

# SUSTAINABILITY REPORT

## INVICTA GROUP SUSTAINABILITY HIGHLIGHTS FY2017

↑ **TOTAL EMPLOYEES**  
+/- 4 872

↑ **PERCENTAGE EMPLOYEES HDSA (GROUP AVERAGE)**  
44.8%

↑ **PERCENTAGE WOMEN EMPLOYEES (GROUP AVERAGE)**  
30.1%

↑ **EMPLOYEES TRAINED**  
2 564

↑ **TRAINING SPEND**  
R10.7 MILLION

↑ **COMPENSATION PAID (INCL. SALARIES, WAGES AND BENEFITS)**  
R757.2 MILLION

↑ **CSI/SED (SOCIO-ECONOMIC DEVELOPMENT) SPEND**  
R5.8 MILLION

↑ **CSI/SED SPEND ON EDUCATION**  
R4.5 MILLION

↑ **CSI/SED SPEND ON SKILLS DEVELOPMENT (Incl. ABET)**  
R267 000

↑ **PERCENTAGE PERMANENT EMPLOYEES**  
98.5%

↑ **HDSA PROCUREMENT SPEND**  
R149.8 MILLION

↑ **HUMULANI EMPOWERMENT TRUST**  
R11.9 MILLION

*\*Excluding Kian Ann Group*



## INTRODUCTION

As a responsible corporate citizen, Invicta recognises the importance of building and sustaining long-term reciprocal relationships with its stakeholders. Our sustainable growth depends on developing and maintaining strong partnerships with all of our stakeholders, who include customers, suppliers, employees, shareholders, banks, communities, governments and regulators.

Invicta is committed to creating long-term value for its stakeholders by embracing business opportunities, managing risk and providing sustainable businesses on an integrated approach to the communities in which it operates.

As the bulk of the Group's businesses involves the importing, distribution and sale of products, excluding only the engineering division of BMG and manufacturing undertaken in the BSG plastic factory, the Group's operations generally have a low impact on the environment. The Group is, however, mindful of the effects of climate change and environmental degradation and continues to search and where feasible, implement measures to mitigate the direct impact that Invicta's operations may have on the economic, social and environmental issues relevant to its business.

As detailed under the corporate governance section of this report, the Social and Ethics Committee assists the board with its responsibility towards sustainability with regard to practices that are consistent with good corporate citizenship, including also specifically the responsibilities detailed in the Companies Act (2008) relating to the Company's standing in terms of the United Nations Global Compact Principles, the OECD recommendations concerning corruption, the contribution to development within our communities, labour, employment, the environment, health and public safety.

Invicta's commitment to sustainability includes the following objectives across the Group:

- Acting in the best interest of Group principals, by representing them in a manner which brings credit to their products and brands;
- Ensuring that customers receive an integrated and environmentally sound solution, that meets their specific needs.
- Continuing to search for more efficient and productive products, and through its various operations, continues to develop these with its various principals around the world to offer more efficient solutions to the market.
- Delivering sustainable returns to shareholders by conducting business ethically.
- Continuing to measure expenditure on non-renewable resources and to eliminate any unnecessary or inefficient processes – the primary areas of consumption in the Group continue to be transport, fuel and electricity, accordingly the Group continually focuses on optimising and consolidating its warehouse locations and inventory holdings in a bid to minimise transport costs and fuel consumption.
- Promoting equal employment opportunities.
- Implementing and maintaining sound employment practices.
- Promoting improved opportunities for education through employment initiatives, the main thrust of the Group's corporate social investment.
- Providing employees with a safe working environment and encouraging a culture which allows them to achieve optimally and have a fulfilling career.

- Pioneering black economic empowerment initiatives and involving local communities in projects where possible across the Group.
- Promoting an entrepreneurial culture with well thought-out investment propositions; and
- Commitment to sound governance principles.

