APPLICATION OF THE KING IV REPORT ON CORPORATE GOVERNANCE FOR SOUTH AFRICA, 2016™ (KING IV®)

The group endorses King IV® and strives towards compliance therewith as further set out herein.

Approach to governance

Governance philosophy

Our commitment to governance is guided by the principles outlined in King IV®, which we apply in conjunction with IFRS within the framework of integrated reporting. Compliance with the Companies Act of South Africa and the JSE Listings Requirements is fundamental to our business operations. The key applications and explanations by the group of the principles contained in King IV® are explained in the following table.

Responsibility and ethical conduct

We recognise our fiduciary responsibilities and uphold the highest standards of care, skill and diligence. Transparency, prudence, fairness, accountability and integrity are the cornerstones of our business ethos.

Legal compliance

The company diligently complies with the Companies Act of South Africa and all relevant legislation governing its establishment and operations. Our adherence extends to the provisions outlined in our Memorandum of Incorporation, ensuring alignment with legal requirements and regulatory standards.

Governance outcome one: Ethical culture

Principle 1	Nictus application
Leadership "The governing body should lead ethically and effectively"	**Application of ethical leadership** The board has embraced the ideal future, mission and core values of Nictus, leading by example through adherence to our established code of conduct. Ethical leadership is paramount, guiding our actions and decisions towards sustainable economic, social and environmental performance. **Promoting ethical conduct** Our commitment to ethical conduct is reinforced by the composition of our board, which comprises a balanced spread of independent non-executive members. This diverse perspective ensures a holistic approach to governance, prioritising the responsible pursuit of our organisational objectives. **Accountability and evaluation** The board fulfils its fiduciary duties diligently, with its roles and responsibilities clearly outlined in our board charter. We uphold accountability through an evaluation process, wherein each member is held answerable to their peers for their leadership contributions.

Governance outcome one: Ethical culture continued

Principle 2	Nictus application
Organisational ethics "The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture"	**Promoting organisational ethics** The board, in collaboration with management and the social and ethics committee, mandates all employees to endorse the board-approved code of conduct, serving as the cornerstone for ethical practices within the organisation. This initiative aims to cultivate awareness among employees regarding the group's ethical compliance standards. **Lead by example** The board demonstrates its commitment to ethical standards by adhering to the code of conduct themselves. Nictus' code of conduct is readily accessible, disclosed in this integrated annual report and available on the group's website for transparency and accountability. **Engagement and stakeholder interaction** The social and ethics committee actively engages with stakeholders, either directly or through delegated functions *via* management, to gauge and uphold the organisation's ethical standards. This interaction serves to maintain a pulse on the level of ethics practised within the group. **Nurturing an ethical culture** The board maintains a firm belief that fostering a robust ethical culture is pivotal in establishing enduring stakeholder relationships and nurturing an internal talent pool essential for the sustained growth and longevity of the group, while ensuring appropriate succession planning measures are in place.

Principle 3	Nictus application
Responsible corporate citizenship "The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen"	**Promoting responsible corporate citizenship** The board acknowledges the Constitution of South Africa as the supreme law, alongside other relevant legislation, standards and the group's internal policies and procedures. It actively considers how to interpret and apply these regulations to the organisation's activities, striving to be and to be perceived as a responsible corporate citizen. **Collaborative governance oversight** The board, supported by various board committees, executive management, the company secretary (outsourced to Veritas Eksekuteurskamer Proprietary Limited), regulators and professional service providers, engages in comprehensive oversight of the group's corporate governance. This collaborative effort ensures that the board gathers diverse insights into the governance landscape of the organisation, utilising this information to effectively oversee and ultimately take responsibility for the corporate governance practices of the group.

Governance outcome two: Performance and value creation

Principle 4	Nictus application
Strategy and performance "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"	**Integrating strategy and performance for value creation** In our integrated business plan, crafted by the managing director and endorsed by the board, strategy, risk management, opportunities, performance and sustainability are intricately interwoven on an ethical foundation. These critical elements form the backbone of our value creation process. **Holistic examination and monitoring** Throughout the year, we conduct comprehensive assessments of strategy, risks, opportunities, performance and sustainability, including evaluations of viability, capital, solvency, liquidity and going concern status. This ongoing scrutiny enables us to gauge their individual and collective impacts on the business. Subsequently, we adjust our strategy to capitalise on opportunities and mitigate risks, aiming to deliver exceptional value to our shareholders and stakeholders alike.

