

CORPORATE GOVERNANCE REVIEW

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CORPORATE GOVERNANCE REVIEW

GOVERNANCE FRAMEWORK

BOARD

SepHold's board of directors provides ethical leadership and is committed to good governance practices that add value to the business. The board is SepHold's highest decision-making body and is responsible for corporate governance.

The chairman and the board play a pivotal role in strategic planning and establishing clear benchmarks to measure SepHold's strategic objectives. The chairman and company secretary ensure that a sound structure and framework are in place to enhance good corporate governance, improve internal controls and company performance.

The board ensures the existence of the necessary committee structures, with clear terms of reference that assist the committees in discharging their responsibilities and upholding the company's ethics. This is cascaded down the group to ensure that management operates effectively.

The board recognises that good corporate governance emanates from effective, responsible leadership, which is characterised by the values of responsibility, accountability, fairness and transparency. The board is responsible for ensuring that management activity cultivates a culture of ethical conduct, and that the highest level of integrity permeates all aspects of the group's business.

AUDIT AND RISK COMMITTEE

The committee assists the board by advising and making submissions on financial reporting, and overseeing the risk management process and internal financial controls. The committee advises on the external audit function and statutory and regulatory compliance of SepHold and Métier. It advises on the internal audit functions of the subsidiary and associate.

It is an independent statutory committee appointed by the shareholders.

SOCIAL AND ETHICS COMMITTEE

The role of the social and ethics committee is described in its board-approved charter, which regulates the way business is conducted in line with the principles of sound corporate governance. The charter is aligned to principles recommended by King III, and details the role and responsibilities of the committee.

The committee comprises three members of the SepHold board and one member is a non-executive director.

REMUNERATION AND NOMINATION COMMITTEE

The committee is responsible for decisions relating to total guaranteed remuneration and incentives of all employees. The committee makes recommendations on long-term employee incentives and submits all policy amendments to the board for approval.

The committee discusses matters normally dealt with by the nomination committee, including director appointments, the appropriateness of the composition of the board, and succession.

Its code of ethics provides guidance to all employees to ensure that they act with uncompromising honesty and integrity. The code is communicated to each employee at the time of engagement, and aims to guide every level of the business on expected behaviour and practices with reference to interaction with all material stakeholders. The group's performance in this area is monitored using the number of instances of unethical behaviour detected by management or reported via the outsourced, anonymous whistle-blowing toll-free hotline.

GOVERNANCE OBJECTIVES

SepHold recognises that the principles of good corporate governance and transparent, comprehensive business practices are essential to protect the interests of stakeholders. The group is committed to upholding good corporate governance in business dealings in respect of all stakeholders. This is critical to sustaining performance and preserving shareholder value. SepHold's governance objectives enhance the benefits of being part of a broader group.

Statement of compliance

The board is responsible for the group's compliance with applicable laws, rules, codes and standards. Compliance is an integral part of the group's culture, and key to ensuring it achieves its strategy. SepHold complies with various codes and regulations, including the Companies Act, the JSE Listings Requirements and King III. Shareholders are referred to the King III compliant register on the company website (www.sephakuholdings.com/our-business/corporate-governance/). The board is satisfied that SepHold complied with all King III recommendations, and is assessing the provisions of King IV.



THE SEPHOLD BOARD

The board reviews and approves the strategic objectives and policies of the group, and provides overall strategic direction within a framework of incentives and controls. It ensures that management maintains an appropriate balance between promoting long-term sustainable growth and delivering short-term performance. The board-approved strategy remains robust and targets areas for growth, while maintaining sound controls and a strong focus on risk management. The board considered future trends and economic assumptions, and identified external trends, opportunities and risks that could impact the group's growth ambitions. Refer to the inside front cover for information on the strategy.

The board delegates authority to the executive directors to manage SepHold's business and affairs. The board regularly monitors and reviews the

delegated authorities to align with best practice and takes into consideration the recommendations set out in King III. The audit and risk committee reviews the delegation of authority, and presents its findings to the board annually.

The board charter

The board operates under an approved charter, which regulates the way business is conducted in line with the principles of sound corporate governance. The board charter is aligned to principles recommended by King III detailing the powers of the board, and provides that the board has ultimate accountability and responsibility for the group's performance and affairs. The charter summarises corporate governance practices; defines the separate roles for the chairperson and the chief executive officer; and elaborates on the board's expectations of the committee chairpersons and directors. The board is satisfied that it has fulfilled its responsibilities in accordance with the charter.

Board meetings

Board meetings are held quarterly. The agenda and relevant supporting documents are distributed to directors before each board meeting. During the meeting, the appropriate executive director explains and motivates business items where decisions should be taken by the board.

Board appointments

The board, assisted by the remuneration and nomination committee, appoints directors through a formal, fair and transparent process. The committee consists of a majority of independent directors and is chaired by the board's chairman.

