

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 all the EOH philosophies:

- Best People;
- Partner for Life;
- Right 1st Time;
- Sustainable Transformation;
- Lead and Grow

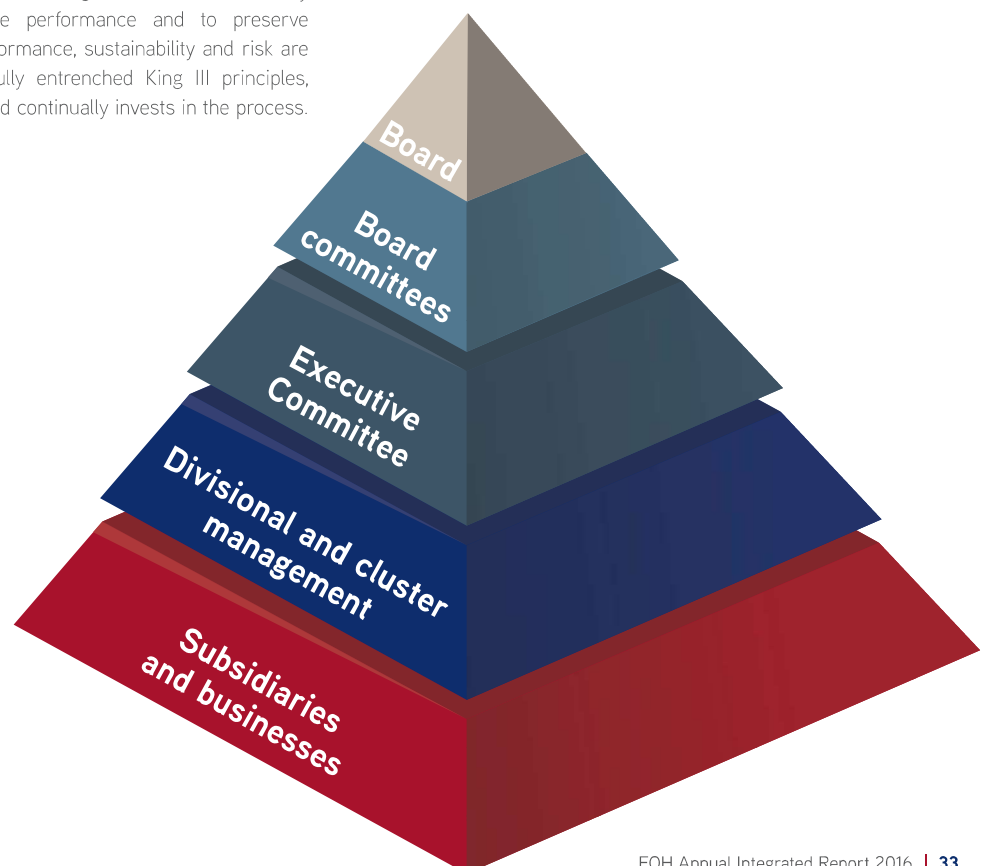
Governance structure

Governance standards throughout the organisation are continually reviewed to ensure sustainable performance and to preserve shareholder value. Strategy, performance, sustainability and risk are inseparable. EOH has successfully entrenched King III principles, is assessing King IV principles and continually invests in the process.

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 does business. The Board ensures at all times 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 enhance and invest in the economy and the environment of the markets in which EOH operates.

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



THE BOARD OF DIRECTORS



Sandile Zungu

BSc (Mechanical Engineering), MBA
Reappointed 19 February 2016
Chairman

Responsibilities:

Non-Executive Chairman of the Board



Pumeza Bam

BSc (Biochemistry), PMD
Appointed 15 July 2009
Group Human Resources Director

Responsibilities:

Human Resources Director
Member of the Board
Member: Social and Ethics Committee
Invitee: Remuneration Committee
Invitee: Nominations Committee
Member of EOH Executive Committee



Asher Bohbot

BSc (Industrial Engineering)
Reappointed 27 February 2008
Group Chief Executive Officer ('Group CEO')

Responsibilities:

Group Chief Executive Officer
Member of the Board
Member: Risk and Governance Committee
Member: IT Governance Committee
Member: Social and Ethics Committee
Invitee: Audit Committee
Invitee: Remuneration Committee
Invitee: Nominations Committee
Chairman of EOH Executive Committee



John King

BCom, BAcc, CA(SA)
Reappointed 1 March 2008
Group Financial Director

Responsibilities:

Group Financial Director
Member of the Board
Member: Risk and Governance Committee ('Chief Risk Officer')
Member: IT Governance Committee
Member: Social and Ethics Committee
Invitee: Audit Committee
Invitee: Remuneration Committee
Invitee: Nominations Committee
Member of EOH Executive Committee



Dion Ramoo

CA(SA), CD(SA), Prof Acc (SA),
BSc (Info Proc), SAI MFO
Reappointed 23 February 2011
Executive Director

Responsibilities:

Member of the Board
Head of EOH Public Sector Advisory Services
Member of EOH Executive Committee



Jane Thomson

Reappointed 23 February 2011
Executive Director

Responsibilities:

Member of the Board
Managing Director of Softworks
Member of EOH Executive Committee



Lucky Khumalo

BSc (Computer Science)
Reappointed 11 February 2015
Independent Non-Executive Director

Responsibilities:

