2023

BUILDING BLOCKS FOR GROWTH

INTEGRATED ANNUAL REPORT

SEPHAKU HOLDINGS LTD

WELCOME TO SEPHAKU'S 2023 INTEGRATED ANNUAL REPORT

Métier and Sephaku Cement demonstrated resilience and agility in maintaining market share and achieving important strategic milestones, despite significant headwinds. However, persistent challenges in the cement industry impacted the Group's financial performance.

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SEPHOLD AT A GLANCE

OUR INVESTMENT PROPOSITION

Sephaku Holdings Limited (SepHold or the Company) is a JSE-listed company with a valuable portfolio of assets focused on the building and construction materials industry. SepHold's investment portfolio comprises:

- a 100% subsidiary, Métier Mixed Concrete Proprietary Limited (Métier or the Subsidiary).
- a 36% Associate, Dangote Cement South Africa Proprietary Limited (Sephaku Cement, SepCem or the Associate).

These entities are collectively referred to as Sephaku or the Group. Distinct competitive advantages position it to capitalise on infrastructure development opportunities.

Technologically advanced production plants with **higher cost efficiencies** that enhance competitiveness.	**Profitable concrete operations** with distinctive technical skills and solutions that deliver **solid earnings and positive cash flows**.	**Long-term strategic focus** on the building materials sector that contributes to **infrastructure development and economic growth**.	Key operational management with **deep industry skills**.	**Sound balance sheets with low gearing** that enables a nimble approach to new opportunities.

A SNAPSHOT OF OUR PERFORMANCE

Group

Revenue*	EBITDA	EBIT
R980,7 million FY 2022: R785,8 million	**R82,6 million** FY 2022: R89,9 million	**R47,0 million** FY 2022: R63,2 million
Equity-accounted loss*	**Net profit after tax**	**HEPS**
R2,0 million FY 2022: R28,9 million profit	**R25,6 million** FY 2022: R44,6 million	**9,98 cents** FY 2022: 17,67 cents
Normalised HEPS	**NAV per share**	**Debt/equity**
10,53 cents FY 2022: 17,67 cents	**460.89 cents** FY 2022: 450.82 cents	**0.22** FY 2022: 0.22

Métier

EBITDA	EBIT	Net profit after tax
R98,3 million FY 2022: R74,9 million	**R64,2 million** FY 2022: R48,2 million	**R42,8 million** FY 2022: R29,6 million
Safety	**Employee development**	**Environment**
1.19 LTIFR; zero fatalities FY 2022: 1.14 LTIFR; zero fatalities	**R0,4 million** in training for 31% of workforce, 21% of whom are HDSAs FY 2022: R0,5 million	**Dust emissions maintained** the regulatory limit of 1 200 mg/m² per day FY 2022: Below 1 200 mg/m² per day
Supplier development		
R0,37 million FY 2022: R0,47 million		

SepCem**

Revenue	Volume growth	EBITDA
R2,5 billion CY 2021: R2,6 billion	**(12%)** CY 2021: (1%)	**R278,5 million** CY 2021: R375,4 million
EBIT	**Net loss after tax**	**Safety**
R104,5 million CY 2021: R219,4 million	**R4,2 million** CY 2021: R81,9 million profit	**0.88 Aganang LTIFR; 0.84 Delmas LTIFR** Zero fatalities CY 2021: LTIFR 0.50; 0.83; zero fatalities
Employee development	**Decarbonisation**	**Supplier development**
R3,0 million in training CY 2021: R2,8 million	**34% thermal substitution rate** CY 2023 target: 50%	**R105 million** spent with 22 black-owned community SMMEs CY 2021: R75 million; 19 SMMEs

* *The Group revenue is all from Métier's operations as the 100% subsidiary of SepHold.*

** *SepCem is a subsidiary of Dangote Cement PLC (DCP) with a December year-end (CY 2022). Therefore, the equity-accounted profit included in this report relates to SepCem's results from 1 January 2022 to 31 December 2022 and CY 2021 figures are for the period 1 January 2021 to 31 December 2021.*

ABOUT OUR REPORT

Scope and boundary

We report on our performance for the financial year from 1 April 2022 to 31 March 2023 (FY 2023 or the year). SepCem is a subsidiary of Dangote Cement PLC (DCP) with a December year-end (CY 2022). Therefore, the equity-accounted profit included in this report relates to SepCem's results from 1 January 2022 to 31 December 2022.

The integrated annual report covers the financial and non-financial performance of Métier and SepCem. The report demonstrates how the operating environment influenced the Group's ability to create and preserve value, and prevent value erosion. We provide information on the Group's strategy and how Métier and SepCem performed in relation to the Group's strategic objectives and governance requirements which are monitored by the board.

Assurance

SepHold complies with the JSE Limited (JSE) Listings Requirements and the Companies Act of South Africa No 71 of 2008, as amended from time to time (Companies Act).

Assurance over the report is obtained through management attestation, internal controls, and internal audits. The Broad-Based Black Economic Empowerment (BBBEE) performances of Métier and SepCem were verified by South African National Accreditation System agencies. SepHold's annual financial statements (AFS) were independently audited by external auditor, BDO South Africa Incorporated (BDO), and received an unmodified audit opinion.

Preparation and approval

The report's preparation and content are guided by the International Integrated Reporting Framework (IR Framework) and the King Report on Corporate Governance™ for South Africa, 2016 (King IV)[1].

We apply the principles of materiality in assessing what information to include in the report. This report focuses on challenges and opportunities that substantively impact the Group's ability to be sustainable as it strives to create and sustain value for key stakeholders in a difficult operating environment. Additional information on how we determine material matters is available on pages 12 to 13.

The SepHold board, assisted by board committees, assessed the report and believes that it presents a balanced account of the Group's performance and prospects. The board approved the report on 25 July 2023.

Brent Williams
Chairperson

Neil Crafford-Lazarus
Chief executive officer and financial director

Kenneth Capes
Incoming chief executive officer

Stay informed

The integrated annual report, AFS, notice of annual general meeting (AGM), proxy form and AGM electronic participation form are available at https://sephakuholdings.com/investor-centre/results-and-reports. The King IV application register is available at https://sephakuholdings.com/corporate-governance/governance-documents.

Feedback on this report

We value your feedback on this report. Please send your queries and comments to: info@sephold.co.za

Forward-looking statements

This report contains forward-looking statements about Sephaku's anticipated performance, operations, and prospects. These are based on estimates and assumptions made by Sephaku. Although Sephaku believes that these are reasonable, they are subject to known and unknown risks and uncertainties that could adversely impact our business and financial performance. Undue reliance should not be placed on opinions, forecasts, or data in this report. Forward-looking statements apply to the date on which they are made. Sephaku does not undertake any obligation to publicly update or revise any of its opinions or forward-looking statements, whether to reflect new data or future events or circumstances. Financial information on which forward-looking statements are based has not been audited or reported on by SepHold's independent external auditor.

OUR STRATEGY AND RISK MANAGEMENT

WHO WE ARE

Sephaku's founding principles and core values form the basis of five value creation pillars that generate value for the Group's stakeholders. The values of respect, integrity, accountability, transparency and honesty underpin the Group's codes of ethics and commit the board, executive management, and employees to conduct business ethically with stakeholders.

OUR INVESTMENTS

Sephaku Cement

SepCem manufactures and sells high quality cement of various strengths to a range of customers in the construction industry. SepCem operates from its Aganang plant in the North West Province and Delmas plant in Mpumalanga. The Aganang plant comprises a limestone open cast quarry, with a proven life of over 30 years as of December 2021, and an integrated clinker and cement manufacturing plant. Aganang and the Delmas grinding plant have a combined cement capacity of 2,5 million to 2,8 million tonnes per annum (mtpa).

Bagged cement, which accounts for between 70% and 80% sales volumes, is distributed through major hardware retailers and second-tier distributors. Bulk sales account for the balance of sales volumes. SepCem's primary geographic markets are in Gauteng, Limpopo, Mpumalanga, North West, Free State, Northern Cape and northern KwaZulu-Natal (KZN).

SepCem has limestone projects at various stages of licensing in Limpopo (Dwaalboom and Groblersdal) and Western Cape (Vanrhynsdorp) that offer a pipeline for growth. The Groblersdal and Dwaalboom mining right applications were submitted in 2018 and 2021, respectively. Vanrhynsdorp comprises two resources – a mining right was applied for in 2020 for one and a prospecting rights was applied for in 2021 for the other. These rights have not yet been awarded.

DCP, a company listed on the Nigerian Stock Exchange with cement operations in Nigeria and nine other African countries, owns 64% of SepCem. Refer to www.dangotecement.com for further information.

Métier

Métier manufactures ready-mixed concrete products for construction projects in industrial, commercial, civil and residential markets, and offers concrete pumping services to client's projects. The subsidiary is well positioned as the ready-mixed concrete brand of choice in South Africa. Métier has operations in the Gauteng, KZN and Western Cape provinces. The geographic spread of the operations reduces market concentration risk.

HOW WE CREATE VALUE

Métier and SepCem use cash generated by operations, equity from shareholders and borrowings from lenders to fund inputs for the manufacture of building materials. They create sustainable businesses by managing stakeholder relationships, growing their customer bases and mitigating negative environmental or community impacts caused by their operations. They contribute to local economic development and uplift communities surrounding their operations by investing in local infrastructure and businesses, and sponsoring education programmes.

SepHold creates value by providing strategic and governance insights to operational executive management, and enabling access to funding from lenders and investors. The Company continually investigates and assesses opportunities to create value for shareholders and underpin sustainable futures for Métier and SepCem, including corporate transactions to secure future growth, while contributing to market consolidation.

Sephaku Cement

SepCem's upstream operation extracts limestone from the mine adjacent to the Aganang plant and processes it to clinker using advanced production technologies. The clinker is ground and blended with other inputs to produce consistently high-quality bagged and bulk cement in different strengths. Bagged cement is distributed through retail channels to cement end-users, while bulk users such as ready-mixed concrete manufacturers purchase cement directly from SepCem for various construction activities.

SepCem manages and monitors several environmental management parameters to conserve water and energy resources, mitigate atmospheric emissions from its operations and reduce its carbon footprint. The enterprise and supplier development (ESD) programme has improved the local economies of the North West and Mpumalanga by supporting entrepreneurs to build sustainable local businesses. Regular engagement with different government authorities and independent experts ensures compliance with licence conditions.

Métier

Métier harnesses downstream synergies for the Group by utilising the cement manufactured by, among others, SepCem to produce ready-mixed concrete. The subsidiary had 242 employees in FY 2023 and maintains the requisite technical and sales skills to enhance the value creation process. Through its sales representatives, Métier sells its ready-mixed concrete to customers across the spectrum of building contractors, civil contractors, residential developers, and government organisations. Targeted, value-added products and services retain customers and support margins.

Value creation pillars

Sephaku's value creation pillars provide competitive advantages and are the foundation of its earnings and growth.

Value creation pillar	Métier	Sephaku Cement
Technical skills and deep industry experience Technical skills are essential to the Group's ability to produce consistent, high quality building materials. Deep-rooted industry experience provides a good understanding of market dynamics and how to maximise profitability.	**Inputs:** • 242 employees. • Executive committee with 121 years of combined management experience in ready-mixed concrete manufacturing, mining and technology. • R0,4 million invested in employee training and development. **Outcomes:** *Positive* • Enhanced skills: 31% of employees trained in concrete technology, production management, various legislative fields; four bursaries granted and four mentees in talent development programme; six individuals with disabilities in production technology learnerships. • Enhanced performance and improved profitability. *Negative* • Skills loss to international market. **Outputs:** Technically robust and consistent, high quality ready-mixed concrete for varied construction requirements, including: • Pre-cast moulds • Flooring	**Inputs:** • 472 employees. • Executive committee with 261 years of combined management experience in cement manufacturing, marketing and project management. • Relatively new, cutting edge plant attracts technical skills. • R3,0 million invested in employee training and development. • Dangote Cement academy offers access to unique mentorship and training. **Outcomes:** *Positive* • Competitive production and sale of cement. • Positive contribution to local economy. • Employment or supplier opportunities and skills training provided to communities adjacent to the operations. *Negative* • Limited pool of technical skills stretch available resources. • Risk of loss of critical skills to competitors. • Expectation of higher remuneration to retain scarce skills. **Outputs:** • Production of consistently high quality cement in five strengths (bagged or bulk): 32,5R, 32,5N, 42,5N, 42,5R, 52,5N.
Leading technologies Advanced production technologies enable the efficient production of cement and ready-mixed concrete.	**Inputs:** • Automated manufacturing processes anchored in modern information management systems. • Integrated digital platforms for precise quality control. **Outcomes:** *Positive* • Expedient troubleshooting and efficient manufacturing. • Effective strategy implementation ensuring optimal profitability and exceptional service. *Negative* • Dust emissions from handling raw materials and manufacturing. • Noise pollution from manufacturing process. • Residual waste concrete from delivery trucks.	**Inputs:** • Integrated plant with vertical mills and a five-stage pre-heater with an in-line calciner commissioned in 2013. • Lean organisation that keeps abreast of technology advances. • Automated manufacturing processes anchored in advanced information management systems. • Artificial intelligence to improve plant reliability. **Outcomes:** *Positive* • Use of modern technology plants with large production capacity that enhance efficiency, economies of scale and profitability. • Limited water consumption. • Decarbonisation strategy, including use of alternative fuels to reduce carbon footprint. *Negative* • Energy-intensive processes with high carbon footprint.

Value creation pillar	Métier	Sephaku Cement
Strategic relationships and deal-making abilities Management's ability to forge mutually beneficial relationships with customers, retailers and suppliers positions the Group as a major South African manufacturer of building materials.	**Inputs:** • Efficient delivery of concrete to customers. • Optimal loads to transporters. **Outcomes:** *Positive* • Partnerships with building contractors in large and/or long-term building projects. • Long-term mutually beneficial agreements with transporters and other suppliers to enable cost control. *Negative* • Declining building industry limits potential for growth.	**Inputs:** • Strong relationships between sales teams and retail distribution channels. • Strategic partnerships with customers, suppliers of critical inputs and transporters. **Outcomes:** *Positive* • Repeat and/or large volume orders. • Customer retention within large merchant groups. • Cost efficiencies. *Negative* • Rising inflation trend increases frequency of price increases from suppliers. • Inflated input costs.
Service excellence The Group's ability to offer exceptional service to all of its customers, driven by the ingrained high-performance culture, distinguishes it from competitors by enhancing the value proposition.	**Inputs:** • The Métier Way is embedded in the Company's culture and evident in all areas of its business, from uncompromising service to all customers to ensuring employees work in a safe environment. • Business conduct is underpinned by Métier's values of integrity, service excellence, people and accountability. **Outcomes:** *Positive* • Revenue increased 25% to R981 million. • Operating profit increased by 33% to R64 million. *Negative* • Increased cost of transporting product to market in a low pricing environment impacts profitability.	**Inputs:** • A significant drive on data knowledge and efficiency through the implementation of several key business intelligence projects, guiding business decisions. • A mobile sales application, which provides hundreds of key datasets on markets, is proving to be an excellent tool for the collation of true market data. • A synergistic relationship with Métier enables immediate customer feedback on the technical performance of cement produced. • Low cost structure remains a key advantage. **Outcomes:** *Positive* • Agility and faster, informed decision-making. • Increased focus on the bulk cement sector, with increased technical support. *Negative* • Increased cost of transporting product to market in an inflationary and low pricing environment impacts profitability.

Value creation pillar	Métier	Sephaku Cement
Sustainability The Group's commitment to sustainability is instilled through the adoption of practices that minimise its negative environmental and social impacts. Practices that have positive impacts are propagated, where possible, throughout the Group.	**Inputs:** • Each plant has health, safety and environmental management plans with executive management oversight. **Outcomes:** *Positive* • No fatalities and a low LTIFR. • Emissions below the standard of 1 200 mg/m² per day. • Waste water is recycled at all operations.	**Inputs:** • Valid environmental licences for utilising alternative fuels and managing emissions, water and waste. • Deliberate engagement with communities. **Outcomes:** • *Positive* • Carbon dioxide (CO_2) emissions between 0.72 tonnes of CO_2 equivalent (tCO_2e) and 0.77 tCO_2e per tonne of clinker produced are below the industry mean. • Increasing use of alternative fuels reduces carbon footprint and input costs. • Nitrous oxide emissions halved to between 600 and 700 mg/Nm³ in compliance with new limits for alternative fuels. *Negative* • Sustainability practices require an initial investment that impacts profitability.

