2024

BUILDING BLOCKS FOR GROWTH

INTEGRATED ANNUAL REPORT

SEPHAKU
HOLDINGS LTD

WELCOME TO SEPHAKU'S 2024 INTEGRATED ANNUAL REPORT

Métier and Sephaku Cement improved their financial results and achieved key strategic objectives by maintaining lean operations and capitalising on available market opportunities, despite persistent headwinds in their operating environments.

INDEX

View this report online: www.sephakuholdings.com

SEPHOLD AT A GLANCE

OUR INVESTMENT PROPOSITION

Sephaku Holdings Limited (SepHold or the Company) is an investment holding company listed on the JSE Limited (JSE), with a valuable portfolio of assets focused on the building and construction materials industry. SepHold's investment portfolio comprises:

- A 100% subsidiary, Métier Mixed Concrete Proprietary Limited (Métier or the Subsidiary).
- A 36% associate, Dangote Cement South Africa Proprietary Limited (Sephaku Cement, SepCem or the Associate).

These entities are collectively referred to as Sephaku or the Group. Our investments in South Africa's cement production and ready-mixed concrete sectors position the Group to capitalise on infrastructure development opportunities.

Distinct competitive advantages

Technologically advanced production plants with **higher cost efficiencies** enhance competitiveness.	**Profitable concrete operations** with distinctive technical skills and solutions deliver **solid earnings and positive cash flows**.	**Long-term strategic focus** on the building materials sector contributes to **infrastructure development and economic growth**.	Key operational management with **deep industry skills**.	**Sound balance sheets with low gearing** that enable a nimble approach to new opportunities.

OUR PERFORMANCE AT A GLANCE

Group

Revenue*	EBITDA	EBIT
R1 163,6 million FY 2023: R980,7 million	**R130,8 million** FY 2023: R81,2 million	**R94,5 million** FY 2023: R47,0 million
Equity-accounted profit** **R14,6 million profit** FY 2023: R2,0 million loss	**Net profit after tax** **R66,6 million** FY 2023: R25,6 million	**HEPS** **25.71 cents** FY 2023: *9.66 cents
Normalised HEPS **25.87 cents** FY 2023: 10.21 cents	**NAV per share** **509.19 cents** FY 2023: 460.89 cents	**Debt/equity** **0.19** FY 2023: 0.22

Métier

EBITDA	EBIT	Net profit after tax
R133,3 million FY 2023: R98,3 million	**R97,0 million** FY 2023: R64,2 million	**R69,3 million** FY 2023: R42,8 million
Safety **0.41 LTIFR; zero fatalities** FY 2023: 1.19 LTIFR; zero fatalities	**Employee development** **R0,6 million in training** for 29% of workforce, 73% of whom are HDSAs FY 2023: R0,4 million	**Supplier development** **R2,6 million** FY 2023: R0,37 million

SepCem**

Revenue	Volume growth	EBITDA
R2,8 billion CY 2022: R2,5 billion	**9%** CY 2022: -12%	**R361,2 million** CY 2022: R278,5 million
EBIT **R182,0 million** CY 2022: R104,5 million	**Net profit after tax** **R41,9 million** CY 2022: R4,2 million loss	**Safety** **0.18 Aganang LTIFR;** **0.00 Delmas LTIFR** Zero fatalities CY 2022: LTIFR 0.88; 0.84; zero fatalities
Employee development **R3,9 million in training** CY 2022: R3,0 million	**Decarbonisation** **42% thermal substitution rate** CY 2023: 34% Target: 70%	**Supplier development** **R125 million** spent with 26 black-owned community SMMEs CY 2022: R105 million; 22 SMMEs

* *All Group revenue is attributable to Métier's operations as the 100% Subsidiary of SepHold.*

** *SepCem is a subsidiary of Dangote Cement PLC with a December year-end (CY 2023). Therefore, the equity-accounted profit included in this report relates to SepCem's results from 1 January 2023 to 31 December 2023 and CY 2022 figures are for the period 1 January 2022 to 31 December 2022.*

ABOUT OUR REPORT

Scope and boundary

We report on our performance for the financial year from 1 April 2023 to 31 March 2024 (FY 2024 or the year). As SepCem is a subsidiary of Dangote Cement PLC (DCP) with a December year-end (CY 2023), the equity-accounted profit included in this report relates to SepCem's results from 1 January 2023 to 31 December 2023.

The integrated annual report covers the financial and non-financial performance of Métier and SepCem. The report demonstrates how the operating environment influenced the Group's ability to create, preserve, and prevent erosion of, value. We provide information on the Group's strategy and how Métier and SepCem performed in relation to the Group's strategic objectives and governance requirements which are monitored by the board.

Assurance

SepHold complies with the JSE Listings Requirements and the Companies Act of South Africa No 71 of 2008, as amended from time to time (Companies Act).

Assurance over the report is obtained through management attestation, internal controls, and internal audits. The Broad-Based Black Economic Empowerment (BBBEE) performances of Métier and SepCem were verified by South African National Accreditation System agencies. SepHold's annual financial statements (AFS) were independently audited by external auditor, PricewaterhouseCoopers Incorporated (PWC), and received an unqualified audit opinion.

Preparation and approval

The report's preparation and contents are guided by the International Integrated Reporting Framework (IR Framework) and the King Report on Corporate Governance™ for South Africa, 2016 (King IV)[1]. The contents were prepared with the assistance of an external report writer and reviewed by several internal stakeholders.

We apply the principles of materiality in assessing what information to include in the report. This report focuses on challenges and opportunities that substantively influence the Group's sustainability in a difficult operating environment. Additional information on how we determine material matters is available on page 10.

The SepHold board, assisted by board committees, assessed the report and believes that it presents a balanced account of the Group's performance and prospects. The board approved the report on 24 July 2024.

Brent Williams
Chairperson

Kenneth Capes
Chief executive officer

Neil Crafford-Lazarus
Financial director

Stay informed

The integrated annual report, AFS, notice of annual general meeting (AGM), proxy form and AGM electronic participation form are available at https://sephakuholdings.com/investor-centre/results-and-reports. The King IV application register is available at https://sephakuholdings.com/corporate-governance/governance-documents.

Feedback on this report

We value your feedback on this report. Please send your queries and comments to: info@sephold.co.za

Forward-looking statements

This report contains forward-looking statements about Sephaku's anticipated performance, operations, and prospects. These are based on estimates and assumptions made by Sephaku. Although Sephaku believes that these are reasonable, they are subject to known and unknown risks and uncertainties that could adversely impact our business and financial performance. Undue reliance should not be placed on opinions, forecasts, or data in this report. Forward-looking statements apply to the date on which they are made. Sephaku does not undertake any obligation to publicly update or revise any of its opinions or forward-looking statements, whether to reflect new data or future events or circumstances. Financial information on which forward-looking statements are based has not been audited or reported on by SepHold's independent external auditor.

OUR STRATEGY AND RISK MANAGEMENT

WHO WE ARE

Sephaku generates stakeholder value through five value creation pillars. These are based on the Group's core values which underpin the Group's codes of ethics and commit the board, executive management, and employees to conduct business ethically with stakeholders.

Our core values

Respect	Integrity	Accountability	Transparency	Honesty

OUR INVESTMENTS

Sephaku Cement

SepCem manufactures and sells high quality cement of various strengths to a range of customers in the broader construction industry. SepCem operates from its Aganang plant in the North West Province and Delmas plant in Mpumalanga. The Aganang plant comprises a limestone open cast quarry, with a proven life of over 30 years from December 2021, and an integrated clinker and cement manufacturing plant. Aganang and the Delmas grinding plant have a combined cement capacity of 2,5 million to 2,8 million tonnes per annum (mtpa).

Bagged cement, which accounted for 65% to 70% of sales volumes in CY 2023, is distributed through hardware retailers, from large groups to small independents. Bulk sales account for the balance of sales volumes. SepCem's primary geographic markets are in Gauteng, Limpopo, Mpumalanga, North West, Free State, Northern Cape, Botswana, Eswatini and parts of KwaZulu-Natal (KZN).

SepCem has limestone projects at various stages of licensing in Limpopo (Dwaalboom and Groblersdal) and Western Cape (Vanrhynsdorp) that offer a pipeline for growth. The Groblersdal and Dwaalboom mining right applications were submitted in 2018 and 2021, respectively. Vanrhynsdorp comprises two resources – a mining right was applied for in 2020 for one and a prospecting right was applied for in 2021 for the other. These rights have not yet been awarded.

DCP, a company listed on the Nigerian Stock Exchange with cement operations in Nigeria and nine other African countries, owns 64% of SepCem. Refer to www.dangotecement.com for more information.

Métier

Métier manufactures ready-mixed concrete products for construction projects in industrial, commercial, civil and residential markets, and offers concrete pumping services to client's projects. The Subsidiary is well positioned as the ready-mixed concrete brand of choice in South Africa. Métier has operations in the Gauteng, KZN and Western Cape provinces. The geographic spread of the operations reduces market concentration risk.

HOW WE CREATE VALUE

Métier and SepCem use cash generated by operations, equity from shareholders and borrowings from lenders to fund inputs for the manufacture of building materials. They create sustainable businesses by managing stakeholder relationships, growing their customer bases and mitigating negative environmental or community impacts caused by their operations. They contribute to local economic development and uplift communities surrounding their operations by investing in local infrastructure and businesses, and sponsoring education programmes.

SepHold creates value by providing strategic and governance insights to operational executive management, and enabling access to funding from lenders and investors. The Company continually investigates and assesses opportunities to create value for shareholders and underpin sustainable futures for Métier and SepCem.

Sephaku Cement

SepCem's upstream operation extracts limestone from the mine adjacent to the Aganang plant and processes it to clinker using advanced production technologies. The clinker is ground and blended with other inputs to produce consistently high-quality bagged and bulk cement in five different strength classes (32,5N, 32,5R, 42,5N, 42,5R, 52,5N). Bagged cement is distributed through retail channels to cement end-users, while bulk users, such as ready-mixed concrete manufacturers, purchase cement directly from SepCem for various construction activities.

SepCem's executive committee has 262 years of combined management experience in cement manufacturing, marketing and project management, and its relatively new, cutting edge plant attracts technical skills. SepCem manages and monitors environmental management parameters to conserve water and energy resources, mitigate atmospheric emissions from its operations and reduce its carbon footprint. An enterprise and supplier development (ESD) programme improves the local economies of the North West and Mpumalanga provinces by supporting entrepreneurs to build small, medium and micro (SMME) enterprises. Regular engagement with relevant government authorities and independent experts ensures compliance with licence conditions.

Métier

Métier harnesses downstream synergies by using the cement manufactured by SepCem, among others, to produce ready-mixed concrete. The Subsidiary's executive committee has 122 years of combined management experience in ready-mixed concrete manufacturing, mining and technology, and maintains the requisite technical and sales skills to enhance the value creation process. Through sales representatives, Métier sells its ready-mixed concrete to customers across the spectrum of building contractors, civil contractors, residential developers, and government organisations. Targeted, value-added products and services retain customers and support margins.

Value creation pillars

Sephaku's value creation pillars provide competitive advantages and are the foundation of its earnings and growth.

Technical skills and deep industry experience	Leading technologies	Strategic relationships and deal-making abilities	Service excellence	Sustainability
Technical skills are essential to our ability to produce consistent, high quality building materials. Deep-rooted industry experience enhances our understanding of market dynamics and how to sustain business and maximise profitability.	Advanced production technologies enable the efficient production of cement and ready-mixed concrete.	Management's ability to forge mutually beneficial relationships with customers, retailers and suppliers positions the Group as a major South African manufacturer of building materials.	The Group's ability to offer exceptional service to all of its customers, driven by an ingrained high-performance culture, distinguishes it from competitors by enhancing the value proposition.	Our commitment to sustainability is instilled through the adoption of practices that minimise negative environmental and social impacts. Practices with positive impacts are promoted throughout the Group.

Technical skills and deep industry experience

The leadership teams of Métier and SepCem have the requisite technical skills and extensive experience in the ready-mixed concrete and cement industries. Both operations invest in training, development and succession management to maintain the skills and workplace culture necessary to supply consistently high quality products and services to customers. A limited pool of technical skills stretches available resources and increases the risk of losing talent to competitors or international markets.

Leading technologies

Métier's automated manufacturing processes are anchored in modern information management systems, with integrated digital platforms that provide precise quality control. Effective troubleshooting enables efficient manufacturing, and optimal profitability and service. SepCem has a relatively modern integrated plant with vertical mills and a five-stage pre-heater with an in-line calciner. Automated manufacturing processes anchored in advanced information management systems improve plant reliability, and SepCem remains abreast of technology advances to enhance efficiency. Both operations manage emissions from manufacturing processes within regulatory requirements and preserve energy and water resources. SepCem implements a decarbonisation plan to reduce its carbon footprint.

Strategic relationships and deal-making abilities

The strategic relationship between Métier and SepCem and the partnerships they build and maintain with key customers contribute to revenue growth, customer retention and repeat business. Long-term mutually beneficial agreements negotiated with transporters and other suppliers of critical inputs, improve efficiency and cost control.

Service excellence

The values-driven Métier Way is embedded in Métier's culture and evident in all areas of its business, from customer service to safe working environments. SepCem employs digital technology to improve operational efficiency, sales performance and service excellence. A synergistic relationship between SepCem and Métier results in customer feedback on the technical performance of cement produced, enabling early warning and timeous management of customer concerns.

Sustainability

Health, safety and environmental management plans at all Métier plants are overseen by executive management. Métier has a sound safety track record. Dust emissions are monitored with dust suppression in place and waste water is recycled and reused at all operations. Measures to strengthen SepCem's safety management and culture contribute to continuous improvements in safety performance. SepCem complies with all applicable permits and licences governing environmental management and is currently preparing its environmental management system for ISO14001 certification. A decarbonisation plan is being implemented to reduce SepCem's carbon footprint and improve energy efficiency. A social and labour plan (SLP) is in place to substantiate SepCem's social licence to operate. Investments in sustainability practices and carbon taxes impact profitability.

Read more in the business reviews from page 19.

HOW WE IMPLEMENTED OUR STRATEGY

Sephaku's strategy is reviewed annually by the board and amended, where necessary, in response to changes in the Group's operating environment.

Strategic objectives are implemented to enhance the Group's financial sustainability, product quality and operational efficiency. Performance against these objectives is summarised in the following table, with additional reporting in the leadership reviews from page 12.

			Métier				SepCem			
Strategic objectives	**Management initiatives**	**Measures of success**	**FY 2024**	FY 2023	FY 2022	FY 2021	**CY 2023**	CY 2022	CY 2021	CY 2020
Maintain sustainable sales volumes	Implemented sales strategies to sustain or grow market share.	Sales volume growth (%)	**11**	25	18	(15)	**9**	(12)	(1)	9
Maximise margins	Improved cost efficiencies.	EBITDA margin (%)	**11.5**	10.0	9.6	8.7	**12.8**	11.3	14.5	15.9
		EBIT margin (%)	**8.3**	6.5	6.2	5.2	**6.4**	4.3	8.6	9.1
		Net profit margin (%)	**6.0**	4.4	3.8	2.6	**1.5**	(0.2)	3.2	1.9
Increase cash flow	Focused on achieving optimal product mix.	Cash generated from operations (Rm)	**116**	65	71	56	**580.0**	181	343	329
		Cash balance at year-end (Rm)	**11**	(15)	25	26	**420**	108	326	479
		Unit average net selling price increase (%)	**7 – 10**	9 – 12	4 – 6	2 – 3	**4 – 6**	8 – 10	5 – 8	5 – 8
Strengthen the balance sheets	Settled bank debt and renegotiated new facilities at more favourable rates.	Total debt at year-end (Rm)*	**65**	47	79	71	**1 041**	1 088	1 302	1 613
		Bank debt principal at year-end (Rm)	**0**	0	48	71	**269**	400	666	1 032
		Book value equity at year-end (Rm)	**267**	215	186	164	**1 851**	1 812	1 816	1 734
		Net debt/equity ratio	**0.20**	0.29	0.29	0.27	**0.34**	0.54	0.54	0.65

* *FY 2024 Métier's total debt comprises instalment sales liabilities of R65 million (FY 2023: R47 million), while FY 2022 total debt comprises the term loan principal and instalment sales liabilities.*

HOW WE ENGAGE OUR STAKEHOLDERS

Our stakeholder ethos

Group executives manage stakeholder engagement and report regularly on stakeholder matters to the board committees. Stakeholder matters are considered in the Group's determination and assessment of risks, opportunities and material matters.