Member of the Board
Member: Audit Committee
Member: IT Governance Committee
Member: Remuneration Committee
Member: Nominations Committee



Danny Mackay

Reappointed 19 February 2016
Non-Executive Director

Responsibilities:

Member of the Board



Tshildzi Marwala

BSc (Mechanical Engineering),
MSc (Engineering), PhD
Reappointed 19 February 2016
Independent Non-Executive Director

Responsibilities:

Member of the Board
Member: Audit Committee
Member: Risk and Governance Committee
Chairman: IT Governance Committee



Audrey Mthupi

BA (Honours)
Appointed 27 July 2016
Independent Non-Executive
Director

Member of the Board



Rob Sporen

Reappointed 11 February 2015
Lead Independent Non-Executive
Director

Responsibilities:

Member of the Board
Chairman: Audit Committee
Chairman: Risk and Governance
Committee
Chairman: Remuneration
Committee
Chairman: Nominations Committee
Chairman: Social and
Ethics Committee



Tebogo Skwambane

BA, MBA
Resigned 11 February 2016
Independent Non-Executive
Director



Thoko Mnyango

BJuris
Resigned 27 July 2016
Non-Executive Director

CORPORATE GOVERNANCE CONTINUED

Regulatory and statutory compliance

Compliance with all relevant regulations affecting the business activities of the Group is regarded as being of the utmost importance. The principle frameworks includes:



Board charter

The Board charter is vital to the Company's governance framework, and:

- provides the legal framework within which the Board operates;
- outlines the policies that the Board has agreed upon to meet its responsibilities;
- assists the Company's leadership in delivering good governance;
- allows communication of the Board's expectations to management; and
- serves as an induction tool for new directors.

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 mutual 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 and the separate charters and policies. 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. The Group Company Secretary maintains a register of directors' interests.

Ethical leadership

The Board subscribes to ethical leadership which forms the basis of the EOH Code of Conduct.

Decisions and actions are based on these 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.

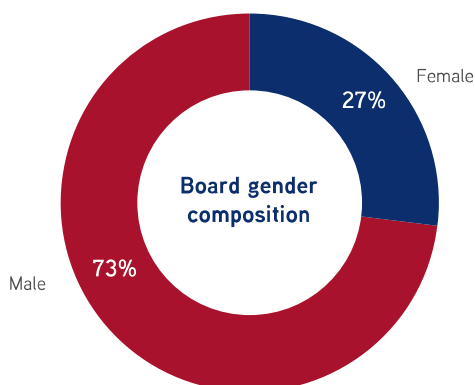
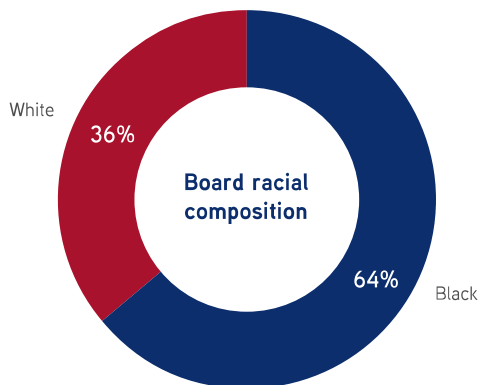
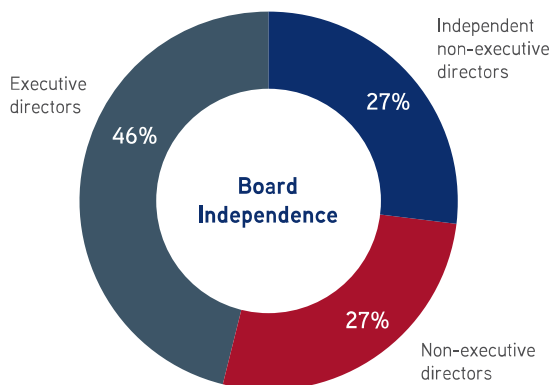
The Executive Committee is responsible for ensuring that these values are adhered to throughout the Group. The Board's Social and Ethics Committee ensures the application of these principles.

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 employed full-time by EOH.

As at the date of this report, the Board consisted of eleven individuals. Five are executive directors, four are independent non-executive directors and two are non-executive directors. Six of the Board members are black, of which two are women.

Full details of the directorate are set out on pages 34 and 35.



The Chairman of the Board

The Chairman and Group CEO fulfil separate roles and operate under distinct mandates issued and approved by the Board. These mandates clearly differentiate the division of responsibilities within EOH and ensure a balance of power and authority.

The Chairman, a non-executive director, presides over the Board providing it with effective leadership and ensuring that all relevant information is placed before it. The Chairman is also responsible for leadership, promoting the highest standards of governance and effectiveness of the Board. The Chairman is reappointed annually. The Chairman is not independent, a lead independent director, Rob Sporen has been appointed.

The Group CEO

The Group CEO is fully accountable to the Board for EOH's day-to-day operations, developing the Group's strategy and presenting the business plan and budgets to the Board for approval. It is paramount that the executive directors lead EOH with integrity and good judgement. In exercising control of the Group, the Board is empowered to delegate its responsibilities.

Election and re-election of directors

The election and re-election of directors is delegated to the Nominations Committee. A rigorous assessment of new nominations is conducted by the Committee. Newly appointed directors are ratified at the next Annual General Meeting ('AGM') following their appointment.

