

CORPORATE GOVERNANCE REPORT

GOVERNANCE FRAMEWORK

Remgro is committed to the highest level of corporate governance, integrity and ethics. The Board of Directors (the Board) is ultimately responsible for ensuring that governance standards are met and it is therein assisted by senior management who aim to instil a culture of compliance and good governance throughout the Remgro Group. This is underscored by sound and visible leadership characterised by the ethical values of responsibility, accountability, fairness and transparency. Sound corporate governance structures and processes are being applied and are considered by the Board to be pivotal to delivering sustainable growth in the interest of all stakeholders.

The Board advocates adherence to sound governance principles by all entities Remgro is invested in by using its significant influence to ensure that all Remgro's listed subsidiaries, joint ventures and associated companies endorse the principles contained in the King Report on Governance for South Africa 2009 (King III). Effective corporate governance forms part of Remgro's investment assessment criteria which are further monitored on a continuous basis by non-executive board representation on those investee companies' boards.

Remgro is an investment holding company and accordingly all references to "the Group" in this context denote the Company and its wholly owned subsidiaries. Remgro's main wholly owned operating subsidiary is Wispeco. Wispeco is operated and managed as an independent entity with an autonomous board of directors, however, the composition of its board does not comply with the independence requirements of King III due to the size of the business. Remgro's representatives on the board of that company, however, ensure that sound corporate governance and sustainability practices are followed by Wispeco through the adoption and implementation of Remgro's policies, processes and procedures.

Remgro's other wholly owned subsidiaries, excluding Wispeco referred to above, are not operating companies and are administered by Remgro Management Services Limited (RMS). The members of Remgro's Management Board are also the directors of RMS. RMS renders management and support services to Remgro and certain of its subsidiaries, joint ventures and associates and partially recovers its costs through fees for services rendered. The net costs of RMS are part of the corporate costs of Remgro.

The Board is satisfied that Remgro has met the majority of the principles contained in King III throughout the year under

review. When a principle of King III has not been adhered to as specified, this is explained where relevant. **For ease of reference, however, a summary of all the principles of King III that were not applied is presented below.**

- The Chairman of the Board, Mr Johann Rupert, is not an independent non-executive director but, given his knowledge of the business and his commercial experience, the Board deems this arrangement not only as appropriate but also essential for achieving the business objectives of Remgro.
- The Chairman of the Board acts as *ex officio* chairman of the Remuneration and Nomination Committee. Although he is not independent the Board is supportive of his chairmanship of the Remuneration and Nomination Committee given the necessity to align the Company's remuneration approach with corporate strategy. The Chairman receives no remuneration or fees from Remgro.
- The Board and subcommittees are evaluated annually, but have decided not to disclose the overview of the appraisal process, results and action plans in the integrated report due to the potential sensitive nature thereof.
- In terms of the Board's annual evaluation process, directors are not evaluated individually. Independent non-executive directors are, however, evaluated individually with regard to their independence and specifically the independence of the directors serving on the Board for more than nine years.
- In terms of King III, the integrated report should disclose the terms of reference of the Board committees; however, only a summary of the terms is disclosed in the integrated report. The complete terms of reference of Board committees are available on the Company's website at www.remgro.com.
- The Board does not believe that directors should earn attendance fees in addition to a base fee. Many directors add significant value to the Group outside of the formal Board and Committee meetings, sometimes greater than they might do within the confines of a formal meeting.
- The Board does not intend to ask the shareholders for non-binding approval for Remgro's remuneration policy. The rationale and basis for the Group's executive remuneration policy is carefully considered by the Remuneration and Nomination Committee and is disclosed in the Integrated Annual Report.
- The Board does not intend to institute a formal dispute resolution process as it believes that the existing processes within the Group operate satisfactorily and do not require a more formal and separate mechanism. Shareholders have remedies in terms of the Companies Act.



