

# CORPORATE GOVERNANCE

*The Board of Directors ('the Board') is committed to the concept and principles of effective corporate governance.*

Corporate governance includes the framework and principles and practices by which the Board ensures accountability, fairness and transparency in EOH's relationship with all its stakeholders. This concept is integral and aligned to EOH's philosophies:

- Best People;
- Partner for Life;
- Right 1<sup>st</sup> Time;
- Sustainable Transformation; and
- Lead and Grow.

The Board takes overall responsibility for EOH's success. Its role is to exercise leadership and sound judgement in directing EOH to achieve sustainable growth whilst acting in the best interests of shareholders.

In line with best practice, the roles of the Chairman and Chief Executive Officer are separate. The Chairman is responsible for leading the Board, whilst the Chief Executive Officer is responsible for the operational management of the Group.

## Governance structure

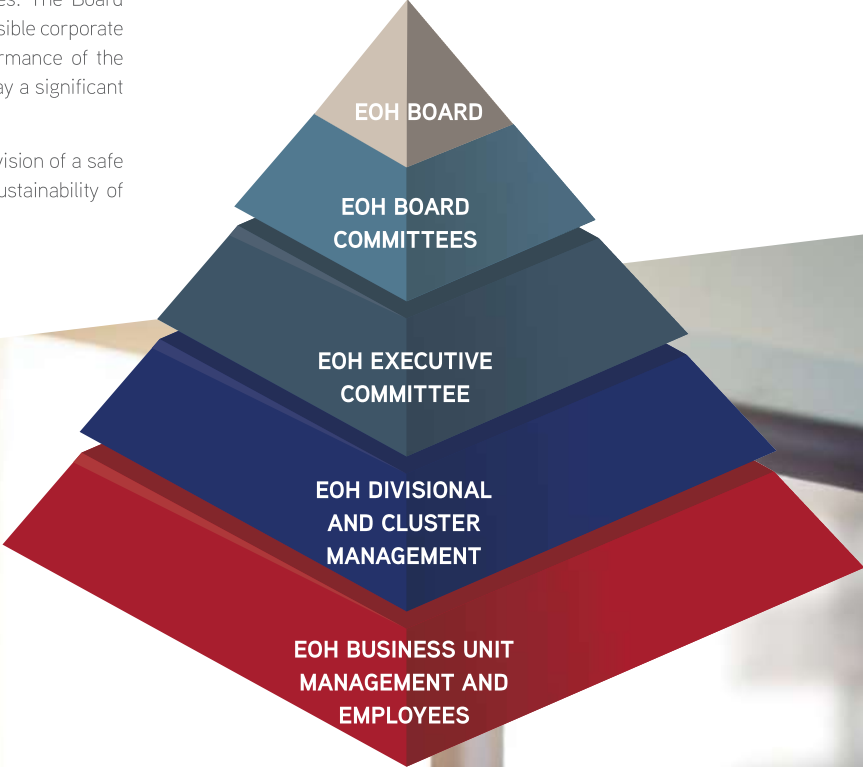
Governance standards throughout the organisation are regularly reviewed to ensure sustainable performance and to preserve shareholder value. Strategy, performance, sustainability and risk are inseparable. EOH has successfully applied the King IV principles and continually invests in improving overall governance.



EOH reviews its governance structures to ensure that they support effective decision-making, provide robust controls and are aligned to best practice.

Sustainability is an integral part of how EOH operates. The Board ensures that the Company is, and is seen to be, a responsible corporate citizen. The Board not only considers financial performance of the Group, but also strives to be a force for good and to play a significant role in society.

EOH's efficient use of resources, together with the provision of a safe and healthy working environment, contribute to the sustainability of the Group.



# CORPORATE GOVERNANCE

## Regulatory and statutory compliance

Compliance with all relevant regulations affecting the business activities of the Group are of the utmost importance. The principle compliance framework includes:



## Role and the responsibilities of the Board

The overriding role of the Board is to ensure the long-term sustainability and success of EOH for the benefit of all stakeholders. The duties, responsibilities and powers of the Board, the delegation of authority and matters reserved for the Board are set out in the Company's Memorandum of Incorporation ('MOI') and the Board charter. The Board is responsible for determining the long and short-term strategy of EOH and how business is conducted. This includes the setting, monitoring and review of strategic targets and objectives; the approval of material capital expenditure; acquisitions; internal controls; risk management and IT governance.

The directors bring to the Board a wide range of experience and expertise and, in the case of the independent non-executives, an independent perspective and judgement on issues of policy, strategy and performance.

Board members are expected to act in the best interest of EOH and the Group Company Secretary maintains a register of directors' interests.

## Board charter

The Board charter details the responsibilities of the Board, which include:

- Input into the Group's strategic direction;
- Providing effective leadership based on an ethical foundation and a sound Governance, Risk and Compliance ('GRC') framework;
- Ensuring that the Group conducts itself in accordance with the principles of fairness, accountability, transparency, responsibility, competence and integrity;
- Ensuring that an appropriate GRC framework is in place and applied across the Group;
- Ensuring that the Code of Ethics is adopted and implemented across the Group;
- Ensuring that the Group is, and is seen to be, a responsible corporate citizen;
- Defining levels of materiality and risk tolerance;
- Governing risk and opportunities in a way that supports the Group achieving its goals;
- Ensuring the adequacy and effectiveness of the Group's internal control systems and procedures;
- Ensuring that appropriate technology systems are in place;
- Approving the annual budget and operating plan of the Group;
- Approving EOH's annual financial statements and public pronouncements on financial performance and ensuring the integrity of such reports;
- Considering and, if appropriate, declaring distributions in accordance with the provisions of the Companies Act;
- Ensuring that the Group remunerates fairly, responsibly and transparently;
- Communicating with internal and external stakeholders in a transparent and timely manner; and
- Ensuring the overall sustainability of the Group.

## Ethical leadership

The Board subscribes to ethical leadership which forms the basis of the EOH Code of Conduct. Decisions and actions are based on the following core values:

- Integrity is non-negotiable;
- Respect the dignity of every individual;
- Act professionally and strive for excellence;
- Be legitimate and long-term contributors;
- Care for the environment;
- Promote the fight against corruption;
- Everyone is a valued contributor; and
- Build relationships with customers and vendors to understand and meet their needs.

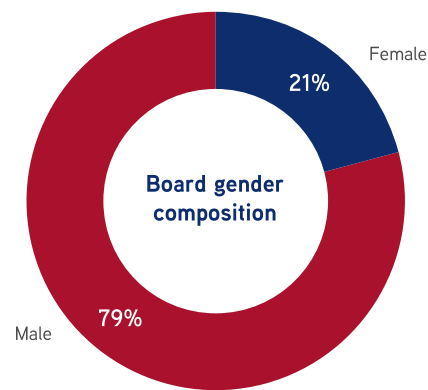
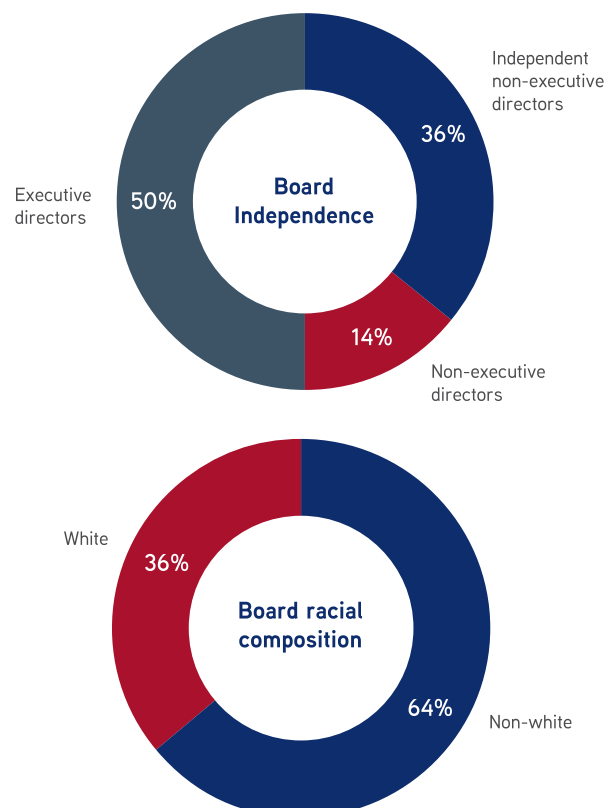
The EOH Executive Committee ('EXCO') is responsible for ensuring that these values are adhered to throughout the Group and the Board's Social and Ethics Committee ensures the application of these principles.

## Composition of the Board

The Group has a unitary Board, the composition of which promotes the balance of authority and precludes any one director from dominating decision-making. The Board of EOH is sufficiently equipped to conduct the business of a board in terms of its collective knowledge, skills, experience, resources and diversity. Directors are classified as executive directors if they are full-time employees of EOH.

As at the date of this report, the Board consisted of 14 individuals. Seven are executive directors, five are independent non-executive directors and two are non-executive directors. Nine of the Board members are non-white, of which three are black women.

