

CORPORATE GOVERNANCE

KING CODE

The Board of Directors of RECM and Calibre Limited (“RAC”) (“The Board”) supports the King III Report (“King Code”) on Corporate Governance, with corporate governance being an integral part of RAC’s business. RAC aims to comply with the provisions and the spirit of the King Code to the extent that these are practical and appropriate to the business of RAC.

The register below provides a narrative statement on each principle of the Code.

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Number	Principle	Applied	Narrative Statement
Chapter 1- Ethical leadership and corporate citizenship			
1.1	The board should provide effective leadership based on an ethical foundation	✓	The Board espouses the highest standards of integrity, transparency and accountability in the performance of its functions and in its interaction with stakeholders.
1.2	The board should ensure that the company is and is seen to be a responsible corporate citizen	✓	RAC has outsourced investment responsibility to Regarding Capital Management (Pty) Ltd (“RECM”), an asset manager. RAC has mandated RECM to follow the guidelines in the ‘Code for Responsible Investing’ (‘CRISA’), which inherently require investing in companies adopting sustainable practices.
1.3	The board should ensure that the company’s ethics are managed effectively	✓	The directors have a fiduciary duty to act in good faith, with due diligence and care and in the best interests of the Company and all stakeholders. The directors accept this responsibility and in carrying out their duties, the directors consider their individual and collective ethical performance to ensure they have acted in an appropriate manner in regard to the business of RAC.
Chapter 2-Board and Directors			
2.1	The board should act as a focal point for and custodian of corporate governance.	✓	RAC is and will be committed to the highest standards of corporate governance. However RAC has no employees and all of its investment and operational functions have been outsourced to RECM, which has its own governance systems, processes and procedures. The Board satisfies itself that appropriate governance is applied within RECM.
2.2	The board should appreciate that strategy, risk, performance and sustainability are inseparable.	✓	RAC invests in sustainable businesses. The investment function of RAC has been outsourced to RECM, which adheres to the ‘Code for Responsible Investing in South Africa’. In appointing RECM and in the investment decisions of RECM, The Board is confident of providing returns to its shareholders and preference shareholders and inherent in this performance is the appreciation of the long term sustainability of RAC as an investment company, which requires appropriate planning and identification

			and management of risks that may threaten long term sustainability.
2.3	The board should provide effective leadership based on an ethical foundation	✓	The Board espouses the highest standards of integrity, transparency and accountability in the performance of its functions and in its interaction with stakeholders.
2.4	The board should ensure that the company is and is seen to be a responsible corporate citizen	✓	RAC was established to invest in sustainable. RAC has outsourced investment responsibility to RECM which subscribes to the principles of the CRISA. The Board maintains a close interest in the investments made by RECM and subscribes to the principle of effective disclosure in conducting RAC's business affairs.
2.5	The board should ensure that the company's ethics are managed effectively	✓	The directors have a fiduciary duty to act in good faith, with due diligence and care and in the best interests of the Company and all stakeholders. The directors accept this responsibility and in carrying out their duties, the directors consider their individual and collective ethical performance to ensure they have acted in an appropriate manner in regard to the business of RAC.
2.6	The board should ensure that the company has an effective and independent audit committee	✓	RAC has an Audit and Risk Committee comprising independent non-executive directors as members. The Committee meets at least 3 times annually and is tasked with carrying out its function pursuant to the Companies Act and its Terms of Reference. The members are appointed annually at the annual general meeting.
2.7	The board should be responsible for the governance of risk	✓	The Board accepts responsibility for the governance of risk. A written risk management plan is prepared annually for review by the Audit and Risk Committee and adopted by The Board. Risk management is considered by Audit and Risk Committee and The Board at each committee and board meeting to ensure that appropriate policy and controls in the plan remain current.
2.8	The board should be responsible for information technology (IT) governance	✓	RAC does not make use of any information technology but relies on the systems and resources of or utilised by RECM. While there is no specific governance relating to information technology, The Board does consider the risks related to the information technology utilised by RECM as a component of their overall review of RECM.
2.9	The board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards	✓	The Board is responsible for compliance with applicable laws and accepts this responsibility. Through valuable experience as directors, education, access to the Company Secretary and external legal services as required, the directors are well positioned to comply. The Board applies non-binding rules, codes and standards as are practical and appropriate.
2.10	The board should ensure that there is an effective risk-based internal audit	✓	As RAC has outsourced all of its operational activities to RECM, it relies on RECM and its service providers to perform the internal review. The Audit and Risk Committee oversees co-operation between RECM staff and the external auditors and serves as the link between The Board and these functions.
2.11	The board should appreciate	✓	The Board considers integrity, transparency and