Stakeholder and stakeholder interests	Context	Our response
Customers *Regular engagement* Customers require: • Consistent product quality. • Punctual delivery and accessible after-sales service. • Fair pricing. • Credit terms to provide stability during uncertain times.	***Métier*** • Ready-mixed concrete customers are technical end-users who require consistent quality concrete at competitive pricing. • Punctual deliveries eliminate downtime, enabling customers to meet construction budgets and timelines. • Market fragmentation increases the number of small to medium-sized price sensitive construction customers. ***SepCem*** • Bulk cement users purchase cement directly from cement manufacturers. • Bagged cement accounts for the larger share of the sales mix and is predominantly distributed through building materials merchants. • Excess installed cement capacity leads to competitive pricing.	***Métier*** • Applies abundant technical ability and knowledge to produce consistently high quality concrete. • Communicates effectively to deliver on the promise of superior service. • Engages with customers to ensure they make informed purchasing decisions and receive appropriate product specifications. ***SepCem*** • Strengthened the sales strategy and customer engagement to better understand, and respond, to customer needs. • Coordinates sales and logistics functions to ensure timely delivery of cement. • Highly skilled employees maintain consistency by managing product quality assurance.
Employees and trade unions *Regular engagement* Employees require: • Reassurance on employment security. • Development and career progression opportunities. Trade unions demand: • Fair remuneration. • Safe working environments. • Skills development.	***Métier*** • Strong coordination between various functions is necessary to maintain a lean employee structure. • Employees understand the competitive trading environment and are committed to maintaining Métier's brand value. • Employees are highly qualified and experienced in their functions, and are loyal to the Métier Way. ***SepCem*** • Technical skills are essential for effective strategy implementation and efficient operations. • Employees' primary concerns are fair remuneration, career progression and transformation.	***Métier*** • Facilitates regular engagement through various platforms to ensure prompt feedback. • Maintains continuity of technical experience with internal training, graduate development and mentoring programmes. ***SepCem*** • Engaged actively with unions and employees, to provide insight into operating constraints. • A long-term incentive scheme is in place to retain key personnel. • Leadership development and succession build a sustainable talent pipeline. • The Tokafatso programme embeds a high performance culture.
Investors *Regular engagement* SepHold shareholders expect: • Adequate returns on their investment. • Precise, timely and complete information to accurately assess the Group's value. Lenders require: • Adherence to agreed repayment terms. • Assurance over ability to repay debt.	***Métier and SepCem*** • Shareholders are concerned about the achievement of targeted profit margins in the current operating environment. • Shareholders are concerned about the market undervaluation of investment holding companies such as SepHold.	***Métier and SepCem*** • Demonstrated sound financial performance and debt management in difficult market conditions. ***Métier*** • No bank debt. • Instalment sales liabilities of R65 million to fund fleet renewal. • Debt:equity ratio of 0.9. ***SepCem*** • Reduced the outstanding capital balance of the three-year term loan to R269 million. • An unutilised working capital facility. • The DCP shareholder loan had a balance of R772 million at 31 December 2023.

Stakeholder and stakeholder interests	Context	Our response
Suppliers *Regular engagement* • Suppliers expect competitive raw material and haulage rates. • Transporters require commitment to lucrative base loads.	***Métier and SepCem*** • Transport and energy cost increases eased but electricity increases remained above inflation.	***Métier and SepCem*** • Maintained mutually beneficial long-term arrangements with transport partners and suppliers of key operating inputs. • Supplier and transporter arrangements allow for price negotiation.
Neighbouring communities *Regular engagement* Communities expect: • Adequate livestock grazing. • More procurement opportunities for local SMMEs. • Employment opportunities.	***SepCem*** • Mining operations and cement plants are governed by laws on environmental impact management and workplace safety. • The SLP substantiates SepCem's social licence to operate.	***SepCem*** • Engaged extensively with communities. • Increased supplier development and procurement opportunities. • Implementing SLP and Torosesha social investment projects to benefit communities in the North West Province.
Government and legislative authorities *Regular engagement* This stakeholder grouping requires compliance with requisite regulations, including: • BBBEE accreditation. • Compliance with requisite bylaws (Métier). • Compliance with mining and environmental licensing conditions (SepCem).	***Métier*** • BBBEE accreditation is required for participation in government construction projects. • The environmental impact of Métier's plants is measured against municipal bylaws applicable in the areas where they are located. ***SepCem*** • Mining operations and cement plants are governed by laws on environmental impact management and workplace safety. • The SLP substantiates SepCem's social licence to operate.	***Métier*** • Maintained BBBEE level 4 contributor status. • Maintains compliance by implementing health and safety and environmental plans at each plant. ***SepCem*** • Maintained BBBEE level 5 status. • Strengthened relationship with the Department of Mineral Resources and Energy (DMRE) by demonstrating commitment to health and safety compliance. • Forging partnerships with communities to resolve grievances and minimise conflict. • Implementing social investment projects in compliance with the SLP.
Industry association *Ad hoc engagement* • Cement and Concrete South Africa closed on 1 April 2024 due to ongoing challenges in the construction industry which rendered the association financially unviable.	**SepCem** • Integrated cement producers require an association to represent their interests and lobby government for: - Enforcement of cement quality standards across all industry participants. - Safeguards against cement imports. - Carbon tax regime. - Unreliable electricity and rail infrastructure.	***SepCem*** • Actively participates in industry associations. • Contributes to the associations through subscriptions and knowledge-sharing, when requested.

HOW WE MANAGE RISK

SepHold actively monitors and oversees the management of risks and opportunities in the operating environments of SepCem and Métier.

The board, assisted by the audit and risk committee, is ultimately responsible for risk and delegates responsibility for risk management to the executive management of Métier and influences responsibility for the associate through representation on the Board and Committees. The board ensures that risks taken by SepCem and Métier are within SepHold's risk appetite and tolerance levels and that adequate controls are in place to manage and mitigate risks.

The Group maintains a high level of focus on:

- Strengthening the control and compliance environment, including combined assurance;
- Improving business continuity and disaster recovery plans; and
- Embedding a sound risk culture, with an emphasis on instilling ethics and preventing fraud.

Read more about compliance and assurance processes on page 32 of the governance report.

Métier

Approach to risk management

Executive management identifies, measures, mitigates and monitors material risks its operations are exposed to and reports them regularly to the board and the audit and risk committee. The digital automation and integration of Métier's technical, sales, financial and health, safety and environmental management systems enables early warning and timeous management of risks by operational and maintenance management.

The audit and risk committee reviews the effectiveness of Métier's risk framework and advises executives on measures to strengthen it.

The key risks Métier managed or mitigated during the year are disclosed in the following table.

KEY RISKS	Métier's response
Industry competition The ready-mixed concrete market remains highly competitive as the construction industry continues to contract and high interest rates impact growth in the residential building sector. With low barriers to entry, many smaller operators have entered the market, resulting in fragmentation and downward pressure on prices in an inflationary environment.	• Shifted focus to civils construction sector to compensate for lower growth in residential building. • Maintained quality service and bespoke customer solutions – competitive differentiators that enable customer retention and protect profit margins. • Increased sales of specialist solution-driven higher margin products and services.
Skills shortages Métier relies on technical skills and industry experience to maintain consistently high product and service standards. As the construction industry shrinks, construction and related skills are lost to other sectors or international markets that offer better opportunities for growth and security. Trained employees are more mobile in a competitive labour market, compounding the challenge of retaining talent.	• Increased employee complement and strengthened regional skills to support growth in civils construction order book. • Focused on internal training for specific roles. • Amended approach to internships to strengthen retention by focusing on technical skills and designing a programme of growth for interns in FY 2025.
Raw material supply challenges The construction materials sector faces several challenges in its raw material supply chains. These include the negative impacts of loadshedding on fly ash supply and the rising threat of "construction mafia" who do not have the requisite skills or resources to meet industry standards but use intimidation and violence to gain participation at various stages of project supply chains, including the supply of sand.	• Métier remains committed to supporting licensed sand suppliers. • Métier increased its use of slagment to compensate for fly ash shortages. Slagment offers the benefits of a lower environmental footprint and cost-efficiency, while maintaining quality standards and durability of its products and services.

Métier lowered the risk rating of the distribution disruption and customer credit risks published in the FY 2023 integrated annual report as both risks were adequately mitigated. Management continues to monitor these risks. The raw material supply challenges risk was added to the list of top risks as reliable supply of quality products is an increasing risk.

SepCem

Approach to risk management

Risk and opportunity management is guided by SepCem's board-approved enterprise risk management (ERM) framework. The SepCem board, assisted by its audit and risk committee, is responsible for risk governance and oversight. SepCem's ERM maturity status is advanced. 95% of measures to maintain this status were completed by year-end.

Lines of defence

Executive management represents the **first line of defence**, with accountability for managing enterprise risks. Sub-committees assist management in discharging oversight responsibility for credit management, economic crime, health and safety, social and environmental risks. Management conducts scenario validation to review the company's response to critical risks.

Risk and compliance functions work together as the **second line of defence**, overseeing, reviewing and interrogating risks that breach board-defined levels of risk appetite. They work in partnership with internal audit, which forms the **third line of defence**. External assurance providers such as insurance companies, banks and the Associate's external auditor, provide an **additional layer of assurance**. Findings raised during assurance processes are incorporated into the risk process and managed together with the risk owners.

STRENGTHENING RISK MANAGEMENT

During CY 2023, SepCem implemented the following measures to strengthen its risk management:

- Contracted with external specialists to conduct independent risk assessment and assurance of health and safety regulatory compliance.
- Conducted a gap analysis to assess SepCem's transition towards ISO14001 certification.
- Enhanced leadership assessment and ownership of health and safety risks on site by implementing 'visible felt leadership' initiatives, including site visits and an increased focus on risk management at townhall meetings.
- Improved risk culture by implementing awareness campaigns on risk management, ethics and economic crime.
- Reviewed and revised business continuity and disaster recovery plans to ensure that the plans are adequate and fit for purpose. A dedicated working group has oversight of business continuity management.

The Company's risk framework classifies risk into operational, strategic and financial categories. SepCem's key risks and actions taken to manage and mitigate them, are disclosed in the following table.

KEY RISKS	SepCem's response
Macro-economic risk South Africa's construction industry continued to grapple with weak economic growth and low levels of infrastructure investment. GDP growth in 2023 was only 0.6%. Although the rate of inflation eased to 6%, retail consumers' disposable income remained under pressure in a high interest rate environment. This reduced demand for bagged cement which accounts for the bulk of SepCem's sales and contributed to further contraction of the cement industry.	• Rightsized operations in alignment with market demand. • Targeted industrial segment of the market to compensate for lower demand from retail customers. • Maintained cost controls.
Intense competition in a fragmented market Installed production capacity in the local cement industry outstrips market demand. A combination of deteriorating economic conditions and new market entrants with low overheads, compound the industry's challenges. New integrated producers and low cost independent blenders add more capacity to an oversupplied industry, while cement imports continue to flow into South Africa without local industry protection against countries other than Pakistan. During 2023, cement imports increased by 18%[1].	• Leveraged digital market intelligence to align the pricing strategy with market demand and protect market share. • Strengthened engagement with industrial customers to maintain volume growth. • Negotiated reasonable price increases in target markets. • Prioritised higher margin products and markets where SepCem has a competitive advantage.
Heightened social and community tension Communities adjacent to SepCem's Aganang plant are impacted by deteriorating economic conditions, rising unemployment, and dependence on local businesses for employment and SMME opportunities. Local farmers experience challenges with livestock over-grazing and mortality. This creates tensions between the community and the plant which sometimes leads to disruption of operations and vandalism of plant infrastructure.	• Increased community engagement and partnership. • Developed an integrated plan to address community livestock grazing challenges. • Increased preferential procurement and supplier development opportunities for local SMMEs. • Overcoming challenges to the implementation of social investment projects.

SepCem lowered the risk rating of the commodity price volatility risk reported in the FY 2023 integrated annual report because the risk reduced during the year. Management continues to monitor this risk.

Mitigating information and technology (IT) risk

Métier implements measures to protect its operations against cyber risk. Cyber security management is governed by an IT policy and managed by an IT security officer. Métier conducts cyber risk awareness training for employees and routinely enhances backup protocols. Métier uses the services of external consultants to periodically review the risk mitigation implemented by management.

SepCem manages cyber security by conducting vulnerability testing and implementing other measures to protect against cyber risk. These include investing in cyber security detection and monitoring software, migrating users to a cloud-based platform and conducting cyber risk awareness training for employees. SepCem updated its disaster recovery plan to reflect the migration of most of its IT applications to the cloud.

[1] *Chronux Research, www.globalcement.com/news*

OUR MATERIAL MATTERS

The Group determines its material matters by analysing the external operating environment, the needs and concerns of significant stakeholders and key risks and opportunities identified through the risk management processes.

The materiality determination process is based on feedback from operational executives and is approved by SepHold executive management. The material matters are presented to the audit and risk committee (ARC), which is tasked by the board to oversee the compilation of the integrated annual report. Following the ARC's approval of the material matters, they are included in the report for final board review and sign-off.

The following five key material matters were identified and approved by the board in FY 2024.

MATERIAL MATTER	Why it is material	Strategic objective impacted
Low demand High risk Increasing level of impact or probability for SepCem	Cement capacity in South Africa has exceeded demand for several years due to a combination of limited investment in infrastructure development, intense competition from new market entrants with lower cost structures and rising imports. Sustained economic weakness compounds over-supply by reducing demand for cement. This, in turn, limits the ability of cement producers to recover above-inflation cost increases through pricing.	• Maintain sustainable sales volumes • Maximise margins • Increase free cash flow • Strengthen balance sheets
Cost pressure Medium risk Lower level of impact or probability for SepCem and Métier	After two years of rising inflation, the pace of price increases for key operational inputs such as diesel and coal moderated during 2023. However, elevated levels of inflation and high interest rates maintained upward pressure on the costs of essential consumer products and services and reduced the disposable income of large retail segments of the cement and mixed concrete markets. Persistent loadshedding and water outages in some regions, together with above-inflation increases in electricity rates, compounded cost pressures for businesses and retail customers.	• Maintain sustainable sales volumes • Maximise margins
Shortage of technical skills High risk Increasing level of impact and probability for Métier and SepCem	Métier and SepCem both require technical skills to operate production facilities, maintain consistent quality of products and services, and manage sales. Several factors contribute to skills shortages in the construction materials industry, including an outflow of skills from a shrinking construction market to other sectors, an outflow of professionals to international markets, intense competition for talent in a concentrated market where a limited number of participants compete for talent, and difficulty retaining talent in remote locations. While Métier and SepCem mitigate this risk with targeted recruitment, talent retention measures and internal skills training, attracting and retaining technical skills in a competitive labour market remains a material threat for both operations.	• Maintain sustainable sales volumes • Maximise margins
Evolving regulatory environment Medium risk Increasing level of impact and probability for SepCem	SepCem complies with mining and environmental licensing requirements but is exposed to increasing regulatory scrutiny of health, safety and environmental practices. During CY 2023, the Aganang plant underwent a stoppage in terms of section 54 of the Mine Health and Safety Act following an inspection by the DMRE to enforce a 20% improvement in safety performance. As scope-one emitters, cement producers are levied carbon tax on carbon emissions from cement production. Carbon tax was levied at an applicable rate of R159 per tonne of carbon dioxide equivalent (tCO_2e) in 2023, and this amount is set to increase progressively to R462/t CO_2e by 2030. SepCem is implementing a decarbonisation plan to improve energy efficiency and reduce the carbon footprint but this is unlikely to fully mitigate the increasing carbon tax burden which poses a material threat to SepCem's longer-term financial sustainability.	• Business continuity
Community disruption High risk Increasing level of impact or probability for SepCem	The communities adjacent to the Aganang plant depend on local businesses for employment and procurement opportunities. Local farmers rely on the provision of land for livestock grazing and inadequate agricultural practices lead to overgrazing and livestock mortality. Deteriorating economic conditions increase the demand for socio-economic support, but the lack of formalised leadership structures impedes decision-making and progress in the delivery of social investment projects. Community protests threaten business continuity if they disrupt operations.	• Maximise margins

MATERIAL MATTER	Why it is material	Strategic objective impacted
Unavailability of power Medium risk Lower level of impact or probability for SepCem and Métier	Persistent electricity loadshedding disrupts operations and increases expenditure on alternative power sources. Métier has installed generators at all plants and SepCem has longer term plans to install solar PV (photovoltaic) technology to mitigate loadshedding. During loadshedding, manufacturers curtail electricity usage based on the daily requirements of the national grid. However, a national blackout would increase the risk of equipment failure and business interruption. In a worst-case scenario, SepCem would be able to continue supplying customers uninterrupted for several days but may incur costs to repair and restart equipment. Loadshedding impacts small business suppliers or customers that are unable to afford alternative power sources to sustain their operations.	• Maintain sustainable sales volumes • Maximise margins
Concentrated SepHold investment portfolio High risk	The Group is exposed to industry and country-specific risk due to the concentration of its investments in the South African construction materials industry. SepHold focuses on protecting shareholder value by strengthening the financial resilience of its investments and exploring revenue diversification opportunities to enhance value.	• Maximise margins • Strengthen balance sheets

LEADERSHIP REVIEWS

Brent Williams
Chairperson

The board focused on enhancing shareholder value and ensuring that the Group's operations remain resilient, trusted industry participants with strong leadership, effective strategy implementation and sound governance oversight.

