



## **CORPORATE GOVERNANCE REPORT OF HOSPITALITY PROPERTY FUND LIMITED ("Hospitality" or "the company") IN RESPECT OF THE YEAR ENDED 31 MARCH 2018**

- Notes:
1. Reference to integrated annual report means the report uploaded to Hospitality's website on 17 August 2018 and posted to shareholders on 23 August 2018, which provides a summarised overview of the group's performance for the year ended 31 March 2018.
  2. The 2018 AGM notice is contained in the integrated annual report referred to above.
  3. Reference to annual financial statements are the audited results for the year ended 31 March 2018, posted to shareholders on 31 July 2018.

Hospitality's board of directors ("board") sets and oversees the governance framework for Hospitality and its subsidiaries ("the group") and is satisfied that the group has substantially adopted the principles of King IV.

The directors recognise that, through good governance, the company will realise an ethical culture, good performance, effective control and legitimacy. The directors in particular recognise the need to manage the group with integrity and to provide effective leadership based on an ethical foundation. This includes timely, relevant and meaningful reporting to shareholders and other stakeholders, that provide an objective overview on the company and its activities, directing the strategy and operations of the group with the intention of building a sustainable business, and considering the short and long-term impact of this strategy on the economy, society and the environment. The board is responsible for the implementation of the group's corporate governance policies detailed below, which will result in the group being a responsible corporate citizen.

### **BOARD OF DIRECTORS**

Hospitality has a unitary board, which comprises 2 executive directors, being the chief executive officer ("CEO") and the financial director, 5 non-independent non-executive directors and 5 independent non-executive directors. The roles of Chair and CEO are clearly defined to ensure a balance of power. Whilst the Chair is a non-independent non-executive director, the board appointed a strong lead independent director to ensure the necessary independence is upheld in the functioning of the board. The lead independent director assists with the management of any actual or perceived conflicts of interest that may arise.

The board's main functions include:

- exercising control of the group and providing leadership;
- adopting strategic plans, delegating and monitoring their implementation by management;
- considering risks and opportunities in-line with the company's agreed risk parameters and approving major issues, including the company's investment policies; acquisitions; disposals and reporting; as well as monitoring operational performance,
- monitoring the company's performance; and
- acting in the best interest of the company and being accountable to shareholders.

The directors' varied backgrounds and experience provide an appropriate mix of knowledge and expertise that is necessary to manage the business effectively. A clear division of responsibilities at board level ensures a balance of power and authority, so that no individual can take unilateral decisions. The board meets formally, at least every quarter. Policies and procedures to ensure good governance and effective internal controls have been adopted by the company and its subsidiaries.

During the year under review, the changes in board composition occurred:

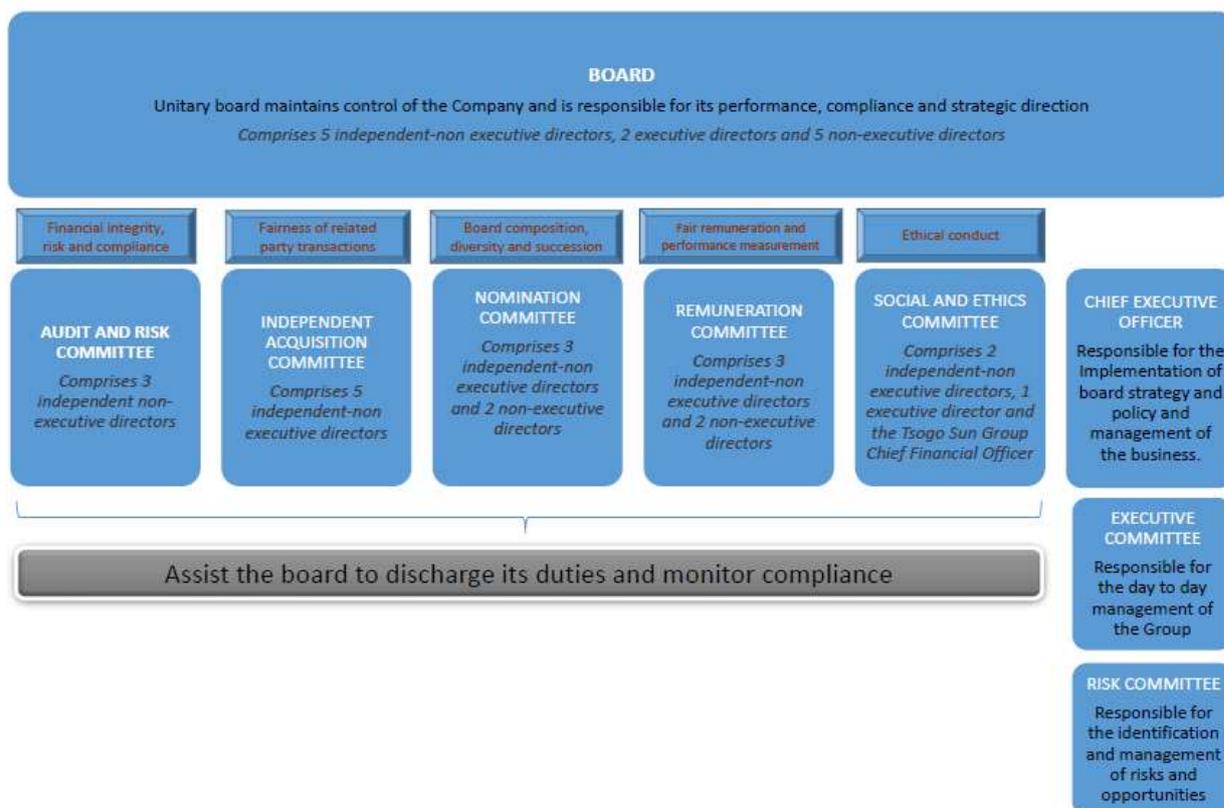
- Mr Marcel von Aulock, resigned as a non-executive director effective 1 June 2018, following his resignation from Hospitality's majority shareholder, Tsogo Sun Holdings Limited.
- Mr Jacques Booysen was appointed as a non-executive director effective 8 June 2018.

