



Phumelela Gaming

Phumelela Gaming and Leisure Limited



Sustainability report 2015

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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.

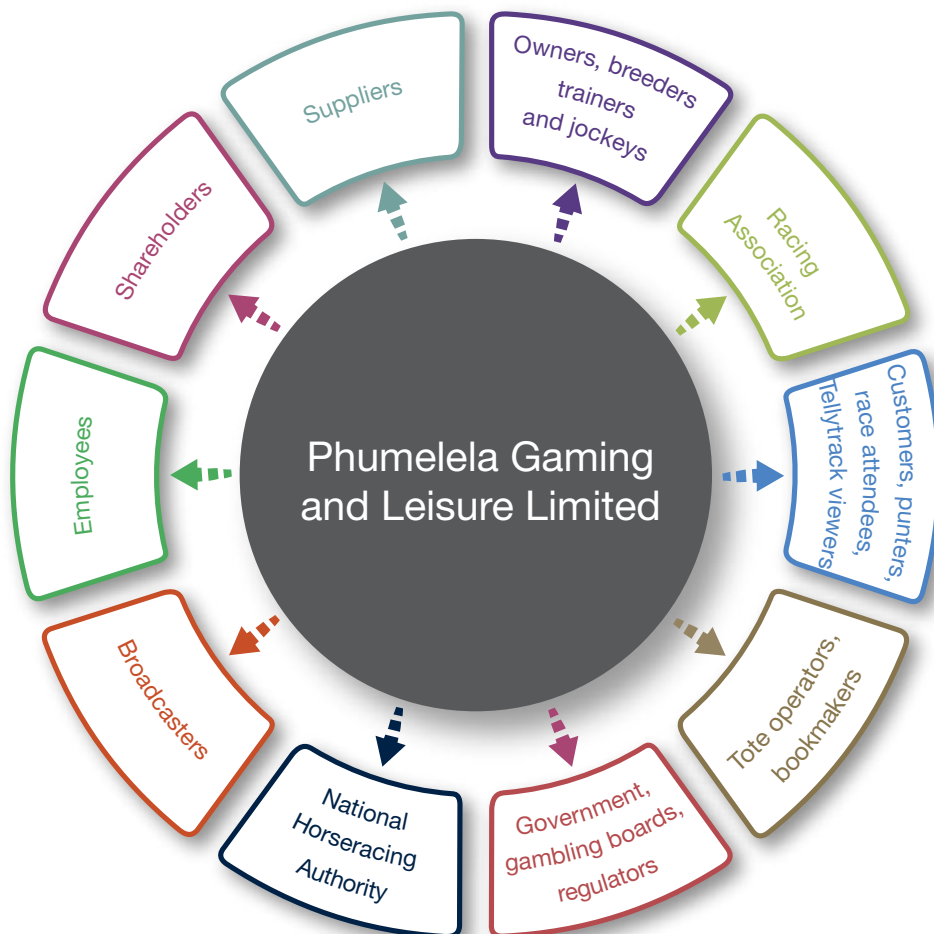
Our broad range of stakeholders is both internal and external and can be defined as those parties who are invested in Phumelela (our employees, shareholders, suppliers, owners, trainers and jockeys) and those who have interests in our operations (regulators, communities, unions, customers); all of whom 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:



Key stakeholder	Overview of interaction
<p>Shareholders and the investor community</p>	<ul style="list-style-type: none"> ▷ Shareholders and members of the investor community are invited to attend biannual 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. ▷ Of particular interest is Phumelela's international initiatives, fixed odds operations and sports betting developments.
<p>Owners, trainers and jockeys</p>	<ul style="list-style-type: none"> ▷ 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. ▷ 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. ▷ Trainer representative committees are established at each racing/training venue. Regular meetings are scheduled to discuss the condition of training tracks, facilities and racetracks among other matters. ▷ The South African Jockey Academy regularly engages with Phumelela to ensure the provision of training for prospective jockeys. ▷ 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. ▷ The programming committee is tasked with the production of race programmes that meet the needs of owners and trainers.
<p>The Thoroughbred Horseracing Trust (TBHRT)</p>	<ul style="list-style-type: none"> ▷ 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.
<p>Customers</p>	<ul style="list-style-type: none"> ▷ 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. Phumelela has a dedicated customer care department, which facilitates the needs of its customers. ▷ Customer service is a key focus area for training and development for branch outlets and call centre staff. ▷ To provide more information to punters, personal computers and printers are supplied in certain branches; Sports Express magazines are supplied in certain outlets or printed in outlets where there is no delivery; information display TVs for sport have been introduced in certain outlets; information is also provided online via the websites www.phumelela.com and www.tabonline.co.za; and on the mobile platform www.tabsa.mobi. ▷ Phumelela continues to focus on upgrading its outlets for the benefit of its customers. ▷ Collaboration with the National Responsible Gambling Programme (NRGP) takes place to increase visibility and public awareness of responsible gambling and staff continue to receive training to identify and assist problem gamblers.