	that stakeholders perceptions affect the company's reputation		accountability as being core values in the success of RAC. The Board promotes these values in its interaction with stakeholders, be it by way of personal interaction or market disclosure.
2.12	The board should ensure the integrity of the company's integrated report	✓	The Integrated Report is reviewed by The Board prior to sign-off and publication. The content of the Integrated Report subscribes to regulatory requirements, JSE Listing Requirements and international financial reporting standards.
2.13	The board should report on the effectiveness of the company's system of internal controls	✓	The Board provides an internal controls sub-report in the Integrated Report.
2.14	The board and its directors should act in the best interest of the company	✓	The directors are appointed for their skills, experience, calibre and credibility. In pursuit of objective decision making, the directors have access to all company records, management, the independent auditors and should it be required, external professional advice. Any conflicts which may arise are appropriately disclosed.
2.15	The board should consider business rescue proceedings or other turnaround mechanisms as soon as the company is financially distressed as defined in the Act	✓	The Board is aware of the business rescue provisions in the Companies Act. The Board has put in place appropriate risk management and reporting policies to ensure that RAC operates without distress.
2.16	The board should elect a chairman of the board who is an independent non-executive director	x	RAC has an Executive Chairman, Mr P Viljoen, and a lead independent director, Mr JG Swiegers. Despite the requirements of King III, The Board is of the view that Mr Viljoen is best placed to lead the company.
2.17	The board should appoint the chief executive officer and establish a framework for the delegation of authority	✓	RAC does not have a chief executive officer - the investment and operational functions of RAC have been outsourced to RECM and RAC does not employ any staff or managers.
2.18	The board should comprise a balance of power, with a majority of non-executive directors. The majority of non-executive directors should be independent	✓	The Board has an appropriate balance of executive and non-executive directors, and the necessary calibre and credibility, skills and experience. All non-executive directors are independent.
2.19	Directors should be appointed through a formal process	✓	The Board formally reviews the credentials of any proposed appointment having regard to recommendations from the Nomination and Remuneration Committee, RAC's needs and the composition of The Board. Any appointment is subject to shareholder approval.
2.20	The induction of and ongoing training and development of directors should be conducted through formal processes	✓	Education is ongoing to ensure that directors are kept informed of industry developments and international best practice. An introductory program is provided to all independent non-executive directors by the staff of RECM upon

			<p>appointment.</p> <p>The aim of the program is to acquaint the directors with a detailed understanding as to the roles, operations and regulatory framework in existence within RECM so that they may better understand the manner in which the investment portfolio of RAC is being managed.</p>
2.21	The board should be assisted by a competent, suitably qualified and experienced company secretary	✓	RAC has a company secretary appointed pursuant to the Companies Act and JSE Listing Requirements.
2.22	The evaluation of the board, its committees and the individual directors should be performed every year	✓	Evaluation of The Board, committees and directors is undertaken annually.
2.23	The board should delegate certain functions to well-structured committees but without abdicating its own responsibilities	✓	RAC has a duly appointed independent Audit and Risk Committee; a duly appointed Social and Ethics Committee and a duly appointed Nomination and Remuneration Committee, each with formally delegated functions. RAC has combined its Nomination Committee and Remuneration Committee into a single committee given the simple structure of its business – it has no employees to remunerate; only independent directors are remunerated; there is no CEO or senior management; RAC appoints skilled directors not requiring mentoring and training requirements are delegated to the company secretary or financial director.
2.24	A governance framework should be agreed between the group and its subsidiary boards	✓	A governance framework exists between RAC and its wholly-owned subsidiary company, RAC Investment Holdings (Pty) Ltd.
2.25	Companies should remunerate directors and executives fairly and responsibly	✓	Only the independent directors are remunerated for their services as directors and for other services to RAC. The Nomination and Remuneration Committee considers remuneration matters for approval by The Board and by special resolution of the shareholders of RAC.
2.26	Companies should disclose the remuneration of each individual directors and certain senior executives	✓	Remuneration of the independent directors is approved by special resolution of the shareholders of RAC and disclosed in the Integrated Report.
2.27	Shareholders should approve the company's remuneration policy	✓	The independent non-executive directors of RAC are paid fair compensation for the responsibility they carry, as well as the work they do.
Chapter 3-Audit committee			
3.1	The board should ensure that the company has an effective and independent audit committee	✓	The Audit and Risk Committee is independent and consists of three independent, non-executive directors. The Committee has adopted formal terms of reference.

