

CORPORATE GOVERNANCE REPORT

RMH IS COMMITTED TO THE HIGHEST STANDARDS OF ETHICS AND CORPORATE GOVERNANCE.

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, the board applies best practice principles, as contained in King IV, where appropriate. RMH and its investees endorse King IV. As a JSE-listed entity, RMH also complies with the JSE Listings Requirements.

KING IV

The King IV Report on Corporate Governance for South Africa, 2016 (King IV) was released on 1 November 2016. Because of the importance to RMH to meet the highest standards of corporate governance, the board satisfied itself that RMH has substantially applied the principles set out in King IV.

King IV advocates an outcomes-based approach and defines corporate governance as the exercise of ethical and effective leadership towards the achievement of four governance outcomes. The desired governance outcomes are listed below, together with the practices implemented and progress made towards achieving the 17 principles in meeting those outcomes. It is done on an "apply and explain" basis, as recommended by King IV:

GOVERNANCE OUTCOME ONE: ETHICAL CULTURE

1. THE BOARD LEADS ETHICALLY AND EFFECTIVELY

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 chairman is tasked to monitor this as part of his duties. The results of the performance assessment of individual directors in respect of the ethical characteristics they demonstrated was satisfactory. The board will make an ongoing assessment to ensure that the ethical characteristics demonstrated by the individual directors are continued.

2. THE BOARD GOVERNS THE ETHICS OF RMH IN A WAY THAT SUPPORTS THE ESTABLISHMENT OF AN ETHICAL CULTURE

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.

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.

3. THE BOARD ENSURES THAT RMH IS AND IS SEEN TO BE A RESPONSIBLE CORPORATE CITIZEN

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.

> Refer to the report of the social, ethics and transformation committee on **page 63** of the annual integrated report for more detail on how RMH addressed responsible citizenship.

GOVERNANCE OUTCOME TWO: 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

The board's paramount responsibility is to ensure that RMH creates value for its shareholders. In so doing, it takes into account the legitimate interests and expectations of stakeholders, which include the present and potential future investors in RMH.

This annual integrated report demonstrates how performance is achieved through the strategic initiatives. RMH sets and achieves its strategic initiatives with reference to its risks and opportunities. The board assesses both the positive and negative outcomes resulting from its business model continuously and responds to it.

Refer to RMH's business model and explanation of how the inseparable elements of the value creation process are linked, which is summarised on **page 10 and 11** of the annual integrated report.

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

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.

In its interim and annual integrated reports to stakeholders, 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.

RMH's ability to create value in a sustainable manner is illustrated throughout its business model.

See **page 26** for RMH's five-year historical performance and **page 27 to 29** of the annual integrated report for its detailed performance over the past year.

See **page 25** of the annual integrated report for RMH's outlook for the future.

GOVERNANCE OUTCOME THREE: ADEQUATE AND EFFECTIVE CONTROL

6. THE BOARD SERVES AS THE FOCAL POINT AND CUSTODIAN OF CORPORATE GOVERNANCE IN RMH

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.

The board meets once every quarter. Should an important matter arise between scheduled meetings, additional meetings may be convened.

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.

Details of the board meetings held during the year ended 30 June 2017, as well as the attendance at the board meetings and annual general meeting by individual directors, are disclosed on **page 51**.

RMH has an "owner-manager" culture, which has been inculcated at every business in which it is invested. Whilst 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.

RMH has board representation at all investee companies and influence the governance and transformation-related issues through this strategic position.

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

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.

RMH has a unitary board with a non-executive director as chairman. Pat Goss is appointed as the lead independent non-executive director. Six of the 14 non-executive directors are independent. This is considered acceptable in light of the low number of executive directors.

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.

The roles of chairman and chief executive are separate and the composition of the board ensures a balance of authority, precluding any one director from exercising unfettered powers of decision-making.

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.

Non-executive directors retire by rotation every three years and are eligible for re-election. Re-appointment of non-executive directors is not automatic. The retirement age of the non-executive directors is set at 70.