Changes to the board

Mr MG Mahlare retired in accordance with SepHold's memorandum of incorporation on 22 September 2016. Mr Mahlare was replaced by Ms MJ Janse van Rensburg, who was appointed as an independent non-executive director on 22 September 2016. Ms van Rensburg chairs the audit and risk committee and is a member of the remuneration and nomination committee.

Corporate governance review **continued**

Ms B Maluleke was appointed to the board as an independent non-executive director on 9 November 2016. Ms Maluleke is a member of the audit and risk committee and the social and ethics committee.

Abbreviated *curricula vitae* of each member appear on page 72.

Induction and further training

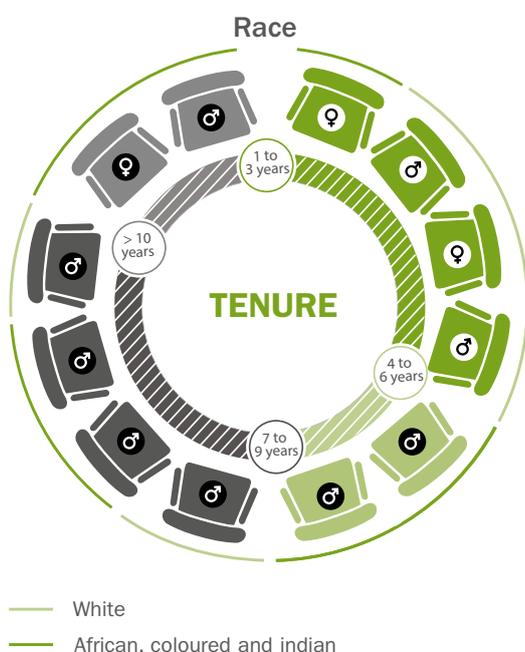
Induction of directors is conducted through formal processes, whereby new appointees meet with the executive committee and the company secretary to gain an understanding of the group's operations, business environment and sustainability matters. The induction includes a briefing on their broad fiduciary and statutory responsibilities, including the JSE Listings Requirements.

Training includes the provision of ongoing support and resources that are included in the respective committees' meeting documentation. This enables the directors to extend their skills, knowledge and understanding of the group. Professional development and training is provided through regular updates on changes and proposed changes to laws and regulations affecting the group.

Board composition and succession planning

The board comprises 10 directors: three executives, two non-executives and five independent non-executives. The board is satisfied that it has the requisite balance of skills, knowledge, experience and diversity to make it effective.

The board, together with the remuneration and nominations committee, considers adversity in terms of race, gender and skills when appointments are made to the board. In this regard, as per the gender diversity policy, SepHold appointed two female members during the reporting period and achieved its 30% female representation target a year in advance.



EXPERIENCE AND SKILLS

- Ready-mix concrete and aggregates
- Concrete and cement manufacture
- Mining
- Mining and corporate finance
- Taxation
- Business development
- Social development and upliftment
- Retail management
- Economics and international politics
- Medicine and healthcare
- Investment management and research
- Internal audit
- Corporate governance
- Risk management
- Management consulting
- Corporate and commercial law
- Mergers and acquisitions
- Asset management

Legend

- ♀ Women
- ♂ Men

Board and committee composition

Director	Designation	Board	Audit and risk committee	Remuneration and nomination committee	Social and ethics committee	Rotation schedule
B Williams	Independent non-executive director	Chair-person	– ^o	Chair-person [#]	Chair-person	2017
RR Matjiu	Non-executive director	Member	–	–	Member	2018
KJ Capes	Executive director	Member	Invitee	–	Member	
PF Fourie	Non-executive director	Member	Invitee	–	Member	2017
MJ Janse van Rensburg	Independent non-executive director	Member	Chair-person*	Member	–	2019
PM Makwana	Independent non-executive director	Member	Member	Member	–	2018
MM Ngoasheng	Independent non-executive director	Member	–	Chair-person	–	2019
J Pitt	Alternative to Mr MM Ngoasheng	–	–	–	–	–
B Maluleke	Independent non-executive director	Member	Member	–	Member	2020
Dr L Mohuba	Chief executive officer	Member	Member (ex officio)	Member (ex officio)	Invitee	
NR Crafford-Lazarus	Financial director	Member	Member (ex officio)	Member (ex officio)	Invitee	
MG Mahlare	Independent non-executive director	Member	Chair-person*	Member	–	

* MG Mahlare was chairman of the audit and risk committee prior to his resignation as a SepHold director as of 22 September 2016. MJ Janse van Rensburg assumed the chairperson role upon his resignation.

[#] B Williams chairs the committee meetings for portions that deal with nomination.

^o B Williams stepped down as a member of the audit and risk committee on 9 November 2016.