HOW WE IMPLEMENTED OUR STRATEGY

The board reviews the strategy annually and amends it, where necessary, in response to changes in the Group's operating environment.

The Group implements strategic objectives to enhance its financial sustainability, product quality and operational efficiency. Performance against these objectives is summarised in the following table:

			Métier			SepCem		
Strategic objectives	**Management initiatives**	**Measures of success**	**FY 2023**	FY 2022	FY 2021	**CY 2022**	CY 2021	CY 2020
Maintain sustainable sales volumes	Implemented sales strategies that sustain or grow market share.	Sales volume growth (%)	**25**	18	(15)	**(12)**	(1)	9
Maximise margins	Improved cost efficiencies.	EBITDA margin (%)	**10.0**	9.6	8.7	**11.4**	14.5	15.9
		EBIT margin (%)	**6.5**	6.2	5.2	**4.3**	8.6	9.1
		Net profit margin (%)	**4.4**	3.8	2.6	**(0.2)**	3.2	1.9
Increase cash flow	Focused on achieving optimal product mix.	Cash generated from operations (Rm)	**65**	71	56	**181**	343	329
		Cash balance at year-end (Rm)	**(15)**	25	26	**108**	326	479
		Unit average net selling price increase (%)	**9 – 12**	4 – 6	2 – 3	**8 – 10**	5 – 8	5 – 8
Strengthen the balance sheet	Settled bank debt and renegotiated new facilities at more favourable rates.	Total debt at year-end (Rm)*	**47**	79	71	**1 088**	1 302	1 613
		Bank debt principal at year-end (Rm)	**0**	48	71	**400**	666	1 032
		Book value equity at year-end (Rm)	**215**	186	164	**1 812**	1 816	1 734
		Net debt/equity ratio	**0.29**	0.29	0.27	**0.54**	0.54	0.65

* *FY 2023 total debt comprises instalment sales liabilities of R47 million, only due to the term loan being settled during the year, while FY 2022 total debt comprises the term loan principal and instalment sales liabilities.*

HOW WE ENGAGE OUR STAKEHOLDERS

Our stakeholder ethos

Experienced Group executives manage stakeholder engagement and report regularly on stakeholder matters to the board committees. Stakeholder matters are considered in the Group's determination and assessment of risks, opportunities and material matters.

Stakeholder and stakeholder interests	Context	Our response
Customers *Regular engagement* Customers require: • Consistent product quality. • Punctual delivery and accessible after-sales service. • Fair pricing. • Credit terms to provide stability during uncertain times.	***Métier*** • Ready-mixed concrete customers are technical end-users who require consistent quality concrete at competitive pricing. • Punctual deliveries eliminate costly downtime and enable customers to meet their construction budgets and timelines. • The fragmentation of the market has increased the proportion of price sensitive small to medium-sized construction customers. ***SepCem*** • Bulk cement users such as concrete manufacturers purchase cement directly from cement manufacturers. • Bagged cement users account for 70% to 80% of the sales mix. Bagged cement is predominantly distributed through building materials merchants. • Pricing is competitive due to excess installed capacity in the industry.	***Métier*** • Applies abundant technical ability and knowledge to produce consistently high quality concrete. • Prioritises effective communication to achieve its promise of superior service. • Engages regularly to ensure customers make informed purchasing decisions and receive appropriate product specifications. ***SepCem*** • Implements a robust sales strategy including after-sales interactions with customers to better understand their needs. • Coordinates sales and logistics functions to ensure timely delivery of cement. • Highly skilled employees maintain consistency by managing product quality assurance.
Employees and trade unions *Regular engagement* Employees require: • Reassurance on employment security. • Training and career development opportunities. Trade unions demand: • Fair remuneration. • A safe working environment. • Skills development.	***Métier*** • Strong coordination between various functions is necessary to maintain a lean employee structure. • Employees understand the highly competitive trading environment and are committed to maintaining Métier's brand equity. • Employees are highly qualified and experienced in their functions and are loyal to the Métier Way. ***SepCem*** • Technical skills are essential for effective strategy implementation and efficient operations. • Employees' primary concerns are appropriate remuneration commensurate with the pressured operating environment, and career growth opportunities.	***Métier*** • Facilitates regular engagement through various platforms to ensure prompt feedback. • Internal training, graduate development and mentoring programmes maintain continuity of technical experience. ***SepCem*** • Management strengthened employee engagement. • A long-term incentive scheme is in place to retain key personnel. • Leadership and development programmes build a sustainable pipeline of leaders. • The Tokafatso performance enhancement initiative is being embedded throughout SepCem.

Stakeholder and stakeholder interests	Context	Our response
Investors *Regular engagement* As the principal owners of the business, SepHold shareholders expect: • An adequate return and an increase in the value of their investment. • Precise, timely and complete information to accurately assess the Group's value. Lenders require: • Adherence to agreed repayment terms. • Assurance over business continuity and ability to repay debt.	***Métier and SepCem*** • Both businesses have debt with banks that require regular updates on their performance and prospects. • Shareholders are concerned about the Group's ability to achieve targeted profit margins in the current operating environment. • Shareholders are concerned about the market undervaluation of SepHold's shares.	***Métier*** • Repaid outstanding bank debt of R40 million and negotiated new revolving credit facility at improved repayment terms. ***SepCem*** • Repaid outstanding bank debt of R666 million. • Negotiated new credit facility of R400 million at improved repayment terms and a R200 million overdraft facility. ***SepHold*** • Focuses on value protection. • Strategic options to enhance shareholder value difficult to achieve in current market conditions.
Suppliers *Regular engagement* • Suppliers expect competitive raw material and haulage rates. • Transporters require commitment to lucrative base loads and are concerned about the impact of xenophobic attacks against foreign haulage drivers.	***Métier*** • Global supply chain disruptions resulted in delays and cost increases in imported vehicle components. ***Métier and SepCem*** • Higher inflation and rising interest rates inflated raw material costs.	***Métier and SepCem*** • Increased cost cutting measures. • Negotiated with suppliers to limit cost increases. • SepCem sought temporary lower cost supply arrangements for coal. • SepCem sourced a lower cost energy source from Q4 CY 2022 to substitute conventional coal.
Neighbouring communities *Regular engagement* Communities expect: • Additional grazing for livestock. • Increased employment opportunities. • More procurement from local small businesses and entrepreneurs.	***SepCem*** • Mining operations and cement plants are governed by several laws related to managing the environmental impact and creating a safe working environment. • A social and labour plan (SLP) approved in January 2022 after extensive delays substantiates SepCem's social licence to operate.	***SepCem*** • Engages extensively with communities on its employment practices and supplier opportunities. • Implementing infrastructure and job creation projects to benefit communities in the North West Province in collaboration with the Ditsobotla Cement Manufacturers Forum (DCMF).

Stakeholder and stakeholder interests	Context	Our response
Government and legislative authorities *Regular engagement* This stakeholder grouping requires compliance with requisite regulations, including: • BBBEE accreditation. • Compliance with requisite bylaws (Métier). • Compliance with mining and environmental licensing conditions (SepCem).	***Métier*** • BBBEE accreditation is required for participation in government construction projects. • The environmental impact of Métier's plants is measured against the municipal bylaws applicable in the areas where they are located. ***SepCem*** • Mining operations and cement plants are governed by several laws related to managing environmental impacts and creating safe working environments. • The SLP substantiates SepCem's social licence to operate.	***Métier*** • Maintained BBBEE level 4 accreditation. • Remains compliant by implementing health and safety and environmental plans at each plant. ***SepCem*** • Maintained BBBEE level 5 accreditation. • Engages extensively with communities through leadership structures and relevant government departments to minimise conflict. • Commenced with the implementation of community development projects in collaboration with the DCMF in compliance with the DMRE requirements and the approved SLP.
Industry association *Ad hoc engagement* As an active participant in industry associations, SepCem: • Collaborates with other manufacturers to improve negotiation power with regulators such as the International Trade Administration Commission. • Supports improved monitoring of anti-competitive and value-destruction behaviour by competitors.	***SepCem*** • Participates in lobbying for protective tariffs against imports through its membership of Cement and Concrete SA. • Supports more rigorous inspections by the standards association of the quality of cement blenders' supply to the market. • Participates in industry negotiations with the government on the applicable carbon tax regime.	***SepCem*** • Actively participates in all industry association structures. • Contributes to the associations through its subscriptions and knowledge-sharing, when requested.

HOW WE MANAGE RISK

As an investment holding Company, SepHold actively monitors and oversees the management of risks and opportunities in the operating environments of SepCem and Métier.

The board, assisted by the audit and risk committee, has ultimate responsibility for risk and delegates responsibility for risk management to the executive management of SepCem and Métier. The board ensures that risks taken by SepCem and Métier are within SepHold's risk appetite and tolerance levels and that adequate controls are in place to manage and mitigate risks. Read more about the Group's compliance assurance processes on page 38 of the governance report.

The Group maintains a high level of focus on:

- strengthening the control and compliance environment, including combined assurance;
- improving business continuity and disaster recovery plans; and
- embedding a sound risk culture, with an emphasis on instilling ethics and preventing fraud.

Métier

Approach to risk management

Executive management identifies, measures, mitigates and monitors material risks its operations are exposed to and reports them regularly to the board and the audit and risk committee. The digital automation and integration of Métier's technical, sales, financial and health, safety and environmental management systems enables early warning and timeous management of risks by operational and maintenance management.

The audit and risk committee reviews the effectiveness of Métier's risk framework and advises executives on measures to strengthen it.

The key risks Métier managed or mitigated during the year are disclosed in the following table.

KEYS RISKS	Métier's response
Industry competition The ready-mixed concrete market remains highly competitive as the construction industry continues to shrink and high interest rates impact growth in some regional residential construction markets. With low barriers to entry, many smaller operators have entered the market, resulting in fragmentation and downward pressure on prices. These competitive forces limit recovery of the rising costs of fuel and other primary inputs.	• Focused on quality service and bespoke customer solutions – competitive differentiators that enable customer retention and protect profit margins. • Increased sales of specialist higher margin products and services. • Established a presence in the Western Cape to capitalise on growth opportunities.
Distribution disruption International supply chain disruption as a result of COVID-19 shutdowns and the war in Ukraine led to shortages of imported microprocessor chips and other vehicle components. This increases the risk of longer downtimes during vehicle maintenance or repair and may impact the availability of replacement vehicles.	• Refurbished certain items of essential equipment that were not readily available due to import delays. • Engaged with vehicle suppliers and acquired additional vehicles to mitigate future shortages.
Customer credit risk The ongoing impact of low demand for construction services resulted in late customer payments and increased credit applications. Changes in the construction industry, such as contraction and fragmentation, are changing the credit risk profile of Métier's customer base as it shifts from larger construction companies to a higher number of SMME customers.	• Adopted a conservative approach to credit risk management in a changing market with an evolving customer risk profile. • Reduced bad debts to below 0.05% of turnover by moving debtor management in-house. • Maintaining adequate insurance to protect against large bad debts and providing for bad debts. • Engaging external advisors as required.

SepCem

Approach to risk management

Risk and opportunity management is guided by SepCem's board-approved enterprise risk management (ERM) framework. The SepCem board, assisted by the audit and risk committee, is responsible for risk governance and oversight.

Executive management represents the first line of defence, with accountability for managing enterprise risks. Sub-committees assist management in discharging oversight responsibility for credit management, economic crime, health and safety, social and environmental risks. Management conducts scenario validation to review the Company's response to critical risks.

Risk and compliance functions work together as the second line of defence, overseeing, reviewing and interrogating risks that breach board-defined levels of risk appetite. They work in partnership with internal audit, which forms the third line of defence. External assurance providers such as insurance companies, bank auditors and the Group's external auditor, provide an additional layer of assurance. Findings raised during assurance processes are incorporated into the risk process and managed together with the risk owners.

The Company's risk framework classifies risk into operational, strategic and financial categories. SepCem's key risks and actions taken to manage and mitigate them, are disclosed in the following table.

KEYS RISKS	SepCem's response
Macro-economic risk Higher inflation and rising interest rates reduce the disposable income of retail customers who buy bagged cement and account for 70% to 80% of SepCem's cement sales. Worsening economic conditions and a lack of investment in infrastructure development impacts the construction industry, which accounts for most of SepCem's bulk cement sales. These macro-economic trends impact SepCem's ability to implement strategic objectives and sustain its business.	• Managed costs and downsized operations more aggressively than in previous years. • Secured alternative sources of lower cost coal, a primary input, for part of the year. • Applied a conservative approach to price increases, aligned to adverse market conditions.
Commodity price volatility Price volatility and sharp increases in the prices of coal, oil and fuel contributed to a material increase in the transport and other input costs of SepCem, its suppliers and its customers.	• Secured alternative sources of lower cost coal. • Introduced alternative fuel to reduce dependence on coal over time.
Price war The local cement industry is oversupplied with installed production capacity outstripping market demand. A combination of deteriorating economic conditions and new market entrants, including importers and independent blenders with low overheads, compound the industry's challenges. This intensifies competition and makes it difficult for cement producers to recover cost increases with higher pricing.	• Leveraged digital market intelligence to align the pricing strategy with market demand. • Prioritised higher margin products and markets where the Associate has a competitive advantage. • Commenced sales to blenders.
Heightened social and community tension Deteriorating economic conditions, compounded by rising unemployment, dependence on employment and supplier opportunities from local businesses and grievances about land use, have heightened tensions in the communities adjacent to the Aganang plant. This has culminated in an increase in vandalism of plant infrastructure (fences) and vehicles, and disrupted operations.	• Increased community engagement. • Accelerated implementation of infrastructure and job creation projects following approval of the SLP. • Obtained an interdict to prevent disruption when grievances are not reported through established engagement channels.

Certain key risks reported in the CY 2022 integrated annual report, including critical equipment failure, liquidity and cybersecurity breach were adequately mitigated during the year. Management continues to monitor these risks.

Mitigating information and technology (IT) risk

Métier completed the implementation of measures to strengthen cyber security, as recommended by external experts who assessed existing infrastructure. The process was overseen by a steering committee and included updating the IT policy, employing a designated IT security officer, conducting employee cyber-security awareness training, and enhancing backup protocols.

SepCem addressed cyber security risks by conducting vulnerability testing and implementing several measures to protect against cyber threats. These included investing in cyber security detection and monitoring software, migrating users to a cloud-based platform and conducting internal cyber-security awareness training.

OUR MATERIAL MATTERS

The Group determines its material matters by analysing the external operating environment, the needs and concerns of significant stakeholders and key risks and opportunities identified through the risk management processes.

The materiality determination process is based on feedback from operational executives and is approved by SepHold executive management. The material matters are presented to the audit and risk committee (ARC), which is tasked by the board to oversee the integrated annual report's compilation. Following the ARC's approval of material matters, they are included in the report for final board review and sign-off.

The following five key material matters were identified and approved by the board in FY 2023.