In terms of the Company's Memorandum of Incorporation ('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 will be put forward for re-election by the shareholders at the next AGM. The non-executive directors to retire shall be those who have been in office for the longest period since their appointment.

Succession planning

Should a director retire, resign or be disqualified and removed, the Nominations Committee is tasked with identifying potential candidates. It performs an assessment as to the candidates' appropriateness for the position in terms of their experience and skills. The process of selection, induction and ongoing training of directors is formalised.

Directors' interest in contracts

Directors are required to declare their interests annually in order to determine whether there is any conflict 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 had 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 2016 are contained in the Annual Financial Statements on page 93. Directors have no loans with the Company.

Trading in Company shares

The Group Company Secretary informs the Board and management of its closed periods when trading in EOH shares by directors, senior executives and participants in the group share incentive schemes is prohibited. The closed periods commence on 1 August and 1 February 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 would also be classified as a closed period.

All directors' dealings require the prior approval of the Group CEO or Group Financial Director and are recorded. The Group Company Secretary retains a record of all such share dealings.

Non-executive directors' fees

As suggested by King III, Board member fees comprise both a retainer fee and a meeting attendance fee. Non-executive directors receive fees for their services as directors and as members of Board committees. The total remuneration payable to non-executive directors requires approval of shareholders at the AGM. The last AGM was held on 19 February 2016. The next AGM is scheduled for 22 February 2017.

Stakeholder engagement and communication

The Board has a clear understanding of its responsibilities to internal and external stakeholders. EOH's stakeholders are defined as those entities and individuals that are significantly affected by the Group's activities and those which have the ability to significantly impact the Group's ability to achieve its objectives.

Stakeholder communication is a planned, proactive process where management engages formally and informally with individuals and collective audiences to share information and gain an appreciation of stakeholder perspectives.

EOH's website is an information portal for Group news and announcements. Internal communication includes the monthly publication and distribution of 'the ECHO', a Group wide newsletter for internal stakeholders.

Group Company Secretary

The Group Company Secretary acts in a supportive capacity to the directors and Chairman. The Board is satisfied that the Group Company Secretary is suitably qualified, competent and experienced to provide guidance in matters relating to governance and other related practices across EOH. 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 to the Board committees and the Group's subsidiary companies.

Board statement of effectiveness

Performance evaluation

The Board appraises the Chairman, while the Remuneration Committee appraises the Group CEO. The Remuneration Committee also assesses the remuneration of the Chairman and directors. In addition to the Remuneration Committee's evaluation of the performance of the Board, the individual directors complete formal evaluations of their effectiveness. The Board also assesses the appropriateness of the Board structure and its effectiveness. The Group Company Secretary, together with the Board members and committee members, assumes responsibility for any actions required. Details of the directors' remuneration are set out on page 93 of the Annual Financial Statements.

Statement of compliance

The Board has adopted the 'apply or explain' principle contained in King III as required in terms of the JSE Listings Requirements. The assessment of the application and implementation of King III, including current levels of compliance in respect of the guidance and oversight of risk, governance and compliance management across the Group is ongoing. The King III checklist is available on the Company's website at www.eoh.co.za.

Internal controls

Based on a review of internal controls and risk management, 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 are not effective.

Subsidiary boards

EOH has several wholly owned subsidiaries. The Group's operating business units function as divisions of legal entities. Each of EOH's subsidiary companies has a separate board of directors. The Board and its committees and the EOH Executive Committee oversee all significant aspects and transactions of the subsidiaries. The boards of the subsidiaries and management committees of the operating divisions are constituted with the necessary mix of skills, experience and diversity.

Board committees

The Board has delegated certain functions to committees. In doing so, the Board has not abdicated any of its own responsibilities. The committees are chaired by independent non-executive directors. All the Board committees operate under Board-approved mandates and terms of references.

The Chairpersons of these committees attend the AGM to respond to any shareholder queries. Shareholders are required to elect the members of the Audit Committee at the Company's AGM. Non-executive directors may meet separately with operational management without the attendance of the executive directors.

The Board has six committees:

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



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 background material relating to matters to be discussed at each meeting to enable the directors to prepare in advance.

	Board	Audit	Risk and Governance	IT Governance	Remuneration	Nominations	Social and Ethics
Number of meetings held	4	3	2	2	2	1	2
Executive directors							
Pumeza Bam	4/4				2/2 [#]	1/1 [#]	2/2
Asher Bohbot	4/4	3/3 [#]	2/2	2/2	2/2 [#]	1/1 [#]	2/2
John King	4/4	3/3 [#]	2/2	2/2	2/2 [#]	1/1 [#]	2/2
Dion Ramoo	4/4						
Jane Thomson	4/4						
Non-executive directors							
Lucky Khumalo	3/4	2/3		1/2	2/2	1/1	
Danny Mackay	3/4						
Tshilidzi Marwala	4/4	3/3	2/2	2/2			
Audrey Mothupi	1/1 [*]						
Rob Sporen	4/4	3/3	2/2	2/2	2/2	1/1	2/2
Sandile Zungu	4/4						
Other invitees							
Rob Godlonton (ICT Executive)				2/2			
Hendrick Mosopa (CIO)				2/2			
Isobel Townsend (Finance Executive)							2/2 [#]
Adri Els (Group Company Secretary)							2/2 [#]

[#] By invitation

^{*} Audrey Mothupi was appointed as a member of the Board on 27 July 2016 and therefore was only eligible to attend the meeting on 12 September 2016.