- The King III Report recommends that the Company's Sustainable Development Report be audited by an independent external professional party. Remgro's Sustainable Development Report has not been audited but verification of the key sustainability indicators has been obtained through agreed upon procedures performed by internal audit and independent service providers.

An index on the Company's application of each King III principle is published on the Company's website at www.remgro.com.

The Board is further satisfied that the Company has met the requirements of the Companies Act (No. 71 of 2008), as amended (Companies Act), and the Listings Requirements of the JSE Limited. Compliance with all relevant laws, regulations, accepted standards or codes is integral to the Group's risk management process and is monitored on a continuous basis. As in previous years there has been no major non-compliance by, or fines or prosecutions against the Group during the year under review.

Remgro measures the effectiveness of its governance processes by means of continuous successful participation in the JSE's Socially Responsible Investment (SRI) Index since the launch thereof in May 2004. In this regard the governance practices of RCL Foods Limited, being Remgro's largest and only listed subsidiary, as well as those of Wispeco, are incorporated.

BOARD OF DIRECTORS

BOARD CHARTER AND RESPONSIBILITIES

The Board has adopted a formal charter which has been implemented to:

- identify, define and record the responsibilities, functions and composition of the Board, and
- serve as a reference for new directors.

All directors of Remgro have endorsed the charter and a copy of the charter is available for inspection on Remgro's website.

Key responsibilities in terms of the charter include the following:

- ensuring that the Board's composition incorporates the necessary skills and experience;
- appointment of new directors;
- the annual appointment and evaluation of the Chief Executive Officer and the Chief Financial Officer;
- addressing all aspects that are of a strategic or material nature or that can impact the reputation of Remgro;

- directing the ethical standards, strategy and operations of the Group to build a sustainable business, while considering the short- and long-term impact of the Group's strategy on the economy, society and the environment;
- monitoring compliance with laws and regulations and codes of best business practice;
- ensuring that relevant and accurate information is timeously communicated to stakeholders;
- ultimate responsibility for the strategic direction, risk appetite, performance and affairs of Remgro;
- approval of new investments or extension of existing investments for amounts more than R500 million, as well as the disposal of existing investments for amounts more than R500 million;
- monitoring the operational and investment performance of Remgro;
- empowerment of executive management to implement operational and investment plans and strategies in terms of delegated authorities;
- risk management and IT governance;
- ensuring that sustainability reporting is integrated with financial reporting;
- the promotion of good governance by its subsidiaries, including the adoption and implementation of Remgro's policies, processes and procedures by subsidiaries;
- ensure that the remuneration of directors and senior management is determined in terms of the remuneration policy;
- at least twice a year, consider the going concern status of Remgro.

The Board is satisfied that it has discharged its duties and obligations as described in the Board charter during the past financial year. Only minor amendments were made to the Board charter during the year under review.

Remgro has a fully functional Board that leads and controls the Group. All issues of a material or strategic nature, or which can impact on the reputation of the Group, are referred to the Board. Other issues are dealt with by the Management Board and/or the Investment Committee, or by senior management as permitted in terms of a formal delegation of authority. The Board meets at least five times a year and follows an annual work plan to ensure that all relevant matters are dealt with. Members of the Board and subcommittees receive an agenda, together with supporting documentation, at least one week prior to each meeting in order to enable them to be fully prepared. All directors have unlimited access to the services of the Company Secretary and senior management, as well as to all company records.

COMPOSITION OF THE BOARD

Details of the directors of the Company appear on pages 14 to 15 of the Integrated Annual Report.

The composition of the Board reflects a balance of executive and non-executive directors, of whom the majority are independent, in order to ensure that there is a clear balance of authority so that no one individual has unfettered decision-making powers. As at year-end the Board consisted of three executive and eleven non-executive directors of whom eight were independent. Non-executive directors are selected to serve on the Board for their broader knowledge and experience and are expected to contribute effectively to decision-making and the formulation of policy. The independence of independent non-executive directors is reviewed annually and the independence of non-executive directors who have served on the Board for more than nine years, is subject to a rigorous review by the Board.

