

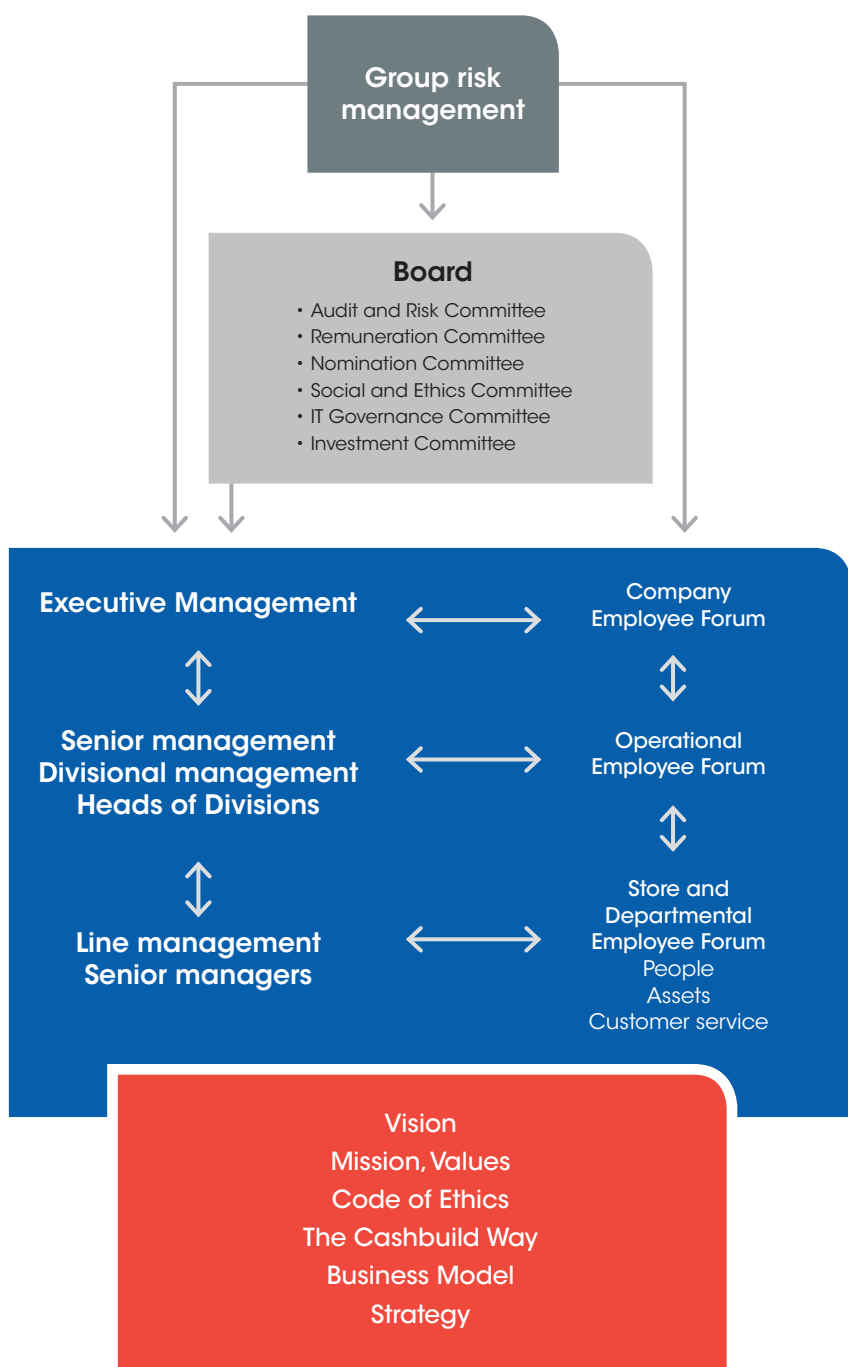
Corporate Governance Report

We believe that our governance practices are sound and comply with the JSE Listings Requirements, King IV™ as well as guidelines provided by the International Integrated Reporting Council's framework in terms of reporting according to the Six Capitals.

GOVERNANCE FRAMEWORK AND STRUCTURE AT A GLANCE

There are no material changes to the contents of this report compared to the 2019 Integrated Report.

Cashbuild endorses and continuously assesses the principles of King IV™ and, where applicable, tailors these as appropriate to the organisation.



The following is a summary of Cashbuild's King IV™ application assessment completed during the 2020 financial year:

PRINCIPLE 1: Ethical leadership: The governing body should lead ethically and effectively.

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

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

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

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

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

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

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

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

Measurable corporate citizenship programmes and policies are developed and implemented. Corporate citizenship programmes and policies are established in Cashbuild and are continuously improved on as part of Cashbuild's corporate citizenship growth journey. Measured projects (with related Company policies in place) as reported in the Integrated Report involves store expansion, relocation and refurbishment;

customer growth; local recruitment practices; contractor funding; employment and transformation (including B-BBEE targets), employee training and development, community investment (which includes donations to local schools); and energy and carbon footprint.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

PRINCIPLE 14: Remuneration Governance:

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

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

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

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

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

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

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

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

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

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

Corporate Governance Report continued

BOARD RESPONSIBILITIES

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

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

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

BOARD COMPOSITION

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

The Board acknowledges its responsibility towards equality and diversity at Board level. Cashbuild strives for a diversified Board that is not dominated by any grouping, be it race, gender or age, with due consideration of the Equity and Diversity Policy Statement. Refer to pages 34 and 35 for our Board composition at year-end.