AUDIT COMMITTEE REPORT

The Audit Committee is independent and accountable to both the Board and shareholders.

The Committee does not assume the functions of management, this remains the responsibility of the executive directors and other members of senior management.

The Committee members were appointed by EOH's shareholders at the AGM held on 19 February 2016. It has decision-making authority with regard to its statutory duties. The mandate of the Audit Committee ('the Committee') is to oversee the integrity of EOH's internal 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.

Role and responsibilities

The Committee's statutory duties and responsibilities are varied and include:

- Nominate and appoint a registered auditor who, in the opinion of the Committee, is independent;
- Determine the fees to be paid and the terms of engagement of the auditor;
- Determine the nature and extent of any non-audit services which the auditor may provide;
- Pre-approve any proposed contract with the auditor for the provision of non-audit services;
- Ensure that the appointment of the auditor complies with the Companies Act, JSE Listings Requirements and King III recommendations;
- Oversee the integrated reporting process;
- Review the Annual Financial Statements, interim reports, preliminary reports and provisional results announcements; and
- Review the Integrated Report and recommend such report for approval by the Board.

Composition

The Committee comprises two independent non-executive directors and is chaired by the Lead Independent Non-Executive Director. The members of the Committee have the requisite financial knowledge, skills and experience to oversee and assess the strategies and processes developed and implemented by management to manage the business in a continually evolving and changing environment.



The members nominated by the Board for re-election as members of the Committee, subject to shareholder approval at the AGM to be held on 22 February 2017, are:

- Rob Sporen as a member and Chairman of the Audit Committee;
- Lucky Khumalo as a member of the Audit Committee;
- Tshilidzi Marwala as a member of the Audit Committee; and
- Audrey Mothupi as a member of the Audit Committee.

Attendance

The Committee met three times during the year in order to discharge its responsibilities. The Group CEO and Group Financial Director attend 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. The Committee's Chairman reports to the Board on the activities and recommendations of the Audit Committee. Refer to the attendance register on page 39.

Report on activities for 2016

In executing its delegated duties, the Committee focused on:

Integration of acquisitions

An overview of the 'acquisition process' was presented to both the Board and Audit Committee members. The detailed Audit Planning Memorandum of the external auditors clearly states that it focuses on new acquisitions. The Company Secretary, together with the Finance Function, Legal Function, HR Function and GRC Senior Manager take new joiners through the required processes/compliance matters applicable to being a member of EOH. All staff attend a one day 'orientation day' to familiarise them with EOH's policies, procedures and guidelines.

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

Annual Financial Statements

Reviewed the Annual Financial Statements and summarised information, interim and preliminary announcements, accompanying reports to shareholders and all other announcements on the Group's results and other financial information that was made public, prior to the submission to and approval by the Board.

Group Financial Director

The Committee confirms to shareholders that it is satisfied with the expertise and experience of John King.

Finance function

The Committee has reviewed the expertise, resources and experience of the Group's finance function and confirms to shareholders that the finance function is effective. In making these assessments, the Audit Committee obtained feedback from various external service providers.

Review of internal controls

The review of internal controls remains the responsibility of the Committee. The required testing and assessments were performed by external service providers and competent in-house financial staff.

The Committee is of the opinion, after 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 recommends the reappointment of Mazars (Gauteng) Inc., as the external audit firm for the year ending 31 July 2017. The Committee is satisfied that the audit firm will act with unimpaired independence, free from any scope restrictions.

In short, the Committee has, *inter alia*:

- Monitored and reported on the independence of Mazars (Gauteng) Inc. as it relates to the signing off of the Annual Financial Statements for 2016;
- Pre-approved contracts for non-audit services that were rendered by Mazars (Gauteng) Inc.;
- Ensured there is a process for the Committee to be informed of any reportable irregularities (as identified in the Auditing Profession Act) identified and reported by the external audit firm;
- Reviewed the quality and effectiveness of the external audit process and ensured that the designated audit partner was independent.
- Nominates that Mazars (Gauteng) Inc. be reappointed as external auditors by shareholders at the AGM;
- Determined the terms of engagement and fees to be paid to Mazars (Gauteng) Inc.; and
- Ensured that the reappointment of the audit firm complies with the Companies Act and other relevant legislation;

Annual integrated reporting

The Committee oversaw the integrated reporting and in particular has:

- Considered all factors and risks that may have an impact on the integrity of the Annual Integrated Report for 2016;
- Reviewed the Annual Financial Statements for 2016 and the notes thereto;
- Considered whether there were any material sustainability issues;
- Reviewed the content of the information to ensure that it provided a balanced view;
- Prepared the reports to be included in the Annual Financial Statements for 2016; and
- Recommended the Annual Integrated Report for 2016 to the Board for approval.

Sustainability policy

The Committee, in conjunction with the Social and Ethics Committee, has ensured the establishment and maintenance of the relevant management structures and processes to meet the objectives of EOH's sustainability policy. Refer to the Sustainability Report on pages 21 to 31.

Audit Committee recommendation

The Committee hereby reports to the shareholders that:

Going concern

The Committee 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 2016 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.