Full details of the directorate are set out on pages 36 and 37.



## Independence of non-executive directors

The Board is satisfied that non-executive directors, through their actual conduct at Board and committee meetings, have no relationships or circumstances which could affect their independence. Directors serving in their capacity for longer than nine years are re-assessed annually to ensure that they remain independent.

## Gender diversity policy of the Board

The Board has adopted a gender diversity policy which sets out the approach to gender diversity of the Board. The aim of the policy is to create a fair, equitable and respectful workplace where both genders are supported in an inclusive environment regardless of their gender or term of employment.

## Subsidiary boards

EOH has several wholly owned subsidiaries. Each of EOH's subsidiary companies has a board of directors. The boards of the subsidiaries and the management committees of the various operating divisions have the necessary mix of skills and experience.

## Election and re-election of directors

Newly appointed directors are ratified at the next Annual General Meeting ('AGM') following their appointment.

In terms of the Company's MOI, one third of the non-executive directors are required to 'retire' at each AGM, and if they are eligible and available for re-election, their names are put forward for re-election by the shareholders at the next AGM. The non-executive directors who have been in office for the longest period since their appointment are required to 'retire' in terms of the rotation policy.

The Nominations Committee is responsible for the process of electing/re-electing directors following a thorough assessment of candidates.



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## Succession planning

Should a director retire, resign or be disqualified and removed, the Nominations Committee is tasked with identifying potential candidates. The committee assesses the appropriateness of candidates in terms of their experience and skills. The process of selection, induction and ongoing training of directors is formalised. A basic succession plan for key executives is in place in the event of any resignations.

## Group Company Secretary

The Group Company Secretary supports the directors and Chairman. The Board is satisfied that the Group Company Secretary is suitably qualified, competent and experienced to provide such guidance. The Group Company Secretary has direct access to and ongoing communication with the Chairman. The Group Company Secretary is not a director of the Company or its subsidiaries and the Board is satisfied that an arm's length relationship exists. All directors have access to the services of the Group Company Secretary and directors may obtain independent professional advice.

Adri Els, CA(SA) is the Group Company Secretary. The Group Company Secretary is also the secretary of the Board committees.

## Board committees

The Board has delegated certain functions to committees. In so doing, the Board has not abdicated any of its responsibilities. The committees are chaired by non-executive directors. All the Board committees operate under Board-approved Terms of References.

Shareholders are required to elect the members of the Audit Committee at the Company's AGM.

The Board has six committees:

- **Audit Committee**  
Only independent non-executive directors with other participants as invitees;
- **Risk and Governance Committee**  
Majority of members are independent non-executive directors;
- **Technology and Information Committee**  
Both non-executive and executive directors;
- **Remuneration Committee**  
Majority of members are independent non-executive directors;
- **Nominations Committee**  
Majority of members are independent non-executive directors; and
- **Social and Ethics Committee**  
Majority of members are non-executive directors.

EOH reviews its governance structures, policies and procedures to ensure that they are resilient and robust and aligned to best practice.

The EOH EXCO is responsible for managing the Group's operations and the Group's overall strategy, which is discussed, debated and approved by the Board.

## The Board response to the King IV Report

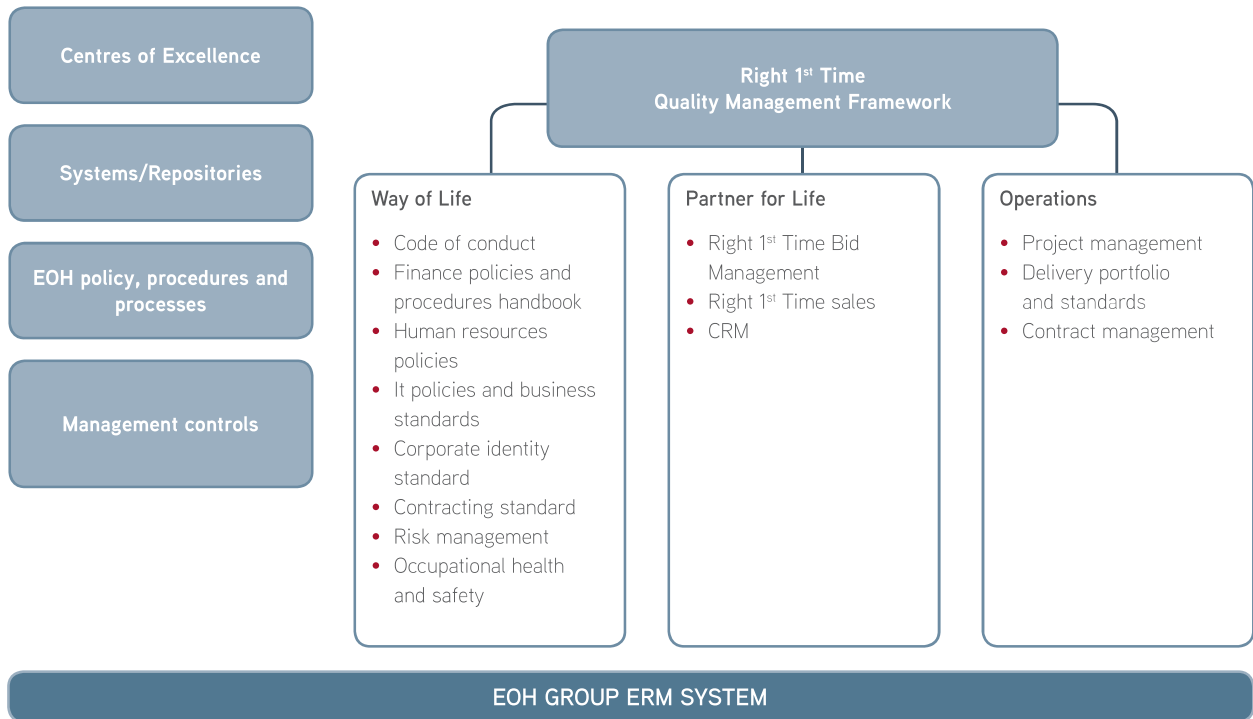
The King IV Report on Corporate Governance™ for South Africa ('King IV') was released on 1 November 2016.

King IV advocates an outcomes based approach and defines corporate governance as the exercise of ethical and effective leadership towards the achievement of the following governance outcomes:

- Ethical culture;
- Good performance;
- Effective control; and
- Legitimacy.

The paragraphs which follow briefly outline how the outcomes are being achieved. These outcomes are supported by 16 principles to ensure effective governance. A more detailed narrative on how EOH is achieving such principles is available for information on EOH's website – [www.EOH.com](http://www.EOH.com).

## EOH governance system



## Ethical culture

EOH's Board of Directors exercises effective leadership. The directors are competent and act ethically in discharging their responsibility to provide strategic direction and effective governance in terms of the Board Charter and EOH's MOI.

The Board is committed to driving the strategy, based on an ethical foundation, to support a sustainable business, acting in the best interests of the Group, society, the environment and its stakeholders.

The Board's responsibility is to set the tone for an ethical organisation and has discharged its responsibilities by ensuring that a robust and resilient GRC framework is in place. There are systems, procedures and monitoring structures in place to ensure the effectiveness of such a framework.

Board members are under a legal duty to prevent any conflict of interest with Company business and to make full disclosure of any areas of potential conflict.

The EOH Code of Ethics, adopted by the Board, commits EOH and its employees to the highest ethical standards of conduct particularly in relation to non-discriminatory practices, unethical practices, bad behaviour, and confidentiality of personal information.

## Good performance

The directors individually and collectively are responsible for realising the Group's strategic objectives and to manage risks and opportunities to ensure an ongoing sustainable business.

The Board oversees and monitors, with the support of its committees, the implementation and execution by management of the policies and procedures in order to ensure that it achieves the Group's objectives.

The sustainability of the Group's businesses is a key consideration in the development and implementation of the Group's business model. It is supported by formal policies governing environmental, corporate social investment, ethical and remuneration matters, all of which form key components of the value-creation process.

EOH's EXCO is responsible for working with the CEO to implement the strategies and policies determined by the Board. The Board assumes responsibility for ensuring that the Group's reporting on the Group's financial performance is reported fairly with the assistance of the Audit and Risk Committees and the external auditors.

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## Effective control

To ensure that the Company's leadership is effective, appointments to the Board and its committees are proposed by the Nominations Committee.

The Nominations Committee evaluates the effectiveness and performance of the Board, its committees and the individual directors.

The appointment of the executive management team falls within the mandate of the CEO, in consultation with the Board. Clarification of roles and responsibilities are finalised through a formal internal process.

Board members collectively possess a wide range of financial, commercial and technical knowledge, together with the required level of experience.

EOH has a Delegation of Authority framework to ensure that the business operates efficiently and effectively.

The Board assumes responsibility for governance and enterprise risk management and determines how risk is to be approached and addressed across the Group. The implementation thereof is the responsibility of management.

The Group risk function assists the Board with the risk management process. The Audit and Risk and Governance Committees assist the Board by providing an independent and objective view on the Group's financial, accounting and control mechanisms and the Group's compliance with all relevant statutory and regulatory requirements.