Corporate governance review **continued**

Board and committee meeting attendance

	Board	Audit and risk committee	Remuneration and nomination committee	Social and ethics committee
Number of meetings	4	3	3	2
B Williams	3	2		2
RR Matjiu	4			2
KJ Capes	4			2
PF Fourie	2	2		2
MG Mahlare ¹	2	1	1	
PM Makwana	4	3	3	
MM Ngoasheng	2		2	
J Pitt	1			
Dr L Mohuba	4	3	3	2
NR Crafford-Lazarus	4	3	3	2
MJ Janse van Rensburg ²	2	2	1	
B Maluleke ³	1	1		

¹ MG Mahlare resigned as of 22 September 2016.

² MJ Janse van Rensburg was appointed on 22 September 2016.

³ B Maluleke was appointed on 9 November 2016.

Individual directors



Brent Williams (53)

Chairman and independent non-executive director

BA (University of Cape Town), BProc (University of Western Cape), LLM (Harvard University Law School), Harvard Leadership Program (Harvard Business School)

Brent was appointed a director and chairman of SepHold on 3 March 2012. He was admitted as an attorney in 1992 and has held a number of key positions. He is currently the chief executive officer of Cliffe Dekker Hofmeyr.



Modilati Gustav Mahlare (61)

Independent non-executive director

BCom (Accounting) (University of Fort Hare), BCompt (Hons) (University of South Africa)

Gustav was appointed a director of SepHold on 29 January 2009. Gustav has held a number of positions at companies such as PricewaterhouseCoopers. He is currently a director at SEMA Integrated Risk Solutions, where he specialises in internal audit, corporate governance, risk management and management consulting.

Gustav resigned as a director of SepHold on 22 September 2016 because according to the memorandum of incorporation he was not eligible for re-election.



**Paul Mpho
Makwana (46)**

Independent non-executive director

BAdmin (University of Zululand), BAdmin (Hons) (University of Pretoria), PostDip: (Retailing Management) (University of Stirling Institute of Retail Studies), Kellogg's Executive Development Programme

Mpho was appointed director of SepHold on 11 January 2013. He is the chairman of ArcelorMittal, and an independent non-executive director at Adcock Ingram Holdings Limited, Nedbank Group Limited and Nedbank Limited, among others. He also serves on a number of unlisted companies and trustee boards.



**Moses Modidima
Ngoasheng (59)**

Independent non-executive director

BA (Economics and International Politics) (University of South Africa), BSocSci (Hons) (University of KwaZulu-Natal), MPhil (University of Sussex)

Moses was appointed a director of SepHold on 1 February 2008. He was instrumental in developing the industrial policy of the African National Congress and was economic advisor to President Thabo Mbeki from 1995 to 2000. He serves on a number of boards, including SA Breweries and Dimension Data.



Justin Pitt (47)

Alternate director to Moses Modidima Ngoasheng

BCom, BAcc (Wits), CA(SA), CFA, Member of South African Institute of Chartered Accountants and Association for Investment Management and Research

Justin was appointed as an alternate director of SepHold on 21 August 2014. He co-founded Safika Resources and QuestCo in 2002 and is currently the managing director of Safika Resources.



Dr Lelau Mohuba (60)

Chief executive officer and executive director

MBChB (Nelson Mandela School of Medicine, former University of Natal)

Lelau was appointed a director and founding chairman of SepHold on 3 February 2005 and became CEO on 28 March 2012. He retired as a medical practitioner in 2001 after a 22-year career. His commercial career began in 2002 and since then he has served in various capacities in several entrepreneurial endeavours.



**Neil Robus
Crafford-Lazarus (57)**

Financial director and executive director

BCompt (University of the Free State), BCompt (Hons) (University of South Africa), CA(SA)

Neil was appointed a director and CEO of SepHold on 1 June 2007 and became financial director on 28 March 2012. He started his career in mining finance in 1988. Since then, he has held various senior positions in taxation, business development and corporate finance with companies such as Anglo American Corporation, Gencor and BHP Billiton. He also served as financial director of Xstrata SA Proprietary Limited between 1998 and 2005.

Corporate governance review **continued**

**Rose Raisibe
Matjiu (56)**

Non-executive director

BA (Hons) (Social Work) (University of the North), MA (Medical Social Work) (University of Pretoria), Certification in Mining and Minerals (University of the Witwatersrand)

Rose was appointed a director of SepHold on 23 August 2005. She has extensive experience as a professional community and social worker in government and the private sector. She has served in a number of directorate positions and is a member of South African Women in Mining and the Business Women's Association.



**Kenneth John
Capes (48)**

Executive director and business development director

Kenneth was appointed a director of SepHold on 29 July 2013. He was CEO of Métier until 9 November 2016.

Kenneth has extensive experience in the ready-mixed concrete and aggregates industry. Kenneth spent 20 years in a building materials entity, holding various management positions. He was directly involved in the development of the ready-mixed concrete and quarrying business as a general manager. Kenneth's extensive knowledge, expertise and passion for concrete manufacture led him to become a co-founder of Métier in KwaZulu-Natal in 2007.