The Committee received no complaints on the accounting practices, financial statements or internal controls of the Group.

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 be approved by the Board.

Conclusion

The Committee is satisfied that it has met the requirements of its terms of reference.



Rob Sporen

Chairman, Audit Committee
Lead Independent Non-Executive Director

RISK AND GOVERNANCE COMMITTEE REPORT

The Board is responsible for the governance of EOH's risk and for setting levels of risk tolerance.

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 and the monitoring thereof. The EOH Executive Committee is accountable to the Board for designing, implementing and monitoring the risk management processes. Senior management is responsible for effectively managing risk within their respective areas of responsibility.

The role of the Committee is to assist the Board with the implementation of effective policies and to develop an effective risk management plan. The Committee's name was recently changed to include Governance.

Role and responsibilities

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

- Oversee the development and bi-annual review of the risk policy and risk management plan;
- Monitor the implementation of the policy and plan;
- Approve systems and processes;
- Make recommendations to the Board regarding the level of risk tolerance;
- Oversee the risk management plan and see to it that the plan is disseminated throughout the organisation as a part of daily activities;

- Ensure that risk management assessments are performed on a continuous basis;
- Ensure that frameworks and methodologies are implemented to anticipate risks;
- Ensure that management considers and implements appropriate risk responses;
- Ensure that management monitors risk;
- Liaise closely with the Audit Committee to exchange information relevant to risk;
- Express an opinion to the Board on the effectiveness of the system and process of risk management; and
- Review the reporting of risk to be included in the Annual Integrated Report.

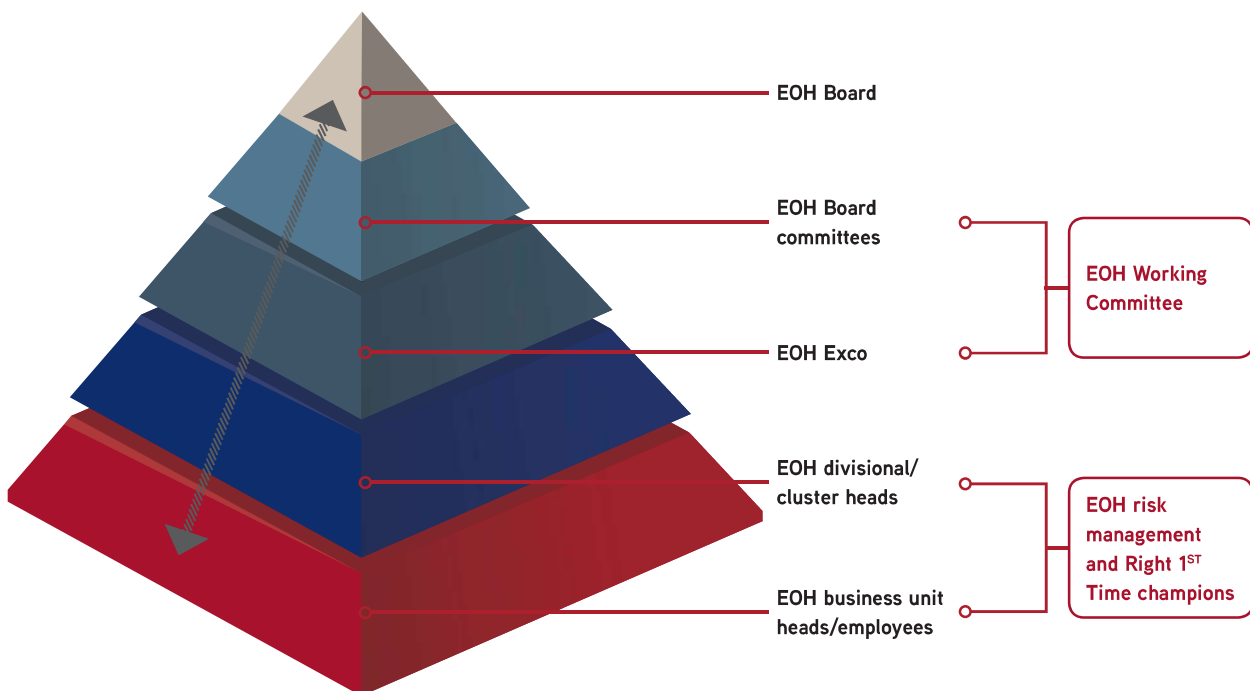
Composition

The Committee comprises two independent non-executive directors, the Group CEO and the Group Financial Director. The members of the Committee have the requisite knowledge, skills and experience to effectively carry out the Committee's mandate. The Committee consists of:

- Rob Sporen, Chairman
- Asher Bohbot
- John King
- Tshilidzi Marwala

Report on activities for 2016

- Improved the governance and risk framework;
- Drafted standardised policies and guidelines for use throughout EOH;
- Re-energised the zero tolerance policy on corruption and bribery;
- Enhanced IT governance policies with a specific focus on security;
- Focussed on reputational risk and mitigating actions;
- Created a centre of excellence to monitor divisional risk meetings, the reporting of identified risks and actions to mitigate such risks materialising; and
- Entrenched 'Right 1st Time' at all levels, with a focus on the sales and project management processes.



