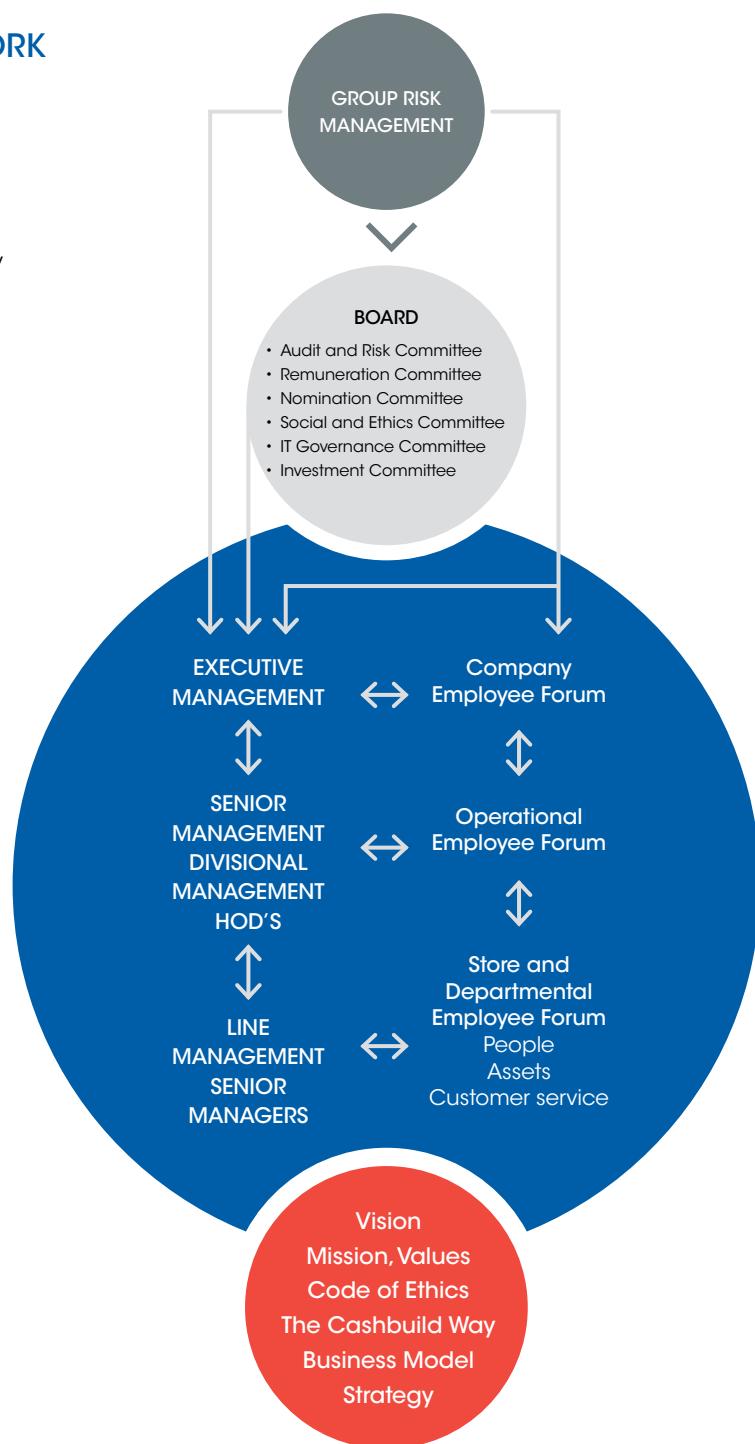


CORPORATE GOVERNANCE REPORT

We believe that our governance practices are sound and comply with the JSE Listings Requirements, Report on Corporate Governance for South Africa 2016 (King IV) as well as guidelines provided by the International Integrated Reporting Council's framework in terms of reporting according to the Six Capitals.

GOVERNANCE FRAMEWORK AND STRUCTURE AT A GLANCE

There are no material changes to the content of this report as compared to the 2018 Integrated Report. Cashbuild endorses and continuously assesses the principles of King IV and, where applicable, tailors these as appropriate to the organisation.



CORPORATE GOVERNANCE CONTINUED

The following is a summary of Cashbuild's King IV application assessment as at 30 June 2019:

Principle 1: Ethical Leadership: The governing body should lead ethically and effectively.

The Cashbuild Board leads within the framework provided by the Group's Core Values, The Cashbuild Way (policies and procedures), Code of Ethics, Corporate Approvals Framework, the Board Charter, and Terms of Reference of the committees of the Board.

Board members, whose performance is subject to formal annual review, have sufficient working knowledge and guidance to discharge their responsibilities ethically and effectively.

Principle 2: Organisational values, ethics and culture: The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.

The Board has ensured that a code of conduct and ethics-related policies, through which ethical standards are clearly articulated, is established and implemented. Understanding of the code of ethics is entrenched as part of staff induction and compulsory training of all staff members on the subject.

The Board sets the values to which the Group adheres to and these are formulated in the Group's code of conduct. Cashbuild's vision, mission and core values as set by the Board, are documented and communicated throughout the Group and form the basis of the Group's Ethics Charter and Company policies.

Monitoring of organisational ethics is the role and responsibility of the Social and Ethics Committee that relies on amongst others, assurance provided by management, external auditors, and the Cashbuild Group Risk Management function which includes Internal Audit.

Principle 3: Responsible corporate citizenship: The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen.

The Board considers not only financial performance, but also the potential impact of the Group's operations on society and the environment. Reporting on the impact of the Group's operations on society and the environment is done in the Integrated Report.

Measurable corporate citizenship programmes and policies are developed and implemented. Corporate citizenship programmes and policies are established in Cashbuild and are continuously improved on as part of Cashbuild's corporate citizenship growth journey. Measured projects (with related Company policies in place) as reported in the Integrated Report involves store expansion, relocation and refurbishment; customer growth; local recruitment practices; contractor funding; employment and transformation (including B-BBEE targets), employee training and development, community investment (which includes investment in local schools), and energy and carbon footprint.

Monitoring Cashbuild's CSI in the workplace, with specific reference to employment equity, fair remuneration, safety, health, dignity and development of employees is done by the Board via the Social and Ethics Committee and the Remuneration Committee.

Principle 4: Strategy implementation and performance: The governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.

The Board takes cognisance of risks, opportunities, and significant matters influencing the area in which Cashbuild operates and constructively challenges the strategy which results in a well-considered and relevant inclusive strategy for the Group. Ongoing oversight by the Board on implementation of strategy and related operational plans against performance measures and targets takes place via Board meetings, Board Committee meetings, and the annual strategy workshop.

Principle 5: Reports and disclosure: The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance, and its short, medium and long-term prospects.

Cashbuild's Integrated Report provides insight into issues identified as the most relevant and material to it and its various stakeholder groups. Comprehensive information pertaining to stakeholder engagement and material issues relevant to various stakeholder groups are placed on the Group's website. The Board, specifically the Audit and Risk Committee and the Social and Ethics Committee, play a central role in the determination of Cashbuild's material risks as well as opportunities that may arise.

Assurance is provided on the financial portion of the Integrated Report. Any issues of concern identified by external audit regarding accuracy, validity and integrity is highlighted for management action. The Board takes ultimate responsibility to ensure the integrity of the Integrated Report.

Principle 6: Primary role and responsibility of the governing body: The governing body should serve as the focal point and custodian of corporate governance in the organisation.

The role and responsibility of the Board is duly documented in the Board Charter, and that of its committees in the relevant terms of reference which are reviewed annually. Non-executive directors have unrestricted authority to consult with executive directors and executive management to obtain information about the Company, its operations, assets or liabilities as stipulated in the Board Charter. Cashbuild's Board discloses its satisfaction regarding fulfilment of its responsibilities through reports of the Chairman, the Chief Executive and Board Committees.

Principle 7: Composition of the governing body: The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.

The Board, consisting of five executive and seven independent non-executive directors, has an appropriate balance of knowledge, skills, experience, diversity, and independence to objectively discharge its governance roles and responsibilities. The Chairman of the Board is an independent non-executive director. Refer to the "Our Directorate" section of the Integrated Report for, amongst others, the qualifications and experience, period of service, age, and other professional positions held by the directors.