## TRAINING, EDUCATION AND DEVELOPMENT OF EMPLOYEES

The Group's philosophy on training the right employee at the right time, provides returns not only for the employee, but also for the Company in increased productivity, knowledge, loyalty and contribution to the Group. Ongoing training and skills development also forms the basis of transformation and is an imperative for the Company to develop a competitive edge. In order to create this passion amongst Group's staff, Invicta assists employees to reach their full potential through ongoing training and development.

The Engineering Solutions Group (ESG) is a fully accredited merSeta training provider upskilling fitters utilising the learnership route. They also have workplace approval to train millwright apprentices. These trades ensure all technical and sales staff have the necessary technical foundation to deliver on their customer's needs. Specific sales training is rolled out nationwide by internal SME's. The e-learning portal was upgraded during the prior year to deliver on the growing training demands of the organisation. All staff are given the opportunity to enhance their product and computer skills via e-learning. Legislated training remains a priority for OHS/ISO requirements. Soft skills and management training is part of ESG's belief in life-long learning and includes having training opportunities available for career progression in the organisation.

Over the last four-year period, the Capital Equipment Group (CEG) has similarly invested in uplifting skills of their whole goods and parts sales and support employees and continues to focus on the grooming of qualified apprentices in various trades. CEG provides a broad range of initiatives, including technical, management and sales training, including also softer skills programmes, with technical courses being delivered via e-learning. E-learning provides the major benefit of being practical and flexible. Employees can log onto the system when practical to do so whilst learning can be applied immediately and shared with colleagues. In addition, e-learning also enhances much needed computer skills. All theoretical training is followed by practical training sessions delivered by the Group's various technical and other divisional resources available.

As part of the Company's holistic approach to employee development, the Group also offers educational assistance to employees who wish to further their own qualifications on a part-time basis, to complete courses that are relevant to their employment.

## CSI PROJECTS – TRAINING, EDUCATION AND TECHNICAL SKILLS DEVELOPMENT

As a responsible South African citizen, the Group has focused on aligning its CSI spend with its core business objectives, thus allowing for true partnerships with its beneficiaries, the government and NGOs, in order to bring about long term, sustainable change and development for the benefit of all. The Group carefully selects initiatives that will have the maximum impact on basic needs of South Africans and, where an immediate need arises, it additionally undertakes *ad hoc* projects to address specific issues.

# SUSTAINABILITY REPORT (continued)

The Group is also committed to partnering with projects that are focused on developing technical skills as a requirement for its Group business, and also for the country and the economy as a whole. During the 2017 financial year, the following external training, education and skills development initiatives were supported by the Group:

## University of Pretoria – Tertiary education bursary granted by CEG to Shane Robbins (Department of Mechanical and Aeronautical Engineering)

### Shane Robbins – Summary and Journey with CEG

*"My name is Shane Robbins and I recently graduated with a Bachelor of Engineering in Mechanical Engineering with distinction as a CEG bursary student. I am currently pursuing my honours degree in the same field where I plan to continue by obtaining my master's degree.*

*My first encounter with CEG was near the end of my matric year at Jeppe High School for Boys when I was given the opportunity to interview as a prospective bursary student. From the moment I was introduced to associates of the CEG group, I was treated with courtesy and professionalism yet at the same time with kindness, a sense of approachability and the intent to give me a chance to hear who I was and what I was about. In the same interview, I was awarded the bursary which has had a monumental impact on me in terms of the support I have received, not only financially but also intellectually.*

*In my second and third years of study, I was awarded certificates of academic excellence from the Department of Mechanical and Aeronautical Engineering as well as receiving an invite to join the Golden Key International Honours Society who recognise academically strong students. In my final year at the end of 2016, I completed my degree with distinction. CEG assisted me over the duration of this period by helping me make decisions as I progressed as well as accommodating many of the expenses involved in the process.*

*For all that CEG has afforded me I am truly grateful as I believe that I may not have been able to obtain the accolades I have received and achieve the goals I have set for myself in the same manner. The bursary and the opportunity I was offered by the CEG group made my academic journey smoother and presented paths along the way that I could take with relative ease."*

## PROTEC – Preparing learners for successful careers in mathematics, science, technology and engineering

PROTEC was started in Soweto 25 years ago to assist school learners in previously disadvantaged communities to prepare for and successfully embark on careers in mathematics, science, technology and engineering, key focus areas for ESG's business. ESG/BMG has a long-standing relationship with the PROTEC organisation, which is the main beneficiary of its CSI budget.

