

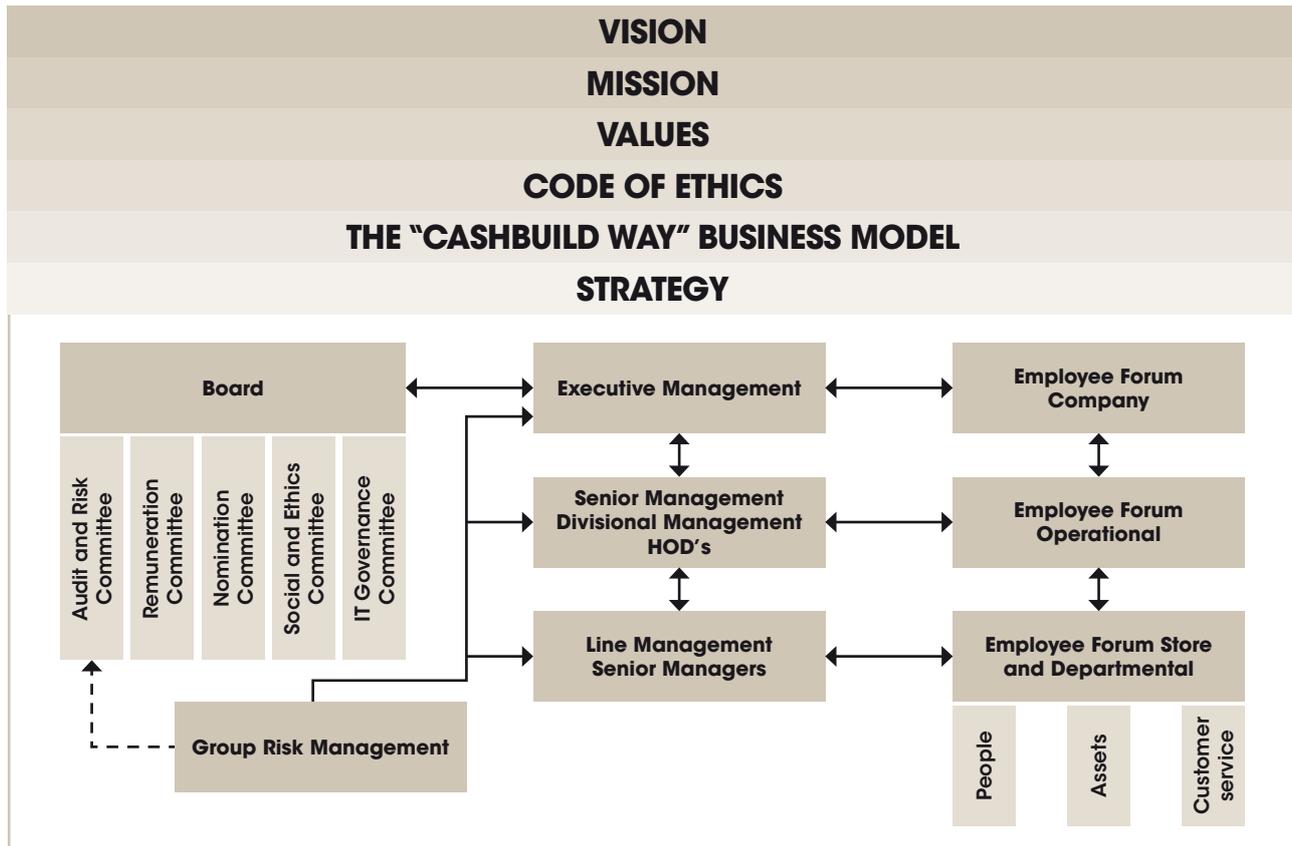


# CORPORATE GOVERNANCE REPORT

## INTRODUCTION

Cashbuild is committed to embracing good corporate governance practices and subscribes to the philosophy of the Code of Corporate Practices and Conduct as set out in the King III Report, related requirements of the JSE and the International Integrated Reporting Framework by the International Integrated Reporting Council. Cashbuild is furthermore committed to complying with all legislation, regulations and best practices in every country and jurisdiction where it conducts business.