Governance outcome two: Performance and value creation continued

Principle 5	Nictus application
Reporting "The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments regarding the organisation's performance and its short-, medium- and long-term prospects"	**Enhancing reporting for informed assessments** The board, in collaboration with the audit and risk committee and executive management, has implemented robust controls and processes, including consultations with professional service providers. These measures ensure the independent gathering, review and reporting of comprehensive information regarding the group's financial and sustainable performance, as well as the integrity of the integrated annual report. This oversight extends to ensuring compliance with the King IV® disclosure requirements. **Approval and communication protocols** The board bears responsibility for approving interim communications, with the chairperson of the board providing final approval for all Stock Exchange News Services announcements. **Commitment to stakeholder communication** Nictus remains dedicated to transparent and effective communication with all stakeholder groups. This commitment is realised through a blend of formal and informal channels, including our group's website, fostering meaningful engagement and alignment with our stakeholders.

Governance outcome three: Adequate and effective control

Principle 6	Nictus application
Primary roles and responsibilities of the governing body "The governing body should serve as the focal point and custodian of corporate governance in the organisation"	**Fulfilling governance responsibilities** The board recognises its pivotal role in guiding the organisation and is committed to reviewing and endorsing its strategic direction in alignment with the principles of good corporate governance. **Committee oversight** To aid in fulfilling its duties effectively, the board has instituted various committees, each operating under clearly defined charters. These charters undergo regular review, with any amendments subject to board approval. Ensuring that each committee possesses the requisite knowledge, skills, experience and capacity is a priority for the board. **Transparent governance structure** The board charter outlines the composition of the board, its committees and attendance requirements, providing transparency and accountability. This information is summarised in the table presented on page 27 of the 2024 integrated annual report. **Balanced decision-making** The board believes it has fulfilled its obligations outlined in its charter, emphasising a balanced distribution of power and authority at board level to ensure that no one director has unfettered powers of decision-making. Decisions are reached through consensus, reflecting a collaborative approach to governance.

Governance outcome three: Adequate and effective control continued

Principle 7	Nictus application
Composition of the governing body "The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance roles and responsibilities objectively and effectively"	**Ensuring board composition for effective governance** The process of director appointment is meticulously overseen by the remuneration and nomination committee to ensure transparency and accountability. **Commitment to diversity and competence** Nictus is dedicated to appointing directors with the appropriate qualifications, expertise and experience necessary to discharge their governance responsibilities effectively. The board acknowledges its duty to attract and appoint members possessing a diverse array of skills, field of knowledge, experience, age and independence, with due consideration given to gender, cultural and racial diversity. The group upholds the principles and objectives of broader diversity at board level, as reflected in its policy on promoting broader diversity. No voluntary target has been set for any appointment of executive, non-executive and/or alternate directors to the board in terms of the diversity indicators mentioned. **Independence and representation** The board and its committees are well represented by independent non-executive directors and are chaired independently, except for the social and ethics committee, which is chaired by a non-executive director. While acknowledging the importance of tenure, the board recognises that independence cannot be determined solely based on length of service. Continued tenure contributes to the stability of the board and fosters invaluable insight into the group and its markets. **Current board composition and independence assessment** The board comprises two executive directors, three independent non-executive directors and one non-executive director. During the financial year under review, one independent non-executive director had served on the board for longer than nine years. Professor Barend J Willemse, categorised and confirmed as independent, has been on the board since 2010. While tenure exceeding nine years is considered in evaluating independence, the board emphasises that independence is judged from the perspective of a reasonable and informed third party, considering various factors such as the definition of independence in the Companies Act of South Africa and King IV® guidance. **Continuous independence evaluation** Annual independence evaluations are conducted for directors serving beyond nine years, ensuring that independent non-executive directors maintain independence in character and judgement. These evaluations are based on prevailing circumstances, conflicts of interest and other relevant considerations, aiming to uphold objectivity and constructive challenge in governance.