- Mr Willy Ross, a prior independent non-executive director, who had reached retirement age of 70 in terms of the Company’s memorandum of incorporation and retired at the annual general meeting (“AGM”) held on 19 October 2017.
- Ms Linda de Beer, prior lead independent director and audit and risk committee chair, resigned on 5 February 2018, in pursuance of new opportunities.
- Mr Gerald Nelson has taken on the role of lead independent director.

Subsequent to year-end, on 8 May 2018, Mr Mohamed Gani was appointed to the board as an independent non-executive director and a member and the chair of the audit and risk committee.

The board is confident that it has fulfilled its responsibilities in accordance with its charter for the reporting period and that the group has established an effective framework and processes for compliance with laws, codes, rules and standards.

## Governance Framework



The board has constituted the following committees, to which it has delegated certain group responsibilities in terms of their charters. The committees are each satisfied that they have fulfilled their responsibilities in accordance with their separate charters, for the reporting period.

### 1. Remuneration committee

Members: Don Bowden (Chair), Jacques Booysen, John Copelyn, Zuko Kubukeli, Zola Malinga

The remuneration committee (“the committee”) is chaired by an independent non-executive director. The committee oversees the setting of the remuneration and implementation policies for the group and ensures that these are tabled every year to shareholders at the company’s AGM for separate non-binding advisory votes. The committee recommends to the board the remuneration and incentivisation of the company’s directors; evaluates the performance of the executive directors and sets their annual key performance indicators. The committee meets at least twice a year. *Ad hoc* meetings are held to consider special business, as required. The chief executive officer and financial director attend meetings of the remuneration committee, or part thereof, by invitation if required to contribute pertinent insights and information.

Attendance: 90% (refer to Annexure A for per meeting attendance)

Key focus areas addressed during the 2018 financial year:

- Adopting an appropriate share appreciation bonus scheme.

Key focus areas for the 2017 financial year:

- Benchmarking of non-executive directors' fees.

## 2. **Audit and risk committee**

Members: Don Bowden (Acting Chair), Syd Halliday, Zola Malinga, Mohamed Gani#

The audit and risk committee (the "committee"), which comprised three independent non-executive directors at year-end, meets at least four times a year and is primarily responsible for:

- providing independent oversight of the effectiveness of the company's assurance functions and services, with particular focus on any combined assurance arrangements, external assurance service providers, internal audit and the finance function, as well as the integrity of the annual financial statements and external reports issued by the company. The committee aims to optimise assurance services and functions so that, taken as a whole, an effective control environment is achieved, the integrity of information used for internal decision-making by management, the board and its committees is supported, and the integrity of external reports is supported. The committee further oversees that appropriate assurance is implemented so as to effectively cover the company's significant risks and material matters, whilst driving efficiency and obtaining the appropriate levels of comfort; and
- developing a risk management policy and monitoring its implementation. The group's risk management policy identify and analyse group risks, set appropriate limits and controls and monitor risks and adherence to limits. The directors have overall responsibility for the group's internal control and for reviewing its effectiveness. The controls identify and manage group risks rather than completely eliminating failure. Therefore, internal controls provide reasonable, but not absolute, assurance against material misstatement or loss. The implementation and operation of these systems is the responsibility of management and processes are communicated regularly to employees informing them of their responsibilities. Systems include strategic planning, appropriate levels of authority, segregation of duties, appointing qualified staff, regular reporting and monitoring of performance and effective control over investments. The group's internal financial control is appropriate for the size and activities of the group. Significant risks identified are communicated to the board, together with the recommended actions.