STAKEHOLDER RELATIONS AND ENGAGEMENT continued

Key stakeholder	Overview of interaction
Employees and their families	<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"> • 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. Monthly help desk sessions are being hosted by medical aids to assist staff with their claim experiences and queries. • 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. • Retirement options: Pension fund administrators and human resources personnel meet quarterly regarding retirement options. • 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. • 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.
Communities	<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 & Tourism 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.</p> <p>▷ Phumelela supports the Eastern Cape informal racing initiative.</p>
Suppliers	<p>▷ Phumelela aims to support local industry suppliers which are engaged through our procurement manager in terms of operational requirements.</p> <p>▷ Phumelela gives preference to empowerment rated suppliers, requesting the relevant certification from potential suppliers. Phumelela's procurement scoring reflects its commitment to transformation.</p>

Key stakeholder	Overview of interaction
<p>Unions and other employee representative forums</p>	<ul style="list-style-type: none"> ▷ Approximately 36% of the permanent workforce has trade union membership, with the majority belonging to the South African Catering and Allied Workers' Union (SACCAWU) 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. ▷ 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. ▷ 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. ▷ 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. ▷ The Skills Development Act has resulted in the creation of a training forum that meets biannually to approve the Company's skills development plan and reports.
<p>Provincial gambling boards</p>	<ul style="list-style-type: none"> ▷ Phumelela continues to engage appropriate bodies of provincial gambling boards in order to ensure that compliance matters relating to approval of new outlets, licences, taxes and regulations are met. ▷ The risk and compliance department ensure, inter alia, that regulatory licences are renewed timeously. ▷ Phumelela has successfully achieved level 2 B-BBEE contributor status two years ahead of the 2015 deadline. We're currently ranked eight on the Empowerdex Top 10 JSE Companies for 2015, and second in the travel and leisure industry. The Company continues to focus on improving its B-BBEE scorecard.
<p>Business partners</p>	<ul style="list-style-type: none"> ▷ 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.
<p>Operators (Gold Circle and Kenilworth Racing)</p>	<ul style="list-style-type: none"> ▷ Gold Circle conducts racing and totalisator betting in KwaZulu-Natal and Kenilworth Racing conducts racing and totalisator betting in the Western Cape. ▷ 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 in the short to medium term. ▷ The programming committee ensures that annual race programmes are coordinated and optimally scheduled.
<p>Bookmakers</p>	<ul style="list-style-type: none"> ▷ 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.

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 four racecourses and one dedicated training centre 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.

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

A tip dumping site also contributes to the high usage of water because of the elevation of cleaning of dust on the facility. Vaal Racecourse looks after the smothering of the burning pit on the vacant stand next to the racecourse entrance.

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

The Company’s continued 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 sprinkler system at Randjesfontein Training Centre to support efficient water usage.

Location / Racecourse	Main water sources	Potable Water consumption (m³)		
		2015	2014	2013
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	319 762	302 735	235 709
Randjesfontein Training Centre (Midrand)	Potable municipal water supplies in offices; racecourse dam 130 000 cubic metres	224 768	199 213	241 060
Vaal (Vereeniging)	Potable municipal water supplies in offices; three reservoirs and raw river water usage	72 005	77 031	76 405
Flamingo Park (Kimberley)	Potable municipal water supplies in offices; racecourse dam 10 000 cubic metres	No municipal water		
Arlington (Port Elizabeth)	Potable municipal water supplies in offices; boreholes	3 878	6 427	34 216
Fairview (Port Elizabeth)	Potable municipal water supplies in offices; recycled water from a sewerage plant to water the tracks; boreholes; dams	51 610	67 266	31 378
Total		672 023	652 672	618 768

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. The 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 used 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, that monitors sound levels.