MATERIAL MATTER	Context	Strategic objective impacted
Cost pressure New material matter High risk for SepCem and Métier	SepCem and Métier experienced a 46% increase in fuel costs which account for a significant proportion of their operating costs, while the impact of rising fuel prices on their suppliers placed further pressure on costs. SepCem experienced a significant increase in coal prices which rose by between 15% and 20% in 2022, despite efficiency improvements. At the same time, international coal pricing peaked at USD331/mt during April before retreating to USD188/mt by the end of December. Electricity tariffs increased by an average 10%. High inflation and rising interest rates increased consumers' cost of living and reduced the disposable income of large retail segments of the cement and mixed concrete markets. Persistent loadshedding, and increased costs of alternative energy sources, compounded cost pressures for SMME customers.	• Maintain sustainable sales volumes • Maximise margins
Low demand High risk Increasing level of impact or probability for SepCem	Cement capacity in the domestic cement industry has exceeded demand for several years due to increasing competition from new market entrants and imports. Public sector support of distressed incumbents has limited market consolidation which would assist in reducing capacity and normalising market forces. Furthermore, high distribution costs prevent cement manufacturers from expanding into growth markets far from their manufacturing plants. Worsening economic conditions have compounded over-supply by reducing demand for cement. This, in turn, limits the ability of cement producers to pass material cost increases on to customers and maintain sustainable price increases.	• Maintain sustainable sales volumes • Maximise margins • Increase free cash flow • Strengthen balance sheets
Community disruption High risk Increasing level of impact or probability for SepCem	The communities adjacent to the Aganang plant are heavily dependent on local businesses for employment and small business opportunities. Local farmers rely on the provision of land for livestock grazing. Deteriorating economic conditions are increasing the demand for socio-economic support, but the lack of formalised leadership structures continues to impede certain aspects of community engagement. While the approval of the SLP accelerated key elements of social delivery, political instability is delaying the implementation of some projects. Community protests have resulted in ongoing disruptions to operations and vandalism of property and assets. Farmers' demands for a response to the challenge of livestock deaths due to overstocking of grazing land, threatens to escalate community disruption if not adequately managed.	• Maximise margins
Unavailability of power New material matter High risk for SepCem and Métier	Persistent electricity loadshedding disrupts operations and increases expenditure on alternative power sources. Métier has installed generators at all plants and SepCem has longer term plans to install solar PV (photovoltaic) technology to mitigate the challenge of loadshedding. During loadshedding, manufacturers curtail electricity usage based on the daily requirements of the national grid. However, a national blackout, accompanied by emergency equipment shutdowns, would increase the risk of equipment failure and business interruption. In a worst-case scenario, SepCem would be able to continue supplying customers uninterrupted for several days but may incur costs to repair and restart equipment. Furthermore, loadshedding impacts customers, such as smaller ready-mixed concrete and brickmaking businesses that are not able to afford alternative power sources to sustain their businesses.	• Maintain sustainable sales volumes • Maximise margins

MATERIAL MATTER	Context	Strategic objective impacted
Shortage of technical skills Medium to high risk Increased level of impact and probability for Métier and SepCem	Métier and SepCem both require technical skills to operate production facilities, maintain consistent quality of products and services, and manage sales. Several factors contribute to skills shortages in the construction materials industry, including an outflow of skills from a shrinking construction market to other sectors, an outflow of professionals to international markets, and intense competition for talent in a concentrated market where a limited number of participants compete for talent. Métier and SepCem mitigate this risk with targeted recruitment, talent retention and internal skills training.	• Maintain sustainable sales volumes • Maximise margins
Concentrated SepHold investment portfolio	The Group is exposed to industry and country-specific risk due to the concentration of its investments in the South African construction materials industry. SepHold focuses on protecting shareholder value by strengthening the operational balance sheets and exploring revenue diversification opportunities to enhance value.	• Maximise margins • Strengthen balance sheets

LEADERSHIP REVIEWS

Brent Williams
Chairperson

The board focused on protecting stakeholder value by overseeing actions to strengthen the resilience of the Group's operating entities and providing strategic guidance to ensure that the entities are equipped to capitalise on available opportunities.

BOARD CHAIRPERSON'S REPORT

Brent Williams discusses the challenges Sephaku navigates in its external environment and how it seeks to remain a trusted industry participant with effective leadership, strategy implementation and governance oversight.

The building and construction materials sector in which the Group's business interests operate continues to face material challenges. What were the main market risks and opportunities during the period under review?

South Africa's cement and concrete industry continues to be threatened by the dual challenge of oversupply and declining demand. With installed capacity of approximately 20 million tons per annum (Mt/a), the cement industry recorded excess capacity of approximately 37% during 2022, as the once-promising market forecasts that attracted investment in the industry before 2016 continued to deteriorate.

Several factors contributed to the current state of the industry. Stagnant economic growth, a lack of significant public sector infrastructure investment and declining investor confidence forced the construction industry into a state of crisis. These conditions were exacerbated by COVID-19 restrictions, flooding in KwaZulu-Natal (KZN) and the protracted energy crisis, while the threat of so-called construction mafia disrupting infrastructure projects remains an ever-present risk.

The state of the construction industry

- Negative 5.9% compound annual growth rate (2016 – 2023).
- Compulsory liquidations increased by 56% as 94 construction businesses closed in 2022, Stats SA.

In the post-COVID environment, economic conditions and global supply chain constraints worsened as a result of Russia's war in Ukraine. Rising inflation and higher interest rates increased business operating costs, threatened the sustainability of small enterprises and eroded the disposable income of retail consumers, placing further downward pressure on demand for building and construction materials.

Competition in the cement and concrete industry intensified during this period as new integrated producers and low cost blenders increased the industry's capacity, while cement imports continue to flow into South Africa, unhindered by local industry protection against countries other than Pakistan. Increased competition and declining demand limits the ability of cement producers to recover material cost increases and maintain sustainable price increases as industry participants fight to maintain market share.

The Group's wholly-owned subsidiary, Métier, and our Associate, SepCem are to be commended for guiding their business operations through these turbulent conditions. Furthermore, they have capitalised on available opportunities in their markets which are reported on in the CEO and FD report on page 16 and the operational reports from pages 20 to 34.

How did the board execute its fiduciary responsibilities to ensure that Sephaku protects stakeholder value in this challenging external environment?

The board implemented its oversight role through the board committees, attending to stakeholder needs and ensuring that the Group remains compliant with legal and regulatory requirements, financially viable and relevant to its customers. I am satisfied that the board fulfilled its fiduciary and governance oversight duties during the year under review.

Given the prevailing business environment, the board oversaw actions to strengthen the resilience of the Group's operational entities by reducing and restructuring debt, controlling costs – including executive remuneration – and providing strategic guidance to ensure that the entities are equipped to capitalise on available opportunities.

Much of the Group's strategic focus was defensive and risk mitigating in order to maintain return on investment. However, we achieved a significant strategic breakthrough with the expansion of Métier's operations into the growing Western Cape market.

The approval of the social and labour plan (SLP) after lengthy engagement with the Department of Mineral and Energy Affairs, enabled cement producers to accelerate the implementation of social projects to communities in the North West Province. The social and ethics committee has focused much of its attention on this important element of the Group's community engagement and it is gratifying to see the industry joining hands through the Ditsobotla Cement Manufacturers Forum (DCMF) to deliver high impact infrastructure and job creation opportunities to local communities.

The board continuously monitors opportunities to enhance shareholder value through corporate actions to consolidate or diversify SepCem. However, market conditions are not currently conducive to realistic valuations and no corporate actions have been undertaken during the year under review. Métier continues to offer increasing value to shareholders by diversifying into growth markets and leveraging its sound customer relationships to participate in newly awarded infrastructure projects.

Are you satisfied that Sephaku's leadership – at board and operational levels – is adequate to guide the Group through this challenging period?

In the current environment, we believe it is prudent not to fill vacant positions or expand the size of the board. That said, I am satisfied that the board has the necessary balance of skills and experience. Our non-executive directors are represented by business leaders and professionals with diverse industry knowledge and experience and our two executive directors are seasoned industry and financial specialists. To ensure that the board remains effective, Acorim (Proprietary) Limited conducted a board evaluation during the year. For more information, refer to page 36 of this report.

Having ably fulfilled the dual role as SepHold's CEO and FD since January 2020, Neil Crafford-Lazarus reverted to his role as FD and the board appointed Kenneth Capes as the CEO of SepHold, both with effect from 1 April 2023.

Kenneth will continue in his role as CEO of Métier and an executive director of SepHold, having joined the board in 2013 after the acquisition of Métier. Kenneth's extensive knowledge and passion for concrete manufacture led him to be a founder of Métier in 2007. His prowess in building materials and entrepreneurial flair enabled Métier to expand its operations in the KZN, Gauteng and Western Cape markets and consistently outperform its peers.

The board thanks Neil for his service in the dual role and welcomes Kenneth to his new role. We are confident that the effective partnership that exists between Neil and Kenneth will guide and propel the Group as it navigates the challenging operating environment.

The cement industry is a significant emitter of greenhouse gases. How is the Group ensuring that it remains a responsible and trusted industry participant in relation to its environmental responsibilities?

The Group's commitment to sustainability is instilled through the adoption of practices, including regulatory compliance, that minimise its negative environmental and social impacts. Practices that have positive impacts are instilled throughout the Group.

As a responsible member of the South African cement industry, we are demonstrating our support of the decarbonisation goals set out in the Paris Agreement and reinforced at COP26. SepCem has made significant strides in the implementation of a decarbonisation plan to reduce its carbon footprint through short-term and long-term alternative fuel projects. The Group shares environmental best practices with the Dangote Group and contributed to the improvement in Dangote's Carbon Disclosure Project (CDP) rating from B- in 2021 to B+ in 2022.

What are the board's expectations for the 2024 financial year and what will the board focus on?

In the immediate future, the board believes there is a high probability of sustained economic weakness due to the sharp slowdown in global economic activity. Even with the reopening of China post-COVID, global economic growth remains muted.

However, the downward trend in inflation driven by concerns about a global recession, and the likelihood that interest rates are peaking, is expected to provide some relief to businesses and consumers. The official producer price inflation (PPI) for final manufactured goods in South Africa continued on a downward trend to 10.6% in March 2023, after reaching a high of 18.0% in July 2022. The PPI for intermediate manufactured goods declined to 8.0% in December 2022 from a high of 22.5% at the end of 2021.

Against this background, the board will continue to prioritise risk mitigation in order to protect the Group's businesses and prevent value erosion. Having strengthened the operating entities' balance sheets to improve future resilience, the board will ensure that the Group has adequate core skills and technical capability to leverage its competitive advantages and participate in emerging opportunities as they arise.

Additional information on the Group's future prospects is available in the CEO and FD report on pages 16 to 18.

Who would you like to acknowledge?

During a difficult year for South Africa and our industry, I am encouraged by how our people rose to the challenge. Our executive and operational management thought out of the box and our employees worked hard to execute the strategy under trying circumstances. In particular, I commend Duan Claassen and Kenneth Capes for their endurance and commitment.

On behalf of the Group, I thank our shareholder, the Dangote Group, for their steadfast support.

Finally, I am grateful to each of my board colleagues for their wise counsel and determination to ensure that the board and its committees fulfil the Group's purpose.

Brent Williams
SepHold Chairperson

Neil Crafford-Lazarus
Joint chief executive officer and financial director

The Group's FY 2023 performance was mixed. In challenging operating conditions, Métier and SepCem reduced debt, improved cost efficiencies and maintained market share. But deteriorating conditions in the South African cement industry impacted SepCem's financial performance.

SEPHOLD CHIEF EXECUTIVE OFFICER AND FINANCIAL DIRECTOR'S REPORT

Overview of performance in challenging operating conditions

Renewed optimism in construction activity at the beginning of 2022, driven by a strong commodity cycle and anticipated demand for infrastructure investment, was short-lived. Just as the global economy was starting to accelerate post-COVID-19, Russia's war against Ukraine triggered a new round of negative trends with far-reaching consequences for global inflation and interest rates, logistics and supply chains, energy security and economic growth.

These impacts on the South African economy are compounded by factors such as unreliable power supply, limited public sector infrastructure investment and socio-economic instability which have restricted a return to pre-COVID levels of economic growth. The building and construction materials market, particularly cement, remains in a downward spiral of excess capacity and low demand, compounded by intense competition and unrestricted cement imports, as detailed in the chairperson's report on page 14 and operational reports from pages 20 to 34.

The heavy toll of cost inflation

Cost inflation has had a material impact on the Group's operations during the year under review. Producer inflation started outstripping consumer inflation post-COVID, mainly due to escalating shipping costs and import prices driven by the global supply chain crisis, and subsequently the Russia/Ukraine conflict.

Global energy prices increased exponentially as Russia sanctioned natural gas supplies to Europe, resulting in global shortages. In South Africa, this led to a 46% increase in fuel (diesel) prices, and later also impacted coal pricing, as European countries converted their power plants back to fossil fuel when natural gas supplies were depleted.

Simultaneously, export pricing for South African coal increased by 340% as global demand surged. While the increase in foreign exchange earnings improved the country's trade balance, the impact on energy-intensive local industries was devastating. The cement industry's cost of production increased by high double-digit percentages on average during 2022 because more than 50% of the cash cost of cement production is energy related (inbound and outbound transport, electricity, coal, explosives and haulage costs of limestone mining).

Despite the economic headwinds of higher input costs and weak demand, I am pleased to report that Métier performed exceptionally well, leveraging available opportunities and maintaining disciplined cost management and service excellence. Métier's revenue growth was driven largely by a strong contribution from a major project and expansion in the Western Cape, while cost containment and raw materials optimisation supported its profitability. Underpinning this performance was effective implementation of Métier's strategy to be the supplier of choice, providing technical competence and reliable customer service.

SepCem's performance was adversely impacted by higher operational costs and the rising cost of essential goods and services which reduced spending on non-essential items. This impacted demand for bagged cement which accounts for 70% to 80% of SepCem's cement sales. Faced with the challenge of maintaining its market position as a low cost cement producer in an inflationary and competitive environment, SepCem introduced extensive austerity measures and optimised sales in markets where it has a competitive advantage. Despite these actions, SepCem reported lower revenue and a net loss after tax of R4,2 million (FY 2022: R81,9 million profit). SepCem's equity-accounted loss in the Group's FY 2023 profit and loss statement is R2 million (FY 2022: R29 million profit).

The Group maintained its focus on reducing debt to strengthen its balance sheets and support the financial positions of SepCem and Métier. Both operations retained market share, improved cost efficiencies and explored opportunities to diversify revenue in the construction value chain. SepCem made significant advances in its use of alternative fuels to contain energy costs and reduce the carbon footprint.

Understanding our earnings

Revenue and profitability

Summarised statement of profit and loss

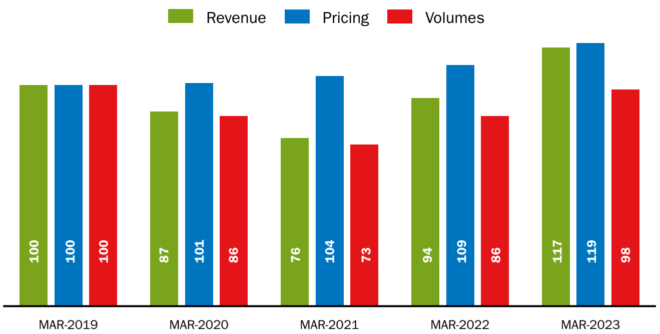
	YoY movement (%)	2023 R'000	2022 R'000	2021 R'000
Revenue	25	**980 711**	785 791	634 253
Cost of sales	(28)	**(615 820)**	(484 063)	(390 567)
Gross profit	21	**364 891**	301 728	243 686
Operating expenses	17	**(318 275)**	(271 819)	(234 169)
Other operating income	(18)	**3 564**	4 323	10 337
Other operating (loss)/gain		**(769)**	0	612
Movement in loss allowance		**(400)**	0	0
Operating profit	43	**49 011**	34 232	20 465
SepCem equity-accounted profit	(107)	**(2 041)**	28 992	15 970
Investment income		**2 231**	2 037	1 517
Finance costs		**(13 321)**	(12 852)	(13 818)

MÉTIER

Sales volumes

Métier recorded consistent growth in sales volumes as it capitalised on project opportunities in Gauteng, expanded its presence in the Western Cape and grew technical specialised product sales. Total sales volume increased by 14% year-on-year (YoY), after the 25% increase in FY 2022 subsequent to the related pandemic restrictions a year earlier. These volumes saw a return to pre-pandemic levels last seen in FY 2018 and FY 2019.

5-year trend

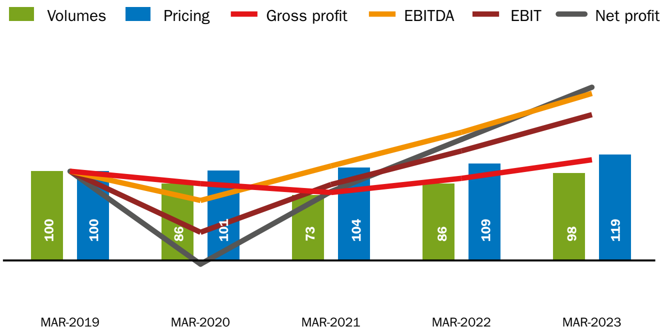


As SepHold's operational subsidiary, Métier is the main contributor to the Group's income statement.

Métier's revenue increased by 25% to R981 million (FY 2022: R786 million) due to higher sales volumes and pricing. Increasing inflation-related input costs during the quarter ended 31 March 2023 resulted in all major mixed concrete producers, including Métier, implementing significant price increases. Consequently, the EBITDA increased by 31% to R98 million(FY 2022: R75 million), and EBIT increased by 33% from R48 million to R64 million. Net profit after tax increased by 43%, from R30 million to R43 million, due to the high revenue and the lower finance expense resulting from a decreasing debt balance.