## GOVERNANCE FRAMEWORK AND STRUCTURE AT A GLANCE



## Board composition and Board committee representatives

Name	Board Committee				
	Audit and Risk Committee	Remuneration Committee	Nomination Committee	Social and Ethics Committee	IT Governance Committee
<b>Non-executive</b>					
D Masson (CC)	I	M	C	-	M
IS Fourie	C	M	-	-	-
HH Hickey	M	-	-	M	-
AGW Knock	I	C	M	-	C
DSS Lushaba	M	-	-	-	-
NV Simamane	M	-	-	C	-
<b>Executive</b>					
WF de Jager	I	I	-	M	M
AE Prowse	I	I	-	M	M
SA Thoresson	I	-	-	-	M
A van Onselen	I	-	-	-	M

### Legend

- CC Chairman of the Board
- C Chairperson of the committee
- M Member of the committee
- I Attendance by invitation

# CORPORATE GOVERNANCE REPORT

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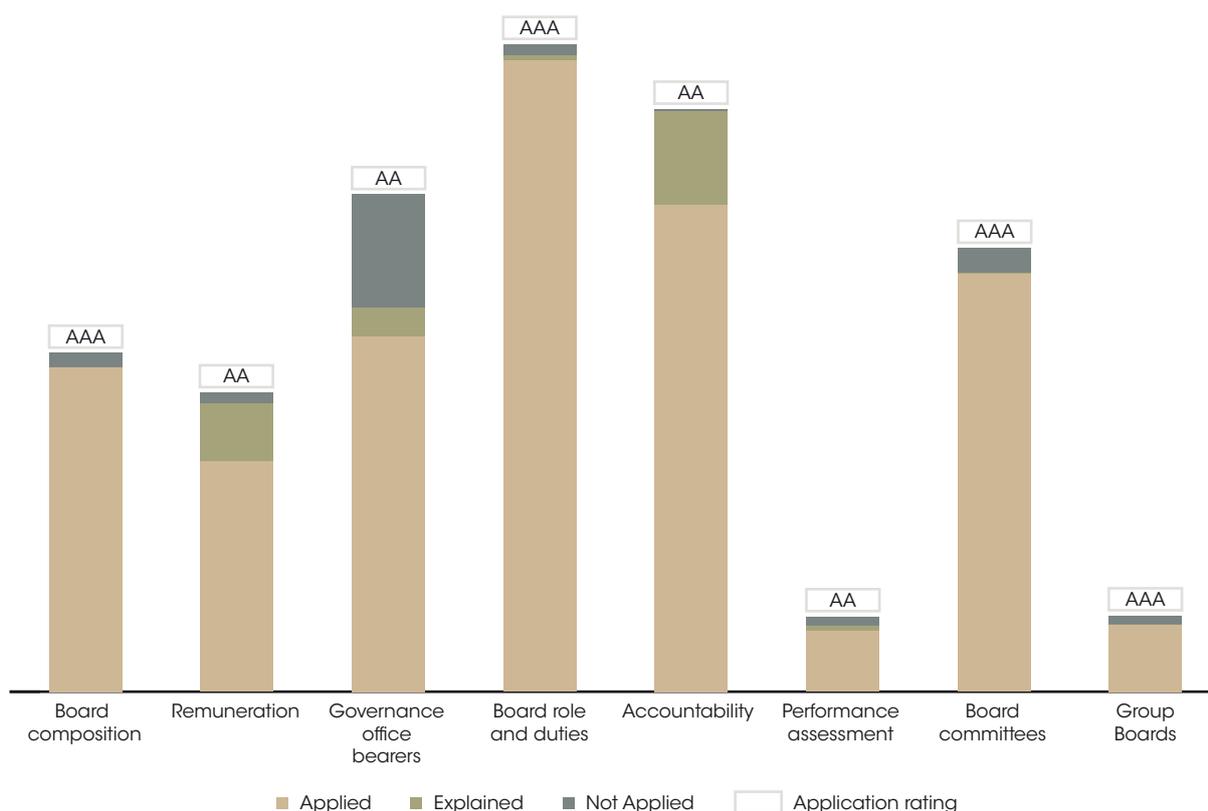
## KING III AND JSE LISTINGS REQUIREMENTS

In terms of paragraph 8.63(a) of the JSE Listings Requirements, the Group has published its application of King III on its website. There are no material changes to the content of this report compared to the 2014 Integrated Report, other than a greater emphasis on providing additional supplementary information on the Group's strategic direction, risk and sustainability initiatives. This includes supplying additional environmental information. Cashbuild's Board acknowledges that where it considers it to be in the best interest of the Company, it can adopt a practice different from that recommended in King III, but must explain its decisions. Cashbuild endorses and continuously assesses the principles of the Code and, where necessary, tailors these as appropriate to the organisation.

