

Hotels, Resorts and Lodges

Gooderson Tropicana Hotel, *Beachfront, Durban*
Gooderson Beach Hotel, *Beachfront, Durban*
Gooderson Drakensberg Gardens Golf & Spa Resort, *Southern Drakensberg*
Gooderson Monks Cowl Golf Resort, *Central Drakensberg*
Gooderson Natal Spa Hot Springs & Leisure Resort, *Paulpietersburg*
Gooderson Fabz Garden Hotel & Conference Centre, *Johannesburg, Gauteng*
Gooderson Kloppenheim Country Estate Hotel, *Machadodorp*
Gooderson SanRock Resort & Conference Centre, *Modimolle*
Gooderson Bushlands Game Lodge, *Near Hluhluwe, Zululand*
Gooderson Dumazulu Lodge & Traditional Village, *Near Hluhluwe, Zululand*
Gooderson Mtunzini Forest Lodge, *Mtunzini*



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GOODERSON LEISURE CORPORATION LIMITED

KING III COMPLIANCE ANALYSIS

This document has been prepared in terms of the JSE's Listing Requirements and sets out the application of the King III principles by the Gooderson Leisure Group.

| <u>King III reference</u> | <u>Principle</u> | <u>Current status</u> |
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| 1. | ETHICAL LEADERSHIP AND CORPORATE CITIZENSHIP | |
| 1.1 | The board should provide effective leadership based on an ethical foundation | The Gooderson board is responsible for corporate governance and operates in accordance with a clearly defined charter which defines all aspects of effective and ethical leadership. The Board is responsible for the development of the group's strategy and is continuously monitoring the execution thereof. Great emphasis is placed on operating in an ethical and sustainable manner to promote the long term interests of all stakeholders of the group and the board requires that all employees of the group act ethically at all times. |
| 1.2 | The board should ensure that the company is and is seen to be a responsible corporate citizen. | The social and ethics committee of the board monitors the group's activities and the impact thereof on the society and the environment. It strives to protect and invest in the well-being of the economy, society and the environment and has adopted specific policies and a code of ethics to ensure adherence of its principles. The group and its employees are required to operate in accordance with these policies and the code of ethics. |
| 1.3 | The board should ensure that the company's ethics are managed effectively. | The board ensures that the group's ethical standards are clearly articulated and supported as an integral part of conducting its business. Management is required to report on the group's activities in relation to the group's ethics at the social and ethics committee of the board. The board continuously monitors the group's standard of ethical behavior and accountability by management and all employees of the group. Ethical standards of the group are integrated into all the group's strategies and operations. |

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| 2. | BOARD AND DIRECTORS | |
| 2.1 | The board should act as the focal point for and custodian of corporate governance. | The board assumes ultimate responsibility for compliance with the corporate governance principles as stipulated in the King Report. The charter of the board is based on these principles. The board meets at least four times a year. The board provides a comprehensive corporate governance report to stakeholders in the Annual Report. |
| 2.2 | The board should appreciate that strategy, risk, performance and sustainability are inseparable | The risk management strategy is approved by the board and reviewed by the audit committee. The strategy takes cognizance of inherent risks of the group's business and the need to achieve sustainable outcomes. The board appreciates that strategy, risk, performance and sustainability are inseparable. |
| 2.3 | The board should provide effective leadership based on an ethical foundation. | The Gooderson board is responsible for corporate governance and operates in accordance with a clearly defined charter which defines all aspects of effective and ethical leadership. The Board is responsible for the development of the group's strategy and is continuously monitoring the execution thereof. Great emphasis is placed on operating in an ethical and sustainable manner to promote the long term interests of all stakeholders of the group and the board requires that all employees of the group act ethically at all times. |
| 2.4 | The board should ensure that the company is and is seen to be a responsible corporate citizen | The social and ethics committee of the board monitors the group's activities and the impact thereof on the economy, society and the environment. It strives to protect and invest in the well-being of the economy, society and the environment and has adopted specific policies and a code of ethics to ensure adherence of its principles. The group and its employees are required to operate in accordance with these policies and the code of ethics. |
| 2.5 | The board should ensure that the company's ethics are managed effectively. | The board ensures that the group's ethical standards are clearly articulated and supported as an integral part of conducting its business. Management is required to report on the group's activities in relation to the group's ethics at the social and ethics committee of the board. The board continuously monitors the group's standard of ethical behavior and accountability by management and all employees of the group. |
| 2.6 | The board should ensure that the company has an effective and independent audit committee. | An effective and independent audit committee has been established. The committee's charter outlines the roles, power, responsibilities and membership. See principle 3 below for more detail. |

