

# 2023 INTEGRATED REPORT

FOR THE YEAR ENDED 31 MARCH

Strategic growth,  
with a global vision.

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# 01

## ABOUT THIS REPORT

*This Report aims to provide stakeholders with a view of the most material matters relating to the performance and strategic context of the Group*

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# ABOUT OUR REPORT

## SCOPE AND MATERIALITY

The Integrated Annual Report ("**Report**") of Invicta Holdings Limited ("**Invicta**" or the "**Company**") for the financial year 1 April 2022 to 31 March 2023 ("**FY 2023**") aims to provide stakeholders with a view of the most material matters relating to the operating context of the Group, its activities and performance during the financial year. The Report further aims to provide a perspective on the structure and governance of the Group and the various factors that may materially affect the Group's future performance in the short- to medium-term (one to three years), and medium- to long-term (three to five years).

In determining what is material, a formal assessment process was done to determine the appropriate guidance and policy on making materiality judgements, taking cognisance of the relative contributions of the divisions to the Group. Caution has been applied when disclosing confidential information or information that may be used by competitors to the detriment of the Group, while at the same time ensuring transparency in order to ensure all stakeholders can make informed decisions.

To keep the Report as concise and relevant as possible, more detailed information is presented in the following documents, all of which are available on our website:

- » The Audited Annual Consolidated Financial Statements ("**AFS**"), incorporating the directors' report
- » Invicta's Notice of Annual General Meeting

## FORWARD-LOOKING STATEMENTS

Certain statements in this Report may constitute forward-looking statements, which, by their nature, involve risk and uncertainty because they relate to future events and circumstances that may be beyond the Group's control. The directors, therefore, advise readers to use caution regarding interpreting any forward-looking statements in the Report.

## STANDARDS AND ASSURANCE

The Audit and Risk Committee has reviewed this Report and the AFS, and has recommended them to the Board for approval. The Social and Ethics Committee has reviewed and recommended the Sustainability Report, which has been approved by the Board.

Additionally, in preparing this Report and its supplements, the Board has received assurance from management throughout the Group, as well as our internal audit function and our external auditors. The Group has applied the requirements of South African Law, the JSE Listings Requirements and International Financial Reporting Standards (IFRS), as applicable.

The Board has further been guided by the International Integrated Reporting Framework ("**IIRF**") and the King IV Report on Corporate Governance for South Africa, 2016™ ("**King IV**").

## BOARD APPROVAL AND RESPONSIBILITY

As the Board of Invicta, we acknowledge our responsibility for the integrity of the information presented in this Report and its supplements and, confirm that we have applied our collective mind to its preparation and presentation.

Signed on behalf of the Board:

**Dr Christo Wiese**  
*Chairperson*

**Steven Joffe**  
*Chief Executive Officer*

## THE SIX CAPITALS

Our Report is written with a focus on the six capitals contemplated in the IIRF. The following icons will be used throughout the Report to reference the six capitals:



Financial capital



Natural capital



Intellectual capital



Manufactured capital



Social and relationship capital



Human capital

# PERFORMANCE HIGHLIGHTS

Considering all the challenges of 2023, we are especially proud of how we were able to grow basic earnings per share from continuing operations by 18%, from 408 to 481 cents.

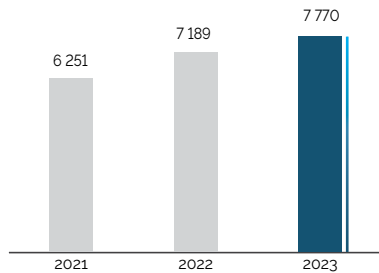
PROFIT  
BEFORE TAX  
UP 5% TO  
**R724M**

HEPS  
UP 42% TO  
**488 CENTS**

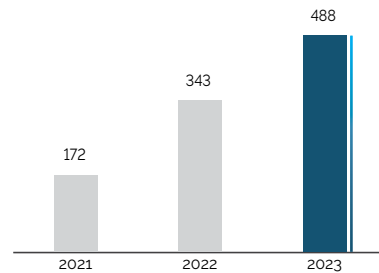
SHARE PRICE AT  
31 MARCH 2023  
**R27.75**

CASH  
GENERATED  
FROM  
OPERATIONS  
**R639M**

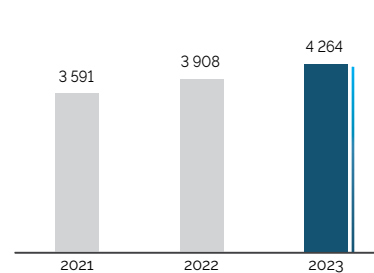
Revenue  
(R'm)



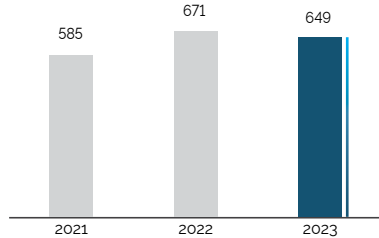
Headline earnings per share  
(cents)



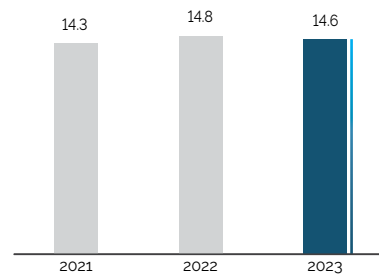
Net operating assets\*  
(R'm)



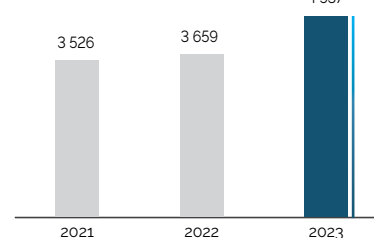
Operating profits before net finance  
income on financing transactions  
and foreign exchange movements  
(R'm)



Return on net operating assets^  
(%)



Tangible net assets value  
per ordinary share  
(cents)

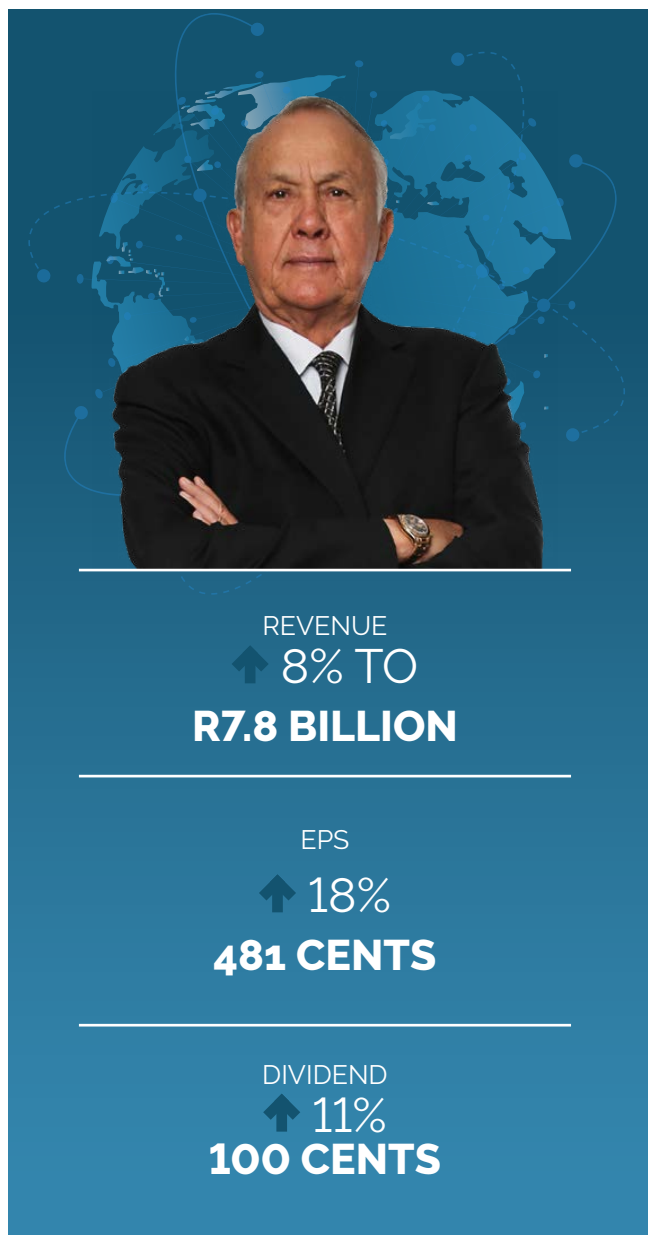


	2023 R'million	2022 R'million
Profit from continuing operations attributable to owners of the parent - ordinary shares	489 523	440 278
<b>Headline earnings adjustments from continuing operations</b>		
Adjustments for:		
Profit on disposal of property, plant and equipment	(9 545)	(11 443)
Less: Taxation thereon	1 621	(6 861)
Less: other shareholders interest thereon	56	47
Loss on disposal of property, plant and equipment	3 974	3 189
Less: Taxation thereon	(1 065)	(848)
Less: other shareholders interest thereon	(16)	-
Profit on disposal of business/investment	-	(68 714)
Less: Taxation thereon	-	9 168
Loss on disposal of business/investment	-	5 660
Reversal of impairment - property, plant and equipment	(5 368)	-
Impairment of investment property	430	-
Less: Taxation thereon	(93)	-
Impairment of property, plant and equipment	-	398
Impairment of property, classified as held for sale	6 293	-
Less: Tax thereon	(972)	-
Loss on disposal of investment included in equity-accounted earnings, post taxation	12 244	-
<b>Headline earnings from continuing operations</b>	<b>497 082</b>	<b>370 874</b>

\* Net operating assets: total assets less total liabilities excluding items related to tax, long-term receivables, other investments and finance lease assets and liabilities. It also excludes the term funding, which is a financing activity rather than an investing activity.

^ Return on net operating assets: operating profit/(loss) before net finance income on financing transactions and foreign exchange movements less IFRS 16 interest and after adjusting for once off items as determined by Group management and disclosed in the investor presentation divided by net operating assets.

# CHAIRMAN'S LETTER TO STAKEHOLDERS



## GENERAL

It is common cause that South Africa's economy is facing mounting economic and social challenges. One can easily be disheartened by reports, such as the IMF Press Release of 23/198, highlighting that growth moderated from 4.9% in 2021 to 2% in 2022 as our country, still recovering from the impact of the Covid-Pandemic, was severely impacted by Russia's war in the Ukraine, global monetary policy tightening, severe floods, social unrest and an unprecedented energy crisis. The rest of the world was, however, also confronted with severe economic challenges and geopolitical headwinds which impacted our country and our businesses.

I am therefore extremely proud of the resilience that our people and the Invicta business showed in the face of all these challenges and of the excellent financial results that the Group delivered.

## PERFORMANCE

The Group delivered a strong performance during FY 2023, despite the extremely difficult global trading environment. Given the restructuring of the Group's operations over the last two years, I believe that earnings per share (EPS) is a good measure of the financial performance of the business during this period. I am proud to report that Invicta's basic EPS grew by 18%, from 408 to 481 cents. The Group also generated R642m of cash from operations.

The strong financial position of the group, and a scarcity of appropriately priced acquisition opportunities, have prompted us to use available capital to repurchase R165 million worth of ordinary and R36 million worth of preference shares, to increase the dividend per share by 11% from 90 to 100 cents, and to maintain appropriate inventory levels to serve our customers particularly given global supply chain problems.

The persisting macro and geopolitical global challenges resulted in rising global inflation and increases in borrowing costs. We will therefore, as in previous periods, continue to focus on reducing the Group's net debt position. Conservative debt levels will enable management to strategically respond to market and macro-economic developments, whilst allowing for flexibility to execute on the Group's acquisition strategy for value enhancing opportunities.

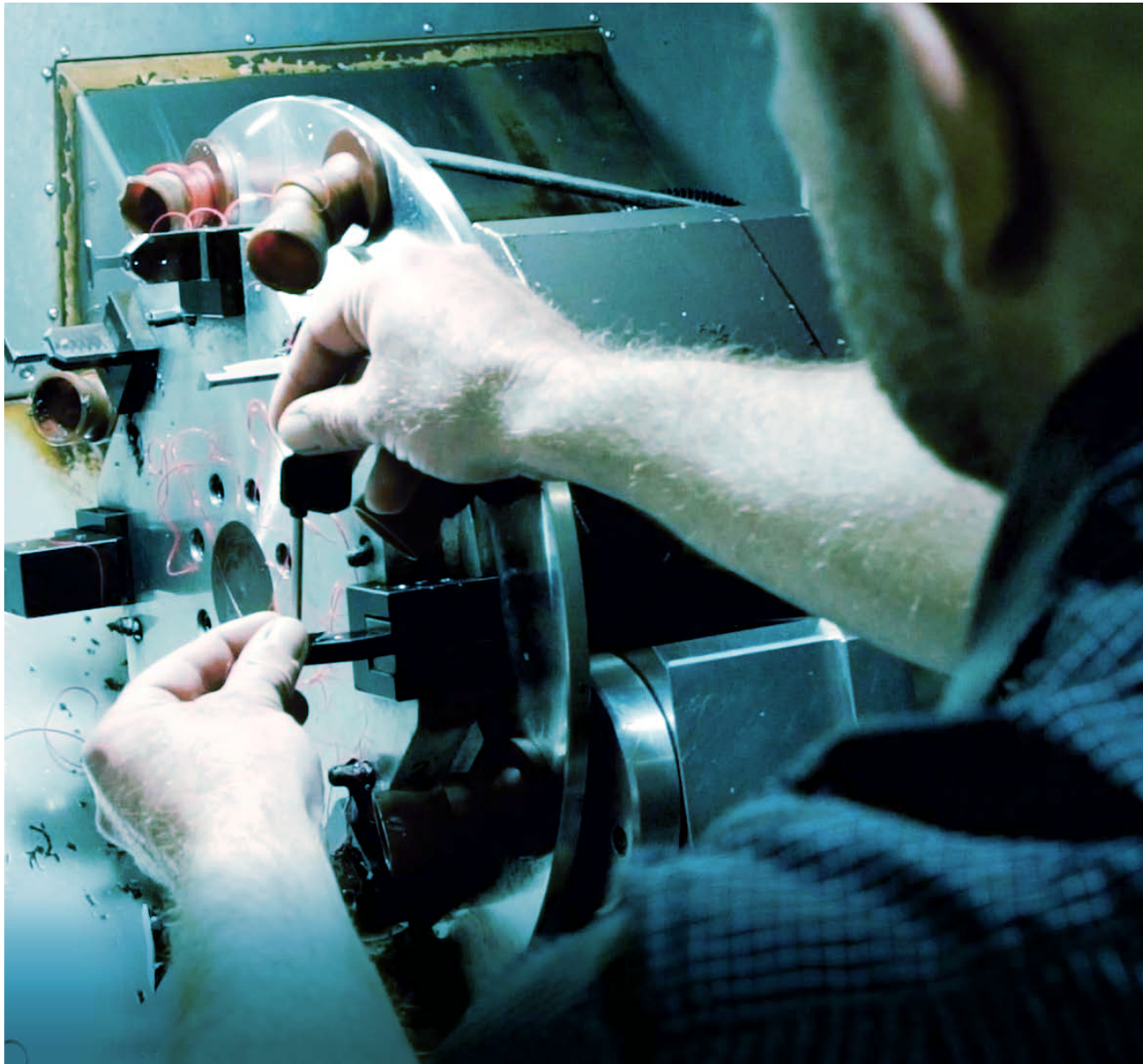
On the investment front, the Group invested an initial USD2.5 million for a 40% share in a trading platform in a Chinese industrial consumable parts business.

## OUTLOOK

Our objective is to grow a diversified sustainable replacements parts group, which provides above market returns to our shareholders. Our objective over the next three years, is to have established a geographical and sectorial diverse group, with 50% of the Group's income from abroad. This objective requires management to continuously review, and if required, restructure our existing businesses to ensure that we achieve the desired returns, whilst remaining alert to possible acquisition opportunities. The Group remains focused on execution, managing what we can control and delivering to our customers at all times.

The Group's replacement parts businesses have proven to be very resilient within the sectors that we operate and has generated strong operational cash. We have positioned the Group for growth, to run efficiently and to generate good cashflow. We are accordingly cautiously optimistic about the 2024 year for our Group.

## CHAIRMAN'S LETTER TO STAKEHOLDERS Cont.



### CLOSE

On behalf of the Board, I would like to express our gratitude to the management of our businesses for their commitment in managing the business operations in very challenging times. The same applies to our loyal and hard-working employees for their efforts during the year.

We also thank Steven and his executive team for navigating the business during the unprecedented challenges of the last few years, which included the impact of Covid-19, the Russian war, severe supply chain disruptions, floods, social unrest, a power crisis and a generally unfavourable economic environment.

I would like to thank my fellow directors for their contribution, energy and commitment to oversight and governance at Invicta. Gavin Pelser retired as an executive director with effect from 31 March 2023. Gavin has been with the Group for many years and has been an integral part of its growth. I would like to acknowledge the immense contribution that he has made to Invicta, but am delighted to confirm that Gavin will continue to assist Invicta as a consultant responsible for specific projects.