Based on the outcome of an independent corporate governance compliance review facilitated by PwC during September 2011, Cashbuild committed to action plans for improvement and recorded them in a three-year roadmap. The roadmap was completed in June 2015.

Cashbuild has subscribed to the Institute of Directors Southern Africa's assessment instrument (GAI). For more on GAI, refer to <http://www.iodsa-gai.co.za>. Application of the GAI provides the stakeholders of the Company with assurance that the principles of good governance as laid out in King III have been applied, as evidenced by the process of a complete and credible standardised review of all the supportive practices, and that adherence to JSE Listings Requirements has been appropriately reviewed. The result of this review exercise is available on the Cashbuild website under Investor Relations in the Corporate Governance section: <http://www.cashbuild.co.za>. The process of completing the governance assessment is cyclical in nature and will be repeated annually with action steps stemming therefrom.

**Governance assessment results**



APPLICATION LEVELS					
Highest application	High application	Notable application	Moderate application	Application to be improved	Low application
AAA	AA	BB	B	C	L



## BOARD

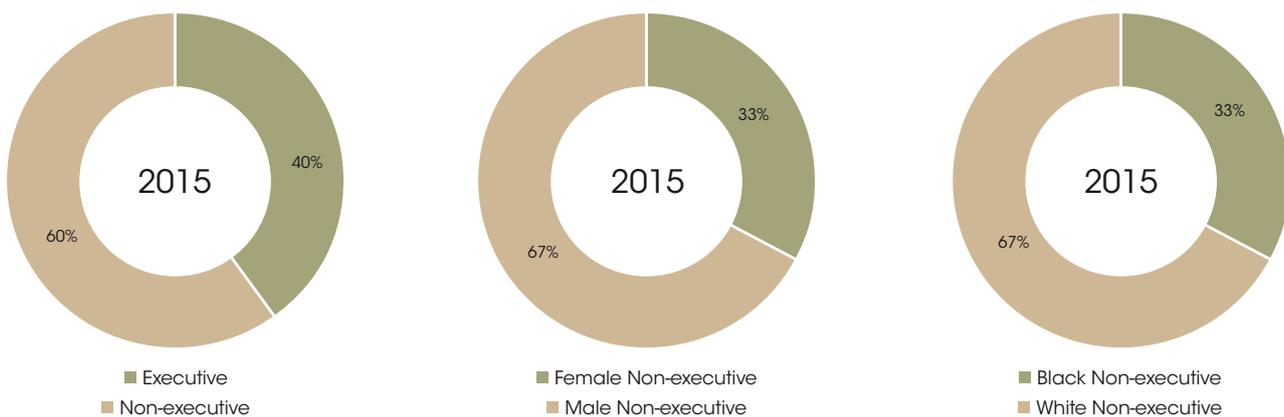
### Responsibilities

The Board is accountable and responsible for the performance and affairs of the Company. The terms of reference outlining its responsibilities are contained in the Board Charter. The Board takes responsibility for guiding and monitoring compliance with all applicable laws, regulations and codes of business practice, maintains oversight over compliance and risk management, but delegates operational control to management. The Board has defined levels of materiality, has delegated relevant matters to the executive directors and senior management based on detailed authority levels and believes it has full and effective control over the Company and oversight of management activities. The Board meets on a quarterly basis. All directors are encouraged to attend each meeting.

### Board composition

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

There were no changes to the Board during the course of the financial year. At financial year end, the Board consisted of the directors as set out on pages 18 and 19 of this report.



