



INTEGRATED
REPORT
2019



RMI

OPTIMISE
DIVERSIFY
MODERNISE

Index

ONE

ABOUT RMI

- 1 Enduring value created
- 3 RMI's investments
- 6 How RMI creates enduring value
- 8 RMI's strategy
- 10 Enduring value material to stakeholders
- 12 Risks and opportunities to creating enduring value

TWO

PERFORMANCE AND OUTLOOK

- 16 Chairman's statement
- 19 Chief executive officer's review
- 24 Key performance indicators
- 25 Financial review
- 29 Value-added statement

THREE

PORTFOLIO OVERVIEW

- 32 Discovery
- 38 Hastings
- 42 Momentum Metropolitan
- 48 OUTsurance
- 52 RMI Investment Managers
- 56 AlphaCode

FOUR

CORPORATE GOVERNANCE AND SUSTAINABILITY

- 60 RMI's view of sustainability
- 67 Corporate governance report
- 74 Directors
- 80 Audit and risk committee report
- 82 Directors' affairs and governance committee report
- 84 Investment committee report
- 85 Nominations committee report
- 86 Remuneration committee report
- 94 Social, ethics and transformation committee report

FIVE

SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

- 98 Directors' responsibility statement
- 99 Declaration by the company secretary
- 100 Directors' report
- 104 Independent auditor's report
- 105 Summary consolidated financial statements

SIX

SHAREHOLDER INFORMATION

- 132 Shareholding
- 133 Performance on the JSE Limited
- 134 Shareholders' diary
- 135 Notice of annual general meeting
- IBC Administration

About the artist in this report

Every year, RMI commissions a distinctive and unique work of art to display at its registered office in Sandton. It acts as a symbol of our commitment to creativity in South Africa.

This year, RMI approached Khayelitsha-born furniture designer **Bonga Jwambi** to create a timber bench in RMI's colours.

32-year-old Bonga is self-taught. He uses plastic strapping, palette wood and nylon rope as materials to form the base of his output, and he has developed an admired ability to take these overlooked waste materials and translate them into clean-lined, contemporary designs, worthy of a place in the modern home.

He has been nominated as one of Design Indaba's Emerging Creatives and featured in magazines such as House and Leisure and VISI. Recently, Bonga became one of only a handful of international designers to be invited to take part in this year's Milan Design Week.



Further information about Bonga can be found on RMI's website www.rmih.co.za.

NAVIGATION WITHIN THIS REPORT



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



Indicates further information available on our website, www.rmih.co.za.



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 2019 was prepared for all its stakeholders, including existing and potential shareholders.

It 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. The report also outlines the process of developing an environmental, social and corporate governance (ESG) sustainability framework which is intended to ensure that the group's value creation remains enduring.

HOW THIS REPORT WAS COMPILED

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.

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
17 October 2019

Enduring value created

for the year ended 30 June 2019

Compound shareholders' return

since listing in 2011

19.7%
per annum

(4%)

Normalised earnings
R4 081
million

(2018: R4 266 million)
(5%) to 266.9 cents per share)

+6%

Dividend
110 cents
per share

(2018: 104 cents per share)

About RMI

RMI is a strategic, value-adding manager of a **R52 billion financial services portfolio**

25.0%



Discovery Limited (Discovery)

29.9%



Hastings Group Holdings plc (Hastings)

27.3%



Momentum Metropolitan Holdings Limited (Momentum Metropolitan)

89.1%



OUTsurance Holdings Limited (OUTsurance)

100%



RMI Investment Managers Group Proprietary Limited (RMI Investment Managers)

100%



AlphaCode Proprietary Limited (AlphaCode), with its next-generation investments:

- Entersekt Proprietary Limited (Entersekt)
- Merchant Capital Advisory Services Proprietary Limited (Merchant Capital)
- Prodigy Investments Limited (Prodigy)
- Luno Limited (Luno)

 RMI's effective interests in these group entities are different from the actual interests due to consolidation adjustments in respect of treasury shares. See **page 119**.

RMI is a JSE-listed investment holding company with a proud track record of **investing in dynamic and entrepreneurial financial services businesses.**

The group's long-term performance has been achieved by **partnering with exceptional management teams.**

RMI positions itself as a **value-adding, stable and aspirational shareholder.**



RMI's investments

RMI's significant investments as at 30 June 2019

	 Discovery	 Hastings	 Momentum Metropolitan	 OUT SURANCE
Listed or unlisted	JSE-listed	LSE-listed	JSE-listed	Unlisted
MARKET CAPITALISATION/ IMPLIED VALUE (100%)	R98.2 billion	R23.1 billion	R28.4 billion	R24.6 billion
RMI'S INTEREST	25.0%	29.9%	27.3%	89.1%
RMI'S RANKING AS SHAREHOLDER	1st	1st	1st	1st
MARKET VALUE/ IMPLIED VALUE OF RMI'S INTEREST	R24.6 billion	R6.5 billion	R7.6 billion	R21.9 billion
SHARE OF RMI PORTFOLIO BASED ON VALUE	40%	11%	13%	36%
NORMALISED EARNINGS (100%)	R5 035 million	R1 941 million	R3 074 million	R2 390 million
EMPLOYEES	12 950	3 400	15 885	5 411

Listed investments



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

It operates in 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 delivers superior actuarial dynamics for the insurer and a healthier society.

Refer to **page 32** 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 2.8 million live client policies and is a multi-award-winning business.

Refer to **page 38** 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 was previously listed as MMI Holdings.

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 42** for further information on Momentum Metropolitan and its performance, strategy and outlook.

Unlisted investments



OUTsurace provides short- and long-term insurance products in South Africa and short-term insurance products in Australia, New Zealand 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 48** for further information on OUTsurace 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, as well as specialist investment teams.

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. It acquires equity stakes in either existing or new asset management firms with a strong and unrelenting focus on diversity.

Refer to **page 52** 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;
- **Merchant Capital**, a provider of alternative sources of working capital for small and medium enterprises in South Africa;
- **Prodigy**, an international fintech platform that offers loans to postgraduate students attending top universities; and
- **Luno**, who 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.

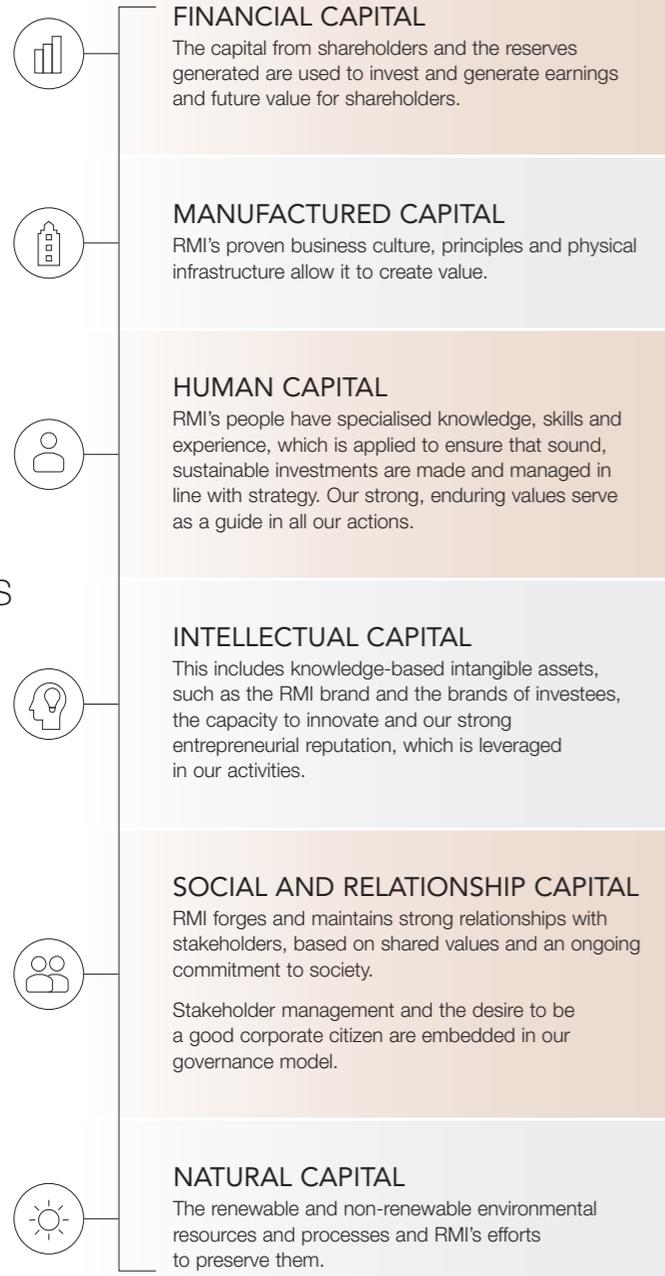
AlphaCode is actively seeking to fund new and dynamic, sustainable and scalable business models in the financial services industry.

AlphaCode 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 56** for further information on AlphaCode.

How RMI creates enduring value

Inputs



Business activities – which are driven by three strategic initiatives:



The operating environment

- A more stable political environment;
- Stable inflation and interest rates;
- Continued high unemployment rates; and
- A lack of growth.

Outputs

HOW VALUE IS CREATED	ENDURING VALUE CREATED
RMI has a moderate risk profile, contributing to a strong, stable financial sector.	Market capitalisation R52 billion (down 9%) Normalised earnings R4 081 million (down 4%) Dividend 110 cents per share (up 6%)
Comprehensive footprint, both locally and internationally.	
Our purpose, strategy, values and principles form our culture. We aim to attract, develop and retain the best people by creating a culture of excellence. We continue to make progress in the area of diversity.	37 700 people gainfully employed by investees
The company actively pursues ways to offer its financial expertise, including sharing sector-specific knowledge and promoting social entrepreneurship.	Strong, reliable brands and reputation AlphaCode development hub International recognition
RMI continues to monitor and address the public's trust in us and the economy. By actively engaging stakeholders through dialogue and acting on material issues raised, we continue to strengthen our relationships.	Long-standing reputation for ethical values R17 billion in economic value created See page 29.
RMI and its investees foster sound environmental policies.	

Outcomes

VALUE SHARED

INVESTORS Sustainable dividend and capital (share price) growth. Dividend yield 3.2% Compound shareholders' return since listing in 2011 19.7%
CLIENTS AND SUPPLIERS Meeting the needs of the modern consumer.
EMPLOYEES We continue to challenge and develop our people and their skills.
INVESTEES RMI's collective skills, experience and resources unlock value in investees.
SOCIETY AT LARGE RMI is contributing to confidence in the economy and faith in trusted leadership.
THE ENVIRONMENT RMI embraces sustainable, environmentally-friendly business practices.

RMI's strategy

RMI's aim is to be a value-adding active enabler of leadership and innovation in financial services.

VISION

Our objective is to create a portfolio of dynamic businesses which are market leaders and can deliver sustainable earnings, an attractive dividend yield and capital growth. Hence, we pursue opportunities in the changing financial services landscape which meet our stringent criteria and strong, enduring values.

CULTURE AND VALUES

A values-driven culture is integral to RMI's success and long-term sustainability. We are therefore committed to ensuring that the principles of good corporate governance and ethical business practice are applied consistently in interactions with all stakeholders and in a way that upholds our values, which have been formed over decades and should stand us in good stead for the future.

RMI has an "owner-manager" culture, which is shared in every business in which we are invested.

We subscribe to a set of values which seeks to foster integrity, innovation, individual empowerment and personal accountability.

INVESTMENT POLICY AND MANAGEMENT

RMI's aim is to add enduring value by being an active enabler of leadership

and innovation in financial services. It acquires meaningful interests with significant influence in industry-changing businesses that can deliver superior earnings, dividends and capital growth over the long term.

RMI manages its investments on a decentralised basis and its involvement is concentrated mainly on being an influential shareholder and providing support rather than being involved in the day-to-day management of investees. The board considers it in the best interests of all the parties concerned to respect the decentralised business model and the fact that the business is conducted in separate legal entities.

The support provided to investees is either in the form of strategic, financial and managerial support or the unlocking of value by means of creating the environment for possible deal-making.

As a significant shareholder of its investees, RMI also exercises its shareholder rights to ensure, as far as possible, that investees adhere to all requirements in respect of matters such as governance, internal controls, financial management, risk management, legal compliance, safety, health and environmental management, internal audit, ethics management, information management, stakeholder relationships and sustainability.

RMI partners with management in formulating a long-term strategy and capital allocation plan and providing the necessary stability in the shareholder base of investee companies.

Management is empowered to execute this strategy.

On a selective basis, RMI may consider investments in businesses where partnerships with entrepreneurial and dynamic management teams can add value to its shareholders.

Investments with the following attributes will be of interest:

- Financial services and related industries;
- The ability to form a partnership between the investment, RMI and its current investees;
- Unlisted;
- Digitally-oriented;
- An ability and possibility for RMI to add value; and
- Relevance in terms of the size of the enterprise and its shareholding.

On a case-by-case basis, RMI will assess whether investments are optimally housed in RMI or one of its existing investee companies.

From RMI's vantage point, it has an up to date view on the fundamental value of its investments. As such, RMI consistently and dynamically evaluates the ability to realise at least the fundamental value of its investments via corporate activity such as IPOs, market placings, M&A and disposals. Conversely and similarly, RMI also evaluates whether it is optimal to increase its stake in its existing investments at values below fundamental value.

VALUE CREATION

RMI has consistently measured its performance in terms of normalised earnings, which adjusts headline earnings to eliminate non-operational items and accounting anomalies.

 For the detailed calculation of normalised earnings in respect of the current and prior year, refer to **page 25**.

The true value created is measured in terms of capital growth, which reflects the growth in the underlying value of our investments.

The mature businesses in RMI's portfolio are all businesses that applied innovation and fresh thinking in established industries to change the way things are done. RMI partners with smart people who have all created financial services businesses that have rewritten the rule books in their sectors.

Since changing its strategy in 2014 to become a more active investment holding company, RMI has had a stated intention to utilise its balance sheet gearing capacity to add to its existing portfolio of significant stakes in financial services companies.

The most significant investment added since activating the portfolio is the investment in Hastings during the 2017 financial year. This investment is consistent with RMI's investment mandate and style, which focuses on high-quality companies offering long-term growth prospects, led by empowered and aligned management teams. Furthermore, the investment in Hastings enhanced the geographic diversification of the portfolio into the large and competitive UK short-term insurance market. The opportunity for collaboration between OUTsurance and Hastings is also a significant enhancement

to the overall investment proposition. OUTsurance and Hastings employ similar business models, particularly in relation to dynamic and analytical approaches to risk underwriting and the use of modern direct distribution channels.

Smaller investments have been made in various asset managers by RMI Investment Managers and in next-generation financial services businesses by RMI's AlphaCode initiative. These investments have contributed to the diversification and modernisation of the investment portfolio, which, although small at present, could contribute significantly to future value creation.

INVESTMENT PARAMETERS

RMI's focus for new investments in future will be predominantly in South Africa, the United Kingdom and Australia, with a bias for unlisted, emerging markets and property and casualty (P&C) insurance investments.

RMI has set itself a target of a total maximum investment of approximately R1 billion in asset management and R1.5 billion in next-generation investments.

DIVIDEND POLICY

It is RMI's objective to provide shareholders with a consistent annual dividend flow.

RMI's dividend policy is to pay out all normal dividends received from underlying investments after servicing any funding commitments at holding company level and considering its debt capacity and investment pipeline. In future, the intention will be to, where possible, target dividend growth in line with the consumer price index (CPI). The policy seeks to achieve a sound balance between providing an attractive yield to shareholders and achieving sustained growth while remaining agile.

Given RMI's active investment strategy, this policy will be assessed on a regular basis.

	Optimise	RMI focuses on continuously improving the value of its investee companies to create better enduring value for its shareholders.
	Diversify	RMI is constantly evaluating opportunities to expand the services and reach of its existing investee companies and to add new investments, thereby creating more enduring value.
	Modernise	RMI is well aware of renewal in its industries and will acquire proven businesses or invest in start-ups with special opportunities and drivers, which can create new enduring value.



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*	EMPLOYEES	CLIENTS	SUPPLIERS	MEDIA	COMMUNITIES <small>in which investees operate</small>	ENTREPRENEURIAL DEVELOPMENT HUB <small>(AlphaCode)</small>	GOVERNMENT AND REGULATORY BODIES**
THEIR MATERIAL REQUIREMENTS	<ul style="list-style-type: none"> • Clear growth strategy • Solid operational performance, irrespective of volatility in macro-economic environment • Long-term sustainable growth • Optimal corporate structure 	<ul style="list-style-type: none"> • Being encouraged to innovate • Open and honest feedback 	<ul style="list-style-type: none"> • Trust • Future-proof products and solutions • Value-for-money • Protection of information 	<ul style="list-style-type: none"> • Fair treatment • Broad-based black economic empowerment (B-BBEE) 	<ul style="list-style-type: none"> • Sharing expert knowledge • Transparent performance reporting 	<ul style="list-style-type: none"> • Financial inclusion • Enterprise development • Win-win 	<ul style="list-style-type: none"> • Mentorship • Financial investment • Business support and advice 	<ul style="list-style-type: none"> • Open and honest relationship and communication • Adherence to laws • Paying taxes
RMI'S INTERACTION AND STRATEGIC RESPONSE	<p>RMI communicates with shareholders through SENS and when it announces interim and year-end results. This is accompanied by comprehensive reports, which are sent to all shareholders.</p> <p> RMI's interim and final results announcements are accessible on the company's website www.rmih.co.za.</p> <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. 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>Engagement with the media is open, honest and based on facts. A trustworthy relationship has been established with the media.</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 long-term sustainable capital growth.</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>

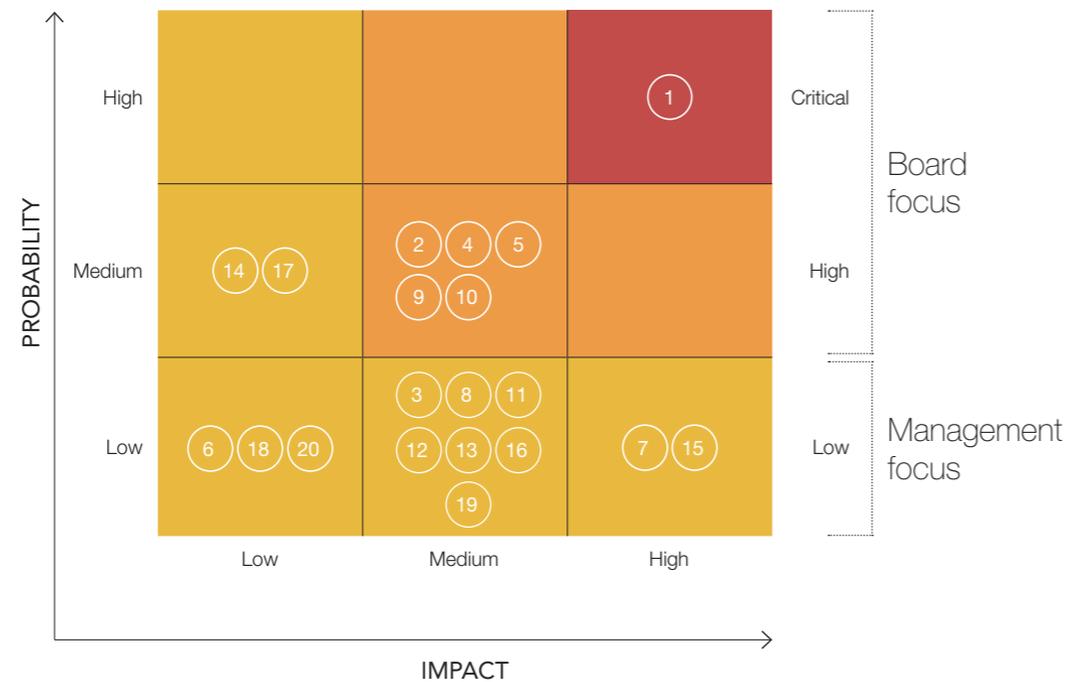
* Including present and potential future investors

** Including the SA Reserve Bank, JSE, Financial Services Conduct Authority and South African Revenue Service.

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 residual risks facing RMI are reflected on this heat map:



The numbers on the heat map correspond with the table alongside.

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.

	RISK	POSSIBLE IMPACT ON ENDURING VALUE CREATION OR PRESERVATION	STRATEGIC RESPONSE IN MITIGATION
EXTERNAL RISKS	Risks associated with external factors such as economic, political or legislative change		
	1 SOVEREIGN RISK	Impact of country downgrades on the equity market	<ul style="list-style-type: none"> Constructive engagement with "SA Inc" and its stakeholders Geographical diversification Systematic monitoring of macro-economic environment
	2 REGULATORY RISK	Inadvertent and unintentional non-compliance may cause significant loss	<ul style="list-style-type: none"> Proactive engagement on legislative and regulatory changes
	3 TAX RISK	Unanticipated tax arising from strategic decisions or from unexpected changes in tax legislation may cause significant loss	<ul style="list-style-type: none"> Advice from independent tax specialists
STRATEGIC RISKS	4 COMPETITOR RISK	Disruptive technologies cause pressure to adapt investee base, product offerings, processes, systems and policies	<ul style="list-style-type: none"> Optimisation, diversification and modernisation
	5 GROUP STRUCTURE	Group structure preventing maximum shareholder value creation	<ul style="list-style-type: none"> Regular review of the group structure
	6 OWNERSHIP STRUCTURE	Concentrated shareholding could cause illiquidity	<ul style="list-style-type: none"> Regular review of top 20 shareholders and tracking of free flow of RMI shares
	7 REPUTATIONAL RISK	The risk that an action, event or transaction may compromise the brand	<ul style="list-style-type: none"> Protecting and enhancing the brand and reputation with the highest ethical standards
	8 INDEPENDENCE AND CONFLICT OF INTEREST	The possibility that a decision of the board could be seen as prejudiced and conflicted	<ul style="list-style-type: none"> Delegation of authority in place Declarations of interest
FINANCIAL RISKS	9 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	<ul style="list-style-type: none"> Proper understanding of the businesses of the investee companies Appropriate RMI representatives on the boards of investee companies
	10 PORTFOLIO RISK	The portfolio may have a particular exposure to certain industrial sectors, geographic areas or regulations	<ul style="list-style-type: none"> Systematic portfolio reviews Diversification of the portfolio Regular meetings with investees and representation on their boards of directors
	11 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	<ul style="list-style-type: none"> Monthly forecasting and reporting to determine liquidity requirements
	12 UNDERWRITING RISK	The unpredictable nature of insurance business can affect long-term sustainability	<ul style="list-style-type: none"> Documented underwriting risk policy monitored closely and regularly
	13 COUNTERPARTY DEFAULT RISK	Reinsurance arrangements are very important, especially during extreme weather events	<ul style="list-style-type: none"> Reinsurance treaties with reputable reinsurers and diversification among multiple reinsurers
OPERATIONAL RISKS	14 HUMAN RESOURCE RISK	The ability to find and retain the human resources required to ensure that the business operates effectively and achieves its objectives	<ul style="list-style-type: none"> The remuneration policy and operating environment are designed to attract and retain skills and talent A code of conduct and board charter
	15 DISASTER RECOVERY AND BUSINESS CONTINUITY	The risk of the business being unable to operate due to an unforeseen event or disaster	<ul style="list-style-type: none"> A comprehensive business continuity plan has been developed and tested Alternative facilities available
	16 TREASURY RISK	Any loss of control over cash inflows, outflows and investments in money market instruments	<ul style="list-style-type: none"> Limits, rules, formal delegations of authority and segregation of duties in place
	17 INFORMATION TECHNOLOGY (IT) RISK	The risk of IT disruption, breach of information security and cyber attacks	<ul style="list-style-type: none"> Numerous policies, processes and systems in place to ensure the continuity and stability of systems and the security of data
	18 PROCESS AND SYSTEMS RISK	Exposure to potential losses caused by internal shortcomings and/or failures	<ul style="list-style-type: none"> Reviews by internal audit, quality assurance and risk management functions
	19 FRAUD RISK	Losses caused by insurance-related fraud, dishonesty, collusion and unauthorised activities	<ul style="list-style-type: none"> Significant prevention and detection measures in place
	20 INEFFECTIVE FINANCIAL REPORTING	The risk that financial information is not prepared timeously and complete	<ul style="list-style-type: none"> Financial results reviewed internally, then by the audit and risk committee and the board of directors External audit

TWO

Performance
and outlook

Chairman's statement



Jannie Durand, Chairman

COMMITMENT TO ENDURING VALUE CREATION

RMI is committed to creating long-term value for its stakeholders by investing in and remaining influential in businesses that can deliver capital growth and steady dividend flow. By being a shareholder of influence, RMI can enable sustainable growth and bring and hold businesses together. RMI invests with a view to long-term involvement. Our investment decisions are influenced by the external environment.