Principle 8: Committees of the governing body: The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement, and assist with the balance of power and the effective discharge of its duties.

Roles and responsibilities of Board members and Board Committees are clearly defined in the Board Charter and committees' terms of reference. Delegation is also appropriately dealt with within the governance structure in accordance with legal requirements. Refer to the "Board" and "Board Committees" sections of the Integrated Report for further information on the role of the Board and each of its committees.

Principle 9: Performance evaluations: The governing body should ensure that the evaluation of its performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness.

An annual evaluation of directors (which includes their independence) is performed by the Nomination Committee and confirmed by the Board. The performance assessment of the Board and its committees, including that of the Chair, is facilitated by the Company Secretary.

Principle 10: Delegation to management: The governing body should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities.

Cashbuild has a formal delegation of approvals framework which is approved by the Board. This delegation framework sets the direction and parameters which are to be reserved for the Board, and those that are delegated to management. Any changes to this delegation framework are subject to approval by the Board. The Nomination Committee considers appointments of Board members and makes recommendations to the Board for approval.

The Board (via the Nomination Committee) participates in the review of succession and emergency planning for key senior executive positions. The directors periodically discuss succession planning and evaluate that, in the event of any executive and senior management transition, plans are in place to ensure a smooth transition.

Provisions of the Companies Act with regards to appointment, removal, evaluation and duties of the Company Secretary as outlined in the Board Charter is adhered to. The office of the Company Secretary is duly empowered and carries the necessary authority to discharge its duties.

Principle 11: Risk Governance: The governing body should govern risk in a way that supports the organisation in setting and achieving strategic objectives.

The Board's responsibility for risk governance is set out in the charters of the Board and terms of reference of the Audit and Risk Committee. Risk governance encompasses both opportunities and associated risks for consideration when developing strategy.

Risk responses focus to a large extent on actions taken to mitigate risks at hand. Consideration is always given to exploration of opportunities to improve the performance of the Group when preparing action plans to mitigate risks. These are recorded in the risk register which is made available to the Board quarterly via Audit and Risk Committee meetings.

CORPORATE GOVERNANCE CONTINUED

Principle 12: Technology and IT Governance: The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives.

The Board and IT Governance Committee take responsibility for the governance of IT in the Group. Cashbuild's IT Governance Committee performs the oversight role that ensures integration of people, technologies, information and processes across the organisation. Management is responsible for the implementation of all the structures, processes and mechanisms for the IT governance framework. Prime responsibility for this has been delegated to the IT Executive reporting to the Chief Executive.

Principle 13: Compliance Governance: The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen.

The Board has, as an objective that Group policies and procedures and adherence thereto take account of the context of law and how applicable laws relate to one another. Compliance with legislation is duly considered during approval of Cashbuild policies and procedures. Legal advice is obtained during preparation and completion of Company policy as and when required.

The Board receives assurance on the effectiveness of the internal controls intended to ensure compliance with laws, rules, codes and standards through internal and external audit service delivery. The status of assurance obtained is monitored with the Group's combined assurance and legal compliance process.

Principle 14: Remuneration Governance: The governing body should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and-long term.

The Remuneration Committee, on behalf of the Board, assumes responsibility for the governance of remuneration by setting the direction for how remuneration should be approached and addressed on an organisation-wide basis. The Remuneration Committee is responsible for ensuring that the remuneration policy is kept current and remuneration is in line with industry norms, and that it addresses the governance objective of remunerating fairly, responsibly, and transparently in the promotion of the achievement of strategic objectives and positive business outcomes.

Principle 15: Assurance: The governing body should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation's external reports.

The Board assumes responsibility for assurance by setting the direction concerning the arrangements for assurance services and functions. The Board delegates to the Audit and Risk Committee the responsibility for overseeing that arrangements (internal controls, combined assurance process, and external audit service delivery) are effective in achieving the objective of supporting the integrity of information used for internal decision-making by management, the Board and its committees.

The Board oversees that the combined assurance model, as contained in the Cashbuild Way, is designed and implemented to cover effectively the organisation's significant risks and material matters through a combination of assurance service providers and functions considered appropriate for the organisation.

The Board assumes responsibility for internal audit by setting the direction for the internal audit arrangements needed to provide objective and relevant assurance that contributes to the effectiveness of governance, risk management and control processes. This is done through the approval of the Internal Audit Charter and the Internal Audit. The Board delegates oversight of internal audit to the Audit and Risk Committee.

Principle 16 Stakeholders: In the execution of its governance role and responsibilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time.

The Board assumes responsibility for the governance of stakeholder relationships by setting the direction for how stakeholder relationships should be approached and conducted in the organisation.

The Board has delegated to management the responsibility for implementation and execution of effective stakeholder relationship management and exercise ongoing oversight of stakeholder management and in particular, oversee that it results in methodologies for identifying individual stakeholders and stakeholder groupings.

Note: Above summarised results are supported by the detailed King IV Application Register available on www.cashbuild.co.za

BOARD RESPONSIBILITIES

The Board is accountable and responsible for the performance and affairs of the Company. The terms of reference outlining its responsibilities are contained in the Board Charter. The Board takes responsibility for guiding and monitoring compliance with all applicable laws, regulations and codes of business practice, maintains oversight over compliance and risk management, but delegates operational control to management.

The Board has defined levels of materiality, has delegated relevant matters to the executive directors and senior management based on detailed authority levels and believes it has full and effective control over the Group and oversight of management activities. The Board meets on a quarterly basis. All directors are encouraged to attend each meeting.

All directors are bound by and comply with the JSE Listings Requirements.

BOARD COMPOSITION

The Board operates a unitary board structure comprising five executive and seven independent non-executive directors. The Chairman of the Board is an independent non-executive director and the role of Chairman and Chief Executive is separated. The Nomination Committee reviews the composition of the Board annually, in accordance with King IV recommendations and it considers the number of directors, and the collective knowledge, skills and experience required for conducting the business of the Board. The Nomination Committee is satisfied with the composition of the Board and its committees. The non-executive directors, who are trained and experienced, bring insight and expertise to Board deliberations. There is a policy in place which ensures a clear balance of power and authority at Board level and that no one director has unfettered powers of decision-making.

The Board acknowledges its responsibility towards equality and diversity at Board level. Changes were made to the Board during the course of the financial year, with due consideration of the Equity and Diversity Policy Statement. Refer to pages 30 and 31 for our Board composition at year-end.

BOARD APPOINTMENTS

The appointment of new directors is approved by the Board as a whole on the recommendation of the Nomination Committee. Directors are appointed through a formal and transparent process, outlined in the Board Charter, which includes the identification of suitable members and performance and background checks prior to nominations. Executive director appointments are formalised through an agreed contract of service between the Company and the director.

Generally, directors have been and will be nominated based on their calibre, knowledge, experience and the impact they are expected to have, as well as the time and attention they can devote to their roles. New directors are taken through a formal induction programme and are provided with all the necessary background and information to familiarise them with issues affecting the Board.

BOARD MEETINGS

The Board met four times during the year. The Chairman of the Board and the Chief Executive meet monthly. A strategy meeting involving all members of the Board is held annually. The Chairman of the Board and Chief Executive, in consultation with the Company Secretary, take responsibility for setting the agenda of each Board meeting. Board meetings are scheduled well in advance and management ensures that Board members are timely provided with all the relevant information and facts necessary to enable the Board to meet its objectives and make well-informed decisions.

The Board meeting attendance is noted on page 30 of this Integrated Report.

INDEPENDENCE OF DIRECTORS

King IV requires the Board to holistically review the independence of non-executive directors. The Board conducted the review for the financial year and was satisfied that all of the non-executive directors are independent of the Company. In terms of the review, the Board formally assessed each director in line with the independence guidelines of King IV and satisfied itself of the independence of the directors. The Board is satisfied that NV Simamane's length of service as a director (15 years) has not impaired her independence, character or judgement.