**Pieter Frederick
Fourie (61)**

Non-executive director, chief executive officer (CEMENT)

BCom (Accounting), Executive Development Programme (PRISM) for Global Leaders (IMD, Switzerland)

Pieter was appointed director of SepHold on 20 November 2009. He has extensive experience in the cement industry and assumed the position of chief executive officer of CEMENT in May 2007.



**Martie Jacoba Janse
van Rensburg (61)**

Independent non-executive director

BCompt (University of the Free State), BCompt Hons (Unisa), CA(SA), Executive Programme in Strategy and Organisation (Stanford University Business School), TCTA Leadership Development Programme (GIBS), AITX Director Programme (JSE & WBS)

Martie was appointed as a director of SepHold on 22 September 2016. Between 1994 and 2008, she was the CFO (five years) and then CEO (10 years) of the Trans Caledon Tunnel Authority. She has served as non-executive director and member or chairman of audit committees for Bond Exchange of SA, Airports Company South Africa, Johannesburg Water SOC and Denel SOC. She is currently a non-executive director of the Development Bank of Southern Africa, the Independent Regulatory board of auditors and a non-executive member of the credit committee overseeing Africa and India at FirstRand Bank and Ashburton.



Basani Maluleke (39)

Independent non-executive director

BCom (Accounting) and LLB degrees (University of Cape Town), MBA (Kellogg School of Management at North-West University), Fellow of the African Leadership Initiative and the Aspen Global Leadership Network

Basani was appointed a director of SepHold on 9 November 2016. She has over 10 years of financial services experience in the areas of corporate finance, private banking and private equity. Basani was a director of Transcend Capital Proprietary Limited, a boutique corporate finance firm specialising in B-BBEE ownership advisory for multinationals. She was admitted as an attorney of the High Court after serving articles at Edward Nathan and Friedland (now Edward Nathan Sonnenbergs).

Board evaluation and independence

SepHold annually evaluates the effectiveness and performance of the board, its committees and individual directors. In May 2016, Acorim Proprietary Limited (Acorim) conducted an assessment of the performance and effectiveness of the board, committees and executives. A self-assessment will be performed during 2018 by way of individual questionnaires.

No major concerns were raised by any director in respect of the functioning of the board or any of its committees. The assessment monitored the board's effectiveness as a team, how well the committees function and discharge their duties as stated in the respective charters or terms of reference, as well as the commitment and performance of individuals.

The results identified that the board performs well, with sufficient evidence of effectiveness. Following from the areas of focus the board further strengthened SepHold's long-term strategic planning, related KPIs and succession planning.

The board specifically considers the independence of directors and their commitments on the date of appointment and annually thereafter. This evaluation is done to determine whether a director has sufficient time to discharge his or her duties effectively and is free from conflicts that cannot be managed satisfactorily.

Specific independence consideration

Mr MM Ngoasheng has been a member of the board for nine years. Mr Ngoasheng's independence has been scrutinised by the board with the assistance of the remuneration and nomination committee. Although he is a shareholder of SepHold through Safika Resources Proprietary Limited, the board is satisfied that his ownership constitutes a small portion of his overall wealth and is unlikely to influence his independence. The assessment highlighted that Mr Ngoasheng's extensive knowledge in deal structuring and the building materials sector is valuable to SepHold's strategic intent. The recent appointment of two independent non-executive directors balances his familiarity. The board values the depth of his experience and concluded that his independence of character

and judgement is not in any way affected or impaired by his years of service to SepHold.

Company secretary

The group company secretary provides the board with guidance in respect of the discharge of directors' duties and responsibilities, and regarding legislation, regulatory and governance procedures and requirements. The board has access to, and is aware of, the responsibilities and duties of the company secretary, and has committed itself to ensure that the group company secretary is afforded the support required to perform its duties. The group company secretary acts as secretary to the board-appointed committees.

The board is satisfied that Acorim, represented by Nikita Brocco, has the required knowledge, skill and discipline to perform the functions and duties of the group company secretary. The board concluded that Acorim maintains an arm's-length relationship with the company and its board.

No Acorim employees are directors of the company, nor do they have any interests or relations that may affect independence. In making this assessment, the board considered the independence of Acorim directors, shareholders, employees, collective qualifications and track record.

Risk management

The group uses several strategies, policies, processes and procedures to identify, measure, monitor, manage and report on all material risks to which the group is exposed. The enterprise risk management framework sets out the key principles that guide the implementation of risk management. The chief executive officer and financial director are the drivers of risk management.

To ensure the sustainability of the business, CEMENT and Métier executive committees implement and monitor their risk management policies and plans monthly, in line with the risk tolerance targets defined by the board. The plans provide a systematic, disciplined approach to evaluate and improve the effectiveness of risk management. They define the related internal controls, compliance and governance processes within the group.

Corporate governance review **continued**

To assist SepHold in the discharge of its duties and responsibilities in respect of risk management, the board's audit and risk committee reviews the group's risks, progress on their management, and the effectiveness of the management activities to address them. In assessing risk, SepHold reviews performance in terms of profit growth, return on investment and debt levels against targets set during the annual budget process.