Although the price increases applied in March were sustained, the expanding inflation, significant fuel price increases and rising interest rates are expected to cause downward pressure on profitability in FY 2024 as input costs and operating expenses increase.

Indexed costs and profitability trend



- Opportunities exist for Métier in FY 2024 with growth in the Western Cape and on infrastructure projects.
- Métier to overcome cost pressures by continuing to focus on utilisation of assets and replacing older assets with more cost efficient assets.
- Hybrid transport model enables effective control of a key cost driver and a responsive increase in fleet when required.

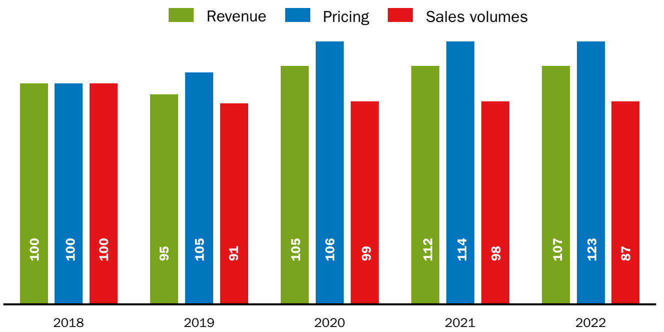
SEPCEM

SepCem's financial year is from 1 January to 31 December 2022 (CY 2022) which differs from the 1 April 2022 to 31 March 2023 (FY 2023) reporting period of the Group and Métier.

Sales volume

SepCem's sales volumes decreased further during the second half of the financial year, resulting in a 12% reduction for the full year (CY 2021: 1% decrease). Cement sales were impacted across the industry as demand for bagged cement from retail merchants continued to fall and the sale of bulk cement to construction projects remained flat, reflecting an industry in decline for over four years.

5-year trend (R billion)

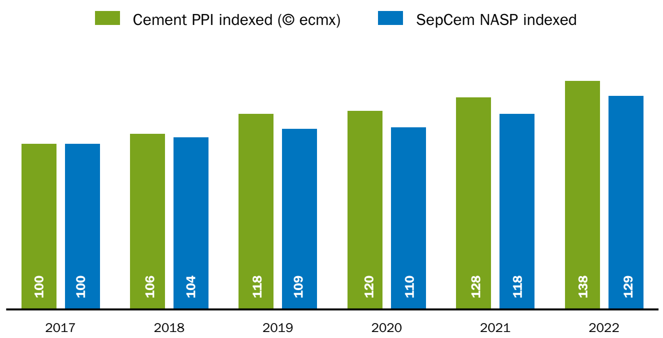


Revenue and profitability

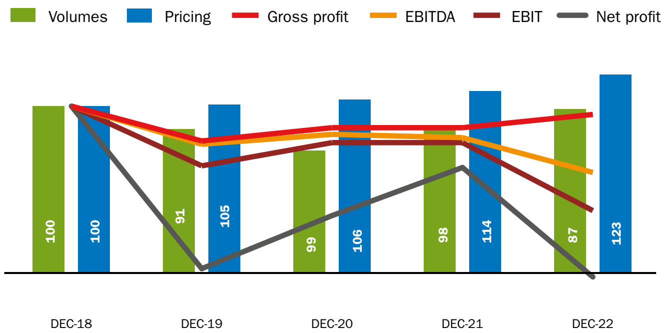
SepCem's revenue decreased by only 4% to R2,5 billion (CY 2021: R2,6 billion) due to price increases in February 2022 and August 2022, resulting in a higher net selling price YoY. The resultant EBITDA was 25% lower at R278,5 million (CY 2021: R373,9 million) at a margin of 11.1% (CY 2021: 14.6%).

Net profit after tax decreased from R81,9 million in CY 2021 to a loss of R4,2 million. The SepCem 36% equity-accounted loss in the Group's FY 2023 profit and loss statement is R2,0 million compared to R28,9 million profit in FY 2022.

Cement PPI vs ASP



Indexed costs and profitability trend



Decrease in EBITDA Year on Year due to:

- Declining volumes, predominantly in retail sector.
- Input cost not fully recovered through pricing.
- Energy costs had the biggest impact (fuel and coal prices) as fallout from Russian invasion of Ukraine.

How we strengthened our balance sheet

The Group strengthened its financial position by reducing debt and restructuring the balance sheets of Métier and SepCem. Over the past seven years, the Group has continuously reduced its debt, mitigating the financial burden on its operations and increasing their agility to capitalise on future growth opportunities.

Debt management

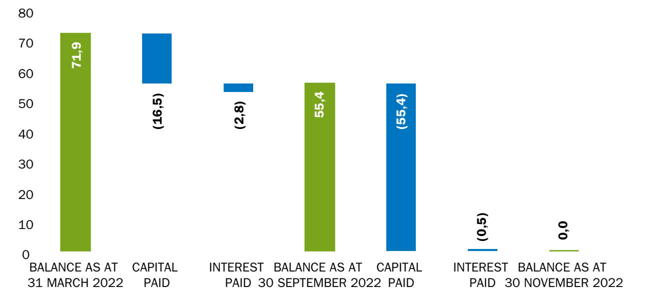
MÉTIER

During the current financial year Métier repaid its term loan due in FY 2024 and replaced it with an overdraft facility. The total term loan at the beginning of the year was R48 million while the overdraft at year-end was R18 million.

This movement from long-term liabilities to short-term liabilities and the increase in turnover, with a resulting increase in trade receivables, created a position where current assets and liabilities moved closer but will widen again as current year profits increase the bank balance. The unutilised portion of the overdraft leaves enough headroom for servicing of all debts during this period.

During the year the vehicle financing facility was increased from R31 million to R47 million.

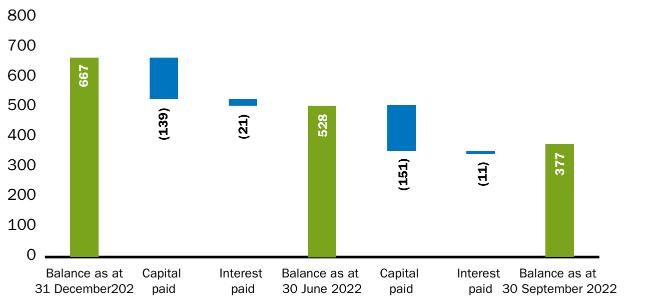
Bank debt management (R million)



SEPCEM

Management concluded negotiations with the lenders to convert the project loan bullet instalment of R377 million due in November 2022 into a three-year term loan of R400 million at a rate of JIBAR plus 3.25% from August 2022. In addition, SepCem secured a R200 million revolving working capital facility at a rate of prime minus 0.5% from one of the original major lenders. The DCP shareholder loan that accrues interest at JIBAR plus 4% capitalised against the loan had a balance of R685 million by year-end.

Project finance debt repayment (R million)



Management of customer credit risk

Métier's customer base and credit risk profile changed in recent years as some of its larger construction customers were rationalised or closed, and the number of small to medium-sized customers increased. Measures to manage credit risk, including internal management of the debtors' book, has reduced bad debts to a record low of 0.05% of turnover. Bad debt remains a risk that is closely monitored and managed, with insurance in place to protect Métier against large debts.

Post-period

Q1 2023 performance

Following DCP's first quarter results announcement for the three months ended 31 March 2023, released on 28 April 2023, SepCem's revenue increased by 5.4% to R583 million (Q1 2022: R553 million) mainly due to price increases implemented in February 2023.

SepCem's quarterly EBITDA decreased significantly to R31,3 million (Q1 2022: R89,7 million) mainly due to comparative inventory depletion typical during planned kiln outages for an extended maintenance period.

Neil Crafford-Lazarus
SepHold CEO and FD

MESSAGE FROM THE INCOMING SEPHOLD CEO

Kenneth Capes
SepHold CEO-elect

Outlook for FY 2024

The downturn in the building and construction materials sectors is expected to continue for the foreseeable future as loadshedding and high interest rates dampen investor confidence. However, we expect a less volatile energy environment globally and a slight softening in fuel prices which will lower transport costs and contribute to margin improvement.

Métier and SepCem both enter the new financial year as leaner businesses with stronger balance sheets.

Métier will continue to leverage its competitive advantages to retain and grow market share in its established markets. The Western Cape offers greater growth potential than any other province, as reflected in the 21% growth in buildings completed and new plans passed during 2022. Métier will prioritise the expansion of its footprint in the Western Cape to capitalise on opportunities in the region and strengthen its position as a national supplier of ready-mixed concrete, creating further opportunities for the Group.

The subsidiary is also well positioned to participate in private industrial property development and public sector infrastructure projects that are coming to market. The roll-out of any additional long-anticipated infrastructure projects would provide welcome relief for the building and construction materials markets.

The trading environment for cement producers is expected to remain challenging during the year ahead, with the possibility of some market consolidation to de-escalate competitive pressures. SepCem will continue to focus on protecting its market share by maintaining its position as a low cost producer and driving cost efficiencies with increased use of alternative fuels. SepCem's competitiveness depends on the continuity of a skilled workforce, capable of remaining abreast of new technology. Entrenching the Tokafatso high performance initiative will be an important driver of a high performance culture.

SepCem is well positioned to capitalise on green shoots in the construction industry, including private sector power generation projects that are coming on stream following the recently announced Energy Action Plan.

Kenneth Capes
Incoming SepHold CEO

BUSINESS REVIEW – MÉTIER MIXED CONCRETE

Kenneth Capes
CEO

Métier's ability to adapt to market uncertainty is a key element of our strategy and competitive edge. This quality, combined with sound customer and supplier relationships, enables us to overcome challenges and maintain profitability and growth.

CHIEF EXECUTIVE OFFICER'S REPORT

Construction materials industry overview

The building and construction materials sectors remained in a downward trend with limited public sector infrastructure investment and a cautious approach to expansion plans by private sector investors. Low investor confidence was compounded by persistent and worsening loadshedding, while flooding in KZN during the first quarter of the year impacted critical transport, communications and electrical infrastructure, hindering the supply of products and solutions to customers. Fuel and other input costs rose sharply in line with higher inflation and rising interest rates. Continuing global supply chain disruptions delayed vehicle component imports, disrupting some fleet renewal and maintenance activities and inflating logistics costs.

The subdued state of the construction market was evident in the overall reduction in commercial building activity. Buoyancy in the residential sector is likely to be impacted by the rising interest rate environment, except for the Western Cape which continues to grow. There are opportunities in private sector industrial property development and public sector roads projects.

Métier's understanding of its operating environment enables it to anticipate market trends, adapt its cost structures accordingly and offer bespoke customer solutions to protect the profit margin. A further strategy is to strengthen Métier's presence in the Western Cape following its market entry during FY 2022.

Operational performance

Sales volumes and revenue

Métier overcame challenges in its operating environment to deliver pleasing growth in sales volumes and revenue. This was primarily attributable to a significant project in Gauteng, Métier's expansion into the Western Cape which gained traction during the year, and growth in technical specialised product sales. The KZN operations held their ground in difficult trading conditions.

In a competitive market with limited market data, Métier estimates it retained market share in its established Gauteng and KZN markets and made headway in securing market share in the Western Cape by leveraging its reputation as a trusted, consistently reliable supplier of choice to customers. Métier maintains its strong brand value with deep product knowledge, responsiveness to market changes and customer needs and sound customer relationships based on service excellence, quality and on-time delivery. Committed employees and enduring supplier relationships built over several years underpin product quality and continuity of supply.

Cost management

Costs increased largely as a result of the surge in diesel prices which inflated raw material, delivery and operational costs. In addition to routine cost controls, Métier achieved further recovery of inflation-linked raw material and fixed costs by focusing on customer segmentation, higher margin services and fleet optimisation. An improvement in the profit margin reflected the combination of higher sales revenue, cost recovery and lower fleet maintenance costs.

Fleet management

With transport accounting for approximately one-third of the cost of delivering concrete to customers, fleet management is an essential element of cost management.

Métier optimises the productivity, cost-efficiency and age of its fleet with scheduled maintenance and replacement. Fleet telematics enhance fleet management and customer service by tracking vehicle location, fuel consumption and vehicle diagnostics to identify and quickly rectify issues.

Métier implemented a fleet renewal programme in FY 2022 when the age of its fleet was identified as an operational risk. During FY 2023, Métier prioritised the replacement of aged vehicles, including concrete mixer trucks, pump trucks, front-end loaders and light delivery vehicles. The renewal programme significantly improved the fleet age which contributed to lower transport maintenance costs.

Métier's hybrid logistics model and its strong relationships with outsourced transporters remain important contributors to cost management.

A key area of transport management is recovering costs on part loads. Métier's policy to charge for all part loads has resulted in substantial savings in transport costs and contributed to improved margins.

Feedback on FY 2023 focus areas

Grow plant footprint: Having deliberately delayed expansion in the Western Cape, Métier is now positioned to proceed with its plans to develop a second plant and strengthen its sales force in the region during FY 2024.

Maximise capital expenditure and implement tight cost control: Annual capital expenditure (capex) was sustained, with most of the capex allocated to the expansion of Métier's fleet of concrete mixer trucks. Operational costs were maintained in line with budget.

Continue to reduce bank debt: Métier settled outstanding bank debt of R40 million and restructured its working capital facility to improve the repayment terms. The debt at year-end was R48 million (FY 2022: R75 million) which relates to the funding of truck mixers over the past two years.

Tightly manage customer credit risk: Métier's customer base and credit risk profile has changed in recent years as some of its larger construction customers were rationalised or closed, and the number of small to medium-sized customers has increased. Measures to manage credit risk, including internal management of the debtors' book, has reduced bad debts to a record low of 0.05% of turnover. Bad debt remains a risk that is closely monitored and managed, with insurance in place to protect Métier against large debts.

Looking ahead

In FY 2024 we will continue to focus on:

Expanding Métier's footprint in the Western Cape to capitalise on growth opportunities in the region, while protecting market share in Gauteng and KZN where the Company is well established. By expanding operations in the Western Cape Métier will demonstrate to customers that it is fully committed to the region and offer further value to its shareholders by diversification of markets.

Maintaining a leading position in the ready-mixed concrete market. Métier's competitive edge is based on its renowned service excellence, deep product knowledge and professionalism. This positions the subsidiary to retain or grow market share in its established Gauteng and KZN regional markets and capitalise on growth opportunities in the Western Cape.

Offering services to newly awarded infrastructure projects that are starting to come to market. Opportunities are opening in private sector industrial property developments and infrastructure projects. Métier will leverage its supplier of choice reputation and its relationships with project owners and contractors to capitalise on these opportunities.

Leverage off our technical expertise and offer solutions, not just products, to customers. Métier's combination of industry knowledge, technical skills and optimised fleet positions it to enhance its offerings to customers, strengthening its competitiveness while adding value for customers.

Kenneth Capes
CEO

HUMAN CAPITAL

Métier employs 242 people who implement the Company's strategy. Métier strives to be an employer with fair and transparent practices. Employees are rewarded for the value of their work, competence and performance, based on the board-approved remuneration framework to ensure non-discrimination. The Métier Way, underpinned by the Company's values and ethics, guides employee conduct.

During FY 2023, Métier focused on:

- Reducing gaps in the achievement of the employment equity (EE) plan.
- Internal training, graduate development and mentoring to maintain the continuity of technical experience.
- Talent development and succession planning.

Employee profile

Métier's employee turnover rate increased to 21.5% (FY 2022: 18.6%). The subsidiary's workforce remained constant at 242 employees (FY 2022: 241).

Employment equity

Métier is committed to, and supportive of, the Employment Equity Act. During FY 2023, the subsidiary made further progress in reducing the gap to achieving its EE plan by targeting roles at senior, middle and junior management levels, as indicated in the employee complement table below.

Of 17 employees promoted during the year, 82.4% were African, Coloured, and Indian individuals. Métier continues to work towards meeting EE targets for females and black females.

The three-year EE plan to August 2021 was renewed for the period September 2021 to August 2024 by the EE committee. Subsequently, the Department of Employment and Labour amended the Act to simplify the sector targets from March 2022. Métier amended its plan to reflect the amendments to the Act. The EE committee met four times.