Research results clearly indicate that the PROTEC branches are having a positive impact on the academic performance of beneficiaries from historically disadvantaged communities. During 2016/2017, the PROTEC grade 12 learners at branch level achieved a 100% pass rate and 418 distinctions were achieved by the matric class of 2016.

ESG/BMG has been a long-term supporter of the PROTEC branches in Tongaat and Inanda, Ntuzuma and KwaMashu in KwaZulu-Natal and have extended the ESG group's commitment to PROTEC by partnering PROTEC projects in Carletonville, Steelpoort and Rustenburg. The PROTEC projects with BMG are flagship projects for PROTEC as they were among those that produced the best matric results ever. Amongst these learners was a particular learner from Carletonville who achieved seven distinctions. Several of these students have made it into the ESG/BMG trainee programme which is a clear indication of the success of this CSI programme, in that it goes full circle with the ability to feed into ESG/BMG's business or that of its customers.



BMG Transformation manager Mbali Tshabalala with Sinethemba Dhlamini from PROTEC Tongaat, accepting her award for overall top achiever in grade 12 in her branch. Sinethemba was subsequently awarded a bursary from Sasol to study chemical engineering during 2017

PROTEC Tongaat students in their t-shirts donated by ESG/BMG



## BURSARIES GRANTED DURING FY2017

<b>SA College High School (SACS) – High School Scholarship</b>	Yanga Tolashe – Grade 12
<b>Kearsney College – High School Scholarship</b>	Qiniso Xulu – Grade 09
<b>Kearsney College – High School Scholarship</b>	Clint Cele – Grade 11
<b>Cornwall Hill College – High School Scholarship</b>	Lethu Mahlawe – Grade 10 Kutlwano Molapo – Grade 12 Sibusiso Maseko – Grade 11

## EMPLOYMENT EQUITY

Invicta and the Group are committed to providing an employment culture that is inclusive to all. It is Group policy to acknowledge and support South Africa's employment equity drive in ensuring that equal opportunities are directed at staff, regardless of race, colour, sexual orientation, sex, religion, creed or national origin.

The Group remains compliant with all aspects of the Employment Equity Act (1998) by adhering to the requirements of timeous submission of the relevant reports and plans.

Consultation with employees and communication of the reports and progress is monitored on an ongoing basis. Areas of strategic focus include the promotion of the constitutional right of equality for all in the workplace, elimination of unfair discrimination, redressing the effects of past discriminatory employment practices, achieving equitable representation in occupational categories and levels where possible, promoting the acquisition of skills by employees that will reflect qualifications and standards that are part of a national qualification framework and developing a culture in the Group of high quality lifelong learning.

The divisional human resources departments implement processes to address recruitment as well as the development of in-house talent through coaching, mentoring and succession planning.

## INVICTA BOARD GENDER DIVERSITY POLICY

Invicta similarly supports the principles and aims of appropriate gender diversity at Invicta board level. To this end, the Invicta board adopted a board gender diversity policy during the 2017 financial year, and although no voluntary targets have been set as yet, the approach to gender diversity adopted by the board of Invicta is the aim to achieve an appropriate level of diversity, including where possible, diversity of race and gender at Invicta board level.

## BROAD-BASED BLACK ECONOMIC EMPOWERMENT (B-BBEE)

### B-BBEE status of companies

Performance in each of these areas by the Group and individual companies within the Group is measured with reference to the dti's Broad-Based Black Economic Empowerment (B-BBEE) scorecard and the Global Reporting Initiatives III guidelines.