BOARD APPOINTMENTS

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

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

BOARD MEETINGS

The Board met six times during the year (including two special meetings). The Chairman of the Board and the Chief Executive meet monthly. A strategy meeting involving all members of the Board is held annually. The strategy meeting that was scheduled for May 2020 was postponed to a later date as a result of the impacts of Covid-19. The Chairman of the Board and Chief Executive, in consultation with the Company Secretary, take responsibility for setting the agenda of each Board meeting. Board meetings are scheduled well in advance and management ensures that Board members are timeously provided with all the relevant information and facts necessary to enable the Board to meet its objectives and make well-informed decisions.

Board meeting attendance is noted on page 63 of this Integrated Report.

INDEPENDENCE OF DIRECTORS

King IV™ requires the Board to holistically review the independence of non-executive directors. The Board conducted the review for the financial year and was satisfied that all of the non-executive directors are independent of the Company. In terms of the review, the Board formally assessed each director in line with the independence guidelines of King IV™ and satisfied itself of the independence of the directors. The matter of independence of directors is addressed during the recruitment process and revisited annually when directors are required to declare any conflict of interests. No conflict of interest or any factor hampering independence of any director has been identified during the 2020 financial year.

BOARD AND COMMITTEE PERFORMANCE EVALUATION

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

- By the Chairpersons of the various Committees, using questionnaires completed by each member and attendee. The results of which were deliberated upon at each relevant committee, and presented to the Board for its consideration.
- By the Chairman of the Board using questionnaires completed by each member on the Board. The results of which were presented to the Board for its consideration.

- Through one-on-one discussions between the Chairman of the Board and each member of the Board. The results of which were reported on formally to the Board for consideration.
- By Board members (excluding the Chairman), evaluating the performance of the Chairman. The results of which were formally reported to the Board by the Chairman of the Remuneration Committee.

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

DIRECTOR APPOINTMENTS AND ROTATION

In terms of the MOI, one third of the non-executive directors retire by rotation every year and, if eligible and available, offer themselves for re-election by the Shareholders at the Annual General Meeting. Amongst other matters, the Board considers the performance of each director due for re-election at the Annual General Meeting. Directors appointed during the financial year are required to be ratified by the shareholders at the first Annual General Meeting after their appointment. The details of the directors due for re-election, and new directors appointed during the year are as reflected in the notice of Annual General Meeting to be held on 30 November 2020.

The Board applies its Gender and Diversity Policy in filling directorship positions with a view of ensuring a balance of gender, race and ethnic diversity on the Board. Cashbuild reviewed its Gender and Diversity Policy during the 2020 financial year and is in the process of formalising voluntary targets which will be reported on in the near future.

CONFLICTS OF INTEREST AND OTHER DIRECTORSHIPS

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

Executive Directors do not hold directorships outside the Group and participate in various industry bodies and associations in different capacities. The Board believes that other directorships held by non-executive directors do not affect their ability to fully discharge their responsibilities as Cashbuild directors. Details of other directorships held by Cashbuild directors are provided on pages 34 and 35 of this report.

SHARE DEALINGS

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

LEGAL COMPLIANCE AND COMPLIANCE WITH APPLICABLE LAWS

The Board takes full responsibility for legislative and regulatory compliance in the Group. There were no cases of material legislative or regulatory non-compliance during the year and no penalty sanctions were imposed on the Group or any of its directors or officers during the year. A detailed regulatory compliance risk assessment involving the Cashbuild Executive Management and senior management was completed during 2017/18 and will be repeated during the 2020/21 financial year.

Cashbuild is:

- In compliance with the provisions of the Companies Act or laws of establishment, specifically relating to its incorporation; and
- Operating in conformity with its MOI and/or relevant constitutional documents.

ACCESS TO INFORMATION

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

COMPANY SECRETARY

The Company Secretary provides guidance to the Board as a whole and to individual directors, in the ordinary course of the discharge of their responsibilities.

The Company Secretary is empowered to fulfil his duties and the Board is satisfied that the responsibilities of the Company Secretary are exercised in a meaningful and competent manner. The Company Secretary is not a director of the Company and maintains an arms-length relationship with the Board.

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The Company Secretary is Mr T Nengovhela. The Board considered his competence, qualifications and experience at its meeting held on 31 August 2020, and is satisfied that he is competent and has the appropriate qualifications and experience to serve as the Company Secretary.

BOARD COMMITTEES

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

The Board has six Board committees, namely the:

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

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

AUDIT AND RISK COMMITTEE

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

In terms of the Companies Act, the members of the Audit and Risk Committee were individually elected at the Annual General Meeting on 25 November 2019. All Members of the Committee are standing for election at the Annual General Meeting to be held on 30 November 2020.

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

The Audit and Risk Committee performs its statutory duties in accordance with section 94(7) of the Companies Act. Further details of the role, responsibilities and functions of the Audit and Risk Committee are set out in the Audit and Risk Committee Report on pages 80 to 84 of this Integrated Report.