As I remarked previously, the key to any business's success is dependent on the quality, efforts and loyalty of the people in the organisation and its partners.

Lastly, to our suppliers, shareholders and customers thank you for your support.

I wish you all a successful and prosperous year ahead.

**Dr Christo Wiese**



# OUR BUSINESS

*All operations undertaken within the Group align with Invicta's ethos as a socially responsible investor*

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# INVICTA AT A GLANCE

*Invicta's primary business is managing and optimising the performance of our investments. Some of the key industries in which we invest include industrial consumable parts, auto-agricultural parts, earthmoving equipment parts and capital equipment.*

Our divisions are primarily involved in the supply and distribution of replacement parts, services and solutions for the industrial and auto-agri industries, as well as capital equipment, earth-moving equipment parts and related services.

## INVESTMENT PHILOSOPHY

We aim to invest in businesses that generate consistent, predictable and sustainable returns and cashflows from a diversified and well-constructed industrial portfolio of investments.

## MISSION

To create superior value for our stakeholders, which include, amongst others, our shareholders, suppliers, customers and employees.

## VISION

Our vision is to be a leading global distributor of industrial consumable products.

## CULTURE AND VALUES

The Group drives a culture founded on the principles of integrity, customer-centricity, continuous improvement and accountability. Our ethos is "progressing with purpose".

## WHY INVEST IN US?

- » Our businesses are focused on industries that are vital to the local and global economy, such as mining, agriculture, transportation and construction.
- » We are a geographically diverse Group with a presence in 17 different countries, including manufacturing plants in China and distribution businesses in many countries including the United States.
- » We are focused on increasing sales and gross profit percentage, managing costs, generating cash and achieving an above market return on our net asset.
- » We aim to continue building the Group in a stable and sustainable way.



## INVICTA AT A GLANCE Cont.

### GEOGRAPHIC PRESENCE

#### RPE

- SOUTH AFRICA
- UK
- USA

#### KAG

- CANADA
- CHINA
- SINGAPORE
- UK
- USA

#### CE

- NAMIBIA
- SOUTH AFRICA

#### RPA

- POLAND
- SOUTH AFRICA
- UK
- UKRAINE

#### RPI

- BOTSWANA
- CHINA
- DEMOCRATIC REPUBLIC  
OF CONGO (DRC)
- GHANA
- MOZAMBIQUE
- NAMIBIA
- SOUTH AFRICA
- SWAZILAND
- TANZANIA
- ZAMBIA

TOTAL  
EMPLOYEES  
ACROSS THE  
GROUP  
over **3 000**

TOTAL ASSETS  
**R8.8BN**

TURNOVER  
PER ANNUM  
**R7.8BN**

MARKET  
CAPITALISATION  
**R2.8BN**

*Invicta is an industrial holding and management company with a presence in **17 different countries** across **five continents***

# GROUP OPERATIONAL STRUCTURE

## 1 REPLACEMENT PARTS, SERVICES & SOLUTIONS – EARTH-MOVING EQUIPMENT ("RPE")

- » Supplier of after-market replacement spare parts, ground engaging tools and undercarriage parts for earthmoving equipment in Southern Africa.
- » Independent supplier of after-market heavy-duty diesel engine parts for industrial and agricultural machinery worldwide.

## 3 CAPITAL EQUIPMENT & RELATED PARTS & SERVICES ("CE")

- » Distributor of earthmoving and material handling equipment as well as original equipment manufacturer and replacement parts through a variety of divisional outlets in Southern Africa.

## 4 REPLACEMENT PARTS, SERVICES & SOLUTIONS – AUTO-AGRI ("RPA")

- » Supplier of imported and locally sourced automotive and agricultural after-market replacement parts and kits.
- » In addition to four South African branches, European representation includes operations in the United Kingdom, Poland and Ukraine.

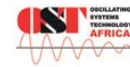
## 2 KIAN ANN GROUP ("KAG") (PART OF RPE)

- » KAG is one of the largest independent distributors of heavy machinery parts and diesel engine components in Asia.
- » Parts distributed are used for excavators, bulldozers, wheel loaders, motor graders, trucks, trailers, power generation sets and marine engines.
- » Kensetsu based in China which manufactures rollers for the undercarriage of heavy machinery.
- » European truck and bus parts are distributed through its subsidiary Kian Chue Hwa Pte Ltd.
- » KAG provides parts, support and an extensive range for major OEM brands such as Caterpillar, Komatsu, Cummins, Hitachi, Kobelco, Sumitomo, Mercedes Benz, Volvo, Scania, Man, BPW, Hyundai and Doosan.
- » KAG has expanded regionally and globally through subsidiary and related companies in China, Malaysia, Thailand, India, United States of America, Canada, and the United Kingdom.

## 5 REPLACEMENT PARTS, SERVICES & SOLUTIONS – INDUSTRIAL ("RPI")

- » Distributor of engineering consumable products, technical services and 360-degree solutions across Africa. RPI's competitive edge stems from a multinational network of 108 branches and an additional 107 vendor managed inventory (VMI) consignment sites.
- » Activities include the international and local sourcing of leading global brands, the distribution of premium engineering components and consumables, the provision of technical support, value-added assembly, and the bespoke manufacturing of components into customised systems and solutions for end-user customers.

THE GROUP  
COMPRISES OF  
5  
OPERATIONAL  
DIVISIONS





# HISTORY OF THE GROUP THROUGH THE AGES

## 1960s to 1980s

**Incorporated** as West Rand Organ Company (Pty) Ltd

**Lists on the JSE** in 1987 as "Skirtskip Clothing Limited"

**Disposes of its interest in clothing manufacturing** in 1989 and acquires companies involved in the engineering, textile and leisure industries

**Changes its name** to "Nova Constantia Limited"

## 1990s

**Divests** of its textile interest

**Acquires** the retail bearing and transmission businesses called Invicta Bearings. At that time, the Company's divisions included industrial consumables, engineering, sports goods and telecommunications, but bearings soon became the core business

**Changes name** to "Invicta Holdings Limited"

**Acquires** Autobax, CSE Equipment Company and Engine parts

## 2000s

**Bearing Man Group ("BMG") becomes part of Invicta** and delists from the JSE

**BMG acquires OST** and establishes its hydraulic business and fastener division

**CSE acquires** New Holland SA, Doosan Construction Equipment and TCM Forklifts

**Creates a 25% BEE shareholding** for its South African operations

**Acquires a 60% stake** in Tiletoria

## 2010s

**Acquires** a 50% shareholding in MacNeil Distributors

**Creates** the Building Supply Group which includes Tiletoria and MacNeil (which is subsequently sold in 2017)

**Acquires Kian Ann (KAG)** and delists it from the Singapore Stock Exchange

**KAG establishes subsidiaries** in Thailand and acquires stakes in Steve Woods Ltd in the UK, North American Tractor and Excavator Parts in Canada, Kunshan Kensetsu Buhin Co Ltd in China, and entered into a joint venture with SKL Equipment in India

**CSE establishes Landbou Agriculture** After-Market Spare Parts

**CEG division is formed** with the acquisitions of ESP Construction After-Market Spares, HPE Hyundai Construction Equipment and Shamrock Handling Concepts, and includes CSE

**ESG division is formed** with the acquisitions of Man-Dirk (now Industri), Hansen and Hyflo, Rustenburg Engineering and Foundry, Forge Industrial Group, Driveshaft Parts and Euro Driveshafts, and includes BMG

## 2020s

**Disposes** of certain of its CEG businesses to CNH Industrial SA Proprietary Limited

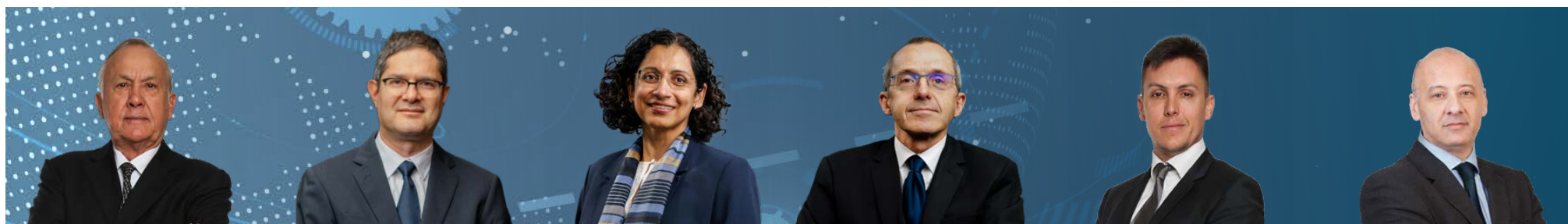
**KAG operations** are restructured to introduce a strategic partner in the business along with increasing its interest in one of the world's leading roller manufacturers in China and its distribution network across northern America

**CEG acquires KMP**, a leading after-market parts supplier operating out of the UK and the USA

Invicta restructured into 5 business segments CE, RPE, KAG, RPI, and RPA

**Restructure of RPA** to align the UPG offshore operations within the Group structure

# WHO LEADS US



DR CHRISTO WIESE (81)



Chairman

Qualifications: BA, LLB, DCom (h.c.)  
Years of service as an Invicta director: 25

Christo was appointed as a non-executive director of Invicta in October 1997 and served as Chairman from October 1997 to April 2000. Christo was re-appointed as non-executive Chairman of Invicta in January 2006. Christo is currently also the Chairman of Tradehold Limited and non-executive director of Shoprite Holdings Limited and Brait SE.

STEVEN JOFFE (52)



Chief Executive Officer

Qualifications: BCom (Hons Taxation) and Hdip (Company Law), CA(SA)  
Years of service as an Invicta director: 3

Steven was with the enX Group Limited for five years, initially as Chairman and later as CEO. Steven was previously the CEO of Wild Rose Management (Pty) Ltd and Gold Reef Casino Resorts Limited and joined Invicta as the Group CEO on 1 January 2020.

NAZLEE RAJMOHAMED (57)

Chief Financial Officer

Qualifications: BCom, PGDA, CA(SA)  
Years of service as an Invicta director: 5

Nazlee has over 24 years' experience as an executive, having held senior positions within the TOTAL Société Anonyme Group in South Africa, Nigeria and France and at MTN Group Limited where she served as the executive overseeing the group finance operations. Nazlee joined Invicta on 1 July 2018 as the Group CFO.

CRAIG BARNARD (59)

Executive Director

Qualifications: BCom, BAcc, CA(SA), MBA, ACIS  
Years of service as an Invicta director: 15

Craig previously held positions with Sappi and Group Five, before joining Invicta as financial manager in 1998. Craig was appointed as director of CSE Equipment Company in 1999, as Invicta's company secretary in 2002, and as a director of Invicta in June 2007. Craig resigned as company secretary in January 2014 when he continued as Financial Director as well as Commercial Director. During 2018 Craig resigned as Financial Director continuing in his role as Commercial Director.

JACOB WIESE (42)



Non-executive Director

Qualifications: BA (Value and Policy Studies), LLB, MIEM (Bocconi, Italy)  
Years of service as an Invicta director: 11

Jacob obtained his BA degree, after which he began working at Lourensford Wine Estate, where he still manages the leisure and tourism activities on the estate. After completing his Master's degree in International Economics and Management and his LLB degree, Jacob completed his pupillage at the Cape Bar and was admitted as an advocate of the High Court.

FRANK DAVIDSON (58)



Independent Non-executive Director

Qualifications: BCom, BAcc, CA(SA)  
Years of service as an Invicta director: 3

Frank is a chartered accountant with a career as a business owner and an executive. Frank works in private equity as well as having been involved in wealth management for more than 20 years. Frank has served on numerous listed company boards.

## BOARD COMMITTEES

Audit and Risk Committee Nominations Committee Investment Committee Remuneration Committee Social and Ethics Committee Committee Chairman

## WHO LEADS US Cont.



RASHID WALLY (79)



*Independent Non-executive  
Director*

Years of service as an  
Invicta director: 9

Rashid has held various senior executive positions with IBM in Africa, Europe, the Middle East and South East Asia, including Lenovo in Africa. Rashid has over 38 years of experience in the information technology sector. Rashid was chairman of the board and member of the audit committee of Mango Airlines. Rashid was also previously the CFO, regional CFO, CEO, regional CEO and member of the EMEA Accounting Standards Board. Rashid is currently chairman of Fastjet Limited and also serves on that company's audit and risk Committee.

TONY SINCLAIR (68)

*Executive Director*

Years of service as an  
Invicta director: 16

Tony joined JI Case in 1982 and was appointed as branch manager in 1986. Tony was a shareholder of CSE Equipment Company in 1989 and was promoted to divisional managing director in 1992. Tony was appointed as Chief Executive Officer of CEG (now RPE and CE) in 1998, a position which he still holds. Tony was appointed as an alternate director of Invicta in September 2006, and as an executive director in June 2007.

LANCE SHERRELL (57)



*Non-executive Director*

Qualifications: BCom  
Years of service as an  
Invicta director: 13

Lance has been involved in the motor trade industry for over 16 years. Lance is a director and shareholder of SMG (BMW, Jaguar and Land Rover motor franchises). He represented South Africa as a rugby player.

IAAN VAN HEERDEN (51)



*Non-executive Director*

Qualifications: BLC, LLB, LLM  
(*cum laude*), Higher Diploma in  
International Tax  
Years of service as an  
Invicta director: 3

Iaan served as an investment banking director at Rand Merchant Bank and has more than 21 years' experience in, *inter alia*, investment banking, mergers and acquisitions, tax and corporate law. Iaan is a co-founder of Oryx Partners, which manages Dr Christo Wiese's family office and is a strategic business partner of the Wiese family.

MPHO MAKWANA (52)



*Independent Non-executive  
Director*

Qualifications: BAdmin  
(University of Zululand), BAdmin.  
Hons (University of Pretoria),  
EDP Certificate (Kellogg School  
of Management), Postgraduate  
Diploma, Retail Management  
(Stirling University, UK) Years of  
service as an  
Invicta director: 3

Mpho is an accomplished business leader with diverse experience spanning more than 31 years. He currently serves as independent non-executive chairman of, amongst others, Nedbank Limited, Nedbank Group Limited and Eskom Holdings SOC Limited. Mpho also serves as lead independent director of Invicta.

### BOARD COMMITTEES

Audit and Risk Committee Nominations Committee Investment Committee Remuneration Committee Social and Ethics Committee Committee Chairman



# BUSINESS MODEL

## 1 INPUTS > THE SIX CAPITALS

### FINANCIAL CAPITAL



- » Cash generation by the businesses
- » Investment and acquisition strategy/processes
- » Balanced capital structure with adequate access to funding
- » Established supplier network and supplier facilities

### MANUFACTURED CAPITAL



- » Strategic property holdings
- » Assembly and production at BMG operations
- » Manufacture at joint venture operations in China
- » Distribution network with operations and branches across Africa, Asia, Europe and North America
- » Strong engineering, field service and on-site operations at customers
- » Strategic inventory holdings

### NATURAL CAPITAL



- » Base materials used by suppliers and energy-providers (indirect)
- » Production through various downstream sectors (indirect)
- » Food and water security support (through products and services supplied)
- » Social and relationship capital
- » Social license to trade
- » Relationship with suppliers, customers and other stakeholders

### SOCIAL AND RELATIONSHIP CAPITAL



- » Social license to trade
- » Relationship with suppliers, customers and other stakeholders
- » Reputation in the market
- » Sole distributorship of leading international brands

### INTELLECTUAL CAPITAL



- » Corporate culture
- » Industry experience
- » Design and engineering capabilities
- » Reputation in the market
- » Sole distributorship of leading international brands

### HUMAN CAPITAL



- » Experienced employees
- » Hands-on management of investments
- » Technical expertise and support centre, national product and sales support infrastructure
- » Strong organisational cultures and ethics

## 2 BUSINESS CYCLE > OPERATIONAL FUNCTIONS

SOURCE

FUND

OPERATE

GROW

EXPAND

### EXTERNAL ENVIRONMENT

- » Volatile functional currency
- » Energy and logistical issues
- » Political and policy framework uncertainty in South Africa
- » Regulated economic environment
- » Uncertain global economic environment

### INVICTA'S PRIMARY BUSINESS:

Invicta's primary business is managing and optimising the performance of our investments. Some of the key industries in which we invest include industrial consumable parts, auto-agricultural parts and earthmoving equipment and parts

## BUSINESS MODEL Cont.

### 3 STRATEGY

#### INTERNAL STRATEGY

- » Diversify and optimise return on investments in the portfolio
- » Talent acquisition and formal succession planning
- » Optimise distribution strategy
- » Optimise funding structure to provide for future growth strategy
- » Deliver B-BBEE-compliant local growth strategies
- » Evolution of business processes and management to meet current and future business needs
- » Implement appropriate business processes and structures to manage geographic diversification
- » Instill confidence in reporting and compliance
- » Rapid strategic alignment to economic and political developments by diversification into other industries and geographies
- » Continue training and development of employees

