



SOCIAL,
ETHICS AND
TRANSFORMATION
COMMITTEE
REPORT
FOR THE
YEAR ENDED
30 JUNE 2019



Social, ethics and transformation committee

THIS COMMITTEE IS THE GUARDIAN OF THE FOLLOWING FORMS OF CAPITAL:



HUMAN



SOCIAL AND RELATIONSHIP

The social, ethics and transformation committee has pleasure in providing feedback to RMB Holdings Limited's (RMH) stakeholders.

The feedback is prepared in accordance with the Companies Act, 71 of 2008, 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 and consists only of independent, non-executive directors. The chairman is an independent, non-executive director.

The committee meets at least twice a year or at the request of the chairman, any member of the committee or the board. Comprehensive minutes of meetings are kept.

The chairman of the committee is customarily available to report to shareholders at the annual general meeting on matters within its mandate. Any specific question to the committee may be sent to the company secretary prior to the annual general meeting.

Roles and responsibilities

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

- The social and economic development, including the ten principles as set out in the United Nations Global Compact principles, the 17 Sustainable Development Goals (SDGs) set by the United Nations General Assembly in 2015, the Organisation for Economic Co-operation and Development recommendations regarding corruption, the Employment Equity Act, 55 of 1998, and the Broad-Based Black Economic Empowerment Act, 53 of 2003;
- Good corporate citizenship, including promotion of equality, prevention of unfair discrimination and corruption, contribution to the development of communities and record of sponsorship, donations and charitable giving; and
- Environment, health and public safety, including the impact of the company's activities; consumer relationships, including the company's public relations and compliance with consumer protection laws.

King IV

King IV recommends that the social and ethics committee uphold, monitor and report on organisational ethics, responsible corporate citizenship, sustainable development and stakeholder-inclusivity beyond mere compliance and towards actual value creation.

The committee assessed its composition to ensure it had the requisite skills and experience to fulfil the requirement of the oversight of ethics management.

Reporting framework

RMH

Below is a summary of the framework specific to RMH:

Description in terms of Regulation 43		Action taken during the current year
1	Corporate social responsibility	
1.1	Corporate social investment	RMH does not have its own corporate social investment initiatives and contributes indirectly through its investee companies, FirstRand and RMH Property. As RMH is an investment holding company, the committee is satisfied that this approach is appropriate. The indirect CSI spend for RMH was R146 million (2018: R116 million). This equates to 1.4% (2018: 1.3%) of revenue.
2	Broad-based black economic empowerment	A copy of the B-BBEE 1 report submitted on 30 September is available on the RMH website, www.rmh.co.za . As an investment holding company with no employees and limited activity beyond its investments in FirstRand and RMH Property, the only element where RMH can make a meaningful contribution is in ownership. RMH scored 20.47 out of a possible 23 for this element. The majority of RMH's income consists of dividend income from its underlying portfolio companies (predominantly FirstRand, which is a Level 1 contributor). This, in turn, is paid out to RMH's shareholders after defraying tax, funding and other holding company costs. RMH has limited operational capacity and therefore a limited expense base. The income received by RMH has already been subject to B-BBEE requirements and measurement at the underlying portfolio companies. RMH overall achieved a non-compliant rating for 2019. The skills development element has been identified as an element where RMH can make a difference. Therefore, RMH will be putting a learnership programme in place in 2020.
3	Employment equity transformation	RMH is committed to gender and race diversification. The board's female representation is 21% and its race diversification 42%. RMH does not have any employees and therefore the board is where RMH focuses its direct transformation strategy. RMH uses its position as influential shareholder and therefore has representation on the social, ethics and transformation committees of its investee companies.
4	Environmental and social risk governance (incorporates Global Compact principles on human rights, labour practices and the natural environment – green buildings; energy, waste and water management)	As an investment holding company, environmental and social risk are mainly driven by RMH's investee companies. RMH's role is more of an overseer than a participant. During the current year, RMH have spent a significant amount of time on clarifying its sustainability goals and readers are referred to the RMH annual integrated report available on www.rmh.co.za .
5	Governance reporting	The committee provided feedback to the RMH board after each meeting. RMH will also be implementing a whistle-blowing hotline in 2020, where stakeholders can anonymously report any matters of concern relating to RMH or its investee companies.