The matter of independence of directors is addressed during the recruitment process and revisited annually when directors are required to declare any conflict of interests. No conflict of interest or any factor hampering independence of any director has been identified during the 2019 financial year.

CORPORATE GOVERNANCE CONTINUED

BOARD AND COMMITTEE PERFORMANCE EVALUATION

Cashbuild undertakes annual Board evaluations, as recommended by King IV. During the year under review, the internal evaluation process was conducted as follows:

- By the Chairmen of the various committees, using questionnaires completed by each member and attendee. The results of which were deliberated upon at each relevant committee, and presented to the Board for its consideration.
- By the Chairman of the Board using questionnaires completed by each member on the Board. The results of which were presented to the entire Board for its consideration.
- Through one-on-one discussions between the Chairman of the Board and each member of the Board. The results of which were reported on formally to the Board for consideration.
- By Board members (excluding the Chairman), evaluating the performance of the Chairman. The results of which were formally reported to the Board by the Chairman of the Remuneration Committee.

Each of the performance assessments indicated that the Board, the Board Committees, the Board members and the Chairman of the Board were performing their duties and responsibilities effectively and efficiently.

DIRECTOR APPOINTMENTS AND ROTATION

In terms of the MOI, one third of the non-executive directors retire by rotation every year and, if eligible and available, offer themselves for re-election by the Shareholders at the Annual General Meeting. Amongst other matters, the Board considers the performance of each director due for re-election at the Annual General Meeting. Directors appointed during the financial year are required to be ratified by the Shareholders at the first Annual General Meeting after their appointment. The details of the directors due for re-election, and new directors appointed during the

year are as reflected in the notice of Annual General Meeting to be held on 25 November 2019.

The Board applies its Gender and Diversity policy in filling directorship positions with a view of ensuring a balance of gender, race and ethnic diversity on the Board. Cashbuild will review its gender and diversity policy during the 2020 financial year to include voluntary targets.

CONFLICTS OF INTEREST AND OTHER DIRECTORSHIPS

The directors declare actual, potential and perceived conflicts of interest to their fellow directors and ensure that the declarations are included in the minutes of the Board meetings. They also recuse themselves from the relevant Board meeting while their fellow directors decide on the matter.

Executive directors do not hold directorships outside the Group and participate in various industry bodies and associations in different capacities. The Board believes that other directorships held by non-executive directors do not affect their ability to fully discharge their responsibilities as Cashbuild directors. Details of other directorships held by Cashbuild directors are provided on pages 30 and 31 of this report.

SHARE DEALINGS

The Company has a share dealing policy requiring all directors, management and the Company Secretary to obtain prior written clearance from the Chairman to deal in the Company's shares. Should the Chairman wish to deal in Cashbuild shares, he will in turn require prior written clearance from the Chairman of the Audit and Risk Committee. Closed periods (as defined in the JSE Listings Requirements) are observed as prescribed. During these periods, the directors, management and employees are not permitted to deal in the Company's securities. Additional closed periods are enforced when the Group commences with a corporate activity and where a cautionary announcement (as defined in the JSE Listings Requirements) is published.

LEGAL COMPLIANCE

The Board takes full responsibility for legislative and regulatory compliance in the Company. There were no cases of material legislative or regulatory non-compliance during the year and no penalty sanctions were imposed on the Group or any of its directors or officers during the year. A detailed regulatory compliance risk assessment involving the Cashbuild Executive Management and Senior Management was completed during 2014/15 and was repeated during 2017/18. Cashbuild's Compliance Officer is tasked with conducting compliance reviews, utilising appropriately designed and supported legal compliance software supplied by a reputable external service provider. Acts identified as core to the Cashbuild business during the 2017/18 legal compliance risk assessment resulted in the prioritisation of risks and a three-year action plan being drawn up that will be due for revision during the 2020/21 financial year.

ACCESS TO INFORMATION

Directors have full and unrestricted access to all relevant Company information. Non-executive directors enjoy unrestricted access to the Executive Management Team and frequently meet with the Executive Management to discuss Group affairs. All directors have unrestricted access to independent professional advice at the Company's expense, by arrangement with the Finance Director and the approval of the Chief Executive.

COMPANY SECRETARY

The Company Secretary provides guidance to the Board as a whole and to individual directors, in the ordinary course of the discharge of their responsibilities. The Company Secretary is empowered to fulfil his duties and the Board is satisfied that the responsibilities of the Company Secretary are exercised in a meaningful and competent manner. The Company Secretary is not a director of the Company and maintains an arms-length relationship with the Board. With

effect from 18 September 2018 the Company Secretary is Mr T Nengovhela. The Board considered his competence, qualifications and experience at its meeting held on 2 September 2019, and is satisfied that he is competent and has the appropriate qualifications and experience to serve as the Company Secretary.

BOARD COMMITTEES

The directors have delegated specific functions to committees to assist the Board in meeting its oversight responsibilities. The committees all have documented mandates which are reviewed annually. The Chairman of each committee reports back to the Board on matters discussed in the committees at every Board meeting.

The Board has six Board committees, namely the:

- Audit and Risk Committee;
- Remuneration Committee;
- Nomination Committee;
- Social and Ethics Committee;
- IT Governance Committee; and
- Investment Committee.

All of these committees are chaired by an independent non-executive director and operate in accordance with the respective committees' terms of reference which are approved by the Board. The committees operate independently and report to the Board. Each committee is evaluated annually by its Chairman using questionnaires completed by each member on the committee and reports the outcomes to the Board.

AUDIT AND RISK COMMITTEE

Members: Ms HH Hickey (Chairperson); Mr M Bosman; Dr DSS Lushaba and Ms GM Tapon Njamo.

In terms of the Companies Act, the members of the Audit and Risk Committee were individually elected at the Annual General Meeting on 26 November 2018 by the shareholders. Ms NV Simamane resigned as a Member of the Committee and Mr M Bosman was appointed in her stead with effect from 27 May 2019. All Members of the Committee are standing for election at the Annual General Meeting to be held on 25 November 2019.

The Audit and Risk Committee initiated a project during the financial year for the implementation of the Mandatory Audit Firm Rotation ("MAFR") for the Group. In terms of the MAFR requirements, the Company must be compliant by 30 June 2024. The Committee has determined to make a recommendation at the Annual General Meeting to be held during 2021.

The Audit and Risk Committee performs its statutory duties in accordance with section 94(7) of the Companies Act. Further details of the role, responsibilities and functions of the Audit and Risk Committee are set out in the Audit and Risk Committee Report on pages 78 to 82 of this Integrated Report.

REMUNERATION COMMITTEE

Members: Mr AGW Knock (Chairman); Mr IS Fourie and Dr DSS Lushaba

The Remuneration Committee is responsible for providing an overview and oversight of the remuneration policy and related processes in meeting the strategy of the business. The scope of this responsibility includes incentive trusts, pension fund, and medical aids associated with Cashbuild. Further details pertaining to the responsibilities and functions of the Remuneration Committee are set out in the Remuneration Committee Report on page 63 of this Integrated Report.

NOMINATION COMMITTEE

Members: Mr IS Fourie (Chairman); Mr AGW Knock and Ms NV Simamane.

All Board and sub-committee appointments are done in a formal and transparent manner. Ms NV Simamane was appointed as a Member of the Committee with effect from 27 May 2019.

The Nomination Committee is responsible for developing selection criteria and identifying appropriate candidates for appointment to the Board.

Further details of the role, responsibility and functions of the Nomination Committee are set out in the Nomination Committee Report on page 75 of this Integrated Report.

SOCIAL AND ETHICS COMMITTEE

Members: Ms NV Simamane (Chairperson); Mr IS Fourie, Ms HH Hickey; Mr WF de Jager and Mr AE Prowse.

The Social and Ethics Committee operates in terms of section 72(8) of the Companies Act and the details pertaining to the Committee's duties, responsibilities and functions are set out in the Social and Ethics Committee Report on pages 72 to 74 of this Integrated Report.

IT GOVERNANCE COMMITTEE

Members: Mr AGW Knock (Chairman); Mr AE Prowse; Mr WF de Jager and Ms GM Tapon Njamo.