Location / Racecourse	Diesel and petrol consumption (ℓ) (data from transportation, maintenance vehicles and generators)								
	Litres			Person hours worked			Litres per person hours worked		
	2015	2014	2013	2015	2014	2013	2015	2014	2013
Turffontein	170 972	202 692	204 783	902 016	743 040	447 120	0,19	0,27	0,45
Randjesfontein	55 977	49 060	74 306	55 680	49 920	58 320	1,0	0,98	1,27
Vaal	157 293	155 004	150 904	53 824	67 200	69 120	2,9	2,30	2,18
Flamingo Park	26 454	33 209	36 700	33 408	28 800	34 560	0,79	1,15	1,06
Arlington (closed – no operations)	0	2 718	13 527	0	9 600	38 880	0	0,28	0,34
Fairview	45 380	44 585	36 209	55 680	67 200	54 000	0,81	0,66	0,67
Total	456 076	487 268	516 429	1 100 608	965 760	702 000	0,94	0,94	0,99

Calculation note:

* The total litres per person hours worked has been divided by the number of racecourses above, being six.

Electricity consumption

Indirect energy consumption comes from our electricity usage. An energy saving programme currently exists with the replacement of certain electrical fittings and installation of energy saving light bulbs being an ongoing project.

The energy saving electricity project that has been implemented bears fruits as there is a decline in electrical usage and the load shedding effect may have played a part during the winter season.

Racecourse	kWh			Person hours worked (annually)			kWh per person hours worked		
	2015	2014	2013	2015	2014	2013	2015	2014	2013
Turffontein	2 295 859	2 551 728	2 681 325	902 016	743 040	447 120	2,54	3,43	5,99
Randjesfontein	601 389	627 485	647 629	55 680	49 920	58 320	10,8	12,5	11,10
Vaal	1 658 554	1 703 626	1 690 344	53 824	67 200	69 120	30,8	25,3	24,45
Flamingo Park	375 169	275 093	209 276	33 408	28 800	34 560	11,2	9,55	6,05
Arlington	11 872	48 207	77 476	0	9 600	38 880	0	5,02	1,99
Fairview	689 829	678 199	651 089	55 680	67 200	54 000	12,3	10,0	12,05
Total	5 632 672	5 884 338	5 957 539	1 100 608	965 760	702 000	11,2	10,9	10,2

Calculation notes:

* Estimated values have been used for the three-year 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. The total kWh per person hours worked has been divided by the number of racecourses above, being six.

WASTE MANAGEMENT

One of the major sources of waste from our racecourses is the large amount of horse manure that is produced. All horse manure removed from our stables is stored in

manure sheds 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 ³ per year)			Weight (t)		
		2015	2014	2013	2015	2014	2013
Turffontein	Removal of manure is done in-house.	13 950	13 920	12 720	4 650	4 640	4 240
Randjesfontein	The waste is removed daily, at no cost to Phumelela.	16 690	20 562	19 725	5 563	6 854	6 575
Vaal	Outsourced service provider removes the manure on a weekly basis.	13 312	13 312	12 288	4 437	4 437	4 096
Flamingo Park	Removal of manure is done in-house.	1 460	1 260	2 199	486	420	733
Fairview	Removed daily, at no cost to Phumelela.	18 200	18 200	2199	6 066	6 066	733
Total		63 612	67 254	49 131	21 202	22 417	1 633

Calculation notes:

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

Waste management systems are in place to further improve our processes. One initiative that has been implemented effectively at Turffontein Racecourse is the recycling of the waste generated in the premises.

Maintenance of the diesel tanks is done once every six months to ensure quality of the product and for effective use of the tanks. There have been no significant spills to report.

Wet waste at Turffontein racecourse is produced by our outsourced catering company (Isizwe) and varies monthly according to the catering demands and number of functions. Waste separation is currently being 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 odours and flies emanating from the site.

SAND TRACK

The sand track at the Vaal will be replaced with a turf surface. The track requires copious volumes of water that are currently freely available from the Vaal River, however, that may not be the case in years to come.

GROOMS QUARTERS

All efforts are being made to facilitate healthier, safer and environmentally friendly facilities for the tenants living in the grooms' accommodation. In the current financial year, Phumelela spent approximately R800 000 in the Western Cape and approximately R700 000 in Gauteng improving the grooms' accommodation.