Enterprise Risk Management ('ERM') overview

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

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

The EOH ERM objectives are aligned with the EOH philosophies, namely:

- Best People
- Partner for Life
- Right 1st Time
- Sustainable Transformation
- Lead and Grow

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

The identified risks, their likelihood of occurrence, impact on business objectives if occurred, 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 tolerance levels. No risks identified exceeded tolerance levels.

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

Ownership of risk management

The Committee is responsible for the risk management process and reports to the Board.

The EOH Executive Committee is the business sponsor for the risk programme. This operational body monitors and reviews EOH's risk management system and reports its findings to John King, who is the Chief Risk Officer, on a regular basis.

Risk categorisation

The high-level risk categories used by ERM are:



Operational responsibility for execution of the programme and the achievement of the agreed outputs is part of the responsibility of operational management. Those responsible for the management of risks are also responsible for ensuring that the necessary operational controls are adequate and effective at all times.

Risk management framework

The core risk management process is an ongoing systematic, business wide risk assessment process which supports EOH's ERM philosophy. This ensures that risks and opportunities are not only adequately identified, evaluated and managed at the appropriate level in each division, but also that their individual and joint impact on EOH as a whole is taken into consideration.

90% of the risk process is focused on:

- Root cause elimination
- Risk prevention
- Risk mitigation

10% of the risk process is focused on:

- Rectifying failure and managing emergencies

Risk management process

The EOH ERM process is divided in two streams, namely the 'strategic process' and the 'tactical process'. The strategic process is about policy, overall communication, overall roles and responsibilities and the measurement and review of the programme, whereas the tactical process is about 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 at all levels. The assessment methodology takes into account the severity and probability of occurrence and applies a rating based on the quality of control procedures, thereby ranking and setting priorities. The top risks, elevated at group level, are addressed through action plans put in place with responsibilities assigned to the appropriate people.

ERM lines of defence

The 'three lines of defence' that support the Board:

- First line – operating divisional management

The Group's first line of defence is the senior executives and business unit managers who are directly responsible for EOH's business operations.

- Second line – Group risk function

The Chief Risk Officer is a member of the EOH Executive Committee and is accountable for the effectiveness of the risk management function. The Chief Risk Officer reports to the Group CEO and has direct and unrestricted access to the Risk and Governance Committee Chairman. The Chief Risk Officer is responsible for developing Group-wide risk management policies, overseeing their implementation and reporting on risk issues to the EOH Executive Committee.

- Third line – assurance

The third line of defence comprises the Group's independent assurance functions that provide an independent and balanced view of all aspects of risk management (both first and second line of defence) across the Group to the various governance bodies within the Group.

Conclusion

The Committee is satisfied with EOH's Enterprise Risk Management 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.



Rob Sporen

Chairman, Risk and Governance Committee

Lead Independent Non-Executive Director

IT GOVERNANCE COMMITTEE REPORT

The Board has tasked the IT Governance Committee ('the Committee') with ensuring the effectiveness of EOH's information technology policies, processes and standards.

Role and responsibilities

- Focus on the effectiveness of EOH's IT strategy;
- Evaluate and ensure effective and efficient IT systems, policies and procedures;
- Evaluate and ensure that there is appropriate management capacity and resources;
- Review the capital and operating budgets for IT activities;
- Focus on the effectiveness of documentation for systems, programming, network and operations activities; and
- Focus on the effectiveness of business continuity and backup procedures.

Composition


- Tshilidzi Marwala, Chairman
- Asher Bohbot (Chief Executive Officer)
- John King (Group Financial Director)
- Rob Godlonton (CEO ICT Division)
- Lucky Khumalo (Non-executive Director)
- Hendrick Mosopa (Chief Information Officer)

Report on activities for 2016

- Reviewed and reissued IT policies and guidelines with specific focus on cyber security;
- Monitored the return on investment of significant IT projects;
- Rolled out projects including licensing, network security and operational systems for HR and Finance;
- Disaster recovery plans were enhanced and tested;
- Business Continuity Plans were tested;
- Assessed the adequacy of the IT risk management framework;
- Improved IT governance measures and ensured that the controls supporting IT services were adequate; and
- Developed policies, procedures and measures to protect intellectual property and personal information.

Conclusion

The Committee, having fulfilled its oversight role regarding the risk management process, is satisfied that it has met the requirements of its terms of reference.



Tshilidzi Marwala

Chairman, IT Governance Committee

Independent Non-Executive Director

REMUNERATION COMMITTEE REPORT

The Remuneration Committee is responsible for reviewing and approving the remuneration of directors, senior management and staff.

Roles and responsibilities

- Ensure that the Company's directors and senior executives are paid fairly for their individual contributions to the Company's performance, and that remuneration policies are appropriate to retain and motivate the directors and senior management;
- Ensure that the Company remunerates staff fairly and responsibly;
- Oversee the setting and administration of remuneration at all levels in EOH;
- Ensure that the remuneration policy promotes the achievement of strategic objectives and encourages individual performance;
- Review the implementation of the remuneration policy to ensure that objectives are being achieved;
- Ensure that the mix of fixed and variable pay, in cash, shares and other elements, meets EOH's needs and strategic objectives;
- Satisfy itself as to the accuracy of recorded performance measures that govern incentives;
- Ensure that all benefits are justified and correctly valued;
- Consider the results of the evaluation of the performance of the Group CEO and other executive directors;
- Regularly review incentive schemes;
- Consider the appropriateness of early vesting of share-based payments at the end of employment and the performance measures that govern the vesting of options;
- Advise on the remuneration of non-executive directors; and
- Ensure that the disclosure of the directors' remuneration is accurate, complete and transparent.

