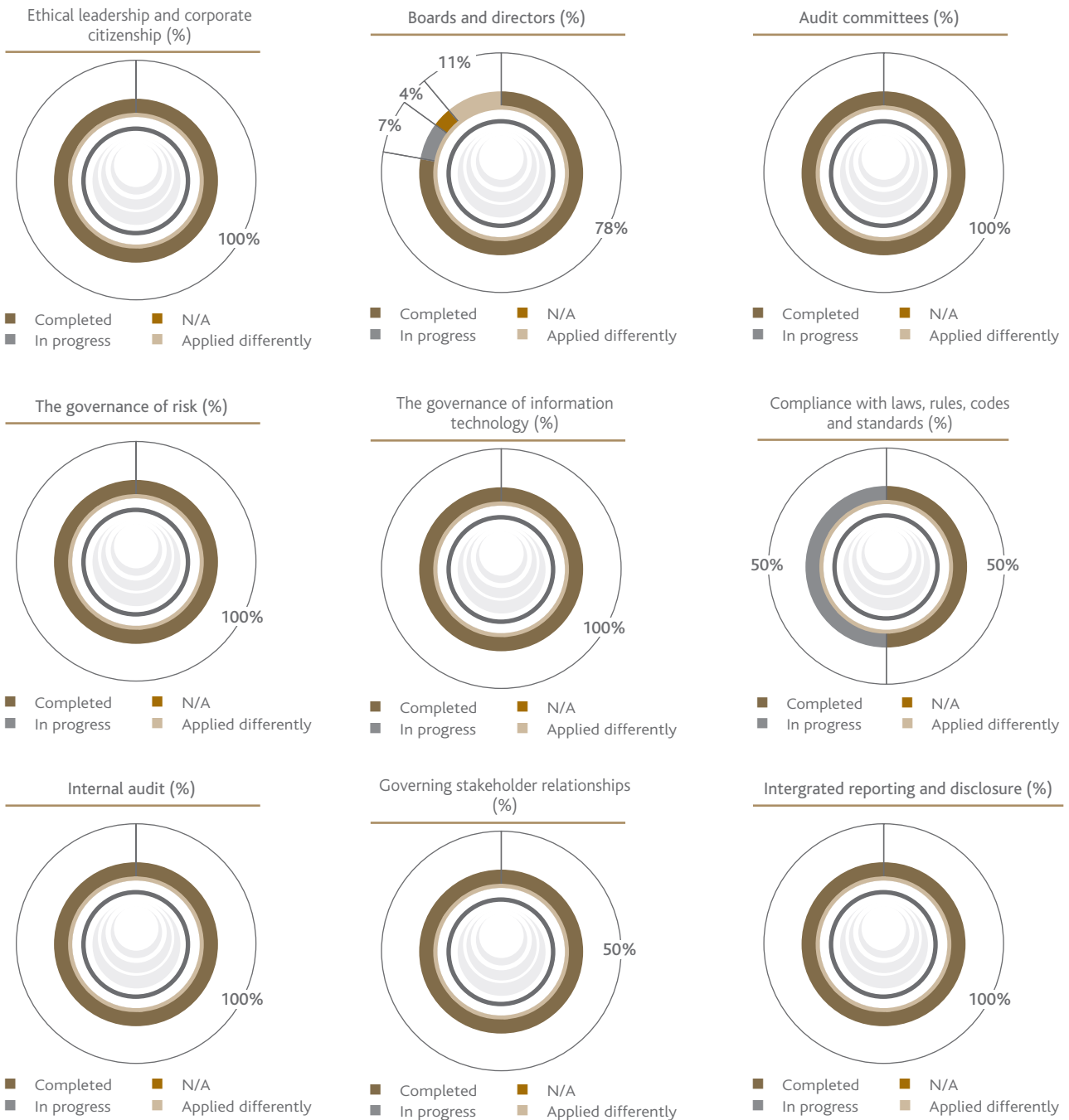


King III gap analysis 31 March 2015



The following charts represent the high-level King III gap analysis results as at 31 March 2015:



| King III reference | Principle | Current status | Status indicator |
|--------------------|---|---|------------------|
| 1. | Ethical leadership and corporate citizenship | | |
| 1.1 | The board should provide effective leadership based on an ethical foundation | The group has developed and implemented a code and the ethics policy. The code and policy create the foundation of how the group operates | Completed |
| 1.2 | The board should ensure that the company is and is seen to be a responsible corporate citizen | As summarised in the integrated annual report this is achieved through the Tsogo Sun Citizenship programme which has been established to ensure human and financial resources are deployed effectively to create a beneficial impact on communities | Completed |

