



BLUE LABEL TELECOMS

King III 2013



“Why should the sky be the limit...
when there are footprints on the moon”

Summary of the application of King III principles

It is the responsibility of the Board to ensure the application of the principles contained in the King III Code, without diluting the Group's focus on sustainable performance. Where relevant, Blue Label's approach and application of King III is explained below.

The table below summarises Blue Label's application of the principles of King III (the complete register is available on the website at www.blts.co.za):

Chapter and principle	Comments on application
Chapter 1 – Ethical leadership and corporate citizenship	
The Board should provide effective leadership based on an ethical foundation	Blue Label Telecoms formed a Social, Ethics and Transformation Committee with a clear mandate to monitor social, ethical and transformation activities and to report matters within its mandate to the Board as appropriate. The committee monitors the Group's activities with regard to the environment, health and safety including the impact of the Group's activities and that of its products and services. Blue Label has communicated its commitment to ethical leadership through stated values. Continued effort is being made to further formalise the committee's activities and monitoring of ethics and conduct. (Refer to governance framework on page 34 of the 2013 Integrated Annual Report.)
The Board should ensure that the Company is and is seen to be a responsible corporate citizen	
The Board should ensure that the Company's ethics are managed effectively	
Chapter 2 – Board and directors	
The Board should act as the focal point for and custodian of corporate governance	The Board Charter sets out the Board's role, powers and responsibilities both in terms of the latest governance developments as well as the requirements for its composition, meeting procedures and work plan. A review of the Board Charter is under way to ensure alignment to governance requirements.
The Board should appreciate that strategy, risk, performance and sustainability are inseparable	The Board is active in forming the strategy of the Group, ensuring appropriate alignment with the purpose and mandate of the Group. The Board appreciates that strategy, risk, performance and sustainability are inseparable.
The Board and its directors should act in the best interests of the Company	The Board Charter requires the directors to act in the best interest of the Company by ensuring that individual directors: <ul style="list-style-type: none"> ⊙ Adhere to the standard of directors conduct as set out in the Companies Act; ⊙ Recognise that his/her primary fiduciary duty is towards the Company as an entity and to exercise such with the best interest of the Company at heart; ⊙ Are permitted to take independent advice necessary to carry out their duties following an agreed procedure; ⊙ Disclose real or perceived conflicts to the Board and deal with them accordingly; and ⊙ Deal in securities only in accordance with the policy adopted by the Board.

Summary of the application of King III principles continued

Chapter and principle	Comments on application
Chapter 2 – Board and directors (continued)	
The Board should consider business rescue proceedings or other turnaround mechanisms as soon as the Company is financially distressed as defined in the Act	No business rescue proceedings were required.
The Board should elect a Chairman of the Board who is an independent non-executive director. The CEO of the Company should not also fulfil the role of chairman of the Board	The Chairman of the Board is an experienced independent non-executive director elected by the Board.
The Board should appoint the Chief Executive Officer and establish a framework for the delegation of authority	The Board approved the role of joint chief executive officers and has formalised the role and function of the joint chief executive officers including the adoption of a Governance Guideline and Delegation of Authority framework.
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 Board comprises: <ul style="list-style-type: none"> ⊙ Four executive directors ⊙ Two non-executive directors ⊙ Four independent non-executive directors.
Directors should be appointed through a formal process	A Remuneration and Nomination Committee is in place and assists in identifying suitable members that will address the Board's requirements in terms of knowledge, skills and resources. All appointments are made in compliance with the Companies Act, JSE Listings Requirements and the Company's Memorandum of Incorporation.
The induction and ongoing training and development of directors should be conducted through formal processes	Induction programmes for new directors are tailored based on the knowledge and experience of the director and focus on providing information on the Board structure and the Group's strategy and operations. Ad hoc presentations are made to the Board by professional advisers and senior management to ensure that the Board is up to date with governance, regulatory and operational developments. This programme will be formalised further in the coming year.
The Board should be assisted by a competent, suitably qualified and experienced Company Secretary	The role and function of the Company Secretary is in line with the requirements of the Companies Act, governance principles and JSE Listings Requirements.

Summary of the application of King III principles continued

Chapter and principle	Comments on application
Chapter 2 – Board and directors (continued)	
The evaluation of the Board, its committees and the individual directors should be performed every year	A Board evaluation was not undertaken during the past year. A questionnaire has been developed as a basis for evaluating the Board's performance in terms of composition, roles, relationships, stakeholder engagement and meetings. The evaluation will be conducted on an annual basis from 2014.
The Board should delegate certain functions to well-structured committees but without abdicating its own responsibilities	The Board has appointed five subcommittees to assist it in its duties: <ul style="list-style-type: none"> ⊙ Audit, Risk and Compliance Committee ⊙ Investment Committee ⊙ Remuneration and Nomination Committee ⊙ Social and Ethics Committee ⊙ Executive Committee The mandates and frameworks for these committees will be formalised further.
A governance framework should be agreed between the Group and its subsidiary boards	The governance framework is applied by subsidiary boards and will be further formalised.
Companies should remunerate directors and executives fairly and responsibly	A Remuneration and Nomination Committee is in place and assists the Board in ensuring the Group's remuneration policy attract, retain and motivate top-quality people in the best interest of the Group.
Companies should disclose the remuneration of each individual director and prescribed officer	The disclosure of directors' and prescribed officers' remuneration meets the requirements of the Companies Act and this governance principle.
Shareholders should approve the Company's remuneration policy	Approved at the AGM on 29 November 2012.
Chapter 3 – Audit committees	
The Board should ensure that the Company has an effective and independent audit committee	The committee comprises four non-executive directors of which three are independent.
The Audit Committee members should be suitably skilled and experienced independent non-executive directors	The members of the Audit, Risk and Compliance Committee have experience in audit, accounting, commerce, economics, law, corporate governance and general industry, as is evident from the curriculum vitae of each of the members contained in the Integrated Annual Report.

