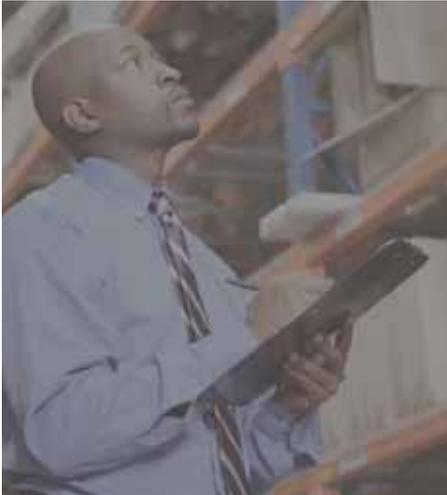


adcorp

Connecting Potential

Integrated annual report 2021



Contents

INTRODUCTION

- 01 About this report
- 04 FY2021 salient features
- 05 Chairman's report

ADCORP IN A SNAPSHOT

- 06 Who we are
- 08 Our global footprint
- 10 Our market in context
- 14 Our response to COVID-19

OUR STRATEGY

- 15 Our value creating business model
- 16 Objectives and strategy

OUR IMPACT

- 21 Our impact
- 22 Stakeholder engagement
- 23 Our people
- 28 Health and safety
- 29 Our communities
- 33 Environmental

OUR PERFORMANCE

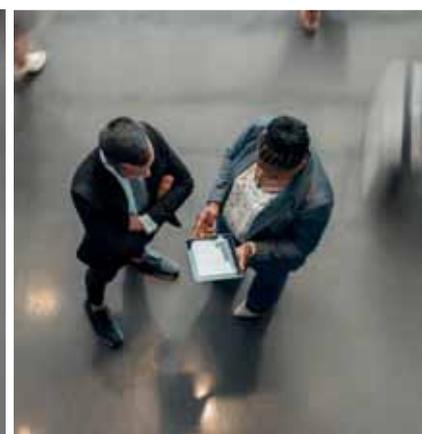
- 34 Chief Executive Officer's report
- 36 A word from our new CEO
- 37 Operational overviews
- 39 Chief Financial Officer's report

ACCOUNTABILITY

- 44 Board of directors
- 46 Executive management
- 47 Ethical leadership
- 48 Governance report
- 54 Risk management
- 60 Remuneration report
- 69 Social, ethics and transformation committee report
- 72 Audit and risk committee report

SHAREHOLDER INFORMATION

- 75 Shareholder analysis
- 78 Notice of annual general meeting
- 83 Form of proxy
- 84 Explanatory notes regarding proxy
- 85 Definitions
- IBC Corporate information



About this report

Adcorp is a workforce solutions company listed on the JSE with operations in South Africa and Australia (see page 06).

Reporting scope and boundary

This is Adcorp’s 11th integrated report and provides information relating to the strategy, business model, operating context, material issues, risks, opportunities, governance and operational performance of the Adcorp Group for the period 1 March 2020 to 28 February 2021. It covers the South African and the Australian operations and follows our report of the previous year published in July 2020.

Approach to reporting

The aim of our reporting is to provide our stakeholders with information that we have identified as being of material interest and to provide information needed to make an informed assessment about the Adcorp Group’s ability to create value over the short, medium and long term.

In compiling the report, we were guided by international and South African reporting guidelines and best practices, the JSE Listings Requirements, International Financial Reporting Standards (IFRS), South African Institute of Chartered Accountants (SAICA) Financial Reporting Guides as issued by the Accounting Practices Committee, King IV™* and the International Integrated Reporting Framework issued in December 2013 (<IR> framework). The sustainability information has been compiled with cognisance to the Global Reporting Index (GRI) standards.

Adcorp recognises that integrated reporting is a journey and the group is committed to moving towards a more integrated approach to reporting by making incremental improvements on a year-on-year basis.

We summarise our value creation as follows:



The financial statements are presented in ZAR, which is considered to be the group’s reporting currency and can be found on our website <https://www.adcorpgroup.com/wp-content/uploads/2021/05/Consolidated-Adcorp-Annual-Financial-Statements-FY2021.pdf>.

Navigation in this report

For ease of reference and further reading, the following icons are used in the report:



Further reference in the report



Area of compliance with King IV Report on Corporate Governance™*

Feedback

A hard copy of this integrated report is available on request and online at <https://www.adcorpgroup.com/wp-content/uploads/2021/06/Integrated-Annual-Report-2021.pdf>.

We are committed to improving this report year on year. Therefore, we appreciate and encourage constructive feedback. Please forward comments to: ir@singular.co.za

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Approach to materiality

The aim of this report is to provide information on matters that have a material bearing on Adcorp's ability to create value. These matters are of interest to current and prospective investors and other stakeholders who wish to make an informed assessment of the group's ability to deliver value over the short, medium and long term. Material matters were established through external

engagement with investors and other stakeholders as well as internal engagement with our South African and Australian employees.

The COVID-19 pandemic had a material effect on the business. The impact thereof and our response are covered in detail on page 14. 

Six capitals

In line with the International Integrated Reporting Council's concept of reporting in terms of the six capitals that impact value creation and contraction in a business, the group's activities and performance relating to the capitals below are covered throughout the report, as indicated.

Capital	Description	Reference in report
Financial capital	Financial resources deployed by a company	<ul style="list-style-type: none"> • Business model; • Objectives and strategy; • Chief Financial Officer's (CFO) report; and • Annual financial statements.
Intellectual capital	Organisational knowledge, systems, protocols, expertise	<ul style="list-style-type: none"> • Business model; • Objectives and strategy; and • Our people.
Human capital	Competency, capability and experience of the board, management and employees	<ul style="list-style-type: none"> • Chief Executive Officer's (CEO) report; • Our people; and • Stakeholder engagement.
Social and relationship capital	Relationship and engagement with broader society and communities impacted by the company	<ul style="list-style-type: none"> • Chairman's report; • CEO's report; • Ethical leadership; • Our impacts; • Social, ethics and transformation committee report; and • Stakeholder engagement.
Natural capital	Company's use of natural resources	<ul style="list-style-type: none"> • Our impacts; and • Environmental report.
Manufactured capital	Physical infrastructure used	<ul style="list-style-type: none"> • Business model; and • Objectives and strategy.

Assurance

As per King IV™, a combined assurance model assists the board in assessing the effectiveness of the internal control environment and enables the board to assess the integrity of the information used for reporting and decision-making.

Adcorp's combined assurance framework ensures the integration, coordination and alignment of risk management and assurance processes. Overseen by the audit and risk committee, the framework enables an effective control environment and supports the integrity of information used for decision-making by leadership.

A company is able to exercise its judgement with regard to whether the integrated annual report should be assured by an external assurance provider. As a combined assurance model is in place, the standards and principles overleaf were assessed by an external assurance provider where required.

Business process Standards/codes/principles/guidelines	Level of application/compliance in our reporting	Assurance provider
International Financial Reporting Standards (IFRS)	Complied with	Deloitte & Touche
International Integrated Reporting Council's (IIRC)	Guided by its principles	No external assurance
King Code on Corporate Governance 2016™ (King IV™)	Applied and application reported on https://www.adcorpgroup.com/wp-content/uploads/2021/06/CorporateGovernanceRegister2021.pdf	No external assurance
JSE Listings Requirements	Complied with	JSE sponsor
Companies Act 71 of 2008	Complied with	Deloitte & Touche, with respect to audit requirements
Principles of United Nations Global Compact	Applied	No external assurance
Labour Relations Act 66 of 1995 (LRA)	Complied with	No external assurance
Internal audit	Complied with	Ernst & Young
Broad-Based Black Economic Empowerment (B-BBEE) Amended Codes of Good Practice scorecard	Level 1 https://www.adcorpgroup.com/wp-content/uploads/2021/06/CorporateGovernanceRegister2021.pdf	BEE Online

Board approval

The Adcorp board assumes responsibility for the integrity of this integrated annual report.

The board has critically assessed and satisfied itself as to the assurance obtained from Adcorp's combined assurance model, which enables an effective internal control environment that supports the integrity of information used for decision-making and reporting by the board, the board committees and management.

The board also considered materiality for the purposes of the integrated annual report and the effect that the presence or absence of an item of information might have on the accuracy or validity of a statement in the integrated annual report, or a decision by stakeholders.

The overall objective with this integrated annual report is to provide information that could materially impact Adcorp's ability to create value in the short, medium and long term. The board is of the view that, to the best of its knowledge and belief, the integrated reporting addresses matters material to our

stakeholders' decision-making and provides a balanced view by explaining how Adcorp expects to create value over time, taking into consideration the group's impact on its stakeholders and the environment in which it operates.

The board unanimously approved the integrated annual report for FY2021 on 25 June 2021.

GT Serobe (Chairman)	M Nkosi
J Wentzel ³ (CEO)	H Singh
N Prendergast ¹ (CFO)	S Sithole
M Lubega	C Smith
P Mnganga	M Spicer
C Maswanganyi	R Van Dijk
T Mokgabudi ²	

¹ Noel Prendergast appointed as interim CFO with effect from 1 July 2020 and permanent CFO from 21 October 2020.

² Tshidi Mokgabudi appointed as an independent non-executive director with effect from 15 October 2020.

³ Dr John Wentzel appointed as the new CEO, with effect from 1 April 2021.

Forward-looking statements

Certain statements in this report may constitute forward-looking statements relating to the Adcorp Group that are based on the beliefs, assumptions and information currently available to the board.

These forward-looking statements are, by their nature, subject to significant risks and uncertainties and include, without limitation, statements relating to the group's business prospects, future developments, trends and conditions in the industry and geographical markets in which Adcorp operates. The forward-looking statements may also contain objectives, overall market trends, strategies, ability to control costs, statements relating to operations and risk management.

All forward-looking statements have not been reviewed or reported on by the Adcorp Group's external auditors.

FY2021 salient features

Revenue from continuing operations decreased by **9,3%** to **R11,7 billion** (2020: R12,9 billion)*

Operating profit from continuing operations before finance income and finance costs increased by **124,4%** to **R118 million** (2020: R486 million loss)*

Cash generated by operations increased by **337,3%** to **R914 million** (2020: R209 million)*

Unrestricted cash and cash equivalents from continuing operations increased to **R407 million** (2020: R314 million)

Interest-bearing debt, excluding leases, reduced to **R456 million** (2020: R1,002 million)

Net debt position improved to **R49 million** (2020: R688 million)**

Total earnings per share increased to **35,6 cents** per share (2020: 561,6 cents loss per share)*

Total headline earnings per share increased to **34,2 cents** per share (2020: 17,2 cents loss per share)*

B-BBEE transaction successfully completed with Adcorp Workforce Solutions achieving **Level 1 rating**

* Restated.

** Net debt defined as interest-bearing debt excluding leases less unrestricted cash and cash equivalents from continuing operations.

Chairman's report

“Whenever you see a successful business, someone once made a courageous decision” – Peter Drucker.

Faced with an existential crisis brought about by COVID-19, this deepened the already systemic challenges facing the Adcorp Group. There was no room for pontification, however, the importance of every employee understanding the depth and breadth of the challenge was crucial. The intervention by the board COVID-19 sub-committee and the immediate appointment of a new CEO could not have been more timely. The organisation was in survival mode and on the brink of serious liquidity challenges and the value of a pragmatic response, leadership alignment and cultural transformation was required. A series of value drivers were outlined and acted upon with urgency, producing the desired response.

Corporate management has no monopoly on wisdom. The marketplace is not a chessboard with known players facing off against one another. To manage the speed of change, organisations have to adapt and adopt a relevant business model and design.

We are therefore forced to factor, *inter alia*, the following developments into our thinking:

- A severely contracting economy;
- Weak consumer demand;
- The impact of a sustained COVID-19 pandemic;
- Cost and margin pressure;
- Political and workforce instability;
- Warp-speed changes in technological developments; and
- New ways of working.

I am pleased to advise that the organisation has made significant progress in many areas, most importantly an exponential improvement in cash generation and consequent reduction in net debt. This provides great comfort knowing what can be achieved in the absence of a crisis! While the business is poised for growth

with a sustainable business model, we are mindful of the protracted nature of the effects of COVID-19 on not only our business, but that of our clients. We need to compete and innovate effectively to sustain our leadership position within the workforce solutions industry.

The board is proud of how our Australian management team sustained a stellar performance under equally difficult conditions.

Sustainability

The new environment we find ourselves in portends greater risk on a broad front for most organisations. The board will endeavour to ensure that stringent practices are in place to pre-empt and mitigate these risks as far as possible. Leadership discontinuity has been a significant performance inhibitor. I am particularly grateful to our former CEO Phil Roux, who joined us just in time for COVID-19. Facing the difficult business situation we were in, coupled with this unnatural pandemic and unusual business circumstances, meant he had to do the most extraordinary things to turn the business around. It is miraculous that he could do so under those difficult circumstances and conditions. The company has been stabilised, positioned for growth and transformed for the better. As we welcome Dr John Wentzel as our new CEO, it is comforting to be able to say he joins a company now on its way to recovery and positioned for growth.

John joins Adcorp from Tsebo Solutions Group. With many years of experience within our industry, we have no doubt that he will make an invaluable contribution and bring further stability to the company.

Notably, we achieved a Level 1 B-BBEE rating this year, which greatly enhances our competitiveness in South Africa.

Governance

We consider sound corporate governance practices as a critical driver for sustainable growth and ensure that we adhere to best practice corporate governance principles, as well as apply the recommendations of King IV™. Details of our approach to governance is set out on page 48.

Outlook

Adcorp is well positioned to fully express its vision of being “the leading workforce solutions partner in the select markets it serves in connecting and advancing human potential”. It has not only weathered the worst storm possible, but it has also used adversity in its favour. It will emerge from this challenging period as a far more resilient organisation, ready to make progressive strides going forward. Balance sheet strength remains a priority and will remain a critical focus. That said, profitable top line growth is what will make for a sustainable investment stock. The board has confidence in the management team to fully capitalise on recent learnings as they usher in the future direction of Adcorp. Never will we take for granted the enormous responsibility we have to our employees, clients and society at large.

Appreciation

I would like to sincerely thank the board of directors who gave considerable support to the executives during a challenging year, at times more than is expected of any board member. Our employees too have had to make great sacrifices in challenging times, for which the leadership of Adcorp is extremely appreciative.

Gloria Serobe
Chairman

29 June 2021



Who we are

The Adcorp Group is a workforce solutions provider that seeks to connect and develop human potential to shape markets, economies and our shared future. Adcorp and its constituent brands are represented within South Africa and Australia, employing in excess of 1 900 permanent staff, assigning more than 48 000 contingent staff daily and training multiple learners through a vast spectrum of disciplines.

