

2019 leadership report

In providing ethical and effective leadership, the board is committed to transparency, accountability, integrity, fairness, competence, respect and responsibility. Directors embrace the recommendations of the King IV Code and seek to comply with all applicable laws while adhering to the highest standards of corporate governance.

The board works to integrate corporate citizenship into the Group's investment strategy and to embed sound governance values and principles into daily operations and processes. The Group operates according to a code of ethics and conduct (available on the Company's website). Companies falling under the Group's offshore subsidiary, SCIL, are governed by laws and regulations applicable to their respective foreign jurisdictions.

Effective leadership

Constituted in H2 2019, the new board applied itself with determination to a number of wide-ranging tasks required of it to execute and underpin the revised investment strategy.

In particular, in addition to their mandated tasks and responsibilities, directors:

- Interrogated and approved operating-entity acquisitions.
- Engaged extensively with management on the acquisition of the Zarclear Securities Lending business and, in respect of Zarclear Proprietary, a trade repository licence.
- Approved disposals and the terms of such disposals.
- Oversaw the restructuring of the Group's hedge-fund investments and the termination of the investment advisory contract.
- Interrogated, and approved, a new enterprise risk management framework and governance charters, policies, procedures and standards.
- Approved a stakeholder relations policy and began extensive work on drafting B-BBEE, corporate social responsibility and sustainability policies.

Directorate

On 31 March 2019 the Zarclear directors were:

Paul Baloyi (63)

Independent non-executive chairperson
MBA (Financial), Advanced Management, SEP, MDP, Commercial Banking Diploma

Paul is the managing director of CAP Leverage (Pty) Ltd, an industrial holding company. From June 2006 until April 2012 he was the chief executive officer and managing director of the Development Bank of Southern Africa (DBSA). Paul also served as chief executive officer and managing director of the DBSA Development Fund. Prior to this he spent 30 years in the financial services sector with Standard Bank and the Nedbank Group. His last position at Nedbank was as managing director of Nedbank Africa. Paul has been an independent non-executive director on many boards locally and internationally. These include Old Mutual South Africa, enX Group Limited and Basil Read Limited (where he is the chairperson).

Warren Chapman (48)

Chief executive officer
B Comm, Safex, CFA

Warren steered Peregrine Securities towards becoming the largest equity and derivative broker on the JSE by value traded, one which remained highly profitable in a declining industry. Warren has a deep understanding

of hedge funds and capital-market structures. He sits on several regulatory and policy committees and comments extensively on draft regulation. Warren has a keen interest in financial technology, particularly in collecting and interrogating large data for decision making and risk management especially in capital markets. Warren has a proven track record in identifying market and investment opportunities to increase revenues and market share.

Andrew Hannington (63)

Chief financial officer
BCom (Hons), CTA, CA(SA)

Andrew was previously CEO of Grant Thornton in Johannesburg and, before that, CEO and national chairperson of PKF. He was a member of the South African Institute of Chartered Accountants Senior Partners Committee and during his career acted as the reporting accountant on a number of JSE listings. Andrew is currently an independent corporate consultant and advises a number of non-profit organisations in the environmental, religious and educational sectors.

Mandy Munro-Smith (50)

Independent non-executive director
BA, LLB, CFE

Mandy held the executive position of group head: financial crime control at Standard Bank and, prior to that, was equity partner and director in the governance, compliance and investigations practice group at Bowman Gilfillan for 10 years. She was admitted as an attorney with the right of appearance in the High Court of South Africa in 1996. Mandy has BA and LLB degrees from the University of Cape Town (Dean's merit list). Mandy has over 25 years' experience in governance, compliance and corporate forensic matters across a wide spectrum of corporate, institutional and public-sector clients. She was ranked as a "leading individual" and "band one lawyer" in Chambers & Partners' Global Ranking Guide of Best Lawyers & Law Firms, 2016. (Mandy was appointed an executive director by the board on 25 June 2019).

Fatima Vawda (49)

Independent non-executive director
BSc, MSc, HDip, MAP

Fatima has founded two successful businesses: Legae Capital and 27four Investment Managers. She received the 2017 BBQ Comair Businesswoman of the Year award and the 2016 EY Emerging Entrepreneur of the Year award. Fatima is an executive director of Africa Collective Investments (RF) (Pty) Ltd 2015, member of the Association of Black Securities and Investment Professionals, member of the board of directors of the Association of Savings and Investment South Africa, member of the Financial

Sector Charter Council Reporting Working Committee and a member of the Nedlac Social Security Task Team. On 25 June 2019 she was appointed chairperson of the Zarclear audit and risk committee.