BOARD CHAIRPERSON'S REPORT

Overview

In contrast to the depressed state of South Africa's building and construction materials industry, I am pleased to report that Sephaku's operations delivered profitable growth and continued to strengthen the Group's financial position. With demand for construction materials closely linked to economic growth, Métier and SepCem both overcame further weakening of the domestic economy and multiple industry challenges to emerge stronger than they were a year ago.

GDP growth declined to 0.6% during calendar 2023, as output in the mining, construction, and wholesale and retail trades remained subdued and electricity generation weakened to the lowest annual level in two decades. While consumer and producer inflation retreated to within the Reserve Bank's target range of 3% to 6%, electricity cost increases continue to exceed inflation and interest rates remain high, threatening the survival of smaller enterprises and further eroding retail demand for building and construction materials.

When Sephaku invested in new productive capacity in South Africa's cement industry 12 years ago, our decision was based on the promise of public and private sector investment to restore and increase the capacity of the country's deteriorating economic and social infrastructure. Sustained economic weakness and a lack of significant infrastructure investment has instead resulted in an industry that struggles to survive under the weight of oversupply and intense competition for diminishing demand. These conditions are compounded by the growing volumes of imported cement that flow into South Africa, unimpeded by protective tariffs or the significant logistical challenges at South Africa's major ports.

Detailed information on the performances of Métier and SepCem is available in the SepHold CEO and FD reports on pages 14 and 16 and the business reviews from page 19.

The board's priorities in FY 2024

Improving shareholder value

SepHold continually investigates and assesses opportunities to improve value for shareholders and, in the process, ensure sustainable futures for Métier, SepCem and their stakeholders.

The board oversaw the Group's strategy to maintain lean operations, with low gearing, that are positioned to respond to available market opportunities. The implementation of this strategy is reflected in Métier's commendable financial performance and the resilience displayed by SepCem in challenging trading conditions. Both operations progressively reduced debt to optimal levels and were cash generative during FY 2024.

However, as a listed investment holding company with assets that operate in construction-related sectors, SepHold's shares are undervalued and trade at a significant discount to the net asset value of the underlying operations. When considering opportunities to improve value for shareholders, the board agreed that repurchasing SepHold shares at prices below the Group's intrinsic value represented the best use of available capital. At the September 2023 AGM, shareholders approved a plan for the Group to repurchase up to 20% of SepHold's issued share capital, and for Métier to repurchase up to 10% of the issued share capital.

Since the plan commenced in December 2023, Métier has acquired 8.9% of SepHold's issued share capital, as described in more detail in the FD's report on page 18. As required by the Companies Act and the JSE Listings Requirements, when Métier's stake reached 5.108%, SepHold notified the Takeover Regulation Panel that Métier had acquired a beneficial interest in SepHold's ordinary shares.

The board routinely considers other options to enhance shareholder value, including delisting from the JSE. The Group incurs costs to maintain a listing and a corporate office when, in prevailing market conditions, it does not need to raise capital. However, there are several obstacles to delisting, including a higher shareholder approval hurdle, which would be difficult for the Group to achieve.

From an industry perspective, the board engages actively and extensively with other major market participants to consider opportunities to consolidate a competitive and fragmented cement industry. The recent change in ownership of Lafarge and Natal Portland Cement will have a limited effect on market consolidation but are expected to act as a bulwark against market instability and disruption.

Considering stakeholders' needs and expectations

The Group's diverse stakeholders expect our well-functioning operations to maintain product quality and service excellence for customers, while improving financial performance and continuing to support local communities, even in constrained operating environments. Both operations go to extraordinary lengths to maintain this balance.

Métier's reputation for consistently producing technically high grade ready-mixed concrete for specific applications sets it apart as a supplier of choice on major infrastructure projects. SepCem's disciplined approach to continuous improvement in the efficiency of its manufacturing plant enables an agile response to shifts in market demand and sustains the business during economic downturns.

SepCem demonstrates its commitment to sound environmental stewardship by complying with environmental regulations and introducing alternative fuels to its kiln to substitute conventional fossil fuels over time. In addition to lowering the carbon footprint, this aims to reduce carbon taxes and mitigate energy costs. SepCem also strengthened its health and safety management by introducing independent auditing of performance against global standards. Métier monitors dust emissions and applies dust suppression measures, while recycling and reusing waste water at its operations.

SepCem engages continuously with local communities and relevant government departments to ensure an adequate response to matters related to the use of mining land for agricultural purposes, procurement from local suppliers and delivery of social investment projects. The DCP and SepCem boards are considering a proposed sustainable solution to the challenge of livestock over-grazing on mining land.

Competing on an uneven playing field

Sephaku operates in an industry where the consequences of errors in the quality, preparation or application of construction materials can be catastrophic for construction workers or end-users. In an environment in which incumbent producers are heavily regulated, SepCem and Métier take pride in meeting and exceeding the requirements of compulsory specifications, providing compliant and high quality products for customers.

However, there has been a proliferation of new ready mix market entrants in recent years; many are low cost producers using unlicensed providers of raw materials, while some use violence to extort access to project value chains, even though they lack the requisite resources or expertise to participate in projects. Inconsistent application of existing regulations creates an unfair disadvantage for compliant industry participants, and signals the likelihood of broader systemic failures.

It is critical for the regulatory authorities to address this risk by applying quality standards consistently across the industry and ensuring that effective regulatory compliance and enforcement underpins safety in the built environment.

Unrestricted cement imports pose a further material risk to an embattled South African cement industry. Cement and clinker imports from several countries increased by an estimated 18% in 2023, taking much-needed volumes away from the domestic industry. Foreign suppliers are not subject to the compliance costs imposed on domestic producers, such as carbon taxes and adherence to the mining charter. Failure to safeguard against cheap cement imports places the industry's advanced technology and specialist skills at risk, and threatens its contribution to job creation (often in remote locations) and economic growth.

Sephaku stands with the cement industry in calling for government to provide an enabling environment, including the enforcement robust policies to level the playing field for local producers.

Ensuring effective leadership

I am satisfied that the board exercised appropriate fiduciary and governance oversight during FY 2024. The board's composition remained unchanged in line with our belief that it would not be prudent to fill vacant positions or expand the size of the board at this stage.

The non-executive directors represent a balance of skills, experience and diversity. These attributes, combined with those of our two executive directors who are experienced industry and financial specialists, make for a strong and effective board. All board members participate actively and the board committees strengthen governance by assisting the board in its oversight of financial and risk management, environmental and social stewardship, and remuneration.

To ensure that the board remains effective, Acorim (Proprietary) Limited conducted an annual evaluation to determine the effectiveness of the board and its committees. No matters of material concern were identified and plans were formulated to improve areas such as succession planning and setting risk tolerance levels. For more information, refer to the governance report on page 32.

The board's expectations for the year ahead

The world continues to navigate an uncertain and unpredictable path as rising competition and distrust among global superpowers intensify political polarisation within countries and across the globe. These sweeping global trends are compounded by the record-breaking number of elections taking place, as an estimated two billion voters go to the polls this year. Given the influence of geopolitical events on the global economy, the board notes the macro emerging risks and potential opportunities they pose for BRICS countries.

Within this context, we expect domestic market conditions to remain muted as high costs, power and transport constraints, and policy uncertainty linked to the outcome of the May elections, continue to weigh on business confidence and economic growth. This is borne out by the National Treasury's 2024 budget review which predicted GDP growth of 1.3% in 2024 and 1.6% in 2025.

Métier and SepCem are both optimally positioned to capitalise on available opportunities described in their business reviews.

The board will continue to prioritise risk mitigation to prevent value erosion in difficult market conditions and provide guidance on opportunities that are value enhancing for shareholders and other stakeholders.

A word of appreciation

The Group's strong performance in challenging conditions is primarily attributable to Kenneth Capes and Duan Claassen who have been astute and attentive in their response to risks and opportunities in their operating environments. I would also like to thank Neil Crafford-Lazarus and the finance and operational teams for enabling executive management to achieve such good outcomes.

Among the many partnerships we rely on, our customers and suppliers form critical elements of our value chains. I acknowledge their valuable role in sustaining our operations.

On behalf of the Group, I thank our shareholder, DCP, for their ongoing support.

Finally, I am grateful to my board colleagues for their individual and collective contributions to sound governance.

Brent Williams
SepHold Chairperson

Kenneth Capes
Chief executive officer

SepHold CEO Kenneth Capes discusses the complex challenges Métier and SepCem face in their operating environments and the strategies the businesses employed during FY 2024 to capitalise on available opportunities in their markets.

AN INTERVIEW WITH SEPHOLD'S CHIEF EXECUTIVE OFFICER

Sephaku's operating environment remained challenging during the period under review. Describe the market conditions Métier and SepCem operated in?

The South African construction sector continues to be impacted by the challenges of loadshedding, inflation, transport disruptions, crime and a general lack of investment. The building industry has been in decline for many years, and the sustained reduction in the value of building plans passed indicates that the industry remains in a downward trend. There are pockets of opportunities for Métier in the public sector civil construction market and in the Western Cape. We have also seen increasing investment in private sector renewable energy projects, although solar projects are not cement-intensive and the wind projects underway are not located in SepCem's primary inland markets.

The domestic cement industry operates under the extreme, and well documented challenges of oversupply and declining demand. Competition remains intense due to lower volumes and a fragmented market of primary integrated producers, cement importers and blenders. These are but a few of the challenges faced by cement manufacturers. In a sector that is estimated to be operating at two-thirds of its 20Mt/year capacity, cement imports from Vietnam, Mozambique and Namibia, and clinker imports from Saudi Arabia and the UAE, increased by an average 18% to 979 000 tonnes during 2023 (ramping up to 43% during the second half of the year)[1]. Sales in SepCem's primary retail cement market continued to decline year-on-year as the inflated costs of essential goods and services, coupled with high interest rates, further eroded the disposable income of consumers.

An adverse trend that is gaining momentum is the proliferation of "business organisations" or communities that make unreasonable demands on construction and related businesses. These range from expectations of participation in projects by groups without the required skills or resources to conduct business or supply services, to the extortion of protection money from licensed operators. The supply of raw materials to projects in KZN has been heavily impacted by this trend. For example, sand suppliers who require mining licences to operate are under siege from unlicensed "sand mafias" who extort "security" fees from them. Many customers buy from these unlicensed suppliers, creating an unfair disadvantage for licensed suppliers who incur compliance and other operational costs. Métier remains committed to supporting licensed suppliers.

How have the operations responded to market conditions?

Métier and SepCem started their respective financial years with lean operations and stronger balance sheets which supported resilience in challenging market conditions. Both businesses focused on cost efficiencies and sales strategies to mitigate inflation and protect market share in intensely competitive markets.

A feature of the year was the ability of Métier and SepCem to generate value by adapting their strategies and operations to available opportunities in their markets.

[1] *Chronux Research, www.globalcement.com/news*

Anticipating the decline in the building industry, Métier delivered a strong set of financial results as it increased its focus on infrastructure investment opportunities in the civil construction market. Métier's vast plant network and strong technical capabilities positioned the business to adapt to the more technical nature of the products and services required by customers on larger civils projects. This necessitated an increase in Métier's resources during FY 2024 and the year ahead.

SepCem compensated for the lower retail cement sales by taking up opportunities to supply bulk cement to industrial sectors and selling higher margin technical products. After a difficult first half of the financial year, SepCem made promising gains and improved its financial performance during the second half as it implemented pricing levers to mitigate above-inflation costs and align pricing with market demand.

Read more in the operational reports starting on page 19 and the FD's report on page 16.

How do the operations ensure that they maintain the continuity of leadership and skills required for consistent product and service delivery?

The shortage of technical skills and industry knowledge in South Africa represents a material risk for Métier and SepCem. In a shrinking construction market, we face the constant threat of losing skills to other domestic sectors and international markets. For some operations, the challenge of retaining skills in a competitive labour market is compounded by the difficulty in attracting specialist skills to remote areas. Furthermore, employment equity targets, while sound in principle, are difficult to achieve in specialist businesses such as ours, that survive economic downturns by maintaining lean operations.

At Métier we try to counter the risk of skills shortages with succession planning and recruitment across all levels of the business to deepen the skills base. Our internal training programme is geared to impart specific skills but we often lose talented employees because our training improves their prospects of securing employment elsewhere, notably in international markets.

SepCem recruited a critical mass of highly skilled people when it started operating in 2013. Many of these employees are approaching retirement and will need successors over the next few years. SepCem's succession planning makes provision for this, including the approval of several new appointments during the year ahead, with the requisite skills to strengthen engineering competency and increase the talent pipeline.

What are your expectations of the operating environment during the year ahead and what will the operations focus on?

We expect the operating environment for both businesses to remain subdued. Although cost pressures are likely to continue moderating as inflation and interest rates slowly decline, electricity rate increases remain above inflation. Continuous power outages and disruptions to water supplies in some areas, together with the outcomes of the May 2024 national elections, may elevate economic risks.

Métier and SepCem are both positioned to continue capitalising on available opportunities, while maintaining lean and efficient operations.

Métier anticipates sustained weakness in the building industry and further marginal increases in investment in civil construction works. Métier's order book includes several contracts to supply products and services for highly technical projects. We are focusing on our skills base and expanding our regional operational resources, where necessary, to ensure that we deliver on our promises to customers.

Lower inflation and the prospect of decreasing debt servicing costs will contribute to a more positive medium-term outlook for consumer discretionary spending in 2024. This bodes well for a modest improvement in SepCem's retail cement market. Anticipated public sector investments in transport and bulk water infrastructure offer a positive longer-term outlook for the cement sector beyond 2024. SepCem's performance for the first quarter of its CY 2024 financial year indicates that market conditions remain subdued, particularly in the retail market.

There have been some major corporate moves in the construction materials industry, with Afrimat's acquisition of Lafarge South Africa and Huaxin Cement's acquisition of Natal Portland Cement. What implications do you think these transactions will have for the domestic industry and Sephaku?

We welcome constructive change and are hopeful that the evolving ownership landscape will stabilise and restore the reputation of an industry that has been heavily impacted by fragmentation. Métier is a customer of both companies and we expect the relationships to continue being of mutual benefit.

Who would you like to acknowledge?

We operate in a complex industry and our operating environments are extremely tough. Many of our competitors have not survived these conditions and have been forced to sell or close their businesses. Métier and SepCem have remained resilient through a period that has spanned a global pandemic, the economic fallout of significant global geopolitical threats and the progressive deterioration of public sector service delivery in South Africa. Our ability to survive and keep leveraging available opportunities is testimony to the people we employ in both businesses. I would like to thank the SepHold Board, Neil Crafford-Lazarus, Duan Claassen, the executive committees and the employees of Métier and SepCem for their commitment and hard work. I would also like to acknowledge the invaluable roles that our customers and suppliers play in our businesses.

Kenneth Capes
SepHold CEO

Neil Crafford-Lazarus
Financial Director

Métier and SepCem leveraged their competitive advantages to protect market share and achieve profitable growth within the limitations imposed by difficult market conditions. The operations remained lean and used cash to fund growth (Métier) and reduce debt (SepCem).

SEPHOLD FINANCIAL DIRECTOR'S REPORT

Financial outcomes of strategy implementation

The Group's financial performance in FY 2024 reflects the implementation of our strategic objectives to maintain sustainable sales volumes, maximise margins, increase cash flow and strengthen balance sheets.

Revenue and profitability

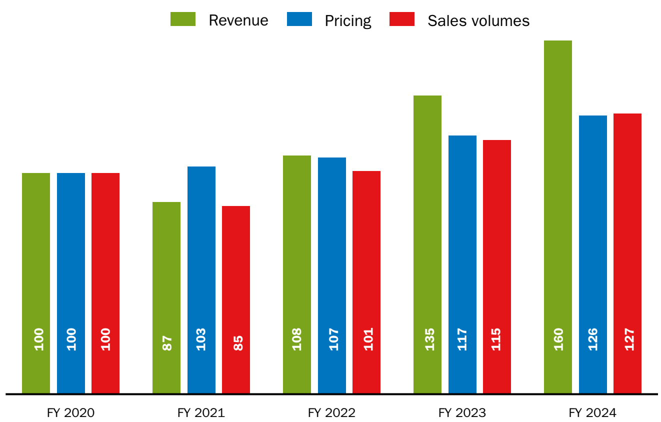
Summarised statement of profit and loss

	2024	2023 Restated
Revenue	1 163 603 065	980 710 786
Other operating income	6 188 798	3 564 049
Other operating losses	(200 000)	(768 879)
Movement in credit loss allowances	(929 961)	(400 000)
Raw materials	(724 030 739)	(615 819 604)
Transportation	(146 953 255)	(123 225 547)
Production expenses	(28 747 130)	(26 407 195)
Employee benefit expenses	(102 757 446)	(89 633 912)
Depreciation on property, plant and equipment	(36 316 965)	(34 190 671)
Other operating expenses	(50 018 351)	(44 817 638)
Operating profit (loss)	79 838 016	49 011 389
Investment income	2 575 336	2 231 302
Finance costs	(11 590 195)	(13 321 210)
Income (loss) from equity accounted investments	14 621 040	(2 040 840)
Profit before taxation	85 444 197	35 880 641
Taxation	(18 819 253)	(10 313 484)
Profit for the year	66 624 944	25 567 157

Métier

Métier exceeded the R1 billion revenue milestone and delivered commendable growth in profitability and cash generation. Despite low GDP growth, Métier achieved consistent growth in sales volumes, primarily due to its Western Cape operation and the commencement of contracts to supply concrete to two large infrastructure development projects during the second half of the financial year. Métier's reliable technical capabilities and on-time delivery were key drivers of sales volume growth and profitability.

