



# 2020

## INTEGRATED REPORT



**RMI** OPTIMISE  
DIVERSIFY  
MODERNISE

# ABOUT THIS INTEGRATED REPORT

## RMI'S ENDURING VALUE CREATION

This integrated report of Rand Merchant Investment Holdings Limited (RMI) for the year ended 30 June 2020 was prepared for all its stakeholders.

The report contains comprehensive information about RMI's financial performance, stakeholders, governance, material issues, risks and opportunities and how these influence RMI's strategy. We show how we create value and how we will ensure that our value creation is enduring. The group is proud of its heritage, steeped in strong ethics. We therefore also outline how our value creation is underpinned by sound and enduring values.

## FRAMEWORKS

The report is compiled and presented in accordance with the:

- » Companies Act of South Africa, 71 of 2008, as amended (Companies Act);
- » International Financial Reporting Standards (IFRS);
- » International Integrated Reporting Framework (<IR> Framework) of the International Integrated Reporting Council (IIRC);
- » JSE Limited Listings Requirements (JSE Listings Requirements);
- » King IV Report on Corporate Governance for South Africa, 2016 (King IV); and
- » United Nations Sustainable Development Goals (SDGs).

## MATERIALITY

The most material issues, being those which have the potential to substantially impact RMI's ability

to create and sustain value for its stakeholders, are discussed. Management is not aware of the unavailability of any reliable information or any legal prohibitions to disclosing any material information.

This report focuses on reporting material aspects under the control of RMI which can significantly impact capital resources, financial performance or could lead to significant reputational damage or negatively impact RMI's position as a responsible corporate citizen.

## ASSURANCE

Assurance was received from RMI's external auditor, PricewaterhouseCoopers Inc. on the fair presentation of the annual financial statements.



The annual financial statements including the external auditor's unmodified report are available on RMI's website [www.rmih.co.za](http://www.rmih.co.za).

The external auditor also read the integrated report and considered whether any information is materially inconsistent with the annual financial statements or their knowledge obtained during the course of their audit or otherwise appears to be materially misstated. No such misstatement was reported.

The audit and risk committee had oversight of the preparation of the integrated report and recommended it for board approval.

## FORWARD-LOOKING STATEMENTS

Certain statements in this integrated report may be regarded as forward-looking statements or

forecasts but do not represent an earnings forecast. All forward-looking statements are based solely on the views and considerations of the directors. Those statements have not been reviewed and reported on by the external auditor.

## RESPONSIBILITY

The board is ultimately responsible for this report.

The company secretary and financial manager, Schalk Human MCom (Acc) CA(SA), prepared this report; the chief executive officer and financial director, Herman Bosman LL.M CFA, supervised the preparation; and management convened and contracted the relevant skills and experience to undertake the reporting process and provided management oversight.

The board, after consultation with the audit and risk committee and applying its collective mind to the preparation and presentation of the report, concluded that it was presented in accordance with the <IR> Framework and approved it for publication.

For and on behalf of the board.

**JJ Durand**  
Chairman

**Herman Bosman**  
Chief executive officer

Sandton  
28 October 2020



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### NAVIGATION WITHIN THIS REPORT



Indicates further information available on our website, [www.rmih.co.za](http://www.rmih.co.za)



Directs readers to the page in the integrated report with supplementary information.



### ABOUT THE ART IN THIS REPORT

#### JAKE MICHAEL SINGER

Each year, RMI features an artist or artwork that embodies its enduring values and strategic positioning.

Sculptor Jake Michael Singer and his team have produced a group of works called the Murmuration series. Each work is crafted using traditional thatching techniques, bringing many pieces – in this case marine-grade stainless steel security fencing material – into a coherent whole.

The process demonstrates the truth that collective effort towards a goal is always more effective.

The lockdown measures required as a result of the COVID-19 pandemic and the need to implement social isolation measures have highlighted the importance of connectedness for people, which the works also represent.

Jake is a South African multi-disciplinary artist, who completed his bachelor's degree at Michaelis School of Fine Art at the University of Cape Town and went on to study at Central Saint Martins in London.

He has exhibited widely, both locally and internationally.



Further information about Jake Michael Singer can be found on RMI's website [www.rmih.co.za](http://www.rmih.co.za).

# 1

## ABOUT RMI







### SNAPSHOT

RMI is a strategic, active and long-term investor in a multi-billion Rand financial services portfolio. RMI is an investment holding company listed on the JSE Limited and has a proud track record of investing in **dynamic, disruptive and entrepreneurial financial services businesses.**

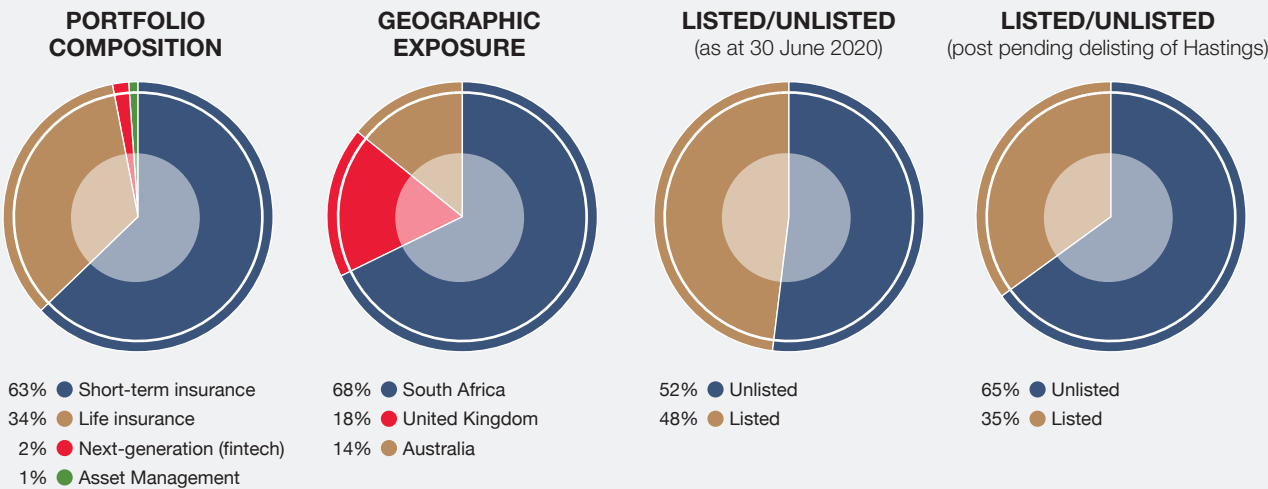
RMI strives to build on the rich legacy of the RMB group of companies, founded in 1977 by GT Ferreira, Laurie Dippenaar and Paul Harris. At the centre of RMI's strategic approach is its **values-driven culture forged over decades.**

The group's long-term performance has been achieved by **partnering with exceptional management teams**, allowing management the individuality to operate their businesses as owners. Sound management is an important investment criterion and operational autonomy and management independence is at the core of the RMI culture and investment methodology.

RMI's portfolio comprises of the following investments in both listed and unlisted financial services businesses:

LISTED	25.0%	 <b>Discovery Limited</b> (Discovery)	TRADITIONAL PORTFOLIO
	29.7%	 <b>Hastings Group Holdings plc</b> (Hastings)	
	27.3%	 <b>Momentum Metropolitan Holdings Limited</b> (Momentum Metropolitan)	
UNLISTED	89.1%	 <b>OUTsurance Holdings Limited</b> (OUTsurance)	NEXT-GENERATION PORTFOLIO
	100%	 <b>RMI Investment Managers Group Proprietary Limited</b> (RMI Investment Managers)	
	100%	 <b>AlphaCode Proprietary Limited</b> (AlphaCode), with its next-generation investments: » Entersekt Proprietary Limited (Entersekt) (28.2%) » Merchant Capital Advisory Services Proprietary Limited (Merchant Capital) (24.8%) » Prodigy Investments Limited (Prodigy) (13.1%) » Sancreed Proprietary Limited, trading as Guidepost (Guidepost) (25.1%)	

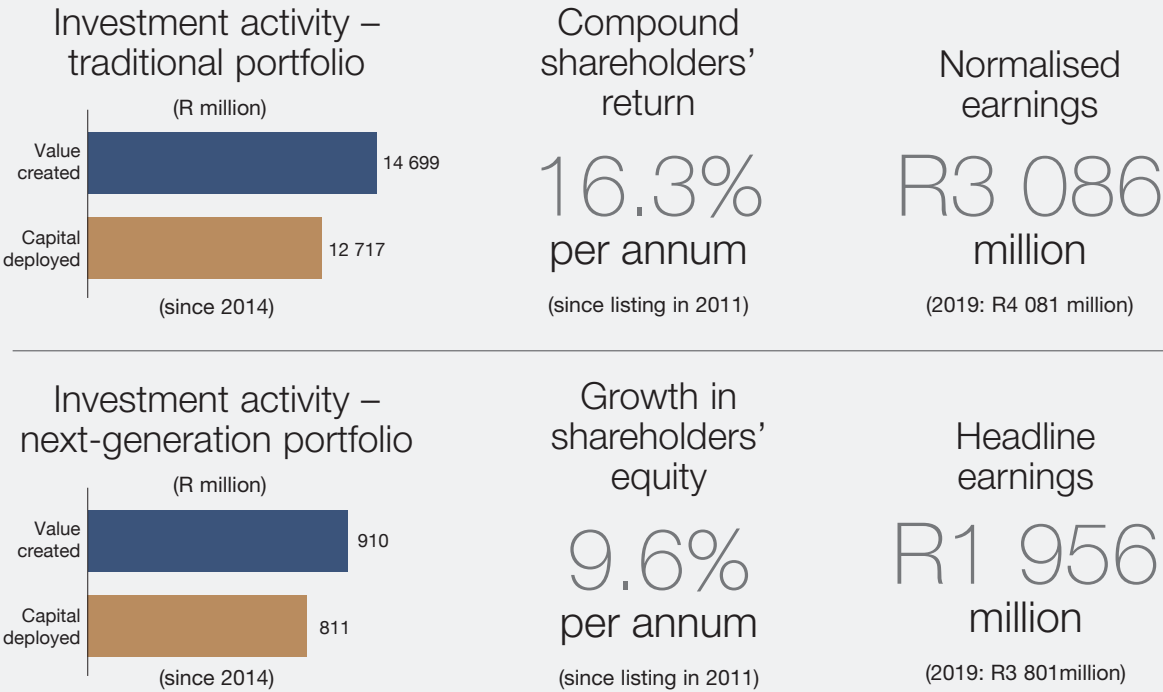
## CONTRIBUTION TO NORMALISED EARNINGS



## ENDURING VALUE CREATED

for the year ended 30 June 2020

RMI measures the execution of its strategy through the creation of enduring value. The true value created is measured in terms of capital growth, which reflects the growth in the underlying value of our investments.



## THE INVESTMENTS

RMI'S SIGNIFICANT INVESTMENTS AS AT 30 JUNE 2020

	Discovery	Hastings	Momentum Metropolitan	OUT SURANCE
LISTED OR UNLISTED	JSE-listed	LSE-listed <sup>1</sup>	JSE-listed	Unlisted
MARKET CAPITALISATION/ IMPLIED VALUE (100%)	R68.8 billion	R27.3 billion	R28.4 billion	R24.6 billion
RMI'S INTEREST	25.0%	29.7%	27.3%	89.1%
RMI'S RANKING AS SHAREHOLDER	1st	1st	1st	1st
MARKET VALUE/ IMPLIED VALUE OF RMI'S INTEREST	R17.2 billion	R8.1 billion	R7.1 billion	R21.1 billion
SHARE OF RMI PORTFOLIO BASED ON VALUE	32%	15%	13%	40%
NORMALISED EARNINGS (100%)	R3 747 million	R1 720 million	R1 521 million	R2 218 million
EMPLOYEES	12 980	3 300	16 234	5 380

1. Pending delisting.



RMI’s primary objective is to **create enduring value** for its stakeholders by optimising, diversifying and modernising its investment portfolio

LISTED INVESTMENTS



**Discovery** is a pioneering market leader with uniquely-positioned businesses in the healthcare, long and short-term insurance, wellness, banking and financial services industries. It is listed on the JSE Limited.

It operates in, *inter alia*, South Africa, the United Kingdom (UK), China, Singapore, Australia, Japan, Europe and the USA through various business lines.

Its innovative Shared-Value business model incentivises people to be healthier and enhances and protects their lives. This model has demonstrable superior actuarial outcomes for the insurer and has driven behavioural changes that result in a healthier client base.

Refer to **page 38** for further information on Discovery and its performance, strategy and outlook.



**Hastings** is a UK-listed, fast-growing, agile, digitally-focused general short-term insurance provider to the UK car, van, bike and home insurance market. It has strong relationships with all the major price comparison websites, a cost-effective digital marketing model and a focus on client retention.

Hastings provides refreshingly straightforward products and services. It has 2.96 million live client policies and is a multi-award-winning business.

In August 2020, RMI and OUTsurance announced their intention, subject to Hastings shareholders' approval (which was obtained on 22 September 2020) and various regulatory approvals (which have now all been obtained in the relevant jurisdictions), to take Hastings private in partnership with Sampo plc (Sampo). The remaining condition precedent is court sanction of the Scheme to delist Hastings, which is expected before the end of this calendar year.

Refer to **page 46** for further information on Hastings and its performance, strategy and outlook.



**Momentum Metropolitan** is an insurance-based financial services group which is listed on the JSE Limited.

It operates primarily in South Africa, with insurance interests in select African countries, the UK (asset management) and India (health).

The core businesses of Momentum Metropolitan offer long- and short-term insurance, asset management, savings, investment, healthcare administration and employee benefits. These product and service solutions are provided to all market segments through the Momentum and Metropolitan operating brands.

Refer to **page 52** for further information on Momentum Metropolitan and its performance, strategy and outlook.

UNLISTED INVESTMENTS



**OUTsurance** provides short- and long-term insurance products in South Africa and short-term insurance products in Australia and Namibia.

It has a client-centric approach, providing value for money insurance solutions backed by world-class service. Premiums are calculated according to a client's unique risk profile. Clients who remain claim-free receive a cash OUTbonus, the first such reward system in South Africa.

Refer to **page 56** for further information on OUTsurance and its performance, strategy and outlook.



**RMI Investment Managers'** affiliate model enables the company to access a differentiated part of the investment management industry by investing in and partnering with independent investment managers.

RMI Investment Managers has taken minority equity stakes in boutique investment managers which span the asset class spectrum across active, passive, traditional and alternative.

While the team is predominantly focused on the execution of the growth initiatives at each affiliate, they continue to look for opportunities that will complement the existing suite of managers as the group builds its share of the South African investment management market.

**Royal Investment Managers** is a joint venture between RMI Investment Managers and Royal Bafokeng Holdings (RBH). It acquires equity stakes in either existing or new asset management firms with a strong focus on diversity.

Refer to **page 62** for further information on RMI Investment Managers and its performance, strategy and outlook.



**AlphaCode** identifies, partners and grows extraordinary next-generation financial services entrepreneurs. Its investments to date are:

- » **Entersekt**, a leader in authentication app security and payments-enablement technology, offering a highly scalable solution set, with a track record of success across multiple continents;
- » **Guidepost**, a high-touch health and insurtech innovator that is poised for international growth;
- » **Luno**, makes it safe and easy to buy, store and learn about digital currencies like Bitcoin and Ethereum. Luno has more than 2 million clients across 40 countries. This investment was sold in September 2020;
- » **Merchant Capital**, a provider of alternative sources of working capital for small and medium sized enterprises in South Africa; and
- » **Prodigy**, an international fintech platform that offers loans to postgraduate students attending top universities.

AlphaCode is actively seeking to fund new and dynamic, sustainable and scalable business models in the financial services industry. It is committed to building a pipeline of next-generation financial services businesses and has launched a number of structured learning and mentorship programmes for different stages of business maturity to build this pipeline.

Refer to **page 67** for further information on AlphaCode.





RMI's primary purpose is to **create enduring value** for its stakeholders by optimising, diversifying and modernising its investment portfolio.

# 2

## VALUE CREATION PROCESS

# STRATEGIC FOCUS

RMI positions itself as a long-term shareholder of businesses in the financial services sector strategically focused on:

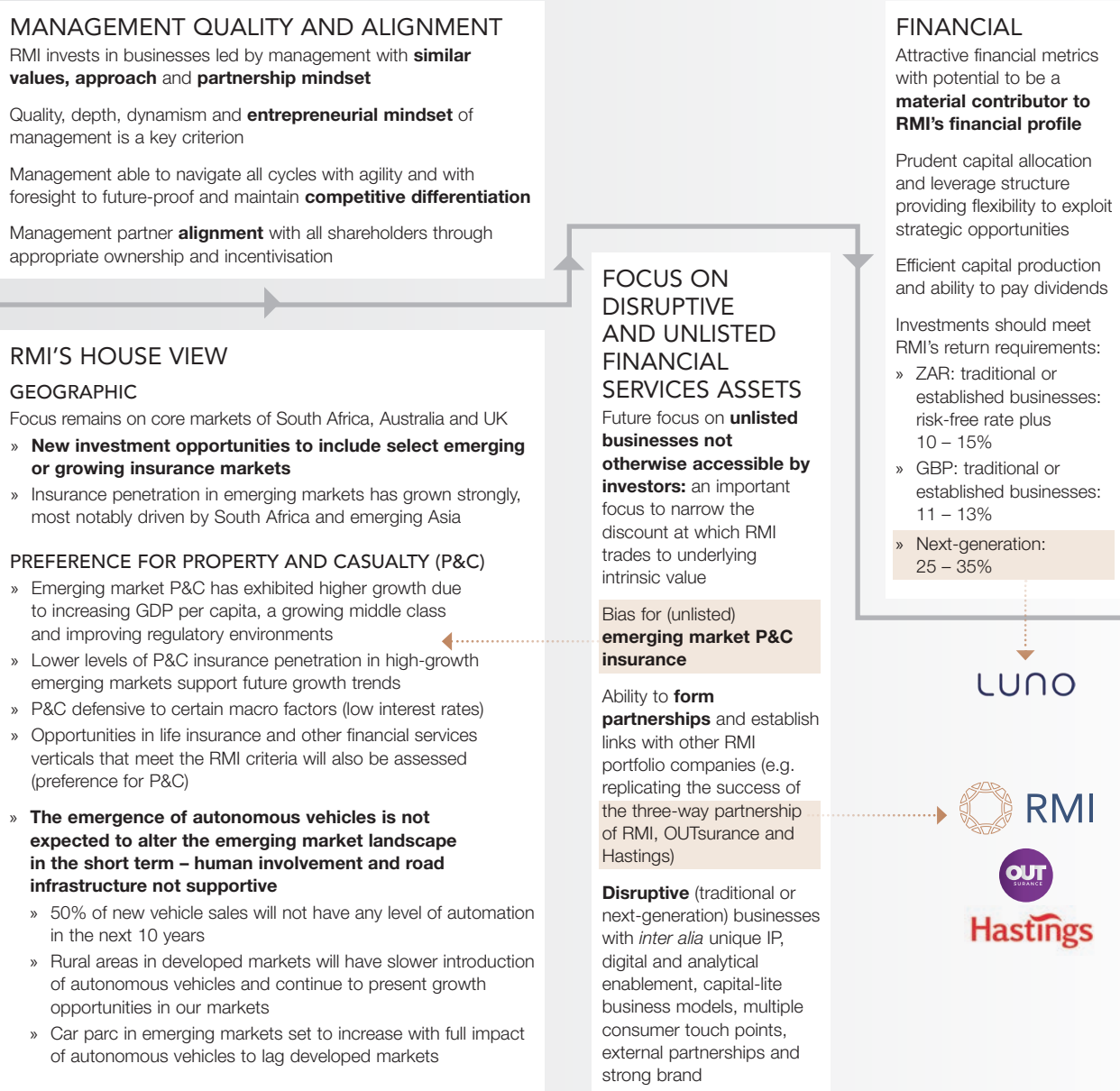
- » **Optimising** our existing portfolio to grow the intrinsic value of our investments;
- » Holding a portfolio of assets that are appropriately **diversified** in terms of financial services sub-sector, stages of growth and geographic exposures; and
- » Continuously **modernising** the approach to financial services.

This approach enables RMI to invest in companies with unique IP, a competitive advantage, partnership ethos and a future-proof business model:



# STRUCTURED AND DISCIPLINED INVESTMENT APPROACH

RMI invests in unique and potentially industry-changing business offerings. RMI applies important primary filters when evaluating new investment opportunities to pursue on a stand-alone basis or in partnership with one of its portfolio companies. The same criteria and equal rigor are applied when assessing opportunities for follow-on investment in the existing portfolio and any investments being exited:



In the short to medium term, RMI expects significant traditional investment activity to be muted in line with market conditions. RMI's focus will remain on capital preservation, cost management and driving operational focus on growth recovery and *actively supporting* the portfolio companies in navigating challenging conditions in all the markets to which we are exposed.



A CLOSER LOOK AT THE NEW PARTNERSHIP WITH SAMPO GROUP

Despite the challenging market and ongoing pandemic backdrop, RMI is in the process of concluding a significant privatisation of Hastings in partnership with Sampo.

**PARTNERSHIP WITH NORDIC INSURER, SAMPO PLC AND DELISTING OF HASTINGS**

In August 2020, RMI and OUTsurance announced a partnership with leading Nordic insurance group Sampo plc. The Sampo Group is made up of the parent company Sampo and its subsidiaries If P&C Insurance, Mandatum Life and Topdanmark. Nordea, the Nordic banking group and Nordax, a leading Nordic niche bank, are Sampo's associated companies. Sampo has a market capitalisation of €23.4 billion, operates in 7 countries across the Nordic region and generated profit before tax of €1.5 billion in the 2019 financial year.

The transaction, once complete, will see Hastings held 70% by Sampo and 30% by RMI in an unlisted format. RMI holds its interest in Hastings through Main Street 1353 Proprietary Limited, an entity held 51% by RMI and 49% by OUTsurance.

Given the significant retail P&C insurance experience and expertise of Sampo, through its subsidiaries If P&C Insurance and Topdanmark, and RMI, through its ownership of OUTsurance and existing shareholding in Hastings, the intention is to combine this knowledge by forming a partnership that will drive the strategic direction of Hastings for the long term. Sampo and RMI intend to bring to bear their respective experience as long-standing owners and operators of insurance and financial services businesses in different geographies and different sectors to create long-term value for the benefit of the Hastings business.

**SAMPO GROUP**

**CAPITAL INVESTED:**  
Top up to 30%: R104 million

Option for RMI/OUTsurance to acquire an additional 10% of Hastings in 18 months from conclusion of the transaction at the privatisation price being 250 pence per Hastings share

**Value of additional 10%** is approximately R3.5 billion (at current GBP/ZAR exchange rate)



ACTIVE PORTFOLIO MANAGEMENT

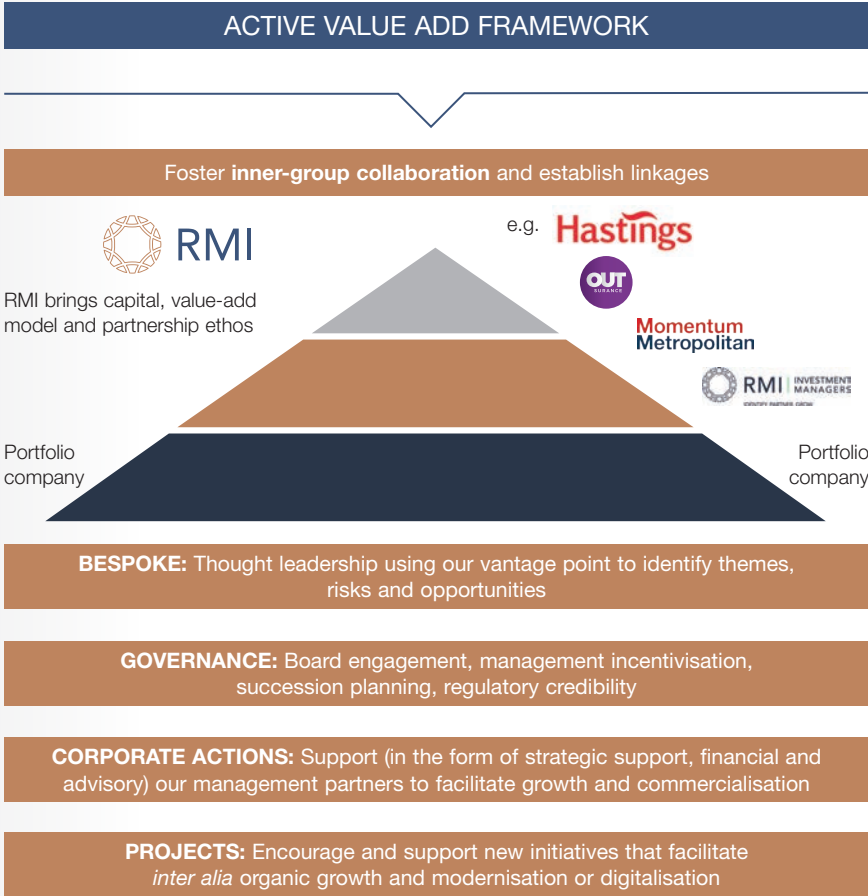
RMI's sector focus and experience in leading, building, managing, advising to and funding financial services businesses over many decades, enables it to add value via formal and more informal channels of communication.

The active model of engagement with portfolio companies has both tangible and intangible benefits.

Intangible benefits include:

- » Relationship with an engaged, significant and strategic shareholder;
- » Sounding board for management;
- » The instilling of RMI's values and culture into the DNA of our portfolio companies;
- » Fostering a long-term mindset that enables management to focus on sustainable value creation; and
- » A model that affords strongly independent management teams the space and flexibility to manage leading financial services businesses.

RMI targets specific areas of involvement with portfolio companies that aim to drive tangible and demonstrable value creation. Our track record of utilising this framework and approach is set out in the next section.



ACTIVE ENGAGEMENT WITH OUR PORTFOLIO COMPANIES SINCE 2014

RMI measures the success of the execution of its strategy through the creation of enduring value. The true value created is measured in terms of capital growth, which reflects the growth in the underlying value of our investments:

Optimise	Diversify	Modernise
FOSTER INTER-GROUP COLLABORATION AND ESTABLISH LINKAGES		
<p><b>2020</b></p> <p>» Established RMI, OUTsurance, Hastings and Sampo partnership</p> <p><b>2018</b></p> <p>» <b>Hastings, OUTsurance P&amp;C summit</b> for knowledge sharing and identifying collaboration areas (retention, bodily injury and secondments)</p> <p><b>2017</b></p> <p>» OUTsurance established <b>Hastings call centre</b> in South Africa (current number of employees approximately 570)</p>	<p><b>2015</b></p> <p>» MMH becomes shareholder in <b>RMI Investment Managers Affiliates 2</b> and establishes a distribution relationship</p> <p>» <b>Royal Investment Managers</b> is formed in partnership with Royal Bafokeng Holding (RMI shareholder)</p>	<p><b>2019</b></p> <p>» <b>Guidepost formed a partnership with Discovery</b>, making the Guidepost diabetes management platform available to Discovery Health members</p> <p>» <b>Guidepost partnered with OUTsurance Life</b> to offer a well-priced life insurance product for diabetic clients</p> <p><b>2017</b></p> <p>» OUTvest acquired a 25% stake in <b>CoreShares</b> (RMI Investment Managers affiliate) in building out its investment arm and established a distribution relationship</p>
GOVERNANCE		
<p>» Successfully managed and influenced <b>CEO transitions</b> at Hastings, MMH, OUTsurance and RMI Investment Managers portfolio and involved in key senior appointments at various portfolio companies</p> <p>» <b>Represented on the boards and governance committees at all portfolio companies</b>, most recently Herman Bosman appointed as chairman of OUTsurance, replacing Laurie Dippenaar</p> <p>» Instrumental in <b>establishing management incentive structures</b> at MMH, OUTsurance, Hastings (both at time of initial investment and recent partnership with Sampo) in order to ensure alignment between management and shareholders</p> <p>» Continuous <b>engagement with the various regulators</b> and input into key regulatory matters across the portfolio</p>		

Optimise	Diversify	Modernise
CORPORATE ACTION		
<p><b>2020</b></p> <p>» <b>Hastings privatisation</b> together with an offshore investment partner, Sampo (GBP4.96 million)</p> <p>» RMI invested a further R15 million in <b>Guidepost</b> to fund continued growth, with further capital up to an amount of R30 million subject to the business achieving certain pre-defined milestones</p> <p>» <b>Entersekt</b> raised further capital to grow the business with RMI leading the series C round and investing an additional \$2.6 million</p> <p><b>2018</b></p> <p>» <b>Increased shareholdings in OUTsurance and Momentum Metropolitan</b> (via its share buy-back programme)</p> <p><b>2017</b></p> <p>» Evaluation of capital structure and participation in <b>Discovery rights issue</b> (R0.5 billion)</p> <p>» <b>Sold RMB Structured Insurance</b> to Santam (R165 million)</p> <p><b>2015</b></p> <p>» OUTsurance launched <b>Youi New Zealand</b> which it subsequently sold in 2019 (NZ\$12.6 million)</p>	<p><b>2017</b></p> <p>» Original <b>Hastings</b> investment (R8.6 billion)</p> <p><b>2016</b></p> <p>» Supported <b>Discovery</b> in evaluating and structuring <b>banking entry</b> including involvement in FirstRand negotiations (R1.3 billion)</p> <p><b>2015</b></p> <p>» Created an <b>RMI debt programme</b> (R15 billion)</p> <p><b>2014</b></p> <p>» Started <b>RMI Investments Managers</b> and invested in twelve affiliates to date (R719 million invested to date)</p>	<p><b>2020</b></p> <p>» <b>RMI</b> continues to evaluate later-stage, capital-lite business models with significant growth potential</p> <p>» <b>AlphaCode</b> assessing alternative models and partnerships to expand international investment reach</p> <p>» Invested in five <b>next-generation businesses</b> since 2015 (R800 million)</p> <p>» Exited our investment in crypto-currency exchange, <b>Luno</b> with 100% of Luno being sold to DCG, a large crypto-currency fund. The exit was above RMI's ZAR target hurdle rate of 25% – 35% for the AlphaCode investment portfolio</p> <p>» AlphaCode has established itself as a centre of <b>fintech excellence</b> on the continent, a source of innovation and next-generation thinking for the broader RMI portfolio and the vehicle through which RMI facilitates funding and business support to black entrepreneurs</p>
PROJECTS		
<p><b>2020</b></p> <p>» <b>COVID-19</b> has necessitated increased engagements with all portfolio companies to guide and navigate uncertainty</p> <p>» <b>Ongoing strategic dialogue</b> with Discovery, Momentum Metropolitan and Hastings on future growth opportunities</p> <p>» <b>Implementation of partnerships</b> with Shoprite to roll out funeral cover as well as the Blue Zebra broker network at Youi both of which are seeing positive growth vectors</p> <p>» The asset management industry is seeing <b>increased consolidation</b> as boutique players seek to unlock cost synergies/efficiencies. RMI Investment Managers and its affiliates continue to assess opportunities</p> <p>» <b>Structural and cost review</b> of RMI Investment Managers and AlphaCode to facilitate relevance, independence, profitability and scale</p> <p><b>2018</b></p> <p>» Evaluation of potential <b>entry into retail banking</b> by one of the insurance companies</p>	<p><b>2020</b></p> <p>» <b>Investment in new initiatives</b> across the group totalled almost R2.9 billion including Discovery Bank, Discovery Insure and OUTsurance Commercial. We have started to see positive traction across these initiatives</p> <p>» <b>Exploring new products</b>, strategic projects and partnerships to diversify revenue streams for OUTsurance</p>	<p><b>2020</b></p> <p>» <b>Ongoing substantial investment</b> by Discovery, Hastings, Momentum Metropolitan and OUTsurance to improve their digital offerings</p>





RMI pays particular attention to the **internal factors** within our control in delivering enduring value. These factors include a focus on **operational resilience** at the portfolio companies, a prudent and efficient approach to **capital allocation** and minimising or **eliminating structural inefficiencies** that drive absolute and relative value recognition. That will stand RMI in good stead to manage the **current external uncertainty** and enable **sustainable growth** and value creation for our stakeholders over the long term.

# 3

## PERFORMANCE AND FINANCIAL REVIEW





Jannie Durand, Chairman

# CHAIRMAN AND CHIEF EXECUTIVE OFFICER'S STATEMENT

## INTRODUCTION

2020 has undoubtedly been a challenging year in many ways. The global population came to an effective standstill as we grappled with the severe impact of COVID-19 on both our personal lives and livelihoods. We are now seeing second waves of the virus emerging, further straining healthcare systems, government fiscal capacity, global markets and economies and the ability of many organisations to cope with the changes wrought by the virus and the response thereto, which includes worldwide lockdowns.

Unfortunately, COVID-19 hit the South African population at a time when our economy was already struggling. Government reacted quickly in implementing lockdown measures to control the spread of the virus and fostered a sense of national unity in the effort. We thank our frontline essential workers and healthcare officials in their tireless efforts to combat the impact of the pandemic. This unified effort has saved many lives, lowered the level of infections across the country and hopefully put us in better shape to weather a potential further wave of the virus.

We are also grateful for the tremendous work our portfolio companies did to reposition their businesses, products and operating models. The businesses exhibited agility, robustness and resourcefulness – qualities expected, yet admired, of organisations with grounded values and operational depth.

Looking ahead, our **external environment** is likely to continue to be dominated by the COVID-19 pandemic and the uncertain, second order macro-economic, societal and political effects in all the markets to which we are exposed. We provide our assessment of the most relevant exogenous factors below.

From a structural perspective, focus remains on the efficiency of **holding company structures** and the changed market sentiment thereof. We address this later in this statement. The South African **regulatory environment**, specifically as it relates to a group such as ours, continues to evolve and in some cases requires amendments to the shape of our business model.

While these exogenous factors mould the environment in which we operate and require us to chart an appropriate strategy and an investment course, RMI pays particular focus to the **internal factors** within our control in delivering enduring value. These factors include a focus on operational resilience at the portfolio companies, a prudent and efficient approach to capital allocation and minimising or eliminating structural inefficiencies that drive absolute and relative value recognition. We believe that our efforts on the internal and controllable factors combined, will stand RMI and its portfolio companies in good stead to manage the current external uncertainty and enable sustainable growth and value creation for our stakeholders over the long term.

In managing both the external and internal factors that affect our business, we at all times act in accordance with the culture and values instilled across the group, with success, over many decades.

Against this backdrop, we consider the following in the rest of this note:

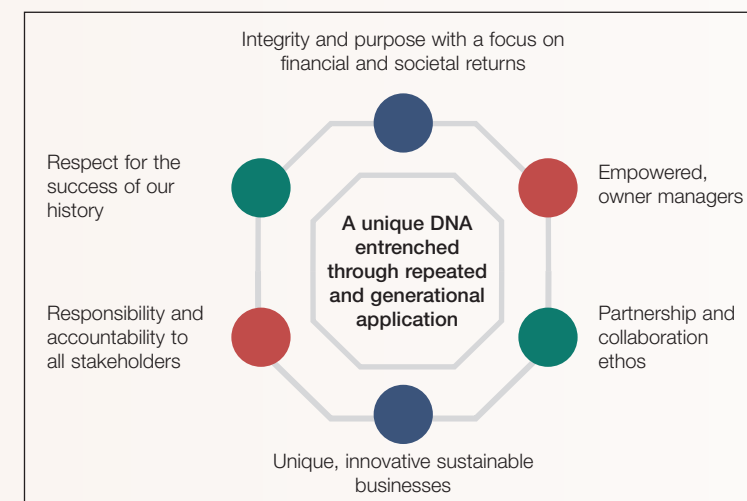
- » The demonstrable emulation of our core values in every aspect of our business;
- » The key external factors which impact RMI and its portfolio companies;
- » The factors within RMI's control and which we focus on in delivering long-term value to our shareholders including balance sheet management and a revised dividend policy;
- » A reflection on our corporate structure; and
- » Finally, we summarise the group's financial results.

## CULTURE AND VALUES ARE AT THE CORE OF WHAT WE DO

At the epicentre of RMI's strategic approach is its values-driven culture. RMI is committed to ensuring that the principles of compassionate, creative and entrepreneurial corporate citizens, good corporate governance and ethical business practice are applied consistently in interactions with all stakeholders and in a manner that upholds our values.

A key tenet of the RMI model is to align its interests with management through shareholding and management ownership and in so doing, foster **partnership** principles and entrench an **owner-manager** mindset.

Broadly, we subscribe to a set of values which seeks to foster integrity, innovation, individual empowerment and personal accountability:



Herman Bosman, Chief executive officer



PERSONIFICATION OF OUR DNA AND VALUES ACROSS THE GROUP

Across the portfolio we consistently see our values-driven culture and sense of community come to the fore. RMI and its portfolio companies provided a broad and impactful spectrum of support and relief measures to government, the Department of Health and stakeholders across our country. As protection and health businesses, the portfolio companies were able to provide support to those affected and infected by COVID-19 individually as well as to small businesses in sectors hardest hit by the lockdown. Some pertinent examples include:



- » RMI established a **COVID-19 relief fund** through voluntary contributions from senior management and our board members of **R10.2 million**.
- » To date, the fund has made contributions of approximately R2.5 million through staff community support, broader community initiatives and support for our various AlphaCode businesses.



- » Wide-scale community support through Discovery Talks and establishing a COVID-19 information hub.
- » **R12 billion in behavioural shared value and R757 million** in COVID-19 concessions.
- » Extended benefits across Discovery's health insurance products, virtual consultations and updates to Vitality's benefits and rewards.



- » Support measures and actions taken **amounting to tens of millions of pounds**.



- » **Instituted premium relief measures** across life and non-life policies.
- » Contributed to the Solidarity Fund and various other community initiatives.



- » OUTsurance provided **R443 million in COVID-19-related relief** to its clients, suppliers and community, of which OUTsurance **proactively provided for R198 million in business interruption claims**.
- » Youi was the only insurer in the Australian market to provide premium relief on a proactive basis.

While upholding and treasuring traditional values, we also strive to be innovative and resourceful in our thinking. This combination defines the ethos and culture of our broader group.

UNIQUE, INNOVATIVE AND SUSTAINABLE BUSINESSES

Each of the RMI portfolio companies had digital strategies in various phases of execution in place prior to the advent of COVID-19. In some cases, the implementation of these strategies has been accelerated to meet the needs of clients and advisers in this 'new normal'. **Digital offerings** implemented over the reporting period include:



- » **New partnership with Apple**, whereby Discovery Vitality members with a Discovery Bank credit card now get **exclusive access to Apple Watch with cellular**.
- » Discovery has also introduced a **new ECG app in partnership with Apple** allowing Vitality members to better track heart rhythms and detect irregularities.
- » Discovery **extended access of the DrConnect** (virtual consultation) platform to all South Africans, growing platform usage 19 times with a total of 18 308 telemedicine consultations.



- » Provided clients with support in their 'moment of need' by delivering accident support in the form of an **integrated 'track my rescue' capability** on the mobile app.
- » Embedded a telematics proposition into the app to realise the benefits of Hastings' new proposition for telematics and non-telematics clients to help improve their driving, earn rewards and discounts.



- » Momentum Health introduced **Kimi Screening**, technology used to measure vital statistics and early intervention.
- » MMH made **Hello Doctor**, a mobile app which provides access to medical advice, available as part of the Momentum Health offering. MMH is incorporating the learnings gained during lockdown with regard to positive interactions relating to medical triage and engagement into the app.



- » **Fully digital self-service functions**, including capturing claims related to windscreens and geysers online end-to-end.
- » **ONEfee innovation by OUTvest** which fixes investment fees: a South African first.



- » Affiliates in the **RMI Investment Managers** portfolio have enhanced their data reporting capabilities.
- » Approaches to implementing machine learning are also being explored.



- » **Guidepost** rapidly expanded its tele-medicine services to businesses and consultations previously reliant on face-to-face contact and capable of deploying on the Guidepost platform.
- » **Merchant Capital** effectively deployed its digital credit origination strategy to market and is seeing good results.

