

CORPORATE GOVERNANCE

Rembrandt Group Limited was incorporated in 1948, listed on the Johannesburg Stock Exchange in 1956 and will hold its 51st Annual General Meeting this year. The Company has always upheld strict principles of corporate governance and the highest standards of integrity and ethics similar to those recommended by the King Report's Code of Corporate Practices and Conduct. The Company therefore endorses the principles contained therein.



Regarding compliance with the Code, attention is drawn to the fact that the Company has an executive chairman. This is referred to below.

Corporate Structure

The Company is an investment holding company which has the necessary corporate infrastructure through its wholly-owned subsidiaries.

Subsidiaries which are not wholly-owned are mainly listed companies with independent Boards of Directors on which this Company has non-executive representation. Other non-subsidiary investments comprise both listed and unlisted companies which are not controlled by this Company and which are mostly associated companies due to significant influence and Board representation.

The Company's activities are, therefore, mainly concentrated on the management of investments and the provision of support, than on being involved in the day-to-day management of business units of those investees. The Company is a long-term investor, forging strategic alliances on a partnership basis while endeavouring to add value where possible.

All the Company's listed subsidiaries and associates endorse the Code of Corporate Practices and Conduct and comply therewith in all material aspects. The Company continues to encourage full compliance where possible and disclosure where not.

Board of Directors

The Board, which meets at least six times a year, consists of fourteen directors, five of whom are non-executive. Details of the directors are provided on page 3 of the Annual Report.

The Chairman of the Board is Mr Johann Rupert who is also an executive director. The Board considers it in the Company and the Group's best interest to have an executive chairman.

Board Committees

The Company has an Executive Committee which meets between Board meetings to deal with issues delegated by the main Board.

The Group Audit Committee, which consists of three non-executive and two executive directors, meets four times a year to deal with issues relating to internal control including internal and external audit, accounting policies and financial reporting within the mandate given by the Board. The committee is chaired by a non-executive director and meetings are attended by the Managing Director as well as both the external and internal auditors.

All members of the Board are kept fully informed of the matters dealt with and resolutions taken by the aforementioned committees and are afforded the opportunity to raise any matters as they may deem necessary.

The Remuneration Committee consists of Dr A E Rupert, Chairman of the Group Advisory Board, and Messrs J A Rupert and Johann Rupert.

Group Advisory Board

The Company has the privilege of calling upon the advice of this non-statutory board which consists of Dr A E Rupert (Chairman), Prof J N de Villiers, Dr O D Dhlomo, Mr R P Gouws, Dr V E Hesse, Mr F P Kotzee, Mr E B Levenstein, Mr D J Marlow, Dr C J Saunders and Mr H M Shikwane.

Employee Development

The Company believes in the pursuit of excellence. It aspires to achieve the best and its employees, one of its most valuable assets, must be of high calibre. Each employee has equal opportunity in terms of Company policy. The challenge lies in the employee's own ability, motivation and self development which the Company encourages and supports.

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Internal Control

The directors are responsible for the Company's system of internal control, which is designed to provide reasonable, but not absolute, assurance against material misstatement and loss. Internal control is broadly defined as a process, effected by a company's board of directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of efficiency and effectiveness of operations, sound financial controls and compliance with applicable laws and regulations.

The system contains self-monitoring mechanisms, and actions are taken to correct deficiencies as they are identified. Even an effective system of internal control, no matter how well designed, has inherent limitations, including the possibility of circumvention or overriding of controls. One of the aims of an effective system of internal control is to provide reasonable assurance with respect to the reliability of financial information and, in particular, financial statements' presentation. Furthermore, because of changing conditions, the effectiveness of a system of internal control may vary over time.

The Company has an internal audit function in operation which has been outsourced. The assurance that the system of internal control is effective and timeously adjusted to changing conditions, is enhanced by the duties of the internal auditors.

The Group Audit Committee has reviewed the systems of internal control of the Company and its wholly-owned subsidiaries for the financial year to 31 March 1999. The directors are of the opinion that, based on inquiries received and the reports from the Internal Auditors, the systems of internal control were effective for the period under review.

The Group Audit Committee has also reviewed the minutes of the Audit Committees of its material non wholly-owned subsidiaries and has made all the necessary enquiries.

Year 2000

Each Group company, under the direction of its Board of Directors, has implemented a strategy to achieve an acceptable level of Year 2000 compliance in its business operations during 1999. Integral to this strategy is the establishment by each company of a project team under leadership of senior management, monitored by its Audit Committee, as well as the implementation of a broad-based plan of action. The latter includes increasing the level of awareness within the companies and allocating responsibilities. It also provides for the maintenance and testing of all systems and components, as well as for an assessment of the impact of potential non-compliance. Non-compliant systems and components are being upgraded or replaced. Progress is also reported on a regular basis to the Group Audit Committee and the Board of Rembrandt Group Limited.

Group companies are also continuously assessing the risk of potential disruption to their businesses as a result of non-compliance by third parties and agents.

Contingency plans are being developed and will be implemented to minimise the impact should such disruption occur.

Based on its current assessment of the situation, the Board does not expect the Group to encounter material operational difficulties and neither does it consider the risk of legal liability to be material.

The costs incurred are not material to the Group's earnings and are funded and accounted for in the ordinary course of business.