The committee ensures that the group's financial performance is properly reported on and monitored, including reviewing the annual and interim accounts, results announcements, internal control systems and procedures, and accounting policies. The committee further oversees the management of financial and other risks that could affect the integrity of external reports issued by the company and monitors whether the group's assurance model is effective and sufficiently robust to ensure that the board is able to place reliance on the underlying statements that the board makes concerning the integrity of the group's external reports. Internal financial controls are based on comprehensive and regular reporting. Detailed revenue, cash flow and capital forecasts are prepared and updated throughout the year, and approved by the board.

The committee will appoint and assess the performance of the internal auditor. The committee is satisfied that internal audit has the necessary skills and resources to address the complexity and volume of risks faced by the organisation, and will ensure that internal audit is supplemented as required. The committee monitors on an ongoing basis that internal audit follows an approved risk-based internal audit plan, reviews the organisational risk profile and proposes adaptations to the internal audit plan accordingly.

The committee oversees and makes recommendations to the shareholders regarding the appointment or re-appointment of the independent external auditor. In evaluating and assessing the independence and suitability for appointment of its external auditor, the committee has considered the Companies Act and the JSE Limited Listings Requirements ("Listings Requirements") and have requested and considered:

- (i) the decision letter and findings report of the inspection performed by the professional/regulatory body for auditors in the relevant jurisdiction, on both the audit firm and the designated individual auditor;
- (ii) the findings report of the internal engagement monitoring inspection performed by the audit firm on their designated individual auditor; and
- (iii) the outcome and details of any legal or disciplinary proceedings instituted by any professional body of which they are a member or regulatory body to whom they are accountable.

The committee is satisfied that the external auditor and designated audit partner are independent of the group. PricewaterhouseCoopers Inc. has been the auditor of the group for two years, with the rotation of the designated audit partner during 2017 for the 2018 financial year end. AG Taylor replaced V Muguto as designated audit partner on 19 February 2018, following Mr Muguto's voluntary removal from JSE's list of accredited auditors.

The committee annually approves the external auditor's terms of engagement, the external audit plan and timeline and determines the fees to be paid to the external auditor. The committee ensures the scope of the external auditor's work is sufficient and reviews and reports on the quality and effectiveness of the external audit process.

The committee approves the appointment of the external auditor for the provision of any non-audit services in accordance with a non-audit services policy. The committee meets with the external auditor at least annually, without the executive directors present, to facilitate an exchange of views and concerns that may not be appropriate for discussion in an open forum.

The board has concluded that committee members have the necessary financial literacy, skills and experience to execute their duties effectively and make worthwhile contributions to the committee's deliberations. The board recommends the members for re-appointment to shareholders annually.

The committee has considered and found the expertise and experience of the Financial Director appropriate for the position.

In order to fulfil its responsibility of monitoring the integrity of financial reports issued to shareholders, the committee will review the accounting principles, policies and practices adopted during the preparation of financial information and examine documentation relating to any Integrated Annual Reports, Annual Financial Statements and interim financial statements of the company. The clarity of disclosures included in financial statements will also be reviewed by the committee, as well as the basis for significant estimates and judgements.

The committee meets at least quarterly. Ad hoc meetings are held to consider special business, as required. The chief executive officer, financial director, external auditor, internal auditor, Tsogo Sun's chief financial officer and director of risk, attend all meetings of the committee by invitation in order to contribute pertinent insights and information.

# Appointed 8 May 2018 as a member and the chair.

Attendance: 96% (refer to Annexure A for per meeting attendance)

Key focus areas addressed during the 2018 financial year:

- Continued to monitor the maturing of the risk identification and risk management processes.
- Assessed and review an internal audit plan for the 2018 financial year.
- Considered the King IV gap analysis and the implementation of any required measures to meet the principles of King IV.
- Recommended a treasury policy for approval by the board.

Key focus areas for the 2019 financial year:

- Ensuring appropriate accounting for new acquisitions.
- Expanding the internal audit process.

### 3. **Social and Ethics Committee**

Members: Zuko Kubukeli (Chair), Rob Huddy (Tsogo Sun, chief financial officer), Gerald Nelson, Keith Randall

The social and ethics committee oversees and reports on the group's organisational ethics, responsible corporate citizenship (including the promotion of equality, prevention of unfair discrimination, the environment, health and public safety, including the impact of the company's activities and of its products or services), sustainable development and stakeholder relationships. The social and ethics committee draws to the attention of the board matters within its mandate as required and reports to shareholders at the company's AGM.

The social and ethics committee meets a minimum of twice a year. Ad hoc meetings are held to consider special business, as required.

Attendance: 100% (refer to Annexure A for per meeting attendance)

Key focus areas addressed during the 2018 financial year:

- Assisting the nominations committee on the adoption and implementation of a board diversification policy, including race and gender diversity.

Key focus areas for the 2019 financial year:

- To assess and monitor Hospitality's B-BBEE rating under the revised Codes of Good Practise.