RMI’s EXTERNAL ENVIRONMENT

In addition to COVID-19, which will define and reshape our environment for some time to come, RMI’s external environment is also characterised by, *inter alia*, the following trends:

<b>Rand exchange rate</b> The Rand exchange rate to the US and Australian Dollars and Pound primarily, influences our revenue	<p>South Africa’s weakening economy, compounded by ratings downgrades by all the major agencies has had a significant negative effect on the Rand.</p> <p>As foreign investors sold off emerging market currencies in response to COVID-19, the Rand depreciated to unprecedented levels.</p> <p>The weakness has been most pronounced against currencies acting as safe havens, most notably the US Dollar, British Pound and the Swiss Franc. Despite significant recovery, the Rand is likely to remain volatile for the foreseeable future.</p>
<b>South Africa: urgent need for reform</b> The fragile SA economy and its impact on societal stability affects our operations	<p>The SA economy has been hit by short-term shocks, persistently weak business sentiment and periods of load shedding. The implementation of government’s economic recovery plan is critical to the future outlook.</p> <p><b>SA has recorded a 51% (annualised) decline in GDP</b> for the second quarter of 2020 on the back of the COVID-19 pandemic.</p> <p>Headline <b>inflation</b> reached a nine-year low of 3.6% year-on-year in November 2019, reflecting weak demand and persistent slack in the economy, but picked up slightly thereafter.</p> <p>Record <b>unemployment</b>, particularly among the youth, poses serious risks to economic recovery and social cohesion.</p> <p>The financial health of <b>SOEs</b>, especially Eskom, is likely to put additional pressure on public finances and ongoing electricity outages are curbing economic growth and placing the sustainability of smaller businesses at risk.</p> <p>Communities are protesting for economic opportunities and improved local <b>service delivery</b>, while government pushes for transformation and employment creation. Labour unions mobilise for higher wages.</p>
<b>Foreign markets</b> The uncertainty and disruption affected all the markets in which our portfolio companies operate	<p>The outcome of the generation defining upcoming <b>US presidential</b> elections will inform geo-political and economic factors for years to come.</p> <p><b>China</b> continues to recover economically from the pandemic but the continuing trade war between the USA and China still impacts world economies.</p> <p>The <b>United Kingdom</b> experienced significant interest rate, equity and bond market volatility, together with the widening of credit spreads which created investment variances in the life companies. Lingered Brexit uncertainty and the impact of the second wave of COVID-19 infections could have a significant impact on the UK economy.</p> <p><b>Australia</b> suffered devastating bushfires and floods in the early part of 2020, directly affecting the group’s operations.</p>

<b>Regulation</b> Regulatory uncertainty and complexity adversely affects investors’ confidence and capital allocation decisions	<p>Significant proposed regulatory changes that may impact the RMI portfolio companies:</p> <p><b>Competition Commission</b> The Competition Act was amended in July 2019 with a view to promote competition and economic transformation and inclusivity. RMI has always and will continue to encourage competition between its portfolio companies.</p> <p><b>Taxation Laws Amendment Bill</b> National Treasury and SARS tabled a draft amendment to the Income Tax Act in respect of, among other things, the rollover relief provisions for unbundling transactions. Following public consultations, RMI understands that the final amendment will comprise (among other aspects) (1) a <i>de minimus</i> threshold of 5% which will be excluded from the definition of ‘disqualified shareholders’ and will also not count to the 20% cumulative total; and (2) the rule will be changed from an outright denial of the whole transaction where the threshold is breached to a ‘to the extent’ test, e.g. if 90% of shareholdings are not disqualified, relief on those will apply, with tax then only levied in respect of the 10% held by disqualified person(s).</p> <p><b>Draft Capital Standards</b> The Prudential Authority has proposed certain refinements to the Draft Capital Standards to ensure that there is an improved understanding of the capital requirements for financial conglomerates by industry.</p> <p>According to the Draft Capital Standards, group structures designated as ‘financial conglomerates’ will be required to calculate capital in terms of the technical specifications of the Draft Capital Standards and report those calculations in reporting templates that will be developed by the Prudential Authority.</p>
<b>Climate change</b> Climate change will affect everyone in many different ways if drastic action is not taken	<p>Climate change has implications for insurance companies on both sides of the balance sheet.</p> <p>Unpredictable <b>weather patterns</b>, dry conditions and drought impact agriculture production, resulting in food scarcity, diminished spending on non-food items and inflation.</p> <p>All fields of human activity, from agriculture to energy supply, are changing as awareness of the need to transform the way business is conducted to protect the environment grows.</p> <p>Ongoing degradation of <b>natural capital</b> impacts not only the availability of resources but livelihoods and human development. A reduction in the quality of soil, biodiversity and water impacts food security, the value of land and resettlement of people and a degraded environment has further impacts on health, nutrition and susceptibility to disease.</p>

While the external environment is uncertain and poses significant downside risk, governments across the globe have deployed significant fiscal stimulus packages in an effort to support a turnaround in the global economy and resume economic growth. The South African government announced a relief package which, with a total value of R500 billion or around 10% of South Africa’s GDP, is the largest on the African continent and compares favourably with other countries in the G20.

We have confidence in the resilience of the South African people to overcome and we trust that through partnership across sectors and groupings we will see a turnaround in the South African economy going forward.



### FOCUS ON INTERNAL AND CONTROLLABLE FACTORS

#### A RESILIENT OPERATING PERFORMANCE

It is pleasing to report that, despite an unprecedented environment and through the deliberate actions taken by our management partners to drive growth in the first half of the financial year, all the portfolio companies have delivered strong underlying operational performance and resilience.

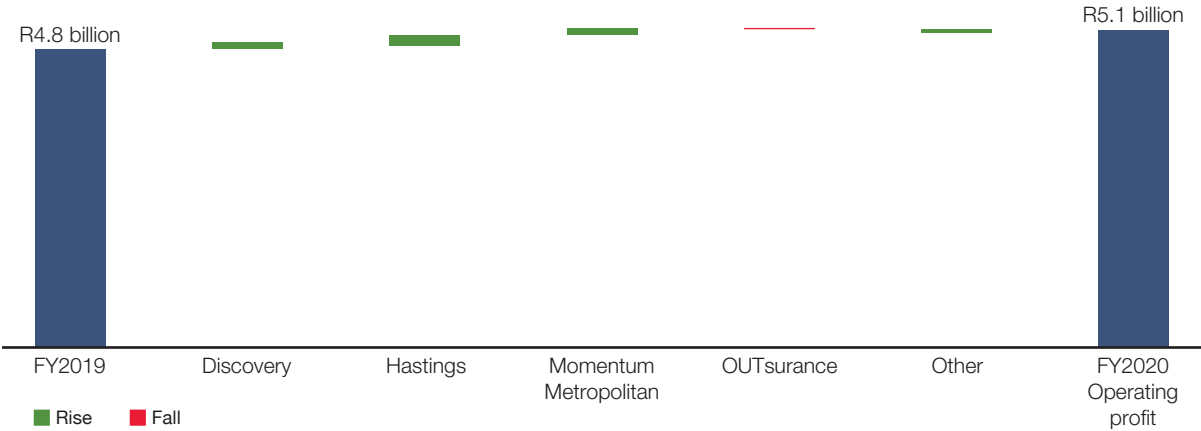
The financial performance:

- » Demonstrated the **operational resilience** of the portfolio companies in transitioning their large workforces to remote working to protect their employees while maintaining high service levels to clients;
- » Highlighted the **benefits of diversification** as reflected in the countering elements of the financial performance of the various components of the RMI portfolio; and
- » Framed the **importance of a shareholder with a long-term mindset** that is able to provide financial and strategic support as well as guidance to our management partners through all seasons and stages of business development and economic cycles.

The companies within the RMI portfolio delivered an operating profit, at the RMI level, of R5.1 billion, including a maiden profit from RMI Investment Managers.

The movement from operating profit to RMI's reported normalised headline earnings of R3.1 billion highlighted the conservatism and prudence of the portfolio companies in providing for an uncertain outcome for future claims and experience from COVID-19 and protecting balance sheets through proactive cash management and other measures.

#### DEVELOPMENT OF RMI OPERATING PERFORMANCE



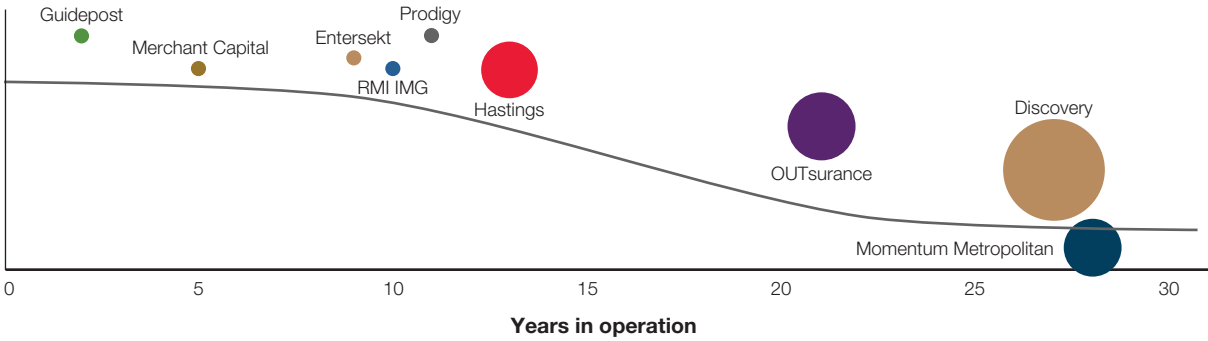
RMI will continue to drive important, value-adding initiatives across its portfolio to deliver sustainable growth and resilient operating performance for its stakeholders over the long term.

#### PRUDENT CAPITAL DISCIPLINE

As an investor, RMI aims to be a long-term, efficient allocator of capital, nurturing the businesses in our portfolio from their early growth or concept stage, providing growth capital along the way until they are established and self-sustaining businesses.

RMI seeks to exit investments, at the appropriate time, to redeploy capital to new investments and growth opportunities. In so doing, RMI seeks to build sustainable value and shareholder return over the long term:

#### APPROACH TO CAPITAL ALLOCATION



#### BALANCE SHEET MANAGEMENT

The underlying RMI portfolio companies manage their own gearing levels and capital structures prudently. At the holding company level, RMI is, in turn, focused on maintaining a robust and balanced capital structure that at a minimum:

- » Ensures sufficient liquidity;
- » Sensibly manages RMI's financial leverage within covenants;
- » Maintains sufficient buffers and a minimum cash holding so that RMI can provide support to portfolio companies, where required; and
- » Recognises shareholders' expectations around dividends.

RMI's consolidated financial results during the second half of the current financial year have been significantly impacted by COVID-19. Both Discovery and Momentum Metropolitan raised substantial provisions for the expected future effects of COVID-19. In addition to this, the volatility in long-term interest rates and investment markets and various impairments strained the earnings of the group during the latter part of the financial year.

#### FINAL DIVIDEND FOR THE 2020 FINANCIAL YEAR

For prudence and to preserve their balance sheets, Discovery and Momentum Metropolitan have not declared final dividends. The results of RMI's two predominantly short-term insurance investments, OUTsurance and Hastings, have shown remarkable resilience under these difficult trading conditions and RMI will be receiving dividends from these two entities.

It is RMI's objective to provide shareholders with a consistent annual dividend flow. The dividend policy is to pay out all normal dividends received from underlying investments after servicing any funding commitments at holding company level and considering RMI's debt capacity and investment pipeline. RMI has also, in recent years, utilised scrip dividends as a capital management tool.

RMI's intention is to, where possible, target dividend growth in line with CPI. This policy seeks to achieve a sound balance between providing an attractive yield to shareholders, achieving sustained growth and maintaining an optimal capital structure, while remaining capacitated and agile at group level. Given RMI's active investment strategy, this policy is assessed continuously.

The heightened medium-term economic and insurance-related uncertainty across the jurisdictions and businesses within the RMI portfolio has necessitated a revision of RMI's dividend. The board considers it prudent not to declare a final dividend for the financial year ended 30 June 2020. This position will be dynamically assessed over the coming months.

#### VALUE RECOGNITION

RMI expects that over time, its focus on strategic active portfolio management and a structured investment approach, will result in a value creation model that is reflected in RMI's market value. The value recognition formula essentially seeks to maximise market value on an absolute basis (including dividends) as well as relative to the underlying intrinsic value while minimising friction/management costs at the holding company level.

REFLECTIONS ON GROUP STRUCTURE

Over recent years, there has been extensive market focus on the role of investment holding companies and the extent to which an investment in a holding company structure returns value above what would be achieved through direct investment in the underlying entities. Both locally and internationally, holding company structures have come under pressure from shareholders to dismantle and release perceived trapped value in light of the market discounts to intrinsic value at which many such structures trade.

In line with other holding companies, RMI is trading at a discount to its underlying intrinsic value. This is brought about *inter alia* because of volatile and unexpected market dislocations and exacerbated by a prolonged period of muted corporate activity and disappointing performance by recent IPOs. Market uncertainty from the pandemic also makes near term forecasting of the short-term earnings trajectory and therefore value, challenging.

This financial year saw the unbundling by our sister company, RMB Holdings Limited (RMH), of its interest in FirstRand Limited (FirstRand). PSG Group has also recently unbundled its interest in Capitec. Naturally, questions arise in our shareholder engagements on the continued value of the holding company structure in the context of RMI.

RMI aims to be an active and patient builder of financial services businesses driving decision-making within our group to create long-term value for all shareholders. The stage of growth of the RMI portfolio companies and active model of engagement between RMI and its investee companies underpin the success of RMI's holding company structure. The key attributes, both tangible and intangible, that support the value of the RMI structure include:

- » Managing the portfolio companies on a decentralised basis with operational management devolved to our management partners in each business;

- » Acting as a committed, stable, long-term value adding and influential shareholder employing a partnership approach with the boards of the portfolio companies to formulate long-term strategy, capital allocation, orderly and transformative succession planning, to foster modernisation of the portfolio and to provide stakeholder stability and comfort in the shareholder base;
- » A deliberate shift towards increasing the unlisted components of the RMI portfolio;
- » Our well demonstrated Mergers and Acquisitions capability and a strong commitment to responsible investment in growth businesses which is leveraged by the portfolio companies at key decision points. RMI played an active advisory role in, *inter alia*, the finalisation of agreements between Discovery and FirstRand in relation to DiscoveryCard; the sale by OUTsurance of Youi New Zealand to Tower Insurance; the formation of various strategic growth partnerships by OUTsurance and the pending delisting of Hastings;
- » Utilising our role as an influential shareholder to proactively drive interventions and implement changes should performance decline in any of the portfolio companies;
- » Creation of financial capacity by RMI to support growth investments and the ability to be a patient and supportive shareholder for our earlier stage unlisted investments. This approach has resulted in the creation of some of the most significant companies in the South African landscape; and
- » RMI adopts a strategic vantage with its investments with a long-term focus and ability to look through cyclical performance – a key and enabling factor in the current environment.

We also believe that portfolio-specific growth will enhance the absolute and relative valuation of RMI:

- » Growth and revenue diversification initiatives at OUTsurance;
- » An ability to pursue growth opportunities with Hastings in an unlisted format that it is not able to do in the listed environment as well as the possibilities created from the partnership between Hastings, OUTsurance and Sampo; and

- » The growing significance of the emerging and new businesses within Discovery and Momentum Metropolitan.
- RMI measures the success of our active, value-adding portfolio management strategy through the earnings, dividend and capital growth that the portfolio companies are able to achieve over the long term.
- RMI believes that its shareholding has, and continues to be, a positive contributing factor to the performance of our portfolio companies.

Minimising leakage and friction costs

Lastly and specifically, it is widely accepted and empirically observed that holding companies typically trade at a discount due to friction costs such as central costs. RMI's cost base comprises of predominantly funding costs (to fund investments) and operating costs (salaries, rental and funding for enterprise and supplier development channelled through AlphaCode). RMI's philosophy is to run a small central team of investment professionals, finance and support functions.

The operating costs are variable and not linked to market capitalisation or net asset value. For the year under review, operating costs included an increased investment in enterprise development and broad-based black economic empowerment spending for the various AlphaCode programmes.

RMI's operating costs equate to ca. 34bps of market capitalisation. A comparison to peer data, suggests that RMI's costs are lower than other holding company structures (peer set indicates an average of 46bps):

Holding company	bps
Peer 1 (international)	17
Peer 2 (local)	31
<b>RMI</b>	<b>34</b>
Peer 3 (local)	43
Peer 4 (local)	49
Peer 5 (international)	55
Peer 6 (international)	58
Peer 7 (international)	78
<b>Average</b>	<b>46</b>

NORMALISED EARNINGS

R3 086 million

(2019: R4 081 million)

(24%)

COMPOUND SHAREHOLDERS' RETURN

16.3% per annum

(since listing in 2011)

HEADLINE EARNINGS

R1 956 million

(2019: R4 081 million)

(49%)

GROWTH IN SHAREHOLDERS' EQUITY

9.6% per annum

(since listing in 2011)





## OVERVIEW OF RESULTS

RMI's operating environment in 2020 was dominated by the COVID-19 pandemic. Against this backdrop, RMI's group consolidated normalised earnings decreased by 24% to R3.1 billion for the year ended 30 June 2020. This result is mainly attributable to the significant provisions raised in Discovery and MMH for the expected future effects of COVID-19.



**Discovery's** normalised earnings decreased by 26% for the year ended 30 June 2020. A provision of R3.4 billion (R2.3 billion net of discretionary margins) was put in place for future claims and lapses as a result of the COVID-19 pandemic. This provision reflects management's best estimate of the impact as at 30 June 2020. It ensures that, on the group's expected scenario, all claims and economic effects of the pandemic are carried entirely in the financial year under review. Excluding this provision, normalised operating profit was up 9%, and core new business volumes increased by 5% to R19.2 billion.

In terms of the growth model, the businesses delivered a resilient operating performance. Established businesses increased operating profit by 15% before the COVID-19 provisioning, with pleasing new business growth. The emerging businesses delivered a combined profit of R736 million, which represents a 74% increase on the prior year. Investment in new businesses was at 26% of normalised earnings (before the COVID-19 reserve), compared with 17% in the previous financial year, with these initiatives demonstrating compelling progress. Discovery Bank completed all migrations onto its platform and was able to fully fund its credit book with deposits, VitalityInvest doubled total funds under management over the recent six-month period, Umbrella Funds has a strong pipeline of committed funds and the Vitality One platform continued to expand into new markets.



RMI included normalised earnings of R486 million from **Hastings** for the year ended 30 June 2020, representing a decrease of 12%. Hastings announced its interim results for the six months ended 30 June 2020 on 5 August 2020. Gross written premiums increased by 3% to £514.9 million compared to the comparative period of £499.2 million. The adjusted operating profit after tax increased by 31% to £78.3 million (2019: £59.7 million) for the six-month period, predominantly driven by policy growth and the improvement in the loss ratio, offset to an extent by client actions in light of COVID-19, including the waiving of fees, reduced policy adjustments and increased operating expenditure for IT enhancements to support employees working from home. The loss ratio decreased to 75.6% (30 June 2019: 81.1%) due to a reduction of claims frequencies resulting from the national lockdown.

The lower claims frequencies have been partially offset by continued inflation in repair and third party credit hire costs, which have elevated further due to the impact of the national lockdown on the repair network. Hastings recorded a sustained increase in clients, with live client policies increasing by 5% to 2.96 million (2019: 2.81 million) and market share growing to 8.1% of the UK private car insurance market. As in the prior year, Hastings declared an interim dividend of 4.5 pence per share.



**Momentum Metropolitan** recorded a 51% decrease in diluted normalised earnings to R1.5 billion for the year under review. This was largely attributable to additional provisions raised, with a net negative impact of R983 million for potential adverse COVID-19-related claims experience and policyholder lapses and withdrawals. Furthermore, the partial recovery of investment markets during the last quarter of the financial year did not fully offset the impact of severe market-related losses reported in the third quarter of the financial year. The net market losses included in normalised earnings for the year were R975 million. New business volumes and the value of new business declined by 10% and 48% to R50.5 billion and R280 million respectively. Excluding the impact of a R5 billion with-profit annuity transaction included in the prior year, new business volumes remained flat year-on-year, which is a commendable achievement, considering the impact of the national lockdown and the slowdown during the fourth quarter of the financial year. The value of new business was negatively impacted by additional costs incurred in the distribution channels to support staff and business partners during the lockdown phase. Momentum Metropolitan remains well capitalised with a strong balance sheet and a regulatory solvency position of 1.85 times the solvency capital requirement as at 30 June 2020.



Normalised earnings, including **OUTsurance's** stake in Hastings, decreased by 8% to R2.4 billion. Excluding its share in Hastings, OUTsurance's normalised earnings decreased by 7% to R2.2 billion, mainly attributable to the unrealised investment losses on the group's equity portfolio, the impact of the bushfires and natural catastrophes in Australia and business interruption claims of R198 million paid and provided for in OUTsurance Business. OUTsurance's operating profit increased by 2% for the year under review, driven by improved operational profitability in the South African short-term insurance operation on account of premium growth over the last year. The weaker Rand/AUD exchange rate reduced the impact of the lower operating profit from Youi caused by the devastating bushfires and various large hail and flood catastrophes in Australia. Gross written premiums increased by 8% to R17.5 billion, the claims ratio remained unchanged at 51.1% and the cost-to-income ratio increased from 28.3% to 29.4%. The claims ratio benefitted from reduced motor accident claims frequencies during the national lockdown period, while the increase in the cost-to-income ratio is mainly due to the rapid expansion in the OUTsurance Business tied agency force.



**RMI Investment Managers** is now in its fifth year of partnering a select group of independent South African boutique asset management firms. Despite the extremely difficult operating environment, the affiliates managed to remain resilient during these turbulent times. Pleasingly, the diversified nature of the affiliate portfolio and asset classes represented demonstrated its value and resulted in better than expected financial performance, with the business reporting its maiden profit.

COVID-19 has had a devastating impact on economies and propelled financial markets into disarray. Affiliates managed to attract R4.2 billion of retail net inflows over the 12-month period, resulting in 14% organic growth in retail-assets. Retail assets under management now total R30.4 billion (21%) of the total combined R145.4 billion assets under management across the affiliate portfolio.

**Royal Investment Managers** is a joint venture between RMI Investment Managers and RBH. The portfolio performed marginally below expectations, largely due to the difficult year where the impact of COVID-19 affected some affiliates more than others.



**RMI's net funding and holding company costs** increased by 9% to R738 million. This increase is mainly attributable to a fair value loss on an interest rate swap fixing the interest rate on the GBP-denominated funding. RMI also increased the enterprise development and broad-based black economic empowerment (B-BBEE) spending for the various AlphaCode programmes compared to the prior year.

SOURCES OF NORMALISED EARNINGS

RMI regards normalised earnings as the appropriate basis to evaluate business performance as it eliminates the impact of non-recurring items and accounting anomalies. The total normalised earnings of RMI's portfolio companies for the year under review are listed in the table below:

R MILLION	For the year ended 30 June		
	2020	2019	% change
Discovery	3 747	5 035	(26)
Hastings	1 720	1 941	(11)
Momentum Metropolitan	1 521	3 074	(51)
OUTsurance (excluding Hastings)	2 218	2 390	(7)
– OUTsurance (including Hastings)	2 411	2 634	(8)
– Hastings included in OUTsurance	(193)	(244)	21
Other <sup>1</sup>	(10)	(22)	55

1. Other includes RMI Investment Managers and AlphaCode investments.

A detailed reconciliation between reported headline earnings and normalised earnings has been provided in the annual financial statements of the respective portfolio companies. The annual financial statements of these investee companies are available on their respective websites.

RMI's consolidated normalised earnings for the year under review is set out in the table below:

R MILLION	For the year ended 30 June		
	2020	2019	% change
Discovery	933	1 261	(26)
Hastings	486	552	(12)
Momentum Metropolitan	407	825	(51)
OUTsurance (excluding Hastings)	2 008	2 145	(6)
– OUTsurance (including Hastings)	2 180	2 364	(8)
– Hastings included in OUTsurance	(172)	(219)	21
Other <sup>1</sup>	(10)	(22)	55
Funding and holding company costs	(738)	(680)	(9)
Normalised earnings	3 086	4 081	(24)
Normalised earnings per share (cents)	201.5	266.9	(25)

1. Other includes RMI Investment Managers and AlphaCode investments.

A reconciliation of the adjustments made to headline earnings to derive normalised earnings is presented on page 31.

MARKET VALUE OF INVESTMENTS

RMI's share price decreased by 14% (2019: decreased by 9%), compared to a 26% decrease in the life insurance index (2019: increased by 12%) and a 7% decrease in the non-life insurance index (2019: increased by 9%). RMI has delivered a total annual compound return to shareholders of 16.3% since its listing in March 2011.

The individual investment performances during the 2020 financial year are outlined below:

- » **Discovery's** share price decreased by 30% (2019: increased by 1%);
- » **Hastings'** share price decreased by 1% in Pound Sterling terms (2019: decreased by 23%) and increased by 17% in Rand terms (2019: decreased by 24%); and
- » **Momentum Metropolitan's** share price decreased by 7% (2019: increased by 7%).

On a 'look-through' basis, based on share prices as at 30 June 2020, the value attributed to RMI's unlisted investments decreased by 2% (2019: decreased by 16%) to R22.6 billion (2019: R22.9 billion).

R MILLION	30 June		
	2020	2019	% change
Market value of listed investments	31 977	38 726	(17)
Discovery	17 231	24 575	(30)
Hastings (RMI's effective holding)	7 684	6 543	17
– 29.7% holding	8 117	6 912	17
– Attributable to non-controlling interests of OUTsurance	(433)	(369)	(17)
Momentum Metropolitan	7 062	7 608	(7)
Market value of unlisted investments	22 560	22 948	(2)
Implied market value of RMI's stake in OUTsurance (excluding Hastings)	21 061	21 913	(4)
RMI Investment Managers and AlphaCode	1 499	1 035	45
Gross market value of portfolio	54 537	61 674	(12)
Net liabilities of holding company	(9 808)	(9 638)	(2)
RMI market capitalisation	44 729	52 036	(14)
RMI closing price per share (cents)	2 920	3 397	(14)

CHANGES TO THE BOARD OF DIRECTORS

Udo Lucht was appointed as an alternate, non-executive director to Albertinah Kekana on 3 September 2019. He is replacing David Wilson who resigned as an alternate, non-executive director of the RMI board, effective 1 July 2019. Udo is the current Head of Resources and Industrials Investments at Royal Bafokeng. He is a chartered accountant and chartered financial analyst and spent 13 years at RMB before joining Royal Bafokeng in 2016.

OUTLOOK

The outlook of each of our investees is dealt with in the Portfolio overview, which commences on page 37.

Barring a major macro-economic shift, RMI has a high degree of confidence in its portfolio companies and expects their unique attributes to continue to deliver long-term growth.



Jannie Durand  
Chairman

Sandton  
28 October 2020



Herman Bosman  
Chief executive officer

# KEY PERFORMANCE INDICATORS

		2016	2017	2018	2019	2020	% change for 2020	5-year % CAGR <sup>1</sup>
<b>Equity</b>	R million	19 726	20 490	23 704	26 141	<b>27 545</b>	<b>5</b>	9
<b>Normalised earnings</b>	R million							
Discovery		4 312	4 656	5 401	5 035	<b>3 747</b>	<b>(26)</b>	(3)
Momentum Metropolitan		3 206	3 208	2 003	3 074	<b>1 521</b>	<b>(51)</b>	(17)
OUTsurance (excluding Hastings)		1 985	2 463	2 639	2 390	<b>2 218</b>	<b>(7)</b>	3
Hastings		–	1 918	2 758	1 941	<b>1 720</b>	<b>(11)</b>	–
Other		(11)	(5)	(25)	(22)	<b>(10)</b>	<b>55</b>	2
<b>Group normalised earnings</b>	R million	3 342	3 927	4 266	4 081	<b>3 086</b>	<b>(24)</b>	(2)
Discovery		1 079	1 167	1 356	1 261	<b>933</b>	<b>(26)</b>	(4)
Momentum Metropolitan		805	816	508	825	<b>407</b>	<b>(51)</b>	(16)
OUTsurance (excluding Hastings)		1 664	2 092	2 333	2 145	<b>2 008</b>	<b>(6)</b>	5
Hastings		–	246	778	552	<b>486</b>	<b>(12)</b>	–
Funding and holding company costs		(195)	(389)	(684)	(680)	<b>(738)</b>	<b>(9)</b>	>(100)
Other		(11)	(5)	(25)	(22)	<b>(10)</b>	<b>55</b>	2
<b>Earnings and dividends per share</b>	cents							
Earnings		200.5	226.5	257.6	265.1	<b>104.1</b>	<b>(61)</b>	(15)
Diluted earnings		197.1	223.0	252.9	264.0	<b>102.7</b>	<b>(61)</b>	(15)
Headline earnings		197.6	234.2	269.7	249.0	<b>127.9</b>	<b>(49)</b>	(10)
Diluted headline earnings		194.3	230.6	265.0	247.8	<b>126.2</b>	<b>(49)</b>	(10)
Normalised earnings		225.0	263.6	281.5	266.9	<b>201.5</b>	<b>(25)</b>	(3)
Diluted normalised earnings		221.6	259.7	276.6	265.5	<b>199.9</b>	<b>(25)</b>	(3)
Ordinary dividend		118.0	118.0	104.0	110.0	<b>45.0</b>	<b>(59)</b>	(21)
Dividend cover	times							
– Headline earnings		1.7	2.0	2.6	2.3	<b>2.8</b>		
– Normalised earnings		1.9	2.2	2.7	2.4	<b>4.5</b>		
<b>Share price</b>	cents							
– Closing		4 120	3 899	3 745	3 397	<b>2 920</b>	<b>(14)</b>	(8)
– High		4 554	4 599	4 740	4 144	<b>3 528</b>	<b>(15)</b>	(6)
– Low		3 149	3 760	3 539	3 101	<b>1 733</b>	<b>(44)</b>	(14)
Market capitalisation	R million	61 210	58 707	57 026	52 036	<b>44 729</b>	<b>(14)</b>	(8)
Volume of shares traded	million	525	494	427	356	<b>460</b>	<b>29</b>	(3)

1. Compound annual growth rate.

# FINANCIAL REVIEW

## OVERVIEW OF RESULTS

This discussion is intended as a brief explanatory addendum to the chairman and chief executive officer's review and consolidated annual financial statements.

The audited annual financial statements are available on RMI's website, [www.rmih.co.za](http://www.rmih.co.za).

## COMPUTATION OF HEADLINE EARNINGS

	For the year ended 30 June		
AUDITED R MILLION	2020	2019	% change
<b>Earnings attributable to equity holders</b>	<b>1 592</b>	4 047	(61)
Adjustment for:			
Impairment of intangible assets	<b>192</b>	23	
Impairment of owner-occupied building to below cost	<b>152</b>	14	
Profit on sale of subsidiary	<b>(111)</b>	(2)	
Loss/(profit) on dilution and disposal of equity accounted investments	<b>62</b>	(129)	
Derecognition of assets	<b>38</b>	–	
Impairment relating to held for sale entities	<b>14</b>	24	
FCTR reversal on sale of foreign subsidiary	<b>12</b>	–	
Impairment of goodwill	<b>2</b>	4	
Loss on step-up of joint venture	<b>2</b>	–	
Loss on disposal of property and equipment	<b>1</b>	5	
Gain on previously held interests in DiscoveryCard business	<b>–</b>	(191)	
Impairment of fixed assets	<b>–</b>	6	
<b>Headline earnings attributable to equity holders</b>	<b>1 956</b>	3 801	(49)

## COMPUTATION OF NORMALISED EARNINGS

	For the year ended 30 June		
R MILLION	2020	2019	% change
<b>Headline earnings attributable to equity holders</b>	<b>1 956</b>	3 801	(49)
RMI's share of normalised adjustments made by associates	<b>1 153</b>	286	
Economic assumption adjustments net of discretionary margin and interest rate derivative	<b>897</b>	–	
Amortisation of intangible assets relating to business combinations	<b>305</b>	329	
Deferred tax raised on assessed losses	<b>(69)</b>	(82)	
Unrealised (gains)/losses on foreign exchange contracts not designated as a hedge	<b>(47)</b>	24	
Time value of money movement of swap contract in VitalityLife	<b>24</b>	–	
Restructuring cost of VitalityLife	<b>20</b>	–	
Initial expenses related to Prudential Book transfer	<b>14</b>	6	
Transaction costs related to VitalityLife interest rate derivatives	<b>9</b>	–	
Policyholder funds assessed loss	<b>–</b>	(9)	
Debt restructuring costs resulting from DiscoveryCard joint venture transaction	<b>–</b>	8	
B-BBEE cost	<b>–</b>	6	
Costs relating to disposal of equity accounted investments	<b>–</b>	4	
<b>Group treasury shares</b>	<b>(23)</b>	(6)	
<b>Normalised earnings attributable to equity holders</b>	<b>3 086</b>	4 081	(24)



## KEY AUDIT MATTERS



The audited annual financial statements are available on RMI's website, [www.rmih.co.za](http://www.rmih.co.za).  
The independent auditor's report therein highlights the matters that, in their professional judgement, were of most significance during their audit.

The report also outlines the steps that were taken in addressing the key audit matters. The following items were identified and addressed:

- » Valuation of insurance contract liabilities relating to short-term insurance contracts – OUTsurance Holdings Limited (OUTsurance); and
- » Equity accounted earnings of financially significant associates.

## SEGMENTAL REPORT

The segmental analysis is based on the management accounts prepared for the group.

AUDITED R MILLION	Discovery	MMH	OUTsurance	Hastings	Other <sup>1</sup>	Total
<b>Year ended 30 June 2020</b>						
Net income	–	–	16 405	–	81	16 486
Policyholder benefits and transfer to policyholder liabilities	–	–	(8 180)	–	–	(8 180)
Depreciation	–	–	(124)	–	(1)	(125)
Amortisation	–	–	(10)	–	–	(10)
Other expenses	–	–	(4 641)	–	(124)	(4 765)
Finance costs	–	–	(8)	–	(681)	(689)
Fair value adjustment to financial liabilities	–	–	(139)	–	–	(139)
Share of after-tax results of associates	49	24	120	231	(165)	259
<b>Profit/(loss) before taxation</b>	<b>49</b>	<b>24</b>	<b>3 423</b>	<b>231</b>	<b>(890)</b>	<b>2 837</b>
Taxation	–	–	(988)	–	(43)	(1 031)
<b>Profit/(loss) for the year from continuing operations</b>	<b>49</b>	<b>24</b>	<b>2 435</b>	<b>231</b>	<b>(933)</b>	<b>1 806</b>
Profit for the year from discontinued operations	–	–	104	–	–	104
Profit/(loss) for the year	<b>49</b>	<b>24</b>	<b>2 539</b>	<b>231</b>	<b>(933)</b>	<b>1 910</b>
Hastings included in OUTsurance	–	–	(116)	116	–	–
<b>Profit/(loss) for the year</b>	<b>49</b>	<b>24</b>	<b>2 423</b>	<b>347</b>	<b>(933)</b>	<b>1 910</b>
Normalised earnings	<b>933</b>	<b>407</b>	<b>2 411</b>	<b>293</b>	<b>(958)</b>	<b>3 086</b>
Hastings included in OUTsurance	–	–	(193)	193	–	–
<b>Normalised earnings</b>	<b>933</b>	<b>407</b>	<b>2 218</b>	<b>486</b>	<b>(958)</b>	<b>3 086</b>
<b>As at 30 June 2020</b>						
Assets	–	–	19 462	–	2 514	21 976
Investments in associates	12 017	6 305	3 732	6 388	846	29 288
Intangible assets	–	–	117	–	–	117
<b>Total assets</b>	<b>12 017</b>	<b>6 305</b>	<b>23 311</b>	<b>6 388</b>	<b>3 360</b>	<b>51 381</b>
Hastings included in OUTsurance	–	–	(3 640)	3 640	–	–
<b>Total assets</b>	<b>12 017</b>	<b>6 305</b>	<b>19 671</b>	<b>10 028</b>	<b>3 360</b>	<b>51 381</b>
<b>Total liabilities</b>	<b>–</b>	<b>–</b>	<b>11 825</b>	<b>–</b>	<b>12 011</b>	<b>23 836</b>

1. Other includes RMI, RMI Investment Managers, Merchant Capital, Entersekt, Prodigy, Luno and consolidation entries.

R MILLION	Discovery	MMH	OUTsurance	Hastings	Other <sup>1</sup>	Total
<b>Year ended 30 June 2019</b>						
Net income	–	–	15 673	–	205	15 878
Policyholder benefits and transfer to policyholder liabilities	–	–	(7 716)	–	–	(7 716)
Depreciation	–	–	(139)	–	(2)	(141)
Amortisation	–	–	(84)	–	–	(84)
Other expenses	–	–	(4 036)	–	(154)	(4 190)
Finance costs	–	–	–	–	(729)	(729)
Fair value adjustment to financial liabilities	–	–	(169)	–	–	(169)
Share of after-tax results of associates	1 638	581	158	262	(27)	2 612
<b>Profit/(loss) before taxation</b>	<b>1 638</b>	<b>581</b>	<b>3 687</b>	<b>262</b>	<b>(707)</b>	<b>5 461</b>
Taxation	–	–	(1 064)	–	(32)	(1 096)
<b>Profit/(loss) for the year from continuing operations</b>	<b>1 638</b>	<b>581</b>	<b>2 623</b>	<b>262</b>	<b>(739)</b>	<b>4 365</b>
Profit for the year from discontinued operations	–	–	9	–	–	9
Profit/(loss) for the year	<b>1 638</b>	<b>581</b>	<b>2 632</b>	<b>262</b>	<b>(739)</b>	<b>4 374</b>
Hastings included in OUTsurance	–	–	(165)	165	–	–
<b>Profit/(loss) for the year</b>	<b>1 638</b>	<b>581</b>	<b>2 467</b>	<b>427</b>	<b>(739)</b>	<b>4 374</b>
Normalised earnings	<b>1 261</b>	<b>825</b>	<b>2 634</b>	<b>308</b>	<b>(947)</b>	<b>4 081</b>
Hastings included in OUTsurance	–	–	(244)	244	–	–
<b>Normalised earnings</b>	<b>1 261</b>	<b>825</b>	<b>2 390</b>	<b>552</b>	<b>(947)</b>	<b>4 081</b>
<b>As at 30 June 2019</b>						
Assets	–	–	16 225	–	2 039	18 264
Investments in associates	11 649	6 409	3 623	5 774	882	28 337
Intangible assets	–	–	101	–	–	101
<b>Total assets</b>	<b>11 649</b>	<b>6 409</b>	<b>19 949</b>	<b>5 774</b>	<b>2 921</b>	<b>46 702</b>
Hastings included in OUTsurance	–	–	(3 524)	3 524	–	–
<b>Total assets</b>	<b>11 649</b>	<b>6 409</b>	<b>16 425</b>	<b>9 298</b>	<b>2 921</b>	<b>46 702</b>
<b>Total liabilities</b>	<b>–</b>	<b>–</b>	<b>8 971</b>	<b>–</b>	<b>11 590</b>	<b>20 561</b>

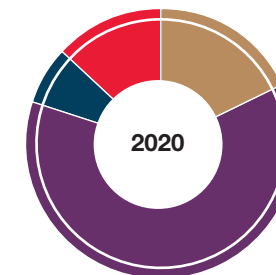
1. Other includes RMI, RMI Investment Managers, Merchant Capital, Entersekt, Prodigy, Luno and consolidation entries.

## GEOGRAPHICAL SEGMENTS

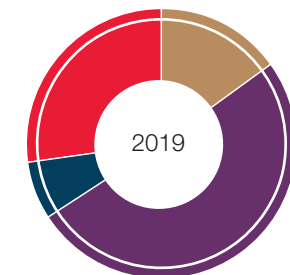
AUDITED R MILLION	South Africa	Australasia	United Kingdom	Total
<b>Year ended 30 June 2020</b>				
Net income	9 475	7 011	–	16 486
Policyholder benefits and transfer to policyholder liabilities	(4 454)	(3 726)	–	(8 180)
Other expenses	(3 413)	(2 315)	–	(5 728)
Share of after-tax results of associates	538	–	(279)	259
Profit/(loss) before taxation	2 146	970	(279)	2 837
Taxation	(742)	(289)	–	(1 031)
<b>Profit/(loss) for the year from continuing operations</b>	<b>1 404</b>	<b>681</b>	<b>(279)</b>	<b>1 806</b>
Profit for the year from discontinued operations	–	104	–	104
<b>Profit/(loss) for the year</b>	<b>1 404</b>	<b>785</b>	<b>(279)</b>	<b>1 910</b>
<b>As at 30 June 2020</b>				
<b>Assets</b>				
Property and equipment	336	824	–	1 160
Investments in associates	19 260	–	10 028	29 288
Financial assets	6 650	5 994	–	12 644
Other assets	2 263	6 026	–	8 289
<b>Total assets</b>	<b>28 509</b>	<b>12 844</b>	<b>10 028</b>	<b>51 381</b>
<b>Liabilities</b>				
Insurance contract liabilities	2 617	6 984	–	9 601
Other liabilities	10 471	1 621	2 143	14 235
<b>Total liabilities</b>	<b>13 088</b>	<b>8 605</b>	<b>2 143</b>	<b>23 836</b>
<b>Year ended 30 June 2019</b>				
Net income	9 462	6 416	–	15 878
Policyholder benefits and transfer to policyholder liabilities	(4 309)	(3 407)	–	(7 716)
Other expenses	(3 299)	(2 014)	–	(5 313)
Share of after-tax results of associates	1 899	–	713	2 612
Profit before taxation	3 753	995	713	5 461
Taxation	(790)	(306)	–	(1 096)
<b>Profit for the year from continuing operations</b>	<b>2 963</b>	<b>689</b>	<b>713</b>	<b>4 365</b>
Profit for the year from discontinued operations	–	9	–	9
<b>Profit for the year</b>	<b>2 963</b>	<b>698</b>	<b>713</b>	<b>4 374</b>
<b>As at 30 June 2019</b>				
<b>Assets</b>				
Property and equipment	343	698	–	1 041
Investments in associates	19 039	–	9 298	28 337
Financial assets	6 674	7 556	–	14 230
Other assets	1 798	1 296	–	3 094
<b>Total assets</b>	<b>27 854</b>	<b>9 550</b>	<b>9 298</b>	<b>46 702</b>
<b>Liabilities</b>				
Insurance contract liabilities	2 375	5 082	–	7 457
Other liabilities	9 242	1 165	2 697	13 104
<b>Total liabilities</b>	<b>11 617</b>	<b>6 247</b>	<b>2 697</b>	<b>20 561</b>

## VALUE ADDED STATEMENT

	For the year ended 30 June	
R MILLION	2020	2019
<b>Economic value created</b>		
Premium income and reinsurance recoveries	17 817	15 767
Income from associates, investment income, fees and other income	696	3 487
Non-claims payments to outside service providers	(1 904)	(1 717)
Payments relating to profit-sharing arrangements	(139)	(169)
Finance costs	(689)	(729)
<b>Total economic value created</b>	<b>15 781</b>	<b>16 639</b>
<b>Total economic value distributed among stakeholders</b>		
<b>Employees</b>		
– Salaries and other benefits	2 907	2 557
<b>Policyholders</b>	<b>9 844</b>	<b>8 471</b>
– Policyholder claims and increase in reserves	9 344	8 020
– Cash bonuses on insurance contracts	500	451
<b>Government (in the form of taxes)</b>	<b>1 080</b>	<b>1 087</b>
<b>Providers of capital</b>	<b>2 003</b>	<b>2 006</b>
– Ordinary dividends paid to shareholders	1 685	1 679
– Earnings attributable to non-controlling interests	318	327
<b>Reinvested to support future growth</b>	<b>(53)</b>	<b>2 518</b>
– Retained earnings	(142)	2 377
– Depreciation	89	141
<b>Economic value distributed</b>	<b>15 781</b>	<b>16 639</b>
<b>Percentage of economic value distributed</b>		
Employees (%)	18%	15%
Policyholders (%)	62%	51%
Government (%)	7%	7%
Providers of capital (%)	13%	27%
<b>Total</b>	<b>100%</b>	<b>100%</b>



18% ● Employees  
62% ● Policyholders  
7% ● Government  
13% ● Providers of capital

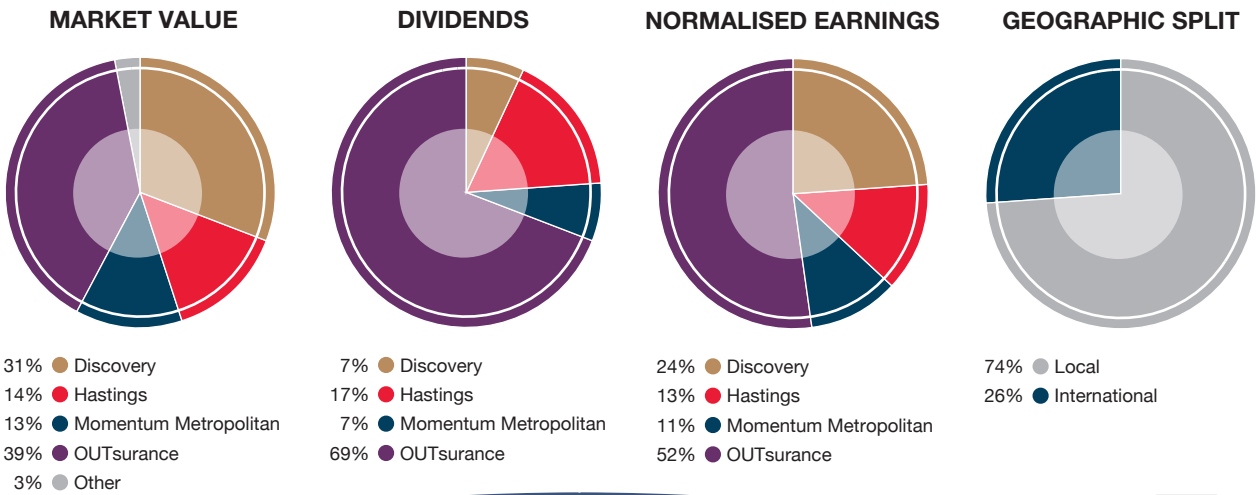


15% ● Employees  
51% ● Policyholders  
7% ● Government  
27% ● Providers of capital





It is pleasing that, despite an **unprecedented environment**, all the portfolio companies have delivered **strong underlying operational performance and resilience**.