Subsequent to the year end, on 25 June 2019, the board approved the appointment of independent non-executive director Zolani Kgosie Matthews:

Zolani Matthews (62)
Independent non-executive director
BA (Hons) MPA

Zolani is a non-executive director of the South African Post Office and a member of its audit and risk committee as well as being chairman of the Postbank committee. He is the managing director of Valhalla Capital. Zolani was previously the executive chairman of Imvulu Group in Johannesburg, managing director of Fordworks and Associates in New York, senior manager at Armscor in Pretoria, vice-chairman at Washington Strategic Consulting Group in Washington DC and the director of state and local government affairs at American Express in New York.

Board and board sub-committees

The board is responsible and accountable for the performance of the Group and has full control over all subsidiaries. Directors acknowledge their responsibility to ensure that they have the necessary competency and knowledge of the Group to lead ethically and effectively.

The board undertook a formal, annual, self-assessment process to satisfy itself that it operates effectively according to an approved board charter which sets out its duties and responsibilities. Board sub-committees are also governed by committee charters. The charters, which are reviewed annually, mandate compliance with the principles of the King IV Code and all relevant legislation, regulate the parameters within which the board and its sub-committees operate and require that the board and its sub-committees represent and promote the legitimate interests of the Group and its stakeholders in a manner which is both ethical and sustainable. Directors are satisfied that, in the year reported, the board and its sub-committees fulfilled their responsibilities in terms of their respective terms of reference.

At year-end the board was made up of five individuals: two executive directors (the chief executive officer and the chief financial officer) and three non-executive directors, all of whom are classified as independent, including the chairperson.

The independent non-executive directors are individuals who objectively contribute a wide range of skills, industry knowledge and experience to the board's decision-making processes.

The responsibilities of the chairperson and chief executive are clearly separated to ensure a balance of power and to prevent any one director from exercising unfettered powers of decision-making.

The Company's memorandum of incorporation (MOI) provides for one-third of non-executive directors to retire by rotation each year. Accordingly, Ms Vawda will retire at the upcoming annual general meeting and has advised that she is available for re-election. In terms of the MOI, the board recommends to shareholders that retiring

directors who are eligible and available for re-election be re-elected.

The board meets at least four times a year with ad hoc meetings being convened when necessary. The board considers and approves investment decisions and reviews strategy, financial performance, resources, risk and compliance, corporate governance, transformation, diversity, and matters of social and ethical importance.

The board periodically assesses the composition of its sub-committees and the functions carried out by non-executive directors as members of the various committees. There is transparency and full disclosure from board committees to the board. The committee chairpersons provide feedback to the board on committee activities while the minutes of all committee meetings are tabled at board meetings. In addition, the chairpersons of the committees attend the Company's annual general meeting to answer any questions from stakeholders pertaining to matters handled by their respective committees.

Committee chairpersons may meet with the executive directors and/or the company secretary prior to meetings to discuss important issues and to agree on agendas.

At the time of reporting the board had three sub-committees: the audit and risk committee, the remuneration and nominations committee and the social, ethics and transformation committee, all of which assist the board in discharging its collective responsibility for sound corporate governance in accordance with their respective defined mandates and roles and responsibilities. In the year reported, all committees were found to have satisfied their responsibilities in compliance with their formal terms of reference.

Remuneration and nominations committee

Comprising at least three independent non-executive directors.

Provides independent oversight on remuneration including determining that directors and executive management are remunerated fairly and responsibly, and is responsible for the nomination of members to the board, directors' affairs and related matters.

The board is ultimately responsible for considering the recommendations of the committee and approving appointments to the board, subject to approval by shareholders at the annual general meeting.

Audit and risk committee

Comprising at least three independent non-executive directors.

Provides direct oversight of group risk management and assurance governance, focusing on matters related to risk at the Group while having oversight over the effectiveness of assurance functions and services. Ensures the integrity of the annual financial statements and other external reports and maintains oversight over the management of financial and other risks which affect the integrity of external communications.