Executive directors contribute their insight to day-to-day operations, thereby enabling the Board to identify goals, provide direction and determine the feasibility and sustainability of the strategies proposed. These directors are generally responsible for implementing all operational decisions.

The Board will not comprise fewer than six or more than nineteen directors, or any other number as the Board may from time to time determine. The Board is satisfied that its current members possess the required collective skills and experience to carry out its responsibilities, to achieve the Group's objectives and create shareholder value over the long term. In terms of the Memorandum of Incorporation of the Company at least one third of the directors must resign annually on a rotation basis, but may make themselves available for re-election for a further term. The directors to retire shall be those who have been longest in office since their last election. A director who has already held his office for a period of three years since his last election shall retire at such meeting.

The roles and responsibilities of the Chairman of the Board and the Chief Executive Officer are separated. The Chairman, the Deputy Chairmen, the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO) are all elected and/or appointed on an annual basis.

As mentioned earlier, the Chairman of the Board is not an independent director. The Board acknowledges the principle in the King Report to appoint an independent non-executive director as Chairman but, given the responsibility of the Board to focus on performance in directing the commercial and economic fortunes of Remgro, this arrangement is deemed not only appropriate, but also essential. In compliance with King III and the JSE Listings Requirements, the Board has

appointed Mr G T Ferreira as Lead Independent Director (LID). The main function of the LID is, inter alia, to provide leadership and advice to the Board, without detracting from the authority of the Chairman, when the Chairman has a conflict of interest. The LID is appointed by the Board on an annual basis.

The CEO, Mr Jannie Durand, is responsible for the day-to-day management of the Company and he is assisted in this regard by Mr Leon Crouse (CFO). Between the two of them they have 48 years of service working for Remgro and Remgro-related businesses.

EVALUATION OF THE BOARD, SUBCOMMITTEES AND INDIVIDUAL DIRECTORS

The Board and subcommittees are evaluated annually by their members. The results of these evaluations are not disclosed in the Integrated Annual Report, but the nomination for reappointment of directors only occurs after the evaluation of the performance of the Board. The Board determines its functions, duties and performance criteria, as well as those for subcommittees, to serve as a benchmark for the performance appraisals.

The Board is satisfied with the independence of independent non-executive directors, including the independence of Messrs Fred Robertson and Paul Harris, who have served on the Board for 14 years. Based on the evaluation there is no evidence of any circumstances and/or relationships that will impair their judgement, and their independence is in no way affected by the length of service.

INDUCTION OF NEW DIRECTORS

Newly appointed Board members are formally informed of their fiduciary duties by the Company Secretary. Upon their appointment directors receive an induction pack consisting of, inter alia, agendas and minutes of the two most recent Board and subcommittee meetings (if applicable), latest annual financial statements and Integrated Annual Report, the Company's code of conduct regarding insider trading, Group structure, Board charter and subcommittee mandates, etc. in order to inform them of existing matters and risks that are currently being addressed as well as to provide them with a general understanding of the Group. New Board members are also invited to have induction meetings with executive directors and senior management. In addition new members will also receive information on the JSE Listings Requirements and the obligations therein imposed upon directors.

Members of the Board, subcommittees and individual directors are entitled to seek independent professional advice concerning the affairs of the Group, at the Company's expense, with prior notification to the CEO or Company Secretary.

COMPANY SECRETARY'S ROLE AND RESPONSIBILITIES

All directors have unlimited access to the services of the Company Secretary, Mrs Mariza Lubbe, who is responsible to the Board for ensuring that proper corporate governance principles are adhered to and that Board orientation or training is given when appropriate.

The Company Secretary is furthermore responsible for ensuring the proper administration of the proceedings and matters relating to the Board, the Company and the shareholders of Remgro in accordance with applicable legislation and procedures.