SepHold's material matters and risk areas are closely aligned. Refer to page 20 for our material matters.

Risk identification and analysis

The board is satisfied that CEMENT and Métier maintain an effective ongoing risk assessment process, consisting of risk identification, quantification and evaluation. This assessment process identifies risks and measures their potential impact and likelihood. A systematic, documented, formal risk assessment is conducted at least annually, and is continually reviewed, updated and applied. The output of the assessments is presented to the board to provide a realistic perspective of material risks that the group encounters.

Risk appetite and tolerance

The board considers risk management as achieving an appropriate balance between realising opportunities for gains and minimising adverse impacts. The board is satisfied that no member of management has exceeded its authority or acted contrary to the board's stated risk appetite nor, in so doing, exposed the group to unnecessary risk during the financial year and up to the date of this report.

Internal controls

The board is responsible for the group's systems by evaluating the adequacy and effectiveness of the internal controls. The board evaluates the combined assurance processes of the subsidiary and associate at every meeting.

Métier's first line of defence is the internal controls, which are driven by a customised logistics software system. The 12 plants each have a site management team that manages costs continually on a "rand per cubic metre of concrete" basis through the software system.

Its second line of defence is executive management control and internal audit. The SepHold financial director conducted quarterly internal audits.

Its third line of defence is the Métier board and committees in which the SepHold executive committee participates.

CEMENT has a five-line defence system. The first line of defence is the internal controls, whose close monitoring by management is the second line of defence. The third and fourth lines of defence are risk management, and internal and external audit, respectively. In 2016 CEMENT conducted 24 internal audits, two more than planned. The fifth line of defence is the Dangote Cement South Africa board and committee.

The SepHold audit and risk committee ensures the reliability of information and adherence to rules and regulations. An essential part of internal control is risk management and financial reporting. The subsidiary and associate provide internal audit reports to the audit and risk committee for due consideration.

The independent external auditor, Grant Thornton, was recommended by the audit and risk committee and appointed by the shareholders, and is responsible for reporting on whether the annual financial statements are fairly presented in compliance with International Financial Reporting Standards (IFRS) and the Companies Act. The preparation of the annual financial statements remains the responsibility of the board.

Internal audit

CEMENT has a functional internal audit department that reports to its audit committee, on which SepHold

is represented. Métier's internal audit function is performed by SepHold's financial director.

Due to the nature and size of head office, the accounting function is structured to accommodate current requirements and, as such, the audit and risk committee does not believe that an internal audit function is viable at this stage. The committee believes that new appointments should strengthen the accounting function and improve control through the division of duties. As such, this is better suited to the company's needs than the performance of an internal audit function.

Insider trading and conflict of interest

In addition to the regulatory requirements to which SepHold's directors are subject, the board charter:

- sets out the approval process relating to dealing in SepHold securities;
- requires notification of share transactions in terms of the JSE Listings Requirements; and
- prohibits dealings in SepHold securities when aware of unpublished price-sensitive information.

The members of the board are required to confirm their trading in SepHold shares and their compliance with the relevant requirements on a continual basis with the chairman or chief executive officer.

Declaration of interests is a standing agenda item at all board meetings. Directors are required to formally update their directorships and other relevant interests at least annually. The board appointment process includes an assessment of candidates' other interests. Where directors have an interest in particular matters discussed at board or board committee meetings, the directors are recused from the meeting and required to leave the meeting room for the duration of the relevant discussion and/or decision.

Executive employees are advised, at least biannually, that trading in SepHold shares is prohibited when in possession of price-sensitive information.

SEPHOLD'S SUBCOMMITTEES

The board delegates certain functions to various committees in which independent non-executive, executive and non-executive directors participate. The board subcommittees fulfil their obligations contained in the Companies Act, and the requirements contained in King III and in SepHold's memorandum of incorporation. They execute further duties delegated to them by the board.

In discharging its duties, the board delegates authority to committees and individuals through clearly defined terms of reference, which it reviews regularly. The board maintains effective control through a well-developed governance framework that provides for the delegation of authority. The chairpersons of these committees, in conjunction with the board, are elected by the members of each committee.

Audit and risk committee

The committee has specific statutory duties to shareholders. The role of the audit and risk committee is described in its charter. The committee chairman holds office for no longer than five consecutive years, unless the remuneration and nomination committee and the board have sound reason to determine otherwise.

The audit and risk committee was chaired by Mr MG Mahlare, an independent non-executive director, until 22 September 2016 when he resigned. Mr Mahlare attended the annual general meeting (AGM) to respond to shareholder queries and was replaced by Ms MJ Janse van Rensburg at the same AGM on 22 September 2016.

