

King IV Report

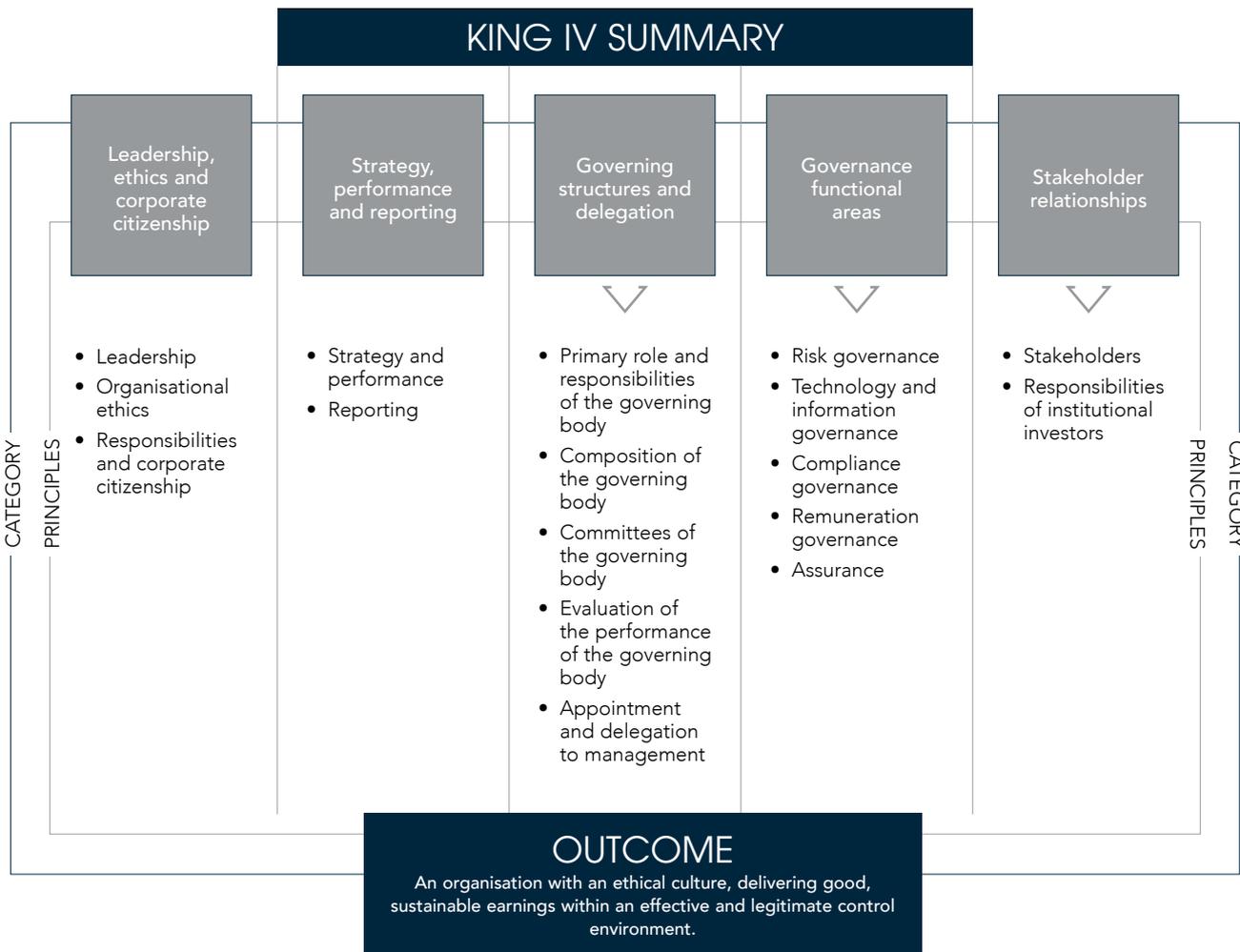
**FOR THE NINE MONTHS ENDED
31 MARCH 2021**

This document was prepared in response to the disclosures proposed in the King IV Report on Corporate Governance for South Africa, 2016 (King IV). It is viewed as an integral part of RMH's annual reporting and should, therefore, be read in conjunction with the 2021 integrated report available on www.rmh.co.za.