The details pertaining to the responsibilities and functions of the IT Governance Committee are set out in the IT Governance Committee Report on page 70.

INVESTMENT COMMITTEE

Members: Ms HH Hickey (Chairperson); Mr M Bosman; Mr WF de Jager and Mr AE Prowse.

The following changes were made to the Committee with effect from 27 May 2019: Ms HH Hickey was appointed as Chairperson; Mr M Bosman was appointed as a Member, and Mr IS Fourie resigned as a Member.

The Investment Committee is responsible for assessing investment opportunities to ensure that the Group makes sound capital investments taking into account all risks pertaining to such transactions.

CORPORATE GOVERNANCE CONTINUED

EXECUTIVE MANAGEMENT RESPONSIBILITY

Authority has been granted by the Board to the Chief Executive, supported by the Executive Management Team, to determine and implement Group strategy. The Board is apprised of progress through Board meetings and communication with management.

Formal Executive Management Team meetings chaired by the Chief Executive are held once a week (every Monday) with members of the Executive Management Team invited on an "as required" basis to monitor and review progress and achievement of business objectives, which includes the appropriate discharge of corporate governance responsibilities in all areas of the business.

The Cashbuild Executive Management Team takes full responsibility for corporate governance within the Company and consists of Executive Directorate and the following members:

EXECUTIVE MANAGEMENT CASHBUILD



Peter Champion
Human Resource Executive



Willie Dreyer
Operations Executive



Andre Havenga
Risk and Audit Executive



Disemelo Masala
Divisional Director



Zandile Matolo
Financial Controller



Ian McKay
Operations Executive



Tyron Myburgh
Trainee Operations Executive



Hennie Roos
Operations Executive



Mark Scholes
Trainee Operations Executive



Hennie Steenberg
IT Executive



Tawanda Vengesa
Trainee Operations Executive

EXECUTIVE MANAGEMENT P&L HARDWARE



Mpeyake Khosa
General Manager Procurement



Daniela Tatisis
Chief Financial Officer



Jacques van Deventer
Marketing Manager

SUCCESSION PLANNING AND CONTINUITY OF MANAGEMENT

The Board regularly participates in the review of succession planning for key senior executive positions. The directors periodically discuss succession planning and are re-evaluating that, in the event of any executive and senior management transition, plans are in place to ensure a smooth transition. No members of the Executive Management Team gave indication of their intention to resign or retire during the financial year or the foreseeable future.

PREScribed OFFICERS

Prescribed Officers are defined as Cashbuild employees who:

- report to the Chief Executive; or
- exercise general management control over members of Cashbuild senior management; or
- have general management control over a significant portion of Cashbuild's business defined as:

- more than 15% of Cashbuild's total number of stores;
- more than 15% of Cashbuild's total turnover; and
- are eligible for appointment as a Director or Prescribed Officer in terms of Section 69 of the Companies Act.

During the financial year, the Board approved that Divisional Directors would be prescribed officers. The current Divisional Director, Ms DS Masala, was classified as a prescribed officer in April 2019, and she replaces Messrs I McKay and W Dreyer who were the previous prescribed officers. Mr A Prinsloo resigned as an employee of P&L Hardware on 31 May 2019 (in line with the P&L Hardware purchase agreement) and ceased to be a prescribed officer.

Ms Masala acknowledged and accepted all responsibilities and obligations associated with this designation.

EMPLOYEE FORUM

EMPLOYEE FORUM STRUCTURE

Cashbuild's Employee Forum structure allows Store Representatives more direct access to the Senior and Executive Management Team.

ROLE OF THE EMPLOYEE FORUM

Employee Forum meetings are established to facilitate interaction and consultation between management and employees in the workplace. The role of the Store Employee Forum is to discuss and reach agreement on store and departmental specific issues with regards to operational results, shrinkage results, audit results, customer service issues, training needs, staff scheduling, succession planning, and general issues of concern raised by employees within the store or department.



CORPORATE GOVERNANCE CONTINUED

The role of the Group Steering Committee is to ensure store forums are functioning effectively, discuss Group specific issues and any general issues of concern raised by employees within divisions but not resolved at divisional level are dealt with. This Committee monitors, implements and ensures the achievement of agreed strategies. The Group Steering Committee is also responsible for the formation of the Operations Area Employment Equity Committee to be consulted with by the Company in a specific geographical area.

It also forms the Training Committee for the Group to identify consolidated training needs in line with its strategy. The forum monitors implementation and achievement of agreed strategies, and forms the Group Employment Equity Committee to be consulted with by the Group as required by the Employment Equity Act.

Employee Forums form an integral part of Cashbuild Governance Framework and aim to optimise the governance relationship between Cashbuild management and staff.

The Cashbuild Employee Forum constitutes the principal means of communication between employees and the Executive Management Team.

In addition, various mechanisms exist for employees and other stakeholders to engage directly with members of the Board (particularly non-executive). The most direct of these is the Group's Annual General Meeting. In extraordinary circumstances however, the possibility exists for stakeholders to engage directly with non-executive directors.

GOING CONCERN

The Board is satisfied that the Company has adequate resources to continue in operation for the next 12 months and into the foreseeable future. The Audit and Risk Committee has, based on input from the Finance Director, assessed and recommended to the Board that the financial statements be prepared on a going concern basis. The Board is satisfied with the Company's going concern status as assessed at the Board meetings coinciding with the interim and year-end results.

REMUNERATION REPORT

The Remuneration Committee ("the Committee") strives to ensure that our staff complement is diverse, motivated, skilled, ethical and safe. Cashbuild's sustainability initiatives are set out in the Sustainability Report under Human Capital in this Integrated Report.

REMUNERATION COMMITTEE

Chairperson	AGW Knock
Members	IS Fourie, DSS Lushaba
Independence	All Committee members are independent non-executive directors
Meetings	Three times per annum
Role and function	<p>The Committee's role is delegated to it by the Board to ensure that:</p> <ul style="list-style-type: none"> • the Remuneration Policy is kept current; • remuneration packages are in line with industry norm; and • criteria for performance measurement and remuneration packages for Cashbuild's Executive Management team is maintained and updated. <p>In addition, the Committee:</p> <ul style="list-style-type: none"> • facilitates a transparent process of performance review and evaluation for executive directors on behalf of the Board; • ensures that remuneration, in particular as it relates to Executive Management, is motivated by the dual criteria of delivering sustainable financial return to shareholders and the recognition and reward for outstanding performance; and • ensures that executive compensation is linked to the achievement of both the organisation's financial and non-financial goals.
Responsibilities	<p>The Committee's responsibilities include:</p> <ul style="list-style-type: none"> • that all positions are graded using the Patterson grading methodology; • remuneration packages are benchmarked every three years by way of formal salary surveys using external remuneration specialists; • Cashbuild's policy is to remunerate staff at the 50th percentile, with scarce skills pitched at the 75th percentile; and • that the executive directors' remuneration mix, in respect of "guaranteed pay" and "non-guaranteed/variable pay", is appropriate, so as to align the directors' interests with those of shareholders.
Assurance	<p>The Committee is governed by good corporate governance principles and the Group's value statement. The Members of the Committee hereby confirm that they were diligent in exercising their duties of care and skill and that they have taken reasonable steps to ensure that they performed their duties in accordance with the Committee's mandate.</p>

REMUNERATION REPORT CONTINUED

In terms of King IV, the Company should obtain the endorsement of its shareholders pertaining to the Company's Remuneration Policy and the Implementation Report of this policy at the AGM. If more than 25% of the total votes cast by the shareholders, present and by proxy, are against either resolution, the Company will issue an announcement on SENS inviting shareholders who voted against the Resolutions to meet with the Members of the Committee. The process to be followed will be set out in a SENS announcement.

The Company's Remuneration Policy has remained consistent in all material respects with the prior year.

