

COMMITMENT TO THE GOVERNANCE PRINCIPLES SET OUT IN KING IV

KING IV REGISTER

28. King IV Register

Good corporate governance provides the framework within which we strive to create superior levels of performance to the benefit of all our stakeholders. The board of directors of Resultant Finance Proprietary Limited (“the board”) believes that achieving the highest standards of corporate governance is key to achieving the company’s vision and strategy as well as creating and sustaining value for the company’s stakeholders.

Transparency, accountability, integrity and openness in reporting and disclosure of information, both operational and financial, are internationally accepted to be vital to the practice of good corporate governance. Achieving this objective demonstrates Resultant Finance’s public accountability and its commitment to conduct its business within ethical standards and outcomes-based strategic objectives.

The board is pleased to present the King IV application report for the year ended 28th February 2021.

Principle 1

The board should lead ethically and effectively.

The company is committed to achieving its goals with integrity, high ethical standards and in compliance with all applicable laws, whilst being a responsible corporate citizen. The board has adopted a Code of Ethics and Business Conduct which is continuously reviewed and sets the tone for an ethical culture within the company. The directors are fully committed to these principles, which ensures that the business is managed according to the highest ethical standards, even beyond mere legal compliance, within its operating environment, as well as social, political, and physical environment within which the company operates.

Directors attend and participate in meetings and are afforded the opportunity to engage meaningfully in board deliberations and challenge when they have concerns.

Principle 2

The board should govern the ethics of the company in a way that supports the establishment of an ethical culture.

The Code of Ethics and Business Conduct is included as part of induction process for new employees as well as other regular training programmes and is available on the company’s website at www.resultant.co.za. Ethics is part of our recruitment process, evaluation of performance and rewards of employees as well as the sourcing of suppliers.

Directors and officers of the company are committed to always act in good faith and in the best interest of the company. A register of directors’ interests is circulated at each meeting for directors to confirm their interests. Declaration of interests is a standard agenda item and specific conflict of interests are captured in the minutes.

The board, through the audit and risk committee as well as the social and ethics committee, monitors compliance with Resultant Finance’s code of ethics and business conduct and feedback is given to the relevant committees and the board, while sanctions and remedies are in place when ethical standards are breached.

During the period under review, there were no requests received in terms of the Promotion of Access to Information Act, 2000 (Act 2 of 2000). A copy of the Promotion of Access to Information Manual is available on the company’s website at www.resultant.co.za

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Principle 3

The board should ensure that the company is and seen to be a responsible corporate citizen.

Over and above financial performance the board considers, the impact of the company's operations on society and the environment. The board protects, enhances, and invests in the wellbeing of the economy, society, and the environment.

The board mandated the social and ethics committee to monitor and oversee corporate citizenship and report to the board in terms of identified areas.

Resultant Finance is classified as a low impact business posing limited risk to the environment, but still reports on the impact of its clients in terms of the environmental, social and governance (ESG).

Principle 4

The board should appreciate that the company'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 is of the view that sound governance practices are fundamental to earning the trust of stakeholders and that this is critical to sustaining performance and preserving shareholder value.

The board is the highest decision-making body in the company. It approves the company's strategy and ensures that it is aligned with the company's values. The board assumes collective responsibility for steering and monitoring strategy implementation and performance targets as well as any risks involved in the implementation of the strategy. As the board is collectively responsible for the company's long-term success, it has reviewed the company's current strategy implemented towards the attainment of Vision 2022 and found it to still be relevant, despite the challenges attributable to the covid-19 pandemic.

The board is accountable to shareholders and works towards balancing the interests of the company and those of its various stakeholders. All directors are continuously taking steps to ensure that they have sufficient working knowledge of the company and the industry in which it operates. Directors are required to ensure continued development of their competencies to lead effectively and act with due care, skill and diligence and take reasonable diligent steps to become informed about matters for decision-making.

Through the risk management plan, material strategic business and sustainability risks are identified and outlined in the risk register and mitigating controls are implemented to manage the identified risks.

Principle 5

The board should ensure that reports issued by the company enable stakeholders to make informed assessments of the company's performance, and its short, medium and long-term prospects.

The board is overall responsible for overseeing that all reports to stakeholders comply with the necessary legal requirements as well as include true, accurate and reasonable information. This function is delegated by the board to the audit and risk committee. Materiality issues are formally determined and reported on accordingly.

The annual report and financial statements are prepared in consultation with internal and external advisers to ensure that they comply with the relevant legislation and regulations and to ensure that shareholders and stakeholders alike can ascertain whether the affairs of the company are managed competently.

Through the audit and risk committee as well as the social and ethics committee, the board reports on its performance to enable stakeholders to make informed assessments of the company's performance in its short, medium, and long-term objectives.

