

NIVEUS

INVESTMENTS LIMITED

NIVEUS INVESTMENTS LIMITED KING IV™ APPLICATION REGISTER 2019

Principle 1: The governing body should lead ethically and effectively.

The values of the board of directors (“the board”) are reflected in the behaviour of its directors. The sound and visible leadership of the board is characterised by the ethical values of responsibility, accountability, fairness and transparency which are embodied in the company’s code of ethics adopted by the board for the company. The behaviour and the code of ethics is a cornerstone for the long-term strategy of the company and confirms the manner in which the company conducts its business, its ethics and compliance, and embodies the standards that the board has set for itself and for the group.

Stakeholders’ interests are balanced against effective risk management and Niveus’s obligations to ensure ethical management and responsible control.

Principle 2: The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.

Ethical conduct, good corporate governance, risk governance and fair remuneration are fundamental to the way that Niveus manages its business.

The company has clearly defined values which all employees are expected to abide by. The board sets the values which promote an ethical environment of fairness and transparency. The board has delegated the authority to management to promote the code of ethics, but the board remains ultimately responsible for the ethics of the company. The code of ethics of the company is principle-based, not governed by a set of rules that must be implemented and monitored.

Niveus has invested in numerous businesses in highly regulated environments. The frameworks have the capability to manage and monitor compliance standards and rules, and evaluate the compliance with regard to best business practices.

Principle 3: The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen.

The board ensures that the company is a responsible corporate citizen, by complying with all national and international laws of the countries in which they operate.

Niveus sees itself as a good corporate citizen in all its financial matters and has always received an unqualified opinion from its auditors. No fraud, or allegations of fraud, have been identified.

Principle 4: The governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.

The board ensures that the strategy is aligned with the purpose of the company, the value drivers of its business and the legitimate interests and expectations of its stakeholders.

As an investment holding company, the board is actively involved in discussing, reviewing and ultimately approving the acquisition of new business units or the disposal of investments.

The board reviews the resources available to execute its strategy, which includes financial resources, processes, systems, infrastructure, intellectual property, positioning, related assets and employees that support its value chain. The board takes account of the legitimate interests and expectations of its stakeholders in its decision-making in the best interests of the company.

Strategy is translated into key performance and risk areas (including finance, ethics, compliance and sustainability); and the associated performance and risk measures are identified and clear. All strategies implemented may have both positive and negative consequences on social and environmental conditions depending on the various advocacy groups which reflect the underlying value differences of the groups. However, the company continues to monitor and assess the risk, including the reputational risk, when determining strategy.

Principle 5: The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance, and its short-, medium- and long-term prospects.

The company has controls to enable it to verify and safeguard the integrity, i.e. accuracy and reliability, of its integrated report. The board ensures that the reporting framework complies with the Companies Act, 71 of 2008, as amended ("the Companies Act"), and the JSE Listings Requirements.

The board reviews the provisional results, interim results, integrated report and annual financial statements to ensure that all the reporting requirements are sufficiently met. The board, via its committees, are responsible for all reports and circulars that are published and circulated to shareholders.

Principle 6: The governing body should serve as the focal point and custodian of corporate governance in the organisation.

One of the functions of the audit and risk committee is to oversee the corporate governance of the company. Good corporate governance incorporates best business practices which are aligned with the overall strategic direction of the company. The board is fully involved with approving policy and planning by managing the strategy of the company; determining if acquisitions are in line with the corporate vision; requesting and reviewing evaluations, and reviewing the plans and the risks and the manner in which to mitigate these risks.

Principle 7: The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.

The board has assumed responsibility, in line with the board charter, for the composition of the board by ensuring diversity, gender parity, skills, knowledge, resources and intelligence to effectively discharge its governance role and responsibilities and carry out all its duties, and in so doing ensures that the number of directors and the diversity of those elected to the board are sufficient.

The board is comprised of seven members which include two executive directors and five non-executive directors of which three are independent non-executive directors. As per the rules of the JSE and the Companies Act, the board has a sufficient number of independent directors to appoint to the board committees and make up a quorum at all meetings. The board is comprised of directors with specialised knowledge and experience in legal, financial, medical, media, labour relations, business and theological sectors.

The company considers itself as an outstanding example in relation to B-BBEE. The composition of the board is 57% people of colour and 43% female.