EXTERNAL ENVIRONMENT

RMI's external environment is characterised by the following trends:

Fragile signs of growth	South Africa's economy grew 3.1% in the quarter ending June, driven by a buoyant mining sector from a major rally in metal prices and gold trading at its highest level in six years. The economy was, however, still only 0.9% bigger than a year before. While the country avoided a recession, the outlook for the economy remains bleak. Investment levels remain subdued.
Credit negative Eskom bailout	Eskom's bailout by the South African government will result in higher budget deficits and overall debt. The shortfall will need to be financed through increased borrowing, higher taxes and/or non-core asset sales. Moody's, the only agency with South Africa's sovereign credit rating still at investment grade, warned that the planned bailout is credit negative.
Tax revenue undershoots	Total gross tax revenue receipts are running significantly below expectations. This is indicative of a weak performing economy.
Worsening levels of unemployment	The unemployment rate increased to a multi-year high of 29% in the second quarter of 2019.
Inflation at midpoint of SARB target	Headline consumer inflation, measured by the consumer price index (CPI), remained unchanged at 4.5% year-on-year in June 2019. Factory-gate inflation, measured by the producer price index (PPI), moderated further to 5.8% year-on-year in June, from 6.5% in April and 6.4% in May.
Easing interest rates	In July, the Monetary Policy Committee of the South African Reserve Bank (SARB) reduced the repo interest rate by 25 bps to 6.50%, with the prime rate declining to 10.00%. This was due to global growth concerns, the continued deterioration in local growth outlook, low inflation and a further decline in inflation expectations. It reverses the 25 bps rate hike in November 2018.
Rand remains under pressure	The Rand remains under pressure due to rising risk aversion amid lingering international factors such as the ongoing USA-China trade war. Domestically, fears regarding the impact of Eskom's debt on the fiscus weigh on the currency.
UK GDP contracts in second quarter	UK GDP contracted unexpectedly for the first time in almost seven years in the second quarter of 2019 as stockpiling activity slowed and Brexit uncertainty intensified. The contraction was driven by a sharp drop in manufacturing output. It is expected that growth will remain weak due to ongoing Brexit uncertainty.

This external environment is volatile and poses significant downside risk. Consumers are under pressure, which makes growing the underlying investments in the group challenging.

 The group results are discussed in the chief executive officer's review, starting on **page 19**.

MAJOR MILESTONES

 <p>OPTIMISE</p>	<ul style="list-style-type: none"> Increased shareholding in OUTsurance and Momentum Metropolitan (via the share buy-back programme of Momentum Metropolitan); Exploration of new products and strategic projects to diversify revenue streams for OUTsurance; Ongoing strategic dialogue with Discovery, Momentum Metropolitan and Hastings; and 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.
 <p>DIVERSIFY</p>	<ul style="list-style-type: none"> Supported Discovery in diversifying into banking and participated in Discovery's vendor placement; RMI Investment Managers acquired the following interests during the year: <ul style="list-style-type: none"> – 15% in Perpetua Investment Management; and – 31% in Visio Fund Managers through Royal Investment Managers; RMI Investment Managers restructured the existing Granate Asset Management business by facilitating the addition of a multi-asset capability; and RMI continues to evaluate later-stage, capital-lite business models with organic growth potential.
 <p>MODERNISE</p>	<ul style="list-style-type: none"> Ongoing substantial investment by Discovery, Hastings, Momentum Metropolitan and OUTsurance in latest technology; AlphaCode has established itself as a centre of fintech excellence in South Africa and a source of innovation and next-generation thinking for the broader RMI portfolio; and Pipeline of potential future investment opportunities created.

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

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
10 September 2019

Chief executive officer's review



Herman Bosman, Chief executive officer



OVERVIEW OF RESULTS

RMI's group consolidated normalised earnings decreased by 4% to R4.1 billion for the year ended 30 June 2019. This result is mainly attributable to the significant increase in spend on new strategic initiatives, an increase in the claims ratio of the short-term insurance operations and the substantial investment in new business growth activities at OUTsurace.

Discovery's normalised headline earnings decreased by 7% for the year ended 30 June 2019 to R5 billion, a consequence of a significant planned increased investment in new strategic initiatives and an unexpected spike in large Discovery Life claims in the first half of the year. For the first half of the year, this increased investment and spike in large mortality claims resulted in a reduction in normalised headline earnings of 16%. Underlying business performance continued to be strong with businesses in each phase of the growth engine tracking well:

- Established businesses are robust and increased operating profit by 3%, impacted by volatility in Discovery Life claims, while continuing to demonstrate strong business fundamentals;
- Emerging businesses are scaling satisfactorily and performed extremely well over the year, continuing their growth trajectory and achieving an operating profit growth of 94% to R422 million; and
- New businesses were largely within budget and are gaining traction. The significant investment in new initiatives of 21% of group earnings to R1.3 billion was above target, but in line with budget. The most notable of these investments was Discovery Bank, which launched in November 2018 for beta testing with a public roll-out in June 2019.

New business annualised premium income increased by 13% to R18.3 billion. Embedded value grew by 9% on an annualised basis to R71.2 billion. Performance of cash and capital metrics was pleasing, with the cash buffer increasing to R4.4 billion and the financial leverage ratio improving to 23.3%.

RMI included normalised earnings of R552 million from **Hastings** for the year ended 30 June 2019. Hastings announced its interim results for the six months ended 30 June 2019 on 7 August 2019. Gross written premiums increased by 3% to £499.2 million compared to the six months ended 30 June 2018 of £485.6 million. The adjusted operating profit after tax decreased by 43% to £59.7 million (2018: £105.1 million) as a result of market rate reductions, claims inflation continuing ahead of earned premium inflation, combined with legislative changes which increased underwriting levies. If the impact of the Ogden rate change in the current period and the VAT recovery in the prior period is excluded, adjusted operating profit decreased by 25% from £90.5 million to £68.1 million. The claims ratio of 81.1% (79.1% before the Ogden rate change) was above the target range of 75% to 79%. Hastings recorded a sustained increase in clients, with live client policies increasing by 4% to 2.81 million and market share growing to 7.8% of the UK private car insurance market. The retention rate improved by five percentage points from 30 June 2018 following the roll-out of new renewal pricing models and operational initiatives. The Solvency II coverage ratio eased to 160% (2018: 171%) and the net debt leverage multiple to 1.5 times adjusted operating profit (2018: 1.1 times). As in the prior year, Hastings declared an interim dividend of 4.5 pence per share.

Momentum Metropolitan reported steady progress with the three-year reset and grow strategy announced a year ago. It delivered diluted normalised headline earnings of R3.1 billion for the year. This represents an increase of 53% on the prior year. The financial results for the comparative year were impacted by large negative operating basis changes and investment variances across the South African retail businesses and the rest of Africa. Excluding the impact of operating basis changes and investment variances in both years, normalised headline earnings improved by 21% year-on-year. The solid results were underpinned by resilient operational performance in most businesses, supported by efficiency improvements and good underwriting

results across the group. The results were somewhat muted by investments in strategies for future growth as well as an increase in losses on new initiatives, albeit in line with business plans. Momentum Metropolitan reinstated dividends with an ordinary dividend of 70 cents per ordinary share for the 2019 financial year, following the successful completion of a R2 billion share buy-back programme in November 2018. Momentum Metropolitan's capital position remains strong, with a solvency capital requirement (SCR) cover of 1.7 times, towards the higher end of the group's target cover range of 1.45 to 1.75 times.

Normalised earnings from **OUTsurace**, including its shareholding in Hastings, decreased by 13% to R2.6 billion, mainly due to higher claims and cost ratios across the group, coupled with a lower earnings contribution from its investment in Hastings. Excluding Hastings, normalised earnings decreased by 9% to R2.4 billion. The cost-to-income ratio increased from 25.6% to 28.3%. During 2019, the management team made significant investments in marketing and acquisition capability to drive profitable top line growth and build the necessary capacity to support the face-to-face distribution strategy of OUTsurace Business. As a result, annualised new business premium written increased by 27%. In addition, over the past two years, significant investments have been made to bolster data analytics, information technology and risk and compliance capacity necessitated by the changing regulatory, technology and competitive landscape. As expected and communicated during the interim results, the claims ratio increased (from 49.8% to 51.1%), driven by specific pricing actions and higher natural perils claims. In 2018, Youi experienced unusually low natural perils claims. This trend reversed in 2019 with notably higher weather-related claims.

RMI Investment Managers is now in its fourth year of operations, with its financial performance tracking in line with management's expectations of investments in affiliates at such an early stage of development.

The past 12 months have been a very challenging time for the South African investment market and asset management industry broadly. Despite the JSE All Share Index ending the period up 4.42%, its performance lagged cash (7.27%), bonds (11.50%) and inflation (4.5%). Global equities and emerging market equities also disappointed, delivering 4.97% and 3.27% respectively over the past year.

Notwithstanding the challenging political and macro-economic conditions, the affiliate managers remained focused on delivering good investment performance for their clients while continuing to strengthen their businesses through a more diversified client base and bolstering their investment and operational capabilities. During the past year, 69% of the affiliate retail portfolios were in the first or second quartiles of their respective ASISA (Association for Savings and Investment South Africa) categories. It was also pleasing to see boutique investment management firms in general outperform their more established competitors.

The financial year coincided with a difficult asset raising environment. South African institutional assets remained stagnant with negative net flows, whereas retail portfolios were net flow positive, with risk-averse money market and fixed income portfolios being the biggest beneficiaries. The affiliates gained R5.4 billion of assets under management (AUM) during the 2019 financial year. RMI Investment Managers' combined portfolio AUM at year-end was R157 billion.

Royal Investment Managers is a joint venture between RMI Investment Managers and Royal Bafokeng Holdings (RBH). The portfolio performed in line with expectations during the year.

The four **AlphaCode** investments, being Entersekt, Merchant Capital, Prodigy and Luno, all performed in line with expectations.

Funding and holding company costs amounted to R680 million, compared to R684 million in the prior year. RMI repaid R1.1 billion in debt from its surplus cash resources during the 2019 financial 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 investee companies for the year under review are listed in the table below:

R MILLION	For the year ended 30 June		
	2019	2018	% change
Discovery	5 035	5 401	(7)
Hastings	1 941	2 758	(30)
Momentum Metropolitan	3 074	2 003	53
OUTsurace (excluding Hastings)	2 390	2 639	(9)
– OUTsurace (including Hastings)	2 634	3 012	(13)
– Hastings included in OUTsurace	(244)	(373)	35
Other ¹	(22)	(25)	12

1. Other includes RMI Investment Managers and AlphaCode investments.

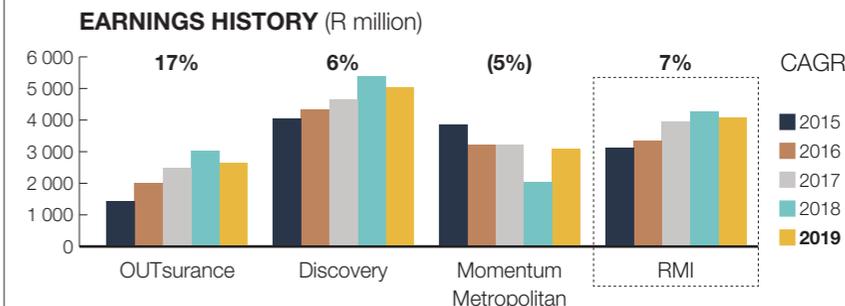
A detailed reconciliation between reported headline earnings and normalised earnings has been provided in the annual financial statements of the respective investee companies. The annual financial statements of these investee companies are available on their respective websites.

RMI's consolidated normalised earnings for the year under review are listed in the table below:

R MILLION	For the year ended 30 June		
	2019	2018	% change
Discovery	1 261	1 356	(7)
Hastings	552	778	(29)
Momentum Metropolitan	825	508	62
OUTsurace (excluding Hastings)	2 145	2 333	(8)
– OUTsurace (including Hastings)	2 364	2 661	(11)
– Hastings included in OUTsurace	(219)	(328)	33
Other ¹	(22)	(25)	12
Funding and holding company costs	(680)	(684)	1
Normalised earnings	4 081	4 266	(4)
Normalised earnings per share (cents)	266.9	281.5	(5)

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 25.



MARKET VALUE OF INVESTMENTS

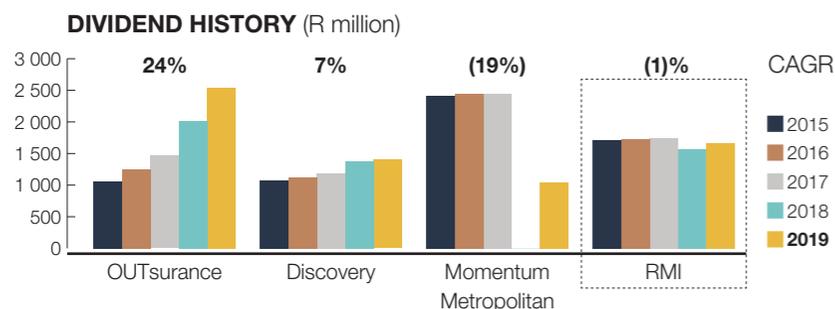
RMI's share price decreased by 9% (2018: decreased by 4%), compared to a 12% increase in the life insurance index (2018: increased by 14%) and a 9% increase in the non-life insurance index (2018: increased by 23%). RMI has delivered a total annual compound return to shareholders of 19.7% since its listing in March 2011.

The individual investment performances during the 2019 financial year are outlined below:

- **Discovery's** share price increased by 1% (2018: increased by 15%);
- **Hastings'** share price decreased by 23% in Pound Sterling terms (2018: decreased by 19%) and by 24% in Rand terms (2018: decreased by 14%); and
- **Momentum Metropolitan's** share price increased by 7% (2018: decreased by 13%).

On a "look-through" basis, based on share prices as at 30 June 2019, the value attributed to RMI's unlisted investments decreased by 16% (2018: decreased by 9%) to R22.9 billion (2018: R27.2 billion). These unlisted investments include OUTsurance (excluding OUTsurance's 49% stake in the group's holding in Hastings) (89.1% held), RMI Investment Managers (100% held) and the AlphaCode investments.

R MILLION	2019 Audited	2018 Audited	% change
Market value of listed investments	38 726	39 540	(2)
Discovery	24 575	23 887	3
Hastings (RMI's effective holding)	6 543	8 566	(24)
– 29.9% holding	6 912	9 072	(24)
– Attributable to non-controlling interests of OUTsurance	(369)	(506)	27
Momentum Metropolitan	7 608	7 087	7
Market value of unlisted investments	22 948	27 195	(16)
RMI Investment Managers and AlphaCode	1 035	834	24
Implied market value of RMI's stake in OUTsurance (excluding Hastings)	21 913	26 361	(17)
Gross market value of portfolio	61 674	66 735	(8)
Net liabilities of holding company	(9 638)	(9 709)	(1)
RMI market capitalisation	52 036	57 026	(9)
RMI closing price per share (cents)	3 397	3 745	(9)



EVENTS AFTER THE REPORTING PERIOD

RMI increased its investment in Prodigy Finance to 13.1% and acquired a 25.1% equity stake in Guidepost, a high-touch health and insurtech innovator that is poised for international growth.

RMI Investment Managers restructured the existing Granate Asset Management (Granate) business by facilitating the addition of a multi-asset capability. Through this transaction RMI Investment Managers decreased its interest in Granate to a 30% stake with staff holding the balance.

FINAL DIVIDEND FOR THE 2019 FINANCIAL YEAR

Momentum Metropolitan successfully completed its R2 billion share buy-back programme during the year under review, which contributed to the increase in its embedded value per share to R27.48. Shares were bought back at an average price of R18.94 per share. Momentum Metropolitan has resumed dividend payments at the interim reporting stage and has declared a 35 cents per ordinary share final dividend, resulting in a total dividend for the year of 70 cents per ordinary share. The dividend cover of 2.9 times normalised headline earnings is at the upper limit of the target dividend cover range of 2.0 to 3.0 times normalised headline earnings.

The board believes RMI is adequately capitalised and that the company will be able to meet its obligations in the foreseeable future after payment of the final dividend declared below.

The board resolved to declare a final dividend of 65.0 cents (2018: 65.0 cents) per ordinary share. The total dividend for the year of 110.0 cents per ordinary share (2018: 104.0 cents per ordinary share) is covered 2.4 times (2018: 2.7 times) by normalised earnings of 266.9 cents (2018: 281.5 cents) per ordinary share.

To support investment activity, the board will continuously assess RMI's dividend policy through its investment phase and may, if appropriate, reinstate the scrip distribution alternative and the reinvestment option offered to shareholders during previous dividend cycles. Given RMI's current investment pipeline and share price, the board decided to declare a cash dividend to shareholders.

OUTLOOK AND FUTURE VALUE CREATION

The investment team continues to investigate both local and global potential investment opportunities that conform to RMI's investment philosophy and generate superior returns for shareholders.

In addition to optimising its existing portfolio, RMI plans to diversify and modernise its investment portfolio through opportunities across a wide spectrum of scale and life cycles of financial services businesses.

OPTIMISE

OPTIMISATION OF OUR ESTABLISHED INVESTMENTS
RMI will continue its strategic dialogue and activity across the portfolio. It will assist in creating leadership, stability and succession planning.

DIVERSIFY

DIVERSIFICATION OF INCOME STREAM AND DISTRIBUTION OF ASSETS
RMI will evaluate expanding its geographic footprint further, either independently and/or through the existing portfolio.

MODERNISE

MODERNISATION
RMI will continue to identify new businesses, technologies and industry trends to complement RMI and its investee companies.

Herman Bosman
Chief executive officer

Sandton
10 September 2019

Key performance indicators

		2015	2016	2017	2018	2019	% change for 2019	5-year % CAGR ¹
Equity	R million	18 083	19 726	20 490	23 704	26 141	10	10
Normalised earnings	R million							
Discovery		4 027	4 312	4 656	5 401	5 035	(7)	6
Momentum Metropolitan		3 836	3 206	3 208	2 003	3 074	53	(5)
OUTsurance (excluding Hastings)		1 388	1 985	2 463	2 639	2 390	(9)	15
Hastings		–	–	1 918	2 758	1 941	(30)	–
Other		1	(11)	(5)	(25)	(22)	12	86
Group normalised earnings	R million	3 097	3 342	3 927	4 266	4 081	(4)	7
Discovery		1 012	1 079	1 167	1 356	1 261	(7)	6
Momentum Metropolitan		956	805	816	508	825	62	(4)
OUTsurance (excluding Hastings)		1 166	1 664	2 092	2 333	2 145	(8)	16
Hastings		–	–	246	778	552	(29)	–
Funding and holding company costs		(38)	(195)	(389)	(684)	(680)	1	>(100)
Other		1	(11)	(5)	(25)	(22)	12	86
Earnings and dividends per share	cents							
Earnings		217.8	200.5	226.5	257.6	265.1	3	5
Diluted earnings		215.7	197.1	223.0	252.9	264.0	4	5
Headline earnings		215.5	197.6	234.2	269.7	249.0	(8)	4
Diluted headline earnings		213.5	194.3	230.6	265.0	247.8	(6)	4
Normalised earnings		208.4	225.0	263.6	281.5	266.9	(5)	6
Diluted normalised earnings		206.9	221.6	259.7	276.6	265.5	(4)	6
Ordinary dividend		116.0	118.0	118.0	104.0	110.0	6	(1)
Dividend cover	times							
– Headline earnings		1.9	1.7	2.0	2.6	2.3		
– Normalised earnings		1.8	1.9	2.2	2.7	2.4		
Share price	cents							
– Closing		4 247	4 120	3 899	3 745	3 397	(9)	(5)
– High		4 894	4 554	4 599	4 740	4 144	(13)	(4)
– Low		3 101	3 149	3 760	3 539	3 101	(12)	–
Market capitalisation	R million	63 097	61 210	58 707	57 026	52 036	(9)	(5)
Volume of shares traded	million	442	525	494	427	356	(17)	(5)

1. Compound annual growth rate.

Financial review

OVERVIEW OF RESULTS

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

 The audited annual financial statements are available on RMI's website.

COMPUTATION OF HEADLINE EARNINGS

for the year ended 30 June

AUDITED R MILLION	2019	2018	% change
Earnings attributable to equity holders	4 047	3 897	4
Adjustment for:			
Gain on previously-held interests in DiscoveryCard business	(191)	–	
(Gain)/loss on dilution and disposal of equity accounted investments	(129)	80	
Impairment relating to held for sale entities	24	–	
Impairment of Intangible assets	23	86	
Impairment of owner-occupied building to below cost	14	–	
Impairment of fixed assets	6	–	
Loss on disposal of property and equipment	5	5	
Impairment of goodwill	4	–	
(Profit)/loss on sale of subsidiary	(2)	5	
Impairment of available-for-sale financial assets	–	17	
Realised profit on sale of available-for-sale financial assets	–	(5)	
Release of foreign currency translation reserve	–	(4)	
Headline earnings attributable to equity holders	3 801	4 081	(7)

COMPUTATION OF NORMALISED EARNINGS

for the year ended 30 June

R MILLION	2019	2018	% change
Headline earnings attributable to equity holders	3 801	4 081	(7)
RMI's share of normalised adjustments made by associates	286	209	
Amortisation of intangible assets relating to business combinations	329	332	
Deferred tax raised on assessed losses	(82)	(88)	
Unrealised losses/(gains) on foreign exchange contracts not designated as a hedge	24	(19)	
Policyholder funds assessed loss	(9)	(30)	
Debt restructuring costs resulting from DiscoveryCard joint venture	8	–	
B-BBEE cost	6	6	
Initial expenses related to Prudential Book transfer	6	–	
Costs relating to disposal of equity accounted investments	4	–	
Non-recurring and restructuring expenses	–	8	
Group treasury shares	(6)	(24)	
Normalised earnings attributable to equity holders	4 081	4 266	(4)

KEY AUDIT MATTERS



The audited annual financial statements are available on RMI's website. 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 in OUTsurance;
- Accounting for equity accounted investments; and
- Impairment assessment of the investment in Hastings Group Holdings plc.

SEGMENTAL REPORT

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

AUDITED R MILLION	Momentum					RMI
	Discovery	Metropolitan	OUTsurance	Hastings	Other ¹	
Year ended 30 June 2019						
Net income	–	–	15 797	–	205	16 002
Policyholder benefits and transfer to policyholder liabilities	–	–	(7 744)	–	–	(7 744)
Depreciation	–	–	(139)	–	(2)	(141)
Amortisation	–	–	(84)	–	–	(84)
Other expenses	–	–	(4 123)	–	(154)	(4 277)
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
Profit/(loss) before taxation	1 638	581	3 696	262	(707)	5 470
Taxation	–	–	(1 064)	–	(32)	(1 096)
Result for the year	1 638	581	2 632	262	(739)	4 374
Hastings included in OUTsurance	–	–	(165)	165	–	–
Profit/(loss) for the year	1 638	581	2 467	427	(739)	4 374
Normalised earnings	1 261	825	2 634	308	(947)	4 081
Hastings included in OUTsurance	–	–	(244)	244	–	–
Normalised earnings	1 261	825	2 390	552	(947)	4 081
As at 30 June 2019						
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
	11 649	6 409	19 949	5 774	2 921	46 702
Hastings included in OUTsurance	–	–	(3 524)	3 524	–	–
Total assets	11 649	6 409	16 425	9 298	2 921	46 702
Total liabilities	–	–	8 971	–	11 590	20 561

1. Other includes RMI, RMI Investment Managers, AlphaCode investments and consolidation entries.

SEGMENTAL REPORT continued

AUDITED R MILLION	Momentum					RMI
	Discovery	Metropolitan	OUTsurance	Hastings	Other ¹	
Year ended 30 June 2018						
Net income	–	–	14 757	–	237	14 994
Policyholder benefits and transfer to policyholder liabilities	–	–	(7 056)	–	–	(7 056)
Depreciation	–	–	(136)	–	(4)	(140)
Amortisation	–	–	(99)	–	(2)	(101)
Other expenses	–	–	(3 506)	–	(158)	(3 664)
Finance costs	–	–	–	–	(765)	(765)
Fair value adjustment to financial liabilities	–	–	(193)	–	–	(193)
Share of after-tax results of associates	1 418	280	305	370	(45)	2 328
Profit/(loss) before taxation	1 418	280	4 072	370	(737)	5 403
Taxation	–	–	(1 108)	–	(28)	(1 136)
Result for the year	1 418	280	2 964	370	(765)	4 267
Hastings included in OUTsurance	–	–	(294)	294	–	–
Profit/(loss) for the year	1 418	280	2 670	664	(765)	4 267
Normalised earnings	1 356	508	3 012	405	(1 015)	4 266
Hastings included in OUTsurance	–	–	(373)	373	–	–
Normalised earnings	1 356	508	2 639	778	(1 015)	4 266
As at 30 June 2018						
Assets	–	–	15 254	–	2 984	18 238
Investments in associates	10 268	5 964	4 125	5 367	689	26 413
Intangible assets	–	–	124	–	–	124
	10 268	5 964	19 503	5 367	3 673	44 775
Hastings included in OUTsurance	–	–	(3 996)	3 996	–	–
Total assets	10 268	5 964	15 507	9 363	3 673	44 775
Total liabilities	–	–	8 359	–	12 712	21 071

1. Other includes RMI, RMI Investment Managers, AlphaCode investments and consolidation entries.

GEOGRAPHICAL SEGMENTS

AUDITED R MILLION	South Africa	Australia	New Zealand	United Kingdom	RMI
Year ended 30 June 2019					
Net income	9 462	6 414	126	–	16 002
Policyholder benefits and transfer to policyholder liabilities	(4 309)	(3 406)	(29)	–	(7 744)
Other expenses	(3 299)	(2 016)	(85)	–	(5 400)
Share of after-tax results of associates	1 899	–	–	713	2 612
Profit before taxation	3 753	992	12	713	5 470
Taxation	(790)	(306)	–	–	(1 096)
Profit for the year	2 963	686	12	713	4 374
As at 30 June 2019					
Assets					
Property and equipment	343	696	2	–	1 041
Investments in associates	19 039	–	–	9 298	28 337
Financial assets	6 674	7 100	456	–	14 230
Other assets	1 798	1 071	225	–	3 094
Total assets	27 854	8 867	683	9 298	46 702
Liabilities					
Insurance contract liabilities	2 375	4 923	159	–	7 457
Other liabilities	9 242	1 074	91	2 697	13 104
Total liabilities	11 617	5 997	250	2 697	20 561
Year ended 30 June 2018					
Net income	8 694	6 152	148	–	14 994
Policyholder benefits and transfer to policyholder liabilities	(3 795)	(3 226)	(35)	–	(7 056)
Other expenses	(2 927)	(1 830)	(106)	–	(4 863)
Share of after-tax results of associates	1 413	–	–	915	2 328
Profit before taxation	3 385	1 096	7	915	5 403
Taxation	(822)	(314)	–	–	(1 136)
Profit for the year	2 563	782	7	915	4 267
As at 30 June 2018					
Assets					
Property and equipment	392	714	3	–	1 109
Investments in associates	17 050	–	–	9 363	26 413
Financial assets	6 680	6 925	291	–	13 896
Other assets	2 170	816	371	–	3 357
Total assets	26 292	8 455	665	9 363	44 775
Liabilities					
Insurance contract liabilities	2 069	4 494	162	–	6 725
Other liabilities	10 603	924	99	2 720	14 346
Total liabilities	12 672	5 418	261	2 720	21 071

Value-added statement

R MILLION	2019	2018
Economic value created		
Premium income and reinsurance recoveries	15 906	14 557
Income from associates, investment income, fees and other income	3 551	3 149
Non-claims payments to outside service providers	(1 798)	(1 472)
Payments relating to profit-sharing arrangements	(169)	(193)
Finance costs	(729)	(765)
Total economic value created	16 761	15 276
Total economic value distributed among stakeholders		
Employees		
– Salaries and other benefits	2 563	2 292
Policyholders		
– Policyholder claims and increase in reserves	8 136	7 045
– Cash bonuses on insurance contracts	451	395
Government (in the form of taxes)	1 087	1 181
Providers of capital	2 006	1 941
– Ordinary dividends paid to shareholders	1 679	1 571
– Earnings attributable to non-controlling interests	327	370
Reinvested to support future growth	2 518	2 422
– Retained earnings	2 377	2 281
– Depreciation	141	141
Economic value distributed	16 761	15 276
Percentage of economic value distributed		
Employees (%)	15%	15%
Policyholders (%)	51%	49%
Government (%)	7%	8%
Providers of capital (%)	27%	28%
Total	100%	100%

PERCENTAGE OF ECONOMIC VALUE DISTRIBUTED

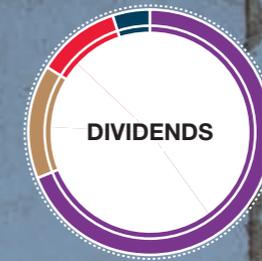


15% ● Employees
 51% ● Policyholders
 7% ● Government
 27% ● Providers of capital

15% ● Employees
 49% ● Policyholders
 8% ● Government
 28% ● Providers of capital



RELATIVE CONTRIBUTION ANALYSIS



THREE

Portfolio overview



Value created

MARKET CAPITALISATION

R98.2 billion

2018: R95.4 billion

+3%

NORMALISED EARNINGS

R5 035 million

2018: R5 401 million

(7%)

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.

