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INTEGRATED  
ANNUAL  
REPORT

for the 15 months ended  
30 June

**2020**

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## Introduction

This is the third integrated annual report of Zarclear Holdings Limited (“Zarclear” or “the Company”) following its listing on the Johannesburg Stock Exchange Limited (JSE) and A2X in November 2017.

Our previous Integrated Report covered the 12 months to 31 March 2019.

On 21 January 2020, the Company announced that it was changing its financial year end from 31 March to 30 June. This was to align its year end with that of African Phoenix Investments Limited – with which it planned, at the time, to merge. As such, in announcing its new year end, Zarclear committed to publishing reviewed summarised results for the 12 months ending 31 March 2020, and to publish summarised audited results for the 15 months to 30 June 2020. The announcement added that this Integrated Report would be published, with a notice of annual general meeting, within four months of 30 June 2020, and cover the 15 months to that date.

This report is intended to give insight into how Zarclear’s leadership executed strategy to create value in this 15-month period, and how the Company is positioned to create value into the future.

Previously a purely investment-holding entity, Zarclear’s integrated strategy is concerned with deploying its financial capital to create substantial social, human and intellectual capital – while delivering above-average financial returns to investors. Trade-offs between the capitals in decision-making are likely to become of greater consequence as the Group’s strategy evolves.

In the period here reported, Zarclear’s net asset value increased to R6.00 per share. However, the Group’s intention to invest in operational assets was severely limited by factors beyond the control of directors and by the COVID-19 pandemic. Nevertheless, this report covers the first full year of subsidiaries’ operations since their creation or investment by Zarclear. It also covers the performance of financial investments as well as the impacts of the pandemic. It is worth noting that this report is issued by a board of directors which was reconstituted towards the end of the previous year.

In addition to strategic aspects, we seek here to provide an understanding of the Group’s core purpose, risks and opportunities, strategy, business model and performance during the year. The report also aims to give insight into Zarclear’s prospects and its likely ability to create value over the short, medium and long term. As such, it contains various statements which may be construed as forward looking. Readers are advised that acting upon any such forward-looking statements may entail risks as well as opportunities and that the Group cannot, in any way, be held responsible for the outcomes of such actions.

Our full, audited financial statements for the 15 months to 30 June 2020 are available on our website, [www.zarclear.com](http://www.zarclear.com).

Copies of the full financial statements may also be requested from the Company.

The audit and risk committee recommended this integrated annual report to the board for approval and the board is satisfied that this, Zarclear’s 2020 integrated annual report, is a fair reflection of the performance of the Group and of its value-creation prospects.

**Paul Baloyi**  
*Chairperson*

**Warren Chapman**  
*Chief executive officer*

# Message from the leadership

## Dear Stakeholders

The period reviewed in this report was in many respects an unusually eventful one. It was eventful, of course, for not only our Company but for South Africa, our various markets and the world.

We are satisfied that Zarclear navigated a period of considerable upheaval having preserved and enhanced shareholder value while at the same time ensuring that the Group remained well equipped to deliver on its strategy.

## Operating entities

Whereas the 15 months covered by this report were indeed eventful, the single event with which much of our work has recently been concerned – the granting of an over-the-counter derivatives trade repository licence – failed to materialise. We appreciate that disruptions wrought by the COVID-19 contagion adversely affected the work of many organisations but the ongoing delays around the regulation of over-the-counter derivatives gave cause for discomfort.

As a result of uncertainty over the market-infrastructure prospects of our subsidiary, Zarclear Proprietary Limited, (“Zarclear Proprietary”), investments in this area of its operations were fully impaired in the year. Despite this disappointment, we remain confident that this is an area in which, given opportunity, our Group will be able to create significant social value – by improving market transparency and mitigating systemic economic risk. (In this respect, South Africa’s financial markets are now regrettably lagging other markets which it previously led in terms of effective and value-adding regulation.)

Aside from the frustrating delays around the trade repository licence, Zarclear Proprietary succeeded to a commendable degree in establishing itself as a well-regarded technology developer and service provider. Similarly, Zarclear Securities Lending (RF) Proprietary Limited (“Zarclear Securities Lending”) achieved pleasing results from operations. In using our financial capital to create meaningful value, we are proud to report on the establishment of the Zarclear Peresec Foundation and the immediate impact it has had (page 08). Directors were particularly buoyed by the impact which our strategy began to have on creating meaningful social value, especially for the most deserving individuals.

## Diverse investment holdings

Before the full force of COVID-19 was felt, the South African economy was already in a recession and, with the looming prospect of lockdown, equity markets weakened while interest rates softened. In the event – an event which turned into an unprecedented worldwide economic and social malaise – the diversified nature of our investment holdings proved to be extremely beneficial (page 05).

The effect of offshore holdings which held up well in their reporting currencies, coupled with Rand weakness, underpinned the Company’s increase in net asset value (NAV). Unfortunately, once again this year our share price did not respond to this improvement in NAV. Coupled with the standstill experienced over the trade repository licence, we are unable to report meaningful progress on our stated key objective of narrowing the share price’s discount to NAV. It was this reality, of a share price that was largely insensitive to NAV movements, and the costs associated with being a listed small cap that led the board to consider and pursue a delisting (page 08).

For some years, as a Company we have spoken of Zarclear leveraging “the listed governance structures ... and ... sector expertise and networks that the Company’s management and board offer”. One outstanding example of how our leadership leveraged its sector expertise in the year, we submit, was the investment we made in African Phoenix Investments Limited (page 03). We have no doubt that this acquisition will unlock synergies and create lasting value for our investors.

## Outlook and appreciation

As this report goes to print, the results of the share offer made by Legae Peresec Capital in September 2020 are still unknown. Regardless of the outcome, Zarclear will remain a listed entity and, as such, we will continue to report publicly on our performance and prospects. At the time of writing, our Group was in an enviably strong position to successfully execute against our strategy.

We thank our fellow directors for their willingness to spare no effort in ensuring that Zarclear successfully weathered a difficult period in its young life.



Paul Baloyi  
Chairperson



Warren Chapman  
Chief executive officer

26 October 2020

# Group overview

Executive directors regularly review the performance, requirements and prospects of the Group's two segments. The full board, in turn, considers regular management reports on these segments, to direct and oversee strategy relating to the Group and individual segment entities.

The segments are:

## OPERATING ENTITIES

Focused on generating earnings, these investments provide technology and market infrastructure and services including securities lending.

These investments are:

### Zarclear Securities Lending (RF) Proprietary Limited ("Zarclear Securities Lending")

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Holding 60%

The Company acquired its 60% shareholding in what was then called Envisionit Stock Lending Solutions in November 2019, renaming it shortly afterwards. The business was established in 2012 as South Africa's only black-owned stock-lending business. At year-end Zarclear Securities Lending had a maximum off-balance-sheet exposure relating to bond and equity collateral receivables of R7.4 billion (March 2019: R4.2 million). As it is standard practice for borrowers to provide collateral greater than the value of the scrip loaned, risks are remote. To date there have been no defaults.

### Zarclear Proprietary Limited ("Zarclear Proprietary")

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Holding 100%

Established to provide trading technology, infrastructure and software development services, the Group acquired 100% of Zarclear Proprietary Limited in 2019. In the same year, Zarclear Proprietary Limited applied for a trade repository licence under Section 54 of the Financial Markets Act, 2012. This year costs incurred in software development and acquiring a trade repository licence (in total, R5.9 million) were fully impaired.

### A2X Proprietary Limited ("A2X")

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Holding 8.42%

The Group has a 8.42% indirect interest in A2X through its investment in Nala Empowerment Investment Company Proprietary Limited and Nala A2X; as well as a preference share investment of R25,1 million. The underlying asset of A2X Proprietary Limited, is a challenger alternative exchange which is in the development and investment stage. Founded in 2014, A2X began trading three years later. Its participants today include a number of blue-chip corporates. This year the board determined that Nala A2X was unlikely to pay dividends in the near to medium term. As such, the A2X investment, accrued preference dividends and loans were fully impaired.

### Equity Express Securities Exchange Proprietary Limited ("Equity Express")

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Holding 5.47%

In March 2020, Zarclear bought a 5.47% shareholding in Equity Express for R2.2 million. Equity Express is a South African financial-services holding company which received a stock-exchange licence in September 2017. The exchange is focused on catering to the needs of B-BBEE schemes.



## Statement of financial position

as at 30 June 2020

	2020	31 March 2019
	R'000s	R'000s
<b>Assets</b>		
<i>Non-current assets</i>	535,253	497,577
Property, plant and equipment	1,482	435
Intangible assets	–	3,005
Goodwill	14,944	14,944
Financial investments	382,202	450,629
Investment in associates	134,174	28,517
Deferred taxation	2,451	47
<i>Current assets</i>	1,894,386	777,644
Financial investments	79,371	160,732
Trade and other receivables	1,069,774	58,068
Taxation	149	550
Cash and cash equivalents	745,092	558,294
<b>Total assets</b>	<b>2,429,639</b>	<b>1,275,221</b>
<b>Equity and liabilities</b>		
<i>Equity and reserves</i>	1,361,294	1,214,213
Share capital	474,400	474,400
Foreign currency translation reserve	147,728	50,240
Accumulated profit	734,808	689,178
Total attributable to equity holders of the Company	1,356,936	1,213,818
Non-controlling interests	4,358	395
<i>Non-current liabilities</i>	96	3,512
Deferred taxation	96	3,512
<i>Current liabilities</i>	1,068,249	57,496
Taxation payable	604	168
Trade and other payables	1,067,645	57,328
<b>Total equity and liabilities</b>	<b>2,429,639</b>	<b>1,275,221</b>

## INVESTMENT HOLDINGS

For at least the short term, these assets are held to support the Group's net asset value. It is a strategic consideration that these investments should support the Company's investment in operating-entity opportunities.

### Stenprop Limited ("Stenprop")

Holding	5.1%
Value	R361.9 million

Stenprop is listed on the JSE Limited and on the London Stock Exchange. Stenprop is domiciled in Guernsey and is registered as a UK REIT with property assets in Germany, Switzerland and the United Kingdom.

Through its wholly owned subsidiary, Sandown Capital International Limited ("SCIL"), at year end Zarclear owned approximately 5.1% of Stenprop's shares. In May 2020 it sold 6 400 000 shares – 31% percent of its Stenprop holding – for R127.9 million. A year previously the Company's Stenprop holding was 7.1%.

(In March 2020 SCIL, which houses Zarclear's offshore investments, effected a partial share capital return of R66.5 million to Zarclear, reducing the investment in this subsidiary to R60.3 million. The Company's shareholding remains at 100%.)

### African Phoenix Investments Limited ("African Phoenix")

Holding	24%
Value	R134 million

On 5 August 2019, Zarclear acquired 306 316 054 African Phoenix (AXL) shares at 80 cents per share (a total price of R242,763,726), which sale was executed by way of a block trade on the JSE. This together with 3 683 946 AXL shares acquired by Zarclear on the JSE on 2 August 2019 (at an average purchase price of 68.85 cents per AXL share) and 1 235 546 AXL shares, also acquired on 5 August 2019 (at an average purchase price of 69.96 cents per AXL share).

On 3 December 2019 African Phoenix declared a capital reduction distribution as a return of contributed tax capital which equated to 42 cents per ordinary share. Zarclear received this distribution on the 311 235 546 shares it owned at the time, resulting in a cash inflow of R130 718 929 on 13 January 2020. These funds were utilised to pay down the gearing incurred on the original investments in African Phoenix.

In March 2020 a further 24 200 000 shares in African Phoenix were acquired at a purchase price of 38 cents per AXL share such that Zarclear owned 335 435 546 AXL shares on 30 June 2020.

African Phoenix is an investment holding company which was listed on the JSE and at the time of Zarclear's initial investment had interests in API Capital Fund, Standard General Insurance Company Limited, Gilt

Edged Management Services Proprietary Limited, Ellerine Holdings Limited and Residual Debt Services Limited. Standard General Insurance Company Limited, API Capital Fund, Ellerine Holdings Limited and Residual Debt Services Limited were disposed of by African Phoenix in the period.

On 23 April 2020 shareholders in African Phoenix were advised of Legae Peresec Proprietary Limited's firm intention to make an offer to acquire AXL shares and to propose a delisting of African Phoenix from the JSE. The offer price at delisting was 40 cents per ordinary share. Zarclear voted in favour of the delisting but did not accept the offer.

On 24 June 2020, African Phoenix was delisted. After an independent expert assessed the 40 cents per ordinary share offer to be fair and reasonable, Zarclear assessed the fair value of the investment as such as at 30 June 2020.

#### Rinjani Holdings Limited ("Rinjani")

Holdings:	79.4%
Value	R18.1 million

A property-holding company registered in the British Virgin Islands, Rinjani previously undertook share buy-backs which had translated into earnings for the Group of R127 million. In May 2020 Rinjani conducted a subsequent share buy-back which resulted in R4.8 million attributable to the Group. There was no change to the Group's holdings in Rinjani.