The board has adopted a policy on the promotion of gender and racial diversity at board level.

Dr Moretlo Molefi has been appointed as lead independent director. In the event that the chairperson is absent from a meeting, a suitable replacement will be appointed to chair the meeting. A formal role description exists for the chairperson.

One-third of the board, including executive directors, are elected by shareholders on a rotational basis. Furthermore, directors appointed to the board during the course of the year retire as directors of the company and stand for election by shareholders in accordance with the Companies Act.

The board does not have a nomination committee, as all new candidates are vetted and approved by the board as a whole.

Principle 8: The governing body should ensure 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.

The board ensures that suitable candidates are appointed to the subsidiary committees so as to achieve the objectives of the board committee. The overall role and associated responsibilities and functions of the committees are included, where necessary, in the terms of reference.

All members of the board of the company as well as the committees of the board have access to resources and information and may request information directly from management on matters of interest to the board.

If required, the directors may take independent advice. Each board committee is chaired by a different non-executive director of the board. The board of the company consists of five non-executive directors which allows for a balanced distribution of power in respect of membership across committees, so that no individual has the ability to dominate decision-making, and no undue reliance is placed on any individual.

Principle 9: The governing body should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness.

The board of directors assume responsibility for the evaluation of its own performance and that of its committees, its chair and its individual members.

The board has agreed that the assessments are best conducted by dialogue between all the board members in a transparent and open manner at the board meetings.

The audit and risk committee completes written assessments of the committee, the finance director and the finance team as well as on the external auditors and submits these to the company secretary for review. An assessment of the internal auditor has not yet been conducted.

The chairperson's ability to add value, and his performance against what is expected of his role and function is assessed every year by the board as a whole.

The board determines the role, functions, duties and performance criteria for the directors on the board and board committees which serve as a benchmark for performance appraisal.

The board of the company is satisfied that the manner of its evaluation process leads to improvements in its performance and effectiveness.

Principle 10: The governing body should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities.

The board has set the direction and parameters for the powers which are to be reserved for itself, and those that are to be delegated to management via the CEO. The CEO is responsible for leading the implementation and execution of approved strategy, policy and operational planning, and serves as the chief link between management and the board.

The CEO and the CFO oversee that key management functions are headed by individuals with the necessary competence and authority as delegated by the board and have been authorised to ensure that key management functions are adequately resourced. The board of directors of the underlying investments contribute to decisions regarding senior executive appointments in their specific operations.

The board is satisfied that the delegation of authority framework contributes to role clarity and the effective exercise of authority and responsibilities within the company.

The company secretarial department is managed by a fellow of the Institute of Chartered Secretaries, who is empowered and authorised to provide corporate governance services to the board and management. The board is satisfied that these arrangements are effective.

The role and function of the company secretary are in accordance with section 88 of the Companies Act. A resolution confirming the appointment of the company secretary by the board of directors is in place. The company secretary has unfettered access to the board (and vice versa) but, for reasons of independence, maintains an arms-length relationship with it and its members; accordingly, the company secretary is not a member of the board. The performance and independence of the company secretary are evaluated annually by the board.

Principle 11: The governing body should govern risk in a way that supports the organisation in setting and achieving strategic objectives.

The board's responsibility for risk governance is expressed in the board charter and risk policy and plan. As an investment holding company, Niveus continuously considers the risks and opportunities related to its current portfolio as well as future investments. This process, which is integral in the manner that the company makes decisions and executes these decisions, is led by the executive committee and supported by the audit and risk committee and the board as a whole.

The board monitors that risks taken are within the risk tolerance and appetite levels. The setting of risk tolerance levels is considered at the subsidiary board level. No specific risk tolerance levels have been set at the group level, with each investment opportunity being considered on its own merit.

The audit and risk committee reviews the risk management progress and maturity of the company, the effectiveness of risk management activities, the key risks facing the company, and the responses to address these key risks.

Principle 12: The governing body should govern technology and information in a way that supports the organisation in setting and achieving strategic objectives.

The board assumes the responsibility for the governance of IT; however, the governance of information and technology has limited scope at group level. Subsidiary companies assume responsibility for the direction and approach to information and technology.

Principle 13: The governing body should govern compliance with applicable laws, and adopted non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen.

