPMENT

The organisation prides itself in providing training and development opportunities to its human resources. Our philosophy is that the training and development of employees is invariably linked to productivity and the attainment of organisational goals. It also contributes to the development of skills for the economy. Our view is that employees who have been trained and developed are generally confident and efficient workers.

In the realisation of these objectives, the organisation has embarked on an ongoing process to offer training programmes that will assist with the attainment of business, legislative compliance and individual career goals. In terms of legislative compliance, we annually submit a training skills plan and implementation report to SETA. We also annually submit a report on the recipients of training interventions to the gambling regulatory bodies. Some of the training programmes that we offer are:

- ▷ Learnerships and occupationally directed qualifications.
- ▷ IT skills.
- ▷ Management and leadership skills.
- ▷ Technical skills.
- ▷ Customer service skills.
- ▷ Health and safety.

Our organisation has formed a joint partnership with CATHSSETA to identify, research, and develop critical and scarce skills for the business and the economy. We are proud to advise that the joint partnership has immensely benefited employees within business through the skills that they have acquired from the training interventions.

### EMPLOYEE RELATIONS

The organisation's policy on employee relations is characterised by non-discrimination, fair labour practice and equity. These are the values which the organisation holds very dearly. We also recognise the employees' freedom to associate in terms of the constitution of the country. In line with the aforesaid values, employees within our organisation are affiliated to trade unions such as SACCAWU, ECCAWUSA and SATAWU. Approximately 38% of our employees are paid up members of one trade union or the other. In terms of membership affiliation, SACCAWU has the biggest membership affiliation followed by ECCAWUSA and SATAWU as the minority trade union.

We annually engage the trade unions in collective bargaining and substantive wages and conditions of employment issues on behalf of their members. A two-year wage agreement was recently concluded with SACCAWU for the 2015 and 2016 financial years. On the whole, employee relations with the trade unions are characterised by mutual respect for each other's responsibility and labour peace.

## Society

Phumelela is committed to investing in the economic development of South Africa. We are also aware of how society views us, and are dedicated to upholding our reputation and supporting responsible gambling programmes.

### SOCIO-ECONOMIC DEVELOPMENT

Phumelela aims to invest in initiatives that facilitate sustainable access to the economy for the beneficiaries; as such we invest in skills development, enterprise development and preferential procurement.

#### Skills development

Working in conjunction with the Thoroughbred Horseracing Trust, Phumelela supports three programmes to develop the skills of workriders, grooms and jockeys.

The Work Riders Training Programme provides certificated twice weekly formalised training for mainly Historically Disadvantaged South Africans (HDSAs) in exercising and schooling thoroughbred horses. Work riders who during the programme have demonstrated that they may have the talent to become jockeys are given advanced training which prepares them to ride in races.

The Gauteng Grooms School works to uplift the skills and education level of the grooms through Adult Basic Education and Training (ABET) courses in literacy and numeracy.

The Horseracing Trust sponsors the training of promising young jockeys from disadvantaged backgrounds. Their initial training is provided by the South African Jockey Academy, from where they complete their apprenticeships in their home provinces.

#### Enterprise development

Phumelela supported three enterprise development projects with the aim of helping HDSAs establish black-empowered companies in the year under review.

- Isizwe Hospitality is a catering company set up with Phumelela's assistance and located on its premises. It employs 39 people who have a 50,1% shareholding through the Batho Pele Trust.
- Tsoaranang Holdings is an IT support company that was set up with Phumelela's assistance and is located on premises provided by Phumelela. It employs 34 IT professionals, and the majority of its shares are held by HDSAs.

- Qhakazani Communications and Maintenance is a subsidiary of Tsoaranang Holdings and maintains all of the facilities at the Turffontein and Vaal racecourses. It employs 18 people and HDSAs own 33,3% of Qhakazani's share capital.

#### Enterprise development trend spend

	2014 R	2013 R
Tsoaranang	118 296	111 600
Qhakazani	228 960	216 000
Isizwe Hospitality	2 280 060	2 151 000

#### Procurement

Phumelela has adopted a procurement policy to maximise the awarding of contracts to suppliers that are controlled by entrepreneurs from previously disadvantaged groups. All large contracts are awarded by a tender committee, which evaluates proposals in terms of actual empowerment and other expected criteria.

### CORPORATE SOCIAL INVESTMENT

The aim of the initiatives through which Phumelela invests in the community is to invest in our youth and develop our communities.