Summary of the application of King III principles continued

Chapter and principle	Comments on application
Chapter 3 – Audit committees (continued)	
The Audit Committee should be chaired by an independent non-executive director	The Audit, Risk and Compliance Committee is chaired by an independent non-executive director.
The Audit Committee should oversee integrated reporting	The Audit, Risk and Compliance Committee reviews the full Integrated Annual Report and recommend approval to the Board.
The Audit Committee should ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities	The ARCC reviews the co-operation and co-ordination between the internal and external audit functions. This will be further formalised through a Combined Assurance facilitation.
The Audit Committee should satisfy itself of the expertise, resources and experience of the Company's finance function	The finance function has been evaluated and found suitable.
The Audit Committee should be responsible for overseeing of internal audit	The Group's internal audit function is outsourced to KPMG Services Proprietary Limited and operates with the required independence and resources, budget, standing and authority within the Group to discharge its functions.
The Audit Committee should be an integral component of the risk management process	The Audit, Risk and Compliance Committee has accepted the responsibility for risk management assigned to it by the Board and appointed an Internal Audit, Risk and Compliance Committee, a subcommittee of the Audit, Risk and Compliance Committee.
The Audit Committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process	The Audit, Risk and Compliance Committee recommends the appointment of the external auditor annually and oversees the external audit process.
The Audit Committee should report to the Board and shareholders on how it has discharged its duties	See Audit Committee report on page 58 of the 2013 Integrated Annual Report.

Summary of the application of King III principles continued

Chapter and principle	Comments on application
Chapter 4 – The governance of risk	
The Board should be responsible for the governance of risk	See governance of risk report on page 42 of the 2013 Integrated Annual Report.
The Board should determine the levels of risk tolerance	
The Risk Committee or Audit Committee should assist the Board in carrying out its risk responsibilities	
The Board should delegate to management the responsibility to design, implement and monitor the risk management plan	
The Board should ensure that risk assessments are performed on a continual basis	
The Board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks	
The Board should ensure that management considers and implements appropriate risk responses	
The Board should ensure continual risk monitoring by management	
The Board should receive assurance regarding the effectiveness of the risk management process	
The Board should ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders	

Summary of the application of King III principles continued

Chapter and principle	Comments on application
Chapter 5 – The governance of information technology	
The Board should be responsible for information technology (IT) governance	See technology governance report on page 42 of the 2013 Integrated Annual Report.
IT should be aligned with the performance and sustainability objectives of the Company	
The Board should delegate to management the responsibility for the implementation of an IT governance framework	
The Board should monitor and evaluate significant IT investments and expenditure	
IT should form an integral part of the Company's risk management	
The Board should ensure that information assets are managed effectively	
A Risk Committee and Audit Committee should assist the Board in carrying out its IT responsibilities	
Chapter 6 – Compliance with laws, rules, codes and standards	
The Board should ensure that the Company complies with applicable laws and considers adherence to non-binding rules, codes and standards	See compliance report on page 43 of the 2013 Integrated Annual Report.
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	
Compliance risk should form an integral part of the Company's risk management process	
The Board should delegate to management the implementation of an effective compliance framework and processes	

Summary of the application of King III principles continued

Chapter and principle	Comments on application
Chapter 7 – Internal audit	
The Board should ensure that there is an effective risk-based internal audit	The role of internal audit is outlined in the terms of reference of the Audit, Risk and Compliance Committee, as well as the internal audit charter. The internal audit plan is approved annually by the Audit, Risk and Compliance Committee and progress against the plan is monitored on a quarterly basis by the committee.
Internal audit should follow a risk-based approach to its plan (note 8)	Internal audit is independent from management and the internal audit plan provide a balance between risk and compliance taking into account consideration of the strategic risk profile of the Group, core business processes as defined by management and the operating and control environment.
Internal audit should provide a written assessment of the effectiveness of the Company's system of internal controls and risk management	Internal audit forms an integral part of the combined assurance model as internal assurance provider and provides an annual written assessment to the Board on the effectiveness of internal controls and risk management and an annual written assessment of internal financial controls to the Audit, Risk and Compliance committee.
The Audit Committee should be responsible for overseeing internal audit	The terms of reference of the Audit, Risk and Compliance Committee outlines the responsibility of the committee with regard to the internal audit function and reports to the Audit, Risk and Compliance Committee.
Internal audit should be strategically positioned to achieve its objectives	The internal audit function is outsourced and remains independent.
Chapter 8 – Governing stakeholder relationships	
The Board should appreciate that stakeholders' perceptions affect a Company's reputation	See stakeholder relations page 44.
The Board should delegate to management to proactively deal with stakeholder relationships	
The Board should strive to achieve the appropriate balance between its various stakeholder groupings, in the best interests of the Company	
Companies should ensure the equitable treatment of shareholders	
Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence	
The Board should ensure that disputes are resolved as effectively, efficiently and expeditiously as possible	

Summary of the application of King III principles continued

Chapter and principle	Comments on application
Chapter 9 – Integrated reporting and disclosure	
The Board should ensure the integrity of the Company's Integrated Report	The Audit, Risk and Compliance Committee reviews the Integrated Annual Report and recommends it to the Board for approval.
Sustainability reporting and disclosure should be integrated with the Company's financial reporting	The Integrated Annual Report aims to link material Company information in such a way that the Blue Label stakeholders obtain a view of the commercial, social and environmental context within which the Group operates.
Sustainability reporting and disclosures should be independently assured	The Audit, Risk and Compliance Committee reviews the Integrated Annual Report. Certain key performance indicators have been selected for verification by an independent assurance provider.

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