King IV principles

King IV was published on 1 November 2016. The board of RMH has opted to apply all 17 of the King IV principles. In 2017, an analysis was performed, gaps identified and an approach developed to continuously improve on identified gaps. RMH makes use of an external tool to track and ensure compliance.

The King IV report can be summarised as follows:



King IV applied and explained

Principle	Status	Explanation
Ethical culture		
1. The board leads ethically and effectively	Aligned	<p>RMH’s board of directors is its governing body. The directors hold one another accountable for decision-making and behave ethically, as characterised in King IV. The chairperson is tasked to monitor this as part of her duties. All members of boards are expected to apply an independence of mind, regardless of their categorisation as independent or non-independent. A performance evaluation of the performance of the board and its sub-committees is performed every three years to coincide with the medium-term strategic goals. An evaluation was completed during the prior year with the overall score achieved being 3.93 out of 4.</p>
2. The board governs the ethics of RMH in a way that supports the establishment of an ethical culture	Aligned	<p>The board has a fiduciary duty to act in good faith, with due care and diligence and in the best interests of the group and its stakeholders. It is the primary body responsible for the corporate governance values of the group. While control is delegated to management in the day-to-day management of the group, the board retains full and effective control over the group. A formal board charter, as recommended by King IV, has been adopted. All directors subscribe to a code of ethics. The code deals with duties of care and skill, as well as those of good faith, including honesty, integrity and the need to always act in the best interests of the company. Procedures exist in terms of which unethical business practices can be brought to the attention of the board by directors.</p> <p>RMH’s values of commitment, integrity, responsibility, innovation and connectivity guide RMH’s behaviour. This includes interaction with clients, investees, shareholders, suppliers and the communities within which the company operates.</p>
3. The board ensures that RMH is and is seen to be a responsible corporate citizen	Aligned	<p>The board is the guardian of the values and ethics of the group and ensures that it is seen as a responsible corporate citizen. The responsibility for monitoring the overall responsible corporate citizenship performance of the organisation was delegated to the social, ethics and transformation committee by the board. It is the responsibility of this committee to review the impact of RMH on the economy, society and the environment.</p> <div style="border: 1px solid black; padding: 5px; margin-top: 10px;"> <p> Refer to the report of the social, ethics and transportation committee available on www.rmh.co.za.</p> </div>
Performance and value creation		
4. The board appreciates that RMH’s core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process	Aligned	<p>The board’s paramount responsibility is to ensure that RMH creates value for its shareholders in a responsible manner taking into consideration the impact on society and the environment. In so doing, it considers the legitimate interests and expectations of stakeholders, which include the present and potential future investors in RMH. The strategy is approved by the board and reporting back on the execution of strategy is on every board meeting agenda. The board assesses both the positive and negative outcomes resulting from its business model continuously and responds to it.</p> <div style="border: 1px solid black; padding: 5px; margin-top: 10px;"> <p> Refer to RMH’s business model and explanation of how the inseparable elements of the value creation process are linked, which is summarised in the integrated report available on www.rmh.co.za.</p> </div>

Principle	Status	Explanation
<p>5. The board ensures that reports issued by RMH enable stakeholders to make informed assessments of RMH’s performance and its short, medium and long-term prospects</p>	Aligned	<p>The board is also responsible for formulating its communication policy and ensuring that spokespeople of the company adhere to it. This responsibility includes clear, transparent, balanced and truthful communication to shareholders and relevant stakeholders.</p> <p>The board oversees the preparation of all reports publicly available. Care is taken to ensure that stakeholders are supplied with clear, concise and understandable information. In the integrated report, RMH details both its historical performance and future outlook. This, together with further information in those and other communications, enable stakeholders to make informed assessments of RMH’s prospects. Stakeholders are also encouraged to complete their own independent review as, in some instances, information is based on the opinion of the board. All publicly available reports are published on RMH’s website.</p> <div data-bbox="576 592 1331 643" style="border: 1px solid black; padding: 2px;"> <p> For RMH’s five-year historical performance and its detailed performance over the past period refer to the integrated report available on www.rmh.co.za.</p> </div> <div data-bbox="576 653 1331 704" style="border: 1px solid black; padding: 2px;"> <p> For RMH’s outlook for the future refer to the integrated report available on www.rmh.co.za.</p> </div>

