

CORPORATE GOVERNANCE

Remgro Limited (“Remgro”) endorses and is fully committed to compliance with the principles of the King II Report’s Code of Corporate Practices and Conduct. The Board advocates sound governance practices by all entities the Company is invested in and all the Company’s listed subsidiaries and associated companies endorse the Code of Corporate Practices and Conduct where applicable.

Remgro is an investment holding company. Reference to “the Group” in this context denotes the Company and its wholly owned subsidiaries. Each entity in which the Company is invested has its own governance structures. Effective corporate governance forms part of the Group’s investment assessment criteria which is further monitored by non-executive board representation on those boards.

In setting the parameters for this report, guidance was taken from the Global Reporting Initiative (GRI) Boundary Protocol. Disclosure is limited to those entities that could generate significant impact on the Group’s sustainability performance and where it exercises control over the financial and operating policies of such entities, save where those entities disclose the relevant information in their own publicised annual reports.

In giving effect to its risk management responsibilities, the Group has implemented and maintained a continuous risk management review programme to ensure a coherent governance approach throughout the Group.

The following are the notable aspects of the Group’s corporate governance.

BOARD CHARTER

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 to new directors.

The charter has been endorsed by all directors of Remgro and is available for inspection at the registered address.

The Board, having reflected on the following, is satisfied that, for the year under review, the required actions contained in the charter were executed satisfactorily.

COMPOSITION OF THE BOARD

Remgro has a fully functional Board that leads and controls the Group. On 31 March 2008, the Board comprised of five executive and eleven non-executive directors of whom six are independent.

The roles of the chairman and the chief executive officer are separated. The chairman is a non-executive director but is not independent.

Board members are listed on pages 10 and 11.

ROLE AND RESPONSIBILITIES OF THE BOARD

The Board is ultimately responsible for the strategic direction, risk appetite, performance and affairs of the Company. In directing the Group, the Board exercises leadership, integrity and judgement based on fairness, accountability, responsibility and transparency so as to achieve sustainable prosperity for the Group.

After approving operational and investment plans and strategies, the Board empowers executive management to implement these and to provide timely, accurate and relevant feedback on progress made.

The Board remains accountable for the overall success of the approved strategies, based on values, objectives and stakeholder requirements, and for the processes and policies to ensure the effectiveness of risk management and internal controls. The Board is the focal point of the Group's corporate governance and is also responsible for ensuring that it complies with all relevant laws, regulations and codes of best business practices.

The Board is responsible for monitoring the operational and investment performance of the Group including financial and non-financial aspects. It is also responsible for ensuring that procedures and practices are in place which will protect the Group's assets and reputation through accurate and transparent reporting.

The Board has established the following subcommittees to assist it in discharging its duties and responsibilities:

- ♦ **The Remuneration and Nomination Committee**, comprising four non-executive directors, advises the Board on the remuneration philosophies and terms of employment of all directors and members of senior management and is responsible for succession planning. The committee is also responsible for nominating directors for appointment and it annually participates in evaluating the performance of executive and non-executive directors. Directors do not have long-term contracts or exceptional benefits associated with the termination of services. The chairman of the Board is chairman of this committee. The chief executive officer attends meetings by invitation.

The committee has a formal mandate and its effectiveness is evaluated by the Board in terms thereof.

- ♦ **The Audit and Risk Committee**, comprising three non-executive directors, reviews the adequacy and effectiveness of the financial reporting process; the system of internal control; the management of financial, investment, technological and operating risks; risk funding; accounting policies; interim and annual financial statements; the internal and external audit processes; the Company's process for monitoring compliance with laws and regulations; its own code of business conduct; and procedures implemented to safeguard the Company's assets. The committee furthermore evaluates the effectiveness of the treasury committee and also approves the appointment of the external auditor and the external auditor's fees for audit services and non-audit services.

An independent non-executive director is chairman of the committee. The committee has a formal mandate and its effectiveness is evaluated by the Board in terms thereof.

- ♦ **The Executive Committee**, comprising all five executive directors and meets regularly between Board meetings to deal with issues delegated by the Board.

The Board is responsible for the appointment and induction of new directors. Non-executive directors are selected for their broader knowledge and experience and are expected to contribute effectively to decision-making and the formulation of strategies and policy.

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

MEETINGS AND QUORUMS

The articles of association requires three directors to form a quorum for Board meetings. A majority of members, preferably with significant representation of the non-executive directors, are required to attend all committee meetings.

The Board meets at least six times a year. The Audit and Risk Committee meets at least four times a year, and the Remuneration and Nomination Committee meets at least once a year.

MATERIALITY AND APPROVAL FRAMEWORK

Issues of a material or strategic nature, which can impact on the reputation and performance of the Group, are referred to the Board. Other issues, as mandated by the Board, are dealt with at senior management level.

The minutes of all the committee meetings are circulated to the members of the Board. Issues that require the Board's attention or a Board resolution, are highlighted and included as agenda items for the next Board meeting.