3.2	Audit committee members should be suitably skilled and experienced independent non-executive directors	✓	The members are appointed on the basis of their skills and experience in matters delegated to the Audit and Risk Committee.
3.3	The audit committee should be chaired by an independent non-executive director	✓	The committee is chaired by Mr JG Swiegers, an independent non-executive director.
3.4	The audit committee should oversee integrated reporting	✓	The Audit and Risk Committee's role and responsibilities include responsibilities assigned to it by The Board, as well as statutory duties per the Companies Act, 2008. The members of the Committee are tasked with reviewing the Integrated Report to ensure it satisfies regulatory requirements, the King Code and stakeholder expectations.
3.5	The audit committee should ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities	✓	The Audit and Risk Committee supports a combined assurance model. The combined assurance of external auditors, directors and reliance on the control environment of RECM as reviewed by their auditors, has been implemented due to the outsourcing of all operational activities of the Company.
3.6	The audit committee should satisfy itself of the expertise, resources and experience of the company's finance function	✓	The Audit and Risk Committee is tasked to and does satisfy itself as to the expertise and experience of the financial director; the expertise and adequacy of resources of the finance function and the senior members of RECM responsible for the financial function.
3.7	The audit committee should be responsible for overseeing of internal audit	✓	The Audit and Risk Committee relies on RECM and its service providers to perform an audit of the RECM internal control function. The Committee oversees co-operation between RECM staff and the external auditors and serves as the link between The Board and these functions.
3.8	The audit committee should be an integral component of the risk management process	✓	A written risk management policy and plan is prepared annually for review by the Audit and Risk Committee and adopted by the Board. Risk is considered by Audit and Risk Committee and The Board at each board meeting to ensure that appropriate policy and controls in the plan remain current.
3.9	The audit committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process	✓	Prior to recommending appointment, the Audit and Risk Committee reviews the independence of the external auditor, which includes consideration of previous appointments of the auditor; the extent of other work undertaken by the auditor for RAC and compliance with criteria relating to independence or conflicts of interest as prescribed by the Independent Regulatory Board for Auditors. Requisite assurance is sought and provided by the auditor. The results of the audit are reviewed and assessed by the Audit and Risk Committee.
3.10	The audit committee should report to the board and shareholders on how it has discharged its duties	✓	The Audit and Risk Committee provides their report for inclusion in the Integrated Report of the Company.