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.



Adrian Gore
Chief executive officer

PERFORMANCE

30 June

R MILLION (unless stated otherwise)	2019	2018	% change
Discovery Health	3 044	2 777	10
Discovery Life	3 230	3 551	(9)
Discovery Invest	966	885	9
Discovery Vitality	60	58	3
VitalityHealth	758	589	29
VitalityLife	578	515	12
Normalised profit from established businesses	8 636	8 375	3
Emerging businesses	422	218	94
- Discovery Insure	155	68	>100
- Vitality Group	267	150	78
Development and other segments	(1 311)	(613)	>(100)
Normalised profit from operations	7 747	7 980	(3)
Earnings per share			
Normalised headline earnings per share (cents)	771.9	837.4	(8)
Normalised diluted headline earnings per share (cents)	771.6	836.9	(8)
Dividends			
Ordinary dividend per share (cents)	215.0	215.0	-
Dividend yield (%)	1.44	1.46	
Embedded value			
Embedded value per share (Rand)	108.46	101.73	7
Return on embedded value (%)	10.0	16.9	
Price to embedded value ratio (times)	1.4	1.4	

DIVIDENDS PAID

215 cents per share

2018: 215 cents per share

Unchanged

DISCOVERY'S BRANDS AND BUSINESSES

- South Africa



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 over 44% in the overall 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 Invest 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.



Discovery Insure is a provider of short-term vehicle and home insurance, insuring assets of R213 billion, including over 200 000 vehicles. Its innovative driver-behaviour programme, Vitality Drive, encourages safer driving by measuring driver behaviour and rewarding good driving.



DiscoveryCard is a joint venture with First National Bank, attracting clients exhibiting a substantially better risk profile than the market average. Discovery is currently taking steps towards owning 100% of the venture.



Discovery Vitality is the largest scientifically-based wellness programme globally, with 1.9 million lives positively impacted in South Africa in 2018. It forms the foundation of the Vitality Shared-Value Insurance model globally. This model, developed through Discovery's experience in wellness and insurance over the past 22 years, 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.



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.

For more information on Discovery Bank, see page 36.

Vitality HEALTH INSURANCE

Vitality LIFE INSURANCE

Vitality INVEST

DISCOVERY'S BRANDS AND BUSINESSES

– United Kingdom

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 over 44% in the overall 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.

VitalityLife provides individual and business clients in the UK with life, capital disability, severe illness and income protection cover.

Vitality Invest 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.

DISCOVERY'S BRANDS AND BUSINESSES

– Partner markets

Vitality™

中国平安
PING AN

AIA Vitality

GENERALI Vitality

John Hancock | Vitality

Manulife Vitality

SUMITOMO LIFE Vitality

The **Vitality Group**, a wholly-owned subsidiary of Discovery Limited in the USA, provides wellness programmes to corporate clients. Through its corporate offering, The Vitality Group reaches more than 1.5 million clients across large and mid-size groups.

In China, Discovery has a 25% equity stake in **Ping An Health**, the largest comprehensive medical insurer in the country. Ping An Health provides private healthcare policies to corporates and individuals in the Chinese market.

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. **AIA** and a local Australian health insurer launched myOwn Health Insurance, which was integrated with Vitality in July 2017.

In Europe, Discovery has progressed rapidly since signing an agreement with **Generali** in 2014. Generali Vitality launched to the public in Germany in June 2017.

In the USA market, the relationship with **John Hancock** continues to flourish. John Hancock Vitality has received numerous awards and garnered significant media attention for its transformative approach to life insurance.

John Hancock's parent company, Manulife, launched **Manulife Vitality** in Canada in September 2017, pioneering the Vitality Shared-Value Insurance model in Canada. Manulife has more than 20 million clients in 22 countries.

Discovery recently concluded a partnership with **Sumitomo Life** Insurance Company in Japan, a substantial and respected life insurer, with over 10 million policies in force and \$18.1 billion in annualised premiums. Japan is the second-largest life insurance market globally, after the USA. It has an ageing population, with 80% of mortality related to non-communicable diseases. There is substantial opportunity to influence behaviour positively and improve health outcomes. In addition, the Japanese insurance market faces rising medical costs and the government is eager for initiatives that will alleviate this burden.

STRATEGY AND VALUES

Discovery set its core purpose at inception 27 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.

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.

2019 PERFORMANCE

- Gross inflows under management increased by 11% to R139.1 billion;
- Insurance premium revenue of R43.0 billion represents an increase of 17%;
- Total new business annualised premium income (excluding new closed schemes and gross revenue from the Vitality Group) increased by 13% to R18.3 billion;
- Normalised profit from operations is down 3% to R7.7 billion;
- Normalised headline earnings are down 7% to R5.0 billion;
- Embedded value increased by 9% to R71.2 billion; and
- The total dividend for the year remained unchanged at 215 cents per share.

Discovery entered a 15-year lease agreement for its new head office, which comprises two phases of development. It has taken occupancy of the buildings.

In respect of its banking operations, Discovery concluded the transaction with the FirstRand Group for R1.8 billion, which included:

- The acquisition of the effective 25.01% interest of FirstRand Investment Holdings Limited (FRIHL) in Discovery Bank (actual 48.87% at the time of execution);
- Acquiring the remaining 25.01% economic interest that FirstRand owned in the DiscoveryCard business; and
- Discovery Bank acquiring all rights to the DiscoveryCard book and related assets, which Discovery Bank has started to migrate.

The transaction received approval by the respective regulatory authorities, including the Prudential Authority and the Competition Authorities. Discovery raised capital to fund the transaction by way of a vendor

consideration placement as contemplated in the JSE Listings Requirements and allowed for in its memorandum of incorporation. RMI participated in the vendor consideration placement and maintained its 25.04% shareholding in Discovery. Discovery recognised the arising goodwill asset of R2.4 billion.

During the year, Cambridge Mobile Telematics (CMT), an associate investment of Discovery and strategic partner to Discovery Insure since 2014, announced a US Dollar 500 million (R7.2 billion) investment from the SoftBank Vision Fund. Upon the completion of the transaction, Discovery's effective shareholding in CMT reduced from 16.5% to 10% on a fully diluted basis. Discovery's profit from the transaction was US Dollar 55.7 million (R790 million), R402 million of which was realised in cash.

RMI included R1 261 million of Discovery's earnings in its normalised earnings (2018: R1 356 million).

 For an in-depth review of Discovery's performance, RMI's shareholders are referred to www.discovery.co.za.

OUTLOOK

Discovery is well positioned for growth, through a combination of robust established businesses, emerging businesses which are scaling well and new initiatives which have significant potential. The group is supportive of the aims of the recently published National Health Insurance (NHI) Bill in SA. The publication of the NHI Bill creates an important opportunity for active collaboration between the Department of Health and the private healthcare sector and the group is seeking clarity on the potential impact of the Bill on the future role of private healthcare and medical schemes once it is fully implemented. The Bill is not expected to have a material impact on the Discovery Health business for the near future. However, the lower interest rate environment in the UK is expected to remain dynamic for some time longer and thus negatively impacts the UK-based Vitality Life business, albeit that a significant component of this impact is unrealised and likely to reverse once interest rates normalise. Discovery's new businesses will require investment through their start-up phase, however the spend on new businesses is expected to decrease over the next few years toward previous levels. The group will continue its strategic focus on growth and prudence with profit growth expected to return to its stated goal of CPI plus 10%, and cash quality and capital metrics expected to improve. The business is well capitalised for its five-year planning horizon.

STRATEGY CASE STUDY

DISCOVERY'S DIVERSIFICATION INTO BEHAVIOURAL BANKING

Discovery has launched the world's first behavioural bank – a fully digital bank – and it already has more than 22 000 clients.

HOW DOES IT WORK?

Discovery believes that incentivising people to make better financial decisions will generate higher savings levels, lower risk and increased wealth for society as a whole. If South Africans – as individuals and as a nation – want to move forward, they need to reduce their debt and foster a healthier banking culture.

Research shows that, on average, South Africans are not managing their financial health well and have been spending more than they earn for the last decade. As a result, they are experiencing three big financial conditions:

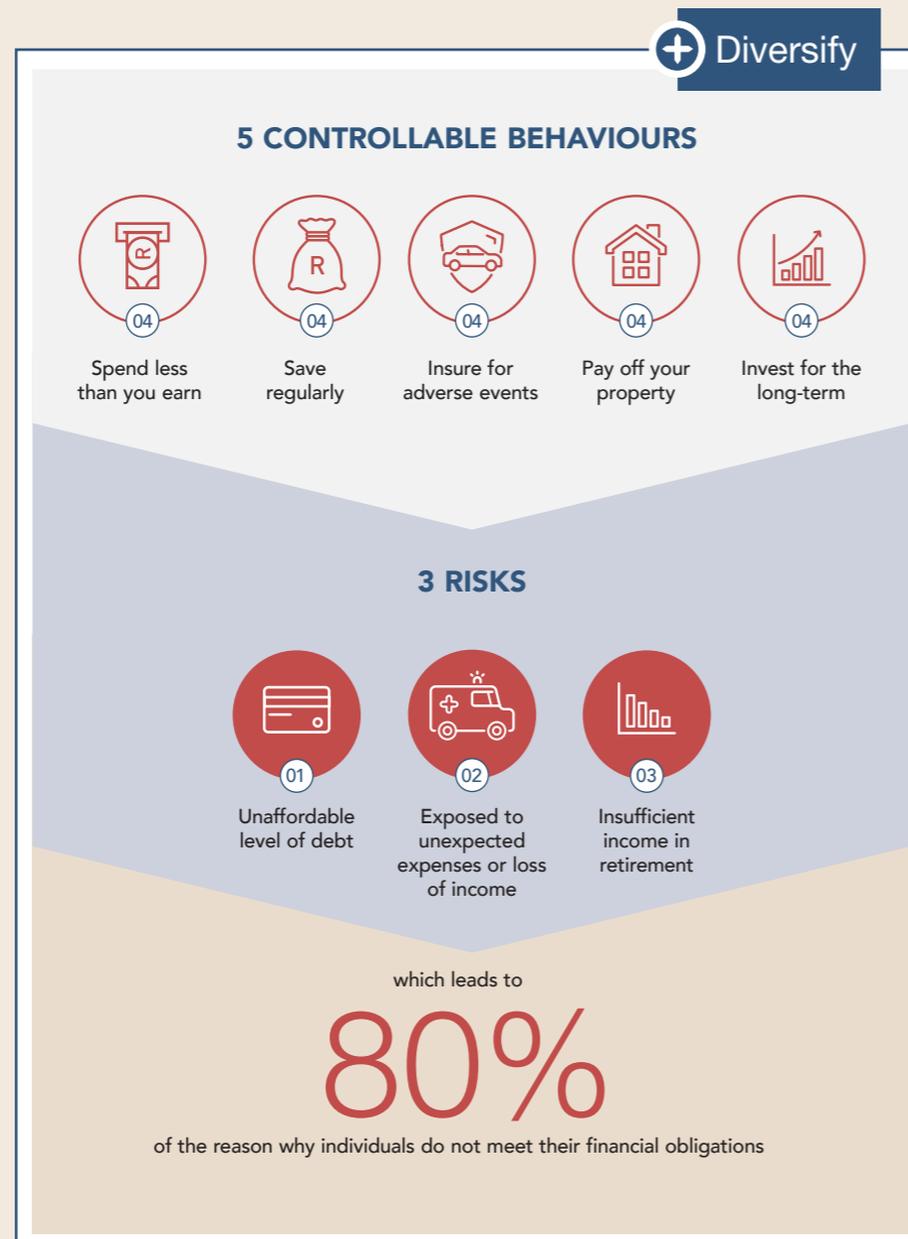
- Inability to deal with unplanned expenses;
- Having debt that is expensive and unsustainable; and
- Not being prepared for retirement.

Why do South Africans need to **bank healthier**?

These five controllable behaviours can help people become financially healthier:

- Spending less than you earn;
- Saving regularly;
- Making sure you are protected against insurable events;
- Paying off your property; and
- Investing for the long term.

Discovery Bank's goal is to help people understand these behaviours, improve them, and in doing so, improve their overall financial health. They will guide, motivate and reward people along their journey to banking healthier.



WHY DOES IT WORK?

Discovery has proven, through the Vitality programme, that shared value can be a powerful force for changing behaviour. Vitality Money, the behavioural banking programme allows people to objectively assess their financial situation, make the necessary changes using the financial tools provided and keeps them motivated with personalised goals and rewards.

They have delved into behavioural theory and the human biases that impact how people understand and engage with their finances, showing how changing the five simple behaviours above can have a massive impact on financial health.

THE COST INVOLVED

Building the bank has come at significant cost to Discovery. It anticipated spending R3.2 billion and has come in under budget (at R3.1 billion). The build phase (R1.7 billion) cost more than expected, while the test and run phases came in under budget. 1.5 million hours have been spent building 120 interconnected systems and infrastructure, with a focus on ensuring that client journeys are excellent and intuitive. The bank is built on a sophisticated architecture with a seamless user experience, and a compelling value proposition.

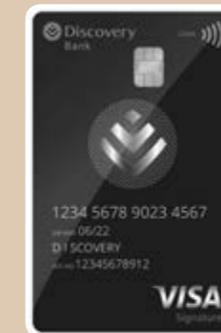
DISCOVERY BANK WON'T COMPETE ON PRICE

Discovery Bank does not plan to compete on price at all with the big four banks or the new digital upstarts. People want quality, and they want value. We need a proper product that people want to use.

The Discovery Purple Behavioural Bank Account

The Discovery Purple Behavioural Account offers a sophisticated banking experience with luxury, world-class bespoke services and a wealth of rewards. Get ready for a banking experience that is enhanced to complement your lifestyle.

You'll get access to exclusive rewards such as up to 75% off international business class or economy flights, up to 75% off local flights and unlimited free visits to more than 1 000 airport lounges for you and a guest. This is in addition to a full banking suite that comes with an enhanced, state-of-the-art credit card, unlimited free savings accounts, and an easily managed single credit facility.



PUBLIC ROLL-OUT

Discovery Bank launched for beta testing in November 2018 with a public roll-out in June 2019. There has been a deliberate, phased roll-out to ensure that the bank scales seamlessly. The bank has gained traction since the public roll-out. When announcing their annual results early in September 2019, Discovery already had more than 22 000 clients on board and deposits and total credit limits approved exceeding R190 million and R900 million respectively. The quality of clients has been demonstrably excellent, with high engagement levels and Vitality money statuses. Discovery believes it needs 500 000 to 600 000 clients to break even.

Discovery's previous credit card offering – which was run by FNB – has 300 000 card users, allowing them to earn Discovery Miles. The rewards system is being renamed Vitality Money and some 2 billion miles have been converted. Discovery's clients are typically mass affluent, characterised by high savings and borrowings and high levels of engagement and integration. DiscoveryCard holders exhibit three times higher spend per card than the market average and have half the bad debt risk relative to industry, with DiscoveryCard holders having on average 2.75 insurance and investment products with Discovery.

Discovery sees the bank as central to its strategy in SA. The group has had to look to banking for growth in South Africa, given that it has successfully entered all major insurance markets. An extensive media campaign for the bank, including a TV commercial, started flying.



Value created

MARKET CAPITALISATION

£1 286 million

2018: £1 674 million

(23%)

NORMALISED EARNINGS

£39.3 million

Six months ended
30 June 2018: £81.9 million

(52%)

DIVIDENDS PAID

4.5 pence per share

Six months ended
30 June 2018: 4.5 pence per share

Unchanged

PERFORMANCE

£ MILLION (unless stated otherwise)	30 June		% change
	2019	2018	
Underlying trading profit after tax	39.3	81.9	(52)
Profit after tax	38.2	72.9	(48)
Adjusted operating profit	59.7	105.1	(43)
Key financial ratios			
Earnings per share (pence)	5.8	11.1	(48)
Dividend declared per share (pence)	4.5	4.5	-
Key performance metrics			
Gross written premiums	499.2	485.6	3
Net revenue	370.3	376.3	(2)
Number of live client policies (million)	2.81	2.70	4
UK private car insurance market share (%)	7.8	7.5	
Adjusted operating profit margin (%)	16.1	27.9	
Loss ratio (%)	81.1	73.8	
Expense ratio (%)	15.8	13.9	
Combined operating ratio (%)	96.9	87.7	
Solvency coverage ratio (%)	160	171	
Net debt leverage multiple (times)	1.5	1.1	

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
- Good fit with OUTsurace

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 a 7.8% market share of the UK private car insurance market and has 2.8 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.

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. In order to sustain its growth momentum, it remains committed to implementing the strategic drivers that have been at the heart of its development to date:

Growth – driving profitable growth by targeting three million client policies at the end of 2019

Hastings' simple, straightforward business model, coupled with its digitally-focused distribution, ensures it is well positioned to benefit from increasing price comparison website (PCW) penetration among clients. Capitalising on this natural momentum will drive sustainable, profitable growth in live client policies (LCP) while strong client retention rates allow the business to benefit from a naturally maturing portfolio as it develops long-standing relationships with its clients.

Discipline – focus on prudent underwriting

Hastings has demonstrated its focus on prudent underwriting while growing the number of LCP. Combining its dynamic footprint selection, extensive use of data, advanced pricing process and rigorous fraud detection systems will support its current growth trajectory while maintaining its target through the cycle calendar year net loss ratio of between 75% and 79%.

Agile – ability to respond quickly to market changes

The group's agile and digital business model means it is well placed to respond to changing market conditions driving a significant competitive advantage. The separate structure of the Retail and Underwriting businesses, coupled with the innovative use of data and continuous market analysis, allows the business to benefit from being able to rapidly adjust pricing presented to clients to support market share growth.

Invest – invest in digital capability and mobile distribution channels

Hastings continues to invest in complementary digital and mobile channels to further support LCP growth. Applications have been developed for phone and tablet devices, providing enhanced policy management functionality in order to improve the overall client experience. Investment continues within its infrastructure through the end-to-end implementation of Guidewire for both the Claims and Broking platforms.

Expand – expand the product offering and invest in a competitive position

The group sees significant opportunities to increase LCP volumes and overall profitability by increasing its footprint within in its core private car market with multi-car and telematics two key areas of focus. In addition, Hastings is set to continue its expansion into the home insurance market, where its business model is well placed to benefit from increased PCW penetration.

Focus – continued focus on cash generation and shareholder return

Hastings is strategically-focused on the private car market, utilising its own sophisticated risk selection through the PCW digital distribution model. As the business maintains its growth trajectory, its focus remains on continuing to improve the cash efficiency of its model utilising its highly cash-generative Retail business with the strategic use of reinsurance in Underwriting to deliver ongoing deleveraging.

In order to deliver on its strategy, Hastings leverages its key differentiators, namely:

- Embracing digital;
- Unique product portfolio;
- Leading edge technology;
- Separation of retail and underwriting;
- Refined and optimised pricing capability;
- Market-leading anti-fraud and disciplined risk selection; and
- Low-cost operating model.

2019 PERFORMANCE

As Hastings has a 31 December year-end, these results relate to the six months ended 30 June 2019, with comparatives for the six months ended 30 June 2018.

Hastings posted results reflecting ongoing growth amidst difficult market conditions in the UK:

- Continued growth, with gross written premiums up 3% to £499.2 million (2018: £485.6 million);
- Net revenue is down 2% to £376.3 million (2018: £376.3 million) as a result of market rate reductions and a reduction in the risk profile of business written;
- Sustained increase in clients, with live client policies up by 4% to 2.81 million (2018: 2.71 million), driven by improved retention of clients;
- Growth in market share to 7.8% of UK private car insurance (2018: 7.5%);
- Operating profit of £59.7 million is down 43% (2018: £105.1 million) due to claims inflation continuing ahead of earned premium inflation, combined with legislative changes which increased underwriting levies;
- Profit after tax decreased by 48% to £38.2 million (2018: £72.9 million);
- Normalised earnings decreased by 52% to £39.3 million (2018: £81.9 million);
- Loss ratio of 81.1% is above the target range of between 75% and 79%, whereas it was below the target in the prior year (2018: 73.8%);
- Ongoing free cash generated of £99.0 million (2018: £107.8 million);
- Net debt leverage multiple increased to 1.5 times adjusted operating profit (2018: 1.1 times);
- Strong solvency position, with a Solvency II coverage ratio of 160% (2018: 171%);
- Interim dividend for 2019 of 4.5 pence per share (2018: 4.5 pence per share);
- Continued pricing discipline;
- Record levels of digital adoption with the mobile app downloaded 317 000 times; and
- Ongoing commitment and focus on diversity and the environment.

RMI included R552 million of Hastings' earnings in its normalised earnings (2018: R778 million).



For an in-depth review of Hastings' performance, RMI's shareholders are referred to www.hastings.plc.com.

OUTLOOK

Hastings continues to focus on digital and technology investments, with progress made on enhancing digital capabilities and delivering operational benefits. More clients are contacting Hastings via digital channels, with the group's mobile app among the highest rated insurance apps in the UK. Clients can manage their policies, view policy documents and make changes via the app, with 38% of policy adjustments completed digitally by clients. More updates to the app will follow before the end of the calendar year. Since the group rolled out its digital total loss tool which provides clients with quick and easy online claims settlement, 57% of total loss claims are settled through digital channels.

Multiple new renewal pricing models were tested over the last 12 months and with Guidewire being used to custom build a loyalty tool specifically for price comparison websites. Overall, the retention rate has improved five percentage points, which supports policy growth and will benefit profit margin over time.

Hastings has gone live with its next-generation anti-fraud system, which connects detailed quote and device data together with additional predictive analytics. The system detects unusual fraud profiles and falsified policyholder details.

Hastings remains confident in its profitable growth opportunities on the basis of its competitive advantages in the large motor and home markets and the continuing progress on key initiatives, including renewals, anti-fraud capabilities and digital proposition, along with successfully embedding its new claims service partners.



Momentum Metropolitan

Value created

MARKET CAPITALISATION

**R28.4
billion**

2018: R27.0 billion

+5%

NORMALISED EARNINGS

**R3 074
million**

2018: R2 003 million

+53%

DIVIDENDS PAID

**70 cents
per share**

2018: 0 cents per share

>100%

PERFORMANCE

R MILLION (unless stated otherwise)

	30 June		
	2019	2018	% change
Momentum Life	883	472	87
Momentum Investments	512	227	>100
Metropolitan Retail	610	201	>100
Momentum Corporate	601	909	(34)
Non-life Insurance	164	204	(20)
Momentum Metropolitan Africa	262	147	78
Earnings from operating segments	3 032	2 160	40
New initiatives	(492)	(377)	(31)
Shareholders	534	220	>100
Diluted normalised headline earnings	3 074	2 003	53
Earnings per share			
Diluted normalised headline earnings per share (cents)	202.5	125.5	61
Dividends			
Ordinary dividend per share (cents)	70.0	–	>100
Dividend yield (%)	3.7	–	–
Embedded value			
New business volumes	55 783	50 002	12
Value of new business	541	345	57
New business margin (%)	1.0	0.7	–
Diluted embedded value per share (cents)	2 748	2 543	8
Return on embedded value (%)	8.0	(1.1)	–
Price to embedded value ratio (times)	0.7	0.7	–

Hillie Meyer,
Chief executive
officer



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 MOMENTUM METROPOLITAN

Momentum Metropolitan was formed through the merger of Momentum and Metropolitan. The core businesses of Momentum Metropolitan are long- and short-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.