### 4. **Nomination Committee**

Members: John Copelyn (Chair), Jacques Booysen, Syd Halliday, Zuko Kubukeli, Gerald Nelson

The nomination committee ensures that the board has the appropriate composition and balance of skills for it to execute its duties effectively. It ensures that the appointment of directors is transparent and made through a formal process and identifies and evaluates potential candidates for appointment to the board. The committee considers and applies the company's policy of gender and race diversity in the nomination and appointment of directors.

The committee is responsible for induction and ongoing training and development of directors and succession planning.

The nomination committee meets at least once a year. Ad hoc meetings are held to consider special business, as required. The chief executive officer attend meetings of the nomination committee, or part thereof, by invitation if required to contribute pertinent insights and information.

Attendance: 100% (refer to Annexure A for per meeting attendance)

Key focus areas addressed during the 2018 financial year:

- Implementation of the company's board diversification policy, including race and gender diversity.

Key focus areas for the 2019 financial year:

- To ensure that an independent board and committee evaluation is undertaken in the financial year.

### 5. **Independent Acquisition Committee**

Members: Gerald Nelson (Chair), Don Bowden, Syd Halliday, Zuko Kubukeli, Zola Malinga

The independent acquisition committee was established to deal with related party transactions. The committee is chaired by the lead independent director.

Ad hoc meetings are held to consider business, as required.

The chief executive officer and financial director attend meetings of the committee, or part thereof, by invitation if required to contribute pertinent insights and information.

Attendance: 96% (refer to Annexure A for per meeting attendance)

## 6. **Appointment of directors**

Directors are appointed by the board or at the company's AGM. One-third of the directors retire annually at the AGM. In addition thereto, any director that has been appointed by the board since the last AGM or any director that has reached the age of 70 years, retires annually. If they are eligible, these directors may offer themselves for re-election and if appropriate, will be recommended by the board to shareholders for re-election.

Board appointments are conducted in a formal and transparent manner by the entire board following recommendations made by the nomination committee.

## 7. **Directors' dealings**

Dealing in company securities by directors and the company secretary, their associates, and company officials is regulated and monitored in accordance with the Listings Requirements and the company's share dealing policy. Hospitality maintains a closed period from the end of a financial period to the day of publication of its financial results or anytime that the company's shares are trading under a cautionary announcement.

## 8. **Insider trading**

The group prohibits all directors and employees from using confidential information, not generally known or available to the public, for personal gain.

## 9. **Employees**

The group's employees are essential to Hospitality's success and the company is committed to treating them with dignity, trust and respect, and to build long-term relationships based on enforceable employment legislation and respect for human rights. Communication with employees is open and honest, without prejudice. An employee wellness programme is available to staff, free of any cost, for bereavement counselling, financial guidance, legal advice and mentoring, amongst other matters.

## 10. **Tenants**

Our tenants have management agreements in place with reputable hotel management companies. The interaction and liaison regarding operational performance and strategic direction of the hotels is predominately with the hotel management companies. As the property owner, we have a symbiotic relationship with our tenants and the hotel management companies, who are the representatives of the brands in our portfolio.

## 11. **Government and regulatory authorities**

The group seeks to establish constructive and sound relationships with governmental and regulatory authorities on an arm's-length basis. No attempts to improperly influence decisions by offering, paying, soliciting, or accepting bribes, in any shape or form are tolerated.

## 12. **Social and environmental responsibility**

The group is an integral part of the community in which it operates and is committed to building sound relationships, based on trust, honesty, and fairness. Not only is environmental compliance legally obligatory, but it is also an important component of the group's commitment to the community and

developing its good reputation. Hospitality therefore is dedicated to minimising the environmental impact of its activities by reducing waste, emissions and discharges, and using energy efficiently.

### 13. King IV

Set out below is a narrative explanation, so as to allow shareholders to make an informed assessment of the quality of governance insofar as the application of each of the 17 principles of King IV is concerned.

#### 13.1. *The board should lead ethically and effectively*

Hospitality is committed to ethical behaviour throughout its business, adopting the principles of integrity, competence, responsibility, accountability, fairness and transparency in order to offer effective leadership that achieves the group's strategic objectives and positive outcomes over time. The directors of the company are required to individually and collectively exhibit certain characteristics in their conduct. Regardless their classification as executive, non-executive or independent non-executive, each director is required to apply an independent state of mind and objective judgement.

##### 13.1.1. *Integrity*

Individuals are responsible for their own ethical behaviour, and are expected to act, at all times and in all ways, in good faith and in the best interests of the company, and ethical behaviour beyond mere legal compliance is encouraged. A conflict of interest arises whenever there is a direct or indirect conflict, in fact or in appearance, between the interests of an individual and that of the company or where an individual's position or responsibilities present an opportunity for personal gain inconsistent with the group's best interest. Conflicts of interest should be avoided. If and when a conflict of interest does arise, this is disclosed immediately, in line with the company's conflicts of interest policy, such that it can be proactively managed. A dedicated disclosure of interest register is regularly updated and submitted to the board for review and approval.