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Principle 6

The board should serve as the focal point and custodian of corporate governance in the company.

The board acts as the focal point and custodian of corporate governance of the company. A clear division of responsibilities between the directors is maintained to ensure that no single director has unfettered decision-making powers. A Delegation of Authority Policy is in place and reviewed regularly to ensure the necessary authority to the management team to implement and execute the strategy.

The directors have access to the advice and services of the company secretary. They are entitled, at the company's expense, to seek independent professional advice about the affairs of the company regarding the execution of their duties as directors. Board committees are also entitled to obtain independent professional advice on any issue within the ambit of their scope and subject to follow a board approved process.

A board workplan and terms of references of the committees are in place to ensure that all relevant governance matters are being dealt with during a year. Feedback in respect of the delegated task is provided at the next meeting and recorded in the minutes of that meeting.

Principle 7

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

As of 28 February 2021, the board consisted of four independent non-executive directors and two executive directors. Although not part of the board, the investment committee is chaired by an independent member. The board's composition is in line and in accordance with the principles of King IV, being that a majority of directors are non-executive, and the majority of non-executive directors are independent.

The chairman of the board is independent, and his role is separate from the chief executive officer. The chief executive officer is a member of the board. The board composition is reviewed on an annual basis to ensure that it complies with the relevant legislation, regulations, and policies.

The non-executive directors have the necessary skills and experience to provide judgment that is independent of the management team on matters relating to strategy, performance, resources, transformation, diversity, skills development, standards of conduct, and evaluation of performance. The board is satisfied that its composition reflects the appropriate mix of knowledge, skills, experience, diversity, and independence.

Board appointments

The appointment process of directors to the board is formal and transparent. Apart from a candidate's experience, knowledge, skills, availability and likely fit, the committee also considers a candidate's integrity, as well as other directorships and commitments to ensure that the candidate will have sufficient time to discharge his/her role properly. The board also considers race and gender diversity in its assessment when appointing directors.

The management of the board's succession process is crucial to its sustainability. The board ensures that, as directors retire, candidates with the necessary experience are identified to ensure that the board's competence and balance is maintained and enhanced, considering the company's current and future needs.

The role of the board in formulating and prioritising the company's strategy remains a focus area, as well as the mix of financial and operational information to support the measurement of the implementation of the strategy. Informal succession planning for the chairman of the board and sub-committees, as well as the executive team, were discussed and agreed on at a board meeting.

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The non-executive directors derive no benefit from the company other than their fees and emoluments as proposed by the board and approved by shareholders at the company's annual general meeting.

Independence and conflicts

During the year ended 28th February 2021, none of the directors had a significant interest in any contract or arrangement entered by the company, other than as disclosed in note 5 and 21 to the annual financial statements.

Directors are required to inform the board timeously of conflicts or potential conflicts of interest that they may have in relation to particular items of business. Directors are obliged to excuse themselves from discussions or decisions on matters in which they have a conflict of interest, in accordance with the Code of Ethics and Conduct that is in place. A standard agenda item is included for members to declare whether any of them have any conflict of interest in respect of a matter on the agenda. The minutes reflect this accordingly.

When categorising the non-executive directors as independent, the interests, position, association, or relationship is taken into consideration. This, together with the test of being judged from the perspective of a reasonable and informed third party and other indicators in a substance-over-form basis, Dr Nkateko Munisi, Mr Pitsi Moloto, Ms Pamella Marlowe, Dr Zanele Ditse and Ms Busi Mavuso were found to be independent. The categorisation of members can be found on page 71 of this annual report.

The chairman

The chairman's role is to set the ethical tone for the board and to ensure that the board remains efficient, focused, and operates as a unit. Dr Nkateko Munisi provides overall leadership to the board and the Chief Executive Officer without limiting the principle of collective responsibility for board decisions.

Dr Nkateko Munisi is a member of the audit and risk committee and investment committee and chairs no board sub-committees. The board considered the recommendation by King IV that the chairman is not a member of the audit and risk committee and felt that, due to his extensive experience, he remains a member of the audit and risk committee.

The roles of the chairman and Chief Executive Officer are documented in the board charter.

Principle 8

The board should ensure that its arrangements for delegation within its own structures promote independent judgement and assist with the balance of power and the effective discharge of its duties.

The company seeks to maintain strong corporate governance structures and processes by working within a clearly defined governance framework, thus enabling the delivery of a sustainable business to all our stakeholders. The governance framework promotes the establishment of a board subcommittee structure with the intention of supporting the board in the execution of its duties. The board has delegated specific authority to each subcommittee, while still enabling elective control as well as preserving its accountability. Roles and responsibilities for each committee are defined, and the board has approved terms of reference for the various subcommittees.

