



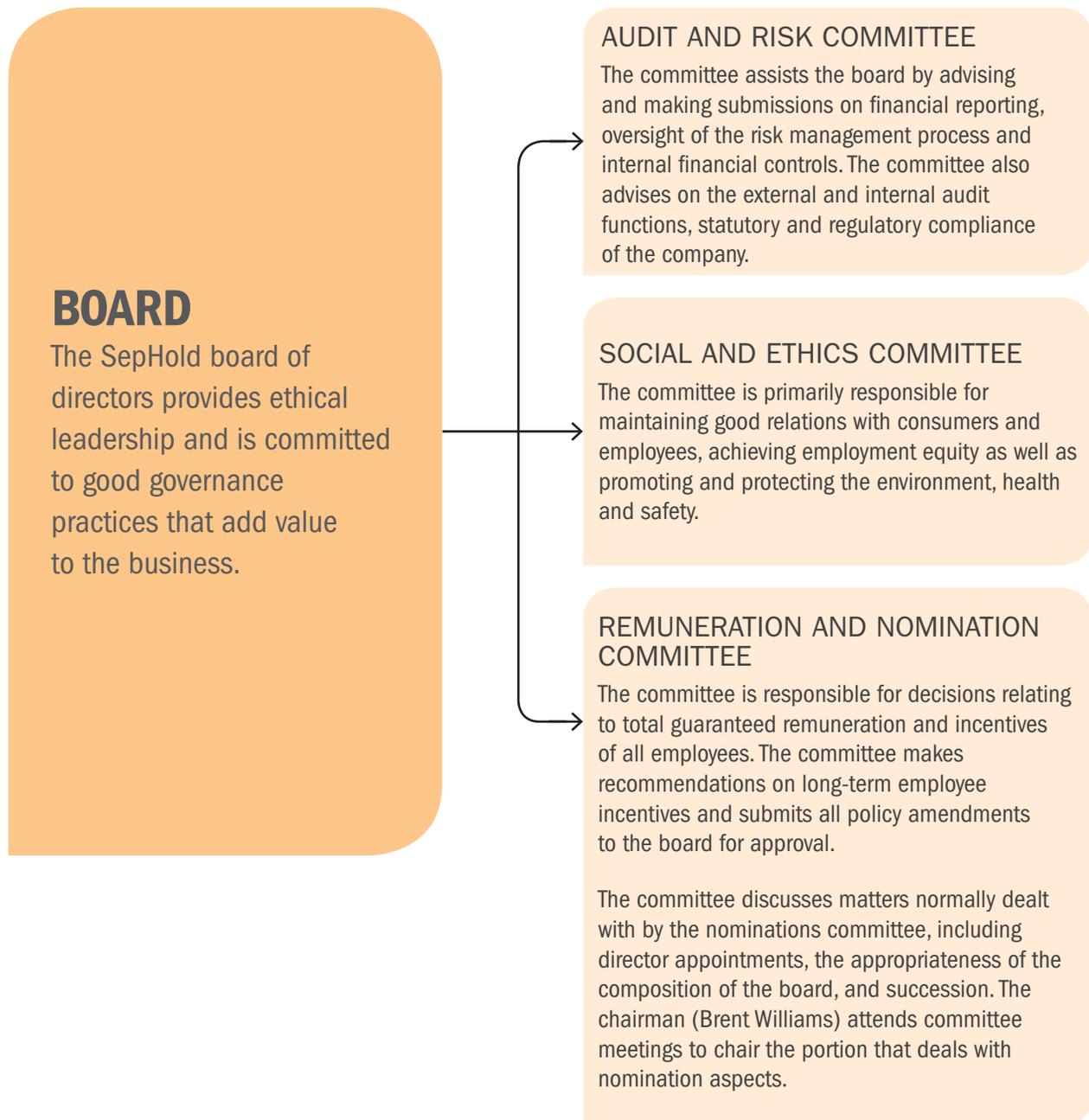
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Corporate Governance Report

GOVERNANCE FRAMEWORK



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

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

GOVERNANCE OBJECTIVES

SepHold recognises the principles of good corporate governance and open, comprehensive business practices, as being essential to protect the interests of stakeholders. Therefore, SepHold is committed to upholding good corporate governance in business dealings in respect of shareholders and other stakeholders.