Our vision is to be the leading workforce solutions partner in the markets we serve, connecting and advancing human potential. We research, search, place, develop, train and manage people in multiple work type models ensuring relevance, productivity and optimal efficiency.

Our workforce



Our beneficiaries



Operating segments and group brands



Industrial



Professional



Training

South Africa

BLU.

A leading industrial temporary employment service, offering compliant fixed term employee contracting, governed by human resources (HR) and employee relations (ER) excellence. Strong segmental focus within the fast-moving consumer goods (FMCG), manufacturing and logistics industries. Labour flexibility and variable cost management resulting in significant cost arbitrage.

PARACON

A leading IT personnel resourcing and project management brand that sources high-end IT contractors from multiple IT disciplines for clients on either a contracting or permanent placement basis. We focus on business transformation and strategy delivery.

PMI

Previously known as the Production Management Institute, the core value proposition is that of recorded progression training for employees from entry level short courses to a higher degree in production management. All training can be delivered in a classroom or digital environment.

TORQUE IT

A leader in the IT software training industry (in excess of 300 technologies) and South Africa's largest trainer of the Microsoft product suite. Nationally represented and capable of delivering large and small group interventions, as well as virtual instructor-led training. Current hot topics include cloud, RPA and cybersecurity training.

BLU.CYNERGY

A niched construction, energy, engineering and mining temporary employment service, supplying artisans and semi-skilled staff into these sectors. Proficient in concluding large projects inclusive of maintenance. An ISO registered company with a significant focus on health and safety.

ADfusion CO-STARS.

An entire and/or functional warehouse processing management solution, offering end-to-end management and control of all functional warehousing departments and their staffing contingent within a client's infrastructure and warehouse systems. Exercises absolute management and control of its own employee base. Risk and reward commercial models unlocking enhanced efficiencies and contractual benefits.

CHARISMA!

Primarily a niche nursing, medical staffing and sundry medical services provider to the private healthcare sector. Additional services include medical-wellness screening and medical-fitness assessments.

funxion

An end-to-end outcomes-based solution provider offering effective non-core process outsourcing on total management control principles. Heavily invested in productivity and process efficiencies. Exercises absolute management and control of its own employee base. Risk and reward commercial models unlocking enhanced efficiencies and contractual benefits.

CAPability

A fully fledged and registered industrial and office cleaning company servicing existing Adcorp and external clients. As an adjacency business it leverages the efficiencies embedded in Adcorp's national infrastructure. Unique embedded disability solution in partnership with I Can!.

talentCRU

A talent acquisition and management company offering embedded recruitment process outsourcing (RPO) solutions for permanent recruitment and managed service provider (MSP) solutions for external workforces.

Technical Training

Evolved through the acquisition of the Goldfields Training Centre, Adcorp Technical Training provides artisan training and upskilling through multiple technical disciplines in a state-of-the-art technical training facility.



I Can!

South Africa's leading training solution for people with disabilities. Passionate about this community of people, I Can! offers a comprehensive end-to-end service ensuring absolute empathy in the provision of its services and delivers peace of mind for this critical component of corporate South Africa's workforce.

KELLY Quest

Brands that are synonymous with the placement of quality front and back-office temporary professionals across multiple industries. Sound corporate governance underpins our service delivery, as well as efficient rapid talent deployment of staff.

Australia

talentCRU

A talent acquisition and management company offering embedded recruitment process outsourcing (RPO) solutions for permanent recruitment and managed service provider (MSP) solutions for external workforces.

paxus

A leading IT personnel resourcing brand that sources high-end IT contractors, from multiple disciplines, for its clients.

Labour Solutions Australia

A workforce management, labour hire solutions provider with a national network throughout Australia primarily in food processing, transport and logistics, trade and construction and agricultural sectors.

allaboutXpert

A provider of end-to-end project management solutions and full-service project delivery teams that fit and enhance business and project environments of clients.

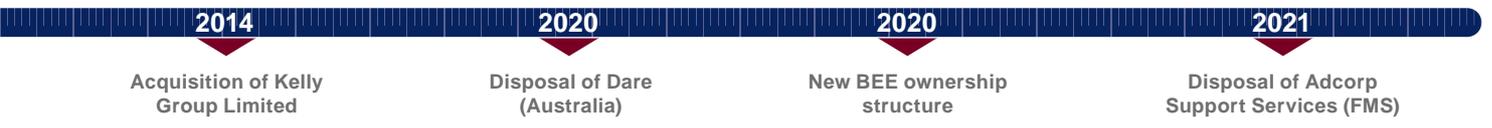
Our global footprint

The Adcorp Group of companies operates throughout South Africa and Australia.



Our timeline





Our market in context

FY2021 was filled with uncertainty, primarily due to the COVID-19 pandemic, which had a significant effect on the global economy. Adjusting to the demanding circumstances and limiting economic climate was essential for some form of growth.

Governments worldwide have increased health spending, introduced restrictions on economic activity to limit the spread of the virus, and taken steps to alleviate the effects of lockdowns on households and businesses in response to the pandemic. Authorities have prioritised income support and wage subsidies for workers, alongside tax relief, lower interest rates and favourable loan schemes to support businesses.

South Africa

South Africa's economic activity was halted in the first half of the year due to the pandemic. Some form of recovery in terms of the country's GDP growth rate was realised as the economy grew by an annualised 6.3% in the fourth quarter of 2020, largely due to the further easing of lockdown restrictions.

With more people entering the labour market, South Africa's unemployment rate rose to 32.5% in the fourth quarter of 2020 from 30.8% in the previous period. This was the highest unemployment rate since 2008.

Australia

The recovery in the domestic economy has been sustained over recent months, supported by better health outcomes and a further expansion in monetary and fiscal policy in the second half of 2020 calendar year. In the baseline scenario, forecasts for GDP and employment growth have been upgraded, largely reflecting a stronger starting point for forecasts.

As a result, GDP and employment are expected to reach their pre-pandemic levels over the course of 2021, about six to 12 months earlier than previously expected. The unemployment rate is likely to have already peaked and is now expected to decline steadily to around 5% by mid-2023.

Although these are materially better outcomes than previously expected, the level of GDP is still expected to remain below forecasts. This partly reflects a smaller population; in per capita terms, the shortfall in GDP is less pronounced but still material.

Labour market overview

COVID-19 remains the dominant market trend. The interplay between the health crisis and the economic crisis is likely to serve up further anomalies and unexpected outcomes before the crisis is over. Regardless of the challenges that still remain in the first half of the year, a global economic recovery should start to become more fully established sometime after mid-2021.

The pandemic has left businesses and societies shaken with many established certainties and securities no longer reflecting as such. Values once placed on different types of work such as health and care roles, for instance, have shifted along with the perceptions on what might constitute a secure path.

Many that left education during 2019 will have seen their immediate career prospects suspended during a locked-down employment market. Youth unemployment will remain a significant challenge throughout 2021 as recent graduates enter the market during the first quarter. This could result in staffing firms having a number of potential candidates for the job market but not enough candidates with the right skills.

In an effort to adjust to the pandemic and abide by the respective lockdown restrictions, businesses needed to facilitate remote working for staff while ensuring service delivery.

Automation is a trend that was well-established before 2020 and for staffing firms this brings about implications such as changes to the shape of the job market and changes in the way they do business.

Ultimately this has affected the availability of jobs and job losses in certain sectors. The acceleration of automation/technology and economic uncertainty caused by the pandemic is anticipated to have a further impact on the labour market. Adcorp has adapted its strategy and business model to accommodate these changes in customer needs.

There was a greater loss in temporary jobs across all sectors during the first half of 2020 as businesses tried to save costs and secure their longevity. The second half of the year saw an increase in temporary jobs due to the easing of lockdown restrictions. Industry can no longer afford fixed labour costs in favour of more agile workforce models, which bodes well for the staffing industry in certain instances.

Global staffing industry forecasts a return to growth

Staffing market categories	2020	2021
Temporary help	(14%)	11%
Office/clerical	(20%)	15%
Industrial	(20%)	15%
IT	(9%)	7%
Healthcare	(4%)	4%
Finance/accounting	(17%)	12%
Engineering	(15%)	12%
Life sciences	3%	6%
Marketing	(20%)	15%
Education	(40%)	30%
Place and search	(33%)	19%
Total staffing	(17%)	12%

This has placed greater emphasis on the learning and development (L&D) of employees and HR disciplines for business in terms of placing less regard on the cost of labour and noting the benefits of having flexibility in the workforce.

Arguably, for the past half century, the driving force for most businesses has been converting inputs such as capital, labour and materials into outputs like revenue, products and services in the most efficient way. Businesses scarred by the pandemic during 2020 are likely to re-evaluate their strategic priorities and place a greater emphasis on resilience over efficiency.

According to a Deloitte Human Capital Trends report published in May 2020, 74% of organisations said that reskilling the workforce is important for their success over the next 12 to 18 months, but only 10% said that they are ready to address this trend. The same report found that 53% of respondents believed that between half and all of their workforce will need to change their skills and capabilities in the next three years. A McKinsey report shows that only 21% of executives believe they have the expertise, resources and commitment to successfully pursue new growth.

Platform models are the new battleground

There are many examples of independent platforms that staffing firms, online job advertisers and others have developed or acquired. A number of large staffing firms now own significant and fast-growing platform businesses – either grown organically or acquired. The competition and convergence will be one of the most interesting features to this market and will be an important strategic issue driven by four drivers:

- Staffing firms automating their services;
- Job boards and other online advertisers moving up the value chain and away from commoditised job posting;
- Talent platforms developing more corporate-strength services; and
- Entry of brands from outside the workforce solutions ecosystem.

While staffing automation does not necessarily lead to the creation of a platform service, staffing firms have been supported in their digital transitions by vendors offering staffing platforms as a service (SPaaS) such as WorkN, TempBuddy and NextCrew.

Our market in context continued

Global HR trends that will guide successful strategies in the staffing industry

Trends	What is emerging?	What does this mean for Adcorp?
<p>Gig economy</p> 	<ul style="list-style-type: none"> Gig economy includes all types of contingent work including staffing agency, temporary workers, statement of work (SOW) consultants, directly hired temporaries, online platform workers, and independent contractors; Growth driven by technology; Examples of digital businesses driven by on-demand labour apps include Uber and SweepSouth; Popular online market-places for digital giggers include Fiver, Upwork and Freelancer.com. 	<ul style="list-style-type: none"> It is critical to play in this space to remain relevant in the staffing industry; Gig economy is facilitated by a digital/platform business; Candidate strategy to attract the best giggers (specialist skills in scarce supply); and Better understand how this changes clients' talent sourcing strategies.
<p>Reskilling and on-the-job learning</p> 	<ul style="list-style-type: none"> Reskilling by helping workers transform outdated skills into skills that are in demand in the modern world; In a competitive market, it can be tough to find a candidate with the exact blend of experience and qualifications required; and Increase in hiring for potential rather than skills. 	<ul style="list-style-type: none"> Reskilling meets the challenge of a talent shortage by widening the scope of the staffing agency from searching for talent to creating talent; Immediate opportunities for internal partnerships between CYNERGY and ATT, Paracon and Torque IT; Better understand client needs for current and future skills; and Virtual learning increasingly becoming the preferred delivery model for on-the-job learning.
<p>Data-driven strategies</p> 	<ul style="list-style-type: none"> Workforce analytics is helping organisations enhance their decision-making capabilities by anticipating disruptions and changes before they occur and providing actionable insights. 	<ul style="list-style-type: none"> Be proactive, analytical and sophisticated in using the available data; Use data to improve productivity management opportunities for functional outsourcing (FO) and RPO; and RPO key metric management (time to hire, cost per hire, retention rate).
<p>Blended recruitment</p> 	<ul style="list-style-type: none"> Increasing use of artificial intelligence to simplify HR processes, particularly talent acquisition to reduce time to hire and improve candidate experience; Chatbots being used to augment talent acquisition with the benefits of shortening screening time and improving completion rate of job applications, therefore increasing speed to hire; and Strategic use of social media to find candidates and reach potential customers. 	<ul style="list-style-type: none"> Excellence in this area is critical for Adcorp to remain relevant and competitive; and Required investment and cultural change.

Factors	What is emerging?	What does this mean for Adcorp?
<p>Contracting economy</p> 	<ul style="list-style-type: none"> • Persistently high unemployment; • Pricing pressure; • COVID-19 lockdown, which has pushed South Africa into a deeper recession and record economic contraction in Q2 of 2020; and • Consequential skills deficit in Australia. 	<ul style="list-style-type: none"> • Focused share gaining strategy; • Increased rivalry; • Far greater selling capability; • Low cost base with low fixed overheads; and • Need contemporary talent.
<p>Changed structure of labour markets</p> 	<ul style="list-style-type: none"> • Perm to flexible (growth in gig economy work); • Increased outsourcing; • Work from home employment models; and • Acceleration of manufacturing automation. 	<ul style="list-style-type: none"> • Develop candidate strategy; • Increase MSP, FO and human resource outsourcing (HRO) products; • Productivity systems enablement; and • Optimise technology enablement.
<p>Growing skills mismatch</p> 	<ul style="list-style-type: none"> • Cognitive skills are in short supply, while manual and physical skills are in surplus; • Increasing shortage of tech, artisanal, engineering and nursing skills; • High qualification and field of study mismatch resulting in large pool of unemployed graduates; • Driven by an inadequate education system; • Problems are particularly acute among youth and individuals from disadvantaged backgrounds; and • Likely to worsen in coming years due to digitalisation. 	<ul style="list-style-type: none"> • Opportunity for training business; • Government partnership for funding and collaboration; • Opportunity for ATT to feed skills into CYNERGY and Torque IT into Paracon; and • Design consulting solutions to address workforce capabilities, motivation and access to training.
<p>Impact of COVID-19</p> 	<ul style="list-style-type: none"> • SA's largest GDP contributors, manufacturing, production, mining output and retail sales, plunged in Q2 2020 due to the strict lockdown; • Stifled growth in key sectors: tourism, entertainment, hospitality; • Agriculture, forestry and fishing industries have been the only positive contributors to GDP during the lockdown period (Q2:2020); • Retrenchments; • Lower consumer spend; • Change in workforce modelling; • Acceleration of workplace digitisation; • Increase in remote working; and • Expedited vaccine programme in South Africa, Australia and globally will assist to mitigate current business uncertainty. 	<ul style="list-style-type: none"> • Invest in growth sectors such as FMCG, medical, financial services, and IT; • Reorganise Adcorp's workforce composition; • IT enablement; and • Australia to buffer skills deficit by being regarded as the employer of choice.