### Board appointments

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

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

### Board meetings

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

# CORPORATE GOVERNANCE REPORT

(CONTINUED)

## Board meeting attendance

Name	Board	Audit and Risk Committee	Remuneration Committee	Social and Ethics Committee	IT Governance Committee
<b>Non-executive</b>					
D Masson (CC)	4/4	4/4*	3/3	-	3/4+
IS Fourie	4/4	4/4	3/3	-	-
HH Hickey	4/4	4/4	-	4/4	-
AGW Knock	4/4	4/4*	3/3	-	4/4
DSS Lushaba	4/4	4/4	-	-	-
NV Simamane	3/4+	3/4+	-	4/4	-
<b>Executive</b>					
WF de Jager	4/4	4/4*	3/3*	4/4	4/4
AE Prowse	4/4	4/4*	3/3*	4/4	4/4
SA Thoresson	4/4	4/4*	-	-	3/4+
A van Onselen	4/4	4/4*	-	-	3/4+

### Legend

CC Company Chairman

\*By invitation

+Apologies were submitted and noted

The Nomination Committee did not meet during the year

## Independence of directors

King III requires the Board to review the independence of long-serving non-executive directors. This applies to the Chairman of the Board, Mr Donald Masson, who has served as a director for 27 years and Ms NV Simamane who has served as a director for 11 years. Mr Donald Masson has decided to retire as Chairman of the Group, but is available for re-election as a non-executive director. The Board has assessed the length of service of these directors and concludes that it has not impaired their independence, characters or judgements.

The matter of independence of directors is addressed during the recruitment stage and revisited annually when directors are required to declare any conflict in their interests. No conflict of interest or any factor hampering independence of any director has been identified during the 2015 financial year.

## Board and committee performance evaluation

Cashbuild undertakes an annual Board evaluation, as recommended by King III. The Board adopted a policy to have an external service provider assess its performance after every three years for good practice. During the year under review, the internal evaluation process was conducted by the Chairman. The performance evaluation process comprised of an organisational, Board, Committee and peer review.

The results of the assessments were presented to the Board as a whole and the performance assessment indicated that the Board and the Board Committees were performing their duties and responsibilities effectively and efficiently.

## Rotation of directors

In terms of the MOI, one third of the directors (other than the executive directors) retire by rotation and, if eligible, their names are submitted for re-election at the Annual General Meeting, accompanied by appropriate biographical details set out in the report to shareholders. Amongst other matters, the Board considers the performance of each director due for re-election at the Annual General Meeting.

## Conflicts of interest and other directorships

The directors declare actual and possible conflicts of interest to their co-directors and ensure that the declarations are included in the minutes of the Board meeting. They also recuse themselves from the relevant Board meeting while their co-directors take a decision on the matter.

Executive directors do not hold directorships outside the Cashbuild Group. The Board believes that other directorships held by non-executive directors do not affect their ability to fully discharge their responsibilities as Cashbuild directors. Details of other directorships held by Cashbuild directors are provided on page 19 of this report.



## Share dealings

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

## Legal compliance

The Board does not deem it necessary to appoint a Chief Compliance Officer. The Board takes full responsibility for legislative and regulatory compliance in the Company. Monitoring thereof is facilitated by various legal outsource partners. There were no cases of material legislative or regulatory non-compliance during the year and no penalty sanctions were imposed on the Company or any of its directors or officers during the year. A detailed regulatory compliance risk exercise involving the Cashbuild executive and senior management teams was completed during 2014/15. Acts identified as core to the Cashbuild business have subsequently been prioritised and an action plan drawn up. Cashbuild's Internal Audit team is tasked with doing internal audit compliance reviews on these action plans, utilising appropriately designed and supported legal compliance software supplied by a reputable external service provider.

## Access to information

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

## Company Secretary

The Company Secretary provides guidance to the Board as a whole and to individual directors, in the discharge of their responsibilities. The Company Secretary is empowered to fulfil duties and the Board is satisfied that the responsibilities of the Company Secretary are exercised in a meaningful and competent manner. The Company Secretary is not a director and maintains an arms-length relationship with the Board. The Company Secretarial duties have been outsourced to Corporate Governance Leaders CC with duties of the Company Secretary performed by Mr CD Kneale (FCIS).