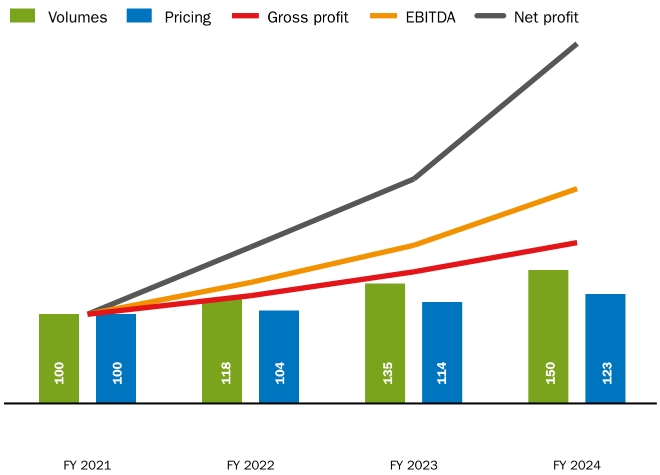
Five-year trend



As SepHold's operational subsidiary, Métier is the main contributor to the group's income statement.

Métier's revenue increased by 18,6% to R1,164 billion (FY 2023: R981 million) due to a combination of higher sales volumes, price increases and effective product segmentation.

Indexed costs and profitability trend



Price increases mitigated above-inflation input costs and were commensurate with the technical product specifications and complex logistical requirements of customers on large infrastructure projects.

Métier maintained control of input costs as it increased operational resources to accommodate the growth of its order book. A fleet renewal programme implemented over the past three years reduced the age and improved the efficiency of the fleet, contributing to the management of transport costs which account for about one third of the cost of delivering concrete to customers. Métier continues to invest in its extensive plant network.

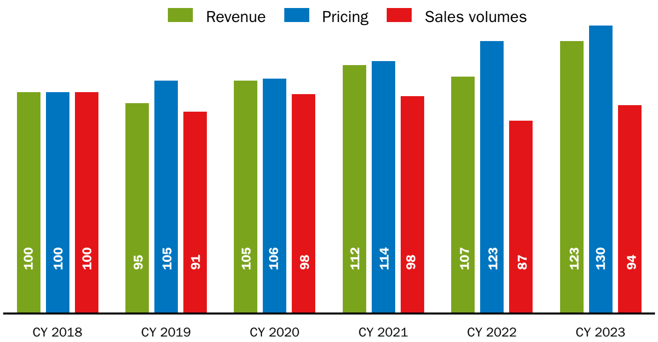
Métier's earnings before interest, tax, depreciation and amortisation (EBITDA) grew by 35.7% to R133 million and the EBITDA margin increased to 11.5% (FY 2023: 10%). With a strong order book and a sound reputation for meeting customers' expectations, Métier is positioned to achieve consistent growth in revenue and EBITDA during FY 2025, despite generally subdued market conditions.

SepCem

SepCem's financial year is from 1 January to 31 December 2023 (CY 2023) which differs from the 1 April 2023 to 31 March 2024 (FY 2024) reporting period of the Group and Métier.

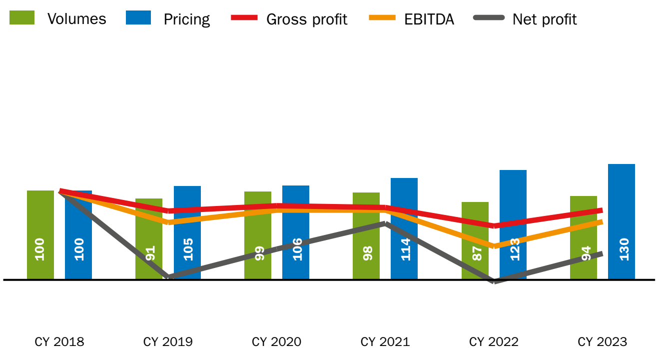
SepCem's performance improved significantly during the second half of the financial year, following an extended stoppage for planned maintenance of the single kiln, and the associated depletion of stocks. Optimal operational performance during the second half of the year enabled SepCem to capitalise on demand for bulk cement, while protecting its share of a shrinking retail market. This resulted in an increase in sales volumes, while a strong focus on market segmentation and cost efficiency underpinned a turnaround in SepCem's profitability.

Five-year trend



SepCem's revenue increased by 12% to R2,8 billion due to sales volume growth and price increases that averaged 4% and 6%.

Indexed costs and profitability trend



The electricity price increase of 15.6% remained above inflation and fuel prices were impacted by local currency weakness for parts of the year, but coal prices and other input cost increases eased in line with inflation.

SepCem's EBITDA grew by 29% to R361 million (FY 2022: R279 million) as a result of higher sales volumes during the second half of the year, and disciplined cost management. By operating as a low cost producer, SepCem benefits from improved cost efficiencies as volumes increase. This, combined with effective market segmentation and the sale of high strength technical products to the bulk market, increased the EBITDA margin from 11.4% to 12.8%.

Net profit after tax turned around from a R4,2 million loss in the prior year to a profit of R42 million. The SepCem 36% equity-accounted profit in the Group's FY 2024 profit and loss statement is R14,6 million, compared to a R2,0 million loss in FY 2023.

Increased investment in infrastructure development and the anticipated easing of inflationary pressures for consumers will support further growth in SepCem's sales volumes, with positive consequences for the capital-intensive producer's cost efficiencies and profitability.

Maintaining a sound financial base

The Group made further progress in strengthening its financial position by generating cash, reducing debt and mitigating customer credit risk.

Metiér

Métier repaid its bank term loan during the prior year and replaced it with an overdraft facility that was unutilised at the end of FY 2024. Instalment sales liabilities increased to R65 million (FY 2023: R47 million) to fund the fleet renewal and loader programme. Finance charges reduced from R13,3 million to R11,6 million year-on-year due to the reduction in total debt.

Debtor management was well controlled and no extraordinary customer credit risks were experienced during the year.

Métier used cash generated by its operations to buy back undervalued SepHold shares, as reported in more detail below.

SepCem

SepCem progressively reduced its total debt from R1,61 billion to R1,04 billion over the past three years, lowering finance costs and creating capacity for the business to grow when market conditions improve.

SepCem has a three-year term loan at a rate of JIBAR plus 3.25% from August 2022 and an unused working capital facility. The outstanding capital balance of the term loan reduced to R269 million (CY 2022: R400 million). The DCP shareholder loan balance increased to R772 million (CY 2022: R688 million) due to interest that accrues at JIBAR plus 4% capitalised against the loan.

SepCem's focus on cash generation was enhanced by incentivising customers to convert from accounts to cash payments. An increase in the Associate's cash position resulted in net debt of R823 million at year-end.

Equity buy-back plan

Following shareholder approval of the plan for the Group to repurchase up to 20% of SepHold's issued share capital, and for Métier to repurchase up to 10% of the shares, Métier commenced the process of repurchasing up to 25 448 644 of SepHold's 254 486 436 shares in issue. The plan specified that repurchases may not be made at a price more than 10% above the weighted average of the shares' market value during five business days preceding each transaction.

Between 9 December 2023 and 31 March 2024, Métier repurchased 13 789 293 (5.4%) of the issued ordinary shares. Using available cash resources, Métier paid an aggregate value of R13 914 974 for the shares, including transaction costs of R92 779.

As the shares were repurchased by a wholly owned subsidiary, they remained listed and held in treasury. This reduced the Group's cash balances by R15 168 222 at year-end.

For purposes of calculating the earnings per share and headline earnings per share, the repurchases had the effect of reducing the number of shares in issue by 3 406 023, weighted according to the repurchase dates which occurred during the last four months of FY 2024.

SHARE REPURCHASES (DECEMBER 2023 – JUNE 2024)

Date of repurchases	Aggregate number of shares repurchased	Highest price per share repurchased (cents)	Lowest price per share repurchased (cents)	Aggregate value, excluding transaction costs (R)
21 December 2023 – 31 March 2024	13 789 293	105	90	13 822 195
1 April 2024 – 13 June 2024	8 910 707	110	98	9 649 270

Subsequent to the financial year-end, between 1 April and 13 June 2024, Métier repurchased an additional 8 910 707 (3.5%) of the issued ordinary shares for R 9 714 135, including transaction costs of R64 865, reducing the number of shares in issue by 22 700 000. All of these shares were repurchased during the closed period prior to the publication of the Group's FY 2024 financial results.

Métier is entitled to repurchase a further 2 748 644 shares (1.08%) before reaching the 10% limit. The Subsidiary intends to continue repurchasing shares while it considers that there is value in doing so at the current prices and subject to capital allocation requirements associated with expansion in the Western Cape.

POST-PERIOD

Q1 2024 performance

As reported in DCP's first quarter results announcement on 15 May 2024, SepCem's revenue increased by 2.2% to R596 million (Q1 2023: R583 million), mainly due to price increases implemented in February 2024 and strong competition in bag pricing due to the depressed market. SepCem's first quarter EBITDA increased to R58,5 million (Q1 2023: R13,6 million).

SepCem's performance continues to be influenced by lower retail cement sales and available opportunities in the bulk cement market.

Lower inflation and the anticipated reduction in interest rates will provide some relief for retail consumers, while any further infrastructure investment in SepCem's geographic markets bodes well for growth in sales volumes.

Finally, Métier purchased the property on which it has been operating the Phoenix Plant for the last 17 years for an amount of R21 million.

Neil Crafford-Lazarus
SepHold FD

BUSINESS REVIEW – MÉTIER MIXED CONCRETE

Kenneth Capes
CEO

Métier maintained its track record of profitable growth by positioning its operations for new market opportunities and leveraging its reputation as a trusted partner to customers in the construction industry.

CHIEF EXECUTIVE OFFICER'S REPORT

Key focus areas in FY 2024

- Expand footprint in the Western Cape and protect market share in Gauteng and KZN.
- Maintain leading position in ready-mixed concrete market.
- Offer services to newly awarded civil infrastructure projects to offset subdued growth in residential market.
- Leverage technical expertise to offer solutions, not just products, to customers.

Operational performance

Métier delivered a strong financial performance by adapting to changes in market demand and capitalising on its reputation as a consistently reliable supplier of choice to secure new contracts in the civil infrastructure sector.

Solution-driven products and services

As high interest rates and low investor confidence continued to dampen growth in the building market, Métier shifted its focus to civil construction. The strategy yielded key contract awards on civil infrastructure projects based on Métier's proven track record and expert advice on the products and solutions best suited to projects.

A combination of price increases, product segmentation, sales volume growth in the Western Cape operation, which opened in 2022, and a strong run on two large projects during the second half of the financial year, supported 18.6% revenue growth.

Métier's technical solution-driven products and services were key drivers of growth in sales and profit margins. Despite the challenges of high input costs, electricity and water outages and congestion on the N3/N2 highway in KwaZulu Natal affecting delivery costs, Métier delivered on its promise to provide service excellence as it responded to complex product and logistics requirements of its customers.

Disciplined pricing and cost control

Price increases, implemented to mitigate above-inflation input costs, and consistent control of input costs contributed to 36.8% growth in EBITDA and a 10% increase in the gross profit margin.

Fleet management remained an essential element of cost management. In addition to routine fleet maintenance and optimisation, Métier's fleet renewal programme significantly lowered the age and improved the efficiency of the fleet. This, combined with the hybrid transport model, and strong relationships with outsourced transporters, enabled Métier to control transport costs within its target range and improve profit margins.

Strengthening brand value

Métier maintains its brand strength with deep product knowledge, responsiveness to market changes and customer needs and sound customer relationships based on service excellence, quality and on-time delivery. Committed employees and enduring supplier relationships built over several years underpin product quality and continuity of supply.

Taking care of health, safety and environment

Safety, health and environmental performance is closely managed and monitored by an Exco member who is directly involved at operational level.

Métier improved its LTIFR rate and continued to implement a range of initiatives to maintain a culture of safety awareness. Three annual audits are conducted at each operation to ensure compliance with Métier's environmental management programme.

Looking ahead

In FY 2025 we will continue to:

- Deliver on our customer promise of product quality and service excellence;
- Ensure that Métier is adequately equipped with the requisite skills base and operations to deliver new technical projects;
- Expand operations in KZN to meet the requirements of the newly awarded contracts; and
- Expand operations in the Western Cape to cater for Métier's growing presence.

Kenneth Capes
CEO

HUMAN CAPITAL

Métier's 264 employees implement the company's strategy, guided by the Métier Way which is underpinned by the company's values and ethics.

Métier strives to be an employer with fair and transparent practices. Employees are rewarded for the value of their work, competence and performance, based on the board-approved remuneration framework to ensure non-discrimination.

During CY 2023, Métier focused on:

- Strengthening depth in the regional workforces and increasing resources to meet workload requirements.
- Continuing to develop the internal employee skills base, while recruiting externally, where necessary.
- Assessing and amending employee benefits to ensure maximum value for employees.

Employee profile

Métier's employee turnover rate was 18.8% (FY 2023: 21.5%). The subsidiary's workforce grew to 264 employees (FY 2022: 242) to resource an increase in the workload.

Employment equity

Métier is committed to, and supportive of, the Employment Equity Act. During FY 2024, Métier continued to implement succession planning, recruitment, training and promotion to gradually address gaps in achieving its employment equity targets at senior, middle and junior management levels. Of 17 employees promoted, 14 were African males in the junior management and unskilled categories, two were Indian males in senior and junior management and one was a white male in senior management. The employment equity committee met twice and focused on developing a new employment equity plan.

Employee profile

	Male				Female			Foreign nationals	
Occupational level	**African**	**Coloured**	**Indian**	**White**	**African**	**Indian**	**White**	**Male**	**Total**
Top management	1			4			1		6
Senior management	2	1	5	13					21
Professionally qualified and experienced specialists and mid-management	8	2	6	8	1	3	4		32
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	24	4	8	3	7	3	5	2	56
Semi-skilled and discretionary decision-making	66							6	72
Unskilled and defined decision-making	68	1			1				70
Temporary employees	3			1	3				7
Total	172	8	19	29	12	6	10	8	264

Employment equity

Occupational level	**Target HDSA %**	**Actual HDSA %**
Top management	2	2
Senior management	9	8
Professionally qualified and experienced specialists and mid-management	27	24
Junior management	53	51
Total	91	94

Ethics and integrity

Métier's codes of ethics and conduct provide guidance on required standards of conduct to ensure employees are aligned with a common value system. Elements of the code of conduct are included in the employee performance management process to emphasise their importance.

Métier promotes a culture of honesty by providing an externally managed whistle-blowing line for reporting of unethical and unfair practices. The service offers stakeholders a channel to report employee and management fraud and unethical conduct. An internal grievance procedure enables employees to report unethical behaviour in the workplace to either their direct line manager, the human resources department, or the CEO.

Employee wellness

Métier offers comprehensive wellness and lifestyle advice through its Métier Cares initiative with the objective of assisting employees to optimise their health and productivity. This initiative provides guidance to employees on the management of their finances and facilitates humanitarian support for communities in need.

Training and development

Métier invested R0.6 million in training (FY 2023: R0,4 million), focusing on strengthening management depth in the regional workforces, while maintaining core technical competencies across all regions. Mandatory training was provided in first aid, basic firefighting and front-end loader operation. In addition, employees were trained in industrial relations for managers, fitter and welder assessment, and laboratory competency.

Approximately 29% (FY 2023: 31%) of the total employee base participated in the training, 21% of whom are male and female historically disadvantaged South Africans (HDSA). Of the 76 employees trained, 73% were HSDA participants.

Tertiary study bursary initiative: leadership development

The bursary programme aims to retain high-performance employees or those with key technical skills who are interested in developing their careers through further study. Recipients of the bursaries become part of an employee pool for promotion when they successfully complete their studies.

Métier awarded bursaries for tertiary studies to five employees during FY 2024 (FY 2023: three).

Production technology learnerships: empowerment through skills development

These learnerships empower learners with knowledge and skills that improve their prospects of securing permanent employment at Métier or other companies. During FY 2024, Métier supported six people with disabilities (FY 2023: six) who will complete level 5 production technology learnerships in the South African Qualifications Authority's National Qualifications Framework in September 2024. Eight candidates were selected to participate in the learnerships in FY 2025.