Employee profile

	Male				Female			Foreign nationals	
Occupational level	**African**	**Coloured**	**Indian**	**White**	**African**	**Indian**	**White**	**Male**	**Total**
Top management	1	0	0	4	0	0	1	0	6
Senior management	2	1	4	13	0	0	0	0	20
Professionally qualified and experienced specialists and mid-management	10	1	6	9	1	3	4	0	34
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	22	3	5	5	7	2	5	2	51
Semi-skilled and discretionary decision-making	56	0	0	0	0	0	0	4	60
Unskilled and defined decision-making	63	0	0	0	1	0	0	0	64
Temporary employees	4	0		0	3	0		0	7
Total	158	5	15	31	12	5	10	6	242

Employment equity

Occupational level	Target HDSA	Actual HDSA
Top management	6	6
Senior management	22	20
Professionally qualified and experienced specialists and mid-management	40	34
Junior management	56	51
Total	124	111

Ethics and integrity

Métier's codes of ethics and conduct provide guidance on required standards of conduct to ensure employees are aligned with a common value system. Elements of the code of conduct are included in the employee performance management process to emphasise their importance.

Métier promotes a culture of honesty by providing an externally managed whistle-blowing line for reporting of unethical and unfair practices. The service offers stakeholders a channel to report employee and management fraud and unethical conduct. Internally, the subsidiary stipulates a grievance procedure that enables employees to report unethical behaviour in the workplace to either their direct line manager, the human resources department or the CEO.

Employee wellness

Métier offers comprehensive wellness and lifestyle advice through its Métier Cares initiative with the objective of assisting employees to optimise their health and productivity. This initiative provides guidance to employees on the management of their finances and facilitates humanitarian support for communities in need.

The annual HIV and AIDS Awareness Programme, which starts in November leading up to World Aids Day on 1 December, remains a major campaign.

Training and development

Métier invested R0,4 million in training (FY 2022: R0,5 million). The subsidiary focused on maintaining core competencies across all regions, based on an analysis of skills and profiles completed during the prior year, and strengthened employee knowledge of relevant legislation.

Approximately 31.1% (FY 2022: 53%) of employees participated in the training, of which 21% (FY 2022: 30%) are historically disadvantaged male and female South Africans.

Tertiary study bursary initiative: leadership development

The objective of the bursary programme is to retain high-performance employees or those with key technical skills who are interested in developing their careers through further study. Recipients of the bursaries become part of an employee pool for promotion when they successfully complete their studies.

Métier renewed the bursary of one female Indian employee for tertiary studies. Two new bursary applications were accepted from one black male and one white female for tertiary studies in accounting studies and business management during FY 2024.

Production technology learnerships: empowerment through skills development

Métier renewed its support for six individuals with disabilities participating in the South African Qualifications Authority's (SAQA) National Qualifications Framework (NFQ) levels 2 to 5 in production technology learnerships. The framework is a national education and training system developed to provide quality learning in response to changing operating environments.

The objective of these learnerships is to empower the learners with knowledge and skills that improve their prospects of securing permanent employment at Métier or other companies.

The learners, constituting an equal number of black males and females, completed NQF4 during the year and are making progress towards NQF5.

Building Blocks mentorship programme: performance enhancement

Métier's mentorship programme provides guidance for graduates during the initial years of their career to establish a foundation of strong work ethics and enhanced performance. Entry level employees receive assistance from colleagues to improve or develop skills that strengthen their performance.

The Building Blocks programme runs from six to 18 months and offers the opportunity for graduates in the fields of construction, civil engineering and marketing to gain technical experience.

Four mentees participated in the programme during the year. Two were offered permanent positions at Métier: One black male mentee was employed as a workshop coordinator and one white male was employed in the sales department. The other two mentees (one black male and one black female) were placed in permanent positions with other companies.

The programme:

- Develops a talent pool of potential leaders with knowledge, skills, and abilities to add value to Métier.
- Assists participants to achieve career development and personal growth goals aligned with Métier's business objectives.
- Equips participants with the tools necessary to perform to their highest capability.
- Creates opportunities for participants to engage with professionals with different functions.
- Creates a culture that embraces mentorship as an effective way of developing individuals.
- Fosters higher levels of engagement and career vision.

Succession planning

Métier undertook a talent mapping process to identify gaps in the technical skills needed to implement the subsidiary's future business objectives, and to provide the necessary skills training.

The outcomes of the talent mapping process informed the development of a succession plan and talent pipeline. This will drive the transformation, career advancement and retention of future leaders, ensuring continuity of leadership and technical expertise.

BROAD-BASED BLACK ECONOMIC EMPOWERMENT

Métier maintained a level 4 BEE contributor status. While the subsidiary improved its skills development score, its enterprise and supplier development score was reduced due to budgetary constraints.

HEALTH, SAFETY AND ENVIRONMENT

Health and safety

Métier's health, safety and environmental (HSE) programme is overseen by an executive committee member and implemented by regional management supported by safety representatives and committees. The programme creates awareness among employees of the Company's impact on its operating environment and promotes continuous improvement in the management of HSE impacts.

Each Métier operation is audited internally three times a year to ensure compliance with requisite HSE laws or regulations and drive continuous improvement in performance. External audits are conducted by government agencies to monitor compliance.

Métier's safety culture, driven by a strong focus on operational activities and employee behaviour, continues to yield results with no fatalities and a time injury frequency rate (LTIFR) of 1.19 (FY 2022: 1.14). The subsidiary's key safety risks are incorrect operation of heavy machinery, absent-mindedness and falling. Depending on the incident, employees are either provided additional safety training or issued a warning in incidences of negligence.

Monthly health and safety meetings (Toolbox talks) are held at all operations to reinforce standard protocols. Internal safety audits confirmed broad compliance with all safety procedures, meetings, and record-keeping.

Environmental management

Métier conducted 52 environmental audits (FY 2022: 52) to monitor and minimise the environmental impact on the areas surrounding the operations. The audits identified Métier's main environmental impacts as dust emissions from silos and aggregate stockpiles, washout concrete residue, and wash water management.

In line with Métier's commitment to zero tolerance of non-compliance with environmental and safety protocols, the subsidiary incurs ongoing costs to mitigate and manage impacts. The subsidiary continues to implement mitigatory measures. These measures and all audits are overseen and undertaken by an EXCO member.

Dust emissions

Métier monitors dust emissions and uses suppression sprinklers to ensure that stockpiles remain damp to minimise the emissions. Filters and screens are used to control dust levels from silos and the loading bay. Dust emissions are maintained below the regulatory limit of 1 200 mg/m^2 per day, as stipulated by the national dust control regulations.

Water management

Métier recycles and re-uses between 85% and 90% of all excess water generated on the premises during production. The subsidiary uses water from the municipal supply to produce ready-mixed concrete.

Water used to wash trucks and for general cleaning of the plant premises is recycled through the settlement ponds and re-used in ready-mixed concrete production. Métier ensures that any excess water not recycled is maintained at a minimum to be cleaned and released into the municipal systems.

Waste management

Métier's focus was to ensure efficient waste management at all plants and correct disposal in line with municipal bylaws. Waste is categorised and allocated to separate disposal bins as stipulated by the legislative framework. All plants have washout facilities that include recycling units.

Métier collects the recycled concrete residue for delivery to approved quarries, where it is recycled back into aggregates for onward uses.

BUSINESS REVIEW – SEPHAKU CEMENT

SepCem's financial year is from 1 January to 31 December 2022 (CY 2022) which differs from the 1 April 2022 to 31 March 2023 (FY 2023) reporting period of the Group and Métier.

Duan Claassen
CEO

Faced with the challenge of maintaining its competitive position in a highly inflationary environment, SepCem leveraged the cost-efficiency advantages of its plant, optimised sales and increased the use of alternative fuels at lower cost.

CHIEF EXECUTIVE OFFICER'S REPORT

Building materials industry overview

The cement sector reverted to pre-COVID-19 levels of low demand and excess capacity as the domestic construction industry continued to contract, despite the backlog in public sector infrastructure investment. While the Western Cape residential market offered opportunities to market participants, construction activity in SepCem's primary inland markets remained subdued.

Material increases in fuel and energy costs and persistent loadshedding, coupled with higher interest rates, adversely impacted the disposable income of retail consumers and small businesses. This was reflected in lower spending on non-essential items and a sustained reduction in retail hardware sales since 2021, according to Statistics South Africa. High rainfall and a delayed restart in construction activity following the builders' holiday, impacted sales early in the year.

Intense competition for lower volumes in a fragmented market of primary integrated producers, importers and blenders, and the import of 730 Kt of cement (2021: 1 060 Kt), compounded the challenges faced by cement manufacturers.

The combination of over-supply and sluggish demand in a competitive industry with limited reliable information on the competitive environment, placed downward pressure on pricing. This made it difficult for cement producers to recover material increases in transport and distribution costs, which resulted in further erosion of profit margins.

Operational performance

Following the elimination of risks to plant reliability during 2021, SepCem's operations performed optimally during 2022. Further progress was made in the drive to mitigate rising energy costs and reduce carbon footprint by increasing the use of alternative fuels.

Sales volumes and revenue

Sales volumes decreased by 12% during the year to 31 December 2022 (CY 2021: 1% decrease) in line with SepCem's estimates for overall market performance. The reduction in SepCem's sales volumes was primarily due to lower sales of bagged cement in urban and rural areas that account for 70% to 80% of total sales. Sales of bulk cement to construction projects account for the balance of volumes. These were relatively flat year-on-year, reflecting an industry in decline for over four years.

Cement and clinker imports decreased by 39% to approximately 830 Kt (2021: 1.36 million tonnes). The bulk of cement imports came from Vietnam through the Durban port and most cement clinker imports were from the Middle East, according to South African Revenue Services statistics.

Price increases implemented by SepCem in January 2022 were sustained in most markets, increasing net selling prices per tonne to between 5% and 8% during the first half of the year. Further escalation of input costs necessitated additional price increases in July 2022 which were restricted to between 1% and 3% due to adverse market conditions. This resulted in partial recovery of costs.

SepCem applies market segmentation and targeted pricing to optimise sales revenue. Using digital market intelligence, the Associate is able to prioritise products with higher margins in markets close to its production facilities where it has a distinct advantage.

Cost containment

Sharp rises in coal and fuel prices increased transport and other operational costs for SepCem and its suppliers. However, the Associate restricted the increase in its variable costs per ton to 8% to 9% (CY 2021: 11% to 13% increase), notwithstanding a 46% increase in fuel costs, a 10% to 20% surge in average coal prices and an average 10% increase in electricity tariffs. Fixed costs, impacted by lower volumes, were restricted to 0.1% growth compared to inflation of 6.9%.

SepCem implemented several austerity measures to offset higher input costs, including increased use of alternative fuels, efficiency enhancements in the integrated plant and grinding operation and route-to-market optimisation. The coal price risk was mitigated by sourcing a lower cost alternative energy source from a supplier in Botswana during the last quarter of 2022. Having held off retrenchments against the industry trend in previous years, SepCem reduced its headcount through natural attrition and placed a moratorium on payment of short-term incentives as market conditions worsened.

Feedback on CY 2022 focus areas

Convert residual project bank debt to a revolving facility with improved terms: SepCem achieved its debt management plan by settling bank debt of R666 million, including a final bullet payment of R377 million, by 1 November 2022. The Associate negotiated a new R400 million loan and a R200 million working capital facility, payable over three years at a lower interest rate of JIBAR plus 3.25 basis points. The debt restructuring reduced overall debt from R1,3 billion to R1,1 billion, lowered financing costs and creating capacity for the business to grow when market conditions improve.

Maintain sales volumes: SepCem implemented several pricing, cost containment and efficiency improvement measures to protect its market share in a contracting cement market.

Improve cost efficiencies: Despite material increases in the costs of raw materials and transport, SepCem maintained cost efficiencies, restricting cost increases to levels below increases in primary inputs and the consumer price index.

Implement initiatives to improve risk management, including enhancing information management: SepCem implemented safeguards to protect the business from the risk of cyber-crime.

Looking ahead

In CY 2023 we will continue to focus on:

Growing volumes. Leveraging market intelligence to optimise sales revenue and margins. Capitalising on the opportunity to supply blender competitors in the bagged cement market. Increasing bulk cement sales by securing new opportunities in the power generation market.

Improving profit margins. Maintaining the focus on cost management and cost-efficiency.

Ensuring business continuity. Accelerating the delivery of economic development and job creation projects to local communities, remaining compliant with evolving environmental regulations and adopting renewable energy to ensure security of power supply.

Entrenching and sustaining a high performance culture. Entrenching the Tokafatso programme to maintain a skilled and engaged employee complement, capable of remaining abreast of technology advances. Transferring skills when the plant is not operating at full capacity to gear up for opportunities as they arise.

Duan Claassen
CEO

HUMAN CAPITAL

SepCem recruited a critical mass of highly skilled people when it commenced operations in 2013 and focuses on retaining and improving employee skills with internal learning and career development programmes. SepCem provides fair remuneration and reward aligned with industry trends and guided by the board-approved remuneration framework. Safe working environments are prioritised in routine employee meetings.

Deteriorating economic conditions and loadshedding placed employees under pressure as they returned to work after the COVID-19 lockdowns. SepCem addressed employee concerns and sought to strengthen engagement by increasing the frequency of executive visits to plants and convening discussions about Company performance and future direction. SepCem conducts routine employee engagement through structured meetings (SepComs) as part of its Tokafatso organisational performance enhancement project.

During CY 2022, SepCem focused on:

- Improving employee engagement in challenging operating conditions.
- Focusing on equity, diversity and inclusion.
- Talent development and succession planning.
- Entrenching a high performance culture.

Employee profile

SepCem's employee complement reduced to 472 people (CY 2021: 492). Employee turnover at 11% exceeded 10% for the first time in five years (CY 2021: 10%). 58% of departures were voluntary, with exiting employees citing a combination of financial and career growth opportunities in other economic sectors. Where possible, SepCem did not fill all vacancies resulting from employee turnover. This was part of the overhead cost containment drive.

Employment equity

SepCem's employment equity committee met three times and focused on measuring progress against annual targets. Having completed year four of the five-year EE plan, the committee addressed outstanding barriers to EE.

SepCem strives to achieve higher representation of women across all management levels and aims to have a workforce that is more representative of South Africa's economically active population. Ten employees were promoted during the year, 90% of whom were African, Coloured, and Indian individuals and 20% women.

SepCem is committed to recruiting people with disabilities and the EE committee identified the workplace environment and facilities as a barrier to be assessed, with a view to reasonable accommodation for people with disabilities in the workplace.

Employee profile

	Male				Female				Foreign nationals	Total
Occupational level	**African**	**Coloured**	**Indian**	**White**	**African**	**Coloured**	**Indian**	**White**	**Male**	**Total**
Top management	3	0	0	3	1	0	0	2	1	10
Senior management	2	1	0	8	2	0	0	4	1	18
Professionally qualified	11	2	2	12	4	1	2	5	1	40
Skilled technical	63	2	2	19	28	2	4	7	1	128
Semi-skilled	102	1	1	1	25	0	0	1	0	131
Unskilled	112	2	0	0	29	1	0	1	0	145
Total	293	8	5	43	89	4	6	20	4	472

Employment equity

Occupational level	Target HDSA (%)	Actual HDSA (%)
Top management	42	60
Senior management	45	50
Professionally qualified	75	68
Skilled technical	85	84
Semi-skilled	100	99
Unskilled	100	100

Employee development

SepCem increased its investment in training to R3 million (CY 2021: R2.8 million). The key objectives of SepCem's learning and development activities are to:

- increase the competency levels of individual employees to improve team, division and Company performance; and
- develop future leaders, and support the career aspirations of employees, where possible, in alignment with the Company's strategic objectives.

Leadership development and succession planning

SepCem focused on building leadership capacity and strengthening the succession plan to ensure an adequate pipeline of suitable candidates for future leadership roles.

Several employees, ranging from first line to executive managers, participated in leadership development programmes at Wits Business School, GIBS Business School and North West University Business School. These programmes included: Management Advanced Programme; New Manager's Programme; Executive Development Programme; Emerging Leader Programme; Fundamental Manager Programme; and Leading into the Future.

An executive management EQ and 360 perception measure project was completed. Due to the benefits of the initiative, SepCem will extend it to senior and middle managers.

Learning and development

The main objective of mandatory training at the plants was to achieve compliance in occupational health and safety, advanced firefighting, human resources for non-HR managers and environmental awareness. In addition, employees were trained in business ethics and culture, the hygiene code of practice and SepComs facilitation.