The Company's Remuneration Policy and Implementation Report received support from the shareholders at the most recent and prior AGMs as follows:

Percentage of "For" votes	26 November 2018 %	27 November 2017 %
Endorsement of the Remuneration Policy	88.2	84.0
Endorsement of the implementation of the Remuneration Policy	89.2	82.1

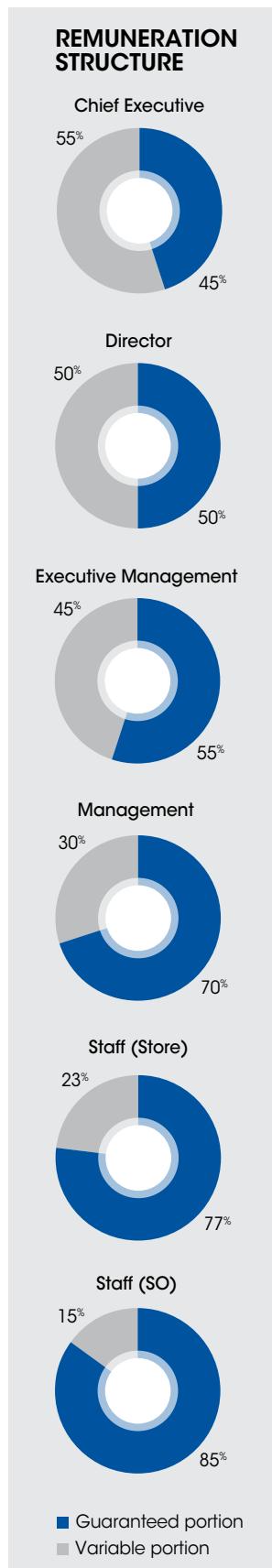
For the year under review, Executive Management met with shareholders who voted against the aforementioned Resolutions to take their questions in regard only to the publicly available information. The Company remains open to engaging on votes against Resolutions, off the basis of information publicly available.

ACTIVITIES UNDERTAKEN BY THE COMMITTEE DURING THE YEAR

During the year under review, the Committee reviewed the Remuneration Policy to ensure that it is aligned with applicable regulations and remuneration principles contained in the Group's value statement as well as corporate governance guidelines.

The Remuneration Report is aligned to King IV Principles to articulate and demonstrate the link between strategy, value creation, performance and remuneration.

The Committee also reviewed the remuneration packages and structure of executives to ensure that they are competitive in the relevant market and are aligned with shareholders' interest as well as with the Group's strategy and performance.



SECTION A

REMUNERATION POLICY

In order to achieve the Group strategy and maintain the high performance expected of individuals within Cashbuild, the attraction, motivation and retention of staff at all levels is critical. Reward and recognition play an important role in the achievement of these objectives. All permanent employees potentially qualify for two salary increases per annum. The first one being in July of each year, aligned to the financial year, where an annual cost-of-living increase is given to all staff, irrespective of individual performance.

The average CPI percentage over the preceding 12 months plus an agreed factor is used as the basis for the calculation of the annual cost-of-living increase. This formula and final percentage cost-of-living increase is discussed with and agreed to by the Group Employee Forum. This year a 5.5% (2018: 6.0%) cost-of-living increase was agreed to for the year ahead for all staff with senior and Management receiving a 5.0% (2018: 6.0%) increase.

The second potential salary increase is given over and above the annual cost-of-living increase, as agreed to with the Cashbuild Employee Forum. This rewards exceptional performance by individuals by means of a secondary salary increase in October and is based on agreed performance parameters. This increase varies between 1% and 3% for those that qualify.

In addition, there are monthly and quarterly bonuses that employees at stores can earn based on store and divisional performance. An annual bonus is available to all store and divisional management, based on their areas' performance with Support Office staff and Executive Management qualifying for annual bonuses based on the Group's results and performance.

EXECUTIVE EMPLOYEE CONTRACTS

All executive directors and managers have employment contracts requiring one month's notice of resignation and do not contain any restraint of trade clauses in the ordinary course of business.

The Group supports the principle of malus and clawback clauses in executive management contracts. The current executive management contracts do not cater for such clauses. The Remuneration Committee aims to implement the clauses, supported by company policy, by the end of the 2020 financial year.

REMUNERATION STRUCTURE

The Group's remuneration is structured between guaranteed and non-guaranteed or variable pay and the balance between these categories varies depending on the employee's Patterson grading within the organisation. Guaranteed pay consists of basic pay, allowances and employee benefits whilst the components of non-guaranteed pay consist of Short-Term Incentive (STI), the bonus scheme for all staff and a Long-Term Incentive (LTI) being the BEE trust, Operations Management Member Trust and the Forfeitable Share Plan (FSP).

There are specific contractors in the operations environment of the business whose remuneration structure consists of a base pay and performance-based commission.

The pie charts adjacent indicate the components of the remuneration structure for various roles of employees in the Group.

GUARANTEED PAY

BASIC SALARY

Management and staff are paid on a cost-to-company basis. The guaranteed cost-to-company package for all employees is set in line with the three-yearly salary survey conducted by an external remuneration specialist. The next survey is scheduled for the 2020 financial year.

Executive directors and senior management packages are benchmarked against medium-sized market capitalisation companies on the JSE.

REMUNERATION REPORT CONTINUED

The rationale behind this benchmarking exercise is the retention of key members of the Company's executive directors and senior management. The potential loss of key senior personnel was previously identified by Cashbuild's risk management system as a significant risk faced by the Group. This measure is one of those identified to mitigate this risk.

The sustainability of the business is paramount in determining remuneration. The Board is satisfied that the current structure of remuneration for executive directors and senior management does not encourage increased or undue risk taking.

Details of all executive and non-executive directors' remuneration are detailed on pages 68 and 69 of this report.

The set performance of the Chief Executive is assessed against pre-defined performance criteria, by the Chairman and the Remuneration Committee, while the performance of executive directors and senior managers is evaluated against similar performance criteria set by the Chief Executive and reviewed by the Remuneration Committee. Any increases given over and above the July cost-of-living increase are directly related to the individual's performance as well as market remuneration levels.

RETIREMENT FUNDS

Membership of the retirement fund is compulsory for all permanent employees. The retirement fund is part of the Alexander Forbes Umbrella Fund. The fund has performed well in comparison to other such funds and benchmarks set. The fund is managed by a management committee that meets twice a year and consists of 50% employer and 50% employee elected representatives. In order to facilitate financial decision-making aligned to Group policies, the Group's Remuneration Committee Chairman, Chief Executive and Finance Director are all employer elected members of this Committee. P&L Hardware provident fund is planned to be incorporated into the Alexander Forbes Umbrella Fund and align benefits of P&L Hardware staff to the Group's benefits.

MEDICAL AID

Membership of a medical aid is optional. The medical schemes offered to Cashbuild South Africa employees are Discovery and Momentum. Approximately 2% of employees have elected to join these medical schemes and this level is consistent with that of the prior year.

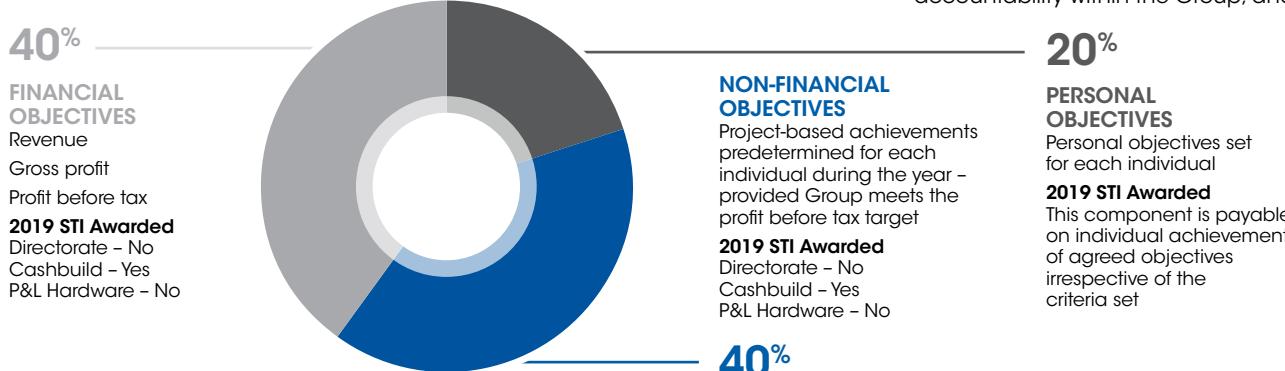
The sourcing of affordable health care, and the promotion of membership in medical schemes by employees remains a focus area. However, most staff, particularly, in South Africa have elected to not belong to one of the above medical schemes unless subsidised by the Group.