FIRSTRAND

A summary is provided below of FirstRand's performance in terms of the RMH reporting framework. Amounts and quantities below represent 100% of FirstRand's amounts and quantities and have not been adjusted to reflect RMH's 34.1% stake in FirstRand, unless indicated otherwise:

Description in terms of Regulation 43		Action taken during the current year
1	Corporate social responsibility	
1.1	Corporate social investment (CSI)	FirstRand's total CSI spend amounted to R428 million (2018: R342 million). Thereof, R338 million (2018: R243 million) was spent on initiatives with an education focus and R90 million (2018: R99 million) on initiatives with a community development focus.
1.2	Employee educational development	During the current year, FirstRand achieved a score of 17,35 out of 20 for the skills development element on its B-BBEE scorecard. FirstRand launched the FirstRand Job Initiative in July 2018. This initiative aims to address the youth unemployment crisis in South Africa.
2	Broad-based black economic empowerment	FirstRand maintained its Level 1 status in 2019.
3	Employment equity transformation	Approximately 79% (2018: 77%) of FirstRand's South African workforce consists of African, Coloured and Indian (ACI) employees. While significant progress has been made at junior levels, with only 42% (2015: 32%) ACI representation at senior management level, further improvement is required. Approximately 59% (2018: 61%) of the workforce is female.
4	Culture risk	FirstRand has a deeply embedded business philosophy which underpins its track record of innovation. This philosophy was re-launched in April 2019. 11 500 Innovations have been implemented in the past five years.
5	Environmental and social risk governance (incorporates Global Compact principles on human rights, labour practices and the natural environment – green buildings; energy, waste and water management)	<p>Carbon emissions decreased by 3% to 216 726 (2018:224 190) tonnes.</p> <p>There is no doubt that climate change is one of the most singularly profound risks facing the world. Scientists, environmentalists and NGOs are pushing hard for urgent change. Shareholders are becoming increasingly focused on the risk that climate change poses to the sustainability of many of their investment holdings. FirstRand faces increasingly tough questions about its appetite for lending to fossil fuel sectors. South Africa's current base-load energy mix is approximately 90% coal. Coal mining accounts for approximately 24% of South Africa's mining industry and employs approximately 85 000 people, with a further 200 000 employed in related industries like transport and logistics. In 2018, coal exports totalled R80 billion, which represents 6.4% of total exports. These statistics are forecast to decline materially in the coming years as countries increasingly scale down coal plants and adopt alternative and more sustainable approaches to the energy mix. Therefore lending to the coal industry is now non-strategic for FirstRand. FirstRand has committed to a longer-term thermal coal divestment strategy and will be publishing a full fossil fuel policy by the end of next year. RMH supports the approach of FirstRand.</p>



Description in terms of Regulation 43		Action taken during the current year
6	Business conduct – standards for employees (incorporates Global Compact and OECD principles on anti-bribery and corruption, whistle-blowing, gift declarations, personal account trading rules and conflict of interest management)	The FirstRand social, ethics and transformation committee oversaw the following business conduct matters during the current year: <ul style="list-style-type: none">• Conflicts of interest management;• Personal account trading;• Anti-bribery and corruption prevention;• Client desirability/reputation risk;• Whistle-blowing programme, with the ethics line administered by Deloitte; and• FirstRand Leading Light programme, which incentivises employees to assist the group in preventing and combating theft, fraud and corruption.
7	Market conduct – standards for the market (incorporates consumer protection – treating clients fairly and anti-trust measures)	The FirstRand social, ethics and transformation committee reviewed the following initiatives during the year: <ul style="list-style-type: none">• Management of conduct risk in relation to incentives and potential conflicts of interest, focusing on lead and referral fees, remuneration arrangements (including third parties), platform and rebate fees and financial inclusion; and• Mitigation of conduct risks, focusing on product suitability and affordability assessments, customer debt relief and consumer education.
8	Governance reporting	The FirstRand social and ethics committee, together with the FirstRand audit committee, is responsible for reviewing and approving the non-financial content included in the annual integrated report and published on the FirstRand website, as well as determining and making recommendations on the need for external assurance of FirstRand’s public reporting on its sustainable performance. The chairman of the committee attends the annual general meeting and feedback is provided at every board meeting. The committee met six times during the reporting cycle.