#### Youth investment

Phumelela is the official sponsor of the SuperSport United Tottenham Hotspur Youth Academy (SSTHYA), a project which invests in the development of South Africa's potential soccer stars. SSTHYA provides the young players with full board and lodging and world-class football training, formal education, life skills and medical facilities, with the vision that these young players will ultimately play in the Premier Soccer League (PSL); South African Football Association's (SAFA) development structures and internationally. In addition to this, in partnership with the SSTHYA, Phumelela organises the annual "Soccer in the Community" project which includes community soccer days, coaching clinics and provision of equipment.

Phumelela contributed to the SOS Children's Villages in the Eastern Cape, North West and Limpopo provinces. The association helps to facilitate the feeding, schooling, housing, medication and in certain cases, tertiary funding of orphaned children.

The Limpopo Social Centre assists child-headed families with food parcels and has a skills programme in which orphans are taught various basic skills in order to earn a living for their families. Such skills include gardening, bead work and basic agricultural skills.

## Society (continued)

Phumelela's Annual Christmas Tree event hosts various orphanages for a day and provides them with lunch and entertainment and a small gift. The event is facilitated by various Phumelela executives and employees who assist on the day. Phumelela's commitment in uplifting these children is further demonstrated by our attempt at fulfilling various wish lists of these orphanages. Phumelela further facilitates the provision of donations from a number of independent enterprises for these orphanages which include St Laurences, Mother Theresa's, Chubby Chums, Mini Care and Helping Hand.

	2014 R	2013 R
Soccer Academy sponsorship	2 932 500	3 200 000
Community soccer project	175 000	230 500
SOS Village (Limpopo, Rustenburg and Mthatha)	479 422	631 502
Phumelela Christmas Tree	65 410	73 717

### Community development

Our community development initiatives are focused on the upliftment of the southern area of Johannesburg in which our head office and Turffontein Racecourse are located. Through our membership and financial contributions to SOJO (South of Joburg) Business and Tourism, we are able to invest in the rejuvenation and upliftment of business and tourism in the Turffontein precinct of the SOJO project. We are confident that the infrastructure development and enhancement of the area surrounding the racecourse will promote the history of one of South Africa's oldest racecourses. SOJO in conjunction with the South African Police Services and the City Council are also working to reduce crime and clean up the seven SOJO precincts. A Phumelela executive is a director on the board of SOJO representing the Turffontein precinct.

### Crime prevention

Phumelela has been a proud supporter of the mounted SAPS for over a decade. Our financial contributions have funded stabling facilities, an office complex, horse floats, motor vehicles and other crucial equipment which enable the invaluable policing and crowd control that the mounted police provide.

	2014 R	2013 R
Mounted SAPS	233 200	220 000

### Contribution towards equine interests

Phumelela is committed to the greater interest of the equine community, and as such invested in various projects that ultimately benefit previously disadvantaged individuals in the sport of horseracing and the equine community in general.

	2014 R	2013 R
Racing and Equestrian Academy	3 742 826	3 712 327
National Grooms School	290 000	254 386

### Highveld Horse Care Unit

Phumelela proudly sponsored projects in the Gauteng, Limpopo, Eastern Cape and North West provinces, with the funding primarily used for horse care initiatives that include equine education projects, providing stabling and daily care (food, water, vaccinations, deworming etc) for abandoned and/or confiscated horses as a result of investigations into cruelty towards animals.

The Highveld Horse Care Unit, founded in 1991, is the largest equine welfare organisation in the southern hemisphere and is predominantly funded by donations. Phumelela encourages the general public to support the organisations, which are in need of dire assistance. Further details can be found on their website, [www.horsecare.org.za](http://www.horsecare.org.za)

	2014 R	2013 R
Highveld Horse Care Unit	1 508 400	1 667 000

## Transformation

Phumelela is committed to transformation and continues to make progress through broad-based black economic empowerment as described in the Codes of Good Practice. We have achieved an “AAA level 2 contributor” status with a total B-BBEE score of 85,08. Phumelela have made a notable improvement in respect of management and control, employment equity and skills development and continue to target these aspects.