The Board is ultimately responsible for ensuring that the technology and information needs of the businesses are in place and effectively governed. The Technology and Information Committee assists in this regard.

A formal internal audit function is in the process of being separated from the GRC function and will be implemented during 2018.

The Board commits to the Constitution of the Republic of South Africa (including the Bill of Rights) and accepts the principles of fairness, accountability, integrity and transparency.

## Legitimacy

EOH strives to ensure a systematic and integrated approach to stakeholder engagement across the Group, facilitated through engagement programmes.

Stakeholders are kept informed of the Group's financial performance through the publication of reviewed and audited results and other announcements. The Board, through its committees, ensures that the interests of all stakeholders are addressed.

## Directors dealings

### Directors' interest in contracts

Directors are required to declare their interests annually in order to determine whether there are any conflicts with their duties and the interests of EOH.

Directors are also required to disclose any conflicts of interest if and when they arise. The directors have certified that they have no material interest in any transaction of any significance with the Company or any of its subsidiaries. A register detailing directors' interests in the Company is available for inspection at the Company's registered address.

### Directors' interests in EOH shares

It is not a requirement of the Company's MOI or the Board Charter that directors own shares in the Company. The shares held by the directors as at 31 July 2017 are contained in the Annual Financial Statements on page 35.

### Trading in Company shares

The Group Company Secretary informs the Board and management of its closed periods, when trading in EOH shares by directors and senior executives is prohibited. The closed periods commence on 1 February and 1 August each year and remain in force until the publication of the interim and final results respectively. Any period during which the Company may trade under cautionary announcement is classified as a closed period.

All directors' trading of EOH shares require the prior approval of the Group CEO or Group Financial Director. No director can approve his own trading of EOH shares. The Group Company Secretary retains a record of all such share dealings.

## Statement of effectiveness of the Board

The Board appraises the Chairman under the guidance of the Lead Independent Director, while the Remuneration Committee appraises the Group CEO. The Remuneration Committee assesses the remuneration of the Chairman and directors. The Nomination Committee evaluates the performance of the Board and its committees. Individual directors complete formal evaluations of their own effectiveness, at least every two years. The Board assesses the appropriateness of the Board structure and its effectiveness.

## Statement of compliance with King IV

External advice is sought to assess the application and implementation of King IV and the current levels of compliance across the Group. Such advice is sought on a regular basis.

## Effectiveness of Internal controls

Based on a review of internal controls and assessment of the risk management process, nothing has come to the attention of the Board that causes it to believe that the Group's system of internal control and risk management process are not effective.

## Attendance at Board and Board committee meetings

The Board meets quarterly and on an ad hoc basis when considered necessary. Board meetings are convened by formal notice incorporating detailed agendas and accompanied by background material relating to matters to be discussed at each meeting to enable the directors to prepare in advance.

	Board	Audit	Risk and Governance	Technology and Information	Remuneration	Social and Ethics	Nominations
<b>Number of meetings</b>	4	3	2	2	2	2	2
<b>Executive directors</b>							
Zunaid Mayet (CEO)	1/1 <sup>∧</sup>		1/1 <sup>∧</sup>	1/1 <sup>∧</sup>	1/1 <sup>^</sup>	1/1	1/1 <sup>^</sup>
Pumeza Bam	2/2 <sup>*</sup>				1/1 <sup>*</sup>	1/1 <sup>*</sup>	1/1 <sup>*</sup>
Asher Bohbot	3/3 <sup>*</sup>	3/3 <sup>*^</sup>			1/1 <sup>*^</sup>	1/1 <sup>*</sup>	1/1 <sup>*^</sup>
Rob Godlonton	1/1 <sup>∧</sup>			1/1 <sup>∧</sup>			
Brian Gubbins	1/1 <sup>∧</sup>						
John King	4/4	3/3 <sup>^</sup>	2/2	2/2	2/2 <sup>^</sup>	2/2	2/2 <sup>^</sup>
Ebrahim Laher	1/1 <sup>∧</sup>						
Jehan Mackey	1/1 <sup>∧</sup>						
Dion Ramoo	3/3 <sup>*</sup>						
Jane Retief (neé Thomson)	2/3 <sup>*</sup>						
Johan van Jaarsveld	1/1 <sup>∧</sup>						
<b>Non-executive directors</b>							
Sandile Zungu (Chairman)	4/4						
Pumeza Bam	2/2 <sup>∧</sup>				1/1 <sup>∧</sup>	1/1 <sup>∧</sup>	1/1 <sup>∧</sup>
Lucky Khumalo	3/4	3/3	1/2	1/2	1/2	1/2	1/2
Danny Mackay	3/3 <sup>*</sup>						
Moretlo Molefi	1/1 <sup>∧</sup>						
Grathel Motau	2/2 <sup>∧</sup>	1/1 <sup>∧</sup>	1/1 <sup>∧</sup>				
Tshilidzi Marwala	4/4	3/3	1/2	2/2			
Audrey Mothupi	3/4 <sup>*</sup>	1/1 <sup>*</sup>					
Rob Sporen	3/4	2/3	2/2		2/2	2/2	2/2
<b>Invitees</b>							
Rob Godlonton (ICT Executive)				1/1 <sup>^</sup>			
Hendrick Mosopa (CIO)				1/2 <sup>^</sup>			
Isobel Townsend (Finance)						2/2 <sup>^</sup>	

<sup>^</sup> By invitation.

<sup>\*</sup> Resigned during the year.

<sup>∧</sup> Appointed during the year.



# CORPORATE GOVERNANCE

## AUDIT COMMITTEE REPORT

*The mandate of the Audit Committee (‘the committee’) is to oversee the integrity of EOH’s control environment and to provide reasonable assurance relating to the integrity and reliability of the financial statements prepared in compliance with IFRS, and to safeguard, verify and ensure accountability of the Group’s assets.*

The Audit Committee’s operation is guided by its Terms of Reference which is in line with the Companies Act of South Africa. The committee does not assume the functions of management. This remains the responsibility of the executive directors and senior management.

### Role and responsibilities of the Audit Committee

The committee’s statutory duties and responsibilities are varied and include:

- Overseeing the qualification and independence of the external auditors;
- Assessing the scope and effectiveness of the external audit function;
- Overseeing the quality and ensuring the integrity of the Group’s Annual Integrated Report and other public announcements in respect of the financial results (interim and final);
- The effectiveness of the Group’s financial internal controls; and
- Ensuring compliance with legal and other regulatory requirements that impact financial reporting.

### Composition of the committee

The committee comprises four independent non-executive directors and is chaired by a qualified Chartered Accountant. The members of the committee must have the requisite financial knowledge, skills and experience to oversee and assess the strategies, processes and controls developed and implemented by management to manage the business.

The committee members appointed by EOH’s shareholders at the AGM held on 22 February 2017 are:

- Grathel Motau – Chairperson, Independent non-executive director
- Lucky Khumalo – Independent non-executive director
- Tshilidzi Marwala – Independent non-executive director
- Rob Sporen – Independent non-executive director

All the current members of the committee have been nominated by the Board for re-election, subject to shareholder approval at the AGM to be held on 12 April 2018.

The Group Chief Executive Officer and Group Financial Director attend all committee meetings by invitation. Representatives from the external auditors are present at committee meetings where results are approved or audit services are discussed and approved.

### Activities during the year

The committee met three times during the year in order to discharge its responsibilities and focused on several areas:

#### Integration of businesses that joined the Group (acquisitions)

The acquisition integration process is well established. The external auditors focus on new acquisitions when performing their annual audit. The Company Secretary, together with the Finance Function, Legal Function, HR Function and GRC Senior Manager take new joiners through EOH’s processes and compliance requirements of the EOH Group. All employees attend a one day ‘orientation day’ to familiarise themselves with EOH’s policies, procedures and guidelines. The financial systems are aligned to EOH’s financial systems to ensure visibility, transparency and ease of reporting. This migration ensures standardised financial reporting and controls throughout the Group.

Profit warrant audits, where applicable, are conducted by the external auditors as and when required in terms of the contractual obligations of the purchase and sale agreements. These services are billed separately.

#### Combined Assurance Model

In line with King IV, a combined assurance model is used to ensure the effectiveness of processes and internal controls. Divisional Financial Directors oversee the financial management function of the various operations. Finance staff report to the centre (shared services) and are rewarded based on their performance not related to the profits achieved. A Risk, Governance and Compliance (‘GRC’) framework is in place.

A separate, independent, robust and effective internal audit function is planned for 2018 to further strengthen the combined assurance model using internal staff and external service providers such as external auditors, legal advisors, IFRS consultants and other specialist advisors.

#### Annual Financial Statements

The committee reviewed the Annual Financial Statements and summarised financial results, interim and preliminary announcements and all other announcements on the Group’s financial performance before being made public.

#### Group Financial Director

The committee confirms that it is satisfied with the expertise and experience of John King, BCom, BAcc, CA(SA).