MOMENTUM METROPOLITAN'S BRANDS AND BUSINESSES

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 R24.3 billion.

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.

CareCross, with a national network of around 2 000 general practitioners and 4 000 associated healthcare professionals such as specialists, dentists and optometrists, currently delivers managed care and administration services to approximately 200 000 medical scheme beneficiaries.

Momentum Metropolitan also holds a majority share in Occupational Care South Africa (OCSA). OCSA is widely considered a market leader in workplace health and wellness solutions.

STRATEGY AND VALUES

Momentum Metropolitan's vision is to enable people from all walks of life and business to achieve their financial goals and life aspirations.

The group has formulated a detailed three-year reset and grow turnaround strategy (see **page 46**) to achieve its medium-term objectives.

The strategy involves a new operating model which:

- Encourages growth;
- Ensures a real and practical client focus;
- Clarifies roles and responsibilities;
- Empowers segments with end-to-end accountability; and
- Ensures there is a clear efficiency or standardisation benefit where services are centralised.

Momentum Metropolitan's values which are leveraged to achieve the vision are:

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

2019 PERFORMANCE

- Name changed from MMI Holdings to Momentum Metropolitan Holdings, aimed at promoting the well-known brand names of two of the strongest companies in the group;
- New business volumes are up 12% to R55.8 billion on a present value of new business premiums basis;
- The value of new business is up 57% to R541 million after improvements in all businesses and higher sales of selected product sets in each business, most notably Momentum Corporate;
- Diluted normalised headline earnings of R3 074 million are up 53% on the R2 003 million in the prior year. On a per share basis, diluted normalised headline earnings increased by 61%, reflecting the impact of the R2 billion share buy-back programme that was completed in November 2018;
- Normalised headline earnings, excluding operating basis changes and investment variances, are up 21% at R3 236 million (2018: R2 671 million);
- The embedded value increased 4% to R41.2 billion, while the return on embedded value strengthened from negative 1.1% to 8%;
- Momentum Metropolitan's capital position remains strong, with the solvency capital requirement (SCR) cover of 1.7 times SCR. The group targets a cover range of 1.45 to 1.75 times, which has been set to reflect the target solvency levels and operational requirements of the underlying entities, while ensuring appropriate resilience of the group solvency position;
- In January 2019, Momentum Metropolitan became the first major insurance group to attain a Level 1 B-BBEE contributor status under the revised Financial Services Charter (FSC); and
- Significant progress on the Africa exit strategy, with concluded transactions to exit Swaziland and Mauritius. The group is in an advanced stage of discussions in three more countries.

RMI included R825 million of Momentum Metropolitan's earnings in its normalised earnings (2018: R508 million).



For an in-depth review of Momentum Metropolitan's performance, RMI's shareholders are referred to www.momentummetropolitan.co.za.

OUTLOOK

Momentum Metropolitan's improvement in normalised headline earnings is testament to the positive impact of its reset and grow strategy. It is imperative for the group, and for the retail businesses in particular, to increase new business market share in order to compensate for the natural decline in client numbers resulting from retirements, claims and withdrawals. Investment return and asset-based fee income are furthermore dependent on investment market growth, for which the outlook is currently muted.

The focus on expense management has delivered good results and the group will continue to drive sound financial discipline. While the current environment inhibits fast growth, management is pleased with the underlying improvements visible in the group, such as improved efficiency ratios, increased commerciality in decision-making, improvements in service metrics, modest growth in distribution footprint and strengthening of the balance sheet. Most importantly, they are seeing improved levels of engagement and energy across employees of the group. This positions the group well to capitalise when the external environment improves in due course.

STRATEGY CASE STUDY

Optimise

OPTIMISING MOMENTUM METROPOLITAN'S FUTURE VALUE BY UNLOCKING THE UNDERLYING JEWELS

When announcing their disappointing 2018 results, Momentum Metropolitan proposed their new strategy to position the business for improved performance and future growth. Progress with the turnaround has been phenomenal.

The reset and grow strategy

The strategy focuses on the basics and addresses structural shortcomings:

- To **reset** the business, management started fixing what was wrong and got the basics right, such as aligning the business's cost base with its revenue. Other basic improvements included changing the operating model to empower end-to-end business units to run their businesses efficiently and effectively, an increased focus on successfully growing the core businesses in South Africa and exiting markets on the African continent that do not deliver shareholder value; and
- To **grow** the business meant increasing the size of its distribution channels and improving productivity, regaining its reputation for developing innovative products, connecting with business partners and clients through excellent service and revitalising the Momentum and Metropolitan client-facing brands.

The three-year strategy targets an increase in earnings to between R3.6 billion and R4 billion in 2021.

Already on track mid-year

Momentum Metropolitan already reported steady growth for the first half of the 2019 financial year at its interim results announcement, delivering normalised headline earnings of R1.6 billion for the first six months of the 2019 financial year and reinstating dividends to shareholders.

Amidst a challenging operating environment, which included declining equity markets and sluggish economic growth, Momentum Metropolitan improved both new business flows and the value of new business materially from the comparative period.

Momentum Metropolitan delivers on its promises

Momentum Metropolitan delivered diluted normalised headline earnings of R3.1 billion for the year ended 30 June 2019. This represents an increase of 53% on the prior year.

It simplified its structure and created empowered, end-to-end business units.

The improvement in earnings growth is the result of financial discipline and a focus on core activities – they have worked smarter with their money without negatively impacting their market presence.

Growth in new business was driven by the group's distribution capabilities and partnerships, improved client experience,

and a comprehensive suite of attractive product solutions. These solutions enabled positive sales growth in a tough environment – confirming that product innovation can convert into growth in a stagnant market.

The results emanated from the underlying improvements, such as improved efficiency ratios, increased commerciality in decision-making, improved service metrics, modest growth in distribution footprint and strengthening of the balance sheet. Most importantly, management is seeing greater levels of engagement and energy from all employees. This positions the business well to capitalise when the external environment improves in due course.

The next phase

Momentum Metropolitan will continue to focus on growing revenue through advancing its distribution capabilities and visibility of its brands, as well as through continuous improvement of product solutions and client experience.

Management remains committed to delivering on its three-year target to generate profits between R3.6 billion and R4.0 billion by 2021.





Value created

NET ASSET VALUE

R10.5 billion

2018: R10.9 billion

▼
(4%)

NORMALISED EARNINGS

R2 634 million

2018: R3 012 million

▼
(13%)

NORMAL DIVIDENDS PAID

55.5 cents per share

2018: 53.5 cents per share

▲
+4%

PERFORMANCE

	30 June		
R MILLION (unless stated otherwise)	2019	2018	% change
OUTsurance	1 812	1 909	(5)
Youi Group	673	803	(16)
OUTsurance Life	80	53	51
Earnings from associates	237	385	(38)
Central (including consolidation adjustments)	(167)	(138)	(21)
Normalised earnings	2 634	3 012	(13)
Key financial ratios			
Normalised return on equity (%)	25.5	31.4	
Normalised earnings per share (cents)	70.2	80.1	(12)
Diluted normalised earnings per share (cents)	68.6	76.7	(11)
Dividend per share (cents)	55.5	53.5	4
Special dividend per share (cents)	12.0	7.0	71
Key performance metrics			
Gross premiums	16 135	15 027	7
Net earned premiums	15 063	14 174	6
Operating profit from insurance operations	3 199	3 538	(10)
Claims ratio (%)	51.1	49.8	
Cost-to-income ratio (%)	28.3	25.6	
Combined ratio (%)	80.9	77.3	

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- and long-term insurance products in South Africa, and short-term insurance products in Australia, New Zealand 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.

OUTSURANCE BRANDS AND BUSINESSES

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





SOUTH AFRICA



AUSTRALIA



NEW ZEALAND

OUTSurance BRANDS AND BUSINESSES

Youi is short for “You Insure” and is underwritten by OUTsurance. It offers car and home insurance.

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.

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. 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 New Zealand was launched in August 2014 and provides personal lines insurance cover directly to the New Zealand public.

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 business culture which promotes fairness, diversity and inclusion.

Clients

- Be the leader in awesome client service and claims outcomes in the markets served;
- Continue to expand on the self-service capabilities offered through the digital channels; and
- Targeted focus to minimise client complaints across all claims processes.

Suppliers

- Partner with the supplier network to ensure the best client service outcomes;
- Enable more diverse and broader access to procurement spend by empowering and developing small businesses through the transformation initiative; and
- Seek increased transformation spend through the KWANDE supplier development programme.

Technology

- Continue to invest in the redevelopment of core insurance systems to enable a more flexible, cost-efficient and modern long-term technology infrastructure.

Communities

- Invest in impactful projects to contribute positively to the societies served.

Shareholders

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

2019 PERFORMANCE

OUTsurance delivered normalised earnings of R2 634 million for the year, which is 13% lower than the prior year due to higher claims and cost ratios, coupled with lower earnings from its investment in Hastings:

- Gross premium grew 7% to R16.1 billion and net earned premiums by 6% to R15.1 billion;
- The claims ratio increased from 49.8% to 51.1%;
- The cost-to-income ratio increased from 25.6% to 28.3%; and
- The total dividend for the year increased by 4% to 55.5 cents per share.

OUTsurance's South African short-term operations delivered a pleasing operational and financial performance considering the investments made in new business growth and the strategic expansion of OUTsurance Business. Total operating profit was down 10% to R2 127 million and normalised earnings decreased by 5% to R1 812 million. Gross written premium grew 8% to R8 380 million, mostly due to volume expansion. Premium inflation, especially on the motor book, remained well below general inflation as a result of lower accident claims frequency, which can be attributed to the economic conditions, improvements in motor safety and the impact of ride-sharing. The cost-to-income ratio increased from 21.1% to 23.8% on the back of a material increase in marketing and sales-related costs. The claims ratio increased from an unsustainably low 46.9% in the prior year to 49.8%, in line with management's pricing strategies.

Youi's normalised earnings was down 16% at R673 million. Youi Australia's gross written premiums grew by 7% in Rand terms and by 5% in Australian Dollars. The accident year claims ratio of 56.1% was unchanged from the prior year. The cost-to-income ratio increased from 30.2% to 31.8% driven by higher marketing and sales expenditure

coupled with increased spend on information technology and compliance capacity. Despite the impact of multiple natural catastrophe events and increased investment to drive new business, Youi delivered satisfactory profitability. Operating profit and normalised earnings were lower by 10% and 1% respectively. Youi New Zealand's operational and financial performance was in line with expectations. Gross written premium grew by 2% in Rand terms. Operating profit decreased by 78% to R12 million.

OUTsurance Life delivered an improved financial performance. New business costs increased as a result of the establishment of a funeral insurance product. Gross written premiums grew by 7% to R503 million. Operating profit more than doubled, benefiting from the positive impact of interest rate movements, and normalised earnings increased by 51% to R80 million.

OUTsurance Namibia's normalised earnings decreased by 27% to R30 million, largely driven by lower premium income and a significantly higher cost-to-income ratio. Trading conditions in Namibia remained difficult as recessionary economic conditions negatively impact the insurance market.

Normalised earnings from associates reduced from R384 million to R236 million. As a result of difficult trading conditions in the UK motor insurance market, coupled with the impact of the Ogden rate review, the earnings contribution from Hastings has declined by 35% to R244 million.

The new solvency assessment management (SAM) prudential regulations became effective on 1 July 2018. Overall, OUTsurance achieved a solvency capital ratio (SCR) of 2.4 (2018: 2.4) against a target of 1.4, with all operations exceeding their targets. OUTsurance will be paying a special dividend of 12 cents per share.

RMI included R2 364 million of OUTsurance's earnings in its normalised earnings (2018: R2 661 million).

For an in-depth review of OUTsurance's performance, RMI's shareholders are referred to www.outsurance.co.za.

OUTLOOK

During 2019, **OUTsurance** more than doubled its tied-agency force for OUTsurance Business. The expansion of this distribution channel is a large investment and a major growth and diversification strategy in South Africa. Although early results are encouraging, the creation of a tied-agency force is capital intensive and a multi-year investment. This investment is likely to peak in 2020 and 2021.

OUTsurance continues to experience declining motor claims frequencies in both South Africa and Australia due to continuous enhancement in vehicle safety technology and especially in South Africa due to the economic conditions where less kilometres are driven. These factors have contributed to the low premium inflation experienced in recent years. Changes in vehicle technology and driving behaviour illustrate the importance of diversifying the insurance portfolio to achieve larger shares of the commercial and life insurance markets, as well as enter other non-motor classes of insurance.

When it comes to service quality, OUTsurance continues to drive improvement in all its processes and products. A focus point in the near term is to evaluate all claims processes to remove friction and minimise client complaint levels.

Subject to regulatory conditions and approval, Youi Australia is in the process of preparing for an entry, as an underwriter, to the Compulsory Third Party (CTP) insurance market in New South Wales. This project is strategically important to strengthen its brand proposition in Australia's largest motor insurance market. Youi is also in the process of developing a business insurance product offering that will be distributed through its customary direct channel and in partnership with independent intermediaries. This commercial offering will be available over the next two years.

During the year under review, OUTsurance has entered the funeral insurance market, which is the largest life insurance market segment in South Africa.

When it comes to distribution of short-term and long-term insurance products across the group, OUTsurance believes that, in future, clients will be best served by an omni-channel service model where clients have the freedom to choose between call centre, face-to-face or digital interaction. Medium-term strategic efforts are aimed at enabling leading omni-channel distribution and service capabilities across the group.

Economic conditions in the South African market are expected to remain challenging in the medium term as a result of the recessionary climate and the constrained fiscal position. A focus on maintaining pricing discipline and incrementally improving operations remain the best defence during market cyclicality. OUTsurance believes that delivering a wider insurance product range coupled with an omni-channel distribution capability will result in continuous profitable growth.



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 SA's highly concentrated asset management industry
- Create the next tier of independent investment managers

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.

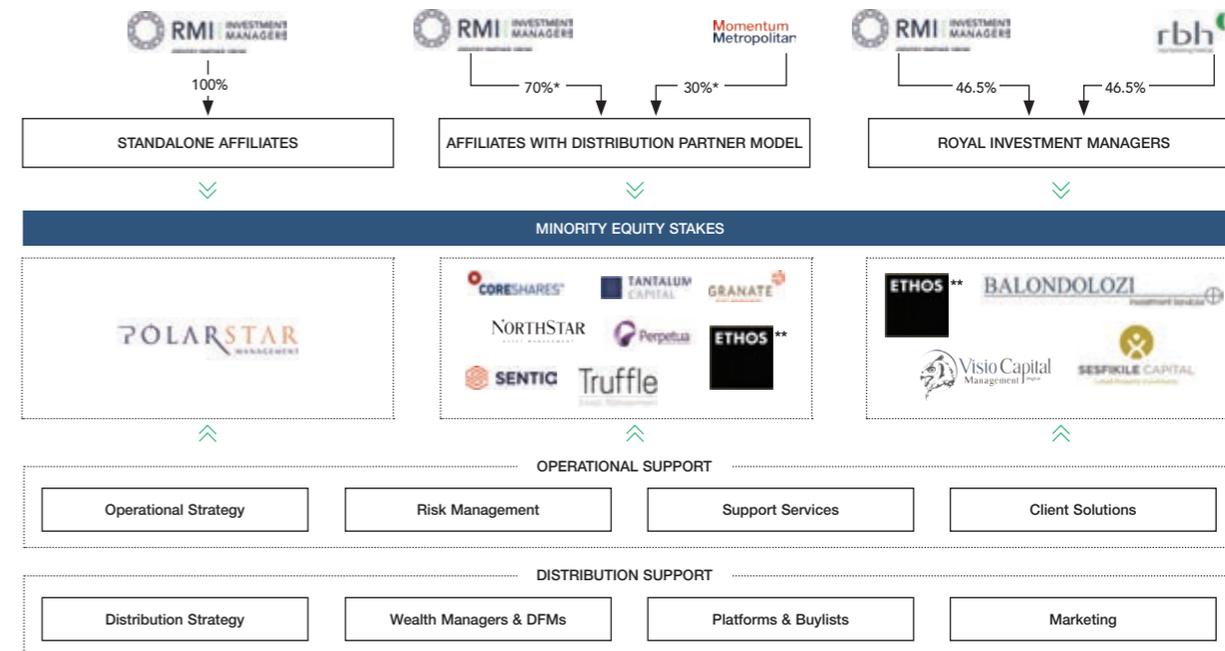
The company acts as a supportive, non-interfering, long-term shareholder that provides working and seed capital, strategic input and operational and distribution support for its affiliates.

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.

Alida de Swardt
Chief executive officer



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	Sentic	Tantalum	Truffle	Ethos	Balondolozzi	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

RMI INVESTMENT MANAGERS' AFFILIATES

Affiliate	Description	Shareholding
	Balondolozzi is a majority black-owned independent fund manager offering quantitatively managed investment products managed on behalf of institutional and retail clients. https://www.balondolozzi.co.za	A 30% equity stake was acquired by Royal Investment Managers in the fourth quarter of 2017.
	CoreShares 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. http://www.coreshares.co.za	A 25% stake was acquired in the fourth quarter of 2015.
	Granate Asset Management 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. http://www.granate.co.za	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.
	Ethos 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. http://www.ethos.co.za	Together, RMI Investment Managers and Royal Investment Managers acquired a 30% equity stake in the third quarter of 2017.
	Northstar 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. https://www.northstar.co.za	A 30% stake was acquired in the fourth quarter of 2015.
	Perpetua 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. http://www.perpetuaim.co.za	A 15% stake was acquired in the first quarter of 2019.
	Polar Star Management 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. www.polarstarfunds.co.za	A 27% stake was acquired in the third quarter of 2016.

RMI INVESTMENT MANAGERS' AFFILIATES

Affiliate	Description	Shareholding
	Sentio 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. https://www.sentio-capital.com	A 30% stake has been acquired over a three-year period. The final tranche was completed in the third quarter of 2019.
	Sesfikile Capital 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. https://sesfikilecapital.com	A 25% stake was acquired by Royal Investment Managers in the fourth quarter of 2016.
	Tantalum 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. https://www.tantalum.co.za	A 30% stake was acquired over three tranches. The final tranche was acquired in the third quarter of 2018.
	Truffle 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. https://www.truffle.co.za	A 25% equity stake was acquired from RMB Structured Insurance and management in the first quarter of 2017.
	Visio 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. http://www.visiocapital.co.za	A 31% equity stake was acquired by Royal Investment Managers in the fourth quarter of 2018.

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 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 benefited 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 restructured the existing Granate Asset Management business by facilitating the addition of a multi-asset capability. Through this transaction, RMI Investment Managers decreased its interest in Granate to a 30% stake, with staff holding the balance.

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 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.



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.

ACTIVITIES IN 2019

AlphaCode's goal is to find extraordinary people with extraordinary ideas that have the potential to transform the financial services landscape. Over the last year, AlphaCode has had success in partnering these next-generation businesses with its underlying portfolio companies to drive innovation and modernisation as well as building an investment portfolio of superior entrepreneur-led, early-stage fintech-focused businesses that have achieved some market traction and are poised for rapid growth.

AlphaCode is building on the entrepreneurial legacy record of financial innovation in RMI. The flagship initiative, AlphaCode Incubate, has identified and supported 23 black-owned next-generation financial services businesses in the past four years and provided more than R21 million in grant capital to these businesses. In the last six months, AlphaCode expanded its level of support to these entrepreneurs by making available R23 million of loan funding to three qualifying businesses:

- Zande Africa, a provider of last mile distribution and inventory finance to informal micro-traders in remote locations;
- Bright On Capital, a platform that provides SMEs access to finance from traditional DFIs and corporate enterprise (ESD) funds; and
- Livestock Wealth, a crowd-farming platform that offers individuals full or fractional ownership of cows with six to twelve month returns.

WHY RMI INVESTS IN ALPHACODE

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

As part of the mandate of investing in dynamic, innovative financial services businesses, AlphaCode grew its investment portfolio by deploying additional equity funding into two leading businesses: Prodigy Finance (an existing investee company) and Guidepost. AlphaCode led Prodigy Finance's series D funding round and is now one of the largest investors in the business. AlphaCode took a 25.1% stake in Guidepost, a high-touch health and insurtech innovator that is poised for international growth.

Andile Maseko was appointed as the new AlphaCode eco-system manager during the 2019 financial year. Dominique Collett is the RMI senior investment executive responsible for the AlphaCode portfolio.

Modernise

GUIDEPOST'S MODERNISED WAY TO FIGHT DIABETES (AND MORE)

RMI has recently acquired a 25.1% stake in Guidepost, a high-touch health and insurtech innovator.



About diabetes

Diabetes has been identified as one of South Africa's biggest non-communicable disease threats, affecting more than 3 million people in the country, according to the International Diabetes Federation. The number of people diagnosed with diabetes is predicted to increase to beyond 5 million by 2040, due to complex reasons, including genetic factors and changes in food consumption patterns combined with increasingly sedentary lifestyles that have come with urbanisation.

The outcomes for diabetes are poor despite sound treatment protocols and reliable medication. Diabetes results in avoidable suffering, including complications like amputation, blindness and strokes. The problem is that only about half the people with diagnosed cases receive care and only about half of those produce positive outcomes. Guidepost was started to use technology to enhance these outcomes.

About Guidepost

Guidepost is a standalone, independent company with deep clinical expertise, offering industry-leading diabetes patient support. The medical team consists of a group of highly trained diabetes educators (nurses and dietitians) with years of experience, who interact with patients.

Since it was founded four years ago, the company has developed a network of partner coaches throughout the country with over 30 full-time

employees. It has performed more than 50 000 consultations helping over 5 000 people with diabetes improve their health. Clients are referred by doctors or they sign up directly via the Guidepost website. The company also has pharmaceutical clients, who include this service with their treatment, as they recognise the importance of having patients taking their medication correctly. They operate from Rosebank, Johannesburg, but their coaches are just a phone call, SMS or email away.

Creating the right solution

Access to care is one of the big challenges with diabetes. Hospitals and clinics are often too overcrowded or inaccessible to provide patients with the necessary support and assistance. Diabetes necessitates serious lifestyle changes relating to diet, dosage and timing of medication, exercise and much more. These lifestyle changes rarely result from a one-off visit to a general practitioner (GP). Guidepost is not trying to replace GPs, but rather trying to become an aid with which GPs could produce better disease outcomes.

The development of new technologies and the move to on-demand marketplace services, such as Airbnb and Uber, have created an environment where people can receive care whenever and wherever they want it. Guidepost is going with this flow by gathering information from clients, analysing the profiles of clients and then linking them up with suitable nurses for tele-coaching. Coaching sessions are

as far as possible delivered in the patient's mother-tongue and are cognisant of their culture, beliefs and finances. Patients form a solid trusting working relationship with their educator and care team.

The service entails unlimited diabetes coaching sessions as well as coach reports and personal guidance. It also helps to reduce travel costs and time wastage for patients. Guidepost, in effect, is like having a personal trainer; you don't get better in one session, but have someone to support you, show you new techniques, explain things and walk the path with you over a number of coaching sessions.

The development of Big Data and artificial intelligence is helping the industry to produce data-driven insights that move healthcare away from pure intuition towards analytics and data-driven decision-making. Guidepost uses data and analytics extensively. The approach has resulted in a 40% reduction in hospitalisations and complications.

Future value creation

Guidepost has taken a very systematic approach from the start, to ease future expansions. The company's main goal is to facilitate long healthy lives. The company is therefore developing systems to also address other co-morbidities, such as high blood pressure or high cholesterol. It has already branched out to other management services for people with chronic kidney disease, transplants and some cancers.



Corporate governance
and sustainability

RMI's view of sustainability

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 under the influence of our enduring values.

The active ownership role encompasses a long-term investment perspective and involves a natural involvement in the portfolio companies' strategic development. By helping to develop long-term competitive companies, RMI enables growth in value over time and sustainable development,

which benefits the communities in which the portfolio companies are active.

Our operations are conducted in accordance with a code of conduct and policies. Through active ownership RMI works to ensure that its values and ethical guidelines also permeate the companies in which it is an active owner.

We are interested deeply in and receptive to expectations that people in our general operating environment have on our operations. Accordingly, we are engaged in an ongoing dialogue with our stakeholders to gain insight into their perspectives and learn from each other. This dialogue helps

us to develop our sustainability work and plays a crucial role in us realising our goal of long-term enduring value-creation. Based on this analysis, our primary task – in our capacity as a long-term and active shareholder – is to contribute to sustainable economic growth in our investments.

In an effort to prioritise, we have matched our stakeholders' expectations with the issues that we believe have the greatest strategic importance for our own operations. These prioritised sustainability issues form the foundation of our sustainability work. The outcome of this analysis is laid out below:

FOCUS	INFORM
<ul style="list-style-type: none"> Be an active, responsible owner that contributes to well-governed companies for sustainable development in society Be a long-term sustainable investment that generates competitive return Develop strategic sustainability work with clear goals that contribute to Agenda 2030 going forward Be an attractive employer with focus on openness, diversity and competence development Report and reduce our carbon footprint 	<ul style="list-style-type: none"> Business ethics Anti-corruption RMI's influence with respect to human rights and health and safety in the portfolio companies RMI's influence with respect to the portfolio companies' work with climate-related issues Taxes

RMI embarked on a journey to ensure that its value creation becomes enduring in the long term. Over the short- to medium term, we intend developing a set of metrics by which to measure ourselves and our investees to track our progress. The framework and work processes are being continuously developed as an integral part of RMI's business model.

In developing our roadmap, we take guidance from the following global initiatives:

THE UNITED NATIONS GLOBAL COMPACT

The United Nations Global Compact is a call to companies everywhere to align their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption, and to take action in support of UN goals and issues embodied in the Sustainable Development Goals.

The UN Global Compact is a leadership platform for the development, implementation and disclosure of responsible corporate practices.