Our response to COVID-19

The COVID-19 pandemic had a negative effect on our business, with government-imposed lockdowns affecting our clients' operations in South Africa and Australia. Our focus during the crisis was on keeping our employees healthy and safe, supporting government relief efforts and ensuring business continuity to ensure the group's financial stability. Various stress tests have been conducted and the board is satisfied that the group's financial position remains more than adequate to service its obligations and remain a going concern for the foreseeable future.

South Africa

Given the nature of the services we provide, COVID-19 had a direct impact on our operations. Our temporary employment services/contingent and FO businesses provided staff to essential services, including the retail supply chain (particularly distribution centres), healthcare (through our nursing placements business Charisma), and contact centres. During the hard lockdown we maintained frequent and close contact with our clients while tracking and managing the situation through daily operational metrics and executive committee check-ins.

When the pandemic emerged Adcorp established a COVID-19 crisis committee and implemented crisis plan protocols in line with the local and global guidelines. We continue to work closely with the relevant health authorities to ensure alignment and compliance with local and national guidelines. The group established customised contingency plans and measures to ensure business continuity and productivity for our clients, including sharing the frameworks we developed for our own staff. Our healthcare brand Charisma facilitated temperature testing for employees of the group and later extended this to clients' employees.

The pandemic has given Adcorp the impetus to bolster its technological innovation. The group has put measures in place to virtualise our training offerings where possible and postponed classroom training in line with the national schools' guidelines. Our work from home framework is in place and our employees receive regular updates through a dedicated intranet portal as well as our website.

Despite the national lockdown negatively affecting some of our clients and business activities, a fair portion of clients and our own business clusters were deemed to be essential services and we experienced strong demand in these areas. Considering these factors, management is confident that the business has the necessary capabilities and resources in place to cope with this situation where required as well as new levels of agility and strategic coherence.

Australia

Australia was negatively impacted by sporadic and protracted lockdowns. The government cushioned the profit impact by providing JobKeeper funding to companies. The permanent recruitment and placement sector was most affected as clients reduced costs accordingly. The recovery rate of the industry and in turn Adcorp is expected to rebound positively, albeit that as the Australian economy opens up there is expected to be a shortage of skills in certain sectors that will continue to place a degree of pressure on the organisation.

Looking forward

The unemployment rates are already high, and it is imperative that we remain as economically productive as possible within the constraints of the lockdown. We are encouraged to embrace the new ways of working and to do all we can to remain productive while in particular continuing to support small, medium and micro-enterprises (SMMEs) during this challenging period. Ensuring the safety of all staff, their families and the communities in which we operate to the greatest practical extent remains our top priority.

Our value creating business model

Adcorp has assessed the six capitals and determined that the below six capitals are applied in the business. The business model sets out our value creation, preservation and erosion. See page 01 for detail on how we realise our value creation through our strategy.



Objectives and strategy

Adcorp is a South African and Australian workforce solutions company impacting thousands of people through work opportunities and learning and development. Participating with integrity across all stakeholder groups and regulatory bodies, absolute transparency and compliance is at the heart of the organisation. The group's strategy and objectives from a purposes perspective align to all stakeholder groups.

Developing a business model and strategy for a future-fit organisation

In the past year we have reviewed the strategy of the group looking ahead to 2025. Adcorp has gained critical mass over many years given its historic acquisition strategy. This translated into a natural amalgam of assets or brands into similar sector streams depending on the nature of the service provided. In order to ensure a client-centred approach, focus and enhanced efficiencies, the assembly of these brands was reorganised for greater alignment within the three divisions: Industrial, Professional and Training.

During the year:

- Kelly Quest was detached from Industrial and merged with the Professional portfolio which houses Talent Cru, Charisma, and Paracon;
- The back office of CYNERGY was merged with BLU within the Industrial Portfolio;
- A single learner management system was purchased that enabled the collective management of regulatory and compliance aspects of Training. This provides a single interface for the brands with clients and accreditation bodies;
- FO was ring-fenced within Industrial given the strategic and comparative advantage it provides;
- In Australia, LSA management was merged with Paxus and Talent Cru with AAX; and

- Emergence of the market advantage provided by the parenting benefit and cross-selling opportunity across the tapestry of brands in the group.

In addition, the group also has the benefit of a shared services division that was significantly streamlined as follows:

- Group legal, secretarial, risk and compliance;
- Group HR;
- Group Finance, Treasury, procurement, order to cash, procure to pay;
- Payroll; and
- Group IT – small IP nucleus, the balance of which was outsourced to Didata.

A significant investment was made in IT affording the group a common Enterprise Resource Planning (ERP) in Workday and client facing capability in Salesforce, Bullhorn and Sirenum. Significant efficiency benefits and market advantage should accrue to Adcorp within the next 6 to 18 months as the roll-out progresses and the implementation gains traction.

A significant strategic initiative was the change in the “go-to-market model” across all divisions. This is highly customer centric with a sector specific focus geared to enhanced profitable top line growth.

The group's history is that of a federal model reporting to a holding company structure. Over the past few years several iterations of a transforming “go-to-market model” evolved, from grouping like product types together to grouping like industry bases together and ultimately culminating in the current client-centric process that determines business strategy and product cross-pollination in the interest of formidable outcomes and value for the client.

FY2021 value drivers

Objectives	Progress	
Reorganisation and resetting the cost base	<ul style="list-style-type: none"> Significantly reduced the fixed cost base which unfortunately necessitates sacrifices of staff and the group is grateful for this. Included in this process was a simplification of the group's company structures as well as an optimisation process, via subletting, of the Woodmead head office. 	
Successful implementation of enterprise systems	<ul style="list-style-type: none"> Significant investment made in a refreshed tech stack to keep the group current from a trend perspective and additionally to mitigate risk associated to multiple legacy systems. These investment costs will over time deliver a return on investment for the group as well as provide a comparative advantage. 	
Strategic client management	<ul style="list-style-type: none"> Each business portfolio engaged in a significant strategic endeavour to focus its intent on sectors that would optimise outcomes for the business unit. This included client segmentation on the principles of where the business unit can best serve and additionally generate the best margins. 	
Disposals	<ul style="list-style-type: none"> Disposal of Dare and Financial Services successfully concluded. 	
Cultural rejuvenation and establishing an engaged high-performance workforce	<ul style="list-style-type: none"> The implementation of the Workday HR stream has seen the organisation, for the first time, having a cohesive people management process. This does not only relate to consequence management but rather a collective view in which to monitor "climate" and broadly defined retention strategies. 	
B-BBEE	<ul style="list-style-type: none"> New ownership structure implemented in December 2020. 	
Top line growth and margin expansion	<ul style="list-style-type: none"> Topline growth and margin expansion continue to be a focus as articulated in the group's revised go-to-market strategy. 	
Australian Portfolio – continue to nurture total group alignment of South African and Australia	<ul style="list-style-type: none"> Adcorp is a proudly South African and Australian business. There is every intention to continue this successful multi-continent collaboration and in fact to enhance the synergies that exist between the two countries by leveraging best practice and cross-selling platforms. 	

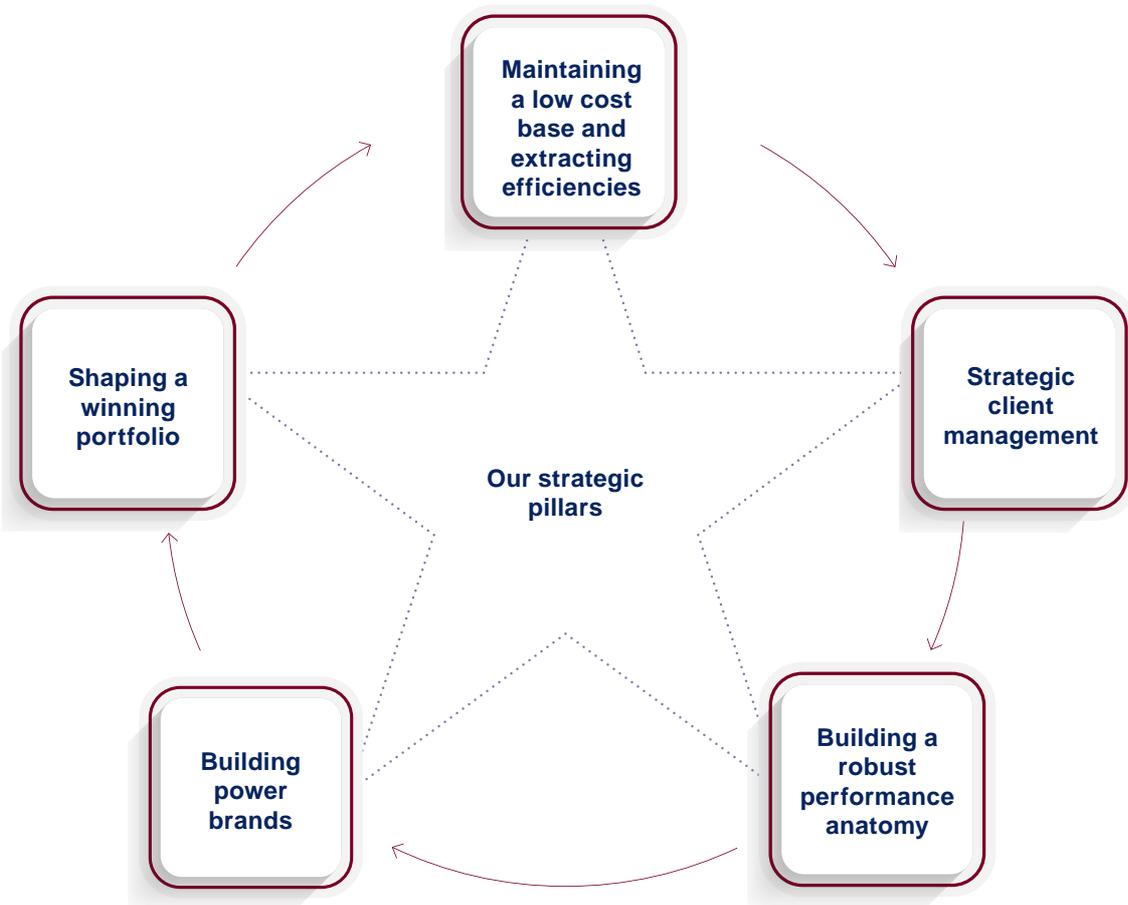
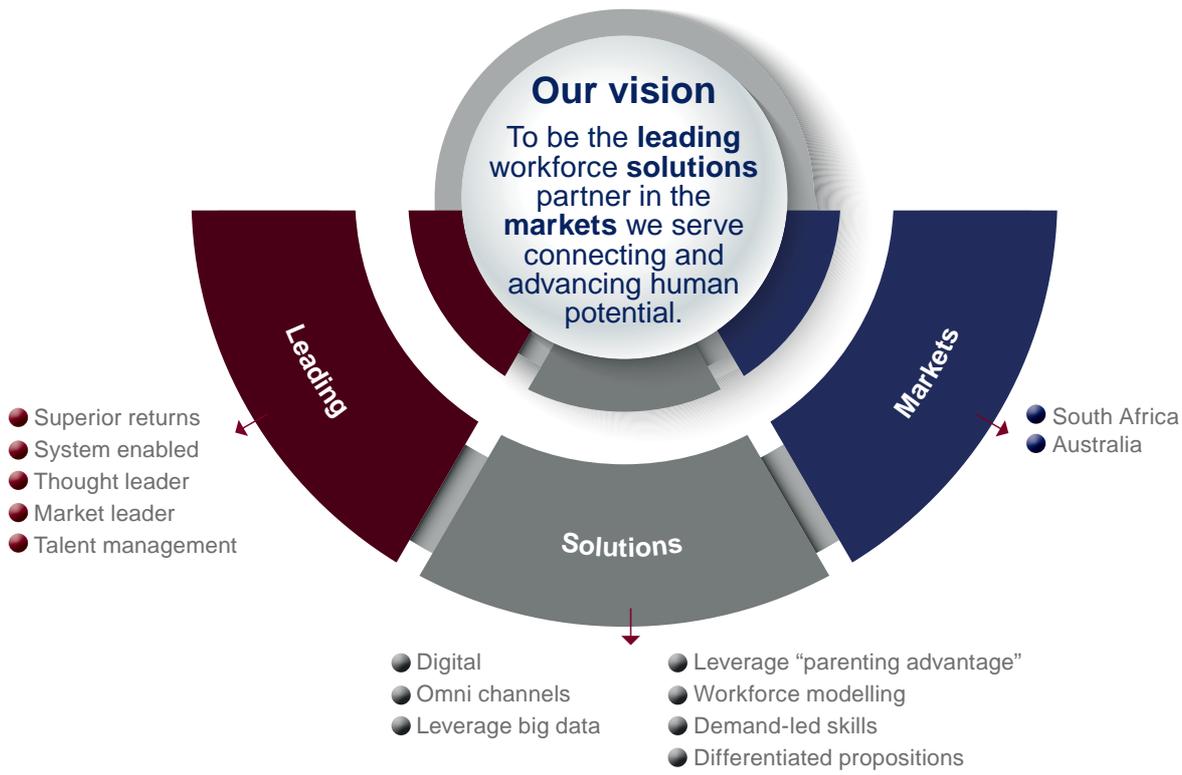