Adequate and effective control

<p>6. The board serves as the focal point and custodian of corporate governance in RMH</p>	Aligned	<p>Its role and responsibilities and the way that it executes its duties and decision-making are documented and are set out in the board charter.</p> <p>The board meets once every quarter. Should an important matter arise between scheduled meetings, additional meetings may be convened.</p> <p>Before each board meeting, an information pack, which provides background information on the performance of the group for the year-to-date and any other matters for discussion at the meeting, is distributed to each board member. At their meetings, the board considers both financial- and non-financial, or qualitative, information that might have an impact on stakeholders. The board is satisfied that it fulfilled its responsibilities as detailed in their charters during 2021.</p> <div data-bbox="576 1096 1331 1163" style="border: 1px solid black; padding: 2px;"> <p> Details of the board meetings held during the period, as well as the attendance at the board meetings and annual general meeting by individual directors, are disclosed in the integrated report on www.rmh.co.za.</p> </div> <p>RMH has an ‘owner-manager’ culture, which has been inculcated at every business in which it is invested. While RMH’s board is responsible for the maintenance of sound corporate governance, it believes that implementation is best managed at an investee company level. Investee companies therefore have their own governance structures, including boards of directors, executive teams and board committees that monitor operations and deal with governance and transformation-related issues.</p> <p>RMH has board representation at all investee companies and influences the governance and transformation-related issues through this strategic position.</p>
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Principle	Status	Explanation
<p>7. The board comprises the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively</p>	<p>Aligned</p>	<p>The board, with the assistance of the directors' affairs and governance and nomination committees, considers, on an annual basis, its composition in terms of balance of skills, experience, diversity, independence and knowledge and whether this enables it to effectively discharge its role and responsibilities. The board is satisfied that there is a balance of skills, experience, diversity, independence and knowledge needed to discharge its role and responsibilities. The board has taken steps to strengthen its succession plan to also include an immediate and interim succession plan in the event of an unforeseen event.</p> <p>Although RMH has a unitary board with an independent non-executive director as chairperson, Murphy Morobe was retained as the lead independent non-executive director. Five of the seven non-executive directors are independent. The independence of directors who have served for longer than nine years is considered on an annual basis. The independence of all directors is considered on a holistic basis.</p> <p>RMH believes that all board members are suitably qualified and that the composition of the board is in the best interests of all stakeholders, without prejudice to them.</p> <p>The roles of chairperson and chief executive officer are separate, and the composition of the board ensures a balance of authority, precluding any one director from exercising unfettered powers of decision-making.</p> <p>The directors are individuals of a high calibre with diverse backgrounds and expertise, facilitating independent judgment and broad deliberations in the decision-making process. New directors are subject to a 'fit and proper' test. An informal orientation programme is available to incoming directors. No director has an automatic right to a position on the board. All non-executive directors are required to be elected by shareholders at an annual general meeting. In a general meeting, the company may appoint any person to be a director, subject to the provisions of the memorandum of incorporation.</p> <p>Non-executive directors retire by rotation every three years and are eligible for re-election. Reappointment of non-executive directors is not automatic. The retirement age of the non-executive directors is set at 70.</p> <div data-bbox="576 1087 1331 1157" style="border: 1px solid black; padding: 5px;"> <p> For details of directors' full names, their dates of appointment and other listed directorships as well as brief career and sphere of influence synopsis of each of the directors, refer to the of the integrated report available on www.rmh.co.za.</p> </div> <p>The policy on the promotion of race and gender diversity is included in the nominations committee charter which requires that, when appointing new directors, the board takes cognizance of its needs in terms of different skills, experience, cultural and gender diversity, size and demographics. While no specific targets have been set, the board is committed to increasing its gender and race diversity at board and top management level.</p>