### 4 OUTCOMES > THE SIX CAPITALS

#### FINANCIAL CAPITAL

- » Short-term returns and long-term value creation for shareholders and other stakeholders
- » Risk and earnings diversification, both geographically and operationally, with improved controls and reporting
- » Optimised funding and working capital

#### MANUFACTURED CAPITAL

- » Optimised distribution network
- » Strategic property holdings for businesses
- » Solutions for customers

#### NATURAL CAPITAL

- » Indirect and direct contribution to climate change initiatives
- » Supply of technology and products that support food security and supports sustainable living initiatives

#### SOCIAL AND RELATIONSHIP CAPITAL

- » Empowerment and education of employees and other stakeholders
- » Improved B-BBEE credentials and sustainable B-BBEE localised businesses
- » Responsible corporate citizenship
- » Strong partnerships with suppliers and customers
- » Social and rural upliftment through various business and social responsibility initiatives

#### INTELLECTUAL CAPITAL

- » Improved corporate knowledge base, product and technical knowledge and industry experience

#### HUMAN CAPITAL

- » Efficient and effective employees and production teams
- » Optimised workforce best able to ensure customer satisfaction and profitability of businesses
- » Better educated and empowered employees

### 5 OUTPUTS

#### INVICTA OUTPUTS

- » Improved total return to shareholders and all stakeholders
- » CSI projects and employee upliftment and benefits
- » B-BBEE initiatives continue to be implemented, resulting in enhanced upliftment
- » Sustainable group, able to both grow and improve its performance in all business aspect

#### DIVISIONS

- » Supply and service of a full range of industrial parts and equipment, product support, workshops and field service
- » Establishment of viable business outlets in various rural communities, providing employment and commercial opportunities to those communities
- » Customer support through product and technical staff deployed both centrally and throughout the regions
- » Energy efficient facilities and processes with environmentally friendly solutions to meet industry needs and products produced to international standards
- » Over 400 leading international and local brands supplied
- » Value added products and solutions for customers
- » Strong technical and customer-focused support network
- » Mentoring and succession planning for employees

03

# OUR OPERATING ENVIRONMENT

*All operations undertaken within the Group align with Invicta's ethos as a socially responsible investor*

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# STAKEHOLDER RELATIONSHIPS

*Invicta is committed to creating and maintaining inclusive, honest and mutually beneficial relationships, partnerships, and engagements with all its stakeholders.*



All operations undertaken within the Group, align with Invicta's ethos as a socially responsible investor. Our stakeholders include our employees, customers, suppliers, banks and other funders, shareholders, governments and communities in which the Group operates. These stakeholders are all fundamental to our business, which is why Invicta believes in constant engagement with our stakeholders in order to align expectations and deliverables.

## STAKEHOLDER RELATIONSHIPS Cont.



### SUPPLIERS

#### NEEDS AND EXPECTATIONS

- » Forecasting demand to plan production volumes
- » Communicating research undertaken for product improvements
- » Providing a wide customer base and penetration for their products
- » Creditworthiness
- » Communicating localised knowledge of market/ customers

#### HOW WE ARE RESPONDING

- » Order management process
- » Placing regular orders
- » Providing guaranteed payments
- » Constant communication with production personnel at suppliers

#### METHOD OF ENGAGEMENT

- » Direct and continuous communication and interaction
- » Communicating and assisting with technical queries
- » Measuring and providing quality and product-related feedback
- » Timeous communication on lead time on deliveries
- » Identify product training needs



### SHAREHOLDERS

#### NEEDS AND EXPECTATIONS

- » Protect and grow shareholder wealth
- » Compliance with laws and regulations
- » Risk management
- » Sustainable business strategy and model
- » Experienced management team

#### HOW WE ARE RESPONDING

- » Implementing the business strategy
- » Exercising oversight over management activities through the Board and its various sub-Committees
- » Approvals Framework (delegation of authority framework)

#### METHOD OF ENGAGEMENT

- » Integrated Report
- » Annual and interim financial statements
- » SENS announcements
- » Results presentations
- » Media interviews



### EMPLOYEES

#### NEEDS AND EXPECTATIONS

- » Market-related compensation and incentive schemes
- » Fair, respectful and dignified treatment
- » Recognition for contribution to the success of the business
- » Safe and healthy work environment
- » Clear communication about relevant organisational issues
- » Opportunities for career advancement and personal growth

#### HOW WE ARE RESPONDING

- » Group Code of Ethics informs how we relate to our employees
- » Treat employees fairly, with respect and dignity
- » Offer market-related remuneration and incentive structures
- » Provide training opportunities for employee development
- » Comply with labour laws
- » Regular communication with employees

#### METHOD OF ENGAGEMENT

- » Ongoing feedback through performance management
- » Regular emails, video and internal media channel communication and newsletters to staff
- » Daily engagement with direct reportees
- » Formalised in-house and external accredited training programmes
- » Career development and bursary schemes

## STAKEHOLDER RELATIONSHIPS Cont.

### CUSTOMERS

#### NEEDS AND EXPECTATIONS

- » Product quality and value added solutions
- » Technical design and solutions
- » Service support and field service teams
- » Knowledge of customer business and industry
- » Product availability and vendor-managed on-site stores
- » Competitive pricing

#### HOW WE ARE RESPONDING

- » Customer service and training
- » Product training for customer's staff
- » Ensuring product and design solutions availability
- » Provide after-sales support and services

#### METHOD OF ENGAGEMENT

- » Continuous improvement of offering to meet customer needs
- » Relationship management processes
- » Facilitate required training on products
- » Communication through
  - » Social media
  - » Advertising
  - » Face-to-face visits
  - » Websites
  - » Product marketing
  - » After-sales follow up

### COMMUNITIES

#### NEEDS AND EXPECTATIONS

- » Provide employment opportunities and community upliftment

#### HOW WE ARE RESPONDING

- » Provide employment opportunities
- » Provide educational opportunities
- » Provide upliftment to society and communities
- » Invest in the communities through "CSI" initiatives

#### METHOD OF ENGAGEMENT

- » CSI spending programmes
- » Bursary and learnership programs
- » Social media
- » Local media interviews/advertisements
- » Community projects and initiatives

### FUNDERS

#### NEEDS AND EXPECTATIONS

- » Risk management
- » Financial stability and performance
- » Experienced management team
- » Business continuity/succession planning
- » Sustainable business operations

### GOVERNMENTS & REGULATORS

#### NEEDS AND EXPECTATIONS

- » Collect and pay taxes
- » Comply with laws and regulations

#### HOW WE ARE RESPONDING

- » Creating processes and systems to facilitate the collection and remission of taxes
- » Experienced staff to manage statutory compliance

#### METHOD OF ENGAGEMENT

- » Filing statutory returns
- » Integrated Report
- » Employment Equity Reports
- » BEE certificates
- » Results presentations

#### HOW WE ARE RESPONDING

- » Regular engagements
- » Regular updates on both operational and financial performance

#### METHOD OF ENGAGEMENT

- » Integrated Report
- » Annual and interim financial statements
- » SENS announcements
- » Results presentations
- » Fund raising, reporting and engagements



# OUR OPERATING ENVIRONMENT

	TRENDS THAT SHAPE US	OUR STRATEGIC RESPONSE	OUR OPPORTUNITIES / FUTURE OUTLOOK
<b>Ongoing global supply chain interruptions</b>	Global supply chain challenges result in: <ul style="list-style-type: none"> <li>» Reducing freight rates but increased sailing days</li> <li>» Unreliable factory production dates</li> <li>» Committed shipment dates not met</li> <li>» Lack of availability of certain specific parts such as micro-chips</li> </ul>	<ul style="list-style-type: none"> <li>» Increase inventory holding to accommodate the additional lead times</li> <li>» Pre-sell and structure orders accordingly</li> <li>» Improve order planning and forecasting</li> <li>» Improve after-market support services</li> </ul>	<ul style="list-style-type: none"> <li>» Sufficient inventory to meet customer requirements</li> <li>» Work closer with manufacturers and freight forwarding companies to track real-time movement of goods, creating better relationships</li> </ul>
<b>Market changes</b>	<ul style="list-style-type: none"> <li>» The market is in certain product ranges migrating to the after-market parts in place of Original Equipment manufacturers (OE)</li> </ul>	<ul style="list-style-type: none"> <li>» Identify alternative sources of spare parts around the world and supplement the OE parts suppliers with alternative after-market suppliers</li> </ul>	<ul style="list-style-type: none"> <li>» Improve inventory holding of spare parts especially after-market parts</li> <li>» Equipment usage life extended due to non-availability of new equipment, resulting in parts consumption increasing</li> <li>» Better pricing and availability of spare parts</li> </ul>
<b>Increase in all related costs of importing of equipment and spare parts</b>	<ul style="list-style-type: none"> <li>» Volatility in prices of goods and services due to inflation, oil and associated cost increases</li> </ul>	<ul style="list-style-type: none"> <li>» Negotiate improved trade terms with suppliers</li> <li>» Manage foreign currency exposure to mitigate exchange rate volatility</li> <li>» Manage supply chain from order to fulfilment</li> </ul>	<ul style="list-style-type: none"> <li>» Improved supply agreements to ensure consistent supply of product and related volumes</li> <li>» Secure alternative sources of supply for products</li> <li>» Source more fuel-efficient products to meet growing sustainability demands</li> </ul>
<b>Imposition of tariffs on imported goods</b>	<ul style="list-style-type: none"> <li>» Macro geopolitical climate has resulted in trade tension, with some countries imposing tariffs on imported goods</li> </ul>	<ul style="list-style-type: none"> <li>» Diversify the sources of imported good with emphasis on free trade arrangements</li> </ul>	<ul style="list-style-type: none"> <li>» Identifying diversified sources and locations of imported products, resulting in diversified supplier base</li> <li>» Establish a presence in free trade zones to minimise paying duties where possible</li> </ul>
<b>Foreign exchange risk</b>	<ul style="list-style-type: none"> <li>» Exchange rate volatility</li> </ul>	<ul style="list-style-type: none"> <li>» Hedging the foreign exchange transactions to mitigate the currency risk and related effect on margins</li> </ul>	<ul style="list-style-type: none"> <li>» Stabilisation of selling prices and margins</li> <li>» Improved product competitiveness and customer certainty in respect of pricing</li> </ul>
<b>Manufacturer relationships</b>	<ul style="list-style-type: none"> <li>» Multiple manufacturer and supplier relationships impact on the Group's ability to respond to both internal and external market challenges</li> <li>» Relationship with the manufacturers of goods impacts on Group's ability to respond to externalities</li> </ul>	<ul style="list-style-type: none"> <li>» Strengthening relationships by increasing market share</li> <li>» Working together with suppliers/manufacturers to achieve market share penetration</li> </ul>	<ul style="list-style-type: none"> <li>» Broaden both supplier and product ranges based on new technological developments and changing market trends</li> <li>» Follow the market dynamics to ensure the correct inventory is ordered and available for customers</li> </ul>

# RISKS AND OPPORTUNITIES

## RISK GOVERNANCE

The Board is committed to Group-wide risk and assurance management that is aligned to effective corporate governance and strives to apply the highest ethical standards. Whilst the Board has overall responsibility for risk and assurance management within the Group, the Audit and Risk Committee and Executive Committee (supported by the boards of subsidiary companies, executive Committees, and management at operational level), assist the Board in discharging its responsibility for the governance of risk by identifying, monitoring and managing risks on an ongoing basis.

At Invicta, risk management is performed by understanding what drives the business forward and assessing the inherent risks and opportunities that may arise as management grow and develop the business. Risk management also specifically includes, amongst others, the consideration of environmental, economic, social and geopolitical factors as well as the various business processes.

Invicta, its subsidiaries, and operational divisions work together in a consistent and integrated manner to achieve the overall objective of exploiting opportunities and creating benefits whilst managing potential risk exposures, thereby enhancing while at the same time protecting shareholder value.

## OUR RISK MANAGEMENT APPROACH

Both a bottom-up and top-down approach is adopted to ensure a holistic risk management approach. The bottom-up approach is supported by workshops with divisional management to identify and prioritise risks. The top-down approach involves a review and assessment of whether all risks are comprehensively identified and prioritised, and properly addressed to accomplish the Group's strategic objectives.

The Enterprise Risk Management process has further matured over the past year by improving the risk identification, risk assessment and risk mitigation at various levels including entity, segment and Group level. Risk owners are trained to actively lead the management of risk in their areas of expertise. The process of risk management is on-going and, the risk registers are live documents which are maintained and updated through regular facilitated risk workshops.

## OUR MAJOR STRATEGIC RISKS

Our risks are identified with reference to the strategic objectives and current operations of the Group. The Group's major strategic risks are those that both have a "high" or "significant" inherent impact on the strategic objectives or operations of the Group and have an "extreme", "high" or "moderate" residual risk profile. While the other risks are monitored on an ongoing basis, the Board has prioritised the management of the risks that satisfy the above criteria.



## RISKS AND OPPORTUNITIES Cont.

RISK	CONTROL	ASSOCIATED OPPORTUNITY
<b>South African electricity supply and stability:</b> The lack of (consistent) supply of electricity is a constraint on GDP and impacts the activities of key customer industries such as mining. There is also a higher operating cost for all parties.	» Roll-out of alternative power independent of the national grid to key sites	» Grow our business by moving into the supply of alternate energy products and/or parts
<b>Political and labour instability:</b> Sustained labour unrest and /or civil unrest in the context of high unemployment, high wage expectations and failing government services in the areas of power, education, health and policing.	» Geographical diversification to more stable regions » Strict management of overheads to create resilience to short term upheavals	» Build a diversified industrial portfolio which meets our strategic goals
<b>Global supply chain:</b> Global supply chain issues resulting in the inability to obtain products leading to loss of business. This includes issues from loss of a key supplier which could result from failure to meet expectations or contractual obligations.	» Adjust working capital levels and procurement processes to compensate for changes in lead times » Operational disaster management plans are in place which empower the management teams » The Group maintains a diverse customer base from an industry, product and location perspective » Operations carry adequate inventory to allow sufficient time to react, with some suppliers able to shift manufacture to different cities and/or countries » Maintaining strong relationships supported by transparent and timely communication on markets » Extending the number of key suppliers to limit the risk associated with any one supplier	» New supplier and customer relationships beyond the existing relationships the Group enjoys » The correct disaster management plans and inventory levels allow us to capture additional business opportunities » Secure competing products from new suppliers using our strong market presence
<b>De-industrialisation of South Africa:</b> Lack of competitiveness/low productivity could lead to a decline in industrial South Africa, with a flat or declining impact on group revenue and profitability.	» Diversification geographically into growing industrial markets » Diversification within South African to high growth products and markets	» Build a diversified industrial portfolio which meets the Company's strategic goals
<b>Geo-political conflicts and trade embargos:</b> The growing polarisation countries states and the heightened level of conflicts and tensions, has an impact on global trade and security. The growing divide between BRICS and the US-Western Europe countries on the Ukraine war.	» The Group's operations are spread across various jurisdictions to mitigate this risk	» The Group's growing global footprint creates opportunities for new supplier and customer relationships beyond the existing relationships that the Group enjoys » The Group's current footprint positions it to identify further opportunities for geographical diversification allowing it to follow shifting global trading patterns, with agility and insight



## RISKS AND OPPORTUNITIES Cont.

RISK	CONTROL	ASSOCIATED OPPORTUNITY
<b>Information technology:</b> Prolonged downtime and/or data loss due to failure of IT systems.	<ul style="list-style-type: none"> <li>» Robust disaster recovery plans that are tested regularly</li> <li>» Continually evolving cyber security measures to meet new cyber challenges, supported by penetration testing</li> </ul>	<ul style="list-style-type: none"> <li>» The ability to operate under conditions where others fail</li> </ul>
<b>Acquisition strategy:</b> Acquisitions perform below expectations or expose the Group to unexpected risks.	<ul style="list-style-type: none"> <li>» Oversight from Investment Committee</li> <li>» Existence of well-established processes and experienced management team create downside protection through due diligence and agreement structures</li> </ul>	<ul style="list-style-type: none"> <li>» Good acquisitions are earnings enhancing</li> </ul>
<b>Reputational damage:</b> The Group may suffer reputational damage because of product or governance failure, or failure to meet regulatory standards, including the JSE Listings Requirements and compliance with regulations within the multiple jurisdictions within which the Group operates.	<ul style="list-style-type: none"> <li>» Reputational oversight is exercised by the Social and Ethics Committee.</li> <li>» The Group has a strong governance framework including ISO certification at appropriate levels and its Code of Ethics</li> <li>» The Group has strong non-executive directors and appropriately qualified and experienced executive directors</li> </ul>	<ul style="list-style-type: none"> <li>» The Group will be a preferred partner for companies that value ethical business practices creating a business that is sustainable in the long term</li> </ul>
<b>Loss of key management skills:</b> The market for skilled and experienced talent at management and technical levels is very competitive in various regions where the Group operates, including South Africa.	<ul style="list-style-type: none"> <li>» The Group's remuneration policy is designed to attract and retain talent</li> <li>» Salary benchmarking is undertaken periodically to align with market practices and expectations</li> <li>» Restraint of trade agreements are concluded with senior management throughout the Group</li> <li>» Successions plans for key positions/personnel are in place</li> <li>» Organisational structures are designed to empower our teams and develop opportunities for personal growth</li> </ul>	<ul style="list-style-type: none"> <li>» The Group is seen as an employer of choice and is able to attract the employees with the right skills and qualities to achieve our strategic objectives</li> </ul>
<b>Working capital management and currency volatility:</b> Exchange risk volatility and supply chain concerns heighten the risk of incorrect stocking (and consequently obsolescence), as well forex exposure on foreign debtors and creditors.	<ul style="list-style-type: none"> <li>» Strict monitoring of procurement decisions at CEO level</li> <li>» Adherence to policy on taking forward cover for known transactions</li> </ul>	<ul style="list-style-type: none"> <li>» Structural discipline will create the opportunity to out-perform the market and be the supplier of choice</li> </ul>