Delivered



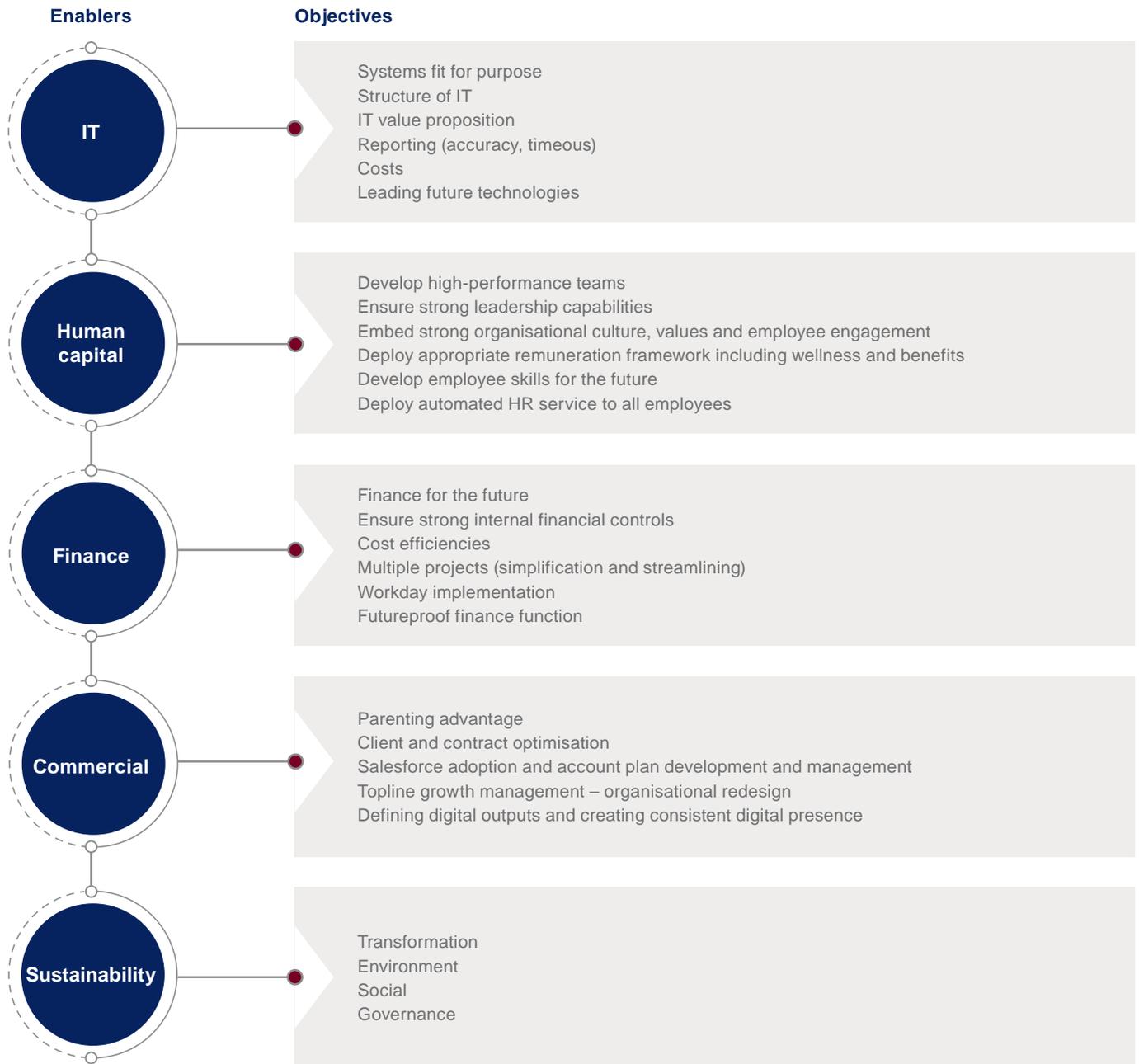
On track

Objectives and strategy continued



The enablers that will help us realise our strategic objectives

Each of these enablers has a detailed step-change plan to 2025.



Capital allocation strategy

The group’s capital allocation strategy is designed to support sustainable value creation by facilitating the improvement of the group’s underlying operational performance while business transformation takes place, and driving the implementation of a disciplined approach to capital allocation throughout the group.

The group’s capital allocation policies ensure that teams focus on high-quality growth yielding returns in excess of the cost of capital. We are also driving a focus on the writing of quality business that results in profitable growth, and the reduction of Day Sales Outstanding (DSO) ensures optimal conversion of EBITDA into free cash flow. To support this focus, our approach to remuneration, especially at senior management level, strongly aligns reward and remuneration with financial performance.

The group has set a target capital structure of 1.5x debt:EBITDA and closed the financial year on 0.2x debt:EBITDA (on a

net basis). The increase in cash generated from operations impacted cash positively and resulted in net debt decreasing in the current year. As the COVID-19 pandemic endures, and uncertainty continues, the group is comfortable with the strengthened balance sheet, as well as keeping net debt levels as low as possible.

Capital allocation decisions are underpinned by the need to balance growth and return the value generated by this growth to our shareholders through distributions. The board is targeting a 1.5x dividend cover ratio. However, this will be assessed against competing priorities related to business enablement and growth, and moderated in line with the principle of responsible and sustainable shareholder value creation. This will be guided by a combination of the gearing target, liquidity metrics and growth in ROIC and HEPS.

Objectives and strategy continued

Share repurchases are undertaken at times when management believes that the shares of the group are trading at a discount and there is excess cash available. Adcorp repurchased 10 093 709 "B" class shares during the year for R0,1 million. Opportunistic purchases will be considered in FY2022 in line with share price and available alternative uses of capital.

Investing in technology (manufactured capital)

The workplace management and global staffing industry, as many other industries, has experienced major shifts in market demands, evolving regulatory complexities and rapid digital enhancements that transform the way we work. The COVID-19 pandemic has accelerated these shifts and now challenges how we engage and deliver to our customers and the technologies in use.

A review of our technology landscape during 2018 made it clear that Adcorp's current application landscape of 144 applications cannot support the future strategy of the group. This is due to the legacy design of these systems, poor IT integration from several acquisitions and most of the applications being custom developed or at end of life.

To effectively support the group strategy and lay the foundation for broader digitalisation initiatives, Adcorp embarked on a large-scale organisational transformation programme, called Project Skyhawk. With a projected total investment value of R231 million over three years, Skyhawk will enable the group to adopt best practice and standardise its operations through a simplified business model, enabled by modern technologies. The group is confident and is seeing early signs of significant efficiencies that can be passed on to clients and candidates. A similar undertaking has begun in Australia to consolidate infrastructure and applications to gain efficiencies and reduce costs. This effort will be undertaken late FY2022 moving into FY2023.

Salesforce has been implemented as a CRM to support the group's commercial strategy. The purpose was to digitally enable our sales teams, drive client relationships, brand commitment, single version of the truth and accurate reporting.

The Adcorp Resourcing businesses required a Workforce Management System that supports recruitment, assignee contract management, time and attendance and payroll processes. The configuration of Bullhorn and Sirenum (branded as MATCH) is complete, and the group is in the process of implementing MATCH across 1 200 client accounts and should have this completed during FY2022. .

Adcorp Training Services has completed the implementation of Sum Total as Learner Management and Training Content Management system. Training Orchestra will support resources management across all brands.

Human Resources: People management including core human resource processes, performance, compensation management and succession planning will ensure Adcorp as employer of choice. Workday for HCM has been implemented. In Australia Employment Hero was rolled out at the end of FY2022 to support a unified human resource solution, enhancing our ability to standardise across the group. The LSA brand will be the final brand to move onto the solution by the end of FY2022.

Financial management, the standardisation of group financial processes and a unified group financial overview can only be achieved through a well implemented enterprise financial platform. Workday for Finance will be implemented in the second half of FY2022. Australia is currently wrapping up an Oracle implementation, with a scheduled go live of 1 August 2021. This implementation will allow automated consolidated reporting and enhanced ability for financial analytics also removing the disparity of systems currently deployed within the business units.



Our impact

As a responsible corporate citizen, Adcorp strives to uphold the principles of sustainability, corporate governance and social responsibility as crucial elements of our commitment to all stakeholders and as depicted by the UN Sustainable Development Goals (SDGs) noted diagrammatically below. Sustainability guides everything we do and is essential for us to remain relevant in a society that is increasingly aware of its impact on the environment and people, particularly those in vulnerable communities. Adcorp ascribes to the UN SDGs that affect its operating business to provide guidance in terms of the group's appropriate responsiveness.

Inherent within all group policies are stringent protocols that encourage adherence to all sustainability goals.



Stakeholder engagement

The board views engagement with our stakeholders as imperative for our sustainability and business strategy. We are committed to ensuring consistent, timeous and open communication with all stakeholders and regularly engage with various stakeholder groups. Feedback from these engagements is communicated to the board and this informs our key strategic decisions and the identification of our material issues.

We communicate with stakeholders through our website, presentations, interaction with the media, one-on-one meetings, and ongoing informal and formal discussions. Due to the COVID-19 outbreak and subsequent restrictions, face-to-face interactions with our stakeholders were limited.

We are a member of the Confederation of Associations in the Private Employment Sector (CAPES), which serve as the umbrella body for private employment agencies. CAPES assists

with lobbying and advocacy, capacity building, professionalisation, compliance and best practice, thought leadership, and profiling the industry.

We have identified our stakeholders as set out below:

The table outlines seven different stakeholder groups. The following two sections of this report provide further details on the employees and communities stakeholder groups. The candidate, shareholders and providers of other capital, clients and service provider stakeholder groups are covered in various sections throughout this report. Adcorp does not have major interactions with government and other regulatory bodies and hence no further detail is provided in this report.

We have identified our stakeholders as set out below:

What matters to them	How we engage
Candidates <ul style="list-style-type: none"> Engagement throughout the process as well as consistent feedback, good or bad; Transparency in the recruitment process; Consideration as an equal party during the recruitment process; Professionalism; and Gaining further understanding of the market and knowledge to make themselves more marketable. 	<ul style="list-style-type: none"> Ongoing one-on-one engagements with multiple touchpoints; Social media platforms; Collaborative engagements; Consistent professional recruitment process; and Consultative approach focused on building long-term relationships.
Shareholders and providers of other capital <ul style="list-style-type: none"> Accessibility to management; Strategic execution and performance; Portfolio growth funding and interest rates; Capital appreciation; Timely servicing of debt; and Governance and sustainability. 	<ul style="list-style-type: none"> Investor relations and engagement plan; One-on-one discussions; Bi-annual results presentations; Securities Exchange News Service (SENS) and media releases; Website; and Social media channels.
Communities <ul style="list-style-type: none"> Environmental impact; and Responsible corporate citizenship. 	<ul style="list-style-type: none"> Corporate social responsibility (CSR) events and initiatives; Website; and Social media channels.
Employees <ul style="list-style-type: none"> Career development; Communication; Fair remuneration and reward; Quality and safe workplace environment; and Job security. 	<ul style="list-style-type: none"> Regular company meetings and email communication; Company intranet providing the latest news on the company and its operations, management comments for the media, various activities and events; Various wellness initiatives; and Training and development opportunities.
Clients <ul style="list-style-type: none"> Effective and timeous service delivery; and Governance and sustainability. 	<ul style="list-style-type: none"> Customer satisfaction index; and One-on-one engagement.
Government and other regulatory bodies <ul style="list-style-type: none"> Compliance; Sustainability; and Governance. 	<ul style="list-style-type: none"> Supervised compliance; and Transparent, timely and regular communications.
Service providers <ul style="list-style-type: none"> Financial sustainability; Collaboration through relationship management; Foster innovation; and Good corporate governance. 	<ul style="list-style-type: none"> Paying suppliers as agreed and resolving disputes in a fair, transparent and equitable manner; Periodic supplier engagement sessions; Liaise with suppliers to improve the internal and external customer experience by offering innovate solutions and services; and Structured policies, standard operating processes and contracts.

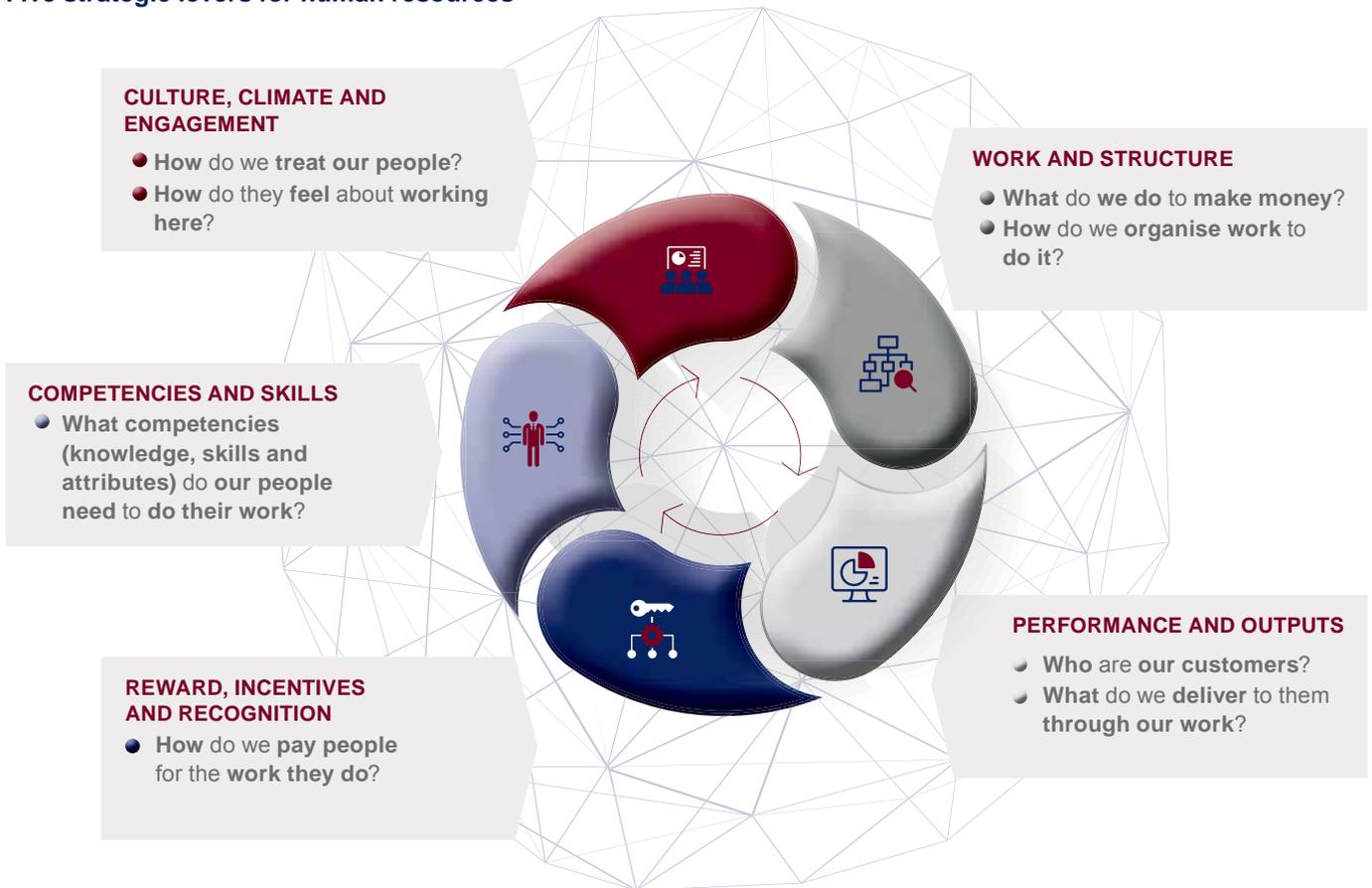
Our people

The Adcorp Group’s people philosophy sets out our endeavours to create an employee value proposition that will attract, develop, retain and reward the talent needed for our success. There are five strategic levers that guide our philosophy to drive equal treatment and opportunities for all employees across the various business segments and operations. Its core value is an empowered work environment that ensures employees have thriving careers that are central to a high-performance culture.