##### 13.1.2. *Competence*

Directors are required to take steps to ensure that they have sufficient working knowledge of the company, its industry, the context of the economy, society and environment in which it operates, the capitals (financial, manufactured, intellectual, human, social and relationship) it uses and affects as well as of the key laws, rules, codes, and standards applicable to the group. Directors must act with due care, skill and diligence, and take reasonably diligent steps to become informed about matters for decision. Directors are also required to continuously develop their competence to lead effectively.

##### 13.1.3. *Responsibility*

Directors of the company assume collective responsibility for steering and setting the direction of the group; approving policy and planning; overseeing and monitoring of implementation and execution by management; and ensuring accountability for organisational performance. Directors are also responsible for anticipating, preventing and otherwise ameliorating the negative outcomes of the organisation's activities and outputs on the context of the economy, society and environment in which it operates, and the capitals (financial, manufactured, intellectual, human, social and relationship) that it uses and affects.

Risks are taken and opportunities sought in a responsible manner and in the best interests of the company. Directors attend board meetings and board committee meetings and devote sufficient time and effort to prepare for those meetings.

##### 13.1.4. *Accountability*

Directors are willing to answer for the execution of their responsibilities, even when these are delegated.

13.1.5. *Fairness*

Directors adopt a stakeholder-inclusive approach in the execution of their governance role and responsibilities, and the company is directed in a way that does not adversely affect the natural environment, society or future generations.

13.1.6. *Transparency*

Directors are transparent in the manner in which they exercise their governance role and responsibilities.

13.2. ***The board should govern the ethics of the company in a way that supports the establishment of an ethical culture***

The directors of the company recognise that they are ultimately responsible for the governance of ethics within the group, and for setting the direction for how ethics are approached and addressed, and that it is their role to set the tone for an ethical organisational culture where the above characteristics are cultivated across the business and adopted by all employees. For this purpose, the company has adopted a code of conduct and ethics policy to provide for arrangements that familiarise employees and other stakeholders with the company's ethical standards.

The group maintains the highest ethical standard and complies with all applicable legislation, rules, and regulations. The group's continued success depends on employing the most qualified people and establishing a working environment free from discrimination, harassment, intimidation or coercion based on race, religion, gender, age, nationality or disability.

Hospitality's social and ethics committee has an amplified role in assuring that whistle-blowing and anti-corruption procedures are in place. The report of the social and ethics committee has been included in the company's integrated annual report. The board has delegated the responsibility for implementation and execution of the codes of conduct and ethics policies to management, however exercises ongoing oversight of the management of ethics.

13.3. ***The board should ensure that the company is and is seen to be a responsible corporate citizen***

The company's core purpose and values, strategy and conduct are consistent with it being a responsible corporate citizen in all markets in which it conducts business, and the strategy and operations of the group are intended to build a sustainable business that is considerate of the short and long-term impact on the economy, society and the environment.

It is recognised that the group is an integral part of the communities in which it operates and is committed to building sound relationships, based on trust, honesty, and fairness. Not only is environmental compliance legally obligatory, but it is also an important component of the group's commitment to the community and developing its good reputation. Hospitality is therefore dedicated to minimising the environmental impact of its activities by reducing waste and using water and energy efficiently.

The board is responsible for ensuring the company's corporate citizenship on an ongoing basis and sets the direction for how the achievement of this corporate citizenship is to be approached and addressed, ensuring that the company's efforts in this regard are in compliance with all applicable laws, leading standards and its own codes of conduct and policies. The oversight and monitoring of the company's corporate citizenship is performed by the Company's social and ethics committee.

13.4. ***The board should appreciate that the company's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process***

Responsibility for the organisational performance of the company lies with the board, who steer and set the direction of the group for the realisation of its core purpose and values through its strategy. The formulation and development of the group's short, medium and long-term strategy,

including policies and operational plans to give effect to this strategy, has been delegated to management, for annual review and approval by the board. Management has the responsibility of implementing and executing approved policies and operational plans, with ongoing oversight against agreed performance measures and targets.

13.5. ***The board should ensure that reports issued by the company enable stakeholders to make informed assessments of the company's performance and its short, medium and long-term prospects***

The board approves management's determination of the group's reporting frameworks and reporting standards to be used, taking into account legal requirements and the intended audience and purpose of each report. The board oversees the company's integrated annual report and annual financial statements and other information or reports that are issued, ensuring that they comply with legal requirements and meet the legitimate and reasonable information needs of material stakeholders.

The board accepts its accountability to shareholders for the group's performance and activities. Hospitality communicates with shareholders in person, through results presentations or face-to-face meetings, through the company's website, transfer secretaries, integrated annual report and announcements. The AGM and any other general meetings give the directors the opportunity to inform shareholders about current, and proposed operations and enables them to express their views on business activities.

