

RISK DISCLOSURE

The Board of Directors (“Board”) of Hosken Passenger Logistics and Rail Limited (“Company” or “HPLR” or “Group”) acknowledges that it is accountable for the Group’s process of risk management and systems of internal control. Each of the Group’s subsidiaries similarly has its own board of directors responsible for the risk management and systems of internal control of such company and its business.

The Audit and Risk Committee (“Committee”) is accountable to the Board for monitoring the risk management process, however, does not assume the functions of management, which remain the responsibility of the executive directors, officers and senior management.

The following risk management measures have been implemented as a minimum at HPLR and its subsidiaries:

- management designs, implements and monitors the risk management policies (as approved by the Board);
- risk assessments are performed on an ongoing basis;
- frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks;
- risk responses by management are considered and implemented;
- risk monitoring is continuous; and
- the Board receives assurance regarding the effectiveness of Group risk management.

Risk registers are presented to the Committee, which identify the most significant risks based on likelihood and impact of occurrence, with mitigating controls documented per risk. This is achieved by requiring that subsidiaries report their key risks and responses to the Committee at each Committee meeting. The Chairperson of the Committee reports the most significant risks derived from the above process to the Board.

The Committee has appointed GRIPP Advisory Proprietary Limited to perform the internal audit function who report directly to the Committee. In assessing the system of internal control, the Committee review the internal audit reports and interrogate the findings directly with the internal auditors.

The Board, on recommendation from the Committee, concluded that the systems of internal control and the risk management process were effective for the financial year ended 31 March 2021. The Board is satisfied that there was no material breakdown in controls at either the Company or its subsidiaries during the past financial year.

Pursuant to paragraph 8.63(s) of the JSE Listings Requirements, please find below a description of immediately identifiable material risks for the HPLR Group. The risk disclosure contained herein should be read together with Group’s 2021 Integrated Annual Report.

Key risks	Risk description	Risk response
COVID-19 pandemic and Government-imposed lockdown in response	Services, staff and passengers are susceptible to pandemic emergencies, and breakouts of infectious diseases. Passengers may stop using service and/or reduced passenger numbers due to social distancing requirements. Negative (potentially long-lasting) impact on tourism due to the effect of a lockdown. Negative impact on growth in South African economy due to lockdown.	Educate and train staff on causes and spread of illness. Enforce social distancing at workplace and on buses. COVID-19 task team to manage procedures, safety protocols and adhere to Government standards (to ensure essential service categorisation remains in place and business is able to operate).

Key risks	Risk description	Risk response
Operational contract	Change in Government policy	Ensure Government understand bus operation's contribution to economy through regular SABOA meetings with Government. Focus on operational efficiency to meet service requirements of contracts.
Competition and customer	Competition from other modes of transport (which are not regulated), other bus operators and train services.	Aim to provide better service and quality. Upskill staff to provide better customer service and driver behaviour. Focus on fleet maintenance and management to reduce number of breakdowns and accidents to ensure good quality vehicles. Subsidiary companies have established passenger forums within communities. Stringent cost control measures to minimise the need for increase in fare prices.
Societal	Continual risk of theft and crime on buses prevalent in a cash business (passengers also carry valuables). Risk of theft at ticket offices where cash is deposited. Buses at risk of damage/destruction from service delivery protests in the areas in which services operate.	Potential theft of company cash by drivers is mitigated by ticket inspectors on buses, electronic fare collection system allows for daily checking of floats and revenue. Physical security measures in place at ticket offices and necessary cash reconciliations performed. Management work closely with law enforcement to keep abreast of "hot-spot" areas and communicate with drivers accordingly. Necessary insurance for financial losses.
People	Suitably qualified and skilled staff, also ensuring the necessary employment equity targets are met.	Training centre provides quality training to staff. Recruitment drives incorporate employment equity requirements. Market-related salaries and incentives to retain quality staff.

Key risks	Risk description	Risk response
Information technology	Cyber-attacks, loss of data, business continuity, etc.	Necessary skills and equipment in the IT department to implement, manage, monitor and safeguard adequate IT systems.
Macro and micro economic factors	Changes adversely impacting market risk (interest rate, exchange rate, fuel price, etc.)	Fares can be increased to mitigate negative changes in market risk.
Compliance	Inadvertent transgression of laws and regulations	Compliance with laws and regulations form part of the operating environment. Independent tax and legal advice is obtained as required, as well as continuous interaction with sponsors to ensure ongoing regulatory compliance.