Corporate governance review **continued**

Responsibilities of the committee

The audit and risk committee is responsible for the following:

- Nominating a registered, independent auditor, determining fees to be paid, and terms of engagement
- Determining and pre-approving any non-audit services that the auditor may provide
- Preparing a report for the annual financial statements that describes how the committee carried out functions and whether it is satisfied with the auditor's independence
- Dealing appropriately with any concerns or complaints relating to SepHold's accounting practices, the content or auditing of annual financial statements, and internal financial controls
- Making submissions to the board on any matters concerning accounting policies, financial control, and reporting
- Performing other functions determined by the board, including the development and implementation of a policy plan for a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes
- Overseeing the subsidiary and associate audit processes
- Overseeing external audit processes

The following additional key matters received particular attention by the committee in the year:

- Assessing internal controls
- Monitoring CEMENT debt covenants management
- Monitoring the group's liquidity and recapitalisation

The audit and risk committee considered and satisfied itself of the appropriateness of the expertise and experience of the financial director, Mr NR Crafford-Lazarus, whose *curriculum vitae* appears on page 73. The audit and risk committee

considered and satisfied itself of the appropriateness of the expertise, adequacy of the resources of SepHold's financial function and the experience of the responsible senior members of management.

The directors are of the opinion that the business will remain a going concern in the year ahead. Their statement in this regard is contained in the directors' approval to the financial statements.

Refer to page 7 of the annual financial statements for the committee's report.

Social and ethics committee

The role of the social and ethics committee is described in its board-approved charter, which regulates the way business is conducted in line with the principles of sound corporate governance. The charter is aligned to principles recommended by King III, and details the role and responsibilities of the committee. The committee comprises three members of the SepHold board, and one non-executive director.

The responsibilities of the committee

The social and ethics committee focuses its efforts on the operating companies by monitoring:

- the maintenance of good relations with customers;
- the maintenance of good relations with employees and achieving employment equity;
- the promotion and protection of the environment, health and safety;
- the prevention and combat of bribery and corruption;
- that the group is a good corporate citizen, particularly making efforts to protect and advance human rights, promote equality and prevent unfair discrimination; and
- the extension of reach and impact of the values and ethics through the business partners and supply chain.

The social and ethics committee reports to shareholders at the AGM. The chairperson of the committee will attend the AGM to report back to shareholders.

The following additional key matters received particular attention by the committee in 2017:

- The establishment of community leadership structures in the North West area where CEMENT operates
- The CEMENT land acquisition for community grazing
- Compliance of CEMENT and Métier to regulatory requirements and progress on the implementation of the associate's SLP
- Implementation of the CEMENT enterprise and supplier development programme

Remuneration and nomination committee

The role of the remuneration and nomination committee is described in its charter. The board chairman, Mr B Williams, attends meetings to chair the portion that deals with nomination.

The following additional matters received particular attention by the committee in 2017:

- Succession and retention planning for all group companies
- Board composition in terms of gender and skills diversity
- Enhancement of key performance indicators to align to strategic objectives

REMUNERATION OVERVIEW

SepHold's remuneration practices reflect the dynamics of the market and context in which it operates. Remuneration plays a critical role in attracting and retaining high-performing individuals. It is also used to reinforce, encourage, promote superior performance and achieve the group's goals. The group's remuneration management is market-related, with market surveys and benchmarks applied to ensure competitiveness.

The board is responsible for making decisions regarding the remuneration of directors and the CEO. The CEO is responsible for decisions relating to total guaranteed remuneration and incentives of all employees. The remuneration and nomination committee receives these recommendations and

advises the board on remuneration practices, long-term employee incentives, and submits policy amendments to the board for approval.

SepHold adopts a total reward strategy in remunerating all its employees. This is to ensure that all employees are appropriately rewarded and are made aware of the terms and conditions under which they are employed.

The remuneration framework ensures that SepHold:

- appropriately compensates employees for services they provide;
- provides a flexible and competitive remuneration structure that:
 - is referenced to appropriate benchmarks;
 - reflects market and industry practices; and
 - is tailored to the specific circumstances of SepHold, so as to attract, motivate and retain highly skilled employees;
- aligns remuneration practices with the business strategy, objectives, values and long-term interests of the company;
- ensures equitable remuneration to facilitate the deployment of people throughout the business;
- complies with all relevant legal requirements; and
- ensures variable remuneration payment is in line with the company performance, on a divisional and individual level.

Positioning of the total guaranteed package is based on an individual's level of demonstrated competency, qualifications, experience and performance. The total guaranteed package of individuals new to the position will normally be at the low end of the pay range. With increased experience, learning and performance, the total guaranteed package will be adjusted based on the outcome of performance reviews.

The following summarises the performance measurement criteria:

- **Entry point:** New to the job or building the skill
- **Needs improvement:** The skill needs enhancing to improve performance
- **Effective:** Meets expectations
- **Excellent:** Exceeds expectations
- **World-class:** Expert and fully competent

Corporate governance review **continued**

The table below summarises the main components of the reward package for all SepHold employees. CEMENT, as a subsidiary of DCP, applies a different reward framework.