RMH PROPERTY

RMH takes cognisance of the fact that the investee companies of RMH Property are at different maturity levels. Reporting is focused on RMH Property's core partner, Atterbury, which is also the most mature of RMH Property's investee companies.

Description in terms of Regulation 43		Highlights
1	Corporate social responsibility	
1.1	Corporate social investment	<p>The Atterbury Trust was launched in 1998 with a focus on educational support for financially disadvantaged communities, advancement of art and culture as well as investment into projects with the purpose of bettering the lives of communities. Since providing its first series of bursaries in 1999, it has assisted 650 students in obtaining tertiary qualifications. Furthermore, the Atterbury Trust supports schools and provides medical services through the Triomf Clinic in Pretoria West.</p> <p>The Atterbury Foundation, founded in 2018, is a non-profit company which focuses on providing funding for previously disadvantaged scholars and students who can otherwise not afford to study further. Currently, the Atterbury Foundation is assisting 33 historically disadvantaged students in obtaining tertiary qualifications, including providing mentoring support.</p>
1.2	Employee educational development	Atterbury and related entities Fatti and the Atterbury Trust employ a total of 83 people. Atterbury Property spent R 876 858 (2018: R315 000) on the development of its employees.
2	Broad-based black economic empowerment	<p>The Atterbury Group concluded an empowerment transaction during 2018. In terms of the transaction, Talis Investment Partners (RF) Proprietary Limited, a company which is 100% black-owned by mostly black women, acquired 30% of the Atterbury Property Fund. The Atterbury Foundation is also a shareholder in Talis Investment Partners (RF) Proprietary Limited, thereby sharing in the economic benefit of the business.</p> <p>The Atterbury Property Fund aims to be a minimum of a Level 4 contributor in accordance with the Property Charter.</p> <p>Atterbury is a partner in the Richmond Park development, a mixed-use commercial precinct measuring approximately 300 000 m². Richmond Park tells a story of land restitution and the restoration of hope and dignity. The land was transferred in 2014 after a successful land claim to the Richmond Park Communal Property Association.</p> <p>Skills development programmes aimed at empowering Richmond Park community members with skills in the building industry as well as providing students from the Richmond Park community with tertiary bursaries are administered through the Richmond Park Treasury Trust. A concerted effort is made to employ members of the Richmond Park community on building projects. The security contract for the Richmond Park development was awarded to a small family business from the community. Opportunities like these empower the community of Richmond and speak to the empowerment strategy of the Atterbury Group.</p>
3	Employment equity transformation	Approximately 14% (2018: 15%) of Atterbury's South African workforce consists of ACI employees, while 65% (2018: 58%) of its South African workforce is female.
4	Culture risk	<p>In the last 25 years, Atterbury has developed more than 2 million m² of prime commercial, retail, industrial and residential properties across South Africa, the rest of the African continent and, more recently, in Europe.</p> <p>Atterbury recently conducted an independent culture climate survey, where a 100% participation was achieved. The nine areas surveyed all indicated a positive score. The outcome of the survey suggested that the focus of the company should be to strengthen the current strong culture as opposed to changing the culture. This is a key focus for management.</p> <p>The company is implementing a succession strategy. Armond Boshoff has been announced as the new chief executive officer (CEO) of Atterbury South Africa and took over the reins from founding member and current Atterbury group CEO, Louis van der Watt, in January 2018. Armond Boshoff is currently identifying his executive committee to assist him in the operational management of the business.</p> <p>A strategic forum, called StrAtt, was formed in 2017. This eight-member forum consist of employees across seniority levels and representative of all the business units. The mandate of StrAtt is to identify strategic issues relevant to Atterbury and research suitable solutions to implement.</p>