The success of our operations is directly linked to our human capital that is critical to delivery of shareholder and stakeholder value. Our leadership has a responsibility to value, nurture and protect our employees and partners as our sustainable development depends on the quality of these relationships.

As at year-end, the group had 13 612 permanent employees including deployed permanent employees.

Five strategic levers for human resources



Adcorp is committed to creating an environment that:

- Attracts, rewards and retains exceptional people;
- Drives a high-performance culture aligning with the objectives of stakeholders;
- Aligns the financial wellbeing of employees with the economic interest of shareholders; and
- Provides transparent, consistent and equitable remuneration principles to foster an environment of collaboration, engagement and trust.

Adcorp workforce in numbers

Adcorp engages with employees in South Africa and Australia through various employment agreements. These include permanent employees who are employed on a permanent basis with the company, deployed employees that are placed at client operations as part of our Functional Outsourcing Services on a permanent basis and Temporary Employment Services.

The figures below reflect the total Adcorp South Africa workforce breakdown as per categories explained above:

- Adcorp direct permanent employees: 1 785 in South Africa and 174 in Australia;
- Deployed permanent employees: 11 827 in South Africa and 1 586 in Australia;
- Temporary employees employed for less than three months: 20 513 in South Africa and 1 407 in Australia; and
- Temporary employees employed for more than three months: 11 644 in South Africa.

Our people continued

The two tables below report on the permanent employees and deployed employees for South Africa only, which is a total headcount of 13 612.

Permanent employees (South Africa) – employment equity for the 12 months ended 31 March 2021*

	2021	2020	2019	2018	2017
Total workforce	13 612	17 783	17 569	2 850	3 466
Total employees with disabilities	109	87	115	158	144
Workforce profile					
Race and gender profile					
Non-designated group (includes foreign nationals)	215	670	334	324	417
White females	193	298	401	474	587
Black males	9 919	13 150	12 822	846	1 017
Black females	3 285	3 665	4 012	1 206	1 445
Occupational level profile					
Management (top, senior, middle and junior)	937	1 322	1 547	1 401	1 678
Non-management	12 675	16 461	16 022	1 449	1 788
Management profile by gender (top management, senior management, middle management, junior management)					
Females	444	646	829	779	911
Males	493	676	718	622	767
Management profile by race					
Black	665	896	984	748	856
White (includes foreign nationals)	272	426	563	653	822
Non-management profile by gender					
Females	3 046	3 383	3 612	924	1 153
Males	9 629	13 078	12 410	525	635
Non-management profile by race					
Black	12 539	15 919	15 850	1 304	1 606
White (includes foreign nationals)	136	542	172	145	182
Disability profile					
Management	15	7	7	19	15
Non-management	94	80	108	139	129
People with disabilities by gender					
Females	51	43	59	77	77
Males	58	44	56	81	67
Total employees at the beginning of the reporting cycle					
	17 783	17 569	15 311	3 466	3 958
Recruits	8 129	10 978	12 004	1 202	2 115
Resignations**	5 002**	3 709	1 410	807	1 883
Non-renewal of contracts (contract employees)	6 737	6 769	8 032	545	530
Dismissals (misconduct and incapacity)	49	79	73	64	61
Retirements	7	11	10	4	2
Deaths	10	17	13	12	6
Retrenchment	495	179	208	386	125
Total at the end of the reporting cycle					
	13 612	17 783	17 569	2 850	3 466

* The Skills development tables reporting runs from 1 April 2020 to 31 March 2021 and the equity reporting has been aligned with this. The presentation of this table is consistent with the prior year.

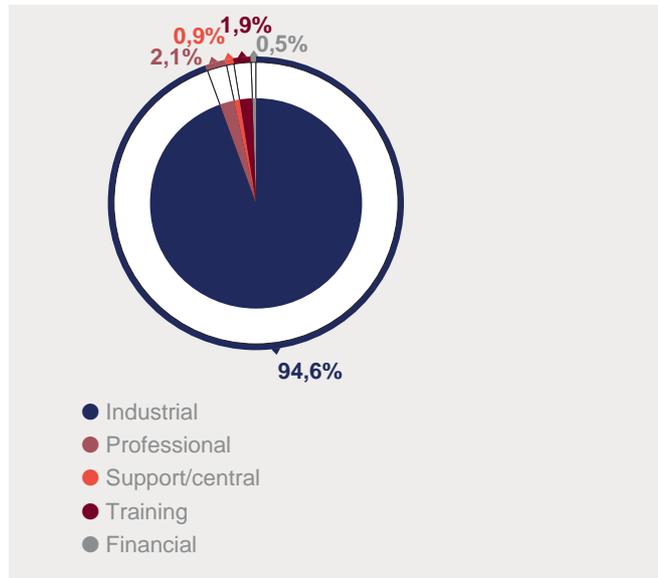
** Resignations of 5 002 are mainly amongst deployed staff.

Summary of employment equity report for public companies

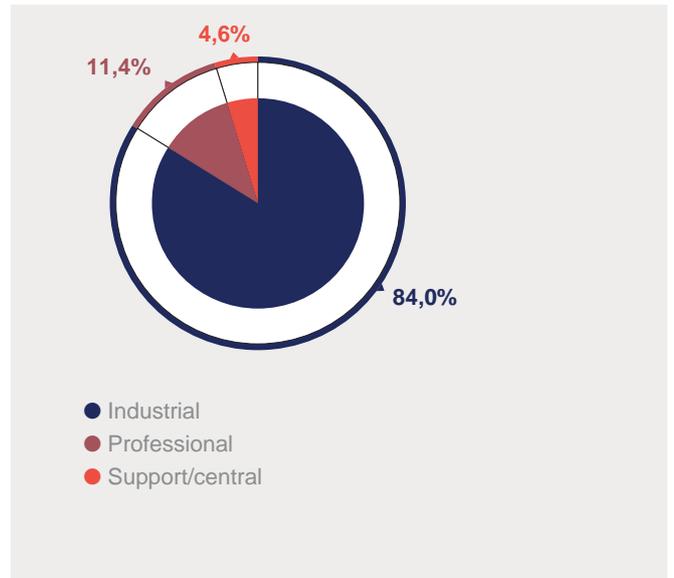
Adcorp's South African workforce is broken down as follows:

Occupational levels	African		Indians		Coloured		Whites		Foreign nationals		Total
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	
Top management	0	1	0	2	0	0	4	1	0	0	8
Senior management	3	0	4	2	1	0	8	5	1	2	26
Professionally qualified and experienced specialists and mid-management	12	14	18	5	6	7	40	34	1	2	139
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	239	156	38	47	48	62	57	103	13	2	765
Semi- skilled and discretionary decision-making	3 203	1 217	33	59	293	267	22	50	21	4	5 169
Unskilled and defined decision-making	5 875	1 403	3	3	143	40	12	0	24	2	7 505
Total permanent of all job levels	9 332	2 791	96	118	491	376	143	193	60	12	13 612

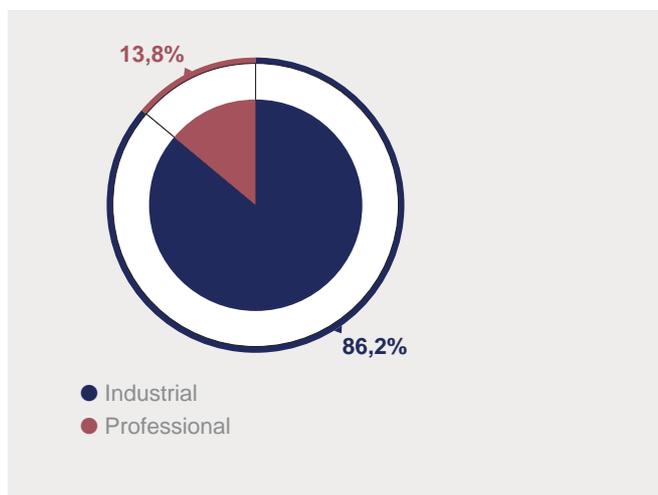
Percentage of employees: South Africa permanent



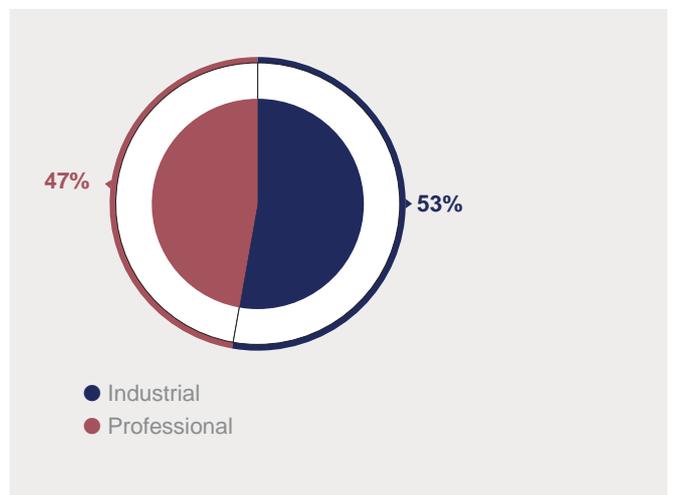
Percentage of employees: Australia permanent



Percentage of employees: South Africa temporary



Percentage of employees: Australia temporary



Our people continued

An internal audit of all human capital processes and policies was conducted using relevant diagnostic tools. The output was a strategy that addressed areas that needed to be stabilised in the short term and provide growth opportunities in the medium to long term. The organisational structure and employee capabilities are constantly reviewed and aligned to embed a high-performance culture.

Our approach to skills development

Our 2020/2021 strategy for skills development and training is underpinned by our deep appreciation for the diverse employee audiences we serve and our ability to transform the individual and business at large. Upskilling and reskilling of employees has become critical across all industries for businesses to stay relevant. As a purpose-led organisation, our strategy focus is on making a positive impact in the working life of our employees. We achieve this through ensuring well-articulated and integrated learning pathways and introducing blended learner models to meet the needs of our remote workforce due to the pandemic. Our rich stakeholder engagement ensures credible theoretical as well as on-the-job training and as a result of the global pandemic our significant soft-skills training focused on employee wellbeing, emotional resilience and financial management skills.

COVID-19 saw us reset our training methodology mid-stream to meet the needs of a remote workforce and to ensure the wellbeing of our employees as our primary focus. Therefore, a transition to blended and online learning across all entities and across the majority of learning interventions was implemented. As a company that also provides training solutions, Adcorp understands the benefits that come from instilling a culture of continuous learning within an organisation. Using an integrated approach to talent development, the group addresses the needs of Adcorp as a business, as an investor in people and a social partner in the broader economy. Ongoing research into current and future requirements in the workforce ensures that training interventions are relevant, impactful and strategic.

Adcorp Training is the professional training provider for the employees of the group and has more than 40 years combined experience servicing the education, training and development needs. In March 2020, a decision was made to outsource the group training function to our internal business units that encompasses PMI, Torque IT, and ATT. We have significantly reduced the waiting period for prospective learners who previously had to wait until we had the required numbers before they could enrol.

The step-changers in our skills development strategy included:

- Multi-modal online learning capability for our employees;
- Process and systems efficiencies through our learner management system;
- Just-in-time reporting and business analytics for monitoring progress; and
- Selected a training provider with a good academic reputation.

These highlights were all anchored in technological enablement and online learning capability. To this end, we have also invested in a new learner management system with significant online learning capability. Our training was diverse and saw a higher number of individuals register for higher education qualifications than in previous years.

Within our organisation, training programmes are implemented across all business units, aligning talent pools with the skills required for the future world of work and further enabling succession planning. Post-training learner support initiatives have been introduced to assist with continued wellbeing and productivity. Interventions such as learnerships, skills programmes, short courses, bursary programmes, structured internships and apprenticeships are ongoing throughout the year.

During FY2021 we were able to achieve the following:

- 468 employees received bursaries across 79 higher education qualifications;
- 320 employed and unemployed individuals participated in NQF 1 to NQF 5 learnerships;
- 1 492 employees participated in short learning programmes;
- 82 employees with disabilities participated in NQF and NQF 2 learnerships;
- 82 employees with disabilities enrolled in academies;
- Five graduates were placed on an Internship Graduate Programme; and
- Two employees graduated from business school programmes.

Internal skills development programmes

The human capital team at the group's corporate centre drives the learning strategy. The team is supported by the transformation and skills committees, which represent all the entities, track and monitor progress as well as the execution of skills goals and targets. Each business unit is responsible for driving the learning plans set at our bi-annual performance discussions that are then translated into the group's workforce skills plan.

There were three focus areas for training during the year:

Systems training	With the investment in technology that the organisation has made, the need to build capability across the group and across the various technology platforms has been a key focus area.
Compliance based training	COVID-19, health and safety training, employment equity capacitation have all been core components as compliance is a business imperative. In addition, operational compliance has received significant focus to uplift the client and candidate experience.
Leadership training	The Adcorp Leadership Academy was discontinued this year and replaced with our bursary model that allows access to higher education qualifications for a far broader population of the Adcorp workforce.

In partnership with the training pillar of the group, Adcorp Training, we believe that we are well positioned for the year ahead to ensure self-directed and meaningful learning opportunities are made available to our employees.

Total training spend for the year amounted to R19,3 million (2020: R8,1 million) of which 42% went towards training African females. The spend on bursaries amounted to R6,3 million (2020: R6,3 million).

On-boarding programme

The group has an on-boarding and induction programme that is reviewed annually to ensure standardised quality of on-boarding and a culture fit to new employees company wide. During the COVID-19 related lockdown, we leveraged our digital platforms to deliver our programmes. On-boarding and induction were both done in person and through the use of our employee portal.

Human resources

With regard to employment, Adcorp Group strives to meet all applicable laws, rules and regulations, especially those rules and regulations governing working conditions, wages, hours, benefits and minimum age for employment. The individual employment experience of each employee of the group remains a critical measure that can cause reputational risks. All our HR policies and procedures are in place and are reviewed regularly to promote sound labour relations and maintain fair and equitable treatment for all our employees. 0,25% of our permanent employees and 16,46% of our temporary employees are represented by unions.