SHORT-TERM INCENTIVE SCHEME (STI)

Operations management and staff participate in a monthly, quarterly and annual STI scheme which is directly related to the financial performance of their operating unit.

The criteria for these awards relate to sales, transactions and gross contribution targets.

COMPOSITION OF STI (%)



Executive Directors targets are set on the Group's performance. Management and staff targets are set on either Cashbuild or P&L Hardware performance depending on the area of responsibility. Once the criterion has been met and dependent on the occupational level, an incentive of between 9% and 50% of annual cost-to-company for employees is calculated.

In general, the STI awards are assessed as per the graphic below.

CASHBUILD EMPOWERMENT TRUST

The philosophy of having all staff share in the success of the Group, and in so doing create a sense of belonging and ownership, is embodied in the Cashbuild Empowerment Trust to which all permanent staff, irrespective of seniority or length of service, belong. Additionally, it aligns the goals of staff with those of the shareholders.

This Trust owns 1 764 999 shares, 7.06% of the issued share capital at 30 June 2019. Dividends are paid twice per year to all members of the Trust on an equal basis. In the last financial year, a total of R11.0 million (2018: R12.4 million) was paid and shared between all permanent members of staff. Since inception in 2005, the Trust has disbursed a total of R256 million to staff.

STORE OPERATIONS MANAGEMENT MEMBER TRUST

The Store Operations Management Member Trust was established in 2011. Its objectives are to:

- promote the continued growth and profitability of stores within the Group, and the growth of the Group, by recognising and rewarding qualifying members;
- empower and retain management members in the Group;
- foster an ethical mindset of ownership, responsibility and accountability within the Group; and

20%

PERSONAL OBJECTIVES

Personal objectives set for each individual

2019 STI Awarded

This component is payable on individual achievement of agreed objectives irrespective of the criteria set

- promote black economic empowerment and increased broad-based and effective participation in the Group by previously disadvantaged persons.

This Trust pertains to management of stores, divisions and operational areas achieving predetermined targets for the financial year as set out in the trust deed. The managers of these areas receive a share of profits in excess of predetermined targets generated by their store, division or operations area, divided equally into cash and shares. The share portion will vest on the third anniversary of the financial year in which these were awarded, on condition that the employee is still employed by Cashbuild at the time of vesting. Dividends accrue to the individual from date of award.

Since inception in 2011, a total of R30.1 million (R15.05 million in cash and R15.05 million in shares after qualification of the vesting period) (2018: R25.0 million) will have been paid, to 185 (2018: 158) store managers and five divisional managers.

Scheme	Number of shares	Share and cash value	Employees qualified
2019	9 007	R5.1 million	27
2018	4 996	R3.2 million	21
2017	1 594	R1.1 million	16
2016	13 343	R9.5 million	56
2015	9 685	R5.8 million	35
2014	3 524	R1.2 million	8
2013	2 980	R0.2 million	3
2012	16 760	R4.0 million	19
Total		R30.1 million	185

LONG-TERM INCENTIVE PLAN (LTI)

In line with local and global best practice, as approved by shareholders, in 2015, Cashbuild implemented a new share incentive plan, namely the Cashbuild Forfeitable Share Plan ("FSP") for executive directors, senior management and management at Paterson D2 band and above.

Under the FSP, participants become owners of the performance shares and/or retention shares from the award date and immediately benefit from dividends and have shareholder voting rights in respect of the performance shares and/or retention shares over the vesting period. The shares cannot be disposed of by the participants prior to the vesting date and will be subject to forfeiture conditions until the vesting date.

The number of performance shares awarded to a participant is based on the participant's annual salary and grade.

The vesting of performance shares subject to predetermined performance conditions and the employment condition. The performance conditions are summarised as follows:

Criteria	Weighting of LTI	Threshold (30% vesting)	Target (100% vesting)
EPS	50%	CPI +2% p.a. (i.e. 2% real growth p.a.)	CPI +10% p.a. (i.e. 10% real growth p.a.)
Relative TSR	30%	Median of peers*	Upper quartile of peers*
ROCE	20%	Cashbuild WACC	Cashbuild WACC +10% p.a.
Total		100%	

* Based on the constituents of the INDI+25 as at the award date.

Linear vesting will be applied for performance between the above levels provided threshold has been achieved. The Remuneration Committee will set appropriate performance conditions, performance periods, employment conditions and employment periods as relevant for each award taking into account the business

environment at the time of making the awards. These will be conveyed to the participant in their award letter. The rules of the FSP are flexible in order to allow for settlement in any of the following manners:

- by way of a market purchase of shares;
- use of treasury shares; or
- issue of shares.

The employer companies, as regulated by the recharge policy, remain responsible to procure the settlement of shares under the FSP to the participants employed by them at all times, at the expense and cost of the employer companies. In order to effect any forfeiture of awards, performance shares and retention shares are held by an escrow agent on behalf of the participants until the vesting date.

The maximum aggregate number of shares which may at any time be allocated in respect of this FSP together with the Group's existing share scheme to all participants shall not exceed 5% of the issued shares.

The maximum number of shares allocated to any participant in respect of all vested and unvested awards under the FSP together with the Group's existing share scheme shall not exceed 0.5% of the issued shares.

Limits apply to shares allocated in total over multiple award years, it is still not envisaged that any limits will be exceeded in the foreseeable future.

The Remuneration Committee may alter or vary the rules of the FSP as it deems fit. However, in the following instances, the FSP may not be amended without the prior approval of the JSE and a resolution by the shareholders of 75% of the voting rights:

- the category of persons who are eligible for participation in the FSP;
- the number of shares which may be utilised for the purpose of the FSP;
- the individual limitations on benefits or maximum entitlements;
- the basis upon which awards are made;
- the amount payable upon the award, settlement or vesting of an award;
- the voting, dividend, transfer and other rights attached to the awards, including those arising on liquidation of the Group;
- the adjustment of awards in the event of a variation of capital of the Group or a change of control of the Group; and
- the procedure to be adopted in respect of the vesting.

REMUNERATION REPORT CONTINUED

SECTION B REMUNERATION

The remuneration of the Executive Directors and Prescribed Officers who served during the year under review was as follows:

R'000	Year	Basic salary	Bonus ¹	Expenses and travel allowance	Other material benefits ²	Pension scheme	Total
Executive directors							
WF de Jager	2019	4 425	509	201	158	415	5 708
	2018	3 923	414	156	85	356	4 934
A Hattingh							
	2019	2 449	193	195	-	230	3 067
	2018	1 153	182	76	-	109	1 520
AE Prowse							
	2019	3 136	245	161	-	242	3 784
	2018	2 707	193	210	-	203	3 313
SA Thoresson							
	2019	2 810	223	204	-	250	3 487
	2018	2 433	177	196	-	212	3 018
WP van Aswegen							
	2019	2 282	188	214	-	220	2 904
	2018	536	177	57	-	52	822
Total		2019	15 102	1 358	975	158	1 357
		2018	10 752	1 143	695	85	932
Prescribed officers							
W Dreyer ³							
	2019	1 796	259	119	92	179	2 445
	2018	1 852	38	121	92	184	2 287
A Hattingh							
	2019	-	-	-	-	-	-
	2018	1 018	-	144	-	96	1 258
I McKay ³							
	2019	1 656	199	307	61	146	2 369
	2018	1 650	35	262	61	146	2 154
A Prinsloo ⁴							
	2019	2 528	-	483	-	-	3 011
	2018	2 040	-	541	-	-	2 581
DS Masala ⁵							
	2019	439	85	41	28	47	640
	2018	-	-	-	-	-	-
Total		2019	6 419	543	950	181	372
		2018	6 560	73	1 067	153	426

1. Bonuses differ to the Notes to the Annual Financial Statements on pages 133 and 134 as these values have subsequently been approved for payment by the Remuneration Committee.

