

Our efforts aim to ensure the meaningful participation of black South Africans in our businesses, supply chains and communities.

Transformation is an integral part of any South African business and to maintain our corporate citizenship credentials we look for ways that meaningfully contribute to the country's socioeconomic development and national imperatives. At the same time, our broad-based black economic empowerment (B-BBEE) scorecard rating directly impacts our status as a preferred supplier at airports and for insurance companies, and our ability to gain access to fleet and government business.

In line with the amended B-BBEE Act, we are moving to a B-BBEE scorecard for Motus, which will be published in September 2019 and verified annually thereafter.

During the year, we established a consolidated Motus B-BBEE committee and conducted a comprehensive gap analysis per division to identify shortfalls within the B-BBEE scorecard elements. Gaps are mostly in the enterprise and supplier development pillar. We also engaged with businesses to understand their transformation challenges and drive better understanding around the B-BBEE scorecard. Going forward, each division will submit a plan on how it intends to increase its scorecard performance and this will be monitored monthly to enable timeous corrective action.

Link to material issues

- › Remain the strategic partner of choice.
- › Become an employer of choice in the automotive industry.
- › Demonstrate governance best practice.

Opportunity

Enhanced competitiveness gained from meeting B-BBEE scorecard targets and ratings.

Risks and challenges

- › Ability to align the importer business model to certain components of the amended Department of Trade and Industry's Broad-Based Black Economic Empowerment Codes of Good Practice (dti Codes).

Boundary

All Motus entities in South Africa.

Strategic objective

Achieve acceptable B-BBEE scorecard rating

Areas of focus

Transformation governance	Ownership	Employment equity and skills development	Supplier and enterprise development	Socioeconomic development
<p>Priorities</p> <ul style="list-style-type: none"> › Motus B-BBEE committee in place. › Embed standardised B-BBEE reporting processes across Motus. › All chief executive officers and managing directors accountable for B-BBEE performance in their areas of operation. › Quarterly dashboards outlining B-BBEE performance provided to the Motus board. › B-BBEE scorecards in place for individual businesses that need a B-BBEE rating to participate in their markets. › Independent verification of all B-BBEE scorecards annually. 	<p>Priorities</p> <ul style="list-style-type: none"> › Selectively enter into joint ventures with black partners to defend competitiveness in certain market segments. 	<p>Priorities</p> <ul style="list-style-type: none"> › Clear initiatives to meet employment equity targets and skills development (see <i>culture and transformation and driving a more inclusive workforce in South Africa</i>). 	<p>Priorities</p> <ul style="list-style-type: none"> › Supplier and enterprise development initiatives ranging from the outsourcing of dealership wash bays to training, mentoring and financial assistance. 	<p>Priorities</p> <ul style="list-style-type: none"> › Corporate social investment (CSI) programmes that support basic education, youth development and road safety (see <i>raising public awareness around road safety</i>). › Contribution from individual businesses based on their capacity to support projects and the specific needs of their local communities.

Entering strategic joint venture partnerships

In October 2016, we launched 58 Fleet Proprietary Limited and in 2017 we partnered with the Southern Palace Group of Companies, a black-owned investment company which capitalised 51% of the fleet management business. The strategic B-BBEE partnership has contributed to our supply of black talent and the 51% black ownership has positioned the business as a Level 2 exempted micro-enterprise, giving us a competitive footing in the fleet management sector.

In addition, Aftermarket Parts is in negotiations to create a B-BBEE company structure, which will acquire selected franchise stores when the existing franchisees wish to sell.

Increasing our contribution to supplier and enterprise development

The amended dti Codes set a minimum requirement of 40% for the enterprise and supplier development pillar, which includes preferential procurement from local black suppliers. This is particularly demanding for Motus as a large portion of our procurement is with international original equipment manufacturers (OEMs) with whom we have stringent distribution and franchise agreements. It is also difficult for us to change local suppliers in the short term as not many small suppliers have the capacity to meet our product specifications and accreditation requirements or to support our geographic dealership footprint.

Understanding our supply chain

To develop a formal approach to supplier and enterprise development across all divisions requires an indepth review of our supply chain. During the year, systems were put in place to profile our suppliers and keep track of their information and B-BBEE ratings. We also analysed and defined controllable versus non-controllable spend. Within the controllable spend category, we will increase our efforts to direct spend to preferential suppliers and will encourage our existing suppliers to improve their B-BBEE ratings within a set timeframe.

Government engagement

During the year, we engaged with the dti and National Treasury on the contribution of all importers in South Africa (excluding local OEMs) to the economy. The engagement included an independent impact study setting out the contribution of vehicle importers to the fiscus and employment. This was driven by the fact that vehicle importers are excluded from participating in National Treasury's vehicle tender process, and that 30% of the tender value must support small and medium enterprises (SMEs) and qualifying small enterprises (QSEs).