Building Blocks mentorship programme: performance enhancement

Métier's mentorship programme provides guidance for graduates during the initial years of their career to establish a foundation of strong work ethics and enhanced performance. Entry level employees receive assistance from colleagues to improve or develop skills that strengthen their performance. The Building Blocks programme runs from six to 18 months and offers the opportunity for graduates in the fields of construction, civil engineering and marketing to gain technical experience.

Two mentees participated in the programme during the year but were placed in permanent positions with other companies. Métier amended the programme to strengthen retention of mentees in future. From FY 2025, Métier will fund candidates' final year of study, retain them for a year and then absorb them into the workforce.

Succession planning

Métier conducts talent mapping to identify gaps in the technical skills needed to implement future business objectives, and provides the necessary skills training.

The outcomes of the talent mapping process inform a succession plan and talent pipeline. This drives the transformation, career advancement and retention of future leaders, ensuring continuity of leadership and technical expertise.

BROAD-BASED BLACK ECONOMIC EMPOWERMENT

Métier maintained a level 4 BBBEE contributor status.

HEALTH, SAFETY AND ENVIRONMENT

Health and safety

Métier's health, safety and environmental (HSE) programme is overseen by an executive committee member and implemented by regional management supported by safety representatives and committees. The programme creates awareness among employees of the company's impact on its operating environment and promotes continuous improvement in the management of HSE impacts.

Each Métier operation is audited internally three times a year to ensure compliance with relevant HSE laws or regulations and drive continuous improvement in performance. External audits are conducted by government agencies to monitor compliance.

Métier promotes safe work environments with a strong focus on operational activities and employee behaviour. Monthly health and safety meetings (Toolbox talks) are held at all operations to reinforce standard protocols.

No fatalities were reported and the lost time injury frequency rate (LTIFR) improved to 0.41 (FY 2023: 1.19). Métier's key safety risks are incorrect operation of heavy machinery, absent-mindedness and falling. Depending on the incident, employees are either provided additional safety training or issued a warning in incidences of negligence.

Internal safety audits confirmed broad compliance with all safety procedures, meetings, and record-keeping.

Environmental management

Métier conducted 52 environmental audits (FY 2023: 52) to monitor and minimise the environmental impact on the areas surrounding the operations. The audits identified Métier's main environmental impacts as dust emissions from silos and aggregate stockpiles, washout concrete residue, and wash water management.

In line with Métier's commitment to zero tolerance of non-compliance with environmental and safety protocols, the subsidiary incurs ongoing costs to mitigate and manage impacts. Mitigatory measures and audits are overseen and undertaken by an EXCO member.

Dust emissions

Métier monitors dust emissions and uses suppression sprinklers to ensure that stockpiles remain damp to minimise the emissions. Filters and screens are used to control dust levels from silos and the loading bay.

Water management

Métier recycles and re-uses between 85% and 90% of all excess water generated on the premises during production. The subsidiary uses water from the municipal supply to produce ready-mixed concrete.

Water used to wash trucks and for general cleaning of the plant premises, and rainwater, is recycled through the settlement ponds and re-used in ready-mixed concrete production. Métier ensures that any excess water not recycled is maintained at a minimum to be cleaned and released into the municipal systems.

Waste management

Métier focused on maintaining efficient waste management at all plants and correct disposal in line with municipal bylaws. Waste is categorised and allocated to separate disposal bins as stipulated by the legislative framework. All plants have washout facilities that include recycling units.

Métier collects the recycled concrete residue for delivery to approved quarries, where it is recycled back into aggregates for further use.

BUSINESS REVIEW – SEPHAKU CEMENT

SepCem's financial year is from 1 January to 31 December 2023 (CY 2023). This differs from the 1 April 2023 to 31 March 2024 (FY 2024) reporting period of the Group and Métier.

Duan Claassen
CEO

SepCem implemented sales strategies and austerity measures to maintain its competitive position and improve financial performance in a challenging South African cement industry.

CHIEF EXECUTIVE OFFICER'S REPORT

Key focus areas in CY 2023

- Grow volumes
- Improve profit margins
- Ensure business continuity
- Entrench and sustain a high performance culture

Operational performance

SepCem maintained its competitive position and improved financial performance (from a low base in CY 2022) in a persistently difficult cement market and a lacklustre economic environment.

Adapting to challenging market conditions

SepCem overcame several challenges during the first half of CY 2023 to finish the year in a stronger position. Following supply constraints in some raw materials and an extended kiln stoppage with the associated depletion of inventories, SepCem restored operations and capitalised on available market opportunities.

Operating in a domestic cement market that contracted further by a conservatively estimated 2.2%[1], SepCem increased its revenue by 15% as a result of higher sales volumes and price increases. Cement sales from retail merchants which normally account for between 70% and 80% of SepCem's sales mix decreased to between 65% and 70% as economic factors continued to squeeze consumers' disposable income. SepCem reduced its reliance on retail sales by increasing bulk sales to industrial sectors and selling more high strength technical products.

SepCem implemented sales strategies to recover inflated costs, including the use of market intelligence to align pricing strategies with market demand, and enhanced customer engagement and technical support. These measures contributed to a 30% increase in EBITDA and a turnaround from a net loss to a net profit after tax.

Maintaining lean and efficient operations

SepCem's low cost structure remains a competitive advantage and the Associate strives to maintain lean operations.

There was some respite in cost pressures during CY 2023. Fuel price increases averaged 3% compared to 46% in CY 2022. Softening global demand for coal reduced the price of locally sourced coal and lowered energy costs. However, electricity tariffs increased by 15.6% in CY 2023 and a further 12% in CY 2024.

[1] *Econometrix*

SepCem implemented austerity measures, negotiated favourable rates with service providers and used digital technology to manage transport costs more effectively. The Aganang and Delmas plants were restructured to align their operations and cost bases with proportionally lower demand for bagged cement. The addition of more alternative fuels to the kiln increased the thermal substitution rate to 42% (2022: 34%).

These measures enabled SepCem to reduce the growth of its variable costs per tonne to between 6% and 7% (CY 2022: 8% and 9%), despite the higher electricity costs. Plant fixed costs were restricted to 1% growth compared to 6% inflation. By improving cost efficiency and maintaining service excellence, SepCem averaged 91.7% service level performance on delivered loads.

Taking care of safety, health and environment

SepCem continued to address social and community expectations by actively engaging community structures and the North West local government on the key issues of alternative grazing for local farmers and social investment projects. A highlight was a 19% increase in procurement from local black-owned SMME suppliers.

SepCem recorded a single lost-time injury and zero fatalities, reflecting the positive consequences of several measures implemented during the year to strengthen safety awareness and performance.

A decarbonisation plan, including the use of alternative fuels, was implemented at the Aganang and Delmas plants. Further progress was made towards compliance with the ISO 14001 international environmental management standard.

Looking ahead

In CY 2024 we will continue to:

- Focus on quality products, excellent service and customer engagement to drive revenue growth;
- Maintain disciplined cost controls, increase sales of quality technical products and leverage technology to optimise supply chain management;
- Preserve SepCem's social licence to operate by engaging effectively with community and government stakeholders, and maintaining sound environmental, social and governance practices;
- Maintain a lean organisation, adequately equipped to achieve continuous improvement in performance; and
- Be ready to meet demand should the GNU deliver on new infrastructure expansion.

Duan Claassen
CEO

HUMAN CAPITAL

SepCem maintains a critical mass of highly skilled people to run its operations, while focusing on growing the talent pool through learning and development interventions, as well as succession management.

SepCem's remuneration and reward practices are market-related – reflecting the context in which it operates – and guided by a board-approved remuneration policy and framework.

During CY 2023, SepCem focused on:

- Implementing restructuring programmes to align the employee base with market demand.
- Identifying and addressing gaps in technical skills, leadership skills and industry knowledge with training and succession planning.
- Entrenching a high performance culture and employee engagement through Tokafatso, the organisational performance enhancement programme.
- Maintaining a harmonious work environment in a challenging operating environment.

Entrenching a high performance culture

SepCem made further progress in implementing the Tokafatso programme at the Aganang and Delmas plants. The programme enables SepCem to achieve its strategic objective of creating a high performance culture by:

- Translating the boardroom strategy into actions and following through on those actions.
- Continuously engaging with employees.
- Striving to achieve continuous improvement in organisational, operational and service excellence.
- Facilitating the development of an agile organisation with inspired and engaged employees.

SepCem uses the Vital Elements of a Performing Organisation model to implement Tokafatso, with SepComs (structured meetings) providing a platform for managers, employees and teams to assess performance against key performance indicators (KPIs) and address obstacles inhibiting the achievement of those KPIs. Learning and focus topics are shared during the SepComs and employees are recognised for their contribution towards the achievement of team or divisional goals. Maturity indexing is conducted internally to assess the effectiveness of SepComs. The Aganang plant achieved level 3.2 out of 5 (CY 2022: 3.3) and the Delmas plant achieved 2.58 (CY 2022: 2.0). Establishing effective SepComs at the Centurion head office continues to be a focus area for CY 2024.

Further advances were made in improving employee communication with the launch of a monthly newsletter that informs employees of safety performance, business developments, matters that impact local communities and other focus topics. Managers engage routinely with employees during career discussions and performance appraisals, where they also manage expectations related to career progression.

During CY 2024, SepCem plans to elevate the role of townhall meetings as a consistent communications channel for engagement between employees and leadership teams.

Employee profile

The employee complement reduced to 369 people (CY 2022: 472) as SepCem restructured operations at the Delmas and Aganang plants. Employee turnover increased to 33% (CY 2022: 11%) largely as a consequence of the restructuring. However, voluntary departures remained consistent at 11%.

The following additional restructuring exercises during CY 2023 did not result in exits from the business:

- Optimisation of the sales team structure to support SepCem's renewed focus on growing industrial sector volumes.
- Transfer of a packing plant shift from Aganang to Delmas to ensure that both plants were adequately staffed to align with optimising sourcing of product from each of the mills at Aganang and Delmas.

Employment equity

SepCem's employment equity committee met three times and focused on a review process initiated by the Department of Employment and Labour. This necessitated the review of policies, procedures and practices, identification of affirmative action measures and analysis of the workforce relative to the economically active population. A new two-year plan was developed and approved by the Department of Labour. The duration of the plan took into consideration that it may be necessary to review the plan when new sector targets, currently under review, are promulgated.

SepCem continues to focus on appointing candidates from under-represented demographic groups across all occupational levels, so that the workforce better reflects South Africa's economically active population. During CY 2023, SepCem achieved 89% representation of HDSA employees in the skilled technical occupational level, exceeding its 85% target. This improvement was as a result of recruitment processes that intentionally targeted candidates from under-represented groups. 82% of all 17 promotions in SepCem, were from designated groups.

SepCem's employee profile comprises 69% males and 31% females, while 1.4% of employees are people living with disabilities. The Associate will continue to focus on gender, diversity, and inclusion in CY 2024, including the formulation of measures to ensure a supportive workplace environment for female employees and employees living with disabilities.

Employee profile

Occupational level	Male				Female				Foreign nationals	Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	Male	Total
Top management	3	0	0	3	1	0	0	2	1	10
Senior management	2	1	0	9	4	0	0	3	1	20
Professionally qualified	12	3	4	11	1	1	1	5	1	39
Skilled technical	55	2	0	11	29	2	4	6	1	110
Semi-skilled	32	1	1	0	27	0	0	1	0	62
Unskilled	97	2	0	0	27	1	0	1	0	128
Total	201	9	5	34	89	4	5	18	4	369

Employment equity

Occupational level	Target HDSA (%)	Actual HDSA (%)
Top management	42	60
Senior management	45	50
Professionally qualified	75	69
Skilled technical	85	89
Semi-skilled	100	98
Unskilled	100	100

Employee development

SepCem increased its investment in training to R3.9 million (CY 2022: R3.0 million). The key objectives of SepCem's learning and development activities are to:

- Increase the competency levels of individual employees, thus improving team, divisional and company performance.
- Develop future leaders and support the career aspirations of employees, where possible, in alignment with the company's strategic objectives.

Leadership development and succession planning

SepCem focused on building leadership capacity and strengthening the succession plan to ensure an adequate pipeline of suitable candidates for future roles.

During CY 2023, 12 employees participated in leadership development programmes conducted in partnership with education institutions, including:

- A New Managers Programme.
- A Management Advancement Programme.
- An Executive Development Programme.

Furthermore, an Emotional Intelligence (EQ) and 360 perception measure programme was rolled out for heads of departments at the Aganang and Delmas plants.

DEVELOPING A TALENT PIPELINE FOR THE FUTURE

As part of SepCem's succession management programme, the following measures were implemented:

- Identified critical positions.
- Identified talent.
- Matched the talent to critical positions.
- Developed action plans to address any identified gaps in required skills or potential successors.

The shortage of technical skills and cement-specific experience in South Africa presents a material risk for SepCem. This risk is compounded by the difficulty in attracting specialist talent to remote areas and retaining talent in a competitive labour market. In light of this, SepCem will implement a plan in CY 2024 to strengthen its pipeline of employees with these skills and experience. The plan includes 17 new positions to strengthen engineering competency and the talent pipeline.

Learning and development

Mandatory training (including Codes of Practice) is conducted at the plants to comply with DMRE requirements for core skills in occupational health, safety and environmental management.

Employee bursaries

SepCem increased the number of education assistance beneficiaries to 12 (CY 2022: 10). These employees pursued studies in fields such as engineering, credit management, supply chain management, accounting, sales and marketing.

Employee wellness

SepCem's employee assistance programme (EAP) is managed by an external service provider which offers employees and their immediate family members access to psychosocial support. The EAP utilisation rate was slightly higher than the industry benchmark and key concerns raised by employees were related to stress, financial constraints and family relationships. Annual Wellness Days give employees the opportunity to assess their physical wellbeing and engage with financial, psychosocial, mental health and health management service providers.

Labour relations

SepCem has had no recognised union for collective bargaining since January 2021 and therefore, implemented an annual salary increase for all categories of employees. An organisational rights agreement is in place with NUM at the Aganang plant, and AMCU retained its standing as the recognised union from an organisational rights perspective at Delmas plant.

Effective engagement between management and union representatives facilitated the maintenance of a stable employee relations climate.

HEALTH, SAFETY AND ENVIRONMENT

SepCem strengthened health and safety management by employing additional external service providers to conduct independent risk assessment and assurance of regulatory compliance. Further progress was made in preparing SepCem's environmental management system for ISO 14001 certification.

Health and safety

Several measures were implemented to improve SepCem's health and safety risk culture on site. Leadership assessment and ownership of health and safety risks was enhanced by 'visible felt leadership' initiatives, such as site visits and a townhall meeting. SepCem rolled out safety awareness campaigns company-wide, using internal communications platforms and routine Toolbox talks.

SepCem achieved continuous improvement in health and safety performance. There were no fatalities at the operations and LTIFR rates improved to 0.18 at Aganang and zero at Delmas. The Aganang plant reached a milestone of 10 million fatality-free manhours in March 2024.

Environmental management

SepCem recognises that its cement production facilities have an environmental impact and complies with all applicable permits and licences governing environmental management.

SepCem mitigates environmental impacts by measuring, monitoring and reporting on environmental performance, rectifying non-compliance identified during audits and site inspections and adopting innovative approaches to mitigate its impacts. In an evolving environmental regulatory environment, SepCem remains abreast of fast-changing regulatory requirements.

During CY 2023, SepCem focused on:

- Progressing the implementation of a decarbonisation plan by appointing external consultants to develop a decarbonisation roadmap for the Aganang and Delmas plants.
- Achieving a five-year renewal of the atmospheric emission licence for the use of alternative fuels and resources.
- Conducting a hydrogeological assessment of the viability of groundwater abstraction at the Delmas plant.
- Transitioning towards compliance with the ISO 14001 environmental management standard.

Performance areas	2021	2022	2023
Carbon emissions			
CO_2 per tonne of clinker produced (tCO_2e/tonne)	0.72 – 0.80	0.72 – 0.77	**0.71 – 0.75**
Net CO_2 per tonne of cementitious produced (kg tCO/tonne)	545	548	**532**
Nitrous oxide emissions			
Milligrams of nitrous oxide emissions per normal cubic metre (mg/Nm^3)	1 100 – 1 300	600 – 700	**570 – 600**
Water usage			
Water abstracted from boreholes (m^3)	130 591	82 534	**99 656**
Water recycled (m^3)			
– Aganang	108 703	158 579	**115 759**
– Delmas	–	17 077	**7 039**
Waste management			
Waste generated (t)	502.49	614.84	**345.65**
Waste disposed (t)	264.90	296.11	**150.94**
Waste recycled (%)	40.59	51.84	**56.33**

Atmospheric emissions

The Aganang and Delmas operations use continuous emission monitors to monitor all pollutants daily and assess results against the atmospheric emission licence. Emissions data is reported internally, discussed at quarterly operational meetings, and assessed for risk.