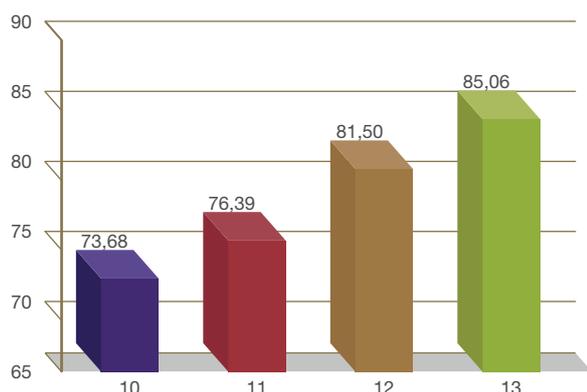
Phumelela has made great strides in B-BBEE, ranking 20th in a survey of the Most Empowered Companies 2014 in South Africa. Phumelela is ranked as the third best empowered travel and leisure company in the country.

Phumelela is fully committed to transformation and has adopted a transformation charter and the social and ethics committee guides the process of compliance with various licence conditions on the empowerment of previously disadvantaged communities and employment equity. The charter and the process that emanate will ensure that appropriate strategies, policies and processes are in place to drive transformation, and that the Company strategy incorporates broad-based black economic empowerment (B-BBEE) requirements as described in the Department of Trade and Industry’s generic scorecard and associated Codes of Good Practice.

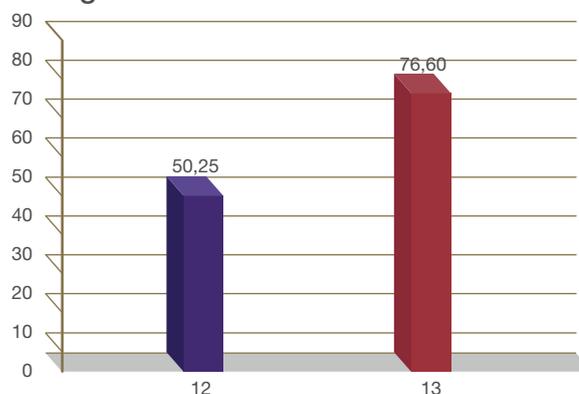
Transformation category	B-BBEE score target	2013 Score	2012 Score
Ownership	20	17,66	17,68
Management	10	5,84	5,32
Employment equity	15	13,24	12,09
Skills development	15	11,55	7,73
Preferential procurement	20	16,79	18,68
Enterprise development	15	15,00	15,00
Socio-economic development	5	5,00	5,00
Overall	100	85,08	81,50

Empowerdex – Economic Empowerment Rating Agency

### B-BBEE score



### Betting World’s B-BBEE status



### Betting World

Betting World (Pty) Limited, a wholly owned subsidiary of Phumelela have made impressive strides with their B-BBEE status, achieving an “AA level 3 status contributor” status from a previous level 6, with a score of 76,60. The improvements were noticeably made in management and control, employment equity, skills development, enterprise development and socio-economic development. This improvement is in line with Phumelela’s transformation strategy to obtain a level 2 status by 2015.

### PRODUCT RESPONSIBILITY

Phumelela’s operations include horseracing, betting and media operations. Our media operations support our betting products. We adhere to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion and sponsorship.

Phumelela is aware of its responsibility to its customers and is committed to enabling informed betting. This commitment to responsible gambling is not only driven by increased political and consumer awareness, but through commitment to our customers and fostering a relationship of care and trust with them. 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 (SAACREG), which funds the South African National Responsible Gambling Programme (NRGP).

The NRGP is communicated to our customers in all betting outlets (branches, agents and on-course), through posters and the supply of information leaflets in all of these premises, thus increasing visibility and public awareness of responsible gambling.

The NRGP runs training courses which are attended by Phumelela branch, agency and telebet centre employees.

## Transformation (continued)

### PRODUCT RESPONSIBILITY

		2014 R	2013 R
Gambling awareness	South African Responsible Gambling Foundation (SARGF)	677 145	786 090

### COMMITMENT TO EXTERNAL INITIATIVES

Phumelela is a member of a variety of external initiatives as part of its commitment to good corporate citizenship:

External Initiative	Level of commitment
SA Responsible Gambling Trust (SARGT) – a public/private sector partnership accountable to the SA Advisory Council on Responsible Gambling (SAACREG)	Member
South African National Responsible Gambling Programme (NRGP) – committed to providing informed betting	Financial contribution each month
National Horseracing Authority (NHRA) – the NHRA ensures that thoroughbred horseracing is provided with a competent and efficient control and monitoring service	Phumelela appoints a director to the Board
SOJO (South of Joburg) Business and Tourism – an association for the upliftment of facilities and the establishment of employment opportunities in the south of Johannesburg	Member