Employee bursaries

SepCem increased the number of education assistance beneficiaries to 10, from five beneficiaries in the previous reporting period. These employees pursued studies in fields such as financial management, supply chain and logistics, and N3 mechanical engineering and rigging.

ENTRENCHING AND SUSTAINING A HIGH PERFORMANCE CULTURE

Project Tokafatso is an organisational performance enhancement programme initiated at the Aganang plant, and extended to the Delmas plant and the Centurion Head Office during CY 2022. The project is about:

- translating the boardroom strategy into actions and following through on those actions;
- striving towards achieving organisational, operational and service excellence; and
- facilitating the development of an agile organisation with high-performing, self-starting people capable of effectively implementing the strategy.

SepComs provide a platform for managers, employees and teams to assess performance against strategic objectives and address any obstacles. Learning topics are shared during the SepComs and employees are recognised for their contribution towards the achievement of team or divisional goals. Maturity indexing is conducted periodically to assess the effectiveness of SepComs. Aganang plant achieved level 3.3 in CY 2022.

Employee wellness

SepCem arranges annual Wellness Days, during which employees are given an opportunity to assess their physical wellbeing and engage with financial, psychosocial and health management service providers. Employees were also invited to participate in a mental health webinar and a financial fitness bootcamp during FY 2022. The Associate communicates regularly on a range of health-related matters and organises social events to encourage social cohesion and teamwork.

Labour relations

SepCem has had no recognised union for collective bargaining purposes since January 2021 and therefore, implemented an annual salary increase for all categories of employees. AMCU is the largest union by membership representing approximately 39.5% of the bargaining unit. An organisational rights agreement is in place with NUM at the Aganang plant, and AMCU retained its standing as the majority union from an organisational rights perspective at Delmas plant.

The relationships with the unions were harmonious and overall, the employee relations climate was stable.

HEALTH, SAFETY AND ENVIRONMENT

Health and safety

SepCem's mining site achieved more than one million injury-free work hours, while the Kendal site and Pallet Yard sites achieved more than half a million injury-free work hours during the year under review. There were no fatalities at SepCem's operations. The LTIFRs were 0.88 at Aganang (CY 2021: 0.57) and 0.0 at Delmas (CY 2021: 0.83). The Delmas plant recorded zero lost-time injuries and Aganang recorded four lost-time injuries. While the Aganang LTIFR is still within the target of less than 1.0, it is not in line with SepCem's tireless pursuit of continuous improvement in annual safety performance. Investigations into the lost-time injuries concluded that the majority were caused by behavioural errors.

SepCem's Road Transport division noted a slight decrease in truck and passenger vehicle accidents to 37 (CY 2021: 41). Regrettably, in one collision involving a SepCem vehicle in North West Province, there were three third party fatalities in the other vehicle, which was found to have caused the accident.

SepCem intensified training and other interventions to prevent incidents of this nature from reoccurring. Multiple campaigns are planned to improve safety awareness and reinforce measures such as consequence management to encourage a sound safety culture and decisive action against unsafe behaviour.

Environmental management

SepCem recognises that its cement production facilities have an environmental impact and complies with all applicable permits and licences governing environmental management. SepCem mitigates environmental impacts by measuring, monitoring and reporting on environmental performance, rectifying non-compliance identified during audits and site inspections and adopting innovative approaches to mitigate its impacts. In an evolving environmental regulatory environment, the Associate remains abreast of fast-changing regulatory requirements.

During CY 2022, SepCem focused on:

- Implementing a decarbonisation plan to reduce its carbon footprint through short-term and long-term alternative fuel projects.
- Introducing waste tyres to the energy mix and testing the viability of additional alternative fuels.
- Compliance with new regulations governing the use of alternative fuels.
- Raising environmental awareness among employees.
- Sharing environmental best practices and contributing to the improvement in the Dangote Group's CDP rating from B- in 2021 to B+ in 2022.
- Commencing preparation for implementing phase 1 of ISO14001.

Alternative fuels – reducing carbon footprint and containing energy costs

Waste tyres

As part of a three-year alternative fuels plan, SepCem introduced waste tyres as an alternative source of fuel for its kiln to reduce dependence on thermal energy (coal) over time, thereby reducing carbon tax and mitigating rising energy costs.

Having secured a licence and capital expenditure during an extensive development period, SepCem completed installation of the tyre feeding system and commissioned it in August 2022, ramping up to a thermal substitution rate of 1.19% at end December 2022 and 4.18% at end March 2023. The target for CY 2023 is 5.7% and 8.4% for CY 2024.

The waste tyres are collected and distributed free of charge to SepCem. During the five months to December 2022, SepCem received 2.8 kt of scrap tyres, of which 1.6 kt were used to generate heat energy.

Liquid fuel

In a further development, SepCem tested and confirmed the viability of using liquid fuel as an additional substitute for thermal energy. Based on its existing liquid fuel processing capability, SepCem conducted testing of liquid fuels with a petroleum waste management company. A tender process followed to select a partner to design and install the equipment and technology required to incorporate liquid fuel as an additional alternative fuel.

Refuse derived fuel

SepCem is exploring opportunities to use refuse derived fuel (RDF) as an alternative fuel. RDF is waste from landfill sites or generators that cannot be recycled. A feasibility study is being conducted in partnership with waste management companies in Gauteng to establish the quantity of RDF waste generated, including the use of on-site RDF, and motivate capital expenditure for the project. This is a major focus for CY 2023.

Atmospheric emissions

Emission monitors at the Aganang and Delmas operations enable the plants to monitor all pollutants daily and assess results against the atmospheric emission licence. Emissions data is reported internally, discussed at quarterly operational meetings, and assessed for risk.

Although emissions were below permitted limits for all regulated pollutants, dust emissions exceeded emission limits twice for minimal periods due to reduced bag filter equipment efficiency. This was rectified by sourcing higher quality bag filters, resulting in compliance to emissions limits.

Nitrous oxide emissions – an innovative solution

Reburn design and process optimisation at the Aganang kiln reduced nitrous oxide emissions in compliance with stricter new requirements for alternative fuels. Previously, the plant operated at approximately 1 100 – 1 300 milligrams of nitrous oxide emissions per normal cubic metre (mg/Nm^3) against the standard of 1 200 mg/Nm^3. This reduced to a range of 800 – 900 mg/Nm^3 as a result of the installation of a low-cost nitrogen oxide reburn, while avoiding the high-cost solution of SNCR (selective non-catalytic reduction) and SCR (selective catalytic reduction).

By feeding waste tyres as an alternative energy source into the back-end kiln, SepCem further reduced nitrous oxide emissions to a range between 600 – 700 mg/Nm^3.

Carbon emissions

SepCem proactively measures its carbon dioxide (CO_2) emissions to manage its carbon footprint. During the 12 months to 31 December 2022, emissions decreased to between 0.72 tCO_2e and 0.77 tCO_2e per tonne of clinker produced (CY 2021: between 0.72 tCO_2e and 0.80 tCO_2e per tonne). The CO_2 per tonne of clinker decreased as result of the replacement of conventional fuels with alternative fuels.

Direct CO_2 emissions intensity (Scope 1)	CY 2022	CY 2021
Net CO_2 per tonne cementitious product (kg CO_2/tonne)	548	545

The variation in CO_2 per of cementitious product is as a result of product mix due to market requirements.

Carbon tax

As a scope-one emitter, SepCem paid carbon tax (phase 1) of R24 million at an applicable rate of R144 per tonne of carbon dioxide equivalent (tCO_2e) during 2022. The rate increased to R159/t CO_2e for 2023 and will continue to increase annually to R236/t CO_2e until 2025 when phase 1 ends. Carbon tax phase 2 is scheduled to commence in 2026, with rates increasing annually from R308/t CO_2e in 2026 to R462/t CO_2e by 2030. SepCem continues to monitor amendments to carbon tax requirements to ensure that it remains compliant and able to adapt processes where possible to reduce the tax liability through offsets.

SepCem participates in voluntary budgeting for carbon tax and submitted a revised budget to account for the extension of phase 1 from 2022 to 2025. The budget, and related mitigation plans, were approved by the Department of Forestry, Fisheries and the Environment.

Water management

To conserve water, SepCem monitors water quality comprehensively, minimises pollution by separating clean and impacted water streams, recycling impacted streams and treating water where necessary. Water quality compliance is measured against applicable water use licence limits assigned for each discharge to the receiving environment.

The Aganang and Delmas plants re-use the water from return water dams and silt traps as process water and offset the use of boreholes or fresh water from the municipality. The annual volume of water abstracted from five boreholes was 82 534 m^3, which is 37% less than the 130 591 m^3 abstracted in CY 2021 due to higher rainfall.

Aganang recycled 158 579 m^3 (CY 2021: 108 703 m^3) from the return water dam for use in processing. Measurement of water recycled at the Delmas plant commenced in January 2022, with the plant recycling 17 077 m^3 during the year.

Waste management

SepCem improves operational efficiencies by reducing the waste produced from its processes and promoting recycling. Waste that cannot be recycled is safely disposed of at appropriate waste facilities. Each plant maintains waste inventories that detail the source, volume and type of waste generated by each process, and the disposal method. The plants are registered on the South African Waste Information System, and the volume and type of waste generated and disposed of are reported monthly.

General waste is separated at the plant into component waste streams, including domestic waste, ready-mixed recyclables, wood, steel, and rubber. Waste for recycling and re-use is collected from internal transfer areas by an independent contractor for re-use, recycling, and disposal of the residual domestic waste stream.

Hazardous waste, such as used oil, is recycled through specialist service providers, and oil-contaminated material, including used filters, is delivered to registered waste disposal facilities. SepCem's disposal of waste and recyclables complied with the conditions of its waste management licence.

SOCIAL CAPITAL

SepCem strives to maintain sound, mutually beneficial relationships with local communities. The Associate complies with regulations governing its environmental and social impacts and engages extensively with communities through their leadership structures, the Kopano Municipality and key government departments.

During CY 2022 SepCem focused on:

- Working in partnership with government and industry to accelerate the delivery of social projects.
- Commencing the first three SLP projects under the Ditsobotla Cement Manufacturers Forum (DCMF) following the approval of the SLP. The SLP defines the approach to economic development and community empowerment in the communities adjacent to the Aganang plant. The DCMF was established as a partnership between AfriSam, Lafarge and SepCem to implement SLP projects.
- Engaging with communities to address grievances related to livestock grazing, employment and procurement.

Aganang plant

Community engagement in the North West Province has centred on the provision of employment, preferential procurement and livestock grazing for local communities since Aganang commenced operations. The lack of widely recognised community leadership contributed to delays in the approval of the SLP and the finalisation of the surface lease agreement and long-term grazing land plan. The impact of deteriorating economic conditions continues to heighten tensions and increase social incidents that disrupt operations at Aganang.

Following lengthy engagement with the Department of Mineral Resources and Energy (DMRE), the SLP was formally approved on 25 January 2022. This enabled cement producers in the province to start implementing numerous empowerment initiatives.

Implementation of SLP projects

In a major development, the DCMF concluded a memorandum of understanding (MoU) that defines their agreement to implement the SLP in partnership, and identified the following high impact infrastructure and job creation projects and their stakeholders. SepCem chairs DCMF meetings facilitated by the DMRE and liaises with the DMRE.

Project	Activities	Timeframe	Budget*
Support Taletso Technical Vocational Education and Training (TVET) College.	Set up and equip resource centre	Q2 2023	R0,96 million
	Build auditorium	Q1 2024	R3,98 million
Establish brick-making project to upgrade internal roads.	Set up a brick-making project to manufacture bricks/paving materials to upgrade internal roads in the Ditsobotla area.	Q1 2024	R0.76 million
Support Ditsobotla Municipality to enhance service delivery.	Formal participation in municipal governance structures.	DCMF unable to engage the representatives of the municipality due to ongoing political instability.	
	Formalise capacity building of officials and municipal workers where practical.	DCMF remains committed to engage through a Ditsobotla joint technical forum and provide support to the municipality as and when possible.	

* *SepCem's share of the budget, recognised as part of SepCem's SLP commitment.*

Torosesha

Established as an empowerment entity to benefit the Verdwaal and Springbokpan communities in fulfilment of SepCem's mining licence conditions, Torosesha has a 15% shareholding in SepCem's mining subsidiary, Sephaku Development Proprietary Limited (SepDev).

Since mining operations commenced in 2014, the communities have received R8 million in dividends from SepDev, with R2 million (25%) allocated to Verdwaal 1, R2 million (25%) allocated to Verdwaal 2 and R4 million (50%) allocated to Springbokpan.

Implementation of mining community projects

Verdwaal community centres

The Torosesha board approved the construction of multi-purpose community centres at Verdwaal 1 and Verdwaal 2. The community centres will provide space for a range of community activities and services, including a waiting room for the mobile healthcare clinic, offices for Torosesha and community leadership offices, skills development, employment and SMME recruitment and advisory services and a general information centre. The projects will cost R3.8 million.

The Verdwaal community reached an agreement on the projects after their concerns about the appointment of contractors were resolved. Two local contractors were appointed and commenced work. Both projects are scheduled to be completed by end 2023.

Springbokpan clinic

The construction of the Springbokpan clinic has not yet commenced due to ongoing community concerns. The North West Department of Health, which will manage the clinic and provide medical professionals, signed a MoU for the development of the clinic in partnership with SepCem and Torosesha. The MoU was successfully ratified at a general community meeting on 5 December 2021 but progress was suspended pending an urgent request by community representatives to enable a resolution on the revised site for the clinic and the finalisation of an operational plan from North West Department of Health.

To date, both issues have been resolved and community representatives have requested Torosesha to proceed with project. The next steps are the finalisation of designs by the North West Department of Health, followed by a tendering process for project execution.

Alternative grazing land

A shortage of grazing remains a material concern for approximately 170 livestock farmers affected by the mining area in the communities of Verdwaal and Springbokpan. As an interim arrangement while it prepares a long-term grazing plan, SepCem provides the livestock farmers with temporary access to specific portions of the farm Bethlehem 75 IO and the remaining extent of Klein Westerford 78 IO. The grazing land is approximately 750 hectares, which is equivalent to the area impacted by the mining operations. The farmers are concerned that the interim arrangement is insufficient because the area is overstocked, resulting in overgrazing.

Securing grazing land with at least equivalent characteristics close to the local livestock farmers has been challenging. Suitable private and public land is unavailable for sale or rental within a 20km radius of the affected communities. SepCem appointed an agricultural specialist to prepare a detailed costing of identified alternative measures to be implemented in collaboration with the Department of Agriculture. The specialist engaged with the livestock farmers in 2022 to discuss various options for sustainable grazing. A draft plan was submitted and is being reviewed by management.

A related matter that has arisen during this process, is an increase in the reported cases of livestock mortality. The farmers claim that this is attributable to either contamination of underground drinking water, blasting activities in the mined areas or dust from the manufacturing plant. They have lodged a claim for compensation. SepCem has presented its water quality monitoring results to the community to demonstrate that the Company is not responsible for water contamination in the area. This was confirmed by the Department of Water Affairs and Sanitation after conducting tests and reviewing the results.

However, there is evidence that livestock are drinking untreated water from the municipal sewerage treatment works located north of the mining operation. The community has been unsuccessful in engaging with the municipality to resolve this and has asked the Department of Agriculture to facilitate a meeting with the Department of Water Affairs to intervene in the matter. SepCem has asked to be involved in the meetings to monitor progress.

Furthermore, SepCem commissioned an investigation by an agricultural scientist who found that the livestock deaths are attributable to overstocking and poor livestock management. Neighbouring farmers who were interviewed had not experienced an unusual increase in their livestock mortality.

In response to the community livestock farmers' plight, SepCem decided, as an act of goodwill, to provide immediate short-term relief for farmers. Long-term solutions to the recurring problem will be sought in partnership with relevant provincial and national government departments.

Aganang and Delmas

Employment opportunities

SepCem applies stringent recruitment and procurement processes to ensure that members of the communities adjacent to Aganang and Delmas benefit from employment opportunities at its operating plants. In its engagements through designated representatives, SepCem strives to address unfounded community concerns about its commitment to employing community members.

During CY 2022, 85% of people employed at the Aganang plant were from communities in the Ditsobotla municipality and 65% of people employed at the Delmas plant were from communities in the Victor Khanye municipality.

Supply opportunities

SepCem supports local economic development by procuring goods and services from local SMMEs. The enterprise and supplier development (ESD) plan develops entrepreneurs by providing small businesses with training, mentorship, and coaching on business administration.