Launched in 2000, it is the largest corporate sustainability initiative in the world, with 13000 corporate participants and other stakeholders in over 170 countries.



The ten principles of the United Nations Global Compact are derived from the Universal Declaration of Human Rights, the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development and the United Nations Convention Against Corruption:

Human rights

1. Businesses should support and respect the protection of internationally proclaimed human rights; and
2. Make sure that they are not complicit in human rights abuses.

Labour

3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
4. The elimination of all forms of forced and compulsory labour;
5. The effective abolition of child labour; and
6. The elimination of discrimination in respect of employment and occupation.

Environment

7. Businesses should support a precautionary approach to environmental challenges;
8. Undertake initiatives to promote greater environmental responsibility; and
9. Encourage the development and diffusion of environmentally friendly technologies.

Anti-corruption

10. Businesses should work against corruption in all its forms, including extortion and bribery.

For more information, refer to www.unglobalcompact.org

AGENDA 2030 AND THE SUSTAINABLE DEVELOPMENT GOALS (SDGs)

Introduced in 2015, the 2030 Agenda for Sustainable Development and associated SDGs provide opportunities through a powerful agenda for achieving peace and prosperity on a healthy planet. The 17 SDGs balance the three dimensions of sustainable development: the economic, social and environmental. This distillation of challenges makes them actionable for business leaders.



The SDGs were developed to succeed the Millennium Development Goals (MDGs) which ended in 2015. Implementation of the SDGs started worldwide in 2016. All over the planet, individual people, universities, governments and institutions and organisations of all kinds work on several goals at the same time.

There are 169 targets for the 17 goals. Each target has between 1 and 3 indicators used to measure progress toward reaching the targets. In total, there are 232 approved indicators that will measure compliance.

The table on page 62 contains the exact wording of each goal in one sentence. The goals are grouped together for the benefit of focus and introducing the Sustainability Accounting Standards Board (SASB) framework that follows on page 63.

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.

See more information about these goals in the framework below.

SDG CATEGORY	SUSTAINABLE DEVELOPMENT GOALS	SASB DIMENSION
Basic Needs	1 NO POVERTY End poverty in all its forms everywhere	Social Capital
	3 GOOD HEALTH AND WELL-BEING Ensure healthy lives and promote well-being for all at all ages	
	11 SUSTAINABLE CITIES AND COMMUNITIES Make cities and human settlements inclusive, safe, resilient and sustainable	
Empowerment	4 QUALITY EDUCATION Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all	Human Capital
	8 DECENT WORK AND ECONOMIC GROWTH Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	
	5 GENDER EQUALITY Achieve gender equality and empower all women and girls	Business Model And Innovation
10 REDUCED INEQUALITIES Reduce inequality within and among countries		
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation		
Climate Change	7 AFFORDABLE AND CLEAN ENERGY Ensure access to affordable, reliable, sustainable and modern energy for all	Environment
	13 CLIMATE ACTION Take urgent action to combat climate change and its impacts	
Natural Capital	12 RESPONSIBLE CONSUMPTION AND PRODUCTION Ensure sustainable consumption and production patterns	Environment
	15 LIFE ON LAND Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss	
Governance	16 PEACE, JUSTICE AND STRONG INSTITUTIONS Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels	Leadership And Governance
	17 PARTNERSHIPS FOR THE GOALS Strengthen the means of implementation and revitalise the Global Partnership for Sustainable Development	



SUSTAINABILITY ACCOUNTING STANDARDS BOARD

The Sustainability Accounting Standards Board (SASB) was founded in 2011 to develop and disseminate sustainability accounting standards. The Financial Accounting Standards Board (FASB) has for the past forty years developed the accounting principles currently used in financial reporting in the USA. Other social and environmental measures are now understood to be of relevance.

SASB is a non-profit organisation that seeks to create industry sustainability standards for the disclosure and recognition of financially material environmental, social and governance impacts of publicly traded US companies. The intention is to provide investors with greater information about the stocks they or their investment funds were investing in, and to allow investors and financial analysts to compare performance on critical social and environmental issues within an industry.

Investors can play an important role in enhancing disclosure effectiveness by expecting companies to disclose performance on material ESG factors and by participating in the development of disclosure standards. Accordingly, SASB has created an Investor Advisory Group (IAG). The IAG comprises leading asset owners and asset managers who are committed to improving the quality and comparability of sustainability-related disclosure to investors and represent a combined total of more than US\$21 trillion assets under management (AUM). SASB standards enable businesses around the world to identify, manage and communicate financially-material sustainability information to their investors.

Sustainability framework

Sustainability accounting reflects the management of a corporation's environmental and social impacts arising from production of goods and services, as well as its management of the environmental and social capitals necessary to create long-term value. It also includes the impacts that sustainability challenges have on innovation, business models and corporate governance and vice versa. In developing its standards, the SASB identified sustainability topics from a set of 26 broadly relevant sustainability issues organised under these five sustainability dimensions:

- **Environment** includes environmental impacts, either through the use of non-renewable, natural resources as inputs to the factors of production or through harmful releases into the environment that may result in impacts to the company's financial condition or operating performance;



- **Social capital** relates to the expectation that a business will contribute to society in return for a social license to operate. It addresses the management of relationships with key outside parties, such as clients, local communities, the public and government. It includes issues related to human rights, protection of vulnerable groups, local economic development, access to and quality of products and services, affordability, responsible business practices in marketing and client privacy;
- **Human capital** addresses the management of a company's human resources as key assets to delivering

long-term value. It includes issues that affect the productivity of employees, management of labour relations and management of the health and safety of employees and the ability to create a safety culture;

- **Business model and innovation** addresses the integration of environmental, human and social issues in a company's value-creation process, including resource recovery and other innovations in the production process; as well as in product innovation, including efficiency and responsibility in the design, use phase and disposal of products; and
- **Leadership and governance**, which involves the management of issues that are inherent to the business model or common practice in the industry and that are in potential conflict with the interest of broader stakeholder groups and therefore create a potential liability or a limitation or removal of a license to operate. This includes regulatory compliance, risk management, safety management, supply-chain and materials sourcing, conflicts of interest, anti-competitive behaviour and corruption and bribery.

In November 2018, SASB published a complete set of 77 industry standards, providing globally-applicable, industry-specific standards which identify the minimal set of financially material sustainability topics and their associated metrics for the typical company in an industry.

RMI's response

The table on page 64 reflects the industries and sectors defined in the standards which are relevant to RMI, together with the issues that are likely to be material to most organisations in those sectors.

RMI is currently assessing the applicability of the comprehensive set of metrics and measures and will suitably distil it in the following year to derive a meaningful set of criteria for its own context. In the meantime, we have adopted the five sustainability dimensions outline above.

SASB dimension	General issue category	Industry and sectors							Professional and commercial services
		FINANCE							
		Asset management	Commercial banking	Consumer finance	Insurance	Investment banking	Mortgage finance		
Social capital	Human rights and community relations								
	Client privacy			✓					
	Data security		✓	✓					✓
	Access and affordability		✓						
	Product quality and safety								
	Client welfare								
Human capital	Selling practices and product labelling	✓		✓	✓			✓	
	Labour practices								
	Employee health and safety								
Business model and innovation	Employee engagement, diversity and inclusion	✓				✓		✓	
	Product design and lifecycle management	✓	✓		✓	✓			
	Business model resilience								
	Supply chain management								
	Materials sourcing and efficiency								
Environment	Physical Impacts of climate change				✓			✓	
	Greenhouse gas emissions								
	Air quality								
	Energy management								
	Water and waste water management								
	Waste and hazardous materials management								
Leadership and governance	Ecological impacts								
	Business ethics	✓	✓			✓		✓	
	Competitive behaviour								
	Management of the legal and regulatory environment								
	Critical incident risk management								
Systemic risk management	✓	✓		✓	✓				



CDP (FORMERLY CARBON DISCLOSURE PROJECT)

The CDP is an organisation based in the UK which supports companies and cities to disclose the environmental impact of major corporations. It aims to make environmental reporting and risk management a business norm and drive disclosure, insight and action towards a sustainable economy.

Since 2002, over 6 000 companies have publicly disclosed environmental information through CDP. Nearly a fifth of global greenhouse gas emissions are reported through CDP.

CDP works with corporations, cities, states and regions to help them ensure that an effective carbon emissions reduction strategy is made integral to their operations. The collection of self-reported data from thousands of companies is supported by over 800 institutional investors with approximately US\$100 trillion in assets.

Much of the data elicited has never been collected before. This information is helpful to investors, corporations, and regulators in making informed decisions on taking action towards a sustainable economy by measuring and understanding their environmental impact and taking meaningful steps to address and limit their risk to climate change, deforestation and water security.

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 30 for specific examples of sustainability work currently being conducted by the investees.

RMI's sustainability framework in respect of its investees is taking shape as follows:

Goal	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Analyse and continuously monitor all investees in accordance with RMI's integrated sustainability analysis; Formulate action plans with 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	<ul style="list-style-type: none"> SDG 8: 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;
	<ul style="list-style-type: none"> SDG 9: 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; and
	<ul style="list-style-type: none"> SDG 12: 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 prerequisite 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 taking shape as follows:

Goal	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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	<div style="display: flex; align-items: flex-start;"> <div style="background-color: #e91e63; color: white; padding: 5px; margin-right: 10px; text-align: center;"> 5 GENDER EQUALITY </div> <ul style="list-style-type: none"> • SDG 5: Diversity and gender equality is an important issue both in RMI's own operations and in the investees as it strengthens capabilities; and </div> <div style="display: flex; align-items: flex-start; margin-top: 10px;"> <div style="background-color: #2e7d32; color: white; padding: 5px; margin-right: 10px; text-align: center;"> 13 CLIMATE ACTION </div> <ul style="list-style-type: none"> • SDG 13: 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. </div>

Corporate governance report

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

The Companies Act places certain duties on directors and determines that they should apply the necessary care and skill in fulfilling their duties. To ensure that this is achieved, the board applies best practice principles, as contained in King IV, where appropriate. As a JSE-listed entity, RMI also complies with the JSE Listings Requirements.

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 results of the performance assessment of individual directors in respect of the ethical characteristics they demonstrated was satisfactory. The board will make an ongoing assessment to ensure that the ethical characteristics demonstrated by the individual directors are continued.
The board governs the ethics of RMI in a way that supports the establishment of an ethical culture.	Yes	<p>The board has a fiduciary duty to act in good faith, with due care and diligence and in the best interests of the group and its stakeholders. It is the primary body responsible for the corporate governance values of the group. While control is delegated to management in the day-to-day management of the group, the board retains full and effective control over the group. A formal board charter, as recommended by King IV, has been adopted. All directors subscribe to a code of ethics. The code deals with duties of care and skill, as well as those of good faith, including honesty, integrity and the need to always act in the best interests of the company. Procedures exist in terms of which unethical business practices can be brought to the attention of the board by directors or employees.</p> <p>RMI's values of commitment, integrity, responsibility, innovation and connectivity guide the behaviour of how everyone goes about their daily duties. The code of ethics guides the ethical behaviour of all RMI employees. This includes interaction between colleagues, with investees, shareholders, clients, suppliers and the communities within which the company operates.</p>
The board ensures that RMI is and is seen to be a responsible corporate citizen.	Yes	<p>The board is the guardian of the values and ethics of the group and ensures that it is seen as a responsible corporate citizen. The responsibility for monitoring the overall responsible corporate citizenship performance of the organisation was delegated to the social, ethics and transformation committee by the board.</p> <p> Refer to the report of the social, ethics and transformation committee on page 94 for more detail on how RMI addressed responsible citizenship.</p>

PRINCIPLE APPLIED EXPLANATION

OUTCOME: PERFORMANCE AND VALUE CREATION

<p>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.</p>	<p>Yes</p>	<p>The board's paramount responsibility is to ensure that RMI creates value for its shareholders. In so doing, it takes into account the legitimate interests and expectations of stakeholders, which include the present and potential future investors in RMI.</p> <p>This integrated report demonstrates how performance is achieved through the strategic initiatives. RMI sets and achieves its strategic initiatives with reference to its risks and opportunities. The board assesses both the positive and negative outcomes resulting from its business model continuously and responds to it.</p> <p> Refer to RMI's business model and explanation of how the inseparable elements of the value creation process are linked, which is summarised on pages 6 and 7.</p>
<p>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.</p>	<p>Yes</p>	<p>The board is also responsible for formulating its communication policy and ensuring that spokespeople of the company adhere to it. This responsibility includes clear, transparent, balanced and truthful communication to shareholders and relevant stakeholders.</p> <p>In its interim and integrated reports to stakeholders, RMI details both its historical performance and future outlook. These reports, together with further information in those and other communications, enable stakeholders to make informed assessments of RMI's prospects.</p> <p>RMI's ability to create value in a sustainable manner is illustrated throughout its business model.</p> <p> See page 24 for RMI's five-year historical performance and pages 25 to 28 for its detailed performance over the past year.</p> <p> See page 23 for RMI's outlook for the future.</p>

OUTCOME: ADEQUATE AND EFFECTIVE CONTROL

<p>The board serves as the focal point and custodian of corporate governance in RMI.</p>	<p>Yes</p>	<p>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.</p> <p>The board meets once every quarter. Should an important matter arise between scheduled meetings, additional meetings may be convened.</p> <p>Before each board meeting, an information pack, which provides background information on the performance of the group for the year-to-date and any other matters for discussion at the meeting, is distributed to each board member. At their meetings, the board considers both financial – and non-financial, or qualitative, information that might have an impact on stakeholders.</p> <p> Details of the board meetings held during the year ended 30 June 2019, as well as the attendance at the board meetings by individual directors, are disclosed on page 73.</p> <p>RMI has an "owner-manager" culture, which has been inculcated at every business in which it is invested.</p> <p>While RMI's board is responsible for the maintenance of sound corporate governance, it believes that implementation is best managed at an investee company level. Investee companies therefore have their own governance structures, including boards of directors, executive teams and board committees that monitor operations and deal with governance and transformation-related issues.</p> <p>RMI has board representation at all investee companies and influences the governance and transformation-related issues through this strategic position.</p>
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PRINCIPLE APPLIED EXPLANATION

OUTCOME: ADEQUATE AND EFFECTIVE CONTROL

<p>The board comprises the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.</p>	<p>Yes</p>	<p>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. The board is satisfied that there is a balance of skills, experience, diversity, independence and knowledge needed to discharge its roles and responsibilities. The board has taken steps to strengthen its succession plan to also include an immediate and interim succession plan in the event of an unforeseen event.</p> <p>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 2019 are independent.</p> <p>RMI believes that all board members are suitably qualified and that the composition of the board is in the best interests of all stakeholders, without prejudice to them.</p> <p>The roles of 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.</p> <p>The directors are individuals of a high calibre with diverse backgrounds and expertise, facilitating independent judgement and broad deliberations in the decision-making process. New directors are subject to a "fit and proper" test. An informal orientation programme is available to incoming directors. No director has an automatic right to a position on the board. All directors are required to be elected by shareholders at an annual general meeting. In a general meeting, the company may appoint any person to be a director, subject to the provisions of the memorandum of incorporation.</p> <p>Non-executive directors retire by rotation every three years and are eligible for re-election. Re-appointment of non-executive directors is not automatic. The retirement age of the non-executive directors is set at 70.</p> <p>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. RMI believes that investee companies have a strong pipeline of executives whose natural career progression would be to serve on the RMI board.</p> <p>The policy on promotion of race and gender diversity is included in the nominations committee charter which requires that, when appointing new directors, the board takes cognisance of its needs in terms of different skills, experience, cultural and gender diversity, size and demographics. While no specific targets have been set, the board is committed to increasing its gender and race diversity at board and top management level.</p> <p> 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 pages 76 to 79.</p>
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PRINCIPLE	APPLIED	EXPLANATION
OUTCOME: ADEQUATE AND EFFECTIVE CONTROL		
<p>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.</p>	Yes	<p>The board established six sub-committees to assist the directors in fulfilling their duties and responsibilities. Each committee has a formal charter and reports to the board at regular intervals. The charters, which set out the objectives, authority, composition and responsibilities of each committee, have been approved by the board. All the committees are free to take independent outside professional advice, as and when required, at the expense of the company.</p> <p>Membership of the committees is as recommended in King IV. The composition of the committees of the board and the distribution of authority between the chairman and other directors is balanced and does not lead to instances where individual(s) dominate decision-making within governance structures or where undue dependency is caused.</p> <p> See page 73 for the members of each committee.</p> <p>It is not a requirement in terms of either the memorandum of incorporation or the board charter that directors own shares in the company.</p> <p> Directors' interests in the ordinary shares of the company are disclosed on page 103.</p> <p>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.</p> <p>The financial director is the head of the finance function and he has a senior manager reporting to him. Internal audit is fully outsourced and the financial director is responsible for overseeing and coordinating the effective functioning of the outsourcing arrangement.</p> <p>An assessment of the effectiveness of the financial director function is performed annually by the audit and risk committee.</p>
		<p>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.</p>

PRINCIPLE	APPLIED	EXPLANATION		
OUTCOME: ADEQUATE AND EFFECTIVE CONTROL				
<p>The board ensures that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities.</p>	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>Board members have full and unrestricted access to management and all group information and property. They are entitled, at the cost of the group, to seek independent professional advice in the fulfilment of their duties. Directors may meet separately with management, without the attendance of executive directors.</p> <p>A detailed delegation of authority policy and framework indicate matters reserved for the board and those delegated to management. The board is satisfied that 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 chief executive officer has an employment contract that can, subject to fair labour practices, be terminated upon one month's notice. In terms of the memorandum of incorporation, the retirement age of an executive director is 60, but the board has the discretion to extend it to 65. The chief executive officer does not have any work commitments outside of RMI and its related companies. A succession plan for the chief executive officer is in place.</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. All directors have unlimited access to his services and he is responsible to the board for ensuring that proper corporate governance principles are adhered to, including signing off on disclosure of membership of board structures, the number of meetings of each and attendance at each meeting as well as the overall content of the committee information and reporting that are in the public domain. He is not a director of RMI.</p>		
		<p>The board governs risk in a way that supports RMI in setting and achieving its strategic objectives.</p>	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>The audit and risk committee implements a process whereby risks to the sustainability of the company's business are identified and managed within acceptable parameters. The audit and risk committee delegates the duty to management to continuously identify, assess, mitigate and manage risks within the existing and ever-changing risk profile of RMI's operating environment. Mitigating controls are formulated to address the risks and the board is kept up to date on progress on the risk management plan.</p> <p> See page 12 for an overview of the risks to value creation in RMI.</p>
		<p>The board governs technology and information in a way that supports RMI in setting and achieving its strategic objectives.</p>	Yes	<p>The audit and risk committee assists the board with the governance of information technology. The board is aware of the importance of technology and information as it is inter-related to the strategy, performance and sustainability of RMI.</p>

PRINCIPLE APPLIED EXPLANATION

OUTCOME: ADEQUATE AND EFFECTIVE CONTROL

<p>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.</p>	<p>Yes</p>	<p>There were no material or repeated regulatory penalties, sanctions or fines for contraventions of, or non-compliance with, statutory obligations.</p>
<p>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.</p>	<p>Yes</p>	<p>RMI remunerates fairly, responsibly and transparently so as to promote the creation of value in a sustainable manner.  See the remuneration report on page 87. The individual directors' remuneration is disclosed, but not the salaries of the three highest earners who are not directors. RMI believes that this disclosure is sufficient and appropriately demonstrates alignment between remuneration and shareholders' return.</p>
<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.</p>	<p>Yes</p>	<p>The board is satisfied that assurance results in an adequate and effective control environment and integrity of reports for better decision-making.  See page 80 for information on assurance contained in the audit and risk committee's report.</p>

OUTCOME: TRUST, GOOD REPUTATION AND LEGITIMACY

<p>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.</p>	<p>Yes</p>	<p>RMI has identified its stakeholder groups and actively balances their legitimate and reasonable needs, interests and expectations.  See page 10 for information on stakeholder relationships and engagements.</p>
<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.</p>	<p>Yes</p>	<p>RMI ensures, through active participation and representation, that it exercises its rights and obligations with regard to its investee companies.</p>

ATTENDANCE AND BOARD COMMITTEE MEMBERSHIP

	Board	Audit and risk committee	Directors' affairs and governance committee	Investment committee	Nominations committee	Remuneration committee	Social, ethics and transformation committee
Non-executive directors							
Jannie Durand (chairman)	C 4 of 4		4 of 4	4 of 4	4 of 4	2 of 2	
Peter Cooper	4 of 4		4 of 4	4 of 4	4 of 4		
Laurie Dippenaar	4 of 4		4 of 4	4 of 4	4 of 4		
Paul Harris	3 of 4		3 of 4	3 of 4	3 of 4		
Albertinah Kekana	3 of 4		3 of 4	3 of 4	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 4 of 4	4 of 4	2 of 2	
Sonja de Bruyn	4 of 4	C 2 of 2	4 of 4		4 of 4	C 2 of 2	1 of 2
Per Lagerström	4 of 4	2 of 2	4 of 4		4 of 4		2 of 2
Mamongae Mahlare	3 of 4		3 of 4		3 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			4 of 4			
 See the committee report on page		80	82	84	85	86	94

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 (52)



INDEPENDENT NON-EXECUTIVE DIRECTORS

Johan Petrus (Johan) Burger (60), Sonja Emilia Ncumisa (Sonja) de Bruyn (47), Per-Erik (Per) Lagerström (55) and Matsotso Mamongae (Mamongae) Mahlare (44)



NON-EXECUTIVE DIRECTORS

Peter Cooper (63) and Lauritz Lanser (Laurie) Dippenaar (70)



CHIEF EXECUTIVE OFFICER AND FINANCIAL DIRECTOR

Hermanus Lambertus (Herman) Bosman (50)



Mafison Murphy (Murphy) Morobe (62), Ralph Tendai (Ralph) Mupita (47) and James Andrew (James) Teeger (52)



Paul Kenneth (Paul) Harris (69), Albertinah Kekana (46) and Obakeng Phetwe (41)



ALTERNATE NON-EXECUTIVE DIRECTORS

David Andrew (David) Frankel (48), Francois (Faffa) Knoetze (56) and Udo Hermann (Udo) Lucht (42)



JAN JONATHAN (JANNIE) DURAND ⁵²
 BAcc (Hons) MPhil (Oxford) CA(SA)

Non-executive chairman

COMMITTEES



APPOINTED
 8 December 2010

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.

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.

- OTHER LISTED DIRECTORSHIP**
- Distell Group Limited;
 - FirstRand Limited;
 - Mediclinic International Limited;
 - RCL Foods Limited;
 - Remgro Limited (chief executive officer); and
 - RMB Holdings Limited (chairman).

HERMANUS LAMBERTUS (HERMAN) BOSMAN ⁵⁰
 BCom (Law) LLM CFA

Chief executive officer and financial director

COMMITTEES



APPOINTED
 2 April 2014

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.

OTHER LISTED DIRECTORSHIP

- Discovery Limited;
- FirstRand Limited;
- Hastings Group Holdings plc; and
- RMB Holdings Limited (chief executive officer).

JOHAN PETRUS (JOHAN) BURGER ⁶⁰
 BCom (Hons) CA(SA)

Independent non-executive director

COMMITTEES



APPOINTED
 30 June 2014

Johan joined RMB in 1986, where he performed a number of roles before being appointed financial director in 1995. 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.

OTHER LISTED DIRECTORSHIP

- FirstRand Limited; and
- RMB Holdings Limited.

SONJA EMILIA NCUMISA (SONJA) DE BRUYN ⁴⁷
 LLB (Hons) LSE MA (McGill) SFA (UK) Executive Leadership Programme (Harvard)

Independent non-executive director

COMMITTEES



APPOINTED
 8 December 2010

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.

OTHER LISTED DIRECTORSHIP

- Discovery Limited;
- Remgro Limited; and
- RMB Holdings Limited.

PER-ERIK (PER) LAGERSTRÖM ⁵⁵
 BSc (Accounting) MSc (Economics) (London School of Economics)

Independent non-executive director

COMMITTEES



APPOINTED
 30 June 2014

Per is the co-founder of the Energos group, specialists in Big Data solutions for human capital. Previously he was a partner at McKinsey & Company where he headed up the Financial Services Sector and the Organisation Practice.

OTHER LISTED DIRECTORSHIP

- RMB Holdings Limited.

MATSOTSO MAMONGAE (MAMONGAE) MAHLARE ⁴⁴
 BSc (Chemical Engineering) MBA (Harvard)

Independent non-executive director

COMMITTEES



APPOINTED
 31 March 2018

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 & Company.

OTHER LISTED DIRECTORSHIP

- RMB Holdings Limited.

MAFISON MURPHY (MURPHY) MOROBE ⁶²
 Diploma in Project Management MCEF (Princeton)

Lead independent director

COMMITTEES



APPOINTED
 1 August 2014

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.

- OTHER LISTED DIRECTORSHIPS**
- Remgro Limited; and
 - RMB Holdings Limited.

RALPH TENDAI (RALPH) MUPITA ⁴⁷
 BSc (Engineering) (Hons) MBA GMP (Harvard)

Independent non-executive director

COMMITTEES



APPOINTED
 31 March 2018

Ralph is the chief financial officer and an executive director 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.

OTHER LISTED DIRECTORSHIPS

- MTN Group Limited; and
- RMB Holdings Limited.

KEY

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

JAMES ANDREW (JAMES) TEEGER ⁵²
BCom BAcc CA(SA) HDip Tax

Independent non-executive director
COMMITTEES



APPOINTED
31 March 2018

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.

OTHER LISTED DIRECTORSHIP

- RMB Holdings Limited.

PETER COOPER ⁶³
BCom (Hons) CA(SA) HDip Tax

Non-executive director
COMMITTEES



APPOINTED
8 December 2010

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.