2. Other material benefits include contributions to medical aid.

3. W Dreyer and I McKay ceased being Prescribed Officers with effect from 6 May 2019. Remuneration is for appointment period.

4. A Prinsloo resigned with effect from 31 May 2019. Remuneration is for appointment period.

5. DS Masala was appointed as the Prescribed Officer with effect from 15 April 2019. Remuneration is for appointment period.

NON-EXECUTIVE DIRECTORS

Non-executive director fees are recommended by the Remuneration Committee supported by the Board and approved at the Annual General Meeting. Fees are based on market-related fees obtained via salary surveys conducted by external remuneration specialists. All non-executive members receive the same standard amounts for participation in committees dependent on the seniority of the committee and their position as member or chairperson.

The fees paid to the non-executive directors who served during the year under review were as follows:

	2019 R'000	2018 R'000
Non-executive directors		
IS Fourie	725	719
M Bosman*	96	–
HH Hickey	454	413
AGW Knock	512	469
Dr DSS Lushaba	440	425
NV Simamane	452	437
GM Tapon Njamo	335	90
Total	3 014	2 553

* Appointed effective 1 March 2019.

FSP SHARES AWARDED TO DIRECTORS AND PRESCRIBED OFFICERS

The following table sets out the FSP awards held by the executive directors and prescribed officers during the year:

	Number of shares^	Award face value R'000
Executive directors		
WF de Jager	34 279	11 773
AE Prowse	23 187	7 944
SA Thoresson	21 171	7 258
A Hattingh	15 995	5 363
WP van Aswegen	15 591	5 227
Total	110 223	37 565
Prescribed officers		
DS Masala	10 117	3 481
W Dreyer*	11 904	4 136
I McKay*	10 544	3 642
Total	31 565	11 259

[^] These shares are subject to forfeiture restrictions based on the Group performance.

* Ceased being prescribed officers on 6 May 2019.

INTERESTS OF DIRECTORS IN THE SHARE CAPITAL OF CASHBUILD

The aggregate beneficial holdings of the directors of the Company and their immediate families in the issued ordinary shares of the Company are detailed below. There have been no changes in these shareholdings between 30 June 2019 and the date of approval of this report.

	Number of shares held			
	30 June 2019		30 June 2018	
	Direct	Indirect	Direct	Indirect
Beneficial				
WF de Jager	1 000	–	1 000	–
AE Prowse	500	10 000	27 500	10 000
NV Simamane	1 200	–	1 200	–
Total	2 700	10 000	29 700	10 000

There are no interests held by associates, and no non-beneficial shareholdings for the abovementioned directors.

AGW Knock

Remuneration Committee Chairman

2 September 2019

INFORMATION AND TECHNOLOGY GOVERNANCE REPORT

Information technology is critical to the strategic transformation and organisational performance of Cashbuild. The Information and Technology Governance Committee ("ITGov") strives to ensure that the IT application systems are well suited and maintained to adequately support and enhance the Group's requirements.

ITGOV COMMITTEE

Chairperson	AGW Knock
Members	WF de Jager, AE Prowse, GM Tapon Njamo
Independence	Two of the ITGov members are independent non-executive directors. As this is a committee of the Board and integral to the day-to-day operations of the Group, the Board is comfortable with the composition of ITGov.
Meetings	Four times per annum.
Role and function	The ITGov assists the Board in monitoring Cashbuild's governance and risk management of its responsibilities of the IT infrastructure.
Responsibilities	ITGov is responsible for: <ul style="list-style-type: none">• governance of Cashbuild's Information Technology (IT) projects;• strategic alignment of IT with the business and collaborative solutions;• value delivery of IT concentrating on optimising expenditure and proving the value of IT;• risk management addressing the identification, assessment, monitoring and tracking of IT projects and Group-wide IT risks;• IT resource management which includes optimising IT knowledge and infrastructure; and• business continuity management (BCM) plans formulated and validated through testing.
Assurance	This report is prepared in accordance with the requirements of the Companies Act and describes how the ITGov has discharged its statutory duties in terms of the Companies Act and the additional duties assigned to it by the Board in respect of the financial year ended 30 June 2019. The ITGov is satisfied that it has fulfilled all its duties during the year under review and has made further progress in formalising all relevant policies and implementing identified plans.

ACTIVITIES UNDERTAKEN BY THE COMMITTEE DURING THE YEAR

During the year under review, the ITGov:

- monitored the achievement of Committee's objectives at the IT Governance meetings held quarterly as IT governance is an integral part of Cashbuild's business;
- ensured that the appropriate IT risks and related business objectives are properly addressed;
- addressed a number of focus areas which were identified during continuing IT risk assessments conducted by the IT audit function, a service which is currently outsourced to Ernst & Young. The main areas addressed include among others, cyber risk assessment and reviews of SAP GL application controls and Qlickview;
- continuously refine and improve Cashbuild's integrated Active Retail and SAP All-in-One solutions. Business imperative items receive continued and focused attention including daily balancing of transactional data between Active Retail and SAP;
- monitored the implementation of the IT Management Framework in respect to the audit results and guidance provided by PwC;
- monitored the implementation of the IT Strategy and ensuring alignment to the Group's Business Strategy;
- established an IT project management office that serves to ensure effective management of IT project deliverables;
- reviewed, with the view to improve, Cashbuild's integrated Active Retail and SAP All-in-one solutions. The improvements were facilitated by the establishment of an Integrated Resolution Forum which ensures that integration related matters are resolved timeously;
- addressed the requirements and implementation of the required controls to obtain PCI Compliance thereby ensuring that card holder data is effectively secured to prevent dissemination of information;
- identified and considered further improvements of the required Protection of Personal Information Act processes and controls in order to ensure compliance to the legislative act;
- monitored the establishment of enhanced Disaster Recovery capabilities for Cashbuild's information systems to ensure their long-term sustainability;
- establishment of the SAP S4/HANA roadmap including a high-level scope and cost assessment; and
- continued to evaluate the best means of monitoring cyber-crime and appropriate application of defenses to mitigate risks and threats.

AGW Knock

Information Technology Governance Committee Chairman

2 September 2019

SOCIAL AND ETHICS REPORT

As fully outlined in the Ethics section of the Sustainability Report on page 40, Cashbuild subscribes to the highest ethical standards of business practices and has a well-entrenched and defined business philosophy around its customers, staff, business partners, systems and finances. The philosophy is underpinned by the Group's vision, mission, and values, as well as the Cashbuild Way.

The Group is also guided by its Code of Ethics and the staff ethics awareness programme, both of which employees are expected to adhere to. Cashbuild also promotes an inclusive approach to governance and takes account of the impact of its operations on stakeholders. The Group's approach to corporate governance strives to include all these groupings, and is based on good communication and is integrated into every aspect of the business.

SOCIAL AND ETHICS COMMITTEE ("SECOM")

Chairperson	NV Simamane
Members	IS Fourie, HH Hickey, WF de Jager, AE Prowse
Independence	Three SECOM members are independent non-executive directors. As social and ethical behaviour are integral to the Cashbuild Way, the Board is comfortable with the composition of the SECOM.
Meetings	Four times per annum.
Role and function	The SECOM is a Committee of the Board and its role is governed by Terms of Reference approved by the Board. These Terms of Reference are subject to an annual review by the SECOM and approval by the Board. The SECOM's main objective is to assist the Board in monitoring the Group's performance as a good and responsible corporate citizen, thereby helping the Board to achieve one of its important values, namely doing business ethically. To do this, the SECOM monitors the sustainable development practices of the Group. It also monitors relevant legislation, legal requirements and prevailing codes of best practice relating to social and economic development, good corporate citizenship, labour and employment, the environment, health and public safety, and consumer relationships.
Responsibilities	The SECOM is responsible for developing and reviewing the Group's policies with regard to its commitment to governance and reporting of sustainable development performance, as well as for making recommendations to management and/or the Board in this regard.
Assurance	This report is prepared in accordance with the requirements of the Companies Act and describes how the SECOM has discharged its statutory duties in terms of the Companies Act and the additional duties assigned to it by the Board in respect of the financial year ended 30 June 2019. SECOM is satisfied that it has fulfilled all its duties during the year under review and has made significant progress in formalising all relevant policies and implementing identified plans.