HUMAN CAPITAL

SAFETY

As the largest horseracing company in Africa we bring a healthier, safer and environmentally friendly horseracing experience to our employees and customers. We are committed to ensuring that the health and safety of our employees, including our customers, is one of our highest priorities. We remain focused on our long-term objective of “zero accidents”. With this objective in mind, we work hard to continuously improve our health and safety performance.

Behaviour-based safety training

We insist on strict compliance with our health, safety and environment (HSE) policy. Therefore, HSE Committee meetings are held regularly at all racing sites to address any deviations that arise at our workplaces.

Accident status

In 2014, 11 occupational accidents were recorded, which were not of serious nature (disabling injuries) and in 2015, nine occupational accidents were recorded which were also not of serious nature indicating some improvement in reducing the number of accidents.

To prevent similar accidents from occurring in future, training of employees in respect of HSE awareness was conducted. Other health and safety training courses such as general machinery regulations, first aid training, fire-fighting, and legal liability for new managers and executives were conducted during the mid-financial year.

HEALTH AND WELLNESS

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 health care, 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 well-being.
- ▷ Trauma counselling.
- ▷ Substance abuse treatment and counselling.

In order to maintain the high levels of productivity from employees affected by life's growing demands, we have taken operational measures to maintain mental health by offering support to employees in the form of counselling. Affected employees have the opportunity to seek advice from their line managers on the subjects of time, stress, and conflict management. This also helps our employees to improve the balance between work and leisure and to reduce workplace-related stress factors.

Statistics on staff referred for external counselling/psychological assistance for the 2014/2015 financial year as follows:

- ▷ Number of cases for period under review: 18
- ▷ Work related cases: nine
- ▷ Referred to other practitioners: General practitioner (two)
Psychiatrist (three)
- ▷ Referral issues: Trauma counselling
Difficulty to handle conflict
Substance dependency
Time management
Personal finance management
Personal childhood trauma
Parental guidance.

During August 2014 Phumelela, in partnership with OCSA, launched an Employee Health Clinic at Turffontein Racecourse, operating one day per week. The clinic was introduced in order to provide basic primary health services and awareness as well as to provide medical surveillance to monitor the well-being of employees who might potentially be exposed to hazardous working conditions.

Ongoing health education is given to all employees that attend the clinic on an individual basis. Monthly electronic Health Bytes are sent out and are in line with the World Health Calendar events. Updates on current and arising situations such as the ebola crisis and any other urgent information are supplied frequently to keep the Company up to date and assist in travel plans and risk reduction.

HUMAN CAPITAL continued

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's 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.

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. Phumelela's success is driven by each of the 1 518 people we employ. We believe that better business decisions – and stronger business performance – are driven by groups of competent, high-calibre individuals with a mix of skills, experience and backgrounds.

Breakdown of employees by employee type (excluding Betting World)

Province	2015			2014	2013	2012
	Full time	Rostered ¹	Total	Total	Total	Total
Gauteng	404	665	1 069	1 056	1 040	1 062
Limpopo	17	61	78	73	75	83
Mpumalanga	10	42	52	49	53	55
North West	11	55	66	61	61	64
Free State	47	60	107	108	103	107
Northern Cape	18	13	31	31	35	35
Eastern Cape	45	70	115	122	128	140
Total employees	552	966	1 518	1 500	1 495	1 546

¹ Rostered employees are employees who work in our outlets according to the roster of races being run in a particular week.

		Total permanent workforce by employment type, race and gender										Total staff	
		MALE					FEMALE						
		Black	White	Coloured	Indian	Foreign	Black	White	Coloured	Indian	Foreign		
Top Management	2015	2	7	0	2	0	1	0	0	0	0	0	12
	2014	2	5	0	2	0	0	0	0	0	0	0	9
Senior Management	2015	7	18	0	2	0	3	8	0	0	0	0	38
	2014	6	19	0	2	0	4	9	0	0	0	0	40
Professionally Qualified	2015	20	26	2	3	1	13	10	3	2	0	0	80
	2014	16	28	2	3	1	16	11	2	1	0	0	80
Supervisory and Technical	2015	75	18	2	5	0	155	47	17	1	0	0	320
	2014	78	20	3	4	0	149	48	17	2	0	0	321
Semi-skilled	2015	106	5	5	2	0	603	13	46	4			784
	2014	103	9	5	2	0	590	14	49	3	0	0	775
Unskilled	2015	82	2	5	0	0	193	0	2	0	0	0	284
	2014	86	3	5	0	0	180	0	1	0	0	0	275
Temporary	2015	0	0	0	0	0	0	0	0	0	0	0	0
	2014	0	0	0	0	0	0	0	0	0	0	0	0
Total	2015	292	76	14	14	1	968	78	68	7	0	0	1 518
	2014	291	84	15	13	1	939	82	69	6	0	0	1 500

The turnover of employees, defined as the number of the employees who leave the organisation voluntarily or due to dismissal or retirement, for 2015 increased from 2,1% in

2014 to 7,3% in 2015. The churn rate likewise increased from 4,6% to 15,8%.