Invicta has appointed Simanye to act as its consultants in terms of B-BBEE as well as The BEE Shop to re-certify the BEE status of its various companies. Invicta Company maintained its BEE status at a Level Four contributor in terms of the Broad-Based Rating Scorecard during the year under review, however, the majority of the individual operating companies and legal entities within the Group have improved ratings ranging mostly between Level Three and Level Two contributors.

## Humulani Empowerment Trust (HET)

The Humulani Empowerment Trust (HET) was established by Invicta in 2011 to promote the broad-based socio and economic advancement of black women, black broad-based groups and black designated groups in and surrounding the operations of the Invicta Group. The beneficiaries of HET are defined in the trust deed as the employees selected from time to time by Humulani, immediate family of employees living and working in communities bordering or associated with Invicta Group's business.

HET projects supported during FY2017

## LIV Village contribution R1 million plus cost of maintaining four households

LIV Village focuses on a solution to aid the crisis of orphaned and vulnerable children in South Africa, mostly due to HIV/AIDS. They place these children into a family environment with a trained foster mother to love them, a school to educate them, and where all their needs are met. These children are equipped with essential moral values and life-skills, and will grow up to be a generation that will influence positive change within South Africa, Africa and the world.

HET takes care of the expenses of four households at the LIV Village on a monthly basis. Additionally, HET made a R3.5 million investment with Alexander Forbes during 2016 and will further contribute R1 million to the investment for five consecutive years, whilst LIV Village will be able to withdraw approximately R550 000 per annum. The withdrawals will continue for 20 years subject to the funds being used according to the HET approved LIV Village mandate.



# SUSTAINABILITY REPORT (continued)

## **Afrika Tikkun - HET contribution R1.2 million towards Diepsloot centre**

Afrika Tikkun takes a holistic approach to the development of children and youth that seeks to address their educational, psychosocial, health and economic needs. In order to provide services and interventions that support young people from Cradle to Career, Afrika Tikkun has three core programmes, each focused on the specific developmental and age-appropriate needs of children and youth.

## **Nampo Combined Agricultural school - HET contribution R228 000**

The Nampo Combined Agricultural School was established in January 1991 as a school for the children of farm workers in the Bothaville region and currently has just over 800 learners from Grade RR to Grade 12 – 200 of these learners reside on farms in and around Bothaville.

Nampo is classified as “No School Fees” aimed to provide education, nutrition and life-skills to learners in a very disadvantaged community. Nampo school prides itself on having been able to maintain a high academic standard since inception, boasting a matric pass rate of 100% for 2015 and 2016, which is not unusual for the school during the past decade.

HET contributed R228 000 in the 2017 financial year towards the salaries of the grade RR teacher and her assistance, including also the construction of a training workshop for grade 10 to 12 learners. HET had provided funding to the school since 2012 based on their growth, milestones achieved and outcomes.

## **GROW with Educare Centres - HET contribution R2.3 million towards operational costs and development of the GROW micro-franchise model**

Access to Early Childhood Development (ECD) in marginalised communities in South Africa is among the most fundamental challenges facing the country’s development. GROW with Educare Centres was established in 2013 to address this problem. The project is run by GW Foundation (a non-profit organisation) with the aim of upgrading existing childcare centres in low-income areas. The principals and teachers are thoroughly trained and provided with a full curriculum, operating system, teachers’ guides, daily programmes, educational materials, toys, equipment, posters, books, policies and procedures, business skills and mentorship (a ‘school in a box’). The quality, consistency and performance of each centre are ensured with structured due diligence and ongoing support and monitoring.

Growing up Africa: Devland Education Campus HET contribution 2016/2017: R1.1 million towards operational cost and staff salaries at the Devland Education Campus. A total amount of R2 000 000 was pledged with the balance being paid in monthly instalments

Growing Up Africa (GUA) was founded by Deborah Terhune in 2000 and registered officially in South Africa in 2012. The focus of GUA was specifically geared towards the building of specialised and well-equipped education and training facilities along with related infrastructure.