#### Catalyst Advisory Proprietary Limited ("Catalyst Advisory")

On 29 June 2020 Zarclear Securities Lending subscribed for 9.71 redeemable preference shares at a cost of R480 500 in Catalyst Advisory. Catalyst Advisory offers preference shares as part of its B-BBEE supplier development services. The redemption date is stipulated for one year after the subscription date.

#### Investment funds

At year end the Company held one (2019: two) hedge-fund investment, in the Peregrine Capital High Growth Offshore Segregated Portfolio (previously known as the SA Alpha Peregrine High Growth USD Fund). The value of this investment at 30 June 2020 was R60.9 million (2019: R48.5 million). During the 2020 financial year, the Group redeemed its investment in the Peregrine Capital Flexible Opp H4 QI HF Class A Fund in full, realising cash of R39.9 million. In the 2019 year it made three hedge-fund redemptions including one full redemption. The Zarclear board has committed to remain invested in the remaining Peregrine Capital fund to September 2022, subject to certain conditions.

As at 30 June 2020 the Group held a directly managed portfolio of equities, fixed income, contracts for difference and other instruments, managed by Peregrine Capital. The value was R17.9 million (2019: R65.9 million).

# Strategic overview

Relative to the size of the Company, Zarclear's leadership undertook a large number of corporate actions in the year reviewed. These were pursued to give effect to the Group's overall strategy and the board's objective of creating integrated value for all stakeholders. Guiding strategic execution throughout the year was the stated key performance indicator (KPI) of net asset value (NAV) and the objective of reducing the share price's discount to NAV. Strategy continued to be informed by exploiting investment opportunities which benefit from the Company's listed governance structures and leadership's sector expertise and networks.

These are the drivers of our ability to knit together operations for the benefit of industry and our clients

to produce optimal financial outcomes and social, environmental and economic value.

Extreme volatility which affected capital markets and operating environments in the year had a profound impact on the Company (and on virtually all other business entities and economies). External developments from April 2020 – most of which could not be foreseen – informed Zarclear's strategic responses to these developments and required leadership to adapt the Company's strategy. To aid stakeholders' understanding of the Group's performance in the year, and its prospects, we present here an overview of the 15 months to end-June 2020.

## Our five strategic value drivers



## Our value proposition

In our 2019 Integrated Report we reiterated that the Zarclear value proposition consisted of two legs. The first leg was concerned with building financial-market and regulatory infrastructure, the second leg with managing portfolio assets including listed equities, contracts for difference, fixed-income and other investments. With the exception of directly managed funds, these were managed by Peregrine Capital (Pty) Ltd and Stenprop Limited. The majority of investments were what were referred to as "legacy" assets, their quality, transparency and liquidity serving the strategic imperative of the Group having ready access to capital for investing in new opportunities in the regulatory space.

An overview of the Company's investment holdings in the year reported is on page 03.

## Financial highlights

Financial highlights for the 15 months ended 30 June 2020 are:

- NAV per share at 30 June 2020 of 600 cps, an increase of 11.7% over the period. Excluding intangible assets, NAV increased by 12.1% to 593 cps over the same measure a year previously.
- NAV per share at 30 June 2020 of GBP 28.07 pence per share (pps) (31 March 2019: GBP 28.46 pps), a decrease of 1.4%, reflecting the weakening of the Rand against major world currencies but underlining the Rand-hedge strength of the Company's share. While the Company reports in Rand – South Africa

being the primary economic environment in which most of its entities operate – the board also tracks NAV in GBP as sterling is the functional reporting currency of Zarclear's largest subsidiary, Sandown Capital Investments Limited (SCIL).

- Investment gains of R68.7 million (2019: R133.9 million after impairments) together with R52.1 million (2019: R8.2 million) revenue from the market infrastructure and regulation technology investments, reflecting the fact that this was the first full year in which Zarclear Proprietary was operational - and the growing maturity of the securities lending subsidiary.
- Operating costs of R85.4 million including R30.7 million performance fees and expenses related to directly-managed funds (previously reported within the net return – fair value adjustment – of the PNF Peregrine Fund) as well as R42.1 million operating expenses from the market infrastructure and regulation technology segment. In 2019 operating expenses were R15.8 million excluding investment advisory fees but including overheads of the market infrastructure and regulation technology leg of R6.3 million.
- Investment advisory management fees of nil (2019: R75 million.) In the previous year, management terminated an investment advisory arrangement with an external party in terms of which that party provided investment management and corporate services as well as seconding the CEO and CFO to Zarclear. The chief executive and chief financial officer roles have been fulfilled by the incumbents since November 2018.

- Operating profits of R28.8 million after impairments of R34.4 million (2019: R51.3 million with impairments of R2.6 million).
- Headline earnings attributable to ordinary shareholders of R51.5 million (2019: R26.9 million).
- Impairments substantially impacted operating profits. These impairments consisted of investment in, and loans to, Nala A2X and Nala Empowerment of R28.6 million (2019: R2.6 million) as well as the impairment of intangible assets relating to the trade repository licence application of R5.9 million (page 07).

## Cash

On 30 June 2020, cash and cash equivalents held by the Group stood at R745 million (June 2019: R558 million). The amount of R745 million represented 55% of NAV compared to 46% 15 months earlier. The board had considered it prudent to increase cash holdings given the expected volatility of markets – an expectation which was borne out by subsequent developments.

Net of acquisitions and other movements and adjustments, the cash increase derived largely from a limited number of transactions in the 15 months reported. These transactions were undertaken in pursuance of achieving a new Group investment case, announced in late 2018 to overcome the persistent share price discount to NAV.

## Transactions

The principal transactions were:

- In May 2020, the Group, through SCIL, sold 31% of its interest in Stenprop for R127.9 million, reducing its Stenprop shareholding to 5.1%.
- Also in May 2020, Rinjani, an entity in which the Group held a 79.41% interest, conducted a share buy-back exercise for 21.4% of shares in issue, R4.8 million being attributable to Zarclear. As with previous buy-backs, the transaction was performed pro rata to opening shareholdings, thereby resulting in no change to the Group's holdings in Rinjani.
- The Group redeemed its investment in the Peregrine Capital Flexible Opp H4 QI HF Class A Fund in full, realising cash of R39.9 million.

As well as increasing its cash holdings, these disposals enabled the Group to fully settle the gearing initially incurred on the African Phoenix investment and cement the solid footing of the Group with significant cash to take advantage of opportunities in line with its revised strategy. (Zarclear was obliged to borrow funds to effect its AXL investment as its cash and cash equivalents were held offshore at the time, and obtaining official foreign-exchange approval to repatriate funds would have entailed unavoidable delays. The bulk of cash assets are now held in Rands; holding cash offshore translated into significant gains in the period.)

A large proportion of the Group's operating profits related to realised foreign currency-translation gains and dividend income from listed equities.

## African Phoenix

Shareholders were advised on 21 January 2020 that the Company had changed its financial year from 31 March to 30 June. This decision was based on the announced intention to merge with African Phoenix.

On 6 August 2019 the Company informed the market that it had acquired 306 316 054 African Phoenix shares for 80 cents per AXL share – a purchase price of R242.8 million. This was in addition to 3 683 946 AXL shares acquired by Zarclear on 2 August 2019 (at an average price of 68.85 cps) and 1 235 546 AXL shares acquired on 5 August 2019 (at an average price of 69.96 cps). In total these purchases were for a 24% interest in AXL.

On 3 December 2019 African Phoenix declared a capital reduction distribution as a return of contributed tax capital equal to 42 cents per ordinary share. Zarclear received this distribution on the 311 235 546 shares it owned at the time, resulting in a cash inflow of R131 million on 13 January 2020. These funds were utilised to pay down the gearing incurred on the original AXL investments.

In March 2020 a further 24 200 000 AXL shares were acquired at 38 cps such that Zarclear owned 335 435 546 AXL shares on 31 March 2020 and 30 June 2020.

AXL interests in Standard General Insurance Company Limited, API Capital Fund, Ellering Holdings Limited and Residual Debt Services Limited were disposed of in the year reported.

In April Legae Peresec announced its firm plan to offer to acquire AXL shares and propose a delisting of African Phoenix. The offer price at delisting was 40 cents per ordinary share. Zarclear voted in favour of the delisting but did not accept the offer.

The board is satisfied that the AXL transaction represented an astute use of Company resources to acquire attractive assets which support its strategy and significantly enhance efforts to achieve execution against Zarclear's stated KPI. This initial investment decision was enhanced by the subsequent capital reduction distribution – which derived substantially from the Company's investment.

## Operating entities

The Company has three operating subsidiaries as one minority holding:

- SCIL, a wholly-owned investment holding company registered and operating in Guernsey (see below and page 07).
- Zarclear Proprietary, a wholly-owned operating company registered in South Africa (see next page).

## Statement of comprehensive income

for the 15 months ended 30 June 2020

	12 months	
	2020	2019
	R'000s	R'000s
Investment income	68,713	133,926
Fee income	52,087	8,153
<b>Total income</b>	<b>120,800</b>	<b>142,079</b>
Impairment charges	(5,863)	-
Operating expenses	(85,420)	(90,794)
<b>Profit from operations</b>	<b>29,517</b>	<b>51,285</b>
Net interest received/paid	18,149	755
Interest received	29,042	3,304
Interest paid	(10,893)	(2,549)
<b>Profit before taxation</b>	<b>47,666</b>	<b>52,041</b>
Taxation	1,927	(24,886)
<b>Profit for the period/year</b>	<b>49,593</b>	<b>27,155</b>
Items that will be subsequently classified to profit and loss		
Currency translation differences	97,488	85,201
<b>Total comprehensive income for the period/year</b>	<b>147,081</b>	<b>112,356</b>
<b>Profit for the period/year attributable to:</b>		
Equity holders of the Company	45,630	26,930
Non-controlling interests	3,963	225
	<b>49,593</b>	<b>27,155</b>
<b>Total comprehensive income for the Period/year attributable to:</b>		
Equity holders of the Company	143,118	112,131
Non-controlling interests	3,963	225
	<b>147,081</b>	<b>112,356</b>
Basic and diluted earnings per share (cents)	20.18	11.91
Headline and diluted headline earnings per share (cents)	22.78	11.91

- Zarclear Securities Lending, in which the Group has a 60% interest, operating and registered in South Africa (page 08).
- Zarclear's purchase, in March 2020, of a minority shareholding in Equity Express Securities Exchange will complement and expand the Group's footprint in the market infrastructure and regulation technology space.

## SCIL

As detailed elsewhere, in June 2020 SCIL reduced its investment in Stenprop, a property-owning REIT listed on the JSE and London exchanges, from 7.1% to approximately 5.1%. At the time of the sale, shareholders were advised that Stenprop represented a disproportionately large share of the Zarclear portfolio, and that the board envisaged using the proceeds to fund a share repurchase. It transpired that Stenprop's market value appreciated subsequent to our sale, a development which the board is satisfied could not reasonably have been anticipated, especially given sentiment around commercial property stocks at the time.

## Zarclear Proprietary

In its first full year of operations, Zarclear Proprietary tripled its revenue. And, while operating costs climbed by a similar quantum (as was the case with other operating companies in which the Group has interests), Zarclear Proprietary required relatively low investment. In the 2020 year, Zarclear Proprietary employed 19 individuals on a full-time basis, a majority of revenue being derived from the sale and licensing of software solutions to third parties.

Throughout the period reported, the board was regularly updated on Zarclear Proprietary's application for a trade repository licence under section 54 of the Financial Markets Act, 2012. Should this licence be granted, Zarclear Proprietary would operate as a "financial market infrastructure", providing regulatory reporting services to over-the-counter derivative providers and central counterparties. In this way it was envisaged that the Group would create substantial social value by strengthening financial-market infrastructure and accountability.

Directors are satisfied that management's submissions to the relevant regulators were comprehensive and timeous and that requests for additional information were fully complied with. At the time of reporting, however, the Company had no clarity on the timing of the licence-awarding process.

## Zarclear Securities Lending

The business traded very successfully with profit before taxation growing from under R1 million in the previous year to almost R14 million. This despite profitability being impacted by market conditions, particularly arising from the COVID-19 pandemic. Revenue increased to R30.3 million from just R1.1 million in the previous year. There was a commensurate increase in operating expenses but it is worth noting that profit after tax for the year stood at R9.9 million (2019: R600 000). Of this profit, R5.9 million was attributable to the Group.

The board is confident that Zarclear Securities Lending remains a high-growth, low-risk opportunity.

## Exchange listings and share dealings

In December 2019 the market was advised that the boards of Zarclear and African Phoenix intended to merge the companies. At the time there were a number of compelling reasons for this. These reasons included opportunities to unlock value from the respective companies' capital and cost bases, their empowerment credentials as well as their strategic opportunities. It was announced that Zarclear shareholders who did not support the merger would receive a cash offer at a price reflecting a meaningful premium to the share price.

