



Principal integrated risks

 **A** summary of Remgro’s principal integrated risks is outlined below. A comprehensive overview of our risk management process is provided in the Risk Management Report on page 114. Further, our main financial risks, including those relating to the global economy and currencies, are disclosed in the Chief Financial Officer’s Report on page 34.

 The principal integrated risks discussed below are emerging external risks to Remgro. The operational risks and related risk treatment processes are summarised in the Risk Management Report on page 114.

Key objectives and context

Integrated risk scenarios

Social

Partnering for South Africa’s prosperity. This includes the successful and sustainable performance of enterprises to help enhance economic growth and the creation of jobs. Also, to pay taxes, and collaborate on the creation of opportunities for all South Africans and partnering with Government through approved supporting structures.

Emerging global trends pose both risks and opportunities to regional business value chains, as well as governments and societies. These global trends also have an impact on South Africa. The global trends include the geopolitical instability; the ongoing Russia-Ukraine War, the Israel-Gaza War, the crisis in Yemen, the tension between North Korean and the Indo-Asia-Pacific Region, as well as between China and Taiwan.

While the national election outcome has been both constructive and reflective of the commitment to making South Africa work, concerns about the ongoing Municipal by-elections remain.

Global warming has increased the potential of further adverse weather events. This is evidenced by the recent tornado-like storm, severe winds and the floods experienced at the onset of winter, which caused infrastructure damage. These weather conditions, added to the current instability in energy supply, have a negative compounding effect on the country’s socio-economic stability and further exacerbate the inequalities that exist.

Governance

To be a trusted investment company of choice that consistently creates sustainable value.

Operational environment

The new Government of National Unity (GNU) has resulted in the improvement of global sentiment towards South Africa. This presents an opportunity for the country to attract foreign direct investment (FDI), and thereby grow the economy as well as address the issues impeding voter confidence and create employment especially for the youth.

It is hoped that the GNU will also aid the improvement in regulatory processes which, in the preceding years, have resulted in delays relating to commercial transactions with the potential of unlocking value for the country and its people.

The looming water, energy and health crises, not limited to South Africa, has negative implications for business operations, global economic growth, and socio-economic stability globally.

One of the major socio-economic market risks is the possibility of investors missing out on the opportunity to participate in and influence the inclusive development of selected high growth green economy industries, which could help resolve some of the biggest crises in our country.

The emerging risk trends involve scanning techniques relating to the external context of Remgro and its investee companies, which is based on the following: Political, Economic, Society, Technology, Legislation and Environment (PESTLE). Trends are specified in a scenario format to cater for the cumulative and interrelated nature of risks as well as to facilitate discussion, thereby enabling consensus from both executive and non-executive directors and stakeholders. Emerging risks and opportunities inform Remgro's strategy, which also helps ensure timeous responses and actions, as part of Remgro's value creation and preservation philosophy.

Risk mitigation measures

Remgro's role is to deliver financial returns to our shareholders, whilst fostering a positive and measurable ESG impact which serves to enhance the creation of shared value for all our stakeholders.

ESG is intentionally incorporated into the business strategy. This is to ensure that societal and environmental stakeholders are duly considered in the strategies, investment mandates, and business models of the Group. In addition, responsible behaviour by our suppliers and service providers is incorporated into our terms of engagement.

Our communication engagement process with stakeholders is both focused and transparent.

Our corporate social investment (CSI) and community initiatives serve to address the most pressing needs in our Stellenbosch communities which range from education, to mental health to sports.

The Remgro Board, together with the boards of investee companies, remains committed to addressing pressing issues such as foreign currency risk, social instability, sustainable power supply risk, water quality and supply risk, legislation and regulatory compliance, the prevalence of crime and corruption in our country, as well as how best to attract Foreign Direct Investment (FDI). Addressing these pressing issues is by means of strategic risk and resilience responses and/or control processes.

The potential participation in the industrialisation plan for South Africa's renewable energy value chain, towards the further stabilisation of the local and regional energy supply, in line with the draft South African Renewable Energy Masterplan (SAREM).

Notwithstanding the GNU ushering in an improvement in global sentiment towards the country, South Africa still needs to put forward a compelling investment case to the market. For example, supplier development would unlock substantial support for new entrants and emerging suppliers, particularly from Historically Disadvantaged Persons (HDP) groups.

An increased emphasis on relationship capital, which includes the following: stakeholder interaction between business, government, government agencies, and society, as well as responding to scalable policy driven socio-economic investment strategies.

Remgro's responsible investment principles drive our investment decisions. Therefore, adhering to strict principles and a robust criterion in the management of our assets and the pursuit of new investments is integral to how we do business.