SepHold's efforts are focused on ensuring that sound leadership, sustainability and good corporate citizenship is included in business structures, policies and practices.

The original strategy approved by the board remains robust and targets areas for growth, while maintaining sound controls and a strong focus on risk management. The board considered future trends, economic assumptions, identified external trends, opportunities and risks that could have an impact on the group's growth ambitions.

SepHold has designed the board objectives to cover strategic elements, to capitalise on the benefits of being part of a broader group. The objectives consider the importance of running the business in an ethical, transparent manner and the monitoring of the information technology (IT) strategy.

STATEMENT OF COMPLIANCE

SepHold strives to integrate the concepts of King III into business and to adjust structures and processes to comply with the provisions of the Companies Act to ensure continued good governance. The board holds the view that SepHold is compliant with King III and the JSE Listings Requirements. For further information on the group's detailed analysis, shareholders are referred to the King III compliance register included on the company's website (www.sephakuholdings.com/our-business/corporate-governance). 

THE SEPHOLD BOARD

The board is SepHold's highest decision-making body and is responsible for corporate governance. The board operates on the understanding that sound governance practices and ethical leadership are fundamental to earning the trust of stakeholders. This is critical to sustaining performance and preserving shareholder value.

The board reviews and approves the strategic objectives and policies of the group while providing overall strategic direction within a framework of incentives and controls. It ensures that management strikes an appropriate balance between promoting long-term sustainable growth and delivering short-term performance. For further detail regarding SepHold's strategy, refer to pages 8 and 9.

The board also delegates authority to the executive directors to manage the business and affairs of SepHold. The board monitors and reviews the delegated authorities, to align with best practice and to take the recommendations set out in King III into consideration, on a regular basis.

THE BOARD CHARTER

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

BOARD APPOINTMENTS

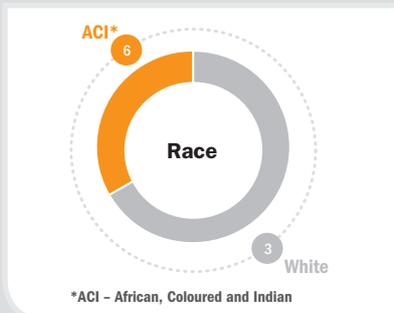
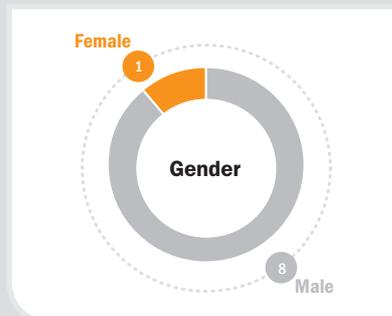
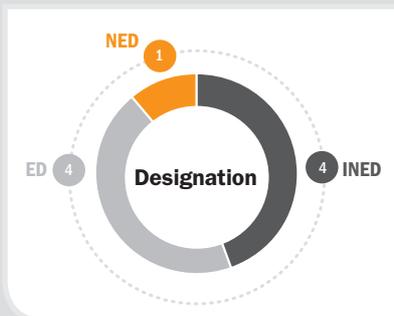
The appointment of board directors is a formal, transparent process and a matter for the board as a whole, assisted by the nomination committee. The nomination committee consists of a majority of independent non-executive directors and is chaired by the board chairperson.

There have been no changes to the board during SepHold's financial year ended 31 March 2016.

Corporate governance report **continued**

BOARD COMPOSITION

The board comprises nine directors, four of whom are executive, one non-executive and four independent non-executive directors. The board is satisfied that it has the requisite balance of skills, knowledge, experience and diversity to make it effective.