The Board annually evaluates the competence and effectiveness of the Company Secretary, as required by the JSE Listings Requirements. The evaluation process includes an assessment by each Board member of the Company Secretary's eligibility, skills, knowledge and execution of duties. The Board has considered and is satisfied that the Company Secretary is competent and has the necessary experience to effectively execute her duties. A brief curriculum vitae of the Company Secretary is included in the Integrated Annual Report on page 16.

The Board confirms that the Company Secretary maintains an arm's length relationship with the Board and the directors, taking into account that the Company secretary is not a director of the Company and is not related to any of the directors.

BOARD COMMITTEES

The Board has established subcommittees to assist it in discharging its duties and responsibilities. Each committee has its own mandate/terms of reference that defines its powers and duties. Copies of these mandates and terms of reference, which are reviewed on an annual basis, are available on Remgro's website.

The minutes of committee meetings are included in the agendas of subsequent Board meetings and issues that require the Board's attention or a Board resolution are highlighted and included as separate agenda items. Notwithstanding the delegation of functions to Board committees, the Board remains ultimately responsible for the proper fulfilment of such functions, except for the functions of the Audit and Risk Committee relating to the appointment, fees and terms of engagement of the external auditor.

REMUNERATION AND NOMINATION COMMITTEE

The committee consists of four non-executive directors, three of whom are independent. The Company Chairman, Mr Johann Rupert, is also the chairman of the committee, while the Head of Human Resources acts as secretary.

The CEO attends all committee meetings by invitation. The composition of and attendance at committee meetings are set out on page 67.

Meetings of the committee are held periodically (but at least once a year) in order to advise the Board on matters such as the remuneration principles and terms of employment of all directors and Management Board members, the Board structure and composition, directors' remuneration and long-term incentive schemes and succession plans for the Board, CEO and other Management Board appointments.

Remgro's remuneration principles are set out in the Remuneration Report on pages 85 to 92 of the Integrated Annual Report. As mentioned earlier the Board does not intend to ask shareholders for a non-binding advisory vote on the Company's remuneration policy at the forthcoming Annual General Meeting on 23 November 2015.

AUDIT AND RISK COMMITTEE

The committee is governed by a mandate that includes the recommendations of King III and the requirements of the Companies Act. The committee consists of four independent non-executive directors, elected by Remgro's shareholders on recommendation by the Board, and is chaired by Mr Herman Wessels. The committee meets at least four times a year and the CEO, CFO and the head of internal audit attend all meetings, ex officio. The composition of and attendance at committee meetings are set out on page 67.

The main role of the committee is to assist the Board in discharging its responsibilities regarding the following:

- risk management;
- internal controls;
- internal financial controls, accounting systems and information;
- the effectiveness of the CFO and financial function;
- accounting policies;
- internal and external audit;
- information technology systems;
- protection of assets;
- public reporting; and
- to monitor compliance with laws, rules, codes of conduct and standards.

The annual appointment of the external auditor, the approval of its terms of engagement and audit approach, as well as the approval of fees relating to audit services and non-audit services are also performed by this committee. These responsibilities apply to Remgro and its subsidiaries administered by RMS.

The Audit and Risk Committee of Remgro's only remaining wholly owned operating subsidiary, Wispeco, reports to the Group's Audit and Risk Committee at each meeting by way of including its minutes of meetings in the agenda.

The Audit and Risk Committee meets at least once per year with the external and internal auditors and executive management to ensure that their efforts relating to risk management and internal control are properly coordinated.

The committee furthermore evaluates the effectiveness of its subcommittee, the Risk and IT Governance Committee. This committee's mandate includes the maintenance of the Risk Management Policy and plan, establishment and maintenance of an operational risk register, information technology risk management, legal compliance and occupational health and safety. A Financial Statements Committee, which is not an official subcommittee of the Audit and Risk Committee, was also established. Its tasks include the revision of Remgro's Integrated Annual Report (including the annual financial statements) prior to submission thereof to the Audit and Risk Committee. Both of these committees are chaired by Remgro's CFO, Mr Leon Crouse, and the chairman of the Audit and Risk Committee attends the meetings by invitation.