During CY 2022, 95 vendors were from the Ditsobotla municipality, of whom 22 were black-owned SMMEs (CY 2021: 19). The procurement expenditure with SMMEs from the Ditsobotla municipality increased to R115 million, of which R105 million (CY 2021: R75 million) was with black-owned SMMEs.

Five targeted supplier development projects were implemented for local SMMEs to supply the following services:

- Plant maintenance
- Office cleaning
- Forklift operations
- Transport

An internal compliance audit for the participants in the SepCem development programmes confirmed that by year-end, 85% of the SMMEs complied with all statutory requirements, which was above the targeted 75%.

Community disruption of operations

SepCem experienced an increase in incidents of community disruption at Aganang during the year, with 13 reported incidents resulting in 33 hours of lost production and sales time. SepCem obtained an interdict to prevent disruption when grievances are not reported through established community engagement channels.

BROAD-BASED BLACK ECONOMIC EMPOWERMENT

SepCem retained level 5 BBBEE status to July 2021 by achieving maximum points for socio-economic development, improving skills development and maintaining strong supplier development performance in local communities. The BBBEE score was negatively impacted by ownership and management control. The Associate continues to identify areas of improvement to achieve a higher score.

SepCem is in the process of being verified for the period to July 2022. Based on its internal assessment, SepCem expects to retain the level 5 BBBEE for the 2022 financial year.

CORPORATE GOVERNANCE OVERVIEW

SepHold is committed to the highest standards of governance, business integrity, ethical conduct and professionalism. The Group recognises that these principles support its goals and strategies, create transparency and trust and contribute to the preservation of value for material stakeholders.

GOVERNANCE FRAMEWORK

A robust governance framework guides effective and responsible leadership. The board, assisted by board committees, is the guardian of the Group's corporate governance practices and delegates the responsibility of instilling ethical practices and integrity to executive management. A board charter regulates members' conduct in line with King IV and defines the board's authority and role as the governance structure, with ultimate accountability and responsibility for the Group's conduct and performance.

The board approves the Group's strategy and governance policies and provides oversight on their implementation. The board delegates authority to the executive directors to manage the Group's operations according to the approved strategy and policies. **The board is satisfied that it has fulfilled its responsibilities according to the board charter in FY 2023.**

<table>
<tr><th colspan="3">SEPHOLD BOARD</th></tr>
<tr><td colspan="3">The SepHold board is assisted by three committees that discharge their statutory responsibilities according to terms of reference and the board charter. The board delegates responsibility for the governance of certain operational matters to Métier and SepCem, enabling it to focus on overarching group-related matters.</td></tr>
<tr><td>Audit and Risk Committee (ARC)</td><td>Social and Ethics Committee (SEC)</td><td>Remuneration and Nomination Committee (REMCO)</td></tr>
<tr><td>Métier Board</td><td colspan="2">Board membership is constituted of the Métier CEO, SepHold CEO and a non-executive director.</td></tr>
<tr><td>SepCem Board</td><td colspan="2">The board comprises ten main members and four alternates, including the SepHold CEO, SepHold non-executive director, SepCem CEO and is chaired by DCP's Chairman.</td></tr>
</table>

An overview of the Board's focus areas for the year

April to June 2022	July to September 2022	October to December 2022	January to March 2023
• Approved the FY 2022 annual financial statements. • Reviewed and approved the FY 2022 integrated report. • Reviewed the Group's future direction at a strategy session in May 2022.	• Reviewed and approved the board committees' terms of reference. • Approved the diversity policy.	• Assessed and approved the FY 2023 interim results. • Oversaw the going concern assessment and noted that all bank debt was repaid in FY 2023. • Considered a valuation of the UAM investment and loan; resolved to provide for 40% of the loan, amounting to R1,4 million, and impair 50% of the investment.	• Conducted annual independent evaluation to determine the effectiveness of the Board and its committees. • Interrogated and approved the SepHold FY 2024 budget.

ENSURING EFFECTIVE LEADERSHIP

Board evaluation and independence

The board is constituted of four independent non-executive directors, one non-executive director and two executive directors.

SepHold evaluates the effectiveness and performance of the board, its committees, and individual directors annually. During the year under review, Acorim (Proprietary) Limited was appointed to conduct the annual independent evaluation to determine the effectiveness of the Board and its committees. The results of the evaluation were presented to the Board, with no matters of material concern identified. The positive assessment found that the Board and its committees were operating effectively and, where required, plans were formulated to make improvements, specifically in regard to succession planning and setting of risk tolerance levels.

Brent Williams and Moss Ngoasheng have both served for more than nine years and will retire by rotation and stand for re-election at the September 2023 AGM.

Board diversity

SepHold's diversity policy focuses on gender and race while promoting attributes such as age, skills, experience and culture. The board is committed to increasing female members and ensuring female applicants are considered for vacant board positions.

On 31 March 2023, female representation was 28%, and African, Coloured, and Indian representation was 57%, in line with the diversity policy. The average age of all directors was 60, with the youngest 45 and the oldest 67. The average age of executive directors was 59. Directors have skills and experience across the spectrum of law, finance and accounting, business and entrepreneurship, mining and construction materials, economics, politics and medicine.

The policy can be accessed on our website at www.sephakuholdings.com/corporate-governance/governance-documents/

Induction and training

All new directors are inducted by the Company secretary and SepHold executives. The induction process enhances their understanding of Group operations, the business environment, building and construction materials markets and sustainability matters. Directors are briefed on their fiduciary and statutory responsibilities, including the JSE Listings Requirements.

Training includes ongoing support and information provided in board and committee meeting documentation and updates on amendments to applicable laws and legislation. The board engages the services of external facilitators for requisite training in specialised governance practices such as cybersecurity and IT governance. An ESG presentation on the JSE disclosure guidelines was distributed to the board. Further training is planned to take place.

Company secretary

SepHold's Company secretary, Acorim, represented by Nikita Hunter, advises the directors on regulatory requirements, governance procedures and the discharge of their duties and responsibilities. The board's arrangements regarding accessing Acorim's services and enabling Ms Hunter's unfettered access are effective. Acorim maintains an arm's length relationship with the Group and its boards.

In its assessment, the board considered the independence of Acorim and its collective qualifications and track record. The Company secretarial services were assessed, and the board is satisfied that Ms Hunter has the requisite knowledge, skill, and discipline to perform the functions and duties of the Group Company secretary.

Insider trading and conflict of interest

In addition to the regulatory requirements, the board charter:

- sets out the approval process for dealing in SepHold securities;
- sets out the required notification process of share transactions in terms of the Listings Requirements; and
- prohibits directors from dealing in SepHold shares when in possession of non-public, price-sensitive information.

Board members are required to confirm their trading in SepHold shares and compliance with the regulatory requirements with the board chairperson or CEO. Directors are required to formally update their directorships and other relevant interests at least annually. Standard declarations of interests in contracts are conducted during board meetings. Directors are immediately notified when the Company enters a closed financial period, and receive reminders at board meetings. Executive managers are reminded, at least biannually and during financial results closed periods, that trading in Company shares is prohibited when in possession of price-sensitive information.

DIRECTORATE

Non-executive directors

Brent Williams (59)

Chairperson and independent non-executive director

BA (University of Cape Town), BProc (University of Western Cape), LLM (Harvard University Law School).

Brent was appointed as director and chairperson of SepHold on 3 March 2012. He was admitted as an attorney in 1992 and has held several key positions. He is currently the CEO of Cliffe Dekker Hofmeyer.

Martie Jacoba Janse van Rensburg (66)

Independent non-executive director

BCom (University of the Free State), BCompt (Hons) (University of South Africa), CA(SA), Executive Programme in Strategy and Organisation (Stanford University Business School), TCTA Leadership Development Programme (Gordon Institute of Business Science), AltX Director Programme (JSE and Wits Business School).

Martie was appointed a director of SepHold on 22 September 2016. Between 1994 and 2008, she was the chief financial officer (five years) and then CEO (10 years) of the Trans-Caledon Tunnel Authority. Martie served as a non-executive director and member or chairperson of audit committees for Bond Exchange of South Africa, Airports Company South Africa, Etion Limited, Johannesburg Water SOC, Denel SOC, Development Bank of Southern Africa, Ivanhoe Mines Limited and the Independent Regulatory Board of Auditors. She is a non-executive member of the FirstRand Wholesale Credit Committee and Ashburton Investment Credit Committee.

Moses Modidima Ngoasheng (66)

Independent non-executive director

BA (Economics and International Politics) (University of South Africa), BSocSci (Hons) (University of KZN), MPhil (University of Sussex).

Moss was appointed a director of SepHold on 1 February 2008. He was instrumental in the industrial policy of the African National Congress and an economic advisor to President Thabo Mbeki from 1995 to 2000. He consulted for the World Bank and National Housing Forum (South Africa) on aspects of economic policy in South Africa. Moss is a CEO, deputy chairman, and cofounder of Safika Holdings, an investment holding Company with a range of interests in the mining, industrial, gaming, financial services, telecommunication, and technology sectors. He is a board member, and chairman of South African Breweries Foundation and a Trustee of the Nelson Mandela Children's Hospital, just to mention a few.

Bukelwa Bulo (45)

Independent non-executive director

BBusSc (Finance) and PGDip in Accounting (University of Cape Town), CFA, Leadership Development Program (Harvard Business School).

Bukelwa was appointed a director of SepHold on 26 October 2018. She has over 17 years' experience in private equity with exposure to a wide spectrum of sectors, including industrial services and retail. Bukelwa has expertise in investment and divestment evaluation, deal structuring, and strategic and stakeholder management. She is a cofounder of Jade Capital Partners, an investment holding Company focused primarily on the property, industrial, construction and building materials sectors. Her current directorships include non-executive directorships on the boards of Capital Appreciation and Netcare.

Dr. Lelau Mohuba (67)

Non-executive director

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

Lelau is a founding director of SepHold. He became the original chairperson on 3 February 2005 and 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.

Executive directors

Neil Robus Crafford-Lazarus (64)

Executive director, SepHold CEO and FD

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 FD on 28 March 2012. He started his career in mining finance in 1988 and held various senior positions in taxation, business development and corporate finance with Anglo American plc, Gencor Industries Inc. and BHP Billiton. He was FD of Xstrata South Africa between 1998 and 2005.

Kenneth Capes (54)

Executive director, Métier CEO and incoming SepHold CEO

Kenneth has over 35 years of experience in the mining and construction materials industries. He has extensive knowledge of ready-mixed concrete, mining aggregates and calcium carbonate for the construction and allied industries. Kenneth held various senior management positions within these industries and was the founder of Métier in 2007. He has been a Métier and SepHold director since SepHold purchased Métier.

Changes to the board

There were no changes to the board during the financial year. Post year-end, having fulfilled the dual role of SepHold's CEO and FD since January 2020, Neil Crafford-Lazarus relinquished the CEO role and continues in his role as FD. Kenneth Capes was appointed SepHold CEO with effect from 1 April 2023.

Board meeting attendance

Director	Board	ARC	REMCO	SEC	Directors up for rotation
B Williams	4/5	3/4	3/4	2/2	#
MJ Janse van Rensburg	5/5	4/4*	4/4	–	–
MM Ngoasheng	4/5	–	4/4*	–	#
B Bulo	4/5	4/4	–	–	–
Dr L Mohuba	5/5	–	4/4	2/2*	#
NR Crafford-Lazarus	5/5	4/4	4/4	2/2	–
K Capes	5/5	4/4	–	2/2	–

* *Denotes the position of Chairperson.*

COMPLIANCE

Statement of compliance

SepHold complies with several codes and regulations, including the Companies Act, the JSE Listings Requirements and King IV.

Compliance arrangements

Board committees are tasked with monitoring compliance with applicable regulations within their focus areas and expertise. The REMCO and SEC monitor matters related to labour regulations, while the ARC monitors compliance with financial regulations. Compliance with applicable laws is reported on by Group companies at all board meetings. Non-compliance with any Group policies, standards or procedures by employees and executives is subject to disciplinary action or dismissal.

SepCem's compliance is monitored by the SepHold CEO and Dr. L Mohuba through their participation in the SepCem board. Furthermore, the Associate reports directly to all SepHold committees, enabling the monitoring of compliance management.

The JSE sponsor provides a critical oversight service to ensure that SepHold complies with the JSE Listings Requirements. The Company secretary ensures that the board broadly prioritises compliance.

Combined assurance

SepHold applies components of combined assurance as recommended by King IV. The combined assurance model coordinates and aligns risk management to assurance processes. The Group corporate governance framework provides four lines of defence:

- Functions that own and manage risks as part of their day-to-day activities are the first line of defence
- Functions related to monitoring risk management practices constitute the second line of defence
- Functions providing independent assurance, such as internal audit, provide the third line of defence
- The board and its committees fulfil a broad oversight function as the fourth and final line of defence

The board and executive management strengthened the Group's reporting and control environment and deepened operational risk reporting. During FY 2024, the Group will focus on achieving further improvements in combined assurance, reporting on control processes and outcomes, and ensuring that findings of non-compliance identified in external audits are addressed timeously and closed out.

BOARD COMMITTEES

Board committees strengthen governance by assisting the board in discharging its statutory responsibilities. **All committees reviewed their responsibilities as set out in their terms of reference and are satisfied they fulfilled them during the year.**

Audit and risk committee

Martie Janse van Rensburg
Chairperson

Role: The audit and risk committee (ARC) is an independent statutory committee appointed by the shareholders. The ARC's primary function is to oversee the Group's risk management and internal financial controls. The committee advises the Group on:

- the external audit function and statutory and regulatory compliance;
- financial reporting;
- internal audit functions; and
- risk management and combined assurance.

Composition

Members
MJ Janse van Rensburg (Chairperson)
B Williams
B Bulo
SepHold CEO*
SepHold CFO*
Métier CEO*
SepCem CEO*

* *Standing invitees to all ARC meetings to execute the ARC's mandate.*

Feedback on key focus areas in FY 2023

① **Appointment of new external auditors**

- Commenced the mandatory rotation of the external auditor to appoint a new audit firm for ratification at the AGM.

② **Determine appropriate training on carbon emissions and attaining a net-zero environment**

- An ESG presentation on the JSE disclosure guidelines was distributed to the board. Further training is planned to take place.

③ **Monitor Group IT controls in respect of cyber-attacks**

- Monitored the implementation of stronger cyber security and monitoring measures and employee cyber-security awareness training.
- Monitored the implementation of the balance of Métier's IT governance enhancement recommendations.

In FY 2024, the committee will continue to focus on

① Monitoring environment control for Cement and the progress to alternative fuels.

② Continued focus on Group IT controls and prevention of cyber attacks.

③ Finalise appointment of external auditor and facilitate onboarding and settling in.

Social and ethics committee

Dr Lelau Mohuba
Chairperson

Role: The social and ethics committee (SEC) focuses on Group compliance related matters regarding:

- environmental management;
- health and safety management at all operations;
- stakeholder management in line with good corporate citizenship;
- labour unions and employee relations;
- black economic transformation; and
- ethical conduct.

The SEC oversees and evaluates management's performance against the board goals for each of these matters.

Composition

Members
Dr L Mohuba (Chairperson)
B Williams
NR Crafford-Lazarus
K Capes
SepCem CEO*
SepCem CFO*
SepCem Sustainability manager*
SepCem Organisational performance manager*
SepCem Head of Risk*

* *Invitees to SEC meetings.*

Feedback on key focus areas in FY 2023

① Review stakeholder engagement processes to enhance Group relations with key stakeholders

- Recommended the strengthening of stakeholder engagement teams.
- Monitored progress on the finalisation of the SLP and the implementation of SLP projects.
- Monitored and advised on the matter of providing alternative grazing land to the farmers located adjacent to the Aganang plant.

② Monitor and advise on ways to improve the BBBEE scores of Métier and SepCem

- Reviewed BBBEE contributor status, noting that Métier retained level 4 rating and SepCem retained level 5 rating.
- Advised Métier and SepCem on measures to achieve further improvements in the areas of skills development and preferential procurement and supplier development.

③ Review the Group sustainability plans to inform the development of long-term ESG goals

- Continuous review of sustainability goals, including the use of and increase in use of alternative fuels and other carbon credits.