Board and committee meeting attendance - 12 months to end-March 2019

Director	Designation	Main board	Audit and risk committee	Remuneration committee	Social, ethics and transformation committee
Lawrie Brozin (Chair)	Non-executive	3(3) ⁵	-	-	-
Sean Melnick (CEO)	Executive	3(3) ⁵	-	-	-
Sean Jelley (CFO)	Executive	3(3) ⁵	1(1) ^{4&5}	-	-
Andrew Hannington	Non-executive	3(3)	1(1)	-	-
Cindy Hess	Non-executive	3(3) ⁵	1(1) ⁵	-	-
Duncan Randall	Non-executive	3(3) ⁵	1(1) ⁵	-	-
Paul Baloyi	Non-executive	3(3) ⁶	2(2)	1(1)	1(1) ²
Fatima Vawda	Non-executive	3(3) ⁶	2(2)	1(1) ³	1(1)
Amanda Munro-Smith	Non-executive	3(3) ⁶	2(2) ¹	1(1)	1(1)
Warren Chapman	Executive	3(3) ⁶	2(2) ⁴	1(1) ⁴	1(1) ⁴
Andrew Hannington	Executive ⁶	3(3)	2(2) ⁴	1(1) ⁴	1(1) ⁴

- 1 Chairperson of audit and risk committee
 2 Chairperson of social and ethics committee
 3 Chairperson of remuneration committee
 4 By invitation
 5 Resigned 5 September 2018
 6 Appointed 5 September 2018

Social, ethics and transformation committee

Comprising at least three non-executive and executive directors, a majority of whom must be non-executive with the chairperson being an independent non-executive.

Provides independent oversight on social, ethics and transformation at the Company, performing the roles and functions of a social and ethics committee as envisaged by the Companies Act of 2008. Reviews and approves policies and procedures and sustainability strategy including environmental issues while ensuring compliance with the Company's broader social, transformation and ethics responsibilities in terms of relevant laws, codes and best practices.

Appointment and delegation to management

In the previous year, Zarclear (at the time Sandown Capital) had contracted with an external investment advisor to provide investment advisory and related corporate executive services with the CEO and CFO being seconded to the Company by the advisor. In the year reported, this arrangement was terminated, with messrs Chapman and Hannington being appointed, respectively, CEO and CFO.

The board evaluates the performance of the CEO, who remains accountable to the board. The audit and risk committee is responsible for evaluating the performance of the CFO and finance function as well as the chief audit executive. The board has collective responsibility for the succession planning of executive directors.

Race and gender diversity

The board has adopted a formal race and gender diversity

policy. The board recognises that a diversity of skills, experience, background, knowledge, thought, culture, race and gender strengthens its ability to effectively carry out its duties and add value to the Group and stakeholders. At the time of reporting, 50% of directors were black and 33% female.

Company secretary

The company secretary, CIS Company Secretaries Proprietary Limited (CIS), is responsible for ensuring that board processes comply with relevant legislation and are adhered to. Where required, Zarclear's sponsors and other relevant experts and/or professional advisors may be engaged to provide advice to the board so that directors have sufficient information to discharge their duties. CIS is led by Gillian Prestwich as the principal consultant. Prestwich holds a:

- BA degree (University of the Witwatersrand)
- Fellowship of the Institute of Chartered Secretaries and Administrators (FCIS), and
- Diploma in International Trust Management (TEP).

She has extensive experience in the company secretarial and corporate governance arenas, both locally and internationally. In line with JSE Listings Requirements, the board undertook an annual performance appraisal of the company secretary. The board was satisfied with the performance of CIS as well as their knowledge, competence and experience.

The company secretary is neither a director nor employee of the Company or any of its subsidiaries and, accordingly, maintains an arm's-length relationship with the Company and directors.

The company secretary keeps meeting attendance registers, takes meeting minutes and maintains records of directors' declarations of personal interests and all notices and circulars issued by the Company.

Risk governance

Directors accept that they are personally and collectively responsible for setting the culture and tone of the organisation's risk management.