Our group structure and employee skills and capabilities are reviewed and aligned with our culture of high-performance management.

Anti-discrimination policies

From April 2020 to February 2021, there were five claims of unfair discrimination and harassment disputes. One claim has been abandoned while another was withdrawn by the aggrieved employees. There are currently three claims that are still *sub judice* and awaiting arbitration dates. There is a continual focus on legislative and regulatory compliance in line with changes taking place and the company will reinvigorate its programme to build strong relationships.

Health and safety

Formal health and safety and environmental policies are in place and communicated to all employees. The group safety, health, environment and quality (SHEQ) portfolio is responsible for health and safety requirements nationally, and overseeing the technical infrastructure across the group, as well as at various client sites.

Due to the COVID-19 pandemic, Adcorp introduced a detailed action plan and instructions to all employees, outlining guidelines on how to proceed in the case of a COVID-19 infection for employees and customers. The guidelines take into account all protocols for prevention and management in the case of a positive infection.

Workforce wellness

Adcorp provides a comprehensive range of employee wellness benefits aimed at promoting both physical and psychological health, with the end result being reduced absenteeism rates and motivated employees.

The group-wide assistance programme is provided to all permanent employees, as well as to our managed workforce. This value-added benefit entitles employees, their immediate families and domestic workers to a broad range of services. These services include emergency medical assistance, personal health advisory services, trauma and assault assistance, legal assistance, HIV protection services and funeral repatriation services, all supported by a state-of-the-art 24-hour call centre.

Safety, health, environment and quality

The Adcorp Group is committed to driving all SHEQ requirements, in line with its facilities management strategic plan by aligning operations to:

- Ensure staff have the necessary knowledge and skills to carry out tasks safely, by developing a structured training plan and programmes that ensure quality of service is provided and maintained to a high standard;
- Ensure total management commitment to promote a culture that incorporates SHEQ into all group services and functions;
- Monitor techniques that have been developed to include benchmarking systems that enable improved comparison capabilities of group's SHEQ performance in relation to the industry and competitors;
- Undertake hazard identification and risk assessment throughout all operations as far as possible to eliminate or minimise those risks by developing suitable controls; and
- The group has established a performance-orientated business culture that supports sustainable outcomes through commitment, governance and accountability.

Adcorp is in the process of developing and implementing an Integrated Management System (IMS), to be applied across all group facilities and clients nationally. Compliance to Occupational Health and Safety and ISO requirements have been assimilated into all aspects of the system.

Adcorp continuously encourages a safety-conscious workforce that adheres to rigorous safety standards. Cardinal rules of the group's health and safety policy include:

- Contributing to a safe and healthy environment both in and out of the workplace;
- Wearing personal protective equipment (PPE) and using equipment correctly;
- Evaluating risks before a task is done; always ensuring safety first;
- Reporting unsafe acts and conditions;
- Reporting incidents and accidents immediately;
- Complying with all relevant health, safety and environment signage;
- Performing work that employees are trained to do and never assigning work to someone that is not fully trained to do so;
- Preventing any tampering with safety devices and equipment;
- Respecting the environment and not contributing to pollution and emissions; and
- Not working under the influence of drugs, alcohol, or other harmful substances.

Management systems

The group is committed to ensuring compliance with the following ISO standards by implementing one integrated system that incorporates the entire organisation's systems and processes in a complete framework, enabling us to work as a single unit with unified objectives, which are:

- ISO 9001:2015 (Quality);
- ISO 45001:2018 (Health and Safety);
- ISO 14001:2015 (Environment); and
- ISO 27001:2018 (Information Security).

Where required, both in South Africa and Australia, the Adcorp Group has consistently adhered to ISO 9000 regulatory requirements and has in various operations transitioned to the updated ISO 9000:2015 certification standards. The Adcorp Group continuously strives to create a work environment of the highest standards of safety and professional behaviour.

Period under review

The Adcorp Group utilises an eCOIDA platform to monitor, report and manage all occupational injuries and incidents. Operational employees are trained on the system on a regular basis, so as to assist in facilitating this statutory process in a timeous and coordinated manner.

During the period under review 33 COVID-19 cases were reported, of which there were four fatalities.

No other occupational injuries or incidents were reported.

Our communities

As the largest workforce solutions provider in South Africa, Adcorp continues to play an important role in shaping the South African economy and society. The success of our business is inextricably linked to our human capital resources and our people are critical to the delivery of shareholder and stakeholder value. In addition to the societal impact of the work we do, corporate social investment (CSI) is a vital part of the group's identity and we have a proud history of creating, maintaining and supporting developmental, social and environmental projects. Our duty is to act in a responsible leadership role, to value, protect and nurture our communities and to collaborate with them on a journey of personal and sustainable development.

During the year we centralised all of our social corporate responsibility initiatives in order to focus our spending on more strategic projects. This enabled us to select a few key large-scale projects that were more impactful for our beneficiaries. It provided us with a clear framework where Adcorp brands can contribute to society and ensured that our objectives are in line with the mission and vision of Adcorp's social corporate responsibility strategy and transformation policy, which seeks to create a footprint of changing lives in the societies in which we operate.

High school bursaries

The Adcorp Group appreciates the fact that social development cannot be the sole responsibility of the government. As a responsible corporate citizen, the group endeavours to assist in

promoting social development by building capacity within the broader society with a particular focus on education. The group provides bursaries to disadvantaged high school learners from various schools in the country. During FY2021, we provided bursaries to 121 learners across the country and our total spend was R6.3 million.

Socioeconomic development

As transformation is a key driver in our organisational strategy concerning social and economic advancement in the communities, Adcorp is increasing the extent to which communities, workers, cooperatives, other collective enterprises own and manage existing and new enterprises as well as increasing their access to economic activities, infrastructure, and skills training.

One of our focus areas is assisting enterprise development by providing them the opportunity to be service providers to Adcorp and providing additional set-up assistance (see table below). Another focus area is achieving socioeconomic development by helping beneficiaries with the support needed to become positive and valuable members in the community through quality and efficient education.

Adcorp's co-funding has helped beneficiaries to achieve their dreams. Refer to case studies on page 30.

Corporate social investment (CSI) activities

Organisation/ programme	Description
CiTi	CiTi is an NPO that focuses on entrepreneurial development, support and incubation. Three beneficiaries requested funding for key strategic projects to enable their business to take the next step in their development and advancement. This request was granted through our funding investment.
Thuto Trust	The trust is invested in young people from disadvantaged backgrounds through offering tertiary education bursaries. We sponsor a group of students who are studying their teacher degrees part-time via Unisa. Our collaboration is aligned with our core values in the impact on enterprise development and has empowered young people to become successful in our communities. The funding that Adcorp provided to Thuto Trust helped identify beneficiaries to enrol for an internship through St. Peter's Pre-School, St. John's College and Roedebeek School. The beneficiaries majored in Bachelor of Education – Foundation phase, Honours – Curriculum Development and Honours in Educational Psychology. Our sponsorship assists beneficiaries with the cost for the registration of their degrees at Unisa, tuition fees, accommodation or travel costs, as well as textbooks and other study material, and a leadership and professional development programme.
All for Youth	Adcorp is an alliance partner to the All for Youth initiative which is a business-driven movement passionate about enabling young Africans to access job opportunities, educate them about the future of work and start planning their career journeys.
Sihle's Brew	Sihle is a young entrepreneur with a passion for good coffee whom we gave an opportunity to set up his business in our head office in Woodmead. We cover his management fee, rental cost for the space he occupies and his utility bill cost for electricity and water consumption. We assisted him to put up signage, furniture and other equipment as well as assisted with training to better manage his finances and bookkeeping skills.
Destiny Cuisine	A 100% black-owned corporate restaurant owner. We have awarded them the contract to run our corporate canteen and also supplied them with equipment and cover their rental and utility bills.
Rumisol Carwash	We have sponsored a young entrepreneur with corporate space to facilitate a car wash service for all employees. We cover his rental cost and utility bills.
Wellness centre	We sponsored a young female entrepreneur with office space to run her spa treatment business. We cover her rental cost as well as utilities while she offers employees various spa treatments at reduced rates.
Corporate Ride shuttle service	We offered a young entrepreneur the opportunity to provide a shuttle service for all our employees to the nearest taxi rank. We pay a monthly service fee to this entrepreneur which allowed him to purchase minibus taxis and employ a driver.

Our communities continued

The group's motivation for selecting these organisations as partners was to:

- Achieve some of our short and long-term goals in making a meaningful impact in society;
- All brands under the Adcorp Group being able to partake in the intended activities through the spirit of "One Adcorp"; and
- Aligned to the group's purpose of connecting potential.

By working with the NPOs and covering some of their costs, we have helped them to help more people become responsible

citizens, making an impact in the environments in which they operate.

The partnerships with communities achieved the intended output, which was to contribute to young entrepreneurs and social citizens in an attempt to bridge the inequality gap.

Despite FY2021 being a tough economic year, Adcorp spent approximately R7,5 million on its CSI initiatives. These include the beneficiaries set out on page 06.

Case studies

Millicent "Millie" Dikutle – PMI learnership

"This learnership gave me another chance to complete my studies without even worrying whether I will be able to finish because of finances and that for me was a great opportunity."

Millicent grew up in Mothabe, a small village in the north-western part South Africa, 85km from Rustenburg in the Moses Kotane local municipality. Coming from a small family, she is the oldest of her siblings and has two sisters. Millie attended Tswaidi High School, a public school based in Ledig, Rustenburg. She then studied Travel and Tourism before her first job in the hospitality industry as a waitress. She joined Charisma as an administration coordinator and is currently working at the Charisma Screening Centre as an admin clerk.

In 2020, Millie enrolled for the PMI learnership and has successfully obtained her certificate in Business Administration. As a challenge driven individual, she tried to study through an open long-distance learning university but was unable to complete her studies due to a lack of finance. To secure a challenging position in a reputable organisation she wanted to expand her learnings, knowledge and skills.

Millie is an example of how Adcorp assists its employees with studying towards a learnership certificate through the PMI

learnership. Skills development is paramount to workforce efficiencies and Millie is currently providing training to an intern in her department using the training and techniques that she learned during her course. The guidance and mentorship provided in the learnership denotes the support the group provides to its employees.

PMI is a subsidiary of Adcorp established in 1977. Today we have experience in over 10 African countries and teach approximately 9 500 learners a year with more than 12 000m² of training facilities nationally. PMI's strategic skills development solutions are tailored to meet organisational, legislative, and B-BBEE requirements through customised programmes. These address human capital development, and the skills inequalities that cause poverty, inequitable remuneration, and low productivity.

Our five-year BHAG (Big Hairy Audacious Goal) is to have an impact on one million lives through learning. The wide selection of vocational certificates are powerful acquisition and retention tools, and they're dynamic enough to support initiatives like on-boarding, employment equity, skills development, transformation, succession planning, and career pathing. PMI learnerships are aligned to the National Skills Development strategy IIII.



Itumeleng Kumalo – Thuto Trust Teacher-Intern Bursary Programme

Itumeleng was born and bred in Alexandra Township where she still lives with her family. She completed her full four-year Internship at St Peter's Prep School and has now obtained her Bachelor of Education Degree (Early Childhood Development) Foundation Phase from Unisa. Itumeleng was a remarkable student, obtaining 38 distinctions out of the 40 modules she registered throughout her studies. She was recognised as a top student in her faculty by Unisa, and was granted R8 000 to study further in any department at the university.

Itumeleng has secured employment at Rivonia Primary School in Sandton, commencing in January 2021. She aspires to study for Honours in Curriculum Development in 2022. With the opportunity and extensive experience obtained through her teaching career she is determined to help her own community thus empowering others with a strong focus on afternoon school programmes, inclusive learning lessons and any skill that requires her knowledge and experience.

Thuto Trust is an innovative education trust and registered Public Benefit Organisation that invests in deserving young people through tertiary education bursaries. The trust has invested in excess of R40 million in over 1 000 bursaries and scholarships over the past 15 years in collaboration with various donors. Adcorp is one of the partners/funders and contributors to the Thuto Trust as part of the company's socioeconomic development initiative.

Adcorp continues to assist beneficiaries as co-sponsor by ensuring that they become productive and proactive members of society.



Lindumusa Khumbulani Mnguni – Hillside Aluminium Bursary

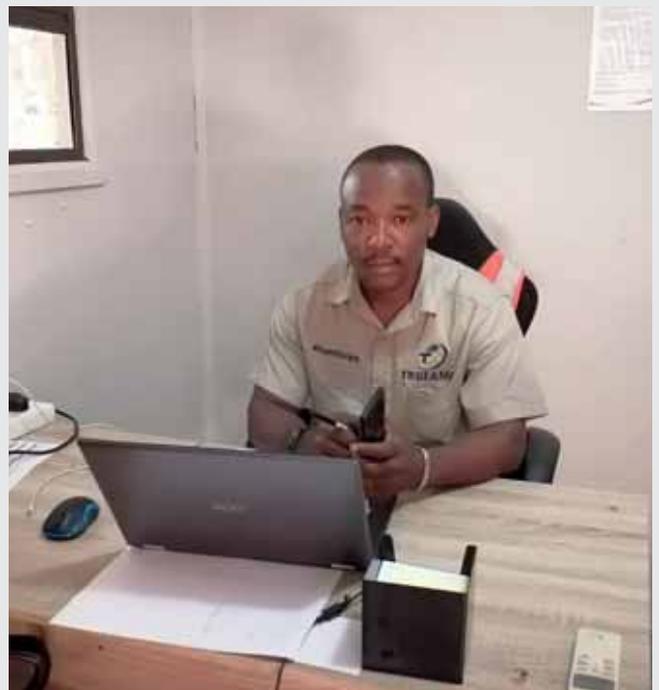
Lindumusa is a young, enthusiastic and ambitious entrepreneur who is steadily climbing the ladder in the business environment. He always had a dream of becoming an electrical engineer and a businessman. His most memorable moments were when he qualified as an electrician with RBM, then later joined South32 in the quest to uncover his potential in the engineering field. He was selected to do a business entrepreneurship course with PMI sponsored by South32.

Lindumusa now runs his own engineering company that supports major industries, which keeps him in touch with his passion for the engineering field. His company has been onboarded by large companies like Mondi Transnet and LH Marthinusen as one of their suppliers. His business aspiration is to become one of the biggest and trusted service providers to major industries providing engineering solutions and innovations.