Principle 9

The board should ensure that the evaluation of its own performance and that of its committees, its chairman and its individual members, support continued improvement in its performance and effectiveness.

The board assumes responsibility for the evaluation of its own performance and that of its committees, its chairman and its individual members. The next evaluation of the board and its committees will be conducted in the new financial year.

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Principle 10

The board should ensure that the appointment of, and delegation to, the management team contributes to role clarity and the effective exercise of authority and responsibilities.

There is a Delegation of Authority Policy which sets out matters which are reserved for the board and the management respectively for approvals and prescribes authority thresholds for different board committees. The Delegation of Authority Policy is reviewed annually by the board. The board has delegated authority to the CEO (who in turn is allowed to sub-delegate to the COO) to run the day-to-day affairs of the company.

The board is satisfied that the Delegation of Authority Policy contributes to role clarity and the effective exercise of authority and responsibilities.

Principle 11

The governing body should govern risk in a way that supports the company in setting and achieving strategic objectives.

The focus of risk management in Resultant Finance is on identifying, assessing, mitigating, managing, and monitoring all known forms of risk across the company. Management is involved in a continuous process of developing and enhancing its comprehensive systems for risk identification and management. The board assumes overall responsibility for the governance of risk by setting direction for how risk should be approached and addressed. The top risks are presented and discussed on a quarterly basis and are considered when making decisions.

The management team throughout the company is responsible for implementing and executing effective risk management.

The risks to the business encompass areas such as the world IT component, exchange rates, political and economic factors, local and international competition, legislation and national regulations, interest rates, people skills, and general operational and financial risks. The major risks are the subject of the ongoing attention of the board and are given particular consideration in the annual strategic plan, which is approved by the board.

The management of operational risks is conducted in compliance with a comprehensive set of company policies and standards to cover all aspects of operational risk control.

Principle 12

The board should govern technology and information in a way that supports the company setting and achieving its strategic objectives.

The board assumes responsibility for the governance of technology and information by setting the direction for how technology and information should be approached. The board recognises the importance of this principle as it is key to the strategy, performance, and sustainability of the company.

The COO is responsible for achieving this principle, and reports on it to the board via the audit and risk committee. This function ensures the integration of people, technology, information, and processes across the company.

Principle 13

The board should govern compliance with applicable laws and adopted non-binding rules, codes, standards in a way that supports the company to be ethical and a good corporate citizen.

The board assumes responsibility for the governance of compliance with applicable laws and adopted, nonbinding rules and code of standards. This function is delegated to the social and ethics committee with financial compliance overseen by the audit and risk committee.

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Due to the company operating in financial services and being registered as a financial service provider with Financial Sector Conduct Authority (FSCA), compliance with financial services related legislation is a priority. The company submits the necessary reports to the authorities.

No penalties were paid during the reporting period for non-compliance with any statutory obligation.

Principle 14

The board should ensure that the company remunerates fairly, responsibly, and transparently to promote the achievement of the strategic objectives and positive outcomes in the short, medium, and long term.

The board ensures that the company's remuneration policy is aligned with its strategy, and it also reviews and approves the remuneration of executive directors and senior management team members.

The strategic objectives of the remuneration policy are:

- to support the attainment of Resultant Finance's business strategy,
- to attract, retain and motivate key and talented people,
- to compete in the marketplace to be an employer of choice,
- to reward individual, team and business performance and encourage superior performance, and
- to support the key Resultant Finance values.

The executive and employees' remuneration comprises a combination of guaranteed remuneration and variable remuneration based on the outcome of the individual's performance review and financial performance of the company. The directors, executives and employees are remunerated responsibly in line with the remuneration policy. The board is satisfied that the remuneration policy achieves its objectives.

Principle 15

The board 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 company's external reports.

The board has delegated the audit and risk committee with the responsibility of overseeing the effectiveness of assurance arrangements within the company. The committee ensures that internal controls are effective and adequately reported on for arrangements within the company. Internal controls have been established not only over financial matters, but also operational, compliance and sustainability issues.

A combined assurance framework was adopted during the reporting period and aligned with the risks identified by the company to consider whether additional assurance in relevant risk areas were required. Assurances are currently obtained from audits performed by external auditors together with tests performed by the management team on a regular basis.

The board assumes responsibility for the integrity of the external reports presented by the company via the audit and risk committee and sets out the direction on how assurance in this regard should be approached and addressed.

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 interest of the company over time.

The board recognises its responsibility for the governance of stakeholder relations within the company. Transparent communication and engagement with stakeholders are vital to ensure that the principles on stakeholder management are adopted in line with King IV. The board ensures that shareholders are equitably treated and that the interests of minority shareholders are adequately protected.

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