## BOARD COMMITTEES

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

The Board has five Board committees, namely the:

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

All of these committees are chaired by an independent non-executive director and operate in accordance with the respective committees' terms of reference which are approved by the Board. The committees operate independently and report to the full Board.

## Audit and Risk Committee

*Members: Mr IS Fourie (Chairman); Dr DSS Lushaba, Ms NV Simamane and Ms HH Hickey*

In terms of the Companies Act, the members of the Audit and Risk Committee were directly elected at the Annual General Meeting on 1 December 2014 by the shareholders. All members of the committee, except for Mr IS Fourie, are standing for re-election at the Annual General Meeting to be held on 30 November 2015.

The Audit and Risk Committee performs its statutory duties in accordance with section 94(7) of the Companies Act. Further details of the role, responsibilities and functions of the Audit and Risk Committee are set out in the Audit and Risk Committee Report on pages 67 to 70 of this Integrated Report.

# CORPORATE GOVERNANCE REPORT

(CONTINUED)

## Remuneration Committee

Members: Mr AGW Knock (Chairman); Mr D Masson and Mr IS Fourie

The details pertaining to the responsibilities and functions of the Remuneration Committee are set out in the Remuneration Committee Report on pages 36 to 40 of this Integrated Report.

## Nomination Committee

Members: Mr D Masson (Chairman) and Mr AGW Knock

The Nomination Committee is responsible for developing selection criteria and identifying appropriate candidates for appointment to the Board. All appointments are done in a formal and transparent manner.

No meetings of this committee took place during the 2015 financial year. Cashbuild will in the next financial year appoint another member to the Nomination Committee.

## Social and Ethics Committee

Members: Mrs NV Simamane (Chairman); Mrs HH Hickey, Mr WF de Jager and Mr AE Prowse

The Social and Ethics Committee operates in terms of section 72(8) of the Companies Act and the details pertaining to the committee's duties, responsibilities and functions are set out in the Social and Ethics Committee Report on pages 44 and 45 of this Integrated Report.

## IT Governance Committee

Members: Mr AGW Knock (Chairman); Mr D Masson, Mr WF de Jager, Mr AE Prowse, Mr SA Thoresson and Mr A van Onselen

The details pertaining to the responsibilities and functions of the IT Governance Committee are set out in the IT Governance Committee Report on pages 41 and 42.





## EXECUTIVE MANAGEMENT

### Responsibility

Authority has been granted by the Board to the Chief Executive, supported by the Executive Management team, to determine and implement Company strategy. The Board is apprised of progress through Board meetings and communication with management. The Cashbuild Executive Management team takes full responsibility for corporate governance within the Company and consists of the following members:

- Mr PA Champion (Human Resource Executive)
- Mr IAC de Beer (Operations Executive)
- Mr WF de Jager (Chief Executive)
- Mr W Dreyer (Operations Executive)
- Mr A Hattingh (Operations Executive)
- Mr AHS Havenga (Risk and Audit Executive)
- Ms G Mead (General Manager Finance)
- Mr AE Prowse (Finance Director)
- Mr L Sithole (Operations Executive)
- Mr SA Thoresson (Operations Director)
- Mr WP van Aswegan (Procurement Executive)
- Mr A van Onselen (Operations Director)

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

### Succession planning and continuity of management

The Board regularly participates in the review of succession planning for key senior executive positions. The directors periodically discuss succession planning and are comfortable that, in the event of any executive and senior management transition, plans are in place to ensure smooth transition. None of the Executive Management team made any intentions known during the financial year to resign or retire.



From left to right: André Havenga, Peter Champion, Willie Dreyer, Gillian Mead, Anton Hattingh, Wimpie van Aswegen, Crous de Beer and Linda Sithole

# CORPORATE GOVERNANCE REPORT

(CONTINUED)

## PRESCRIBED OFFICERS

Prescribed officers are defined as Cashbuild employees who:

- report to the Chief Executive;
- exercise general management control over members of Cashbuild senior management.
- have general management control over a significant portion of Cashbuild’s business defined as:
  - more than 15% of Cashbuild’s total number of stores;
  - more than 15% of Cashbuild’s total turnover; and
- are eligible for appointment as a Director or Prescribed Officer in terms of section 69 of the Companies Act.