| King III reference | Principle | Current status | Status indicator |
|--------------------|--|--|------------------|
| 1.3 | The board should ensure that the company's ethics are managed effectively | Ethics are managed through the ethics policy. Every senior employee is required to sign an annual declaration confirming no conflict of interests and compliance with laws and regulations | Completed |
| 2. | Boards and directors | | |
| 2.1 | The board should act as the focal point for and custodian of corporate governance | The board is committed to the best practice corporate governance principles contained within King III | Completed |
| 2.2 | The board should appreciate that strategy, risk, performance and sustainability are inseparable | The group's strategic priorities and risks are documented in the integrated annual report. Risks are assessed during the annual strategy planning and risk assessment workshops | Completed |
| 2.3 | The board should provide effective leadership based on an ethical foundation | The group has developed and implemented a code and the ethics policy. The code and policy create the foundation of how the group operates | Completed |
| 2.4 | The board should ensure that the company is and is seen to be a responsible corporate citizen | As summarised in the integrated annual report this is achieved through the Tsogo Sun citizenship programme which has been established to ensure human and financial resources are deployed effectively to create a beneficial impact on communities | Completed |
| 2.5 | The board should ensure that the company's ethics are managed effectively | The group has developed and implemented a code and the ethics policy. The code and policy create the foundation of how the group operates | Completed |
| 2.6 | The board should ensure that the company has an effective and independent audit committee | An audit and risk committee has been established, the committee consists of three independent non-executive directors. The roles and responsibilities of the committee are documented in a charter that has been approved by the board | Completed |
| 2.7 | The board should be responsible for the governance of risk | The board has delegated the responsibility of monitoring the governance of risk to the audit and risk committee although the board maintains oversight. The board's responsibility for risk is documented in the board charter and the audit and risk committee's charter includes the roles performed relating to risk management | Completed |
| 2.8 | The board should be responsible for information technology (IT) governance | The board has delegated the responsibility of monitoring the governance of IT to the audit and risk committee although the board maintains oversight. The board's responsibility for IT is documented in the board charter and the audit and risk committee's charter includes the roles performed relating to IT governance | Completed |
| 2.9 | The board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards | The group legal department identifies and monitors changes in legislation that may affect the company and reports to board and audit and risk committee on compliance matters. In addition, PricewaterhouseCoopers (PWC) reports on changes in the Companies Act, JSE Listings Requirements and accounting regulations that are relevant to the company at every audit and risk meeting. A regulatory universe has been defined and a compliance framework is in the process of being incorporated into the combined assurance plan to evaluate whether all applicable laws are applied and adhered to | In progress |
| 2.10 | The board should ensure that there is an effective risk-based internal audit | A risk-based internal audit function has been outsourced to KPMG. The function reports functionally to the Director of Risk and reports all significant findings to the audit and risk committee | Completed |

| King III reference | Principle | Current status | Status indicator |
|--------------------|--|---|---------------------|
| 2. | Boards and directors (continued) | | |
| 2.11 | The board should appreciate that stakeholders' perceptions affect the company's reputation | The group's stakeholder relationship framework is included in the integrated annual report. Many informal interactions take place with stakeholders. A formal stakeholder policy has not been developed | Completed |
| 2.12 | The board should ensure the integrity of the company's integrated annual report | The audit and risk committee evaluates the integrated annual report and recommends the adoption of the report by the board | Completed |
| 2.13 | The board should report on the effectiveness of the company's system of internal controls | The board reports on the effectiveness of the internal control systems in the audit and risk committee report in the annual financial statements | Completed |
| 2.14 | The board and its directors should act in the best interests of the company | The group has developed and implemented a code and the ethics policy. The code and policy create the foundation of how the group operates | Completed |
| 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 | Not applicable | N/A |
| 2.16 | The board should elect a chairman of the board who is an independent non-executive director. The Chief Executive Officer (CEO) of the company should not also fulfil the role of Chairman of the board | The major shareholders exercised their prerogative to appoint Mr JA Copelyn as the non-executive Chairman, representing their interests. As a compensating control, a lead independent director was appointed, namely Mr RG Tomlinson | Applied differently |
| 2.17 | The board should appoint the Chief Executive Officer and establish a framework for the delegation of authority | Mr MN von Aulock appointed as CEO. A delegation of authority has been documented stipulating the duties and rights that should be performed within the organisation | Completed |
| 2.18 | Composition of the board The board should comprise a balance of power, with a majority of non-executive directors. The majority of non-executive directors should be independent | The major shareholders exercised their prerogative to appoint the directors representing their interests. The majority of the directors are non-executive with three of the seven non-executive directors independent | Applied differently |
| 2.19 | Board appointment processes Directors should be appointed through a formal process | Directors are nominated by the major shareholder and appointed at the Annual General Meeting. Formal letters of appointment including the required roles and responsibilities are however not issued | Applied differently |
| 2.20 | Director development The induction of and ongoing training and development of directors should be conducted through formal processes | The board has a stable and long-term membership. A formal directors toolkit is available to all directors. Training is facilitated as required. The majority of the directors have experience in serving on other JSE listed boards | Completed |
| 2.21 | Company Secretary The board should be assisted by a competent, suitably qualified and experienced Company Secretary | The board is assisted by a competent, suitably qualified and experienced Company Secretary. The Company Secretary acts as secretary to the board and all its committees. All directors have direct access to the Company Secretary | Completed |