Composition

- Rob Sporen, Chairman
- Lucky Khumalo

The Group 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 to discuss the performance of the other executive directors and to make proposals as necessary.

EOH's remuneration philosophy

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. Fees for non-executive directors should be determined in the context of good governance and be market related.

In compliance with the principles of King III, the Remuneration Committee assists the Board in setting and administering remuneration policies. The remuneration policy within the EOH Group is reviewed bi-annually.

EOH's remuneration strategy

EOH's remuneration strategy is aligned with the business strategy to attract, retain, motivate and reward employees to deliver on the strategy. The Remuneration Committee uses third-party information to benchmark remuneration to ensure that it is market related:

EOH's remuneration strategy is to use a combination of guaranteed annual salaries (with benefits commensurate with the market place); profit share incentives that reward short-term operational performance; and share option schemes (long-term share-based incentives) that promote retention and drive performance in alignment with EOH's strategic goals.

EOH's remuneration policy

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 and 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;
- 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 an important component of remuneration and both annual and long-term performance-based schemes are in place in support of EOH's business strategy;
- Incentive scheme performance measures are assessed by the Remuneration Committee – these measures include corporate performance, individual performance, and financial and non-financial criteria;
- Performance measures are applicable to the time period to which the scheme relates;
- Annual bonuses are based on performance for the financial year, while the long-term incentive scheme measures are based on long-term sustainability and shareholder value;
- The Group CEO is empowered to determine the remuneration packages of senior executives based on the guidelines agreed at the Remuneration Committee meetings; and
- To value and reward individual contributions. 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.

Remuneration structure of employees/executives/ senior management

The salaries of employees are reviewed each year. Employees' salaries are recommended by the business unit leaders and are approved by the Group CEO. Changes in the scope and roles of individuals are 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.

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

Remuneration paid to directors is shown on page 93.



Non-executive directors' fees

As suggested by King III, Board fees comprise both a retainer fee and an attendance fee. Non-executive directors receive fees for their services as directors and as members of Board committees. The total remuneration payable to non-executive directors requires approval of shareholders at the Annual General Meeting. The next Annual General Meeting will be held on 22 February 2017.

Share incentive schemes

The Group has two share incentive schemes, the EOH Share Trust and the Mthombo Trust. Under the terms of the current schemes, 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 the JSE Limited. The option strike price is equal to the share price at date of the offer less 40% discount. The participant may exercise the option in respect of the shares granted in tranches from time to time as set out below. The share options will lapse ten years after grant date.

- 25% after two years
- 25% after three years
- 25% after four years
- 25% after five years

The Mthombo Trust

The scheme is governed by a trust deed approved by shareholders. The option strike price is equal to the share price at the date of the offer less 40% discount. The participant may exercise the option in respect of the shares granted in tranches as set out below. The share options will lapse eight years after grant date.

- 33,33% after three years
- 33,33% after four years
- 33,33% after five years

The Committee is satisfied that it has properly discharged its responsibilities as per its Terms of Reference.

Activities addressed during the year

The following areas have been addressed during the year:

- Approved and referred to the Board the Terms of Reference of the 'Employee Benefits Manco';
- Reviewed and approved increases for F2016/17;
- Reviewed and approved executive directors' remuneration for 2016;
- Approved issues of options for F2016/F2017 to senior management and executives; and
- Reviewed non-executive directors' remuneration for 2016/2017 for approval at the next AGM.

Conclusion

The Remuneration Committee met twice during the 2016 financial year and conducted its affairs in compliance with its Terms of Reference. The Committee is satisfied that the overall principles laid down by King III have been applied, and that the Companies Act has been adhered to.

A handwritten signature in black ink, appearing to read 'Rob Sporen', with a horizontal line underneath it.

Rob Sporen

*Chairman, Remuneration Committee
Lead Independent Non-Executive Director*

NOMINATIONS COMMITTEE REPORT

The Nominations Committee's function is to assist with the process of identifying and evaluating suitable candidates for appointment to the Board.

Appointments to the Board are made in a formal and transparent manner and are considered by the Board as a whole. The Nominations Committee provides independent and objective recommendations to the Board to ensure that the Board has the appropriate composition to discharge its duties effectively.

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 at the next AGM.

Roles and responsibilities

- Appoint the Chairman of the Board;
- Ensure that the Board has the appropriate directors to enable it to execute its duties effectively;
- Make recommendations regarding the composition of the Board;
- Identify suitable members for appointment to the Board;
- Perform reference and background checks of candidates prior to nomination;
- Ensure that directors are appointed through a formal process;
- Oversee the development of a formal induction programme for new directors;

- Oversee the development and implementation of continuing professional development programmes for directors;
- Consider the performance of directors and take steps to remove directors who do not make an appropriate contribution; and
- Ensure that formal succession plans are in place for the Board, Group CEO and senior executive appointments.

Composition of the Nominations Committee

- Rob Sporen, Chairman
- Lucky Khumalo

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

Focus areas for 2016

- The Committee was involved in the interview and referral to the Board of non-executive director candidates.
- The composition of the Board and Board sub-committees was addressed
- Succession planning was discussed and key individuals identified

Conclusion

The Committee is satisfied that the overall principles laid down by King III have been applied, and that the Companies Act has been adhered to.