Headcount	2015 Turnover data		2014 Turnover data		2013 Turnover data	
	1 518		1 500		1 495	
Terminations	Number	%	Number	%	Number	%
Resignations	42	2,7	15	1,0	59	3,9
Retirements	17	1,2	3	0,2	10	0,7
Dismissals	29	1,9	10	0,7	19	1,3
Redundancies	3	0,2	0	0,0	1	0,1
Other reason for leaving	20	1,3	4	0,2	14	0,9
Total terminations	111	7,3	32	2,1	103	6,9
New recruits	129	8,5	37	2,5	100	6,7
Net turnover	18	1,2	5	0,3	(3)	(0,2)
Churn rate	240	15,8	69	4,6	203	13,6

TRAINING AND DEVELOPMENT

We believe that there is an inherent link between productivity and training and development opportunities offered by the organisation. In that regard, we offer a wide range of training programmes to staff. The programmes offered are aimed at assisting with attaining organisational goals and objectives and legislative compliance. By implementing training programmes, the organisation contributes to the skills of the country's economy and individual career aspirations. Our philosophy is that employees who have been trained and developed are generally competent and efficient workers.

In terms of legislative compliance, we submit a skills plan to SETA which we report on annually. The training and development interventions offered also contribute to the B-BBEE scorecard elements. We have a dedicated budget for programmes to address areas such as:

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

Where required, the training programmes offered assess employees for their competency. This assists the training beneficiaries with acquiring full qualifications and/or part qualification – thereby ensuring skills portability.

EMPLOYEE RELATIONS

Underpinning the organisation's policy on employee relations are values like fair labour practice, non-discrimination and equal treatment of all employees. These values are held in high regard by management within the organisation. We also recognise the employees' freedom to associate in terms of the constitution of the country. In that regard, there are approximately 36% staff members who are paid up members of various trade unions.

Our relationship with trade unions is characterised by mutual respect and labour peace. Trade Unions recognised by the organisation are SACCAWU, ECCAWUSA and SATAWU. In terms of membership affiliation, SACCAWU has the biggest membership followed by ECCAWUSA, and SATAWU as the minority trade union.

We annually engage the trade unions in collective bargaining, substantive wages and issues relating to conditions of employment on behalf of their members. A two-year wage agreement concluded with SACCAWU will expire in July 2016.

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.

SOCIOECONOMIC 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 work riders, 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

	2015 R	2014 R
Tsoaranang	125 394	118 296
Qhakazani	242 698	228 960
Isizwe Hospitality	2 416 864	2 280 060

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.

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.

	2015 R	2014 R
Soccer Academy sponsorship	3 157 895	2 932 500
Community soccer project	175 000	175 000
SOS Village (Limpopo, Rustenburg and Mthatha)	522 190	475 000
Phumelela Christmas Tree	75 000	65 410

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 & 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.

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.

	2015 R	2014 R
Racing and Equestrian Academy	4 054 729	3 742 826
National Grooms School	290 000	290 000
Eastern Cape Informal Racing (2015 initiative)	300 000	–

Highveld Horse Care Unit

Phumelela proudly sponsored projects in the Limpopo, Eastern Cape, North West, Free State, Mpumalanga, and Northern Cape 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