The Hillside course has helped Lindumusa to understand the dynamics of the business world and how to manage customer relationships, HR and acquiring the relevant management skills.

Hillside Aluminium Bursaries are offered to young students who are pursuing their undergraduate degrees and Bachelor of Technology (B-Tech) in the field of engineering. With a limited number of bursaries made available, the Hillside Aluminium

Bursaries are mainly allocated to students based in the area of King Cetshwayo District. The courses covered by the bursary programme include electrical engineering, metallurgical engineering, mechanical engineering and chemical engineering.



Our communities continued

The Cape Innovation and Technology Initiative (CiTi) partnership – spotlight in Lightbulb Education

Adcorp has partnered with CiTi, Africa’s oldest tech incubator that works with government, academia, business and society, to promote the inclusive growth of the digital economy. CiTi supports SMMEs at various stages of the entrepreneurial journey through a hybrid of service offerings, including sourcing, assessment, recruitment, training, business development support, programmatic support, access to markets and funding readiness preparation and support. CiTi works with businesses in various stages of development including ideation, growth and scale. Through this partnership Adcorp identified three companies from the CiTi database and based on their needs analysis provided support to assist them in moving forward toward the next growth checkpoint in their journey. All three beneficiary companies are in the technology and education sector. Adcorp dedicated funding to the value of R1.15 million.

One of the beneficiaries, Lightbulb Education, is an EdTech and eLearning solutions provider. Lightbulb provides

learning-management system services to schools, institutions and organisations. The tools that the team have created make access to quality education and training services easier.

COVID-19 has forced more than one billion students and youth out of school, triggering the world’s biggest educational technology (EdTech) implementation in history, almost overnight, and the pace of change is set to accelerate. Lightbulb is in a prime position, with a proven business model, to take advantage of this market opportunity and make a positive impact where it is so desperately needed.

The funding from Adcorp will assist Lightbulb in developing premium digital curriculum content for Grades 4-6 subjects, aligned to both the CAPS and Cambridge Curricula. The funding will assist them in providing online learning services to learners as a supplementary source of online education and to schools as a digital resource to utilise with their current programmes.



Environmental

As a responsible corporate citizen, Adcorp aims to embed a culture of social and environmental responsibility among employees through training and awareness campaigns and encouraging environmentally friendly practices in the workplace.

Most of the Adcorp businesses do not have a large environmental footprint and therefore do not pose significant threats to the environment. The Adcorp Group is, however, committed to reducing our environmental impact. Duplex printing, electronic communication, carpooling, and continuous development of innovative digital workforce solutions are encouraged.

Water and energy consumption

We seek to reduce consumption across the group and business unit managers are expected to encourage the efficient and responsible use of resources in their areas of responsibility. The group operates in some of the most water-scarce regions in South Africa. Wherever possible, water storage tanks that collect rainwater have been installed.

Measures are also in place to reduce electricity consumption such as the installation of LED technology lights, which consume less electricity than conventional lighting and the use of motion-sensors which ensure that when an office is not in use the lights are automatically switched off. Adcorp seals off the air conditioning units in offices at night to reduce electricity consumption.

Paper

The group has centralised printing facilities with the aim of achieving efficiencies and reducing the number of pages printed across all offices. By reducing the number of pages printed, the energy used to print is also reduced. Adcorp extended its long-standing partnership with its printing supplier to provide a holistically managed print service (MPS) solution, which will deliver a more efficient and sustainable office printing environment.

Waste management

Adcorp provides recycling bins in all offices for paper, plastic, glass and wet waste. Landlords are responsible for ensuring the waste is disposed of correctly. The group uses an accredited e-waste recycler to dispose of scrapped computer equipment. The recycling service provider issues a certificate of destruction and a breakdown of the specific waste types generated during the destruction of the equipment in accordance with the relevant environmental standards.

Adcorp Place

Consisting of three buildings (Block A, B, and C) the Adcorp Place campus has been transformed into an energy-efficient campus. Energy-saving solutions that include motion sensor lights, solar panels and a water reservoir have been installed to support building functionality should certain services be interrupted.

Chief Executive Officer's report

“Healthy, resilient and agile organisations will be the key to achieving greater financial performance.”

COVID-19 changing business perspectives

The COVID-19 pandemic struck unexpectedly in 2020, bringing unprecedented, daunting disruption to the global economy and traditional ways of doing business. One of the consequences of the re-evaluation of business practices was to encourage companies to change their outward focus and examine internal practices – an action that required considering corporate culture and people.

One of the most powerful ways of assessing organisational culture and its impact is by locating and measuring energy sources within the company. What often becomes apparent during this process is that the formerly accepted focus on financial issues and corporate effectiveness has been replaced by emphasising people, agility and communication.

Resilient organisational structures require strong cultures

In short, as organisations continue responding to ongoing economic, market, and regulatory changes, they will have to acknowledge that decisions affecting the business model, strategy and wellbeing of employees are now inseparable from values and culture. Indeed, healthy, resilient organisational cultures will, in future, be the key to achieving greater financial performance.

With the required change in corporate focus has come the shift being led by digital transformation. Thrust upon many organisations, the drive to digital change and the operational benefits it brings has brought changes that have had to be embraced and implemented. A failure to transform and adopt innovative practices has become imperative to being accepted or risking falling by the wayside.

A year of transformation at Adcorp

As noted above, the COVID-19 pandemic brought stresses and changes to business. For Adcorp, the challenging year was characterised by encouraging transformation taking place against a background of some of the most pressing, difficult issues yet to be experienced in our 46-year history.

The year ended February 2021 was marked by COVID-19-induced events that weighed heavily on our clients, our company and our people. The negative impact of these events was compounded further by the already adverse economic climates prevailing in South Africa and Australia.

This “double jeopardy” scenario resulted in Adcorp, through necessity, turning its energies internally to meet the challenges and threats posed by a liquidity predicament. The responses included identifying the critical value drivers needed to restore financial stability and swiftly implementing them. Our efforts were successful, and we ended the year on a sound trajectory.

Drivers for change

The comprehensive drivers that were activated included:

- Stringent cash management;
- The design and implementation of a new black ownership transaction;
- Successfully divesting the company of non-core assets – Dare in Australia and Financial Services in South Africa;
- Introducing cost-cutting programmes that resulted in significant savings;
- A beneficial structural simplification project;
- Implementation of a new tech stack and ERP system;
- Development of new, focused corporate and brand strategies;
- Leadership calibration and changes; and
- Cultural evolution to a high-performance team.



Unlocking value

The past 12 months' efforts have yielded a positive outcome following management's dedication to unlocking value.

The diagram below provides an indication of progress achieved in respect of the aforementioned.



See page 37 for a detailed operational review.

Outlook

The organisation has made positive strides in stabilising and significantly enhancing liquidity. This bodes well in enhancing the defensive qualities of the balance sheet. Significant cost and efficiency gains are sustainable that should translate into heightened competitiveness.

The sustained impact of the protracted effects of COVID-19 within a weak South African economy should not be underestimated. Despite this, Adcorp has gained much needed strategic clarity and organisational agility to adapt and prosper. The outcome of the year ahead will be one of increased competitiveness as companies seek incremental market share within a strained economy.

Adcorp Australia is extremely well positioned to capitalise on the anticipated economic recovery and internal remodelling.

Adcorp is a formidable company in both geographies. Significant investment in technology will be a critical enabler and so too new B-BBEE credentials. The success of Adcorp being the largest workforce solutions company in Africa presides over the livelihood of over 48 000 employees and with that an enormous social responsibility. The company is proud to be a significant contributor to the economy and social capital within South Africa and Australia.

Phil Roux

Former CEO (resigned 31 March 2021)

29 June 2021

A word from our new CEO

As Phil outlined in his report, COVID-19 had a significant impact on the group. However, while the pandemic continues to dominate the landscape, it is worth noting the context in which we started our financial year. In South Africa, we came into 2020 off the back of being in a technical recession at the end of 2019. The unemployment rate at the end of 2019 was 29,1% – the highest it had been in the preceding 10 years. GDP growth for the entire year of 2019 was 0.2%. In Australia, we came into 2020 off the back of GDP growth of circa 2%. Growth in the Australian market was the lowest it had been for a decade. We were, therefore, already facing demanding trading environments in both our markets. Our customers were under pressure, seeking cost savings, placing expansion plans on hold and seeking relief from price increases. Competitors were sacrificing margin to retain clients or defend market share. We expected that 2021 would be a tough trading year for us. The impact of the COVID-19 pandemic compounded an expected tough trading year in both our markets.

Adcorp undertook significant steps to deal with these challenges in light of the pandemic outlined in Phil's report. In addition to these steps, we also took the opportunity to relook at our strategy. This relook delivered three things. The first was to ensure that we became a more focused business, concentrating on what we have always been strong at – providing workforces for our clients. Secondly, we revisited the company's values, culture, and structure to ensure we are more agile, get closer to our clients, and respond faster to their needs. As a result, we will drive a brand-centric, decentralised business but never lose the essence that across Australia and South Africa, we are one Adcorp. Thirdly, we know that the worst of the pandemic will pass, and economic activity will return at some point. Growth is thus the

third leg of our relook, and we are capacitating and ensuring that we can grow. Part of this was the successful conclusion of a deal that increased our B-BBEE level in Adcorp Workforce Solutions, our South African businesses, to level 1. No other company in the sector of our size and scale has achieved this.

Looking ahead

Today, Adcorp has a significantly stronger balance sheet than it had at the start of FY2021. We have improved cash management materially, and we have reset our cost base lower and more sustainably. As a result, we believe that we are a more focused and agile company with a clear strategic direction informed by our purpose. We connect people with jobs, building workforces that enable companies to grow and people to realise their full potential.

In both South Africa and Australia, we expect to see intense competition. In South Africa, we expect that the recovery from COVID-19 will be slow, with many of our clients struggling to recover. This slow recovery may translate into competitors being defensive for the current financial year. This would translate into ongoing margin pressure and difficulty in passing along input cost increases to our clients. In Australia, we expect a faster recovery from COVID-19 and a rapid return to economic growth. Competition is likely to come on the supply side. Demand may be challenging to fill, resulting in competition for resources rather than the defensive competition we expect to see in South Africa.

Adcorp will come out of the pandemic stronger than when it went in. This strength is not merely reflected in massively reduced gearing, improved cash generation and a reset cost basis; it is the work we have done on our strategy, leadership and culture. As a result, we have emerged a stronger, more focused, agile company and well positioned to grow.

Appreciation

I wish to recognise the immense work, diligence and sacrifice by the entire Adcorp team in a challenging year. The results were not the work of one person or even a group of people; it is the cumulative effort of all our employees and assignees. I would like to thank them for this. My appreciation also to Phil Roux, who stepped down as CEO on 31 March 2021. I know that the board, the executive committee, and I personally appreciate the work he did while at Adcorp.

Dr John Wentzel

CEO

29 June 2021



Operational overviews

Industrial Services portfolio

The majority of the Industrial Services business portfolio was fairly resilient to the adverse market conditions due to client sector diversity, however it was not unaffected from weakened trading conditions and suffered revenue contraction of 17,2% and a 22,1% reduction in gross profit when measured against prior year. Contingency staffing accounted for the majority of the decline, particularly in two market sectors within BLU, namely the hospitality and automotive sectors, and secondly within CYNERGY due to the loss of a large energy sector client.

Conversely, more defensive TES/contingent sectors, namely FMCG, warehousing, logistics, mining and agriculture performed relatively well showing far smaller declines in revenue and in some instances, growth compared to the prior year.

Our response to these realities was our strategy of rationalising and disposing of low-margin businesses and in turn refocusing our business and market strategy on chosen sectors that showed more long-term resilience and sustainability to the global pandemic and adverse trading conditions.

Functional Outsourcing: a welcome contrast

A welcome contrast was the FO business, within the Industrial portfolio, which saw its revenues increase by 9%. The improved performance was due to organic growth and new sales on the back of operating sectors that were more resilient to the negative impact of COVID-19 on trading conditions.

Cost control measures

Rigorous cost-saving measures introduced to reduce the pandemic's business impact saw a significant 49% decline in the Industrial division's cost base. Additional savings were achieved by aligning the business with a more efficient low-cost producer operating model to ensure a sustainable future and long-term efficiency, and ultimately a differentiated business model that is now aligned to the brand strategy and chosen market segments.

As a result of the significant focus on cost savings, margin management and the positive performance of the FO business, the overall Industrial services EBITDA increased from R284 million in FY2020 to R290 million in FY2021.

Outlook

The future will depend largely on economic recovery and the sustained effects of the COVID-19 pandemic, which is expected to be protracted and will influence our business activities during the new financial year. Therefore, growth will be achieved by Adcorp being more resilient to ongoing challenges than other industry players. We will have to focus our overall strategy and value proposition on chosen sectors that offer attractive opportunities and where, because of our range of services and expertise, we believe we can win business.

Naturally, retention of core clients will be a priority, and a comprehensive key account strategy will remain a priority during the new financial year.

Our efforts will be bolstered by the roll-out of the new enterprise system and technologies that will enhance our delivery for both established and new clients and markets by optimising our outputs and efficiency within our TES/contingent and FO entities.

Professional Services portfolio

Consistent with the COVID-19 trading environment, this portfolio had a decline in revenue generation of 20,0%. The most severely impacted division, due to macro-economic trading conditions was the permanent placement sector. The significant reduction of this product line also materially impacted the gross profit of the total portfolio as permanent placements typically deliver very high GP%*s* (variance to prior year of negative 32,7%).

The portfolio reacted swiftly to the situation to reset its cost base within a sector of the market that addresses the acquisition of scarce skills and talent acquisition outsourcing.

Seed, weed and feed

Kelly Quest specialises in recruiting middle-office, general administration and sales staff. A strategic review of the client base was undertaken to move away from clients who, because of the high costs of rendering services, negatively impacted margins.

A sustainable margin generative business unit is the result.

Recruitment slowdown

The private healthcare environment had anticipated a greater surge in COVID-19 related bed nights and as a consequence, elective health procedures were held in abeyance in anticipation of this. This did not materialise and Charisma's revenues declined accordingly. Post the initial hard lockdowns in South Africa, elective procedures began to return and income within Charisma proceeded to improve.

The IT resourcing brand of Paracon was initially largely unaffected in South Africa due to the fact that the bulk of these skills could continue to work from home. Ultimately though, revenues did decline as a factor of budgetary constraints impeding the client market due to a weakened COVID-19 economy. i.e. IT projects were shelved.

Outlook

COVID-19 will continue to be a dominant market force for the foreseeable future, so a gradual rebound within this portfolio should be expected.