Compliance with laws, rules, regulations and relevant codes is integral to the company's risk management process. The audit and risk committee is responsible to ensure that an appropriate compliance framework is in place and that non-compliance is reported; and to review significant risk matters. The social and ethics committee has also been mandated to monitor the effectiveness of compliance management in the group.

The board has delegated the responsibility for the implementation and execution of compliance management to the relevant boards and management of the subsidiary companies. The board of Niveus and its management are represented on all the boards of the subsidiary companies. The board understands, and is aware, that the promotion of a culture of compliance within the group will reduce the risk of violating the rules and regulations that govern the company; the process of compliance can, furthermore, remedy any breach that may have occurred.

Monitoring of compliance is a systematic and ongoing process to ensure that the compliance framework is effective and that any associated risks and/or breaches in compliance are effectively managed and mitigated. Niveus is an investment holding company and as such the risk management process continuously takes cognisance of risks and opportunities inherent to its investment portfolio.

The board is further satisfied that the company has met the requirements of the Companies Act and the Listings Requirements of the JSE Limited. Compliance with all relevant laws, regulations, accepted standards or codes is integral to the group's risk management process and is monitored on a continuous basis. As in previous years, there has been no major non-compliance by, or fines or prosecutions against the group, during the year under review.

Principle 14: The governing body should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term.

Niveus's remuneration committee is responsible for overseeing the remuneration of all directors, management board members as well as the compensation of non-executive directors at a group level. Executive directors are remunerated by a fellow subsidiary company as part of the administration arrangement with the company's holding company. Remuneration is aligned with the company's approach of rewarding directors and senior executives fairly and competitively, but according to the overall level of performance of the group.

The remuneration policy does not address the organisation-wide remuneration as the board and management of Niveus do not dictate the remuneration policies of the subsidiary companies. The remuneration of the management of subsidiary companies will include provisions to reward the specialised skills required to operate within a particular business segment.

The Niveus remuneration policy is set out in the remuneration report. The non-binding approval of the remuneration report is placed before shareholders at the annual general meeting.

Remuneration policies and practices are aligned with company strategy, which includes the achievement of strategic objectives within the organisation's risk appetite and tolerance levels. The remuneration policy of the group and subsidiary companies promote positive outcomes with long-term share scheme incentives. Multiple performance measures are used to avoid manipulation of results or poor business decisions. Incentives are based on company performance and sustainability, targets reached and headline earnings of the company. The performance of all underlying investments in the group are measured against set targets.

The share scheme is based on long-term goals. Bonuses are an acknowledgement of the achievement of short-term goals. If incentives are given for both long-term and short-term goals, the performance drivers are not duplicated and a balance is struck with the need to reward success over the longer term.

Employment contracts do not commit the company to pay on termination arising from an executive's failure. There is no automatic vesting of shares on early termination of employment, but rather at the discretion of the board. In the event of a change of control of the company there would be automatic vesting of shares, but a decision would need to be ratified by the board of directors.

Principle 15: The governing body should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation's external reports.

Internal controls are established not only over financial matters, but also operational, compliance and sustainability issues. Although a combined assurance model has not yet been formalised for the group, various sources of assurance are currently in place both at group level and at its underlying subsidiaries. These include, but are not limited to, internal audit, compliance, external audit, and various specialist external consultants.

The internal audit function is independent and objective. The function reports administratively to the group CFO and functionally to the chairman of the audit and risk committee.

It has not been possible to provide an overall assessment of the group's internal control environment due to the following reasons:

- Certain smaller subsidiaries have not yet been exposed to internal audit reviews.
- The internal audit coverage of some subsidiaries does not include certain key business areas/processes.
- No reviews on risk management have been performed.

The internal audit function complies with the code of ethics of the Institute of Internal Auditors.

Principle 16: In the execution of its governance role and responsibilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time.

The board has adopted a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation. This stakeholder-inclusive approach requires the identification of the stakeholders and the inter-connectivity behind the stakeholders to allow for the development of a strategy to manage and integrate the relationships between all the stakeholders by managing the business environment, relationships and promotion of shareholder interests. The board has delegated the development of the strategy to management. The board has adopted communication guidelines that support a responsible communication programme. Stakeholder communication is through SENS announcements, the company's website and further reports as required by the JSE.

The company continuously monitors the effect any decision implemented would have on the company's reputation.