Although emissions were below permitted limits for all regulated pollutants, dust emissions at the Aganang plant exceeded emission limits for kiln stacks due to reduced filter bag functionality. This was rectified by sourcing higher quality filter bags and replacing the bags during a planned kiln maintenance shutdown.

SepCem's atmospheric emission licence for the use of alternative fuels and resources at Aganang was renewed for five years in February 2024.

Nitrous oxide emissions

Nitrous oxide emissions at the Aganang plant reduced to a range between 570 and 600 milligrams of nitrous oxide emissions per normal cubic metre (mg/Nm^3) (CY 2022: 600 – 700 mg/Nm^3) against SepCem's historic standard of 1 200 mg/Nm^3. The improvement was achieved as a result of the introduction of a low-cost nitrogen oxide reburn zone in the calciner. By feeding waste tyres as an alternative energy source into the kiln's back-end, SepCem reduced nitrous oxide emissions in order to comply with stricter new requirements for alternative fuels.

Carbon emissions

SepCem proactively measures its carbon dioxide (CO_2) emissions to manage its carbon footprint. Emissions decreased to between 0.71 tCO_2e and 0.75 tCO_2e per tonne of clinker produced (CY 2022: between 0.72 tCO_2e and 0.77 tCO_2e per tonne). The CO_2 per tonne of clinker decreased as a result of the implementation of CO_2 reduction initiatives focused on thermal energy substitution, clinker substitution (CK ratio), electrical energy management and operational efficiency.

Net CO_2 emissions produced per tonne of cementitious product (kg CO_2/tonne) decreased to 532 kg CO_2/tonne (CY 2022: 548 kg CO_2/tonne). The variation in CO_2/tonne of cementitious product is a result of product mix due to market requirements.

Carbon tax

As a scope-one emitter, SepCem is levied carbon tax for combustion emissions. SepCem paid carbon tax (phase 1) of approximately R30 million at an applicable rate of R159 per tonne of carbon dioxide equivalent (tCO_2e) (CY 2022: R22,8 million at an applicable rate of R144/tCO_2e). The rate will continue to increase annually to R236/t CO_2e in 2025 when phase 1 ends. Carbon tax phase 2 is scheduled to commence in 2026, with rates increasing annually from R308/t CO_2e in 2026 to R462/t CO_2e by 2030.

SepCem monitors amendments to carbon tax requirements to ensure that it remains compliant and able to adapt processes where possible to reduce the tax liability through offsets. SepCem participates in voluntary budgeting for carbon tax.

Implementing the decarbonisation plan

SepCem embarked on a decarbonisation plan to reduce its carbon footprint and contain energy costs. In November 2023, a project was implemented by DCP and external consultants to develop a decarbonisation roadmap for the Group's Aganang and Delmas operations. A joint working group implemented the following actions to date:

- Data collection and understanding of existing practices.
- Training in greenhouse gases (GHG) inventorisation and management.
- Validating and verifying existing GHG accounting practices and emissions (scope 1 and 2), and identifying gaps.
- Establishing specific GHG emissions for the plants and using the Global Cement and Concrete Association's Getting the Numbers Right (GNR) tool to capture emissions.
- Macro-level benchmarking and strategies for low carbon transition.
- Developing a decarbonisation roadmap with targets and timelines to reduce GHG emissions.

Alternative fuels

SepCem introduces alternative fuels in its kiln to substitute, and reduce dependence on, conventional fossil fuels over time, thereby lowering carbon tax and mitigating energy costs.

During CY 2023, SepCem increased its thermal substitution rate (TSR) to 42% (2022: 34%) but did not achieve the targeted 70% due to several constraints. Ultra-fine coal waste consumption reduced during the second half of the year due to limitations in the availability and quality of the material. The TSR for waste tyres was 5.4% (CY 2022: 1.2%), which was below the targeted 5.7% due to Waste Bureau supply constraints. SepCem approved investment in an automated tyre feeding system to further improve the TSR and the project commenced during the second quarter of CY 2024. The use of the tyre feeding system to incorporate refuse derived fuel (RDF) as an alternative fuel commenced during CY 2023, with limited RDF contributing to a TSR of 0.05%.

Plans to introduce liquid fuel as an additional substitute for pulverised coal were postponed to CY 2024 due to delays in concluding a commercial agreement with a partner to design and install the requisite equipment and technology.

Water management

SepCem conserves water by monitoring water quality, separating clean and impacted water streams, recycling impacted streams and treating water, where necessary. Water quality compliance is measured against applicable water use licence limits assigned for each discharge to the receiving environment.

The Aganang and Delmas plants re-use the water from return water dams and silt traps as process water and offset the use of boreholes or fresh water from the municipality. The annual volume of water abstracted from five boreholes was 99 656 m^3, which is 21% more than the 82 534 m^3 abstracted in CY 2022 due to lower rainfall.

Aganang recycled 115 759 m^3 (CY 2022: 158 579 m^3) from the return water dam for use in processing. The Delmas plant recycled 7 039 m^3 (CY 2022:17 077 m^3).

An extensive hydrogeological assessment was conducted to evaluate if groundwater at the Delmas plant would meet the water requirements of the plant. The assessment found that the four boreholes tested were in good condition and that groundwater abstraction from the boreholes would have a low impact on the surrounding environment. SepCem intends to apply to the Department of Water and Sanitation for authorisation of groundwater abstraction.

Waste management

Operational efficiencies are improved by reducing the waste produced from SepCem's processes and promoting recycling. Waste that cannot be recycled is safely disposed of at appropriate waste facilities. Each plant maintains waste inventories detailing the source, volume and type of waste generated by each process, and the disposal method. The plants are registered on the South African Waste Information System, and the volume and type of waste generated and disposed of are reported monthly.

SepCem generated 345.7 tonnes of waste (CY 2022: 614.8 tonnes) and disposed of 150.9 tonnes of waste (CY 2022: 296.1 tonnes). 56.3% of waste was recycled compared to 51.8% in CY 2022.

General waste is separated at the plant into component waste streams, including domestic waste, ready-mixed recyclables, wood, steel, and rubber. Waste for recycling and re-use is collected from internal transfer areas by an independent contractor for re-use, recycling, and disposal of the residual domestic waste stream.

Hazardous waste, such as used oil, is recycled through specialist service providers, and oil-contaminated material, including used filters, is delivered to registered waste disposal facilities. SepCem's disposal of waste and recyclables complied with the conditions of its waste management licence.

Aligning environmental management with international best practice

SepCem made progress in its transition to ISO 14001 certification. During phase 1 of the project, an internal gap analysis was conducted to establish the compliance of SepCem's environmental management system with the requirements of the ISO 14001:2015 international standard. The process identified 40 major non-conformances, 34 minor non-conformances and 25 improvement opportunities.

A corrective action plan was developed, providing a detailed breakdown of each corrective action, including the expected outcomes and the measurement criteria to gauge the effectiveness of the corrective actions. The plan enables continuous improvement by specifying how progress and implementation will be monitored and reviewed.

Implementation of the corrective action plan (phase 2) is currently underway at Aganang. Environmental management activities and the existing document management system are being reviewed to ensure effective implementation of the environmental management system in preparation for certification.

SOCIAL CAPITAL

SepCem strives to maintain sound, mutually beneficial partnerships with local communities. The Associate complies with regulations governing its environmental and social impacts and engages extensively with communities through their leadership structures, local municipalities and key government departments.

During CY 2023, SepCem focused on:

- Continuous stakeholder engagement to address grievances related to livestock grazing and community expectations of procurement and employment opportunities.
- Developing an integrated sustainable grazing plan to address risks associated with livestock grazing.
- Overcoming challenges in implementing social infrastructure and job creation projects.
- Strengthening preferential procurement and supplier development opportunities for local SMMEs.

Aganang plant

SepCem had 42 formal stakeholder meetings with community stakeholders in the North West province, focusing primarily on livestock grazing and the provision of social infrastructure projects, employment opportunities and preferential procurement opportunities for local SMMEs.

The lack of widely recognised community leadership contributed to delays in the implementation of social projects and the finalisation of the surface lease agreement governing the use of land for mining operations. The impacts of deteriorating economic conditions and an influx of people into the Verdwaal community adjacent to the Aganang plant heightened tensions.

Development of a sustainable livestock grazing plan

SepCem made further progress in developing a sustainable solution for approximately 285 livestock farmers affected by the mining area in the Verdwaal and Springbokpan communities. As an interim arrangement while it prepares a long-term grazing plan, SepCem provides approximately 750 hectares of grazing land, which is equivalent to the area impacted by the mining operations. However, the land is overstocked, resulting in overgrazing. Research by an agricultural expert into concerns about livestock mortality found that overgrazing and inadequate agricultural management were the main causes of mortality.

Key actions in the development of an integrated five year plan to address this challenge include:

- Creating a database of livestock owners affected by mining operations, livestock quantities and the number of stock mortalities per owner.
- Developing a proposal for a sustainable grazing plan, based on a professional assessment of the land's carrying capacity. The plan proposes short-term relief for livestock losses, a phased reduction in livestock, and implementation of viable agricultural management practices, supported by training and awareness programmes. The proposal was submitted to the SepCem board for review and approval during the third quarter of 2024, subsequent to the financial year-end.
- Engaging with the Department of Agriculture, Land Reform and Rural Development to lobby for government support of the sustainable grazing plan and provision of interventions, such as vaccination programmes, to support the livestock farmers.
- Once the sustainable grazing plan has been approved by the SepCem board, SepCem will make an offer to the Department of Agriculture, Land Reform and Rural Development, as the landowner, for the conclusion of the surface lease agreement in respect of the Aganang mining land.

Implementation of SLP projects

SepCem overcame several challenges to implement infrastructure and job creation projects. The projects were initiated as part of the DMRE-approved SLP, in collaboration with other industry participants in the Ditsobotla Cement Manufacturers Forum (DCMF).

Project implementation was scheduled to commence during 2023 but was delayed due to the requirement to integrate different procurement practices of the individual partners, and ongoing community challenges.

Project	Activities	Timeframe	Budget*
Support Taletso Technical Vocational Education and Training (TVET) College.	Set up and equip resource centre.	Project to start in Q2 of 2024	R0,65 million
	Build auditorium – procurement process completed and contractor appointed.	Procurement process to start in Q3 of 2024 and project expected to be implemented in 2025	R3,98 million
Establish brick-making project to upgrade internal roads.	Set up a brick-making project to manufacture bricks/paving materials to upgrade internal roads in the Ditsobotla area.	Project to start in Q3 of 2024	R0,76 million
Refurbishment of the Verdwaal Community Hall and Bakery	Painting, building maintenance and provision of services.	Ongoing	R0,20 million
Community Skills Development	Rock dump truck operator, code 14 drivers licence, livestock management.	Ongoing	R0,35 million
Support Ditsobotla Municipality to address service delivery challenges.	Formal participation in municipal governance structures. Formalise capacity building of officials and municipal workers where practical.	SepCem provided technical support and infrastructure, including the loan of a generator to pump water to enable service delivery.	

* *SepCem's share of the budget, recognised as part of SepCem's SLP commitment.*

Torosesha

Established as an empowerment entity to benefit the Verdwaal and Springbokpan communities, Torosesha has a 15% shareholding in SepCem's mining subsidiary, Sephaku Development Proprietary Limited (SepDev).

Since mining operations commenced 10 years ago, the communities have received R10 million in dividends from SepDev, with 42.50% allocated to Springbokpan; 21.25% to Verdwaal 1; 21.25% to Verdwaal 2 and 15% allocated for administrative expenses (legal fees, audit and general administration).

Implementation of mining community projects

Verdwaal community centres

Work continued on the construction of Torosesha-funded multi-purpose community centres at Verdwaal 2. The Verdwaal 1 community centre project is on hold as the Torosesha board is seeking community resolution for the use of alternative building material after the brick-and-mortar structure could not proceed due to community disruptions and a local contractor's poor performance.

The community centres will provide space for a range of community activities and services, including a waiting room for the mobile healthcare clinic, offices for Torosesha and community leadership offices, skills development, employment and SMME recruitment and advisory services, and a general information centre.

Both Verdwaal 1 and Verdwaal 2 facilities are scheduled to be completed in Q3 of 2024. The project's cost is R3,8 million.

Springbokpan clinic

Planning is currently underway for the implementation of the Springbokpan clinic project. The clinic will be operated by the North West Department of Health which will provide staff and medical equipment to provide primary care services to the community. Torosesha is applying lessons learnt from the Verdwaal projects to eliminate or minimise community disruptions during the construction process. This includes consideration of the use of alternative building methodology to ensure faster delivery of the project. Construction of the project is scheduled to start in Q3 of 2024.

Aganang and Delmas

Employment opportunities

SepCem applies established recruitment and procurement processes to ensure that members of the communities adjacent to the Aganang and Delmas operations benefit from employment opportunities at its operating plants.

During CY 2023, 85% of people employed at the Aganang plant were from communities in the Ditsobotla municipality and 62% of people employed at the Delmas plant were from communities in the Victor Khanye municipality.

SepCem focused on creating community employment opportunities at the SLP projects and initiated a machine operator training programme in collaboration with a mining contractor. 20 unemployed people were trained to operate heavy mining equipment.

Supply opportunities

SepCem supports local economic development by procuring goods and services from local SMMEs. The ESD plan develops entrepreneurs by providing small businesses with training, mentorship and coaching on business administration.

During CY 2023, SepCem increased the number of local SMME suppliers contracted to provide services to the operating plants by 10%, with 85% to 90% of SMME suppliers sourced from local communities. 26 vendors were from the Ditsobotla municipality, all of whom were black-owned SMMEs (CY 2022: 22). The procurement expenditure with SMMEs from the Ditsobotla municipality increased to R140 million (CY 2022: R115 million), of which R125 million (CY 2022: R105 million) was with black-owned SMMEs.

Five targeted supplier development projects (CY 2022: five) were implemented for local SMMEs to supply the following services:

- Plant maintenance
- Office cleaning
- Forklift operations
- Raw materials transport
- Delmas garden services

An internal compliance audit of participants in the SepCem ESD plan confirmed that by year-end, 90% of the SMMEs (CY 2022: 85%) complied with all statutory requirements, which was above the targeted 80%.

Community disruption of operations

SepCem experienced lower levels of community disruption at Aganang during the year, with nine reported incidents (CY 2022: 13), none of which resulted in the stoppage of operations. SepCem defines community disruption incidents as incidents that affect the smooth running of operations, including blocking access and impacting delivery of raw materials or cement products, or gaining unauthorised access to the active mining area.

BROAD-BASED BLACK ECONOMIC EMPOWERMENT

SepCem retained level 5 BBBEE contributor status for the 2023 financial year. SepCem achieved maximum points and a bonus point for socio-economic development, and improved preferential procurement and supplier development performance in local communities. Skills development was identified as a future improvement area.

CORPORATE GOVERNANCE OVERVIEW

GOVERNANCE REPORT

SepHold remains committed to the highest standards of governance, business integrity, ethical conduct and professionalism. These principles underpin the Group's goals and strategies, create transparency and trust, and contribute to value creation for material stakeholders.

Governance framework

A robust governance framework guides effective and responsible leadership. The board, assisted by board committees, is the guardian of the Group's corporate governance practices and delegates the responsibility of instilling ethical practices and integrity to executive management. Members' conduct is regulated by a board charter aligned with King IV. The charter defines the board's authority and role as the governance structure, with ultimate accountability and responsibility for the Group's conduct and performance.

The board approves the Group's strategy and governance policies and provides oversight on their implementation. The board delegates authority to the executive directors to manage the Group's operations according to the approved strategy and policies. **The board is satisfied that it has fulfilled its responsibilities according to the board charter in FY 2024.**

SEPHOLD BOARD		
The SepHold board is assisted by three committees that discharge their statutory responsibilities according to terms of reference and the board charter. The board delegates responsibility for the governance of certain operational matters to Métier and SepCem, enabling it to focus on overarching group-related matters.		
Audit and Risk Committee (ARC)	**Social and Ethics Committee (SEC)**	**Remuneration and Nomination Committee (REMCO)**
Métier Board	Membership is constituted of the Métier CEO, the SepHold FD and a non-executive director.	
SepCem Board	Membership comprises ten main members and four alternates, including the SepHold CEO and a non-executive director, and the SepCem CEO. The SepCem board is chaired by DCP's Chairman.	

An overview of the Board's focus areas for the year

April to June 2023	July to September 2023	October to December 2023	January to March 2024
• Conducted an internal evaluation to determine the effectiveness of the Board and its committees. • Approved the FY 2023 annual financial statements. • Reviewed and approved the FY 2023 integrated annual report (IAR). • Approved the remuneration policy and implementation report published in the IAR. • Oversaw the appointment of PWC as external auditor.	• Reviewed and approved the board charter and committees' terms of reference. • Interrogated various options to improve shareholder value. • Considered the competitive implications of the acquisitions of Lafarge and Natal Portland Cement.	• Assessed and approved the FY 2024 interim results. • Oversaw the going concern assessment, noting further strengthening of the Group's financial position. • Monitored SepHold share repurchase plan approved at the AGM to ensure compliance with the Companies Act and JSE Listings Requirements.	• Interrogated and approved SepHold FY 2025 budget. • Monitored additional share repurchases to ensure compliance.