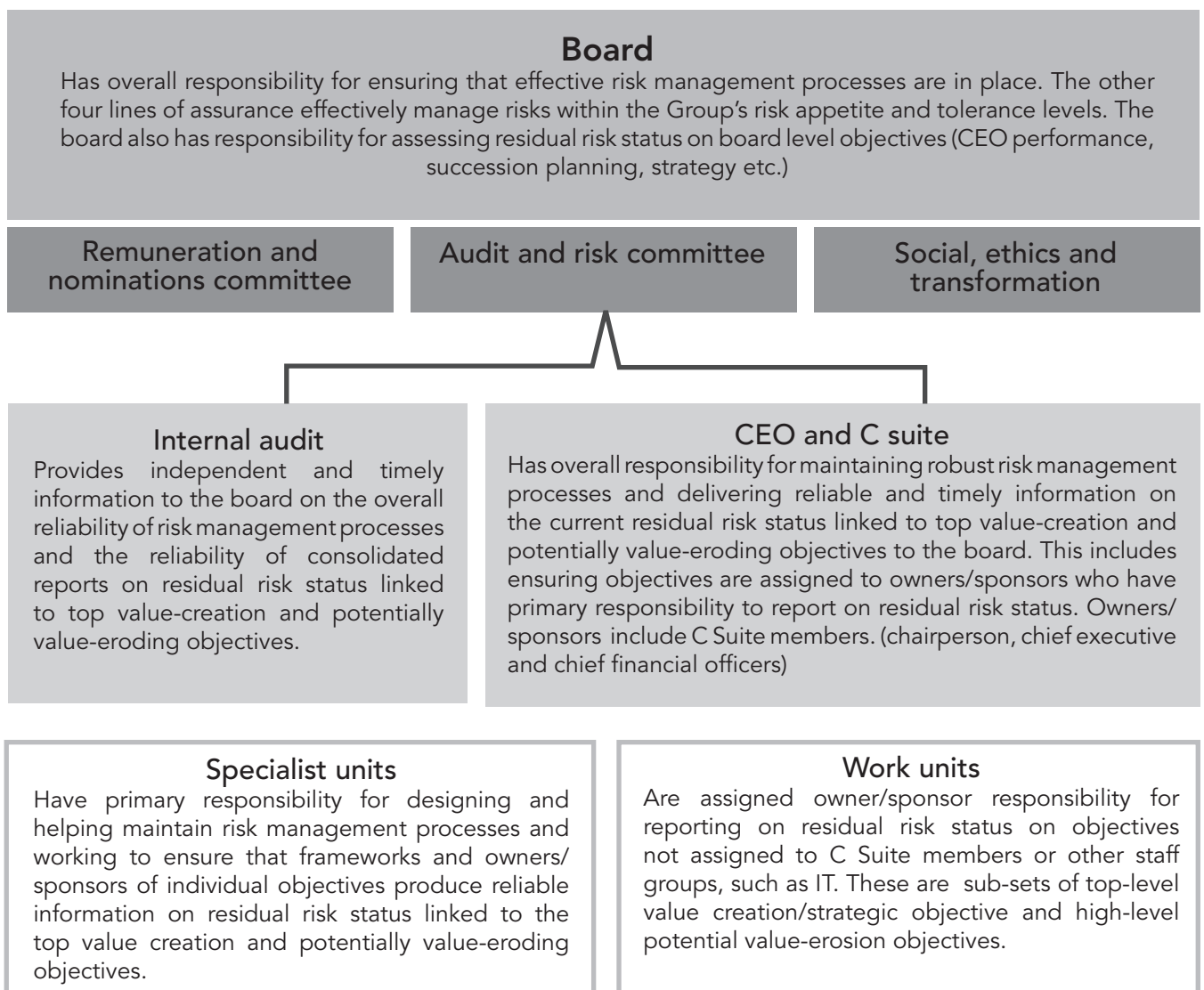
Although the board is ultimately responsible for the management of risk, it relies on executive directors to operate within control structures and frameworks established by the board. To this end, it has delegated responsibility for the monitoring and assessment of risk parameters to the audit and risk committee. Specifically, the objectives of the audit and risk committee with regard to risk management are to ensure that:

- Key areas of risk are identified, analysed and assessed.
- Appropriate risk management recommendations are made to the board, and
- The risk management process is effective.

Subsequent to the year end, the board adopted a new enterprise risk management framework predicated on COSO ERM 2017 (see page 06)

The adoption by the board of the COSO ERM 2017 approach to risk management, through the enterprise risk management framework and the introduction of five lines of assurance significantly elevates the board's role in this most important element of leadership. Directors have embraced this added responsibility, believing that the framework's focus on value-creation (and potentially value-eroding) objectives closely accords with the needs of the Group.

Five Lines of assurance



With a strategy that is increasingly concerned with deploying resources to exploit opportunities, directors embrace King IV's emphasis on opportunity management.

Zarclear has assessed the key risks and emerging threats, the controls and measures to mitigate those risks, and the treatment action plans to further address the residual risk exposure.