REMUNERATION COMMITTEE

Members: Dr DSS Lushaba (Chair); Mr AGW Knock; and Ms GM Tapon Njamo.

Mr AGW Knock was appointed as Chairman of the Board on 3 September 2019 and as a result could no longer serve as a Chairman of the Remuneration Committee. He remains a member of the Committee. Dr DSS Lushaba was appointed Chairman of the Committee on 26 September 2020. Ms GM Tapon Njamo was appointed as a member of the Committee on 2 March 2020.

The Remuneration Committee is responsible for providing an overview and oversight of the remuneration policy and related processes in meeting the strategy of the business. The scope of this responsibility includes incentive trusts, pension fund, and medical aids associated with Cashbuild. Further details pertaining to the responsibilities and functions of the Remuneration Committee are set out in the Remuneration Committee Report on page 66 of this Integrated Report.

NOMINATION COMMITTEE

Members: Mr AGW Knock (Chair) and Mr M Bosman.

Mr AGW Knock was appointed Chairman effective 3 September 2019 and Mr IS Fourie retired on 25 November 2019. Ms NV Simamane resigned as a member on 25 November 2019 and Mr Bosman was appointed on the same date.

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

Further details of the role, responsibility and functions of the Nomination Committee are set out in the Nomination Committee Report on page 77 of this Integrated Report.

SOCIAL AND ETHICS COMMITTEE

Members: Ms NV Simamane (Chair); Ms HH Hickey; Dr DSS Lushaba; Mr WF de Jager and Mr AE Prowse.

Mr IS Fourie retired on 25 November 2019 and Dr DSS Lushaba was appointed as a member of the Committee on the same date.

The Social and Ethics Committee operates in terms of section 72(8) of the Companies Act. The details pertaining to the Committee's duties, responsibilities and functions are set out in the Social and Ethics Committee Report on pages 74 to 76 of this Integrated Report.

IT GOVERNANCE COMMITTEE

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

Ms GM Tapon Njamo was appointed as Chairperson of the Committee on 11 November 2019. Mr AGW Knock resigned as Chair on the same date but remained a member.

The details pertaining to the responsibilities and functions of the IT Governance Committee are set out in the IT Governance Committee Report on page 73.

INVESTMENT COMMITTEE

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

Mr AGW Knock was co-opted as a member of the Committee for the review and consideration of the TBC acquisition.

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

BOARD AND BOARD COMMITTEE MEETINGS ATTENDANCE

	Board	Audit and Risk Committee	Remuneration Committee	Social and Ethics Committee	IT Governance Committee	Investment Committee	Nomination Committee
Non-executive							
IS Fourie ¹	C – 1/1 [^] M – 1/1 [^]	–	M – 2/2 [^]	M – 2/2 [^]	–	–	–
AGW Knock ²	C – 5/5 [^] M – 1/1 [^]	–	M – 4/4	–	C – 1/1 [^] M – 3/3 [^]	M ³ – 3/3	C – 1/1
M Bosman	M – 6/6	M – 4/4	–	–	–	M – 3/3	M – 1/1
HH Hickey	M – 6/6	C – 4/4	–	M – 4/4	–	C ⁴ – 2/3	–
DSS Lushaba	M – 6/6	M – 4/4	C ⁵ – 4/4	M ⁶ – 1/2 [^]	–	–	–
NV Simamane ⁷	M – 6/6	–	–	C – 4/4	–	–	–
GM Tapon Njamo	M – 6/6	M – 4/4	M ⁹ – 1/1 [^]	–	C ⁸ – 3/3 [^] M – 1/1 [^]	–	–
Executive							
WF de Jager	M – 6/6	I – 4/4	I – 4/4	M – 4/4	M – 4/4	M – 3/3	I – 1/1
A Hattingh	M – 6/6	I – 4/4	–	–	–	–	–
AE Prowse	M – 6/6	I – 4/4	I – 4/4	M – 4/4	M – 4/4	M – 3/3	–
SA Thoresson	M – 6/6	I – 4/4	–	–	I – 4/4	–	–
WP van Aswegen	M – 6/6	I – 4/4	–	–	I – 4/4	–	–

1 Resigned as chairperson of the Board with effect from 3 September 2019 and as a director with effect from 25 November 2019.

2 Appointed as chairperson of the Board and of the Nomination Committee with effect from 3 September 2019. Resigned as chairperson of the IT Governance Committee with effect from 3 September 2019 but remained a member.

3 Co-opted as a member for a fixed period for the review and consideration of the TBC acquisition.

4 Apology noted.

5 Appointed as chairperson of the Remuneration Committee with effect from 26 September 2016.

6 Appointed as a member of the Social and Ethics Committee with effect from 25 November 2019.

7 Resigned as a member of the Nomination Committee effective from 25 November 2019.

8 Appointed as chairperson of the IT Governance Committee with effect from 11 November 2019.

9 Appointed as a member of the Remuneration Committee with effect from 2 March 2020.

C Chairperson of the Board/Committee.

M Member of the Committee.

I Attendance by invitation.