OTHER LISTED DIRECTORSHIPS

- Imperial Logistics Limited;
- Momentum Metropolitan Holdings Limited; and
- RMB Holdings Limited.

LAURITZ LANSER (LAURIE) DIPPENAAR ⁷⁰
MCom CA(SA)

Non-executive director
COMMITTEES



APPOINTED
8 December 2010

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 is the non-executive chairman of OUTsurance.

OTHER LISTED DIRECTORSHIP

- RMB Holdings Limited.

PAUL KENNETH (PAUL) HARRIS ⁶⁹
MCom

Non-executive director
COMMITTEES



APPOINTED
8 December 2010

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.

OTHER LISTED DIRECTORSHIPS

- Remgro Limited; and
- RMB Holdings Limited.

ALBERTINAH KEKANA ⁴⁶
BCom (Hons) CA(SA)
PGDA AMP (Harvard)

Non-executive director
COMMITTEES



APPOINTED
6 February 2013

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.

OTHER LISTED DIRECTORSHIP

- RMB Holdings Limited.

OBAKENG PHETWE ⁴¹
BCom (Hons) CA(SA)

Non-executive director
COMMITTEES



APPOINTED
6 February 2013

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.

OTHER LISTED DIRECTORSHIPS

- Royal Bafokeng Platinum Limited; and
- RMB Holdings Limited.

UDO HERMANN (UDO) LUCHT ⁴²
BCom (Hons) CA(SA) CFA

Alternate non-executive director
COMMITTEES



APPOINTED
3 September 2019

Udo is the current Head of Resources and Industrial investments at Royal Bafokeng Nation Development Trust, which holds all the commercial assets on behalf of the Royal Bafokeng Nation.

OTHER LISTED DIRECTORSHIPS

- RMB Holdings Limited (alternate);
- Royal Bafokeng Platinum Limited; and
- Yebo Yethu Limited.

DAVID ANDREW (DAVID) FRANKEL ⁴⁸
BSc (Electrical Engineering) (Hons)
MBA (Harvard)

Alternate non-executive director
COMMITTEES



APPOINTED
31 March 2018

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.

OTHER LISTED DIRECTORSHIP

- RMB Holdings Limited (alternate).

FRANCOIS (FAFFA) KNOETZE ⁵⁶
BCom (Hons) FIA

Alternate non-executive director
COMMITTEES



APPOINTED
1 April 2016

Faffa graduated from the University of Stellenbosch in 1984 and became a fellow of the Actuarial Society of South Africa in 1992.

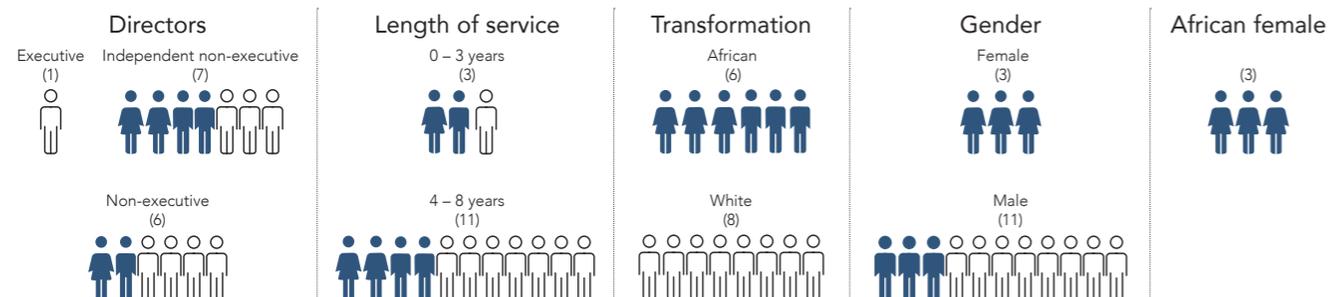
After starting his actuarial career at Sanlam as a marketing actuary in the life business, he spent most of his working career at Alexander Forbes, where he was the valuator and consulting actuary to a number of pension and provident funds.

He joined Remgro on 2 December 2013 and focuses on the company's interests in the financial services (insurance and banking) and sport industries.

OTHER LISTED DIRECTORSHIPS

- FirstRand Limited; and
- RMB Holdings Limited (alternate).

Composition of the board
as at 30 June 2019



	E	INE	NE
Directors	1	7	6
Length of service (years)	3	11	
Transformation	6	8	
Gender	3	11	
ACI female	3		

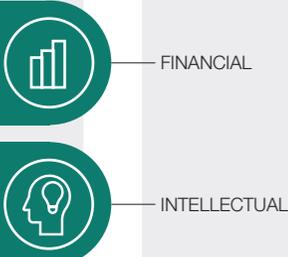
E – Executive, INE – Independent non-executive, NE – Non-executive

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



Audit and risk committee report

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



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

AUDIT AND RISK 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 chairperson 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 chairperson, 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 chairperson 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.

 Attendance and the membership of the committee are reflected in the table on **page 73**.

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;
- Ensuring that appropriate financial reporting procedures have been established and that those procedures are operating;
- 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 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, 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 re-appointed 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 the consolidated annual financial statements, which are available on RMI's website.

The partner responsible for the audit is required to rotate every five years. Ms Corlia Volschenk succeeded Mr Francois Prinsloo as the designated auditor for the 2019 financial year in terms of the rotation policy.

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 comprise the following:

- Senior management considers the company's risk strategy and policy, along with the effectiveness and efficiency thereof; and
- The audit and risk committee consider 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 consolidated and separate 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.

Sonja de Bruyn
Chairperson of the audit and risk committee

10 September 2019



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 73**.

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 100** 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

10 September 2019



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 four times during the year.

 Attendance and membership of the committee are reflected in the table on **page 73**.

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 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

10 September 2019



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 73**.

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 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.

With the resignation of Mr Wilson, the nominations committee had to consider a new alternate, non-executive director before recommending his appointment to the board.

Mr Lucht was appointed as alternate, non-executive director to Ms Kekana on 3 September 2019.

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

10 September 2019



Remuneration committee report

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



FINANCIAL



HUMAN



INTELLECTUAL

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 73**.

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 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 performance criteria which need to be met for the vesting of the share appreciation rights.

FOCUS DURING THE COMING YEAR

The remuneration committee will continue with the benchmarking of remuneration packages.

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 differentiates a holding company such as RMI and helps 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:

- Fixed remuneration, set at or slightly above prevailing market rates;
- Cash bonus, which is not to be paid to senior executives apart from ad hoc exceptional instances;
- Longer-term incentives in the form of share appreciation rights; and
- 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 current year, salary increases were linked to the inflation rate of 5%, except for adjustments made as a result of the outcome of the benchmarking exercise.

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 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 issuance, 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 83% of change in CPI	45%	50%	22.5%
Total shareholders return is 83% of nominal GDP growth	45%	50%	22.5%
Discretion of remuneration committee	10%	50%	5%
Proportion of award accrued to participant			50%
Increase in normalised earnings = CPI increase	45%	25%	11.25%
Total shareholders return = Nominal GDP growth	45%	25%	11.25%
Discretion of remuneration committee	10%	25%	2.5%
Proportion of award accrued to participant			75%
Increase in normalised earnings is 117% of change in CPI	45%	25%	11.25%
Total shareholders return is 117% of nominal GDP growth	45%	25%	11.25%
Discretion of remuneration committee	10%	25%	2.5%
Proportion of award accrued to participant			100%
Increase in normalised earnings is 136% of change in CPI	45%	25%	11.25%
Total shareholders return is 136% of nominal GDP growth	45%	25%	11.25%
Discretion of remuneration committee	10%	25%	2.5%
Proportion of award accrued to participant			125%
Increase in normalised earnings is 159% of change in CPI	45%	25%	11.25%
Total shareholders return is 159% of nominal GDP growth	45%	25%	11.25%
Discretion of remuneration committee	10%	25%	2.5%
Proportion of award accrued to participant			150%
Increase in normalised earnings is 185% of change in CPI	45%	25%	11.25%
Total shareholders return is 185% of nominal GDP growth	45%	25%	11.25%
Discretion of remuneration committee	10%	25%	2.5%
Proportion of award accrued to participant			175%
Increase in normalised earnings is 216% of change in CPI	45%	25%	11.25%
Total shareholders return is 216% of nominal GDP growth	45%	25%	11.25%
Discretion of remuneration committee	10%	25%	2.5%
Proportion of award accrued to participant			200%

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.

In the current year the scheme rules were amended to include a malus and clawback clause. This permits the clawback of discretionary payments and exercised awards under certain circumstances.

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 and Royal 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 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, escalated by the hurdle rate. 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 proportionate 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 (2018: Messrs MC Visser and WT Roos).

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.

APPROVAL OF THE REMUNERATION POLICY

Shareholders approved RMI's remuneration policy at the annual general meeting on 21 November 2018.

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 pro-actively engage with those shareholders to address their concerns.

IMPLEMENTATION REPORT

DIRECTORS' REMUNERATION

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

R000's	Services as director	Cash package	Bonus	Other benefits ¹	Share appreciation rights ²	Total 2019
Executive						
HL Bosman ³	–	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
Non-executive						
JJ Durand ⁴	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 ⁴	374	–	–	–	–	374
P Lagerström	361	–	–	–	–	361
MM Mahlare	266	–	–	–	–	266
MM Morobe	316	–	–	–	–	316
RT Mupita ⁴	266	–	–	–	–	266
O Phetwe	266	–	–	–	–	266
JA Teeger	333	–	–	–	–	333
Total	5 134	8 177	46	1 108	1 035	15 500

- "Other benefits" comprise pension fund, provident fund and medical aid contributions.
- Includes the value of share appreciation rights granted by RMI which vest and become exercisable in the 12 months following the end of the reporting period.
- Mr Bosman's executive remuneration is paid for by RMI. A portion of his remuneration is recovered from RMH.
- 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 as at 1 July 2018 000's	Issued 000's	Forfeited 000's	Exercised 000's	Balance as at 30 June 2019 000's	Value as at 30 June 2019 R000's
HL Bosman	2 874	02/04/2017	631	–	–	–	631	3 299
HL Bosman	2 874	02/04/2018	631	–	–	–	631	3 299
HL Bosman	2 874	02/04/2019	631	–	–	–	631	3 299
HL Bosman	4 125	14/09/2018	27	–	–	–	27	140
HL Bosman	4 125	14/09/2019	27	–	–	–	27	132
HL Bosman	4 125	14/09/2020	26	–	–	–	26	106
HL Bosman	4 341	14/09/2019	167	–	–	–	167	903
HL Bosman	4 341	14/09/2020	167	–	–	–	167	677
HL Bosman	4 341	14/09/2021	167	–	–	–	167	542
HL Bosman	3 992	19/09/2020	179	–	–	–	179	596
HL Bosman	3 992	19/09/2021	180	–	–	–	180	447
HL Bosman	3 992	19/09/2022	180	–	–	–	180	357
HL Bosman	3 947	14/09/2021	–	249	–	–	249	454
HL Bosman	3 947	14/09/2022	–	249	–	–	249	340
HL Bosman	3 947	14/09/2023	–	250	–	–	250	271

RMI management participation structure

Participant	Investment	Number of shares	Percentage of investment	Hurdle rate	Value as at 30 June 2019 R000's
HL Bosman	RMI Investment Managers	1 761	1.4%	Prime	–
HL Bosman	RMI Invest One (Merchant Capital)	350	3.5%	Prime	–
HL Bosman	RMI Invest Two (Entersekt)	375	3.75%	Prime	–
HL Bosman	RMI Invest Three (Prodigy)	375	3.75%	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 2018:

R000's	Services as director	Cash package	Bonus	Other benefits ¹	Share appreciation rights ²	Total 2018
Executive						
HL Bosman ³	–	7 101	261	970	5 284	13 616
– Paid by RMI	–	9 468	348	1 293	–	11 109
– Recovered from RMH	–	(2 367)	(87)	(323)	–	(2 777)
– Value of share appreciation rights vesting	–	–	–	–	5 284	5 284
Non-executive						
GT Ferreira	778	–	–	–	–	778
JJ Durand ⁴	425	–	–	–	–	425
JP Burger ⁴	397	–	–	–	–	397
P Cooper	355	–	–	–	–	355
SEN de Bruyn	356	–	–	–	–	356
LL Dippenaar	355	–	–	–	–	355
JW Dreyer	296	–	–	–	–	296
DA Frankel (alternate)	64	–	–	–	–	64
PM Goss	205	–	–	–	–	205
PK Harris	355	–	–	–	–	355
A Kekana ⁴	314	–	–	–	–	314
P Lagerström	335	–	–	–	–	335
MM Mahlare	64	–	–	–	–	64
MM Morobe	257	–	–	–	–	257
RT Mupita ⁴	64	–	–	–	–	64
O Phetwe	252	–	–	–	–	252
KC Shubane	188	–	–	–	–	188
JA Teeger	76	–	–	–	–	76
Total	5 136	7 101	261	970	5 284	18 752

- "Other benefits" comprise pension fund, provident fund and medical aid contributions.
- Includes the value of share appreciation rights granted by RMI which vest and become exercisable in the 12 months following the end of the reporting period.
- Mr Bosman's executive remuneration is paid for by RMI. A portion of his remuneration is recovered from RMH.
- Directors' fees for services rendered by Messrs Burger, Durand and Mupita and Ms Kekana were paid to FirstRand, 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 2019:

R000's	2019	2018
Executive		
HL Bosman ¹	1 853	1 446
Non-executive		
P Cooper ²	1 664	1 322
SEN de Bruyn ³	1 247	1 371
LL Dippenaar ⁴	519	359
F Knoetze (alternate) ⁵	-	168
KC Shubane ⁶	-	786
Total	5 283	5 452

- Directors' fees for serviced rendered by Mr Bosman were paid to RMI. R1 448 000 (2018: R1 278 000) was received from Discovery and R405 000 (2018: R168 000) was received from OUTsurance.
- R1 136 000 (2018: R1 077 000) was received from Momentum Metropolitan and R528 000 (2018: R245 000) was received from OUTsurance.
- Received from Discovery.
- Received from OUTsurance.
- Directors' fees for services rendered to OUTsurance by Mr Knoetze were paid to Remgro Limited.
- Received from Momentum Metropolitan. Mr Shubane retired as a director of RMI on 31 March 2018, therefore the fees he received from Momentum Metropolitan are not disclosed in the 2019 financial year.

Emoluments paid to prescribed officers

OUTsurance Holdings Limited

In addition to Mr HL Bosman, financial director and chief executive officer of RMI, Mr MC Visser, chief executive officer of OUTsurance from 1 January 2018 and Mr WT Roos, chief executive officer of OUTsurance until 31 December 2017, also meet the definition of prescribed officers as defined in the Companies Act, 71 of 2008. Their emoluments are set out below:

R'000	Total 2019	Salary	Performance related ¹
MC Visser	13 985	5 364	8 621
	Total 2018	Salary	Performance related ¹
MC Visser	4 120	4 120	-
WT Roos	1 980	1 980	-

1. Performance-related bonuses are paid on a two-year cycle.

	MC Visser 000's
OUTsurance Holdings share incentive scheme	
Strike price R7.15 with vesting dates from 1 July 2015 to 1 July 2018	
Opening balance as at 1 July 2018	600
Taken up during the year	(600)
Forfeited during the year	-
Closing balance as at 30 June 2019	-
Benefit derived	1 758
Strike price R8.48 with vesting dates from 1 July 2016 to 1 July 2019	
Opening balance as at 1 July 2018	600
Granted during the year	-
Forfeited during the year	-
Closing balance as at 30 June 2019	600
Strike price R9.30 with vesting dates from 1 July 2017 to 1 July 2020	
Opening balance as at 1 July 2018	700
Granted during the year	-
Forfeited during the year	-
Closing balance as at 30 June 2019	700
Strike price R10.08 with vesting dates from 1 September 2018 to 1 September 2021	
Opening balance as at 1 July 2018	-
Granted during the year	935
Forfeited during the year	-
Closing balance as at 30 June 2019	935



Sonja de Bruyn
Chairperson of the remuneration committee

10 September 2019



Social, ethics and transformation committee report

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



HUMAN



SOCIAL



NATURAL



MANUFACTURED

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 73**.

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	RMI has implemented its stand-alone strategy, which was further refined during the year under review with the assistance of an independent consulting firm. The committee supports staff to participate in the continuing professional development programmes of the professional bodies they are members of. Employees are members of a wellness programme.
	Corporate social investment	
	Employee educational development	
	Employee wellness	
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 four contributor rating, in line with the prior year. A copy of the B-BBEE1 form is available on RMI's website at www.rmih.co.za .
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 will be made 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 60**.

Murphy Morobe
Chairman of the social, ethics and transformation committee

10 September 2019

Contents

98	Directors' responsibility statement	107	Summary consolidated statement of comprehensive income
99	Declaration by the company secretary	108	Summary consolidated statement of changes in equity
100	Directors' report	109	Summary consolidated statement of cash flows
104	Independent auditor's report	110	Notes to the summary consolidated financial statements
105	Summary consolidated statement of financial position		
106	Summary consolidated income statement		

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.

FIVE

Summary consolidated financial statements

for the year ended 30 June 2019

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 2019 and have been audited by the group's external auditor, PricewaterhouseCoopers Inc.

 Their opinion on these summary consolidated financial statements appears on **page 104**.

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 consolidated financial statements incorporate accounting policies that are consistent with those used in the prior financial year.

IFRS 9: Financial Instruments (IFRS 9) and IFRS 15: Revenue from Contracts with Customers (IFRS 15) became effective in the current year. *IFRS 9*, which replaces *IAS 39: Financial Instruments: Recognition and Measurement (IAS 39)*, had the most significant impact on the group. *IFRS 9* introduced a principle-based approach for classifying financial assets based on the group's business model and changed the way impairments are calculated on financial assets at amortised cost from the incurred loss model to the expected loss model.

IFRS 15, which contains a single model that is applied when accounting for contracts with clients, replaced revenue recognition guidance previously included in *IAS 18: Revenue (IAS 18) and IFRIC 13: Customer Loyalty Programmes (IFRIC 13)*.

No other new or amended IFRS became effective for the year ended 30 June 2019 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 119**.

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 10 September 2019.



JJ Durand
Chairman

17 October 2019

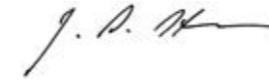


HL Bosman
Chief executive officer

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.



JS Human
Company secretary

10 September 2019

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 dynamic 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 2019 financial year, the following corporate activity took place:

- RMI Investment Managers Group Proprietary Limited (RMI Investment Managers) was capitalised with a further R198.1 million;
- RMI Investment Managers Affiliates 2 Proprietary Limited (Affiliates 2) acquired the following in the financial year ended 30 June 2019:
 - An additional 4% equity stake in Sentio Capital Management Proprietary Limited in August 2018;
 - A further 2.1% equity investment in CoreShares Proprietary Limited in December 2018;
 - A 15% equity stake in Perpetua Investment Managers Proprietary Limited in March 2019; and
 - An additional 4.9% equity stake in Ethos Private Equity Proprietary Limited in May 2019;
 - A further R2 million equity investment in its 100%-owned subsidiary, Granate Asset Management Proprietary Limited;
- Royal Investment Managers Proprietary Limited acquired the following in the financial year ended 30 June 2019:
 - A 31% equity stake in Visio Capital Management Proprietary Limited in April 2019; and
 - An additional 2.5% equity stake in Ethos Private Equity Proprietary Limited in May 2019;
- RMI, via RMI Asset Holdings Proprietary Limited, acquired an additional 0.5% equity stake in OUTsurace during the first half of the 2019 financial year; and
- RMI acquired an additional 0.7% equity stake in Merchant Capital Advisory Services Proprietary Limited in August 2018.

The table below summarises the RMI group's actual interest in its investee companies as at 30 June 2019 compared to 30 June 2018:

%	As at 30 June	
	2019	2018
Discovery	25.0*	25.0*
Momentum Metropolitan	27.3*	26.2*
OUTsurace Holdings Limited (OUTsurace)	89.1*	88.6*
Hastings	29.9	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 (see note 9).



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

SHARE CAPITAL

The classes of shares in terms of RMI's memorandum of incorporation (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. The total issued number of ordinary shares at the beginning of the 2019 financial year was 1 522 719 206. RMI issued the following ordinary shares during the financial year ended 30 June 2019 as a result of shareholders electing the scrip distribution alternative or the reinvestment option instead of receiving a cash dividend:

- 9 088 564 shares with a par value of R0.0001 per share and a premium of R37.9999 per share on 22 October 2018, bringing the total number of issued ordinary shares as at 30 June 2019 to 1 531 807 770.

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

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:

%	As at 30 June	
	2019	2018
Financial Securities Limited (Remgro)	30.6	30.3
Royal Bafokeng Holdings Proprietary Limited	14.5	14.6
Public Investment Corporation	6.9	6.8
Allan Gray (on behalf of clients)	6.7	6.0

EARNINGS

Earnings attributable to ordinary shareholders for the year ended 30 June 2019 amounted to R4 047 million or 265.1 cents per share (2018: R3 897 million or 257.6 cents per share). Headline earnings amounted to R3 801 million or 249.0 cents per share (2018: R4 081 million or 269.7 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 2018 of 45.0 cents per ordinary share, declared on 11 March 2019 and paid on 8 April 2019 (31 December 2017: 39.0 cents per ordinary share, declared on 12 March 2018 and paid on 9 April 2018 with an option of a scrip dividend or to reinvest the cash dividend).
- A final dividend for the year ended 30 June 2019 of 65.0 cents per ordinary share, declared on 10 September 2019 and payable on 4 November 2019 (2018: 65.0 cents per ordinary share, declared on 11 September 2018 and paid on 22 October 2018, with an option for a scrip dividend or to reinvest the cash dividend).

The last day to trade in RMI shares on a cum-dividend basis in respect of the final dividend will be Tuesday, 29 October 2019, while the first day to trade ex-dividend will be Wednesday, 30 October 2019. The record date will be Friday, 1 November 2019 and the payment date Monday, 4 November 2019.

No dematerialisation or rematerialisation of shares may be done during the period Wednesday, 30 October 2019 to Friday, 1 November 2019, both days inclusive.

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

Mr 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 103**.

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 the related parties note in 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 90 to 93**.

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 last election or appointment, he 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 advisory 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. Mr HL 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 2019 financial year. Mr HL Bosman's executive remuneration was paid for by RMI. RMI charged management fees to RMH according to the time spent by him on the affairs of each company.

DIRECTORS' INTERESTS IN ORDINARY SHARES OF RMI (AUDITED)

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

000's	Direct beneficial	Indirect beneficial	Held by related persons	Total 2019
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

Directors have disclosed the following interests in the ordinary shares of RMI as at 30 June 2018:

000's	Direct beneficial	Indirect beneficial	Held by related persons	Total 2018
HL Bosman	-	500	-	500
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	41	53	-	94
DR Wilson (alternate)	-	-	-	-
Total interest	836	87 124	3 294	91 254

Since 30 June 2019 to the date of this report, the interests of directors remained unchanged.

SPECIAL RESOLUTIONS

The following special resolutions were passed at the annual general meeting of RMI held on 21 November 2018:

- Approval of non-executive directors' remuneration with effect from 1 December 2018;
- 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, 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 7 November 2018:

- General authority to provide financial assistance to related or inter-related companies in terms of section 45 of the Companies Act; and
- Approval of the remuneration of non-executive directors.

EVENTS SUBSEQUENT TO REPORTING DATE

Refer to note 17 to the summary consolidated financial statements.

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 105 to 129 of the Integrated Report 2019, which comprise the summary consolidated statement of financial position as at 30 June 2019, 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 annual financial statements of Rand Merchant Investment Holdings Limited for the year ended 30 June 2019.

In our opinion, the accompanying summary consolidated financial statements are consistent, in all material respects, with the audited consolidated annual 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 annual financial statements and the auditor's report thereon. The summary consolidated financial statements and the audited consolidated annual financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the audited consolidated annual financial statements.