| King III reference | Principle | Current status |
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| 2.7 | The board should be responsible for the governance of risk. | The audit committee assists the board in executing its responsibilities in terms of the governance of risk. See principle 4 below for more detail. |
| 2.8 | The board should be responsible for information technology (IT) governance. | A steering committee has been formed which reports to the Chairman of the audit committee. The committee reviews IT standards, governance frameworks and results of internal audit reviews. |
| 2.9 | The board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards. | The audit committee assists the board in ensuring that a relevant compliance framework is in maintained and that applicable laws and regulations are complied with. Refer to principle 6 below for more detail. |
| 2.10 | The board should ensure that there is an effective risk-based internal audit. | An effective risk-based internal audit function is in place. Please see principle 7 below for more detail. |
| 2.11 | The board should appreciate that stakeholders' perceptions affect the company's reputation. | The board acknowledges the importance of the perception of its stakeholders on its reputation to ensure effective management of stakeholder relationships. We would do a charter to identify the short coming of the company's relationship with its key stakeholders and will propose initiatives on how to strengthen existing and build new relationships with key stakeholders. Please see principle 8 below for more detail. |
| 2.12 | The board should ensure the integrity of the company's integrated report. | The audit committee of the board is delegated to approve the integrated report after satisfying itself with respect to the accuracy and integrity of the report. Please see principle 9 below for more detail. |
| 2.13 | The board should report on the effectiveness of the company's system of internal controls. | The audit committee is responsible for monitoring the effectiveness of the company's system of internal controls. It reports to the board and its findings are summarized in the report of the chairman of the audit committee in the group's integrated report. Please see principles 7 and 9 below for more details. |
| 2.14 | The board and its directors should act in the best interests of the company. | The board acts in the best interests of the group by ensuring that each director: <ul style="list-style-type: none"> • Adhere to legal standards of conduct as set out in the Companies Act; • Exercise their fiduciary duties with the best interest of the group at heart; • Are permitted to take independent advice in connection with his or her duties following an agreed procedure; • Disclose real or perceived conflicts to the board and deal with them accordingly; • Deal in securities only in accordance with the policy adopted by the board; • Are encouraged to attend all board and board committee meetings in an effort to better understand the business and to add benefit to the group. |

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| 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 Act. | <p>The audit committee of the group considers the “going concern” status of the group at each meeting (held semi-annually) and receives a report from the external auditors on the “going concern” status of the group at half and financial year end.</p> <p>To ensure early detection of financial distress the board has developed various reporting metrics which are included in the quarterly board reports.</p> |
| 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. | The roles of the executive chairman (A W Gooderson) and the chief executive officer (G M Castleman) are separate. |
| 2.17 | The board should appoint the chief executive officer and establish a framework for the delegation of authority. | <p>Gavin Michael Castleman was appointed as chief executive officer on 1 March 2012.</p> <p>A delegation of authority matrix has been approved by the board. The matrix describes specific levels of authority and required approvals for all major decisions at both group and business level. It stipulates which executive position or committee needs to be consulted prior to taking a decision, which body is responsible for taking the decision and who should be informed of the decision. The matrix is evaluated and updated on a regular basis.</p> |
| 2.18 | <u>Composition of the board</u> The board should comprise a balance of power, with a majority of non-executive directors. The majority of non-executive directors should be independent. | <p>The board comprises of nine directors. Four are non-executive directors (B R Warmback, M A Pottier, S Q Moloko and J E Gooderson and five executive directors (AW Gooderson, G M Castleman, C M de Klerk, R. Nannoolal and J Lakaram).</p> <p>Directors are appointed through a formal process and the knowledge skills and resources required by the board are considered. The size and diversity of the board allows for the board to conduct its business effectively.</p> |
| 2.19 | <u>Board appointment processes</u> Directors should be appointed through a formal process. | <p>The Remuneration Committee assists the board with the assessment, recruitment and nomination of new directors. The board is responsible for appointing new directors and board members are invited to interview potential appointees. Shareholders approve the initial appointment of each new director at the first annual general meeting following that director’s appointment.</p> <p>A third of the directors retire by rotation annually and, if eligible, available and recommended by the Remuneration committee, their names are submitted for re-election at the annual general meeting.</p> |