4

PORTFOLIO OVERVIEW





VALUE CREATED

MARKET  
CAPITALISATION  
**R68.8**  
billion  
(2019: R98.2 billion)  
(30%)

NORMALISED  
EARNINGS  
**R3 747**  
million  
(2019: R5 035 million)  
(26%)

DIVIDENDS  
PAID  
**101**  
cents per share  
(2019: 215 cents per share)  
(53%)

WHY RMI INVESTS IN DISCOVERY

- » Visionary, ambitious leadership
- » Diversified earnings base and continuous investment in new initiatives
- » Globally recognised business model
- » Excellent growth
- » Ease of international expansion
- » Innovative new product pipeline

ABOUT DISCOVERY

Discovery is a South African-founded financial services organisation with operations in the healthcare, life insurance, short-term insurance, savings and investment, wellness and banking markets.

Founded in 1992 as a specialist health insurer, Discovery today operates in South Africa, the UK, China, Singapore, Australia, Japan, Europe and the USA through various business lines.

Discovery designs innovative insurance products that emphasise the importance of prevention and of wellness. Relying on a strong data analytics capability to understand and refine the incentives that contribute to positive behaviour change, this behavioural-linked insurance model addresses the shortcomings of traditional insurance systems by incentivising better health and driving and channelling the resultant risk savings into the incentives required to deliver these behaviour changes. This contributes to better health and value for clients, superior actuarial dynamics for the insurer and a healthier society at large.

Adrian Gore, Chief executive officer

Discovery Bank is the world's first behavioural bank. It is designed to help clients become financially healthier by rewarding them for good financial decisions.

By using powerful financial and behavioural structures that meet peoples' needs in sustainable ways, Discovery is able to provide superior returns for shareholders.

The group invested in Discovery in 1992, when the Discovery management team had only the dream of doing things differently and when it was still a product offering in Momentum.

VALUES

- The strong, clear values cultivated by Discovery's strong leadership are:
- » Business astuteness and prudence;
  - » Innovation and optimism;
  - » Liberating the best in people;
  - » Integrity, honesty and fairness;
  - » Intellectual leadership;
  - » Tenacity, urgency and drive; and
  - » The ability to dazzle clients.

RMI supports Discovery in the successful delivery of its strategy.

PERFORMANCE

	30 June		
R MILLION (unless stated otherwise)	2020	2019	% change
Discovery Health	3 190	3 044	5
Discovery Life	2 971	3 230	(8)
Discovery Invest	830	966	(14)
Discovery Vitality	7	60	(88)
VitalityHealth	830	758	9
VitalityLife	(272)	578	>(100)
Normalised profit from established businesses	7 556	8 636	(13)
Emerging businesses	736	422	74
Discovery Insure	246	155	59
Vitality Group	490	267	84
Development and other segments	(2 223)	(1 311)	(70)
Discovery Bank	(1 171)	(296)	>(100)
Other new initiatives	(1 052)	(1 015)	(4)
Normalised profit from operations	6 069	7 747	(22)
Earnings per share			
Normalised headline earnings per share (cents)	570.7	771.9	(26)
Normalised diluted headline earnings per share (cents)	566.7	771.6	(27)
Dividends			
Ordinary dividend per share (cents)	101.0	215.0	(53)
Dividend yield (%)	0.97	1.44	
Embedded value			
Embedded value per share (Rand)	107.88	108.46	(1)
Return on embedded value (%)	2.0	10.0	
Price to embedded value ratio (times)	1.0	1.4	

DISCOVERY'S BRANDS AND BUSINESSES




**Discovery Health** is the leading medical scheme administrator in South Africa, providing administration and managed care services to over 3.5 million beneficiaries. The business has a share of 57% in the open medical scheme market in South Africa, and manages 18 restricted medical schemes on behalf of leading corporate clients, as well as Discovery Health Medical Scheme, South Africa's largest open medical scheme.



**Discovery Life** provides individual and business clients with comprehensive life, capital disability, income protection, severe illness, funeral and other risk protection cover.



DISCOVERY’S BRANDS AND BUSINESSES

	<p><b>Discovery Invest</b> aims to deliver superior returns to investors by offering innovative investment products that are aligned to the Vitality Shared-Value Insurance model and are both tax – and fee-efficient.</p>
	<p><b>Discovery Insure</b> is a provider of short-term vehicle and home insurance. Its innovative driver-behaviour programme, Vitality Drive, encourages safer driving by measuring driver behaviour and rewarding good driving.</p>
	<p><b>DiscoveryCard</b> is a credit card product that attracts clients exhibiting a substantially better risk profile than the market average.</p>
	<p><b>Discovery Vitality</b> is the largest scientifically-based wellness programme globally. It forms the foundation of the Vitality Shared-Value Insurance model globally. This model, developed through Discovery’s experience in wellness and insurance acts as a catalyst for change in the insurance industry. It simultaneously provides material benefits to members, insurers and society, and is being scaled through the Global Vitality Network of leading global insurers who are using the model in their markets to transform their offerings and the healthy longevity of their clients.</p>
	<p><b>Discovery Bank</b> is the world’s first behavioural bank. It is designed to help clients become financially healthier by rewarding them for good financial decisions.</p>
	<p><b>VitalityHealth</b> offers an integrated medical insurance and wellness proposition to individuals and predominantly small and medium enterprise (SME) clients in the UK.</p>
	<p><b>VitalityLife</b> provides individual and business clients in the UK with life, capital disability, severe illness and income protection cover.</p>
	<p><b>Vitality Invest</b> combines behavioural economics, savings and wellness to incentivise people to save sooner, invest for longer, manage their income drawdown and take steps to look after their health.</p>

DISCOVERY’S BRANDS AND BUSINESSES

	<p><b>The Vitality Group</b> provides wellness programmes to corporate clients. The Vitality Group reaches more than 4.1 million clients across 24 markets.</p>
	<p>In China, Discovery has a 25% equity stake in <b>Ping An Health</b>, the largest comprehensive medical insurer in the country. Ping An Health provides private healthcare policies to corporates and individuals in the Chinese market.</p>
	<p>The Vitality Shared-Value Insurance model is now available in Singapore, Australia, Hong Kong, the Philippines, Thailand, Malaysia, Sri Lanka, Vietnam and Korea. There is an opportunity to introduce Vitality Shared-Value Insurance to additional AIA markets. <b>AIA</b> and a local Australian health insurer launched myOwn Health Insurance, which was integrated with Vitality in July 2017.</p>
	<p>In Europe, Discovery has progressed rapidly since signing an agreement with <b>Generali</b> in 2014. Generali Vitality launched to the public in Germany in June 2017.</p>
	<p>In the USA market, the relationship with <b>John Hancock</b> continues to flourish. John Hancock Vitality has received numerous awards and garnered significant media attention for its transformative approach to life insurance.</p>
	<p>John Hancock’s parent company, <b>Manulife</b>, launched Manulife Vitality in Canada in September 2017, pioneering the Vitality Shared-Value Insurance model in Canada. Manulife has more than 26 million clients worldwide.</p>
	<p>Discovery concluded a partnership with <b>Sumitomo Life</b> Insurance Company in Japan, a substantial and respected life insurer, with over 10 million policies in force. Japan is the second-largest life insurance market globally, after the USA. Sumitomo Life Vitality is approaching 500 000 members in Japan since launching in 2018.</p>

HOW DISCOVERY WAS AFFECTED BY THE COVID-19 PANDEMIC

- » COVID-19 provision of R3.4 billion (R2.3 billion net of discretionary margins).
- » Interest rate movements had a R4.8 billion pre-tax effect on headline earnings.
- » Discovery was able to rapidly respond to client needs and provide concessions. Over R750 million was offered to individuals and employers enabling them to continue receiving cover and a total of R12 billion was generated in the form of shared value for clients in the 2020 financial year, spanning premium discounts, cash backs, boosts and value added by managing care.
- » Cross-company data helped to identify more than 35 000 high-risk members who were proactively assisted to help manage their risk.
- » The operating result and solvency of the Discovery Health Medical Scheme were higher than expected as a result of the reduction in health system utilisation during lockdown, which included a 28% reduction in hospital admissions at the end of August 2020.
- » No final dividend was declared.

2020 PERFORMANCE

- » Gross inflows under management increased by 11% to R154.8 billion;
- » Insurance premium revenue of R50.5 billion represents an increase of 16%;
- » Core new business annualised premium income (excluding new closed schemes and gross revenue from the Vitality Group) increased by 5% to R19.2 billion;
- » Normalised operating profit increased by 9% to R8.4 billion before providing for the COVID-19-related impacts and decreased by 22% including the COVID-19 provision;
- » Normalised headline earnings are down 26% to R3.7 billion;
- » Embedded value decreased by 1% to R70.8 billion; and
- » The total dividend for the year decreased by 53% to 101 cents per share.

Discovery's headline earnings and earnings attributable to ordinary shareholders decreased by 94% and 99% respectively. The significant movements in positive real rates of return in SA and negative real rates of return in the UK had a significant effect on policy values and headline earnings and earnings, but none on cash flows, solvency or capital in SA and, since the implementation of the hedge strategy, little impact in the UK. The impact in the period was R4.8 billion pre-tax, with no bearing on operating performance and has therefore been excluded from normalised earnings.

Over the period, South Africa and the United Kingdom experienced severe lockdowns, however lapse experience was contained within Discovery's actuarial assumptions for all businesses, except Discovery Invest.

Claims experience was also better than assumed for all operations, except VitalityLife, where the effects of the pandemic emerged sooner. New business was curtailed during the various lockdown periods, but the impact was mitigated by increased digital enablement. This was particularly evident in Ping An Health, which delivered significant growth through its digital channel during China's lockdown period.

RMI included R933 million of Discovery's earnings in its normalised earnings (2019: R1 261 million).



For an in-depth review of Discovery's performance, RMI's shareholders are referred to [www.discovery.co.za](http://www.discovery.co.za).



STRATEGY AND VALUES

Discovery set its core purpose at inception 28 years ago, namely to make people healthier and enhance and protect their lives. This was crystallised into its strategic goal: To be the best insurer in the world and a powerful force for social good.

SHORT-TERM GOALS

- In order to achieve its next goals, Discovery believes that it has to:
- » Perfect the composite model in South Africa with a successful entry into banking;
  - » Be the best insurer in the UK, making use of a composite Shared-Value model;
  - » Deliver on Ping An Health's plan to become the leading health insurer in China with over 50 million clients; and
  - » Execute with discipline to ensure that Vitality is the world's largest and most sophisticated behavioural platform linked to financial services.

Discovery's people and technology development play a major part in their delivery, and therefore they have focused employment and systems, and technology development plans.

LONGER-TERM FOCUS AREAS

Discovery's longer-term focus remains on driving performance in the business and its social and financial impact. To ensure a roadmap to reach future goals, it has developed new stretch targets for the next three to five years to ensure it continues its ambitious growth in a focused way.

- Discovery has the following focus areas in order to deliver on its long-term goals:
- » Continue to scale the businesses and the business model to diversify earnings;
  - » In its primary markets of South Africa and the UK, it will focus on growing emerging and new businesses it launched in adjacencies, which include Discovery Bank and VitalityInvest; and
  - » In Vitality Group, it will continue to expand by entering into new partnerships and new markets, while growing existing businesses and identifying latent opportunities.

OUTLOOK

Discovery's shared-value business model positions it well to deliver continued operational resilience despite the challenging macro environment. Discovery has also provided for the expected future financial impacts of COVID-19 on claims and lapses during the 2020 financial year. This was done on a variety of scenarios by setting a stressed, central (prudent best estimate) and light scenario. The central scenario has been used to set the provision, while the stressed scenario was used to test capital and liquidity. The light scenario would result in a release of provisions in future years. The effect of continued interest rate volatility is expected to remain a feature of the reported results in the case of Discovery Life, however, the hedge in the UK is expected to remove the volatility for VitalityLife. Solvency, cash and capital are not expected to be negatively impacted by these interest rate movements in SA and normalised earnings will not be impacted. The capital metrics remained above target for all businesses, with internal liquidity bolstered for key businesses. At year-end, Discovery's financial leverage ratio was at 25.1% and the South African liquidity of R1.9 billion remains above target. These metrics remain resilient into future periods under the stressed COVID-19 scenario.

Discovery's Ambition 2023 remains the strategic focus for the medium term. The group is well positioned for growth over its planning horizon to 2023, with the capital plan able to fund its new initiatives. The businesses within the South African composite have created significant insurgency and the composite is well positioned to continue its growth trajectory. The UK composite is embryonic – the actions taken over the period were key to ensuring sustainability in the current environment and have positioned the business to capitalise in a normalised environment. Vitality Group, through capabilities and partnerships, is well placed to leverage the growing acceptance of the shared-value business model. Ping An Health remains committed to investing for longer-term growth, rather than looking to extract profit or cash in the short to medium term.



STRATEGY  
CASE  
STUDY



MODERNISE

DISCOVERY DELIVERS AGAIN  
WITH A WORLD-CLASS  
SMARTPHONE APP

RMI's objective is to identify, partner and grow next-generation financial services businesses either through its existing portfolio or through new entrepreneur-led businesses. We also encourage our existing investees to remain at the forefront of technology.

Discovery has long been a leader in innovative thinking and the technology to support it.

Like many countries across the world, South Africa's National Department of Health has used Apple and Google's exposure notification framework to build our country's new Bluetooth contact-tracing app for COVID-19. The tech giants have, since April this year, worked together to develop a framework for governments, public health authorities and NGOs around the world to use, to custom-build local apps, and ultimately to empower ordinary citizens to work together to protect each other from COVID-19 infection.

South Africa's Bluetooth contact-tracing app – COVID Alert SA – is now available for iOS and Android smartphones and can help tell you if you've been exposed to the COVID-19 virus.

The app is user-friendly all the way. User privacy and security are core to the Apple-Google framework on which the COVID Alert SA

app has been built. That means app users are anonymous and the app never asks for, or stores their identifying personal details, or location.

The COVID Alert SA app uses Bluetooth contact-tracing technology to let people know when they have been in contact with someone who has tested positive for COVID-19 (a laboratory test shows they have COVID-19). It does this in a way that preserves app user privacy and anonymity at all times.

It gives every smartphone user in South Africa the chance to understand their exposure to the virus, so that we can all protect our families and our communities, and especially those people who are most at risk of severe disease.

This app is free. The data to use the app has been zero-rated by all of South Africa's mobile network providers.

Bluetooth contact-tracing apps, like COVID Alert SA, replace the need for us to remember and identify close contacts by simply letting app users' smartphones give each other a 'digital handshake' when they are nearby and create their own 'memory' of this interaction between the devices. And, app users' identities are kept private at all times.

Manual contact-tracing is a time-consuming process that has its limits. The person who tests positive for COVID-19 needs to remember all the people they have been in close contact with for the past two weeks and their contact details, which is not possible for people they come into contact with in public places.

This is another example of how technology is now playing a big part to protect everyone's health.





VALUE CREATED

MARKET  
CAPITALISATION  
£1 275  
million  
(2019: £1 286 million)  
(1%)

NORMALISED  
EARNINGS  
£55.7  
million  
(Six months ended  
30 June 2019: £39.3 million)  
+42%

DIVIDENDS  
PAID  
4.5  
pence per share  
(Six months ended 30 June 2019:  
4.5 pence per share)  
Unchanged



Toby van der Meer, Chief executive officer

WHY RMI INVESTS IN HASTINGS

- » Entrepreneurial leadership
- » Geographic diversification
- » Strong foothold in the price comparison website market in the UK
- » Constant innovation
- » Growth trajectory

ABOUT HASTINGS

Hastings is a UK-listed short-term insurer.

It commenced operations in 1997 and listed on the London Stock Exchange in 2015. It is a fast-growing, agile digital general insurance provider operating principally in the UK motor market. It provides private car and other forms of personal insurance cover (home, van and bike). Hastings has an 8.1% market share of the UK private car insurance market and has 2.96 million live client policies. The group's success in capturing market share has been combined with consistently strong underwriting performance and growing retail profitability. The group is headquartered in Bexhill-on-Sea with offices in Newmarket, Leicester and Gibraltar.

PERFORMANCE

	30 June		
£ MILLION (unless stated otherwise)	2020	2019	% change
Underlying trading profit after tax	55.7	39.3	42
Profit after tax	54.8	38.2	43
Adjusted operating profit	78.3	59.7	31
Key financial ratios			
Earnings per share (pence)	8.3	5.8	43
Dividend declared per share (pence)	4.5	4.5	–
Key performance metrics			
Gross written premiums	514.9	499.2	3
Net revenue	392.7	370.3	6
Number of live client policies (million)	2.96	2.81	5
UK private car insurance market share (%)	8.1	7.8	
Adjusted operating profit margin (%)	19.9	16.1	
Loss ratio (%)	75.6	81.1	
Expense ratio (%)	16.6	15.8	
Combined operating ratio (%)	92.2	96.9	
Solvency coverage ratio (%)	151	160	
Net debt leverage multiple (times)	1.9	1.5	

HASTINGS' BRANDS AND BUSINESSES



Hastings' largest and best-known brand, delivering great value car, bike, home and van insurance in a refreshingly straightforward way.



Premium cover, delivering all the benefits of Hastings Direct plus roadside breakdown cover and motor legal expenses included as standard.



The no-frills car and home insurance, providing just the essentials.



A telematics brand that measures and rewards good driving behaviour, helping young and inexperienced drivers save money on their car insurance.



InsurePink provides competitive car insurance, donating £10 from every policy sold to breast cancer charities.



People's Choice car insurance provides great benefits at a competitive price.



STRATEGY AND VALUES

Hastings has a clearly defined growth strategy built on six strategic pillars:

- » **Client retention**  
Drive longer and deeper client relationships, by investing in pricing, processes and making things straightforward for clients.
- » **Claims**  
Use new technology to transform claims handling, enabling a faster and more efficient experience for clients while also reducing claims costs.
- » **Digital**  
Deliver the most complete digital experience to make things straightforward for clients and easier for employees.
- » **Diversify**  
Diversify by growing multi-car, home, bike and van and testing new products.
- » **Vehicle technology**  
Remain focused on the impact of vehicle technology within UK motor insurance.
- » **Market-leading pricing and anti-fraud**  
Enhance data, pricing and anti-fraud systems so that Hastings can continue to select the best clients and offer them a better price.

Hastings want to achieve its ambitious plans through digital leadership, embracing new technology, and investing in its 4Cs way of working – which drives its decision-making and continues to guide it as it grows: It believes by creating the right culture for **Colleagues**, and giving them the right tools to do their job, they will do more for its **Clients**, enabling it to grow the **Company** profitably and sustainably and allowing it to invest in the **Communities** it serves.

HOW HASTINGS WAS AFFECTED BY THE COVID-19 PANDEMIC


- » Hastings has taken significant actions to support clients, employees and the community throughout the pandemic, including premium reductions, the waiving of fees and charitable donations.
- » The rapid response to COVID-19 enabled an early transition to working from home.
- » A dedicated community fund for local charities and an employee hardship fund were established.
- » Motor claims frequencies reduced following the COVID-19 lockdown restrictions. Claims frequencies have since increased but remain lower than the equivalent period last year.
- » Claim severities have increased, predominantly as a result of the underlying inflation in repair costs, combined with interruptions in the repair networks and supply of parts caused by COVID-19 and increased car rental costs, with repairs typically taking longer than anticipated.
- » Retail income from mid-term policy adjustment requests from clients has reduced due to, for example, clients not changing their vehicles as frequently.
- » Hastings will continue to monitor claims developments carefully in the second half of the calendar year and reflect these in pricing strategies consistent with its target loss ratio range.

2020 PERFORMANCE

As Hastings has a 31 December year-end, these results relate to the six months ended 30 June 2020, with comparatives for the six months ended 30 June 2019.

- » Continued growth, with gross written premiums up 3% to £514.9 million (2019: £499.2 million);
- » Sustained increase in clients, with live client policies up by 5% to 2.96 million (2019: 2.81 million), driven by a continued strong retention rate and increased new business competitiveness;
- » Growth in market share to 8.1% of the UK private car insurance (December 2019: 7.7%);
- » The loss ratio decreased to 75.6% (2019: 81.1%) due to a reduction in claims frequencies, partially offset by continued inflation in repair and third party credit hire costs, which have been elevated further due to the impact of the lockdown and the repair network;
- » Adjusted operating profit increased by 31% to £78.3 million (2019: £59.7 million), predominantly driven by policy growth and the improvement in loss ratio, offset to some extent by client actions in light of COVID-19, including the waiving of fees, reduced policy adjustments and increased operating expenditure for IT enhancements to support employees working from home;
- » The reserve provisioning as at 30 June 2020 reflects the increased uncertainties caused by the pandemic;
- » Stable net debt of £239.4 million as at 30 June 2020 (31 December 2019: £232.4 million) reflecting the continued strength of free cash flow generation;
- » Strong solvency position, with a Solvency II coverage ratio of 151% and a pre-dividend Solvency II coverage ratio of 169%;
- » Interim dividend for of 4.5 pence per share (2019: 4.5 pence per share);
- » Continued pricing discipline;
- » Hastings continues to deliver on its strategic initiatives. It has continued to invest in enhancing data, pricing and anti-fraud systems to enable it to select the best clients and offer them a better price; and
- » Ongoing progress is made with environmental, social and governance matters, which are integrated into the investment strategy and decision-making.

RMI included R486 million of Hastings’ earnings in its normalised earnings (2019: R552 million).

 For an in-depth review of Hastings’ performance, RMI’s shareholders are referred to [www.hastings.plc.com](http://www.hastings.plc.com).

OUTLOOK

Hastings continues to invest in its future as an agile, technology-driven, low cost operator. These initiatives will ensure it remains well placed to capitalise on its strategy and long-term profitable growth opportunities. Continued progress on strategic initiatives and delivery of operational benefits are evidenced by more than 950 000 downloads of the mobile app, 58% of clients making policy adjustments online and the positive client engagement and feedback on these electronic channels.

Hastings focuses on improving client service by developing and progressing claims transformation initiatives in respect of accidental damage, third party property damage and bodily injury. It is taking an analytical approach to bodily injury strategies such as intervention and pre-medical settlement.

Further investment in pricing processes and anti-fraud capabilities has enabled Hastings to select the best clients and offer them a better price. During the current year, Hastings introduced new counter-fraud software which enables it to monitor a greater range of sophisticated claims fraud and continues to refine and optimise its next-generation anti-fraud system.

Strong client retention rates and some improvement in new business competitiveness has contributed to a 5% increase in live client policies over the past year and an increase in market share from 7.7% to 8.1% over the past six months.





STRATEGY  
CASE  
STUDY



OPTIMISE

RMI SEES LONG-TERM  
VALUE IN THE UK'S  
INSURANCE MARKET

RMI has a long-term investment horizon and investments are held for as long as is required to optimise value. Increasing value and yield requires close collaboration and trusted relationships with our management partners. RMI normally positions itself as the key and preferably largest shareholder and targets financial performance of its portfolio companies that exceeds industry benchmarks.

THE TRANSACTION

RMI, OUTsurance and Finnish insurer Sampo made a joint takeover offer for Hastings, valuing it at £1.66 billion (R37 billion). RMI and OUTsurance, via jointly-owned Mainstreet, have held 29.7% of Hastings since 2017, and will acquire an additional 0.3%, while Sampo would hold 70%. RMI has been the largest shareholder in Hastings since 2017. RMI and OUTsurance would have an option to increase their stake up to 40% within 18 months.

The offer of 250 pence per Hastings share represents a 47.1% premium to the value of Hastings's share on 28 July 2020, when it announced it had been approached with a takeover offer.

Hastings' shareholders approved the scheme on 22 September 2020. It is intended that the offer will be implemented by way of a court-sanctioned scheme of arrangement under English law. The offer is likely to become effective later in 2020.

Sampo and RMI have entered into a long-term partnership in relation to Hastings. The governance of the jointly-owned company reflects

the relative shareholdings of Sampo and RMI, recognising Sampo's controlling position, but protecting RMI's interest with customary minority protections. The shareholder agreement includes customary exit arrangements for agreements of this type.

STRATEGIC RATIONALE

Sampo has a strategic ambition to expand further into non-life insurance, a segment where it has extensive experience and expertise. As part of this strategy, and in the context of its leading market positions in the Nordic markets, Sampo has been considering a geographic expansion beyond its current footprint. Sampo believes that the UK, as the second-largest short-term insurance market in Europe, offers an attractive scale opportunity.

RMI has a long-term investment horizon and focuses on building enduring value over many and differing market cycles. Given the significant retail short-term insurance experience and expertise of Sampo, through its subsidiaries If P&C Insurance and Topdanmark, and RMI, through its ownership of OUTsurance and existing shareholding in Hastings, the intention is to combine this knowledge to drive the strategic direction of Hastings. RMI brings institutional knowledge in Hastings and the UK short-term market to the jointly-owned company.

RMI decided on the transaction as a strategic long-term investment to target the home insurance market in the UK. RMI believes Hastings is able to show new business growth of 10 percent and its current improving client retention rates could grow its market share further, having barely penetrated the UK home insurance market.

Sampo and RMI intend for Hastings to continue to be operated on a standalone but unlisted basis. A private partnership with RMI provides an optimal structure for Hastings to fulfil its potential and build long-term value for its stakeholders. As a private company, Hastings will benefit from a more long-term approach to decision-making.

Sampo and RMI believe with their experience and under private ownership there are a number of areas of Hastings' operations that can be improved, including claims handling sophistication, expansion into home insurance, client retention and reinsurance strategy.



VALUE CREATED

MARKET  
CAPITALISATION  
**R26.4**  
billion  
(2019: R28.4 billion)  
(7%)

NORMALISED  
EARNINGS  
**R1 521**  
million  
(2019: R3 074 million)  
(51%)

DIVIDENDS  
PAID  
**40**  
cents per share  
(2019: 70 cents per share)  
(43%)



WHY RMI INVESTS IN  
MOMENTUM METROPOLITAN

- » Well known and trusted brands
- » High level of cash generation
- » Traditionally produced a high dividend yield
- » New management with a revitalised strategy
- » Established business which provides stability to the RMI portfolio

ABOUT METROPOLITAN MOMENTUM

Momentum Metropolitan was formed through the merger of Momentum and Metropolitan. The core businesses of Momentum Metropolitan are short-term and long-term insurance, asset management, investment, healthcare administration and employee benefits. Product solutions are provided to all market segments. It provides for the insurance needs of individuals in the lower, middle and upper income markets, principally under the Momentum and Metropolitan brand names.

Momentum Metropolitan's vision is to be the preferred lifetime financial wellness partner, with a reputation for innovation and trustworthiness. Its strategic focus areas are growth, client-centricity and excellence.

The group invested in Momentum in 1992. In 2010, Momentum merged with Metropolitan to create MMI Holdings, which changed its name to Momentum Metropolitan Holdings in 2019.

Hillie Meyer, Chief executive officer

PERFORMANCE

	30 June		
R MILLION (unless stated otherwise)	2020	2019	% change
Momentum Life	416	883	(53)
Momentum Investments	303	512	(41)
Metropolitan Life	302	610	(50)
Momentum Corporate and Health	260	601	(57)
Non-life Insurance	405	164	>100
Momentum Metropolitan Africa	317	262	21
Earnings from operating segments	2 003	3 032	(34)
New initiatives	(509)	(492)	(3)
Shareholders	27	534	(95)
Diluted normalised headline earnings	1 521	3 074	(51)
Earnings per share			
Diluted normalised headline earnings per share (cents)	101.5	202.5	(50)
Dividends			
Ordinary dividend per share (cents)	40.0	70.0	(43)
Dividend yield (%)	2.3	3.7	
Key performance metrics			
New business volumes	55 447	55 783	(10)
Value of new business	280	541	(48)
New business margin (%)	0.6	1.0	
Diluted embedded value per share (cents)	2 570	2 748	(6)
Return on embedded value (%)	(3.7)	8.0	
Price to embedded value ratio (times)	0.7	0.7	

MOMENTUM METROPOLITAN'S BRANDS AND BUSINESSES



**Momentum** provides both short-term and long-term insurance products. **Momentum Life** provides innovative financial wellness solutions to the middle, upper and high net-worth segments. This is underpinned by appropriate financial planning and advice. Momentum Metropolitan's International business operates in the rest of Africa, India and the UK.



**Metropolitan Retail** focuses on the South African emerging and middle market. The segment aims to improve the financial wellness of its clients through empowerment and education.



**Guardrisk** provides structured insurance products, traditional cell captive facilities and access to a broad and diversified panel of related services and professional reinsurance markets through its businesses in South Africa (headquarters), Mauritius and Gibraltar.



**Eris Properties** is a property development and services group which provides a range of commercial property skills in the South African and sub-Saharan African markets. Eris manages a property portfolio of R22 billion.

MOMENTUM METROPOLITAN’S BRANDS AND BUSINESSES



**Multiply**'s wellness and rewards programme is the primary engagement platform that Momentum Metropolitan uses to connect with clients to encourage both financial and physical wellness. Multiply rewards members for doing the everyday things that ensure a healthy and happy life. Through Multiply, Momentum Metropolitan clients gain access to physical and financial fitness partners and tools at discounted rates, making it easier to follow a physically and financially healthy lifestyle.



**Hello Doctor** is a mobile health service that provides preventative care and gives people the ability to connect with a doctor to make informed decisions about their health and wellness.

The Hello Doctor interactive platforms are designed to give instant access to personalised health, wellness and medical information – all reviewed and approved by a team of doctors.



**Momentum CareCross** is a national network of general practitioners and associated healthcare professionals such as specialists, dentists and optometrists, that delivers managed care and administration services to medical scheme beneficiaries.

STRATEGY AND VALUES

Momentum Metropolitan's strategy aims to generate superior shareholder returns through leading products, valuable distribution partnerships and excellent client experiences. These capabilities will enable businesses and people from all walks of life to achieve their most important financial goals and life aspirations.

The group has formulated a detailed three-year reset and grow turnaround strategy to achieve its medium-term objectives:

- » Fix the basics;
- » Enhance distribution capabilities;
- » Improve service;
- » Address the cost base;
- » New and refreshed differentiating products; and
- » Marketing support.

The longer-term strategy centres around building a synergistic and resilient portfolio of high-performing businesses leveraging the benefits of a federal operating model underpinned by:

- » Service excellence;
- » Product excellence; and
- » Digitalisation as a game changer.

Momentum Metropolitan's guiding values are:

- » Excellence.
- » Innovation;
- » Accountability;
- » Diversity;
- » Integrity; and
- » Teamwork.

HOW MOMENTUM METROPOLITAN WAS AFFECTED BY THE COVID-19 PANDEMIC

- » Momentum Metropolitan continues to be impacted by the expected worsening in claims experience, lower new business volumes, increased risk of policy lapses or withdrawals, lower investment returns and additional expenses related to operational and risk management initiatives to effectively deal with the pandemic.
- » Additional provisions were raised, with a net negative impact of R983 million for potential COVID-19-related adverse claims experience and policyholder lapses and withdrawals.
- » The partial recovery of investment markets during the last quarter of the financial year did not fully offset the impact of severe market-related losses reported in the third quarter. The net market losses included in normalised headline earnings for the year were R975 million.
- » Substantial financial relief was offered to clients, including temporary premium pauses, provision of premium grace periods, creation of a COVID-19 Hello Doctor tele-service to all South Africans without charge and paying for 340 000 COVID-19 tests up to the end of August. At Momentum Short-term Insurance, premium refunds, premium and cover pause options, excess waivers, downscaled cover options, easing of renewal terms and accelerated access to non-claims bonuses provided R43 million in financial relief in May and June 2020.
- » No final dividend was declared.

2020 PERFORMANCE

- » New business volumes declined by 10% to R50.4 billion on a present value of new business premiums basis. Excluding the impact of a R5 billion with-profit annuity transaction included in the prior year, new business volumes remained flat, which is a commendable achievement considering the impact of the national lockdown and slowdown in economic activity during the fourth quarter of the financial year;
- » The value of new business decreased by 48% to R280 million, which was negatively impacted by the additional costs incurred in the distribution channels to support staff and business partners during the lockdown phase;
- » Diluted normalised headline earnings of R1 521 million is down 51% on the R3 074 million in the prior year, mainly attributable to the provision made for the impact of COVID-19 and the negative impact of investment market losses;
- » The embedded value decreased 6% to R38.5 billion, while the return on embedded value was a negative 3.7%, driven by the adverse investment market movements affecting the covered business as well as the creation of additional provisions against the impact of the pandemic;
- » Momentum Metropolitan's capital position remains strong, with a solvency capital requirement (SCR) cover of 1.85 times SCR; and
- » Momentum Metropolitan maintained its Level 1 B-BBEE contributor status under the revised Financial Sector Code. It has formulated a proposal to establish a broad-based employee share ownership scheme through which permanent South African staff will acquire 44.9 million ordinary shares, constituting 3% of the group's ordinary share capital. The proposed transaction is subject to certain suspensive conditions, including approval from existing shareholders. The rules of the scheme will ensure that black participation in the scheme exceeds 85% at all times, ensuring that it will achieve broad-based black socio-economic transformation.

**RMI included R407 million of Momentum Metropolitan's earnings in its normalised earnings (2019: R825 million).**

For an in-depth review of Momentum Metropolitan's performance, RMI's shareholders are referred to [www.momentummetropolitan.co.za](http://www.momentummetropolitan.co.za).

OUTLOOK

Despite the trying environment, many of Momentum Metropolitan's grow initiatives within the reset and grow strategy remain relevant. Work on delivering on these initiatives continues. This includes sales and service, product improvements, advancement of digital capabilities and greater cost efficiencies. The changing environment brought about by COVID-19 has been incorporated into planning beyond the next financial year and management will continue to build on the strengths and successes of the group to date. Momentum Metropolitan remains optimistic about its ability to effectively manage the demands of a post-COVID-19 environment. The uncertainty about the path of the pandemic and the expected long-term negative impact on the economy will probably lead to weaker investment returns and lower new business and persistency levels in the medium term.

The impact of COVID-19 on South Africa's fragile public finances has been devastating, with debt levels expected to rise materially. Momentum Metropolitan will continue to focus on matters under its control and is determined to emerge from the current difficult situation in an improved relative position, in terms of market share, operational excellence and use of evolving technology.





VALUE CREATED

NET ASSET  
VALUE  
**R10.9**  
billion  
(2019: R10.5 billion)  
**+3%**

NORMALISED  
EARNINGS  
**R2 411**  
million  
(2019: R2 634 million)  
**(8%)**

DIVIDENDS  
PAID  
**53.7**  
cents per share  
(2019: 55.5 cents per share)  
**(3%)**



Marthinus Visser, Chief executive officer

WHY RMI INVESTS IN OUTSURANCE

- » Dynamic management team
- » Market leader in direct insurance
- » Well-loved and easily recognised brand
- » World-class technology and claims handling processes
- » High level of cash generation and dividend-paying capabilities
- » Preferred employer, thereby attracting talented people

ABOUT OUTSURANCE

OUTsurance provides short-term and long-term insurance products in South Africa, and short-term insurance products in Australia and Namibia.

OUTsurance's business model is built on a philosophy of scientific underwriting and pricing, innovative product design, a robust and efficient information technology platform and a high-performance culture driven by great people.

The client-centric business strategy to provide value for money insurance and exceptional client service continues to drive consistent shareholder value creation.

The group co-founded OUTsurance in 1998.

PERFORMANCE

	30 June		
R MILLION (unless stated otherwise)	2020	2019	% change
OUTsurance	1 669	1 812	(8)
Youi Group	678	673	–
OUTsurance Life	14	80	(83)
Earnings from associates	202	237	(15)
Central (including consolidation adjustments)	(152)	(168)	10
Normalised earnings	2 411	2 634	(8)
Key financial ratios			
Normalised return on equity (%)	22.9	25.5	
Normalised earnings per share (cents)	64.6	70.2	(8)
Diluted normalised earnings per share (cents)	64.6	70.1	(8)
Dividend per share (cents)	53.7	55.5	(3)
Special dividend per share (cents)	–	12.0	(100)
Key performance metrics			
Gross premiums	17 455	16 135	8
Net earned premiums	16 178	15 063	7
Operating profit	3 234	3 173	2
Claims ratio (%)	51.1	51.1	
Cost-to-income ratio (%)	29.4	28.3	
Combined ratio (%)	81.6	80.9	

OUTSURANCE'S BRANDS AND BUSINESSES



**OUTsurance** provides short-term insurance cover directly to the South African public. Its product range includes personal lines and business insurance products.

Clients receive a cash OUTbonus – the first reward system in South Africa to return cash to clients who remain claim-free.



**OUTsurance Life** is a direct life and funeral insurer offering fully underwritten life insurance products that provide comprehensive death, disability and critical illness cover options.

OUTsurance Life has a new approach to life insurance – after 15 claim-free years, policyholders get all their premiums paid back.



**OUTsurance Namibia** was established in 2006 and provides personal lines and commercial lines short-term insurance products directly to the Namibian public.



**OUTvest** helps investors to set and reach their goals by making it easy to build personal investment plans. It combines state-of-the-art investment technology and human expertise to make investing simple.

OUTSURANCE’S BRANDS AND BUSINESSES



**Youi** is short for “You Insure”. Youi is a sister short-term car insurance company of OUTsurance that operates in Australia. It follows the same client-orientated approach that has made OUTsurance successful in South Africa and is underwritten by OUTsurance. Youi is primarily geared to selling insurance for cars, buildings, contents and business liability directly to consumers through an interactive website. It also operates a call centre to offer prospective and current clients professional personal advice.

**Youi.Rewards** is a loyalty bonus that rewards policyholders with a cash payout after being a client for three years and every three years thereafter, even if they claim. This payout amount is based on the average premiums paid over a period of three years.

STRATEGY AND VALUES

OUTsurance has clear strategic objectives for growth in response to its main stakeholders, as follows:

People

- » Provide sustainable work opportunities within a culture which promotes fairness, diversity and inclusion.

Clients

- » Be the market leader in client service and the most trusted insurance brand;
- » Continue to grow the digital service offering and provide clients with choice of engagement;
- » Targeted focus to minimise client complaints across all client processes; and
- » Establish leading technology to service its partners.

Suppliers

- » Support the supplier network to navigate the impact of the pandemic;
- » Enable more diverse and broader market access to procurement spend by empowering and developing small businesses; and
- » Expand the Kwande supplier development programme.

Technology

- » Focus on the modernisation of technology platforms as a key enabler to strategic objectives.

Communities

- » Invest in impactful community projects to contribute positively to societies served;
- » Continue to assist in providing relief related to the COVID-19 pandemic; and
- » Reduce its carbon footprint and promote responsible environmental decision-making within the organisation to combat climate change.

Shareholders

- » Deliver sustainable and capital efficient financial returns commensurate with the markets in which OUTsurance operates.

