

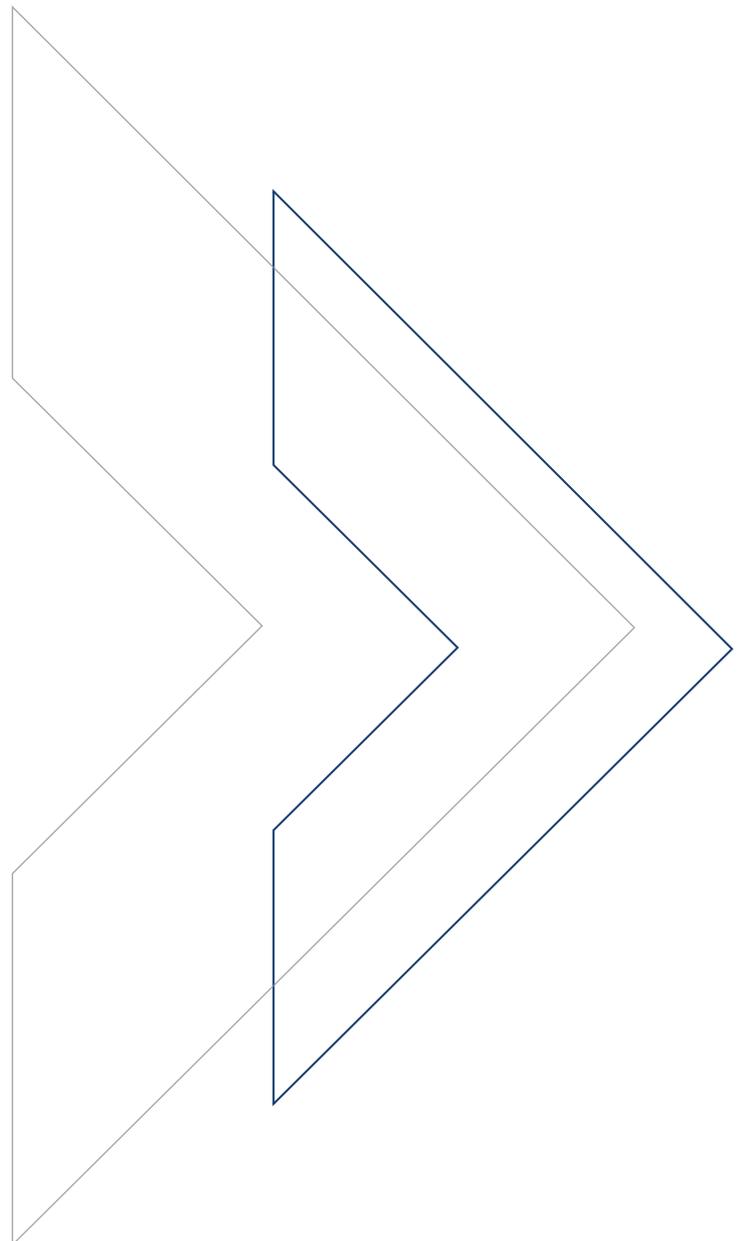
Improve the broad-based black economic empowerment score

Overview

To ensure our competitiveness and sustainability in the South African market, Motus is committed to improving its broad-based black economic empowerment (B-BBEE) rating to a Level 4 by 2020.

To drive the transformation of Motus we focus on the following key areas:

- > **B-BBEE partnerships:** entering B-BBEE partnerships in key market segments.
- > **A transformed workforce:** driving employment equity (discussed in the become an employer of choice in the automotive industry section).
- > **Preferential procurement:** providing opportunities in our supply chain for BEE-compliant businesses as well as exempt micro enterprises (EMEs) and qualifying small enterprises (QSEs).
- > **Socio-economic development:** investing in corporate social investment (CSI) programmes that support education, youth development and road safety.



Improve the broad-based black economic empowerment score continued

Our opportunity



- > Enhanced competitiveness and access to private sector and government business by achieving preferred supplier status.

Link to our top risks



- > **Transformation risk:** non-competitive B-BBEE ratings.

Our challenges



- > The amended Department of Trade and Industry's B-BBEE Codes of Good Practice (dti Codes) require higher levels of black ownership in South African businesses.
- > Transformation at top and senior management level given limited management positions in a low growth economic climate.
- > Aligning the importer business model to certain components of the amended dti Codes. Around 75% of our procurement spend is with Original Equipment Manufacturers (OEMs) or governed by OEM and importer requirements.

Link to strategic pillars



- > Ensure market leadership.
- > Invest in human capital and change management.

Reporting boundary



Motus South Africa.