In February 2020 it was announced that merger talks had been discontinued but that Zarclear shareholders would receive a voluntary share repurchase offer of R4.40 per share. By May, however, it had become apparent that the effects of the COVID-19 pandemic were such that it no longer made sense for Zarclear to remain a listed entity and that, accompanying a delisting, an independently-verified fair offer would be made to shareholders.

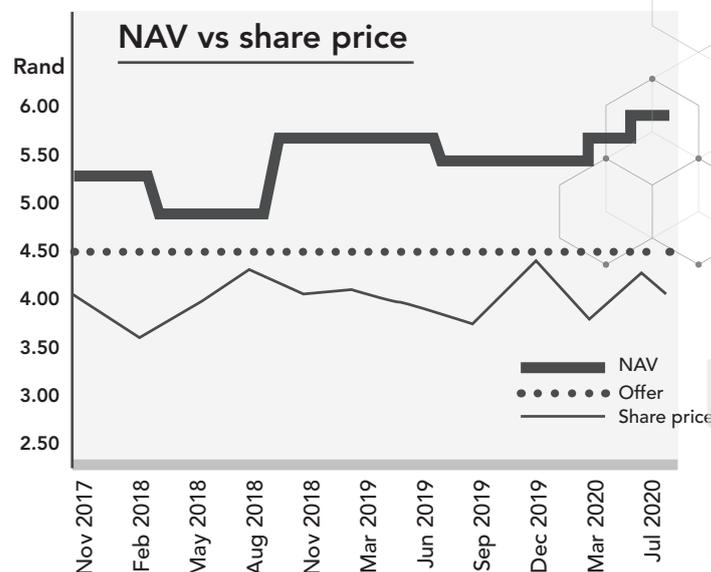
Motivating the delisting were the costs associated with being listed and the lack of liquidity and poor market ratings achieved by listed small-cap investment-holding companies such as Zarclear. (The 11.7% increase in the Company's NAV over the year, which was not reflected in the share price's performance, underscored the limited benefits of being a small-cap company in a largely illiquid market.)

Before the share repurchase offer could be made, Legae Peresec Capital notified the board that it had increased its holding of Zarclear ordinary shares to 30.08%. While it supported the delisting, Legae Peresec Capital opposed the Zarclear balance sheet being used to fund the cash offer. Instead, Legae Peresec Capital would make the required cash offer – at R4.40 per share. In August, however, the independent opinion on the Legae Peresec Capital offer price was that, while it was reasonable, it was not fair towards shareholders. As a result, the Zarclear board resolved to discontinue plans to delist while the Legae Peresec Capital general offer continued.

The following chart is adapted – in very approximate form – from an independent expert opinion issued by Nodus Capital and dated 3 September 2020. It shows the Company's share price performance and NAV since November 2017, relative to the offer price. (This reproduction does not reflect the level of detail contained in the Nodus opinion. It is presented here for illustrative purposes only.)

On 11 September 2020 Legae Peresec Capital reaffirmed its general offer of R4.40 per Zarclear share. Whereas the offer price represented a significant discount to NAV, the board noted that it reflected a premium to the volume weighted average share price. Were Legae Peresec Capital to have acquired 11 122 994 shares through the offer this would trigger a mandatory offer; in its offer, Legae Peresec Capital confirmed that it did not intend seeking a delisting of Zarclear.

The results of the offer were not available at the time that this report was published.



SOURCE: Nodus Capital TS (Proprietary) Limited, independent expert opinion, 3 September 2020

## Creating social value

This year, with shareholder Legae Peresec, Zarclear established a non-profit foundation, the Zarclear Peresec Foundation, an exciting development which will invest in the education and development of historically disadvantaged young South Africans.

Zarclear has committed to allocating 1% of net profit after tax to the foundation, which will disburse 75% of funds towards black beneficiaries. The foundation will prioritise funding for the families of employees.

As a knowledge-based Group, we believe that South Africa's sustainability will increasingly be assured by investing in the intellectual skills of, particularly, the youth. The board believes that, going forward, it should apply the Company's limited socioeconomic-development resources to support disabled youth, particularly where empowering such individuals can positively impact its own talent pipeline.

In the year, more than R360 000 was paid in school fees for 13 beneficiaries. Amounts of R150 000 and R400 000 were committed to the Umfundaze Trust Student Sponsorship Programme and Partnership of Hope. The bulk of funds allocated to these non-profit organisations was transferred in the 2020 year.

Over and above the work of the foundation, this year our operational entities employed two young females under the Presidential Youth Employment Service.

## Risk and opportunity

In 2019 the board adopted the Enterprise Risk Management (ERM) 2017 model of the Committee of Sponsoring Organisations of the Treadway Commission (COSO) as the basis for the Group's enterprise risk management framework.

Directors believe that the objectives-focused COSO ERM 2017 is especially well suited to a Company such as Zarclear where risk and opportunity management are fundamental to every aspect of strategic formulation and execution. And where strong governance is needed to support clear target-setting, detailed decision-making (by a limited number of individuals) and performance monitoring.

In a complex financial services environment, the board recognises that risk management is a dynamic process and that the risk framework should be robust enough to effectively manage and react to change in an efficient and timely manner.

Formalisation and oversight of the Group's risk management framework are the responsibilities of the board. The framework ensures:

- The efficient allocation of capital across various activities in order to maximise returns and the diversification of income streams;
- Risk taking within levels acceptable to the Group as a whole;
- Efficient liquidity management and control of funding costs; and
- Adaptable and appropriate risk management and control.

While the board is ultimately responsible for risk management, the board relies on executive directors to operate within the control structures and frameworks established by the board and has delegated the responsibility for implementation of the risk framework to the executive directors.

Executive directors are responsible for the implementation, ongoing maintenance of, and ultimate compliance with, the risk process.

## Risk management structure

The Group's risk management framework is summarised below. Key responsibilities lie with the following management bodies and committees.

The board is responsible for the strategic direction, supervision and control of the Group and for defining the Group's tolerance for risk.

The audit and risk committee is responsible for assisting the board of the Group and subsidiary entities in fulfilling their responsibilities by providing guidance and oversight regarding risk governance and the development of the Group's risk profile, including regular reviews of major risk exposures and the management of risk limits.

## Cash flow statement

for the 15 months ended 30 June 2020

	2020 R'000s	12 months 2019 (restated)* R'000s
<b>Cash flows from operating activities</b>	<b>177,055</b>	<b>612,873</b>
Cash (utilised) by operations	(5,636)	(76,631)
Interest received	29,042	3,304
Interest paid	(10,893)	(2,549)
Interest received from private equity investment	–	15
Dividend received from private equity investment	23,705	14,633
Investment in financial investments	(2,669)	–
Investment in associates	(258,591)	(4,933)
Dividend received from capital reduction - associates	130,719	–
Proceeds from sale of financial investments	132,804	–
Proceeds from sale of financial investments (trade activity)	101,803	138,982
Proceeds on sale of financial investments (redemptions) - Hedge Funds	39,903	166,999
Proceeds from loans and receivables settled	–	98,622
Increase in loan receivables - associates	(76)	–
Cash reclassified in directly managed hedge fund (PNF Peregrine Fund)	–	268,659
Taxation refund received/(paid)	(3,055)	5,772
<b>Cash flows (utilised) from investing activities</b>	<b>(4,202)</b>	<b>(18,637)</b>
Acquisition of property, plant, equipment and intangible assets	(4,202)	(3,464)
Divestment (Investment) in subsidiaries	–	(15,173)
<b>Cash flows (utilised) - financing activities</b>	<b>–</b>	<b>(120,000)</b>
Decrease in loans and other payables	–	(120,000)
<b>Net increase in cash and cash equivalents</b>	<b>172,853</b>	<b>474,236</b>
Effects of exchange rate changes on cash and cash equivalents	13,945	7,628
<b>Cash and cash equivalents beginning of the period/year</b>	<b>558,294</b>	<b>76,430</b>
<b>Cash and cash equivalents end of the period/ year</b>	<b>745,092</b>	<b>558,294</b>

The audit and risk committee is also responsible for monitoring the executive directors' approach with respect to financial reporting, internal controls, accounting and legal and regulatory compliance. The chairperson of the audit and risk committee reports back to the board in this regard.

The executive directors are responsible for regular implementation of risk governance within the framework and risk appetite set by the board, and reporting to the board on performance against these.

The management of market, credit and liquidity risks, particularly in the year reviewed, is detailed in the annual financial statements. In the 2020 year, governance, environmental and social risk were added to the framework, "moderate" risk assessments being attached to each.

## Opportunity management

Much of the work of the board, and of the audit and risk committee, as well as the day-to-day work of executive directors, is concerned with identifying, evaluating and, where deemed promising, exploring opportunities. This is particularly important to Zarclear given the Group's strategy of investing in value-creation opportunities in accordance with its investment strategy.

In 2020 the board's risk and opportunity oversight role was taxed by the challenges relating to the rapid emergence and spread of the COVID-19 virus. The pandemic affected the markets in which the Company was invested and in markets in which it was already established as an operating role player or where it planned to create and enlarge its presence.

The pandemic had implications for market risk and securities lending as well as impacting the process of awarding trade repository licences. This latter impact derived from disruption to the working arrangements and processes of the South African authorities tasked with adjudicating and awarding such licences. The board continued to believe that, despite the delays and attendant frustrations occasioned by the pandemic, Zarclear Proprietary Limited is exceptionally well positioned to provide the derivatives trading infrastructure which South Africa's policymakers acknowledge is sorely needed – should such an operating licence be awarded to the business.

In accordance with component 2 of COSO ERM 2017 (strategy and objective setting), during the year different strategies were investigated and evaluated by management and the board.

See also the audit and risk committee report on page 18.

# Leadership

The Zarclear board is committed to leading the Group ethically and effectively and in doing so to create integrated value for multiple stakeholders.

The board's considerations and actions are informed by the King IV Code on Corporate Governance. As a governing body, directors collectively seek to ensure that Zarclear complies with the JSE Listings Requirements and all applicable legislation. The board is responsible for the strategic direction and performance of the Company and is accountable to both regulators and shareholders.

Directors continue to evaluate the composition of the board on an ongoing basis and will consider the appointment of additional members as and when required. In discharging its duties the board will seek appropriate external advice as required.

## Effective leadership

The board, and its committees, experienced an extremely busy year relative to the size of the Group's market capitalisation. This activity was driven by the large number of corporate actions undertaken by the executive, acting under the board's direction and sanction, and the continued evolution of strategy. It was also informed by the unfolding COVID-19 pandemic.

In particular and in addition to their statutory and regulatory duties, the board was closely involved in:

- Reviewing and directing investment strategy including multiple disposals and acquisitions. These decisions related to and included investments in African Phoenix and the reduction of the Group's interest in Stenprop.
- Closely monitoring the Group's Coronavirus responses, strategies and protocols. Especially as these related to the safety and wellbeing of staff and, secondly, the protection of the Group's net asset value, investments and prospects.
- Revising, adapting and updating risk and opportunity management protocols and systems in line with board-directed appetites.
- Scrutinising various offers to shareholders and considering advice given to shareholders including the accuracy of all formal external communications.
- Considering fees paid to fund managers following the termination of the investment advisory fee, to ensure that these were reasonable and appropriate.
- Overseeing the operationalisation of entities including Zarclear Proprietary and Zarclear Securities Lending, their sustainability and ESG performance.
- Involvement in skills development and transformation at the operating entities.
- Developing the Zarclear Peresec Foundation and its contributions towards the advancement of staff, their dependents and the broader community including early childhood development practitioners and the disabled.
- The management of ethics policies to the highest standards and the establishment of an ethical (and wherever needs be) a whistleblowing culture, within Zarclear and its operating entities.
- Engagement with external auditors and Company sponsor on material matters.

## Directorate

**For the financial year ended 30 June 2020, Zarclear's directors were:**

### **Paul Baloyi (64)**

**Independent non-executive chairperson**

*MBA (Financial), Advanced Management, SEP, MDP, Commercial Banking Diploma*

Paul is the managing director of CAP Leverage Proprietary Limited an industrial holding company. From June 2006 until April 2013 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, Bidcorp Limited and Alphamin Resources Limited.

### **Warren Chapman (49)**

**Chief executive officer**

*B Comm, Safex, CFA*

Warren steered Peregrine Securities towards becoming the largest equity and derivatives 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 (64)**

**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. Andrew is a member of the South African Institute of Chartered Accountants (SAICA) and was previously a member of the SAICA Senior Partners Committee. During his career he has 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 (51)**

**Executive director**  
BA, LLB, CFE

Mandy is an executive director on the board of Zarclear and is a non-executive director of Peresec Prime Brokers Proprietary Limited. Mandy is also a director of Munro Smith Parker Inc, a specialist private equity and commercial law firm. She was previously the group head: group financial crime control at Standard Bank and, for 10 years prior to that, was a partner and director at Bowman Gilfillan where she co-founded the firm's governance, compliance and investigations practice area. She is an admitted attorney with right of appearance in the High Court of South Africa (1996). Mandy has a BA and LLB degree from the University of Cape Town (Dean's Merit List) and has over 20 years' experience in governance, compliance and corporate forensic matters. She was globally ranked by Chambers and Partners as a "Leading Individual" and "Band One Lawyer" in Chambers & Partners Global Ranking Guide of Best Lawyers & Law Firms, 2016.

