

# Material priorities

## Defining materiality

Motus defines material priorities as those factors most likely to influence the conclusions of all its stakeholders in assessing the company's ability to create value over time. In determining if a priority is material, we consider its potential to impact strategy (opportunity and risk), performance (financial and non-financial), prospects (in the short, medium and longer term), and ultimately value creation. More specifically, material priorities are the factors most likely to influence the decisions of a stakeholder in relation to the capital inputs they provide and the outcomes they expect in return.

## Determining material priorities

The following inputs informed the determination of the material priorities for Motus in 2019:

1. Motus' vision, mission and strategy.
2. Roundtable discussion to elicit and distil the views and concerns of leadership.
3. Concerns of key stakeholder groups, including customers, business partners, OEMs and investors, elicited from the relationship owners in each case.
4. Top business risks.

## Material priorities structure

The diagram below, which provides an overview of the material priorities, shows the three key themes into which the material priorities have been grouped. The table that follows shows the sub-issues to each material priority and the associated management priorities in place to address these. The material priorities are discussed throughout the integrated report and supplementary sustainable development information available online ([www.motuscorp.co.za](http://www.motuscorp.co.za)).

### Relevance



1. Deliver exceptional value to customers
2. Remain the strategic partner of choice for OEMs and suppliers
3. Become an employer of choice in the automotive industry
4. Apply a pragmatic and proactive approach to innovation

### Resilience



1. Further diversify earnings streams
2. Consolidate to achieve efficiencies and excellence while preserving the entrepreneurial culture
3. Sustain capital management discipline
4. Remunerate performance that supports strategic delivery

### Credibility



1. Demonstrate governance via best practice
2. Consistently deliver on stakeholder expectations
3. Continue to strengthen our investor value proposition

## Relevance

### Sub-issues

### Strategic priorities

1

## Deliver exceptional value to customers

**Provide exceptional products and services at competitive prices across the automotive value chain.**

- > Leverage best pricing and marketing from OEMs, and buying power to distribute and sell competitively priced vehicles and parts to deepen our competitive position and grow our market shares.
- > Leverage the Motus integrated value chain to procure vehicles and offer competitively priced vehicle rentals.
- > Ensure service excellence at points of sale, rental, service, repair and maintenance.
- > Maintain high dealership standards by empowering dealership principals appropriately.
- > Train and develop employees, particularly sales, aftersales and online representatives, to provide a superior experience to increasingly well-informed and diverse customers.
- > Continue to develop strong relationships with suppliers and stringently apply our quality controls to ensure high-quality workshop services and parts supplies.

## Relevance

### Sub-issues

### Strategic priorities

## 2 Remain the strategic partner of choice for OEMs and suppliers

**Deepen OEM partnerships, maintaining a superior route-to-market and strengthened brand positioning.**

- > Preserve long-standing importer and retail partnerships with OEMs, providing market access through quality marketing, high levels of customer satisfaction and strategically located dealerships (in growing urban areas).
- > Work with OEMs to ensure we offer the most relevant and competitive products.
- > Offer cost-effective and competitive financial services products to the South African consumer.
- > Partner with OEMs on new ways of penetrating the market (e.g. new retail formats and technologically enabled dealerships).
- > Leverage the strong balance sheet to allocate importer volume to the car rental companies and support OEM volume targets.

**Secure strategic partnerships to drive growth and competitiveness.**

- > Proactively manage our strategic alliances to ensure that we have the appropriate partners that will ensure our strategic objectives are aligned, and that our partners' competencies complement Motus' own capabilities.
- > Leverage Motus' specialised expertise, data and product design ability to offer relevant and innovative vehicle asset finance ("VAF") and VAPS offerings to the large customer bases of financial services partners with established channels to market.
- > 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.
- > Ensure adequate resources and investment in innovation and partner with technology developers and solution providers to gain access to highly specialised skills and cutting-edge innovation.
- > Partner with selected international distributors to facilitate competitive purchasing for the aftermarket parts business, increasing buying power through the forward integration of the parts supply chain.

## 3 Become an employer of choice in the automotive industry

**Attract and retain high-calibre employees.**

- > Implement best people practices across the Group while ensuring the necessary flexibility to enable practical and cost-effective delivery of human capital management within different divisions.
- > Ensure effective performance development, talent management and succession planning that aligns employee capabilities and expectations with business objectives and career opportunities.
- > Develop and empower employees through relevant training interventions, which also promote the mindset, skillset, flexibility and responsiveness required for significant change.
- > Embed inclusivity and collaboration within the Motus culture.