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| 2.20 | <u>Director development</u> The induction of and ongoing training and development of directors should be conducted through formal processes. | A formal induction policy of new directors has been approved by the board. The induction policy stipulates which information should be provided to new directors and makes provision for site visits to various developments of the group. Training is facilitated as required. |
| 2.21 | <u>Company secretary</u> The board should be assisted by a competent, suitably qualified and experienced company secretary. | A competent and experienced company secretary who is a director of the board is in place and assists the board in discharging its duties. |
| 2.22 | <u>Performance assessment</u> The evaluation of the board, its committees and the individual directors should be performed every year. | Board and committee assessments are conducted annually. The chairman's assessment and chief executive's assessment are conducted by the board. The results of the evaluation is used to identify training and development needs for directors and action plans are put in place to address such needs. |
| 2.23 | <u>Board Committees</u> The board should delegate certain functions to well-structured committees but without abdicating its own responsibilities. | The board has appointed the following committees to assist it in discharging its responsibilities: <ul style="list-style-type: none"> ➤ Audit committee ➤ Remuneration committee ➤ Social and ethics committee ➤ Exco committee <p>Specific responsibilities have been delegated to the board committees and they operate under written terms of reference approved by the board. The board committee report back to the board at every board meeting.</p> |
| 2.24 | <u>Group boards</u> A governance framework should be agreed between the group and its subsidiary boards. | All subsidiaries apply the policies and procedures of the holding company. |
| 2.25 | <u>Remuneration of directors and senior executives</u> Companies should remunerate directors and executives fairly and responsibly. | The board has approved a remuneration policy applicable to executive directors and senior management to ensure that they are fairly, competitively and responsibly rewarded for the individuals contributions and performance. |
| 2.26 | Companies should disclose the remuneration of each individual director and certain senior executives. | Non-executive and executive directors' remuneration are disclosed in the annual report and annual financial statements and meets the requirements of the Companies Act. |
| 2.27 | Shareholders should approve the company's remuneration policy. | The remuneration policy is tabled to shareholders at the annual general meeting for a non-binding advisory vote which is taken into consideration by the board when considering the company's remuneration policy and determining the remuneration of executive directors. |

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| 3) | <u>AUDIT COMMITTEE</u> | |
| 3.1 | The board should ensure that the company has an effective and independent audit committee. | The board appointed an audit committee comprising of four non-executive directors and approved the committee's charter. The committee meets at least twice a year and operates according to an approved structure and in terms of a board approved Charter. |
| 3.2 | Audit committee members should be suitably skilled and experienced independent non-executive directors. | The Committee comprises four non-executive directors who have the requisite financial and commercial skills and experience to contribute to the committee's deliberations. |
| 3.3 | The audit committee should be chaired by an independent non-executive director. | The audit committee is chaired by Brian Reynold Warmback. Brian is a non-executive director and is a financial consultant. |
| 3.4 | The audit committee should oversee integrated reporting. | The audit committee reviews and comments on the contents of the integrated report and also reviews the disclosure of sustainability issues therein to ensure that it is reliable. The committee also reviews interim and financial results and recommends these for approval to the Board. The committee understands how the board and external auditors evaluate materiality for intergrated reporting purposes. The audit committee is informed of any disagreements on auditing or accounting matters between management and the external auditors. |
| 3.5 | The audit committee should ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities. | The audit committee is provided with a thorough review of the group's assurance activities at each meeting. These reports include the principles of combined assurance through reports from management, internal and external audit. External auditor representatives attend every audit committee meeting. |
| 3.6 | The audit committee should satisfy itself of the expertise, resources and experience of the company's finance function. | The audit committee considers the appropriateness of the expertise and experience of the group financial director on an annual basis and it is documented in the annual report. |
| 3.7 | The audit committee should be responsible for overseeing of internal audit. | The audit committee annually approves the internal audit plan and monitors progress accordingly. The Internal Auditor attends every meeting of audit committee and has unfettered access to the chairman of the committee and the other non-executive directors. |
| 3.8 | The audit committee should be an integral component of the risk management process. | The committee specifically has oversight of financial reporting risks, internal financial controls, fraud risks and IT risks as it relates to financial reporting. |