[^] Number of meetings attended since appointment (or due to resignation) to/ from the Board and/or Committee.

EXECUTIVE MANAGEMENT RESPONSIBILITY

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

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

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

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EXECUTIVE MANAGEMENT CASHBUILD



Peter Champion
Human Resource Executive



Willie Dreyer
Operations Executive



Andre Havenga
Risk and Audit Executive



Disemelo Masala
Divisional Director



Zandile Matolo
Financial Controller



Ian McKay
Operations Executive



Tyron Myburgh
Operations Executive



Hennie Roos
Operations Executive



Mark Scholes
Operations Executive



Hennie Steenberg
IT Executive



Tawanda Vengesa
Trainee Operations Executive

EXECUTIVE MANAGEMENT P&L HARDWARE



Mpeyake Khosa
General Manager Procurement



Daniela Tatsis
Chief Financial Officer



Jacques van Deventer
Marketing Manager



Nico Hanekom
Trainee Operations Executive



Ryno van Staden
Trainee Operations Executive

SUCCESSION PLANNING AND CONTINUITY OF MANAGEMENT

The Board regularly participates in the review of succession planning for key senior executive positions. The directors periodically discuss succession planning and are re-evaluating that, in the event of any executive and senior management transition, plans are in place to ensure a smooth transition.

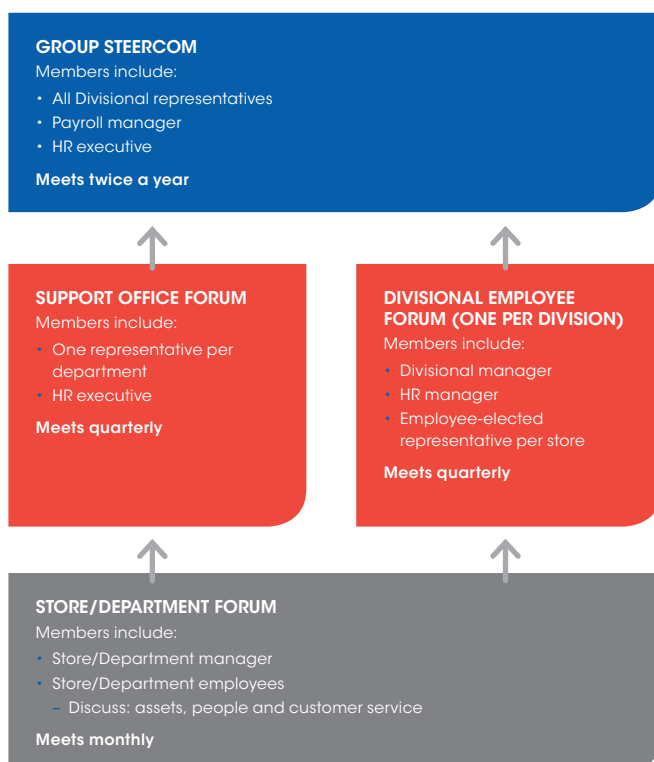
No members of the Executive Management Team gave indication of their intention to resign or retire during the financial year or the foreseeable future.

PRESCRIBED OFFICERS

Prescribed officers are defined as Cashbuild employees who:

- report to the Operations Director; and
- exercise general management control over members of Cashbuild senior management: or
- have general management control over a significant portion of Cashbuild's business; and
- are eligible for appointment as a Director or prescribed officer in terms of section 69 of the Companies Act.

The Board has determined that Divisional Directors will be prescribed officers. The prescribed officer during the period was therefore Ms DS Masala.



EMPLOYEE FORUM

Employee Forum structure

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

Role of the Employee Forum

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

The role of the Group Steering Committee is to ensure store forums are functioning effectively, discuss Group specific issues and any general issues of concern raised by employees within divisions but not resolved at divisional level are dealt with. This Committee monitors, implements and ensures the achievement of agreed strategies.

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

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

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

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

GOING CONCERN

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

Remuneration Report

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

REMUNERATION COMMITTEE

Chairperson

Dr DSS Lushaba

Members

AGW Knock; GM Tapon Njamo

Independence

All Committee members are independent non-executive directors

Meetings

Three times per annum

Role and function

The Committee’s role is delegated to it by the Board to ensure that:

- the Remuneration Policy is kept current;
- remuneration packages are in line with industry norms; and
- criteria for performance measurement and remuneration packages for Cashbuild’s Executive Management team is maintained and updated.

In addition, the Committee:

- facilitates a transparent process of performance review and evaluation for Executive Directors on behalf of the Board;
- ensures that remuneration, in particular as it relates to Executive Management, is motivated by the dual criteria

of delivering sustainable financial return to shareholders and the recognition and reward for outstanding performance; and

- ensures that executive compensation is linked to the achievement of both the organisation’s financial and non-financial goals.

Responsibilities

The Committee’s responsibilities include:

- that all positions are graded using the Patterson grading methodology;
- remuneration packages are benchmarked every three years by way of formal salary surveys using external remuneration specialists;
- Cashbuild’s policy is to remunerate staff at the 50th percentile, with scarce skills pitched at the 75th percentile; and
- that the Executive Directors’ remuneration mix, in respect of “guaranteed pay” and “non-guaranteed/variable pay”, is appropriate, so as to align the directors’ interests with those of shareholders.