TENURE	
>10 years	2
6 to 9 years	4
2 to 5 years	3

EXPERIENCE AND SKILLS

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

BOARD EVALUATION AND CHANGES

During April/May 2016, Acorim Proprietary Limited (Acorim) conducted an assessment of the performance and effectiveness of the SepHold board, its committees, the executive and non-executive directors, the chairman, chief executive officer and financial director.

The assessment monitored the board's effectiveness as a team, how well the committees function and discharge their duties as stated in the respective charters/terms of reference, the commitment and performance of individuals and trends in responses to questions.

The results identified that the board was effective and performed well. Sufficient evidence of effectiveness exists, while some aspects meet the board's expectations and others may require development.

The board is aware that an aspect which requires development is the need for greater gender diversity. The board has also identified the need to further strengthen SepHold's long-term strategic planning, related KPIs and succession planning. SepHold's risk management model and risk appetite are being reviewed by SepHold management and the board to ensure it is appropriate for the current external environment in which the company operates.

BOARD MEETINGS

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

BOARD AND COMMITTEE COMPOSITION

Director	Designation	Board	Audit and risk committee	Remuneration and nomination committee	Social and ethics committee	Director up for rotation
Brent Williams	INED	Chairperson	Member	Chairperson*	Chairperson	
Shibe Matjiu	ED	Member			Member	
Kenneth Capes	ED	Member	Invitee		Member	
Pieter Fourie	NED	Member	Invitee		Member	
Gustav Mahlare	INED	Member	Chairperson	Member		**Not available for re-election
Mpho Makwana	INED	Member	Member	Member		
Moss Ngoasheng	INED	Member		Chairperson		Available for re-election
Lelau Mohuba	ED	Member	Member (Ex Off)	Member (Ex Off)	Invitee	
Neil Crafford-Lazarus	ED	Member	Member (Ex Off)	Member (Ex Off)		

ED – executive director

NED – non-executive director

INED – independent non-executive director

* Brent Williams chairs committee meetings for portions that deal with nomination aspects.

** Gustav Mahlare has been on the board since January 2009, and served three terms as chairman of the audit and risk committee. He is therefore, in terms of the memorandum of incorporation, not eligible for re-election.

MEETING ATTENDANCE

	Board	Audit and risk committee	Remuneration and nomination committee	Social and ethics committee
Brent Williams	4/4	1/2		1/1
Shibe Matjiu	3/4			1/1
Kenneth Capes	4/4			1/1
Pieter Fourie	3/4	1/2		1/1
Gustav Mahlare	4/4	2/2	3/3	
Mpho Makwana	3/4	3/3	3/3	
Moss Ngoasheng	3/4		1/3	
Lelau Mohuba	4/4		3/3	1/1
Neil Crafford-Lazarus	4/4	3/3	3/3	

Corporate governance report **continued**

BOARD OF DIRECTORS



INDIVIDUAL DIRECTORS

1. Brent Williams

Chairman and independent non-executive director

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

Brent was appointed a director and chairman of SepHold on 3 March 2012.

Brent was admitted as an attorney in 1992 and has held a number of key positions. He is currently the chief executive officer of Cliffe Dekker Hofmeyr.

2. Modilati Gustav Mahlare

Independent non-executive director and chairman of the audit and risk committee

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

Gustav was appointed a director of SepHold on 29 January 2009.

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

3. Paul Mpho Makwana

Independent non-executive director

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

Mpho was appointed a director of SepHold on 11 January 2013.

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

4. Moses Modidima Ngoasheng

Independent non-executive director

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

Moss was appointed a director of SepHold on 1 February 2008.

Moss was instrumental in developing the industrial policy of the African National Congress and was economic advisor to President Thabo Mbeki from 1995 to 2000. He serves on a number of boards including SA Breweries and Dimension Data.

5. Justin Pitt**Alternate director to Moses Modidima
Ngoasheng**

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

Justin was appointed as an alternate director of SepHold on 21 August 2014.