The committee is also responsible for ensuring that the combined assurance model introduced by King III is applied to provide a coordinated approach to all assurance activities. In particular the committee:

- will ensure that the combined assurance received is appropriate to address all the significant risks facing the Company; and
- monitors the relationship between the external service providers and the Company.

The committee's report describing how it has discharged its statutory duties in terms of the Companies Act and its additional duties assigned to it by the Board in respect of the financial year ended 30 June 2015 is included in the Integrated Annual Report on pages 95 to 96.

INVESTMENT COMMITTEE

The Investment Committee comprises four non-executive directors, of whom two are independent, as well as the Chief Executive Officer and the Chief Financial Officer. The committee is chaired by Mr Johann Rupert and meets when required for significant investment decisions. The composition of and attendance at committee meetings are set out on page 67.

The duties and responsibilities of the committee are:

- to consider and, if appropriate, approve:
 - new investments up to an amount of not more than R500 million;
 - the extension of existing investments for amounts between R100 million and R500 million;
 - the disposal of existing investments up to an amount of not more than R500 million; and
- to consider and make recommendations to the Board regarding investment decisions amounting to more than R500 million.

During the year under review no physical meetings were held by the Investment Committee and all decisions were approved by written resolution.

MANAGEMENT BOARD

The Management Board consists of all three executive directors as well as two members of senior management, Messrs Neville Williams and Pieter Uys. The committee meets on a monthly basis and the duties and responsibilities of committee members are in addition to their duties and responsibilities as members of the Board (in the case of members who are directors) and/or their other duties as executives. The composition of and attendance at committee meetings are set out on page 67.

The key duties and responsibilities of the committee are as follows:

- development of operational and investment plans and strategies for Remgro for submission to the Board and the implementation thereof once approved;
- evaluating and monitoring of existing Group investments;
- extension of existing investments up to an amount of not more than R100 million;
- recommendation of all new investments and extension of existing investments for more than R100 million to the Investment Committee and the Board for approval;
- appropriate reporting in respect of existing investments to the Board;
- nomination of representatives of Remgro as directors on the boards of investee companies, for approval by the Board.

SOCIAL AND ETHICS COMMITTEE

The committee's responsibilities are governed by a formal mandate as approved by the Board and the main objectives of the committee are to:

- assist the Board in monitoring the Group's performance as a good and responsible corporate citizen by the monitoring of its sustainable development practices; and
- perform the statutory duties of a Social and Ethics Committee in terms of the Companies Act and other functions assigned to it by the Board.

The composition of and attendance at committee meetings are set out on page 67.

The committee's report describing how it has discharged its statutory duties in terms of the Companies Act and its additional duties assigned to it by the Board in respect of the financial year ended 30 June 2015 is included in the Integrated Annual Report on pages 74 to 75.

DEALING IN SECURITIES

In accordance with the Listings Requirements of the JSE, the Company has adopted a code of conduct for insider trading. During price-sensitive or closed periods directors and designated employees are prohibited from dealing in Remgro's securities. In terms of the Group's policy closed periods lasts from the end of a financial reporting period until the publication of financial results for that period. A closed period is also applicable when the Company has issued a cautionary announcement to its shareholders.

Directors and designated employees may only deal in Remgro's securities outside the closed period, with the approval of the Chairman or the Chief Executive Officer. In addition, directors and designated employees are prohibited from dealing in the securities of listed investee companies unless permission has been obtained from the Chairman or the Chief Executive Officer.