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| 3.9 | <u>External assurance providers</u> The audit committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process. | The audit committee is responsible for recommending the appointment of the proposed external auditor to shareholders at the annual general meeting, based on an assessment of the firm and the individuals' qualifications, experience, resources, effectiveness and independence. The committee also considers the external audit plan and approves the audit fees. The external auditors regularly confirm their independence, which opinion is considered by the committee and reported on in the integrated report. |
| 3.10 | <u>Reporting</u> The audit committee should report to the board and shareholders on how it has discharged its duties. | The audit committee meets at least two times a year and the chairman reports formally to the board on its proceedings after each meeting and attends the annual general meeting to respond to any questions from shareholders regarding the committee's areas of responsibility. A summary is also provided in the integrated report of the role, composition and activities of the audit committee. Specific feedback is provided to shareholders on how its duties were carried out, whether the committee is satisfied with the independence of the external auditors, the committee's view on the financial statements and the accounting practices and whether the internal financial controls are effective. |
| 4) | THE GOVERNANCE OF RISK | |
| 4.1 | The board should be responsible for the governance of risk. | The board accepts responsibility for the governance of risk within the group. The audit committee reviews the group risk assessment and satisfies itself that the responses and mitigations are adequate. |
| 4.2 | The board should determine the levels of risk tolerance. | The board committee have determined the levels of risk tolerance pertaining to the groups business. The risk management system is currently being reviewed and will be submitted to the board for approval and determination of updated levels of risk tolerance. |
| 4.3 | The audit committee should assist the board in carrying out its risk responsibilities | The audit committee oversees the group's risk management system. The committee comprises three non-executive directors (B R Warmback, M A Pottier, S Q Moloko & JE Gooderson) and meets at least twice a year. The committee reports back to the board at every meeting. |
| 4.4 | <u>Management's responsibly for risk management</u> The board should delegate to management the responsibility to design, implement and monitor the risk management plan. | The board has mandated the audit committee to oversee the design, implementation, maintenance and reporting of a sound risk management system. The risk management system is currently being reviewed but in essence involves a formalized system to identify and assess risk, both at strategic and operational level. The process includes the evaluation of mitigating controls and other assurances in identifying and assessing the risks. |

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| 4.5 | The board should ensure that risk assessments are performed on a continual basis. | The groups' risk management profile and system forms part of the quarterly agenda of the audit committee. Risks are also indirectly reported to the internal auditor on a continual basis. A disciplined approach is followed in evaluation risks and developing appropriate mitigation strategies. |
| 4.6 | The board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks. | The board is aware of the importance of risk management and is currently reviewing its risk management plan in order to ensure that adequate frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks. |
| 4.7 | The board should ensure that management considers and implements appropriate risk responses. | A report is submitted to the audit committee indicating actions taken and required to mitigate each risk at every meeting. |
| 4.8 | The board should ensure continual risk monitoring by management. | Management is expected to report on its implementation of the risk management plan at every audit committee meeting. |
| 4.9 | The board should receive assurance regarding the effectiveness of the risk management process. | Management is expected to provide assurance to the audit committee that the company's risks are managed effectively. |
| 4.10 | The board should ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders. | Any undue, unexpected or unusual risks and the audit committee's view on the effectiveness of the risk management system are disclosed to shareholders in the integrated report. |

| <u>King III reference</u> | <u>Principle</u> | <u>Current status</u> |
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| 5 | <u>THE GOVERNANCE OF INFORMATION TECHNOLOGY</u> | |
| 5.1 | The board should be responsible for information technology (IT) governance. | A steering committee has been formed which reports to the Chairman of the audit committee. The committee reviews IT standards, governance frameworks and results of internal audit reviews. |
| 5.2 | IT should be aligned with the performance and sustainability objectives of the company. | The board recognizes the importance of aligning the company's IT strategy and IT Manager has been appointed to ensure that the company's IT strategy is aligned with the company's strategic and business objectives. |
| 5.3 | The board should delegate to management the responsibility for the implementation of an IT governance framework. | The IT Manager together with the executive committee is responsible for the design, implementation and operation of the structures and processes required for IT governance which includes alignment of IT to support the business strategy and operations, deliver value and manage performance information security, managing IT risk and compliance, and business continuity management. |
| 5.4 | The board should monitor and Evaluate significant IT investments and expenditure. | Generally the group does not make significant IT investments and therefore IT expenditure is not a major expense. Where a significant IT project is undertaken, information is provided to the board to enable it to monitor and evaluate the project. |
| 5.5 | IT should form an integral part of the company's risk management. | The management of IT risk is included in the group's Risk Management Framework, which is currently being reviewed. The board and management are fully alert to the vulnerability of the group's operations to the proper functioning of all key IT equipment and processes and the management of IT risk will receive special attention in the review of the Risk Management Framework. |
| 5.6 | The board should ensure that IT assets are managed effectively. | The internal and external auditors report back to the board through the audit committee meeting on whether IT assets are managed effectively and the expenditure incurred. |
| 5.7 | An audit committee should assist the board in carrying out its IT responsibilities. | The audit committee plays an essential role in assisting the board with its IT responsibilities. It obtains assurances from both internal and external auditors that effective controls are in place to address IT risks. |