# 04

## OUR STRATEGY

*Invicta strives to be a good global corporate citizen. We aim to grow a diversified and sustainable replacement parts Group, providing above market returns to stakeholders.*

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Investment in our communities and employees	40

# REFLECTIONS FROM OUR CEO



TANGIBLE NAV  
↑ 24%  
**4 537 CENTS**

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WEALTH CREATED  
↑ 15%  
**R2.2 BILLION**

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DIVIDEND PAID  
↑ 25%  
**R163 MILLION**

## THE YEAR UNDER REVIEW

*I am pleased to present on behalf of the Board, a strong set of results for the Group for FY 2023. These results reflect how the Group's businesses have recovered remarkably well from the effects of the Covid-19 pandemic and the associated lockdowns and, speak to their inherent links to vital industrial activity. Considering all the challenges of 2023, we are especially proud of how we were able to grow basic earnings per share from continuing operations by 18%, from 408 to 481 cents. For a more detailed review of the Group's FY2023 financial performance, refer to the Reflections from our CFO on page 31.*

FY2023 was a year of constant challenges in South Africa. The year started with devastating floods in KwaZulu-Natal. Fortunately, on the 22nd of June 2022 the South African Government was able to announce that the remaining COVID-19 regulations had been repealed. Loadshedding and sporadic water supply issues took place throughout the year, affecting all our operations as well as those of our customers. The Durban port continued to experience numerous issues, which resulted in congestion and delays in inventory deliveries. The impact of cable theft and other factors adversely affected Transnet's ability to operate its freight rail business, which is critical in the transportation of iron ore, coal, agricultural products and general commodities. South Africa continues to experience severe challenges with critical infrastructure, which has affected the overall economic performance across all industrial sectors. The exchange rate has reflected these challenges, with the Rand depreciating materially against major currencies over the year.

Internationally, Covid-19 lockdowns were gradually lifted across all our key markets, with China lifting many of its restrictions in December 2022. Our factories in China were however, shut earlier in the year during the months of April and May for three weeks. Supply chain issues of getting products from suppliers, arranging containers and space on ships, proved to be a challenge throughout the entire year, although this is improving in the year ahead. The year began with container costs at over 800% of the

pre-Covid level, whilst container costs may have come down since then, in many cases, they still exceed pre-Covid levels. We are also experiencing an inflationary surge in every market in which we operate. Inflation has come back rapidly, spiked more markedly, and has proven to be more stubborn than major central banks initially thought possible. Most central banks have responded to this inflation surge with significant interest rate hikes. We have experienced price increases from most of our suppliers in line with this and, we have focused on trying to maintain our gross profit percentages. Lastly, we had a small warehouse supplying automotive parts in Chernihiv Ukraine, which was occupied by Russian troops in March 2022. After the Russians withdrew from Chernihiv, we were able to ascertain that our warehouse was not damaged, but we took the decision none the less to relocate our inventory to a small warehouse in Lviv Ukraine near Poland, from where we have continued to trade profitably.

Despite all these challenges, our Group has been able to navigate around them and our business remains resilient. In this regard, credit is due to our dedicated management teams, who have acted swiftly and creatively to, where possible, mitigate against the full impact of our challenging operating environment. In some instances, our talented teams have even been able to create new opportunities to grow, optimise or diversify the business as appropriate. More on this in Our Operating



## REFLECTIONS FROM OUR CEO Cont.



Environment on page 21. The relative strength of our balance sheet has allowed us the time to focus on each of the operational challenges as they arose, as well as to invest in inventory, assisting us to mitigate supply chain risks, price increases and other challenges.

### NET DEBT

Net bank debt was R35 million lower than the previous year. This was a remarkable achievement, having regard for all our activities during the year which required funding and, illustrates the strong cash generated by operations of R639 million. Funding included increasing our working capital by R247 million in our attempt to take advantage of trading opportunities and to minimise supply chain issues prevalent in our markets. We further paid R163 million of dividends to ordinary and preference shareholders. Finally, we bought back 6 125 270 ordinary shares for R165 million and 375 000 preference shares for R36 million. The Group has significant banking facilities available, enabling us to fund the Group activities and grow in line with our Group strategy.

### REPORTING SEGMENTS

Consistent with the prior year, we report our businesses as five segments and while the Kian Ann Group ("KAG") forms part of segment 1 below, we will report separately on the KAG due to its relative size and contribution. Our segments are:

- » Replacement Parts, Services and Solutions: Earth-Moving Equipment ("RPE")
- » KAG (forms part of RPE)
- » Replacement Parts, Services and Solutions: Industrial ("RPI")
- » Replacement Parts, Services and Solutions: Auto-Agri ("RPA")
- » Capital Equipment and Related Parts and Services ("CE")

### RPE

The year under review will be the first year where all the figures for RPE below include a full 12 months of trading for Equipment Spare Parts Africa (Proprietary) Limited (ESP), Commercial Car Components Logistics Proprietary Limited (CCC) and KMP Holdings Limited ("KMP"). In the prior year, results for KMP were only for the three months of January to March 2022.

RPE has done exceptionally well during the trading year, achieving above average results in revenue and operating profit, despite all the once-off adjustments with the acquisition of KMP:

- » revenue increased by 80% including KMP
- » the sustainable operating profit before interest on financing transactions and foreign exchange movements ("operating profit") increased by 61%
- » the net operating assets in this segment was R588 million and the return on net operating assets was 18.4%
- » additional funding was invested in working capital (inventory), to facilitate the growth of the business in the year under review and thereafter
- » management structures were further aligned to provide the correct focus for the year ahead

### KAG

In the prior year KAG increased its shareholding in Modesty Investment Holding ("MIH") from 50.01% and in Kunshan Kensetsu Buhin ("KKB") from 27.6%, both to 100%. The Group simultaneously disposed of 48.81% of KAG to Mr Zou and associates, KAG's partner in MIH and KKB and, 2.38% to Mr Loy Soo Chew, the CEO of KAG. The Group therefore now equity accounts KAG from this point as a joint venture.

## REFLECTIONS FROM OUR CEO Cont.

With geopolitical disruptions during the year, the second half of the year was more subdued in demand for products, however the USA distribution operations still provided a strong overall performance for the year.

In respect of the year under review:

- » the sustainable operating profit before interest on financing transactions and foreign exchange movements ("operating profit") increased by 47% to S\$36 million
- » the net operating assets in this segment were S\$199 million and the return on net operating assets was 18%

### RPI

RPI focuses on the import and local manufacture of industrial consumable products, services, and solutions for all industries in Southern Africa. RPI offers world-class solutions and products with the aim to improve the efficiency of our customers and ensure that they remain globally competitive.

RPI continues to limit the impact of loadshedding with the use of generators and solar, where viable, but the impact of areas outside of our control, like that of connectivity, affected the business's performance. Not all our customers can operate with the extended loadshedding hours experienced in South Africa and, we have further experienced some delays from local suppliers as well, in meeting commitments, as they deal with the impact of continued outages. The significant increase in freight costs and the local increase in fuel prices, resulted in the higher cost of products. Due to contract pricing with a number of our major customers, the effect of the higher product costs cannot always be passed on, which has put pressure on our gross margins in some areas of the business. RPI continues to focus on inventory management, ensuring the correct fill rates for customers, while also focusing on strategies to move inventory that will move out of the current age cycle.

In respect of the year under review:

- » revenue increased by 8% from R4.4 billion to R4.7 billion
- » the sustainable operating profit increased by 29% from R247 million to R317 million
- » the net operating assets increased marginally by 10.0% from R1.7 billion to R1.8 billion
- » the return on net operating assets for the financial year was 17.2%, compared to the prior year of 14.7%

### RPA

RPA, which operates in South Africa and certain European countries, consists of automotive and agricultural replacement parts businesses. RPA focuses on the importation and distribution of automotive after-market parts and Original Equipment Manufacturer ("OEM") kits, driveshaft parts and other replacement parts for the agricultural industry. The Poland operations and warehouse have been part of the robust performance, validating these acquisitions, with further growth into Europe expected in the years ahead.

In respect of the year under review:

- » revenue increased by 6% from R518 million to R551 million
- » sustainable operating profit for the segment increased by 22% from R91 million to R111 million
- » net operating assets increased by 31% from R259 million to R339 million
- » the return on net operating assets for the financial year decreased from 35.3% to 32.8%

### CE

CE sells capital equipment, spare parts and provides the related services to the earthmoving, construction, mining, and logistics industries.

Mining and material handling showed positive demand due to high commodity prices and the weakening Rand. However, the problems being experienced in the South African harbours and transport thereto, hindered sales and impacted revenue for the mining sector for export product. The construction industry also faced a very tough year, with very little in both infrastructure and commercial build.

Through the year our capital equipment competitors who represent Japanese brands in the market, have had the upper hand, as the Rand strengthened against the Yen, making their products more competitive against those which were either Euro or US dollar priced. CE therefore had to reduce its gross profit margins to compete. The demand for the Tonly rigid off-road dump trucks out of China, continues to grow and, is contributing meaningfully to both revenue and gross profit.

After-market spare parts sales into the OE market continue to do well. Spare parts contribute a significant part of the annual gross profit of this segment.

In respect of the year under review:

- » revenue of CE remained flat at R1.06 million
- » sustainable operating profit decreased by 28% from R112 million to R81 million, after adjustments for impairments and once-off items
- » the net operating assets in this segment were R339 million and the return on net operating assets was 23.9%

## REPURCHASE OF SHARES

The Group repurchased 6 125 270 ordinary shares at an average price of R27 per share. The total consideration of the repurchase was R165 million.

Further the Group repurchased 375 000 preference shares at an average price of R96 per share. The total consideration of the repurchase was R36 million.

Both these purchases have proved to be earnings enhancing.

## REFLECTIONS FROM OUR CEO Cont.

### DIVIDEND

We are pleased to increase our dividend from 90 to 100 cents per share for the year.

### FY 2023 STRATEGY REVIEW

The Group distributes world leading industrial products, often exclusively, which are always available and are overlaid with a technical and solution service. We add value through our distribution chain, inventory holdings, product availability and by providing technical support. Technical support helps prevent disintermediation and is a key part of our strategy to add value to our customers. We aim to grow a diversified sustainable replacement parts Group, providing above market returns to stakeholders. We constantly review and restructure our existing businesses, to ensure they achieve the desired returns. We aim to have a geographical (50% of the Group income outside of South Africa) and a sectorial diverse Group within three years.

To realise our Group strategy, we focus on the following key strategic objectives:

1. Constantly review and restructure our existing businesses to ensure they achieve the desired returns.
2. Geographically diversifying into markets that meet the Group's investment criteria such that, 50% of the Group's income is from outside of South Africa within the next three years.
3. Diversify into aligned sectors which leverage off the Group's skill set within the next three years.

### ASSESSMENT OF OUR PERFORMANCE IN FY 2023

*Overall, the Group's performance has been pleasing, particularly within the context of a tough global economy.*

Below, we provide an assessment of our performance against the following objectives which we set for the Group in respect of FY 2023:

FY 2023 OBJECTIVE	SELF-ASSESSMENT
Managing the supply chain challenges	1
Managing working capital and optimising operations	1
Integrating KMP into the Group	1
Growing BMG China	3
Looking for appropriate acquisitions	2

Key: 1 – achieved; 2 – partially achieved; 3 – not achieved

### LOOKING FORWARD

The world remains in a precarious position. The war in Ukraine and its associated impacts on macroeconomics, including specifically commodity and food prices, will be felt worldwide. Rising inflation worldwide will further result in borrowing costs increasing, thus creating more pressure on both the consumer and business.

With so much uncertainty in the world, we will continue to work hard on reducing our net debt position. When we think of net debt, we include the listed preference shares. Having a relatively debt free business strategically positions us to respond to demanding situations and, at the same time, provides the capacity for us to implement our acquisition strategy should the opportunities arise.

The Group has executed on an opportunity to invest an initial USD2.5 million in a 40% share and to co-develop the relevant trading platform, in an industrial consumable parts business in China. The project has been slow to start up, with a number of structuring issues, but the Group sees this as an excellent option to participate in the future in an exciting market.

The Group is further involved in the development of an energy conversion technology plant using waste materials for the Chinese market. Should this be successful, it will further provide support to the industrial part business in China (BMG China).

Our replacement parts businesses are resilient and generate good cash, with many of the sectors that we service performing well. As a result of our relative financial strength, we can hold appropriate inventory levels to ensure that we can continue to service our customers without stockouts and delays. Accordingly, we remain cautiously optimistic about the 2024 year.

Our objectives for FY 2024 include the following:

1. Managing working capital and optimising operations
2. Generating cash
3. Growing BMG China
4. Managing supply chain challenges
5. Looking for appropriate acquisitions

### APPRECIATION

We are extremely grateful that we have been able to deliver this performance, considering all the challenges we faced. Thank you to our loyal suppliers, customers, and advisors for their continued partnership with the Group. Our incredible, experienced, diligent, and resolute team from the factory floors to the boardrooms, we thank you for all your efforts this year.

Finally, we want to thank our Chairman and the non-executives for their guidance and advice. Their scrutiny of our thinking has helped make for better decision-making.



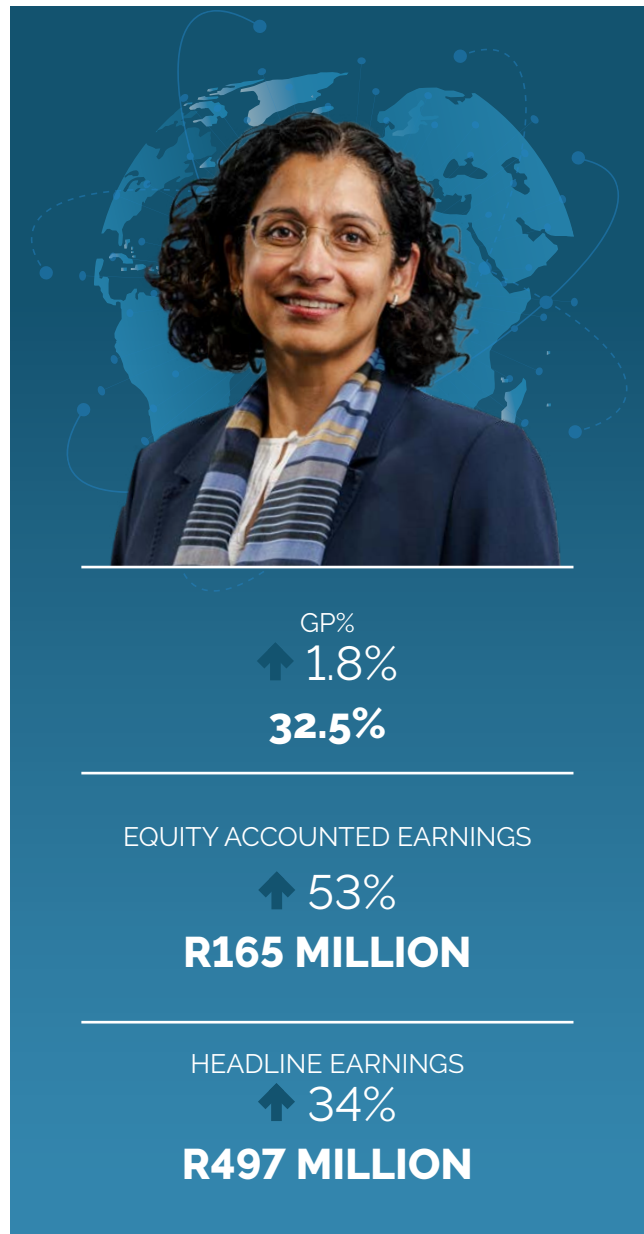
## REFLECTIONS FROM OUR CEO Cont.

