

# TRANSFORMATION REPORT

Transformation and empowerment remain important areas of sustainability in the South African business environment.

The broad-based black economic empowerment (BBBEE) regulations promulgated in 2016, read with the BBBEE Act, now place a mandatory obligation on all companies listed on the JSE Limited (JSE) to submit a compliance report to the BBBEE Commission annually.

The compliance report must detail the state of compliance with the BBBEE elements as set out in the Codes and how each element contributes to the outcome of the scorecard in terms of the Codes. The JSE Listings Requirements has been amended to make the disclosure of this annual compliance report on the website of the issuer mandatory and Holdspport complies with this requirement.

The group's first BBBEE score of 10.99 is at a level rated "non-compliant contributor". This report explains the group's performance against the elements of the BBBEE scorecard and identifies the unique structural challenges it faces to improve on this score.

## OWNERSHIP

Holdspport was owned by three private equity partners in the decade before its listing in 2011, when Ethos Private Equity sold a large proportion of its shares predominantly to financial institutions. The group does not have specific black ownership structures and nearly three-quarters of our shares are held by financial institutions, with the balance held by individual shareholders including founding management. While the institutional shareholding may have many black beneficiaries on a see-through basis, the cost of establishing the exact extent of this is high and Holdspport elected not to review this, resulting in a nil score for this element of BBBEE.

## MANAGEMENT CONTROL

Holdspport is making good progress to attract and retain senior black talent and this remains a focus, with the progress at senior level setting a promising base for the future.

- Black, coloured and Indian staff represented 30.1% of senior and top management (2016: 30.3%).
- Women accounted for 22.6% (2016: 25.0%) of senior and top management (excluding non-executive directors).
- 28.6% of directors are black and 14.3% women (the same as for 2016).

Transformation is managed within a governance framework which includes the board transformation committee and the employment equity committee in which the CEO, CFO and the group human resources officer participate with a number of employee representatives.

The group continues to create an increasingly diverse workforce through the empowerment of women and the advancement of previously disadvantaged people, who now make up 86.0% of our workforce compared to 79.8% in 2011.

The following statistics further demonstrate the diversity of employees:

- Black staff represents 49.5% (2016: 52.5%) of the total workforce.
- Women comprise 54.9% (2016: 51.9%) of all employees.

Holdspport has an employment equity plan for 2016 to 2018 to guide the implementation of the group's transformation strategy, which is aligned to the Department of Trade and Industry's (DTI) codes of good practice.

## SKILLS DEVELOPMENT

A total of 1 011 employees (2016: 797) participated in learning and development programmes, and the group's employees completed 2 763 unique training incidences (2016: 2 156).

The group spent R1.20 million (2016: R0.85 million) on learning and development, which equates to 0.54% (2016: 0.42%) of the basic payroll.

Learning and development programmes were mainly focused on investing in developing product knowledge, management development and industrial relations, and are predominantly presented to employees using internally developed training material. We have extensive training courses and valuable on-the-job training. While these courses are not formally accredited they nonetheless result in the development of the excellent staff we employ and benefit large numbers of staff, most of whom are black.

## ENTERPRISE SUPPLIER DEVELOPMENT

The Wholesale Division works closely with a number of CMT manufacturers which qualify in this category. While we do not have a formal enterprise development programme we are progressively using local suppliers. This was facilitated by two brands we have recently acquired. Both African Nature and Second Skins have local manufacturing facilities and we plan to improve these in the future.

The group's procurement practices are dependent on the vendors of the branded merchandise that it sells, many of whom are foreign entities and/or large internationally-owned brands. We verified the BBBEE scores of suppliers of non-merchandise services and products, and there are very limited preferential procurement options available to us to meaningfully improve this score.

## SOCIO-ECONOMIC DEVELOPMENT

The group actively supports various social and sporting events organised by clubs and schools in the communities within which it operates. It is difficult to measure the racial beneficiaries of our community involvement and accordingly our score for this element is nil.