### **Fatima Vawda (49)**

**Independent non-executive director**  
BSc, MSc Applied Mathematics, HDip, MAP

Fatima is the founder and managing director of financial services group 27four. She has over 20 years' experience as a practitioner in the domestic, African and international capital markets. Fatima has received numerous accolades both domestically and internationally, having won the Ernst & Young World Entrepreneur Southern Africa Emerging Category award in 2016. She is also a member of the Financial Sector Transformation Council, a director of the Association of Savings and Investments South Africa and is the Deputy Chairperson of the Financial Services Working Group of the South African chapter of the BRICS Business Council.

### **Zolani Matthews (63)**

**Independent non-executive director**  
BA (Hons) MPA

Kgosi is the chairman of the Ports Regulator of South Africa and has recently been appointed a Councillor to the Independent Communications Authority of South Africa (ICASA). Kgosi was previously the executive chairman of Invulu Group in Johannesburg, managing director of Fordworks and Associates in New York, senior manager at Armscor, 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. He is the managing director of Valhalla Capital and is a non-executive director and member of the audit and risk committee at enX Group Limited.

## **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.

Every second year (or more frequently if required) the board, its sub-committees and chairman are self-assessed on their performance. This review includes the performance of each of the board committees, including the statutory audit committee, to ensure that their composition,

mandate and authority enable them to provide effective assistance to the board in their key functional areas. In the 15-month period formal assessments of the board and its committees were conducted. These were not externally facilitated.

The Zarclear board and committees continue to focus on accountability, transparency and creating value.

Board sub-committees are 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 that 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.

The board structure at year end comprised three executive and three non-executive directors with the latter all being 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 and whose independence is evaluated on an annual basis. The board remains satisfied that the non-executive directors are sufficiently independent, continue to be effective, bring valuable experience and skills to the board and continue to exercise independent judgment. Board composition with regard to a majority of directors being non-executive was being considered by the board at the time of reporting.

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, Mr Paul Baloyi will retire at the upcoming annual general meeting and has advised that he 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.

## Remuneration and nominations committee

Comprising at least three independent non-executive directors.

The committee 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

The committee provides direct oversight of the financial governance of the Group and focuses on financial strategies, policies, capital structure and adequacy. It 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. The committee also provides direct oversight of Group risk management and assurance governance, focusing on matters related to risk in the Group while having oversight over the effectiveness of assurance functions and services.

## 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.

The committee 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. It 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.

## Meeting attendance report

Director	Designation	Main board	Audit and risk committee	Remuneration committee	Social, ethics and transformation committee
Paul Baloyi	Non-executive	6 (6) <sup>1</sup>	5 (5)	2 (2)	2 (2) <sup>3</sup>
Fatima Vawda	Non-executive	6 (6)	5 (5) <sup>2</sup>	2 (2) <sup>4</sup>	2 (2)
Zolani Matthews	Non-executive	5 (5) <sup>5</sup>	4 (4)	2 (2)	-
Mandy Munro Smith	Executive	6 (6) <sup>6</sup>	1 (1)	-	2 (2)
Warren Chapman	Executive	5 (6)	-	-	-
Andrew Hannington	Executive	6 (6)	-	-	-

- 1 Chairperson of the board
- 2 Chairperson of audit and risk committee
- 3 Chairperson of social, ethics and transformation committee
- 4 Chairperson of remuneration committee
- 5 Appointed as a non-executive director on 25 June 2019
- 6 Appointed as an executive director on 25 June 2019

## Appointment and delegation to management

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. In the year reported, 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. Craig Laidlaw, a Senior Company Secretary within CIS, is the principal consultant to Zarclear. Laidlaw holds a:

- B Soc Sci degree (University of KwaZulu-Natal)
- LLB (University of South Africa)
- Associate of the Chartered Governance Institute of South Africa (ACIS), and
- Admitted Attorney/Conveyancer of the High Court of South Africa

He has extensive experience in the company secretarial and corporate governance arenas. 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.

## King IV application register

The board is committed to transparency, accountability, integrity and fairness, and complying with applicable laws. A full statement on the Group's application of the recommendations in the King IV Report on Corporate Governance is published each year on the Company's website.

## 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.

In 2019 the board adopted a new enterprise risk management framework predicated on COSO ERM 2017. The adoption by the board of this approach to risk management, through the enterprise risk management framework and the introduction of five lines of assurance, significantly elevate the board's role in this most important element of leadership. Under COSO ERM 2017 the board as a whole constitutes the fifth and ultimate line of assurance and board committees the fourth line. 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.

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.

## 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. BDO South Africa Incorporated has acted as external auditors since 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. 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, an effective system of risk management and that reporting is appropriate. 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.

A year previously directors had envisaged creating a full-time internal audit function, to be housed within Zarclear Proprietary. Such a capability is a requirement of a trade repository licence. However, as the process of awarding such licences was delayed, the board agreed that the size and complexity of the Group's operations did not merit staffing an internal audit function.

## 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 board believes 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 remuneration scope of this 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.

In the year reported, the services of the investment advisor were no longer retained while – in line with the revised Group strategy – investments continued to be made in operating entities. These subsidiaries possess their own management but their growing importance to Zarclear's overall value creation has placed added responsibilities on the Group's executive.

## Remuneration policy

### Executive management

The new 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 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 accruing to individuals 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 consist of performance bonuses and long-term incentives which, in turn, 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.

### Non-executive directors

Non-executive directors are subject to performance reviews, their fees being independently benchmarked against companies of comparable size, market sector and complexity. This 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 for the prior year included an amount of R75 million for the investment management advisory fee. In the 2020 year, this reduced to nil.

The board takes the view that both executive and non-executive directors should be rewarded in a manner commensurate with the nature, size and complexity of the business. The committee believes that this is now being done to an extent appropriate to give shareholders confidence in directors' commitment to executing against the Group's new investment strategy.

In the year, short-term incentives were awarded to executives whose salaries were increased in line with their added responsibilities arising from changes in the Group and Company's strategy, size and complexity (as is reflected in the table (below)). Non-executive directors resolved to not receive fee increases.

The board of Zarclear Proprietary, whose membership includes directors of Zarclear, resolved in March 2019 that non-executive directors' fees would not be paid until Zarclear Proprietary had achieved profitability. In the year reported that board continued to waive any rights to remuneration.

In the 15 months to June 2020 the Group, Zarclear Proprietary and Zarclear Securities Lending employed a total of 22 individuals whose combined CTC amounted to some R19.5 million with bonuses totalling R7.6 million.

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

The remuneration policy and the remuneration implementation report are 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 2019 annual general meeting the remuneration policy and the remuneration implementation report were voted in favour of, by 95.62% and 95.87% of voting rights respectively.

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

Executive directors	Basic Salary	Allowances and contributions	Performance bonus	Emoluments for services	Total emoluments
	R'000s	R'000s	R'000s	R'000s	R'000s
<b>For the 15 Months ended 30 June 2020</b>					
Paid to executive directors of the Company - for managerial services					
W Chapman	1,125	12	-	1,137	1,137
A Hannington	1,875	23	500	2,398	2,398
A Munro Smith	2,365	378	700	3,443	3,443
	<b>5,365</b>	<b>413</b>	<b>1,200</b>	<b>6,978</b>	<b>6,978</b>
<b>For the year ended 31 March 2019</b>					
Paid to executive directors of the Company - for managerial services					
W Chapman	516			516	516
A Hannington	769			769	769
	<b>1,285</b>			<b>1,285</b>	<b>1,285</b>

In 2019, executives of the Company received no other emoluments besides basic salaries. Directors received no other emoluments from any other entities within the Group

Mandy Munro Smith was appointed an executive director of Zarclear with effect from 25 June 2019.

#### Non-executive directors' fees

#### Sub-committees

R'000	Chair	Main board	Sub-committees			2020 R	2019 R
			Audit and risk	Rem and nom	Social and ethics		
Paul Baloyi (chairman) <sup>1</sup>	Main board & SEC	550	124	55	69	798	329
Amanda Munro Smith <sup>2</sup>	Audit	40	30	10	10	90	204
Fatima Vawda <sup>3</sup>	Remco & Audit	220	165	69	55	509	193
Zolani K Matthews <sup>4</sup>		179	101	45	45	370	-
Lawrie Brozin (chairman) (resigned) <sup>5</sup>	Main board	-	-	-	-	-	200
Andrew Hannington <sup>6</sup>	Audit	-	-	-	-	-	180
Duncan Randall (resigned) <sup>7</sup>	Remco	-	-	-	-	-	170
Cindy Hess (resigned) <sup>8</sup>	SEC	-	-	-	-	-	170
<b>Total</b>		<b>989</b>	<b>420</b>	<b>179</b>	<b>179</b>	<b>1,767</b>	<b>1,445</b>

<sup>1</sup> PB was appointed to the board as chairman on 5 September 2018

<sup>2</sup> AS was appointed to the board and committees on 5 September 2018 and appointed an executive director on 25 June 2019

<sup>3</sup> FV was appointed to the board and committees on 5 September 2018

<sup>4</sup> ZKM was appointed to the board and committees on 24 June 2019

<sup>5</sup> LB resigned from the board and as chairman on 5 September 2018

<sup>6</sup> AH moved from being a non-executive to executive director on 5 September 2018

<sup>7</sup> DR resigned from the board, and committees on 5 September 2018

<sup>8</sup> CH resigned from the board, and committees on 5 September 2018



**Fatima Vawda**  
Chairperson  
Remuneration and nominations committee

# Audit and risk committee report

The Audit and Risk Committee (“the committee”) comprises three independent non-executive directors: Fatima Vawda, (chair), Zolani Matthews and Paul Baloyi. In accordance with the committee’s terms of reference, at the upcoming annual general meeting, all three will be eligible for re-election as members of the committee. A short resumé of each of these directors, demonstrating their appropriate skills and experience to serve on this committee, is published in this integrated annual report. 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 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.

The committee is 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.

The committee considered, and adopted, an enterprise risk management framework aligned to the COSO enterprise risk management 2017 framework. In addition, it approved an own risk and liquidity assessment compiled by management. The committee also undertook a self-assessment of its effectiveness.

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

Following a review of the annual financial statements, the committee is of the opinion that, in all material respects, they 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 15 months ended 30 June 2020.

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 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.



Fatima Vawda  
Chairperson  
Audit and risk committee  
Sandton  
21 September 2020

# Social, ethics and transformation committee report

The committee comprises three directors: Paul Baloyi, Fatima Vawda and Mandy Munro Smith. The committee is established as a sub-committee of, and is accountable to, the board, meeting twice per year with special meetings convened when required. The committee is responsible for monitoring Company and Group activities, having regard to any relevant legislation, legal requirements and prevailing codes of best practice, for matters relating to ethics, social and economic development, transformation, good corporate citizenship, labour and employment, corporate governance, sustainability and reporting.

## Sustainability

The committee identified strategic value drivers for the Group which have been approved by the board, and form the five pillars of the Group sustainability strategy, namely:

- Global and local investment focus
- Regulatory compliance and promotion of sound governance
- Managing risk and opportunity
- Financial sustainability and transformation
- Socio-economic development.

To assist the Group in driving strategy, Zarclear has secured the services of transformation and statutory reporting advisors.

## Transformation and B-BBEE

Our transformation focus goes beyond a B-BBEE strategy. Catalyst Advisory was appointed to ensure that Zarclear's corporate citizenship extends beyond the element of ownership and that it encompasses all elements of the B-BBEE Codes of Good Conduct – all of which we believe are fundamental to our strategic and sustainability roadmap. To this end:

- The B-BBEE Level 1 contributor status achieved by Zarclear Securities Lending, an operating entity of Zarclear, in September 2020, is testament to the commitment of the Group to its transformation objectives. (At the time of reporting, Zarclear Proprietary was in the process of assessment.)
- The Company submitted its Employment Equity report to the Department of Labour and has achieved a full compliance confirmation.
- A B-BBEE, Transformation and Corporate Social Investment Policy was adopted by the Company in the 15-month period.

## Skills development and employment equity

The workplace skills plan and annual training reports for the Company were submitted to the Financial and Accounting Services Sector Education and Training (FASSET) in April 2020, reflecting the entity's attainment of sufficient spend in terms of skills development.

The committee has identified the need, in the short to medium term, for a revised approach to attracting black talent, a strategic imperative which has been endorsed by the board.

The Group addressed the exclusion of disabled people from the main economy and sponsored two disabled females to study on a full-time basis to ready them for participation in the bursary or graduate programmes of Zarclear's operating entities. A total of R156 000 was paid to support this initiative which will remain a strategic priority for the next three years.