Governance outcome three: Adequate and effective control continued

Principle 8	Nictus application
Committees of the governing body "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"	**Promoting effective delegation and independent judgement** Well-structured board committees play a crucial role in facilitating the board's effective governance. These committees are appropriately constituted with members of the board, promoting independent judgement and assisting in maintaining a balance of power. **Governance oversight** Each board committee operates under clearly defined terms of reference, mandates and charters, subject to annual review to ensure alignment with governance best practices. These documents delineate the authority, objectives and functions of the committees, fostering transparency and accountability. **Committee composition and selection** The group maintains several committees, including the audit and risk committee, the remuneration and nomination committee, the social and ethics committee and the executive committee. Committee members are selected based on their qualifications, experience and the prescribed composition of each committee, ensuring suitability for their respective roles. Notably, the chairperson of the board is a member of the audit and risk committee. The board is confident that this arrangement does not compromise the overall concentration and balance of power and is appropriate given the current composition of the board. **Transparent governance framework** A comprehensive governance framework outlining the composition and functions of board committees is presented on page 27 of the 2024 integrated annual report, providing stakeholders with insight into the structure and operation of these crucial governance entities.

Principle 9	Nictus application
Evaluation of the performance of the governing body "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"	**Facilitating continuous improvement in governance** The governing body ensures ongoing enhancement of its performance and effectiveness through regular evaluations of the board, its committees, the chairperson and individual directors. These evaluations are conducted internally *via* a self-assessment process on an annual basis, with consideration given to outsourcing such assessments when deemed necessary. **Methodology and focus areas** The board employs a methodology developed by Ram Charan to identify patterns that highlight areas for improvement, thereby enhancing the overall progressiveness of the board. Key focus areas include group dynamics, ensuring an appropriate and effective information architecture, and prioritising substantive issues. **Outcome of evaluations** While areas for improvement were identified, the board concluded during its annual assessment that it remains sufficiently progressive to provide effective guidance to management in executing the group's strategy.

Governance outcome three: Adequate and effective control continued

Principle 10	Nictus application
Appointment and delegation to management "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"	**Ensuring clarity in appointment and delegation to management** The board undertakes the appointment of a competent and experienced managing director, entrusted with leading the implementation and execution of approved strategies, policies and operational plans while reporting to the governing body. Succession planning for the managing director remains a continuous consideration, facilitated by the remuneration and nomination committee. **Effective delegation framework** The board is confident that its delegation of authority framework contributes significantly to role clarity and the effective exercise of authority and responsibility across the organisation. **Appointment of the company secretary** The board has considered and satisfied itself on the competence, qualifications and experience of Veritas Eksekuteurskamer Proprietary Limited, the appointed company secretary of the group. The board approves the service contract and remuneration of Veritas Eksekuteurskamer Proprietary Limited, assessing its performance annually against pre-agreed deliverables. Written agreements govern the relationship between the parties, ensuring transparency and accountability. The company secretary, with unfettered access to the board, reports to the board through the chairperson on all statutory duties and functions. Other duties and administrative matters are reported to executive management, fostering effective communication and oversight.

Principle 11	Nictus application
Risk governance "The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives"	**Governance of risk to support strategic objectives** Nictus employs a robust risk methodology that aligns risk consideration and response with the strategic objectives of the group. This approach ensures that appropriate risk responses are implemented to mitigate identified risks effectively. **Monitoring and oversight** Effective risk monitoring occurs through a combination of daily and periodic activities conducted by management at various organisational levels. Executive management and the audit and risk committee play pivotal roles in overseeing the risk management process, ensuring comprehensive coverage and alignment with strategic objectives. **Determining risk tolerance** During periodic reviews of the group's risk profile, the board evaluates and determines levels of risk tolerance and appetite. This assessment guides management in undertaking risk-inclined projects within defined parameters, fostering alignment with strategic goals. **Oversight and reporting** The audit and risk committee provides formal oversight of Nictus' risk management activities, presenting annual findings and recommendations to the board. Details regarding the high-level risks of the group are presented in this integrated annual report, offering stakeholders insight into the risk landscape and management approach.

Governance outcome three: Adequate and effective control continued

Principle 12	Nictus application
Technology and information governance "The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives"	**Promoting effective technology and information governance** Nictus fosters an ethical IT governance culture and encourages a shared understanding of IT across the organisation. Technology and information initiatives are strategically aligned with the group's performance and sustainability objectives, encompassing safeguarding measures and optimising business processes. **Delegation and oversight** The board has entrusted management with the responsibility of implementing an IT governance framework. Annually, the audit and risk committee assesses independent assurance on the effectiveness of technology and information management, including outsourcing arrangements. **Expert consultation and decision-making** The group relies on outsourced IT consultants to provide expert advice on suitable technological solutions. Recommendations from executive management are presented to the board for approval, ensuring alignment with strategic objectives and prudent decision-making. **Continuous improvement** A dedicated focus is maintained on enhancing the effectiveness of operating systems to enhance functionality and facilitate advanced reporting capabilities. This ongoing effort aims to streamline operations, bolster management capabilities and ensure compliance with regulatory requirements.