HOW OUTSURANCE WAS AFFECTED BY THE COVID-19 PANDEMIC

- » Provision for business interruption claims of R198 million in OUTsurance Business.
- » In addition to the business interruption claims, a further R237 million was utilised as relief to clients, suppliers and the community.
- » Increase in policyholder liability in OUTsurance Life of R37 million to allow for a prudent estimate relating to increased mortality and retrenchment claims and an adverse lapse experience.
- » The negative impact of market movements on OUTsurance's equity portfolio, partly as a result of COVID-19, resulted in swing from a 2% increase in operating profit to an 8% decline in normalised earnings.

2020 PERFORMANCE

OUTsurance delivered normalised earnings of R2 411 million for the year, 8% lower than the prior year, mainly attributable to the unrealised investment losses on the group's equity portfolio, the impact of the bushfires and natural catastrophes in Australia and business interruption claims of R198 million paid and provided for in OUTsurance Business:

- » Gross written premiums increased by 8% to R17.5 billion and net earned premiums by 7% to R16.2 billion;
- » The claims ratio remained unchanged at 51.1%;
- » The cost-to-income ratio increased from 28.3% to 29.4%; and
- » The total dividend for the year decreased by 3% to 53.7 cents per share.

**OUTsurance's** South African short-term operations delivered an acceptable operational and financial performance considering the difficult economic environment brought about by the pandemic and the recessionary economic circumstances in South Africa. Operating profit increased by 7% to R2.3 billion and headline earnings decreased by 8% to R1.7 billion. The lower headline earnings result is largely attributed to unrealised losses on the equity portfolio during the 2020 financial year, which was exacerbated by the impact of the pandemic. As part of the COVID-19 relief efforts, OUTsurance granted R86 million in premium discounts to recognise the reduced driving of policyholders during the lockdown period.

The claims ratio decreased from 49.8% to 49.2% due to the impact of reduced motor accident claims frequencies during the lockdown period. OUTsurance incurred a total of R198 million in business interruption claims on policies with the tourist attraction extension. The increase in the cost-to-income ratio to 24.5% is largely attributed to the rapid expansion in the OUTsurance Business tied-agent force while OUTsurance Personal delivered a decrease in its cost-to-income ratio.

Notwithstanding the impact of the devastating bushfires and various large hail and flood catastrophes, **Youi** delivered a satisfactory operational and financial performance for the financial year ended 30 June 2020, with operating profit decreasing by 4% to R949 million. The key highlight of Youi's performance is the continued recovery in premium growth (13% growth in gross written premiums) driven by solid organic growth in the core personal lines operation, coupled with the contribution of the Blue Zebra Insurance partnership launched in March 2020. As part of the COVID-19 relief efforts, Youi granted R76 million in premium discounts to recognise the lower driving patterns of policyholders during the lockdown period. Youi incurred a total of A\$180 million in gross catastrophe claims in 2020, with the bushfire events contributing A\$43 million. After allowing for reinsurance, the net loss retained for these catastrophe events in 2020 was A\$61 million.

The volatile interest rate environment, coupled with COVID-19-specific policyholder liability adjustments, contributed to a challenging financial result for **OUTsurance Life**. The policyholder liability was increased by R37 million to allow for a prudent estimate relating to increased mortality, retrenchment claims and adverse lapse experience associated with pandemic scenarios. An unrealised loss movement of R33 million related to the shareholders' equity portfolio, further weighed on the headline earnings result of OUTsurance Life, which declined by 83% to R14 million. Gross written premiums increased by 10%, benefitting from the contribution of the funeral product sales.

**OUTsurance Namibia's** headline earnings decreased by 3% to R29 million. Gross written premiums declined by 8% owing to a difficult economic environment. Profitability was further impacted by a higher cost-to-income ratio attributed to increased sales costs following the establishment of a dedicated call centre in Namibia.

OUTsurance's capital position has remained resilient throughout the COVID-19 pandemic. At 30 June 2020, the group and its operating entities were trading from strong capital positions.

**RMI included R2 180 million of OUTsurance's earnings in its normalised earnings (2019: R2 364 million).**

For an in-depth review of OUTsurance's performance, RMI's shareholders are referred to [www.outsurance.co.za](http://www.outsurance.co.za).

OUTLOOK

OUTsurance's values-driven culture and single-minded focus on delivering exceptional client experience as cornerstones of its business contributed to its operational and financial resilience during this unprecedented time.

The cost-to-income ratios of OUTsurance reflect the investments made towards its expansionary channel and product strategies which are delivering stronger top line growth. These investments each have their respective J-curves which are expected to unwind over the next three years.

Significant progress has been made in growing product and distribution footprint with the continued expansion of the tied-agent capacity supporting the growth of OUTsurance Business. The insurance distribution partnership with Shoprite launched in May 2020 with a funeral insurance product offered across Shoprite's retail footprint. Youi entered into an underwriting relationship with Blue Zebra Insurance, a broker distribution platform in Australia for personal insurance and in future commercial insurance.

Youi concluded the sale of the Youi New Zealand insurance book during the year. This disposal allows for further investment and increased resource allocation to pursue growth opportunities in Australia.

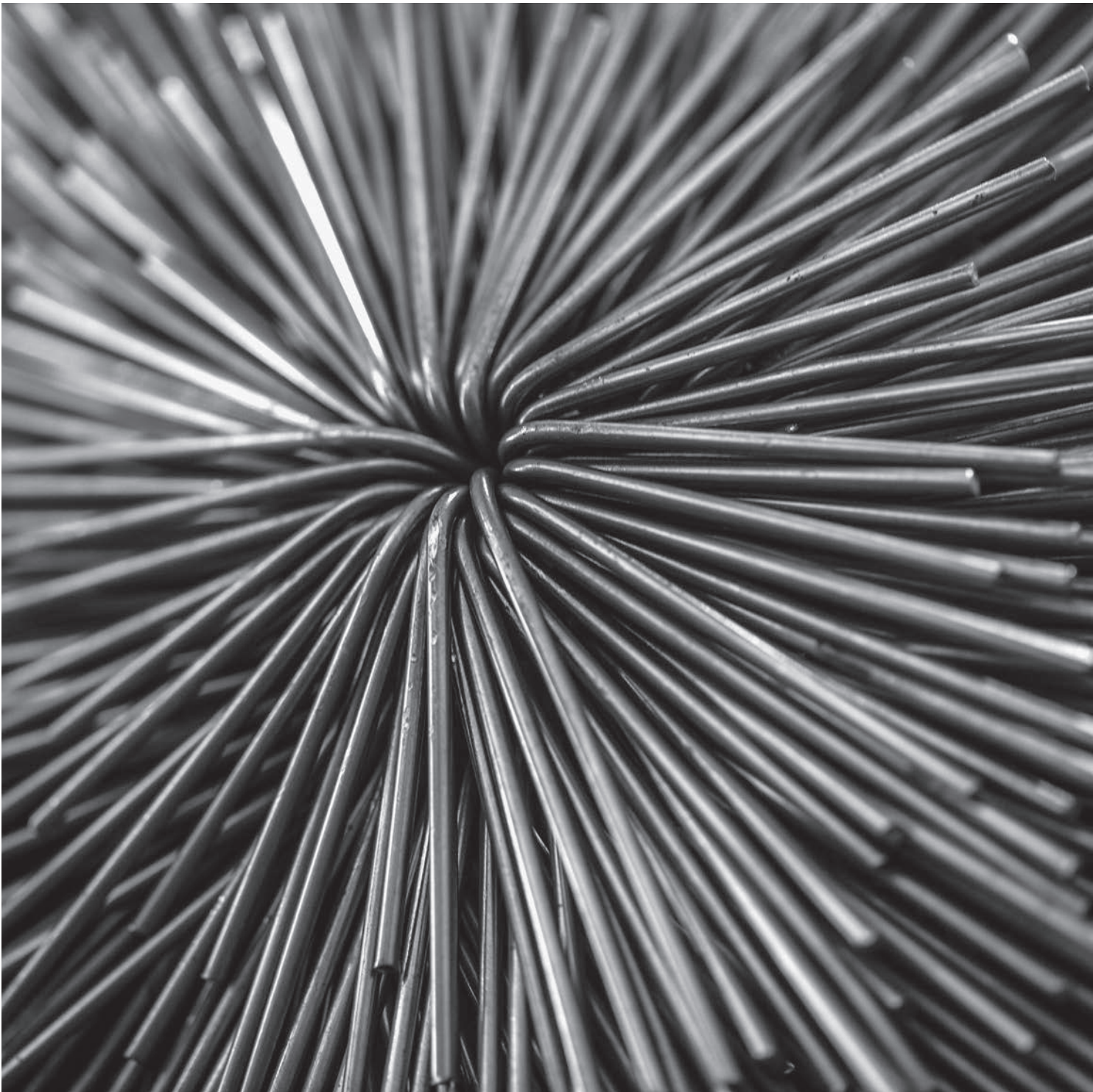
The digitalisation of client processes accelerated during 2020 with the roll-out of various exciting digital service features designed to remove client pain points and provide clients with choice of engagement. These initiatives will realise future cost benefits with reduced service engagements in the contact centres. Delivering on these initiatives does, however, require upfront investment in information technology and data analytics.

The focus for 2021 will be a continuation of investment towards multi-channel distribution and the delivery of a wider product set to clients. In South Africa, the insurance market is expected to be negatively impacted by low or negative real growth and client affordability is under pressure. The impact on the Australian economy is expected to be less severe although recessionary macro conditions are forecast over the next financial year.

The diversity of revenue streams towards property, commercial and life insurance is an important long-term objective to offset the impact of increased vehicle safety and autonomy features on premium growth.

Operationally, OUTsurance's businesses are well-positioned to deal with the disruption which could be expected from a protracted pandemic scenario. OUTsurance is in a strong capital position, with balance sheets being prudently managed to ensure the necessary resilience to absorb further economic shocks.





STRATEGY  
CASE  
STUDY



DIVERSIFY

OUTSURANCE'S YOUI  
TO FOCUS ON  
AUSTRALIA

RMI's stated strategy is to hold investments that are diversified in terms of financial services sub-sector, geography and with the potential to establish linkages with other portfolio companies. RMI's preferred investments are leaders in their markets.

During the year, OUTsurance sold its New Zealand insurance business, Youi New Zealand, to Auckland-based Tower Insurance, that country's third largest general insurer. Tower approached Youi with an offer.

The sale provided an opportunity for Youi to unlock value on favourable terms and, going forward, will allow the Youi group to focus on its Australian business where the greater scale and diversity of the market offers more growth opportunities for a challenger brand like Youi. Challenger brands are businesses that enter a market and gain business from established rivals through innovation and change. Youi can focus on becoming an Australian household brand. By contrast, the market is consolidated in New Zealand.

The sale price was NZ\$12.6 million. More importantly, the sale released capital of about NZ\$45 million (R425 million) and executive time allocated to the New Zealand business to apply to the Australian business.

The transaction will focus OUTsurance's geographical diversity while giving RMI an opportunity to live up to its aspiration of establishing a market-leader.





ABOUT RMI INVESTMENT MANAGERS

RMI Investment Managers is a multi-affiliate investment management firm and is 100%-owned by RMI. It invests in and partners with South Africa's best investment talent as a supportive, non-interfering, long-term shareholder that aims to facilitate and offer support rather than direct and interfere, and in doing so, enable its independent affiliate investment managers to reach their full potential.

RMI Investment Managers understands that active investment management can produce consistent outperformance if the following elements are in place:

- » A stable environment which frees investment professionals from unnecessary distractions and offer them independence and aligned incentives for superior investment performance;
- » Clear and consistent investment processes; and
- » A high-calibre, experienced investment team focused on investment performance.

AFFILIATES

The current RMI Investments Managers portfolio comprises 12 affiliates which span the asset class spectrum across active, passive, traditional and alternative investments. Their combined assets under management have grown significantly over the past six years and they continue to build their businesses with a high level of focus and determination.

ROYAL INVESTMENT MANAGERS

Royal Investment Managers, backed by Royal Bafokeng Holdings (RBH) and RMI Investment Managers, is a black-owned investment holding company that acquires equity stakes in either existing or new asset management firms with a strong and unrelenting focus on diversity.

HOW IT WORKS

RMI Investment Managers launched an affiliate investment manager model in 2015, the first of its kind in South Africa. The affiliate model enables the company to access a differentiated part of the investment management industry by investing in and partnering with independent investment managers, as well as specialist investment teams.

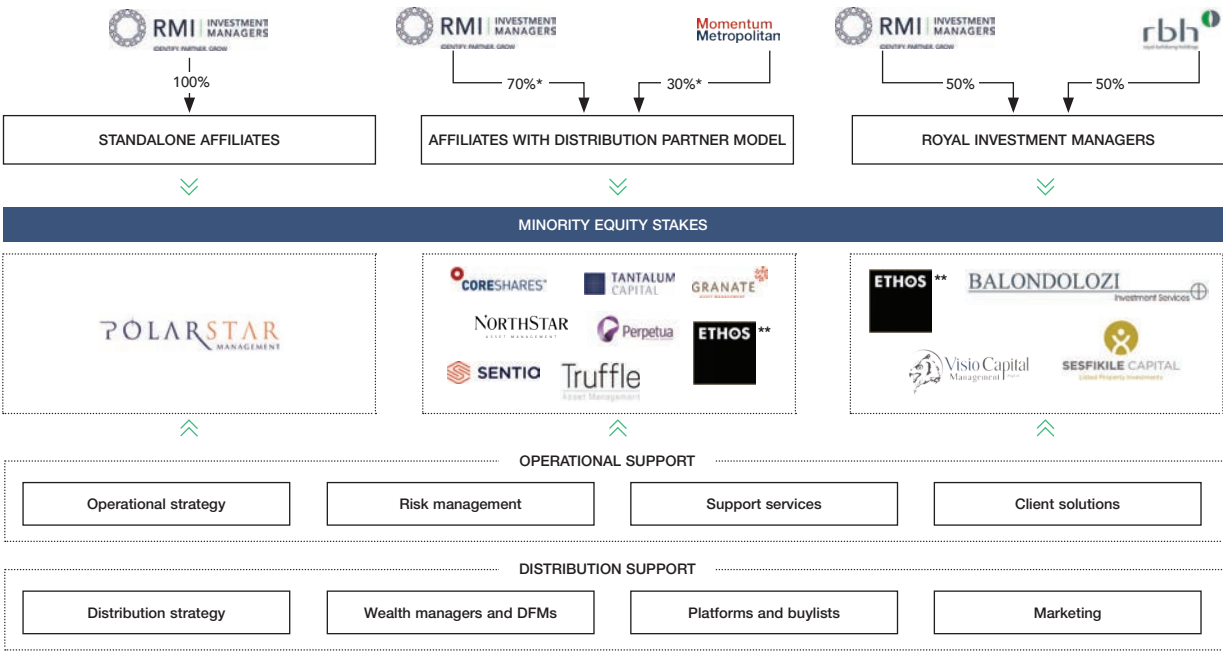
The company acts as a supportive, non-interfering, long-term shareholder that provides working and seed capital, strategic input and operational and distribution support for its affiliates.

RMI Investment Managers has established its own retail distribution team and has partnered with Momentum Metropolitan as a distribution business that has a long history with the financial advisor industry.

WHY RMI INVESTS IN RMI INVESTMENT MANAGERS

- » Diversified earnings within financial services
- » Asset management offers high cash conversion with low capital intensity
- » Opportunity to challenge South Africa's highly concentrated asset management industry
- » Create the next tier of independent investment managers

RMI INVESTMENT MANAGERS AFFILIATE MODEL



\* Effective economic interest may vary.  
\*\* RMI Investment Managers and Royal Investment Managers jointly acquired a 30% equity stake in Ethos.

A key component to the business model is that affiliates retain their independence, particularly when it comes to their investment capabilities. By partnering with RMI Investment Managers, affiliates can concentrate on what they do best – managing investments to deliver superior investment performance for their clients. RMI Investment Managers, together with the affiliate team members, share in the economic success of their business.

Asset class	RMI Investment Managers								Royal Investment Managers			
	CoreShares	Granate	Northstar	Perpetua	Polar Star	Sentio	Tantalum	Truffle	Ethos	Balondoloz	Sesfikile	Visio
SA equity	•	•	•	•		•	•	•		•		•
SA cash		•								•		
SA bonds		•	•				•			•		
SA multi-income		•						•				
SA multi-asset	•	•	•	•		•	•	•		•		•
SA listed property	•							•			•	
Hedge funds					•	•	•	•				•
Other alternatives (e.g. private equity)									•			
Global	•	•	•	•	•						•	
Shari'ah						•						•

Passive

Active





Alternatives

• Capability

Alida de Swardt, Chief executive officer

RMI INVESTMENT MANAGERS' AFFILIATES

AFFILIATE	DESCRIPTION	SHAREHOLDING
	<b>Balondolozzi</b> is a majority black-owned independent fund manager offering quantitatively managed investment products managed on behalf of institutional and retail clients. <b>www.balondolozzi.co.za</b>	A 30% equity stake was acquired by Royal Investment Managers in the fourth quarter of 2017.
	<b>CoreShares</b> is a passive investment management company that specialises in index tracking investment solutions across exchange traded funds (ETFs), unit trusts as well as segregated mandates for institutions. CoreShares believes in the power and simplicity of index investing. <b>www.coreshares.co.za</b>	A 25% stake was acquired in the fourth quarter of 2015.
	<b>Ethos</b> is an independently-owned investment firm, managing investments in private equity and credit strategies in South Africa and selectively in sub-Saharan Africa. Ethos seeks to leverage its understanding of these markets to target small to mid-sized companies best positioned to benefit from the region's unique growth dynamics. <b>www.ethos.co.za</b>	Together, RMI Investment Managers and Royal Investment Managers acquired a 30% equity stake in the third quarter of 2017.
	<b>Granate Asset Management</b> is a boutique investment manager that offers income and money market funds as well as offshore share portfolios for the retail market. Granate believes successful saving and investing is the result of fruitful, long-term relationships that are built on simple communication, reliable service and a transparent investment process. <b>www.granate.co.za</b>	In the third quarter of 2019, RMI Investment Managers facilitated the addition of a multi-asset capability and through this transaction decreased its interest in Granate to a 30% stake with staff holding the balance.
	<b>Northstar</b> is an active investment management company with a mature and well-honed investment process with strong research capabilities and a quality bias to its investment style. Northstar offers fixed interest, balanced, equity and global capabilities in segregated and retail mandates. <b>www.northstar.co.za</b>	A 30% stake was acquired in the fourth quarter of 2015.
	<b>Perpetua</b> is a boutique investment management firm that consistently employs a long-term investment philosophy and process that is unwavering, rigorous, repeatable and pragmatic. Perpetua has a strong belief of authentic value and active investment management. <b>www.perpetuaim.co.za</b>	A 15% stake was acquired in the first quarter of 2019.
	<b>Polar Star Management</b> is a specialist commodity fund management company, focusing on innovative global opportunities in the agricultural and energy sectors. The diversified portfolio is constructed with a fundamental bias and refined using quantitative analysis. <b>www.polarstarfunds.co.za</b>	A 26% stake was acquired in the third quarter of 2016.

AFFILIATE	DESCRIPTION	SHAREHOLDING
	<b>Sentio</b> is an investment technology company that integrates bottom-up fundamental research with in-depth, quantitative risk management. Their disciplined investment process is underpinned by a scientific valuation methodology and combines human knowledge and experience with machine learning and artificial intelligence. <b>www.sentio-capital.com</b>	A 30% stake has been acquired over a three-year period. The final tranche was completed in the third quarter of 2019.
	<b>Sesfikile Capital</b> is an investment management firm with a singular focus on listed property on behalf of institutional and retail investors. Their focused, best of breed management team have extensive experience in the listed property sector honing their ability to identify key differentiators that deliver superior returns for their clients. <b>www.sesfikilecapital.com</b>	A 25% stake was acquired by Royal Investment Managers in the fourth quarter of 2016.
	<b>Tantalum</b> is a boutique asset manager, with investment capabilities across long-only balanced, fixed income and hedge fund mandates. Tantalum has a strong absolute return characteristic to their portfolios, leveraging off their hedge fund skills. <b>www.tantalum.co.za</b>	A 30% stake was acquired over three tranches. The final tranche was acquired in the third quarter of 2018.
	<b>Truffle</b> is a boutique investment management company with a focused product range and a formidable core team of highly experienced investment professionals. Truffle offers equity long-only, flexible mandates and hedge fund products as well as tailor-made structured investment solutions to selective clients. <b>www.truffle.co.za</b>	A 25% equity stake was acquired from RMB Structured Insurance and management in the first quarter of 2017.
	<b>Visio</b> is a specialist hedge fund and long-only fund manager. Their product range includes long/short hedge funds, flexible mandates, unit trusts, institutional pension funds, Shari'ah funds and long-only Pan-Africa funds. Their clients are predominantly institutional in nature and include sovereign wealth funds. <b>www.visiocapital.co.za</b>	A 31% equity stake was acquired by Royal Investment Managers in the fourth quarter of 2018.

HOW RMI INVESTMENT MANAGERS WAS AFFECTED BY THE COVID-19 PANDEMIC

RMI Investment Managers worked closely with their affiliate managers in terms of their strategic response to the COVID-19 pandemic, according to a broad strategic framework:

» **Protect and stabilise:** Immediate steps were taken to ensure the health and

safety of the employees, business continuity and implementing an efficient work-from-home capability. We significantly increased client engagement and communication.

» **Recover:** We performed scenario planning, implemented cost-containment measures and allocated attention to possible opportunities arising from the crisis. We ensured the stability of client operations and addressed any concerns or opportunities in terms of product and/or mandate refinements.

» **Reconfigure for a new world:** We developed an understanding of the landscape, which has changed fundamentally, to ensure that the business strategy remains appropriate and future-proof. We considered medium- to long-term offense strategies, including M&A opportunities, broadening the product offering and winning over market share from struggling managers.



## 2020 PERFORMANCE

RMI Investment Managers' affiliate investment manager model is now in its fifth year of partnering a select group of independent South African boutique asset management firms. Despite the extremely difficult operating environment, our affiliates managed to remain resilient during these turbulent times. Pleasingly, the diversified nature of our asset class and affiliate portfolio demonstrated its value and resulted in better than expected financial performance.

The COVID-19 pandemic has had a devastating impact on economies and propelled financial markets into disarray. South Africa's GDP declined by an annualised 51% in the second quarter of 2020. The JSE All Share Index (ALSI) declined by 21.38% in the first quarter of 2020, but remarkably recovered 85% of the first quarter losses in the second quarter. The ALSI was only down 3.16% over the first half of 2020, while the FTSE/JSE All Bond Index was marginally positive over the same period.

Our affiliates continued their focus on delivering superior returns for their clients. All our fixed income mandates delivered top quartile returns over the first half of 2020 while equity and multi-asset portfolio returns were mixed. 68% of our retail funds were in either the first or second quartile performance rankings in their respective ASISA categories over the 12-month period under review.

Asset raising remains difficult in the current environment, exacerbated by a shrinking savings pool in South Africa. Assisting the growth of retail assets under management (AUM) remains a key strategic focus area of the RMI Investment Managers team, which should ultimately lead to improved margins and reduced client concentration. Our affiliates managed to attract R4.2 billion of retail net inflows over the 12-month period – resulting in 14% organic growth in retail assets. It was both interesting and pleasing to see that the bulk of our retail inflows were invested in equity and multi-asset portfolios. Retail AUM now totals R30.4 billion (21%) of the total combined R145.4 billion AUM across our affiliate portfolio.

## OUTLOOK

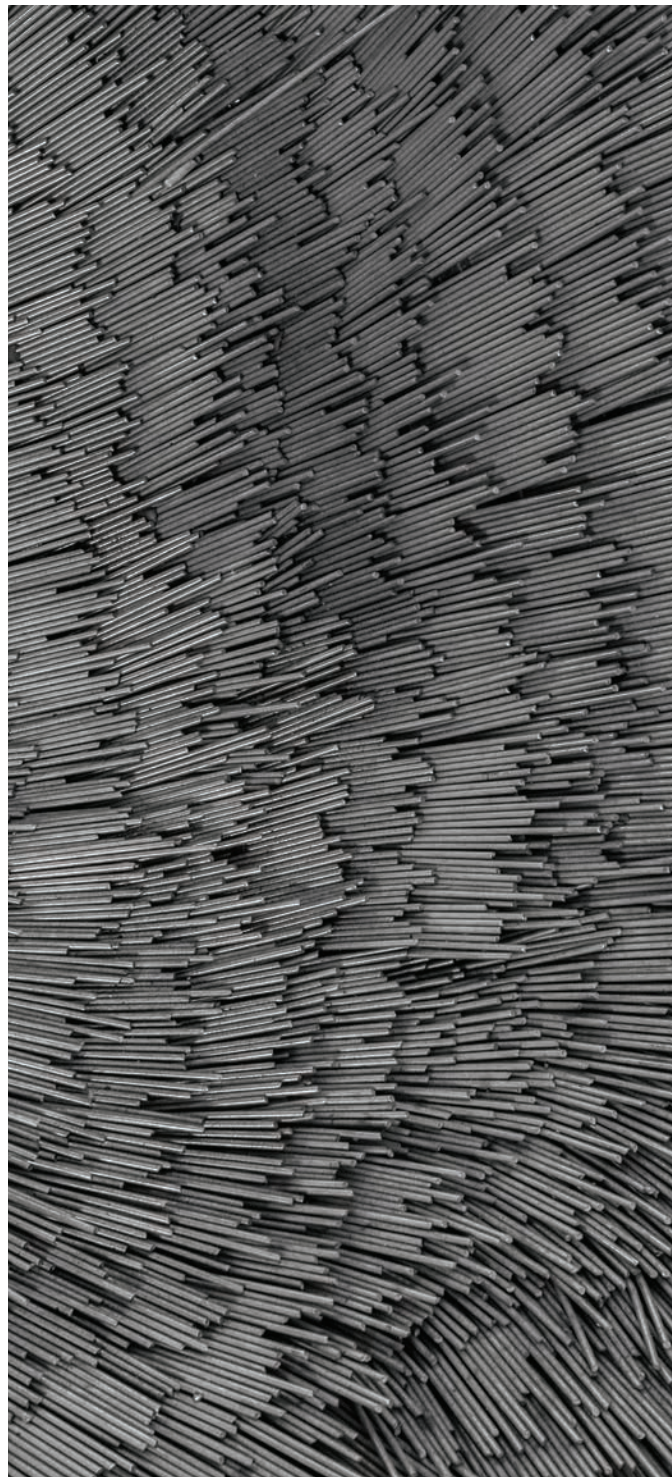
RMI Investment Managers is largely in the consolidation phase of its business model evolution and has, therefore, focused its efforts on optimising the existing portfolio by truly partnering its boutique investment managers in a supportive but non-interfering manner. The team continues to actively engage in strategic dialogue with its affiliates with a focus on implementing its shareholder value map, which offers affiliates access to comprehensive strategic support including operational, governance and financial support, succession planning, talent management and board representation. In addition, the team continues to play a strategic advisory role in helping its affiliates raise retail assets and foster meaningful and trusted client relationships. Many of the affiliates have also benefitted from marketing support provided by the RMI Investment Managers team. This has enabled the affiliates to expand their branding, marketing and public relations efforts in order to enhance their brand presence and credibility in the market.

RMI Investment Managers has in the last financial year focused on expanding its asset class reach by supporting the expansion of new products by its affiliates, which enables the overall breadth of the affiliate stable to mature in a healthy organic manner.

Management's view is that the portfolio is largely complete, however, RMI Investment Managers will remain opportunistic and continue to explore the addition of affiliates to either solve for additional exposure or under-exposure in certain asset classes or to further add value to the portfolio.

RMI Investment Managers will ensure that its reputation as a trusted, value-adding but non-interfering shareholder of choice for the independent asset management industry remains a core philosophy.

The team and its partners in Momentum Metropolitan Holdings and RBH remain excited and committed to working with its affiliates to support their growth to scale while playing a meaningful part in transforming the investment management industry.



### WHY RMI INVESTS IN ALPHACODE

- » Investment pipeline
- » Access to high-growth investments
- » Sharpens technology and industry awareness
- » Enterprise and skills development

## ABOUT ALPHACODE

RMI has a proud track record of seeding and backing extraordinary entrepreneurs in the financial services industry, including Adrian Gore and Barry Swartzberg from Discovery and Willem Roos and Howard Aron from OUTsurance.

RMI has recognised that the core business of its underlying portfolio companies is now, more than ever, being influenced by a new generation of dynamic ventures and visionary entrepreneurs given the rise of shaping forces such as technology, social media and the emerging millennial consumer.

As a result, RMI is actively seeking to fund and scale new and dynamic business models. In order to facilitate this, RMI launched AlphaCode in 2015, its incubation, acceleration, collaboration and investment vehicle that identifies, partners and grows next-generation financial services entrepreneurs. It provides seed and growth capital to new dynamic ventures as well as significant entrepreneurial support in the form of co-working office space, structured mentorship programmes, networking events and thought leadership.

## PERFORMANCE AND OUTLOOK

Incubation of start-ups in the flagship **AlphaCode Incubate** initiative has seen 40 black-owned innovative financial services businesses being mentored and supported in the past four years and more than R50 million in grant capital has been provided to these businesses. The skills initiative, **AlphaCode Explore**, has seen 38 candidates acquire foundational data science capabilities. The candidates also participated in an entrepreneurial pre-incubator, where concepts for financial services businesses were developed. One such concept was successful in being selected as part of the seven businesses in the 2019/2020 AlphaCode Incubate cohort of businesses.

AlphaCode's support for entrepreneurs and their businesses was further extended in the current year as a response to the business challenges brought about by the COVID-19 pandemic. A relief fund, set up by RMI, has been evaluating applicant business requests and providing grant funding to the AlphaCode community of entrepreneurs and suppliers.

As part of the mandate of investing in disruptive, innovative financial services businesses, AlphaCode grew its investment portfolio by deploying additional equity funding into one of its existing portfolio companies, **Entersekt**. Entersekt is a provider of multi-factor authentication services to financial services companies globally. Entersekt has partnered with global payments giant, Mastercard, to rapidly deploy its technology. The follow-on capital was provided to fund further research and development in the business and expand its regional presence in Europe and North America. AlphaCode also provided follow-on capital for **Guidepost**, alongside the Endeavor Harvest Fund. Guidepost is a tele-medicine business providing support to diabetic patients. Guidepost has partnered with leading health and life insurers such as Discovery, Medscheme and OUTsurance to help these companies better manage their diabetic clients.

AlphaCode realised its first exit with the sale of **Luno** to a leading US cryptocurrency firm, Digital Currency Group. The exit was above the targeted internal rate of return of 25 to 35% for AlphaCode's fintech investments.





RMI is proud of its heritage, steeped in strong ethics and underpinned by sound and **enduring values.**

Our **good citizenship** informs our approach to society and the environment.

# 5

## ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE



# RMI'S SUSTAINABILITY FRAMEWORK

Our sustainability view is based on our desire to create enduring value for our stakeholders. We have the greatest sustainability influence through our role as an active shareholder in our portfolio. In addition, we conduct our own operations sustainably.

## AGENDA 2030 AND THE SUSTAINABLE DEVELOPMENT GOALS



The 2030 Agenda for Sustainable Development and the 17 associated Sustainable Development Goals (SDGs) balance the three dimensions of sustainable development: the economic, social and environmental.

### RMI'S RESPONSE

The business sector plays a decisive role in achieving these goals. Looking at RMI's own business and its influence opportunities in its investee portfolio, the following goals are in focus: From an influence perspective, SDGs 8, 9, and 12 apply for RMI's investees within the framework of active ownership. SDGs 5 and 13 pertain mainly to RMI's own operations.

### SUSTAINABILITY FRAMEWORK – ACTIVE OWNERSHIP

The capital market has undergone major changes during the past two decades. Passive investing, such as through algorithm and index trading, has increased significantly. This development has highlighted the need for responsible and long-term owners.

Many companies are facing rapid changes in their external business environments along with revolutionary megatrends such as urbanisation, digitalisation and sustainability challenges. This has put higher demands on speed and flexibility among companies, but also a need for knowledgeable and engaged owners that can contribute and set clear demands. For investors that have the ability to successfully exercise responsibility and value creation in their ownership role, these development trends present potential business opportunities with distinct societal benefits.

As an active owner, RMI contributes to the development of responsible companies that capitalise on sustainability-related opportunities. This creates competitive companies, enables growth in value and benefits sustainable societal development. Against this background RMI puts strong emphasis on ensuring that its portfolio companies have a sustainable approach to all aspects of their operations.

Active ownership is exercised primarily through representation on investees' committees and boards, and by engaging in ongoing dialogue. Through extensive knowledge about their industries and important factors in their operating environments, RMI has a good understanding of the investees' sustainability work, to the benefit of its active ownership.

RMI's investees have generally made good progress in capitalising on the value created by long-term sustainable business and measure up well in various comparisons with their industry peers.

Refer to the portfolio overview on **page 37** for specific examples of sustainability work currently being conducted by the investees. RMI's sustainability framework in respect of its investees is as follows:

Goals	» Be an active, responsible owner that contributes to long-term successful investees for the benefit of sustainable development in society; and » Be a long-term and sustainable investment that offers a competitive total return which over time is higher than the JSE average.	
Activities	» Analyse and continuously monitor all investees in accordance with RMI's integrated sustainability analysis; » Formulate action plans for the respective investees and exercise influence in accordance with RMI's business model; and » Engage in dialogue with prioritised stakeholders in order to solicit views for further development of RMI's sustainability framework.	
Agenda 2030		<b>SDG 8</b> Sustainable economic growth is a central pillar in the work on contributing to the development of responsible and successful companies that can create competitive value over time.
		<b>SDG 9</b> Promotion of sustainable industrialisation and innovation is a clear focus of the investees and is encouraged within the framework of active ownership. By taking advantage of sustainability-related development opportunities, our investees can stay at the forefront in their respective business areas.
		<b>SDG 12</b> Sustainable consumption and production is a strategic perspective that is integrated in the investees' business models. They offer long-term sustainable and efficiently delivered products and services that contribute to sustainable production and consumption. As a long-term owner, RMI views this as a pre-requisite for being able to compete over time.



### SUSTAINABILITY FRAMEWORK – OWN OPERATIONS

RMI will work with a clear sustainability focus both in its own operations and in the investees. Proactive sustainability is an integral part of the daily activities that are conducted at the head office in Sandton. The chief executive officer has overarching responsibility for RMI's sustainability work, and the company secretary has functional responsibility for internal collaboration and external communication on sustainability issues.

Even though RMI's organisation is small, the company will serve as a good example by minimising its own environmental impact and carbon footprint. RMI has an ambition to reduce its own footprint over time and will start conducting carbon footprint reporting within the CDP framework. Greenhouse gas emissions will be calculated using the market-based method of the Greenhouse Gas Protocol (GHG Protocol).

Favourable financial performance and financial strength are necessary prerequisites for RMI to be able to create long-term value for its shareholders and pursue its strategy of supporting its investees over time. Since listing in 2011, RMI's stock has generated a higher total return than the JSE average.

RMI's sustainability framework in respect of its own operations is as follows:

Goals	» Measure and follow up RMI's environmental impacts and carbon footprint; and » Be an attractive employer with competence development, openness and diversity in focus and attract, recruit and retain competent employees.	
Activities	» Report RMI's carbon footprint and compensate for the footprint through offsets; » Implement processes for broadened competence and diversity; » Further train all employees on the sustainability strategy, code of conduct and policy documents; and » Conduct employee performance reviews with special attention paid to the work environment and competence development.	
Agenda 2030		<b>SDG 5</b> Diversity and gender equality are important issues both in RMI's own operations and in the investees as it strengthens capabilities.
		<b>SDG 13</b> Having a high ambition with respect to climate issues both in RMI's own operations and in the investees as it is a prerequisite for sustainable value creation.

## THE EFFECT OF CLIMATE CHANGE ON RMI

Climate change is no longer a projection for emerging risks but is a reality for insurance companies. Furthermore, the COVID-19 pandemic has in many ways intensified, not diminished, the sense of urgency around climate change.

Climate change poses a unique threat to both sides of insurers' balance sheets: It's not only the rising costs from claims for damage to property caused by increasingly severe weather. Insurers invest the premiums they receive in financial markets to gain sufficient returns to fund their liabilities. These investee companies are themselves exposed to climate risk, particularly through the need to decarbonise in the transition to a low-carbon economy.

### INCREASED RISK

Global temperatures are rising, with potential risk to the global economy, ecology, and human health and well-being. Regardless of the cause of climate change, the potential of unprecedented losses have led insurers to undertake precautionary actions.

Insurers are redoubling their efforts on the property side to raise awareness of extreme weather events, pointing out how potential damage can be limited through more prudent land use, stronger building codes, and better planning. Some large companies have launched innovative projects to help developing countries adapt, or have invested in renewable energy.

Global warming has the potential to affect most segments of the insurance business, including life insurance. Property losses of all kinds are most likely to rise as the frequency and severity of extreme weather events increase, and there is the potential for much higher commercial liability losses if shareholders and consumers try to hold businesses responsible for changes to the environment.

A great deal remains unknown about the potential impact of global warming on property losses. Most scientists agree that precipitation is becoming more intense and more erratic, leading to hotter, drier environments that raise the risk of wildfires in some regions, as well as damaging rainstorms that increase the risk of flooding in other areas.

Property losses may include not only claims for structural damage – such as broken windows, a hole in the roof, and the resulting water damage to the inside of the structure and contents – but also for the extra expense of living elsewhere while the home is being repaired or rebuilt. In addition to direct property damage, the commercial side of business must also be considered. Losses for the commercial side of business may include the policyholder's loss of income and extra expenses during rebuilding or relocation.

Catastrophes appear to be growing more destructive, but insured losses are also rising because of inflation and increasing development in areas subject to natural disasters.

Developing countries that are vulnerable to extreme weather events will be disproportionately affected if global warming results in more frequent and damaging windstorms, floods, and droughts. These countries generally have fewer resources to devote to mitigation in advance of a catastrophe, fewer resources to promote economic recovery

after a catastrophe, and lower insurance penetration rates – the proportion of individuals and businesses with insurance – than in the developed world.

### NEW PRODUCTS AND BUSINESS OPPORTUNITIES

There are new risks to insure. These include risks related to new industries, such as wind farms and alternative energy facilities. There are also emerging financial risks, such as those involved in carbon trading.

The need to curb global warming has spurred the creation of insurance policies that provide incentives to policyholders to contribute to these efforts. These include discounts on auto insurance policies for driving less and policies for green building construction.

Some insurers also offer usage-based programmes with sensors that also provide information on driving behaviour, such as speeding and sudden braking.






# CORPORATE GOVERNANCE REPORT

RMI is committed to the highest standards of ethics and corporate governance.





## STATEMENT OF COMPLIANCE








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. As a JSE-listed entity, RMI also complies with the JSE Listings Requirements. RMI complied in all material respects with all applicable legislation, regulations, standards and codes, including its memorandum of incorporation. RMI employs a compliance officer and has implemented a whistle-blowing hotline 010 211 4910.

## KING IV – APPLIED AND EXPLAINED

PRINCIPLE	APPLIED	EXPLANATION
OUTCOME: ETHICAL CULTURE		
The board leads ethically and effectively.	Yes	RMI'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 board governs the ethics of RMI in a way that supports the establishment of an ethical culture.	Yes	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 of ethics guides the ethical behaviour of all RMI employees.
The board ensures that RMI is and is seen to be a responsible corporate citizen.	Yes	<div>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.</div> <div> Refer to the report of the social, ethics and transformation committee on <b>page 104</b> for more detail on how RMI addressed responsible citizenship.</div>
OUTCOME: PERFORMANCE AND VALUE CREATION		
The board appreciates that RMI's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.	Yes	<div>The board's paramount responsibility is to ensure that RMI creates value for its shareholders.</div> <div> Refer to RMI's business model and explanation of how the inseparable elements of the value creation process are linked, which is summarised on <b>pages 84 and 85</b>.</div>
The board ensures that reports issued by RMI enable stakeholders to make informed assessments of RMI's performance and its short, medium and long-term prospects.	Yes	<div>The board is also responsible for clear, transparent, balanced and truthful communication to shareholders and relevant stakeholders. In its interim and integrated reports to stakeholders, RMI details both its historical performance and future outlook.</div> <div> See <b>page 16</b> for RMI's historical performance and outlook for the future.</div>

PRINCIPLE	APPLIED	EXPLANATION
OUTCOME: ADEQUATE AND EFFECTIVE CONTROL		
The board serves as the focal point and custodian of corporate governance in RMI.	Yes	<div>The board's roles and responsibilities and the way that it executes its duties and decision-making are documented and 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.</div> <div> Details of the board meetings held during the year ended 30 June 2020, as well as the attendance at the board meetings by individual directors, are disclosed on <b>page 77</b>.</div> <div>Investee companies 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. RMI has board representation at all investee companies and influences the governance and transformation-related issues through this strategic position.</div>
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.	Yes	<div>The board, with the assistance of the remuneration and nominations 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 roles and responsibilities.</div> <div>RMI has a unitary board with a non-executive director as chairman. The chairman is not independent, as defined in the JSE Listings Requirements. However, the board believes that Jannie Durand's specialist knowledge of the financial services industry makes it appropriate for him to hold this position. Murphy Morobe is the lead independent non-executive director. 7 of the 13 non-executive directors as at 30 June 2020 are independent.</div> <div>The roles of chairman 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.</div> <div>The boards of RMI's major investments are similarly constituted with the necessary mix of skills, experience and diversity. There is also an appropriate mix between executive and non-executive appointments.</div> <div> For details of directors' full names, their dates of appointment and other listed directorships as well as a brief career and sphere of influence synopsis of each of the directors, refer to <b>pages 78 to 83</b>.</div>
The board ensures that its arrangements for delegation within its own structures promote independent judgement, and assist with balance of power and the effective discharge of its duties.	Yes	<div>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. 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 is as recommended in King IV.</div> <div> See <b>page 77</b> for the members of each committee.</div> <div>The audit and risk committee is satisfied that the auditor is independent and the auditor firm has been appointed with the designated partner having oversight of the audit.</div> <div>An assessment of the effectiveness of the financial director function is performed annually by the audit and risk committee.</div>

PRINCIPLE	APPLIED EXPLANATION	
OUTCOME: ADEQUATE AND EFFECTIVE CONTROL continued		
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.	Yes	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 officer are conducted annually and no major issues or concerns have been identified.
The board ensures that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities.	Yes	<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>A detailed delegation of authority policy and framework indicate matters reserved for the board and those delegated to management. The board is satisfied that RMI is appropriately resourced and that its delegation to management contributes to an effective arrangement by which authority and responsibilities are exercised.</p> <p>The company secretary is Schalk Human, MCom (Accounting), CA(SA). The company secretary is appointed on a full-time basis with the requisite knowledge, experience and stature.</p>
The board governs risk in a way that supports RMI in setting and achieving its strategic objectives.	Yes	<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 RMI.</p> <p> See <b>page 88</b> for an overview of the risks to value creation in RMI.</p>
The board governs technology and information in a way that supports RMI in setting and achieving its strategic objectives.	Yes	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 RMI.
The board governs compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports RMI being ethical and a good corporate citizen.	Yes	There were no material or repeated regulatory penalties, sanctions or fines for contraventions of, or non-compliance with statutory obligations.
The board ensures that RMI remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term.	Yes	<p>RMI remunerates fairly, responsibly and transparently so as to promote the creation of value in a sustainable manner.</p> <p> See the remuneration report on <b>page 95</b>.</p>
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 RMI's external reports.	Yes	<p>The board is satisfied that assurance results in an adequate and effective control environment and integrity of reports for better decision-making.</p> <p> See <b>page 86</b> for information on assurance contained in the audit and risk committee's report.</p>
OUTCOME: TRUST, GOOD REPUTATION AND LEGITIMACY		
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 RMI over time.	Yes	<p>RMI has identified its stakeholder groups and actively balances their legitimate and reasonable needs, interests and expectations.</p> <p> See <b>page 106</b> for information on stakeholder relationships and engagements.</p>
The board ensures that responsible investment is practiced by RMI to promote the good governance and the creation of value by the companies in which it invests.	Yes	RMI ensures, through active participation and representation, that it exercises its rights and obligations with regard to its investee companies.