REMUNERATION PRINCIPLES

The Company's policy that guides the remuneration of all directors and senior management is aimed at:

- ♦ Retaining the services of existing directors and senior management
- ♦ Attracting potential directors and senior managers
- ♦ Providing directors and senior management with remuneration that is fair and just
- ♦ Ensuring that no discrimination occurs
- ♦ Recognising and encouraging exceptional and value-added performance
- ♦ Ensuring that remuneration structures are consistent with the Company's long-term requirements
- ♦ Protecting the Company's rights by service contracts

In accordance with these objectives, the Remuneration and Nomination Committee annually reviews and evaluates the contribution of each director and member of senior management and determines their annual salary adjustments. For this purpose it also considers salary surveys compiled by independent organisations.

DUTIES OF DIRECTORS

The Companies Act places certain duties on directors and determines that they should apply the necessary care and skill in fulfilling their duties. To ensure that this is achieved, best practice principles, as contained in the King II Report on Corporate Governance for South Africa, are applied.

The Board is also responsible for formulating the Company's communication policy and ensuring that spokespersons of the Company adhere to it. This responsibility includes clear, transparent, balanced and truthful communication to shareholders and relevant stakeholders.

After evaluating their performance in terms of their respective charters, the directors are of the opinion that the Board and the subcommittees have discharged all their responsibilities.

CONFLICTS

Mechanisms are in place to recognise, respond to and manage any potential conflicts of interest. Directors sign, at least once a year, a declaration stating that they are not aware of any undeclared conflicts of interest that may exist due to their interest in, or association with, any other company. In addition, directors disclose interests in contracts that are of significance to the Group's business and do not participate in the voting process of these matters.

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 Conduct and the requirements of the JSE Limited (JSE) regarding inside information, transactions and disclosure of transactions.

COMPANY SECRETARY AND PROFESSIONAL ADVICE

All directors are entitled to seek independent professional advice concerning the affairs of the Group, at the Company's expense.

All directors have unlimited access to the services of the company secretary, who is responsible to the Board for ensuring that proper corporate governance principles are adhered to. Board orientation or training is done when appropriate.

GOING CONCERN

At least once a year the Board considers the going concern status of the Group with reference to the following:

- Net available funds and the liquidity thereof
- The Group's residual risk profile
- World economic events
- The following year's strategic business plan, budgets and cash flow models
- The Group's current financial position

SERVICE COMPANY

A subsidiary of Remgro, M&I Group Services Limited (M&I), renders management and support services to Remgro and its group members. M&I recovers its costs through fees for services rendered to companies. An agreement has also been entered into with VenFin Limited to provide certain support and administrative services to the VenFin group of companies at fees determined annually. The net costs of M&I is part of the corporate costs of Remgro. Refer also to note 26 to the annual financial statements.

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RISK MANAGEMENT AND INTERNAL CONTROL

In determining strategic goals, the Board of Directors has ensured its understanding of all the risks identified in the Group's investment portfolio with a view to maximising sustainable profits and growth. These risks are continuously measured against the risk appetite determined by the Board.

The categories of risk identified can be broadly classified as follows:

- **Performance risks** which relate to those risks managed by the Board and includes strategic risk, opportunity risk, reputation risk, liquidity risk, and also risks relating to corporate governance, social responsibility and stakeholder relations.
- **Investment risk** inherent to existing investments. The Board has delegated the responsibility for investment risk management to the boards of the various investee companies. The Remgro Board monitors that these delegated responsibilities are effectively executed.
- **Operational risks** which include operational effectiveness and efficiency, safeguarding of assets, compliance with relevant laws and regulations, reliability of reporting, effective operational risk management, human resource risk, technology risk, business continuity and risk funding.

The Board has documented and implemented a comprehensive risk management system, which incorporates continuous risk assessment, evaluation, and internal control embedment.

The Enterprise-wide Risk Management system applicable to the Group comprises the following:

- **Group risk analysis**
The purpose of the Group risk analysis is to reconfirm and update the Group's consolidated risk profile. This ensures that the residual risk profiles by individual investment, and in total, remain within the risk tolerances set by the Board and that new emerging risks and opportunities are identified and responded to in time.
- **Activity risk assessment**
The activity risk assessment further refines the Group's risk assessment at key activity level relevant to the achieving of detailed objectives and ensures that risk management initiatives are duly prioritised and resourced appropriately.
- **Operational risk management**
The Board influences the control environment by setting ethical values and organisational culture while ensuring that management styles, delegated authorities, business plans and management competency are appropriate, effective and efficient.

Operational risks are managed mainly by means of effective internal control which is designed to provide reasonable assurance regarding the constant achievement of organisational objectives and to reduce the possibility of loss or misstatement to within acceptable levels.

Management structures have been established to focus on certain key risk activities, including treasury, safety, health, environment, asset protection, tax and risk funding.