Three members of the Cashbuild Executive Team, Messrs Crous de Beer, Willie Dreyer and Anton Hattingh (Operations Executives), are classified as Prescribed Officers. They formally acknowledged and accepted all responsibilities and obligations associated with this designation.

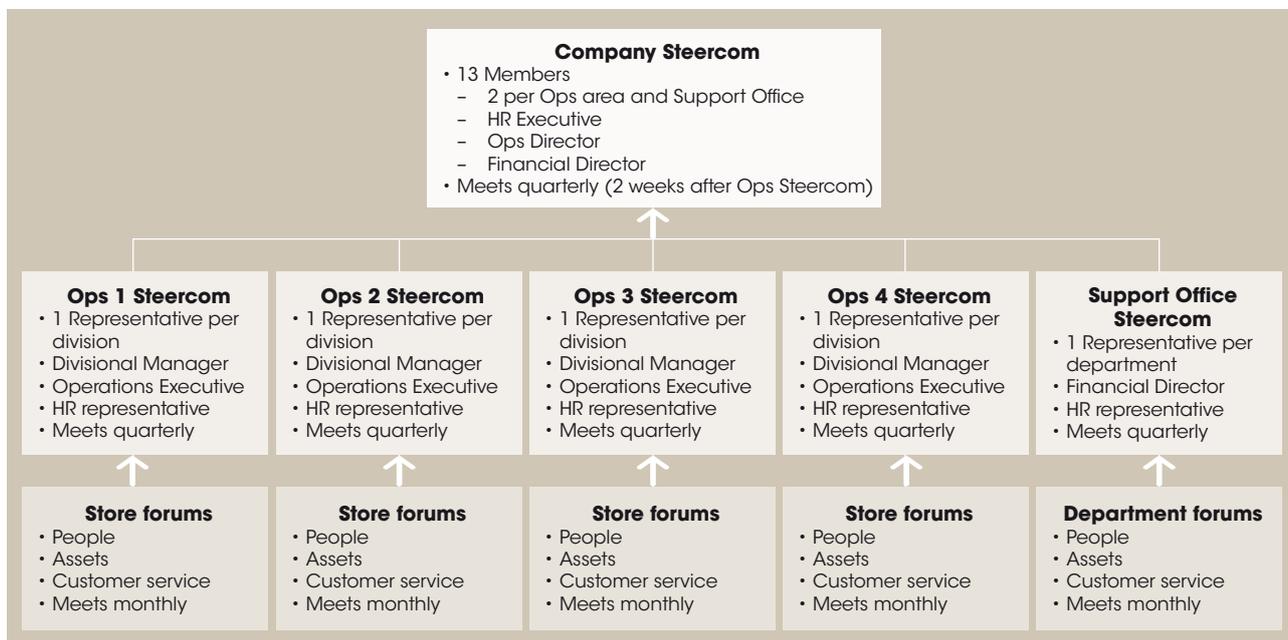
## EMPLOYEE FORUM

Employee Forum meetings are established to facilitate interaction and consultation between management and employees in the workplace.

### Employee Forum for the year ended 30 June 2015

The Employee Forum consisted of the following tiers:

- Store/Department Forum;
- Operations Steering Committee; and
- Company Steering Committee.





## Role of the Employee Forum

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

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

The role of the Company Steering Committee is to ensure Store and Divisional Forums are functioning effectively and discusses Company specific issues. The Company Steering Committee addresses general issues of concern raised by employees within the operations area not resolved at operations level. It also forms the Training Committee for the Company area to identify consolidated training needs for the Company along with strategies to address training needs. The forum monitors implementation and achievement of agreed strategies, and forms the Company Employment Equity Committee to be consulted with by the Company as required by the Employment Equity Act.