	2015 R	2014 R
Highveld Horse Care Unit	1 055 205	1 520 000



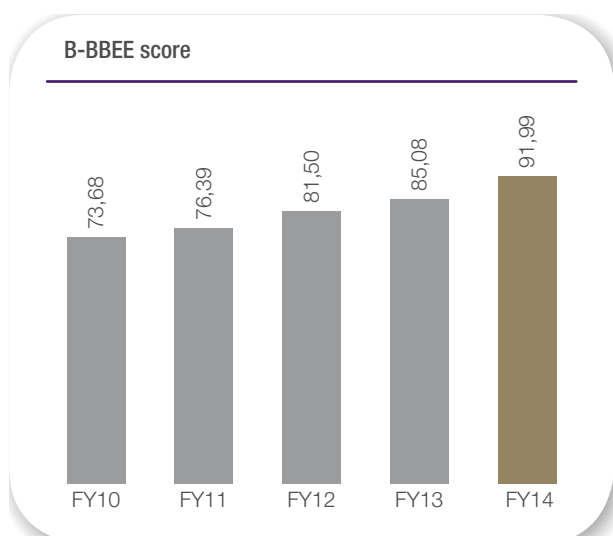
TRANSFORMATION

Phumelela is continuing to make great strides through its broad-based black economic empowerment (B-BBEE) initiatives as described in the Codes of Good Practice and is currently ranked eight on the Empowerdex Top 10 JSE Companies for 2015, and second in the travel and leisure industry.

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 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	2014/2015	2013/2014 Score
Ownership	20	17,68	17,66
Management control	10	6,80	5,84
Employment equity	15	13,74	13,24
Skills development	15	14,13	11,55
Preferential procurement	20	19,64	16,79
Enterprise development	15	15,00	15,00
Socioeconomic development	5	5,00	5,00
Overall	100	91,99	85,08

Empowerdex – Economic Empowerment Rating Agency



The BEE transformational environment has become progressively more demanding, following promulgation of the Revised Codes of Good Practice (the codes) by the

Minister of Trade and Industry on 11 October 2013 which came into effect on 1 May 2015. The release of the codes symbolises a new beginning in the reorientation of the transformation policy to address the issue of fronting and focus more on productive B-BBEE and the growth of black entrepreneurs through enterprise and supplier development elements. Phumelela remains committed to building on its solid empowerment credentials by aligning its transformation strategy to the revised codes.

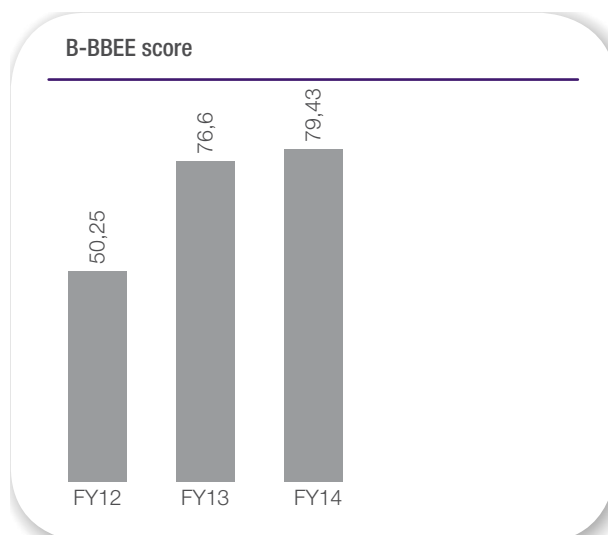
Betting World

Betting World (Pty) Limited, a wholly owned subsidiary of Phumelela, continued to make good progress with their B-BBEE status, repeating their achievement of an "AA level 3 status contributor" improving on the score of 76,60 for the prior year to 79,43, with impressive improvements in skills development, enterprise development and socioeconomic development contributing to this growth.

The implementation of the 2013 Revised Codes of Good Practice will have a major impact on Betting World's transformation strategy. A strategic plan has been formulated to align this strategy with the Revised Codes.

Transformation category	B-BBEE		
	Score target	2014/2015	2013/2014
Ownership	20	17,66	17,68
management control	10	7,12	7,70
Employment equity	15	8,70	8,62
Skills development	15	9,35	8,52
Preferential procurement	20	16,60	18,35
Enterprise development	15	15,00	11,42
Socioeconomic development	5	5,00	4,31
Overall	100	79,43	76,60

Empowerdex – Economic Empowerment Rating Agency



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

Product responsibility

		2015 R	2014 R
Gambling awareness	South African Responsible Gambling Foundation (SARGF)	815 633	677 145

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 South African Advisory Council on Responsible Gambling (SAACREG)	Member
South African National Responsible Gambling Programme (NRGP) – committed to providing public awareness of responsible gambling	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 & Tourism – an association for the upliftment of facilities and the establishment of employment opportunities in the south of Johannesburg	Member



www.phumelela.com