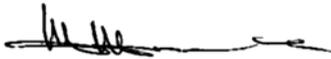
Description in terms of Regulation 43	Highlights
<p>5 Environmental and social risk governance (Incorporates Global Compact principles on human rights, labour practices and the natural environment – green buildings; energy, waste and water management)</p>	<p>Atterbury continuously invests in technology with the purpose of reducing future operational costs, not only for the company itself but also for its tenants and other stakeholders.</p> <p>The company has, to date, installed 11 solar plants on completed assets and generated 21 236.5 MWh. The biggest system (4 755 kWp) was installed at Mall of Africa and the smallest (47.52 kWp) at Talis house. The total size of all the systems installed is 11.307 MWp.</p> <p>In addition, Atterbury is investigating and implementing the following green initiatives on Brownfields and Greenfields are:</p> <ul style="list-style-type: none"> • Grey water/rain harvesting/ aircon condensation water to use for the flushing of toilets and urinals; • Boreholes on sites to be investigated for irrigation/fire tanks and possible grey water usage or where water is in good state for domestic use; • Buildings to be future-proof for solar installations to be installed as part of the project; • Buildings to only have LED or energy-saving lights inside and outside; • Building lights, including those in parking areas and basements, to be on motion sensors; and • All central or specially designed aircon systems to have a building management system to regulate demand.
<p>6 Business conduct – standards for employees (Incorporates Global Compact and OECD principles on anti-bribery and corruption, whistle-blowing, gift declarations, personal account trading rules and conflict of interest management)</p>	<p>Atterbury values the principles of operating with integrity and adopted a zero-tolerance policy towards bribery and corruption. It actively maintains a gift register and whistle-blowing weblink and includes anti-bribery and anti-corruption commitments in all agreements with third parties. A wider application approach is undertaken to anti-bribery and anti-corruption policies and in that actions of the company’s service providers are also monitored.</p>
<p>7 Market conduct – standards for the market (Incorporates consumer protection – treating clients fairly and anti-trust measures)</p>	<p>Atterbury is in the process of developing their good corporate citizenship policy and already adheres to the principles of making a difference in the wider society through its involvement with the Atterbury Trust, together with Atterbury Foundation and Richmond Park Treasury Trust, stakeholder empowerment through partner funding and development, motivation of their staff to own responsibility and to be accountable and through active engagement with their employees.</p>
<p>8 Governance reporting</p>	<p>The Atterbury board, as custodian of corporate governance, recognises that good governance is more than legislative compliance and implementing best practice principles. It appreciates that effective governance is a vital part of the company’s sustained performance and is committed to ensure that sound governance principles are integrated across all aspects of the organisation</p> <p>The Atterbury board consists of eight members who have an average of twenty years’ experience in the property industry, including non-executive and independent directors. RMH Property have one member on the board.</p> <p>The board exercises leadership by delegating certain functions to its committees, namely the investment committee, remuneration committee, risk review committee, finance review committee, employment equity committee and social and ethics committee. All committees act as committees for the wider Atterbury Property Group and operate with the appropriately delegated authority. RMH Property have representation on all committees.</p> <p>The board has delegated management accountability to CEO, Armond Boshoff, who is assisted by an executive team representing each sphere of the company’s business.</p>

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.

Focus during the coming year

The committee's focus in the coming year will be on evolving RMH's sustainability framework and improving on its corporate citizenship with a specific focus on skills development.



Murphy Morobe

Chairman of the social, ethics and transformation committee

17 October 2019