Chapter 4- The government of risk			
4.1	The board should be responsible for governance of risk	✓	The Board accepts this responsibility and has assigned oversight of the company's risk management function to the Audit and Risk Committee, including report back to The Board.
4.2	The board should determine the level of risk tolerance	✓	The approved risk management plan embodies the level of risk tolerance deemed acceptable to The Board, across finance, internal controls, fraud and other factors.
4.3	The risk committee or audit committee should assist the board in carrying out its responsibilities	✓	The Board has assigned oversight of the company's risk management function to the Audit and Risk Committee.
4.4	The board should delegate to management the responsibility to design, implement and monitor the risk management plan	✓	Management at RECM are tasked with designing and implementing the risk management plan on behalf of RAC, subject to the scrutiny and oversight of RAC's Audit and Risk Committee.
4.5	The board should ensure that risk assessment are performed on a continuous basis	✓	Risk is considered by the Audit and Risk Committee and The Board at each board meeting to ensure that appropriate policy and controls in the plan remain current. Any major risks that may arise in the intervening period are brought to the attention of The Board.
4.6	The board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks	✓	Through risk management reporting; assessment of risks and implementation of controls, the directors of RAC and management of RECM are well positioned to identify any risks that may threaten the long term sustainability of RAC.
4.7	The board should ensure that management considers and implements appropriate risk responses	✓	The focus of risk management in RAC is on identifying, assessing, managing and monitoring all known forms of risk across the company as well as implementing appropriate control mechanisms by RECM
4.8	The board should ensure continual risk monitoring by management	✓	The directors of RAC, members of the Audit and Risk Committee and management of RECM are all well positioned to identify risks. RECM management are responsible for implementing and monitoring the risk management plan as well as reporting back to RAC periodically.
4.9	The board should receive assurance regarding the effectiveness of the risk management process	✓	Management at RECM are mandated and required to report to the Audit and Risk Committee and The Board at each board meeting on the effectiveness of the risk management process.
4.10	The board should ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders	✓	In addition to board reporting, the effectiveness of the risk management plan and process is also addressed in the Integrated Report. The Board considers this critical in maintaining awareness among stakeholders.
Chapter 5- The governance of Information Technology (IT)			

5.1	The board should be responsible for information technology(IT) governance	✓	RAC does not make direct use of any information technology but relies on the systems and resources of or utilised by RECM as part of the outsourced arrangement with RECM. While there is no specific governance relating to information technology, The Board do consider risks related to information technology utilised by RECM as a component of their overall review of RECM.
5.2	IT should be aligned with the performance and sustainability objectives of the company	✓	RAC does not make direct use of any information technology but relies on the systems and resources of or utilised by RECM. RECM is responsible for reporting on any IT issues that may impact RAC.
5.3	The board should delegate to management the responsibility for the implementation of an IT governance framework	✓	RAC relies on the IT framework of RECM as part of its outsourced arrangement with RECM.
5.4	The board should monitor and evaluate significant IT investments and expenditure	✓	To the extent that any significant IT investments and expenditure is incurred by RAC, The Board will monitor any such expenditure. In its review of RECM, The Board is made aware of IT developments within RECM.
5.5	IT should form an integral part of the company's risk management	✓	IT is considered by RAC as part of its overall risk management plan by RECM
5.6	The board should ensure that information assets are managed effectively	✓	The Board ensures that information assets, including shareholder registers, are appropriately managed, kept current and available to The Board. This information is used by RAC in reporting by way of the Integrated Report and other forms of disclosure to the market.
5.7	A risk committee and audit committee should assist the board in carrying out its IT responsibilities	✓	At each meeting of the Audit and Risk Committee, the Committee considers IT risks as they relate to financial reporting, a key component of RAC.
Chapter 6- Compliance with laws, Rules, Codes and Standards			
6.1	The board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards	✓	The Board is responsible for compliance with applicable laws and accepts this responsibility. Through valuable experience as directors, education, access to the Company Secretary and external legal services as required, the directors are well positioned to comply. The Board applies non-binding rules, codes and standards as are practical and appropriate.
6.2	The board and each individual director should have a working understanding of the effect of the applicable laws, rules, codes and standards on the company and its business	✓	Education is on-going to ensure that directors are kept informed of developments in law, rules, codes and standards that impact RAC and directors themselves. An introductory program is provided to all independent non-executive directors by the staff of RECM upon appointment. The aim of the program is to acquaint the directors with a detailed understanding as to the roles, operations and regulatory framework in existence within RECM so that they may better understand the manner in which the investment portfolio of RAC is being managed.