In FY 2024, the committee will continue to focus on

① Improvement of literacy and numeracy for adult contractor employees

② Improving community farmers with Agricultural rural skills

③ SMME development into Sustainable businesses

④ Implementation of Torosesha projects

⑤ Implementation of DCMF projects as defined

⑥ Concluding in partnership with government, the land and grazing issues

Remuneration and nominations committee

Moses Modidima Ngoasheng
Chairperson – Remuneration

Role: The REMCO deals with the nomination and appointment of new directors, the appropriateness of the board's composition and succession planning. Furthermore, the REMCO decides on remuneration and incentives, and recommends long-term incentives for the executive directors.

The REMCO submits all policy amendments to the board for approval.

Composition

Members

MM Ngoasheng (Chairperson, Remuneration)
B Williams (Chairperson, Nominations)
MJ Janse van Rensburg
SepHold FD*
L Mohuba*
SepHold CEO* **

** Invitee to REMCO meetings.*
*** Approved by Remco on 14 June 2023. Approved by board on 23 June 2023.*

Feedback on key focus areas in FY 2023

① Focus on an appropriate management structure for SepHold

- Appointed Kenneth Capes, Métier CEO as SepHold CEO.
- Neil Crafford-Lazarus continues in his role as SepHold FD.

② Benchmark non-executive director fees

- After three years of stagnation the non-executive directors' fees benchmark is adjusted over a two year period.

③ Evaluate board tenure and independence of directors who have served for more than nine years

- SepHold has two non-executive directors that have served for more than nine years and are therefore up for re-election every year. The Nominations Committee evaluated and supports the re-election nominations.

In FY 2024, the committee will continue to focus on

① Focus on an appropriate management structure for SepHold

② Benchmark non-executive director fees

③ Evaluate board tenure and independence of directors who have served for more than nine years

REMUNERATION POLICY

The Group applies a total cost to company approach to the remuneration of its employees. The main objectives of the remuneration framework are to:

- Appropriately reward employees for services provided.
- Ensure equitable and fair remuneration.
- Ensure that variable remuneration is aligned to performance.
- Implement a competitive remuneration structure that:
  - is tailored to the specific circumstances of the Group;
  - is referenced to appropriate benchmarks; and
  - reflects the market and industry practices.
- Comply with all relevant legal requirements.

The total guaranteed package (TGP) is based on an employee's level of demonstrated competency, qualifications, experience, and performance. The TGP of new employees is normally at the low end of the salary range. As the employee demonstrates increased experience, learning and performance, the package is adjusted based on the objective outcome of performance reviews.

The following performance measurement criteria are used:

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.

The table below summarises the main components of the reward package for Group employees. SepCem applies a different framework as a subsidiary of DCP.

Component	Objective	Practice
TGP	• Remunerate above the market and industry average for key positions. • Remunerate market-related salaries for all other positions. • Review TGP annually in November.	• The level of skill and experience, the scope of responsibility and the total remuneration package are considered when rewarding employees. • Appropriate market percentiles based on skills, experience and competitiveness are applied.
Short-term incentive (STI)	• To motivate employees and incentivise the delivery of performance over the financial year. • The appropriateness of measures and weightings are reviewed annually to ensure ongoing support of the strategy.	• Performance over the financial year is measured against targets set in the balanced scorecards. • Target bonus (30%, 50% and 70%) of TGP aligned with the level achieved as defined in the performance management policy. • The executive committee annual bonus is paid in cash in Q3 each year for performance over the previous financial year.
Long-term incentive (LTI)	• To motivate and incentivise delivery over the long term. • Continued support of the Company strategy through awards relating to total shareholder return. These awards are vested against a pre-determined framework.	• Performance over three financial years is measured against targets for the performance period, with vesting ranging between 0%, 50%, 100% and 200% of the TGP. The award will consist of a share award bought in the open market.
Termination benefits	• To retain executive management.	• The CEO and FD roles are on a permanent contract, and there will be no unusual obligation for the Group at retirement. • The SepHold CEO's and FD's employment contracts have a provision for a minimum payment equivalent to annual remuneration on termination of employment due to a change of control. • The long-term incentive scheme also provides for early vesting in case of a change of control.

Determination of the SepHold executive management fixed TGP

As in previous review periods, the REMCO utilised the PwC executive directors' practices and remuneration trends report* for 1 March 2021 to 28 February 2022 to review SepHold's executive management TGP. The report focuses on JSE listed entities and includes analyses of the seven sub-Saharan African stock exchanges. The data used in the report was obtained from publicly available information on 28 February 2022. There were no remuneration consultants engaged during the year.

The appropriate industry sector benchmark for SepHold's executive remuneration is the small-cap industrial with the remuneration profile for the CEO, CFO and ED indicated in the table below. Therefore, based on the TGP ranges for the sector, REMCO was satisfied that the current executive remuneration is appropriately within the median to upper quartile bands.

* *The report can be accessed online using the link: https://www.pwc.co.za/en/assets/pdf/executive-directors-report-2022.pdf*

JSE industrial industry small-cap TGP ranges for the period 1 March 2021 to 28 February 2022: R'million

	Chief executive officer	Chief financial officer	Executive director
Upper quartile	**6.21**	**4.38**	**3.91**
Median	**4.56**	**3.37**	**3.39**
Lower quartile	**3.94**	**2.72**	**2.74**

During the corresponding period the SepHold CEO earned a TGP of R4.61 million (1.1% above the mean). This amount remained the same for the 2023 financial year. The Métier CEO and SepHold executive director earned a TGP of R2,74 million in the corresponding period (equal to lower quartile). This amount increased to R3.15 million during the current year, still 7% below the median of the prior year.

Determination of the SepHold executive management variable remuneration

The board-approved performance indicators to measure executive management's performance are reviewed annually. The indicators are broadly categorised into financial (75%) and non-financial measures (25%).

SHORT-TERM INCENTIVES SCORECARD

Financial measures (75%)

Performance indicator	Weighting %	Performance condition detail	Minimum (30%)	Target (50%)	Stretch (70%)
Real* growth in headline earnings per share (HEPS).	**37.5**	HEPS growth over the previous year above inflation	Real* growth in HEPS	Real HEPS growth greater than 4% per annum	Real HEPS growth greater than 8% per annum
Gearing, debt covenants and free cash flow.	**37.5**	Measuring 1. Debt to EBITDA 2. Debt service coverage ratio 3. Free cash flow	Company-specific	Company-specific	Company-specific

* *Real relative to CPI.*

<table>
<tr><th colspan="4">Non-financial Matters (25%)</th></tr>
<tr><th>Performance indicator</th><th>Weighting %</th><th>Performance criteria</th><th>Executive(s) responsible</th></tr>
<tr><td>Implementation of corporate governance best practices.</td><td>15</td><td>Level of Group compliance and standards achieved:
• JSE Listing requirements compliance
• Application of King IV principles
• Attainment of BBBEE rating
• Achievement of safety and environment targets as determined by the Company will be measured against a portfolio of evidence</td><td>SepHold CEO and FD
Métier CEO</td></tr>
<tr><td rowspan="3">Achievement of job-specific personal goals. The achievement of job-specific personal goals as determined by the Company will be measured against a portfolio of evidence.</td><td rowspan="3">10</td><td>Stakeholder engagement and relationship management:
• Satisfactory resolution of main stakeholder issues</td><td>CEO</td></tr>
<tr><td>Optimisation of Group funding structures to enable sustainability during a negative cycle and value-accretive expansion during a positive cycle.
Investigating and mitigating risk on alternative funding sources for deals.
1. Achieve targeted debt:equity ratio
2. Compliance with all debt loan covenants
3. Increase free cash flow</td><td>FD</td></tr>
<tr><td>Operational executives to demonstrate the ability to:
1. Utilise and maintain core competencies
2. Develop human capital and sustain an effective high-performance organisational culture
3. Promote ethical practices
4. Establish robust organisational controls</td><td>Métier Exco</td></tr>
</table>

LONG-TERM INCENTIVES SCORECARD

LONG-TERM INCENTIVES SCORECARD					
Performance indicator	**Weighting %**	**Performance condition detail**	**Minimum (50%)**	**Target (100%)**	**Stretch (200%)**
Total shareholder return (TSR).	**100**	TSR is measured against the median of six comparable companies	Median	Median +15%	Median +40%

SepHold executive management performance criteria

Illustration of single total remuneration figure for minimum, target and stretch performance for the next financial year

The executive remuneration constitutes the TGP and the variable short-term and long-term incentives that are based on performance against key performance indicators (KPIs). The determination of the appropriate TGP is based on the executive's level of experience, responsibilities, prevailing trading conditions and comparative level for JSE listed companies in the same sector. The table below summarises the assumption of the delivery of the minimum, target and stretch performance achievement on total remuneration of the SepHold CEO and FD in a single total figure.

	SepHold CEO			
2024	**TGP R**	**STI R**	**LTI R**	**Total R**
Base	**3 900 000**	**–**	**–**	**3 900 000**
Threshold	**3 900 000**	**1 170 000**	**1 950 000**	**7 020 000**
Target	**3 900 000**	**1 950 000**	**3 900 000**	**9 750 000**
Stretch	**3 900 000**	**2 730 000**	**7 800 000**	**14 430 000**

	SepHold FD			
2024	**TGP R**	**STI R**	**LTI R**	**Total R**
Base	**4 613 000**	**–**	**–**	**4 613 000**
Threshold	**4 613 000**	**1 383 900**	**2 306 500**	**8 303 400**
Target	**4 613 000**	**2 306 500**	**4 613 000**	**11 532 500**
Stretch	**4 613 000**	**3 229 100**	**9 226 000**	**17 068 100**

NON-EXECUTIVE DIRECTORS' REMUNERATION

Elements and purpose

The Group aims to attract and retain suitably skilled and experienced non-executive directors. An appropriate level of competitive remuneration is necessary to reward them for their time and commitment. The non-executive directors are remunerated by an annual fee paid in recognition of board and committee membership. The non-executive directors, including the Group's chairperson, do not receive any other employment benefits, performance-related remuneration, or any form of compensation for loss of office.

The fee structure is reviewed and benchmarked annually to ensure that the proposed fees are aligned to market levels to attract and retain high-quality individuals. SepHold has recommended an increase of approximately 8% for FY 2024 to the shareholders to be decided at the September 2023 AGM.

Service contracts

None of the non-executive directors has a written service contract with the Group, and all the directors rotate in terms of the memorandum of incorporation.

IMPLEMENTATION REPORT

Short-term incentives

The Group's performance during FY 2023 for the 12 months ended 31 March 2023 warranted the awarding of bonuses to the SepHold CEO and Métier CEO to be paid in FY 2024 in line with the remuneration policy. The following FY 2023 performance parameters were considered in the decision to award the short-term incentives:

FY 2023 SHORT-TERM INCENTIVES SCORECARD

Financial measures (75%)

Performance indicator	Weighting %	Performance condition detail	Achieved growth	Achieved score	Bonus allocation as % of TGF
Real* growth in headline earnings per share (HEPS).	37.5	HEPS growth over the previous year above inflation	(40%) Therefore, no real growth.	Real HEPS growth: 0%	Nil
Gearing		Debt to EBITDA	SEP 1.8 to 1.4 MMC 1.1 to 0.5	50 70	SEP 18.75% MMC 26.25%
Free cash flow		Free cash flow	SEP negative MMC +50%	0 70	
Debt ratios		Debt service coverage ratio	SEP 1.8 to 1.4 MMC 1.5 to 2.2	0 70	

* *Real relative to CPI.*

Non-financial measures (25%)

Performance indicator	Weighting %	Performance achieved	Achieved score	Bonus allocation as % of TGF
Implementation of corporate governance best practices.	15	Target	50%	7.5%
Achievement of job-specific personal goals. The achievement of job-specific personal goals as determined by the company will be measured against a portfolio of evidence	10	SEP Stretch MMC Stretch	70%	7%

The total bonus against the TGP based on 33.25% of SepHold and 40.75% for Metier

- SepHold CEO at 33.25% against R4.5m million = R1.5 million.
- Métier CEO at 40.75% against R3.9 million = R1.6 million.

The self imposed limit to the bonus pool of 10% of earnings restricted the bonuses to R2.56 million. Therefore, the resultant total bonus awards were R1.2 million for the SepHold CEO and FD and R1.3 million for the Métier CEO. This will be paid in the current financial year as the previous bonuses were paid in the last financial year as indicated in the emoluments table below.

FY 2023 long-term incentive scheme

The group's performance for the 36 months ended 31 March 2023 warranted the awarding of bonuses to the SepHold CEO and Métier CEO to be paid in FY 2024 in line with the remuneration policy.

SepHold achieved the mean position for total shareholders return over the 36-month period measured against the median of six comparable companies. This resulted in 50% of TGP being made available as a share award bought in the open market from post-tax proceeds.

Directors' emoluments

Executive

	TPG R	Performance bonuses* R	Travel allowances R	Pension fund R	IFRS 2 share-based payments expense R	Total R
2023						
NR Crafford-Lazarus	**4 143 800**	**2 000 000**	**142 500**	**326 700**	**16 409**	**6 629 409**
KJ Capes	**2 908 506**	**2 000 000**	**–**	**240 300**	**–**	**5 148 806**
	7 052 306	**4 000 000**	**142 500**	**567 000**	**16 409**	**11 778 215**
2022						
NR Crafford-Lazarus	4 312 334	2 000 000	142 500	158 166	83 042	6 696 042
KJ Capes	2 740 500	1 700 000	–	–	–	4 440 500
	7 052 834	3 700 000	142 500	158 166	83 042	11 136 542

* *The bonus paid in FY 2023 relates to the FY 2022 performance and the FY 2022 number for FY 2021.*

Non-executive

	Fees for services as director R	Remuneration R	Bonuses and performance-related payments* R	IFRS 2 share-based payments expense R	Total R
2023					
B Williams	**475 000**	**–**	**–**	**–**	**475 000**
MM Ngoasheng	**360 000**	**–**	**–**	**–**	**360 000**
MJ Janse van Rensburg	**360 000**	**–**	**–**	**–**	**360 000**
B Bulo	**360 000**	**–**	**–**	**–**	**360 000**
Dr L Mohuba	**360 000**	**–**	**–**	**16 409**	**376 409**
	1 915 000	**–**	**–**	**16 409**	**1 931 409**
2022					
B Williams	440 000	–	–	–	440 000
MM Ngoasheng	335 000	–	–	–	335 000
MJ Janse van Rensburg	335 000	–	–	–	335 000
B Bulo	335 000	–	–	–	335 000
Dr L Mohuba	335 000	–	–	83 042	418 042
PF Fourie*	–	3 373 781	738 204	–	4 111 985
	1 780 000	3 373 781	738 204	83 042	5 975 027

* *PF Fourie (deceased 19 May 2021) was a non-executive director of SepHold and an executive director of SepCem. All remuneration paid to him by SepCem, has therefore also been disclosed above.*

Non-binding remuneration resolutions shareholder advisory vote

In terms of the Listings Requirement 3.84(J), the remuneration policy must record the measures that the board commits to take if the non-binding resolutions of shareholder approval of the remuneration policy and the implementation report are voted against by 25% or more of the voting rights exercised.

The Company will:

- invite dissenting shareholders (those who voted against the policy and/or the implementation report) to engage with the Group; and
- provide details on the manner and timing of such engagement.

Subsequently, the REMCO and executive management will engage with the shareholders to address matters of concern.

ABBREVIATIONS

Abbreviations used throughout this report

BBBEE	Broad-based black economic empowerment
BEPS	Basic earnings per share
CDP	Carbon Disclosure Project
HDSA	Historically disadvantaged South Africans
HEPS	Headline earnings per share
DCMF	Ditsobotla Cement Manufacturers Forum
DCP	Dangote Cement PLC
DMRE	Department of Mineral Resources and Energy
EBIT	Earnings before interest and taxes
EBITDA	Earnings before interest taxes, depreciation and amortisation
EE	Employment equity
ESD	Enterprise and supplier development
KZN	KwaZulu-Natal
LTIFR	Lost time injury frequency rate
NAV	Net asset value
RDF	Refuse derived fuel
SLP	Social and labour plan
YoY	year-on-year

CORPORATE INFORMATION

Directors	B Williams* MJ Janse van Rensburg* B Bulo* MM Ngoasheng* NR Crafford-Lazarus*** Dr L Mohuba** KJ Capes*** * *Independent non-executive.* ** *Non-executive.* *** *Executive.*	(Chairperson) (FD) (CEO)
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Auditors	BDO South Africa Incorporated Chartered Accountants (SA) Registered Auditors	
Bankers	Nedbank	
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