The audited consolidated annual financial statements and our report thereon

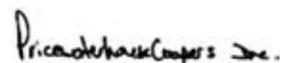
We expressed an unmodified audit opinion on the audited consolidated annual financial statements in our report dated 10 September 2019. That report also includes communication of key audit matters. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated annual 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 annual 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

17 October 2019

Summary consolidated statement of financial position

as at 30 June

R MILLION	Note	2019	2018
ASSETS			
Property and equipment		1 041	1 109
Intangible assets		101	124
Investments in associates	1	28 337	26 413
Financial assets			
Equity securities			
– Available-for-sale	2	–	1 067
– Fair value through profit or loss	2	1 597	406
– Fair value through other comprehensive income	2	186	–
Debt securities			
– Available-for-sale	2	–	102
– Fair value through profit or loss	2	1 117	9 687
– Fair value through other comprehensive income	2	3 027	–
– Amortised cost	2	5 496	–
Derivative asset		36	–
Insurance and other receivables		2 771	2 634
Deferred acquisition cost		360	307
Reinsurance contracts	3	691	286
Deferred taxation		220	220
Taxation		120	3
Cash and cash equivalents		1 602	2 417
Total assets		46 702	44 775
EQUITY			
Share capital and premium	4	15 359	14 986
Reserves		9 180	7 386
Total shareholders' equity		24 539	22 372
Non-controlling interests		1 602	1 332
Total equity		26 141	23 704
LIABILITIES			
Financial liabilities			
Preference shares	5	8 580	9 710
Interest-bearing loans	6	2 697	2 730
Financial liabilities at fair value through profit or loss		104	132
Derivative liability		99	36
Insurance contracts	3	7 457	6 725
Share-based payment liability		103	134
Provisions		119	189
Insurance and other payables		1 309	1 158
Deferred taxation		69	54
Taxation		24	203
Total liabilities		20 561	21 071
Total equity and liabilities		46 702	44 775

Summary consolidated income statement

for the year ended 30 June

R MILLION	Note	2019	2018
Gross insurance premiums		16 135	15 027
Less: Reinsurance premiums		(862)	(847)
Net insurance premiums		15 273	14 180
Gross change in provision for unearned premiums		(214)	(5)
Reinsurance relating to provision for unearned premiums		4	(2)
Net insurance premiums earned	7	15 063	14 173
Fee and other income		107	124
Investment income		211	760
Interest income on financial assets using the effective interest rate method		588	–
Profit on sale of subsidiary and other realised gains		–	3
Net fair value gains/(losses) on financial assets		33	(66)
Net income		16 002	14 994
Gross claims paid	8	(8 014)	(6 919)
Reinsurance recoveries received	8	843	384
Provision for cash bonuses		(451)	(395)
Transfer to policyholder liabilities under insurance contracts		(122)	(126)
Acquisition expenses		(45)	(31)
Fair value adjustment to financial liabilities		(169)	(193)
Marketing and administration expenses		(4 457)	(3 874)
Profit before finance costs, results of associates and taxation		3 587	3 840
Finance costs		(729)	(765)
Share of after-taxation results of associates		2 612	2 328
Profit before taxation		5 470	5 403
Taxation		(1 096)	(1 136)
Profit for the year		4 374	4 267
Attributable to:			
Equity holders of the company		4 047	3 897
Non-controlling interests		327	370
Profit for the year		4 374	4 267
Earnings per share	11	265.1	257.6
Diluted earnings per share	11	264.0	252.9

Summary consolidated statement of comprehensive income

for the year ended 30 June

R MILLION	2019	2018
Profit for the year	4 374	4 267
Other comprehensive income for the year		
Items that may subsequently be reclassified to profit or loss		
– Fair value gains and losses on available-for-sale financial instruments	–	93
– Deferred taxation relating to available-for-sale financial assets	–	(21)
– Exchange differences on translation of foreign operations	(78)	44
– Fair value gains on other comprehensive income financial instruments	53	–
– Deferred tax on fair value gains on other comprehensive income financial instruments	(12)	–
Share of comprehensive income of associates	(82)	314
– Items that may subsequently be reclassified to profit or loss, after taxation	(59)	277
– Items that will not be reclassified to profit or loss, after taxation	(23)	37
Other comprehensive (loss)/income for the year	(119)	430
Total comprehensive income for the year	4 255	4 697
Attributable to:		
Equity holders of the company	3 949	4 310
Non-controlling interests	306	387
Total comprehensive income for the year	4 255	4 697

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
Balance as at 1 July 2017	14 328	4 300	(2 989)	295	3 341	1 215	20 490
Income statement	-	-	-	-	3 897	370	4 267
Other comprehensive income	-	311	-	102	-	17	430
Dividends paid	-	-	-	-	(1 571)	(189)	(1 760)
Issue of shares	669	-	-	-	-	-	669
Income of associate companies retained	-	1 181	-	-	(1 181)	-	-
B-BBEE cost	-	3	-	-	-	-	3
Movement in treasury shares	(11)	5	-	-	-	-	(6)
Transactions with non-controlling interest	-	58	(356)	-	2	(132)	(428)
Issue of share capital to non-controlling interests by subsidiaries	-	-	-	-	-	54	54
Share-based payment reserve	-	31	-	-	(35)	(4)	(8)
Reserve adjustment of associates	-	(8)	-	-	-	1	(7)
Balance as at 30 June 2018	14 986	5 881	(3 345)	397	4 453	1 332	23 704
Change in accounting policy – IFRS 9	-	(31)	-	(101)	79	(3)	(56)
Change in accounting policy – IFRS 15	-	2	-	-	-	-	2
Income statement	-	-	-	-	4 047	327	4 374
Other comprehensive loss	-	(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
Balance as at 30 June 2019	15 359	7 107	(3 637)	275	5 435	1 602	26 141

Summary consolidated statement of cash flows

for the year ended 30 June

R MILLION	2019	Restated 2018
Cash flows from operating activities		
Cash generated from operations	3 174	3 287
Interest income	603	590
Dividends received	1 149	1 285
Cash flows on assets backing policyholder liabilities	(233)	(153)
Purchase of financial assets	(7 867)	(9 346)
Proceeds on disposal of financial assets	8 078	8 163
Income tax paid	(1 380)	(1 101)
Net cash generated from operating activities	3 524	2 725
Cash flows from investing activities		
Purchase of property and equipment	(100)	(255)
Disposal of property and equipment	1	5
Purchase of financial assets	(290)	(190)
Proceeds on disposal of financial assets	187	273
Investments in associates	(693)	(216)
Net cash outflow into investing activities	(895)	(383)
Cash flows from financing activities		
Proceeds from issue of shares	304	493
Redemption of preference share debt	(1 130)	-
Borrowings repaid	(11)	(50)
Cost of funding	(89)	(91)
Dividends paid on preference shares in issue	(650)	(677)
Dividends paid by subsidiaries to non-controlling interests	(362)	(189)
Additional shares acquired in subsidiary	(201)	(360)
Cash dividends paid to shareholders	(1 638)	(1 394)
Proceeds on issue of shares to non-controlling interest	278	54
Net cash outflow into financing activities	(3 499)	(2 214)
Net (decrease)/increase in cash and cash equivalents for the year	(870)	128
Unrealised foreign currency translation adjustment of cash and cash equivalents	55	(13)
Cash and cash equivalents at the beginning of the year	2 417	2 302
Cash and cash equivalents at the end of the year	1 602	2 417

Notes to the summary consolidated financial statements

for the year ended 30 June

R MILLION	2019	2018
1. INVESTMENTS IN ASSOCIATES		
Shares at cost	21 027	20 332
Treasury shares	(73)	(100)
Equity accounted reserves	7 383	6 181
Investments in associates	28 337	26 413
Analysis of the movement in the carrying value of associates		
Balance at the beginning of the year	26 413	24 455
Additional acquisition of associates	693	216
Treasury shares	27	(11)
Equity accounted earnings for the year	2 612	2 328
Dividends received for the year	(1 009)	(1 147)
Share of associates' other reserves	(399)	572
Balance at the end of the year	28 337	26 413
Carrying value is attributable to:		
Discovery Limited	11 649	10 268
Hastings Group Holdings plc	9 298	9 363
Momentum Metropolitan Holdings Limited	6 409	5 964
AlphaCode associates	137	166
OUTsurance associates	99	129
RMI Investment Managers associates	745	523
Total carrying value	28 337	26 413
Market value of listed associates (RMI's share)		
Discovery Limited	24 575	23 887
Hastings Group Holdings plc	6 912	9 072
Momentum Metropolitan Holdings Limited	7 608	7 087
Total market value of listed associates	39 095	40 046

R MILLION

2019

2018

1. INVESTMENTS IN ASSOCIATES continued

The group's interests in associates are as follows:

AutoGuru Australia Proprietary Limited – Number of shares	2 752 278	2 752 278
AutoGuru Australia Proprietary Limited – % of equity	30	30
CoreShares Holdings Proprietary Limited – Number of shares	57 556	26 506
CoreShares Holdings Proprietary Limited – % of equity	55.4	51.2
Discovery Holdings Limited – Number of shares	164 810 590	161 944 992
Discovery Holdings Limited – % of equity*	25.1	25.1
Ethos Private Equity Proprietary Limited – Number of shares	32 141	29 305
Ethos Private Equity Proprietary Limited – % of equity	14	9.1
Entersekt Proprietary Limited – Number of shares	102 588	102 588
Entersekt Proprietary Limited – % of equity	25.1	25.1
Hastings Group Holdings plc – Number of shares	196 508 074	196 508 074
Hastings Group Holdings plc – % of equity	29.9	29.9
Merchant Capital Advisory Services Proprietary Limited – Number of shares	333 430	307 630
Merchant Capital Advisory Services Proprietary Limited – % of equity	25.8	25.1
Momentum Metropolitan Holdings Limited – Number of shares	401 048 075	401 048 075
Momentum Metropolitan Holdings Limited – % of equity*	27.5	26.5
Northstar Asset Management Proprietary Limited – Number of shares	16 216	16 216
Northstar Asset Management Proprietary Limited – % of equity	30	30
OUTsurance Insurance Company of Namibia Limited – Number of shares	1 960 000	49
OUTsurance Insurance Company of Namibia Limited – % of equity	49	49
Perpetua Investment Managers Proprietary Limited – Number of shares	300	–
Perpetua Investment Managers Proprietary Limited – % of equity	15	–
Polar Star Management – Number of shares	155 000	155 000
Polar Star Management – % of equity	25	26.7
Royal Investment Managers Proprietary Limited – Number of shares	1 741 662	450 000
Royal Investment Managers Proprietary Limited – % of equity	46.5	45
Sentio Capital Management Proprietary Limited – Number of shares	246	208
Sentio Capital Management Proprietary Limited – % of equity	26	22
Truffle Capital Proprietary Limited – Number of shares	6 876	6 876
Truffle Capital Proprietary Limited – % of equity	27.7	25
Tantalum Capital Proprietary Limited – Number of shares	960	960
Tantalum Capital Proprietary Limited – % of equity	30	30

* After consolidation of share trusts.

The group does not control CoreShares Holdings Proprietary Limited, notwithstanding the fact that it owns 55.4% of the issued share capital. In terms of a shareholders' agreement, the group is unable to appoint the majority of the directors. The shareholders' agreement also stipulates the minimum percentage vote required from shareholders for certain key decisions.

The group is believed to exercise significant influence over Ethos Private Equity Proprietary Limited and Perpetua Investment Managers Proprietary Limited through board representation, notwithstanding the fact that it owns less than 20% of the issued share capital.

 Further details of significant associates are disclosed in the notes to the annual financial statements which are available on RMI's website.

R MILLION	2019	2018
2. FINANCIAL ASSETS – EQUITY AND DEBT SECURITIES		
The group's equity and debt securities are summarised by measurement category below:		
Available-for-sale	–	1 169
– Equity	–	1 067
– Debt	–	102
Fair value through other comprehensive income	3 213	–
– Equity	186	–
– Debt	3 027	–
Fair value through profit or loss	2 714	10 093
– Equity	1 597	406
– Debt	1 117	9 687
Amortised cost – Debt	5 496	–
Total financial assets – Equity and debt securities	11 423	11 262
The assets included in each of the categories above are detailed below:		
Available-for-sale financial assets		
Equity securities		
– Listed shares	–	713
– Listed preference shares	–	354
Total equity securities	–	1 067
Debt securities		
– Unlisted preference shares	–	102
Total available-for-sale equity and debt securities	–	1 169
Fair value through other comprehensive income		
Equity securities		
– Unlisted shares	186	–
Debt securities		
– Government, municipal and public utility securities	400	–
– Money market securities	2 627	–
Total debt securities	3 027	–
Total financial assets at fair value through other comprehensive income	3 213	–

The unlisted shares and debt securities relate to the group's investments which were previously accounted for at fair value through profit and loss in terms of IAS 39. With IFRS 9 becoming effective in the current financial year, the group reassessed these debt and equity investments and deemed the more appropriate accounting treatment in terms of IFRS 9 to be fair value through other comprehensive income.

R MILLION	2019	2018
2. FINANCIAL ASSETS – EQUITY AND DEBT SECURITIES continued		
Equity securities at fair value through other comprehensive income		
Equity securities at fair value through other comprehensive income comprise unlisted equity securities which are not held for trading and which the group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the group considers this classification to be more relevant.		
These unlisted equity securities relate to the group's investments in fintech businesses where the group does not exercise significant influence and therefore does not equity account the investments.		
On disposal of these equity investments, any related balance within the FVOCI reserve will be reclassified to retained earnings.		
There were no disposals or dividends during the current or prior financial year.		
During the year, the following gains were recognised in other comprehensive income:		
Gains recognised in other comprehensive income	44	–
Financial assets at fair value through profit or loss		
Equity securities		
– Listed	1 478	166
– Unlisted	119	240
Total equity securities at fair value through profit or loss	1 597	406
Debt securities		
– Collective investment scheme assets	21	31
– Zero-coupon deposits	590	346
– Unsecured loans	37	34
– Term deposits	–	5 261
– Money market instruments	–	2 793
– Other debt securities		
– Variable rate	–	414
– Fixed rate	469	808
Total debt securities at fair value through profit or loss	1 117	9 687
Total equity and debt securities at fair value through profit or loss	2 714	10 093
Listed equity securities are ordinary shares listed on the JSE Securities Exchange (JSE). The carrying amount represents the quoted bid prices on the JSE at the close of business on the last day of the financial year.		
Financial assets at amortised cost		
Debt securities – Interest-bearing instruments	5 496	–

2. FINANCIAL ASSETS – EQUITY AND DEBT SECURITIES continued

The following is a reconciliation of movements in equity and debt security balances:

R MILLION	Available-for-sale	Fair value through profit or loss	Amortised cost	Fair value through OCI	Total
As at 30 June 2019					
Financial assets at the beginning of the year	1 169	10 093	–	–	11 262
Reclassification due to change in accounting policy	(1 169)	(7 974)	5 661	3 482	–
Reclassified balance at the beginning of the year	–	2 119	5 661	3 482	11 262
Additions (including net interest accruals)	–	500	5 219	2 671	8 390
Interest accrued	–	32	–	–	32
Dividends accrued	–	–	25	–	25
Disposals (sales and redemptions)	–	(27)	(5 261)	(2 977)	(8 265)
Unrealised fair value adjustment through profit or loss	–	90	–	–	90
Unrealised fair value adjustment through other comprehensive income	–	–	–	53	53
Foreign exchange difference	–	–	(140)	–	(140)
Expected credit loss	–	–	(8)	(16)	(24)
Financial assets at the end of the year	–	2 714	5 496	3 213	11 423
As at 30 June 2018					
Financial assets at the beginning of the year	1 101	8 739	–	–	9 840
Additions (including net interest accruals)	3	9 686	–	–	9 689
Interest accrued	–	3	–	–	3
Dividends accrued	–	29	–	–	29
Disposals (sales and redemptions)	(29)	(8 407)	–	–	(8 436)
Unrealised fair value adjustment	94	(12)	–	–	82
Foreign exchange difference	–	55	–	–	55
Financial assets at the end of the year	1 169	10 093	–	–	11 262

R MILLION

3. INSURANCE CONTRACTS AND REINSURANCE CONTRACTS

Gross insurance contracts

Short-term insurance contracts

	2019	2018
– Outstanding claims provision	2 347	1 340
– Claims incurred but not reported	–	570
– Unearned premiums	4 152	4 032
– Insurance contract cash bonuses	470	436

Total short-term insurance contracts

	6 969	6 378
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Long-term insurance contracts

	488	347
--	-----	-----

Total gross insurance liabilities

	7 457	6 725
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Recoverable from reinsurers

Short-term insurance contracts

– Outstanding claims provision	(530)	(114)
– Claims incurred but not reported	–	(34)
– Unearned premiums	(56)	(52)

Total short-term insurance contracts

	(586)	(200)
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Long-term insurance contracts

	(105)	(86)
--	-------	------

Total recoverable from reinsurers

	(691)	(286)
--	-------	-------

Net insurance contracts

Short-term insurance contracts

– Outstanding claims provision	1 817	1 226
– Claims incurred but not reported	–	536
– Unearned premiums	4 096	3 980
– Insurance contract cash bonuses	470	436
Total short-term insurance contracts	6 383	6 178
Long-term insurance contracts	383	261

Total net insurance liabilities

	6 766	6 439
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4. SHARE CAPITAL AND SHARE PREMIUM

R MILLION	Number of shares after treasury shares million	Ordinary share capital*	Share premium	Treasury shares	Total
As at 30 June 2019					
Balance at the beginning of the year	1 520	–	15 086	(100)	14 986
Issue of shares	9	–	345	–	345
Movement in treasury shares	1	–	–	28	28
Balance at the end of the year	1 530	–	15 431	(72)	15 359
As at 30 June 2018					
Balance at the beginning of the year	1 503	–	14 417	(89)	14 328
Issue of shares	17	–	669	–	669
Movement in treasury shares	–	–	–	(11)	(11)
Balance at the end of the year	1 520	–	15 086	(100)	14 986

* Amount less than R500 000.

Ordinary shares

The total authorised number of ordinary shares is 2 000 000 000, with a par value of R0.0001 per share. The total number of issued ordinary shares as at 30 June 2018 was 1 522 719 206 shares. On 22 October 2018, RMI issued an additional 9 088 564 ordinary shares with par value of R0.0001 at a premium of R37.9999 per share. This increased the number of issued ordinary shares as at 30 June 2019 to 1 531 807 770 shares. The unissued share capital is under the control of the board of directors until the forthcoming annual general meeting.

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. The issued number of par value preference shares is nil (2018: nil).

The total authorised number of cumulative, redeemable, no par value preference shares is 100 000 000. The issued number of no par value preference shares is nil (2018: nil).

The company created a new class of 100 000 000 authorised, cumulative, redeemable, no par value preference shares in the 2016 financial year in terms of its debt programme. None of these preference shares have been issued yet.

RMI had no issued preference shares as at 30 June 2019. If any of these preference shares are issued, it would be classified as debt.

Treasury shares

The life insurance businesses of the associates acquired RMI shares as part of their investment programme aimed at meeting policyholders' liabilities. These shares are treated as treasury shares and any gains or losses are reversed from group earnings. The number of treasury shares as at 30 June 2019 was 2 176 323 (2018: 2 739 154).

R MILLION	2019	2018
Number of treasury shares held as at 30 June (million)	2	3
Weighted number of treasury shares held during the year (million)	3	3
The treasury sharers are eliminated from the weighted number of shares in issue for the purposes of calculating earnings and headline earnings per share:		
Weighted number of issued shares (million)	1 529	1 516
Less: Weighted number of treasury shares (million)	(3)	(3)
Weighted number of shares in issue	1 526	1 513

R MILLION

5. PREFERENCE SHARES

Unlisted preference shares issued by RMI Treasury Company Limited

	2019	2018
– Class A cumulative redeemable non-participating preference shares	–	1 130
– Class B cumulative redeemable non-participating preference shares	1 130	1 130
– Class C cumulative redeemable non-participating preference shares	5 650	5 650
– Class D cumulative redeemable non-participating preference shares	1 800	1 800
Total cumulative redeemable non-participating preference shares	8 580	9 710

RMI Treasury Company Limited issued 1 130 class A cumulative redeemable non-participating preference shares on 22 February 2017. These preference shares were all redeemed during the 2019 financial year.

RMI Treasury Company Limited issued 1 130 class B cumulative redeemable non-participating preference shares on 22 February 2017. These preference shares are redeemable at the discretion of the company at any time and compulsorily redeemable on 22 February 2022. These preference shares paid dividends at a fixed rate of 7.343% for the first year after issue and thereafter at a floating rate of 68% of the prime rate, compounded monthly in arrears. Dividends are payable on 30 April and 31 October every year.

RMI Treasury Company Limited issued 5 650 class C cumulative redeemable non-participating preference shares on 27 February 2017. These preference shares are redeemable at the discretion of the company at any time and compulsorily redeemable on 28 February 2020. These preference shares pay dividends at a floating rate of 66% of the prime rate, compounded monthly in arrears. Dividends are payable on 30 April and 31 October every year.

RMI Treasury Company Limited issued 1 800 class D cumulative redeemable non-participating preference shares on 27 February 2017. These preference shares are redeemable at the discretion of the company at any time and compulsorily redeemable on 27 February 2022. These preference shares pay dividends at a floating rate of 68% of the prime rate, compounded monthly in arrears. Dividends are payable on 30 April and 31 October every year.

The fair value of the unlisted preference shares is approximated by the carrying amount due to the preference dividend rate being a variable rate. These preference shares are classified as Level 2 instruments in terms of the fair value hierarchy described in note 14.

6. INTEREST-BEARING LOANS

	2019	2018
Bank borrowings at amortised cost	2 697	2 730
Balance at the beginning of the year	2 730	2 611
Interest accrued	89	91
Interest paid	(89)	(91)
Loans repaid	(10)	(50)
Foreign currency movement	(23)	169
Balance at the end of the year	2 697	2 730

On 22 March 2017, Main Street 1353 Proprietary Limited incurred a loan of £150 million (R2 367 million at that time) as part of the funding raised to acquire a 29.9% stake in Hastings Group Holdings plc. Half of the loan is a three-year loan at LIBOR (LIBOR fixed at 0.77%) plus 1.9% (2018: 1.9%) and half is a five-year loan at LIBOR (LIBOR fixed at 0.98%) plus 2.75% (2018: 2.75%).

These interest-bearing loans are classified as Level 2 instruments in terms of the fair value hierarchy described in note 14. The fair value is approximated by the carrying value.

R MILLION	2019	2018
7. NET INSURANCE PREMIUMS EARNED		
Long-term insurance contracts		
– Premiums received	488	454
– Policyholders' fees written	15	15
Short-term insurance contracts		
– Premiums written	15 541	14 419
– Policyholders' fees written	91	139
– Change in unearned premium provision	(214)	(5)
Premium revenue arising from insurance contracts issued	15 921	15 022
Long-term reinsurance contracts		
– Premiums payable	(42)	(39)
Short-term reinsurance contracts		
– Premiums payable	(820)	(808)
– Change in unearned premium provision	4	(2)
Premium revenue ceded to reinsurers on insurance contracts issued	(858)	(849)
Net insurance premiums earned	15 063	14 173

R MILLION	Gross	Re-insurance	Net
8. INSURANCE BENEFITS AND CLAIMS INCURRED			
30 June 2019			
Short-term insurance	(7 888)	798	(7 090)
– Claims paid net of salvages and recoveries	(7 418)	404	(7 014)
– Change in claims reserves	(470)	394	(76)
Long-term insurance			
Claims paid	(126)	45	(81)
– Life claims	(103)	41	(62)
– Disability claims	(11)	2	(9)
– Retrenchment claims	(2)	–	(2)
– Critical illness claims	(10)	2	(8)
Total insurance benefits and claims incurred	(8 014)	843	(7 171)
30 June 2018			
Short-term insurance	(6 802)	344	(6 458)
– Claims paid net of salvages and recoveries	(7 079)	712	(6 367)
– Change in claims reserves	277	(368)	(91)
Long-term insurance			
Claims paid	(117)	40	(77)
– Life claims	(103)	37	(66)
– Disability claims	(3)	1	(2)
– Retrenchment claims	(2)	–	(2)
– Critical illness claims	(9)	2	(7)
Total insurance benefits and claims incurred	(6 919)	384	(6 535)

9. 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:

AUDITED	As at 30 June 2019		As at 30 June 2018	
	Effective	Actual	Effective	Actual
Discovery	25.1%	25.0%	25.1%	25.0%
Hastings	29.9%	29.9%	29.9%	29.9%
Momentum Metropolitan	27.5%	27.3%	26.5%	26.2%
OUTsurance	90.4%	89.1%	89.7%	88.6%
RMI Investment Managers	100.0%	100.0%	100.0%	100.0%
Merchant Capital	25.8%	25.8%	25.1%	25.1%
Entersekt	25.1%	25.1%	25.1%	25.1%

R MILLION	2019	2018	% change
10. COMPUTATION OF HEADLINE EARNINGS			
Earnings attributable to equity holders	4 047	3 897	4
Adjustment for:			
– Gain on previously-held interests in DiscoveryCard business	(191)	–	
– (Gain)/loss on dilution and disposal of equity accounted investments	(129)	80	
– Impairment relating to held for sale entities	24	–	
– Impairment of Intangible assets	23	86	
– Impairment of owner-occupied building to below cost	14	–	
– Impairment of fixed assets	6	–	
– Loss on disposal of property and equipment	5	5	
– Impairment of goodwill	4	–	
– (Profit)/loss on sale of subsidiary	(2)	5	
– Impairment of available-for-sale financial assets	–	17	
– Realised profit on sale of available-for-sale financial assets	–	(5)	
– Release of foreign currency translation reserve	–	(4)	
Headline earnings attributable to equity holders	3 801	4 081	(7)
COMPUTATION OF NORMALISED EARNINGS			
Headline earnings attributable to equity holders	3 801	4 081	(7)
RMI's share of normalised adjustments made by associates	286	209	
– Amortisation of intangible assets relating to business combinations	329	332	
– Deferred tax raised on assessed losses	(82)	(88)	
– Unrealised losses/(gains) on foreign exchange contracts not designated as a hedge	24	(19)	
– Policyholder funds assessed loss	(9)	(30)	
– Debt restructuring costs resulting from DiscoveryCard joint venture	8	–	
– B-BBEE cost	6	6	
– Initial expenses related to Prudential Book transfer	6	–	
– Costs relating to disposal of equity accounted investments	4	–	
– Non-recurring and restructuring expenses	–	8	
Group treasury shares	(6)	(24)	
Normalised earnings attributable to equity holders	4 081	4 266	(4)

AUDITED R MILLION	2019	2018	% change
11. COMPUTATION OF EARNINGS AND DIVIDEND PER SHARE			
Earnings attributable to equity holders	4 047	3 897	4
Headline earnings attributable to equity holders	3 801	4 081	(7)
Number of shares in issue (millions)	1 532	1 523	1
Weighted average number of shares in issue (millions)	1 526	1 513	1
Earnings per share			
Earnings per share (cents)	265.1	257.6	3
Diluted earnings per share (cents)	264.0	252.9	4
Headline earnings per share (cents)	249.0	269.7	(8)
Diluted headline earnings per share (cents)	247.8	265.0	(6)
Dividend per share			
Interim dividend (cents)	45.0	39.0	15
Final dividend (cents)	65.0	65.0	–
Total dividend	110.0	104.0	6
R MILLION	2019	2018	% change
12. COMPUTATION OF NORMALISED EARNINGS PER SHARE			
Normalised earnings attributable to equity holders	4 081	4 266	(4)
Number of shares in issue (millions)	1 532	1 523	1
Weighted average number of shares in issue (millions)	1 529	1 516	1
Normalised earnings per share (cents)	266.9	281.5	(5)
Diluted normalised earnings per share (cents)	265.5	276.6	(4)