| King III reference | Principle | Current status | Status indicator |
|--------------------|---|---|------------------|
| 2. | Boards and directors (continued) | | |
| 2.22 | Performance assessment The evaluation of the board, its committees and the individual directors should be performed every year | Appraisals of the board and the board committees were carried out during the year utilising external service providers. | Completed |
| 2.23 | Board Committees The board should delegate certain functions to well-structured committees but without abdicating its own responsibilities | The board delegates functions to committees without abdicating their own responsibilities. Functions are delegated to the audit and risk committee, social and ethics committee and the remuneration committee. All committees are governed by terms of reference that were approved by the board | Completed |
| 2.24 | Group boards A governance framework should be agreed between the group and its subsidiary boards | Adoption of the group governance framework will be minuted at subsidiary board meetings | In progress |
| 2.25 | Remuneration of directors and senior executives Companies should remunerate directors and executives fairly and responsibly | Directors' remuneration is benchmarked against remuneration scales | Completed |
| 2.26 | Companies should disclose the remuneration of each individual director and certain senior executives | The remuneration of directors' and senior management is disclosed in the integrated annual report and annual financial statements | Completed |
| 2.27 | Shareholders should approve the company's remuneration policy | The remuneration policy is approved by the shareholders at the annual general meeting | Completed |
| 3. | Audit committees | | |
| 3.1 | The board should ensure that the company has an effective and independent audit committee | An effective and independent audit and risk committee has been established. The committee consists of three independent non-executive directors | Completed |
| 3.2 | Audit committee members should be suitably skilled and experienced independent non-executive directors | All members of the audit and risk committee are independent non-executive directors and are appointed for their skill set which is documented in the audit and risk committee charter. Additional skills and experience is provided by permanent invitees to the meetings | Completed |
| 3.3 | The audit committee should be chaired by an independent non-executive director | The audit and risk committee chairman is RG Tomlinson who is an independent non-executive director and is also the lead independent director of the board | Completed |
| 3.4 | The audit committee should oversee integrated reporting | The audit and risk committee evaluates the integrated annual report and recommends the adoption of the report by the board | Completed |
| 3.5 | The audit committee should ensure that a combined assurance model is applied to provide a co-ordinated approach to all assurance activities | A combined assurance framework is applied and a combined assurance plan is being formally documented | Completed |
| 3.6 | The audit committee should satisfy itself of the expertise, resources and experience of the company's finance function | The Chief Financial Officer (CFO) and finance function is reviewed informally by the audit and risk committee although no formal key performance indicators are evaluated. The audit and risk committee is satisfied with the finance function and the CFO and it is documented in the integrated annual report | Completed |