ENSURING EFFECTIVE LEADERSHIP

Board evaluation and independence

The board is constituted of four independent non-executive directors, one non-executive director and two executive directors.

SepHold evaluates the effectiveness and performance of the board, its committees, and individual directors every two years. During the year under review, Acorim (Proprietary) Limited was appointed to conduct the annual evaluation to determine the effectiveness of the board and its committees, including the independence of directors who have served for more than nine years. The results of the evaluation were presented to the board, with no matters of material concern identified. The positive assessment found that the board and its committees were operating effectively and, where required, plans were formulated to make improvements, specifically in regard to succession planning and setting risk tolerance levels.

Brent Williams and Moss Ngoasheng as well as Bukelwa Bulo will retire by rotation. Both Brent and Moss will stand for re-election at the September 2024 AGM.

Board diversity

SepHold's diversity policy focuses on gender and race while promoting attributes such as age, skills, experience and culture. The board is committed to increasing female members by ensuring female applicants are considered for vacant board positions.

On 31 March 2024, female representation was 28%, and African, Coloured, and Indian representation was 57%, in line with the diversity policy. The average age of all directors was 61, with the youngest 46 and the oldest 67. The average age of executive directors was 60. Directors have skills and experience across the spectrum of law, finance and accounting, business and entrepreneurship, mining and construction materials, economics, politics and medicine.

The diversity policy can be accessed on our website at www.sephakuholdings.com/corporate-governance/governance-documents/

Induction and training

New directors are inducted by the company secretary and SepHold executives. The induction process enhances their understanding of Group operations, the business environment, building and construction materials markets and sustainability matters. Directors are briefed on their fiduciary and statutory responsibilities, including the JSE Listings Requirements. No induction was conducted during FY 2024 as no new directors were appointed.

Training includes ongoing support and information provided in board and committee meeting documentation and updates on amendments to applicable laws and legislation. The board engages the services of external facilitators for requisite training in specialised governance practices such as cybersecurity and IT governance. Members attended training on the JSE regulatory updates for the year.

Company secretary

SepHold's company secretary, Acorim, represented by Nikita Hunter, advises the directors on regulatory requirements, governance procedures and the discharge of their duties and responsibilities. The board's arrangements regarding accessing Acorim's services and enabling Ms Hunter's unfettered access are effective. Acorim maintains an arm's length relationship with the Group and its boards.

In its evaluation, the board considered the independence of Acorim and its collective qualifications and track record. The company secretarial services were assessed, and the board is satisfied that the Acorim team has the requisite knowledge, skill, and discipline to perform the functions and duties of the company secretary.

Insider trading and conflict of interest

In addition to the regulatory requirements, the board charter:

- sets out the approval process for dealing in SepHold securities;
- sets out the required notification process of share transactions in terms of the Listings Requirements; and
- prohibits directors from dealing in SepHold shares when in possession of non-public, price-sensitive information.

Board members are required to disclose their trading in SepHold shares and compliance with the regulatory requirements to the board chairperson or CEO. Directors are required to formally update their directorships and other relevant interests at least annually. Standard declarations of interests in contracts are conducted during board meetings. Directors are immediately notified when the company enters a closed financial period, and receive reminders at board meetings. Executive managers are reminded, at least biannually and during financial results closed periods, that trading in Company shares is prohibited when in possession of price-sensitive information.

Information on share trading related to the SepHold share repurchase plan is available in the SepHold FD's report on page 18 and the Group's SENS announcements at https://sephakuholdings.com/investor-centre.

DIRECTORATE

Non-executive directors

Brent Williams (60)

Chairperson and independent non-executive director

BA (University of Cape Town), BProc (University of Western Cape), LLM (Harvard University Law School).

Brent was appointed as director and chairperson of SepHold on 3 March 2012. He was admitted as an attorney in 1992 and has held several key positions. He is currently the CEO of Cliffe Dekker Hofmeyer.

Martie Jacoba Janse van Rensburg (67)

Independent non-executive director

BCom (University of the Free State), BCompt (Hons) (University of South Africa), CA(SA), Executive Programme in Strategy and Organisation (Stanford University Business School), TCTA Leadership Development Programme (Gordon Institute of Business Science), AltX Director Programme (JSE and Wits Business School).

Martie was appointed a director of SepHold on 22 September 2016. Between 1994 and 2008, she was the chief financial officer (five years) and then CEO (10 years) of the Trans-Caledon Tunnel Authority. Martie served as a non-executive director and member or chairperson of audit committees for Bond Exchange of South Africa, Airports Company South Africa, Etion Limited, Johannesburg Water SOC, Denel SOC, and the Independent Regulatory Board of Auditors. Development Bank of Southern Africa, Ivanhoe Mines Limited. She is a non-executive member of the FirstRand Wholesale Credit Committee and Ashburton Investment Credit Committee.

Moses Modidima Ngoasheng (67)

Independent non-executive director

BA (Economics and International Politics) (University of South Africa), BSocSci (Hons) (University of KZN), MPhil (University of Sussex).

Moss was appointed a director of SepHold on 1 February 2008. He was instrumental in the industrial policy of the African National Congress and an economic advisor to President Thabo Mbeki from 1995 to 2000. He consulted for the World Bank and National Housing Forum (South Africa) on aspects of South African economic policy. Moss is a CEO, deputy chairman, and cofounder of Safika Holdings, an investment holding company with a range of interests in the mining, industrial, gaming, financial services, telecommunication, and technology sectors. He is a board member, and chairman of South African Breweries Foundation and a Trustee of the Nelson Mandela Children's Hospital, just to mention a few.

Bukelwa Bulo (46)

Independent non-executive director

BBusSc (Finance) and PGDip in Accounting (University of Cape Town), CFA, Leadership Development Program (Harvard Business School).

Bukelwa was appointed a director of SepHold on 26 October 2018. She has over 17 years' experience in private equity with exposure to a wide spectrum of sectors, including industrial services and retail. Bukelwa has expertise in investment and divestment evaluation, deal structuring, and strategic and stakeholder management. She is a cofounder of Jade Capital Partners, an investment holding company focused primarily on the property, industrial, construction and building materials sectors. Her current directorships include non-executive directorships on the boards of Capital Appreciation and Netcare.

Dr. Lelau Mohuba (67)

Non-executive director

MBChB (Nelson Mandela School of Medicine, former University of Natal).

Lelau is a founding director of SepHold. He became the original chairperson on 3 February 2005 and CEO on 28 March 2012. He retired as a medical practitioner in 2001 after a 22-year career. His commercial career began in 2002, and since then, he has served in various capacities in several entrepreneurial endeavours.

Executive directors

Neil Robus Crafford-Lazarus (64)

Executive director, SepHold FD

BCompt (University of the Free State), BCompt (Hons) (University of South Africa), CA(SA).

Neil was appointed a director and CEO of SepHold on 1 June 2007 and became FD on 28 March 2012. He started his career in mining finance in 1988 and held various senior positions in taxation, business development and corporate finance with Anglo American plc, Gencor Industries Inc. and BHP Billiton. He was FD of Xstrata South Africa between 1998 and 2005.

Kenneth Capes (54)

Executive director, SepHold CEO and Métier CEO

Kenneth has over 36 years of experience in the mining and construction materials industries. He has extensive knowledge of ready-mixed concrete, mining aggregates and calcium carbonate for the construction and allied industries. Kenneth held various senior management positions within these industries and was the founder of Métier in 2007. He has been a Métier and SepHold director since SepHold purchased Métier and was appointed SepHold CEO with effect from 1 April 2023.

Changes to the board

There were no changes to the board or board committees during FY 2024.

Board meeting attendance

Director	Board	ARC	REMCO	SEC	Directors up for rotation
B Williams	4*	4	3	1	No
MJ Janse van Rensburg	4	4*	4	N/A	No
MM Ngoasheng	4	N/A	4*	N/A	No
B Bulo	4	4	N/A	N/A	Yes
Dr L Mohuba	3	N/A	3-Invitee	1*	Yes
NR Crafford-Lazarus	4	4-Invitee	4-Invitee	2	N/A
K Capes	4	3-Invitee	N/A	1	N/A

* *Denotes the position of chairperson.*

COMPLIANCE

Statement of compliance

SepHold complies with several codes and regulations, including the Companies Act, the JSE Listings Requirements and King IV.

Compliance arrangements

Board committees are tasked by the board to monitor compliance with applicable regulations within their focus areas and expertise. The REMCO and SEC monitor matters related to labour regulations, while the ARC monitors compliance with financial regulations. Compliance with applicable laws is reported on by the Group's companies at all board meetings. Non-compliance with any Group policies, standards or procedures by employees and executives is subject to disciplinary action or dismissal.

SepCem's compliance is monitored by the SepHold CEO and Dr L Mohuba through their participation in the SepCem board. The Associate reports directly to all SepHold committees, enabling the monitoring of compliance management.

The JSE sponsor provides a critical oversight service to ensure that SepHold complies with the JSE Listings Requirements. The company secretary ensures that the board broadly prioritises compliance.

Combined assurance

SepHold applies components of combined assurance as recommended by King IV. The combined assurance model coordinates and aligns risk management to assurance processes. The Group's corporate governance framework provides four lines of defence:

- Functions that own and manage risks as part of their day-to-day activities are the first line of defence;
- Functions related to monitoring risk management practices constitute the second line of defence;
- Functions providing independent assurance, such as internal audit, provide the third line of defence; and
- The board and its committees fulfil a broad oversight function as the fourth and final line of defence.

The Group's reporting and control environment was strengthened further during FY 2024. The board and executive management focused on improving combined assurance, reporting on control processes and outcomes, and ensuring that findings of non-compliance identified in external audits are addressed timeously and closed out. Key developments included the appointment of external specialists to provide additional assessment and assurance of SepCem's compliance with health and safety regulations. SepCem made further progress towards ISO 14001 environmental management standard certification.

BOARD COMMITTEES

Board committees strengthen governance by assisting the board in discharging its statutory responsibilities. **All committees reviewed their responsibilities as set out in their terms of reference and are satisfied they fulfilled them during the year.**

Audit and risk committee

Martie Janse van Rensburg
Chairperson

Role: The audit and risk committee (ARC) is an independent statutory committee appointed by the shareholders. The ARC's primary function is to oversee the group's risk management and internal financial controls. The committee advises the Group on:

- the external audit function and statutory and regulatory compliance;
- financial reporting;
- internal audit functions; and
- risk management and combined assurance.

Composition

Members
MJ Janse van Rensburg (Chairperson)
B Williams
B Bulo
SepHold and Métier CEO*
SepHold FD*

* *Standing invitees to all ARC meetings to execute the ARC's mandate.*

The ARC fulfilled its primary functions as mentioned in its role above and has executed the responsibilities set out in 3.84(g) of the Listing Requirements.

Feedback on key focus areas in FY 2024

① Appointment of new external auditors

- Appointed and facilitated onboarding of PWC as external auditor.

② Strengthening of health, safety and environment risk management at SepCem

- Oversaw appointment of external specialist to provide risk assessment and assurance on health and safety management.
- Oversaw preparation of environmental management system for ISO 14001 certification.

③ Overseeing the share repurchase plan and considering its effect on the Group

As a consequence, the board was of the opinion that during FY 2025:

- The Company and the Group will be able to pay its debts in the ordinary course of business.
- The consolidated assets of the Company and the Group will be in excess of the consolidated liabilities of the Company and the Group. For this purpose, the assets and liabilities were recognised and measured in accordance with the accounting policies used in the Group's latest audited annual financial statements.
- The share capital and reserves of the Company and the Group will be adequate for ordinary business purposes.
- The working capital of the Company and the Group will be adequate for ordinary business purposes. The Company and the Group passed the solvency and liquidity test and since the test was performed, there have been no material changes to the Group's financial position.

④ Monitoring of Group IT controls in respect of cyber-attacks

- Maintained focus on Group IT controls and cyber security risk and monitoring measure.

In FY 2025, the committee will continue to focus on

① **Financial reporting for the interim and annual results**

② **Ensuring compliance with JSE Listings Requirement 3.84(g) and 3.84(k) by monitoring internal financial controls**

- 3.84(g) the audit committee must, notwithstanding its duties pursuant to Section 94 of the Companies Act:
  - (i) consider, on an annual basis, and satisfy itself of the appropriateness of the expertise and experience of the financial director;
  - (ii) ensure that the issuer has established appropriate financial reporting procedures and that those procedures are operating, which should include consideration of all entities included in the consolidated group IFRS financial statements, to ensure that it has access to all the financial information of the issuer to allow the issuer to effectively prepare and report on the financial statements of the issuer;
  - (iii) consider, the following information provided by the audit firm and individual auditor, in the assessment of the suitability of appointment or reappointment of the auditor:
    - (aa) the latest inspection results (including related remedial action plan) of an inspection performed by its regulator. The audit committee may accept reports with the identity of specific entities redacted provided that such redaction does not limit the understanding of their content;
    - (bb) any new inspection result of an inspection performed by its regulator, between the date of appointment of the auditor and the date of signature of the audit report on the annual financial statements;
    - (cc) a summary, of the ongoing communication related to monitoring and remediation referred to in paragraph 46 of International Standard on Quality Management 1 (ISQM 1); and
    - (dd) a summary of any legal or disciplinary proceedings completed or pending, as determined by the audit firm's head of risk (or a similar senior person within the firm tasked with the responsibility of risk management) within the past five years. Legal or disciplinary proceedings include those instituted through any legislation or by any regulatory/professional body; and notwithstanding the provisions of Section 90(6) of the Companies Act, ensure that the appointment of the auditor is presented and included as a resolution at the annual general meeting of the issuer pursuant to Section 61(8) of the Companies Act;
- The issuer must confirm, by reporting to shareholders in its annual report, that the audit committee has executed the responsibilities set out in 3.84(g) above.

③ **Enhancing the combined assurance strategy**

④ **Maintaining a strong emphasis on governance and compliance**

⑤ **Ongoing review and tracking of the Company's solvency and liquidity position**

Social and ethics committee

Dr Lelau Mohuba
Chairperson

Role: The social and ethics committee (SEC) focuses on group compliance related matters regarding:

- Environmental management;
- Health and safety management at all operations;
- Stakeholder management in line with good corporate citizenship;
- Labour unions and employee relations;
- Black economic transformation; and
- Ethical conduct.

The SEC oversees and evaluates management's performance against the board goals for each of these matters.

Composition

Members
Dr L Mohuba (Chairperson)
B Williams
NR Crafford-Lazarus
K Capes
SepCem CEO*
SepCem CFO*
SepCem Sustainability manager*
SepCem Organisational performance manager*
SepCem Head of Risk*

* *Invitees to SEC meetings.*

The SEC fulfilled its primary functions as mentioned in the role above.

Feedback on key focus areas in FY 2024

① Oversaw progress in stakeholder engagement to address grievances

- Maintained ongoing engagement with key stakeholders to manage and improve relationships.
- Formulated an integrated sustainable plan to address community farmers' livestock grazing challenges.
- Lobbied extensively for government support of livestock grazing plan and interventions to improve the land use and agricultural practices of community farmers.

② Oversaw the strengthening of procurement and supplier development opportunities for local SMMEs

- SepCem increased the number of local SMME suppliers by 10%.
- SepCem increased the procurement expenditure with local black-owned SMME suppliers by 19%.

③ Monitored progress with the implementation of Torosesha and DCMF social investment projects

- SepCem proceeded with the implementation of DCMF infrastructure and job creation projects, despite the lack of widely recognised community leadership and limited involvement by cement industry partners.
- Torososha continued implementing multi-purpose community centre projects for the Verdwaal community and commenced planning for the Springbokpan clinic.

In FY 2025, the committee will continue to focus on

① Overseeing board approval and implementation of the sustainable livestock grazing plan.

② Overseeing engagement with the Ministry of Agriculture, Land Reform and Rural Development to achieve government approval of the livestock grazing plan and the surface lease agreement in respect of the Aganang mining land.

③ Monitoring engagement with cement industry partners to facilitate further progress on the DCMF social investment projects.

④ Considering amending the focus of Torosesha social investments from infrastructure projects to education, training and capacity development projects.

⑤ Monitoring SepCem's plan to improve its BBBEE contributor status in CY 2024.

⑥ Five Evironmental compliance license audits by Internal Audit

Remuneration and nominations committee

Moses Modidima Ngoasheng
Chairperson

Role: The REMCO deals with the nomination and appointment of new directors, the appropriateness of the board's composition and succession planning. Furthermore, the REMCO decides on remuneration and incentives, and recommends long-term incentives for the executive directors.