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| 6 | <u>COMPLIANCE WITH LAWS, CODES, RULES AND STANDARDS</u> | |
| 6.1 | The board should ensure that the company complies with applicable laws and considers adherence to non-binding codes, rules and standards. | The board is committed to complying with all legislation, regulations and best practices relevant to its business. |
| 6.2 | The board and each individual director should have a working understanding of the effect of the applicable laws, codes, rules and standards on the company and its business. | Directors are encouraged to remain abreast of major governance and regulatory developments and where applicable, the board will receive formal presentations and notes on key topics. New proposed legislation that may have important consequences for the group is specifically brought to the board's attention. |
| 6.3 | Compliance risk should form an integral part of the company's risk management process. | Compliance risk forms part of the groups' risk management plan and material compliance issues are reported to the board through to the audit committee. |
| 6.4 | The board should delegate to management the implementation of an effective compliance framework and processes. | Management is expected to implement and manage the code of ethics of the company and ensure that an effective compliance framework is in place. |
| 7 | <u>INTERNAL AUDIT</u> | |
| 7.1 | The board should ensure that there is an effective risk based internal audit. | The board reviewed the effectiveness of the internal audit function and with the aim of improving the effectiveness of the functions, and has an internal auditor who is supported by the external auditors. |
| 7.2 | Internal audit should follow a risk based approach to its plan. | The internal auditor is independent from management and prepares an audit plan and program to execute his audit work taking into account the associated risks. Internal audit reporting meets the need and requirements of management and the audit committee. |
| 7.3 | Internal audit should provide a written assessment of the effectiveness of the company's system of internal controls and risk management. | The board advises the external auditors (occasionally) to assist the internal auditor to assess the effectiveness of the group's internal financial controls and risk management. |
| 7.4 | The audit committee should be Responsible for overseeing internal audit. | The internal auditor attends every meeting of the audit committee and has a direct line of communication to the chairman of the committee. The audit committee ensures that the internal audit function is subjected to and independent quality review as and when the audit committee determines appropriate. |
| 7.5 | Internal audit should be strategically positioned to achieve its objectives. | The board is satisfied that the internal auditor is able to maintain his independence and that the function is independent from the business on which it reports. The internal auditor is sufficiently skilled and has access to sufficient resources as is appropriate for the complexity and volume of risk and assurance needs of the company. |

| King III reference | Principle | Current status |
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| 8 | <u>GOVERNING STAKEHOLDER RELATIONSHIPS</u> | |
| 8.1 | The board should appreciate that stakeholders' perceptions affect a company's reputation. | The board acknowledges the importance of the perception of its stakeholders on its reputation to ensure effective management of stakeholder relationships. A formal stakeholder policy has not been developed and plans are in place on how to strengthen existing and build new relationships with key stakeholders. |
| 8.2 | The board should delegate to management to proactively deal with stakeholder relationships. | The board acknowledges the importance of the perception of its stakeholders on its reputation to ensure effective management of stakeholder relationships. A formal stakeholder policy has not been developed and plans are in place on how to strengthen existing and build new relationships with key stakeholders. |
| 8.3 | The board should strive to achieve the appropriate balance between its various stakeholder groupings, in the best interests of the company. | The board appreciates the inherent conflict between the demands of the various stakeholders of the company and strives to achieve a position of sustainable compromise which balances the demands of all stakeholders. |
| 8.4 | Companies should ensure the equitable treatment of shareholders. | The board is careful to treat all shareholders equitably and strives to ensure that minority stakeholders are protected. The executive directors meet periodically with major institutional shareholders at their request but this does not preclude any other shareholder requesting a meeting with them. |
| 8.5 | Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence. | The group provides complete, timely, relevant, accurate, honest and accessible information to its stakeholders whilst having regard to legal and strategic considerations. |
| 8.6 | <u>Dispute resolution</u> The board should ensure that disputes are resolved as effectively, efficiently and expeditiously as possible. | Dispute resolution clauses are included in contracts to deal with external disputes. Internal dispute processes include the HR grievance process and tip-offs anonymous. |

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| 9 | <u>INTEGRATED REPORTING AND DISCLOSURE</u> | |
| 9.1 | The board should ensure the integrity of the company's integrated annual report. | The board, assisted by the audit committee assumes the responsibility for the integrated annual report and ensures that the report fairly represents the performance of the group. |
| 9.2 | Sustainability reporting and disclosure should be integrated with the company's financial reporting | The Integrated Annual Report includes the group's summary of financial statements and commentary that allows the reader to contextualize the financial results by providing sufficient information on the key issues effecting the group, it's stakeholders and the community it operates in. |
| 9.3 | Sustainability reporting and disclosure should be independently assured | The integrated report is approved by the audit committee. To date, the board has not considered it necessary to obtain independent assurance for sustainability reporting as it is comfortable with the accuracy of the sustainability reporting. |