## Finance function

The committee has reviewed the expertise and experience of the Group's finance function and confirms to shareholders that the finance function is effective.

## Review of internal controls

The effectiveness of internal controls remains the responsibility of the committee. The required tests and assessments are performed by the external auditors and by the divisional finance directors.

The committee is of the opinion, having considered the assurance provided by management and external service providers, that the Group's system of internal financial controls, in all material aspects, is effective and provides reasonable assurance that the financial records may be relied upon for the preparation of the Annual Financial Statements.

## External auditors

The committee is responsible for the appointment of the external auditor and overseeing the external audit process. The Audit Committee is satisfied with the performance of the external auditors and that the audit firm acted with unimpaired independence, free from any scope restrictions.

The Audit Committee has considered the JSE's most recent report on their proactive monitoring of financial statements, and those of previous periods, and has taken appropriate action where necessary to respond to the findings when preparing the annual financial statements for the year ended 31 July 2017.

The committee has, *inter alia*:

- Determined the terms of engagement and fees to be paid to Mazars (Gauteng) Inc.;
- Reviewed the quality and effectiveness of the external audit process and ensured that the designated audit partner was independent;
- Monitored the independence of Mazars (Gauteng) Inc. as it relates to the signing off of the Annual Financial Statements for F2017;
- Approved contracts for non-audit services rendered by Mazars (Gauteng) Inc, particularly in relation to 'profit warrant' audits;
- Ensured that there is a process for the committee to be informed of any reportable irregularities identified by the external audit firm (as per the Auditing Profession Act);
- Nominates that Mazars (Gauteng) Inc. be re-appointed as external auditors by shareholders at the AGM to be held in April 2018; and
- Ensured that the appointment complied with the Companies Act and other relevant legislation.

## Annual integrated reporting

The committee oversaw the preparation of the Annual Integrated Report for the year ended 31 July 2017 and has:

- Considered factors and risks that could impact the integrity of the Annual Integrated Report;
- Considered the basis on which the Company has been assessed as a going concern and ensured that solvency and liquidity tests have been performed and covenant ratios met;

- Reviewed the Annual Financial Statements and the accounting policies and notes thereto;
- Considered whether there were any material sustainability issues;
- Reviewed the content of the report to ensure that it provided a balanced view; and
- Recommended the Annual Integrated Report to the Board for approval.

## Sustainability policy

The committee, in conjunction with the Social and Ethics Committee, has ensured that the relevant management structures and processes are in place to meet the objectives of EOH's sustainability policy. Refer to the Sustainability Report on pages 22 to 33.

## Audit Committee recommendation

The committee hereby reports the following to the shareholders:

### Going concern

The committee has reviewed and considered the applicability of the going concern assertion by management. The committee concluded that the Group is a going concern for the foreseeable future.

### Statutory reporting

The committee has evaluated the Consolidated Annual Financial Statements for the year ended 31 July 2017 and considers that the Group complies, in all material respects, with the Companies Act, IFRS, SAICA Financial Reporting Guidelines as issued by the Accounting Practices Committee, the JSE Listings Requirements and applicable legislation.

### Annual Integrated Report

The committee, having fulfilled the oversight role regarding the reporting process and all material factors that may impact the integrity of the Annual Integrated Report, recommended that the Annual Integrated Report and the consolidated Annual Financial Statements for the year ended 31 July 2017 be approved by the Board. The Board has subsequently approved the consolidated annual financial statements which will be open for discussion at the forthcoming AGM.

## Conclusion

The committee is satisfied that it has met the requirements of its Terms of Reference.



### Grathel Motau CA(SA)

Chairperson, Audit Committee  
Independent Non-Executive Director

12 January 2018

# CORPORATE GOVERNANCE

## RISK AND GOVERNANCE COMMITTEE REPORT

*The Board considers risk management as key in EOH's pursuit to meet the strategic objectives of the Group in an effective manner. The day-to-day management of the Group is underpinned by an awareness of risk and the activities and processes to mitigate such risks.*

The Board is responsible for the governance of risk across the Group, for setting the risk appetite and for monitoring the effectiveness of risk processes. The Board has tasked the Risk and Governance Committee ('the committee') to assist it in carrying out its risk responsibilities.

The committee ensures that there is an ongoing assessment of risks. The EOH EXCO is accountable to the Board for designing, implementing and monitoring the risk management processes. Senior management is responsible for effectively managing the risk within their respective areas of responsibility.

King IV has a strong focus on opportunity management in addition to risk management, and as such it has tasked the committee with the identification of the risks associated with such opportunities.

### Role and responsibilities of the Risk and Governance Committee

The committee performs all functions necessary to fulfil its aforementioned role, including the following:

- Overseeing the development, implementation and annual review of the Group Risk Policy and Group Risk Management Plan;
- Monitoring the implementation of the Group Risk Policy and Group Risk Plan by management;
- Integrating and embedding risk management in the business activities and culture of the Group;
- Making recommendations to the Board regarding acceptable levels of risk (risk tolerance) and ensuring that risks are managed within these levels;
- Assessing the risks and opportunities that the Group faces;
- Assessing the impact of such risks and the potential negative impact on achieving the Group's objectives should such risks occur;
- Ensuring that the risk management plan is disseminated and integrated into the day-to-day activities of the various operations of the Group;
- Ensuring that risk management assessments are performed on a regular basis;

- Ensuring that the framework and methodologies are implemented to anticipate, assess and manage risk;
- Ensuring that management considers and implements appropriate risk responses;
- Liaising closely with the Audit Committee;
- Expressing the Committee's formal opinion to the Board on the effectiveness of the Enterprise Risk Management Process;
- Reviewing the Risk and Governance Report to be included in the Annual Integrated Report; and
- Establishing and implementing business continuity arrangements that allow the operations to continue to operate under adverse circumstances and to withstand and recover from such adverse conditions.

### Composition of the committee

The committee comprises non-executive directors and executive directors, requiring a majority of non-executive directors. The members of the committee have the requisite knowledge, skills and experience to effectively carry out the committee's mandate. The committee consists of:

- Grathel Motau – Chairperson, Independent non-executive director
- Rob Sporen – Independent non-executive director
- Tshilidzi Marwala – Independent non-executive director
- Zunaid Mayet – Group Chief Executive
- John King – Group Financial Director

### Enterprise Risk Management ('ERM') overview

The process of managing enterprise risk within EOH is encapsulated in the EOH Group ERM policy. The policy framework describes EOH's risk management framework, philosophy, approach and processes.

The effective management of enterprise risk is central to EOH. The EOH Group ERM policy drives the design and deployment principles of the Group-wide operational risk programme.

The EOH ERM objectives are aligned with EOH's philosophies, namely:

- Best People
- Partner for Life
- Right 1<sup>st</sup> Time
- Sustainable Transformation
- Lead and Grow

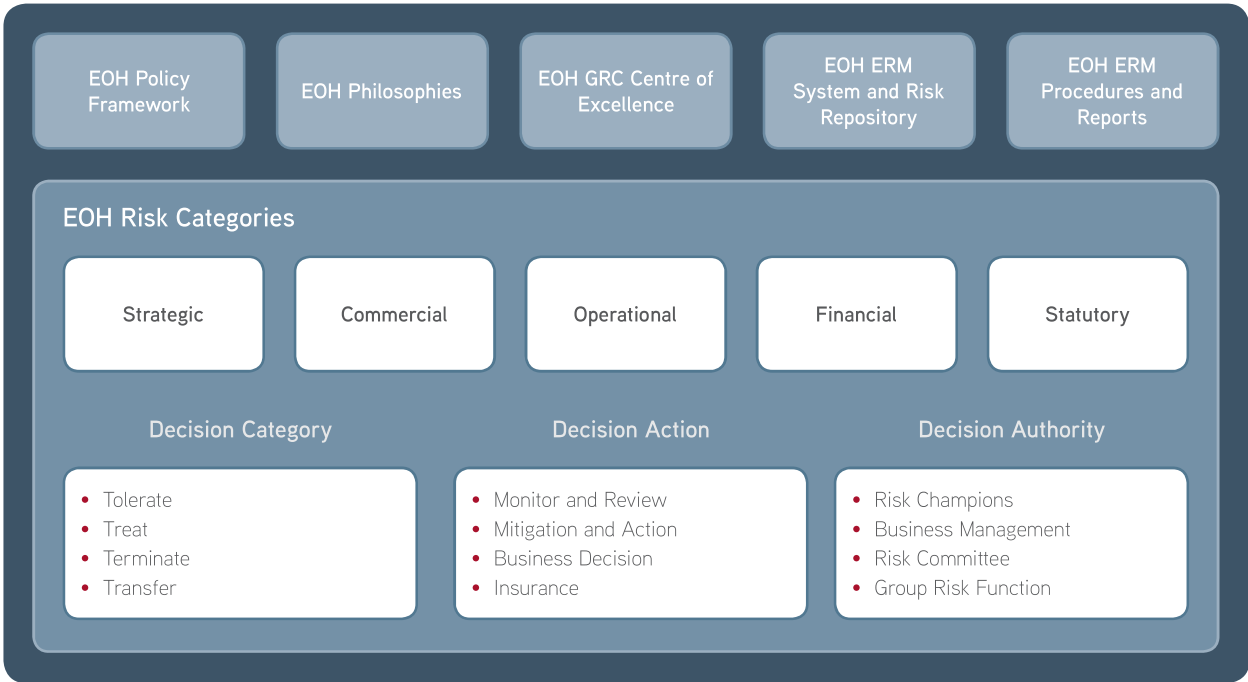
The ERM framework is underpinned by:

- EOH Policy Framework;
- EOH's philosophies;
- GRC Centre of Excellence;
- Risk systems and repository of risk data;
- Monthly compliance processes and reports; and
- Right 1<sup>st</sup> Time.