Justin co-founded Safika Resources and QuestCo in 2002 and is currently the managing director of Safika Resources.

6. Dr Lelau Mohuba**Chief executive officer and
executive director**

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

Lelau was appointed a director and founding Chairman of SepHold on 3 February 2005 and became CEO on 28 March 2012.

Lelau 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.

7. Neil Robus Crafford-Lazarus**Financial director and executive director**

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

Neil was appointed a director and CEO of SepHold on 1 June 2007 and became financial director on 28 March 2012.

Neil started his career in mining finance in 1988. Since then, he has held various senior positions in taxation, business development and corporate finance with companies such as Anglo American Corporation, Gencor and BHP Billiton. He also served as financial director of Xstrata SA Proprietary Limited between 1998 and 2005.

8. Rose Raisibe Matjiu**Executive director, corporate and social
development**

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

Shibe was appointed a director of SepHold on 23 August 2005.

Shibe has extensive experience as a professional community and social worker in government and the private sector. She has served in a number of directorate positions and is also a member of South African Women in Mining and the Business Women's Association.

9. Kenneth John Capes**Executive director, CEO (Métier)**

Kenneth was appointed a director of SepHold on 29 July 2013.

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

10. Pieter Frederick Fourie**Non-executive director, chief executive
officer (CEMENT)**

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

Pieter was appointed a director of SepHold on 20 November 2009.

Pieter has extensive experience in the cement industry and assumed the position of chief executive officer of CEMENT in May 2007.

Board of directors**Independent
non-executive directors**

- 1 Brent Williams
- 2 Modilati Gustav Mahlare
- 3 Paul Mpho Makwana
- 4 Moses Modidima Ngoasheng

Alternate director

- 5 Justin Pitt

Executive directors

- 6 Dr Lelau Mohuba
- 7 Neil Robus Crafford-Lazarus
- 8 Rose Raisibe Matjiu
- 9 Kenneth John Capes
- 10 Pieter Frederick Fourie

Corporate governance report **continued**

Directors' remuneration

Directors' emoluments are set out in note 33 in the annual financial statements on pages 55 and 56. The full annual financial statements can be downloaded from the company website. Beneficial shareholding of directors and associates, and directors' interests in share options are disclosed in the directors' report on pages 9 to 11.

The board approved performance indicators to measure and review management's performance. The performance indicators, which SepHold will be measuring and reviewing going forward, are headline earnings per share; performance of SepHold in relation to underlying subsidiaries; people and regulatory performance in relation to the its licence to operate.

Company secretary

Jennifer Bennette resigned as company secretary of SepHold with effect from 31 August 2015 and Acorim Proprietary Limited was appointed as Company Secretary with effect from 1 September 2015.

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

The company secretary acts as secretary to board appointed committees.

The board is satisfied that Acorim represented by Megan Paris (LLB, admitted attorney) has the required knowledge, skill and discipline to perform the functions and duties of the company secretary. The board has concluded that Acorim maintains an arms-length relationship with the company and its board.

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

RISK MANAGEMENT

SepHold views the aversion of risk as central to its strategy of increasing shareholder value. The chief executive officer and financial director are the drivers of risk management. The board and the audit and risk committee further assist with identifying, evaluating and mitigating risk areas identified by the chief executive officer and financial director. SepHold's material matters and risk areas are closely aligned. Refer to page 14 for further detail on material matters. This process will be re-evaluated as per the board evaluation recommendations.

To ensure the sustainability of business and to meet the risk tolerance and risk appetite targets defined by the board, the executive committees of SepHold, CEMENT and Métier have developed and implemented a policy and plan for a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, and the related internal control, compliance and governance processes within the companies. To assist it in the discharge of duties and responsibilities in respect of risk management, the board has appointed an audit and risk committee to review the risk management progress of the companies, the effectiveness of risk management activities, the risks facing the companies, and the responses to address these risks.