Key risks at Zarclear

General business and strategic risk	Controls/measures to mitigate risks (mitigants)	Treatment action plans to further address the residual risk exposure – risk response
<p>1 General business and strategic risk General business and strategic risks are the risks related to the administration and operation of the entity as a business enterprise and the risk of an inappropriate strategy or changes in the business environment.</p> <p>General business risks refer to any potential impairment of the financial condition (as a business concern) of the entity due to declines in its revenues or growth in its expenses, resulting in expenses exceeding revenues and losses that must be charged against capital. These impairments may be as a result of adverse reputational effects, poor execution of business strategy, ineffective response to competition, losses in other business lines, or other business factors.</p>	<ul style="list-style-type: none"> • Competence and experience of the executive management team • Stringent cash flow and working capital monitoring • Stringent accounting practices and auditing • Board oversight of all investments • Adherence to investment strategy • Focus on investment return objective • Alignment of investment returns 	<p>Accept Risk - Monitor</p>
<p>2 Funding and liquidity risk Funding and liquidity risk is the risk that the group although solvent, cannot maintain or generate sufficient cash resources to be able to meet its financial obligations when they fall due and includes the risk that another party, has insufficient funds to meet its financial obligations in full as and when expected, although it may be able to do so in the future and the risk that the organisation will not receive payment when due and may need to borrow or liquidate assets to complete other payments.</p>	<ul style="list-style-type: none"> • Stringent cash flow and working capital monitoring • Stringent accounting practices and auditing • Liquid nature of assets • Appropriate banking and funding arrangements 	<p>Accept Risk - Monitor</p>
<p>3 Credit or counterparty default risk Credit Risk or Counterparty Default Risk is the risk of loss as a consequence of the default of an obligor or counterparty/ portfolio company including the risk of an obligor or counterparty to financial transactions failing to perform its financial or contractual obligations when due.</p>	<ul style="list-style-type: none"> • Diversified investment of assets • Board oversight of all investments • Competence and experience of Executive Management • Conduct of thorough due diligence process prior to investment • Continuous monitoring of investments 	<p>Accept Risk - Monitor</p>
<p>4 Investment risk Investment Risk is the risk of loss faced by the entity when it invests its own or its participants resources, such a collateral and includes the risk that a return on an investment might be lower than projected. The risk of financial loss as a consequence of poor investment decisions, inappropriate finance structures etc. which may impair the Group's ability to achieve an adequate level of investment returns.</p>	<ul style="list-style-type: none"> • Competence and experience of executive management • Ongoing monitoring of investments • Diversification of investment portfolio • Entrance level to existing investments is at a discount • Ensuring liquidity of investment portfolio • Availability of cash for new investments 	
<p>5 Foreign exchange risk Foreign exchange risk is the risk of financial loss as a consequence of fluctuations in foreign exchange assets.</p>	<ul style="list-style-type: none"> • Diversification of investment assets across multiple currencies • Diversification of cash resources across multiple currencies 	<p>Accept Risk – Monitor. Foreign Exchange Risk is implicit in investment</p>

General business and strategic risk	Controls/measures to mitigate risks (mitigants)	Treatment action plans to further address the residual risk exposure – risk response
<p>6 Market risk Market Risk is the potential change in the value of a financial instrument or positions resulting from changes in market conditions both locally and globally, taking due cognizance of correlations between asset classes, central bank monetary policies, price inflation outlook, volatility of securities prices, foreign exchange rates, commodity prices and liquidity levels and includes the risk of change in the market value, actual or effective earnings or future cashflows of a portfolio of financial investments, including commodities, caused by adverse movements in market variables such as equity, bond and commodity prices, currency exchange and interest rates, credit spreads, recovery rates, correlations and implied volatilities in all these variables.</p>	<ul style="list-style-type: none"> Monitoring of investments and sensitivity analysis Diversification of risk where possible 	<p>Exploit Risk – Market Risk is implicit in investment - take action to exploit volatility</p>
<p>7 Market conduct risk Market conduct risk is the risk of inappropriate, unethical or unlawful behaviour on the part of the executive management and/or directors.</p>	<ul style="list-style-type: none"> Prohibition of trading in company shares during closed periods or when the Company is trading under cautionary Pre-authorisation required before any director share trades Personal Account Trading Policy and Procedure Avoidance and/or close monitoring of any conflicts of interest Insurance cover 	<p>Accept Risk - Monitor</p>
<p>8 Reputational risk Reputational risk is the risk of actual loss or potential losses which may impair the profitability or sustainability of the Group, resulting from damage to the Group's reputation and/or arising from negative public opinion, irrespective of whether this opinion is based on facts or mere public perception.</p>	<ul style="list-style-type: none"> Code of ethics and conduct in place Investee companies' adherence to Code of Ethics and Conduct 	<p>Accept Risk - Monitor</p>
<p>9 Country risk Country risk is a collection of risks associated with investing in a particular country and the uncertainty that obligors (including subsidiaries in a country) are able to fulfil obligations due to the Group, given political or economic conditions in that country.</p>	<ul style="list-style-type: none"> Ongoing monitoring of political and economic environments 	<p>Accept Risk - Monitor</p>
<p>10 Regulatory and compliance risk Regulatory and compliance risk is the risk of non-compliance with legal or regulatory requirements and/or the unexpected application of a law or regulation, usually resulting in a financial loss, damage or regulatory sanction or damage to reputation which is suffered by the Group as a result of failure to comply with applicable laws. Regulatory and Compliance Risk uncertainty due to legal actions or uncertainty in the applicability or interpretation of contracts or applicable laws. For example, the unexpected application of a law that renders a contract illegal or unenforceable.</p>	<ul style="list-style-type: none"> Competence of risk and compliance officer Board oversight of regulatory and compliance risk External legal function Review of contractual arrangements Participation in industry bodies 	<p>Accept Risk - Monitor</p>
<p>11 Operational risk Operational risk means the risk of loss resulting from inadequate or failed internal processes, people or systems or from external events</p>	<ul style="list-style-type: none"> Board oversight of operational risk Operational risk frameworks and policies Incident management Operational capacity adequacy Physical and Information Security Business Continuity Management Robust outsourcing arrangements 	<p>Accept Risk - Monitor</p>