## ERM process

The EOH ERM process is divided into two streams, namely the 'strategic risk management process' and the 'tactical risk management process'. The strategic risk process is about policy, overall communication, overall roles and responsibilities and the measurement and review of the overall programme. The tactical risk process is about the identification, registration and treatment of risks.

Operational business unit managers, as well as the Group IT, finance, strategic sales and HR functions carry out regular self-assessments of risk. The process identifies critical business, strategic, commercial, operational, financial and compliance exposures facing the Group and the adequacy and effectiveness of processes and controls. The assessment methodology takes into account the severity and probability of occurrence and applies a rating based on the quality of the control procedures, thereby ranking and setting priorities. The top risks, elevated to Group level, are addressed through Group action plans put in place with responsibilities assigned to the appropriate people. The Group's integrated risk management model considers business, strategic, commercial, operational, financial and compliance risks.



EOH ERM is a collaborative endeavour to identify risks and to put in place actions, processes and measures to mitigate the probability of such risks materialising.

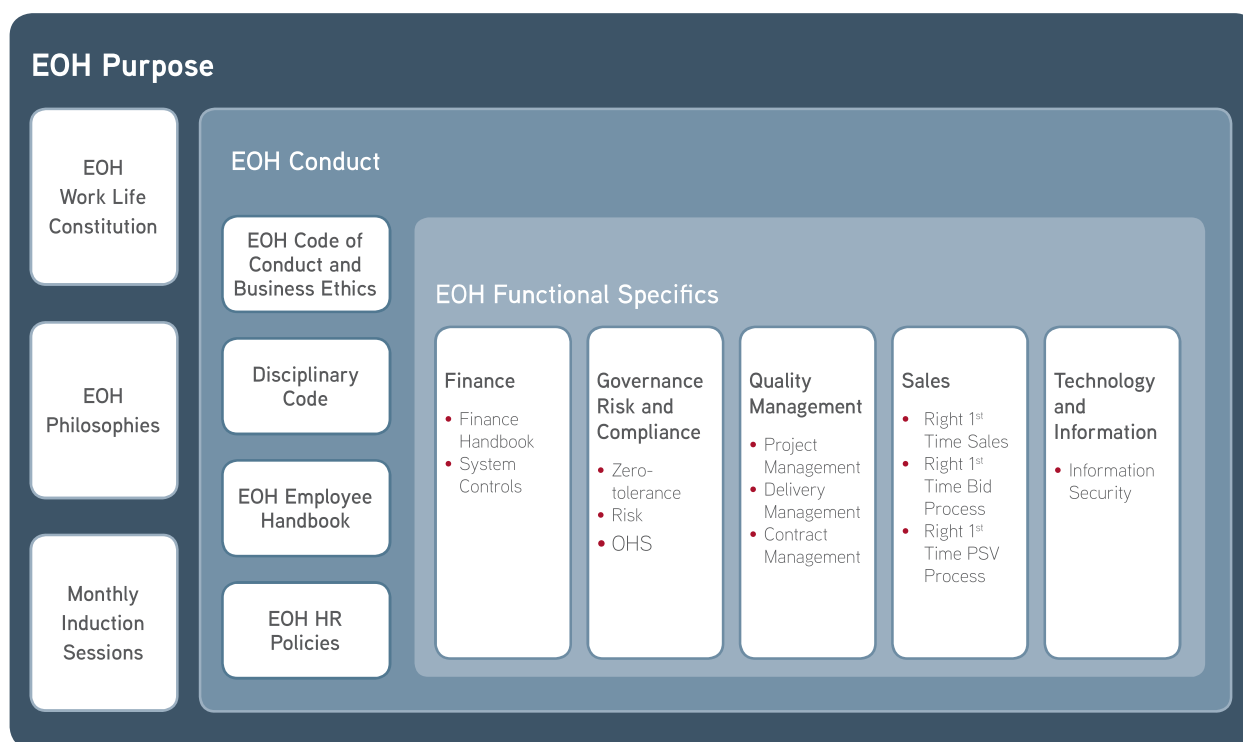
The identified risks, their likelihood of occurrence, impact on business objectives if they materialise, mitigating measures (controls/procedures) and the risk management outcomes are discussed on a regular basis. Risks are ranked and prioritised, ensuring a swift response and intervention to mitigate risks outside acceptable risk tolerance levels. No risks identified exceed risk tolerance levels as procedures are in place to ensure that the residual risk of all top risks is low.

Liquidity risks are managed on a short-term and long-term basis ensuring the pairing of known cash in and outflows, with forecasted expected cash flows.



# CORPORATE GOVERNANCE

The ERM process is strengthened by EOH's GRC Policy Framework outlined below.



## Ownership of risk management

The committee is responsible for the ERM process and reports to the Board.

The EOH EXCO is responsible for the ERM programme and monitors and reviews EOH's ERM process and reports its findings to John King, who is the Chief Risk Officer, on a regular basis.

Management is responsible for implementing the ERM programme and ensuring that the necessary operational controls are adequate and effective in their respective business areas.

## Combined assurance model

A combined assurance model in terms of King IV has been designed and implemented to adequately cover the Group's significant risks by combining a number of assurance functions, including the Group's own line functions (that own and manage risks), the Group's specialist functions (that facilitate and oversee risk management), the use of external services providers and the Group's external auditors.

EOH is strengthening the combined assurance model by formalising and implementing an independent robust and effective internal audit function during 2018 which will be separate from EOH's existing GRC function.

## Activities during the year

- The committee met twice during the year;
- Reviewed the GRC framework;
- Standardised the GRC framework and guidelines for use throughout EOH;
- Reviewed and considered the risk reports presented to the committee;
- Focused on the top risk areas and the mitigating actions to reduce such risks to acceptable levels;
- Monitored Project 'Wise Owl' which was established to strengthen EOH's GRC framework and to standardise governance policies, procedures, guidelines and templates throughout the Group; and
- Entrenched the 'Right 1<sup>st</sup> Time' philosophy, principles and methodologies/tools at all levels, with a focus on good business practice, the sales process and project management process.

## Conclusion

The committee is satisfied with EOH's ERM policies, procedures and structures and the processes to identify risks and the actions to mitigate such risks materialising. The committee is satisfied that it has met the requirements of its Terms of Reference.

**Grathel Motau**  
Chairman, Audit Committee  
Independent Non-Executive Director

12 January 2018

## REMUNERATION COMMITTEE REPORT

*The remuneration report highlights the key components of the remuneration policy which is aligned to the Group's strategy and how this policy translates into reward outcomes.*

The Remuneration Committee ('the Committee') is tasked by the Board to independently approve and oversee the implementation of a remuneration policy that will encourage the achievement of the Group's strategy and grow shareholders value. The policy aims to attract and retain skilled resources which is aligned with shareholders' interests.

King IV, and specifically Principle 14, addresses fair, responsible and transparent remuneration practices that promote the achievement of strategic objectives and positive outcomes in the short, medium and long-term.

### Role and responsibilities of the Remuneration Committee

The role of the committee is to:

- Ensure that the Company remunerates directors, management and staff fairly and responsibly;
- Ensure that the remuneration policy promotes the achievement of strategic objectives and encourages individual performance;
- Approve material HR policies for the EOH Group;
- Approve proposals for average annual salary adjustments across the Group;
- Consider the status of Employee Benefits and Standard Conditions of employment;
- Oversee the setting and administering of remuneration at all levels in the Group;
- Ensure that the mix of fixed and variable pay meets the Group's needs and strategic objectives;
- Ensure that remuneration is appropriately benchmarked;
- Ensure that remuneration structures are reasonable;
- Consider the results of the evaluation of the performance of the CEO and other executive directors;
- Review incentive schemes/retention schemes to ensure that the incentive schemes/retention schemes are administered in terms of the rules of some schemes;
- Approve proposals on new short-term and long-term incentive schemes and where appropriate make recommendations to the Board for approval by shareholders;
- Consider the appropriateness of the early vesting of share options at the end of employment;
- Support the CEO in the measurement criteria used to measure the performance of Executive Directors in discharging their functions and responsibilities;
- Review the objectives relevant to the setting of the remuneration of the CEO;
- Review the outcomes of implementing the remuneration policy to ensure that the required objectives are being achieved;
- Advise on the remuneration of non-executive directors;
- Ensure that the disclosure of directors' remuneration in the Annual Financial Statements of the Group are accurate, complete and transparent; and

- Oversee the preparation of the Remuneration Committee's report, which includes a background statement, the overall Remuneration Policy and the Implementation Report, which forms part of the Annual Integrated Report.