Our engagements were positive and the Director General of the dti requested the convening of a committee comprising representatives from importer businesses and other stakeholders, including representatives from our training academy, the dti, National Treasury, the Department of Economic Development and the Young Business Women Network, among others. At the first committee meeting held in June 2018, it was decided to support government's plans to revitalise township economies by partnering with a selected municipality and black entrepreneurs to create vehicle workshops and provide them with business development support and access to markets. The vision is to create a Motocity hub.

We aim to set up 10 micro-enterprises with workshop infrastructure and working capital and upskill them based on our experience. Success will be measured by the ability of these enterprises to access procurement opportunities within Motus and become self-sufficient sustainable businesses within two to three years. The enterprises will be closely monitored and will be required to submit regular business review reports.

Jobs multiplier

A multiplier effect of seven¹

means that for each of the 15 000 people employed by vehicle importers in South Africa, seven other jobs are indirectly created in the economy.

¹Per Econometrix study and calculated on 2016 data.

Hyundai SA

In the next financial year, Hyundai will start a two-year programme for small black suppliers with the potential to integrate into its supply chain. The programme will focus on promoting business growth and gearing each business to become an active supplier to the importer. Hyundai is currently screening potential candidates. Once selected, the businesses will each undergo a gap analysis and results will be used to formulate individual business development plans. In addition to ongoing mentoring, workshops will be held on various topics, including financial management, sales and marketing, digital literacy, compliance, costing and pricing.

Supporting basic education and youth development

Imperial and Ukhamba Community Development Trust

In partnership with the National Department of Basic Education, the Imperial and Ukhamba Community Development Trust (the Trust) advances education by investing in fully resourced libraries for public schools primarily in underprivileged communities south of Johannesburg. The schools selected for advancement are recommended by the department, and must have committed educators, a supportive school governing body and suitable premises which can be rehabilitated for use as libraries. Our investment extends to renovating the school premises into a library and stocking the library with books, interactive boards, computers and access to the internet and multimedia.

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

Library assistants are sourced from the local community and are unemployed people who have completed matric. Two qualified and experienced teachers employed by the Trust train the library assistants whose performance is constantly monitored. Where feasible, the Trust also provides financial support to its library assistants studying education through correspondence.

To ensure the sustainability of the initiative and build on the foundation set by the programme, the teachers at our chosen schools are upskilled to use the libraries and equipment.

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

Progress made over the past two years to mature the Trust's processes include ensuring the correct level of oversight, a standard operating manual for librarians, standardised testing (co-developed with the University of Pretoria) to assess the outcomes of the initiative and 'readathons' and spelling bees.

The Trust

R7 million invested by Motus

to support operating costs and specific projects including sponsorship of specific libraries, Grade R classroom upgrades and special events.

Since the Trust's inception in 2003, the Imperial Holdings group has invested around R100 million in the initiative.

Impact of the Trust's work

32 school libraries reach over 34 000 learners and assist 1 274 teachers

(2017: 27 school libraries, reaching over 29 000 learners and assisting around 1 000 teachers).

Jobs created by the Trust

78 people employed.

(2017: 70 people employed)

Next generation scholarship programme

53 students supported during the year,

at a cost of R2,3 million.

60% of the students are black and 55% are women.

Next generation scholarship programme

The next generation scholarship programme provides bursaries to the children and legal dependants of employees in South Africa that have worked for Imperial for more than five years and who earn less than R600 000 a year. Applicants must be in their second year of study or higher at a South African university registered with the Department of Higher Education.

Bursaries cover the students' full tuition costs and provide an annual stipend of R12 000 for books and sundry expenses. Bursaries are automatically renewed until the student has completed their qualification and provided that they have passed all the subjects they are registered for in a given year. There is no limit on the number of children supported per employee. The programme will end in 2019, meaning that new students will not be accepted onto the programme, however, current students will continue to be supported for as long as they meet the bursary requirements.

Accelerating transformation in South Africa – continued

Key data

	2018	2017	2016
Motus board composition			
Black women	1	1	Not applicable
Black men	2	3	
White women	1	1	
White men	3	5	
Black representation			
Top management (%)	25✓	17	
Senior management (%)	32✓	21	
Enterprise development			
Enterprise development spend (Rm)	41 ¹ ✓	37	32
Socioeconomic development			
Qualifying socioeconomic spend on the B-BBEE scorecard (Rm)	11,8 ² ✓		
Total CSI spend (Rm)	16,4✓ *	7,9	
Imperial and Ukhamba Community Development Trust			
Number of libraries	32	27	
Learners reached	Over 34 000	Over 29 000	
Teachers reached	Over 1 200	Over 1 000	
Jobs created	78	70	

¹ Scored 11,43 out of 15 points on the B-BBEE scorecard, not meeting the target of 3% of net profit after tax.

² Scored 3,47 out of five points on the B-BBEE scorecard, not meeting the target of 1% of net profit after tax.

✓ Satisfied with performance.^o

* Assured (see the independent limited assurance report in the 2018 integrated annual report).