

Our business model

How the investments are managed

Remgro has a few operating subsidiaries of which the material companies are RCL Foods (listed), Distell (listed), Siqalo Foods (unlisted) and Wispeco (unlisted). Remgro has adopted a philosophy of decentralised management, which means these companies have autonomous boards of directors and management structures, while Remgro exerts its influence through non-executive representation on the boards of these companies.

Remgro’s other investments comprise both listed and unlisted companies that are not controlled by Remgro and which are mostly associates and joint ventures due to the significant influence or joint control exercised by Remgro through its board representation in those investee companies. Where Remgro does not have the right to board representation, such investments are treated as portfolio investments (investments at fair value through other comprehensive income).

Remgro manages its investments on a decentralised basis and its involvement is mainly focused on the provision of support rather than on being involved in the day-to-day management of business units of investees. The Remgro Limited Board considers it in the best interest of all the parties concerned to respect the decentralised business model and the fact that these businesses are conducted in separate legal entities. The support derived by investee companies from Remgro as shareholder include strategic direction, patient financial capital, managerial support through access to Remgro’s broad and diverse network of human capital, and the creation of an environment conducive for corporate transactions. The support provided by Remgro serves to enable investee companies to achieve their relevant growth strategies and targets.

It should be emphasised that the above management philosophy is applied to all investee companies, irrespective of the level of influence that can be exercised.

Shareholder agreements are in place for Remgro’s associates and joint ventures where there are also other major shareholders involved. These agreements protect its rights as shareholder and manage risks. In terms of these agreements Remgro has decision-making involvement for a defined list of material matters of the businesses of these entities, such as the appointment or removal of directors, capital structure, business strategy, large capital expenditure and mergers, acquisitions and disposals.

As a responsible shareholder of the investee companies, Remgro also exercises its shareholder rights to ensure, as far as possible, that the entities concerned adhere to its requirements in respect of matters such as governance, internal controls, financial management, risk management, legal compliance, social responsibility, safety, health and environmental management, internal audit, ethics management, information management, stakeholder relationships, succession planning and sustainability.

Ownership structure

Remgro’s issued share capital consists of two classes of shares, as follows:

<p>Ordinary shares of no par value Listed on the JSE</p>
<p>529 217 007 ordinary shares of no par value</p>
<p>Each ordinary share has one vote</p>

<p>B ordinary shares of no par value Unlisted</p>
<p>39 056 987 B ordinary shares of no par value</p>
<p>Each B ordinary share has 10 votes</p>
<p>All of the unlisted B ordinary shares are held by Rupert Beleggings Proprietary Limited, a company incorporated in South Africa which is the holding vehicle for the Rupert family interests in Remgro. As at 30 June 2021, the unlisted B ordinary shares were entitled to 42.62% (2020: 42.62%) of the total votes of shareholders of the Company.</p>

 An analysis of major shareholders appears on pages 152 and 153.

Investment philosophy

Remgro invests in businesses that are aligned with its values and purpose and that have the potential to deliver superior earnings, cash flow generation and dividend growth over the long term. This involves the acquisition of meaningful interests in companies in order to have significant influence. Sound management is an important investment criterion. Remgro focuses on the Southern African market, but international opportunities will be considered with reputable partners. Remgro forges strategic alliances on a partnership basis and adds value through its extensive network of human capital. The purpose is to grow Remgro's intrinsic net asset value by investing in a good balance of young growth companies, network assets and more established cash-generating companies to ensure superior returns to shareholders by way of sustainable dividends and capital growth.

Remgro's investment strategy

- Emphasis on investments that align with Remgro's values and purpose that will make a significant contribution to Remgro's earnings
- Focus on investments with a meaningful Environmental, Social and Governance strategy and impact
- Significant influence and board representation are integral
- Preference for unlisted investments
- Investments in entities where Remgro can identify sustainable value over the long term
- Focus on South African investments and other African countries through investee companies
- Will consider investments in other countries on an opportunistic basis
- Primary sector focus:
 - Healthcare
 - Consumer products
 - Financial services
 - Infrastructure

Investment criteria (*inter alia*)

- Prevailing culture and ethics of the Board and management team
- Expected return on investment in excess of Remgro's internal hurdle rate
- Environmental, Social and Governance strategy and impact of the enterprise
- Viability of products and services and their life cycles
- Barriers to entry