Assurance

The Committee is governed by good corporate governance principles and the Group’s value statement. The Members of the Committee hereby confirm that they were diligent in exercising their duties of care and skill and that they have taken reasonable steps to ensure that they performed their duties in accordance with the Committee’s mandate.

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

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

The Company’s Remuneration Policy and Implementation Report received support from the shareholders at the most recent and prior Annual General Meetings as follows:

	26 November 2019 %	27 November 2018 %
Percentage of “For” votes		
Endorsement of the Remuneration Policy	82.1	88.2
Endorsement of the implementation of the Remuneration Policy	81.9	89.2

For the year, the Company remains open to engaging on ‘votes against’ resolutions, on the basis of publicly available information.

ACTIVITIES UNDERTAKEN BY THE COMMITTEE DURING THE YEAR

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

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

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

SECTION A REMUNERATION POLICY

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

The average CPI percentage over the preceding 12 months plus an agreed factor is used as the basis for the calculation of the annual cost-of-living increase. This formula and final percentage cost-of-living increase is discussed with and agreed to by the Group Employee Forum. This year, the cost of living increase was not implemented in July 2020 due to the uncertainty presented by the Covid-19 pandemic and its impact on the business. The decision to award cost of living increases was deferred to October 2020.

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

In addition, there are monthly and quarterly bonuses that employees at stores can earn based on store and divisional performance. An annual bonus is available to all store and divisional management, based on their

areas' performance with Support Office staff and Executive Management qualifying for annual bonuses based on the Group's results and performance.

EXECUTIVE EMPLOYEE CONTRACTS

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

The Group supports the principle of *malus* and clawback clauses in Executive Management contracts as part of executive remuneration schemes. The Remuneration Committee implemented a clawback and *malus* policy during the period under review in accordance with best practice guidelines.

REMUNERATION STRUCTURE

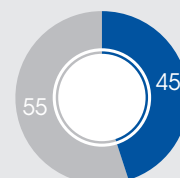
Remuneration in the Group is structured between guaranteed and non-guaranteed or variable pay and the balance between these categories varies depending on the employee's Patterson grading within the organisation. Guaranteed pay consists of basic pay, allowances and employee benefits whilst the components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

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

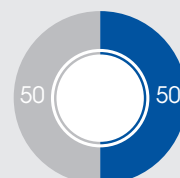
The pie charts adjacent indicate the components of the remuneration structure for various roles of employees in the Group.

REMUNERATION STRUCTURE (%)

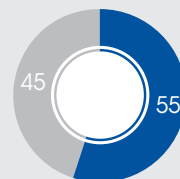
Chief Executive



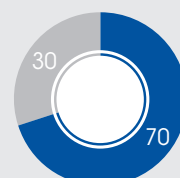
Executive Director



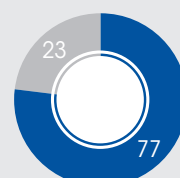
Executive Management



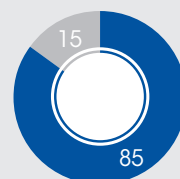
Management



Staff (Store)



Staff (SO)



■ Guaranteed portion
■ Variable portion

Remuneration Report continued

GUARANTEED PAY

Basic salary

Management and staff are paid on a cost-to-company basis. The guaranteed cost-to-company package for all employees is set in line with the three-yearly salary survey conducted by an external remuneration specialist. The next survey is scheduled for the 2023 financial year.

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

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

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

Details of all executive and non-executive directors' remuneration are detailed on pages 71 and 72 of this report.

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

Retirement funds

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

Medical aid

Membership of a medical aid scheme is voluntary. The medical aid schemes offered to the Group's employees are Discovery and Momentum. Approximately 2% of employees have elected to join these medical schemes and this level is consistent with that of the prior year.

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

SHORT-TERM INCENTIVE SCHEME

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

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

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

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

COMPOSITION OF STI (%)

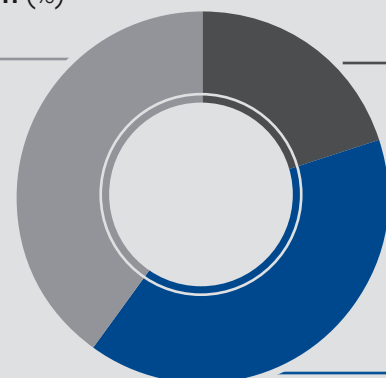
40%

FINANCIAL OBJECTIVES

Revenue
Gross profit
Profit before tax

2020 STI Awarded

Directorate - No
Cashbuild - No
P&L Hardware - No



CASHBUILD EMPOWERMENT TRUST

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

This Trust owns 1 764 999 shares, 7.06% of the issued share capital at 28 June 2020.

Dividends are paid twice per year to all members of the Trust on an equal basis. In the last financial year, a total of R11.0 million (2019: R11.0 million) was paid and shared between all permanent members of staff. Since inception in 2005, the Trust has disbursed a total of R271 million to staff.

