

## Application of King III Principles

Principle	Status	Application
<b>1. Ethical leadership and corporate citizenship</b>		
1.1 The Board should provide effective leadership based on an ethical foundation.	Applied	The ethical character and morals of the Group are set by the Board and flows through to management, who are tasked to lead by example and to entrench these ethical standards throughout the Group. A formal code of ethics has been adopted and is underpinned by supporting policies which include the Group's conflicts of interest and independence policies. The Group through its Social and Ethics committee endeavors to ensure that its ethical tone is shared and implemented by its contracted hotel operators.
1.2 The Board should ensure that the company is and is seen to be a responsible corporate citizen.	Applied	The Group through its Social and Ethics committee aims to act responsibly in the societies in which it operates. The Group invests in its staff and in the communities in which it functions. Focus has been placed on reducing the impact of the Group on natural resources with the implementation of water and energy saving programs across its property portfolio. Communication with its stakeholders is open and honest and without prejudice and is supported by a disclosure of information policy.
1.3 The Board should ensure that the company's ethics are managed effectively	Applied	The social and ethics committee together with management is tasked with overseeing the Group's ethics effectively. Whistle blowing procedures are in place at Group and hotel operator levels.

<b>Boards and directors</b>		
2.1 The Board should act as the focal point for and custodian of corporate governance	Applied	The Board is responsible for corporate governance. Annually, a high level overview is undertaken of the Group's governance as part of the annual external audit.
2.2 The Board should appreciate that strategy, risk, performance and sustainability are inseparable.	Applied	The Board control the Group and provides strong leadership and strategic direction, with the purpose that the fulfilment of its strategies will create sustainable results for the Group and its stakeholders. Sustainability matters of the Group and their major service providers are considered by the Board.
2.3 The Board should provide effective leadership based on an ethical foundation.	Applied	See principle 1.1

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2.4 The Board should ensure that the company is and is seen to be a responsible corporate citizen.	Applied	See principle 1.2
2.5 The Board should ensure that the company's ethics are managed effectively.	Applied	See principle 1.2 and 1.3
2.6 The Board should ensure that the company has an effective and independent audit committee.	Applied	The Board has performed an annual assessment of the performance of the audit committee and its chairman. The report of the audit committee can be found in the integrated annual report and confirms that the committee has fulfilled its duties as set out in the Companies Act, its terms of reference and King III.
2.7 The Board should be responsible for the governance of risk	Applied	Key risk areas have been identified by the Board. These risks are assessed and revised as the Group's strategy and the economic and business environment in which it operates change. Management is responsible for constant monitoring of risks and for the implementation of processes to manage risks.
2.8 The Board should be responsible for information technology governance.	Partially applied	The Audit and Risk committee oversees the governance of information technology as part of its monitoring of the Group's risk framework. Due to the hotels being in possession of extensive customer information, policies and procedures have been implemented to protect this data. Management is responsible for the monitoring of information technology governance at hotel and head office level and report back to the audit committee on this. Reporting on information technology governance to the audit committee requires further refinement.
2.9 The Board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards	Partially applied	The Group's Audit and Risk committee assists the Board in ensuring compliance with applicable laws and regulations. Although the Group has no dedicated compliance function, each department takes responsibility for ensuring compliance with relevant laws, codes and standards. Reporting to the Board requires further refinement.
2.10 The Board should ensure that there is an effective risk-based internal audit	Partially applied	Internal audit functions have been implemented at hotels and are monitored by management and reported on at least twice a year to the Audit and Risk committee.
2.11 The Board should appreciate that stakeholders' perceptions affect the company's reputation	Applied	The disclosure around stakeholder communication will be further developed in 2014.