## VALUE ADDED STATEMENT

	2023 R'000	2022 R'000	% change
<b>Continuing operations</b>			
Revenue	7 769 948	7 188 991	8
Cost of goods and services	(5 773 479)	(5 413 489)	7
<b>Value added</b>	<b>1 996 469</b>	<b>1 775 502</b>	<b>12</b>
Income from investments	216 825	146 510	48
<b>Wealth created</b>	<b>2 213 294</b>	<b>1 922 012</b>	<b>15</b>
<b>Wealth distribution:</b>			
<b>Employees</b>			
Salaries, wages and benefits	1 209 478	1 075 159	12
<b>Providers of capital</b>			
Dividends to shareholders	163 831	130 989	25
Finance costs	134 095	113 666	18
	297 926	244 655	22
<b>Government</b>			
Corporate tax	136 806	166 836	(18)
<b>Wealth retained for future expansion and growth</b>			
Amortisation of intangibles and depreciation of property, plant and equipment	185 240	158 557	17
Retained income	383 844	276 805	39
	569 084	435 362	31
<b>Wealth distributed</b>	<b>2 213 294</b>	<b>1 922 012</b>	<b>15</b>



# REFLECTIONS FROM THE CFO



*The Group aims to provide its shareholders with a sustainable above-market return from its industrial consumable and parts businesses, from both existing operations and those targeted acquisitions.*

The focus of our operational and management efforts remains on correct capital allocation and efficient working capital management.

The Group has navigated difficult economic conditions and has been cautious in terms of capital allocation, choosing to invest in itself through the purchase of its own shares. This strategy has delivered to shareholders headline earnings of R497 million noted above, with headline earnings per share up 48% from 343 cents to 488 cents per share. Net asset value per ordinary share increased to R46.34 per share at 31 March 2023, up from R37.65 at the end of the prior year.

## CAPITAL ALLOCATION

While our growth and acquisition strategies remain on diversification into growth markets, the focus is on jurisdictions that meet our geopolitical and regulatory benchmarks and, are aligned to the business sectors we currently service elsewhere in the Group. We have not concluded any acquisitions in the year under review.

The Group acquired 4 882 481 ordinary shares for R131 million and 375 000 or 5% of the preference shares for R36 million, these shares were subsequently cancelled in October 2022. A further 1 242 789 ordinary shares were repurchased for R34 million on 8 March 2023, of which 110 821 of these ordinary shares were issued in terms of the Group's share-based incentive right scheme, bringing the total shares in issue at year end to 99 844 589, with 1 131 968 held as treasury shares.

## WORKING CAPITAL MANAGEMENT

Working capital has absorbed R247 million of cash reflecting the increase in inventory levels.

- » **Inventory turnover** remains a key management focus area with inventory turn being the key operational performance measure. Inventory increased by R322 million or 13%, to R2.9 billion, largely due to the impact of exchange rates and inflation driven price increases from suppliers. Using the USD as a benchmark, the South Africa Rand has deteriorated by 22% over the period. In real terms our inventory levels decreased in value and are well controlled
- » **Trade receivables** increased 3% to R1 068 million whilst revenue increased by 8%. South Africa remains our key market which accounts for 78% of our revenue. Tough trading conditions in South Africa, increased our expected loss allowance to 8% of trade receivables, compared to 7% in the prior year. We have further tightened our issue of credit on financing of equipment purchases, resulting in a marked drop in our rental income
- » **Trade payables** increased by R53 million or 6% to R994 million, reflecting our focus on cash management in the current high interest rate environment

## REFLECTIONS FROM THE CFO Cont.

### TRADING PERFORMANCE

We are pleased to have delivered revenue growth of 8%, while improving our gross profit percentage from 30.7% to 32.5%. Selling administration and distribution costs were 20.9% higher due to the inclusion of the net profit on disposal of businesses in the prior year. Excluding these profits from the comparative period, these costs increased by 16%. Following the acquisition of the KMP group on 1 January 2022, the prior year includes 3 months of expenses while the current year includes a full year. Further adjusting for this, selling administration and distribution costs increased by 8% reflecting good cost management under the economic circumstances. The operating profit before net finance income from financing transactions and foreign exchange movements, after adjusting for the net profit on disposal of business, was R42 million higher. The increase in profit for the year from continuing operations of R66 million was largely delivered from the growth in equity accounted earnings of R57 million.

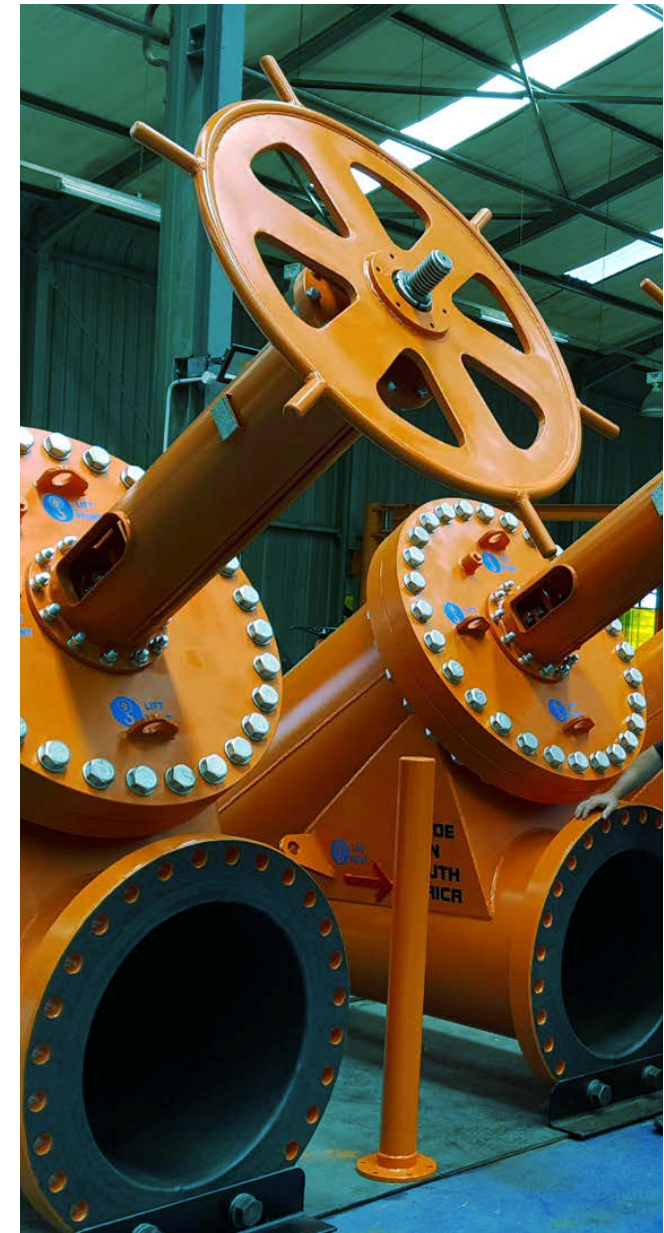
**Net finance costs** have increased by R7.5 million, reflecting the general hike in interest rates despite net interest-bearing debt being R8.4 million, or 1% lower, compared to the prior year.

**Net cash and cash equivalents** at R730 million, increased by R201 million over the period under review, a pleasing achievement considering the inventory increases, share buybacks and dividend payments to shareholders.

**Equity accounted earnings from joint ventures** of R153 million, after the restructure and sale of 51.2% of KAG in the prior year, is a pleasing result reflecting a nominal return on investment of 9%. This was achieved despite the higher carrying value of the investment of R319 million from the translation effect and equity accounted earnings, net of the dividends received of R84 million for the year. The comparative prior year return on investment was 8%.

**Basic earnings per share from continuing operations** of 481 cents are a pleasing 18% higher than the prior year.

**Headline earnings** of R497 million are 34% higher than the comparative prior year.





# OUR SUSTAINABILITY JOURNEY

*Invicta regards sustainability as a business opportunity that guides strategy formulation. Our efforts towards sustainability are rooted in commitment to be a responsible global citizen, capable of delivering value to all of our stakeholder.*

In FY 2022, Invicta developed a sustainability framework aligned with the 17 United Nations Sustainable Development Goals (“**SDG Framework**”). The SDG Framework formalised Invicta's integrated approach to the process of incorporating ESG considerations into the Group's investment decisions and the management of the Group's operations. The development and adoption of the SDG Framework represented an important step forward in the Group's sustainability journey. Although ESG-related initiatives have always been undertaken, the SDG Framework consolidates and places the Group's processes into a formal framework for both implementation and measurement.

In FY 2022, Invicta committed to achieving the following by the end of FY2025:

- » Developing the systems and processes required to enable it to quantify the impact of its operations on ESG factors.
- » Developing and implementing measurable targets for each operating segment.

In some areas, the Group has made significant steps towards the attainment of these objectives.

For purposes of reporting our sustainability journey for FY22, we have grouped each of the SDGs under the three ESG topics to reflect the focus of the Group in the year under review:



## OUR SUSTAINABILITY JOURNEY Cont.



### E – ENVIRONMENTAL

Our environmental sustainability efforts are focused on the following strategic areas:

- » Energy efficiency and consumption
- » Water usage and sustainability
- » Waste generation

In each of these areas, we seek to adopt strategies and practices targeted at reduction.

#### ENERGY EFFICIENCY AND CONSUMPTION

<b>RELEVANCE TO GROUP</b>	» Within the context of increased load-shedding in South Africa, the Group has had to expedite the rolling out of alternative power sources to enable the Group's operations to continue to operate optimally, where possible.
<b>TARGET</b>	» Reduce reliance on the grid (fossil fuels) in respect of the Group's strategic operations to mitigate against the effect of load-shedding and to decrease the carbon footprint of the Group as far as possible.

FY 2023 GOALS	FY 2023 INITIATIVES	ASSESSMENT
	» BMG World to be covered by solar by FY 2023.	» The BMG World solar project has been completed. A total 0.65 MW of solar power has been installed at BMG World.
	» RPI further installed battery and solar power facilities at one of its strategic operations.	» The solar facility provides, on average, approximately 65% of energy requirements at BMG World over a 24 hour period.
	» 50% of the lights used within RPA and RPI are to be replaced by LED lights by FY2023.	» 65% LED lights coverage within the RPA and RPI businesses.
<b>FY 2024 GOALS</b>	» Installation of solar power and Battery Energy Storage System (BESS) at the Group's strategic operations across RPA, RPI and CE.	
<b>CHALLENGES AND MITIGATION STRATEGIES</b>	» The gains the Group has earned through the solar power installation project are being undermined by the rolling black-outs experienced in FY 2023 as some of the Group's operations are still reliant on diesel generators as the main source of back-up power pending the installation of solar energy panels. This has resulted in an increase of diesel consumption and the concomitant carbon emissions. Diesel consumed for generators shows an increasing trend due to increased load-shedding. » This challenge will be mitigated as far as possible by the installation of solar and battery facilities at the Group's strategic operations across RPA, RPI and CE.	

#### SDG AND CAPITAL



## OUR SUSTAINABILITY JOURNEY Cont.

### SUSTAINABLE USAGE AND WATER MANAGEMENT

**RELEVANCE TO GROUP** » Water efficiency has a direct effect on operational costs. Using water more efficiently is essential for lowering the Group's overall environmental footprint. The Group's commitment to water sustainability involves measures to **reduce the Group's water consumption** and steps to **conserve water**

**TARGET** » Reduce water consumption by 10% by 2025

FY 2023 GOALS	FY 2023 INITIATIVES	ASSESSMENT
	<b>Water conservation</b> <ul style="list-style-type: none"> <li>» Oil separators at wash bays are installed</li> <li>» Sludge is contained and removed every three months</li> </ul>	<ul style="list-style-type: none"> <li>» Ongoing work that assists in ensuring that the risk of contaminating water is mitigated as far as possible</li> </ul>
	<b>Reduce water consumption:</b> <ul style="list-style-type: none"> <li>» Sprinkler systems at BMG World garden were shut down</li> <li>» Plants at BMG World were replaced with succulents which depend on rainwater</li> <li>» Use of dual flush toilets at some of the Group's operations was implemented</li> </ul>	<ul style="list-style-type: none"> <li>» Ongoing. Water consumption shows a decreasing trend throughout the year</li> </ul>

**FY 2024 GOALS** » Where possible, extend the identified initiatives across the Group's operations to enhance the impact of the measures adopted

### WASTE MANAGEMENT

**RELEVANCE TO GROUP** » Inefficient waste management has a direct effect on operational costs. Effectively managing waste is also essential for lowering the Group's overall environmental footprint

**TARGET** » Waste sent to landfill to be reduced by 10% by FY 2025

FY 2023 GOALS	FY 2023 INITIATIVES	ASSESSMENT
	<ul style="list-style-type: none"> <li>» Packaging has been refined and plastic use has been greatly reduced</li> <li>» Digital and automation is fast replacing paper usage and waste</li> <li>» All waste within the manufacturing process (steel offcuts and plastic waste) is recycled to reduce impact on environment</li> </ul>	<ul style="list-style-type: none"> <li>» Ongoing</li> <li>» Ongoing</li> <li>» General waste sent to landfill reduced by 4% comparing to prior year's <i>pro rata</i></li> </ul>

**FY 2024 GOALS** » Waste sent to landfill is monitored per category  
 » Waste service provider to be appointed for the RPA Gauteng branches as a pilot project with the intent to manage waste recycling and reduce amount of waste sent to landfill

**APPLICABLE  
SDG AND CAPITAL**



## OUR SUSTAINABILITY JOURNEY Cont.



### S – SOCIAL

In respect of the year under review, the Group has invested approximately R63 million towards projects aimed at enhancing the welfare of some of our key stakeholders.

Invicta understands social responsibility as the obligation to make decisions and take actions that will enhance the welfare of its stakeholders and to act in the interests of society as a whole. The Group's commitment to social responsibility addresses:

- » socio-economic development
- » local community employment and procurement
- » skills development

In each of these areas, Invicta seeks to adopt strategies and practices that will enhance the welfare of the Group's stakeholders and to act in the interests of society as a whole.

#### SOCIO-ECONOMIC DEVELOPMENT

**RELEVANCE TO GROUP** » The Group directs its SED funds, influence and resources towards initiatives that will achieve positive ongoing economic development in South Africa. We consider education fundamental to creating opportunities for historically disadvantaged individuals ("HDI")

**TARGET** » The Group set an annual target of 1% of its profit (after tax)

FY 2023 GOALS	FY 2023 INITIATIVES	ASSESSMENT
	» The Group provided scholarships for qualifying employees' children	» In respect of FY 2023, the Group provided 147 scholarships to the children of qualifying employees
	» The Group funded medical procedures for qualifying employees	» Approximately R550 896 was provided towards this initiative
	» Continued involvement in the Droste Park community upliftment project which involves the maintenance of BMG World	» The Group ensures that the park is gardened on a weekly basis and kept clean and free from litter to improve the social and environmental situation of the area
		» Approximately R1 727 584 was invested on the achievements of the above initiatives

**FY 2024 GOALS** » The Group set an annual target of 1% of its profit (after tax)



## OUR SUSTAINABILITY JOURNEY Cont.

### LOCAL COMMUNITY EMPLOYMENT AND PROCUREMENT

#### RELEVANCE TO GROUP

- » Including members from the local community as employees and management demonstrates the Group's positive market presence. It can also increase the economic benefit to the local community and improve the Group's ability to understand local needs through these various interactions
- » Further, by supporting local suppliers, the Group can indirectly attract additional investment to the local economy and entrench itself within the community/market. Local sourcing can be a strategy to help ensure supply, support a stable local economy, and maintain community relations

#### TARGET

- » The Group has not committed to any specific local employment targets. Instead, where possible, the Group endeavours to partner with and/or employ members of the community in which it operates
- » In respect of procurement, where possible, the Group strives to procure goods and services from the local community in which its operations are based. The Group also relies on the 'supplier development' and 'enterprise development' elements from the Broad-Based Black Economic Empowerment Charter Scorecard (the "**Charter**") as a target to measure the extent of its procurement activities in the communities in which it operates. In this regard, the Group set an annual target of:
  - 2% of NPAT for supplier development
  - 1% of NPAT for enterprise development

#### FY 2023 GOALS

#### FY 2023 INITIATIVES

- » In FY 2022, the Group facilitated the establishment of strategic branches across South Africa (the "**AMEs**") which are 51% black-owned and 30% black female owned (the "**Entrepreneurs**"). This business model has formed the backbone of the Group's localised empowerment initiative going forward
- » During FY 2023, RPI businesses in selected regions were sold to new owners including locally based, black entrepreneurs under the AME model

#### ASSESSMENT

The establishment of the AMEs are part of the Group's commitment to:

- » *Local community employment*: The Entrepreneurs as well as the employees of each AME are members of the local community in which the branch is situated
- » *Supplier development commitment*: Bearing Man Group Proprietary Limited ("**BMG**") is a supplier to the AMEs. The AMEs have an exclusive right to distribute BMG's product within their agreed territory
- » *Enterprise development*: BMG provides support services to each AME in the areas of finance, IT, marketing and legal, with the aim of supporting the growth and sustainability of each AME
- » These transactions are part of the Group's continued commitment to local community employment and creating opportunities for partnership with local community members

The Group has invested:

- » approximately R27 500 847 towards supplier development spend
- » approximately R19 628 739 towards enterprise development spend

#### FY 2024 GOALS

Supplier development – 2% of NPAT

Enterprise development – 1% NPAT

Invicta acknowledges the below as meaningful supplier and enterprise development contributions which it commits to continually reviewing to enhance the well-being of its stakeholders:

- » Preferential credit terms
- » Preferential terms granted in respect to the supply of goods and services
- » Provision of training or mentoring to increase their operational or financial capacity
- » Settlement of accounts over a shorter period
- » Access to support infrastructure
- » Addressing shortages in management skills

#### APPLICABLE SDG AND CAPITAL



## OUR SUSTAINABILITY JOURNEY Cont.

### SKILLS DEVELOPMENT

#### RELEVANCE TO GROUP

- » Programmes for upgrading employee skills ensures that the Group has employees equipped to meet its strategic targets in a changing work environment
- » More skilled employees enhance the Group's human capital and contribute to employee satisfaction, which correlates strongly with improved performance
- » Individual upliftment takes place through being better skilled and educated employees

#### TARGET

1% of Group payroll

#### FY 2023 GOALS

#### FY 2023 INITIATIVES

- » YES Programme, being a joint initiative between the South African Government and the private sector intended to create one million work opportunities for unemployed black youth.
- » Learnership program: The Group provides and funds the participation of employed, unemployed and disabled HDIs in various learnership programmes.
- » Graduate Programme: Our graduate programme addresses the growing need within our sector for skilled, professional, and competent employees. The programme is a strategic initiative aimed at addressing the growing shortage of qualified employees. There is an enormous gap between academic studying and competent performance in the workplace.
- » The Group provides a disabled learner learnership programme. This programme seeks to expand the skills and therefore opportunities for disabled HDIs. The learnership is a partnership with the KVR Training.