The board also ensures the integrity of external reports.

13.6. ***The board should serve as the focal point and custodian of corporate governance in the company***

The board exercises its leadership role by:

- 13.6.1. steering the organisation and setting its strategic direction;
- 13.6.2. approving policy and planning that gives effect to the direction provided;
- 13.6.3. overseeing and monitoring implementation and execution by management; and
- 13.6.4. ensuring accountability for organisational performance by means of, amongst others, reporting and disclosure.

The roles, responsibilities, membership requirements and procedural conduct of the board is documented in the board charter, which is regularly reviewed in order to guide its effective functioning.

There are no external advisors who regularly attend, or are invited to attend board meetings.

The board is confident that the group has established an effective framework and processes for compliance with laws, codes, rules and standards.

13.7. ***The board should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively***

The board will at all times maintain an appropriate balance of power, skills and experience (including business, commercial and industry experience), diversity and independence to objectively and effectively discharge its governance role and responsibilities. In determining the make-up of the board, factors considered include the appropriate mix of executive, non-executive and independent non-executive directors, regulatory requirements, and diversity targets.

The board promotes diversity in its membership across a variety of attributes relevant for promoting better decision-making and effective governance. The group supports the principles of race and gender diversity at board level and has a race and gender diversity policy in place. No voluntary target has been set and board diversity will be assessed and monitored annually. The

board, has, however considered race and gender as a core measurement in the appointment of new members to the board, with race diversity at board level improving as a result of Mr Gani's appointment. The board is satisfied that its current composition reflects an appropriate mix of knowledge, skills, experience, diversity and independence.

13.7.1. *Nomination, election and appointment of directors*

Refer to point 6.

13.7.2. *Independence and conflicts*

Each director is required to submit to the board a declaration of all financial, economic and other interests held by that director and related parties at least annually, or whenever there are significant changes.

Directors are required to declare whether any of them has any conflict of interest in respect of any matter on the agenda of any meeting of the board or board committee. Conflicts of interest are managed as set out under Principle 1 above.

13.8. ***The board should ensure that its arrangements for delegation within its own structures promote independent judgment, and assist with balance of power and the effective discharge of its duties***

The board has delegated particular roles and responsibilities to the committees set out above, each of which has the collective knowledge, skills, experience and capacity to execute its duties effectively. Such delegation is subject to formal terms of reference that are approved and renewed annually by the board. The delegation by the board of its responsibilities to any committee does not by or of itself constitute a discharge of the board's accountability, and the board will continue to apply its collective mind to the information, opinions, recommendations, reports and statements presented by any committee or director.

Executive directors and senior management will be invited to attend committee meetings on an ad-hoc basis to provide pertinent information and insights in their areas of responsibility. Every director is entitled to attend any committee meeting as an observer.

13.9. ***The board should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness***

The board is responsible for evaluating its own performance, that of its committees, chair and individual members, and determines how such evaluation is to be approached and conducted in terms of a formal process undertaken at least every two years where performance is considered, reflected on and discussed so as to ensure that performance and effectiveness is always improving.

An in-house board evaluation was undertaken in 2018. The board is satisfied that the evaluation process has added to the improvement of its performance and effectiveness. There were no significant concerns raised regarding either the activities or ethical conduct of the board. Although the Institute of Directors had been approached to perform an independent board evaluation during 2018, it was decided, due to the changes in board and committee composition, to postpone the independent board evaluation for the 2019 financial year.

13.10. ***The board should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibility***

The board has appointed Keith Randall as chief executive officer, to be responsible for leading the implementation and execution of the group's approved strategy, policy and operational planning, and to serve as a link between management and the board. The chief executive officer is accountable and reports to the board.

The board has access to professional and independent guidance on corporate governance and its legal duties, as well as support to coordinate the functioning of the board and its committees. All directors have access to the advice of the company secretary, who provides professional corporate

governance services and guidance to the board and to individual members regarding how to properly discharge their responsibilities. The board has considered and endorsed the company secretary's ability to perform her duties, including her qualifications, experience, competence, effectiveness, gravitas and objectivity, and will continue to do so on an annual basis. While the company secretary has unfettered access to the board, the directors have concluded that the relationship with the company secretary, who is not be a member of the board and who is not involved in the day to day management of the company, is at arm's-length and that there is no conflict of interests. The board is also satisfied that the office of the company secretary is empowered, has the appropriate competence, qualifications and experience and carries the necessary authority.

The company secretary reports to management on all duties performed and administrative matters.

The direction and parameters for the powers of the board, and those delegated to management via the chief executive officer, are set out in the levels of authority framework that is reviewed by the board annually and contributes to role clarity and the effective exercise of authority and responsibilities. The board is responsible for ensuring that key management functions are headed by an individual with the necessary competence and authority and adequately resourced.