CONFLICTS OF INTERESTS

Mechanisms are in place to recognise, respond to and manage any actual, potential or perceived conflicts of interest. Directors are required to disclose their personal financial interests, and those of persons related to them, in contracts or other matters in which Remgro has a material interest or which are to be considered at a Board meeting. Where a potential conflict of interest exists, directors are expected to recuse themselves from relevant discussions and decisions.

All information acquired by directors in the performance of their duties, which is not disclosed publicly, is treated as confidential. Directors may not use, or appear to use, such information for personal advantage or for the advantage of third parties.

All directors of the Company are required to comply with the Remgro Code of Ethics, the provisions of the Financial Markets Act, 2012 and the requirements of the JSE Limited regarding inside information, dealings in securities and the disclosure of such dealings.

The activities and conduct of executive directors and senior management who act in a non-executive capacity on the boards of investee companies are governed by formal guidelines as approved by the Board.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has implemented a comprehensive risk management system, which incorporates continuous risk assessment, evaluation and internal control embedment. The Group's reporting on its risk management process and systems of internal control is included in the Risk Management Report on page 68 of the Integrated Annual Report.

EXTERNAL AUDIT

In terms of the JSE Listings Requirements, the external auditor of all listed companies and their major subsidiaries should be accredited with the JSE. Remgro's external auditor, PricewaterhouseCoopers Inc. is accredited as such with the JSE. The external auditor attends all Audit and Risk Committee meetings and has direct access to the chairman of the Audit and Risk Committee and the Chairman of the Group.

Non-audit services provided by the external auditor are approved by the Audit and Risk Committee and relate mainly to tax matters. These services are effected by a department that is independent of the audit partners.

INVESTOR RELATIONS AND SHAREHOLDER COMMUNICATION

The Board acknowledges the importance of keeping shareholders and the investor community informed of developments in Remgro's business. Communication with shareholders is based on the principles of timely, balanced, clear and transparent information. Both positive and negative aspects of

ATTENDANCE AT MEETINGS

	Board	Audit and Risk Committee	Remuneration and Nomination Committee	Social and Ethics Committee	Management Board
Number of meetings held⁽¹⁾	5	4	2	2	11
Attendance by directors					
Non-executive directors					
J P Rupert	5	–	2	–	–
E de la H Hertzog	5	–	–	–	–
J Malherbe	5	–	–	–	–
Independent non-executive directors					
G T Ferreira	5	–	2	–	–
P K Harris	5	–	2	–	–
N P Mageza	5	4	–	–	–
P J Moleketi	4	4	–	–	–
M Morobe	5	–	–	–	–
F Robertson	5	4	2	–	–
S E N de Bruyn Sebotsa ⁽²⁾	1	–	–	–	–
H Wessels	5	4	–	2	–
Executive directors and Management Board					
J J Durand	5	–	–	–	11
W E Bührmann	5	–	–	–	11
L Crouse	5	–	–	–	11
P J Uys	–	–	–	2	11
N J Williams	–	–	–	2	10

⁽¹⁾ All decisions taken by the Investment Committee during the year under review were approved by written resolution.

⁽²⁾ Ms S E N de Bruyn Sebotsa was appointed as a director with effect from 16 March 2015 and attended all the Board meetings since her appointment.

financial and non-financial information are provided. Interactions with institutional investors take place twice a year at the dial-in interim and final results presentations, where questions can be directed to the CEO and CFO. The most recent and historic financial and other information is also published on the Company's website. Further information regarding Remgro's initiatives on communication with all of its stakeholders is provided in the Sustainable Development Report.

BUSINESS RESCUE PROCEEDINGS

An internal business rescue policy has been formulated and approved by the Board. Given the nature of Remgro as an investment holding company, the actual consideration of Business Rescue Proceedings is part of the legal compliance policy approved by the Board.

Business Rescue Proceedings at investee companies are the responsibility of the boards of these entities as required by the Companies Act. Remgro has, as part of its risk management framework, processes in place to timeously identify and address underperforming investments.