The REMCO submits all policy amendments to the board for approval.

Composition

Members
MM Ngoasheng (Chairperson, Remuneration)
B Williams (Chairperson, Nominations)
MJ Janse van Rensburg
SepHold FD*
L Mohuba*
SepHold CEO*

* *Invitee to REMCO meetings.*

The REMCO fulfilled its primary functions as mentioned in the role above.

Feedback on key focus areas in FY 2024

① **Benchmark non-executive directors' fees**

- Reviewed and recommended to Board and AGM.

② **Evaluate board tenure and independence of directors who have served for more than nine years**

- Conducted during the annual evaluation to determine the effectiveness of the board and its committees, including the independence of directors who have served for more than nine years.

In FY 2025, the committee will continue to focus on

① **Ongoing engagement with stakeholders**

② **Regular evaluation of KPIs to ensure their continued relevance**

③ **Supervising succession planning to ensure skill transfer and business continuity**

④ **Assessing the composition of the board and committees to align with the Company's needs**

REMUNERATION REPORT

The Group applies a total cost to company approach to the remuneration of its employees. The main objectives of the remuneration framework are to:

- Appropriately reward employees for services provided.
- Ensure equitable and fair remuneration.
- Ensure that variable remuneration is aligned to performance.
- Implement a competitive remuneration structure that:
  - is tailored to the specific circumstances of the group;
  - is referenced to appropriate benchmarks; and
  - reflects the market and industry practices.
- Comply with all relevant legal requirements.

The total guaranteed package (TGP) is based on an employee's level of demonstrated competency, qualifications, experience, and performance. The TGP of new employees is normally at the low end of the salary range. As the employee demonstrates increased experience, learning and performance, the package is adjusted based on the objective outcome of performance reviews.

The following performance measurement criteria are used:

Entry point New to the job or building the skill.

Needs improvement The skill needs enhancing to improve performance.

Effective Meets expectations.

Excellent Exceeds expectations.

World-class Expert and fully competent.

The table below summarises the main components of the reward package for Group employees. SepCem applies a different framework as a subsidiary of DCP.

Component	Objective	Practice
TGP	• Remunerate above the market and industry average for key positions. • Remunerate market-related salaries for all other positions. • Review TGP annually in November.	• The level of skill and experience, the scope of responsibility and the total remuneration package are considered when rewarding employees. • Appropriate market percentiles based on skills, experience and competitiveness are applied.
Short-term incentive (STI)	• To motivate employees and incentivise the delivery of performance over the financial year. • The appropriateness of measures and weightings are reviewed annually to ensure ongoing support of the strategy.	• Performance over the financial year is measured against targets set in the balanced scorecards. • Target bonus (30%, 50% and 70%) of TGP aligned with the level achieved as defined in the performance management policy. • The executive committee annual bonus is paid in cash in Q3 each year for performance over the previous financial year.
Long-term incentive (LTI)	• To motivate and incentivise delivery over the long term. • Continued support of the Company strategy through awards relating to total shareholder return. These awards are vested against a pre-determined framework.	• Performance over three financial years is measured against targets for the performance period, with vesting ranging between 0%, 50%, 100% and 200% of the TGP. The award will consist of a share award bought in the open market.
Termination benefits	• To retain executive management.	• The CEO and FD roles are on a permanent contract, and there will be no unusual obligation for the group at retirement. • The SepHold CEO's and FD's employment contracts have a provision for a minimum payment equivalent to annual remuneration on termination of employment due to a change of control. • The long-term incentive scheme also provides for early vesting in case of a change of control.

Determination of the SepHold executive management fixed TGP

As in previous review periods, the REMCO utilised the PwC executive directors' practices and remuneration trends report* for 1 March 2022 to 28 February 2023 to review SepHold's executive management TGP. The report focuses on JSE listed entities and includes analyses of the seven sub-Saharan African stock exchanges. The data used in the report was obtained from publicly available information on 28 February 2023. There were no remuneration consultants engaged during the year.

The appropriate industry sector benchmark for SepHold's executive remuneration is the small-cap industrial with the remuneration profile for the CEO, CFO and executive director indicated in the table below. Therefore, based on the TGP ranges for the sector, REMCO was satisfied that the current executive remuneration is appropriately within the median to upper quartile bands.

* *The report can be accessed online using the link: https://www.pwc.co.za/en/assets/pdf/executive-directors-report-2023.pdf*

JSE industrial industry small-cap TGP ranges for the period 1 March 2021 to 28 February 2023: R'million

	Chief executive officer	Chief financial officer	Executive director
Upper quartile	**8,66**	**5,18**	**6,07**
Median	**6,14**	**3,63**	**4,29**
Lower quartile	**3,84**	**3,02**	**3,28**

During the corresponding period the Metier CEO and SepHold executive director earned a TGP of R3,15 million (4% below the lower quartile). This amount increased to R3,9 million for the 2024 financial year as he took on the role of SepHold CEO (1.5% above the lower quartile). The SepHold CEO earned a TGP of R4,61 million in the corresponding period (25% below to the median). This amount remained unchanged for the third consecutive year when he assumed the role of FD when the new CEO appointment was made (25% below CEO median and 27% above the CFO median).

Determination of the SepHold executive management variable remuneration

The board-approved performance indicators to measure executive management's performance are reviewed annually. The indicators are broadly categorised into financial (75%) and non-financial measures (25%).

SHORT-TERM INCENTIVES SCORECARD

Financial measures (75%)

Performance indicator	Weighting %	Performance condition detail	Minimum (30%)	Target (50%)	Stretch (70%)
Real* growth in headline earnings per share (HEPS).	**37.5**	HEPS growth over the previous year above inflation.	Real* growth in HEPS.	Real HEPS growth greater than 4% per annum.	Real HEPS growth greater than 8% per annum.
Gearing, debt covenants and free cash flow.	**37.5**	Measuring 1. Debt to EBITDA 2. Debt service coverage ratio 3. Free cash flow	Company-specific	Company-specific	Company-specific

* *Real relative to CPI*

Non-financial matters (25%)			
Performance indicator	**Weighting %**	**Performance criteria**	**Executive(s) responsible**
Implementation of ESG best practices.	**10**	Level of group compliance and standards achieved:	FD
		• JSE Listings Requirements and King IV	CEO & FD
		• Attainment of BBBEE, Diversity, Fairness & EE	CEO
		• Achievement of safety and environment targets as determined by the Company will be measured against a portfolio of evidence	
Achievement of job-specific personal goals. The achievement of jobspecific personal goals as determined by the Company will be measured against a portfolio of evidence.	**15**	Stakeholder engagement and relationship management	CEO & FD
		Strategy development and implementation	CEO & FD
		Optimisation of group funding structures to enable sustainability during a negative cycle and value-accretive expansion during a positive cycle.	FD
		Operational matters: 1. Utilise and maintain core competencies 2. Develop human capital and sustain an effective high-performance organisational culture 3. Promote ethical practices 4. Establish robust organisational controls	CEO

* *Relative to CPI.*

LONG-TERM INCENTIVES SCORECARD					
Performance indicator	**Weighting %**	**Performance condition detail**	**Minimum (50%)**	**Target (100%)**	**Stretch (200%)**
Total shareholder return (TSR).	**100**	TSR is measured against the median of six comparable companies.	Median	Median +15%	Median +40%

SepHold executive management performance criteria

Illustration of single total remuneration figure for minimum, target and stretch performance for the next financial year.

The executive remuneration constitutes the TGP and the variable short-term and long-term incentives that are based on performance against key performance indicators (KPIs). The determination of the appropriate TGP is based on the executive's level of experience, responsibilities, prevailing trading conditions and comparative level for JSE listed companies in the same sector. The table below summarises the assumption of the delivery of the minimum, target and stretch performance achievement on total remuneration of the SepHold CEO and FD in a single total figure.

	SepHold CEO			
2025	**TGP R**	**STI R**	**LTI R**	**Total R**
Base	4 800 000	–	–	4 800 000
Threshold	4 800 000	1 440 000	2 400 000	8 640 000
Target	4 800 000	2 400 000	4 800 000	12 000 000
Stretch	4 800 000	3 360 000	9 600 000	17 760 000

	SepHold FD			
2025	**TGP R**	**STI R**	**LTI R**	**Total R**
Base	4 800 000	–	–	4 800 000
Threshold	4 800 000	1 440 000	2 400 000	8 640 000
Target	4 800 000	2 400 000	4 800 000	12 000 000
Stretch	4 800 000	3 360 000	9 600 000	17 760 000

NON-EXECUTIVE DIRECTORS' REMUNERATION

Elements and purpose

The Group aims to attract and retain suitably skilled and experienced non-executive directors. An appropriate level of competitive remuneration is necessary to reward them for their time and commitment. The non-executive directors are remunerated by an annual fee paid in recognition of board and committee membership. The non-executive directors, including the group's chairperson, do not receive any other employment benefits, performance-related remuneration, or any form of compensation for loss of office.

The fee structure is reviewed and benchmarked annually to ensure that the proposed fees are aligned to market levels to attract and retain high-quality individuals. SepHold has recommended an increase of approximately 7% for FY 2025 to the shareholders to be decided at the September 2024 AGM.

Service contracts

None of the non-executive directors has a written service contract with the Group, and all the directors rotate in terms of the memorandum of incorporation.

IMPLEMENTATION REPORT

Short-term incentives

The group's performance during FY 2024 for the 12 months ended 31 March 2024 warranted the awarding of bonuses to the SepHold executive directors to be paid in FY 2025 in line with the remuneration policy. The following FY 2024 performance parameters were considered in the decision to award the short-term incentives:

<table>
<tr><th colspan="6">FY 2023 SHORT-TERM INCENTIVES SCORECARD</th></tr>
<tr><th colspan="6">Financial measures (75%)</th></tr>
<tr><th>Performance indicator</th><th>Weighting %</th><th>Performance condition detail</th><th>Achieved growth</th><th>Achieved score</th><th>Bonus allocation as % of TGF</th></tr>
<tr><td>Real* growth in headline earnings per share (HEPS).</td><td rowspan="4">37.5</td><td>HEPS growth over the previous year above inflation.</td><td>166%</td><td>Real HEPS growth: 120% of target.</td><td>26.25%</td></tr>
<tr><td>Gearing</td><td>Debt to EBITDA</td><td>SEP 1.4 to 0.7
MMC 0.5 to 0.5</td><td>50
50</td><td rowspan="3">22.75</td></tr>
<tr><td>Free cash flow</td><td>Free cash flow</td><td>SEP negative to positive
MMC negative to positive</td><td>50
70</td></tr>
<tr><td>Debt ratios</td><td>Debt service coverage ratio</td><td>SEP 0.8 to 2.0
MMC 1.7 to 2.2</td><td>70
50</td></tr>
</table>

* *Real relative to CPI.*

<table>
<tr><th colspan="5">Non-financial matters (25%)</th></tr>
<tr><th>Performance indicator</th><th>Weighting %</th><th>Performance achieved</th><th>Achieved score</th><th>Bonus allocation as % of TGF</th></tr>
<tr><td>Implementation of corporate governance best practices.</td><td>10</td><td>Target</td><td>50%</td><td>5.0%</td></tr>
<tr><td>Achievement of job-specific personal goals. The achievement of job-specific personal goals as determined by the company will be measured against a portfolio of evidence.</td><td>15</td><td>CEO – Target
FD – Target</td><td>50%</td><td>7.5%</td></tr>
</table>

The total bonus against the TGP based on 61.5%

- SepHold CEO at 61.5% of R4,5 million = R2,77 million.
- SepHold FD at 61.5% of R4,5 million = R2,77 million.

The self-imposed limit to the bonus pool of 10% of earnings did not restrict the bonuses for FY 2024. This will be paid in the current financial year as the previous bonuses were paid in the last financial year as indicated in the emoluments table below.

FY 2024 long-term incentive scheme

The Group's performance during FY 2024 for the 36 months ended 31 March 2024 did not warrant the awarding of bonuses to the SepHold CEO and Métier CEO to be paid in FY 2024 mainly due to the fact that current year results are not reflected in total shareholders return at year end but only subsequent to results being made public.

Directors' and prescribed officer's emoluments

Executive

	TPG R	Prior year performance bonuses* R	Travel allowances R	Pension fund R	Long-term share incentives R	Total R
2024						
NR Crafford-Lazarus	**4 112 000**	**1 200 000**	**150 000**	**351 000**	**2 275 000**	**8 088 000**
KJ Capes	**3 445 494**	**1 300 000**	**–**	**310 095**	**1 995 000**	**7 050 589**
	7 557 494	**2 500 000**	**150 000**	**661 095**	**4 270 000**	**15 138 589**

	TGP R	Prior year performance bonuses* R	Travel allowances R	Pension fund R	IRFS 2 share-based payments expense R	Total R
2023						
NR Crafford-Lazarus	4 143 800	2 000 000	142 500	326 700	16 409	6 629 409
KJ Capes	2 908 506	2 000 000	–	240 300	–	5 148 806
	7 052 306	4 000 000	142 500	567 000	16 409	11 778 215

* *The bonus paid in FY 2024 relates to the FY 2023 performance and the FY 2023 number for FY 2022.*

Non-executive

	Fees for services as director R	IFRS 2 share-based payments expense R	Total R
2024			
B Williams	**475 000**	**–**	**475 000**
MM Ngoasheng	**390 000**	**–**	**390 000**
MJ Janse van Rensburg	**390 000**	**–**	**390 000**
B Bulo	**390 000**	**–**	**390 000**
Dr L Mohuba	**390 000**	**–**	**390 000**
	2 035 000	**–**	**2 035 000**
2023			
B Williams	475 000	–	475 000
MM Ngoasheng	360 000	–	360 000
MJ Janse van Rensburg	360 000	–	360 000
B Bulo	360 000	–	360 000
Dr L Mohuba	360 000	16 409	376 409
	1 915 000	16 409	1 931 409

Non-binding remuneration resolutions shareholder advisory vote

In terms of the Listings Requirement 3.84(j), the remuneration policy must record the measures that the board commits to take if the non-binding resolutions of shareholder approval of the remuneration policy and the implementation report are voted against by 25% or more of the voting rights exercised.

The company will:

- invite dissenting shareholders (those who voted against the policy and/or the implementation report) to engage with the group; and
- provide details on the manner and timing of such engagement.

Subsequently, the REMCO and executive management will engage with the shareholders to address matters of concern.

ABBREVIATIONS

BBBEE	Broad-based black economic empowerment
BEPS	Basic earnings per share
DCMF	Ditsobotla Cement Manufacturers Forum
DCP	Dangote Cement PLC
DMRE	Department of Mineral Resources and Energy
EBIT	Earnings before interest and taxes
EBITDA	Earnings before interest taxes, depreciation and amortisation
EE	Employment equity
ESD	Enterprise and supplier development
GHG	Greenhouse gases
HDSA	Historically disadvantaged South Africans
HEPS	Headline earnings per share
KZN	KwaZulu-Natal
LTIFR	Lost time injury frequency rate
MTPA	Million tonnes per annum
NAV	Net asset value
RDF	Refuse derived fuel
SLP	Social and labour plan
TGP	Total guaranteed package
TSR	Thermal substitution rate

CORPORATE INFORMATION

Directors	B Williams*	Chairperson
	MJ Janse van Rensburg*	
	B Bulo*	
	MM Ngoasheng*	
	NR Crafford-Lazarus***	FD
	Dr L Mohuba**	
	KJ Capes***	CEO – Métier and SepHold
	* *Independent non-executive.* ** *Non-executive.* *** *Executive.*	
Company secretary	Acorim Proprietary Limited Email: sephaku@acorim.co.za Telephone: +27 11 325 6363	
Registered office	Southdowns Office Park First floor, Block A Cnr Karee and John Vorster Streets Irene, X54 0062 PO Box 7651 Centurion 0046 Website: www.sephakuholdings.com	
Transfer secretaries	Computershare Investor Services Proprietary Limited Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg 2196 Private Bag X9000, Saxonwold, 2131 Telephone: +27 11 370 5000	
JSE sponsor	Questco Corporate Advisory Proprietary Limited Telephone: +27 11 011 9200	
Auditors	PricewaterhouseCoopers Incorporated (PWC) Chartered Accountants (SA) Registered Auditors	
Bankers	Nedbank	
Métier Mixed Concrete (wholly owned subsidiary)	Physical address: Romead Business Park, 23 Malone Road, Maxmead, 3610 Postal address: Postnet Suite #546, Private Bag X4, Kloof, 3640 Telephone: +27 31 716 3600/0861 638 437 Website: www.metiersa.co.za	
Dangote Cement South Africa Proprietary Limited (Associate)	Physical address: Southdowns Office Park, Block A, Ground Floor Cnr Karee and John Vorster Streets, Irene, X54, 0062 Postal address: PO Box 68149, Highveld, 0169 Telephone: +27 12 684 6300 Website: www.sephakucement.co.za	

18150

SEPHAKU
HOLDINGS LTD

www.sephakuholdings.com