While there is currently no succession planning in place, succession planning for the chief executive officer position, executive management and other key positions is reviewed by the board periodically, providing for succession in emergency situations and continuity of leadership over the longer term. The performance of the chief executive officer and the financial director is annually evaluated against agreed performance measures and targets.

The chief executive officer does not have any other professional commitments or membership of governing bodies outside of the group.

The salient terms of the chief executive officer's executive service contract are set out in the company's integrated annual report.

13.11. ***The board should govern risk in a way that supports the company in setting and achieving its strategic objectives***

The company treats risk as integral to the way it makes decisions and executes its duties. The group's risk governance encompasses both the opportunities and associated risks in developing strategy and the potential positive and negative effects of such risks on the achievement of its organisational objectives. While the board exercises ongoing oversight of risk management, the group's risk governance function is delegated to the audit and risk committee on the terms of reference set out above, with the responsibility for implementing and executing effective risk management delegated to management.

13.12. ***The board should govern technology and information in a way that supports the company setting and achieving its strategic objectives***

The board is responsible for the governance of and ongoing oversight of technology and information and the management thereof, and confirms that processes exist ensuring timely, relevant, accurate and accessible reporting, communication and data storage. Management is in turn responsible for implementing and executing effective technology and information management.

13.13. ***The board should govern compliance with applicable law and adopted, non-binding rules, codes and standards in a way that supports the company being ethical and a good corporate citizen***

Compliance with applicable laws and adopted non-binding rules, codes and standards is the responsibility of the board. Management is in turn responsible for implementing and executing effective compliance management. Where the group incurs material or repeated regulatory penalties, sanctions or fines for contraventions of, or non-compliance with, statutory obligations, this will be disclosed to shareholders.

13.14. ***The board should ensure that the company remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objects and positive outcomes in the short, medium and long term***

The board has adopted and oversees the implementation and execution of a policy that articulates and gives effect to fair, responsible and transparent remuneration across the group. Responsibility for the governance of remuneration has been delegated to the remuneration committee, on the terms of reference set out above. The remuneration policy is aligned with the group's strategic objective of creating long-term sustainable value for shareholders. Non-executive directors receive a basic fee in the form of an annual retainer and a per meeting fee for actual attendance in the case of the nomination and remuneration committees, as set out in the 2018 AGM notice. Non-executive directors' fees are approved in advance by shareholders by special resolution at the AGM. Basic salaries for executives and management are guaranteed and are structured on a cost-to-company ("CTC") basis. The salaries of executive directors are fair and increases are determined by reference to individual performance, inflation and market-related factors. Executive directors participate in short term incentives, which are based on the achievement of financial targets and key performance objectives, which are pre-approved by the remuneration committee, annually. The group adopted a new long term incentive scheme. The scheme appreciation scheme allots phantom shares to management in line with their CTC. Details of the scheme is set out in the remuneration report contained in the integrated annual report.

The remuneration policy and implementation report is tabled annually for separate non-binding advisory notes by shareholders at the AGM. The remuneration policy will record the measures that the board commits to take in the event that either the remuneration policy or implementation report, or both, are voted against by shareholders exercising 25% or more of the votes exercised. In order to give effect to the minimum measures referred to in the King IV, in the event that either the remuneration policy or the implementation report, or both, are voted against by shareholders exercising 25% or more of voting rights exercised, Hospitality will in its voting results announcement pursuant to paragraph 3.91 of the Listings Requirements provide for the following:

- an invitation to dissenting shareholders to engage with the company; and
- the manner and timing of such engagement.

The implementation report, which is addressed in the remuneration report contained in the integrated annual report, addresses the company's implementation of the remuneration policy. Disclosure of directors emoluments are set out in note 26 to the annual financial statements. At its AGM held on 19 October 2017, Hospitality's non-binding advisory endorsement of the remuneration policy and implementation policy received the support of 80% and 81% respectively of total votes cast at the meeting.

13.15. ***The board should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the company's external reports***

The board has delegated responsibility for overseeing that arrangements for assurance services and functions are effective in:

- (i) enabling an effective internal control environment;
- (ii) supporting the integrity of information used for internal decision-making by management, the board and its committee; and
- (iii) supporting the integrity of external reports

to the audit and risk committee, on the terms of reference set out above. The board and its committees will assess the output of the company's combined assurance with objectivity and professional scepticism, and by applying an enquiring mind, form their own opinion on the integrity of information and reports and the degree to which an effective control environment has been achieved.

13.15.1. *External audit*

The external auditor is required to confirm to the audit and risk committee its independence from the group during each financial year. The committee considers the information pertaining to the external auditor's relationships with the group that might reasonably have a bearing on the external auditor's independence and the audit engagement partner and employees' objectivity, as well as related safeguards and procedures, in order to conclude whether the external auditor's independence is impaired. The committee is also responsible for approving the external auditor's terms of engagement and scope of work and the performance of any non-audit services.