Principle 13	Nictus application
Compliance governance "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"	**Promoting compliance governance** Nictus fosters a robust compliance culture underpinned by a legal compliance programme. This programme is instrumental in identifying and adhering to applicable laws and regulations. **Integration with the code of conduct** Compliance is an integral component of Nictus' code of conduct, ensuring alignment with ethical standards and promoting good corporate citizenship. **Board oversight and briefings** The board and the audit and risk committee receive regular updates on new laws and regulations from the company secretary, professional service providers and the company's JSE sponsor. This proactive approach ensures that governance practices remain aligned with evolving legal requirements. **Compliance functions and outsourcing** The company secretary serves as the legal compliance officer, overseeing compliance efforts within the organisation. In certain instances, compliance functions within the insurance segment are outsourced to independent, qualified service providers, bolstering expertise and ensuring comprehensive coverage. **Focus on data management and regulatory compliance** During the reporting period, particular emphasis was placed on enhancing data management and customer relations systems to meet management, regulatory and service requirements. Nictus remains vigilant in addressing additional reporting requirements and evolving legislative mandates, ensuring timely compliance within the prevailing regulatory landscape.

Governance outcome three: Adequate and effective control continued

Principle 14	Nictus application
Remuneration governance "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"	**Promoting fair and transparent remuneration governance** Nictus places a strong emphasis on fair, responsible and transparent remuneration practices to align with strategic objectives and foster positive outcomes across short-, medium- and long-term horizons. **Responsibility and oversight** The remuneration and nomination committee is entrusted with the task of formulating just and equitable remuneration policies for the group and subsequently presenting recommendations to the board. **Alignment with King IV® recommendations** Nictus' remuneration policy adheres to the recommended practices outlined in King IV®, aiming to attract and retain individuals who align with and actively contribute to the achievement of the group's strategic objectives. **Core principles of remuneration** The group's remuneration policy is guided by several core principles: • Contribution to attracting and retaining motivated and loyal employees; • Reflection of a direct correlation with the vision and results of the group; • Annual review and benchmarking to ensure competitiveness and relevance; • Alignment with the overarching strategy of the group; and • Rewarding performance to motivate employees and drive organisational success. **Transparency and reporting** Detailed information regarding the remuneration report, policy and implementation is provided on pages 28 to 31 of the 2024 integrated annual report, offering stakeholders insight into the group's remuneration practices and alignment with strategic objectives.

Principle 15	Nictus application
Assurance "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"	**Ensuring an effective control environment and information integrity** Nictus has implemented a combined assurance model, designed to coordinate assurance activities across the organisation and address key risks facing the group. Oversight of this model is provided by the audit and risk committee, ensuring alignment with strategic objectives and operational needs. **Comprehensive assurance framework** The combined assurance model encompasses internal risk management, compliance functions and internal and external audit reporting. This holistic approach ensures that assurance services are strategically aligned with organisational goals and effectively contribute to enhancing the control environment. **Risk-based internal audit function** Nictus maintains a risk-based internal audit function, guided by a charter approved by the audit and risk committee and the board. Internal audit activities are systematically structured to focus on governance, risk management and the effectiveness of internal controls. **Focus areas of internal audit** Internal audit plays a vital role in investigating and reporting control deficiencies, fraud, corruption, unethical behaviour and irregularities. By adopting a risk-based approach, internal audit functions, as a proactive safeguard, ensure the integrity of information for internal decision-making and external reporting.