Rob Sporen
Chairman, Nomination Committee
Lead Independent Non-Executive Director



SOCIAL AND ETHICS COMMITTEE REPORT

The Social and Ethics Committee is a statutory committee with an independent non-executive Chairman.

The Social and Ethics Committee ('the Committee') assists the Board monitor 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.

The key areas of responsibility are listed below:

Key area	Reference to further information on the topic elsewhere in the Annual Integrated Report
Sustainable transformation	Page 26
Sustainability	Page 21
Right 1st Time	Page 26
Empowerment and transformation	Page 26
Commitment to stakeholders	Page 23
Governance	Page 33
Risk and governance	Page 42
Best People	Page 25

The Board places significant emphasis on the use of empowered suppliers for goods and services. As required by King III, the Committee has anti-corruption measures and procedures, designed to reduce the opportunity for corrupt activity.

Roles and responsibilities

The Committee's role is to monitor EOH's initiatives and activities, bearing in mind any relevant legislation, and other legal requirements and prevailing codes of best practice, relating to:

- BBBEE with specific reference to Act 53 of 2013 with reference to:
 - Ownership;
 - Management control;
 - Skills development;
 - Enterprise and supplier development; and
 - Socio-economic development;
- Sustainable transformation strategies, objectives and targets and to advise the Board accordingly;
- Good corporate citizenship including the promotion of equality, prevention of unfair discrimination and zero tolerance regarding bribery and corruption;



- The development of communities, approve sponsorships and donations;
- Consumer relations and compliance with consumer protection laws;
- Monitor changes in legislation and Codes of Best Practice;
- Social and economic development activities of EOH including health, public safety and environmental issues;
- Labour and employment practices;
- The management of stakeholder relationships; and
- Continuously monitoring transformation and sustainability initiatives.

Composition

- Rob Sporen, Chairman
- Pumeza Bam
- Asher Bohbot
- John King

Adri Els, Group Company Secretary, and Isobel Townsend, Finance Executive, attend Committee meetings as invitees.

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.

Activities during the year

Human resources and transformation

EOH continues its drive towards economic and social equity through the process of BBBEE. Transformation is managed at an operational level and reported and monitored at Group level via EOH's various reporting structures. The best measure of EOH's overall success is reflected in EOH's BBBEE rating – a Level 2 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 for EOH in terms of transformation, skills development and training. A committee has been formed to prepare for the new proposed ICT chamber. Specific initiatives around Health and Safety have commenced.

Skills development

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

EOH has various learnerships (employed and unemployed candidates) and internship programmes under the 'EOH youth job creation' initiative. Unemployed candidates obtain the opportunity to receive training and gain experience and EOH employees are placed on learnerships to receive additional training.

Socio Economic Development

EOH has a comprehensive socio economic development programme and has partnered with organisations to help realise and support its visions. Some initiatives include: Maths centre, Afrika Tikkun, Copesa, Rand Water Foundation, Education Trusts, Cape Town All Stars and others.

Supplier development and ownership

A 'Supplier Development' process has been developed to include the selection, partnering model, development, investment and the subsequent review of such activities thereafter.

Stakeholders

There were further improvements in stakeholder engagement, including international roadshows and a focus on key strategic accounts.

Reporting and compliance

EOH strives to comply with relevant environmental, social and governance legislation and regulations. Our reporting is also guided by the Global Reporting Initiatives (GRI) Guidelines. The zero tolerance on corruption and bribery policy and guidelines were re-energised. EOH has carried out an assessment on the implications of the Public Protection of Information Act.

Summary of DTI Code scores for EOH:

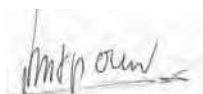
Element	Indicator	July 2016	July 2015
Management control	Black divisional executive directors	45,45%	38,46%
Employment equity	Black employees at senior management	19,11%	20,67%
	Black employees at middle management	37,42%	38,52%
	Black employees at junior management	73,86%	73,58%
Skills development	Skills development expenditure on learning programmes for black employees as a percentage of leviable amount	2,32%	1,36%
	Number of black employees participating in learnerships (categories B, C and D)	2 435	1 100
Preferential procurement	BBBEE procurement spend as a percentage of total measured procurement spend	71,62%	77,22%
Enterprise development	Value of all socio-economic development contributions and sector-specific programmes as a percentage of net profit after tax ('NPAT')	8,30%	6,93%
Socio-economic development	Value of enterprise development contributions and sector specific programmes measured as a percentage of NPAT	1,54%	3,02%
Ownership	Percentage of voting rights and economic interest of black people	47,67%	38,52%

Conclusion

The Committee confirms that EOH gives the necessary attention to its transformation, social and ethics responsibilities. Policies and programmes are in place to contribute to social and economic development, ethical behaviour, fair labour practices, environmental issues and good customer relations.

There were no areas of non-compliance with legislation and regulation, or non-adherence with the codes of best practice.

The Committee has conducted its affairs in compliance with the Board-approved terms of reference and has discharged all its responsibilities contained therein.



Rob Sporen

Chairman, Social and Ethics Committee
Lead Independent Non-Executive Director