### Composition of the committee

- Rob Sporen – Chairman, Independent non-executive director
- Lucky Khumalo – Independent non-executive director
- Pumeza Bam – Non-executive director

The Group Chief Executive Officer (CEO), Group Financial Director and Group Human Resources Director attend committee meetings by invitation.

The Remuneration Committee meets formally at least twice a year. The Chairman of the Board and the Group CEO meet as and when required to discuss the performance of the executive directors.

### Background statement

EOH's primary remuneration philosophy is to employ and reward high-calibre and high-performing employees who subscribe to the values and culture of EOH. EOH recognises that people are integral to the achievement of corporate objectives and that they should be remunerated accordingly for their contribution and the value that they deliver. Executive remuneration must be fair and responsible in the context of overall remuneration in the Group.

EOH's remuneration strategy is to use a combination of guaranteed annual salaries (with benefits commensurate with the market place) bonus/commission arrangements and profit incentive arrangements to reward short-term operational performance; and share options (long-term retention mechanism) to retain high-performing individuals.

The Remuneration Policy underpins EOH's Group strategy, and it supports the EOH Philosophies of Best People, Partner for Life, Right 1<sup>st</sup> Time, Sustainable Transformation and Lead and Grow.

EOH's Remuneration Committee approves the remuneration policies and practices to ensure that they are fair, responsible and transparent. This ensures that the best people are attracted, motivated, rewarded and retained which promotes a high-performance culture across the Group.

The remuneration approach throughout the Group considers EOH's strategic objectives and EOH's role as a responsible corporate citizen in our economically active market place across industries. The following contributing factors were considered when designing the remuneration model:

- Business requirements and skills development;
- Competitive market behaviour and affordability;
- Links between strategy, risk and reward; and
- Performance contributions and the quality of delivery.

Remuneration is set at levels that are competitive and appropriate within the specific markets and industries in which the Group operates.

# CORPORATE GOVERNANCE

## Governance

The Remuneration Committee is responsible for developing and administering the Remuneration Policy. It plays a significant oversight role relating to the remuneration paid and rewards accruing to EOH management and staff.

The Remuneration Policy is reviewed regularly by the Group CEO, and if deemed appropriate, considered by the Remuneration Committee for recommendation to the Board. Any amendments are formally approved by the Board of Directors.

The responsibility for the fair and equitable implementation of the Remuneration Policy is the responsibility of management with the assistance of Human Resources executives.

The Remuneration Policy and Implementation Report will be published annually as part of the Integrated Annual Report as recommended by King IV.

The Remuneration Policy and Implementation Report will be tabled at each AGM.

## EOH Remuneration Policy

EOH's Remuneration Policy aims to ensure sustainable value through:



## Key Principles

The key principles of EOH's Remuneration Policy are:

- To provide appropriate remuneration packages to attract, retain and motivate staff, whilst giving consideration to remuneration levels, both within EOH and benchmarks outside EOH;
- To ensure that packages are competitive as talent is mobile, both locally and globally, and to take advice from external remuneration specialists from time to time to meet these objectives;
- Guaranteed remuneration is targeted broadly at the median position of the relevant market data. Annual salary adjustments are governed by factors such as the consumer price index ('CPI'), retention strategies, the producer price index ('PPI'), industry performance, contractual arrangements and affordability;
- The guaranteed remuneration package is intended to provide all employees with pay which is satisfactory given their responsibilities;
- The annual package includes the cost to EOH of all forms of remuneration, including basic salary, travel and other allowances, and the advice and facilitation of retirement savings, risk insurance, life cover and medical aid;
- Permanent employees are required to belong to a medical aid scheme;
- Permanent employees are members of a defined contribution provident fund scheme – the assets of the provident funds are managed independently and do not form part of EOH's assets;
- Variable pay is often an important component of remuneration and both annual and long-term performance-based schemes are in place in support of EOH's business strategy;
- The objective is, amongst others, to value and reward individual contributions;
- In applying the above mentioned principles, remuneration within EOH should remain within the income range associated with the applicable job profile, and in accordance with market trends, qualifications, experience, knowledge and performance of the employee.

In addition to these principles, the following additional principles apply to management and key individuals:

- The Remuneration Committee has approved that the Group CEO is empowered to determine the remuneration packages of senior executives based on the guidelines agreed at the Remuneration Committee meetings;
- Retention scheme performance measures are assessed by the Remuneration Committee – these measures include corporate performance, individual performances, and financial and non-financial criteria;
- Performance measures are taken into account before issuing share options in terms of the long-term share incentive retention schemes;
- Annual bonuses are based on performance for the financial year.
- A principle underlying variable pay is that senior executives and managers have more influence over the outcome of the overall performance of EOH, its divisions, clusters and/or business units and hence variable pay is linked to the achievement of specified performance criteria and budgets;
- Variable pay is designed to incentivise and reward both team and individual effort, and the share retention schemes serve as a tool to retain management and key staff needed to achieve the goals of a business unit and/or division;
- Executive reward is by its nature individualistic and performance-based. Accordingly, there is a guaranteed component of an executive's remuneration with a variable component specific to each individual's performance.

## Retention Schemes

The Group has two share retention schemes, the EOH Share Trust and the Mthombo Trust. Under the terms of the EOH Share Trust, up to 18 000 000 shares are reserved for share options. The share options are equity settled.

### The EOH Share Trust

The scheme is governed by a Trust Deed approved by shareholders and is a registered Schedule 14 Share Trust approved by the JSE Limited. The primary objective of the share trust is to retain highly skilled and talented individuals. Should a person leave, any unvested share options are forfeited. Share options are only issued to high-performing individuals based on their contribution to the Group. The option strike price is the share price at the date when share options are offered less a 40% discount.

Share options vest in four tranches, with the first tranche being 24 months after the initial grant date. The vested share options will lapse ten years after grant date.

- 25% of share options after two years
- 25% of share options after three years
- 25% of share options after four years
- 25% of share options after five years

### The Mthombo Trust

The scheme is governed by a Trust Deed approved by shareholders and was specifically introduced to promote black economic transformation. It is a B-BBEE scheme with the only participants being qualifying EOH employees. The option strike price is the share price at the date when share options are offered less a 40% discount.

Share options vest in three tranches, with the first tranche being 36 months after the initial grant date. The vested share options will lapse eight years after grant date.

- 33,33% of share options after three years
- 33,33% of share options after four years
- 33,33% of share options after five years

## Non-executive director remuneration

The remuneration of non-executive directors is based on proposals from the Remuneration Committee, which are submitted to the Board for approval. Non-executive directors sign engagement letters with the Company which set out their duties and remuneration terms.

The term of office of non-executive directors is governed by the Memorandum of Incorporation, which provides that directors who have served for three years will retire by rotation.

The remuneration of non-executive directors who serve on the Board and its committees is reviewed by the Remuneration Committee on an annual basis and recommended to the Board for approval. Remuneration is compared with that of selected peer companies and is a market-related adjustment based on listed entities of a similar size and determined through a market-related remuneration study and an independent market survey.

Non-executive remuneration is paid monthly, based on an annual retainer fee.

Fees are approved annually on this basis at the annual general meeting.

## Remuneration Implementation Report

### Purpose

The purpose of the Implementation Report is to show how the Remuneration Policy has been applied.

The EOH remuneration model structures remuneration in a fair and responsible manner between executives and staff. It is furthermore cognisant of the responsibility, accountability, competencies, institutional IP, performance and scarcity of skills.

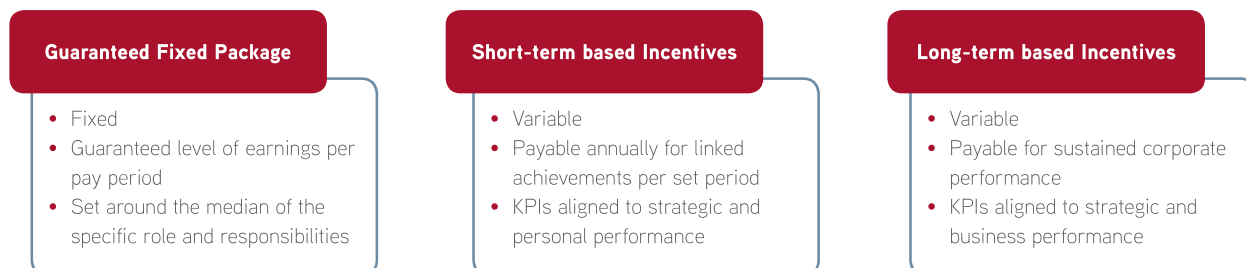
The Remuneration Policy has been implemented across the Group at all levels. Excellent performance was rewarded, which ensured the retention of key talent and high performers. Conversely, poor performance was managed.