STORE OPERATIONS MANAGEMENT MEMBER TRUST

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

- promote the continued growth and profitability of stores within the Group, and the growth of the Group, by recognising and rewarding qualifying members;
- empower and retain management members in the Group;
- foster an ethical mindset of ownership, responsibility and accountability within the Group; and
- promote Black Economic Empowerment and increased broad-based and effective participation in the Group by previously disadvantaged persons.

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

Since inception in 2011, a total of R33.8 million (R16.9 million in cash and R16.9 million in shares after qualification of the vesting period) (2019: R30.1 million) will have been paid to 225 (2019: 185) store managers and five divisional managers.

Scheme	Number of shares	Share and cash value	Employees qualified
2020	10 952	R3.7 million	40
2019	9 007	R5.1 million	27
2018	4 996	R3.2 million	21
2017	1 594	R1.1 million	16
2016	13 343	R9.5 million	56
2015	9 685	R5.8 million	35
2014	3 524	R1.2 million	8
2013	2 980	R0.2 million	3
2012	16 760	R4.0 million	19
Total		R33.8 million	225

LONG-TERM INCENTIVE PLAN (LTI)

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

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

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

NON-FINANCIAL OBJECTIVES

Project-based achievements predetermined for each individual during the year – provided Group meets the profit before tax target

2020 STI Awarded

Directorate – No
Cashbuild – No
P&L Hardware – No

20%

PERSONAL OBJECTIVES

Personal objectives set for each individual

2020 STI Awarded

This component is payable on individual achievement of agreed objectives irrespective of the Group's financial criteria set

40%

Remuneration Report continued

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

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

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

Linear vesting will be applied for performance between the above levels provided threshold has been achieved. The Remuneration Committee will set appropriate performance conditions, performance periods, employment conditions and employment periods as relevant for each award taking into account the business environment at the time of making the awards. These will be conveyed to the participant in their award letter. The rules of the FSP are flexible in order to allow for settlement in any of the following manners:

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

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

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

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

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

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

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

SECTION B

REMUNERATION

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

R'000	Year	Basic salary	Bonus ¹	Shares vesting value	Expenses and travel allowance	Medical benefits	Company's pension scheme contributions	Total
Executive directors								
WF de Jager	2020	5 147	884	426	121	174	481	7 233
	2019	4 425	509	-	201	158	415	5 708
A Hattingh	2020	2 650	303	170	75	-	242	3 440
	2019	2 449	193	-	195	-	230	3 067
AE Prowse	2020	3 299	386	282	138	-	254	4 359
	2019	3 136	245	-	161	-	242	3 784
SA Thoresson	2020	2 956	351	259	175	-	263	4 004
	2019	2 810	223	-	204	-	250	3 487
WP van Aswegen	2020	2 405	296	166	194	-	231	3 292
	2019	2 282	188	-	214	-	220	2 904
Total	2020	16 457	2 220	1 303	703	174	1 471	22 328
	2019	15 102	1 358	-	975	158	1 357	18 950
Prescribed officers								
DS Masala ²	2020	1 849	171	126	177	119	196	2 638
	2019	439	339	-	41	28	47	894
Total	2020	18 306	2 391	1 429	880	293	1 667	24 966
	2019	15 541	1 697	-	1 016	186	1 404	19 844

1. Bonus accrued for the current year.

2. DS Masala's remuneration in 2019 was for the period from appointment as Prescribed Officer with effect from 15 April 2019.

Remuneration Report continued

NON-EXECUTIVE DIRECTORS

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

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

	2020 R'000	2019 R'000
Non-executive directors		
IS Fourie*	261	725
M Bosman	494	96
HH Hickey	546	454
AGW Knock	777	512
Dr DSS Lushaba	519	440
NV Simamane	468	452
GM Tapon Njamo	502	335
Total	3 567	3 014

* Retired effective 25 November 2019.

FSP SHARES AWARDED TO DIRECTORS AND PRESCRIBED OFFICERS

The table below sets out the FSP awards held by the Executive Directors and prescribed officers during the year:

	Number of shares [^]	Award face value R'000
Executive directors		
WF de Jager	22 395	5 303
AE Prowse	13 960	3 306
SA Thoresson	12 691	3 005
A Hattingh	10 981	2 600
WP van Aswegen	10 701	2 534
Total	70 728	16 748
Prescribed officers		
DS Masala	6 268	1 484
Total	76 996	18 232

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

FSP SHARES VESTED TO DIRECTORS AND PRESCRIBED OFFICERS

The following table sets out the FSPs that vested to the Executive Directors and prescribed officers during the year:

	Number of shares	Award face value R'000
Executive directors		
WF de Jager	1 698	426
AE Prowse	1 132	282
SA Thoresson	1 038	259
A Hattingh	681	170
WP van Aswegen	664	166
Total	5 213	1 303
Prescribed officers		
DS Masala	506	126
Total	5 719	1 429

INTERESTS OF DIRECTORS IN THE SHARE CAPITAL OF CASHBUILD

The aggregate beneficial holdings of the directors of the Company and their immediate families in the issued ordinary shares of the Company are detailed below. There have been no changes in these shareholdings between 28 June 2020 and the date of approval of this report.