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2.12 The Board should ensure the integrity of the company's integrated report	Applied	The Board reviews and approves the integrated report.
2.13 The Board should report on the effectiveness of the company's system of internal controls	Partially applied	The Board is comfortable that internal controls are in place. At this point in time no written independent assessment of internal controls are obtained.
2.14 The Board and its directors should act in the best interests of the company.	Applied	Directors act within the company's terms of reference and code of ethics. The Company Secretary ensures that the directors are aware of their fiduciary duties. Directors declare any conflicts of interest they may have in any particular transaction and/or decision and are recuse from all discussions and involvement pertaining to such transactions and / or decisions. Directors may only deal in the company's securities in accordance with the Group's share dealing policy and directors' independence is assessed annually.
2.15 The Board should consider business rescue proceedings or other turnaround mechanisms as soon as the company is financially distressed as defined in the Companies Act	Applied	(Refer principle 2.14). The Audit and Risk committee and Board monitor the solvency and liquidity and going concern status of the Group quarterly. Management constantly monitors debtor levels and report thereon quarterly to the Audit and Risk committee. The Group has to remain within specific financial covenants in terms of facility agreements in place with its bankers. Management constantly monitors risks and report thereon to the Audit and Risk committee. The Audit and Risk committee reports quarterly to the Board.
2.16 The Board should elect a chairman of the Board who is an independent non-executive director. The CEO of the company should not also fulfill the role of chairman of the Board	Applied	The Chairman and CEO are separate individuals. The Board has appointed a Lead Independent Director.
2.17 The Board should appoint the chief executive officer and establish a framework for the delegation of authority	Applied	The chief executive officer has been appointed by the Board.
2.18 The Board should comprise a balance of power, with a majority of non-executive directors. The majority of non-executive directors should be independent.	Applied	(Refer to the Integrated Report, for the Board composition. The majority of the non-executive directors are independent.)
2.19 Directors should be appointed through a formal process	Applied	The Board appoints directors on recommendation and review of the Nomco.
2.20 The induction and ongoing training and development of directors should be conducted through formal processes	Applied	Training is continuously made available to directors on changing legislation and areas in which they require training.
2.21 The Board should be assisted by a competent, suitably qualified and experienced company secretary	Applied	The competence of the Company Secretary is assessed annually.
2.22 The evaluation of the Board, its committees and the individual directors should be performed every year	Applied	Assessments of the Board, its committees and individual directors take place annually.

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2.23 The Board should delegate certain functions to well-structured committees but without abdicating its own responsibilities	Applied	The Board and Committee compositions are set out in the integrated annual report. Certain functions are delegated to the Board committees.
2.24 A governance framework should be agreed between the Group and its subsidiary Boards	Applied	The same governance structure has been adopted by each of the Hospitality group of companies.
2.25 Companies should remunerate directors and executives fairly and responsibly	Applied	The Remuneration Committee reports to the Board on the remuneration policy and its implementation at least annually.
2.26 Companies should disclose the remuneration of each individual director and certain senior executives	Applied	The remuneration of each individual director and any prescribed officer is disclosed in this integrated report.
2.27 Shareholders should approve the company's remuneration policy	Applied	The Group's remuneration policy is proposed to shareholders for a non-binding advisory vote at the AGM. The Group's remuneration policy was endorsed by shareholders at its prior AGM.

Audit Committees		
3.1 The Board should ensure that the company has an effective and independent audit committee	Applied	See principle 2.6
3.2 Audit committee members should be suitably skilled and experienced independent non-executive directors	Applied	The audit committee comprises four independent non-executive directors. The members of the Audit and Risk committee collectively has a good understanding of integrated reporting, internal financial controls, the external and internal audit process, corporate law, risk management, sustainability issues, information technology governance and the governance processes within the Group.
3.3 The audit committee should be chaired by an independent non-executive director	Applied	The audit committee chairman is an independent non-executive director.
3.4 The audit committee should oversee integrated reporting	Applied	The Audit and Risk committee reviews the content of the integrated report and oversees the integrated reporting process.
3.5 The audit committee should ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities	Partially applied	There are a number of internal and external assurance providers to the Group. Formalising of the reporting thereon to the Audit and Risk Committee will be expanded on during 2014.
3.6 The audit committee should satisfy itself of the expertise, resources and experience of the company's finance function.	Applied	The financial director and the finance function is assessed by the Audit and Risk Committee annually.
3.7 The audit committee should be responsible for overseeing of internal audit	Partially Applied	See principle 2.10 The Audit and Risk committee oversees internal audit and report thereon to the Board. The Audit and Risk committee receives regular updates and reviews the outcome of the internal audits of its hotel operations.
3.8 The audit committee should be an integral component of the risk management process	Applied	See principle 2.2

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3.9 The audit committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process	Applied	The Audit and Risk Committee recommends the appointment of the external audit annually to shareholders at the AGM. The Committee oversees this function.
3.10 The audit committee should report to the Board and shareholders on how it has discharged its duties	Applied	The report of the Audit and Risk Committee on how it has discharged its duties is contained in the integrated report.

<b>The governance of risk</b>		
4.1 The Board should be responsible for the governance of risk	Applied	See principle 2.7
4.2 The Board should determine the levels of risk tolerance	Partially Applied	See principle 2.2 Levels of risk appetite and tolerance are set by the Board on recommendation of the Audit and Risk Committee.
4.3 The Risk and Audit committee should assist the Board in carrying out its risk responsibilities	Applied	See principle 2.2
4.4 The Board should delegate to management the responsibility to design, implement and monitor the risk management plan	Applied	The risk management plan has been designed and implemented and is constantly monitored by management. The process is monitored by the audit committee and reported to the Board.
4.5 The Board should ensure that risk assessments are performed on a continual basis	Applied	See principle 2.7
4.6 The Board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks	Applied	See principles 2.2 and 2.7
4.7 The Board should ensure that management considers and implements appropriate risk responses	Applied	Appropriate risk responses have been implemented. A full risk report is contained in the integrated report.
4.8 The Board should ensure continual risk monitoring by management	Applied	Management reports to the Audit and Risk Committee bi-annually on risk monitoring.
4.9 The Board should receive assurance regarding the effectiveness of the risk management process	Partially Applied	See principle 2.7. Currently not dedicated process to gain assurance on the risk management process has been implemented. The Board is comfortable with the risk management process and that risks are properly addressed.
4.10 The Board should ensure that there are processes in place enabling complete, timely, accurate and accessible risk disclosure to stakeholders	Applied	Risks are disclosed fully to shareholders in the integrated report.