13.15.2. *Internal audit*

The group's internal audit function will be performed by, professional firm that will report directly to the financial director and the Chair of the audit and risk committee. An internal audit manager optimises business processes as well as identifies and mitigates related operational risks. The internal auditor carries out risk-oriented audits of operational and functional activities, based on the guidance of the audit and risk committee. The audit and risk committee also examines and discusses with the internal auditor the appropriateness of internal controls and the utilisation of the internal auditor and made recommendations to the board. The audit and risk committee will continuously evaluate and review the group's internal audit function.

13.16. ***In the execution of its governance role and responsibilities, the board should adopt a stakeholder-inclusive approach that balances the needs, interests and expectation of material stakeholders in the best interests of the company over time***

The board exercises ongoing oversight of stakeholder relationship management, but responsibility for implementation and execution of effective stakeholder relationship management has been delegated by the board to management. The company's main stakeholders are considered to be shareholders, bond holders, employees, tenants / hotel management companies, suppliers, banks, regulatory authorities and fiscal administrations of the locations where the group carries out its activities. Hospitality communicates honestly and transparently to enable stakeholders to assess the group's economic value and prospects.

The company encourages proactive engagement with shareholders, including at the company's bi-annual results presentations and AGM's, where all directors are available to respond to shareholders' queries on how the board has executed its governance duties.

The board is responsible for governance and ensures that a group governance framework is implemented across the group.


**BOARD AND COMMITTEE MEETING ATTENDANCE FOR THE YEAR ENDED 31 MARCH 2018**

	MEMBERS	NUMBER OF MEETINGS ATTENDED (BETWEEN 1 APRIL 2017 AND 31 MARCH 2018)
<b>BOARD</b>	<b><i>Non-executive</i></b>	<b>5 meetings held</b>
	JA Copelyn (Chair)	5 of 5
	J Booysen ▪	4 of 4
	ZJ Kganyago	4 of 5
	L McDonald	3 of 5
	JR Nicolella	3 of 5
	MN von Aulock#	1 of 1
	<b><i>Independent non-executive</i></b>	
	L de Beer (LID) *	3 of 3
	DG Bowden	5 of 5
	SA Halliday	5 of 5
	ZN Kubukeli	5 of 5
	ZN Malinga	5 of 5
	GA Nelson^	5 of 5
	W C Ross*∅	1 of 1
<b><i>Executive</i></b>		
KG Randall (CEO)	5 of 5	
M de Lima (FD)	5 of 5	
<b>AUDIT AND RISK COMMITTEE</b>	<b><i>Independent non-executive</i></b>	<b>6 meetings held</b>
	L de Beer *(Chair)	5 of 5
	DG Bowden (Acting Chair)	6 of 6
	SA Halliday	6 of 6
	ZN Malinga	5 of 6
<b>INDEPENDENT ACQUISITION COMMITTEE</b>	<b><i>Independent non-executive</i></b>	<b>5 meetings held</b>
	L de Beer * (Chair)	1 of 1
	DG Bowden	5 of 5
	SA Halliday	5 of 5
	ZN Kubukeli	4 of 5
	ZN Malinga	5 of 5
	GA Nelson^	5 of 5
<b>NOMINATION COMMITTEE</b>	<b><i>Independent Non-executive</i></b>	<b>2 meetings held</b>
	L de Beer	2 of 2
	ZN Kubukeli	2 of 2
	G A Nelson	2 of 2
	SA Halliday ~	0 of 0
	<b><i>Non-executive</i></b>	
	J Copelyn (Chair)	2 of 2
	J Booysen	2 of 2
<b>REMUNERATION COMMITTEE</b>	<b><i>Independent Non-executive</i></b>	<b>2 meetings held</b>
	DG Bowden (Chair)	2 of 2
	L de Beer *	2 of 2
	ZN Malinga	2 of 2
	ZN Kubukeli +	
	<b><i>Non-executive</i></b>	
	J Copelyn	1 of 2
	J Booysen ▪	1 of 1

	MN von Aulock#	1 of 1
<b>SOCIAL AND ETHICS COMMITTEE ("S&amp;E")</b>	<b><i>Independent non-executive</i></b> ZN Kubukeli (Chair)	<b>3 meetings held</b> 3 of 3
	G A Nelson	3 of 3
	<b><i>Non-executive</i></b> K G Randall	3 of 3
	<b><i>Other</i></b> R Huddy+ (CFO, Tsogo Sun)	3 of 3

# Resigned on 1 June 2017

▪ Appointed 8 June 2017

\*◊ Retired on 19 October 2017

\* L de Beer resigned as Lead Independent Director and as Chair of the Audit and Risk Committee on 5 February 2018.

^ Appointed as Lead Independent Director effective 23 March 2018

~ Appointed member of the Nomination Committee effective 13 March 2018

+ Appointed member of the Remuneration Committee effective 13 March 2018