#### ASSESSMENT

- » 54 young candidates were enrolled in the Group's YES Programme
- » 118 HDIs were enrolled in learnerships provided and funded by the Group. The learnerships related to:
  - Stores and Warehousing NQF 3;
  - Generic Management – NQF 5; and
  - Business Administration – NQF 4.
- » The Group provided four unemployed HDI Graduates with an opportunity to gain meaningful workplace experience.
- » Our graduates are part of a supportive environment allowing the candidates to gain continuous career development. On completion of the programme many of these graduates will transition into full-time employees. 44 disabled learners on were enrolled on the Group's programme.

#### FY 2024 GOALS

1% of Group payroll

#### APPLICABLE SDG AND CAPITAL










## OUR SUSTAINABILITY JOURNEY Cont.



### G – GOVERNANCE

Good governance results in economic growth and stable organisations. Through its policies and practices which are informed by prevailing legislation and regulation, Invicta ensures compliance not only with corporate governance principles, but also all laws, specifically those that seek to enforce human rights and protect society's most marginalised.

CORPORATE GOVERNANCE			FRAUD AND CORRUPTION		BEE COMPLIANCE	
<b>RELEVANCE TO GROUP</b>	The responsibility to facilitate compliance throughout the Group has been delegated by the Board to the Audit and Risk Committee. In this regard, the Committee must ensure that the Company and the Group comply with applicable laws and consider adherence to non-binding rules, codes and standards		Fraud and corruption can result in significant financial losses and reputational damage, which can impact on our stakeholders trust in the integrity of the Group.  Compliance with applicable laws in the various jurisdictions in which the Group operates.		Compliance with the Broad-Based Black Economic Empowerment Act, 2003 ("BEE Act") is part of our social licence to operate in South Africa.	
<b>TARGET</b>	Substantive compliance with applicable laws across the Group		Enforcing a zero-tolerance approach to bribery and corruption through policy and implementation thereof.		Compliance with the BEE Act and Charter across the Group as applicable.	
FY 2023 GOALS	FY 2023 INITIATIVES	ASSESSMENT	FY 2023 INITIATIVES	ASSESSMENT	FY 2023 INITIATIVES	ASSESSMENT
	Establish a statutory compliance framework	Assessment will occur in FY 2024	» Anti-Bribery and Corruption Policy » Policy on the Operation of the Anonymous Tip-Off Hotline » Forensic investigative capabilities	» Established systems and procedures for reporting alleged crimes, fraud and corruption » Responsive and efficient in investigating reports	» Invicta compliance with BEE Act  » Improve the BEE contributor status of Invicta South Africa Holdings Proprietary Limited ("Invicta South Africa")	» Invicta achieved a Level 4 Contributor status (previously level 7)  » Invicta South Africa achieved a Level 4 Contributor status (previously Level 7)
<b>FY 2024 GOALS</b>	Maintain substantive compliance with applicable laws across the Group				Compliance with the BEE Act and Charter across the Group	
<b>APPLICABLE SDG AND CAPITAL</b>			 		    	

# INVESTMENT IN OUR COMMUNITIES AND EMPLOYEES

Invicta strives to remain engaged with the communities in which it operates. To that end, Invicta established the Humulani Employee Investment Trust ("HEIT") and the Humulani Empowerment Trust ("HET"), (together the "Trusts") in 2007 and 2011, respectively. The work undertaken by the Trusts is a critical component of the Group's licence to operate in South Africa.

Through the Trusts, the Group is able to create an alignment of interests with some of its key stakeholders, namely its employees and some of the communities in which the Group operates. The Trusts are also the vehicles through which the Group is able to maintain its black economic empowerment status.

The HEIT operates as an employee share scheme in terms of which historically disadvantaged individuals ("HDI") who are employees of designated Group companies are entitled to receive a distribution upon the fulfilment of certain performance criteria. On the other hand, the aims of the HET are broader in that the HET seeks to make investments in various projects and/or initiatives that empower:

- » employees of the Group (and/or their immediate family members); and/or
- » people living and working in the areas in which the Group's operations are situated.

The Trusts are shareholders of Invicta South Africa Holdings Proprietary Limited ("Invicta South Africa") and other entities within the Group. The activities of the Trusts are funded from dividends declared by Invicta South Africa and other entities within the Group in which they have a shareholding.

## TRUSTEES

The Trusts have an independent board of trustees who are responsible for giving effect to the objects of the HEIT and HET deeds. The projects undertaken by the Trusts are vetted by the trustees who play an active role in supporting and monitoring the success of the projects against the stated objectives of the

Trusts. The Trusts are administered and managed by the trustees namely, Alana Bond (chairperson), Thandiwe Sylvia January-Mclean, Dudu Msomi, Joanne Danster and Tembisa Marele.

## FY 2023 SUCCESSES

The HEIT paid dividends amounting to a total of R4 724 487.75 to 1 528 HDI employees of the Group who are participants of the scheme established under the HEIT. The scheme participants are HDI employees who have achieved 5 years of service with the Group.

The HET deployed a total of R12 494 510.25 towards various projects and initiatives, including the following in FY 2023:

### » Amathuba Collective

- » HET approved a grant to Amathuba Collective to assist with the objective of creating nurturing work environments for young people to thrive and to stimulate minds and hearts to provide better support to 10 000 youth in work experience programmes.



*Young people hard at work at Amathuba Collective providing services of psychosocial-support calls*



## INVESTMENT IN OUR COMMUNITIES AND EMPLOYEES Cont.

### » Jeppe High School for girls

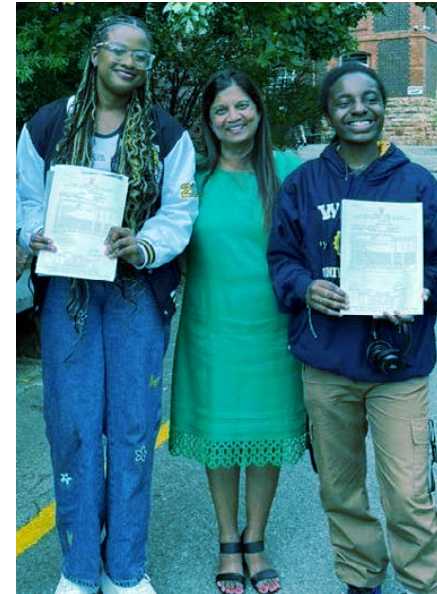
- » HET sponsors ten girls to attend Jeppe High School for girls. The girls (now in grades 8 and 9) are further supported through activities such as study skills courses, career guidance and mentorship programmes.



Margaret Peterson was elected to represent South Africa at the inaugural Africa Children's Summit in Kenya. Margaret was one of the facilitators of the Summit and had an opportunity to bring to light the challenges faced by the youth in Africa.



Rihanna Sonyelwa participating in the historic Jeppe High School for Girls Flower Show.



Maroushkha Magoma (left) and Bessem Besong (right) received 7 and 5 distinctions respectively in the National Senior Certificate Matric exams for 2022. Here they are pictured with the Jeppe High School for Girls Headmistress, Mrs. Sybil Bhagwan (centre). Maroushkha is now studying at the University of Pretoria and Bessem is studying at the University of Cape Town.



Favor Onyekwere displays the blanket she crocheted as part of the 67 Blankets for Mandela campaign.

## INVESTMENT IN OUR COMMUNITIES AND EMPLOYEES Cont.

### » Buhle Farmers' Academy

» Buhle Farmers' Academy offers practical skills training to emerging farmers. HET is the anchor donor for their livestock course, which is attracting significant interest from women.



*Refurbishing Project at Buhle Academy Farming funded by Humulani Trust.*



## INVESTMENT IN OUR COMMUNITIES AND EMPLOYEES Cont.

### » Global Teachers Institute: Future Leaders Expansion Programme

» The Future Leaders Programme is a development programme that provides school-based mentoring, workplace experience and professional development to teachers.

### » Skills Empire

» Skills Empire's vision is to empower South Africa's unskilled youth who need the opportunities to become economically productive and thereby access employment. During FY 2023, HET sponsored Skills Empire teams to design and deliver the National Certificate in End User Computing (NQF Level 3) programme for learners.

### » Lucha Lunako Foundation

» Lucha Lunako Foundation aims at funding graduates who have completed their studies but are not in the possession of their qualification certificates due to fees owing at tertiary institutions. HET's funding was allocated as a contribution to the fourth year students enrolled for STEM subjects (i.e. science, technology, engineering and mathematics).



*Students participating in the workshop and sessions of the Lukhanyo Wellness Programme facilitated by Mindfulife Coaching.*





## INVESTMENT IN OUR COMMUNITIES AND EMPLOYEES Cont.

### » The Youth Development Collaboration Lab (Yd-CoLab)

- » YD-CoLab is a developing network of organisations and individuals who work towards advancing youth development and empowerment in South Africa. This initiative supports a collective of youth development enthusiasts, organisations and individuals committed to the youth development agenda. YD Co-Lab participated in the multi-stakeholder meeting convened by Harambee Youth Employment Accelerator in February 2022. This engagement led to YD Co-Lab beginning strategic conversations with the Presidency of South Africa, the National Youth Development Agency, and the German Investment Corporation Agency (GIZ).



### HOUSE 67

Mum Nombuso

Slu, Bongji, Asa, Mum Nombuso,  
Sindi, Nolwazi,  
(from left to right)



### HOUSE 10 9

Mum Phindile

Sbahle, Mlando, Mabhida, Lindelwa  
(from left to right)



### HOUSE 10 2

Mum Dudu

Amanda, Fernando, Asimbongwe,  
Luvuyo, Sane  
(from left to right)



### HOUSE 66

Mum Nonjabulo

Kholwa, Okuhle, Dumi, Mum Nonjabulo,  
Khuleka, Mvuselelo, Snothando  
(from left to right)

*LIV4Family programme at LIV Durban. Pictures of the families in houses 109 102, 66 and 67 at LIV Village.*

Invicta is proud of the work undertaken by the Trusts and its impact in the lives of employees and local communities.



05

# CORPORATE GOVERNANCE

*The purpose of the Board is to provide strategic direction and management to Invicta and its divisions and to maximize shareholders' wealth.*

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# OUR APPROACH TO GOVERNANCE

## OUR GOVERNANCE PHILOSOPHY AND FRAMEWORK

The purpose of the Board is to act as the focal point for, and custodian of, corporate governance and for setting the strategic direction of the Group. The Board gives effect to this purpose by:

- » exercising ethical, effective and reasonable leadership in determining strategy and monitoring business performance
- » ensuring accountability of the Group through reporting and disclosures

Additionally, the Board directs the Group's business practices to ensure the best interests of all stakeholders in accordance with the principles of good corporate governance. In so doing, the Board takes into account the complex nature of the Group's operating context through the lens of environmental, social and governance considerations. The Board recognises that these considerations continually need to be assessed and integrated into the operations of the Group. The Board has accordingly adopted an integrated approach to sustainability, governance, risk management and monitoring business performance.

The Board values openness and transparency and directors are encouraged to raise any concerns regarding the functionality as they arise. There are no restrictions placed on a director's access to Group information, records, documents and property. Non-executive directors have access to management and regular interaction is encouraged.

The Board is satisfied that it has fulfilled its responsibilities in accordance with its charter for the reporting period. The Board confirms that it complies with the provisions of the Companies Act and is operating in terms of the laws relating to its incorporation and is in conformity with its memorandum of incorporation.

## ETHICS

The Board is responsible for the ethical and effective leadership of the Group and the directors are expected to set the tone by maintaining high ethical standards. Accordingly, the Board strives to adhere to the highest standards of ethical leadership, sound judgment and corporate governance, which is fundamental to the sustainability of the Group.

Directors are required to fulfil their fiduciary duties to the Company at all times, while considering and balancing the interests of the Group's various stakeholders. The directors are bound by the same gift policy and code of ethics applicable to all Group employees.

Directors disclose their interests in Invicta and other business interests in terms of the Board charter. The Group Company Secretary maintains a register of their interests and directors disclose at each meeting any interests they may have regarding agenda items, and recuse themselves as necessary.

## OUR GOVERNANCE STRUCTURES COMMITTEES

The Board maintains effective control of the Group through governance structures and has established various Committees to assist it in discharging its duties. The Board recognises that delegating authority does not reduce or abdicate the responsibility of directors to discharge their statutory and common-law fiduciary duties in terms of the Companies Act, JSE Listings Requirements and King IV.





## OUR APPROACH TO GOVERNANCE Cont.

The Board has established the Committees set out in the diagram alongside, to assist with the balance of power and effectively fulfilling its responsibilities. Their charters respectively set out the Committees' roles and responsibilities functions, scope of authority, and composition. The Committees report to the Board at each Board meeting and make recommendations in accordance with their charters.

AUDIT AND RISK COMMITTEE	REMUNERATION COMMITTEE	SOCIAL AND ETHICS COMMITTEE	INVESTMENT COMMITTEE	NOMINATIONS COMMITTEE
MEMBERS	MEMBERS	MEMBERS	MEMBERS	MEMBERS
Rashid Wally (Chairman) Frank Davidson Mpho Makwana	Mpho Makwana (Chairman) Christo Wiese Rashid Wally laan van Heerden	Mpho Makwana (Chairman) Rashid Wally Lance Sherrell Steven Joffe	Jacob Wiese (Chairman) Frank Davidson laan van Heerden Steven Joffe	Christo Wiese (Chairman) Mpho Makwana Rashid Wally laan van Heerden
Mandated to provide oversight of the integrated and financial reporting, risk assurance, internal controls, expense and budget variances, regulatory compliance, risk management, the maintenance and safeguarding of assets, and the financial sustainability of the Group.	Mandated to contribute to the long-term financial and commercial viability of the Group by reviewing and maintaining compensation policies and plans, to enable the Group to attract and retain employees, managers and executive directors and maintain an effective Board.	Mandated to monitor the impact of the Group's activities on the environment, consumers, employees, communities, stakeholders and all other members of the public. The ultimate objective of the Committee is to assist in building organisational integrity and an ethical corporate culture. Refer to page 33 for the Group's sustainability report.	Mandated to evaluate and provide oversight of investment-related matters including opportunities, acquisitions and mergers that are aligned with the Group's strategy.	Mandated to assist the Board with the nomination, election and appointment of directors and to ensure a transparent and accountable process to determine an optimally diverse Board and Committee composition.
Refer to the AFS for the audit and risk committee report.	Refer to page 51 for the remuneration report.			