Related content



- > Become an employer of choice in the automotive industry (culture and transformation on page 4).

2019 HIGHLIGHTS

- > **On track to publish our first consolidated verified B-BBEE scorecard** for Motus at the end of September 2019.
- > **Met our internal B-BBEE scorecard targets**, which are set to achieve our Level 6 objective for 2019.
- > Started working with Toyota to develop a sustainable working model for **black-owned and run dealerships**.
- > Started identifying products and services that can be **procured at a Group level from BEE-compliant service providers**, while still ensuring the most cost-effective purchases.
- > Entered a **new five-year commitment** to the Imperial and Motus Community Trust's school library initiative.

Improve the broad-based black economic empowerment score continued

Our approach

Transformation is an integral part of any South African business. We are intent on executing our business strategy responsibly, while at the same time implementing practices that support economic growth and the participation of black South Africans in our businesses, supply chains and communities.

In 2018, we produced our first consolidated B-BBEE scorecard for Motus and determined that our preliminary scorecard rating was a Level 8. This has enabled us to understand where we need to improve and align strategies across the South African operations to ensure we make adequate progress towards our objective of a Level 4 rating by 2020. Our first verified B-BBEE scorecard will be published at the end of September 2019.

Scorecards for individual businesses will still be produced for those that need a B-BBEE rating to participate in their markets. Hyundai, Europcar and Tempest all have B-BBEE ratings of Level 4 or higher.

Our management priorities

- > Selectively enter into other joint venture opportunities with B-BBEE partners to ensure competitiveness in certain market segments, with a holding company structure already in place to facilitate this.
- > Direct more spend to preferential suppliers whose businesses fall within our controllable spend parameters.
- > Develop supplier and enterprise development initiatives, including providing small and medium enterprises (SMEs) with training, mentoring and financial assistance.
- > Invest in CSI programmes that support basic education and learning, youth development and road safety.

Our transformation governance framework

Board oversight	 <p>The social, ethics and sustainability (SES) board committee and the finance and risk review management committee oversee B-BBEE performance, which is considered a top risk for the Group. The SES committee receives quarterly transformation reports, including on employment equity.</p>
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Management responsibility	 <p>All divisions are required to report monthly using our B-BBEE reporting system, which compiles reports for the operational executives. Transformation is also reported quarterly to the executive committee. All Chief Executive Officers (CEOs) and Managing Directors in South Africa are accountable for the B-BBEE performance of their areas of responsibility.</p> <p>Group-wide transformation strategies and projects are developed, coordinated and monitored by the corporate affairs function at head office, other than employment equity which is the responsibility of the chief people officer. The aligned strategies and any initiatives are filtered into the divisions, and strategy sessions with the CEOs, Managing Directors and B-BBEE managers ensure the strategies are correctly implemented to drive the achievement of the Group objective.</p>
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Verification	 <p>All B-BBEE scorecards are independently verified annually.</p>

B-BBEE partnerships

What we are doing

During the year, we engaged Rand Merchant Bank to develop a B-BBEE ownership proposal to replace the Ukhamba Holdings structure post 2025. Ukhamba is an investment holding company, created

in 1998 by Imperial Holdings Limited to give effect to Imperial Holdings' B-BBEE strategy. B-BBEE shareholders hold 53,1% of Ukhamba's net investment in Motus.

Some of the challenges we experience in forming B-BBEE partnerships include

finding partners with the right strategic alignment and blend of competencies and capital. We are able to fund longer-term associations and wait for investment returns.

2019 PROGRESS

- South Africa's Automotive Masterplan sets out several objectives for the industry, including having a localisation rate of 60% and doubling employment in the sector by 2035. We are working with Toyota to develop a sustainable working model for black-owned and run dealerships. In the short to medium term, we aim to open a majority black-owned satellite dealership operating under the existing Toyota dealership code, with Motus providing operational support and training. Motus will have a minority share in the dealership.

At the time of reporting, a suitable business partner had been identified and a letter of intent and non-disclosure agreement signed. A full operational plan has been drafted and negotiations are underway in terms of the proposed site of the dealership in Tembisa, Gauteng.

Looking forward we will:

- Increase the number of black-owned franchised dealerships in our franchise network.
- Find black-owned businesses to channel warranty repairs.

Preferential procurement

What we are doing

A large portion of our procurement is with or linked to international OEMs with whom we have stringent distribution and franchise agreements. This leaves approximately 25% of our procurement spend eligible for re-direction to BEE-compliant suppliers or EMEs and QSEs. Changing local suppliers in the short term is also a challenge as not many small suppliers have the capacity to meet our product specifications and accreditation requirements or to support

our geographic dealership footprint. We expect to achieve a Level 5 rating in our 2019 B-BBEE scorecard, discounted to a Level 6 given our procurement constraints.

We keep track of supplier profiles and B-BBEE ratings, and encourage our existing suppliers to improve their B-BBEE ratings within a set timeframe.

Our supplier and enterprise development initiatives range from the outsourcing of dealership wash bays to training, mentoring

and financial assistance for small businesses. One example is Car Rental's agency agreements with six small car rental businesses, which are mostly black or women-owned and employ on average five people each. The agencies trade under the Europcar and Tempest brands and earn commission income. Car Rental provides the businesses with vehicles, as well as IT, marketing and administration support.

2019 PROGRESS

➤ Preferential procurement spend 59,2%

of the procurement spend we are able to direct was with preferential suppliers.

➤ Enterprise development investment R89 million (2018: R72 million)

➤ Engaged with non-compliant suppliers and continued to update our supplier database with B-BBEE ratings.

➤ Identified a procurement specialist for our major operations, including Hyundai, the Motor-Related Financial Services division and the Car Rental sub-division.

➤ Started identifying products and services that can be procured at a Group level from B-BBEE compliant service providers, while still ensuring the most cost-effective purchases.

➤ Started drafting a framework for an enterprise and supplier development fund.

➤ Developed a framework to support informal sector mechanics (see page 6).

Preferential procurement continued

OUR STORIES

Supporting informal sector mechanics and black-owned dealerships

More than 50% of vehicles on South African roads are 10 years or older. These are primarily maintained by informal sector mechanics who face a number of difficulties that impact their ability to maintain sustainable businesses. We have embarked on a project to empower informal sector mechanics by providing them with:

- > A suitable workshop fitted with safe and adequate tools and equipment.
- > Technical training so that their skills are kept up to date on newer vehicles entering the out-of-warranty car parc.
- > Business training to help them grow and sustain their enterprises.

These workshops will be housed within or adjacent to our owned or franchised network of aftermarket parts or pre-owned dealership sites, or will be established as independent joint ventures. The first opening adjacent to a Midas store is scheduled for September 2019 and a second site will open soon thereafter. These are not Midas-owned or operated businesses but receive support from Motus by gaining reasonable access to our value chain and customers. The enterprises will be closely monitored and will be required to submit regular business review reports. This initiative will also contribute to the safety and reliability of the vehicles that most South Africans rely on.

As part of the Rural and Township Revitalisation programme run by the dti, the MotoCity hubs project aims to transform the automotive sector by creating hubs of sustainable and fully-fledged black-owned vehicle dealerships in townships throughout South Africa. The project will be coordinated by the National Association of Automobile Manufacturers of South Africa and primary funding will be made available by automotive companies, OEMs and insurance service providers. We are keeping abreast of developments and will provide our support to the project based on our specific capabilities and resources.

Highlighting Hyundai's enterprise and supplier development programme

Hyundai has selected 15 participants, four of which are suppliers to the importer, to participate in its two-year enterprise and supplier development programme. Over the next year, a gap analysis will be conducted for each participant and used to formulate individual business development plans and strategies. Each SME will receive ongoing mentoring on financial management and reporting, and monthly Group workshops will provide training on financial management, sales and marketing, branding, digital literacy, compliance, costings and pricing structures. Over the past two and a half

years, Hyundai has made available R21,2 million in interest-free loans to support business growth and is creating a structured mechanism for these businesses to engage with established and reputable corporates. At January 2019, the 15 participants together supported 59 jobs.

Developing entrepreneurs



For the past five years, Renault has partnered with I AM AN ENTREPRENEUR (IAAE), an initiative that provides entrepreneurs with skills in marketing, sales and finance. Monthly summits are hosted across South Africa and are presented by experts from different industries who share their knowledge on various topics. Through the initiative, Renault is able to engage directly and meaningfully with start-ups and aspiring business owners across all sectors, helping them to build networks and providing them with impactful business skills.

Renault is participating in eight summits during 2019. It has sponsored Lerato Kgaswane, the owner of a traditional food restaurant and catering business in Newtown, Johannesburg, by providing her with the use of a Renault Kangoo panel van for one year. The vehicle will enable Lerato to buy in bulk and collect these purchases directly from wholesalers achieving cost savings, and it will contribute towards expanding her catering business through bulk food deliveries. Renault also provides Lerato with business coaching and digital marketing support.

Preferential procurement continued

OUR STORIES continued

Growing a small family business and providing subsidised meals for employees

The Aftermarket Parts division provided the capital to set up Mahlako's Kitchen on its premises and today over 650 of the division's employees can purchase subsidised meals in the canteen.

During the year, the Aftermarket Parts division gave a small family business the opportunity to provide meals to employees working at its warehouse in Meadowview. The initiative provides permanent employees with a single subsidised meal costing R15 each day, with any additional meals charged at full price. Mahlako's Kitchen uses Aftermarket Parts' biometric system to identify permanent employees and the cost of the meals consumed is deducted from salaries at the end of each month.

Aftermarket Parts provided around R252 000 to purchase fittings and equipment, and pay set-up costs such as initial salaries and food supplies. To support the growth of the SME, Aftermarket Parts provided mentoring on record and bookkeeping, cost tracking and reconciliation, administration and general business management. A challenge was encountered when the canteen was found to be non-compliant in its first hygiene audit, primarily because the premises was considered too small to be supplying the reported average number of meals a day. Cleaning, food preparation and storage issues were quickly remedied, and today the canteen has expanded its menu, achieved operational efficiencies and increased the number of cash customers. It now serves casual and temporary employees, contract workers and people working in the area.

Aftermarket Parts has awarded a three-year contract to the SME and for the first year will pay the rent, utility bills and security costs. From the second year, the SME will be weaned into taking over its own operational costs with Aftermarket Parts providing training and coaching. Aftermarket Parts will continue to bear the cost of the quarterly hygiene audit. An additional benefit is that the workshop's employees now have a breakaway area in which to enjoy their meals. Feedback from employees is positive with the general consensus being good value for their money.

Looking forward we will:

- > Ensure that we improve our preferential procurement score to prevent discounting on our B-BBEE scorecard by:
 - Developing a standard framework aimed at providing opportunities in our supply chain for BEE-compliant businesses as well as EMEs and QSEs.
 - Developing a database of B-BBEE compliant suppliers to enable Group buying power for certain products and services.

- > Develop a roadmap to establish a network of black-owned second tier workshops with the Aftermarket Parts division being a supplier into the network.

Socio-economic development

What we are doing

At a Group level, our flagship CSI initiative is the Imperial and Motus Community Trust (the Trust). During the year, we entered a new five-year commitment with the Trust. The capacity of individual businesses to support socio-economic development

determines their contribution to the Trust and other projects that meet the specific needs of their local communities. Of our total annual CSI spend, we aim to direct 75% to education, youth development and road safety.

Related information

Page 8 of the embed defensible health and safety practices report for information on our Road Safety programme.

2019 PROGRESS

➤ **Total CSI spend**
R28,9 million
(2018: R16,4 million)

- ➔ R15,0 million on education and youth development
- ➔ R1,0 million on road safety
- ➔ R12,9 million on business-specific initiatives



Socio-economic development continued

2019 PROGRESS continued

➤ **Imperial and Motus Community Trust** – a partnership with the National Department of Basic Education

Commitment to the Trust

Minimum of R5 million per annum to 2025 with an additional investment of R3 million set aside for Motus branded libraries.

Investment during 2019

R13,7 million

(2018: R7,0 million)

Impact of the Trust's work

39 school libraries reaching over 43 000 learners and assisting over 1 300 teachers

(2018: 32 school libraries reaching over 34 000 learners and assisting over 1 200 teachers)

Jobs created

82 people employed

(2018: 78 people employed)

The Imperial and Motus Community Trust invests in fully resourced libraries for public schools primarily in underprivileged communities south of Johannesburg. Our investment extends to renovating school premises into libraries, and stocking these libraries with books, interactive boards, computers and access to the internet and multimedia. During the year, the Trust opened a newly built library and resource centre at Elsie Ngidi Primary School in Chiawelo, Soweto, on 18 July 2019.

It is compulsory for children from Grades 1 to 3 to attend two reading periods every week. Reading levels are tested every two years and to date the results show better than average reading, comprehension and numeracy scores. Where the programme identifies a gifted learner, we look for better opportunities for them in different schools.

Library assistants are sourced from the local community and must have matriculated. They train as library assistants and their performance is constantly monitored. Where feasible, the Trust also provides financial support to the library assistants who are studying education through correspondence.

To ensure the sustainability of the initiative, the teachers at our chosen schools are upskilled to use the libraries and equipment.

Spin-off projects include upgrading school feeding stations and Grade R classrooms, Saturday sports and holiday programmes, Christmas celebrations for pre-school learners and awards ceremonies to recognise top performing learners and sports achievers.

During the year, the Trust reviewed its strategy and cost structures to enhance its impact based on the resources available, without compromising services offered. It is also investigating the feasibility of broadening the target area beyond the south of Johannesburg.

➤ **Next Generation Scholarship programme**

Number of students supported

32 students at a cost of R1,4 million.

50% of this year's students are black and **63%** are women.

The Next Generation Scholarship programme provides bursaries to the children and legal dependants of employees in South Africa that have worked for Motus for more than five years and who earn less than R600 000 a year. Applicants must be in their second year of study or higher at a South African university registered with the Department of Higher Education. Bursaries cover full tuition costs and provide an annual stipend of R12 000 for books and sundry expenses. The programme ended in 2018 and therefore no new bursaries were funded during the year. However, we will continue to support current scholarship recipients until they complete their qualifications and provided they pass all subjects they are registered for in a given year.

Socio-economic development continued

OUR STORY

Highlighting Car Rental's CSI programme

For the past three years, the Car Rental sub-division has provided support to a small informal community in the south of Johannesburg. The South African government has identified early childhood development as a national priority given how critical pre-school education is in preparing children for the formal school environment. The sub-division sponsors the participation of six children (2018: 10) from single parent households with limited income in an early childhood development programme. It pays for the crèche fees and school meals, as well as transportation to the crèche using the services of a Level 1 B-BBEE supplier. With the support of its suppliers and employees, the sub-division raised funds to provide the community with 10 double bunk beds with linen for the children, some of whom had never slept in a bed. The balance of the funds raised will be used to provide the community with dry latrines and solar lights.

In April 2019, the sub-division held its first 'Youth at Work Day'. A total of 13 schoolboys from the informal community were given the opportunity to spend the day at Car Rental's head office with the IT team. The day provided the boys with insight into the corporate environment, taught them about information technology and exposed them to the various functions undertaken at head office.



Car Rental places particular focus on providing its employees with an avenue to give back to their communities. In the Back to School initiative, employee monetary pledges are used to provide children in various communities nationwide with school basics. Employees also support the Imperial and Motus Community Trust's annual Grade R Christmas party, prize giving and fun sports day annually, as well as Thanda, a community-based organisation in KwaZulu-Natal. The sub-division's objective is to introduce volunteering initiatives in each province in which it operates.

Looking forward we will:

- > Position the Imperial and Motus Community Trust as a vehicle in which other companies can direct their CSI spend, and investigate the feasibility of expanding the project to additional provinces.
- > Open another school library, sponsored by Hyundai, later in 2019. This will bring the total number of school libraries supported by the brand to eight.
- > Investigate the impact of the Next Generation Scholarship programme and whether to continue with it going forward.

Key data

	2019		2018	2017
Motus board composition				
Black women	2	■	1	1
Black men	3	■	2	3
White women	1		1	1
White men	3		3	5
Black representation				
Top management (%)	31	■	25	17
Senior management (%)	36	■	32	21
Enterprise development				
Qualifying enterprise development spend on the B-BBEE scorecard (Rm)	62 ¹	■	58 ²	–
Total enterprise development spend (Rm)	89 ³	■	72	–
Socio-economic development				
Qualifying socio-economic development spend on the B-BBEE scorecard (Rm)	17,3 ⁴	■	11,8	–
Total CSI spend (Rm)	28,9 ^{5*}	■	16,4	7,9
Imperial and Motus Community Trust				
Spend ⁶ (Rm)	13,7		7,0	–
Number of libraries	39		32	27
Learners reached	Over 43 000		Over 34 000	Over 29 000
Teachers assisted	Over 1 300		Over 1 200	Over 1 000
Jobs created	82		78	70
Safe Scholars programme				
Number of schools	240		240	240
Number of learners	193 955		201 252	175 463

¹ Scored 14,61 out of 15 points on the B-BBEE scorecard (2018: 11,43).

² Restated to include the B-BBEE transaction in the fleet management business.

³ Includes qualifying enterprise development spend.

⁴ Scored 4,58 out of five points on the B-BBEE scorecard (2018: 3,47).

⁵ Includes qualifying socio-economic development spend.

⁶ Includes operating costs and specific projects relating to the libraries, Grade R classroom upgrades and special events.

■ Satisfied with performance.

■ Area for improvement.

* Assured (see the independent limited assurance report in the 2019 integrated annual report).

The 76% increase in CSI spend is mostly due to our increased commitment to the Imperial and Motus Community Trust. The R13,7 million includes the contributions of individual businesses. The Safe Scholars programme is an extension of the Imperial Holdings Road Safety programme to raise road safety awareness among school children. Since the start of the Imperial Holdings programme in 2011, over 1,5 million learners have been impacted in over 1 600 schools (see page 8 of embed defensible health and safety practices).