| King III reference | Principle | Current status | Status indicator |
|--------------------|---|---|------------------|
| 3. | Audit committees (continued) | | |
| 3.7 | The audit committee should be responsible for overseeing of internal audit | The audit and risk committee is responsible for overseeing internal audit. Internal audit reports functionally to the Director of Risk but reports at every audit and risk committee meeting. Overseeing of the internal audit function by the audit and risk committee is documented in the committee's terms of reference | Completed |
| 3.8 | The audit committee should be an integral component of the risk management process | The audit and risk committee is responsible for overseeing risk management. The risk department reports on risk matters and processes at every audit and risk committee meeting | Completed |
| 3.9 | External assurance providers The audit committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process | The audit and risk committee recommends the appointment of the external auditor and oversees the external audit process | Completed |
| 3.10 | Reporting The audit committee should report to the board and shareholders on how it has discharged its duties | The audit and risk committee reports on the duties that they performed throughout the year in the integrated annual report and annual financial statements | Completed |
| 4. | The governance of risk | | |
| 4.1 | The board should be responsible for the governance of risk | The board is responsible for the governance of risk in terms of the board charter. The audit and risk committee has been established for overseeing risk management on behalf of the board | Completed |
| 4.2 | The board should determine the levels of risk tolerance | The audit and risk committee recommends the levels of risk tolerance to the board for approval | Completed |
| 4.3 | The risk committee or audit committee should assist the board in carrying out its risk responsibilities | The audit and risk committee is responsible for overseeing risk management throughout the organisation. The duties are documented in the audit and risk committee charter | Completed |
| 4.4 | Management's responsibility for risk management The board should delegate to management the responsibility to design, implement and monitor the risk management plan | The audit and risk committee ensures that management is responsible for the design, implementation and monitoring of the risk management plan. The audit and risk committee charter indicates the delegation of risk management | Completed |
| 4.5 | Risk assessment The board should ensure that risk assessments are performed on a continual basis | Risk assessments are performed formally annually at the executive committee meetings | Completed |
| 4.6 | The board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks | Frameworks and methodologies have been formally established to identify risks. However the identification of unpredictable risks is done informally | Completed |

| King III reference | Principle | Current status | Status indicator |
|--------------------|---|---|------------------|
| 4. | The governance of risk (continued) | | |
| 4.7 | Risk response The board should ensure that management considers and implements appropriate risk responses | Risk management action sheets have been established which document risk responses and these are presented to the audit and risk committee | Completed |
| 4.8 | Risk monitoring The board should ensure continual risk monitoring by management | The board ensures that there is continual risk monitoring by management. This is done through management meetings, organisational resilience audits and the reporting to the audit and risk committee | Completed |
| 4.9 | Risk assurance The board should receive assurance regarding the effectiveness of the risk management process | The board receives assurance from the audit and risk committee. Reports are presented at the audit and risk committee on the effectiveness of the risk management process. KPMG is responsible for providing the assurance to the audit and risk committee | Completed |
| 4.10 | Risk disclosure The board should ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders | Risks are documented in the integrated annual report allowing the stakeholders to understand the risk management process within the organisation | Completed |
| 5. | The governance of IT | | |
| 5.1 | The board should be responsible for IT governance | The board responsibility for IT governance is included in the terms of reference. An IT governance charter has been approved by the audit and risk committee and the board. Certain functions relating to IT governance have been delegated to the audit and risk committee and are included in the charter | Completed |
| 5.2 | IT should be aligned with the performance and sustainability objectives of the company | A group chief information officer (CIO) has been appointed and oversees all IT functions, requirements and investments. The group CIO (and in some cases senior IT management) participate directly in strategic and operational planning | Completed |
| 5.3 | The board should delegate to management the responsibility for the implementation of an IT governance framework | An IT governance charter has been approved by the audit and risk committee and the board. The framework is delegated to management to implement. Included in the framework is the management of IT assets and the expenditure incurred | Completed |
| 5.4 | The board should monitor and evaluate significant IT investments and expenditure | IT investments are motivated and evaluated through the relevant divisional Managing and Financial Directors, functional heads and CIO. Where appropriate, these are also evaluated by the CFO and CEO prior to being evaluated by the board | Completed |
| 5.5 | IT should form an integral part of the company's risk management | Regular audits of the IT control environment are conducted internally and by third parties. Regular backup and disaster recovery testing is conducted | Completed |
| 5.6 | The board should ensure that IT assets are managed effectively | An IT governance charter has been approved by the audit and risk committee and the board. The framework is delegated to management to implement. Included in the framework is the management of IT assets and the expenditure incurred | Completed |
| 5.7 | A risk committee and audit committee should assist the board in carrying out its IT responsibilities | The audit and risk committee assists the board in carrying out its IT responsibilities. Included in the audit and risk committee charter are the IT responsibilities delegated to the committee | Completed |