ATTENDANCE AND BOARD COMMITTEE MEMBERSHIP							
	Board	Audit and risk committee	Directors' affairs and governance committee	Investment committee	Nominations committee	Remune-ration committee	Social, ethics and transforma-tion committee
							
Non-executive directors							
Jannie Durand (chairman)	C 4 of 4		4 of 4	3 of 3	4 of 4	2 of 2	
Peter Cooper	4 of 4		4 of 4	1 of 1	4 of 4		
Laurie Dippenaar	3 of 4		3 of 4	3 of 3	3 of 4		
Paul Harris	4 of 4		4 of 4	3 of 3	4 of 4		
Albertinah Kekana	3 of 4		3 of 4	2 of 3	3 of 4		
Obakeng Phetwe	3 of 4		3 of 4		3 of 4		
Independent non-executive directors							
Johan Burger	4 of 4	2 of 2	4 of 4	C 3 of 3	4 of 4	C 2 of 2	
Sonja De Bruyn	4 of 4	2 of 2	4 of 4		4 of 4	2 of 2	2 of 2
Per Lagerström	4 of 4	C 2 of 2	4 of 4		4 of 4		2 of 2
Mamongae Mahlare	4 of 4		4 of 4		4 of 4		
Murphy Morobe	4 of 4		C 4 of 4		C 4 of 4		C 2 of 2
Ralph Mupita	2 of 4		2 of 4		2 of 4		
James Teeger	4 of 4	2 of 2	4 of 4		4 of 4		
Executive director							
Herman Bosman	4 of 4			3 of 3			
 See the committee's report on <b>page</b>		<b>86</b>	<b>90</b>	<b>92</b>	<b>93</b>	<b>94</b>	<b>104</b>



# DIRECTORS

RMI's board epitomises its ethical values. The members are highly skilled and vastly experienced, enabling them to oversee enduring value creation.

## NON-EXECUTIVE CHAIRMAN

Jan Jonathan (Jannie)  
Durand | 53



## CHIEF EXECUTIVE OFFICER AND FINANCIAL DIRECTOR

Hermanus Lambertus (Herman)  
Bosman | 51



## NON-EXECUTIVE DIRECTORS

Peter  
Cooper | 64



Lauritz Lanser (Laurie)  
Dippenaar | 71



Paul Kenneth (Paul)  
Harris | 70



Albertinah  
Kekana | 47



Obakeng  
Phetwe | 42



## INDEPENDENT NON-EXECUTIVE DIRECTORS

Johan Petrus (Johan)  
Burger | 61



Sonja Emilia Ncumisa (Sonja)  
De Bruyn | 48



Per-Erik (Per)  
Lagerström | 56



Matsotso Mamongae (Mamongae)  
Mahlare | 45



Mafison Murphy (Murphy)  
Morobe | 63



Ralph Tendai (Ralph)  
Mupita | 48



James Andrew (James)  
Teeger | 53



## ALTERNATE NON-EXECUTIVE DIRECTORS

David Andrew (David)  
Frankel | 49



Francois (Faffa)  
Knoetze | 57

























Udo Hermann (Udo)  
Lucht | 43



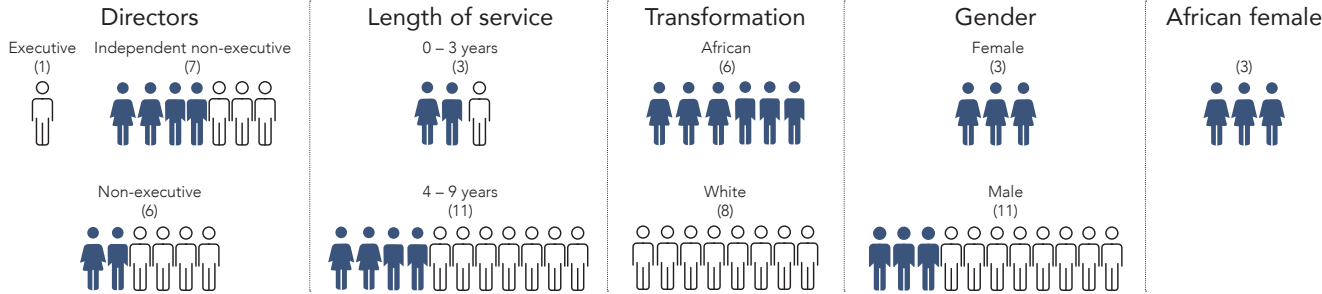
<div>JAN JONATHAN (JANNIE) DURAND<sup>53</sup> <small>BAcc (Hons) MPhil (Oxford) CA(SA)</small></div>	<div>HERMANUS LAMBERTUS (HERMAN) BOSMAN<sup>51</sup> <small>BCom (Law) LLM CFA</small></div>	<div>JOHAN PETRUS (JOHAN) BURGER<sup>61</sup> <small>BCom (Hons) CA(SA)</small></div>	<div>SONJA EMILIA NCUMISA (SONJA) DE BRUYN<sup>48</sup> <small>LLB (Hons) LSE MA (McGill) SFA (UK) Executive Leadership Programme (Harvard)</small></div>	<div>PER-ERIK (PER) LAGERSTRÖM<sup>56</sup> <small>BSc (Accounting) MSc (Economics) (London School of Economics)</small></div>	<div>MATSOTSO MAMONGAE (MAMONGAE) MAHLARE<sup>45</sup> <small>BSc (Chemical Engineering) MBA (Harvard)</small></div>	<div>MAFISON MURPHY (MURPHY) MOROBE<sup>63</sup> <small>Diploma in Project Management MCEF (Princeton)</small></div>	<div>RALPH TENDAI (RALPH) MUPITA<sup>48</sup> <small>BSc (Engineering) (Hons) MBA GMP (Harvard)</small></div>
Non-executive chairman	Chief executive officer and financial director	Independent non-executive director	Independent non-executive director	Independent non-executive director	Independent non-executive director	Lead independent director	Independent non-executive director
COMMITTEES <div><div></div><div></div><div></div><div></div></div>	COMMITTEES <div><div></div></div>	COMMITTEES <div><div></div><div></div><div></div><div></div><div></div></div>	COMMITTEES <div><div></div><div></div><div></div><div></div><div></div></div>	COMMITTEES <div><div></div><div></div><div></div><div></div></div>	COMMITTEES <div><div></div><div></div><div></div></div>	COMMITTEES <div><div></div><div></div><div></div><div></div></div>	COMMITTEES <div><div></div><div></div></div>
<div>APPOINTED 8 December 2010</div> <p>Jannie studied at the University of Stellenbosch and after obtaining his BAcc degree in 1989 and BAcc (Hons) degree in 1990, he obtained his MPhil (Management Studies) degree from Oxford in 1992. He qualified as a chartered accountant in 1995.</p> <p>He joined the Rembrandt Group in 1996. He became financial director of VenFin Limited in 2000 and chief executive officer in May 2006. Jannie was appointed chief investment officer of Remgro Limited in November 2009 and chief executive officer from 7 May 2012.</p> <div>OTHER LISTED DIRECTORSHIPS</div> <div>» Distell Group Limited</div> <div>» Mediclinic International Limited</div> <div>» RCL Foods Limited</div> <div>» Remgro Limited (chief executive officer)</div>	<div>APPOINTED 2 April 2014</div> <p>Herman was with RMB for 12 years and ultimately headed up its corporate finance practice between 2000 and 2006. He returned to the group in 2014 after serving as chief executive officer of Deutsche Bank South Africa from 2006 to 2013.</p> <div>OTHER LISTED DIRECTORSHIPS</div> <div>» Discovery Limited</div> <div>» Hastings Group Holdings plc</div> <div>» RMB Holdings Limited (chief executive officer)</div>	<div>APPOINTED 30 June 2014</div> <p>Johan joined RMB in 1986, where he performed a number of roles before being appointed financial director in 1995.</p> <p>Following the formation of FirstRand Limited in 1998, he was appointed financial director of the FirstRand banking group and in 2002 was appointed CFO of the FirstRand group. In addition to his role as group CFO, Johan was appointed as group COO in 2009 and deputy chief executive officer in October 2013. He was appointed as chief executive officer in October 2016 and held this role until March 2018.</p> <div>OTHER LISTED DIRECTORSHIP</div> <div>» FirstRand Limited</div>	<div>APPOINTED 8 December 2010</div> <p>Sonja is a principal partner of Identity Partners, an investment firm which holds equity investments, carries out advisory work and facilitates finance for SMEs by the Identity Development Fund. Sonja's areas of study included law, business and economics, which served her well as vice president of Mergers and Acquisitions and Corporate Finance of the investment banking division of Deutsche Bank. She played an integral part in WDB Investment Holdings participating in FirstRand's B-BBEE transactions.</p> <div>OTHER LISTED DIRECTORSHIPS</div> <div>» Discovery Limited</div> <div>» Remgro Limited</div> <div>» RMB Holdings Limited (chairperson)</div>	<div>APPOINTED 30 June 2014</div> <p>Per is the co-founder of the Energos group, specialists in Big Data solutions for human capital. Previously he was a partner at McKinsey &amp; Company where he headed up the Financial Services Sector and the Organisation Practice.</p> <div>OTHER LISTED DIRECTORSHIP</div> <div>» RMB Holdings Limited</div>	<div>APPOINTED 31 March 2018</div> <p>Mamongae is the managing director of Illovo Sugar SA. Previously she was head of alternate beverages at Coca Cola Beverages South Africa, held various positions at SABMiller's operations in Tanzania and Mozambique and was an associate consultant at Bain &amp; Company.</p> <div>OTHER LISTED DIRECTORSHIP</div> <div>» RMB Holdings Limited</div>	<div>APPOINTED 1 August 2014</div> <p>After finishing a seven-year stint as chief executive officer of Kagiso Media Limited, Murphy assumed the role of chairman and national director of the Programme to Improve Learner Outcomes (PILO) in 2013. PILO is currently a lead service provider to the National Education Collaboration Trust. As a committed social and development activist, Murphy has since his release from Robben Island in 1982, continued to involve himself with various social causes, mainly relating to youth development, environment and conservation, apart from roles in the public service which included being chairman of the Financial and Fiscal Commission (1994 – 2004) and other roles in the private sector. He also serves on the boards of directors of WWF-SA, the Steve Biko Foundation and City Year South Africa.</p> <div>OTHER LISTED DIRECTORSHIPS</div> <div>» Remgro Limited</div> <div>» RMB Holdings Limited</div>	<div>APPOINTED 31 March 2018</div> <p>Ralph is the chief executive officer of MTN. He is the past chief executive officer of Old Mutual Emerging Markets covering life insurance, asset management, general insurance, lending and banking businesses in Africa, Latin America and Asia.</p> <div>OTHER LISTED DIRECTORSHIP</div> <div>» MTN Group Limited (chief executive officer)</div> <div>KEY</div> <div><div></div>Audit and risk committee</div> <div><div></div>Directors' affairs and governance committee</div> <div><div></div>Investment committee</div> <div><div></div>Nominations committee</div> <div><div></div>Remuneration committee</div> <div><div></div>Social, ethics and transformation committee</div>



<div>JAMES ANDREW (JAMES) TEEGER<sup>53</sup> BCom BAcc CA(SA) HDip Tax</div>	<div>PETER COOPER<sup>64</sup> BCom (Hons) CA(SA) HDip Tax</div>	<div>LAURITZ LANSER (LAURIE) DIPPENAAR<sup>71</sup> MCom CA(SA)</div>	<div>PAUL KENNETH (PAUL) HARRIS<sup>70</sup> MCom</div>	<div>ALBERTINAH KEKANA<sup>47</sup> BCom (Hons) CA(SA) PGDA AMP (Harvard)</div>	<div>OBAKENG PHETWE<sup>42</sup> BCom (Hons) CA(SA)</div>	<div>UDO HERMANN (UDO) LUCHT<sup>43</sup> BCom (Hons) CA(SA) CFA</div>	<div>FRANCOIS (FAFFA) KNOETZE<sup>57</sup> BCom (Hons) FIA</div>	<div>DAVID ANDREW FRANKEL<sup>49</sup> BSc (Electrical Engineering) (Hons) MBA (Harvard)</div>
<div>Independent non-executive director</div> <div>COMMITTEES</div> <div></div>	<div>Non-executive director</div> <div>COMMITTEES</div> <div></div>	<div>Non-executive director</div> <div>COMMITTEES</div> <div></div>	<div>Non-executive director</div> <div>COMMITTEES</div> <div></div>	<div>Non-executive director</div> <div>COMMITTEES</div> <div></div>	<div>Non-executive director</div> <div>COMMITTEES</div> <div></div>	<div>Alternate non-executive director</div> <div>COMMITTEES</div> <div></div>	<div>Alternate non-executive director</div> <div>COMMITTEES</div> <div></div>	<div>Alternate non-executive director</div> <div>COMMITTEES</div> <div></div>
<div>APPOINTED 31 March 2018</div> <div>James leads the investment activities of the Oppenheimer family. He was previously a director of De Beers and spent 12 years at RMB where he held the position of co-head of structured finance.</div> <div>OTHER LISTED DIRECTORSHIP</div> <div>» RMB Holdings Limited</div>	<div>APPOINTED 8 December 2010</div> <div>Peter graduated from the University of Cape Town. After qualifying as a chartered accountant in 1981, he worked in the financial services sector, first as a tax consultant and later specialising in structured finance. Peter joined RMB's Special Projects division in 1992 and transferred to RMH in 1997. He is the immediate past chief executive officer of RMI, as well as its sister company, RMH.</div> <div>OTHER LISTED DIRECTORSHIPS</div> <div>» Imperial Logistics Limited</div> <div>» Momentum Metropolitan Holdings Limited</div> <div>» RMB Holdings Limited</div>	<div>APPOINTED 8 December 2010</div> <div>Laurie was a co-founder of RCI in 1977. He became an executive director of RMB in 1985 and managing director of RMB in 1988, a position he held until 1992 when RMH acquired a controlling interest in Momentum. He served as executive chairman of Momentum from 1992 until the formation of FirstRand in 1998. He was appointed as the first chief executive officer of FirstRand and held this position until the end of 2005, when he assumed a non-executive role. He was chairman of FirstRand from November 2008 until 31 March 2018. He also served as the non-executive chairman of OUTsurance for 22 years until 1 July 2020.</div>	<div>APPOINTED 8 December 2010</div> <div>Paul was a co-founder of RCI in 1977 and became an executive director of RMB in 1985. He spent four years in Australia where he founded Australian Gilt Securities (later to become RMB Australia) and returned to South Africa in 1991 as deputy managing director of RMB. In 1992 he took over as chief executive officer. Subsequent to the formation of FirstRand, he was appointed as chief executive officer of FirstRand Bank Holdings in 1999, a position he held until December 2005 when he was appointed as chief executive officer of FirstRand. He retired from his executive position at the end of December 2009 and remained on the board of FirstRand until April 2018.</div> <div>OTHER LISTED DIRECTORSHIP</div> <div>» Remgro Limited</div>	<div>APPOINTED 6 February 2013</div> <div>Albertinah Kekana is the chief executive officer of Royal Bafokeng Holdings Proprietary Limited. She has extensive asset management, investment banking and business leadership experience. She was previously the COO of the Public Investment Corporation.</div> <div>OTHER LISTED DIRECTORSHIP</div> <div>» RMB Holdings Limited</div>	<div>APPOINTED 6 February 2013</div> <div>Obakeng is the chief executive officer of the Royal Bafokeng Nation Development Trust, which holds all the commercial assets on behalf of the Royal Bafokeng Nation.</div> <div>OTHER LISTED DIRECTORSHIPS</div> <div>» Royal Bafokeng Platinum Limited</div> <div>» RMB Holdings Limited (alternate)</div>	<div>APPOINTED 3 September 2019</div> <div>Udo is the current Head of Resources and Industrial investments at Royal Bafokeng Holdings Proprietary Limited. He is a qualified chartered accountant and chartered financial analyst and spent 13 years at RMB before joining RBH in 2016.</div> <div>OTHER LISTED DIRECTORSHIPS</div> <div>» RMB Holdings Limited</div> <div>» Royal Bafokeng Platinum Limited</div> <div>» Yebo Yethu Limited</div>	<div>APPOINTED 1 April 2016</div> <div>Faffa graduated from the University of Stellenbosch in 1984 and became a fellow of the Actuarial Society of South Africa in 1992. After starting his actuarial career at Sanlam as a marketing actuary in the life business, he spent most of his working career at Alexander Forbes, where he was the valuator and consulting actuary to a number of pension and provident funds. He joined Remgro on 2 December 2013 and focuses on the company's interests in the financial services (insurance and banking) and sport industries.</div>	<div>APPOINTED 31 March 2018</div> <div>David is managing partner and co-founder of Founder Collective. He was co-founder and chief executive officer of Internet Solutions and served on the board of Dimension Data plc. He has served on the board of RMB since 2007.</div>





COMPOSITION OF THE BOARD

as at 30 June 2020

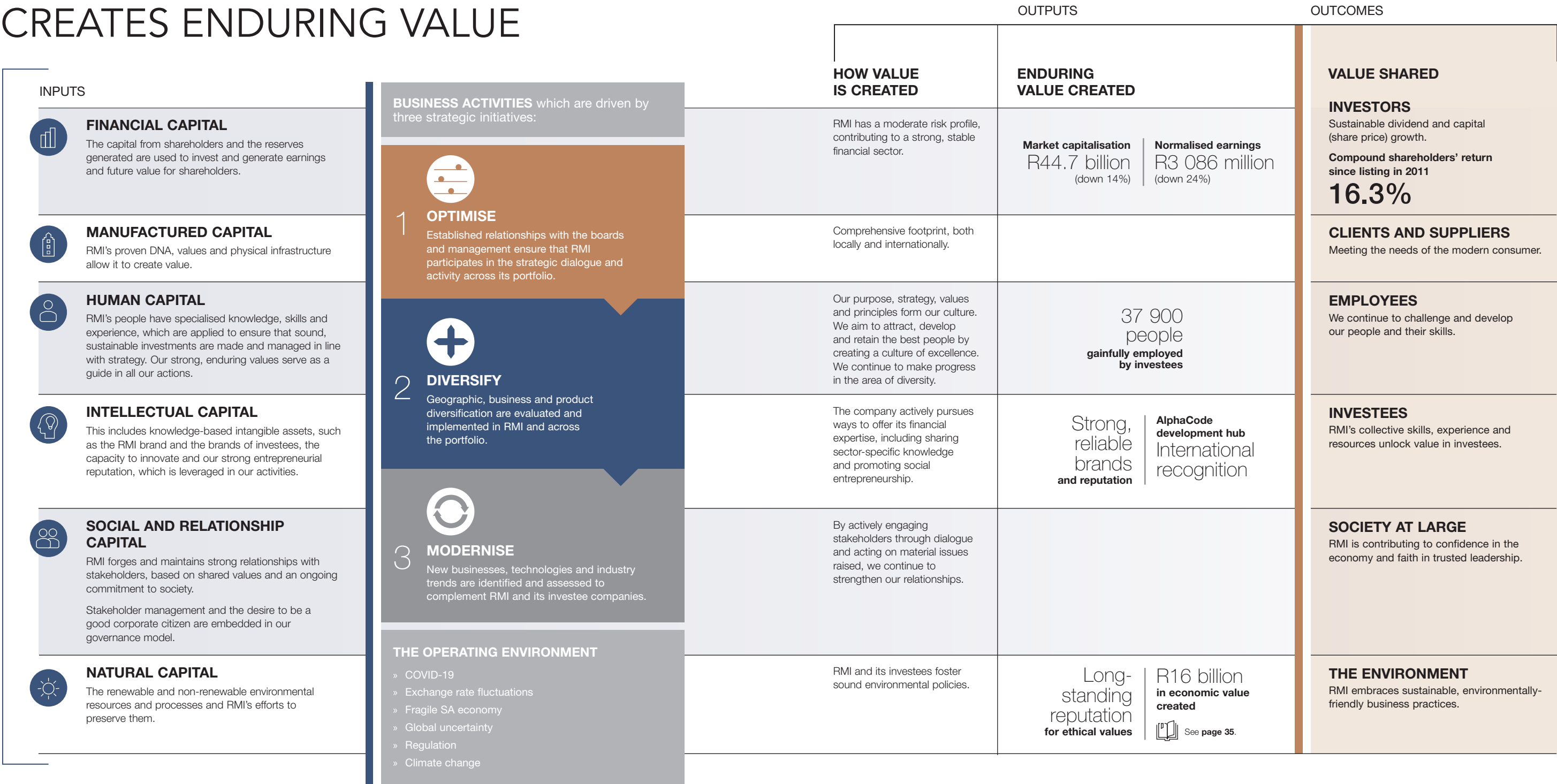


	E	INE	NE
Directors	1	7	6
	0 – 3		4 – 9
Length of service (years)	3	11	
	ACI		White
Transformation	6		8
	Female		Male
Gender	3	11	
ACI female	3		

E – Executive, INE – Independent non-executive, NE – Non-executive, ACI – African, Coloured, Indian

- KEY
-  Audit and risk committee
  -  Directors' affairs and governance committee
  -  Investment committee
  -  Nominations committee
  -  Remuneration committee
  -  Social, ethics and transformation committee

# HOW RMI'S BUSINESS MODEL CREATES ENDURING VALUE







# Audit and risk committee report

This committee oversees enduring value creation and safeguarding of the following forms of capital:



FINANCIAL



INTELLECTUAL

The audit and risk committee has pleasure in submitting this report, as required in terms of the Companies Act of South Africa (Companies Act).

## COMMITTEE MEMBERSHIP AND MEETINGS

The committee is an independent statutory committee and comprises four non-executive directors who act independently, as described in section 94 of the Companies Act. The chairman is an independent, non-executive director and attends the annual general meeting.

The committee meets at least twice a year or at the request of the chairman, any member of the committee, the board or the external auditor. Comprehensive minutes of meetings are kept. The chief executive officer/financial director attends the meetings. The committee invites, at its discretion, the appropriate representatives of the external auditor, other professional advisers, officers or employees whose input may be required. Board members have the right of attendance. The chairman may excuse any of the attendees at a meeting who may be considered to have a conflict of interest.

The committee met twice during the year and membership and attendance were as follows:

	March 2020	September 2019
Per Lagerström (BSc (Accounting) MSc (Economics) (London School of Economics)) (chairperson)	✓	✓
Sonja De Bruyn (LLB (Hons) LSE MA (McGill) SFA) (chairperson at September 2019 meeting)	✓	✓
Johan Burger (BCom (Hons) CA (SA))	✓	✓
James Teeger (BCom, BAcc CA (SA) HDip Tax)	✓	✓

✓ Attended meeting.

## ROLES AND RESPONSIBILITIES

At the meetings, the members fulfilled all their functions as prescribed by the Companies Act and its charter, as approved by the board. The committee's objectives are to assist the board of directors in fulfilling its fiduciary duties with regard to:

- » the safeguarding of the group's assets;
- » the financial reporting process;
- » the system of internal control;
- » the management of financial and non-financial risks;
- » the audit process and approval of non-audit services;
- » the group's process for monitoring compliance with the laws and regulations applicable to it;
- » the group's compliance with the corporate governance practices;
- » review of the integrated report;
- » the business conduct of the group and its officials;
- » the accounting policies applied are consistent, appropriate and in compliance with IFRS; and
- » the appointment of the external auditor and the evaluation of their services and independence.

## KING IV

King IV includes 'five lines of assurance' to incorporate all assurance providers to enable an effective control environment to strengthen decision-making. Horizontal assurance includes internal audit and risk and compliance while vertical assurance includes line managers, frameworks, policies, procedures and system controls. Internal audit remains a pivotal part of governance relating to assurance and King IV therefore expects the board to apply its mind to the assurance standards expected from internal auditors.

## THE FINANCE FUNCTION

The committee considered and satisfied itself of the appropriateness of the expertise and adequacy of resources of the finance function and experience of the senior members of management responsible for the financial function. It also considered and satisfied itself of the appropriateness of the expertise and experience of the financial director.

## EFFECTIVENESS OF COMPANY'S INTERNAL FINANCIAL CONTROLS

The committee is of the opinion that, based on enquiries made and the reports from the internal and external auditors, the risk management processes and systems of internal control of the company and its investments were effective for the year under review. No material weaknesses in financial control of the company and its subsidiaries were reported for the year under review.

## INDEPENDENCE OF THE EXTERNAL AUDITOR

PricewaterhouseCoopers Inc. was reappointed as auditor of the company until the next annual general meeting. They have been RMI's auditor since inception.

The committee believes that the auditor has observed the highest level of business and professional ethics. The committee is satisfied that the auditor has, at all times, acted with unimpaired independence. In reaching this conclusion, the committee considered the following:

- » Representations made by the external auditor to the audit and risk committee;
- » Independence criteria specified by the Independent Regulatory Board for Auditors and international regulatory bodies as well as criteria for internal governance processes within audit firms;
- » Auditor suitability assessment in terms of paragraph 3.84(g)(iii) and section 22.15(h) of the JSE Listings Requirements;
- » Previous appointments of the auditor; and
- » The extent of other work undertaken by the auditor for the group.



Details of fees paid to the external auditor are disclosed in **note 28** to the consolidated annual financial statements, available on our website.

The partner responsible for the audit is required to rotate every five years, with Corlia Volschenk being the designated auditor for the second year.

The committee meets with the auditor independently from senior management.

## COMBINED ASSURANCE

The board does not only rely on the adequacy of the internal control embedment process, but considers reports on the effectiveness of risk management activities. The audit and risk committee ensures that the assurance functions of management and internal and external audit are sufficiently integrated.

The various assurance providers to the board are:

- » senior management considers the company's risk strategy and policy, along with the effectiveness and efficiency thereof; and

- » 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 auditor, the extent and nature of audit 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.

## INTERNAL AUDIT

The company outsources its internal audit function to Remgro Management Services. Internal audit is an effective independent appraisal function and employs a risk-based audit approach. The head of internal audit has direct access to the chairman of the audit and risk committee, as well as to the chairman of the board.

## EXTERNAL AUDIT

The company's external auditor attends all audit and risk committee meetings and the annual general meeting of shareholders and has direct access to the chairman of the audit and risk committee and the chairman of the board. The external audit scope of work is adequately integrated with the internal audit function without restricting the scope.

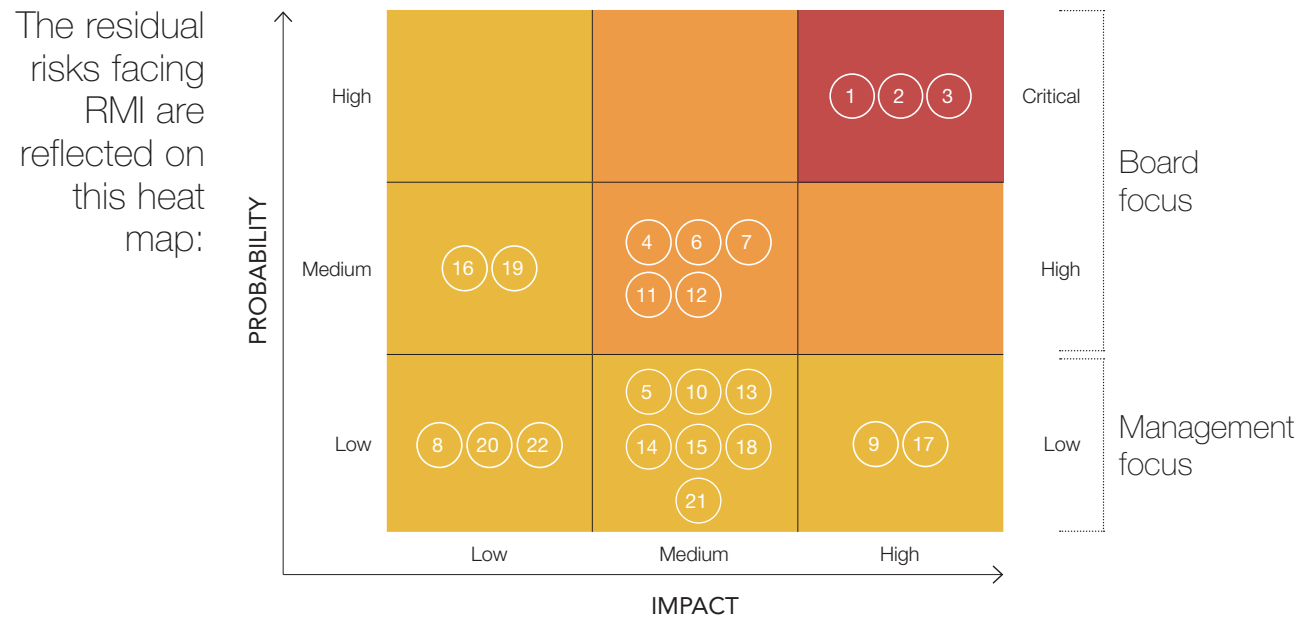
The audit and risk committee has satisfied itself that there are effective audit committees functioning at the company's investees.

**Per Lagerström**  
Chairperson of the audit and risk committee

28 October 2020

# RISKS AND OPPORTUNITIES TO CREATING ENDURING VALUE

The board, assisted by the audit and risk committee, **continuously monitors the top risks** to ensure timeous value creation or preservation action in line with its approved risk appetite and risk management strategy.



The numbers on the heat map correspond with the table alongside, which provides more information on each of the risks and the actions we take in mitigation:

We continue to evaluate and improve our management techniques and processes to build our reputation as a trusted and reliable holding company.

A more comprehensive analysis of the risk management process and financial risks, including those relating to the global economy and currencies, is disclosed in the management of insurance and financial risk in the annual financial statements which are available on RMI's website, [www.rmih.co.za](http://www.rmih.co.za).

EXTERNAL RISKS	Risks associated with external factors such as economic, political or legislative change	1 COVID-19	Ongoing impact of the pandemic	» Adequate provisioning » Regular assessment
		2 SOVEREIGN RISK	Impact of country downgrades on the equity market	» Constructive engagement with "SA Inc" and its stakeholders » Geographical diversification » Systematic monitoring of macro-economic environment
		3 CLIMATE CHANGE	Changes to risk of claims and returns on investment	» Regular review » Extensive research
		4 REGULATORY RISK	Inadvertent and unintentional non-compliance may cause significant loss	» Proactive engagement on legislative and regulatory changes
		5 TAX RISK	Unanticipated tax arising from strategic decisions or from unexpected changes in tax legislation may cause significant loss	» Advice from independent tax specialists
		6 COMPETITOR RISK	Disruptive technologies cause pressure to adapt investee base, product offerings, processes, systems and policies	» Optimisation, diversification and modernisation
STRATEGIC RISKS	Risks resulting from the definition, implementation and continuation of the group's guidelines and strategic developments	7 GROUP STRUCTURE	Group structure preventing maximum shareholder value creation	» Regular review of the group structure
		8 OWNERSHIP STRUCTURE	Concentrated shareholding could cause illiquidity	» Regular review of top 20 shareholders and tracking of free flow of RMI shares
		9 REPUTATIONAL RISK	The risk that an action, event or transaction may compromise the brand	» Protecting and enhancing the brand and reputation with the highest ethical standards
		10 INDEPENDENCE AND CONFLICT OF INTEREST	The possibility that a decision of the board could be seen as prejudiced and conflicted	» Delegation of authority in place » Declarations of interest
		11 INVESTMENT STRATEGY	The risk of the portfolio value being adversely affected by movements in equity and interest rate markets, currency exchange rates and commodity prices	» Proper understanding of the businesses of the investee companies » Appropriate RMI representatives on the boards of investee companies
FINANCIAL RISKS	Risks associated with the management of cash and cash equivalents, financial instruments and financing	12 PORTFOLIO RISK	The portfolio may have a particular exposure to certain industrial sectors, geographic areas or regulations	» Systematic portfolio reviews » Diversification of the portfolio » Regular meetings with investees and representation on their boards of directors
		13 LIQUIDITY RISK	The risk of not being able to meet payment obligations as they fall due, or being forced to liquidate our positions under adverse conditions	» Monthly forecasting and reporting to determine liquidity requirements
		14 UNDERWRITING RISK	The unpredictable nature of insurance business can affect long-term sustainability	» Documented underwriting risk policy monitored closely and regularly
		15 COUNTERPARTY DEFAULT RISK	Reinsurance arrangements are very important, especially during extreme weather events	» Reinsurance treaties with reputable reinsurers and diversification among multiple reinsurers
		16 HUMAN RESOURCE RISK	The ability to find and retain the human resources required to ensure that the business operates effectively and achieves its objectives	» The remuneration policy and operating environment are designed to attract and retain skills and talent » Code of conduct and board charters
OPERATIONAL RISKS	Risks resulting from inadequacies or failures in internal procedures, staff management or systems in place	17 DISASTER RECOVERY AND BUSINESS CONTINUITY	The risk of the business being unable to operate due to an unforeseen event or disaster	» A comprehensive business continuity plan has been developed and tested » Alternative facilities available
		18 TREASURY RISK	Any loss of control over cash inflows, outflows and investments in money market instruments	» Limits, rules, formal delegations of authority and segregation of duties in place
		19 INFORMATION TECHNOLOGY (IT) RISK	The risk of IT disruption, breach of information security and cyberattacks	» Numerous policies, processes and systems in place to ensure the continuity and stability of systems and the security of data
	Risk of non-compliance with quality standards, contractual and legal provisions and ethical norms	20 PROCESS AND SYSTEMS RISK	Exposure to potential losses caused by internal shortcomings and/or failures	» Reviews by internal audit, quality assurance and risk management functions
		21 FRAUD RISK	Losses caused by insurance-related fraud, dishonesty, collusion and unauthorised activities	» Significant prevention and detection measures in place
		22 INEFFECTIVE FINANCIAL REPORTING	The risk that financial information is not prepared timeously and complete	» Financial results reviewed internally, then by the audit and risk committee and the board of directors » External audit





# Directors' affairs and governance committee report

This committee oversees enduring value creation and safeguarding of the following forms of capital:



HUMAN




INTELLECTUAL

The directors' affairs and governance committee has pleasure in submitting its report:

## DIRECTORS' AFFAIRS AND GOVERNANCE COMMITTEE MEMBERSHIP AND MEETINGS

The committee consists of all the non-executive directors. The committee is chaired by the lead independent non-executive director. The committee meets at least twice annually with additional meetings when required at the request of the board or any committee member or as often as it deems necessary to achieve its objectives. Comprehensive minutes of meetings are kept. The committee may invite any professional advisors or officers whose input may be required at the meetings. The chairman may excuse any of the attendees at a meeting or part thereof who may be considered to have a conflict of interest, or for confidentiality reasons.

As all non-executive directors are members of this committee, matters relating to the charter of this committee are normally dealt with as an integral part of the normal proceedings of the quarterly board meetings. It is usual for the chief executive officer to excuse himself from the meeting. The committee met four times during the year.

 Attendance and membership of the committee are reflected in the table on **page 77**.

## ROLES AND RESPONSIBILITIES

The committee's primary objectives are to assist the board in discharging its responsibilities relative to:

- » Its determination and evaluation of the adequacy, efficiency and appropriateness of the corporate governance structures in the company;
- » Board and board committee structures;
- » The maintenance of a board directorship continuity programme;
- » The self-assessment of the effectiveness of the board as a whole and of the contribution of each director; and
- » Ensuring that succession plans are in place for the key positions in the greater group.

## GOVERNANCE EFFECTIVENESS

During the year under review, the board conducted evaluations to measure its effectiveness and that of its members. The evaluations found no material concerns in respect of the board and board committee performance. The directors are aware of the need to convey to the chairman any concerns that they might have in respect of the performance and conduct of their peers. The performance of the chief executive officer is also formally evaluated at least once per year.

## ETHICS

Upon joining the group, all directors are obliged to sign a code of ethics. The code of ethics addresses duties of care and skill, good faith, honesty and integrity, whistle-blowing, processes for dealing with conflicts of interest and the need to always act in the best interests of the group. The soliciting or acceptance of payments other than declared remuneration, gifts and entertainment as consideration to act or fail to act in a certain way, is not allowed. The group does not make political donations.

No issues of improper or unethical behaviour on the part of any of the directors were brought to the attention of the committee during the year.

## CONFLICTS

Mechanisms are in place to recognise, respond to and manage any potential conflicts of interest. Directors are required to sign 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 in respect 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 code of conduct and the JSE Listings Requirements regarding inside information, transactions and disclosure of transactions.

## DEALINGS IN SECURITIES

In accordance with the JSE Listings Requirements, the company adopted a code of conduct to avoid insider trading. During the closed periods (as defined), directors and designated employees are prohibited from dealing in the company's securities. Outside closed periods, directors and designated employees may only deal in the company's securities with the authorisation of the chairman of the board. The closed periods last 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.

## DIRECTORS' INTERESTS IN ORDINARY SHARES

The directors have disclosed their direct and indirect beneficial shareholdings in the company.

 The directors' report on **page 112** contains a table of all directors' interests in the ordinary shares of the company.

## ACTIVITIES OF THE COMMITTEE DURING THE PAST YEAR

During the year under review, the committee has discharged all its responsibilities as contained in its charter and explained in this report.

## FOCUS OF THE COMMITTEE DURING THE COMING YEAR

- » Review of the board and committee charters and structures to ensure adherence to latest corporate governance practices and requirements;
- » Update board self-assessments in line with best practice;
- » Review of RMI's code of ethics;
- » Identify any board training needs; and
- » Ensuring that all responsibilities in terms of the committee charter have been discharged.

**Murphy Morobe**

Chairman of the directors' affairs and governance committee

28 October 2020



## Investment committee report

This committee oversees enduring value creation and safeguarding of the following forms of capital:



FINANCIAL




INTELLECTUAL

The investment committee reports as follows:

### INVESTMENT COMMITTEE MEMBERSHIP AND MEETINGS

The investment committee meets on an *ad hoc* basis. The committee may invite any of the directors, professional advisors or officers whose input may be required to the meetings. Board members have the right of attendance. The chairman may excuse any of the attendees at a meeting or part thereof who may be considered to have a conflict of interest, or for confidentiality reasons. The committee met three times during the year.

 Attendance and membership of the committee are reflected in the table on **page 77**.

### ROLES AND RESPONSIBILITIES

The committee is mandated to consider and, if appropriate approve:

- » New investments up to R500 million;
- » The extension of existing investments up to R500 million;
- » The disposal of existing investments up to R300 million; and
- » To consider and make recommendations to the board regarding investments falling outside the scope of the committee's mandate.

### ACTIVITIES OF THE COMMITTEE DURING THE PAST YEAR

During the year under review, the committee has discharged all its responsibilities as contained in its charter and described in this report. The committee evaluated various investment proposals, which were either approved, recommended to the board for approval or declined.

### FOCUS DURING THE COMING YEAR

The investment committee will continue to evaluate investment opportunities as presented by management and act within its mandate depending on the investment size of the proposal.

**Johan Burger**  
Chairman of the investment committee  
28 October 2020



## Nominations committee report

This committee oversees enduring value creation and safeguarding of the following forms of capital:



HUMAN



INTELLECTUAL


The nominations committee has pleasure in submitting its report:

### NOMINATIONS COMMITTEE MEMBERSHIP AND MEETINGS

The committee consists of all the non-executive directors. It is chaired by the lead independent director. The committee meets at least twice annually with additional meetings when required at the request of the board or any committee member or as often as it deems necessary to achieve its objectives.

Comprehensive minutes of meetings are kept. The committee may invite any professional advisors or officers whose input may be required at the meetings. The chairman may excuse any of the attendees at a meeting or part thereof who may be considered to have a conflict of interest, or for confidentiality reasons.

As all non-executive directors are members of this committee, matters relating to the charter of this committee are normally dealt with as an integral part of the normal proceedings of the quarterly board meetings. It is usual for the chief executive officer to excuse himself from the meeting. The committee met four times during the year.