We partner with investee companies across their value chains in order to implement ESG principles and create consistent standards across the Group. Accordingly, we have introduced a Standard Operating Procedure for investment managers to integrate ESG into their investment decisions.

Key objectives and context

Integrated risk scenarios

Governance (continued)

Trust

Stakeholder and market trust could be eroded by a new generation of investors, with more traditional businesses and investment companies “left behind” by more responsive future-balanced portfolios making strides in the marketplace; by utilising the exponential shifts brought about by the vast opportunities inherent in the green economy and related industries and supply chains.

Health-related risks in South Africa are material to portfolios invested in the health and related industries.

The escalating pollution of industrial waste, hazardous chemicals and other non-visible pollutants, as well as water-borne diseases due to poor environmental policies, is increasingly weakening immune systems.

The tuberculosis (TB) death rate has surpassed other viral infection diseases; it has the highest daily death rate in South Africa (more than 140 per day). This death rate is aggravated by poor socio-economic living conditions. To date, South Africa has the highest infection of TB in the world at 87%.

Structure and performance

Investment opportunities to include consideration of channelling capital toward less emissions-intensive investments and green solutions.

Investors require sustainable returns and the unlocking of value in investment holding companies, commensurate with the risk profile of the investment made. However, there are significant changes in market dynamics geared towards sustainability.

Investee company performance

The potential slow response, by the boards of investee companies to identify and timeously respond to disruptive technology risks and opportunities; as well as material political, environmental, social, regulatory as well as economic developments in their markets which pose a market risk not only for their business operations but also to investors, is compounded by inadequate capacity and ability to innovate in response to emerging industry risks and opportunities which impede their competitive positioning.

Environment

To be a leader in the development of ESG and corporate sustainability in a South African context.

Historically, the global increase in the consumption of natural resources, population growth, and industrialisation resulted in an increase in global warming, which has led to notable, disruption in weather patterns, increased migration of people, and air pollution of the natural environment and other adverse impacts on our planet’s ability to sustain this over time.

In response, governments, society, stakeholders, and investors are endeavouring to slow down and, in time, reverse the trends via regulation, improved technology, calls for increased transparency and reporting and behaviour changes as custodians for future generations to ensure a sustainable future.

Risk mitigation measures

Remgro maintains its proud record of solid governance by means of its visible ethical leadership, transparent and clear stakeholder communications, and treatment of stakeholders with respect and consideration.

Remgro's adoption of a more progressive and dynamic view on risks and opportunities, added to a management team which is aligned with ESG and sustainability principles and practices, has fostered more opportunities to review and balance existing investment portfolios; with the potential of creating even greater trust and reaffirming its reputation as a responsible investor and corporate and planetary citizen.

Remgro strives to continuously maintain a culture of accountability, not only to our shareholders but to all stakeholders as trusted corporate citizen.

Investment strategies include focusing on optimising the investment portfolio and creating long-term value for stakeholders.

The Board maintains a sound risk appetite and ensures that the Group is adequately structured and capitalised to ensure its sustainability during adverse cycles, and that it is positioned for growth through prudent capital allocation and financial support of growing and performing investee companies.

Investment in human capital and the effective deployment of relationship capital and intellectual capital serves to help further support in the investee companies' growth.

A human capital development process is overseen by the management board; it serves to ensure to the innovative and entrepreneurial spirit of high-performance and strength through inclusivity and diversity.

Representation on investee company boards ensures to the effective oversight and support of high-performance, motivated, and ethical management teams.

The sustainability of Remgro, including that of its investee companies is dependent upon their ability to identify and respond to market trends and other disruptive impacts in the respective markets in which their businesses operate, which can materially impact their businesses.

This is accomplished through structuring the diverse investment portfolio to hedge salient exposures across industry sectors.

ESG performance is measured by the compilation of an annual baseline ESG footprint report; to gauge progress across all of Remgro's investee companies, thereby providing transparent and accurate disclosures against defined metrics aligned to best practice standards.

Furthermore, optimising the utilisation of human, intellectual, manufactured and relationship capital through the Group's collaborative initiatives under the Remgro Collaboration Network, in directing innovation towards more sustainable business models, systems, processes, markets, technologies and/or products.

Remgro continues to embed ESG into its business model, strategies, and operational activities as a Group.

Also, through shareholder rights and in partnering with investee companies to help implement ESG principles and best standards to achieve our common sustainability goals, the Group seeks to also help advance, benchmarking and monitoring. This will aid the enhancement of governance, risk and opportunities management and related processes to give effect to its goal to be a leader in ESG. Ultimately, to set an example in its industry, and to also collaborate on areas beyond its control.

For more details, refer to the Abridged ESG and Sustainability Report and Abridged TCFD Report, which can be found on pages 122 and 126.