Commitment to President Ramaphosa's call for "Thuma Mina" ("Send me") was demonstrated by utilising our operational businesses to employ two female individuals under the Youth Employment Service ("YES") scheme with the objective of vertical integration of females into our workforce, or sectoral placement. The cost of the programme was R210 000 and the ongoing development and growth of women within the Financial Service Sectors will remain a priority.

## Social and economic development

Zarclear's transformation objectives are underpinned by its active participation in economic upliftment with a "from the bottom up" strategy, as well as the provision of support, empowerment, and investment in our people, with notable initiatives during the period being:

- A Zarclear-spearheaded project in early 2020 to establish the Zarclear Peresec Foundation as a non-profit organisation addressing educational needs with investment into programmes aimed at upskilling and training early childhood development teachers as well as supporting the education of our employees and their children up to tertiary education level.
- The foundation, a joint initiative between Zarclear and Peresec, distributed over R400 000 to support its mandate and address education needs.

## Health, environment and safety

The Group has appointed safety, fire and two first-aid officers to create a safe work environment. Three COVID-19 compliance officers were appointed and a policy to effectively manage the pandemic is in place. At the time of reporting, management was not aware of any COVID-19 infections among its employees. Technology and advanced IT security protocols enabled employees to work from home with critical staff being placed in the office to ensure uninterrupted service delivery throughout the lock-down period.

## Ethics

The social, ethics and transformation framework of the Company and Group incorporates various ethics-related

policies including a code of ethics, anti-fraud, bribery and corruption policy, a gifts and hospitality policy as well as whistleblowing and conflict-of-interest policies. Compliance with various HR policies including the disciplinary code and grievance procedure is reported to the committee.

No breaches of ethics, nor any incidents or reports of fraud, corruption or unethical behaviour were reported. The Company and the Group were not subject to any litigation during the period reviewed.

## Responsible corporate citizenship

The board, social, ethics and transformation committee and executive aim to integrate responsible corporate citizenship into the Company's organic growth plan and to implement the sustainable transformation and corporate responsibility strategy through various frameworks and implementation procedures.

The performance accountability to stakeholders policy underpins Zarclear's commitment to meet stakeholder needs and expectations through the adoption of a stakeholder-inclusive approach to governance. The principles of the treating customers fairly policy serve to engender a culture of fairness and transparency towards our customers in the operating entities.

The Company has not engaged in any marketing or public-relations campaigns during the 15-month period and the committee has, throughout the period, closely monitored reporting made by the Group to ensure transparency and compliance with the Company's statutory, regulatory and JSE Listings requirements obligations.



**Paul Baloyi**  
*Chairperson  
Social, ethics and transformation committee*



# Analysis of shareholders

Zarclear Holdings Ltd  
 (As per the share register at 30 June 2020)  
 Issued Share Capital: 226 065 696

Shareholder spread	No of shareholders	%	No of Shares	%
1 - 1,000 shares	1 044	56,13	329 297	0,15
1,001 - 10,000 shares	526	28,28	1 900 797	0,84
10,001 - 100,000 shares	179	9,62	6 643 015	2,94
100,001 - 1,000,000 shares	91	4,89	26 286 494	11,63
1,000,001 shares and over	20	1,08	190 906 093	84,45
<b>Totals</b>	<b>1 860</b>	<b>100</b>	<b>226 065 696</b>	<b>100</b>

Distribution of shareholders	No of shareholders	%	No of Shares	%
Banks/Brokers	32	1,72	41 682 462	18,44
Close Corporations	26	1,40	6 342 983	2,81
Endowment Funds	11	0,59	2 088 557	0,92
Individuals	1 530	82,26	11 809 909	5,22
Insurance Companies	15	0,81	1 976 549	0,87
Medical Schemes	2	0,11	566 131	0,25
Mutual Funds	18	0,97	63 648 082	28,15
Other Corporations	12	0,65	250 918	0,11
Private Companies	47	2,53	53 634 055	23,72
Public Companies	5	0,27	25 506 505	11,28
Retirement Funds	67	3,60	16 946 378	7,50
Trusts	95	5,11	1 613 167	0,71
<b>Total</b>	<b>1 860</b>	<b>100,00</b>	<b>226 065 696</b>	<b>100,00</b>

<b>Non-public shareholders</b>	<b>7</b>	<b>0,38</b>	<b>124 596 639</b>	<b>55,12</b>
Directors of the company	4	0,22	76 590 688	33,88
Strategic holdings (More than 10%) (less director holdings)	3	0,16	48 005 951	21,24
<b>Public shareholders</b>	<b>1 853</b>	<b>99,62</b>	<b>101 469 057</b>	<b>44,88</b>
<b>Totals</b>	<b>1 860</b>	<b>100</b>	<b>226 065 696</b>	<b>100</b>

Beneficial shareholders holding 5% or more			
Legae Peresec Capital (Pty) Ltd			30,08
SUI Generis			19,56
Melco Investments (Pty) Ltd			11,25
Hampden Capital (Pty) Ltd			11,04
Zolospan (Pty) Ltd			8,27
<b>Totals</b>		<b>158 373 842</b>	<b>70,06</b>

# Notice of annual general meeting

## Zarclear Holdings Limited

(Incorporated in the Republic of South Africa)  
(Registration number 2000/013674/06)  
Share code: ZCL ISIN: ZAG000262820  
("Zarclear" or "the Company" or "the Group")

In terms of section 62(3)(a) of the Companies Act 71 of 2008, as amended ("the Companies Act"), notice is hereby given to the shareholders of Zarclear that the annual general meeting ("AGM") of shareholders of Zarclear will be held at 10:30 on Thursday, 26 November 2020 at the offices of Zarclear, situated on the 9th floor, Bidvest Building, Katherine Towers, 1 Park Lane, Wierda Valley, Sandton, for the purpose of considering and, if deemed fit, passing, with or without modification, the ordinary and special resolutions set out hereinafter, as well as such other matters as may be required to be dealt with at the AGM in terms of the Companies Act.

Kindly note that in terms of Section 63(1) of the Companies Act, meeting participants (including proxies) will be required to provide reasonably satisfactory identification before being entitled to participate in or vote at the AGM. Forms of identification that will be accepted include original and valid identity documents, driver's licences and passports. Shareholders or their duly authorised proxies who wish to participate in the AGM must register to do so by lodging a completed Electronic Participation Application Form by Tuesday, 24 November 2020.

The board of directors of the Company ("the board") has determined that the record date in terms of Section 62(3)(a) as read with Section 59(1) of the Companies Act, for the purpose of determining which shareholders of the Company are entitled to receive notice of the AGM is Friday, 23 October 2020 and the record date for purposes of determining which shareholders of the Company are entitled to participate in and vote at the AGM is Friday, 20 November 2020. Accordingly, the last day to trade in the Company's shares is Tuesday, 17 November 2020.

Shareholders are referred to the explanatory notes as attached to the notice of the AGM for additional information. Abbreviated profiles of the directors standing for re-election are set out on pages 11 and 12.

## PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

The audited annual financial statements of the Company for the 15 months ended 30 June 2020, including the directors' report, the auditors' report and the report of the audit and risk committee, to be presented as required in terms of Section 61(8)(a) of the Companies Act.

## REPORT FROM THE SOCIAL AND ETHICS COMMITTEE

In accordance with Regulation 43(5)(c), issued in terms of the Companies Act, the chairperson of the social, ethics and transformation committee, or in the absence of the chairperson, any member of the committee, will present the committee's report (as contained in the Company's integrated annual report) ("Integrated Report") to shareholders at the AGM.

## ORDINARY RESOLUTION NUMBER 1: RETIREMENT AND RE-ELECTION OF DIRECTOR

It is **RESOLVED** that Mr Paul Cambo Baloyi, who retires by rotation in terms of the memorandum of incorporation of the Company ("MOI") and, being eligible, offers himself for re-election as an independent non-executive director of the Company, be and is hereby re-elected as a director.

## ORDINARY RESOLUTIONS NUMBERS 2.1 TO 2.3: APPOINTMENT OF THE MEMBERS OF THE AUDIT AND RISK COMMITTEE

### ORDINARY RESOLUTION 2.1

It is **RESOLVED** that Ms Fatima Vawda be and is hereby re-appointed as a member and chairperson of the audit and risk committee of the Company until the conclusion of the next AGM of the Company.

## ORDINARY RESOLUTION 2.2

It is **RESOLVED** that Mr Paul Cambo Baloyi be and is hereby re-appointed as a member of the audit and risk committee of the Company, subject to his re-election as director pursuant to Ordinary Resolution Number 1, until the conclusion of the next AGM of the Company.

## ORDINARY RESOLUTION 2.3

It is **RESOLVED** that Mr Zolani Matthews be and is hereby re-appointed as a member of the audit and risk committee of the Company until the conclusion of the next AGM of the Company.

## ORDINARY RESOLUTION 3: APPOINTMENT OF AUDITORS

It is **RESOLVED**, on recommendation of the audit and risk committee of the Company, that BDO South Africa Incorporated be and is hereby appointed as independent auditors of the Company. The individual designated auditor, Ms Sone Kock, meets the requirements of Section 90(2) of the Companies Act.

## ORDINARY RESOLUTION 4: CONTROL OF AUTHORISED BUT UNISSUED ORDINARY SHARES

It is **RESOLVED** that the authorised but unissued ordinary shares in the capital of the Company be and are hereby placed under the control and authority of the directors of the Company and that the directors be and are hereby authorised to allot and issue at their discretion the unissued but authorised ordinary shares in the share capital of the Company and/or grant options to subscribe for the unissued shares, to such person/s for such purposes and on such terms and conditions as they may in their discretion deem fit, subject to the provisions of the Listings Requirements of the JSE Limited ("JSE Listings Requirements"), Sections 38 and 41 of the Companies Act and the MOI, and shareholders hereby waive any pre-emptive rights thereto.

## ORDINARY RESOLUTION 5: GENERAL AUTHORITY TO ISSUE SHARES FOR CASH

It is **RESOLVED** that, subject to the restrictions set out below and subject to the provisions of the Companies Act and the JSE Listings Requirements, the directors of the Company be and are hereby authorised until this authority lapses at the next annual general meeting of the Company or 15 months from the date on which this resolution is passed, whichever is the earlier date, to allot and issue shares of the Company for cash, on the basis that:

- a. The shares which are the subject of the issue for cash must be of a class already in issue or, where this is not the case, must be limited to such shares or rights as are convertible into a class already in issue.
- b. The allotment and issue of shares for cash shall be made only to persons qualifying as "public shareholders", as defined in the JSE Listings Requirements, and not to "related parties".
- c. Shares which are the subject of general issues for cash shall not exceed 11,303,285 shares, being 5% of the Company's issued shares as at the date of this notice of AGM, provided that:
  - i. Any shares issued under this authority, prior to this authority lapsing, shall be deducted from the 11,303,285 shares which the Company is authorised to issue in terms of this authority, and
  - ii. In the event of a sub-division or consolidation of shares prior to this authority lapsing, the existing authority shall be adjusted accordingly to represent the same allocation ratio;
- d. The maximum discount at which shares may be issued is 10% of the weighted average traded price of such shares measured over the 30 business days prior to the date that the price of the issue is agreed between the Company and the party subscribing for the shares, and
- e. After the Company has issued shares in terms of this general authority to issue shares for cash representing on a cumulative basis within a financial year, 5% or more of the number of shares in issue prior to that issue, the Company shall publish an announcement containing full details of that issue, including the number of shares issued, the average discount to the weighted average traded price of the shares over the 30 business days prior to the date that the issue is agreed in writing between the Company and the party/ies subscribing for the shares and an explanation, including supporting information (if any) of the intended use of the funds.

## ORDINARY RESOLUTIONS NUMBERS 6.1 AND 6.2: ADVISORY ENDORSEMENT OF THE REMUNERATION POLICY AND IMPLEMENTATION REPORT

The King IV Report on Corporate Governance™ for South Africa, 2016 (“King IV™”) recommends that the Company’s remuneration policy and implementation report on the remuneration policy be tabled to shareholders for a non-binding advisory vote at each AGM of the Company. Failure to pass any one or both of these resolutions will not have legal consequences relating to existing arrangements. However, the board will take the outcome of the vote into consideration when assessing the Company’s remuneration policy and its implementation.

In the event that 25% or more of the votes cast against ordinary resolutions numbers 6.1 and 6.2 are recorded against such resolution/s, the directors will actively engage with dissenting shareholders to address any legitimate and reasonable objections and concerns regarding the Company’s remuneration policy and/or the implementation report on the remuneration policy.

### ORDINARY RESOLUTION 6.1

To approve, as a non-binding advisory vote in terms of King IV™, the Company’s remuneration policy (excluding the remuneration of the non-executive directors for their services as directors and members of board committees) as set out in the remuneration report contained in this Integrated Report on page 16.

### ORDINARY RESOLUTION 6.2

To approve, as a non-binding advisory vote in terms of King IV™, the Company’s implementation report on the remuneration policy (excluding the remuneration of the non-executive directors for their services as directors and members of board committees) as set out in the remuneration report contained in this Integrated Report on page 16.