Accounting and auditing

The audit and risk committee reviews and monitors the scope of work planned by the external auditors and ensures that they adopt a risk-based approach. Deloitte & Touche acted as external auditors until the appointment of BDO South Africa Incorporated in this capacity, with effect from 6 March 2019.

The external auditor is responsible for reporting on whether the financial statements, in all material respects, are fairly presented in compliance with IFRS and the Companies Act. The preparation of the financial statements remains the responsibility of directors. The audit and risk committee regularly meets with the external auditor and evaluates their independence on an ongoing basis. Where the external auditor is appointed to provide non-audit services, the committee ensures that the nature of the services and the size of the fee do not impair the independence of the external auditor.

Internal controls

The board is responsible for ensuring that the Group develops and maintains adequate and effective systems of internal controls, adequate accounting records and an effective system of risk management. Management is responsible for implementing the strategies of the board and for the preparation of financial statements which are free from material misstatement, whether due to fraud or error.

The audit and risk committee assists in this regard by evaluating the adequacy and effectiveness of internal control systems and processes, monitoring the implementation and execution thereof by management and ensuring that internal control recommendations, if any, have been implemented. The systems of internal control are designed to manage, rather than eliminate, risk. The systems are also designed to safeguard and maintain accountability over the Group's assets. Further, these systems enable the identification and mitigation of fraud, potential liability, loss and material misstatement while complying with applicable laws and regulations.

Following the reconstitution of the board and the adoption of a new investment strategy which entailed investment in operating entities, the board resolved that an internal audit capability was required. This will be attended to in the new year.

Assurance and audit

The audit and risk committee ensures the effectiveness of the Company's assurance functions and services with particular focus on combined assurance arrangements, including external assurance service providers and the audit and finance functions. It also ensures the integrity of the annual financial statements and, to the extent delegated by the board, other external reports issued by the Company. It maintains oversight of the management

of financial and other risks that affect the integrity of external reports issued by the Company as well as financial governance at the Company while focusing on the Company's financial policies, strategies, capital structure and capital adequacy.

This, combined with an effective risk management process and the support of the external audit process, underpins the Group's reliance on its combined assurance model.

IT governance

The board assumes overall responsibility for supervision of IT risk, assisted by the audit and risk committee.

The reconstituted board has adopted the view that information and technology governance and risk management are of material importance given the revised investment strategy.

Compliance

While responsibility for the implementation and execution of effective compliance management was, until the termination of the investment advisory contract, delegated to the investment managers, the board assumes overall responsibility for ensuring compliance with all applicable laws, regulations, codes of conduct, and standards. Where required, the board may consider the need to receive periodic independent assurance on the effectiveness of compliance management.

The board has assessed the Group's residual compliance risk as minor given the enhancement of internal controls at the Company, the establishment of robust structures and policies to address legal and regulatory compliance, the absence of operational complexity of the operating entities and the impact of operational entities on the balance sheet.

Remuneration and nominations committee report

Remuneration background

Prior to September 2018, the scope of the remuneration and nominations committee was limited to making recommendations to shareholders on non-executive directors' fees and reviewing the quality and cost-effectiveness of the investment management services provided by the investment advisor.

In November 2018, a new remuneration policy was adopted which includes the committee's remuneration responsibilities. This is published in full on the Company's website. The revised remuneration policy and implementation statement were approved by shareholders.

Remuneration policy

Executive management

The new (and current) Zarclear remuneration policy provides for remuneration of executive directors and senior management comprising two elements:

- Guaranteed annual cost-to-company (CTC) package.
- Other benefits, limited to a short-term incentive and a long-term incentive.

The CTC approach allows the company to provide competitive remuneration based on performance and contribution while allowing the opportunity to offer a mix of cash and benefits.

CTC comprises:

- Compulsory benefits
- Cash residue – the amount of CTC remaining after deducting the cost of all benefits.

Executive CTC remuneration consists of all amounts and benefits including Company contributions to a provident fund, medical aid fund and/or Group life and disability scheme. 'Other benefits' comprise short-term incentives which may comprise performance bonuses and long-term incentives which may comprise participation in a deferred bonus scheme or share incentive scheme.

Executive management may be awarded an annual cash bonus which is linked to both individual and Company performance, subject to affordability. Annual long-term incentive share purchase schemes may be offered to qualifying permanent executives and comprise participation in a deferred bonus scheme or share incentive scheme.

Non-executive directors' remuneration

Non-executive directors are subject to annual performance review, their fees being independently benchmarked against companies of comparable size, market sector and complexity. The remuneration and nominations committee makes recommendations with regard to non-executive directors' fees for tabling, and voting by shareholders, at the annual general meeting of the Company.

Implementation

Operating expenses in the year included an amount of R75 million for the investment management advisory fee (2018: R8 million). As is noted elsewhere in this integrated report, the 2019 amount included a once-off contract termination fee of R63 million.

The reconstituted board took the view that both executive and non-executive directors be rewarded in a manner commensurate with the nature, size and complexity of the business. The committee believes that this is now done on a scale which will give shareholders confidence in directors' commitment to executing – with the utmost probity – against the Group's new investment strategy.

No executive short-term or long-term incentives were implemented in the year reported and none is recommended to shareholders for the 2020 year.

The board of Zarclear Proprietary, whose membership includes directors of Zarclear Holdings, resolved in March 2019 that non-executive directors' fees would not be paid until the trade repository licence was obtained and Zarclear Proprietary had achieved profitability.

The remuneration policy and the remuneration implementation report will be tabled for separate non-binding advisory votes at each annual general meeting, in line with King IV and the JSE Listings Requirements. These votes allow shareholders to express their views and concerns on the Company's remuneration structures.

In the event that either, or both, the remuneration policy and implementation report are voted against by at least 25% of voting rights, the members of the Zarclear remuneration and nominations committee undertake to engage individually with each dissenting shareholder with a view to addressing their reasonable and legitimate concerns. Where the committee and such dissenting shareholders reach agreement on remedial actions to be taken, these will be communicated to all shareholders. Should agreement not be reached, the differing positions of both the committee and the dissenting shareholders will be presented to all shareholders for resolution – and voting – at the next annual general meeting following the receipt of such objections.

At the 2018 annual general meeting both the remuneration policy and the remuneration implementation report were voted in favour of, by 96.53% and 96.49% of voting rights respectively.



Fatima Vawda
Chairperson
Remuneration and nominations committee

Remuneration paid to executive and non-executive directors are fully set out in the annual financial statements.

Executive directors	Emoluments for services	Total emoluments
	R'000s	
2019		
Paid to executive directors of the company - for managerial services		
W Chapman	516	516
A Hannington	769	769
	<u>1,285</u>	<u>1,285</u>
2018		
M Yachad	<u>1,130</u>	<u>1,130</u>

Non-executive directors' fees			Sub-committees			2019 R	2018 R
R'000	Chairperson	Main board	Audit and risk	Rem and nom	Social and ethics		
Paul Baloyi (chairman) ¹	Main board and SEC	227	51	23	28	329	
Mandy Munro-Smith ²	Audit	91	68	23	22	204	
Fatima Vawda ³	Remco	91	51	28	23	193	
Lawrie Brozin (chairman) (resigned) ⁴	Main board	200	–	–	–	200	215
Andrew Hannington ⁵	Audit	80	60	20	20	180	182
Duncan Randall (resigned) ⁶	Remco	80	45	25	20	170	170
Cindy Hess (resigned) ⁷	SEC	80	45	20	25	170	113
Mandy Yachad (resigned) ⁸	–	–	–	–	–	–	40
Total		849	320	139	138	1,446	720

¹ PB was appointed to the board as chairman on 5 September 2018

² MMS was appointed to the board and committees on 5 September 2018

³ FV was appointed to the board and committees on 5 September 2018

⁴ LB resigned from the board and as chairman on 5 September 2018

⁵ AH moved from being a non-executive to executive director on 5 September 2018

⁶ DR resigned from the board, and committees on 5 September 2018

⁷ CH resigned from the board and committees on 5 September 2018

⁸ MY resigned from the board and committees on 29 November 2017

Audit and risk committee report

During the year reported on, the audit and risk committee ("the committee") comprised three independent non-executive directors: Mandy Munro-Smith, (chair), Fatima Vawda and Paul Baloyi.