Principle	Status	Explanation
<p>8. The board ensures that its arrangements for delegation within its own structures promote independent judgment, and assist with the balance of power and the effective discharge of its duties</p>	Aligned	<p>The board established six sub-committees to assist the directors in fulfilling their duties and responsibilities. Each committee has a formal charter and reports to the board at regular intervals. The charters, which set out the objectives, authority, composition and responsibilities of each committee, have been approved by the board. The board also reviews the charters for continued relevance on an annual basis. All the committees are free to take independent outside professional advice, as and when required, at the expense of the company.</p> <p>Membership of the committees is as recommended in King IV. The composition of the committees of the board and the distribution of authority between the chairperson and other directors is balanced and does not lead to instances where individual(s) dominate decision-making within governance structures or where undue dependency is caused.</p> <div data-bbox="576 592 1331 643" style="border: 1px solid black; padding: 5px;"> <p> For the members of each committee refer to the integrated report available on www.rmh.co.za.</p> </div> <p>It is not a requirement in terms of either the memorandum of incorporation or the board charter that directors own shares in the company.</p> <div data-bbox="576 731 1331 782" style="border: 1px solid black; padding: 5px;"> <p> For directors' interests in the ordinary shares of the company are disclosed in the integrated report available on www.rmh.co.za.</p> </div> <p>The audit and risk committee is satisfied that the auditor is independent as non-audit services are not performed and the auditor firm has been appointed with the designated partner having oversight of the audit.</p> <p>The financial director is the head of the finance function and he has an outsourced senior financial manager reporting to him. Internal audit is fully outsourced and the financial director is responsible for overseeing and co-ordinating the effective functioning of the outsourcing arrangement. An assessment of the effectiveness of the financial director function is performed annually by the audit and risk committee.</p> <p>The audit and risk committee reviewed the effectiveness of the design and implementation of internal control functions, which forms part of combined assurance. Regular communications between internal and external audit serve to optimise combined assurance. RMH has appointed an outsourced head of compliance, which will further enhance combined assurance. Combined assurance will continue to evolve and further enhance alignment between key role players.</p>
<p>9. The board ensures that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness</p>	Aligned	<p>The board evaluates its performance informally on an annual basis. Every third year, a formal evaluation is completed. After evaluating their performance in terms of their respective charters, the directors are of the opinion that the board and the sub-committees have discharged all their responsibilities for 2021.</p> <p>Assessments of the performance of the chief executive officer/finance director and the company secretary are conducted annually by the audit and risk committee. No major issues or concerns have been identified.</p>