Governance outcome four: Trust, good reputation and legitimacy

Principle 16	Nictus application
Stakeholder engagement "In the execution of its governance roles 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"	**Fostering stakeholder engagement** Nictus places significant emphasis on stakeholder engagement as an integral aspect of its governance framework. Management is entrusted with the responsibility of managing stakeholder relationships, which includes identifying key stakeholder groups and developing strategies to effectively address their needs, interests and expectations. **Mechanisms for engagement** The organisation employs a variety of formal and informal mechanisms to facilitate constructive stakeholder engagement. Shareholders are encouraged to actively participate in the group's annual general meeting, providing an opportunity for direct interaction and dialogue. **Balanced decision-making** Nictus is committed to achieving a balanced approach that considers the interests and expectations of various stakeholder groups. Decisions are made with the overarching goal of safeguarding the best interests of the organisation and its shareholders, ensuring equitable treatment for all stakeholders. **Transparency and accessibility** In line with its commitment to stakeholder engagement, the board and the group's external auditor will be available to address shareholder queries at the annual general meeting, promoting transparency and accountability in governance practices.

Principle 17	Nictus application
Responsible investing "The governing body of an institutional investor organisation should ensure that responsible investment is practised by the organisation to promote good governance and the creation of value by the companies in which it invests"	**Promoting responsible investment practices** Nictus places a strong emphasis on responsible investing as a fundamental aspect of its governance framework. Executive management plays a pivotal role in evaluating and advising the board on all significant investments made by the group and its subsidiary companies. **Strategic decision-making** Executive management, led by the group managing director and supported by the group financial director, is responsible for formulating investment policies, principles and practices aimed at maximising returns on investments while ensuring alignment with responsible investment principles. This approach not only promotes good governance but also facilitates the creation of long-term sustainable value by the companies in which Nictus invests. **Comprehensive oversight** By actively engaging in the evaluation and formulation of investment strategies, executive management contributes to the organisation's commitment to responsible investing. Through prudent decision-making and adherence to established principles, Nictus endeavours to uphold the highest standards of governance and value creation across its investment portfolio.

The composition of the board, its committees and attendance of meetings is summarised in the following table:

Name	Status	Board	Audit and risk committee	Remune-ration and nomination committee	Social and ethics committee	Executive committee
Professor Barend J Willemse	Independent non-executive chairperson	4/4	√ 2/2	√ 2/2		√ C 0/0
Eckhart H Prozesky	Executive *(Financial director)*	4/4				√ 0/0
Gerard R de V Tromp	Executive *(Managing director)*	4/4			√ 2/2	√ 0/0
Philippus J de W Tromp	Non-executive	4/4			√ C 2/2	
Cornelius J de Vrye	Independent non-executive	4/4	√ C 2/2	√ 2/2		
Sarita Martin	Independent non-executive	4/4	√ 2/2	√ C 2/2	√ 2/2	

√ *Indicates board committee membership and "C" indicates board committee chairperson. The figures in each column indicate the number of meetings attended out of the maximum possible number of meetings for the respective director.*

Governance framework

Governance framework overview

Nictus has established a robust governance framework, incorporating various board committees to assist in fulfilling its duties. These committees, governed by charters approved by the board and subject to annual review, play crucial roles in overseeing key governance functions.

Audit and risk committee

The audit and risk committee consists of three independent non-executive directors and discharges its duties as set out in, *inter alia*, the audit and risk committee charter, the JSE Listings Requirements and the Companies Act of South Africa.

The committee undertakes the risk management function of the group. An extensive risk identification procedure is followed, involving input from all subsidiaries, to identify and evaluate risks that may pose a threat to the business. The committee convenes at least biannually.

Internal and external auditors attend meetings by invitation, with unrestricted access to the chairperson and members of the audit and risk committee.

Remuneration and nomination committee

The remuneration and nomination committee comprises three independent non-executive directors and is tasked with establishing fair and equitable remuneration policies for the group, providing corresponding recommendations to the board.

Additionally, the committee assumes the role of a nomination committee, responsible for nominating candidates to the board, succession planning for board members and evaluating board performance. The committee convenes at least biannually.

Social and ethics committee

The social and ethics committee comprises three members: a non-executive director, who serves as the chairperson, an independent non-executive director and an executive director. The committee is responsible for supervising the group's social development and ethics management, promoting good corporate citizenship, implementing sustainability strategies and overseeing preferred employer policies. Meetings of the committee are held at least biannually.

Executive committee

The executive committee's authority stems from the board, with its primary functions encompassing the evaluation of investments, investment returns and the execution of any additional duties delegated by the board. Chaired by the board chairperson, the committee comprises the group managing director and the group financial director. Meetings are convened as needed, including informal discussions conducted as part of routine business operations.