	Number of shares held			
	28 June 2020		30 June 2019	
	Direct	Indirect	Direct	Indirect
Beneficial				
WF de Jager	2 698	-	1 000	-
AE Prowse	1 632	10 000	500	10 000
SA Thoresson	1 038	-	-	-
WP van Aswegen	664	-	-	-
NV Simamane	1 200	-	1 200	-
Total	7 232	10 000	2 700	10 000

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

Dr DSS Lushaba

Remuneration Committee Chair

Information and Technology Governance Report

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

ITGOV COMMITTEE

Chairperson

GM Tapon Njamo

Members

AGW Knock, WF de Jager, AE Prowse

Independence

Two of the ITGov members are independent non-executive directors. As this is a committee of the Board and integral to the day-to-day operations of the Group, the Board is comfortable with the composition of the ITGov.

Meetings

Four times per annum.

Role and function

The ITGov assists the Board in monitoring Cashbuild's governance and risk management of its responsibilities of the IT infrastructure.

Responsibilities

ITGov is responsible for the oversight of:

- governance of Cashbuild's IT projects;
- strategic alignment of IT with the business including collaboration solution to enable the business to achieve its objectives;
- value delivery of IT concentrating on optimising expenditure and proving the value of IT;
- risk management addressing the identification, assessment, monitoring and tracking of IT projects and Group-wide IT risks;
- IT resource management which includes optimising IT knowledge and infrastructure; and
- business continuity management (BCM) plans formulated and validated through testing of the IT Service continuity process.

Assurance

This report is prepared in accordance with the requirements of the Companies Act and describes how the ITGov has discharged its statutory duties in terms of the Companies Act and the additional duties assigned to it by the Board in respect of the financial year ended 28 June 2020. The ITGov is satisfied that it has fulfilled all its duties during the year under review and has made further progress in formalising all relevant policies and implementing identified plans.

ACTIVITIES UNDERTAKEN BY THE COMMITTEE DURING THE YEAR

During the year under review, the ITGov:

- continued monitoring the achievement of the Committee's objectives at the IT Governance meetings held quarterly as IT governance is an integral part of Cashbuild's business;
- ensured that the appropriate IT risks and related business objectives are properly addressed;
- addressed a number of focus areas which were identified during continuing IT risk assessments conducted by the IT audit function, a service which is currently outsourced to Ernst & Young. The main areas addressed include among others, cyber risk assessment, IT service provider contract review, IT Management framework and IT Governance review;
- continuously refined and improved Cashbuild's integrated Active Retail and SAP All-in-One solutions. Business imperative items received continued and focused attention including daily balancing of transactional data between Active Retail and SAP;
- monitored the execution of the IT Strategy and ensuring alignment to the Group's Business Strategy;
- monitored the establishment of an IT project management office that serves to ensure effective management of IT project deliverables;
- monitored the re-assessment for the requirements for PCI Compliance thereby ensuring that card holder data is effectively secured to prevent dissemination of information;
- continued monitoring of the consideration for further improvements of the required Protection of Personal Information Act processes and controls in order to ensure compliance to the legislative act;
- monitored the execution of the enhanced Disaster Recovery capabilities and fail-over tests for Cashbuild's information systems to ensure their long-term sustainability;
- monitored the status of the SAP S4/HANA roadmap including a high-level scope and cost assessment; and
- continued to evaluate the best means of monitoring cyber-crime and appropriate application of defenses to mitigate risks and threats.

GM Tapon Njamo

Information Technology Governance Committee Chair

Social and Ethics Report

As fully outlined in the Ethics section of the Sustainability Report on page 44, Cashbuild subscribes to the highest ethical standards of business practices and has a well-entrenched and defined business philosophy around its customers, staff, business partners, systems and finances. The philosophy is underpinned by the Group's vision, mission, and values, as well as the Cashbuild Way.

The Group is also guided by its Code of Ethics and the staff ethics awareness programme, both of which employees are expected to adhere to. Cashbuild also promotes an inclusive approach to governance and takes account of the impact

of its operations on stakeholders. The Group's approach to corporate governance strives to include all these groupings, and is based on good communication and is integrated into every aspect of the business.

SOCIAL AND ETHICS COMMITTEE ("SECOM")

Chairperson

NV Simamane

Members

HH Hickey, DSS Lushaba, WF de Jager, AE Prowse

Independence

Three SECOM members are independent non-executive directors. As social and ethical behaviour are integral to the Cashbuild Way, the Board is comfortable with the composition of the SECOM.

Meetings

Four times per annum.

Role and function

The SECOM is a Committee of the Board and its role is governed by Terms of Reference approved by the Board. These Terms of Reference are subject to an annual review by the SECOM and approval by the Board.

The SECOM's main objective is to assist the Board in monitoring the Group's performance as a good and responsible corporate citizen, thereby helping the Board to

achieve one of its important values, namely doing business ethically. To do this, the SECOM monitors the sustainable development practices of the Group. It also monitors relevant legislation, legal requirements and prevailing codes of best practice relating to social and economic development, good corporate citizenship, labour and employment, the environment, health and public safety, and consumer relationships.

Responsibilities

The SECOM is responsible for developing and reviewing the Group's policies with regard to its commitment to governance and reporting of sustainable development performance, as well as for making recommendations to management and/or the Board in this regard.