 Attendance and membership of the committee are reflected in the table on **page 77**.

### NOMINATION, SELECTION AND APPOINTMENT OF DIRECTORS

The company has a formal and transparent policy regarding the appointment of directors to the board, which includes guidelines on gender and race diversity. The nominations committee makes recommendations to the board on the appointment of new executive and non-executive directors. The board, in turn, proposes approved candidates to the shareholders for appointment at a general meeting. The committee will first consider a proposed director's CV and conduct the necessary interviews and reference checks to establish the integrity and skills of the person and to ensure that the person has not been disqualified from being a director.

The committee will ensure that all statutory requirements for the appointment are complied with and that the new director is properly briefed on his/her roles and responsibilities, time commitment, committee service and involvement outside board meetings.

### ACTIVITIES OF THE COMMITTEE DURING THE PAST YEAR

During the year under review, the committee has discharged all its responsibilities as contained in its charter and explained in this report.

King IV recommends that the board should comprise of mostly non-executive members, and that most of them should be independent. Most of RMI's directors (13 of 14) are non-executive and most of them are independent (7 of 13).

From a transformation point of view, six out of the 14 board members are black. Three of the six black board members are female.

### FOCUS DURING THE COMING YEAR

The nominations committee will continue to evaluate new potential board members for recommendation for appointment to the board should vacancies arise, with transformation being an important objective.

**Murphy Morobe**  
Chairman of the nominations committee  
28 October 2020





## Remuneration committee report

This committee oversees enduring value creation and safeguarding of the following forms of capital:



The remuneration committee has pleasure in submitting its report:


### INTRODUCTION

The remuneration committee report provides an overview and understanding of remuneration principles, policies and practices with specific reference to executive directors, investment team members, employees and non-executive directors. The information in this report has been approved by the board on recommendation from the remuneration committee.

### REMUNERATION COMMITTEE MEMBERSHIP AND MEETINGS

The members and chairperson of the committee are appointed by the board. The committee consists of at least three directors, with the majority being independent non-executive directors. The chairperson of the board may be a member of the committee but not the chairperson of the committee.

The committee meets at least once a year or at the request of the chairperson, any member of the committee or the board. Comprehensive minutes of meetings are kept. The committee invites, at its discretion, appropriate professional advisors whose inputs may be required. The committee met twice during the year.

 Attendance and membership of the committee are reflected in the table on **page 77**.

The chairperson attends the annual general meeting to answer questions concerning remuneration.

### ROLES AND RESPONSIBILITIES

The roles and responsibilities of the remuneration committee include:

- » Assisting the board in exercising its responsibility of ensuring that fair, responsible and transparent reward practices are implemented in RMI that would promote the achievement of its strategic objectives in the short, medium and long term;

- » Ensuring that the disclosure of remuneration is in line with King IV principles, accurate and transparent;
- » Ensuring that the remuneration policy implemented aligns the interests of employees with those of shareholders and other stakeholders;
- » Considering non-executive directors' fees and making recommendations to the board for approval by the shareholders; and
- » Providing a channel of communication between the board and management on remuneration matters.

The committee was mandated to:

- » Formulate the group's remuneration philosophy for approval by the board;
- » Oversee the establishment of a remuneration policy;
- » Debate and approve the annual salary adjustments;
- » Ensure that remuneration in cash, share appreciation rights (SARs) and other elements are in line with the strategic objectives of RMI; and
- » Delegate any of its functions and the power to implement its decisions.

### ACTIVITIES OF THE COMMITTEE DURING THE PAST YEAR

During the year under review, the committee has discharged all its responsibilities as contained in its charter and outlined in this report.

There was a specific focus in the past year on updating the future performance criteria which need to be met for the vesting of the SARs and ensuring the long-term retention of key executives.

### FOCUS DURING THE COMING YEAR

The remuneration committee will, as part of a bi-annual process, again perform the benchmarking of remuneration packages. It will also assess the appropriateness of SARs as a long-term incentive instrument.

# REMUNERATION REPORT

## BACKGROUND

RMI's remuneration policy supports its strategy and sets forth guiding principles by which all employees are remunerated. The policy aims not only to attract and retain top talent, but is also designed to ensure that individuals within the group live its "owner-manager" culture and core values of integrity, innovation, individual empowerment and personal accountability.

Creating an environment in which employees are sufficiently challenged and appropriately rewarded based on achieving the end result, is fundamental to the overall remuneration philosophy.

It is the dedication and commitment of a stable, talented and professional management team that ultimately differentiate a company such as RMI and help it fulfil its goal of creating sustainable long-term value and returns.

Human resources are very important in delivering on RMI's value proposition, albeit on a different level to that in an operating company. RMI's remuneration policy is to:

- » Attract, retain and motivate employees;
- » Align the rewards of employees with the risk exposure of shareholders and other stakeholders;
- » Ensure that the compensation of employees is affordable and reasonable in terms of the value created for shareholders;
- » Protect the rights of RMI as an employer; and
- » Encourage behaviour that is consistent with the RMI code of ethics, values and long-term strategy.

## REMUNERATION POLICY

### OVERVIEW

The RMI remuneration policy has the following overall features:

- » RMI's rights are protected by means of a standard employment contract;
- » To achieve RMI's remuneration objectives and align the interests of the executives and RMI, a compensation package was designed comprising the following elements:
  - (i) Fixed remuneration, set at or slightly above prevailing market rates;
  - (ii) Cash bonus (not applicable to the chief executive officer);
  - (iii) Longer-term incentives in the form of SARs; and
  - (iv) Participation in the smaller, early-stage investments.

### EXECUTIVE REMUNERATION

#### FIXED REMUNERATION

Fixed remuneration is based on the executive's position and responsibility. The chief executive officer, who attends all the meetings of the remuneration committee by invitation, can propose increases to guaranteed packages, excluding his own, during these review meetings. During the latest salary review cycle, senior executives received no salary increase. The rest of the salary increases were linked to an inflation rate of 4.1%.

#### RMI SHARE APPRECIATION RIGHTS (SARS) SCHEME

RMI currently has a cash-settled SARs scheme in place. Participants are awarded SARs that must be exercised within a period of seven years after the grant date. The only exception is the 2014 issuance, where the remuneration committee approved a

one-year extension in the exercise date. The extension was granted as part of the retention strategy, given the negative impact of COVID-19 on the current RMI share price. The earliest intervals at which SARs can be exercised are as follows:

- » One third after the third anniversary of the grant date;
- » Two thirds after the fourth anniversary of the grant date; and
- » The remainder after the fifth anniversary of the grant date.

The performance condition for 90% of the vesting of issuances made before September 2018 is growth in normalised earnings of the established investments of at least the real GDP growth rate with the remaining 10% of vesting dependent on the performance of the smaller new investments at the discretion of the remuneration committee.

Starting from the September 2018 and 2019 issuances, the remuneration committee has revised these performance conditions as follows:

- » Two benchmarks have been identified: normalised earnings growth and total shareholders' return;
- » Each benchmark will have a weighting of 45% in the calculation of the vesting of a tranche, with the remaining 10% of vesting being at the discretion of the remuneration committee based on the performance of the smaller new investments;
- » Normalised earnings growth is benchmarked against nominal CPI and total shareholders' return against nominal GDP growth;
- » All performance measures are calculated as the compounded annual growth rate from the base date, which is the financial year immediately preceding the date of issue;
- » At least 83% of the benchmarks need to be achieved for any vesting to occur.

Vesting is based on an outperformance sliding scale as follows:

Vesting condition	Weighting of benchmark applied to tranche	Incremental percentage of tranche vesting	% of tranche vesting
Increase in normalised earnings is below 83% of change in CPI	45%	0%	0%
Total shareholders return growth is below 83% of nominal GDP growth	45%	0%	0%
Discretion of remuneration committee	10%	0%	0%
<b>Proportion of award accrued to participant</b>			0%
Increase in normalised earnings is 83% of change in CPI	45%	50%	22.5%
Total shareholders return growth is 83% of nominal GDP growth	45%	50%	22.5%
Discretion of remuneration committee	10%	50%	5%
<b>Proportion of award accrued to participant</b>			50%
Increase in normalised earnings = CPI increase	45%	25%	11.25%
Total shareholders return growth = Nominal GDP growth	45%	25%	11.25%
Discretion of remuneration committee	10%	25%	2.5%
<b>Proportion of award accrued to participant</b>			75%
Increase in normalised earnings is 117% of change in CPI	45%	25%	11.25%
Total shareholders return growth is 117% of nominal GDP growth	45%	25%	11.25%
Discretion of remuneration committee	10%	25%	2.5%
<b>Proportion of award accrued to participant</b>			100%
Increase in normalised earnings is 136% of change in CPI	45%	25%	11.25%
Total shareholders return growth is 136% of nominal GDP growth	45%	25%	11.25%
Discretion of remuneration committee	10%	25%	2.5%
<b>Proportion of award accrued to participant</b>			125%
Increase in normalised earnings is 159% of change in CPI	45%	25%	11.25%
Total shareholders return growth is 159% of nominal GDP growth	45%	25%	11.25%
Discretion of remuneration committee	10%	25%	2.5%
<b>Proportion of award accrued to participant</b>			150%
Increase in normalised earnings is 185% of change in CPI	45%	25%	11.25%
Total shareholders return growth is 185% of nominal GDP growth	45%	25%	11.25%
Discretion of remuneration committee	10%	25%	2.5%
<b>Proportion of award accrued to participant</b>			175%
Increase in normalised earnings is 216% of change in CPI	45%	25%	11.25%
Total shareholders return growth is 216% of nominal GDP growth	45%	25%	11.25%
Discretion of remuneration committee	10%	25%	2.5%
<b>Proportion of award accrued to participant</b>			200%

For the 2020 issuance, qualitative measures have been included as part of the performance criteria:

- » The scoring of the qualitative measures will be at the discretion of the remuneration committee;
- » For every tranche of vesting, a **qualitative score of between 0% and 40%** will be determined; and
- » This qualitative score will be added to the score/vesting achieved through the testing against quantitative benchmarks.

The qualitative measures were introduced as a result of:

- » Volatility;
- » Uncertainty of immediate and delayed impact of COVID-19 making forecasting difficult; and
- » Focusing executives on key areas as set out in the table below.

Description	Weighting (%)
Risk reduction: <ul style="list-style-type: none"><li>» Effectively manage financial covenants to not trigger a breach</li><li>» Target and manage towards appropriate level of leverage</li><li>» Create and manage financial capacity</li></ul>	4%
Cost management <ul style="list-style-type: none"><li>» Manage towards a benchmarked cost structure</li></ul>	2%
Dividend policy <ul style="list-style-type: none"><li>» Construct, implement and communicate an appropriate dividend policy</li></ul>	2%
Capital structure at portfolio companies <ul style="list-style-type: none"><li>» Ensure an appropriate capital structure at portfolio companies, including pre-emptive solutions</li></ul>	10%
Progressive strategic imperatives <ul style="list-style-type: none"><li>» Taking Hastings private</li><li>» Assessment of international opportunities</li><li>» Improved disclosure</li></ul>	4% 3% 3%
Achieve structural flexibility at RMI Investment Managers and AlphaCode	2%
Reasonable progress in existing RMI Investment Managers and AlphaCode investments	10%
<b>Total qualitative measures</b>	<b>40%</b>

The two quantitative benchmarks for the 2020 issuance remained normalised earnings growth and total shareholders' return:

- » Each benchmark will have a weighting of 30% in the calculation of the vesting of a tranche, with under- and outperformance possible;
- » Normalised earnings growth is benchmarked against nominal CPI and total shareholders' return is benchmarked against nominal GDP;
- » All performance measures are calculated as the compounded annual growth rate from the base date;
- » For every tranche of vesting, a **quantitative score of between 0% and 120%** will be determined; and
- » This **quantitative score will be added to the qualitative score**, as described above.

The table below sets out the outperformance sliding scale based on the quantitative score for the 2020 issuance:

Vesting condition	Weighting of benchmark applied to tranche	Incremental percentage of tranche vesting	% of tranche vesting
Increase in normalised earnings is below 83% of change in CPI	30%	0%	0%
Total shareholders return growth is below 83% of nominal GDP growth	30%	0%	0%
<b>Proportion of award accrued to participant</b>			0%
Increase in normalised earnings is 83% of change in CPI	30%	50%	15%
Total shareholders return growth is 83% of nominal GDP growth	30%	50%	15%
<b>Proportion of award accrued to participant</b>			30%
Increase in normalised earnings = CPI increase	30%	25%	7.5%
Total shareholders return growth = Nominal GDP growth	30%	25%	7.5%
<b>Proportion of award accrued to participant</b>			45%
Increase in normalised earnings is 117% of change in CPI	30%	25%	7.5%
Total shareholders return growth is 117% of nominal GDP growth	30%	25%	7.5%
<b>Proportion of award accrued to participant</b>			60%
Increase in normalised earnings is 136% of change in CPI	30%	25%	7.5%
Total shareholders return growth is 136% of nominal GDP growth	30%	25%	7.5%
<b>Proportion of award accrued to participant</b>			75%
Increase in normalised earnings is 159% of change in CPI	30%	25%	7.5%
Total shareholders return growth is 159% of nominal GDP growth	30%	25%	7.5%
<b>Proportion of award accrued to participant</b>			90%
Increase in normalised earnings is 185% of change in CPI	30%	25%	7.5%
Total shareholders return growth is 185% of nominal GDP growth	30%	25%	7.5%
<b>Proportion of award accrued to participant</b>			105%
Increase in normalised earnings is 216% of change in CPI	30%	25%	7.5%
Total shareholders return growth is 216% of nominal GDP growth	30%	25%	7.5%
<b>Proportion of award accrued to participant</b>			120%



Awards are based on a multiple of the total guaranteed package and ranges between multiples of one to eight times, based on position and level of responsibility.

Future awards will be made to maintain the agreed multiple of the guaranteed package.

The scheme rules include a malus and clawback clause. This permits the clawback of discretionary payments and exercised awards under certain circumstances.

FORFEITABLE SHARES (FSAs)

The remuneration committee recognises the lasting impact of the COVID-19 pandemic on the medium-term incentive structure and historical grants. The FSAs are conditional and a discretionary extraordinary award with the aim of ensuring retention.

Mr Bosman was awarded an amount of R23 million in FSAs in October 2020 under the rules set out below:

- » He needs to remain in the employment of RMI at the vesting date of the FSAs.
- » There are no further performance conditions applicable to the FSAs.
- » This FSAs award will vest on its third anniversary only to the extent that the value of the award exceeds the cumulative value of Mr Bosman's April 2014, September 2015 and September 2016 SARs awards.
- » Should the cumulative value of Mr Bosman's April 2014, September 2015 and September 2016 SARs awards be higher than this FSAs award, the FSAs award will lapse.
- » Should the FSAs award be higher than the cumulative value of Mr Bosman's April 2014, September 2015 and September 2016 SARs awards, the value of the April 2014, September 2015 and September 2016 SARs awards will be deducted from the value of the FSAs award.

RMI MANAGEMENT PARTICIPATION STRUCTURE

A management participation structure (the scheme) was implemented by the board of directors of RMI with the chief executive officer, investment team members and senior executives at RMI Investment Managers as participants.

The decision to implement the scheme was the outcome of a process that began in 2014, aimed at, *inter alia*, achieving the active management of the portfolio, activating the portfolio through its expansion, diversifying the current exposure and modernising the portfolio by investing in dynamic financial services businesses.

In the development of the scheme in its current form, the board borrowed from private equity models of a management fee and carry structure over a certain hurdle rate. In the case of RMI, the focus was on the carry element only and is designed as management participation after RMI has been compensated for its capital invested and its cost of capital. This is an internationally recognised and proven fund management compensation model.

RATIONALE

The rationale of this scheme is to:

- (i) Encourage long-term focus by aligning the objectives of management and shareholders, thereby building on the group's owner-manager culture;
- (ii) Incentivise management to also focus on smaller investments (relative to the overall size of the portfolio), which may have an insignificant impact on the share price over the short to medium term, but which could potentially contribute to significant long-term value creation; and
- (iii) Retain key employees in a highly competitive market.

DESCRIPTION OF THE SCHEME

The key parameters of the scheme are as follows:

- (i) Qualifying investments are approved at the discretion of the remuneration committee;
- (ii) Participation is limited to 10% per investment and for investments smaller than R500 million;
- (iii) Currently, management's participation is capped at R150 million on qualifying next-generation/fintech investments (10% of R1.5 billion) and R87 million on qualifying investments by RMI

Investment Managers (10% of R870 million), after compensating RMI for the capital invested. Thereafter, participants can participate further by investing their own money alongside RMI;

- (iv) A hurdle rate set at the prevailing prime interest rate applies; and
- (v) A long-term investment period applies, with the value of the shares increasing over time if the hurdle rate is outperformed.

The remuneration committee has full discretion regarding all aspects of the scheme. In particular, the remuneration committee may exercise its discretion to increase the hurdle rate on well-performing investments to compensate for investments that are underperforming, thereby achieving a portfolio principle.

VALUATION METHODOLOGY

The following approach is followed:

STEP 1 – DETERMINE THE VALUE OF THE UNDERLYING INVESTMENT

Underlying investments are valued using market-accepted valuation methodologies like discounted cash flow models, where a discount rate is determined considering the specific risks of the underlying investments, or a price/earnings methodology, where a market-related ratio is applied. Investments can be valued using a combination of valuation methodologies dependent on the nature of the underlying investment.

STEP 2 – DETERMINE THE VALUE PER SHARE

The value per share is determined by dividing the value of the underlying investment by the total number of issued shares. This value is reduced by the capital invested by RMI per share, escalated by the hurdle rate. The value of the share-based payment liability recognised by RMI is the value per share multiplied by the total number of issued shares.

PRESCRIBED OFFICERS

The committee holds the view that none of RMI's employees other than the executive director are prescribed officers in the context of the Companies Act and that no meaningful benefit would be derived by other stakeholders in the specific disclosure of their remuneration. However, the remuneration package of the chief executive officer of OUTsurance, Mr MC Visser, is

disclosed as he is viewed as a prescribed officer in the RMI group.

CONTRACTS OF EMPLOYMENT

Executive directors and other employees do not have fixed-term contracts, but are employed in terms of RMI's standard contract of employment. The notice period for termination of service is one calendar month and the normal retirement age ranges from 60 to 65 depending on the date of appointment. Good leaver principles apply at the termination of service of executive directors, but are at the discretion of the remuneration committee.

NON-EXECUTIVE REMUNERATION

Non-executive directors do not have employment contracts and do not receive any benefits associated with permanent employment. Furthermore, they do not participate in any long-term incentive schemes.

Non-executive directors are paid a fixed annual fee, based on an agreed number of meetings. An hourly rate is used to remunerate non-executive directors for *ad hoc* meetings. The fees and hourly rates are reviewed annually and are subject to approval by shareholders at RMI's annual general meeting. Fees are market-related and consider the nature of RMI's operations.

No increase in non-executive directors' remuneration is proposed at the annual general meeting to be held on 3 December 2020.

APPROVAL OF THE REMUNERATION POLICY

Shareholders approved RMI's remuneration policy at the annual general meeting on 14 November 2019.

Shareholders are provided with the opportunity to pass separate advisory endorsements of the remuneration policy and the implementation report.

In the event that shareholders exercising at least 25% of voting rights vote against either the remuneration policy or the implementation report, or both, the board shall proactively engage with those shareholders to address their concerns.

# IMPLEMENTATION REPORT

## DIRECTORS’ REMUNERATION

### DIRECTORS’ EMOLUMENTS

Schedule of directors’ emoluments paid for services rendered to RMI in respect of the year ended 30 June 2020:

R'000	Services as director	Cash package	Other benefits <sup>1</sup>	Share appe- ciation rights <sup>2</sup>	Total 2020
<b>Executive</b>					
HL Bosman <sup>3</sup>	–	8 458	1 177	2 271	11 906
– Paid by RMI	–	11 277	1 569	–	12 846
– Recovered from RMH	–	(2 819)	(392)	–	(3 211)
– Value of share appreciation rights vesting	–	–	–	2 271	2 271
<b>Non-executive</b>					
JJ Durand <sup>4</sup>	526	–	–	–	526
JP Burger	364	–	–	–	364
P Cooper	306	–	–	–	306
SEN De Bruyn	358	–	–	–	358
LL Dippenaar	312	–	–	–	312
DA Frankel (alternate)	232	–	–	–	232
PK Harris	279	–	–	–	279
A Kekana <sup>4</sup>	285	–	–	–	285
F Knoetze (alternate)	–	–	–	–	–
P Lagerström	349	–	–	–	349
UH Lucht (alternate)	–	–	–	–	–
MM Mahlare	232	–	–	–	232
MM Morobe	350	–	–	–	350
RT Mupita <sup>4</sup>	232	–	–	–	232
O Phetwe	232	–	–	–	232
JA Teeger	291	–	–	–	291
<b>Total</b>	<b>4 348</b>	<b>8 458</b>	<b>1 177</b>	<b>2 271</b>	<b>16 254</b>

1. Other benefits comprise pension fund, provident fund and medical aid contributions.  
2. Includes the value of share appreciation rights by RMI which vest and exercisable in the 12 months following the end of the reporting period.  
3. Mr Bosman's executive remuneration is paid for by RMI. A portion of his remuneration is recovered from RMH.  
4. Directors' fees for services rendered by Messrs Durand and Mupita and Ms Kekana were paid to Remgro, MTN and Royal Bafokeng respectively for their time spent on the RMI board.

There were no other services rendered by non-executive directors to RMI.

## DIRECTORS’ PARTICIPATION IN RMI’S SHARE SCHEMES

### RMI SHARE APPRECIATION RIGHTS

Participant	Strike price (cents)	Vesting date	Balance 1 July 2019 000's	Issued 000's	Forfeited 000's	Exercised 000's	Balance 30 June 2020 000's	Value 30 June 2020 R'000
HL Bosman	2 874	02/04/2017	631	–	–	–	631	3 070
HL Bosman	2 874	02/04/2018	631	–	–	–	631	3 070
HL Bosman	2 874	02/04/2019	631	–	–	–	631	3 070
HL Bosman	4 125	14/09/2018	27	–	–	–	27	121
HL Bosman	4 125	14/09/2019	27	–	–	–	27	121
HL Bosman	4 125	14/09/2020	26	–	–	–	26	116
HL Bosman	4 341	14/09/2019	167	–	–	–	167	940
HL Bosman	4 341	14/09/2020	167	–	–	–	167	892
HL Bosman	4 341	14/09/2021	167	–	–	–	167	713
HL Bosman	3 992	19/09/2020	179	–	–	–	179	1 263
HL Bosman	3 992	19/09/2021	180	–	–	–	180	948
HL Bosman	3 992	19/09/2022	180	–	–	–	180	757
HL Bosman	3 947	14/09/2021	249	–	–	–	249	1 310
HL Bosman	3 947	14/09/2022	249	–	–	–	249	982
HL Bosman	3 947	14/09/2023	250	–	–	–	250	782
HL Bosman	3 091	14/09/2022	–	130	–	–	130	398
HL Bosman	3 091	14/09/2023	–	130	–	–	130	297
HL Bosman	3 091	14/09/2024	–	131	–	–	131	235

### RMI MANAGEMENT OWNERSHIP PARTICIPATION STRUCTURE

Participant	Investment	Number of shares	Percentage of investment	Hurdle rate	Value R'000
HL Bosman	RMI Investment Managers	2 451	1.4%	Prime	–
HL Bosman	RMI Invest One (Merchant Capital)	389	3.51%	Prime	–
HL Bosman	RMI Invest Two (Entersekt)	375	3.71%	Prime	–
HL Bosman	RMI Invest Three (Prodigy)	1 787	3.67%	Prime	–
HL Bosman	AlphaCode (Luno)	365	3.65%	Prime	–



Schedule of directors' emoluments paid for services rendered to RMI in respect of the year ended 30 June 2019:

R'000	Services as director	Cash package	Bonus	Other benefits <sup>1</sup>	Share appre- ciation rights <sup>2</sup>	Total 2019
<b>Executive</b>						
HL Bosman <sup>3</sup>	–	8 177	46	1 108	1 035	10 366
Paid by RMI	–	10 903	61	1 477	–	12 441
Recovered from RMH	–	(2 726)	(15)	(369)	–	(3 110)
Value of share appreciation rights vesting	–	–	–	–	1 035	1 035
<b>Non-executive</b>						
JJ Durand <sup>4</sup>	649	–	–	–	–	649
JP Burger	477	–	–	–	–	477
P Cooper	374	–	–	–	–	374
SEN De Bruyn	438	–	–	–	–	438
LL Dippenaar	374	–	–	–	–	374
DA Frankel (alternate)	266	–	–	–	–	266
PK Harris	374	–	–	–	–	374
A Kekana <sup>4</sup>	374	–	–	–	–	374
F Knoetze (alternate)	–	–	–	–	–	–
P Lagerström	361	–	–	–	–	361
MM Mahlare	266	–	–	–	–	266
MM Morobe	316	–	–	–	–	316
RT Mupita <sup>4</sup>	266	–	–	–	–	266
O Phetwe	266	–	–	–	–	266
JA Teeger	333	–	–	–	–	333
<b>Total</b>	5 134	8 177	46	1 108	1 035	15 500

1. Other benefits comprise pension fund, provident fund and medical aid contributions.  
2. Includes the value of share appreciation rights by RMI which vest and exercisable in the 12 months following the end of the reporting period.  
3. Mr Bosman's executive remuneration is paid for by RMI. A portion of his remuneration is recovered from RMH.  
4. Directors' fees for services rendered by Messrs Durand and Mupita and Ms Kekana were paid to Remgro, MTN and Royal Bafokeng respectively for their time spent on the RMI board.

There were no other services rendered by non-executive directors to RMI.

DIRECTORS' EMOLUMENTS PAID BY SUBSIDIARIES AND ASSOCIATES

Schedule of directors' emoluments paid by subsidiaries and associates in respect of the year ended 30 June 2020:

R'000	Total 2020	Total 2019
<b>Executive</b>		
HL Bosman <sup>1</sup>	1 895	1 853
<b>Non-executive</b>		
P Cooper <sup>2</sup>	1 692	1 664
SEN De Bruyn <sup>3</sup>	1 364	1 247
LL Dippenaar <sup>4</sup>	580	519
<b>Total</b>	5 531	5 283

1. Directors' fees for serviced rendered by Mr Bosman were paid to RMI. R1 525 000 (2019: R1 448 000) was received from Discovery and R370 000 (2019: R405 000) was received from OUTsurance.  
2. R1 160 000 (2019: R1 136 000) was received from Momentum Metropolitan and R532 000 (2019: R528 000) was received from OUTsurance.  
3. Received from Discovery.  
4. Received from OUTsurance.

EMOLUMENTS PAID TO PRESCRIBED OFFICERS

In addition to Mr HL Bosman, financial director and chief executive officer of RMI, Mr MC Visser, chief executive officer of OUTsurance, also meet the definition of prescribed officer as defined in the Companies Act, 71 of 2008. His emoluments are set out below:

R'000	Cash package	Performance bonus	Benefit derived from share incentive scheme	Total
<b>30 June 2020</b>				
MC Visser	4 945	–	1 116	6 061
<b>30 June 2019</b>				
MC Visser	5 364	8 621	1 758	15 743

OUTSURANCE HOLDINGS SHARE INCENTIVE SCHEME

Participant	Strike price (cents)	Vesting date	Balance 1 July 2019 R'000	Issued R'000	Forfeited R'000	Exercised R'000	Balance 30 June 2020 R'000	Benefit derived R'000
MC Visser	848	01/07/2016 to 01/07/2019	600	–	–	(600)	–	1 116
MC Visser	930	01/07/2017 to 01/07/2020	700	–	–	–	700	–
MC Visser	1 008	01/09/2018 to 01/09/2021	935	–	–	–	935	–
MC Visser	1 034	01/09/2019 to 01/09/2022	–	2 418	–	–	2 418	121

Mr Visser has been granted rights to participate in the Divisional Incentive Scheme as follows:

- » 7.5% participation in the OUTsurance Business and OUTsurance Life/OUTvest schemes.  
» 7.5% participation in the Youi schemes to be launched in 2021.



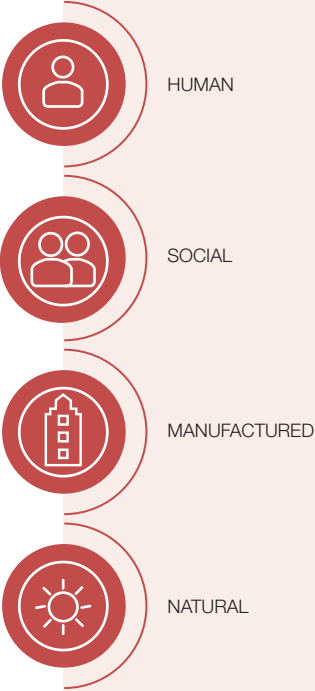
Johan Burger  
Chairman of the remuneration committee

28 October 2020



Social, ethics and transformation committee report

This committee oversees enduring value creation and safeguarding of the following forms of capital:



The social, ethics and transformation committee has pleasure in submitting its report.

The report is prepared in accordance with the Companies Act, with specific reference to Regulation 43:

SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE MEMBERSHIP AND MEETINGS

The committee comprises three suitably skilled and experienced members appointed by the board. All members are independent non-executive directors.

The committee meets at least twice a year or at the request of the chairperson, any member of the committee or the board. Comprehensive minutes of meetings are kept. The social, ethics and transformation committee met twice during the year.

The chairperson of the committee attends the annual general meeting to answer any questions that shareholders might have.

Attendance and membership of the committee are reflected in the table on **page 77**.

ROLES AND RESPONSIBILITIES

The committee's objectives are to assist the board in monitoring RMI's performance as a good and responsible citizen, which includes the following:

- » Social and economic development, including the ten principles as set out in the United Nations Global Compact principles, the Organisation for Economic Co-operation and Development (OECD) recommendations regarding corruption, the Employment Equity Act, 55 of 1998, the Broad-based Black Economic Empowerment Act, 53 of 2003, the Financial Sector Charter and the B-BBEE Codes of Good Practice;

- » Good corporate citizenship, including promotion of equality, prevention of unfair discrimination and corruption, contribution to the development of communities, sponsorship, donations and charitable giving;
- » The environment, health and public safety, including the impact of the company's activities;
- » Consumer relationships, including the company's advertising, public relations and compliance with consumer protection laws; and
- » Labour and employment, including the group's standing in terms of the International Labour Organisation Protocol on decent work and working conditions, the group's employment relationships and its contribution towards the educational development of its employees.

REPORTING FRAMEWORK

Below is a summary of the framework developed by the committee specific to RMI:

Description in terms of Regulation 43		Action taken during the current year
1	Corporate social responsibility	
	Corporate social investment	RMI established a COVID-19 relief fund of R10.2 million through voluntary contributions from senior management and board members.
	Employee educational development	The committee supports staff to participate in the continuing professional development programmes of the professional bodies they are members of.
	Employee wellness	Employees are members of a wellness programme.
2	Broad-based black economic empowerment	Performed and reviewed the calculation of RMI's B-BBEE rating. An independent consulting firm has been appointed to assist RMI in formulating and refining its B-BBEE strategy. RMI obtained a level three contributor rating, compared to a level four rating in the prior year.  A copy of the B-BBEE1 form is available on RMI's website at <b>www.rmih.co.za</b> .
3	Employment equity (EE) transformation	Even though RMI has a small staff complement, it focuses on EE transformation with new appointments made.
4	Culture risk	Undertook an informal assessment of the culture risk of RMI.
5	Environmental and social risk governance	As an investment holding company, environmental and social risk are mainly driven by RMI's investee companies. RMI's role is more of an overseer than a participant. RMI reviewed the environmental and social risk governance frameworks of investees.
6	Business conduct – standards for employees	Performed an annual review of the code of ethics, personal account trading policy and "The Company and I."
7	Market conduct – standards for the market	RMI monitored that no anti-trust measures were breached by its investee companies.
8	Monitoring – internal compliance	Assessed whether RMI required a monitoring system.
9	Governance reporting	Provided feedback to the RMI board after each meeting and in the integrated report.

ACTIVITIES DURING THE PAST YEAR

During the year under review, the committee has discharged all its responsibilities as contained in its charter and described in this report.

There was specific focus in the year under review on the implementation of the transformation strategy and the execution of the enterprise and supplier development and skills development plans. Through AlphaCode, RMI has put in place bespoke enterprise and social development programmes to identify, partner and grow black financial services businesses.

RMI contracted the services of an independent service provider to set up a whistle-blowing line. Details are available on RMI's website.

FOCUS DURING THE COMING YEAR

The committee's focus in the coming year will be on evolving RMI's sustainability framework as set out on **page 70**.

**Murphy Morobe**  
Chairman of the social, ethics and transformation committee


28 October 2020



# ENDURING VALUE MATERIAL TO STAKEHOLDERS

In order to create sustainable long-term value for RMI and its stakeholders, we engage on the issues that are material to each stakeholder and respond appropriately through the delivery of our strategy.

RMI strives to have meaningful, timely and open communication with its key stakeholders, based on its **enduring values of transparency, accountability and integrity.**

KEY STAKEHOLDERS	SHAREHOLDERS AND ANALYSTS <small>Including present and potential future investors</small>	EMPLOYEES	CLIENTS	SUPPLIERS	MEDIA	COMMUNITIES <small>in which investees operate</small>	ENTREPRENEURIAL DEVELOPMENT HUB <small>(AlphaCode)</small>	GOVERNMENT AND REGULATORY BODIES <small>Including the Prudential Authority, JSE, Financial Services Conduct Authority and South African Revenue Service</small>
THEIR MATERIAL NEEDS	<ul style="list-style-type: none"><li>» Clear growth strategy</li><li>» Solid operational performance, irrespective of volatility in macro-economic environment</li><li>» Long-term sustainable growth</li><li>» Optimal corporate structure</li></ul>	<ul style="list-style-type: none"><li>» Being encouraged to innovate</li><li>» Open and honest feedback</li></ul>	<ul style="list-style-type: none"><li>» Trust</li><li>» Future-proof products and solutions</li><li>» Value for money</li><li>» Protection of information</li></ul>	<ul style="list-style-type: none"><li>» Fair treatment</li><li>» Broad-based black economic empowerment (B-BBEE)</li></ul>	<ul style="list-style-type: none"><li>» Sharing expert knowledge</li><li>» Transparent performance reporting</li></ul>	<ul style="list-style-type: none"><li>» Financial inclusion</li><li>» Enterprise development</li><li>» Win-win</li></ul>	<ul style="list-style-type: none"><li>» Mentorship</li><li>» Financial investment</li><li>» Business support and advice</li></ul>	<ul style="list-style-type: none"><li>» Open and honest relationship and communication</li><li>» Adherence to laws</li><li>» Paying taxes</li></ul>
RMI's INTERACTION AND STRATEGIC RESPONSE	<p>RMI communicates with shareholders through SENS and when it announces interim and year-end results.</p> <p>This is accompanied by comprehensive reports, which are sent to all shareholders.</p> <div><p>RMI's interim and final results announcements are accessible on the company's website <a href="http://www.rmih.co.za">www.rmih.co.za</a>.</p></div> <p>The chief executive officer meets with investors and investment analysts from time to time.</p>	<p>RMI's strategy is to attract, develop and retain the best industry talent. They are empowered, held accountable and rewarded appropriately, in line with shareholders' return.</p>	<p>Our investees aim to provide superior service to enable both corporate and individual clients to achieve their ambitions.</p> <p>The integrity of their various brands, their image and reputation, are paramount to ensure the sustainability of their businesses.</p>	<p>The group subscribes to responsible transformation and consistently improves its B-BBEE procurement spend.</p>	<p>A trustworthy relationship has been established with the media. Engagement with the media is open, honest and based on facts.</p>	<p>Our investees are committed to uplifting the societies in which they operate by following sound employment practices and meeting the real needs of the communities.</p>	<p>Communication is primarily through personal interaction, telecommunications and electronic communications.</p>	<p>RMI engages with government and regulatory bodies in a proactive and transparent manner to ensure that South African industry practice remains among the best in the world and builds trust and confidence with society.</p>
ENDURING VALUE CREATED	<p>Attractive dividend yield and sustainable capital growth over the long term.</p>	<p>Challenging and fulfilling careers in a values-driven environment.</p>	<p>Satisfied clients, who trust the brands and contribute to economic growth.</p>	<p>Reliable and empowered suppliers.</p>	<p>Building trusted brands.</p>	<p>Reinforcing the importance of open and honest values.</p>	<p>Breakthrough businesses.</p>	<p>Leading by example and reducing industry risk.</p>

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These summary consolidated financial statements have been audited in terms of the Companies Act, 71 of 2008, and were prepared by Schalk Human MCom (Acc) CA(SA) under the supervision of Herman Bosman LLM CFA.

**Assurance** was received from our external auditor, PricewaterhouseCoopers Inc., on the fair presentation of the annual financial statements.

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SUMMARY CONSOLIDATED  
FINANCIAL STATEMENTS

for the year ended 30 June 2020

DIRECTORS’ RESPONSIBILITY STATEMENT

To the shareholders of Rand Merchant Investment Holdings Limited

This summary consolidated financial statements comprise a summary of the audited consolidated annual financial statements of the group for the year ended 30 June 2020 and have been audited by the group’s external auditor, PricewaterhouseCoopers Inc.

 Their opinion on these summary consolidated financial statements appears on **page 116**.

The summary consolidated financial statements are not the group’s statutory annual financial statements and do not contain all the disclosures required by IFRS. Reading the summary consolidated financial statements is not a substitute for reading the audited consolidated and separate annual financial statements of the group, as they do not contain sufficient information to allow for a complete understanding of the results and state of affairs of the group. The consolidated annual financial statements have been audited by the group’s external auditor. Their unmodified report is available for inspection at the group’s registered office.

The audited annual financial statements are available online at **www.rmih.co.za**, or may be obtained from the company secretary.

BASIS OF PRESENTATION

The summary consolidated financial statements are prepared in accordance with the JSE Listings Requirements for provisional reports and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

This report is prepared in accordance with:

- » The framework concepts and the recognition and measurement requirements of International Financial Reporting Standards (IFRS), including interpretations issued by the IFRS Interpretations Committee;
- » Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council;

- » SAICA Financial Reporting Guide as issued by the Accounting Practices Committee; and
- » As a minimum, the information required by IAS 34: *Interim Financial Reporting*.

The consolidated annual financial statements, from which these summary consolidated financial statements are extracted are:

- » Prepared by applying accounting policies that are in accordance with IFRS;
- » In accordance with the going concern principle;
- » Using the historical cost basis as modified by fair value accounting of certain assets and liabilities where required or permitted by IFRS; and
- » Presented in South African Rand, which is the group’s presentation currency.

ACCOUNTING POLICIES


These summary results incorporate accounting policies that are consistent with those used in preparing the financial results for the year ended 30 June 2019, with the exception of *IFRS 16*, which became effective in the financial year ended 30 June 2020. *IFRS 16* introduces a single lessee accounting model, where a right-of-use asset together with a lease liability for the future payments are recognised for all leases with a term of more than 12 months, unless the underlying asset is of a low value. The *IFRS 16* classification, measurement, presentation and disclosure requirements are applied using the modified retrospective approach. Therefore, the cumulative effect of adopting *IFRS 16* was recognised as an adjustment to the opening retained earnings and deferred tax balances of the statement of financial position, with no restatement of comparatives.

No other new or amended IFRS became effective for the year ended 30 June 2020 that impacted the group’s reported earnings, financial position, reserves or accounting policies.

NORMALISED RESULTS

RMI believes that normalised earnings more accurately reflect operational performance.

Headline earnings in terms of *Circular 4/2018: Headline Earnings* are adjusted to exclude non-operational items and accounting anomalies.

 A reconciliation between headline earnings and normalised earnings is provided on **page 31**.

Normalised earnings constitute pro forma financial information. The pro forma financial information is the responsibility of RMI’s board of directors and is presented for illustrative purposes. Because of its nature, the pro forma financial information may not fairly present RMI’s financial position, changes in equity, results of operations or cash flows. An assurance report has been prepared and issued by RMI’s auditor, PricewaterhouseCoopers Inc., on the pro forma financial information included in this report and is available at the registered office of RMI.

The board acknowledges its responsibility to ensure the integrity of the summary consolidated financial statements. The board has applied its mind to the summary consolidated financial statements and believes that this document addresses all material issues.

Schalk Human MCom (Acc) CA(SA) prepared the consolidated annual financial statements under the supervision of Herman Bosman LLM CFA. The summary consolidated financial statements were extracted from the consolidated annual financial statements. The consolidated annual financial statements were approved by the board of directors on 25 September 2020.

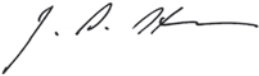
**Jannie Durand** Chairman  
Sandton  
28 October 2020

**Herman Bosman** Chief executive officer  
Sandton  
28 October 2020

DECLARATION BY THE COMPANY SECRETARY

DECLARATION BY THE COMPANY SECRETARY IN RESPECT OF SECTION 88(2)(E) OF THE COMPANIES ACT

I declare that, to the best of my knowledge, the company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of the Companies Act and that all such returns are true, correct and up to date.



**Schalk Human**  
Company secretary  
Sandton  
28 October 2020



# DIRECTORS' REPORT

## NATURE OF BUSINESS

RMI is an active, listed investment holding company. Its objective is to create shareholder value over the long term, through both an attractive dividend yield and an increase in intrinsic value. To achieve this, RMI has three strategic priorities:

- » **Optimise** the value created by existing investments by being an active and responsible shareholder of influence;
- » **Diversify** the investment portfolio by investing in additional 'traditional' financial services businesses and building an asset management business by growing and partnering with world-class asset managers and investment teams; and
- » **Modernise** the investment portfolio by identifying, funding and scaling new and disruptive business models that could change the landscape of the financial services industry (next-generation financial services).