# CORPORATE GOVERNANCE

## Types of Remuneration models implemented

The remuneration types are based on the remuneration model below:



The details of each of the elements of the remuneration types are summarised below:

Type	Description	Components	Purpose	Eligibility	Authority
<b>Guaranteed Fixed Package</b>	<ul style="list-style-type: none"> <li>Fixed</li> <li>Structured Total Cost to Company (Benchmarked against independent data)</li> </ul>	<ul style="list-style-type: none"> <li>Basic Salary</li> <li>Qualified allowances</li> <li>Retirement related contribution</li> <li>Medical Aid related contributions</li> <li>Insurance related contributions</li> <li>Leave enhancement (MEIBC employees only)</li> </ul>	<ul style="list-style-type: none"> <li>Reflects the scope and depth of the role</li> <li>Based on the level of responsibility required and skills and/or experience</li> </ul>	<ul style="list-style-type: none"> <li>All management and staff</li> </ul>	<ul style="list-style-type: none"> <li>CEO where appropriate</li> <li>EXCO</li> <li>Divisional Director</li> </ul>
	<ul style="list-style-type: none"> <li>Variable</li> <li>Performance-based criteria</li> </ul>	<ul style="list-style-type: none"> <li>Commission</li> <li>Key Performance Indicators</li> </ul>	<ul style="list-style-type: none"> <li>Per agreement</li> <li>Agreed Key Performance Indicators</li> </ul>	<ul style="list-style-type: none"> <li>Management and Key Individuals</li> </ul>	<ul style="list-style-type: none"> <li>CEO (if Executive Director)</li> <li>EXCO where appropriate</li> <li>Divisional Director</li> </ul>
<b>Short-term based Incentives</b>	<ul style="list-style-type: none"> <li>Linked to agreed KPIs delivered annually measured against objectives and targets</li> </ul>	<ul style="list-style-type: none"> <li>Bonus schemes</li> </ul>	<ul style="list-style-type: none"> <li>Rewards personal performance</li> </ul>	<ul style="list-style-type: none"> <li>Management and key individuals</li> </ul>	<ul style="list-style-type: none"> <li>CEO (if Executive Director)</li> <li>EXCO (where appropriate)</li> <li>Divisional Director</li> </ul>
		<ul style="list-style-type: none"> <li>Discretionary bonus payments</li> </ul>	<ul style="list-style-type: none"> <li>Rewards individuals for specific performance which impacts Group performance</li> </ul>	<ul style="list-style-type: none"> <li>Management and key individuals</li> </ul>	<ul style="list-style-type: none"> <li>EXCO</li> </ul>
<b>Long-term based Incentives</b>	<ul style="list-style-type: none"> <li>Share option retention schemes</li> </ul>	The Mthombo Trust	<ul style="list-style-type: none"> <li>Employment Equity retention mechanism to promote B-BBEE for top performing individuals</li> </ul>	<ul style="list-style-type: none"> <li>Qualifying previously disadvantaged employees and key employees</li> </ul>	<ul style="list-style-type: none"> <li>Approved by CEO</li> <li>Ratified by Trustees</li> </ul>
		The EOH Share Trust	<ul style="list-style-type: none"> <li>Retention mechanism for top performing individuals</li> </ul>	<ul style="list-style-type: none"> <li>Executives</li> <li>Senior Management</li> <li>Key employees</li> </ul>	<ul style="list-style-type: none"> <li>Approved by CEO</li> <li>Ratified by Trustees</li> </ul>

## Remuneration reviews and increases

The salaries of employees are reviewed each year. Employees' salaries are recommended by the business unit leaders and are approved by the Group CEO. Various macro factors are taken into account including CPI, market and trading conditions, skills shortages in specific areas and salary surveys/benchmarks. Increases are considered based on market information, organisational performance and affordability. Changes in the scope and roles of individuals are specifically considered.

The Group CEO and Group Financial Director are employed in terms of executive employment contracts with a notice period of six months. Other executive directors and senior management are employed in terms of standard employment contracts with a notice period of three months. All directors sign restraints of trade agreements for a minimum period of 12 months following their resignations as directors.

Bonuses are paid to certain employees based on them meeting pre-determined performance criteria.

In addition to basic remuneration, long-term incentive benefits are allocated to management and key individuals who have met their key performance criteria and EOH wishes to retain over the long-term. A basic formula is applied to calculate share option allocations but discretion is applied to ensure that it is reasonable. See note 35 Directors' interest in shares of the Company; note 36 Directors' remuneration for the period whilst a director; and note 37 Share based payments.

Performance criteria for senior management and executives are set. Criteria are set for short-term incentives based on Divisional and Group performance. PBT calculated net of 'working capital related interest' targets are set and achievement is calculated pro rata between 50% and 100%, thereafter, linear, and capped at 150%. Additional Debtors Days (including work in progress and revenue accruals) incentives are set and measured. The achievement excludes acquisitions and acquisition related costs.

Target setting and weighting of bonuses	Percentage of bonus (weighting) %	Maximum payment* %
Targets are set and bonuses weighted based on certain criteria.		
Achievement of divisional PBT after 'Working Capital related interest'	60	150
Achievement of Group PBT after 'Working Capital related interest'	25	150
Realisation of debtors days	15	200

\* This indicates the maximum that a person can be paid as a percentage of target bonus amount.

## Outcome of implementation of Remuneration Policy

- Fair and responsible remuneration of employees;
- Sustainable growth and profitability of the EOH Group;
- Low staff turnover; and
- The retention of management and key individuals.

# CORPORATE GOVERNANCE



## Activities during the year

The following areas have been addressed during the year:

- Reviewed the remuneration policy in the context of King IV recommendations;
- Reviewed and approved the range of average salary increases for F2017/18;
- Reviewed non-executive directors' remuneration for F2017/F2018 for approval at the next AGM;
- Approved share options issued for F2017/F2018 to executives, senior management and key individuals;
- Reviewed the Remuneration Implementation Report; and
- Revised the committee's Terms of Reference.

## Conclusion

The Remuneration Committee met twice during the 2017 financial year and conducted its affairs in compliance with its Terms of Reference. The committee is satisfied that the overall principles set out by King IV have been applied and that the Companies Act has been adhered to.

**Rob Sporen**

*Chairman Remuneration Committee  
Lead Independent Non-executive Director*

12 January 2018

## NOMINATIONS COMMITTEE REPORT

*The Nominations Committee's (the Committee) function is to assist with identifying and evaluating suitable candidates for appointment to the Board and its sub-committees.*

The key function of the committee is to ensure that the Board and its committees are appropriately structured and resourced to enable them to efficiently fulfil their duties in terms of their Charters or Terms of Reference. The committee ensures that appointments to the Board and committees are governed by a formal and transparent process.

With regard to potential appointments, consideration is given to their independence, experience, diversity, skills and demographics. All new appointees are subject to confirmation of appointment by shareholders at the next AGM.

### Roles and responsibilities of the Nominations Committee

The committee is responsible for:

- Ensuring that the size and composition of the Board is appropriate to enable it to execute its duties effectively and to annually review such;
- Making recommendations to the Board for the appointment of executive directors and the appointment and re-appointment of non-executive directors;
- Annually reviewing the independence of non-executive directors, taking into account all applicable corporate governance requirements;
- Ensuring that directors undergo proper 'on-boarding'/induction.
- Ensuring that directors receive ongoing training as and when required;
- Ensuring that formal succession plans are in place for members of the Board, the CEO and senior executives; and
- Assisting the Chairman and the Board in evaluating the performance of the Board, its committees and individual directors.

### Composition of the committee

- Rob Sporen – Chairman, Independent non-executive director
- Lucky Khumalo – Independent non-executive director
- Pumeza Bam – Non-executive director





# CORPORATE GOVERNANCE

## Activities during the year

The Nominations Committee met twice during the year. The Group CEO, Group Financial Director and Group Human Resources Director attend committee meetings by invitation.

During the year the following persons were appointed to the Board:

Name	Position	Date
Grathel Motau	Independent Non-Executive Director	1 March 2017
Pumeza Bam	Non-Executive Director	1 March 2017
Zunaid Mayet	Executive Director (Group CEO)	12 May 2017
Rob Godlonton	Executive Director	12 May 2017
Brian Gubbins	Executive Director	12 May 2017
Ebrahim Laher	Executive Director	12 May 2017
Jehan Mackay	Executive Director	12 May 2017
Moretlo Molefi	Independent Non-Executive Director	12 May 2017
Johan van Jaarsveld	Executive Director	12 May 2017

The following people resigned from the Board:

Name	Position	Date resigned
Pumeza Bam	Executive Director	1 March 2017
Asher Bohbot	Executive Director (former CEO)	12 May 2017
Danny Mackay	Non-Executive director	12 May 2017
Dion Ramoo	Executive director	12 May 2017
Jane Retief (né Thomson)	Executive director	12 May 2017
Audrey Mthupi	Independent Non-Executive director	31 August 2017

The committee has also been involved in the interviewing and referral of candidates with particular focus on black female candidates for the positions of Chief Information Officer and Group Human Resources Director. The committee has assessed and continues to reassess the composition of the Board and its sub-committees. The committee fulfilled its duties in compliance with its mandate as per the Terms of Reference.