### ORDINARY RESOLUTION 7: SIGNING AUTHORITY

It is **RESOLVED** that any one director or the Company secretary of the Company be and is hereby authorised to do all such things and sign all such documents as are deemed necessary to implement the resolutions set out in the notice convening the AGM at which this ordinary resolution will be considered and approved at such AGM.

### SPECIAL RESOLUTION 1: APPROVAL OF NON-EXECUTIVE DIRECTORS’ REMUNERATION

It is **RESOLVED**, as a special resolution that the Company be and is hereby authorised to pay its non-executive directors for their services as non-executive directors, as contemplated in Sections 66(8) and 66(9) of the Companies Act in terms of the following remuneration structure and with effect from the date of this AGM until the date of the next AGM.

	Main board	Audit and risk	Remuneration and nominations	Social and ethics
Chair	R 440,000	R 132,000	R 55,000	R 55,000
Member	R 176,000	R 99,000	R 44,000	R 44,000

### SPECIAL RESOLUTION NUMBER 2: GENERAL AUTHORITY TO REPURCHASE SHARES

It is **RESOLVED**, as a special resolution, that the Company in terms of its MOI (or one of its wholly-owned subsidiaries) is hereby authorised, by way of a general approval, to acquire the Company’s own securities, upon such terms and conditions and in such amounts as the directors may from time to time decide, subject to the JSE Listings Requirements, Section 48 and 46 of the Companies Act and the Company’s MOI, subject to the following:

- this general authority be valid until the Company’s next AGM, provided that it shall not extend beyond 15 (fifteen) months from the date of passing of this special resolution (whichever period is shorter);
- the repurchase being affected through the order book operated by the JSE trading system, without any prior understanding or arrangement between the Company and the counterparty;
- repurchases may not be made at a price greater than 10% above the weighted average of the market value of the ordinary shares for the 5 business days immediately preceding the date on which the transaction was effected;
- an announcement being published as soon as the Company has repurchased ordinary shares constituting, on a cumulative basis, 3% of the initial number of ordinary shares, and for each 3% in aggregate of the initial number of ordinary shares repurchased thereafter, containing full details of such repurchases;
- the number of shares which may be acquired pursuant to this authority in any one financial year may not in the aggregate exceed 20% of the Company’s issued share capital as at the date of passing of this special resolution or 10% of the Company’s issued share capital in the case of an acquisition of shares in the Company by a subsidiary of the Company;

- the Company and/or its subsidiaries not repurchasing securities during a prohibited period as defined in paragraph 3.67 of the JSE Listings Requirements, unless it has in place a repurchase programme where the dates and quantities of securities to be acquired during the relevant period are fixed, and full details of the programme have been disclosed in an announcement published on SENS prior to the commencement of the prohibited period;
- at any point in time the Company only appoints one agent to effect any repurchases on its behalf; and
- the board passing a resolution that they authorised the repurchase and that the Company passed the solvency and liquidity test set out in Section 4 of the Companies Act and that since the test was done there have been no material changes to the financial position of the Group.

The directors of the Company and its subsidiaries will only utilise the general authority to purchase the Company's securities to the extent that they, having considered the effects of the maximum repurchase permitted, are of the opinion that for a period of 12 months after the date of the notice of the AGM and at the actual date of the repurchase:

- the Company and the Group will be able, in the ordinary course of business, to pay its debts;
- the working capital of the Company and the Group will be adequate for ordinary business purposes;
- the assets of the Company and the Group, fairly valued in accordance with IFRS, will exceed the liabilities of the Company and the Group;
- the Company's and the Group's ordinary share capital and reserves will be adequate for ordinary business purposes; and
- the directors have passed a resolution authorising the repurchase, resolving that the Company has satisfied the solvency and liquidity test as defined in the Companies Act and resolving that since the solvency and liquidity test had been applied, there have been no material changes to the financial position of the Group.

#### **Additional Information**

The following additional information, some of which may appear elsewhere in the Integrated Report, is provided in terms of the JSE Listings Requirements for purposes of the general authority to repurchase the Company's securities set out in special resolution number 2 above:

- major shareholders on page 21; and
- share capital of the Company on page 03.

#### **Directors' Responsibility Statement**

The directors in office, whose names appear on pages 11 to 12 of the Integrated Report, collectively and individually accept full responsibility for the accuracy of the information pertaining to special resolution number 2 and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the special resolution contains all information required by the JSE Listings Requirements.

#### **Material Changes**

Other than the facts and developments reported on in the Integrated Report, there have been no material changes in the affairs or financial position of the Company and its subsidiaries since the Company's financial year end and the date of signature of the Integrated Report.

#### **Directors' Intention Regarding the General Authority to Repurchase the Company's Shares**

The directors have no specific intention, at present, for the Company to repurchase any of its securities but consider that such a general authority should be put in place should an opportunity present itself to do so during the year and which is in the best interests of the Company and its shareholders.

## **SPECIAL RESOLUTION NUMBER 3: FINANCIAL ASSISTANCE TO RELATED AND INTER-RELATED COMPANIES**

It is **RESOLVED**, by way of a special resolution in terms of Sections 44 and 45 of the Companies Act, that the directors of the Company be and are hereby authorised to provide any direct or indirect financial assistance (which include lending money, guaranteeing a loan or other obligation, and securing any debt or obligation) to all related and inter-related companies within the Zarclear group of companies, or to any person for the purpose of, or in connection with, the subscription of any option, or any securities, issued or to be issued by the Company or a related or interrelated company, or for the purchase of any securities of the Company or of a related or interrelated company, at such times and on such terms and conditions as the directors in their sole discretion deem fit and subject to all relevant statutory and regulatory requirements being met, such authority is to remain in place for a period of 2 years or until rescinded by way of special resolution passed at a duly constituted AGM of the Company, provided that:

- a. the board, from time to time, determines (i) the specific recipient or general category of potential recipients of such financial assistance; (ii) the form, nature and extent of such financial assistance; (iii) the terms and conditions under which such financial assistance is provided;
- b. the board may not authorise the Company to provide any financial assistance pursuant to this special resolution number 3 unless the board meets all those requirements of Section 44 and 45 of the Companies Act which it is required to meet in order to authorise the Company to provide such financial assistance; and
- c. In as much as the Company's provision of financial assistance to its subsidiaries will at any and all times be in excess of one-tenth of 1% of the Company's net worth, the Company hereby provides notice to its shareholders of that fact.

## ELECTRONIC PARTICIPATION

The Company's Memorandum of Incorporation authorises the conduct of shareholders' meetings entirely by electronic communication as does section 63(2)(a) of the Companies Act. In terms of section 61(10) of the Companies Act, every shareholders' meeting of a public company must be reasonably accessible within South Africa for electronic participation by shareholders.

Shareholders or their duly appointed proxies who wish to participate in the AGM are required to complete the Electronic Participation Application Form available immediately after the proxy form on page 31 and email same to the Company's Transfer Secretaries at proxy@computershare.co.za and to craig.laidlaw@computershare.co.za as soon as possible, but in any event by no later than 10:30 on Tuesday, 24 November 2020.

Shareholders or their duly appointed proxies are required to provide satisfactory identification before being entitled to participate in the AGM.

Upon receiving a completed Electronic Participation Application Form, the Company's Transfer Secretaries will follow a verification process to verify each applicant's entitlement to participate in and/or vote at the AGM. The Company's Transfer Secretaries will provide the Company with the nominated email address of each verified shareholder or their duly appointed proxy to enable the Company to forward them a Microsoft Teams meeting invitation required to access the AGM.

Fully verified shareholders or their duly appointed proxies who have applied to participate electronically in the AGM are requested by no later than 10:25 on Thursday, 26 November 2020 by clicking on the "Join Microsoft Teams Meeting" link to be provided by Zarclear's company secretary or by the secretarial office, whose admission to the meeting will be controlled by the company secretary/secretarial office.

Participants will be liable for their own network charges in relation to electronic participation in the AGM. Any such charges will not be for the account of the Company's Transfer Secretaries or Zarclear who will also not be held accountable in the case of loss of network connectivity or other network failure due to insufficient airtime, internet connectivity, internet bandwidth and/or power outages which prevents any such shareholder or their proxy from participating in and/or voting at the AGM.

## PROXIES

For an ordinary resolution to be approved by the shareholders, it must be supported by more than 50% of the voting rights exercised on the resolution. For a special resolution to be approved by the shareholders, it must be supported by at least 75% of the voting rights exercised on the resolution.

Voting will be via a poll; every shareholder of the Company shall have one vote for every share held in the Company by such shareholder.

A shareholder entitled to participate and vote at the AGM is entitled to appoint a proxy or proxies to electronically participate, speak and vote in his/ her stead. A proxy need not be a shareholder of the Company.

The electronic platform (Microsoft Teams) to be utilised to host the AGM does not provide for electronic voting during the meeting.

Accordingly, shareholders are strongly encouraged to submit votes by proxy in advance of the AGM, by completing the Form of Proxy (found at page 31) and lodging this form with the Company's Transfer Secretaries by no later than 10:30 on Tuesday, 24 November 2020 by:

- delivery to Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank; or
- email to proxy@computershare.co.za.

Any forms of proxy not submitted by this time can still be lodged by email to proxy@computershare.co.za and to craig.laidlaw@computershare.co.za prior to the commencement of the meeting.

Shareholders are reminded that they are still able to vote normally through proxy submission, despite deciding to participate either electronically or not at all in the AGM.

### Dematerialised shareholders without 'own name' registration

Dematerialised shareholders, other than those with 'own name' registration, who wish to participate in the AGM, should instruct their Central Securities Depository Participant ("CSDP") or Broker to issue them with the necessary letter of representation to participate in the AGM, in the manner stipulated in the relevant custody agreement. The letter of representation will need to be submitted together with the completed Electronic Participation Application Form to the Company's Transfer Secretaries and to Zarclear in the manner and within the timeframe described above under the section titled "Electronic Participation Arrangements".

If these shareholders do not wish to participate in the AGM in person, they must provide the CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker.

#### **Certificated shareholders and dematerialised shareholders with 'own name' registration**

Those Certificated Shareholders and Dematerialised Shareholders with 'own name' registration, who wish to participate in the AGM (either in person or represented by proxy), must submit a completed Electronic Participation Application Form to the Company's Transfer Secretaries and to Zarclear in the manner and within the timeframe described above under the section titled "Electronic Participation Arrangements".

## **QUORUM**

The Quorum for a Shareholders' meeting to begin or for a matter to be considered is at least three Shareholders being present at the meeting (by electronic participation or by proxy), provided that:

- a Shareholders' meeting may not begin until sufficient persons are present at the meeting (by electronic participation or by proxy) to exercise in aggregate, at least 25% of the voting rights that are entitled to be entertained in respect of at least one matter to be decided at the meeting; and
- a matter to be decided at a Shareholders' meeting may not begin to be considered unless sufficient persons are present at the meeting (by electronic participation or by proxy) to exercise, in aggregate, at least 25% of all the voting rights that are entitled to be exercised in respect of that matter at the time the matter is called on the agenda.

## **VOTING THRESHOLDS**

Ordinary resolutions numbers 1 to 4 and 7 are subject to a simple majority of votes.

In terms of the JSE Listings Requirements, the approval of a 75% majority of votes of all shareholders, present or represented by proxy, is required to approve ordinary resolution number 5.

In terms of King IV™ and the JSE Listings Requirements, should shareholders exercising 25% or more of the voting rights exercised, vote against ordinary resolution numbers 6.1 and/or 6.2, then the Company is required to engage with those dissenting shareholders.

The special resolutions must be supported by 75% or more of the voting rights exercised.

*By order of the board*



CIS Company Secretaries (Pty) Ltd  
(per C Laidlaw)  
Company secretary  
28 October 2020

# Annual general meeting – explanatory notes

for the 15 months ended 30 June 2020

## VOTING

A 75% majority of the votes cast by shareholders present or represented by proxy at the annual general meeting (AGM) must be cast in favour of special resolutions for these to be approved. Ordinary resolutions are approved by more than 50% of the votes cast by shareholders present or represented by proxy with exception of ordinary resolution number 5 which requires a 75% approval.

## PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

At the AGM the directors must present the annual financial statements for 15 months ended 30 June 2020 to shareholders, together with the reports of the directors, the audit and risk committee and the auditors. These are contained within the Integrated Report.

## ORDINARY RESOLUTION NUMBER 1: RETIREMENT AND RE-ELECTION OF DIRECTOR

In accordance with the MOI, the JSE Listings Requirements, and, to the extent applicable, the Companies Act, one-third of the non-executive directors are required to retire at each AGM and may offer themselves for re-election. In addition, any person appointed to the board following the previous AGM is similarly required to retire and is eligible for re-election at the next annual general meeting.

The reason for ordinary resolution number 1 is to elect directors retiring in accordance with the MOI, the JSE Listings Requirements and, to the extent applicable, the Companies Act.