<b>The governance of information technology</b>		
5.1 The Board should be responsible for information technology (IT) governance	Applied	See principle 2.8
5.2 IT should be aligned with the performance and sustainability objectives of the company	Applied	See principle 2.8
5.3 The Board should delegate to management the responsibility for the implementation of an IT governance framework	Applied	See principle 2.8

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5.4 The Board should monitor and evaluate significant IT investments and expenditure	Applied	Significant capital expenditure, which has not been approved as part of the annual budget would be tabled for Board approval prior to implementation.
5.5 IT should form an integral part of the company's risk management	Applied	Information technology is addressed and managed as part of the risk and management process throughout the Group.
5.6 The Board should ensure that information assets are managed effectively	Applied	Security of information is strictly managed at hotel level. An integrated Information and Communications Technology platform has been implemented across all the hotels. The systems are audited quarterly and the findings are reported centrally to ensure the compliance of each hotel with the requirements. Because the hotels are in possession of extensive customer information, stringent policies and procedures have also been implemented to protect this data.
5.7 A risk committee and audit committee should assist the Board in carrying out its IT responsibilities	Applied	IT has been identified as a top 10 business risk.

<b>Compliance with laws, rules, codes and standards</b>		
6.1 The Board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards	Applied	See principle 2.9
6.2 The Board and each individual director should have a working understanding of the effect of the applicable laws, rules, codes and standards on the company and its business	Applied	The Board is regularly informed of changes in applicable laws and regulations by Group company secretarial with the assistance of external advisers.
6.3 Compliance risk should form an integrated part of the company's risk management process	Partially applied	Compliance risk is addressed and managed as part of the risk management process throughout the Group.
6.4 The Board should delegate to management the implementation of an effective compliance framework and processes	Partially applied	See principle 6.3
<b>Internal audit</b>		
7.1 The Board should ensure that there is an effective risk-based internal audit	Partially applied	See principle 2.10
7.2 Internal audit should follow a risk-based approach to its plan	Partially Applied	See principle 2.10 In future the link between risk management and internal audit plans will be refined.
7.3 Internal audit should provide a written assessment of the effectiveness of the company's system of internal control and risk management	Not applied	No written assessment is provided on the effectiveness of the Group's system of internal control and risk management, however various processes are in place that provide the Audit and Risk committee with comfort that internal controls and a risk management framework and processes are in place.

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7.4 The audit committee should be responsible for overseeing internal audit	Applied	See principle 2.10 The audit committee is responsible for internal audit and receives regular reports on progress throughout the Group.
7.5 Internal audit should be strategically positioned to achieve its objectives	Not Applied	See principle 2.10 The internal audit function at hotel level is objective from hotel management. There is no chief audit executive reporting directly to the audit and risk committee.

Governing stakeholder relationships		
8.1 The Board should appreciate that stakeholders' perceptions affect a company's reputation	Applied	See principle 2.11
8.2 The Board should delegate to management to proactively deal with stakeholder relationships	Applied	See principle 2.11
8.3 The Board should strive to achieve the appropriate balance between its various stakeholder Groupings, in the best interests of the company	Applied	See principle 2.11
8.4 Companies should ensure the equitable treatment of shareholders	Applied	The Group recognizes that the sound relationships with shareholders are invaluable and treats all shareholders equally.
8.5 Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence	Partially Applied	See Principle 2.11. The Group communicates relevant and accurate information to its stakeholders in the integrated report and via its website.
8.6 The Board should ensure disputes are resolved as effectively, efficiently and expeditiously as possible	Applied	Dispute resolution clauses are included in contracts to deal with external disputes. Internal dispute processes include the Group's whistle blowing channel.

Integrated reporting and disclosure		
9.1 The Board should ensure the integrity of the company's integrated report	Applied	See principle 2.12
9.2 Sustainability reporting and disclosure should be integrated with the company's financial reporting	Applied	The Group's reports on sustainability and includes such in the integrated report.
9.3 Sustainability reporting and disclosure should be independently assured	Not Applied	The Board reviews and approves the integrated report after satisfying itself with the accuracy and integrity thereof. At this early stage of integrated reporting the Group has not sought external verification of the content of the integrated report. The external auditor, KPMG Inc. has provided assurance on the annual financial statements as confirmed in the report of the independent auditor.

20 August 2013