Objective and practice	Award size and performance period
Guaranteed pay <ul style="list-style-type: none"> • Remunerate above the market and industry average for key positions • Remunerate market-related salaries for all other positions • Review total guaranteed pay annually and set on 1 March 	<ul style="list-style-type: none"> • The level of skill and experience, scope of responsibility and the total remuneration package are taken into account when rewarding employees • Appropriate market percentiles based on skills, experience and competitiveness
Short-term incentive <ul style="list-style-type: none"> • To motivate employees and incentivise delivery of performance over the financial year • The appropriateness of measures and weightings is reviewed annually to ensure ongoing support of the strategy • The annual bonus is paid in cash in July each year for performance over the previous financial year 	<ul style="list-style-type: none"> • Performance over the financial year is measured against targets set in the balanced scorecards • Target bonus (30%, 50% and 70%) of the total guaranteed pay aligned with the level achieved as defined in the performance management policy
Long-term incentive <ul style="list-style-type: none"> • To motivate and incentivise delivery over the long term • Award levels and framework for determining vesting to ensure continued support of the company strategy 	<ul style="list-style-type: none"> • Performance over three financial years is measured against targets for the performance period

The board-approved performance indicators, which measure and review executive management's performance, will be measured and reviewed by SepHold going forward. The indicators are categorised into financial (75%) and non-financial measures (25%).

Performance indicator	Weighting (%)	Performance condition detail	Threshold (30%)	Target (50%)	Stretch (70%)
Financial measures					
Real growth in headline earnings per share (HEPS)	35	HEPS growth over the previous year in excess of inflation	Real HEPS growth of more than 0%	Real HEPS growth of 4% per annum	Real HEPS growth of $\geq 8\%$
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	25	The achievement of group EBITDA against budget. The definition as the proportionately consolidated EBITDA of the underlying subsidiaries less corporate costs.	80% of budget achieved	100% of budget achieved	$\geq 120\%$ of budget achieved
Total shareholder return (TSR)	15	TSR will be measured against a comparable set of 10 companies.	Seventh to eighth position	Fourth to sixth position	First to third position

Performance indicator	Weighting (%)	Performance condition detail	Threshold (30%)	Target (50%)	Stretch (70%)
Non-financial measures					
Safety, environment and transformation	15	The achievement of safety, environmental and transformation targets as determined by SepHold will be measured against a portfolio of evidence.			
Achievement of strategic goals	10	The achievement of strategic goals as determined by SepHold will be measured against a portfolio of evidence.			

Non-executive directors' remuneration

Elements and purpose

We aim to attract and retain suitably skilled and experienced non-executive directors. An appropriate level of competitive remuneration is required to reward them for their time and expertise. Non-executive directors are remunerated by way of an annual fee paid in recognition of membership of the board and its committees.

Non-executive directors, including the group chairperson, are not eligible to receive any other employment benefits, performance-related remuneration, or any form of compensation for loss of office.

The fee structure is reviewed periodically and benchmarked annually to ensure proposed fees are appropriate against the external market and support the attraction and retention of high-quality non-executive directors.

Service contracts

None of the directors has written service contracts with the company. Directors are employed by the board and rotate in terms of the memorandum of incorporation.

Remuneration

Refer to page 82 for the 2017 directors' fees.

Annual fee structure	Proposed 2018 R
Chairman of the board	410 000
Independent non-executive	310 000

Corporate governance review **continued****Directors' and prescribed officers' emoluments**

Executive	Remuneration R	Performance bonuses R	Travel allowances R	Pension fund R	IFRS 2 Staff cost relating to share-based payments vesting expense (non-cash) R		Total R	
2017								
Dr L Mohuba	3 531 600	1 500 000	-	115 395	614 597		5 761 592	
NR Crafford-Lazarus	3 375 043	1 500 000	156 557	115 395	746 865		5 893 860	
KJ Capes	2 158 117	2 379 947	-	-	-		4 538 064	
	9 064 760	5 379 947	156 557	230 790	1 361 462		16 193 516	
2016								
Dr L Mohuba	3 020 000	250 000	-	-	616 867		3 886 867	
NR Crafford-Lazarus	2 875 040	250 000	144 960	-	888 909		4 158 909	
RR Matjiu*	-	-	-	-	206 965		206 965	
KJ Capes	2 728 550	2 391 867	-	-	-		5 120 417	
	8 623 590	2 891 867	144 960		1 712 741		13 373 158	
Non-executive	Fees for services as director R	Remuneration R	Perfor- mance bonuses R	Medical aid R	Allowances R	IFRS 2 Staff cost relating to share-based payments vesting expense (non-cash) R		Total R
2017								
B Williams	380 000	-	-	-	-	-		380 000
MG Mahlare [#]	125 000	-	-	-	-	-		125 000
PM Makwana	250 000	-	-	-	-	-		250 000
MM Ngoasheng	250 000	-	-	-	-	-		250 000
MJ Janse van Rensburg [#]	125 000	-	-	-	-	-		125 000
B Maluleke [#]	62 500	-	-	-	-	-		62 500
RR Matjiu	-	-	-	-	-	121 426		121 426
PF Fourie [‡]	-	3 223 349	1 001 784	-	-	-		4 225 133
	1 192 500	3 223 349	1 001 784	-	-	121 426		5 539 059
2016								
B Williams	350 000	-	-	-	-	-		350 000
MG Mahlare	262 500	-	-	-	-	-		262 500
PM Makwana	262 500	-	-	-	-	-		262 500
MM Ngoasheng	262 500	-	-	-	-	-		262 500
PF Fourie [‡]	-	2 734 307	606 267	150 031	189 578	48 282		3 728 465
	1 137 500	2 734 307	606 267	150 031	189 578	48 282		4 865 965