RMI aims to be a value-adding, active enabler of leadership and innovation in financial services and currently holds an investment portfolio of some of South Africa's premier insurance brands, an investment in the UK short-term insurer, Hastings Group Holdings plc (Hastings), an asset management business and investments in next-generation financial services companies.

During the 2020 financial year, the following corporate activity took place:

- » RMI Investment Managers Group Proprietary Limited (RMI Investment Managers) was capitalised with a further R11.7 million.
- » RMI Investment Managers 2 Proprietary Limited (Affiliates 2) acquired an additional 4% equity stake in Sentio Capital Management Proprietary Limited in August 2019.
- » Affiliates 2 capitalised CoreShares Proprietary Limited with a further R5 million in January 2020.
- » Affiliates 2 restructured the Granate Asset Management (Granate) business by facilitating the addition of a multi-asset capability and in the process diluted its shareholding from 100% to 30% on 1 July 2019.

- » RMI acquired a 25.1% equity stake in Guidepost in July 2019.
- » RMI increased its equity stake in Prodigy Finance to 13.1% in July 2019.
- » RMI increased its equity stake in Entersekt Proprietary Limited to 28.2% in November 2019.
- » RMI capitalised RMI Treasury Company Limited by a further R343 million during the 2020 financial year.

The table below summarises the RMI group's actual interest in its investee companies as at 30 June 2020 compared to 30 June 2019:

	30 June	
	2020	2019
Discovery Limited	25.0%*	25.0%*
Momentum Metropolitan Holdings Limited	27.3%*	27.3%*
OUTsurance Holdings Limited (OUTsurance)	89.1%*	89.1%*
Hastings Group Holdings plc	29.7%	29.9%
RMI Investment Managers Group	100.0%	100.0%
RMI Investment Holdings Proprietary Limited	100.0%	100.0%
RMI Asset Holdings Proprietary Limited	100.0%	100.0%
RMI Treasury Company Limited	100.0%	100.0%

\* Actual interest differs from the effective interest used for financial reporting due to the consolidation of treasury shares and 'deemed' treasury shares held by group companies.

Further details regarding the investments are provided in **notes 39 and 40** to the annual financial statements which are available on RMI's website.

## SHARE CAPITAL

The classes of shares in terms of RMI's MOI are as follows:

### ORDINARY SHARES

The total authorised number of ordinary shares is 2 000 000 000, with a par value of R0.0001 per share. There was no movement in the total number of issued ordinary shares of 1 531 807 770 during the 2020 financial year.

The unissued share capital is under the control of the board of directors until the forthcoming annual general meeting.

### PREFERENCE SHARES

Cumulative, redeemable par value preference shares

The total authorised number of cumulative, redeemable par value preference shares is 100 000 000, with a par value of R0.0001 per share. There are no issued cumulative, redeemable par value preference shares.

### CUMULATIVE, REDEEMABLE NO PAR VALUE PREFERENCE SHARES

The total authorised number of cumulative, redeemable no par value preference shares is 100 000 000. There are no issued cumulative, redeemable no par value preference shares.

### CUMULATIVE, REDEEMABLE NO PAR VALUE PREFERENCE SHARES IN TERMS OF CLAUSE 7.1 OF THE MOI

The total authorised number of cumulative, redeemable no par value preference shares created in terms of the group's debt programme and outlined in clause 7.1 of the MOI, is 100 000 000. None of these shares have been issued to date.

## SHAREHOLDER ANALYSIS

Based on information disclosed by STRATE and investigations conducted on behalf of the company, the following shareholders have an interest of 5% or more in the issued ordinary share capital of the company:

	30 June	
	2020	2019
Financial Securities Limited (Remgro Limited)	30.6%	30.6%
Royal Bafokeng Holdings Proprietary Limited	14.5%	14.5%
Allan Gray (on behalf of clients)	7.8%	6.7%
Public Investment Corporation	7.3%	6.9%

## EARNINGS

Earnings attributable to ordinary shareholders for the year ended 30 June 2020 amounted to R1 592 million or 104.1 cents per share (2019: R4 047 million or 265.1 cents per share). Headline earnings amounted to R1 956 million or 127.9 cents per share (2019: R3 801 million or 249.0 cents per share).

## DIVIDENDS

The following ordinary dividends were declared by RMI during the year under review:

- » An interim dividend for the six months ended 31 December 2019 of 45.0 cents per ordinary share, declared on 12 March 2020 and paid on 6 April 2020 (31 December 2018: 45.0 cents per ordinary share, declared on 11 March 2019 and paid on 8 April 2019).
- » No final dividend was declared (2019: 65.0 cents per ordinary share, declared on 10 September 2019 and paid on 4 November 2019).

## DIRECTORATE

The directorate comprises:

### Non-executive directors

Name	Date of appointment
JJ Durand (Chairman)	8 December 2010
P Cooper	8 December 2010
LL Dippenaar	8 December 2010
PK Harris	8 December 2010
A Kekana	6 February 2013
O Phetwe	6 February 2013

### Independent non-executive directors

Name	Date of appointment
JP Burger	30 June 2014
SEN De Bruyn	8 December 2010
P Lagerström	30 June 2014
MM Mahlare	31 March 2018
MM Morobe (lead independent)	1 August 2014
RT Mupita	31 March 2018
JA Teeger	31 March 2018

### Executive director

Name	Date of appointment
HL Bosman (CEO)	2 April 2014

### Alternate directors

Name	Date of appointment
DA Frankel	31 March 2018
F Knoetze	1 April 2016
UH Lucht	3 September 2019

DR Wilson resigned as alternate director on 1 July 2019.

## DIRECTORS' INTERESTS IN RMI

Details of individual directors' interests in the company are disclosed on **page 114**.

## INTERESTS OF DIRECTORS AND OFFICERS

During the financial year, no contracts were entered into in which directors or officers of the company had an interest and which significantly affected the business of the group. The directors had no interest in any third party or company responsible for managing any of the business activities of the group except to the extent that they are shareholders in RMI as disclosed in this report.

Arm's length insurance transactions entered into by the company's directors with the group's associates are disclosed in **note 36** to the annual financial statements which are available on RMI's website.

## DIRECTORS' EMOLUMENTS AND SERVICE CONTRACTS

Directors' and prescribed officers' emoluments are disclosed on **pages 100 to 103**.

At each annual general meeting one third of the non-executive directors have to retire from office. If at the date of any annual general meeting any non-executive director has held office for a period of three years since his/her last election or appointment, he/she has to retire at such meeting. A retiring director is eligible for re-election.

The remuneration of the non-executive directors is approved annually by way of a special resolution at the annual general meeting. The company's remuneration policy is approved annually by way of an ordinary resolution at the annual general meeting.

## DIRECTORS' PARTICIPATION IN GROUP SHARE INCENTIVE SCHEMES

RMI operates a cash-settled share scheme as part of its remuneration philosophy, which tracks the company's share price. Herman Bosman participates in this scheme. OUTsurance also has a cash-settled share scheme, with Youi operating an equity-settled share scheme.

## INSURANCE

RMI has appropriate insurance cover against crime risks as well as professional indemnity.

COMPANY SECRETARY AND REGISTERED OFFICES

Schalk Human is the company secretary of RMI. The address of the company secretary is that of the company's registered office. The company's registered office is 3rd Floor, 2 Merchant Place, corner Fredman Drive and Rivonia Road, Sandton, 2196.

MANAGEMENT CONTRACT

RMI and RMB Holdings Limited (RMH) rendered management services to each other during the 2020 financial year. Herman Bosman's executive remuneration was paid for by RMI. RMI charged management fees to RMH according to the time spent by Herman Bosman on the affairs of each company.

SPECIAL RESOLUTIONS

The following special resolutions were passed at the annual general meeting of RMI held on 14 November 2019:

- » Approval of non-executive directors' remuneration with effect from 1 December 2019;
- » General authority to repurchase company shares;
- » Issue of shares, convertible securities and/ or options to persons listed in section 41(1) of the Companies Act for the purposes of their participation in a reinvestment option;
- » Financial assistance to directors, prescribed officers and employee share scheme beneficiaries; and
- » Financial assistance to related or inter-related companies.

OUTsurance passed the following special resolutions at its annual general meeting held on 15 November 2019:

- » General authority to provide financial assistance to related or inter-related companies in terms of section 45 the Companies Act;
- » Approval of the remuneration of non-executive directors; and
- » Amendments to the memorandum of incorporation of OUTsurance Insurance Company Limited, creating 100 authorised B preference shares with rights as set out in the amended memorandum of incorporation.

EVENTS SUBSEQUENT TO REPORTING DATE

Refer to **note 37** to the consolidated annual financial statements, which are available on RMI's website.

DIRECTORS' INTERESTS IN ORDINARY SHARES OF RMI (AUDITED)

Directors have disclosed the following interest in the ordinary shares of RMI at 30 June 2020:

000's	Direct beneficial	Indirect beneficial	Held by related persons	Total
HL Bosman	–	800	–	800
JP Burger	–	1 184	–	1 184
P Cooper	795	–	3 061	3 856
SEN De Bruyn	–	–	–	–
LL Dippenaar	–	73 387	233	73 620
JJ Durand	–	–	–	–
DA Frankel (alternate)	–	–	–	–
PK Harris	–	12 000	–	12 000
A Kekana	–	–	–	–
F Knoetze (alternate)	–	–	–	–
P Lagerström	–	–	–	–
UH Lucht	–	–	–	–
MM Mahlare	–	–	–	–
MM Morobe	–	–	–	–
RT Mupita	99	–	–	99
O Phetwe	–	–	–	–
JA Teeger	42	54	–	96
Total interest	936	87 425	3 294	91 655

Herman Bosman has disclosed the following interest in RMI call options as at 30 June 2020:

Class and number of securities:	Call options on 250 000 RMI ordinary shares
Delta reference:	2 182.2 cents per share
Notional amount:	R5 455 500
Strike price:	2 400.42 cents per share
Premium paid:	R1 396 000
Expiry date:	17 March 2022
Nature of interest:	Indirect beneficial

Directors have disclosed the following interest in the ordinary shares of RMI at 30 June 2019:

000's	Direct beneficial	Indirect beneficial	Held by related persons	Total
HL Bosman	–	800	–	800
JP Burger	–	1 184	–	1 184
P Cooper	795	–	3 061	3 856
SEN De Bruyn	–	–	–	–
LL Dippenaar	–	73 387	233	73 620
JJ Durand	–	–	–	–
DA Frankel (alternate)	–	–	–	–
PK Harris	–	12 000	–	12 000
A Kekana	–	–	–	–
F Knoetze (alternate)	–	–	–	–
P Lagerström	–	–	–	–
MM Mahlare	–	–	–	–
MM Morobe	–	–	–	–
RT Mupita	–	–	–	–
O Phetwe	–	–	–	–
JA Teeger	42	54	–	96
DR Wilson (alternate)	–	–	–	–
Total interest	837	87 425	3 294	91 556

Since 30 June 2020 to the date of this report, the interest of directors remained unchanged.

# INDEPENDENT AUDITOR’S REPORT ON THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

## TO THE SHAREHOLDERS OF RAND MERCHANT INVESTMENT HOLDINGS LIMITED

### OPINION

The summary consolidated financial statements of Rand Merchant Investment Holdings Limited, set out on **pages 117 to 129** of the Integrated Report 2020, which comprise the summary consolidated statement of financial position as at 30 June 2020, the summary consolidated income statement, the summary consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of Rand Merchant Investment Holdings Limited for the year ended 30 June 2020.

In our opinion, the accompanying summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements, in accordance with the JSE Limited’s (JSE) requirements for summary financial statements, as set out in the basis of presentation to the summary consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

### SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

The summary consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards and the requirements of the Companies Act of South Africa as applicable to annual financial statements. Reading the summary consolidated financial statements and the auditor’s report thereon, therefore, is not a substitute for reading the audited consolidated financial statements and the auditor’s report thereon. The summary consolidated financial statements and the audited consolidated financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the audited consolidated financial statements.

### THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AND OUR REPORT THEREON

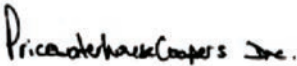
We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated 25 September 2020. That report also includes communication of key audit matters. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period.

### DIRECTORS’ RESPONSIBILITY FOR THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the summary consolidated financial statements in accordance with the JSE’s requirements for summary financial statements, set out in the basis of presentation to the summary consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

### AUDITOR’S RESPONSIBILITY

Our responsibility is to express an opinion on whether the summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements based on our procedures, which were conducted in accordance with *International Standard on Auditing (ISA) 810 (Revised), Engagements to Report on Summary Financial Statements*.



PricewaterhouseCoopers Inc.

Director: Corlia Volschenk

Registered Auditor

Johannesburg

28 October 2020

# SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE

R MILLION	2020	2019
<strong>ASSETS</strong>		
Property and equipment	1 160	1 041
Intangible assets	117	101
Right-of-use assets	83	–
Investments in associates	29 288	28 337
Financial assets		
– Equity securities		
– fair value through profit or loss	1 563	1 597
– fair value through other comprehensive income	464	186
– Debt securities		
– fair value through profit or loss	1 323	1 117
– fair value through other comprehensive income	3 205	3 027
– amortised cost	6 089	5 496
– Derivative asset	–	36
Insurance and other receivables	3 546	2 771
Deferred acquisition cost	463	360
Reinsurance contracts	1 338	691
Deferred taxation	304	220
Taxation	24	120
Cash and cash equivalents	2 414	1 602
<strong>Total assets</strong>	<strong>51 381</strong>	46 702
<strong>EQUITY</strong>		
Share capital and premium	15 342	15 359
Reserves	10 506	9 180
Total shareholders’ equity	25 848	24 539
Non-controlling interests	1 697	1 602
<strong>Total equity</strong>	<strong>27 545</strong>	26 141
<strong>LIABILITIES</strong>		
Financial liabilities		
– Preference shares	9 514	8 580
– Interest-bearing loans	2 242	2 697
– Financial liabilities at fair value through profit or loss	104	104
– Derivative liability	283	99
– Investment contracts at fair value through profit or loss	24	–
Insurance contracts	9 601	7 457
Lease liabilities	89	–
Share-based payment liability	121	103
Provisions	191	119
Insurance and other payables	1 518	1 309
Deferred taxation	76	69
Taxation	73	24
<strong>Total liabilities</strong>	<strong>23 836</strong>	20 561
<strong>Total equity and liabilities</strong>	<strong>51 381</strong>	46 702



SUMMARY CONSOLIDATED  
INCOME STATEMENT  
FOR THE YEAR ENDED 30 JUNE

R MILLION	2020	Restated <sup>1</sup> 2019
Gross insurance premiums	17 349	15 906
Less: Reinsurance premiums	(774)	(673)
<b>Net insurance premiums</b>	<b>16 575</b>	<b>15 233</b>
Gross change in provision for unearned premiums	(452)	(219)
Reinsurance relating to provision for unearned premiums	30	(2)
<b>Net insurance premiums earned</b>	<b>16 153</b>	<b>15 012</b>
Fee and other income	64	35
Investment income	252	211
Interest income on financial assets using the effective interest rate method	458	587
Net fair value (losses)/gains on financial assets	(421)	23
Expected credit (losses)/gains on financial assets	(20)	10
<b>Net income</b>	<b>16 486</b>	<b>15 878</b>
Gross claims paid	(9 310)	(7 898)
Reinsurance recoveries received	1 664	755
Provision for non-claims bonuses	(500)	(451)
Transfer to policyholder liabilities under insurance contracts	(34)	(122)
Acquisition expenses	(41)	(45)
Fair value adjustment to financial liabilities	(139)	(169)
Marketing and administration expenses	(4 859)	(4 370)
<b>Profit before finance costs, results of associates and taxation</b>	<b>3 267</b>	<b>3 578</b>
Finance costs	(689)	(729)
Share of after-taxation results of associates	259	2 612
<b>Profit before taxation</b>	<b>2 837</b>	<b>5 461</b>
Taxation	(1 031)	(1 096)
Profit for the year from continuing operations	1 806	4 365
Profit for the year from discontinued operations	104	9
<b>Profit for the year</b>	<b>1 910</b>	<b>4 374</b>
<b>Attributable to:</b>		
Equity holders of the company	1 592	4 047
Non-controlling interests	318	327
<b>Profit for the year</b>	<b>1 910</b>	<b>4 374</b>
Earnings per share	104.1	265.1
Diluted earnings per share	102.7	264.0

1. Restated for discontinued operation.

SUMMARY CONSOLIDATED STATEMENT  
OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE

R MILLION	2020	Restated <sup>1</sup> 2019
<b>Profit for the year</b>	<b>1 910</b>	4 374
<b>Other comprehensive income for the year</b>		
Items that may subsequently be reclassified to profit or loss		
– Exchange differences on translation of foreign operations	731	(78)
– Fair value (losses)/gains on other comprehensive income financial instruments	(134)	53
– Deferred tax on fair value losses/(gains) on other comprehensive income financial instruments	3	(12)
Share of comprehensive income/(loss) of associates	1 159	(82)
– Items that may subsequently be reclassified to profit or loss, after taxation	1 548	(81)
– Movement in liabilities accounted for as net investment hedge	(460)	22
– Items that will not be reclassified to profit or loss, after taxation	71	(23)
<b>Other comprehensive income/(loss) for the year</b>	<b>1 759</b>	(119)
<b>Total comprehensive income for the year</b>	<b>3 669</b>	4 255
<b>Attributable to:</b>		
Equity holders of the company	3 175	3 949
Non-controlling interests	494	306
<b>Total comprehensive income for the year</b>	<b>3 669</b>	4 255

1. Restated comparatives relating to movement in net investment hedge for separate disclosure of this item during the current year.

## SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE

R MILLION	Share capital	Equity accounted reserves	Transactions with non-controlling interests	Other reserves	Retained earnings	Non-controlling interests	Total equity
<b>Balance as at 1 July 2018</b>	14 986	5 852	(3 345)	296	4 532	1 329	23 650
Income statement	–	–	–	–	4 047	327	4 374
Other comprehensive income	–	(82)	–	(16)	–	(21)	(119)
Dividends paid	–	–	–	–	(1 679)	(362)	(2 041)
Issue of shares	345	–	–	–	–	–	345
Income of associate companies retained	–	1 602	–	–	(1 602)	–	–
Movement in treasury shares	28	–	–	–	–	–	28
Transactions with non-controlling interest	–	(282)	(292)	–	(27)	33	(568)
Issue of share capital to non-controlling interests by subsidiaries	–	–	–	–	–	278	278
Share-based payment reserve	–	–	–	(5)	164	18	177
Reserve adjustment of associates	–	17	–	–	–	–	17
<b>Balance as at 30 June 2019</b>	<b>15 359</b>	<b>7 107</b>	<b>(3 637)</b>	<b>275</b>	<b>5 435</b>	<b>1 602</b>	<b>26 141</b>
Change in accounting policy – IFRS 16	–	(18)	–	–	–	–	(18)
Income statement	–	–	–	–	1 592	318	1 910
Other comprehensive income	–	1 146	–	437	–	176	1 759
Dividends paid	–	–	–	–	(1 685)	(315)	(2 000)
Income of associate companies retained	–	(828)	–	–	828	–	–
Movement in treasury shares	(17)	(1)	–	–	–	–	(18)
Transactions with non-controlling interest	–	(5)	(219)	–	(1)	(98)	(323)
Issue of share capital to non-controlling interests by subsidiaries	–	–	–	–	–	11	11
Share-based payment reserve	–	31	–	4	3	1	39
Share of equity financial instrument	–	–	–	11	–	1	12
Reserve adjustment of associates	–	31	–	–	–	1	32
<b>Balance as at 30 June 2020</b>	<b>15 342</b>	<b>7 463</b>	<b>(3 856)</b>	<b>727</b>	<b>6 172</b>	<b>1 697</b>	<b>27 545</b>

## SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE

R MILLION	2020	2019
<b>Cash flows from operating activities</b>		
Cash generated from operations	<b>3 188</b>	3 174
Interest income	<b>537</b>	603
Dividends received	<b>1 236</b>	1 149
Cash flows on assets backing policyholder liabilities	<b>(201)</b>	(233)
Purchase of financial assets	<b>(7 935)</b>	(7 867)
Proceeds on disposal of financial assets	<b>8 020</b>	8 078
Income tax paid	<b>(936)</b>	(1 380)
<b>Net cash generated from operating activities</b>	<b>3 909</b>	3 524
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	<b>(98)</b>	(100)
Disposal of property and equipment	<b>3</b>	1
Purchase of financial assets	<b>519</b>	(290)
Proceeds on disposal of financial assets	<b>124</b>	187
Proceeds from sale of New Zealand insurance business	<b>78</b>	–
Investments in associates	<b>(127)</b>	(693)
<b>Net cash outflow from investing activities</b>	<b>(539)</b>	(895)
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares	<b>–</b>	304
Proceeds from the issue of/(redemption of) preference share debt	<b>934</b>	(1 130)
Borrowings repaid	<b>(935)</b>	(11)
Borrowings raised	<b>100</b>	–
Repayment of lease liability	<b>(37)</b>	–
Cost of funding	<b>(80)</b>	(89)
Dividends paid on preference shares in issue	<b>(612)</b>	(650)
Dividends paid by subsidiaries to non-controlling interests	<b>(315)</b>	(362)
Additional shares acquired in subsidiary	<b>–</b>	(201)
Cash dividends paid to shareholders	<b>(1 685)</b>	(1 638)
Proceeds on issue of shares to non-controlling interest	<b>11</b>	278
<b>Net cash outflow from financing activities</b>	<b>(2 619)</b>	(3 499)
Net increase/(decrease) in cash and cash equivalents for the year	<b>751</b>	(870)
Unrealised foreign currency translation adjustment on cash and cash equivalents	<b>61</b>	55
Cash and cash equivalents at the beginning of the year	<b>1 602</b>	2 417
<b>Cash and cash equivalents at the end of the year</b>	<b>2 414</b>	1 602

# NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2020

### BASIS OF PRESENTATION OF RESULTS

The summary consolidated financial statements contained in this integrated report are prepared in accordance with the JSE Listings Requirements for provisional reports and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

- This report is prepared in accordance with:
- » The framework concepts and the recognition and measurement requirements of International Financial Reporting Standards (IFRS), including interpretations issued by the IFRS Interpretations Committee;
  - » Financial Reporting Pronouncements as issued by Financial Reporting Standards Council;
  - » SAICA Financial Reporting Guide as issued by the Accounting Practices Committee; and
  - » As a minimum, the information required by IAS 34: *Interim Financial Reporting*.

The directors take full responsibility and confirm that this information has been correctly extracted from the audited consolidated annual financial statements from which the summary consolidated financial statements were derived.

### ACCOUNTING POLICIES

These summary results incorporate accounting policies that are consistent with those used in preparing the financial results for the year ended 30 June 2019, with the exception of *IFRS 16*, which became effective in the financial year ended 30 June 2020. *IFRS 16* introduces a single lessee accounting model, where a right-of-use asset together with a lease liability for the future payments are recognised for all leases with a term of more than 12 months, unless the underlying asset is of a low value.

The *IFRS 16* classification, measurement, presentation and disclosure requirements are applied using the modified retrospective approach. Therefore, the cumulative effect of adopting *IFRS 16* was recognised as an adjustment to the opening retained earnings and deferred tax balances of the statement of financial position, with no restatement of comparatives.

The audited consolidated annual financial statements, from which these summary consolidated financial statements are extracted, are prepared in accordance with the going concern principle under the historical cost basis, as modified by the fair value accounting of certain assets and liabilities, where required or permitted by IFRS.

No other new or amended IFRS became effective for the year ended 30 June 2020 that impacted the group's reported earnings, financial position, reserves or accounting policies.

### AUDITOR'S REPORT

The summary consolidated financial statements for the year ended 30 June 2020 contained in this integrated report were audited by PricewaterhouseCoopers Inc., who expressed an unmodified opinion thereon in terms of *ISA 810 (revised)*, refer to **page 116**.

The auditor also expressed an unmodified opinion on the consolidated annual financial statements from which the summary consolidated financial statements were derived. Unless the financial information in this integrated report is specifically stated as audited, it should be assumed to be unaudited.

A copy of the auditor's report on the consolidated annual financial statements is available for inspection at RMI's registered office, 2 Merchant Place, corner Fredman Drive and Rivonia Road, Sandton, together

with the financial statements identified in the respective auditor's reports.

The auditor's report does not necessarily report on all of the information contained in these summary consolidated financial statements. Shareholders are therefore advised that, in order to obtain a full understanding of the nature of the auditor's engagement, they should review the auditor's report together with the accompanying financial information from the issuer's registered office.

The forward-looking information has not been commented or reported on by the group's external auditor. RMI's board of directors takes full responsibility for the preparation of this integrated report.

### NORMALISED RESULTS

RMI believes that normalised earnings more accurately reflect operational performance.

Headline earnings in terms of *Circular 4/2018: Headline Earnings* are adjusted to exclude non-operational items and accounting anomalies.

A reconciliation between headline earnings and normalised earnings is provided on **page 31**.

Normalised earnings constitute pro forma financial information. The pro forma financial information is the responsibility of RMI's board of directors and is presented for illustrative purposes. Because of its nature, the pro forma financial information may not fairly present RMI's financial position, changes in equity, results of operations or cash flows. An assurance report has been prepared and issued by RMI's auditor, PricewaterhouseCoopers Inc., on the pro forma financial information included in this integrated report and is available at the registered office of RMI.

### EFFECTIVE INTEREST

RMI's effective interest in the group entities is different from the actual holdings as a result of the following consolidation adjustments:

- » Treasury shares held by group entities;
- » Shares held by consolidated share incentive trusts;
- » 'Deemed' treasury shares arising from broad-based black economic empowerment (B-BBEE) transactions entered into; and
- » 'Deemed' treasury shares held by policyholders and mutual funds managed by them.

The effective interest held by RMI can be compared to the actual interest in the statutory issued share capital of the companies as follows:

	As at 30 June 2020		As at 30 June 2019	
	Effective	Actual	Effective	Actual
Discovery	25.1%	25.0%	25.1%	25.0%
Hastings	29.7%	29.7%	29.9%	29.9%
Momentum Metropolitan	27.7%	27.3%	27.5%	27.3%
OUTsurance	91.1%	89.1%	90.4%	89.1%
RMI Investment Managers	100.0%	100.0%	100.0%	100.0%
Merchant Capital	24.8%	24.8%	25.8%	25.8%
Entersekt	28.2%	28.2%	25.1%	25.1%
Guidepost	25.1%	25.1%	–	–



## FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

The table below analyses financial instruments carried at fair value by level in the fair value hierarchy. The different levels are based on the extent that observable prices and/or data are used in the calculation of the fair value of the financial instruments. These levels are defined as follows:

Level 1 – fair value is based on quoted market prices (unadjusted) in active markets for identical instruments as measured on the reporting date.

Level 2 – fair value is determined from inputs other than quoted prices that are observable for the asset or liability, either directly (for example prices) or indirectly (for example derived from prices).

Level 3 – fair value is determined from inputs for the asset or liability that are not based on observable market data.

The following table presents the group's financial assets and liabilities that are measured at fair value:

R MILLION	Level 1	Level 2	Level 3	Total carrying amount
<b>As at 30 June 2020</b>				
<b>Financial assets</b>				
Equity securities				
– Exchange traded funds	1 023	–	–	1 023
– Listed preference shares	303	–	–	303
– Collective investment schemes	–	114	–	114
– Listed equity securities	112	–	–	112
– Unlisted equity securities	–	–	475	475
Debt securities				
– Unsecured loans	–	18	42	60
– Zero-coupon deposits	–	858	–	858
– Convertible loan	–	–	11	11
– Government, municipal and public utility securities	–	128	–	128
– Money market securities	–	3 077	–	3 077
– Collective investment schemes	–	10	–	10
– Other debt securities at fair value through profit or loss	–	–	384	384
<b>Total financial assets recognised at fair value</b>	<b>1 438</b>	<b>4 205</b>	<b>912</b>	<b>6 555</b>
<b>Financial liabilities</b>				
Financial liabilities at fair value through profit or loss	–	–	104	104
Investment contract liability	–	24	–	24
Derivative liability	–	283	–	283
<b>Total financial liabilities recognised at fair value</b>	<b>–</b>	<b>307</b>	<b>104</b>	<b>411</b>

R MILLION	2020	2019
<b>Reconciliation of movement in Level 3 assets</b>		
Balance at the beginning of the year	696	798
Reclassification to amortised cost	–	(270)
Additions in the current year	396	154
Disposals (sales and redemptions)	(46)	(15)
Fair value movement	(134)	60
Investment income accrued	–	31
Dividends received	–	(62)
<b>Balance at the end of the year</b>	<b>912</b>	<b>696</b>
The Level 3 financial assets at fair value through profit or loss represent loans and preference share investments, the value of which is not significantly sensitive to an increase or decrease in the counterparty credit rating due to the collateralised nature of the transaction.		
<b>Reconciliation of movement in Level 3 liabilities</b>		
Balance at the beginning of the year	104	132
Preference dividends charged to profit or loss	139	169
Preference dividends paid	(139)	(197)
<b>Balance at the end of the year</b>	<b>104</b>	<b>104</b>
The Level 3 financial liabilities at fair value through profit or loss represent profits arising out of profit-sharing arrangements on ring-fenced insurance business that accrue on a monthly basis.		

R MILLION	Level 1	Level 2	Level 3	Total carrying amount
<b>As at 30 June 2019</b>				
<b>Financial assets</b>				
Equity securities				
– Exchange traded funds	905	–	–	905
– Listed preference shares	389	–	–	389
– Collective investment schemes	–	115	–	115
– Listed equity securities	184	–	–	184
– Unlisted equity securities	–	–	190	190
Debt securities				
– Unsecured loans	–	–	37	37
– Unlisted preference shares	–	–	–	–
– Zero-coupon deposits	–	590	–	590
– Government, municipal and public utility securities	–	400	–	400
– Money market securities	–	2 643	–	2 643
– Collective investment schemes	–	21	–	21
– Other debt securities at fair value through profit or loss	–	–	469	469
Derivative asset	–	36	–	36
<b>Total financial assets recognised at fair value</b>	<b>1 478</b>	<b>3 805</b>	<b>696</b>	<b>5 979</b>
<b>Financial liabilities</b>				
Financial liabilities at fair value through profit or loss	–	–	104	104
Derivative liability	–	99	–	99
<b>Total financial liabilities recognised at fair value</b>	<b>–</b>	<b>99</b>	<b>104</b>	<b>203</b>

The fair values of the above instruments were determined as follows:

LEVEL 1

The fair value of financial instruments traded in an active market is based on quoted market prices at the statement of financial position date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The listed preference share investments comprise instruments which are listed on a securities exchange. The fair values of these investments are calculated based on the quoted closing prices of the individual investments on reporting date. These instruments are included in Level 1 and comprise mainly equity and debt instruments classified as trading securities. The investment in the exchange traded funds track the performance of the top fifty companies listed on the JSE Limited.

LEVEL 2

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are market observable, the instrument is included in Level 2.

Level 2 instruments comprise derivatives, debt and short-term money market instruments where the value is determined by using a market observable input, e.g. JIBAR, prime rate, foreign currency rates, listed bond rates of similar instruments, without significant adjustments.

The fair value of money market instruments and government, municipal and public utility securities is determined based on observable market inputs. These

instruments consist of fixed and floating rate notes held in segregated portfolios and are typically listed on the JSE Interest Rate Derivatives Market. These listed instruments are not as actively traded as Level 1 instruments. Despite this, the fair values of these instruments can be readily determined as the inputs utilised in the fair value calculation are available in the open market and on the coupon face at issue date.

The collective investment scheme is fair valued monthly by multiplying the number of units held by the closing market price which is based on the most recently available observable inputs.

Zero-coupon deposits are not traded actively during a financial reporting period and are classified as Level 2 financial instruments.

The group uses zero-coupon deposits to offset the interest rate risk inherent in some of the life insurance products underwritten by OUTsurance Life. The counterparties to these deposits are the large South African banks. The zero-coupon deposits have been structured to allow for the payment of the notional initial deposit to be spread over the specified term to enable cash flow matching. The maturity dates of the accreting zero-coupon deposits are long-term, with maturity dates at the various trading dates not exceeding 15 years. The fair values of the accreting zero-coupon deposits are determined monthly based on observable market inputs. To determine the fair values of the accreting zero-coupon deposits, a risk-free Swap Yield Curve produced every business day by the JSE Limited is referenced. The instruments are designated at fair value through profit or loss, with both the interest accrual and fair value accounted for in profit or loss. The zero-coupon deposits have specifically remained classified as fair value through profit or loss under the 'accounting mismatch' rule as these financial assets have specifically been acquired to match the non-claims bonus portion of the policyholder liability.

The group makes use of an interest rate swap as well as a collateralised swap arrangement to manage the interest rate risk contained in the non-bonus portion of the policyholder liability. The interest rate swap is a fixed for floating instrument. The fixed leg is priced at a fixed percentage plus a contractually agreed basis point adjustment and the floating leg is priced at 3 month JIBAR. The fair value of the collateralised swap arrangement, whereby the R2048 government bond serves as collateral and is the underlying, is determined in the same manner as other money market instruments held by the group.

The group makes use of forward exchange contracts to reduce the impact of the currency risk contained in its open foreign currency exposure. The fair value of forward exchange contracts are determined using the spot closing exchange rate at the statement of financial position date.

While the above instruments are not traded on an active market, the variable inputs relating to their valuation are readily available in the market place. The remaining inputs have been contractually agreed and are reflective of market-related terms and conditions.

LEVEL 3

If one or more of the significant inputs are not based on observable market data, the instrument is included in Level 3. The financial instruments at fair value through profit or loss represent the following:

» Profits arising out of the profit-sharing arrangements that accrue on a monthly basis and which are distributed as preference dividends biannually to FirstRand Bank Limited. The only significant unobservable input in the calculation of the preference dividend is the historic profit of the profit-sharing arrangements and there are no other inputs that determine the value of these instruments. Should the profit of the profit-sharing arrangement increase or decrease, the preference dividend will increase or decrease in direct proportion.

- » B-BBEE Supplier Development Scheme loan.
- » The loan with AutoGuru Australia Proprietary Limited (AutoGuru). The only significant unobservable input in the calculation is the market value of the AutoGuru shares, as this is an unlisted private company.
- » Unlisted equity.

A specific valuation technique is used to value the Level 3 financial instruments which represents an accrued profit related to the FirstRand Bank Limited Homeowners profit-sharing arrangement:

- » The fair value is determined based on valuation techniques where the input is determined by management, and is not readily available in the market or where market observable input is significantly adjusted, i.e. profits arising out of profit-sharing arrangements.
- » Inputs are determined by the profits arising and calculations are made in accordance with the profit-share percentages, stipulated within the profit-sharing arrangement. No assumptions or adjustments or any other inputs are made to the profits before or after distribution. Distribution of the profits arising are made in the form of preference dividends.

The profit or loss of these profit-sharing arrangements is sensitive to:

- » claims ratio of the pool of business;
- » expense ratio of the pool of business; and
- » investment income on this pool of business.

A specific valuation technique is used to value the AutoGuru convertible loan:

- » The fair value is determined based on valuation techniques where the input is determined by management, and is not readily available in the market or where market observable input is significantly adjusted, i.e. market value of the AutoGuru ordinary shares as well as a risk adjusted market interest rate.

Included as a Level 3 financial asset is the loan made to the ASISA Enterprise Development Fund to the value of R49 million. This loan relates to funding provided for a B-BBEE supplier development scheme that the group is partaking in. The loan has a five-year term with no contractual interest rate. In calculating the fair value of the loan at 30 June 2020, the interest rate attached to a risk-free government bond with a term based on the remaining contract period at the date of fair value measurement was utilised as the discount rate. This resulted in the value of R49 million being discounted at 5.04% (2019: 7.75%), arriving at a fair value of R42.3 million (2019: R36.9 million). This discount will unwind over the remaining maturity period.

CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The purchase agreement between RMI and Merchant Capital Advisory Services Proprietary Limited (Merchant Capital) stipulates that RMI would be a debt and equity investor that comprise the following:

- » RMI acquired a 25.1% equity stake in Merchant Capital in September 2015.
- » A junior loan facility to Merchant Capital of not more than R9 228 000.
- » A senior loan facility to Merchant Capital of not more than R200 000 000.

The long-term growth from the equity investment in Merchant Capital is expected to offset the cost of debt to Merchant Capital.

As at 30 June 2020, R95 million of the senior loan facility and R5 million of the junior loan facility has been issued to Merchant Capital.

RMI guarantees a liability of one of its associates, limited to a maximum amount of R28 million.

COMMITMENTS

In 2020, the new lease standard, *IFRS 16*, was applied. The group had the following lease commitments as at 30 June 2020:

R MILLION	Within 1 year	1 – 5 years	More than 5 years	Total
Lease liability	37	46	6	89
Short-term leases	8	–	–	8

DISCONTINUED OPERATIONS

On 25 September 2019, OUTsurance Holdings Limited agreed to transfer the New Zealand insurance portfolio business to Tower Insurance Limited, New Zealand’s third largest general insurer, for a consideration of N\$12.6 million. Following regulatory approval by the Reserve Bank of New Zealand, the transfer was effected on 31 December 2019.

The insurance business was not previously classified as held for sale or as a discontinued operation. The comparative consolidated income statement has been represented to show the discontinued operation separately from continuing operations.

The sale provides an opportunity for Youi to unlock value on favourable terms and, going forward, will allow the Youi group to focus on its Australian business where the greater scale and diversity of the market offers more growth opportunities for a challenger brand like Youi.

R MILLION	2020	2019
<b>Income statement</b>		
Gross insurance premium	106	229
Outward reinsurance premiums	(89)	(183)
<b>Net premiums</b>	17	46
Change in provision for unearned premiums	8	5
Earned premiums, net of reinsurance	25	51
Commission income	33	72
Interest income on financial assets using the effective interest rate method	1	1
<b>Income</b>	59	124
Policyholder benefits on insurance contract net of reinsurance	(14)	(29)
– Gross policyholder benefits under insurance contract	(54)	(116)
– Reinsurers’ share of insurance contract claims	40	87
Marketing and administration expenses	(44)	(86)
Result of operating activities	1	9
Profit on sale of business unit	103	–
<b>Net profit for the year from discontinued operations</b>	104	9

There were no items that affected other comprehensive income and therefore the reconciliation of other comprehensive income has not been disclosed.

R MILLION	2019
<b>Statement of financial position</b>	
Carrying value amounts of assets and liabilities as at date of sale were:	
Assets	
Reinsurance share of insurance contract provisions	23
Financial assets – Amortised cost	42
Insurance and other receivables	92
<b>Total assets</b>	157
Liabilities	
Insurance contract liabilities	145
Insurance and other payables	12
<b>Total liabilities</b>	157

CHANGES IN ACCOUNTING POLICIES

The *IFRS 16* classification, measurement, presentation and disclosure requirements are applied using the modified retrospective approach. Therefore, the cumulative effect of adopting *IFRS 16* was recognised as an adjustment to the opening retained earnings and deferred tax balances of the statement of financial position, with no restatement of comparatives.

The weighted average incremental borrowing rates applied to the lease liabilities range from 2.55% to 10.25%.

On date of initial application, 1 July 2019, the lease liability of the group was as follows, with any reclassifications noted:

R MILLION	2019
Operating lease commitments disclosed as at 30 June 2019	86
(Less): contracts reassessed as service agreements	(4)
Add: Contracts reassessed under <i>IFRS 16</i>	17
<b>Restated operating lease commitments as at 30 June 2019</b>	99
Discounted using the lessee’s incremental borrowing rate on 1 July 2019	93
(Less): short-term leases recognised on a straight-line basis as expense	(2)
<b>Lease liability recognised as at 1 July 2019</b>	91
Of which are:	
Current lease liabilities	25
Non-current lease liabilities	66
	91

Right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at 30 June 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the following types of assets:

R MILLION	2020	2019
Properties	58	67
Equipment	25	–
Motor vehicles	–	23
<b>Total right-of-use assets</b>	83	90

The change in accounting policy affected the following items in the statement of financial position on 1 July 2019:

R MILLION	30 June 2019	Change	1 July 2019
Lease liabilities	–	91	91
Right-of-use assets	–	90	90
Equity accounted reserves	7 107	(18)	7 089

Segment assets and segment liabilities both increased as a result of the change in accounting policy. The right-of-use asset of R83 million and the lease liability of R89 million relate to OUTsurance in the group’s segmental analysis.