Assurance

This report is prepared in accordance with the requirements of the Companies Act and describes how the SECOM has discharged its statutory duties in terms of the Companies Act and the additional duties assigned to it by the Board in respect of the financial year ended 28 June 2020. SECOM is satisfied that it has fulfilled all its duties during the year under review and has made significant progress in formalising all relevant policies and implementing identified plans.

ACTIVITIES UNDERTAKEN BY THE COMMITTEE DURING THE YEAR

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

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

Policies and procedures were established to fulfil the requirements of the Protection of Personal Information Act which was enacted with effect from 1 July 2020.

The SECOM is also responsible for annually revising or determining, in conjunction with senior management, the Group's material sustainability issues. These have been reported on and are set out in the Sustainability Report on page 38.

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

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

- Labour and employment, including:
 - the Group's standing in terms of the International Labour Organisation protocol on decent work and working conditions; and
 - the Group's employment relationships, and its contribution towards the educational development of its employees.

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

Labour and employment practices

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

The SECOM reviewed the employee headcount, progress of employment initiatives undertaken during the year, employment equity reporting, skills development reporting and legislative updates. Reports on Employment Equity were submitted to the Department of Labour timely.

The three-year Employment Equity Plan, for the period 1 October 2018 to 30 September 2021, was reviewed and monitored by the SECOM on a quarterly basis.

COVID-19 impact on staff

With the outbreak of the Covid-19 pandemic during the reporting period and subsequent national lockdown, Cashbuild implemented strict hygiene protocols throughout the business which included social distancing, the wearing of masks, regular washing of hands as well as temperature control. Where required and possible, shift work was introduced. Where a staff member tested positive for Covid-19, detailed procedures were implemented to sanitize the store or work area and ensure limited exposure to other staff and customers.

Cashbuild took a view to, in as far as possible, limit the financial impact the national lockdown would have on employees by, amongst others, not instituting salary cuts or rationalisation of staff, and updating the leave policies to ensure the minimum amount of unpaid leave would need to be taken should an employee be tested positive for Covid-19. The decision to implement the annual cost of living increases, usually implemented in July of each year, was deferred to October 2020 to conserve cash in the face of the uncertainty presented by Covid-19.

Security and crime prevention

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

Social and Ethics Report continued

TRANSFORMATION

The SECOM reviewed the Group's performance against the B-BBEE codes. Cashbuild is reviewed and measured under the Construction Sector as opposed to the generic codes. The Group has formulated action plans and targets for the various elements of the B-BBEE score card with particular emphasis on Preferential Procurement and Enterprise & Supplier Development, an area in which Cashbuild does not meet the sub-minimum of the Construction Sector codes.

CORPORATE SOCIAL INVESTMENT

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

Cashbuild registered with the Youth Employment Services (Yes-4-Youth) initiative and employed 110 eligible persons in the 2019/2020 financial year. The Group will continue with this initiative in the 2020/2021 financial year. The Group remains committed to positively impacting the lives of people in communities in which it trades. In the current year the Group made various donations, both monetary and in time, through the Cashbuild Give-a-Brick Trust and directly to beneficiaries identified in the various communities where our business operates.

ANTI-CORRUPTION, ETHICS AND COMPLIANCE

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

OCCUPATIONAL HEALTH AND SAFETY ACT

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

CUSTOMER RELATIONSHIPS

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

LEGISLATION

An update of legislative compliance is provided to the SECOM at quarterly meetings, incorporating acts and legislation of neighbouring countries in which Cashbuild trades. The Cashbuild Compliance Officer conducts compliance adequacy assessments to ensure that all legislation affecting the Group is continuously monitored and remedial actions implemented where deemed necessary.

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

ASSESSMENT

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

NV Simamane

Social and Ethics Committee Chair

31 August 2020

Nomination Committee Report

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

NOMINATION COMMITTEE

Chairperson

AGW Knock

Member

M Bosman

Independence

All Committee members are independent non-executive directors.

Meetings

At least two per annum.

Responsibilities

The Committee’s responsibilities include:

- Recommendations to the Board on the appointment and re-appointment of executive and non-executive directors; including the assessment of the appropriate balance between executive and non-executive directors.
- Ensuring the establishment of a formal process for the appointment of non-executive directors, the Chief Executive and the Financial Director.

- Annually reviewing the independence of non-executive directors, taking into account all applicable corporate governance requirements.
- Assessing succession planning at executive and senior management levels. The Chief Executive, in consultation with the Committee, is responsible for ensuring that adequate succession (and emergency) plans are in place.
- From time to time, reviewing the Board structure, size and composition.
- Recommendation of the directors retiring by rotation for re-election at the Annual General Meeting.
- Overseeing the development of a formal induction programme for new directors and a continuous development programme for directors.

Assurance

The Committee is governed by good corporate governance principles and the Group’s value statement. The Members of the Committee hereby confirm that they were diligent in exercising their duties of due care and skill and that they have taken reasonable steps to ensure that they performed their duties in accordance with the Committee’s mandate.

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

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

The Committee reviewed the Group’s policy on diversity and satisfied itself of its adequacy and relevance. There were no Board appoints made during the reporting period.

AGW Knock

Nomination Committee Chair

31 August 2020