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

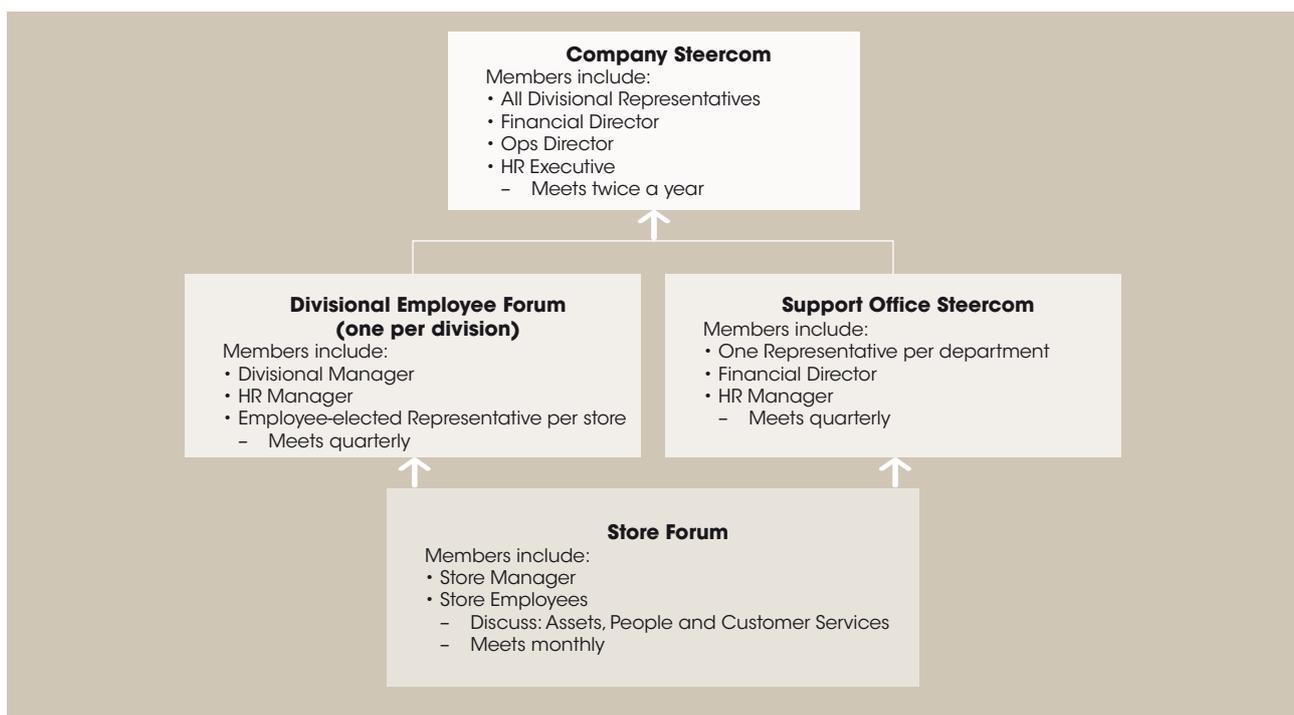
The Cashbuild Employee Forum constitutes the principal means of communication between employees and the Executive Management team.

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

## Employee Forum subsequent to year end

Effective August 2015, Cashbuild has changed its Employee Forum to allow Store Representatives more direct access to the Senior and Executive Management team.

The new Employee Forum structure, going forward, will be:



# CORPORATE GOVERNANCE REPORT

(CONTINUED)

## ETHICS

Cashbuild subscribes to the highest ethical standards of business practice. Cashbuild has a well-defined and entrenched business philosophy which is built around our customers, our team, our business partners, our systems and our finances. The business philosophy is underpinned by our vision, mission, values and guarantees.

Our culture of ethics and integrity defines who we are as a company, and how we as colleagues treat each other, our customers and our suppliers. Our business success rests on a foundation of values – upholding integrity, serving our customers, growing our people and accepting responsibility – and our reputation depends on us continuing to make the right choices, every day. Our values set us apart from others and have become a competitive advantage that we can never compromise in our actions and decisions. Our Code of Ethics contains principles that provide guidance for our behaviour. As a team it is our responsibility to continue building on our already strong ethical foundation, retain and further enhance Cashbuild’s standing as an excellent and highly ethical organisation. With this in mind an ethics awareness programme consisting of 21 ethical principles underpinned by four core values was rolled out during the year.

These policies and guidelines require staff members to adhere to ethical business practices in their relationships with customers, one another, suppliers, intermediaries, shareholders, investors and the general public at large.