The boards of RMH's major investments and operating divisions are similarly constituted with the necessary mix of skills, experience and diversity. There is also an appropriate mix between executive and non-executive appointments. RMH believes that investee companies have a strong pipeline of executives whose natural career progression would be to serve on the RMH board.

> 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 **pages 52 to 57** of the annual integrated report.

COMPOSITION OF THE BOARD

| | Executive | Non-executive | Independent non-executive |
|--------------------------|-----------|---------------|---------------------------|
| Directors | 1 | 8 | 6 |
| | | 0 – 3 years | 4 – 10 years |
| Length of service | | 7 | 2 |
| | | | > 20 years |
| Transformation | | 7 | 8 |
| | | Black | Not black |
| Gender | 2 | 13 | |
| | | Female | Male |
| Black female | 2 | | |

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. Whilst no specific targets have been set, the board is committed to increasing its gender and race diversity at board and top management level.

8. THE BOARD ENSURES THAT ITS ARRANGEMENTS FOR DELEGATION WITHIN ITS OWN STRUCTURES PROMOTE INDEPENDENT JUDGMENT, AND ASSIST WITH BALANCE OF POWER AND THE EFFECTIVE DISCHARGE OF ITS DUTIES

The board established five 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. All the committees are free to take independent outside professional advice, as and when required, at the expense of the company.

Membership of the committees are as recommended in King IV. The composition of the committees of the board and the distribution of authority between the chairman 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.

> See **page 51** of the annual integrated report for the members of each committee.

It is not a requirement in terms of either the memorandum of incorporation or the board charter that directors own shares in the company.

> Directors' interests in the ordinary shares of the company are disclosed on **page 73** of the annual integrated report.

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.

The financial director is the head of the finance function and he has a senior 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.

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

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.

Assessments of the performance of the chief executive and company secretary are conducted annually and no major issues or concerns have been identified.

10. THE BOARD ENSURES THAT THE APPOINTMENT OF, AND DELEGATION TO, MANAGEMENT CONTRIBUTE TO ROLE CLARITY AND THE EFFECTIVE EXERCISE OF AUTHORITY AND RESPONSIBILITIES

In terms of its formal charter, the board's responsibilities include the appointment of the chief executive 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.

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.

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.

The chief executive has an employment contract that can, subject to fair labour practices, be terminated upon one month's notice. In terms of the memorandum of incorporation, the retirement age of an executive director is 60, but the board has the discretion to extend it to 65. The chief executive does not have any work commitments outside of RMH and its related companies. A succession plan for the chief executive is in place.

The company secretary is Ellen Marais, BCom (Hons) CA(SA). The company secretary is appointed on a full-time basis 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.

11. THE BOARD GOVERNS RISK IN A WAY THAT SUPPORTS RMH IN SETTING AND ACHIEVING ITS STRATEGIC OBJECTIVES

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.

> See page 14 of the annual integrated report for an overview of the risks to value creation in RMH.

12. THE BOARD GOVERNS TECHNOLOGY AND INFORMATION IN A WAY THAT SUPPORTS RMH IN SETTING AND ACHIEVING ITS STRATEGIC OBJECTIVES

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.

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

There were no material or repeated regulatory penalties, sanctions or fines for contraventions of, or non-compliance with, statutory obligations.

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

RMH remunerates fairly, responsibly and transparently so as to promote the creation of value in a sustainable manner.

The individual directors' remuneration is disclosed.

> See **page 72** of the annual integrated report for detail of all directors' remuneration.

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

The board is satisfied that assurance results in an adequate and effective control environment and integrity of reports for better decision-making.

> See **page 59** of the annual integrated report for information on assurance contained in the audit and risk committee's report.

GOVERNANCE OUTCOME FOUR: 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

RMH has identified its stakeholder groups and actively balances their legitimate and reasonable needs, interests and expectations.

> See **page 12** of the annual integrated report for information on stakeholder relationship and engagements.

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

RMH ensures, through active participation and representation, that it exercises its rights and obligations with regard to its investee companies.