ACTIVITIES UNDERTAKEN BY THE COMMITTEE DURING THE YEAR

During the year, the SECOM reviewed and improved the Group's:

- Code of Business Conduct and Ethics;
- Transformation Strategy, including the submission of the Employment Equity Report;
- Equality and Diversity Policy;
- Stakeholder Engagement Policy;
- Security and Crime Prevention Policy;
- Fraud Prevention Policy, including guidelines on Gifts;
- Corporate Social Investment Policy;
- Occupational Health and Safety Policy;
- Public Relations and Investor Relations Policy; and
- Legislative Compliance.

Policies and procedures were established to fulfil the requirements of the Protection of Personal Information Act when this was enacted by the South African Government.

Refurbishment of our Support Office to enable the accessibility of the building to physically disabled people has been completed.

The SECOM is also responsible for annually revising or determining, in conjunction with senior management, the Group's material sustainability issues. These have been reported on and are set out in the Sustainability Report on page 34.

In the execution of its statutory duties, the SECOM monitors the Group's activities, with regard to matters relating to:

- Social and economic development, including the Group's standing in terms of the goals and purposes of:
 - the 10 principles set out in the UN Global Compact Principles;
 - the OECD (Organisation for Economic Co-operation and Development) recommendations regarding corruption;
 - the Employment Equity Act; and
 - the Broad-Based Black Economic Empowerment Act.
- Good corporate citizenship, including the Group's:
 - promotion of equality, prevention of unfair discrimination and reduction of corruption;
 - contribution to development of the communities in which its activities are predominantly conducted or within which its products or services are predominantly marketed; and
 - record of sponsorships, donations and charitable giving.
- The environment, health and public safety, including the impact of the Group's activities and its products or services.
- Stakeholder engagement and consumer relationships, including the Group's advertising, public relations, investor relations and compliance with consumer protection laws.
- Labour and employment, including:
 - the Group's standing in terms of the International Labour Organisation protocol on decent work and working conditions; and
 - the Group's employment relationships, and its contribution towards the educational development of its employees.

In fulfilling its functions, the SECOM has received and reviewed reports on:

HUMAN RIGHTS PRACTICES WITHIN THE GROUP

There have been no incidents of human rights abuses instituted against the Group in the year under review.

LABOUR AND EMPLOYMENT PRACTICES

The SECOM reviewed the employee headcount, progress of employment initiatives undertaken during the year, employment equity reporting, skills development reporting and legislative updates. Reports on Employment Equity were submitted to the Department of Labour timely. A new three-year Employment Equity Plan, for the period 1 October 2018 to 30 September 2021, was approved by the Employment Equity Committee. Progress on this plan is monitored by the Employment Equity Committee and the SECOM on a quarterly basis.

SECURITY AND CRIME PREVENTION

Cashbuild remained vigilant in maintaining compliance to policies and procedures which together with its Code of Ethics and Core Values forms the basis of its crime prevention drive.

SOCIAL AND ETHICS REPORT CONTINUED

TRANSFORMATION

The SECOM reviewed the Group's performance against the new B-BBEE codes. Legislation was passed in 2018 which resulted in Cashbuild now being reviewed and measured under the Construction Sector as opposed to the previous generic codes. The Group undertook a gap analysis to ascertain areas requiring focus, leading to the formulation of action plans and targets being set for the various elements of the B-BBEE score card with particular emphasis on Preferential Procurement and Enterprise & Supplier Development, an area in which Cashbuild does not meet the sub-minimum of the Construction Sector codes.

CORPORATE SOCIAL INVESTMENT

The Group's CSI strategy was revisited to ascertain areas of focus and a revised plan was approved. The expenditure on planned initiatives during the year was assessed and found to be satisfactory.

Cashbuild has registered with the Youth Employment Services (Yes-4-Youth) initiative and will be taking on at least 109 eligible persons in the 2019/2020 financial year. The Group remains committed to positively impacting the lives of people in communities in which we trade and in the current year, made various donations, both monetary and in time, through the Cashbuild Give-a-Brick Trust and directly to beneficiaries identified in the various communities where our business operates.

ANTI-CORRUPTION, ETHICS AND COMPLIANCE

During the year, the SECOM received various reports on ethics and compliance, and it was further noted that relevant information is being communicated to all employees through workshops and have been incorporated into the Cashbuild Way. Additionally, requested our external auditors provide feedback on how they ensure quality control within their operation and ensure that the highest ethical standards are achieved and maintained.

OCCUPATIONAL HEALTH AND SAFETY ACT

Compliance and Incident Reports were reviewed at all meetings and occurring incidents were recorded and appropriately dealt with.

CUSTOMER RELATIONSHIPS

The SECOM received and reviewed reports on the Group's advertising and public relations activities together with stakeholder relations initiatives. Analysts and customer feedback including complaints were also reviewed and plans to correct issued raised, implemented.

LEGISLATION

An update of legislative compliance is provided to the SECOM at quarterly meetings, incorporating acts and legislation of neighbouring countries in which Cashbuild trades. During the period under review, Cashbuild appointed a Compliance Officer, and a compliance adequacy assessment was conducted with a view to ensuring that all legislation affecting the Group is continuously monitored and remedial actions implemented where deemed necessary.

On occasion, the SECOM will draw matters within its mandate to the attention of the Board and report to the shareholders at the Annual General Meeting on the matters within its mandate.

ASSESSMENT

SECOM is satisfied that it has fulfilled all its duties during the year under review and has made significant progress in formalising or improving all relevant policies and implementing identified plans.

NV Simamane

*Social and Ethics Committee
Chairperson*

2 September 2019

NOMINATION COMMITTEE REPORT

The Nomination Committee (“the Committee”) has an independent role and ensures that the Board has the appropriate composition; that directors are appointed through a formal process; directors’ induction and ongoing training and development of directors take place; and formal succession (and emergency) plans for the Board, Chief Executive, Executive Directors and Executive Management are in place.

NOMINATION COMMITTEE

Chairperson	IS Fourie
Members	AGW Knock, NV Simamane
Independence	All Committee members are independent non-executive directors
Meetings	At least two per annum
Responsibilities	<p>The Committee’s responsibilities include:</p> <p>Recommendations to the Board on the appointment and re-appointment of executive and non-executive directors; including the assessment of the appropriate balance between executive and non-executive directors.</p> <p>Ensuring the establishment of a formal process for the appointment of non-executive directors, the Chief Executive and the Financial Director.</p> <p>Annually reviewing the independence of non-executive directors, taking into account all applicable corporate governance requirements.</p> <p>Assesses succession planning at executive and senior management levels. The Chief Executive, in consultation with the Committee, is responsible for ensuring that adequate succession (and emergency) plans are in place.</p> <p>From time to time, reviewing the Board structure, size and composition.</p> <p>Recommendation of the directors retiring by rotation for re-election at the Annual General Meeting.</p> <p>Overseeing the development of a formal induction programme for new directors and the implementation of a continuous development programme for directors.</p>
Assurance	The Committee is governed by good corporate governance principles and the Group’s value statement. The Members of the Committee hereby confirms that they were diligent in exercising their duties of due care and skill and that they have taken reasonable steps to ensure that they performed their duties in accordance with the Committee’s mandate.

Some of the activities undertaken by the Committee during the year include:

Review of the Board structure and composition and assessed the need for a new director appointment to further enhance the Board’s retail and financial experience. A new independent non-executive director was appointed on 1 March 2019 consequent of that process.

The Committee also reviewed the emergency plans for the positions of Chief Executive, Financial Director, Operations Directors, and Executive Management and satisfied itself, and the Board, that adequate plans were in place in this regard.

The Board and Chairman succession plans were considered and confirmed by the Board.

IS Fourie
Nomination Committee Chairman

2 September 2019