Devland Education Campus is GUA’s third project in South Africa and is heading towards the final phase of construction. The 2000m<sup>2</sup> education campus will have five interchangeable classrooms, a cafeteria, kitchen, dining area (which can be converted into classrooms or workshop areas) a smaller auditorium that can seat 56 people and a larger auditorium that can seat up to 216 people.

The Devland Project ultimately aims to provide a safe and nurturing environment for collaborative and individual learning and growth.

## **Partners for Possibility - HET contribution in 2016/2017 R300 000 towards operational and administrative costs**

Partners for Possibility (PFP) – Principals are partnered in a co-action and co-learning partnership with business leaders who bring their knowledge and skills about change leadership to the school in an effort to improve a school’s education outcomes. The PFP Programme was founded in 2010 when the first business leader was partnered with a principal. There is a direct correlation between good school leadership and educational outcomes. Most school principals in South Africa have not been equipped with the skills and knowledge for their critically important leadership role. Partners for Possibility is specifically designed to address this.

## **Buhle Farming Academy - HET contribution in 2016/2017 R97 000 towards student transport costs to and from the livestock course**

Buhle Farmers’ Academy was established in 2000 to address the problem of the skills shortage amongst emerging farmers in the agricultural sector. They offer free, Agri-SETA accredited training courses to over 500 emerging farmers every year. Buhle offers courses in livestock, crop, vegetable and poultry production – these courses are highly practical with an intense focus on developing the trainees’ business skills.

Buhle’s mission is train new and aspiring farmers from across South Africa to run farming businesses that are both profitable and sustainable.

## **Global Teachers Institute: Future Leaders Programme - HET contribution in 2016/2017 R500 000 toward the development and implementation of the Future Leaders Programme**

The Global Teacher’s Institute (GTI) aims to empower student teachers, current faculty, school leaders, and education organisations globally by refocusing teacher training and professional development on ideas of personal growth and social change by changing the way teachers are trained.

The Future Leaders Programme (FLP) is a teacher development programme that provides school-based mentoring, workplace experience and professional development to pre-service teachers called Future Leaders. Future Leaders are enrolled in a B.Ed. or PGCE degree through Unisa which they complete as part of the programme. The programme currently has 82 Future Leaders at 10 school sites throughout under-developed areas in South Africa.

## **Ruth First Jeppe Memorial Trust - HET contribution in 2016/2017 R17 000 for learner registration fees. HET pledged to pay full scholarships for five girls, accordingly an additional R1.4 million will be paid over the course of the next five years**

Jeppe High School for Girls launched the Ruth First Jeppe Memorial Trust (RFJMT) in memory of its most prominent alumna. The Trust aims to provide scholarships and support that will help turn other young women from ordinary circumstances into principled leaders who will make a difference in South African society. The criteria for selection are young women in grade 7 who are deserving, merit worthy and academically able and who, even at a young age, show characteristics of leadership, courage, determination and the ability to influence their communities positively.

Since the launch of the Trust in 2010, there have been 40 scholarship beneficiaries.

### **BMG Vryheid Xmas project**

The managers of the BMG Vryheid branch decided that instead of giving each other gifts on Christmas in 2016, they were going to give gifts to the 19 children from Inkululeko Children's Home in Vryheid on 22 December 2016. They covered 19 shoe boxes with the money donated so generously from BMG Vryheid and filled them with toys, colouring books and educational goodies. All 19 children are orphans, of which the youngest is one-year old and was left in a government hospital at the age of two weeks, the eldest 14 years of age.