Brief biographical details of all members of the board are contained on pages 11 to 12 of the Integrated Report, of which this notice forms part.

## ORDINARY RESOLUTIONS NUMBERS 2.1 TO 2.3: APPOINTMENT OF THE MEMBERS OF THE AUDIT AND RISK COMMITTEE OF THE COMPANY

In terms of Section 94(2) of the Companies Act, a public company must at each AGM elect an audit and risk committee comprising at least three members who are directors and who meet the criteria of Section 94(4) of the Companies Act. Regulation 42 to the Companies Act specifies that one-third of the members of the audit and risk committee must have appropriate academic qualifications or experience in the areas as listed in the regulation.

The board is satisfied that the proposed members of the audit and risk committee meet all relevant requirements. The purpose of these resolutions is to appoint or re-appoint, as the case may be, by way of separate resolutions, the following independent non-executive directors as members of the audit and risk committee:

- Ms Fatima Vawda (Chairperson)
  - Mr Paul Cambo Baloyi \*
  - Mr Zolani Matthews
- \* Subject to the approval of ordinary resolution 1.1.

## ORDINARY RESOLUTION 3: APPOINTMENT OF AUDITORS

BDO South Africa Incorporated has indicated its willingness to be appointed in office and ordinary resolution 3 proposes the appointment of that firm as the Company's auditors with effect from 1 March 2020. Section 90(3) of the Companies Act requires the designated auditor to meet the criteria as set out in Section 90(2) of the Companies Act.

The audit and risk committee has recommended BDO South Africa Incorporated for re-appointment as independent auditors of the Company pursuant to section 90(2) (c) of the Companies Act and further confirm that their appointment together with the designated individual audit partner, Sone Kock, is in accordance with paragraph 3.84(g) (iii) of the JSE Listings Requirements.

The board is satisfied that both BDO South Africa Incorporated and the individual designated auditor, being Ms Sone Kock, meets the relevant requirements.

The reason for ordinary resolution number 3 is that the Company, being a public-listed company, must have its annual financial statements audited and such auditor must be appointed or re-appointed, as the case may be, at each annual general meeting of the Company as required by the Companies Act.

## ORDINARY RESOLUTIONS NUMBERS 4 AND 5: CONTROL OF AND AUTHORITY TO ISSUE AUTHORISED BUT UNISSUED SHARES FOR CASH

In terms of the Companies Act, directors are authorised to allot and issue the unissued shares of the Company, unless otherwise provided in the Company's MOI or in instances as listed in Section 41 of the Companies Act. The JSE requires that the MOI should provide that shareholders in a general meeting may authorise the directors to issue unissued securities and/or grant options to subscribe for unissued securities as the directors in their discretion think fit, provided that such transaction(s) has/have been approved by the JSE and are subject to the JSE Listings Requirements. In the absence of the MOI as contemplated in the Companies Act, ordinary resolution number 4 has been included to confirm directors' authority to issue shares. Directors confirm that there is no specific intention to issue any shares, other than as part of and in terms of the rules of the Company's share incentive scheme, as at the date of this notice of AGM.

In terms of the JSE Listings Requirements, the authority to issue shares for cash as set out in ordinary resolution number 5 requires the approval of a 75% majority of the votes cast by shareholders present or represented by proxy at the AGM for ordinary resolution number 5 to become effective.

#### **ORDINARY RESOLUTIONS NUMBERS 6.1 AND 6.2: ADVISORY ENDORSEMENT OF REMUNERATION POLICY AND IMPLEMENTATION REPORT ON THE REMUNERATION POLICY**

King IV recommends that a Company's remuneration policy and implementation report on the remuneration policy be tabled to shareholders for a non-binding advisory vote at each AGM of the Company to provide shareholders with an opportunity to indicate should they not be in support of the material provisions of the remuneration philosophy and policy of the Company.

#### **ORDINARY RESOLUTION 7: SIGNING AUTHORITY**

Authority is required to do all such things and sign all documents and take all such action as necessary to implement the resolutions set out in this notice of AGM and approved at the AGM. It is proposed that the company secretary and/or director be authorised accordingly.

#### **SPECIAL RESOLUTION 1: APPROVAL OF NON-EXECUTIVE DIRECTORS' REMUNERATION**

In terms of Sections 66(8) and 66(9) of the Companies Act, companies may pay remuneration to directors for their services as directors unless otherwise stated by the MOI and on approval of shareholders by way of a special resolution. Executive directors are not specifically remunerated for their services as directors but as employees of the Company and as such, the resolution, as included in this notice of AGM, requests approval of the remuneration payable to non-executive directors for their services as directors of the Company.

#### **SPECIAL RESOLUTION 2: GENERAL AUTHORITY TO REPURCHASE SHARES**

Section 48 of the Companies Act authorises the board to approve the acquisition of its own shares subject to the provisions of Sections 48 and 46 having been met. In order to ensure compliance with the requirements of the Companies Act, the JSE Listings Requirements and the provisions of the MOI, a special resolution is proposed to provide authority to the Company to repurchase its shares.

#### **SPECIAL RESOLUTION 3: FINANCIAL ASSISTANCE TO RELATED AND INTER-RELATED COMPANIES**

Sections 44(2) and 45(2) of the Companies Act, authorises the board to provide direct or indirect financial assistance to a related or inter-related company or to any person in connection with any securities issued or to be issued by the Company or a related or inter-related company, subject to sub-sections (3) and (4) of Section 45 of the Companies Act and unless otherwise provided in the Memorandum of Incorporation. In terms of Section 45(3) of the Companies Act, a special resolution of shareholders is required in these instances.

The main purpose of this special resolution as set out in this notice of AGM is to approve the granting of inter-company loans, a recognised and well-known practice, details of which are also set out in the notes to the annual financial statements. In addition, the resolution will facilitate the granting of guarantees and security in connection with the borrowings by the Zarclear group of companies.

Special resolution number 3 will be effective only if and to the extent that such resolution is adopted by the shareholders of the Company, and the provision of any such direct or indirect financial assistance by the Company, pursuant to such resolution, will always be subject to the board being satisfied that (i) immediately after providing such financial assistance, the Company will satisfy the solvency and liquidity test as referred to in Sections 44(3)(b)(i) and 45(3)(b)(i) of the Companies Act, and (ii) the terms under which such financial assistance is to be given are fair and reasonable to the Company as referred to in Section 44(3)(b)(ii) and 45(3)(b)(ii) of the Companies Act.



# Form of proxy

Zarclear Holdings Limited  
 Incorporated in the Republic of South Africa  
 Registration number 2000/013674/06  
 Share code: ZCL  
 ISIN: ZAG000262820  
 ("Zarclear" or "the Company")

For use only by:

- Holders of certificated ordinary shares in the Company, or
- Holders of dematerialised ordinary shares in the Company ("dematerialised shareholders") held through a Central Securities Depository

Participant ("CSDP") or broker and who have selected "own-name" registration at the annual general meeting ("AGM") of shareholders of the Company to be held at the offices of Zarclear situated on the 9th floor, Bidvest Building, Katherine Towers, 1 Park Lane, Wierda Valley, Sandton at 10:30 am on Thursday, 26 November 2020.

Dematerialised shareholders holding shares in the Company other than with "own-name" registration, who wish to attend the AGM must inform their CSDP or broker of their intention to attend the AGM and request their CSDP or broker to issue them with the relevant letter of representation to attend the AGM in person or by proxy and vote. If they do not wish to attend the AGM in person or by proxy, they must provide their CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker. **These shareholders must not use this form of proxy.**

Each shareholder is entitled to appoint one or more proxies (who need not be a shareholder of the Company) to attend, speak and vote in place of that shareholder at the AGM. A proxy need not be a shareholder of the Company.

I/We \_\_\_\_\_ (names in block letters)  
 of \_\_\_\_\_ (address in block letters)  
 being the holder/s of \_\_\_\_\_ shares in the Company do hereby appoint \_\_\_\_\_  
 of \_\_\_\_\_ or failing him/her  
 of \_\_\_\_\_

as my/our proxy to attend and act for me/us on my/our behalf at the AGM convened for the purpose of considering and, if deemed fit, passing, with or without modification, the resolutions to be proposed thereat and at each adjournment or postponement thereof, and to vote for and/or against such resolutions, and/or to abstain from voting for and/or against the resolutions, in respect of the shares in the issued share capital of the Company registered in my/our name in accordance with the following instructions:

Ordinary resolutions	*For	*Against	*Abstain
1. To re-elect Mr Paul Cambo Baloyi as an independent non-executive director of the Company			
2.1 To re-appoint Ms Fatima Vawda as a member and chairperson of the audit and risk committee of the Company			
2.2 To re-appoint Mr Paul Cambo Baloyi as a member of the audit and risk committee of the Company			
2.3 To re-appoint Mr Zolani Matthews as a member of the audit and risk committee of the Company			
3. Appointment of BDO South Africa Incorporated as auditors of the Company			
4. Control of authorised but unissued ordinary shares			
5. Authority to issue shares for cash			
6.1 Advisory endorsement of the remuneration policy			
6.2 Advisory endorsement of the implementation report on the remuneration policy			
7. Signing authority			
<b>Special resolutions</b>			
1. Approval of non-executive directors' remuneration			
2. General authority to repurchase shares			
3. Financial assistance to related and interrelated companies			

*Insert an "X" in the relevant spaces above according to how you wish your votes to be cast. If no directions are given, the holder of the proxy will be entitled to vote or abstain from voting as that proxy deems fit. This proxy shall be valid only for the AGM of shareholders of the Company to be held on Thursday, 26 November 2020 at 10:30 am and any adjournment or postponement thereof.*

Please read notes on the reverse side hereof

Signed at \_\_\_\_\_ on the \_\_\_\_\_ day of \_\_\_\_\_ 2020

Signature \_\_\_\_\_

Please read the notes on the reverse side hereof.

# Notes to the form of proxy

1. Summary of rights contained in Section 58 of the Companies Act, (Act No. 71 of 2008), as amended ("Companies Act")

In terms of Section 58 of the Companies Act:

- A shareholder may, at any time and in accordance with the provisions of Section 58 of the Companies Act, appoint any individual (including an individual who is not a shareholder) as a proxy to participate in, and speak and vote at, a shareholders' meeting on behalf of such shareholder;
- A proxy appointment must be in writing, dated and signed by the shareholder;
- Except to the extent that the memorandum of incorporation of a company provides otherwise, a shareholder of that company may appoint two or more persons concurrently as proxies, and may appoint more than one proxy to exercise voting rights attached to the different securities held by the shareholder;
- Except to the extent that the memorandum of incorporation of the Company provides otherwise, a proxy may delegate her or his authority to act on behalf of a shareholder to another person, subject to any restriction set out in the instrument appointing such proxy;
- Except to the extent that the memorandum of incorporation of the Company provides otherwise, a copy of the instrument appointing a proxy must be delivered to the Company, or to any other person on behalf of the Company, before the proxy exercises any rights of the shareholder at a shareholders' meeting;
- Irrespective of the form of instrument used to appoint a proxy, the appointment of a proxy is suspended at any time and to the extent that the relevant shareholder chooses to act directly and in person in the exercise of any of such shareholder's rights as a shareholder;
- Irrespective of the form of instrument used to appoint a proxy, any appointment by a shareholder of a proxy is revocable, unless the form of instrument used to appoint such proxy states otherwise;
- If an appointment of a proxy is revocable, a shareholder may revoke the proxy appointment by: (i) cancelling it in writing, or making a later inconsistent appointment of a proxy and (ii) delivering a copy of the revocation instrument to the proxy and to the Company;
- The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the shareholder as of the later of the date (i) stated in a revocation instrument, if any; or (ii) upon which the revocation instrument is delivered to the proxy and the relevant company as required in Section 58(4)(c)(ii) of the Companies Act;
- If the instrument appointing a proxy or proxies has been delivered to the relevant company, as long as that appointment remains in effect, any notice that is required by the Companies Act or the relevant company's memorandum of incorporation to be delivered by such company to the shareholder must be delivered by such company to the shareholder or the proxy or proxies, if the shareholder has in writing directed the relevant company to do so and has paid any reasonable fee charged by the Company for doing so;
- A proxy appointed by a shareholder is entitled to exercise, or abstain from exercising, any voting right of such shareholder without direction, except to the extent that the relevant company's memorandum of incorporation, or the instrument appointing the proxy, provides otherwise (see note 5);
- If a company issues an invitation to shareholders to one or more persons named by such company as a proxy, or supplies a form of instrument for appointing a proxy:
  - Such invitation must be sent to every shareholder who is entitled to receive notice of the meeting at which the proxy is intended to be exercised;
  - The invitation or form of proxy must bear a reasonably prominent summary of the rights established by Section 58 of the Companies Act, contain adequate space to enable a shareholder to write in the name, and if so desired an alternative name, of a proxy chosen by the shareholder and provide adequate space for the shareholder to indicate whether the appointed proxy is to vote in favour of or against any resolution or resolutions to be put at the meeting, or abstain from voting;
  - The Company must not require that the proxy appointment be made irrevocable; and
  - The proxy appointment remains valid only until the end of the relevant meeting at which it was intended to be used, unless revoked as contemplated in Section 58(5) of the Companies Act.