## Conclusion

The committee is satisfied that the overall principles laid down by King IV have been applied and that the Companies Act and the regulatory and statutory requirements have been adhered to.



### Rob Sporen

*Chairman Nominations Committee*

*Lead Independent Non-executive Director*

12 January 2018

## TECHNOLOGY AND INFORMATION COMMITTEE REPORT

*The Board has tasked the Technology and Information Committee ('the committee') with ensuring the effectiveness of EOH's information technology policies, processes and standards.*

### Role and responsibilities of the Technology and Information Committee

The role of the committee is to:

- Ensure the effectiveness of the IT strategy and to ensure that it supports the Group's business strategy;
- Ensure the effectiveness of the integration of people, technologies, information and processes across the Group;
- Evaluate and ensure that there is management capacity and appropriate resources and IT systems (applications, hardware, software and networks);
- Ensure that technology and information risks are incorporated into the Group's ERM processes;
- Pro-actively monitor intelligence to identify and respond to incidents, including cyber attacks and adverse media events;
- Manage the performance of, and the risks pertaining to, third-party and outsourced service providers;
- Review the capital and operating budgets for IT investments and IT services;
- Assess the value delivered to the Group through investments made in technology;
- Ensure the effectiveness of the documentation relating to systems, programming, networks and operational processes and activities;
- Ensure effective backup procedures for all material data and the regular testing of these arrangements through disaster planning and data recovery activities to ensure business resilience;
- Ensure the responsible disposal of obsolete technology to preserve and protect the confidentiality of information; and in a way that has a minimal impact on the environment;
- Ensure the responsible use of technology and information; and
- Comply with the Companies Act and all relevant laws and regulations.

### Composition of committee

- Tshildzi Marwala – Chairman, Independent non-executive director
- Lucky Khumalo – Independent non-executive director
- Zunaid Mayet – Chief Executive Officer
- John King – Group Financial Director
- Rob Godlonton – CEO ICT Division
- Hendrick Mosopa – Chief Information Officer (invitee)

### Activities during the year

- The committee met twice during the year;
- Monitored the return on investment of significant IT expenditure;
- Supported the roll-out of projects including operational systems for Human Resources and Finance; enhanced reporting systems; consolidation and standardisation of the active directory and EOH domains; network security projects; self-assessing software licensing project;
- Disaster Recovery Plans were enhanced and tested;
- Business Continuity Plans were tested;
- Assessed the adequacy of the IT risk management framework; and
- Reviewed the IT governance policies, procedures and controls to ensure the resilience thereof.

### Conclusion

The committee is satisfied that it has met the requirements of its Terms of Reference.



**Tshildzi Marwala**  
*Chairman, IT Governance Committee*  
*Independent Non-Executive Director*

12 January 2018

# CORPORATE GOVERNANCE

## SOCIAL AND ETHICS COMMITTEE REPORT

*The Social and Ethics Committee ('the committee') assists the Board with matters relating to good business practice, ethical conduct and transformative social actions to promote EOH's purpose of being a force for good.*

The committee monitors EOH's activities in terms of legislation, regulation and Codes of Best practice relating to ethics, stakeholder engagement, strategic empowerment and compliance with transformation codes. The committee applies international best practice to provide guidance to management in respect of its duties relating to social, ethics, transformation and sustainability issues.

### Roles and responsibilities of the Social and Ethics Committee

The committee is responsible for:

- The ethical conduct of the Company, its executives and senior officials in terms of the provisions of EOH's Code of Conduct;
- Approving EOH's Code of Conduct;
- Approving policies relating to anti-bribery and corruption and EOH's Zero-tolerance towards such, B-BBEE initiatives, EE initiatives and programmes, implementation and compliance with the PAIA Manual and the Protection of Personal Information Act ('POPI Act');
- Sustainable transformation strategies, objectives and targets and advising the Board accordingly;
- Approving the overall principles for the development of EOH's EE plan;
- Monitoring the achievement of targets set in terms of our B-BBEE initiatives with specific reference to the amended ICT sector code of B-BBEE Act 53 of 2003 as amended by the B-BBEE Act 46 of 2013;
- Good corporate citizenship including the promotion of equality, prevention of unfair discrimination and zero-tolerance towards bribery and corruption;
- The development of communities guidance regarding sponsorships and donations;
- Monitoring changes in legislation and Codes of Best Practice;
- Social and economic development activities of EOH including health, public safety and environmental issues; and
- Application and implementation of sound labour and employment practices.

### Composition of the committee

- Pumeza Bam – Chairperson, Non-executive director
- Moretlo Molefi – Independent non-executive director
- Rob Sporen – Independent non-executive director
- Zunaid Mayet – Group Chief Executive Officer
- John King – Group Financial Director
- Isobel Townsend – Operations Finance Director (ad hoc invitee)

### Activities during the year

The committee met twice during the year and deliberated on all aspects in accordance with section 72 of the Companies Act, read in conjunction with Regulation 43 of the Companies Regulations, 2011.

Key areas of focus by the committee during the reporting period included EE, B-BBEE rating based on the amended ICT sector code and the training and development of employees.

### Transformation initiatives

The Board recognises that social and transformation issues are crucial for the sustainability of the Group and that continued investment in its employees and the communities within which it operates is key to EOH's ongoing viability.

EOH continues its drive towards economic and social equity through the process of B-BBEE. Transformation is managed at an operational level and reported and monitored at Group level via EOH's various reporting structures. During the current year the amended ICT sector code became applicable to EOH. The best measure of EOH's overall success is reflected in EOH's B-BBEE rating – a Level 1 contributor status under the South African Department of Trade and Industry ('DTI') Code of Good Practice – the highest rating of its peers on the JSE.

The Board has formalised a transformation programme with measurable objectives in terms of transformation, ownership, skills development and training. The Board is continuously assessing options and ownership models to enhance Black Ownership. The Board has also formalised a gender diversity policy for the composition of the Board and its committees.

### Skills development programme

Skills development is an integral part of human capital management that ensures efficiency and effectiveness and the deployment of the best skills. A workplace skills plan was prepared and submitted to the Services SETA.

Accelerated training for middle and senior management, with a focus on African employees, is in place to facilitate rapid promotion through the ranks.

EOH has various learnerships (employed and unemployed participants) and an internship programme as part of the EOH Youth Job Creation initiative. Unemployed participants obtain the opportunity to receive relevant training and to gain on-the-job experience whilst EOH employees receive additional specific training as part of a defined learnership programme.

### Socio-economic development programme

EOH has a comprehensive socio-economic development programme and has partnered with organisations to help realise and support its vision. Some initiatives include the support for the Maths Centre, Afrika Tikkun, SABCOHA and several other programmes.

Additional funding is being made available for pupils who have participated in the Maths and Science programme to be placed on EOH's Learnership programme, whilst completing a graduate programme. EOH is driving this initiative in partnership with the Botihale village and the Belgium Campus.

## Enterprise and Supplier Development

The Supplier Development process is continually being enhanced to provide more opportunities for Enterprise Development. This process includes the selection, partnering, development, investment and the subsequent review of such programmes and initiatives.

Preferred suppliers are being sourced by every division and being placed on a centralised technology platform for the benefit of all. All suppliers are vetted/re-accredited before being captured on the centralised technology platform. The Enterprise and Supplier Development process at divisional level has recently been standardised to ensure consistency across EOH.

## Employment Equity ('EE') Initiatives

EOH continues to focus on the development of talented employees for promotion. Graduate programmes support EOH's strategy of fast-tracking talented employees.

The 2017 Diversity programme has been rolled out and specific situational training programmes, diversity toolkit and other life skills programmes developed.

## Stakeholder Interaction

Together with our Investor Relations advisors, we have increased our engagement with our shareholders through surveys, direct one-on-one engagements, meetings, investor open days and local and international investor roadshows.

## Reporting and Compliance Activities

EOH complies with the relevant environmental, social and governance regulatory reporting requirements. Such reporting is guided by the Global Reporting Initiatives ('GRI') guidelines. The committee reviewed the GRC framework, including the policies relating to Zero-tolerance on bribery and corruption; Occupational Health and Safety; PAIA Manual; POPI Act; Information Security; Communication Strategy; best business practice; and EOH's Code of Conduct.

EOH has a zero-tolerance approach towards unethical behaviour and is committed to ensuring that the Group and its employees uphold EOH's reputation as a responsible and caring corporate citizen.

## Conclusion

The committee confirms that EOH gives the necessary attention to its transformation, social and ethics responsibilities and has complied with the required regulatory requirements. Policies and programmes are in place to advance social and economic development, sound ethical behaviour, fair labour practices, responsible environmental practices and good customer relations.

The committee has conducted its affairs in compliance with its Terms of Reference and has discharged its responsibilities contained therein.



**Pumeza Bam**

*Chairman, Social and Ethics Committee*

12 January 2018