Risk identification and analysis

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

Risk appetite and tolerance

The board considers risk management as achieving an appropriate balance between realising opportunities for gains while minimising adverse impacts. The board is satisfied that no member of management within the organisation has exceeded their authority or acted contrary to the board's stated risk appetite and in so doing, has exposed the group to unnecessary risk during the financial year and up to the date of this report.

SEPHOLD'S SUBCOMMITTEES

The board delegates certain functions to various committees in which independent non-executive, executive and non-executive directors play an active and pivotal role. The board committees facilitate the discharge of board responsibilities and provide in-depth focus on specific areas such as remuneration, nomination and social and ethics matters.

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

AUDIT AND RISK COMMITTEE

The audit and risk committee is an independent statutory committee appointed by the shareholders to fulfil the obligations contained in the Companies Act, the requirements contained in King III and SepHold's memorandum of incorporation. It also executes further duties delegated to the audit and risk committee by the board.

The committee has specific statutory duties to shareholders. In terms of the Companies Act, the committee also assists the board by advising and making submissions on financial reporting, oversight of the risk management process and internal financial controls, external and internal audit functions and statutory and regulatory compliance of the company. The role of the audit and risk committee is described in its charter.

Committee's composition and attendance of meetings

The audit and risk committee is chaired by Modilati Gustav Mahlare, an independent non-executive director, who attends the annual general meeting (AGM) to respond to shareholder queries and who holds office for no longer than five consecutive years, unless the remuneration and nomination committee and the board have sound reason to determine otherwise.

Responsibilities of the committee

The audit and risk committee is responsible for the following:

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

The audit and risk committee has considered and satisfied itself of the appropriateness of the expertise and experience of the financial director, Mr Neil Crafford-Lazarus, whose curriculum vitae appears on page 65.

The audit and risk committee has also considered and satisfied itself of the appropriateness of the expertise, adequacy of the resources of SepHold's financial function and the experience of the responsible senior members of management.

The directors of the group are of the opinion that the business will remain a going concern in the 12-month period ahead. Their statement in this regard is contained in the directors' approval to the financial statements.

Corporate governance report **continued**

REMUNERATION AND NOMINATION COMMITTEE

The remuneration and nomination committee is a committee appointed by the board to fulfil the obligations contained in the Companies Act, the requirements contained in King III and SepHold's memorandum of incorporation. It also executes further duties delegated to the remuneration and nomination committee by the board. The role of the remuneration and nomination committee is described in its charter.

Committee charter

The remuneration and nomination committee operates under a board-approved charter, which regulates the way business is conducted in line with the principles of sound corporate governance. The charter is aligned to principles recommended by King III and details the role and responsibilities of the committee.

Responsibilities of the committee

The board is responsible for making decisions regarding the remuneration of directors and the chief executive officer who, in turn, is responsible for decisions relating to total guaranteed remuneration and incentives of employees. The remuneration committee receives these recommendations and subsequently advises the board on remuneration practices. The committee makes recommendations on long-term employee incentives and submits policy amendments to the board for approval.

SOCIAL AND ETHICS COMMITTEE

The social and ethics committee is a statutory committee appointed by the board to fulfil the obligations contained in the Companies Act, the requirements contained in King III and SepHold's memorandum of incorporation. It also executes further duties delegated to the social and ethics committee by the board. The role of the social and ethics committee is described in its charter.

SepHold established a social and ethics committee in 2012, in line with the Companies Act. The committee comprises no fewer than three members who are directors of SepHold and at least one director who is a non-executive director.

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

The responsibilities of the committee

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

- maintaining good relations with consumers;
- maintaining good relations with employees and achieving employment equity;
- promoting and protecting the environment, health and safety;
- preventing and combating bribery and corruption;
- being a good corporate citizen, particularly making efforts to protect and advance human rights, promote equality and prevent unfair discrimination; and
- extending the reach and impact of the values and ethics through the business partners and supply chain.

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