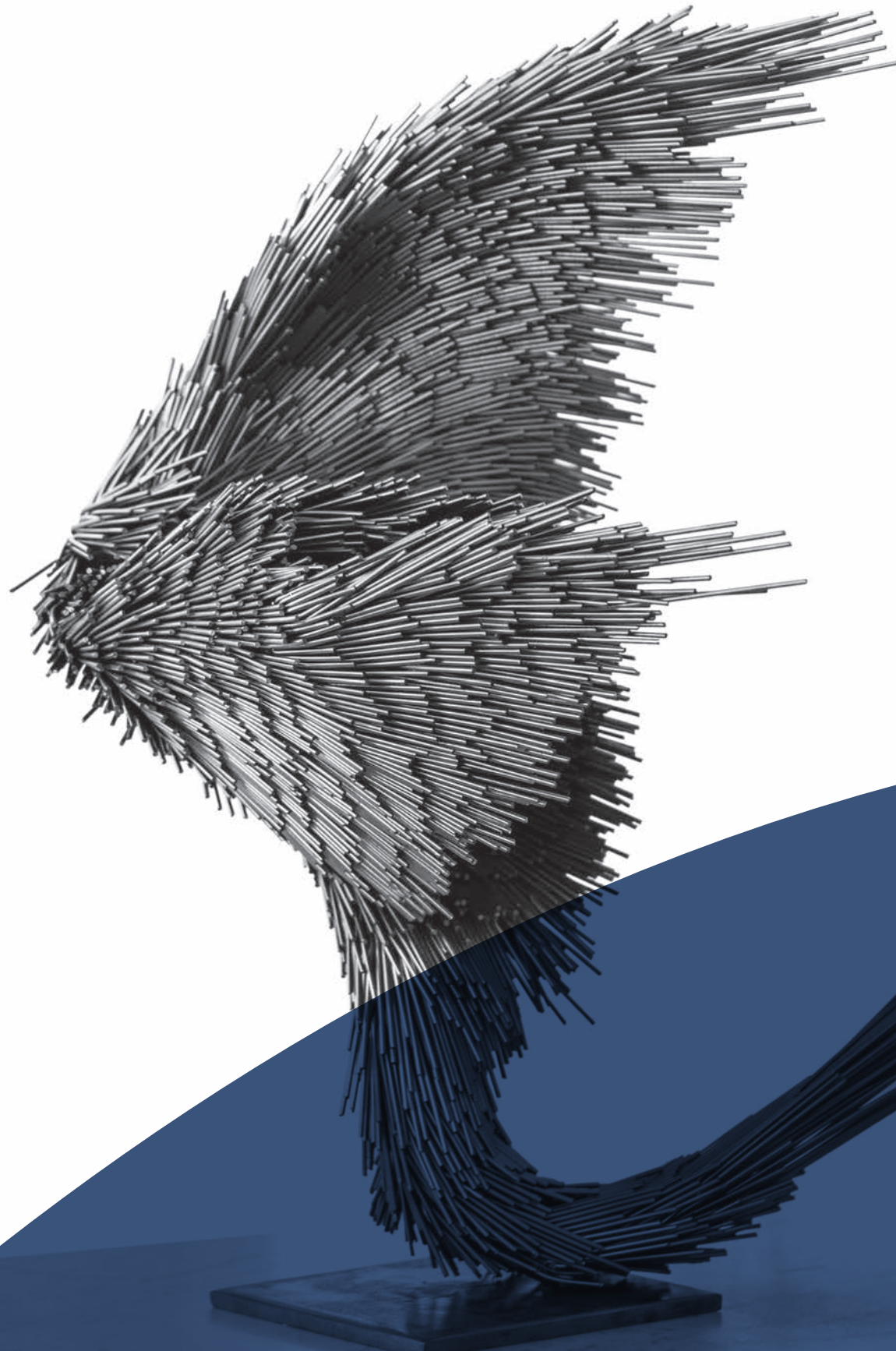
There has been no change in earnings per share with the adoption of *IFRS 16*.

In applying *IFRS 16* for the first time, the group has used the following permitted practical expedients:

- » reliance on previous assessments on whether leases are onerous;
- » the accounting for leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases;
- » the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- » the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The group has also elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying *IAS 17* and *IFRIC 4: Determining whether an Arrangement contains a Lease*.





7

# SHAREHOLDER INFORMATION

SHAREHOLDING

	As at 30 June 2020			As at 30 June 2019		
	Number of shareholders	Shares held (000's)	%	Number of shareholders	Shares held (000's)	%
<b>Analysis of shareholding</b>						
Financial Securities Limited (Remgro)	1	469 449	30.6	1	469 449	30.6
Royal Bafokeng Holdings Proprietary Limited	2	222 853	14.5	2	222 853	14.5
Public Investment Corporation	8	114 701	7.5	7	105 401	6.9
Allan Gray (on behalf of clients)	1	118 839	7.8	1	102 640	6.7
Total of shareholders holding more than 5%	12	925 842	60.4	11	900 343	58.7
Other	27 888	605 966	39.6	33 179	631 465	41.3
<b>Total</b>	<b>27 900</b>	<b>1 531 808</b>	<b>100.0</b>	<b>33 190</b>	<b>1 531 808</b>	<b>100.0</b>
<b>Shareholder type</b>						
Corporates		692 302	45.2		692 302	45.2
Unit trusts		250 330	16.4		237 348	15.5
Pension funds		173 178	11.3		168 109	11.0
Private investors		44 636	2.9		60 356	3.9
Insurance companies and banks		45 033	2.9		30 055	2.0
Other		326 329	21.3		343 638	22.4
<b>Total</b>		<b>1 531 808</b>	<b>100.0</b>		<b>1 531 808</b>	<b>100.0</b>
<b>Public and non-public shareholders</b>						
Public	27 890	747 851	48.8	33 181	747 950	48.8
Non-public	10	783 957	51.2	9	783 858	51.2
– Corporates	3	692 302	45.2	3	692 302	45.2
– Directors and associates	7	91 655	6.0	6	91 556	6.0
<b>Total</b>	<b>27 900</b>	<b>1 531 808</b>	<b>100.0</b>	<b>33 190</b>	<b>1 531 808</b>	<b>100.0</b>
<b>Geographic ownership</b>						
South Africa		1 347 571	88.0		1 343 303	87.7
International		184 237	12.0		188 505	12.3
<b>Total</b>		<b>1 531 808</b>	<b>100.0</b>		<b>1 531 808</b>	<b>100.0</b>

The information above is extracted from the shareholder analysis provided by Orient Capital Limited.

PERFORMANCE ON THE JSE LIMITED

	2020	2019
Number of shares in issue at the beginning of the year (000's)	1 531 808	1 522 719
Shares issued during the year (000's)	–	9 089
Number of shares in issue at the end of the year (000's)	1 531 808	1 531 808
Market prices (cents per share)		
– Closing	2 920	3 397
– High	3 528	4 144
– Low	1 733	3 101
– Weighted average	2 793	3 550
Closing price/net asset value per share	1.7	2.1
Closing price/headline earnings per share	22.8	13.6
Volume of shares traded during the year (million)	460	356
Value of shares traded during the year (R million)	12 840	12 646
Market capitalisation at year-end (R million)	44 729	52 036

SHAREHOLDERS’ DIARY

REPORTING

INTERIM RESULTS FOR THE 2021 FINANCIAL YEAR

Announcement for the six months ending 31 December 2020 Early March 2021

FINAL RESULTS FOR THE 2021 FINANCIAL YEAR

Announcement for the year ending 30 June 2021 Mid-September 2021  
Posting of integrated report End-October 2021  
Annual general meeting End-November 2021

DIVIDENDS

Interim dividend for the 2021 financial year  
Declare Early March 2021  
Payable End-March 2021

FINAL DIVIDEND FOR THE 2021 FINANCIAL YEAR

Declare Mid-September 2021  
Payable Mid-October 2021

NOTICE OF THE ANNUAL GENERAL MEETING

This document (which is available in English only) is important and requires your immediate attention. The action you need to take is set out in this notice. If you are in any doubt as to what action to take, please consult your broker, attorney or other professional advisor immediately.

RAND MERCHANT INVESTMENT HOLDINGS LIMITED

Incorporated in the Republic of South Africa  
Registration number: 2010/005770/06  
JSE ordinary share code: RMI  
ISIN code: ZAE000210688  
(RMI or the company)

Notice is hereby given to the holders of ordinary shares in RMI (shareholders), in terms of section 62(3)(a) of the Companies Act, 71 of 2008, (Companies Act), that the tenth annual general meeting of the ordinary shareholders of RMI will be held in the boardroom, 12th floor, The Bank, corner of Cradock and Tyrwhitt Avenues, Rosebank, 2196 on Thursday, 3 December 2020 at 12:00 to consider and, if approved, pass the resolutions set out below, with or without modification, as well as such other matters as may be required to be dealt with at the annual general meeting in terms of the Companies Act.

SALIENT DATES

Record date to be eligible to receive the notice of the annual general meeting	Friday, 23 October 2020
Posting date	Friday, 30 October 2020
Last day to trade to be eligible to attend and vote at the annual general meeting	Tuesday, 24 November 2020
Record date to be eligible to attend and vote at the annual general meeting	Friday, 27 November 2020
Proxies due (for administrative purposes)*	Tuesday, 1 December 2020
Annual general meeting	Thursday, 3 December 2020

Notes:

The above dates, times and place are subject to amendment, provided that, in the event of an amendment, an announcement will be released on SENS. All dates and times indicated above are references to South African dates and times.

\* Alternatively, to be handed to the chairman of the annual general meeting at any time prior to the person appointed as proxy exercising any rights of the shareholder at the annual general meeting.

AGENDA

1. PRESENTATION OF THE AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

The audited consolidated and separate annual financial statements for the financial year ended 30 June 2020 (as approved by the board of directors of the company), including the report of the external auditor, which are available on the company's website, **www.rmih.co.za**, and the summary financial statements and reports of the directors, audit and risk committee and social, ethics and transformation committee, which are included in the integrated report, of which this notice forms a part (integrated report) in accordance with section 30(3)(d) of the Companies Act are presented to the meeting.



Shareholders are referred to **page 104** of the integrated report for the report from the social, ethics and transformation committee of RMI as required in terms of regulation 43(5)(c) of the Companies Regulations, 2011.



2. ORDINARY RESOLUTIONS NUMBERS 1.1 TO 1.7

RE-ELECTION OF DIRECTORS

To re-elect, by way of separate ordinary resolutions, the following directors, who retire in terms of article 25.7 of the company's memorandum of incorporation (MOI) and who, being eligible, offer themselves for re-election in accordance with the Companies Act and the company's MOI:

ORDINARY RESOLUTION NUMBER 1.1 – JOHAN PETRUS BURGER (61)

Independent non-executive director

**Date of appointment:** 30 June 2014

**Educational qualifications:** BCom (Hons) CA(SA)

**Other listed directorships:** FirstRand Limited

ORDINARY RESOLUTION NUMBER 1.2 – LAURITZ LANSER DIPPENAAR (71)

Non-executive director

**Date of appointment:** 8 December 2010

**Educational qualifications:** MCom CA(SA)

ORDINARY RESOLUTION NUMBER 1.3 – PAUL KENNETH HARRIS (70)

Non-executive director

**Date of appointment:** 8 December 2010

**Educational qualifications:** MCom

**Other listed directorships:** Remgro Limited

ORDINARY RESOLUTION NUMBER 1.4 – ALBERTINAH KEKANA (47)

Non-executive director

**Date of appointment:** 6 February 2013

**Educational qualifications:** BCom (Hons) CA(SA) PGDA AMP (Harvard)

**Other listed directorships:** RMB Holdings Limited

ORDINARY RESOLUTION NUMBER 1.5 – MATSOTSO MAMONGAE MAHLARE (45)

Independent non-executive director

**Date of appointment:** 31 March 2018

**Educational qualifications:** BSc (Chemical Engineering) MBA (Harvard)

**Other listed directorship:** RMB Holdings Limited

ORDINARY RESOLUTION NUMBER 1.6 – OBAKENG PHETWE (42)

Non-executive director

**Date of appointment:** 6 February 2013

**Educational qualifications:** BCom (Hons) CA(SA)

**Other listed directorships:** Royal Bafokeng Platinum Limited and RMB Holdings Limited (alternate)

ORDINARY RESOLUTION NUMBER 1.7 – JAMES ANDREW TEEGER (53)

Independent non-executive director

**Date of appointment:** 31 March 2018

**Educational qualifications:** BCom BAcc CA(SA) HDip Tax


**Other listed directorship:** RMB Holdings Limited

ADDITIONAL INFORMATION IN RESPECT OF ORDINARY RESOLUTIONS NUMBERS 1.1 TO 1.7

 A brief CV of each of the persons nominated above appears on **pages 80 to 83** of the integrated report.

3. ADVISORY ENDORSEMENT OF THE REMUNERATION POLICY AND IMPLEMENTATION REPORT

3.1 ADVISORY ENDORSEMENT OF REMUNERATION POLICY

 To endorse, through a non-binding advisory vote, the company's remuneration policy (excluding the remuneration of the non-executive directors and the members of board committees for their services as directors and members of committees), as set out on **pages 95 to 99** in the remuneration report.

3.2 ADVISORY ENDORSEMENT OF REMUNERATION IMPLEMENTATION REPORT

 To endorse, through a non-binding advisory vote, the company's remuneration implementation report, as set out on **pages 100 to 103** in the remuneration report.

ADDITIONAL INFORMATION IN RESPECT OF ADVISORY ENDORSEMENT OF REMUNERATION POLICY AND IMPLEMENTATION REPORT

The endorsement of the remuneration policy and implementation report is tabled as a non-binding advisory vote, however, the outcome of each vote will be acknowledged when considering the remuneration policy and the implementation thereof. In the event that either the remuneration policy or the implementation report, or both, are voted against by 25% (twenty-five percent) or more of the voting rights exercised, the board will initiate engagement with the relevant shareholders and the outcome thereof will be disclosed in the 2021 integrated report.

4. ORDINARY RESOLUTION NUMBER 2

PLACE 5% (FIVE PERCENT) OF THE AUTHORISED ORDINARY SHARES UNDER THE CONTROL OF THE DIRECTORS

Resolved as an ordinary resolution that 5% (five percent) of the authorised ordinary shares in the company, which equates to 100 000 000 ordinary shares, be and are hereby placed under the control of the directors as a general authority until the forthcoming annual general meeting and that the directors be and are hereby authorised to allot, issue and otherwise dispose of such shares to such person or persons upon such terms and conditions as the directors in their discretion deem fit, subject to the Companies Act, the company's MOI and the JSE Listings Requirements, if and to the extent applicable.

ADDITIONAL INFORMATION IN RESPECT OF ORDINARY RESOLUTION NUMBER 2

Shareholders should note that 5% (five percent) or 100 000 000 of the company's authorised ordinary shares represents approximately 6.5% (six point five percent) of the issued ordinary shares, calculated as at the date of this notice of annual general meeting. As at 30 June 2020 this was valued at approximately R2.9 billion.

5. ORDINARY RESOLUTION NUMBER 3

GENERAL AUTHORITY TO ISSUE ORDINARY SHARES FOR CASH

Resolved, subject to ordinary resolution number 2 being passed, that the board of directors of the company be and are hereby authorised, by way of a renewable general authority, to issue those ordinary shares (including securities convertible into ordinary shares and/or options over ordinary shares) in the share capital of the company under the control of the directors for cash as and when they in their discretion deem fit, subject to the Companies Act, the company's MOI and the JSE Listings Requirements.

The JSE Listings Requirements currently provide, *inter alia*, that:

- » This authority shall be valid until the company's next annual general meeting or for 15 (fifteen) months from the date of this resolution, whichever period is shorter;
- » The ordinary shares must be issued to public shareholders as such term is defined by the JSE Listings Requirements and not to related parties;
- » Securities which are the subject of this authority may not exceed 100 000 000 ordinary shares, being 6.5% (six point five percent) of the number of listed equity securities of the company as at the date of this general meeting, provided that:
  - » Any equity securities issued under this authority during the period must be deducted from the number above;
  - » In the event of a sub-division or consolidation of issued equity securities during the period contemplated above, the existing authority must be adjusted accordingly to represent the same allocation ratio; and
  - » The calculation of the listed equity securities is a factual assessment of the listed equity securities as at the date of the notice of annual general meeting, excluding treasury shares;

- » In determining the price at which an issue of shares may be made in terms of this authority, the maximum discount at which the ordinary shares may be issued is 10% (ten percent) of the weighted average traded price of the company's ordinary shares measured over 30 (thirty) business days prior to the date that the price of the issue is determined or agreed by the directors of the company and the party subscribing for the securities;
- » A paid press announcement giving full details will be published at the time of any issue representing, on a cumulative basis within the period of this authority, 5% (five percent) or more of the number of ordinary shares in issue prior to that issue, in terms of the JSE Listings Requirements; and
- » Any such general issue is subject to exchange control regulations and approval at that time (if and to the extent applicable).

ADDITIONAL INFORMATION IN RESPECT OF ORDINARY RESOLUTION NUMBER 3

Approval for this ordinary resolution is obtained by achieving a 75% (seventy-five percent) majority of the votes cast in favour of this resolution at the annual general meeting by all equity security holders entitled to vote thereon and present or represented by proxy.

6. ORDINARY RESOLUTION NUMBER 4

APPROVAL OF REAPPOINTMENT OF THE AUDITOR

Resolved as an ordinary resolution that, as nominated by the audit and risk committee, PricewaterhouseCoopers Inc. be reappointed as auditor of the company for the financial year ending 30 June 2021 and until the conclusion of the next annual general meeting and that their remuneration for the financial year ending 30 June 2021 be determined by the audit and risk committee.

7. ORDINARY RESOLUTIONS NUMBERS 5.1 TO 5.4

ELECTION OF THE COMPANY’S AUDIT AND RISK COMMITTEE MEMBERS

Resolved, by way of separate ordinary resolutions, that in terms of section 94(2) of the Companies Act, the following persons, who are independent non-executive directors of the company, be and are hereby elected as members of the audit and risk committee with effect from the end of the annual general meeting:

ORDINARY RESOLUTION NUMBER 5.1 – JOHAN PETRUS BURGER (61) (SUBJECT TO THE PASSING OF ORDINARY RESOLUTION NUMBER 1.1)

Independent non-executive director

**Date of appointment:** 30 June 2014

**Educational qualifications:** BCom (Hons) CA(SA)

**Other listed directorships:** FirstRand Limited

ORDINARY RESOLUTION NUMBER 5.2 – SONJA EMILIA NCUMISA DE BRUYN (48)

Independent non-executive director

**Date of appointment:** 8 December 2010

**Educational qualifications:** LLB (Hons) LSE MA (McGill) SFA (UK) Executive Leadership Programme (Harvard)

**Other listed directorships:** Discovery Limited, Remgro Limited and RMB Holdings Limited

ORDINARY RESOLUTION NUMBER 5.3 – PER-ERIK LAGERSTRÖM (56)

Independent non-executive director

**Date of appointment:** 30 June 2014

**Educational qualifications:** BSc (Accounting) MSc (Economics)(London School of Economics)

**Other listed directorship:** RMB Holdings Limited

ORDINARY RESOLUTION NUMBER 5.4 – JAMES ANDREW TEEGER (53) (SUBJECT TO THE PASSING OF ORDINARY RESOLUTION NUMBER 1.7)

Independent non-executive director

**Date of appointment:** 31 March 2018

**Educational qualifications:** BCom BAcc CA(SA) HDip Tax

**Other listed directorship:** RMB Holdings Limited

ADDITIONAL INFORMATION IN RESPECT OF ORDINARY RESOLUTIONS NUMBER 5.1 TO 5.4

 A brief CV of each of the persons nominated above appears on **pages 80 to 83** of the integrated report.

8. ORDINARY RESOLUTION NUMBER 6

SIGNING AUTHORITY

Resolved as an ordinary resolution that each director and/or the company secretary of the company, be and is hereby authorised to do all such things and sign all such documents as may be necessary for, or incidental to the implementation of the resolutions passed at the annual general meeting of the company and set out in this notice.

ADDITIONAL INFORMATION IN RESPECT OF ORDINARY RESOLUTION NUMBER 6

For the sake of practicality, the directors and/or the company secretary of the company must be empowered to enforce the resolutions so passed by the shareholders at this annual general meeting.

9. SPECIAL RESOLUTION NUMBER 1

APPROVAL OF NON-EXECUTIVE DIRECTORS’ REMUNERATION WITH EFFECT FROM 1 DECEMBER 2020

Resolved as a special resolution that in terms of section 66(9) of the Companies Act, the following annual remuneration (excluding value-added tax) of the non-executive directors for their services as directors of the company from 1 December 2020, as set out below, be and is hereby approved:

	Per annum
Board (four meetings per annum)	
– Chairman	<b>R571 500</b>
– Director	<b>R285 700</b>
Audit and risk committee (two meetings per annum)	
– Chairman	<b>R142 900</b>
– Member	<b>R71 400</b>
Social, ethics and transformation committee (two meetings per annum)	
– Chairman	<b>R71 500</b>
– Member	<b>R35 700</b>
Investment committee (per meeting)	
– Chairman	<b>R16 875</b>
– Member	<b>R13 500</b>
Remuneration committee (one meeting per annum)	
– Chairman	<b>R13 500</b>
– Member	<b>R10 800</b>
<i>Ad hoc</i> meetings (per hour)	<b>R4 500</b>

ADDITIONAL INFORMATION IN RESPECT OF SPECIAL RESOLUTION NUMBER 1

The reason for special resolution number 1 is to approve the annual remuneration of the non-executive directors, effective from 1 December 2020.

10. SPECIAL RESOLUTION NUMBER 2

GENERAL AUTHORITY TO REPURCHASE COMPANY SHARES

Resolved that the acquisition by the company, and/or any subsidiary of the company, from time to time of the issued ordinary shares of the company, upon such terms and conditions and in such amounts as the directors of the company may from time to time determine, be and is hereby authorised, but subject to the company’s MOI, the Companies Act and JSE Listings Requirements.

The JSE Listings Requirements currently provide, *inter alia*, that:

- » This authority shall be valid until the company's next annual general meeting, provided that it shall not extend beyond fifteen (15) months from the date of passing this special resolution;
- » Any such repurchase be effected through the order book operated by the JSE Limited trading system and done without any prior understanding or agreement between the company and the counterparty (reported trades are prohibited);
- » A paid press release, giving such details as may be required in terms of the JSE Listings Requirements, be published when the company or its subsidiaries have cumulatively repurchased 3% (three percent) of the initial number of the relevant class of shares, and for each 3% (three percent) in aggregate of the initial number of that class acquired thereafter;
- » A general repurchase may not in the aggregate in any one financial year exceed 10% (ten percent) of the number of shares in the company's issued share capital as at the beginning of the financial year, provided that subsidiaries of the company may not at any one time hold more than 10% (ten percent) in aggregate of the number of issued shares of the company;
- » No repurchases will be effected during a prohibited period as defined in paragraph 3.67 of the JSE Listings Requirements, unless there is in place a repurchase programme where the dates and quantities of securities to be traded during the relevant period are fixed (not subject to any variation) and details thereof have been submitted to the JSE Limited in writing. In this regard, the company will instruct an independent third party, which makes its investment decisions in relation to the company's securities independently of, and uninfluenced by, the company, prior to the commencement of the prohibited period to execute the repurchase programme submitted to the JSE Limited;
- » At any point in time, the company may only appoint one agent to effect repurchases on the company's behalf;
- » A resolution has been passed by the board of directors of the company authorising the repurchase, and the company and its subsidiaries have passed the solvency and liquidity test as set out in section 4 of the Companies Act and that, since the application of the solvency and liquidity test, there have been no material changes to the financial position of the company and the group;
- » In determining the price at which shares may be repurchased in terms of this authority, the maximum premium permitted will be 10% (ten percent) above the weighted average traded price of the ordinary shares as determined over the five (5) business days prior to the date of repurchase; and
- » Any such general repurchase is subject to exchange control regulations and approvals at the point in time, if and to the extent applicable.

ADDITIONAL INFORMATION IN RESPECT OF SPECIAL RESOLUTION NUMBER 2

The board has no immediate intention to use this authority to repurchase company shares. However, the board is of the opinion that this authority should be in place should it become appropriate to undertake a share repurchase in the future.

After having considered the effect on the company of the repurchase contemplated under this general authority, the directors are of the opinion that, and undertake that they will not commence a general repurchase of shares as contemplated above, unless the following can be met:


- » The company and the group will, in the ordinary course of business, be able to pay its debts for a period of 12 months after the date of the repurchase;
- » The assets of the company and the group will be in excess of the liabilities of the company and its subsidiaries for a period of 12 months after the date of the repurchase. For this purpose, the assets and liabilities will be recognised and measured in accordance with the accounting policies used in the audited consolidated annual financial statements for the year ended 30 June 2020;
- » The company's and the group's ordinary share capital and reserves will be adequate for ordinary business purposes for a period of 12 months following the date of the repurchase; and
- » The company and the group will, after such repurchase, have sufficient working capital for ordinary business purposes for a period of 12 months following the date of the repurchase.

For purposes of considering this special resolution and in compliance with section 11.26 of the JSE Listings Requirements, the information listed below has been included in the integrated report in the places indicated:

 Major shareholders – refer **page 132** of the integrated report.

There have been no material changes in the financial and trading position of the company that have occurred since the end of the last financial period for which audited annual financial statements have been published, as set out in the integrated report, of which this notice forms part;

 Share capital of the company – refer **page 112** of the integrated report.

 The directors, whose names are given on **pages 78 to 79** of the integrated report, collectively and individually accept full responsibility for the accuracy of the information given in these notes and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement in these notes false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the notice contains all information required by the JSE Listings Requirements.

11. SPECIAL RESOLUTION NUMBER 3

ISSUE OF SHARES, CONVERTIBLE SECURITIES AND/OR OPTIONS TO PERSONS LISTED IN SECTION 41(1) OF THE COMPANIES ACT FOR THE PURPOSES OF THEIR PARTICIPATION IN A REINVESTMENT OPTION

Resolved that, if and to the extent required in terms of section 41(1) of the Companies Act, but subject to the provisions of the Companies Act, the company's MOI and the JSE Listings Requirements, the directors of the company be and are hereby authorised, as and when they deem appropriate, to allot and issue shares (including securities convertible into shares and/or options over shares) to directors, future directors, prescribed officers, future prescribed officers, persons related or inter-related to the company, or a director or a prescribed officer of the company and/or a nominee of any of the aforementioned persons, for the purpose of affording such persons (as shareholders of the company) an opportunity to participate alongside the company's other shareholders in a reinvestment option or similar corporate action from time to time pursuant to which each of them may elect to reinvest all or part of their dividends in new shares of the company (including securities convertible into shares and/or options over shares).

ADDITIONAL INFORMATION IN RESPECT OF SPECIAL RESOLUTION NUMBER 3

The reason for special resolution number 3 is to enable the company to extend an offer, pursuant to a reinvestment option or similar corporate action, to the class of persons contemplated in section 41(1) of the Companies Act (which includes directors, prescribed officers, persons related or inter-related to the company and/or a nominee of any of such persons). In the absence of the authorisation contemplated in terms of the resolution, such persons would not be eligible to participate, as a shareholder of the company, in a reinvestment option or similar opportunity made available to the company's shareholders.



12. SPECIAL RESOLUTION NUMBER 4

FINANCIAL ASSISTANCE TO DIRECTORS, PRESCRIBED OFFICERS AND EMPLOYEE SHARE SCHEME BENEFICIARIES

Resolved, as a special resolution of the company in terms of section 44 and 45 of the Companies Act, that the directors of the company may, subject to compliance with the requirements of the company's MOI, the Companies Act and the JSE Listings Requirements, when applicable, each as presently constituted and as amended from time to time during the 2 (two) years commencing on the date of this special resolution, authorise the company to provide direct or indirect financial assistance (as contemplated in sections 44 and 45 of the Companies Act) to, *inter alia*, any present or future director or prescribed officer of the company or of a related or inter-related company (as defined in section 2 of the Companies Act) or any employee share scheme beneficiary on such terms and conditions as the directors of the company determine, provided that nothing in this approval will limit the provision by the company of financial assistance that does not require approval by way of special resolution of the shareholders in terms of sections 44 and 45 of the Companies Act or falls within the exemptions contained in these sections.

ADDITIONAL INFORMATION IN RESPECT OF SPECIAL RESOLUTION NUMBER 4

The reason for special resolution number 4 is to grant the directors of the company the authority required by the Companies Act to provide direct or indirect financial assistance through, *inter alia*, the lending of money, guaranteeing of a loan or other obligation and securing any debt or obligation, to directors, prescribed officers of the company or of a related or inter-related company or to employee share scheme beneficiaries.

13. SPECIAL RESOLUTION NUMBER 5

FINANCIAL ASSISTANCE TO RELATED OR INTER-RELATED ENTITIES

Resolved, as a special resolution of the company in terms of section 44 and 45 of the Companies Act, that the directors of the company may, subject to compliance with the requirements of the company's MOI, the Companies Act and the JSE Listings Requirements, when applicable, each as presently constituted and as amended from time to time during the 2 (two) years commencing on the date of this special resolution, authorise the company to provide direct or indirect financial assistance (as contemplated in sections 44 and 45 of the Companies Act) to, *inter alia*, any related or inter-related (as contemplated in section 2 of the Companies Act) company, trust or other entity in the company's group (wheresoever incorporated) on such terms and conditions as the directors of the company determine, provided that nothing in this approval will limit the provision by the company of financial assistance that does not require approval by way of special resolution of the shareholders in terms of sections 44 and 45 of the Companies Act or falls within the exemptions contained in these sections.

ADDITIONAL INFORMATION IN RESPECT OF SPECIAL RESOLUTION NUMBER 5

The reason for special resolution number 5 is to grant the directors of the company the authority required by the Companies Act to provide direct or indirect financial assistance through *inter alia* the lending of money, guaranteeing of a loan or other obligation and securing any debt or obligation, to any related or inter-related company, trust or other entity in the company's group in the ordinary course of business.

14. TO TRANSACT ANY OTHER BUSINESS THAT MAY BE TRANSACTED AT AN ANNUAL GENERAL MEETING

APPROVALS REQUIRED FOR RESOLUTIONS

Ordinary resolutions numbers 1.1 to 1.7, 2, 4, 5.1 to 5.4 and 6 contained in this notice of annual general meeting require the approval of more than 50% (fifty percent) of the votes exercised on each resolution by shareholders present, or represented by proxy, at the annual general meeting.

Ordinary resolution number 3 (general authority to issue shares for cash) and special resolutions number 1 – 5 contained in this notice of annual general meeting require the approval of at least 75% (seventy-five percent) of the votes exercised on each resolution by shareholders present, or represented by proxy, at the annual general meeting.

IMPORTANT NOTICE REGARDING ATTENDANCE AT THE ANNUAL GENERAL MEETING

GENERAL

Shareholders wishing to attend the annual general meeting have to ensure beforehand with the transfer secretaries of the company that their shares are in fact registered in their name.

CERTIFICATED SHAREHOLDERS

Shareholders who have not dematerialised their shares or who have dematerialised their shares with “own name” registration are entitled to attend and vote at the meeting and are entitled to appoint a proxy or proxies to attend, speak and vote in their stead. The person so appointed need not be a shareholder. It is requested that proxy forms be forwarded to reach the company's transfer secretaries, Computershare Investor Services Proprietary Limited at Rosebank Towers, 15 Biermann Avenue, Rosebank (Private Bag X9000, Saxonwold, 2132) or at fax number 011 688 5238 and be received by them no later than 12:00 on Tuesday, 1 December 2020. Any forms of proxy not submitted by this time may nevertheless be submitted to the transfer secretaries before the meeting or handed to the chairman of the annual general prior to the shareholder exercising any rights of a shareholder at the annual general meeting.

DEMATERIALISED SHAREHOLDERS

Shareholders who have dematerialised their shares, other than those members who have dematerialised their shares with “own name” registration, should contact their Central Securities Depository Participant (CSDP) or broker in the manner and time stipulated in their agreement:

- » To furnish them with their voting instructions; and
- » In the event that they wish to attend the meeting, to obtain the necessary authority to do so.

Voting will be by way of a poll and every shareholder of the company present, whether in person or represented by proxy, shall have one vote for every share held in the company by such shareholder.

Shares held by a share trust or scheme, treasury shares and unlisted shares will not have their votes at the annual general meeting taken into account for the purposes of any resolution proposed in terms of the JSE Listings Requirements.

ELECTRONIC PARTICIPATION

Shareholders or their proxies may participate in the annual general meeting by way of a teleconference call, provided that if they wish to do so they must contact the company secretary by email at company.secretary@rmih.co.za by no later than 12:00 on Tuesday, 1 December 2020 in order to obtain a PIN number and dial-in details for that conference call.

Voting by way of teleconference call will only be permitted if the applicable shareholder is represented by a proxy who is physically present at the meeting and in respect of whom a proxy form has been duly submitted in accordance with the provisions contained in this notice of annual general meeting.

Shareholders wishing to participate in this manner are reminded that they will be billed separately by their respective telephone service providers.

PROOF OF IDENTIFICATION REQUIRED

Kindly note that, in terms of section 63(1) of the Companies Act, participants at the meeting (including shareholders and proxies) will be required to provide reasonably satisfactory identification, and the person presiding at the annual general meeting must be reasonably satisfied that the right of any person to participate in and vote (whether as a shareholder or as proxy for a shareholder) has been reasonably verified, before being entitled to attend or participate in a shareholders' meeting.

Acceptable forms of identification include valid identity documents, driver's licences and passports.

## SUMMARY OF SHAREHOLDER RIGHTS

In compliance with the provisions of section 58(8)(b)(i) of the Companies Act, a summary of the rights of a shareholder to be represented by proxy, as set out in section 58 of the Companies Act, is set out below:

- » A shareholder entitled to attend and vote at the annual general meeting may appoint any individual (or two or more individuals) as a proxy or as proxies to attend, participate in and vote at the annual general meeting in the place of the shareholder. A proxy need not be a shareholder of the company.
- » A proxy appointment must be in writing, dated and signed by the shareholder appointing the proxy, and, subject to the rights of a shareholder to revoke such appointment (as set out below), remains valid only until the end of the annual general meeting.
- » A proxy may delegate the proxy's authority to act on behalf of a shareholder to another person, subject to any restrictions set out in the instrument appointing the proxy.
- » The appointment of a proxy is suspended at any time and to the extent that the shareholder who appointed such proxy chooses to act directly and in person in the exercise of any rights as a shareholder.
- » The appointment of a proxy is revocable by the shareholder in question by cancelling it in writing, or making a later inconsistent appointment of a proxy, and delivering a copy of the revocation instrument to the proxy and to the company. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the shareholder as of the later of (a) the date stated in the revocation instrument, if any; and (b) the date on which the revocation instrument is delivered to the company as required in the first sentence of this paragraph.
- » If the instrument appointing the proxy or proxies has been delivered to the company, as long as that appointment remains in effect, any notice that is required by the Companies Act or the MOI to be delivered by the company to the shareholder, must be delivered by the company to (a) the shareholder, or (b) the proxy or proxies, if the shareholder has (i) directed the company to do so in writing; and (ii) paid any reasonable fee charged by the company for doing so.



 Attention is also drawn to the instructions on signing and lodging the form of proxy.

By order of the board of directors.

J. P. H.

Schalk Human

Company secretary

Sandton

28 October 2020

# FORM OF PROXY

Only for use by shareholders who have not dematerialised their shares or who have dematerialised their shares with “own name” registration.

RAND MERCHANT INVESTMENT HOLDINGS LIMITED

Incorporated in the Republic of South Africa  
Registration number: 2010/005770/06  
Share code: RMI ISIN code: ZAE000210688  
(RMI or the company)

For use by shareholders who have not dematerialised their shares or who have dematerialised their shares but with “own name” registration, at the annual general meeting to be held at 12:00 on Thursday, 3 December 2020 in the boardroom, 12th floor, The Bank, corner of Cradock and Tyrwhitt Avenues, Rosebank, 2196 and at any adjournment thereof.

Shareholders who have dematerialised their shares, other than with "own name" registration, must inform their Central Securities Depository, Participant (CSDP) or broker of their intention to attend the annual general meeting and request their CSDP or broker to issue them with the necessary authorisation to attend or they must provide their CSDP or broker with their voting instructions should they not wish to attend the annual general meeting in person.

I/We, the undersigned (name)

of (address)

and (contact number)

the registered holder of

ordinary shares in Rand Merchant Investment Holdings Limited (Registration number 2010/005770/06), hereby appoint:

1. \_\_\_\_\_, of \_\_\_\_\_ or failing him/her

2. \_\_\_\_\_, of \_\_\_\_\_ or failing him/her

3. the chairman of the annual general meeting,

as my/our proxy to be present and act on my/our behalf, speak and on a poll, vote on my/our behalf as indicated below on the ordinary and special resolutions, with or without modification, to be proposed at the annual general meeting of shareholders of the company to be held at 12:00 on Thursday, 3 December 2020 and at any adjournment thereof as follows: (see note 2)

	In favour of	Against	Abstain
<b>Ordinary resolutions numbers 1.1 to 1.7 Re-election of directors:</b>			
1.1 Johan Petrus Burger			
1.2 Lauritz Lanser Dippenaar			
1.3 Paul Kenneth Harris			
1.4 Albertinah Kekana			
1.5 Matsotso Mamongae Mahlare			
1.6 Obakeng Phetwe			
1.7 James Andrew Teeger			
<b>Advisory endorsement of remuneration policy</b>			
<b>Advisory endorsement of remuneration implementation report</b>			
<b>Ordinary resolution number 2:</b> Place 5% of the authorised ordinary shares under the control of the directors			
<b>Ordinary resolution number 3:</b> General authority to issue ordinary shares for cash			
<b>Ordinary resolution number 4:</b> Approval of reappointment of the auditor			
<b>Ordinary resolutions numbers 5.1 to 5.4</b>			
<b>Election of the company's audit and risk committee members:</b>			
5.1 Johan Petrus Burger			
5.2 Sonja Emilia Ncumisa De Bruyn			
5.3 Per-Erik Lagerström			
5.4 James Andrew Teeger			
<b>Ordinary resolution number 6:</b> Signing authority			
<b>Special resolution number 1:</b> Approval of non-executive directors' remuneration with effect from 1 December 2020			
<b>Special resolution number 2:</b> General authority to repurchase company shares			
<b>Special resolution number 3:</b> Issue of shares, convertible securities and/or options to persons listed in section 41(1) of the Companies Act for the purposes of their participation in a reinvestment option			
<b>Special resolution number 4:</b> Financial assistance to directors, prescribed officers and employee share scheme beneficiaries			
<b>Special resolution number 5:</b> Financial assistance to related or inter-related entities			

Signature of registered shareholder (assisted by me as applicable)

Date \_\_\_\_\_

2020



## NOTES

1. A shareholder, who is entitled to attend and vote at the annual general meeting, may appoint one or more proxies to attend, speak and vote in his/her stead. A proxy need not be a shareholder of the company.
2. Every shareholder present in person or by proxy and entitled to vote at the annual general meeting of the company shall, on a show of hands, have one vote only, irrespective of the number of shares such shareholder holds, but in the event of a poll, every ordinary share in the company shall have one vote.
3. Dematerialised shareholders with "own name" registration are shareholders who appointed Computershare Custodial Services as their Central Securities Depository Participant (CSDP) with the express instruction that their uncertificated shares are to be registered in the electronic sub-register of members in their own names.

## INSTRUCTIONS FOR SIGNING AND LODGING THE PROXY FORM

1. A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space/s provided overleaf, with or without deleting "the chairman of the annual general meeting", but any such deletion must be initialled by the shareholder. Should this space be left blank, the chairman of the annual general meeting will exercise the proxy. The person whose name appears first on the proxy form and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow.
2. A shareholder's voting instructions to the proxy must be indicated by the insertion of the number of votes exercisable by that shareholder in the appropriate spaces provided overleaf. Failure to do so shall be deemed to authorise the proxy to vote or to abstain from voting at the annual general meeting as he/she thinks fit in respect of all the shareholder's exercisable votes. A shareholder or his/her proxy is not obliged to use all the votes exercisable by him/her or his/her proxy, but the total number of votes cast, or those in respect of which abstention is recorded, may not exceed the total number of votes exercisable by the shareholder or by his/her proxy.
3. A minor must be assisted by his/her parent or guardian, unless the relevant documents establishing his/her legal capacity are produced or have been registered by the transfer secretaries.
4. The company requests that completed proxy forms be forwarded to reach the company's transfer secretaries, Computershare Investor Services Proprietary Limited at Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 (Private Bag X9000, Saxonwold, 2132) or at fax number 011 688 5238 to be received by no later than 12:00 on Tuesday, 1 December 2020 for administrative purposes only. Proxy forms may only be completed by shareholders who have not dematerialised their shares or who have dematerialised their shares with "own name" registration.
5. Documentary evidence establishing the authority of a person signing this proxy form in a representative capacity must be attached to this proxy form unless previously recorded by the transfer secretaries or waived by the chairperson of the annual general meeting.
6. The completion and lodging of this proxy form shall not preclude the relevant shareholder from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so.
7. The completion of any blank spaces overleaf need not be initialled. Any alterations or corrections to this proxy form must be initialled by the signatory/ies.
8. The chairperson of the annual general meeting may reject or accept any proxy form which is completed other than in accordance with these instructions, provided that he is satisfied as to the manner in which a shareholder wishes to vote.

# ADMINISTRATION

## RAND MERCHANT INVESTMENT HOLDINGS LIMITED (RMI)

Registration number: 2010/005770/06  
JSE ordinary share code: RMI  
ISIN code: ZAE000210688

## DIRECTORS

JJ Durand (chairman), HL Bosman (chief executive officer and financial director), JP Burger, P Cooper, (Ms) SEN De Bruyn, LL Dippenaar, PK Harris, (Ms) A Kekana, P Lagerström, (Ms) MM Mahlare, MM Morobe, RT Mupita, O Phetwe and JA Teegeer

## ALTERNATES

DA Frankel, F Knoetze and UH Lucht

DR Wilson resigned as non-executive alternate director on 1 July 2019 and UH Lucht was appointed as non-executive alternate director on 3 September 2019.

## SECRETARY AND REGISTERED OFFICE

JS Human  
Physical address: 3rd Floor, 2 Merchant Place,  
Corner of Fredman Drive and Rivonia Road, Sandton, 2196  
Postal address: PO Box 786273, Sandton, 2146  
Telephone: +27 11 282 8000  
Telefax: +27 11 282 4210  
Web address: **www.rmih.co.za**

## SPONSOR

(in terms of JSE Listings Requirements)

Rand Merchant Bank (a division of FirstRand Bank Limited)

Physical address: 1 Merchant Place, corner of Fredman Drive and Rivonia Road, Sandton, 2196

## TRANSFER SECRETARIES

Computershare Investor Services Proprietary Limited

Physical address: Rosebank Towers, 15 Biermann Avenue, Rosebank  
Postal address: Private Bag X9000, Saxonwold, 2132  
Telephone: +27 11 370 5000  
Telefax: +27 11 688 5221



**RMI** OPTIMISE  
DIVERSIFY  
MODERNISE

[www.rmih.co.za](http://www.rmih.co.za)