| King III reference | Principle | Current status | Status indicator |
|--------------------|---|---|------------------|
| 6. | Compliance with laws, rules, codes and standards | | |
| 6.1 | The board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards | The group legal department identifies and monitors changes in legislation that may affect the company and reports to board and audit and risk committee on compliance matters. In addition, PWC reports on changes in the Companies Act, JSE Listings Requirements and accounting regulations that are relevant to the company at every audit and risk meeting. A regulatory universe has been defined and a compliance framework is in the process of being incorporated into the combined assurance plan to evaluate whether all applicable laws are applied and adhered to | In progress |
| 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 | The group legal department identifies and monitors changes in legislation that may affect the company and report to board and audit and risk committee on compliance matters. In addition, PWC reports on changes in the Companies Act, JSE Listings Requirements and accounting regulations that are relevant to the company at every audit and risk meeting | Completed |
| 6.3 | Compliance risk should form an integral part of the company's risk management process | Compliance risk forms part of the operational risks assessments and compliance assessments are performed throughout the group | Completed |
| 6.4 | The board should delegate to management the implementation of an effective compliance framework and processes | A regulatory universe has been defined and a compliance framework is in the process of being incorporated into the combined assurance plan to evaluate whether all applicable laws are applied and adhered to | In progress |
| 7. | Internal audit | | |
| 7.1 | The board should ensure that there is an effective risk-based internal audit | An internal audit function has been established and is outsourced to KPMG | Completed |
| 7.2 | Internal audit should follow a risk-based approach to its plan | Internal audit's plan is based on risk and compliance. The plan is approved by the audit and risk committee prior to implementation | Completed |
| 7.3 | Internal audit should provide a written assessment of the effectiveness of the company's system of internal control and risk management | The internal audit function prepares formal reports for each audit and risk committee meeting. A formal assessment of the effectiveness of the company's system of internal control and risk management is carried out annually | Completed |
| 7.4 | The audit committee should be responsible for overseeing internal audit | The audit and risk committee are responsible for overseeing the internal audit function. Internal audit reports to the Director of Risk and formal reports are submitted at all audit and risk committee meetings | Completed |
| 7.5 | Internal audit's status in the company Internal audit should be strategically positioned to achieve its objectives | Internal audit reports to the Director of Risk and has a direct line of contact with the chairman of the audit and risk committee | Completed |
| 8. | Governing stakeholder relationships | | |
| 8.1 | The board should appreciate that stakeholders' perceptions affect a company's reputation | As summarised in the integrated annual report this is achieved through the Tsogo Sun Citizenship programme which has been established to ensure human and financial resources are deployed effectively to create a beneficial impact on communities | Completed |

| King III reference | Principle | Current status | Status indicator |
|--------------------|--|---|------------------|
| 8. | Governing stakeholder relationships continued | | |
| 8.2 | The board should delegate to management to proactively deal with stakeholder relationships | The group's stakeholder relationship framework is included in the integrated annual report. Many informal interactions take place with stakeholders. A formal stakeholder policy has not been developed | Completed |
| 8.3 | The board should strive to achieve the appropriate balance between its various stakeholder groupings, in the best interests of the company | The group's stakeholder relationship framework is included in the integrated annual report. Many informal interactions take place with stakeholders. A formal stakeholder policy has not been developed | Completed |
| 8.4 | Companies should ensure the equitable treatment of shareholders | The group acts in strict accordance with the Companies Act and the JSE listings requirements regarding the treatment of all shareholders | Completed |
| 8.5 | Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence | The group's stakeholder relationship framework is included in the integrated annual report. Many informal interactions take place with stakeholders. A formal stakeholder policy has not been developed | Completed |
| 8.6 | Dispute resolution The board should ensure that disputes are resolved as effectively, efficiently and expeditiously as possible | The group's stakeholder relationship framework is included in the integrated annual report. Many informal interactions take place with stakeholders. A formal stakeholder policy has not been developed | Completed |
| 9. | Integrated reporting and disclosure | | |
| 9.1 | The board should ensure the integrity of the company's integrated annual report | The audit and risk committee evaluates the integrated annual report and recommends the adoption of the report by the board | Completed |
| 9.2 | Sustainability reporting and disclosure should be integrated with the company's financial reporting | The integrated annual report provides a consolidated review of the group's financial, economic, social and environmental performance on matters material to the strategy and the key stakeholders | Completed |