Principle	Status	Explanation
10. The board ensures that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities	Aligned	<p>In terms of its formal charter, the board's responsibilities include the appointment of the chief executive officer and the approval of corporate strategy, risk management and corporate governance. The board reviews and approves the business plans and monitors the financial performance of the group and implementation of the strategies.</p> <p>Board members have full and unrestricted access to management and all group information and property. They are entitled, at the cost of the group, to seek independent professional advice in the fulfilment of their duties. Directors may meet separately with management, without the attendance of executive directors.</p> <p>A detailed delegation of authority policy and framework indicate matters reserved for the board and those delegated to management. The board is satisfied that RMH is appropriately resourced and that its delegation to management contributes to an effective arrangement by which authority and responsibilities are exercised.</p> <p>The chief executive officer is appointed by the board and is responsible for leading the implementation of the approved strategy, policy and operational planning. The chief executive officer is also the chief executive officer of Rand Merchant Investment Holdings Limited (RMI) which was unbundled from RMH in 2011. This position is closely monitored on an ongoing basis. A succession plan for the chief executive officer is in place.</p> <p>RMH has appointed a company secretary with the requisite knowledge, experience and stature. All directors have unlimited access to her services and she is responsible to the board for ensuring that proper corporate governance principles are adhered to, including signing off on disclosure of membership of board structures, the number of meetings of each and attendance at each meeting as well as the overall content of the committee information and reporting that are in the public domain. She is not a director of RMH.</p>
11. The board governs risk in a way that supports RMH in setting and achieving its strategic objectives	Aligned	<p>The audit and risk committee assists the board with the governance of risk. The board is aware of the importance of risk management as it is linked to the strategy, performance and sustainability of RMH. The audit and risk committee implements a process whereby risks to the sustainability of the company's business are identified and managed within acceptable parameters. The audit and risk committee delegates the duty to management to continuously identify, assess, mitigate and manage risks within the existing and ever-changing risk profile of RMH's operating environment. Mitigating controls are formulated to address the risks and the board is kept up to date on progress on the risk management plan.</p> <div data-bbox="576 1195 1331 1252" style="border: 1px solid black; padding: 5px; margin-top: 10px;"> <p> For an overview of the risks to value creation in RMH, refer to the integrated report available on www.rmh.co.za.</p> </div>
12. The board governs technology and information in a way that supports RMH in setting and achieving its strategic objectives	Aligned	<p>The audit and risk committee assists the board with the governance of information technology. The board is aware of the importance of technology and information as it is inter-related to the strategy, performance and sustainability of RMH. Currently, technology and information arrangements are outsourced. These arrangements are monitored closely to ensure that all strategic objectives are met.</p>
13. The board governs compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports RMH being ethical and a good corporate citizen	Aligned	<p>Compliance risk management is delegated to the audit and risk committee. There were no material or repeated regulatory penalties, sanctions or fines for contraventions of, or non-compliance with, statutory obligations.</p>

Principle	Status	Explanation
14. The board ensures that RMH remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term	Aligned	<p>RMH remunerates fairly, responsibly and transparently to promote the creation of value in a sustainable manner. RMH has a remuneration committee that assists the board in meeting its responsibilities. Currently, RMH has only one employee and has entered into a management services agreement with RMI. The terms and scope of the agreement is reviewed by the board. The remuneration policy and implementation report are also presented as an advisory resolution to shareholders. Approval for non-executive directors' remuneration is requested from shareholders at the annual general meeting.</p> <p>The individual directors' remuneration is disclosed.</p> <p> For detail of all directors' remuneration refer to the integrated report available on www.rmh.co.za.</p>
15. The board ensures that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision – making and of RMH's external reports	Aligned	<p>The board has an approved combined assurance model. It is satisfied that the assurance model is adequate and that it ensures an effective control environment and integrity of reports for better decision-making. Combined assurance will evolve as the business evolves.</p> <p> For information on assurance contained in the audit and risk committee report refer to the audited financial statements available on www.rmh.co.za.</p>
Trust, good reputation and legitimacy		
16. In the execution of its governance role and responsibilities, the board adopts a stakeholder- inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of RMH over time	Aligned	<p>RMH has identified its stakeholder groups and actively balances their legitimate and reasonable needs, interests and expectations. RMH openly engages with stakeholders. It seeks to ensure that all stakeholders are treated fairly on an unbiased basis.</p> <p> For information on stakeholder relationships and engagements refer to the integrated report available on www.rmh.co.za.</p>
17. The board ensures that responsible investment is practiced by RMH to promote the good governance and the creation of value by the companies in which it invests	Aligned	<p>RMH ensures, through active participation and representation, that its investee companies practice responsible investment and promote good governance. Incorporated in RMH's investment assessment are environmental, social and governance considerations.</p>

In addition to complying with the King IV disclosures, RMH, as a listed entity, also has to comply with specific reference to section 3.84 of the JSE Listings Requirements. This section has the effect of certain King IV corporate governance practices becoming mandatory instead of being voluntary and further requires disclosure of adherence in the integrated report.

Conclusion

RMH followed an indexed approach in reporting compliance with King IV. Based on this approach, the board and management concluded that RMH is currently achieving the King IV governance outcomes in all material respects.



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