### **AME's – Man-Dirk local empowerment initiative**

In April 2013, Man-Dirk (a subsidiary of BMG) embarked on a local empowerment distribution initiative in consultation with the platinum mining companies in the North West province which process was overseen by the Department of Mineral Resources (DMR). A local mining host community entrepreneur (local partner) who is operationally involved in the business holds 30% of the shares in the company established by area, with the balance of the shares held by Man-Dirk as technical development partner. Shanduka Black Umbrellas (Commercial Development Partners) provide Man-Dirk with a talent pool of potential partnership candidates.

The DMR has acknowledged the success of the Man-Dirk localisation initiative which was aligned to the DMR's drive to grow the number of black industrialises in mining communities and initiated discussions with Man-Dirk for the roll-out of similar initiatives in other provinces.

Mining pressure has resulted in additional AMEs being planned for the coming financial year in Mokopane, Steelpoort and Northern Cape.

During 2017, the AME's received the following accolades from the Shanduka Black Umbrella Enterprise Development Awards:

- 2017 AME Localisation DMR Commendation.
- 2017 AME Mooinooi Award Shanduka Black Umbrellas 2nd Best Ambassador (North West Region).
- 2017 AME Mooinooi Award Best Performing Company 3rd Runner Up (North West Region).
- 2017 AME Rustenburg Award Best Performing Company 2nd Runner Up (North West Region).

The criteria for the best performing companies award was based on the following items which is in line with Shanduka Black Umbrellas strategic objectives of ensuring that companies become sustainable within a three-year period – turnover, net profit, net asset value and cash.

### **QUALITY MANAGEMENT AND OCCUPATIONAL HEALTH AND SAFETY**

The consistent supply of both quality products and services to customers is key to the Group's success. To this end, the Group continues to focus on the ISO quality system to assist in achieving this. The Group's Quality Management system is well established and the Group continues to progress the development and implementation of the OHSAS 18001 Occupational Health and Safety Management system in its major operations.

CEG has maintained its ISO 9001 certification with TUV Rheinland for all companies in the group.

BMG has maintained its ISO 9001 certification with Alpha Certification Services. The BMG Fluid Technology, BMG Engineering, Man-Dirk, Makona Hardware and Industrial divisions/companies have now also been included in the ISO certification.

BSG has included its MacNeil division in the ISO certification with TUV Rheinland.

### **APPRECIATION**

The board wishes to take this opportunity to thank all the stakeholders in the Group for their ongoing commitment and loyalty to the development of a sustainable business and ongoing relationships with the Group.

# VALUE-ADDED STATEMENT

for the year ended 31 March 2017

The value-added statement shows the wealth that the Group has created through its activities and how this wealth has been distributed to stakeholders. The statement reflects the amounts retained and reinvested in the Group for the replacement of assets and the development of future operations.

	2017 R'000	Restated 2016 R'000	2016 R'000	% change
Revenue (continuing operations)	9 631 811	8 799 244	10 635 850	9%
Cost of goods and services	(7 061 826)	(6 782 208)	(8 424 047)	4%
<b>Value added</b>	<b>2 569 985</b>	2 017 036	2 211 803	27%
Income from investments	776 047	680 008	683 902	14%
<b>Wealth created</b>	<b>3 346 032</b>	2 697 044	2 895 705	24%
<b>Wealth distribution:</b>				
<b>Employees</b>				
Salaries, wages and benefits	1 415 073	1 177 234	1 345 950	20%
<b>Providers of capital</b>				
Dividends to shareholders	235 192	259 661	259 661	(9%)
Finance costs	889 429	797 073	817 940	12%
	1 124 621	1 056 734	1 077 601	6%
<b>Government</b>				
Corporate tax	321 747	92 264	105 539	249%
<b>Wealth retained for future expansion and growth</b>				
Amortisation of intangibles and depreciation of property, plant and equipment	113 224	123 383	123 383	(8%)
Retained income	371 367	247 429	243 232	50%
	484 591	370 812	366 615	31%
<b>Wealth distributed</b>	<b>3 346 032</b>	2 697 044	2 895 705	24%

Distribution of wealth created:

