



**BLUE LABEL**  
TELECOMS

KING III  
2014





# SUMMARY OF THE APPLICATION OF KING III PRINCIPLES CONTINUED

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](http://www.blts.co.za)):

Chapter and principle	Comments on application
<b>Chapter 1 – Ethical leadership and corporate citizenship</b>	
<p><b>The Board should provide effective leadership based on an ethical foundation</b></p> <p><b>The Board should ensure that the Company is and is seen to be a responsible corporate citizen</b></p> <p><b>The Board should ensure that the Company's ethics are managed effectively</b></p>	<p>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 38 of the 2014 Integrated Annual Report.)</p>
<b>Chapter 2 – Board and directors</b>	
<p><b>The Board should act as the focal point for and custodian of corporate governance</b></p>	<p>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. The Board Charter has been reviewed to ensure alignment to governance requirements.</p>
<p><b>The Board should appreciate that strategy, risk, performance and sustainability are inseparable</b></p>	<p>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.</p>
<p><b>The Board and its directors should act in the best interests of the Company</b></p>	<p>The Board Charter requires the directors to act in the best interest of the Company by ensuring that individual directors:</p> <ul style="list-style-type: none"> <li>→ adhere to the standard of directors' conduct as set out in the Companies Act;</li> <li>→ recognise that his/her primary fiduciary duty is towards the Company as an entity and to exercise such with the best interests of the Company at heart;</li> <li>→ are permitted to take independent advice necessary to carry out their duties following an agreed procedure;</li> <li>→ disclose real or perceived conflicts to the Board and deal with them accordingly; and</li> <li>→ deal in securities only in accordance with the policy adopted by the Board.</li> </ul>

## SUMMARY OF THE APPLICATION OF KING III PRINCIPLES CONTINUED

Chapter and principle	Comments on application
<b>Chapter 2 – Board and directors continued</b>	
<p><b>The Board should consider business rescue proceedings or other turnaround mechanisms as soon as the Company is financially distressed as defined in the Act</b></p>	<p>No business rescue proceedings were required.</p>
<p><b>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</b></p>	<p>The Chairman of the Board is an experienced independent non-executive director elected by the Board. See Chairman's curriculum vitae on page 21.</p>
<p><b>The Board should appoint the Chief Executive Officer and establish a framework for the delegation of authority</b></p>	<p>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.</p>
<p><b>The Board should comprise a balance of power, with a majority of non-executive directors. The majority of non-executive directors should be independent</b></p>	<p>The Board comprises:</p> <ul style="list-style-type: none"> <li>→ four executive directors;</li> <li>→ two non-executive directors; and</li> <li>→ four independent non-executive directors.</li> </ul>
<p><b>Directors should be appointed through a formal process</b></p>	<p>The RNC is a committee of the Board and assists in identifying and selecting suitable members who will meet the Board's requirements in terms of knowledge, skills and resources. All appointments are made in compliance with the Companies Act, Listings Requirements and the Company's MOI.</p>
<p><b>The induction and ongoing training and development of directors should be conducted through formal processes</b></p>	<p>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.</p>
<p><b>The Board should be assisted by a competent, suitably qualified and experienced Company Secretary</b></p>	<p>The role and function of the Company Secretary is in line with the requirements of the Act, governance principles and Listings Requirements.</p>



# SUMMARY OF THE APPLICATION OF KING III PRINCIPLES CONTINUED

Chapter and principle	Comments on application
<b>Chapter 2 – Board and directors continued</b>	
<b>The evaluation of the Board, its committees and the individual directors should be performed every year</b>	<p>In line with business best practice and King III, an appraisal of the performance of the Board, its committees and individual directors was completed during May 2014. The appraisal was undertaken by means of a self-assessment questionnaire. There was 100% participation by all the directors. In general, the appraisals revealed that the Board and committees were performing well. Areas identified as requiring development were acknowledged and discussed at Board level. Board and committee assessments are conducted annually in the form of written responses and tabled at the Board for review and implementation of follow-up actions to improve on identified weaknesses.</p>
<b>The Board should delegate certain functions to well-structured committees but without abdicating its own responsibilities</b>	<p>The Board has appointed the following committees to assist it in its duties:</p> <ul style="list-style-type: none"> <li>→ ARCC</li> <li>→ Investment Committee</li> <li>→ RNC</li> <li>→ Social, Ethics and Transformation Committee</li> <li>→ Exco</li> </ul>
<b>A governance framework should be agreed between the Group and its subsidiary boards</b>	<p>The governance framework is applied by subsidiary boards.</p>
<b>Companies should remunerate directors and executives fairly and responsibly</b>	<p>The RNC is in place and assists the Board in ensuring the Group's remuneration policy attracts, retains and motivates top-quality people in the best interests of the Group.</p>
<b>Companies should disclose the remuneration of each individual director and Prescribed officer</b>	<p>The disclosure of directors' and Prescribed Officer's remuneration meets the requirements of the Act and this governance principle.</p>
<b>Shareholders should approve the Company's remuneration policy</b>	<p>Approved at the Annual General Meeting on 29 November 2013.</p>



# SUMMARY OF THE APPLICATION OF KING III PRINCIPLES CONTINUED

Chapter and principle	Comments on application
<b>Chapter 3 – Audit committees</b>	
<b>The Board should ensure that the Company has an effective and independent audit committee</b>	<p>The committee comprises three non-executive directors.</p>
<b>The Audit Committee members should be suitably skilled and experienced independent non-executive directors</b>	<p>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.</p>
<b>The Audit Committee should be chaired by an independent non-executive director</b>	<p>The Audit, Risk and Compliance Committee is chaired by an independent non-executive director.</p>
<b>The Audit Committee should oversee integrated reporting</b>	<p>The Audit, Risk and Compliance Committee reviews the full Integrated Annual Report and recommend approval to the Board.</p>
<b>The Audit Committee should ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities</b>	<p>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.</p>
<b>The Audit Committee should satisfy itself of the expertise, resources and experience of the Company's finance function</b>	<p>The finance function has been evaluated and found suitable.</p>
<b>The Audit Committee should be responsible for overseeing of internal audit</b>	<p>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.</p>
<b>The Audit Committee should be an integral component of the risk management process</b>	<p>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.</p>
<b>The Audit Committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process</b>	<p>The Audit, Risk and Compliance Committee recommends the appointment of the external auditor annually and oversees the external audit process.</p>
<b>The Audit Committee should report to the Board and shareholders on how it has discharged its duties</b>	<p>See Audit Committee report on page 67 of the 2014 Integrated Annual Report.</p>



## SUMMARY OF THE APPLICATION OF KING III PRINCIPLES CONTINUED

Chapter and principle	Comments on application
<b>Chapter 4 – The governance of risk</b>	
<b>The Board should be responsible for the governance of risk</b>	See governance of risk report on page 49 of the 2014 Integrated Annual Report.
<b>The Board should determine the levels of risk tolerance</b>	
<b>The Risk Committee or Audit Committee should assist the Board in carrying out its risk responsibilities</b>	
<b>The Board should delegate to management the responsibility to design, implement and monitor the risk management plan</b>	
<b>The Board should ensure that risk assessments are performed on a continual basis</b>	
<b>The Board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks</b>	
<b>The Board should ensure that management considers and implements appropriate risk responses</b>	
<b>The Board should ensure continual risk monitoring by management</b>	
<b>The Board should receive assurance regarding the effectiveness of the risk management process</b>	
<b>The Board should ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders</b>	



# SUMMARY OF THE APPLICATION OF KING III PRINCIPLES CONTINUED

Chapter and principle	Comments on application
<b>Chapter 5 – The governance of information technology</b>	
<b>The Board should be responsible for information technology (IT) governance</b>	See technology governance report on page 50 of the 2014 Integrated Annual Report.
<b>IT should be aligned with the performance and sustainability objectives of the Company</b>	
<b>The Board should delegate to management the responsibility for the implementation of an IT governance framework</b>	
<b>The Board should monitor and evaluate significant IT investments and expenditure</b>	
<b>IT should form an integral part of the Company’s risk management</b>	
<b>The Board should ensure that information assets are managed effectively</b>	
<b>A Risk Committee and Audit Committee should assist the Board in carrying out its IT responsibilities</b>	
<b>Chapter 6 – Compliance with laws, rules, codes and standards</b>	
<b>The Board should ensure that the Company complies with applicable laws and considers adherence to non-binding rules, codes and standards</b>	See compliance report on page 51 of the 2014 Integrated Annual Report.
<b>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</b>	
<b>Compliance risk should form an integral part of the Company’s risk management process</b>	
<b>The Board should delegate to management the implementation of an effective compliance framework and processes</b>	



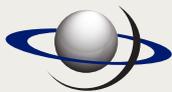
## SUMMARY OF THE APPLICATION OF KING III PRINCIPLES CONTINUED

Chapter and principle	Comments on application
<b>Chapter 7 – Internal audit</b>	
<p><b>The Board should ensure that there is an effective risk-based internal audit</b></p>	<p>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.</p>
<p><b>Internal audit should follow a risk-based approach to its plan (note 8)</b></p>	<p>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.</p>
<p><b>Internal audit should provide a written assessment of the effectiveness of the Company’s system of internal controls and risk management</b></p>	<p>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. It also provides an annual written assessment of internal financial controls to the Audit, Risk and Compliance committee.</p>
<p><b>The Audit Committee should be responsible for overseeing internal audit</b></p>	<p>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.</p>
<p><b>Internal audit should be strategically positioned to achieve its objectives</b></p>	<p>The internal audit function is outsourced and remains independent.</p>



# SUMMARY OF THE APPLICATION OF KING III PRINCIPLES CONTINUED

Chapter and principle	Comments on application
<b>Chapter 8 – Governing stakeholder relationships</b>	
<p><b>The Board should appreciate that stakeholders’ perceptions affect a Company’s reputation</b></p>	<p>See stakeholder relations page 52.</p>
<p><b>The Board should delegate to management to proactively deal with stakeholder relationships</b></p>	
<p><b>The Board should strive to achieve the appropriate balance between its various stakeholder groupings, in the best interests of the Company</b></p>	
<p><b>Companies should ensure the equitable treatment of shareholders</b></p>	
<p><b>Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence</b></p>	
<p><b>The Board should ensure that disputes are resolved as effectively, efficiently and expeditiously as possible</b></p>	
<b>Chapter 9 – Integrated reporting and disclosure</b>	
<p><b>The Board should ensure the integrity of the Company’s Integrated Report</b></p>	<p>The Audit, Risk and Compliance Committee reviews the Integrated Annual Report and recommends it to the Board for approval.</p>
<p><b>Sustainability reporting and disclosure should be integrated with the Company’s financial reporting</b></p>	<p>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.</p>
<p><b>Sustainability reporting and disclosures should be independently assured</b></p>	<p>The Audit, Risk and Compliance Committee reviews the Integrated Annual Report.</p>



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