<b>Upholding integrity</b>	 <p><b>PROVIDING A WORKING ENVIRONMENT FREE OF HARASSMENT AND INTIMIDATION</b></p>	 <p><b>BEING TRUTHFUL IN OUR COMMUNICATIONS</b></p>	 <p><b>SHOWING RESPECT TO OTHERS</b></p>	 <p><b>COMPLYING WITH LAWS AND REGULATIONS</b></p>	 <p><b>ENGAGING IN PARTY POLITICAL ACTIVITIES RESPONSIBLY</b></p>	 <p><b>COMBATTING CRIMINAL AND UNETHICAL BEHAVIOUR</b></p>	 <p><b>ACCEPTING GIFTS RESPONSIBLY</b></p>	 <p><b>TREATING OTHERS FAIRLY</b></p>	 <p><b>AVOIDING CONFLICT OF INTEREST</b></p>		
<b>Serving our customers</b>	 <p><b>PROVIDING EXCELLENT SERVICE</b></p>	 <p><b>PROVIDING GOOD QUALITY PRODUCTS</b></p>	 <p><b>PROVIDING OPPORTUNITIES FOR DEVELOPMENT</b></p>				 <p><b>RECOGNISING AND REWARDING OUTSTANDING PERFORMANCE</b></p>				<b>Growing our people</b>
<b>Accepting responsibility</b>	 <p><b>USING COMPANY ASSETS RESPONSIBLY</b></p>	 <p><b>STRIVING TO DO IT RIGHT FIRST TIME, EVERY TIME</b></p>	 <p><b>BEING ACCOUNTABLE AND RESPONSIBLE FOR OUR ACTIONS AS A COMPANY AND AS INDIVIDUALS</b></p>	 <p><b>PROTECTING CASHBUILD'S NAME AND REPUTATION</b></p>	 <p><b>PROVIDING A SAFE AND HEALTHY WORKING ENVIRONMENT</b></p>	 <p><b>COMMITTING TO GOOD GOVERNANCE PRINCIPLES</b></p>	 <p><b>PROTECTING THE CONFIDENTIALITY OF INFORMATION</b></p>	 <p><b>PROHIBITING THE USE OF INSIDE INFORMATION FOR SHARE TRADING ACTIVITIES</b></p>			

Each store and support office department facilitates communication and training programmes for employees on values, standards and compliance to procedures. Proficiency in these areas is taken into consideration when assessing the suitability of prospective employees and candidates for promotion and in delegating discretionary authority. Cashbuild has a zero-tolerance approach towards fraud, theft, corruption, illegal behaviour, and non-compliance to our ethical standards as recorded in our philosophy, values, and Cashbuild Way. Any employee found behaving in a manner contrary to our ethical standards is subject to disciplinary proceedings, which can lead to dismissal.

Compliance with The Cashbuild Way is monitored through our Internal Audit function. Audits are done on each store at least three times a year and support office processes are audited on a frequency that depends on the risk-based priority assigned to specific business support focus areas. Cashbuild has contracted Tip-offs Anonymous, which provides a secure system for the reporting of unethical or risky behaviour. All tip-offs logged are investigated and action taken to address any instances of non-compliance to ethical standards in the Company.

Acceptance of gifts from third parties is governed by a policy requiring detailed declaration and approval that is targeted towards removing any potential conflicts of interest.

The directors are fully committed to the ethical principles entrenched in the Company and supports unwavering enforcement thereof.



## INTERNAL CONTROL

Cashbuild maintains internal controls and systems designed to provide reasonable assurance of the achievement of operational business objectives and reliability of financial statements, while adequately protecting, verifying and maintaining accountability for assets. Controls within Cashbuild are based on established policies and procedures contained in The Cashbuild Way.

For details on Cashbuild's internal controls, refer to the Audit and Risk Committee Report on pages 67 to 70.



## RISK MANAGEMENT

Cashbuild's risk management process as well as material risks and concerns identified are set out on pages 15 to 17 of this Integrated Report. The risk management function, governed by the Audit and Risk Committee, is set out on page 69 in the Audit and Risk Committee Report.

## GOING CONCERN

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