* Remuneration is paid by SepFluor Limited, which is no longer an associate. The disclosure of the director is limited to share options vested during the period.

[#] MG Mahlare resigned on 22 September 2016

MJ Janse van Rensburg was appointed on 22 September 2016

B Maluleke was appointed on 9 November 2016

[‡] PF Fourie is a non-executive director of SepHold and an executive director of CEMENT. Remuneration paid to him by CEMENT has therefore been disclosed above.

Directors' interest in share options

	2017							
	Opening balance number of share options	Exercise price R	Options exercised	Date exercised	Market price on exercise date R	Options vested at year-end	Closing balance number of share options	Pre- taxation gain R
Dr L Mohuba								
Granted 15/10/2010	715 000	2,68	-	-	-	715 000	715 000	-
Granted 29/06/2012	750 000	1,90	-	-	-	500 000	750 000	-
Granted 10/12/2014	400 000	6,80	-	-	-	-	400 000	-
Granted 31/03/2016	400 000	4,40	-	-	-	-	400 000	-
NR Crafford-Lazarus								
Granted 15/10/2010	715 000	2,68	-	-	-	715 000	715 000	-
Granted 29/06/2012	750 000	1,90	-	-	-	500 000	750 000	-
Granted 31/08/2012	750 000	1,90	-	-	-	500 000	750 000	-
Granted 10/12/2014	375 000	6,80	-	-	-	-	375 000	-
Granted 31/03/2016	400 000	4,40	-	-	-	-	400 000	-
RR Matju								
Granted 15/10/2010	200 000	2,68	-	-	-	200 000	200 000	-
Granted 29/06/2012	300 000	1,90	-	-	-	200 000	300 000	-
Granted 10/12/2014	125 000	6,80	-	-	-	-	125 000	-
Granted 31/03/2016	100 000	4,40	-	-	-	-	100 000	-
PF Fourie								
Granted 15/10/2010	550 527	2,68	-	-	-	550 527	550 527	-
	6 530 527		-	-	-	3 880 527	6 530 527	-

Corporate governance review **continued****Directors' interest in share options (continued)**

	2016							
	Opening balance number of share options	Exercise price R	Options exercised	Date exercised	Market price on exercise date R	Options vested at year-end	Closing balance number of share options	Pre-taxation gain R
Dr L Mohuba								
Granted 15/10/2010	715 000	2,68	-	-	-	715 000	715 000	-
Granted 29/06/2012	750 000	1,90	-	-	-	250 000	750 000	-
Granted 10/12/2014	400 000	6,80	-	-	-	-	400 000	-
Granted 31/03/2016	400 000	4,40	-	-	-	-	400 000	-
NR Crafford-Lazarus								
Granted 15/10/2010	715 000	2,68	-	-	-	715 000	715 000	-
Granted 29/06/2012	750 000	1,90	-	-	-	250 000	750 000	-
Granted 31/08/2012	750 000	1,90	-	-	-	250 000	750 000	-
Granted 10/12/2014	375 000	6,80	-	-	-	-	375 000	-
Granted 31/03/2016	400 000	4,40	-	-	-	-	400 000	-
RR Matjui								
Granted 15/10/2010	200 000	2,68	-	-	-	200 000	200 000	-
Granted 29/06/2012	300 000	1,90	-	-	-	100 000	300 000	-
Granted 10/12/2014	125 000	6,80	-	-	-	-	125 000	-
Granted 31/03/2016	100 000	4,40	-	-	-	-	100 000	-
PF Fourie								
Granted 15/10/2010	715 000	2,68					715 000	-
		2,68	(162 983)	18/12/2015	R5,25	-	(162 983)	418 866
		2,68	(613)	18/12/2015	R5,30	-	(613)	1 606
		2,68	(877)	18/12/2015	R5,31	-	(877)	2 307
	715 000	2,68	(164 473)			550 527	550 527	422 779
	6 695 000		(164 473)			3 030 527	6 530 527	422 779

Refer to note 19 of the annual financial statements for more details on share options and the vesting conditions. Beneficial shareholding of directors and associates is disclosed in the directors' report on pages 9 to 13 of the annual financial statements.