13. SEGMENTAL REPORT

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

R MILLION	Discovery	Momentum Metropolitan	OUTsurance	Hastings	Other ¹	RMI
Year ended 30 June 2019						
Net income	–	–	15 797	–	205	16 002
Policyholder benefits and transfer to policyholder liabilities	–	–	(7 744)	–	–	(7 744)
Depreciation	–	–	(139)	–	(2)	(141)
Amortisation	–	–	(84)	–	–	(84)
Other expenses	–	–	(4 123)	–	(154)	(4 277)
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
Profit/(loss) before taxation	1 638	581	3 696	262	(707)	5 470
Taxation	–	–	(1 064)	–	(32)	(1 096)
Result for the year	1 638	581	2 632	262	(739)	4 374
Hastings included in OUTsurance	–	–	(165)	165	–	–
Profit/(loss) for the year	1 638	581	2 467	427	(739)	4 374
Normalised earnings	1 261	825	2 634	308	(947)	4 081
Hastings included in OUTsurance	–	–	(244)	244	–	–
Normalised earnings	1 261	825	2 390	552	(947)	4 081
As at 30 June 2019						
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
	11 649	6 409	19 949	5 774	2 921	46 702
Hastings included in OUTsurance	–	–	(3 524)	3 524	–	–
Total assets	11 649	6 409	16 425	9 298	2 921	46 702
Total liabilities	–	–	8 971	–	11 590	20 561

1. Other includes RMI, RMI Investment Managers, AlphaCode investments and consolidation entries.

13. SEGMENTAL REPORT continued

R MILLION	Discovery	Momentum Metropolitan	OUTsurance	Hastings	Other ¹	RMI
Year ended 30 June 2018						
Net income	–	–	14 757	–	237	14 994
Policyholder benefits and transfer to policyholder liabilities	–	–	(7 056)	–	–	(7 056)
Depreciation	–	–	(136)	–	(4)	(140)
Amortisation	–	–	(99)	–	(2)	(101)
Other expenses	–	–	(3 506)	–	(158)	(3 664)
Finance costs	–	–	–	–	(765)	(765)
Fair value adjustment to financial liabilities	–	–	(193)	–	–	(193)
Share of after-tax results of associates	1 418	280	305	370	(45)	2 328
Profit/(loss) before taxation	1 418	280	4 072	370	(737)	5 403
Taxation	–	–	(1 108)	–	(28)	(1 136)
Result for the year	1 418	280	2 964	370	(765)	4 267
Hastings included in OUTsurance	–	–	(294)	294	–	–
Profit/(loss) for the year	1 418	280	2 670	664	(765)	4 267
Normalised earnings	1 356	508	3 012	405	(1 015)	4 266
Hastings included in OUTsurance	–	–	(373)	373	–	–
Normalised earnings	1 356	508	2 639	778	(1 015)	4 266
As at 30 June 2018						
Assets	–	–	15 254	–	2 984	18 238
Investments in associates	10 268	5 964	4 125	5 367	689	26 413
Intangible assets	–	–	124	–	–	124
	10 268	5 964	19 503	5 367	3 673	44 775
Hastings included in OUTsurance	–	–	(3 996)	3 996	–	–
Total assets	10 268	5 964	15 507	9 363	3 673	44 775
Total liabilities	–	–	8 359	–	12 712	21 071

1. Other includes RMI, RMI Investment Managers, AlphaCode investments and consolidation entries.

13. SEGMENTAL REPORT continued

Geographical segments

R MILLION	South Africa	Australia	New Zealand	United Kingdom	RMI
Year ended 30 June 2019					
Net income	9 462	6 414	126	–	16 002
Policyholder benefits and transfer to policyholder liabilities	(4 309)	(3 406)	(29)	–	(7 744)
Other expenses	(3 299)	(2 016)	(85)	–	(5 400)
Share of after-tax results of associates	1 899	–	–	713	2 612
Profit before taxation	3 753	992	12	713	5 470
Taxation	(790)	(306)	–	–	(1 096)
Profit for the year	2 963	686	12	713	4 374
As at 30 June 2019					
Assets					
Property and equipment	343	696	2	–	1 041
Investments in associates	19 039	–	–	9 298	28 337
Financial assets	6 674	7 100	456	–	14 230
Other assets	1 798	1 071	225	–	3 094
Total assets	27 854	8 867	683	9 298	46 702
Liabilities					
Insurance contract liabilities	2 375	4 923	159	–	7 457
Other liabilities	9 242	1 074	91	2 697	13 104
Total liabilities	11 617	5 997	250	2 697	20 561
Year ended 30 June 2018					
Net income	8 694	6 152	148	–	14 994
Policyholder benefits and transfer to policyholder liabilities	(3 795)	(3 226)	(35)	–	(7 056)
Other expenses	(2 927)	(1 830)	(106)	–	(4 863)
Share of after-tax results of associates	1 413	–	–	915	2 328
Profit before taxation	3 385	1 096	7	915	5 403
Taxation	(822)	(314)	–	–	(1 136)
Profit for the year	2 563	782	7	915	4 267
As at 30 June 2018					
Assets					
Property and equipment	392	714	3	–	1 109
Investments in associates	17 050	–	–	9 363	26 413
Financial assets	6 680	6 925	291	–	13 896
Other assets	2 170	816	371	–	3 357
Total assets	26 292	8 455	665	9 363	44 775
Liabilities					
Insurance contract liabilities	2 069	4 494	162	–	6 725
Other liabilities	10 603	924	99	2 720	14 346
Total liabilities	12 672	5 418	261	2 720	21 071

14. 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 to which 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); and

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
As at 30 June 2019				
Financial assets				
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
– 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
Total financial assets recognised at fair value	1 478	3 805	696	5 979
Financial liabilities				
Financial liabilities at fair value through profit or loss	–	–	104	104
Derivative liability	–	99	–	99
Total financial liabilities recognised at fair value	–	99	104	203

R MILLION

14. FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE continued

Reconciliation of movement in Level 3 assets

	2019	2018
Balance at the beginning of the year	798	814
Reclassification to amortised cost	(270)	–
Additions in the current year	154	192
Disposals (sales and redemptions)	(15)	(187)
Fair value movement	60	(15)
Investment income accrued	31	66
Dividends received	(62)	(72)
Balance at the end of the year	696	798

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.

Reconciliation of movement in Level 3 liabilities

	2019	2018
Balance at the beginning of the year	132	150
Preference dividends charged to profit or loss	169	193
Preference dividends paid	(197)	(211)
Balance at the end of the year	104	132

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

As at 30 June 2018

Financial assets

	Level 1	Level 2	Level 3	Total carrying amount
Equity securities				
– Exchange traded funds	713	–	–	713
– Listed preference shares	354	–	–	354
– Collective investment schemes	–	110	–	110
– Listed equity securities	166	–	–	166
– Unlisted equity securities	–	–	130	130
Debt securities				
– Unsecured loans	–	–	34	34
– Unlisted preference shares	–	102	–	102
– Zero-coupon deposits	–	346	–	346
– Term deposits	–	5 261	–	5 261
– Government, municipal and public utility securities	–	560	–	560
– Money market securities	–	2 793	–	2 793
– Collective investment schemes	–	31	–	31
– Other debt securities at fair value through profit or loss	–	28	634	662
Total financial assets recognised at fair value	1 233	9 231	798	11 262
Financial liabilities				
Financial liabilities at fair value through profit or loss	–	–	132	132
Derivative liability	–	36	–	36
Total financial liabilities recognised at fair value	–	36	132	168

14. FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE continued

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 the 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 50 companies listed on the JSE.

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

The unlisted preference shares are redeemable with a notice period of one year. Dividend yields are 65% of the prime overdraft rate.

The fair value of the preference shares with a maturity date of longer than one year is calculated on a discounted cash flow basis, with the discount rate adjusted for changes in credit risk of the ultimate counterparty. Due to the redeemable nature, the preference shares are deemed to be debt securities.

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. These instruments are typically listed on the Bond Exchange of South Africa (BESA). Instruments listed on BESA 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.

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

14. FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE continued

Level 2 continued

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 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 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 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 three-month JIBAR. The fair value of the collateralised swap arrangement, whereby the R2 048 government bond serves as collateral and is the underlying liability, is determined in the same manner as other money market instruments held by the group.

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.

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.

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 profits arising out of the profit-sharing arrangements that accrue on a monthly basis and which are distributed as preference dividends bi-annually to FirstRand Limited Group. 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.

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

- The fair value is determined based on valuation techniques where the input is determined by management, e.g. profits arising out of profit-sharing arrangements, 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 is made in the form of preference dividends.

Other debt securities at fair value through profit or loss are valued with reference to the funding rate of the holding company, which is entity-specific and not observable in the market.

The unsecured loan has a five-year term with no contractual interest rate. In calculating the fair value, the interest rate attached to a risk-free government bond with a term to maturity of five years was utilised.

15. RECLASSIFICATION OF COMPARATIVES

During the year under review, the group's cash flow statement classification of certain financial assets was reviewed as part of the implementation of IFRS 9. This resulted in cash flows relating to financial assets held to back primarily insurance liabilities being reclassified from cash flows from investing activities to cash flows from operating activities.

The reclassification for the year ended 30 June 2018 is set out in the table below:

R MILLION	Amount as previously reported	Amount as restated	Difference
30 June 2018			
Cash flows from operating activities			
Cash flows on assets backing policyholder liabilities	–	(153)	(153)
Purchase of financial assets	–	(9 346)	(9 346)
Proceeds on disposal of financial assets	–	8 163	8 163
Cash flows from investing activities			
Purchase of financial assets	(9 689)	(190)	9 499
Proceeds on disposal of financial assets	8 436	273	(8 163)

16. CONTINGENCIES AND COMMITMENTS

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 comprises the following:

- RMI acquired a 25.1% equity stake in Merchant Capital during September 2015;
- A junior loan facility to Merchant Capital of not more than R9 228 000; and
- 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 2019, R50 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.

AUDITED R MILLION	2019	2018
The group's operating lease commitments under non-cancellable operating lease agreements are as follows:		
Up to 1 year	(29)	(24)
Between 1 to 5 years	(56)	(32)
Between 5 to 10 years	(1)	–
Total operating lease commitments	(86)	(56)

17. SUBSEQUENT EVENTS

Final dividend declaration

RMI declared a final dividend of 65.0 cents per ordinary share amounting to R996 million on 10 September 2019 (2018: 65.0 cents per ordinary share amounting to R990 million, declared on 11 September 2018 and paid on 22 October 2018 with a scrip or reinvestment alternative), payable on 4 November 2019. This is a non-adjusting event.

Corporate actions after 30 June 2019

The following transactions were completed after 30 June 2019, which are all non-adjusting events:

- RMI increased its investment in Prodigy Finance to 13.1%;
- RMI acquired a 25.1% equity stake in Guidepost, a high-touch health and insurtech innovator; and
- RMI Investment Managers restructured the existing Granate Asset Management (Granate) business by facilitating the addition of a multi-asset capability. Through this transaction, RMI Investment Managers decreased its interest in Granate to a 30% equity stake.

SIX

Shareholder
information

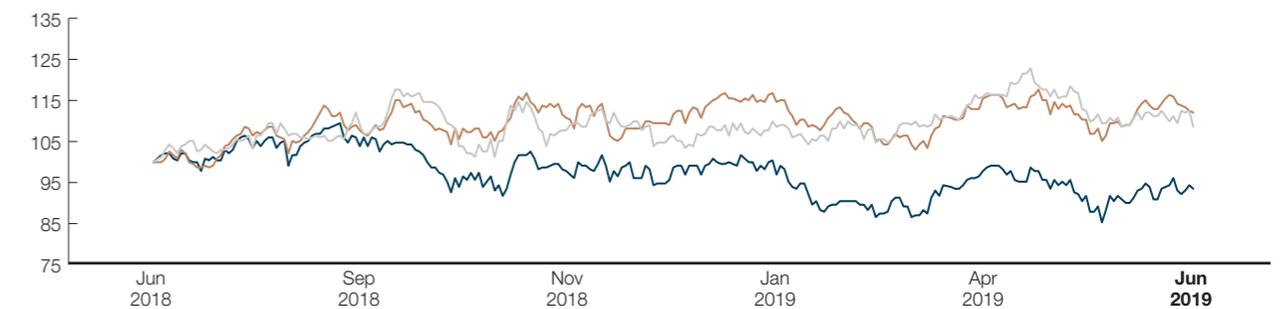
Shareholding

	As at 30 June 2019			As at 30 June 2018		
	Number of shareholders	Shares held (000's)	%	Number of shareholders	Shares held (000's)	%
Analysis of shareholding						
Financial Securities Limited (Remgro)	1	469 449	30.6	1	461 554	30.3
Royal Bafokeng Holdings Proprietary Limited	2	222 853	14.5	1	222 853	14.6
Public Investment Corporation	7	105 401	6.9	1	104 004	6.8
Allan Gray (on behalf of clients)	1	102 640	6.7	1	90 633	6.0
Total of shareholders holding more than 5%	11	900 343	58.7	4	879 044	57.7
Other	33 179	631 465	41.3	36 447	643 675	42.3
Total	33 190	1 531 808	100.0	36 451	1 522 719	100.0
Shareholder type						
Corporates		692 302	45.2		684 407	44.9
Unit trusts		237 348	15.5		212 466	14.0
Pension funds		168 109	11.0		167 684	11.0
Private investors		60 356	3.9		48 742	3.2
Insurance companies and banks		30 055	2.0		43 061	2.8
Other		343 638	22.4		366 359	24.1
Total		1 531 808	100.0		1 522 719	100.0
Public and non-public shareholders						
Public	33 181	747 950	48.8	36 443	747 058	49.1
Non-public	9	783 858	51.2	8	775 661	50.9
– Corporates	3	692 302	45.2	2	684 407	44.9
– Directors and associates	6	91 556	6.0	6	91 254	6.0
Total	33 190	1 531 808	100.0	36 451	1 522 719	100.0
Geographic ownership						
South Africa		1 343 303	87.7		1 333 551	87.6
International		188 505	12.3		189 168	12.4
Total		1 531 808	100.0		1 522 719	100.0

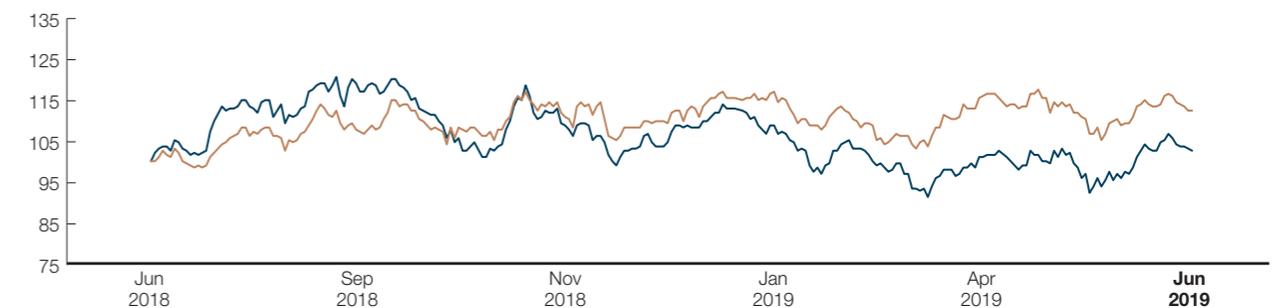
The information above is extracted from the shareholder analysis provided by Orient Capital Limited.

Performance on the JSE Limited

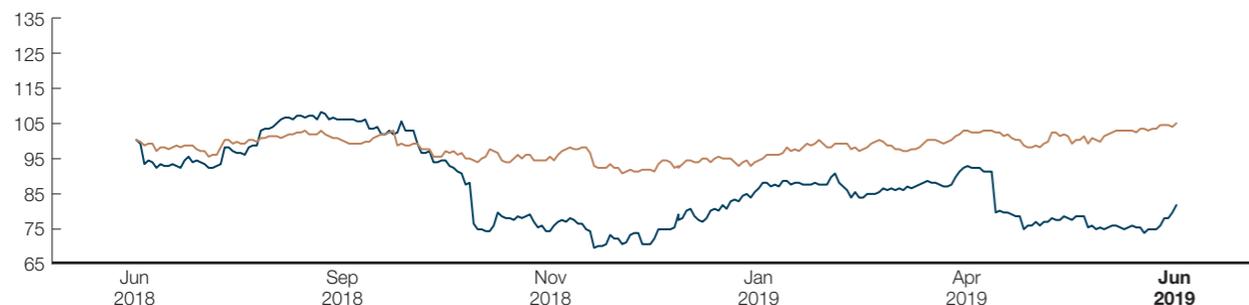
	2019	2018
Number of shares in issue at the beginning of the year (000's)	1 522 719	1 505 688
Shares issued during the year (000's)	9 089	17 031
Number of shares in issue at the end of the year (000's)	1 531 808	1 522 719
Market prices (cents per share)		
– Closing	3 397	3 745
– High	4 144	4 740
– Low	3 101	3 539
– Weighted average	3 550	4 154
Closing price/net asset value per share	2.1	2.5
Closing price/headline earnings per share	13.6	13.9
Volume of shares traded during the year (million)	356	427
Value of shares traded during the year (R million)	12 646	17 717
Market capitalisation at year-end (R million)	52 036	57 026
Rank by market capitalisation at year-end	43	38



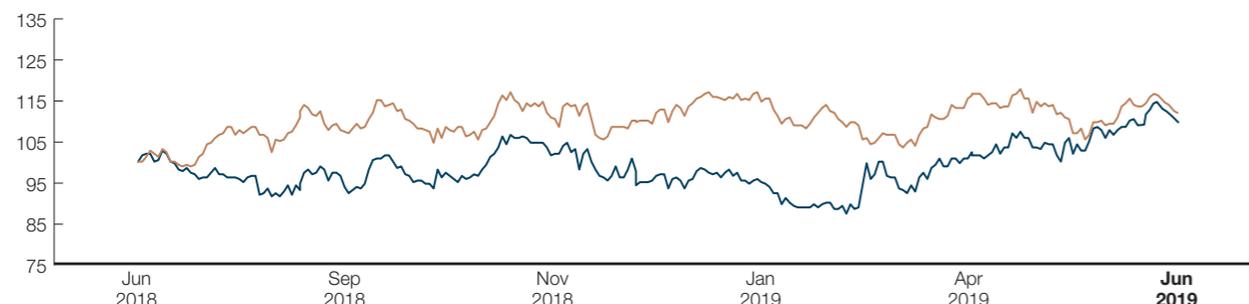
— RMI TSR (01 July 2018 = 100)
 — FTSE/JSE Life Insurance Index TSR (01 July 2018 = 100)
 — FTSE/JSE Non-Life Insurance Index TSR (01 July 2018 = 100)



— DSY TSR (01 July 2018 = 100)
 — FTSE/JSE Life Insurance Index TSR (01 July 2018 = 100)



— HSTG TSR
— UK Non-Life Insurance Index TSR



— Momentum Metropolitan TSR (01 July 2018 = 100)
— FTSE/JSE Life Insurance Index TSR (01 July 2018 = 100)

Shareholders' diary

REPORTING

Interim results for the 2020 financial year Announcement for the six months ending 31 December 2019	Early March 2020
Final results for the 2020 financial year Announcement for the year ending 30 June 2020 Posting of integrated report Annual general meeting	Mid-September 2020 End-October 2020 End-November 2020

DIVIDENDS

Interim dividend for the 2020 financial year Declare Payable	Early March 2020 End-March 2020
Final dividend for the 2020 financial year Declare Payable	Mid-September 2020 Mid-October 2020

Notice of 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 ninth annual general meeting of the ordinary shareholders of RMI will be held in the boardroom, 3rd floor, 2 Merchant Place, corner of Fredman Drive and Rivonia Road, Sandton, 2196 on Thursday, 14 November 2019 at 15:00 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 annual general meeting	Friday, 11 October 2019
Posting date	Thursday, 17 October 2019
Last day to trade to be eligible to attend and vote at the annual general meeting	Tuesday, 5 November 2019
Record date to be eligible to attend and vote at the annual general meeting	Friday, 8 November 2019
Proxies due (for administrative purposes)*	Tuesday, 12 November 2019
Annual general meeting	Thursday, 14 November 2019

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 2019 (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 94** 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 1.6

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 – Peter Cooper (63)

Non-executive director

Date of appointment: 8 December 2010

Educational qualifications: BCom (Hons) CA(SA) HDip Tax

Other listed directorship: Imperial Holdings Limited, Momentum Metropolitan Holdings Limited and RMB Holdings Limited

Ordinary resolution number 1.2 – Sonja Emilia Ncumisa de Bruyn (47)

Independent non-executive

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 1.3 – Lauritz Lanser Dippenaar (70)

Non-executive director

Date of appointment: 8 December 2010

Educational qualifications: MCom CA(SA)

Other listed directorship: RMB Holdings Limited

Ordinary resolution number 1.4 – Jan Jonathan Durand (52)

Non-executive director

Date of appointment: 8 December 2010

Educational qualifications: BAcc (Hons) MPhil (Oxford) CA(SA)

Other listed directorships: Distell Group Limited, FirstRand Limited, Mediclinic International Limited, RCL Foods Limited, Remgro Limited and RMB Holdings Limited

Ordinary resolution number 1.5 – Per-Erik Lagerström (55)

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 1.6 – Mafison Murphy Morobe (62)

Independent non-executive director

Date of appointment: 1 August 2014

Educational qualifications: Diploma in Project Management MCEF (Princeton)

Other listed directorship: Remgro Limited and RMB Holdings Limited

Additional information in respect of ordinary resolutions number 1.1 to 1.6



A brief CV of each of the persons nominated above appears on pages 76 to 79 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 87 to 89 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 90 to 93 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% 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 2020 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 2019 this was valued at approximately R3.4 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 notice of annual 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 RE-APPOINTMENT OF AUDITOR

Resolved as an ordinary resolution that, as nominated by the audit and risk committee, PricewaterhouseCoopers Inc. be re-appointed as auditor of the company for the financial year ending 30 June 2020 and until the conclusion of the next annual general meeting and that their remuneration for the financial year ending 30 June 2020 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 (60)

Independent non-executive

Date of appointment: 30 June 2014

Educational qualifications: BCom (Hons) CA(SA)

Other listed directorships: FirstRand Limited and RMB Holdings Limited

Ordinary resolution number 5.2 – Sonja Emilia Ncumisa de Bruyn (47) (subject to the passing of ordinary resolution number 1.2)

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 (55) (subject to the passing of ordinary resolution number 1.5)

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 (52)

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 mentioned above appears on pages 76 to 79 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 2019

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 2019, as set out below, be and is hereby approved:

	Per annum
Board (4 meetings per annum)	
– Chairman	R571 500
– Director	R285 700
Audit and risk committee (2 meetings per annum)	
– Chairman	R142 900
– Member	R71 400
Social, ethics and transformation committee (2 meetings per annum)	
– Chairman	R71 500
– Member	R35 700
Investment committee (per meeting)	
– Chairman	R16 875
– Member	R13 500
Remuneration committee (1 meeting per annum)	
– Chairman	R13 500
– Member	R10 800
Ad hoc meetings (per hour)	R4 500

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 2019.



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 2019;
- 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 116** of the integrated report;

 The directors, whose names are given on **pages 76 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 number 1.1 to 1.6, 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 (PO Box 61051, Marshalltown, 2107) or at fax number 011 688 5238 and be received by them no later than 15:00 on Tuesday, 12 November 2019. 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 15:00 on Tuesday, 12 November 2019 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.

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 15:00 on Thursday, 14 November 2019, in the boardroom, 3rd floor, 2 Merchant Place, corner of Fredman Drive and Rivonia Road, Sandton, 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

2. _____, of _____ or failing him

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 15:00 on Thursday, 14 November 2019 and at any adjournment thereof as follows: (see note 2)

	In favour of	Against	Abstain
Ordinary resolutions numbers 1.1 to 1.6 Re-election of directors:			
1.1 Peter Cooper			
1.2 Sonja Emilia Ncumisa de Bruyn			
1.3 Lauritz Lanser Dippenaar			
1.4 Jan Jonathan Durand			
1.5 Per-Erik Lagerström			
1.6 Mafison Murphy Morobe			
Advisory endorsement of remuneration policy			
Advisory endorsement of remuneration implementation report			
Ordinary resolution number 2 Place 5% of the authorised ordinary shares under the control of the directors			
Ordinary resolution number 3 General authority to issue ordinary shares for cash			
Ordinary resolution number 4 Approval of re-appointment of auditor			
Ordinary resolutions numbers 5.1 to 5.4 Election of the company's audit and risk committee members:			
5.1 Johan Petrus Burger			
5.2 Sonja Emilia Ncumisa de Bruyn			
5.3 Per-Erik Lagerström			
5.4 James Andrew Teeger			
Ordinary resolution number 6 Signing authority			
Special resolution number 1 Approval of non-executive directors' remuneration with effect from 1 December 2019			
Special resolution number 2 General authority to repurchase company shares			
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			
Special resolution number 4 Financial assistance to directors, prescribed officers and employee share scheme beneficiaries			
Special resolution number 5 Financial assistance to related or inter-related entities			

Signature of registered shareholder (assisted by me as applicable)

Date

2019

PLEASE SEE THE NOTES ON THE REVERSE SIDE OF THIS FORM

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 (PO Box 61051, Marshalltown, 2107) or at fax number 011 688 5238 to be received by no later than 15:00 on Tuesday, 12 November 2019 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 Teeger

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 8166

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: PO Box 61051, Marshalltown, 2107

Telephone: +27 11 370 5000

Telefax: +27 11 688 5221





RMI OPTIMISE
DIVERSIFY
MODERNISE

www.rmih.co.za