- ✦ **Treasury**

Given its nature and the substantial amount of cash management within the Group, control of treasury risk is regarded as very important. The responsibility of the central treasury department is to manage the risks associated with rates of return, compliance, liquidity as well as investment, financing and foreign exchange transactions in accordance with a written mandate.

A treasury committee, comprising nominated members of senior management, is responsible for determining policy and procedures, ensuring appropriate levels of management competency and giving regular feedback to the Board via the Audit and Risk Committee. The treasury policy also ensures that the return on cash reserves is optimised taking cognisance of investment and credit risk and the Group's liquidity requirements.

V&R Management Services (V&R), a company registered and managed in Switzerland, renders treasury services for foreign cash holdings to R&R Holdings (a 33.3% associate company) and Remgro Investments (Jersey) (a wholly owned subsidiary). These two companies have service contracts which record V&R's obligations and responsibilities concerning their treasury policies as approved and monitored by their respective Boards. V&R's activities and risk management practices are annually subject to independent audits. Remgro and VenFin each holds 50% of V&R.

- ✦ **Risk funding**

Where residual risks are deemed significant or risks have a low probability of occurrence with a potential significant impact, appropriate insurance cover is acquired or suitable hedging strategies considered.

- ✦ **Integrated assurance**

The Board does not only rely on the adequacy of the internal control embedment process but regularly receives and considers reports on the effectiveness of risk management activities. The Audit and Risk Committee ensures that the assurance functions of management as well as internal and external audit are sufficiently integrated.

The various assurance providers to the Board comprise the following:

- ✦ The Executive Committee and senior management consider the Company's risk strategy and policy along with the effectiveness and efficiency thereof.
- ✦ The Audit and Risk Committee considers the adequacy of risk management strategies, systems of internal control, risk profiles, legal compliance, internal and external audit reports and also reviews the independence of the auditors, the extent and nature of their engagements, scope of work and findings. This committee also reviews the level of disclosure in the annual financial statements and the appropriateness of accounting policies adopted by management, the ethics register and other loss incidents reported. The Board reviews the performance of the Audit and Risk Committee against its charter.

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INTERNAL AUDIT

The Group's internal audit division is an effective independent appraisal function and employs a risk-based audit approach, formally defined in accordance with the Institute of Internal Auditors' (IIA) definition of internal auditing and documented in a charter approved by the Board. The head of this department has direct access to the chairman of the Audit and Risk Committee as well as to the chairman of the Group.

EXTERNAL AUDIT

The Company's 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. The external audit scope of work is adequately integrated with the Internal Audit function without the scope being restricted.

Other services provided by the external auditor mainly relate to tax matters and are effected by a department independent to the audit partners. Independence is further assured by the terms of appointment.

In fulfilling its wider responsibilities under the Corporate Law Amendments Act, 24 of 2006, the following was added to the self-assessment methodology used to monitor the Audit and Risk Committee's effectiveness:

- ✦ Approving the external auditor's terms of engagement, audit approach and fees (including non-audit fees)
- ✦ Ensuring the independence of the external auditor
- ✦ Approving external auditor's appointment for the ensuing financial year
- ✦ Pre-approving all fees paid to the external auditor for non-audit services

Where required the Audit and Risk Committee implemented procedures to guide and record its decision-making processes.

The directors are of the opinion that, based on inquiries made and the reports from the internal and external auditors, the risk management programmes and systems of internal control of the Company and its dependent subsidiaries were effective for the period under review. In this regard Tsb Sugar, Rainbow Chicken and Wispeco are considered to be independent and are therefore not reported on here.

The Audit and Risk Committee has satisfied itself that there are effective audit committees functioning at the Company's independent subsidiaries, joint ventures and associated companies.

DEALINGS IN SECURITIES

In accordance with the Listings Requirements of the JSE, the Company has adopted a code of conduct for insider trading. During the closed period directors and designated employees are prohibited from dealing in the Company's securities. Directors and designated employees may only deal in the Company's securities outside the closed period, with the authorisation of the chairman or the managing director. The closed period lasts from the end of a financial reporting period until the publication of financial results for that period. Additional closed periods may be declared from time to time if circumstances warrant it.

ATTENDANCE AT MEETINGS

	Directorate	Audit and Risk Committee	Remuneration and Nomination Committee
Number of meetings held	7	4	1
Attendance by directors			
J P Rupert	7		1
M H Visser	7		
P E Beyers	7		
W E Bührmann	7		
G D de Jager	7	3	1
J W Dreyer	7		
D M Falck ⁽¹⁾	7	4	
P K Harris	6		1
E de la H Hertzog	6		
J Malherbe	7		
M M Morobe ⁽²⁾	5		
J A Preller (Mrs)	7		
D Prins	7	4	
M Ramos (Miss)	5		
F Robertson	7	3	1
T van Wyk	7		

(1) Mr D M Falck retired as a member of the Audit and Risk Committee on 30 January 2008 but has attended meetings on invitation since.

(2) Mr M M Morobe was appointed as a director of the Company on 18 June 2007 and attended directors' meetings from August 2007.