## OUR APPROACH TO GOVERNANCE Cont.

Directors are expected to attend all scheduled meetings as set out in the Board charter and/or applicable Committee charter or other *ad hoc* meetings which may be required from time to time. The table below reflects the high levels of engagement and commitment within the Board and its various Committees

	Board		Audit and Risk Committee		Remuneration Committee		Nominations Committee		Social and Ethics Committee		Investment Committee	
Number of members	12		3		3		3		4		4	
Number of meetings per work plan or Charter	4		4		2		As required		3		As required	
Number of meetings held in the FY2023	4		5		2		0		3		3	
	Meetings attended	%	Meetings attended	%	Meetings attended	%	Meetings attended	%	Meetings attended	%	Meetings attended	%
Christo Wiese	3/4	75			2/2	100	n/a					
Steven Joffe	4/4	100							3/3	100	3/3	100
Nazlee Rajmohamed	4/4	100										
Mpho Makwana	2/4	50	4/5	80	2/2	100	n/a		3/3	100		
Rashid Wally	4/4	100	5/5	100	2/2	100	n/a		3/3	100		
Frank Davidson	4/4	100	5/5	100							3/3	100
Iaan van Heerden	4/4	100			2/2	100					3/3	100
Jacob Wiese	3/4	75									3/3	100
Lance Sherrell	4/4	100							2/3	67		
Craig Barnard	3/4	75										
Tony Sinclair	3/4	75										
Gavin Pelser	3/4	75										



## OUR APPROACH TO GOVERNANCE Cont.

### MANAGEMENT

Responsibility for the day-to-day running of the Group is delegated to the Group Executive Committee under the leadership of the Steven Joffe, the Group CEO. There is a clear distinction between the roles of the CEO and the Board Chairperson, and these positions are occupied by separate individuals.

The Group adopts a divisionalised approach to Group management, with each division having its own executive Committee, which is supported by a complete finance and administration infrastructure. Divisions do, however, make use of shared services, as and when appropriate.

The Group CEO, Group CFO and Commercial Director are actively involved in the divisional executive Committees and actively participate on the boards of divisional subsidiary companies.

### THE COMPANY SECRETARY

The Board is supported by the Group Company Secretary and Legal Counsel, Lebohang Mpumlwana, who provides independent guidance on corporate governance and related matters. Lebohang reports to the Group CEO. She is not a director. The Board is comfortable that an arm's-length relationship between the Board and the Group Company Secretary is in place.

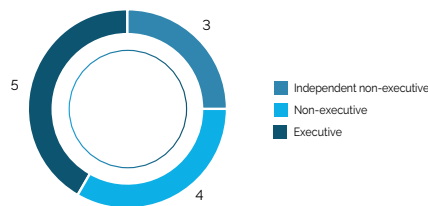
The Board has considered and are satisfied with her competence, experience, qualifications and independence. The Board is also able to access professional independent legal and/or governance services as required. The Board has confirmed that it believes that these arrangements are effective.



# OUR BOARD PROFILE

*We look at diversity in a lot of different ways – experience, age, ethnicity, gender*

## Independence



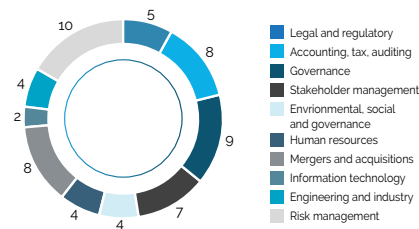
### INDEPENDENCE

As at 31 March 2023, our Board comprised of 12 directors, of whom three are independent. Gavin Pelser resigned as a director effective 31 March 2023.

Despite the independent non-executive directors being in the minority, the Board is of the view that there was a balance of power and authority on the Board reflected in its discussions.

Additionally, although the Chairman is not an independent non-executive director, a strong lead independent director ensures that the necessary independence is maintained in the functioning of the Board. The Board is comfortable that its lead independent director as a non-executive director and its Company Secretary remain independent as required by King IV.

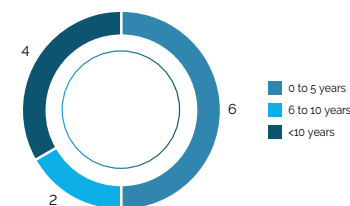
## Board skills



### BOARD SKILLS AND EXPERIENCE

In an increasingly complex, competitive and innovation-driven environment, embracing a diversity of thinking, competencies, and backgrounds is a business imperative. We believe that having a diversity of experience within a leadership team helps it to remain agile, innovative, better at navigating risk management and more adaptable to its ever-changing environment.

## Tenure

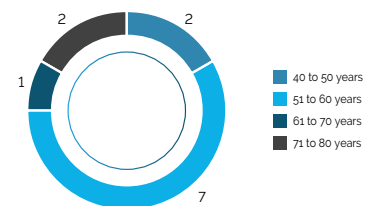


### TENURE AND SUCCESSION

Whilst the retention of valuable skills and experience is important for maintaining continuity, regular assessment takes place of the capabilities of the Board by establishing succession plans and introducing new members, when appropriate.

Considering each director's tenure on the Board as well as the succession plans in place, the Board is satisfied that it comprises the appropriate balance of experience and skills to retain institutional memory, maintain continuity and govern effectively.

## Age



### BOARD DIVERSITY

The Board recognises that diversity is important for remaining relevant and maintaining a sustainable entity. In making decisions on the appointment of a director, the Board and Nominations Committee are guided by the Board's Diversity Policy which commits the Board to improving diversity in respect of gender, race, culture, age, field of knowledge, skills and experience of its members.

While the Board has not set any quantitative targets for the time being, should a vacancy on the Board arise or should there be a requirement for an additional Board appointment, preference will be given to candidates who add to the diversity of the Board.

# REMUNERATION REPORT

This remuneration report has been prepared in line with King IV and sets out the approach to remuneration applied within the Group. The report is presented by the remuneration Committee ("Committee") and focuses primarily on the remuneration of the executive directors of the Company. The overall remuneration philosophy, which is aligned to the Group's strategic objectives, will assist in achieving the Group's goals over the short- and long-term.

The report is structured as follows:

- » **Section One - Background statement:** A background statement setting the context for remuneration consideration and decisions as well as the material issues considered during the year.
- » **Section Two - Remuneration policy:** An overview of the remuneration policy as it relates to our employees, executive Committee members, executive directors, and non-executive directors.
- » **Section Three - Implementation report:** An implementation report for executive directors, executive Committee members, and non-executive directors.

## SECTION ONE – BACKGROUND STATEMENT

The measures the Group put in place in 2021 - being the benchmarking of executive salaries, aligning long-term and short-term incentives with market practice and updating of the Company's remuneration policy - have proven a worthwhile investment. In an increasingly competitive global skills market, we are pleased that we managed to retain our experienced executive talent who continue to implement the Group's strategy. Our succession planning initiatives have also borne positive returns for the Group as we effectively facilitated the retirement of a senior executive director and, in so doing, introduced a new tier of management into the Group's executive team.

## FOCUS IN 2023

The Committee provides an oversight role over remuneration of the Group. The role of the Committee, having regard to the applicable legislation and sound corporate governance, is to provide guidance and support to the Board in fulfilling its responsibilities to stakeholders, by ensuring that the Group remunerates fairly, responsibly and in a transparent manner, to promote the achievement of strategic objectives and positive outcomes in the short-, medium- and long-term.

During the year under review, the Committee complied with its obligations in line with its charter. Key issues considered by the Committee during the period included:

- » **Implementation of succession plans in respect of the Company's executive management:** Gavin Pelser, a long-serving executive director of the Company, retired at the end of March 2023. The Committee exercised oversight in respect of the implementation of the succession plans pertaining to Gavin Pelser.
- » **Executive management retention scheme:** The Committee approved the recommendation that 15% of any long-term incentive awards granted to participants under Invicta's Long Term Bonus and Share Incentive Scheme ("LBSIRS") (excluding the CEO) would vest without being subject to the satisfaction of any performance conditions. The adoption of this recommendation is intended to enhance the Group's retention-related incentives and bring them into line with prevailing market trends and practices. The proposal will not apply retrospectively but will apply in respect of any long-term incentive awards granted from March 2023 onwards.
- » **Chief executive officer retention scheme:** The Committee approved a proposal that the CEO will be entitled to purchase 600,000 shares in the Company over a 6-year period, on the understanding that the Company will match such purchase on a one-for-one basis up to 100,000 shares per year. The shares acquired by the Company will be given to the CEO pursuant to the Group's retention scheme. In terms of this scheme, the Company and the CEO will not compete in the market. The shares bought

by the CEO will be bought from his own resources and will be unencumbered. The CEO will be subject to normal tax consequences on the receipt of the shares from the Company. The Committee believes that the scheme is valuable in creating an alignment between the interests of the Company's shareholders and the CEO.

## REMUNERATION COMMITTEE FOCUS IN 2024

The Committee will continue with the process of reviewing and revising all remuneration policies and processes, as appropriate. Where necessary, further benchmarking exercises will be undertaken.

A continuing area of focus is the inclusion of qualitative factors in the performance evaluation of the Group's executives. This is intended to drive and encourage a performance-based culture that is founded in principles of sound ethical governance throughout the Group.

## SHAREHOLDER ENGAGEMENT

The Group initiates on-going dialogue with shareholders to keep them abreast of affairs and to reassure them that remuneration decisions taken support the expectations of both shareholders and employees.

Where required, individual discussions are held with major shareholders to address any concerns they may have. At the annual general meeting held in 2022, all resolutions pertaining to both the remuneration report and non-executive directors' fees were passed with the requisite support.

Shareholders will be asked to pass resolutions at the annual general meeting approving the fees of the non-executive directors, as well as separate non-binding advisory votes on the remuneration policy and remuneration implementation report. Should the aforementioned advisory votes on the policy and implementation report not pass with more than 75% of votes at the next annual general meeting, those shareholders will be

## REMUNERATION REPORT Cont.

requested to explain their reasons for voting against the policy and/or its implementation and these responses will be discussed by the Committee and the Board. The Board will then decide on the best way to address the responses and, if necessary, identify where amendments to the policy are required. A report will be provided to shareholders regarding the engagements and actions taken.

## SECTION TWO – REMUNERATION POLICY

### REMUNERATION PHILOSOPHY

The underlying philosophy is to ensure that the Group can attract, retain and reward high-quality staff in order that the Group can grow its business, meet and exceed the business strategy objectives and grow value for its shareholders. This philosophy will be carried through in a responsible manner and with due concern to all stakeholders, which include employees and the social environment in which the Group operates.

The Group rewards for contributions to value creation and performance. The concept of equal pay for work of equal value is recognised and driven within the Group. Our reward philosophy strives to enable flexibility in terms of the utilisation and reward of the workforce and, to provide choices for individuals in respect of the structuring of their rewards where possible.

The remuneration philosophy further tries to establish accountability and ownership of the reward process with line management, by enabling them to link the total reward process to their business unit objectives and manage it in a fair and equitable way, ensuring a balance between remuneration and quality of life for employees.

## REWARD STRATEGY

The Group strategy defines the objectives that need to be met in the short, medium and long term. These objectives are reviewed on an annual basis. The reward strategy is designed to be aligned with the Group's business strategy and the execution of that strategy. The implementation of the strategy is aimed at maximising the performance and effectiveness of the Group.

Our approach to remuneration is one in which all benefits, guaranteed remuneration, allowances and variable pay are paid after considering several factors, such as Group performance and the performance of the individual employee, as well as market forces and the economic environment. This approach recognises that the ability to attract, retain and motivate executives and all other employees, is not wholly dependent upon remuneration, but also considers the overall employee satisfaction and engagement. Our remuneration strategy is guided by the following four forces:

- » Group needs and values
- » Individual needs and values
- » Internal relativities (parity and equity)
- » External relativities (salary surveys and benchmarking)

## ELEMENTS OF REMUNERATION

The Group seeks to accomplish various objectives through the different elements of remuneration.

REWARD	TARGET EMPLOYEES	TARGET PERCENTILE	OBJECTIVE
<b>Guaranteed remuneration</b>	All employees receive monthly remuneration.	As a fair and responsible employer, the Company targets the median of the relevant market for its employees.  High performing employees and those with critical skills can be remunerated up to the 75th percentile and above.	Ensure fair remuneration is paid to all employees.
<b>Short-term incentives</b>	All non-scheduled permanent employees qualify for participation.	The incentive targets are set at a level that rewards superior performance and are affordable and fair to the Group. The incentive schemes are performance-based, however, some scheduled employees are part of the industry collective agreement and receive their incentives in terms of these agreements.	Drive Group and business unit performance.
<b>Long-term incentives</b>	Executives, senior management and other selected employees who possess key skills.	Market median.  High performing employees and those with critical skills can be remunerated up to the 75th percentile and above.	Attract and retain executives and key employees.  Align with shareholders with a long-term outlook.



## REMUNERATION REPORT Cont.

### GUARANTEED REMUNERATION

Guaranteed remuneration is reviewed annually and increases are made as per the guidelines of the remuneration policy. Pay ranges are created that cater for progression and to recognise superior performance by employees. The Group uses third party consultants to assist with benchmarking and the supply of survey data. Employee guaranteed remuneration is impacted by:

- » Job complexity
- » Level of responsibility, skills, effort and if relevant, the conditions under which work is performed in the Company
- » Relevant market benchmark surveys
- » The Company's market position
- » Individual performance and contribution
- » Remuneration bands that are determined for each level, based on prevailing market benchmarks that will determine the ranges of remuneration applicable to each employee grouping
- » Benefits include contributions to retirement funds, medical aids schemes, life, disability and funeral cover

### SHORT AND LONG-TERM INCENTIVES

Variable remuneration is competitive and market related and, schemes are designed so as to not put the Group at risk. The underlying principles guiding variable remuneration are as follows:

- » Defensible differentiation: this means that where employees stand to gain differing amounts, these are based on clearly evident, pre-determined performance measures and contribution levels
- » Frequent review: this means the design of performance targets are reviewed periodically to effect continuous improvement in line with market conditions and business strategy

- » Clarity of performance contract: this means there is clarity around which performance targets and measures need to be managed as part of the day-to-day performance contracts of teams and individuals, against which performance bonuses will be paid (standard performance goals vs. stretch goals)

### EXECUTIVE REMUNERATION

With the exception of Tony Sinclair, the executive director responsible for RPE and CE, all the executives have been appointed on a permanent basis.

As Tony Sinclair has passed the normal retirement age, his services have been retained on a 12-month contract which will terminate on 31 March 2024. Tony's departure will be implemented gradually, beginning with him ceasing to serve as a director of the Company from 1 July 2023. Tony will, however, continue to serve as a director of other Group companies until the termination of his contract. The succession plans in place to manage Tony's departure are already underway.

Guaranteed remuneration for the executives in general is set at a level which is competitive and market related. External benchmarking was conducted for each executive role and has guided the decision-making going forward.

There are no post-retirement benefits for executives.

**Short-term incentive** – the executives participate in a performance based short-term incentive scheme which ranges from 60% to 120% of their total cost to company, based on achieving various KPIs.

The short-term incentive is calculated by multiplying the executive's cost to company by the maximum percentage bonus multiplied by the score from their performance against the measures.

**Long-term incentive** – the executives qualify to participate in the LBSIRS in terms of which they are granted a bonus share incentive right calculated with reference to a specified number of shares at a price equal to the five-day volume weighted average market price at the date of grant. The bonus right quantum is aligned to the performance of the executive.

### MANAGEMENT AND GENERAL STAFF

#### GUARANTEED REMUNERATION

The target percentile is the 50th percentile of the relevant market. Employees who fall under the Metal Industries Bargaining Council and other industry wide agreements, negotiate their benefits annually on an industry wide basis. Employees are remunerated on either a cost to company or basic plus benefits basis, differentiated by various job grade levels.

#### SHORT-TERM INCENTIVE

The employees participate in performance-based incentives and can earn between 8.33% and 120% of their total cost to company or basic. The divisional measures are operational based and include working capital ratios, profitability and cost control.

#### NON-EXECUTIVE DIRECTORS

Non-executive directors are remunerated for their services as directors. They do not participate in any of the incentive schemes. When required, the fees are benchmarked against comparable organisations in terms of size and complexity, which has resulted in the fees being aligned to market rates. The Company has adopted a retainer fee structure for non-executive directors (as opposed to the per-meeting fee structure which the Company has historically followed). This fee structure will enable the Company to derive maximum value from its non-executive directors in a manner that is efficient, fair and reasonable.

## REMUNERATION REPORT Cont.

### PERFORMANCE MANAGEMENT

The Group evaluates individual performance on an annual basis. The outcomes can be used for:

- » Annual increase
- » Incentives
- » Identifying training needs
- » Identifying employees with promotion potential

### SECTION THREE – IMPLEMENTATION REPORT

The implementation report sets out the remuneration basis of executive and non-executive directors for FY 2023.

### GUARANTEED REMUNERATION

The executive directors are remunerated on an all-inclusive cost to company methodology which includes contributions to retirement and medical aid. The remuneration of the executives was reviewed and as part of the implementation of a consistent remuneration structure.