			The directors may also take part in ongoing training provided by RECM.
6.3	Compliance risk should form an integral part of the company's risk management process	✓	Compliance risk is an important component of RAC's risk management plan.
6.4	The board should delegate to management the implementation of an effective compliance framework and processes	✓	Compliance is an integral part of RAC policy, process and procedure. This includes compliance with relevant laws, rules and codes as well as internal policy.
Chapter 7- Internal Audit			
7.1	The board should ensure that there is an effective risk based internal audit	✓	The Audit and Risk Committee relies on RECM and its service providers to perform the internal review of risks. The Committee is appraised of the co-operation between RECM staff and the external auditors.
7.2	Internal audit should follow a risk based approach to its plan	✓	All operational processes have been outsourced to RECM. The controls in effect at RECM are reviewed by external auditors from a risk-based perspective and reported on. This report is made available to The Board.
7.3	Internal audit should provide a written assessment of the effectiveness of the company's system of internal control and risk management	✓	A written assessment of the risk controls in effect at RECM is provided to The Board.
7.4	The audit committee should be responsible for overseeing internal audit	✓	As expressed in Chapter 7.1 above, the Audit and Risk Committee relies on RECM and its service providers to review internal functions.
7.5	Internal audit should be strategically positioned to achieve its objectives	✓	Reviews performed by the service providers of RAC are reported on directly to The Board and the Audit and Risk Committee. The Board provides effective input to position the function to achieve its objectives.
Chapter 8- Governing Stakeholders Relationships			
8.1	The board should appreciate that stakeholders' perceptions affect a company's reputation	✓	The Board considers integrity, transparency and accountability as being core values in the success of RAC. The Board promotes these values in constructive interaction with stakeholders, be it by way of personal interaction or market disclosure.
8.2	The board should delegate to management to proactively deal with stakeholder relationships	✓	Dealings with preference shareholders are conducted, <i>inter alia</i> , by way of an annual Chairman's meeting during which shareholders are invited to interact with the Chairman on any other matter of relevance. Shareholders may also contact the company at other times by various means as detailed in the prospectus or on the company's website. Certain shareholding details are also published in the Integrated Report
8.3	The board should strive to achieve the appropriate balance between its various stakeholder groupings, in the	✓	All stakeholders, be they shareholders, directors, regulators and so forth can interact with RAC on matters of concern. Any issues are considered on their merits.

	best interests of the company		
8.4	Companies should ensure the equitable treatment of shareholders	✓	A transparent process is evidenced in the way and timing of reporting to the market and interaction with shareholders, be it on a personal level, by way of electronic communication or via the website. Shareholder rights are enshrined in the Companies Act and JSE Listing Requirements, which flow through RAC's Memorandum of Incorporation.
8.5	Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence	✓	The Board considers integrity, transparency and accountability as being core values in the success of RAC. The Board promotes these values in constructive interaction with stakeholders, be it by way of personal interaction, market disclosure or publications on its website.
8.6	The board should ensure disputes are resolved as effectively, efficiently and expeditiously as possible	✓	Any stakeholder who has a concern with RAC may approach the Company to consider their concern or raise it at the annual Chairman's meeting. Any concerns are addressed promptly.
Chapter 9- Integrated reporting and disclosure			
9.1	The board should ensure the integrity of the company's integrated report	✓	The Board is responsible for approving the Integrated Report. In addition the Audit and Risk Committee and senior management at RECM review and provide input on the Integrated Report prior to approval and publication. The Integrated Report is prepared in line with regulatory requirements, adopted international financial reporting standards and best practise. Every effort is made to provide a balanced view of RAC results and operations.
9.2	Sustainability reporting and disclosure should be integrated with the company's financial reporting	✓	RAC has outsourced the investment function to RECM. RECM adheres to the 'Code for Responsible Investing in South Africa' and takes environmental sustainability and governance issues into account in establishing the fair value of an investee company on a case by case basis. RECM communicates its views on sustainability with directors and management of the investee companies and reinforces these views by voting on resolutions where possible. Due to the RAC's structure, the extent of sustainability reporting is limited to the above activities.
9.3	Sustainability reporting and disclosure should be independently assured	x	RAC has outsourced the investment function to RECM. No independent assurance as to sustainability reporting and disclosure is undertaken.