**Ensure a strong focus on transformation and diversity.**

- > Deliver diversity training to managers and employees to create an environment in which everyone can perform to their full potential.
- > Implement targeted interventions to develop and promote internal candidates from designated groups (black people, women and people with disabilities) and strategically source external talent within these groups to drive transformation and diversity at management level.
- > Drive talent pipeline programmes at Group level to create a pool of entry-level candidates from designated groups from which we are able to fill posts when they become available.

# Material priorities continued

## Relevance

### Sub-issues

### Strategic priorities

#### 4 Apply a pragmatic and proactive approach to innovation

**Continually monitor and adapt to market trends in digitisation, mobilisation and automation and drive innovation.**

- > Leverage first-hand access to developments in different markets to assess the impact on business models and the expected timeframes, to implement the necessary changes.
- > Continue to ensure executives understand new technologies and their potential impact on markets.
- > Leverage IT solutions and data to drive innovation across the vehicle value chain, with the aim of securing higher market penetration in the medium term.
- > Identify opportunities to collaborate with key strategic partners to share intellectual property and drive innovation in line with the principles underpinning the "open economy".

**Optimise and evolve current business models and structures while designing new solutions and operating models.**

- > Align continuously with digital, mobility and automation trends and changing customer needs by working with OEMs to deliver innovative solutions and business model changes.
- > Utilise innovation hubs and capabilities to facilitate innovation within all divisions.

**Focus on data science and analytics to extract value and enhance the customer experience.**

- > Continue to monetise proprietary data.
- > Apply insights gained from data analytics to create relevant and innovative products and services aligned to customers' mobility needs.
- > Deepen understanding of customer data to retain customers and capture market share of vehicle sales and VAPS.

**Continue to differentiate our offering through innovative VAF solutions, VAPS and mobility services.**

- > Leverage data analytics to monitor customer behaviour and understand customer preferences, as well as our understanding of OEM strategies and mobility-related technologies, to deliver the most relevant, personalised and competitive offerings that meet their mobility needs.
- > Ensure convenient, consolidated and compelling access to all of the Group's offerings, by consolidating and improving Motus' online presence.
- > Leverage existing data warehouses and lakes, which support all direct marketing and customer relationship management initiatives across the value chain, to develop a single view of the customer across all offerings.

## Resilience

### Sub-issues

### Strategic priorities

#### 1 Further diversify earning streams

**Optimise the profitability of each segment within the automotive value chain.**

- > Maximise the organic growth potential of each division according to clearly defined divisional strategies.
- > Drive defensive, annuity income streams from financial services and workshops, and from well sourced imports in the Aftermarket Parts business.
- > Defend operating margins through efficiencies and process improvements.
- > Apply sales, service and maintenance data to accurately price VAPS, to minimise fund burn rates and maximise their profitability.

**Grow competitive market share and strengthen the core business by leveraging the integrated value chain.**

- > Maintain unparalleled scale and footprint in South Africa.
- > Drive importer volumes to support parts sales, panel sales, workshop servicing and financial services.
- > Grow the used car market share through digital lead generation, improvement of stock mix in line with market demand and excellent customer service.
- > Leverage scale and operational synergies across the integrated automotive value chain.
- > Grow fleet management offerings to corporate customers.

## Resilience

### Sub-issues

### Strategic priorities

## 1 Further diversify earning streams continued

**Pursue strategic growth in selected international markets.**

- > Pursue acquisitions in selected markets that complement existing networks and benefit from the transfer of existing expertise.
- > Target a significant proportion of hard currency earnings (20% to 25%) from international operations.

**Leverage data and expertise to expand value-added product offerings and services.**

- > Drive growth across the automotive value chain, by unlocking efficiencies and customer potential within existing and new channels.
- > Explore and develop new partnership opportunities, including opportunities to improve customer loyalty and build online client platforms and portals.

## 2 Consolidate to achieve efficiencies and excellence while preserving the entrepreneurial culture

**Centralise and standardise systems and processes only where appropriate to enable business agility.**

- > Continue to drive operational alignment and collaboration across the value chain to reduce complexity, duplication, costs and capital employed.
- > Streamline IT architecture to support efficiency, connectivity and networking across the Group and access across businesses where appropriate.
- > Implement a suite of standard IT policies, focusing on IT security and reporting.
- > Deepen business agility and the entrepreneurial culture to maintain resilience.
- > Maintain business continuity processes to ensure business operations are stable and unaffected by power outages and disaster recovery is in place.
- > Streamline our people systems across all operating businesses. The new payroll and human capital management system will provide accurate human capital data and one view of the employee base, supporting strategic human capital decision making.

**Enforce sound internal process governance, risk management and approval structure.**

- > Ensure operational governance standards are met, supported by a well-developed control environment, risk management and deep expertise in finance, treasury and accounting.
- > Maintain effective controls to monitor and manage currency risk, including the application of the forward cover policy.
- > Ensure data security and proprietary systems are fit-for-purpose.

## 3 Sustain capital management discipline

**Enhance profitability, ROIC and cash flow generation to support bolt-on acquisitions and a consistent dividend pay-out.**

- > Allocate capital to organic and acquisitive growth strategies that achieve the targeted returns and our strategic objectives.
- > Achieve targeted revenue and income growth, and maintain sound financial leverage ratios.
- > Maintain a healthy dividend payment to shareholders.

**Maintain working capital management discipline.**

- > Streamline distribution (vehicles and aftermarket parts) to effectively manage inventory levels and improve working capital management while containing costs in a low-growth economic environment.
- > Maintain healthy liquidity ratios.

**Continue to optimise the portfolio.**

- > Continue to optimise the portfolio by exiting or disposing of non-strategic dealerships and businesses that do not enhance competitive advantage or show low return on effort.
- > Align investment philosophy to strategic intent.
- > Invest in key regions to ensure a strong presence in the chosen markets.

# Material priorities continued

## Resilience

### Sub-issues

### Strategic priorities

#### 4 Remunerate performance that supports strategic delivery

##### Align incentives to strategic objectives.

- > Incentivise management to ensure sustainable performance through the cycle.
- > Align incentives to financial and non-financial targets, including transformation, innovation and other qualitative targets.

## Credibility

### Sub-issues

### Strategic priorities

#### 1 Demonstrate governance via best practice

##### Establish a credible reputation for ethical, effective and independent leadership.

- > Demonstrate independence and effectiveness of the board.
- > Formulate management succession plans to ensure relevant skills and experience in relation to strategy.
- > Continue to embed and enhance ethical practices and governance standards.

##### Maintain best governance practices.

- > Deepen application of King IV principles and recommendations.
- > Maintain and enhance robust control and risk management systems.
- > Embed effective reporting processes for board visibility.

##### Establish corporate citizenship credentials.

- > Comply with laws and regulations across multiple jurisdictions and demonstrate high ethical business conduct.
- > Demonstrate defensible safety practices, socio-economic value creation and environmental stewardship.

- > Manage the complexity and cost impact of regulations and fiscal policy, including alignment with the new financial services regulatory landscape.
- > Proactively monitor and engage with regulators on upcoming legislation, for example the Competition Commission's automotive aftermarket advocacy programme in South Africa, and follow international trends to understand potential upcoming regulatory changes and how these can be used to enhance customer experiences.
- > Embed a strong culture of ethics and integrity, supported by the code of ethics, ongoing engagement at business and Group level and ethics training.
- > Embed safety practices and mindset in the right areas, including operational safety in workshops and other facilities.
- > Provide employees with access to services that help them manage their physical, financial and mental health.
- > 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 corporate social investment programmes that support basic education and learning, youth development and road safety.
- > Responsibly manage natural resources in line with national priorities, legislative requirements and municipal by-laws.
- > Manage waste responsibly, particularly hazardous oil waste, in line with applicable national waste management laws and ensure relevant disposal certificates are issued.

## Credibility

### Sub-issues

### Strategic priorities

## 2 Consistently deliver on stakeholder expectations

### Strengthen relationships with all key stakeholders.

- > Maintain high standards of accountability, transparency and integrity in running the business and reporting to shareholders and other stakeholders.
- > Ensure responsiveness to the legitimate concerns of all stakeholders through accurate and transparent disclosures.

### Ensure effective succession planning to ensure management depth.

- > Implement succession planning for the CEO, his direct reports and other levels of management for the short and long term.

## 3 Continue to strengthen our investor value proposition

### Retain current investors and attract new investors both locally and internationally.

- > Deliver on our vision, the related strategic objectives and our investment proposition.
- > Defend and grow the leading market share in South Africa, continue to grow annuity income streams, and grow in selected international markets.
- > Maintain strong free cash flows.
- > Deliver best-in-class earnings and targeted returns.
- > Maintain a consistent dividend pay-out through the cycle.