### SHORT-TERM INCENTIVE

The performance of executives are evaluated against a scorecard which includes the following:

- » Group net profit versus budget
- » Group return on net operating assets
- » Group revenue growth
- » Individual performance and key performance targets

### LBSIRS

The following grants were made during the year:

RECIPIENT	Number of LBSIRs	Estimated Value of LBSIRs
Steven Joffe	734 900	R7 518 027
Nazlee Rajmohamed	234 302	R2 406 281
Craig Barnard	254 653	R2 615 286
Bennie Groenewald	186 846	R1 918 908
Lebohang Mpumlwana	132 979	R1 365 694

Save in relation to the CEO, these LBSIRs will vest after three years, with 85% thereof being subject to the fulfilment of the performance criteria set out below. The remaining 15% will operate as a retention scheme which will vest without being subject to the fulfilment of any performance criteria. In respect of the CEO, 100% of the LBSIRs awarded to him will vest after three years provided that the performance criteria set out below is fulfilled.

The scheme participants have 180 days to exercise their right to the vested LBSIRs. Any unexercised LBSIRs after this period will lapse. These awards are made subject to claw-back provision for fraud and malus.

The performance vesting conditions applicable to the LBSIR award are as follows:

- » 75% will be based on growth in headline earnings per share at a rate of CPI plus 2% per annum over the three-year period (cumulative), from a base of continuing sustainable headline earnings per share
- » 25% will be based on the achievement of a sustainable 12% return on ordinary shareholders' equity for the financial year 2025

### SUCCESSION AND RETENTION PLANNING

The Group has embarked on a talent management campaign including a focus on trainees and learners. Succession planning is in place for senior managers.

### NON-EXECUTIVE DIRECTOR FEES

The Company have adopted a retainer fee structure for non-executive directors. The Board chairman and Committee chairman additionally receive a separate retainer fee.

Non-executive director fees:

Christo Wiese – Chairman	R1 281 336
Frank Davidson	R615 399
Iaan Van Heerden	R547 840
Rashid Wally	R1 132 896
Jacob Wiese	R539 245
Lance Sherrell	R339 435
Mpho Makwana	R1 019 133

# KING IV COMPLIANCE

Invicta applies the King IV Report on Corporate Governance for South Africa, 2016™ ("King IV") principles to ensure that the governance outcomes relating to an ethical culture, effective control, good performance, and legitimacy are firmly embedded within the Group.

The Board is of the opinion that the Group substantively complies with the governance principles contained in King IV and fully complies with all requirements of the Company's Memorandum of Incorporation, the Companies Act, 71 of 2008 (the "**Companies Act**"), and the JSE Listings Requirements. Details on the manner in which the King IV governance principles have been applied in the Group are provided below.

## KING IV APPLICATION STATEMENT

KING IV PRINCIPLE	APPLICATION OF RECOMMENDED PRACTICES
<b>Principle 1</b> The governing body should lead ethically and effectively	<p>The Board, as governing body, provide effective leadership based on an ethical foundation by cultivating characteristics of integrity, competence, fairness, transparency, accountability and exhibits them in their conduct. This forms the basis upon which the directors hold one another accountable for decision-making and ethical behaviour. The Board chairman oversees this on an ongoing basis. This responsibility is contained in the Board charter.</p> <p>The Board's role and responsibilities as set out in the Board charter include, amongst other things, ensuring that the Company's ethics are managed effectively. Pursuant thereto, directors are required to fulfil their fiduciary duties to the Company at all times, while considering and balancing the interests of the Group's various stakeholders. The directors are bound by the same gift policy and code of ethics applicable to all Group employees.</p> <p>Directors disclose their other business interests in terms of the Companies Act and the Board charter. The Group Company Secretary maintains a register of their interests and directors disclose at each meeting any interests they may have regarding agenda items, and recuse themselves as necessary.</p>
<b>Principle 2</b> The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture	<p>The Board, through the Social and Ethics Committee, is responsible for the monitoring and governance of the ethics of the Group.</p> <p>This is contained in the Social and Ethics Committee charter. The Social and Ethics Committee reports on an ongoing basis to the Board on the general state of the ethics within the Group.</p> <p>Management is responsible for the management of ethics operationally, including the implementation of applicable ethics policies and practices. The executive directors ensure that the focus on ethics and governance is lived operationally at every opportunity.</p> <p>There is no tolerance for unethical behaviour at any level in the Group and, every instance of possible unethical behaviour is investigated and dealt with in a consistent manner. A code of ethics is in place for staff and the messages are reiterated on an ongoing basis through electronic platforms.</p> <p>The Group has an anonymous 'whistle-blowing' service available to all its operations to promote an open and ethical culture throughout its operations. The Social and Ethics Committee receives a report of all whistle blowing monitoring.</p>
<b>Principle 3</b> The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen	<p>The Board oversees the Group's conduct in striving to become a good, global corporate citizen. In terms of the Board charter, it is the responsibility of the Board to ensure that it is and is seen to be a responsible citizen by having regard to not only the financial aspects of the Group, but also the impact that business operations have on the environment and communities in which they operate.</p> <p>To ensure effective oversight and monitoring, the Board delegates this responsibility to the Social and Ethics Committee, which reviews the Group's performance as a responsible corporate citizen as well as the impact of its operations and activities on the Group's status as a responsible corporate citizen.</p> <p>In the prior financial year, the Social and Ethics Committee adopted an "ESG Framework" which guides the Group's integration of social, environmental and governance considerations into the strategy and operations. This framework will, amongst other things, provide the Board with a standard against which to monitor Group's activities as a responsible social citizen. The Company continues to use the ESG Framework to monitor the Group's performance on social, environmental and governance considerations. The Group has set quantifiable ESG targets in respect of which the Group is committed to continually improve upon over time.</p>

## KING IV COMPLIANCE Cont.

KING IV PRINCIPLE	APPLICATION OF RECOMMENDED PRACTICES
<p><b>Principle 4</b></p> <p>The governing body should appreciate that the organisation's core purpose, its risk and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process</p>	<p>The Board recognises that the Group's strategy, risk, performance and sustainability are inseparable. This principle is enshrined in the Board charter. To give effect to this principle, the Board (i) satisfies itself that the strategy and business plans do not give rise to risks that have not been thoroughly assessed by management, (ii) identifies key performance and risk areas, (iii) ensures that the strategy results in sustainable outcomes and (iv) considers sustainability as a business opportunity that guides strategy formation.</p> <p>The Audit and Risk Committee assists the Board with the governance of risk by continuously monitoring risks and the implementation of various mitigating controls. Additionally, the Audit and Risk Committee and the Board review the risk assessment and ranking methodology.</p> <p>The Group strategy is developed by executive directors in consultation with the rest of the Board. The Group strategy is reviewed annually by the Board taking into account existing and new opportunities, related risks, the availability of capital and resources, sustainability, and stakeholder interests. Management is responsible for the implementation of the strategic plan and achievement of the performance targets contained therein. Any acquisitions, investments or disposals take place in terms of an approved Approvals Framework (delegation of authority).</p>
<p><b>Principle 5</b></p> <p>The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance, and its short, medium and long-term prospects</p>	<p>The Company's Integrated Annual Report provides an assessment of its performance in respect of the year under review. In addition, the Company issues unaudited interim results and audited consolidated financial statements for the year-end results. The publication of external reports, press releases and releases on the Stock Exchange News Services on the Company's website, enable stakeholders to make informed assessments of the Company's performance in the short, medium, and long term.</p> <p>The Board, through the Audit and Risk Committee, ensures that the necessary controls are in place to verify and safeguard the integrity of the Integrated Annual Report and any other disclosures. Reporting frameworks and materiality are approved by the Audit and Risk Committee to ensure compliance with legal requirements with regard to reporting. The Audit and Risk Committee oversees the integrated reporting process and reviews the audited financial statements.</p> <p>The Board expects the management team to continuously enhance its systems of internal control, and to provide assurance to the Board on the effectiveness of such controls. The Board, assisted by its Committees, oversees that the various reports are compliant with legal reporting requirements and meet the reasonable and legitimate needs of stakeholders. The Committee Chairmen provide feedback to the Board on relevant matters. The Chairmen of the Audit and Risk Committee and the Remuneration Committee report back to shareholders at each annual general meeting of the Company.</p>
<p><b>Principle 6</b></p> <p>The governing body should serve as the focal point and custodian of corporate governance in the organisation</p>	<p>The Board is the focal point and custodian of corporate governance within the Group. The Board charter, the Company's Memorandum of Incorporation, the requirements of the JSE Listings Requirements, Companies Act, and King IV, guide the Board in the execution of its role and responsibilities in an ethical manner and based on the principles of good corporate governance. The Board is supported by various sub-Committees which have a delegated responsibility to assist the Board in fulfilling specific functions. They are each governed by their own charter and provide a report to the Board at Board meetings.</p>



## KING IV COMPLIANCE Cont.

### KING IV PRINCIPLE

### APPLICATION OF RECOMMENDED PRACTICES

#### Principle 7

The governing body should comprise an appropriate balance of knowledge, skills, experience, diversity and independence, for it to discharge its governance role and responsibilities objectively and effectively

The Board's composition reflects a diversity of skills, experience, age and background which enable it to discharge its duties effectively and objectively.

The division of responsibilities of the Chairman and chief executive officer ("CEO") has been documented and approved by the Board to ensure a balance of power. There is a clear division between the role of the Chairman and the CEO, the latter being fully responsible and accountable for the operations of the Company, and whose role and function are formalised.

The Board charter and the respective Committee charters also ensure that a balance of power exists and that conflicts of interest are detected and managed appropriately. Declarations of interest are tabled at every Board and Committee meetings. The declaration of interests is also a formal item on the agenda at all Board and Committee meetings. Should a matter arise in which a director has an interest, the director is not permitted to vote and is required to recuse himself/herself from any meeting where the matter is discussed.

As at 31 March 2022, the Board comprised of five executive directors and seven non-executive directors, of whom three were independent. The resignation of Gavin Pelsner, an executive director, came into effect on 31 March 2023. Despite the number of independent non-executive remaining in the minority, given the diversity in knowledge, skills and experience, the Board is of the view that there was a balance of power and authority on the Board reflected in its discussions. As the chairman, Dr Christo Wiese is not considered to be independent as he is also a major shareholder in Invicta, Mr. Mpho Makwana is appointed as the lead independent non-executive director to take up the role of the chairman should there be a conflict.

#### Principle 8

The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement and assist with balance of power and the effective discharge of its duties

The Board and its sub-Committees comply with the requirements of King IV. There is a clear balance of power to ensure that no individual/s have undue decision making powers. A lead independent non-executive director has been appointed.

Committees have been established to assist the Board in discharging its responsibilities. The Committees of the Board comprise the Audit and Risk Committee, the Remuneration Committee, Nominations Committee, the Social and Ethics Committee and the Investment Committee.

The Audit and Risk Committee is satisfied that the auditor is independent and that the audit firm has been appointed with the designated audit partner having oversight of the audit.

The Chief Financial Officer oversees the finance function and is assisted by suitably qualified staff. An effective internal audit function is in place. An assessment of the effectiveness of the Chief Financial Officer's performance is conducted annually by the Audit and Risk Committee and confirmed in the Integrated Report.

As and when required, the Nomination Committee reviews the composition of Board Committees and makes recommendations to the Board with regard to their composition, including appointment of the chairman of each Committee, taking into account factors such as diversity and skills and the need to create an even spread of power and authority.

External advisors, executive directors and members of management attend Audit and Risk Committee meetings by invitation.

The Audit and Risk Committee and Social and Ethics Committee reports have been constituted in compliance with the recommended practices of King IV and both these Committees have issued more detailed reports in the Integrated Report.

#### Principle 9

The governing body should ensure that the evaluation of its own performance and that of its Committees, its chairman and its individual members, support continued improvement in its performance and effectiveness

The Audit and Risk Committee conducted an evaluation facilitated by the Institute of Directors of South Africa. An overall rating of "Good" was achieved based on the assessment of the following elements: (i) Committee composition; (ii) Committee roles and responsibilities (specific and general); (iii) interaction with management; and (iv) Committee meetings.

The Board values openness and transparency and directors are encouraged to raise any concerns regarding Board functioning as they arise. As the Board has recently appointed several new directors, a board evaluation will be considered once they have sufficient opportunity to observe the functioning of the Board and its Committees.

## KING IV COMPLIANCE Cont.

KING IV PRINCIPLE	APPLICATION OF RECOMMENDED PRACTICES
<b>Principle 10</b> The governing body should ensure that the appointment of, and delegation to management contributes to role clarity and the effective exercise of authority and responsibilities	<p>The Board is overall responsible for the Company and Group and delegates authority to the executive management to manage the day-to-day business and affairs of the Group. The CEO has a clearly defined role, and is assisted by the executive Committee under his leadership.</p> <p>The Board has approved and implemented the Approvals Framework (delegation of authority), which details the powers and matters reserved for itself and those delegated to management via the CEO, which is annually reviewed by the Board. The Board charter and the Company's Memorandum of Incorporation also address the Board's and executive management's responsibilities and powers.</p> <p>The Approvals Framework (delegation of authority), addresses all operational aspects of the business and details the levels of authority and required approvals for these aspects. The delegation of authority by the CEO to the members of the executive Committee ensures the delivery, implementation and management of the Group's strategy. The Board is satisfied that the Company is appropriately resourced and that its delegation to management contributes to an effective arrangement by which authority and responsibilities are exercised.</p>
<b>Principle 11</b> The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives	<p>The Board is ultimately responsible for ensuring that risks are managed effectively. The Board accepts that it is responsible for the governance of risk and has the ultimate responsibility for risk management as well as for developing the risk appetite and monitoring risk tolerance levels, assisted by the Audit and Risk Committee and management.</p> <p>The Audit and Risk Committee implements processes by which the risks to the sustainability of the Group are identified and managed within acceptable parameters. It regularly reviews the risk register and reports to the Board on the risk management principles in the Group.</p> <p>The Audit and Risk Committee delegates to management to continuously identify, assess, mitigate, and manage risks within the existing operating environment. Mitigating controls are in place to address these risks which are monitored on a continuous basis.</p>
<b>Principle 12</b> The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives	<p>The Board, through the Audit and Risk Committee, oversees the governance of information technology. The Audit and Risk Committee reconstituted the IT Steering Committee to assist it in overseeing IT governance. The IT Steering Committee meets quarterly and reports at each Audit and Risk Committee meeting.</p> <p>The Board is aware of the importance of technology and information in relation to the Company's strategy. The executive Committee manages related risks which it reports to the Audit and Risk Committee.</p>
<b>Principle 13</b> The governing body should govern compliance with applicable laws and adopt non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen.	<p>The Board is ultimately responsible for the governance of compliance with applicable laws and has adopted non-binding rules, codes, and standards in this regard. Compliance with laws, rules, regulations and relevant codes is integral to the Company's risk management process. The Audit and Risk Committee assumes oversight of the compliance function within the Group and is assisted by the Group Company Secretary, to monitor compliance with the various regulations to which the Company is subject to. Assessments of legal compliance are regularly undertaken by independent legal experts in key areas of the business, in order to provide additional assurance.</p> <p>Directors are required to fulfil their fiduciary duties to the Company at all times, while considering and balancing the interests of the Group's various stakeholders. The directors are bound by the same gift policy and code of ethics applicable to all Group employees.</p> <p>The Board's share dealing policy reinforces the requirements of the Financial Markets Act and the JSE Listings Requirements.</p>

## KING IV COMPLIANCE Cont.

KING IV PRINCIPLE	APPLICATION OF RECOMMENDED PRACTICES
<b>Principle 14</b> The governing body should ensure that the organisation remunerates fairly, responsibly and transparently, so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term	<p>The Company is committed to remunerate fairly, responsibly and transparently to achieve the strategic objectives of the Company in the short, medium and long-term. The Remuneration Committee, on behalf of the Board, annually reviews the Remuneration Policy and Implementation Report, which are approved by the Board and tabled at the annual general meeting for a non-binding shareholder advisory vote. This helps to ensure that shareholders are able to express their views on the implementation of the Company's remuneration policy. The Remuneration Policy and Implementation Report are published online as a part of the FY2023 Remuneration Report.</p> <p>Should 25% or more of the votes exercised in respect of the Remuneration Policy and Implementation Report be against either resolution, the Company will issue an invitation to the dissenting shareholders to engage with the Company.</p>
<b>Principle 15</b> The governing body should ensure that assurance services and functions enable an effective control environment and, that these support the integrity of information for internal decision-making and of the organisation's external reports	<p>The Board has delegated the oversight of the internal audit to the Audit and Risk Committee. The Audit and Risk Committee's charter provides for internal and external audit responsibilities, which are in line with good practice and the principles of combined assurance and is responsible for ensuring that the Group's internal audit function is independent and has the necessary resources, standing and authority in the organisation to discharge its duties.</p>
<b>Principle 16</b> In the execution of its governance role and responsibilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders with the best interests of the organisation over time	<p>The Company is committed to a stakeholder inclusive approach that balances the needs, interests and expectations of material stakeholders with the best interests of the organisation.</p>
<b>Principle 17</b> The governing body of an institutional investor organisation should ensure that responsible investment is practiced by the organisation to promote good governance and the creation of value by the companies in which it invests	<p>The Company is not an institutional investor and the principle is therefore not applicable.</p>