The committee meets at least four times per year. Special meetings are convened as required.

An internal effectiveness evaluation is performed annually in terms of which the board satisfies itself that each committee member has the suitable skills and experience to serve on the audit and risk committee.

The responsibilities of the committee, as set out in its terms of reference, include:

- Financial governance oversight.
- Reviewing the external audit annual work plan and reports.
- Reviewing the Group's risk framework and assessing risk-mitigation strategies.
- Reviewing legal and compliance matters that could have a significant impact on the financial statements.
- Monitoring internal control frameworks and procedures, including accounting policies, legislative compliance, regulatory matters and governance.
- Reviewing the effectiveness of internal controls and financial reporting procedures, including IT and information controls and risk management, based on reports from the chief financial officer.
- Recommending the appointment of the external auditor, who in the opinion of the committee, is independent of the Company, for approval by shareholders at the annual general meeting.
- Approving the remuneration of the external auditor and an assessment of their performance.
- Performing an annual assessment of the independence and suitability of the external auditor;
- Setting the principles for recommending the use of an external auditor for non-audit services.
- Advising and updating the board on issues ranging from accounting standards to published financial information and risk-management systems.
- Reviewing the consolidated and separate financial statements, and SENS results announcements.
- Assessing the quality and effectiveness of combined assurance from the external auditor and the executive directors and ensuring that the combined assurance received is adequate to address all material risks, and
- Monitoring compliance with laws and regulations.

In the year to 31 March 2019 the committee was reconstituted, the new members adopting a revised committee mandate.

As a result of non-agreement over proposed audit fees and in an effort to reduce Company operating costs, the audit services of Deloitte & Touche were terminated by mutual agreement in March 2019. With effect from 6 March 2019, BDO South Africa Inc. with Rudi Huiskamp as designated audit partner, was appointed as the external auditor.

In accordance with paragraph 3.84(g)(iii) of the JSE Listings Requirements, the committee has assessed the suitability of the appointment of the external auditor and the designated audit partner, and is satisfied with such appointment.

The committee has considered and is satisfied that the tenure of the external auditor has not compromised their independence and that no change be recommended, particularly considering their recent appointment. The committee has further considered, and is satisfied with, the expertise and experience of the chief financial officer,

Andrew Hannington, and that of the finance function.

The committee has considered, and is satisfied with, the key audit matter reported by the external auditor.

The committee is further satisfied, in line with paragraph 3.84(g)(ii) of the JSE Listings Requirements that the Company has established appropriate financial reporting procedures and that these procedures are operating effectively.

Following a review of the annual financial statements (AFS), the committee was of the opinion that, in all material respects, the AFS comply with the relevant provisions of the Companies Act of South Africa and IFRS, the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), and the JSE Listings Requirements, and that they fairly present, in all material respects, the results of operations, cash flows and financial position of the Company and the Group for the year ended 31 March 2019.

In addition to executing the responsibilities stipulated in its terms of reference, the committee approved a process which will lead to the appointment of an internal auditor. The committee considered, and adopted, an enterprise risk management framework aligned to the COSO enterprise risk management 2017 approach. In addition, it approved an own risk and liquidity assessment compiled by management. The committee also undertook a self-assessment of its effectiveness.


The audit and risk committee is of the opinion that it has discharged its functions in terms of its terms of reference and as prescribed by the Companies Act of South Africa. The committee oversaw the compilation of the integrated annual report, including the appointment of individuals with appropriate skills and experience to assist in its preparation. The committee reviewed the Directors' responsibility statement in the AFS and concurs therewith. All members of the committee review the final report prior to its publication.

The committee has recommended to the board the entire integrated annual report for approval.

On 25 June 2019, Mandy Munro-Smith was appointed an executive director. To ensure that the composition of the committee complies with the JSE Listing Requirements, the Companies Act and King IV recommendations, Zolani Kgosie Matthews who was elected an independent non-executive director of the Company on the same day, was appointed by the Board to the audit and risk committee, and Fatima Vawda assumed the position of chairperson of the committee.

In accordance with the committee's terms of reference, at the upcoming annual general meeting, Fatima Vawda and Paul Baloyi and Zolani Kgosie Matthews will be eligible for re-election as members of the committee.

A short resume of each of these directors, demonstrating their suitable skills and experience to serve on this committee, is published in the 2019 integrated annual report and is accessible on the Company's website.



Mandy Munro-Smith
Audit and risk committee chairperson
Sandton
26 July 2019