2. The form of proxy must only be used by shareholders who hold shares in certificated form or who are recorded on the sub-register in electronic form in "own name".

3. All other beneficial owners who hold dematerialised shares through a CSDP or broker and wish to attend the AGM must provide

the CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker.

4. A shareholder entitled to attend and vote at the AGM may insert the name of a proxy or the names of two alternate proxies of the shareholder's choice in the space provided, with or without deleting "the chairperson of the AGM". The person whose name stands first on the form of proxy and who is present at the AGM will be entitled to act as proxy to the exclusion of such proxy (ies) whose names follow.

5. A shareholder is entitled to one vote on a show of hands and, on a poll, one vote in respect of each ordinary share held. A shareholder's instructions to the proxy must be indicated by the insertion of an "X" in the appropriate space provided. If an "X" has been inserted in one of the blocks to a particular resolution, it will indicate the voting of all the shares held by the shareholder concerned. Failure to comply with this will be deemed to authorise the proxy to vote or to abstain from voting at the AGM as he/she deems fit in respect of all the shareholder's votes exercisable thereat. A shareholder or the proxy is not obliged to use all the votes exercisable by the shareholder or by the proxy, but the total of the votes cast and in respect of which abstention is recorded may not exceed the total of the votes exercisable by the shareholder or the proxy.

6. A vote given in terms of an instrument of proxy shall be valid in relation to the AGM, notwithstanding the death, insanity or other legal disability of the person granting it, or the revocation of the proxy, or the transfer of the shares in respect of which the proxy is given, unless notice as to any of the aforementioned matters shall have been received by the Company's Transfer Secretaries, Computershare Investor Services Proprietary Limited ("transfer secretaries"), not less than 48 (forty-eight) hours before the commencement of the AGM.

7. If a shareholder does not indicate on this form of proxy that his/her proxy is to vote in favour of or against any resolution or to abstain from voting, or gives contradictory instructions, or should any further resolution(s) or any amendment(s) which may properly be put before the AGM be proposed, such proxy shall be entitled to vote as he/she thinks fit.

8. A shareholder's authorisation to the proxy including the chairperson of the AGM, to vote on such shareholder's behalf, shall be deemed to include the authority to vote on procedural matters at the AGM.

9. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the AGM and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof.

10. Documentary evidence establishing the authority of a person signing the form of proxy in a representative capacity must be attached to this form of proxy, unless previously recorded by the transfer secretaries or is waived by the Chairperson of the AGM.

11. A minor or any other person under legal incapacity must be assisted by his/her parent or guardian, as applicable, unless the relevant documents establishing his/her capacity are produced or have been registered by the transfer secretaries.

12. Where there are joint holders of shares:

- any one holder may sign the form of proxy;
- the vote(s) of the senior shareholders (for that purpose seniority will be determined by the order in which the names of shareholder appear in the Company's register of ordinary shareholders) who tender a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint shareholder(s).

13. The Board requests that completed forms of proxy are received at the office of the Company's transfer secretaries, Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg, 2001 ( Private Bag x9000, Saxonwold, 2132), or via email to proxy@computershare.co.za by 10:30 on Tuesday, 24 November 2020. Any forms of proxy not lodged by this time may still be lodged by email to proxy@computershare.co.za and to craig.laidlaw@computershare.co.za prior to the commencement of the meeting.

14. A deletion of any printed matter and the completion of any blank space need not be signed or initialled. Any alteration or correction must be signed and not merely initialled.

15. The proxy appointment remains valid only for the AGM at which it is intended to be used and any adjournment or postponement thereof, subject to paragraph 1 above.

# Application form for electronic participation at the annual general meeting

Zarclear Holdings Limited  
Incorporated in the Republic of South Africa  
Registration number 2000/013674/06  
Share code: ZCL  
ISIN: ZAG000262820  
("Zarclear" or "the Company")

## ANNUAL GENERAL MEETING – 26 NOVEMBER 2020 ("AGM")

Capitalised terms which are not defined herein shall bear the meanings assigned in the notice of annual general meeting (the "AGM Notice") to which this form is attached and forms part.

### Instructions

Shareholders or their proxies, have the right, as provided for in the Company's Memorandum of Incorporation and the Companies Act, to participate in the AGM by way of electronic communication.

Shareholders or their duly appointed proxies who wish to participate in the AGM must complete this application form and email it (together with the relevant supporting documents referred to below) to the Company's transfer secretaries at proxy@computershare.co.za and to the Company secretary at craig.laidlaw@computershare.co.za as soon as possible, but in any event by no later than 10:30 on Tuesday, 24 November 2020.

Upon receiving a completed Electronic Participation Application Form, the Company's Transfer Secretaries will follow a verification process to verify each applicant's entitlement to participate in the AGM. The Company's Transfer Secretaries will provide the Company with the email address of each verified shareholder or their duly appointed proxy (each, "a Participant") to enable the Company to forward the Participant a Microsoft Teams meeting invitation required to access the AGM.

Zarclear will send each participant a Microsoft Teams meeting invitation with a link to "Join the Microsoft Teams Meeting" on receipt of the Electronic Participation Application, but in any event before the AGM on Thursday, 26 November 2020, to enable participants to link up and participate electronically in the AGM. This link will be sent to the email address nominated by the participant in the table below.

### Please note

The electronic platform to be utilised for the AGM does not provide for electronic voting during the meeting. Accordingly, shareholders are strongly encouraged to submit votes by proxy in advance of the AGM, by completing the Form of Proxy (found at page 31) and lodging the completed proxy form together with this Electronic Participation Application Form with the Company's Transfer Secretaries.

Participants will be liable for their own network charges in relation to electronic participation in and/or voting at the AGM. Any such charges will not be for the account of the Company's Transfer Secretaries or Zarclear who will also not be held accountable in the case of loss of network connectivity or other network failure due to insufficient airtime, internet connectivity, internet bandwidth and/or power outages which prevents any such Participant from participating in and /or voting at the AGM.

By signing this application form, the participant indemnifies and holds the Company harmless against any loss, injury, damage, penalty or claim arising in any way from the use of the telecommunication lines to participate in the AGM or any interruption in the ability of the participant to participate in the AGM via electronic communication, whether or not the problem is caused by any act or omission on the part of the Participant or anyone else, including without limitation the Company and its employees.

Full name of shareholder:

Identity or registration number of shareholder:

Full name of authorised representative (if applicable):

Identity number of authorised representative:

Email address: *\*Note: this email address will be used by the Company to share the Microsoft Teams meeting invitation required to access the AGM electronically*

Cell phone number:

Telephone number, including dialling codes:

*\*Note: The electronic platform to be utilised for the AGM does not provide for electronic voting during the meeting. Accordingly, shareholders are strongly encouraged to submit votes by proxy in advance of the AGM, by completing the proxy form found at page 31.*

Indicate (by marking with an 'X') whether:

votes will be submitted by proxy (in which case, please enclose the duly completed proxy form with this form); or

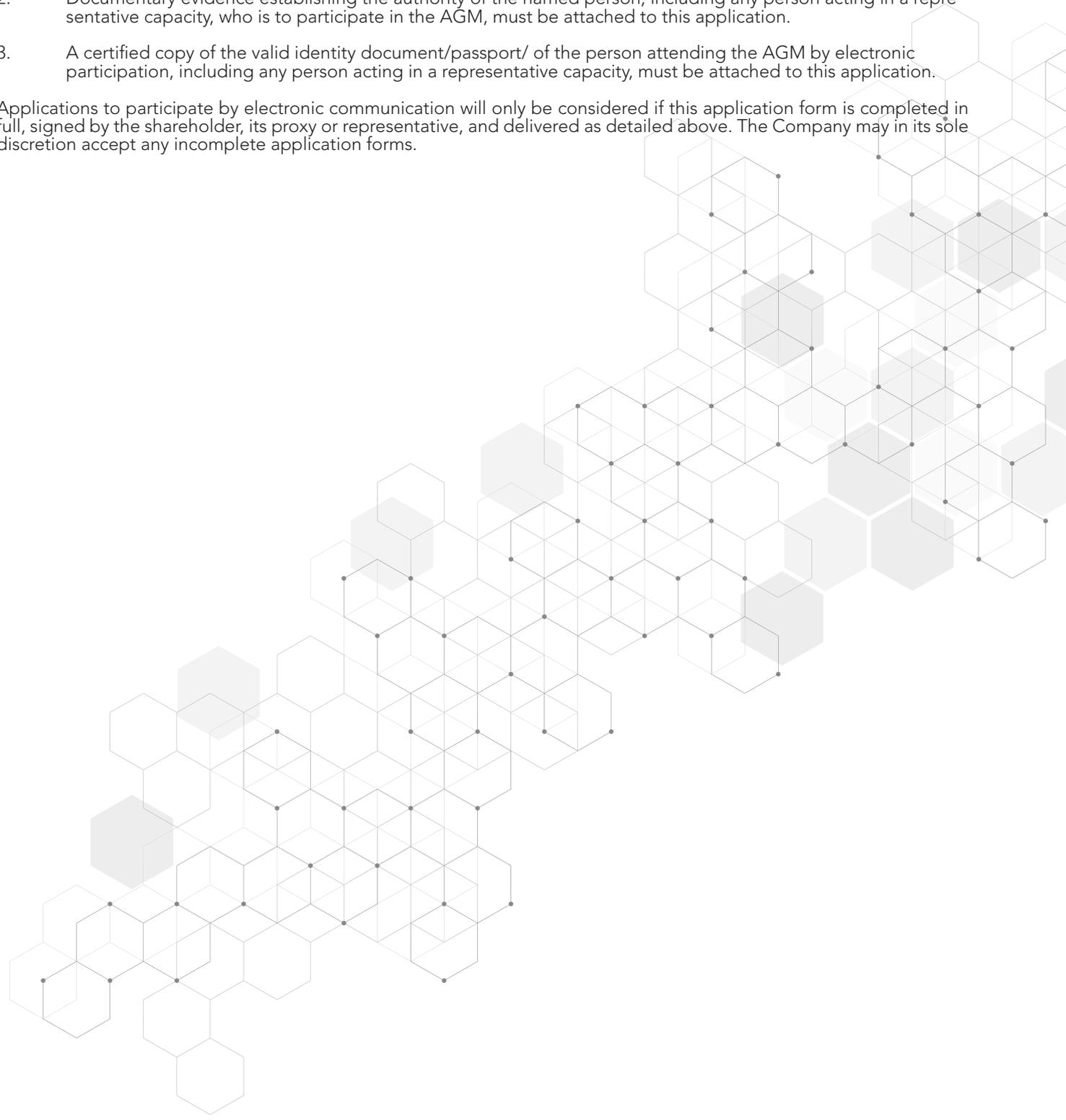
By signing this application form, I consent to the processing of my personal information above for the purpose of participating in Zarclear's AGM.

Capitalised terms which are not defined herein shall bear the meanings assigned in the notice of annual general meeting (the "AGM Notice") to which this form is attached and forms part.

**Documents required to be attached to this application form**

1. In order to exercise their voting rights at the AGM, shareholders who choose to participate electronically may appoint a proxy, which proxy may participate in the AGM, provided that a duly completed proxy form has been submitted in accordance with the instructions on that form, and as envisaged in the notice of the AGM.
2. Documentary evidence establishing the authority of the named person, including any person acting in a representative capacity, who is to participate in the AGM, must be attached to this application.
3. A certified copy of the valid identity document/passport/ of the person attending the AGM by electronic participation, including any person acting in a representative capacity, must be attached to this application.

Applications to participate by electronic communication will only be considered if this application form is completed in full, signed by the shareholder, its proxy or representative, and delivered as detailed above. The Company may in its sole discretion accept any incomplete application forms.





# Corporate information

## Registered office and postal address of the Company

Zarclear Holdings Limited  
(Registration number 2000/013674/06)  
9th floor, Katherine Towers, 1 Park Lane, Wierda Valley  
Sandton, 2196  
(PO Box 55312, Northlands, 2116)

## Transfer secretaries

Computershare Investor Services Proprietary Limited  
(Registration number 2004/003647/07)  
Rosebank Towers, 15 Biermann Avenue,  
Rosebank, 2196  
(PO Box 61051, Marshalltown, 2107)

## Sponsor

Java Capital Trustees and Sponsors Proprietary Limited  
(Registration number 2006/005780/07)  
6th floor, Katherine Towers  
1 Park Lane, Wierda Valley  
Sandton, 2196  
(PO Box 522606, Saxonwold, 2152)

## Company secretary

CIS Company Secretaries Proprietary Limited  
(Registration number 2006/1024994/07)  
Rosebank Towers, 15 Biermann Avenue,  
Rosebank, 2196  
(PO Box 61051, Marshalltown, 2107)