Despite this gloomy medium-term outlook, our position and scale as a leading participant in our sector make us more resilient to adverse events than many of our competitors. This means that our clients will continue to rely on us to provide solutions for their future needs. Our master vendor solutions will be decisive in helping us to remain a provider of choice to our client base.

Our strategy to address the scarcity of skills is to combine our group services more coherently so that reskilling, upskilling, and outplacement components can be driven forward effectively as part of our integrated workforce transition solutions. We are also focusing on future workforce skills to bolster our ability to source the scarce IT skills required during the fourth industrial revolution. Additionally, our new value transformational propositions will converge analogue and digital processes and offer completely new digital market offerings.

Operational overviews continued

Training portfolio

PMI, due to its longer-term progression of learning outcome models and I Can!, due to its unique solutions to service people with disabilities, demonstrated resilience in a difficult trading period by leveraging their annuity learning and development products. Conversely the IT training business of Torque IT suffered significant contraction due to its product being considered a discretionary spend item by clients. A second impact on this total portfolio was an initial sluggish conversion to "online" digital learning platforms, necessary within the context of COVID-19 and the limitations this placed on physical instruction. The portfolio has delivered a year on year 40,5% and 48,6% drop in revenue and gross profit respectively.

Adversity encourages rapid transformation

The conditions created by the pandemic accelerated changes within the Training portfolio in a sector that was already undergoing a metamorphosis driven by digitalised delivery models and the worldwide availability of content to create enriched, bespoke and impactful learning journeys. This not only facilitated a sustainable response to delivering learning within the constraints of COVID-19, but more notably the extension of the Training portfolio into new delivery models, products and market segments. These included:

- Sustainable efficiencies implemented to align to revised digital delivery models;
- The acceleration of the adoption of procured best of breed digital learner management systems;
- Management changes reflecting a cohesive response to an evolving sector;
- A re-ignition of the technical training division;
- The embedding of a Centre of Excellence to ensure that critical academic and compliance components are delivered seamlessly as back-end support to the strategic intent of the Training portfolio; and
- A focus on exploring both traditional instructor-led and new, virtual instructor-led markets.

Outlook

The Training portfolio is resourced optimally to meet the changing landscape of the sector. It is structured to meet the skills and development needs of corporate South Africa and secondly to extend its impact through its digital platforms to more diverse content and markets. Inherent in the group's parenting advantage strategy is a synergistic relationship of the training brands with the balance of the group's client base.

Adcorp Holdings Australia

Revenue from the Australian continuing operations increased by 8,4% in the group's reporting currency but declined by an aggregate 6,5% in its functional currency. The functional decrease was due to permanent placement that declined by 35% and staffing services income reducing by 6,7% as the contracting market felt the full impact of the COVID-19 pandemic.

Rebound in professional services and industry staffing

Consulting and blue collar recruitment were hard hit by reduced activity early in the pandemic, however, blue collar recruitment activity rebounded strongly in the second half of the year, reporting a strong recovery. In contrast, our professional recruitment activity fared well during the onset of COVID-19, however, was most marked during the middle of the year when contracting renewals began to decline, positioning a delayed reaction to the impact of the pandemic.

Matters on the income front improved somewhat when the Australian government responded to the pandemic's impact on business. As a result, when the "JobKeeper" grant income began flowing through, the 7% revenue decline was ameliorated somewhat.

Despite the absence of high-profit placement fees, margins held steady on a year-on-year basis. This resulted from a focus on the on-boarding of quality margin clients and the increased utilisation rates of retained contractors.

Cost review

The ongoing pandemic prompted a critical review of costs and resulted in a reset of the cost base that will result in sustainable savings in the future. Included in the costs for FY2021 are retrenchment costs and costs incurred to evaluate the potential sale by the group of the Australian business.

EBITDA showed a healthy growth of 32% to AUD9,4 million, but backing out government grants, EBITDA growth reported was 3,7%, which is commendable in a COVID-19 year. This was due to the restructuring costs offsetting the reduction in revenue, bolstered by the relief provided by the Australian government to safeguard business profits.

Outlook

COVID-19 is expected to continue impacting operational performance and will remain a factor as long as international and domestic border closures restrict talent access.

Although market demand is increasing, and some rebound is evident, the labour shortage will play a critical part in the ability to realise full potential. Growth will be contingent on executing a group value proposition and producing a focused strategy on industry verticals that can deliver quality margins and assist expansion.

Investment in updating the technology stack has commenced. This investment will improve both front and back-office efficiency while simultaneously driving the required step-change to operational excellence and building long-term sustainable performance.

The push to driving new business with quality margins, breaking into new industry verticals and delivering group market solutions will expand the operating margin in what will remain a competitive market.

Chief Financial Officer's report

“Notwithstanding a challenging operating period during the COVID-19 pandemic, there has been a focus on reducing the net debt position of the group, thus improving liquidity and strengthening the balance sheet.”

The COVID-19 pandemic is a human tragedy that has significantly impacted our clients and our people in both of Adcorp's principal geographies, South Africa and Australia. Notwithstanding these challenges, Adcorp is in a stronger position than a year ago, with significantly lower debt, enhanced earnings and empowerment credentials, as well as a clear strategy for profitable growth. This is testament to the resilience of our business model, our clients and our people.

During the reporting period management has re-oriented itself to managing costs, resetting a 'new' cost base and focusing on improved working capital management. This is to improve liquidity, strengthen the balance sheet and further underpin the business's financial capability to execute on its strategy.



Performance

	Feb 2021 R'000	Feb 2020* R'000	% change
Revenue	11 716 956	12 922 325	(9,3)
Cost of sales	(10 575 140)	(11 452 501)	(7,7)
Gross profit	1 141 816	1 469 824	(22,3)
Other income excluding one-off type income	79 067	26 920	193,7
Operating expenses excluding one-off type costs	(971 103)	(1 243 062)	21,9
EBITDA	249 780	253 682	(1,6)
EBITDA (%)	2,2	2,0	
Depreciation and amortisation	(130 361)	(141 997)	8,2
Depreciation of PPE and intangibles amortisation	(68 553)	(81 320)	15,7
Depreciation of right-of-use assets (IFRS 16)	(61 808)	(60 677)	(1,9)
Net cost of funding	(90 650)	(105 514)	14,1
Net cost of loan funding	(42 996)	(68 890)	37,6
Lease liability interest (IFRS 16)	(47 654)	(36 624)	(30,1)
Impairments, derecognition of lease liabilities and ROUA and profits/(losses) on the disposal of businesses	(1 008)	(597 499)	
Profit/(loss) before taxation	27 761	(591 328)	104,7
Taxation expense	(22 338)	(71 977)	69,0
Profit/(loss) for the period	5 423	(663 305)	
Continuing operations	5 423	(663 305)	100,8
Discontinued operations	35 906	58 553	(38,7)
	41 329	(604 752)	106,8
Total earnings per share including discontinued operations (cents)	35,6	(561,6)	106,3
Total headline earnings per share including discontinued operations (cents)	34,2	(17,2)	298,8

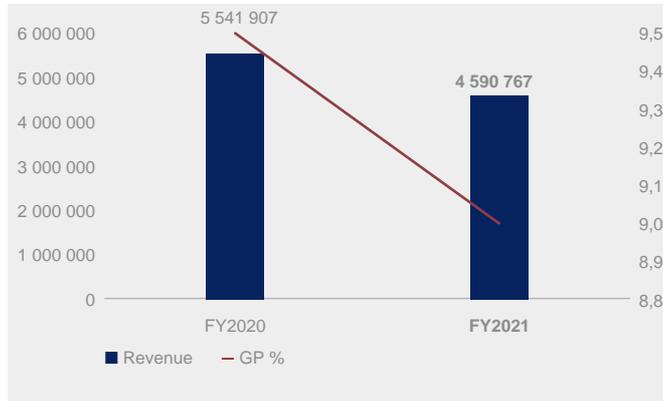
* Restated. Refer to the consolidated annual financial statements for details on the restatement.

Chief Financial Officer's report continued

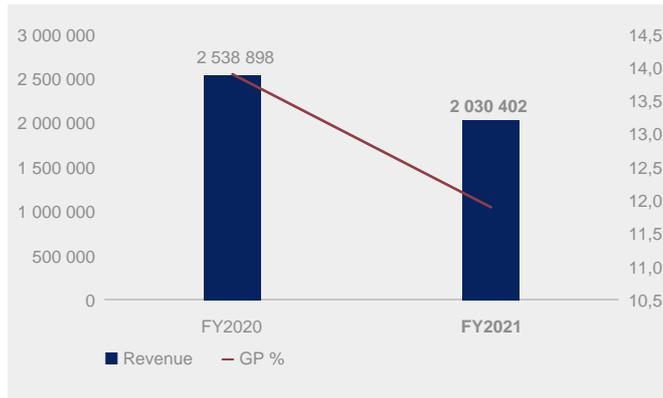
Revenue from continuing operations decreased by 9,3% and the gross profit margin decreased 170 basis points to 9,7% from 11,4%, due to a reduction in higher margin business and a limitation to sufficiently rationalise the cost of sales fixed base impacted by COVID-19.

Segmental revenue performance

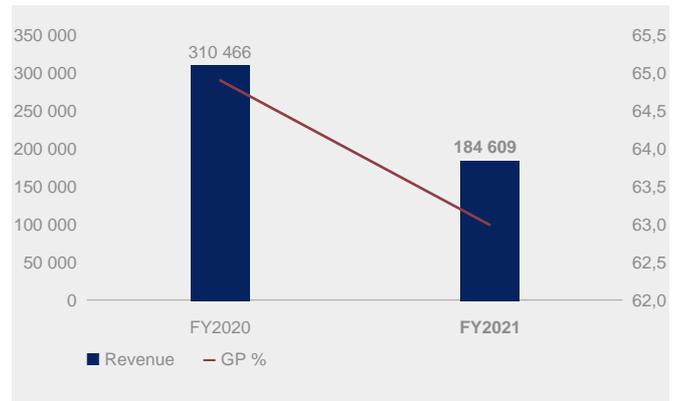
Industrial (R'000) (%)



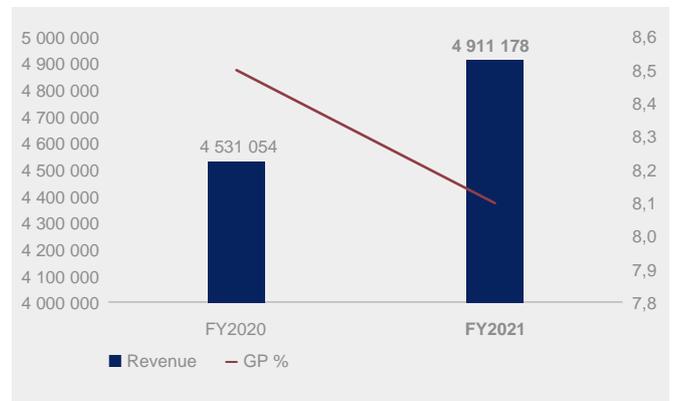
Professional (R'000) (%)



Training (R'000) (%)



Australia (R'000) (%)



Despite gross margin contraction during the 2021 financial year, a continued focus on upliftment will be a targeted source of profit improvement for the group while the geographies' economies recover.

The primary increase in other income is the JobKeeper Payment scheme received from the Australian government for businesses significantly affected by COVID-19. The net benefit to the group was approximately R32,7 million (AUD2,8 million) after deducting directly linked operating expenses.

Operating expenses, excluding impairments, from continuing operations reflected a significant decrease of R271 million compared to 2020 costs. The decrease in costs was achieved through staff and salary restructurings, and many cost initiatives implemented to mitigate the effects of the COVID-19 pandemic. Management will continue the drive to a sustainable cost rebase.

The group's EBITDA from continuing operations marginally decreased by 1,6% compared to the comparative period.

The net cost of funding, excluding lease liability interest under IFRS 16, decreased by 37,6% to R43,0 million from R68,9 million as a result of lower borrowings in both geographies and lowering of interest rates in South Africa.

No goodwill impairments were required in the current financial year.

The effective tax rate from continuing operations for FY2021 was 81%, largely driven by current year tax losses not recognised and non-deductible expenses. South Africa does not apply Group Taxation principles, therefore taxation is calculated at an entity level. The effective tax rate was also impacted by the positive financial performance of our Australian operations.

The group has concluded the significant components of its project simplification restructuring exercise and the tax impact thereof will only be realised in the 2022 and future financial years. This initiative to restructure and right-size the business was done in line with the long-term strategic and commercial objectives of the group.

Total group net profit improved to R41,3 million from a loss of R604,8 million in 2020.

The net profit from continuing operations was R5,4 million versus a loss of R663,3 million in the prior year.

Net profit from discontinued operations decreased by 38,7% compared to the prior year.

Adcorp considers that adjusted EBITDA more accurately conveys operational performance especially considering the dynamics of the past financial year. Such revenue and cost adjustments taking into account non-recurring and accounting anomalies are included in the table below:

	R'000
EBITDA per reported results	249 780
Staff and salary restructuring	4 430
Once-off costs and accounting adjustments	32 515
Reversal of bad debt provision	(33 396)
Profit on sale of PPE and businesses	(7 898)
Adjusted EBITDA	245 431

Financial position

Summarised consolidated statement of financial position

	Feb 2021 R'000	Feb 2020* R'000	% change
Assets			
Property and equipment	48 286	72 212	(33,1)
Right-of-use lease assets	364 572	414 917	(12,1)
Intangible assets and goodwill	671 562	813 311	(17,4)
Investment and other financial assets	18 971	54 544	(65,2)
Tax and deferred tax asset	208 686	199 656	4,5
Trade and other receivables	1 534 315	2 049 966	(25,2)
Cash and cash equivalents**	473 932	356 761	32,8
	3 320 324	3 961 367	(16,2)
Non-current assets held for sale	196 553	116 039	–
Total assets	3 516 877	4 077 406	(13,7)
Equity and liabilities			
Capital and reserves	1 352 254	1 245 847	8,5
Interest-bearing borrowings	455 910	1 001 866	(54,5)
Lease liabilities	444 939	497 478	(10,6)
Tax and deferred tax liability	149 970	120 281	24,7
Provisions, trade and other payables	1 092 660	1 173 075	(6,9)
	3 495 733	4 038 547	(13,4)
Held for sale liabilities	21 144	38 859	–
Total equity and liabilities	3 516 877	4 077 406	(13,7)

* Restated. Refer to the consolidated annual financial statements for details on the restatement.

** Includes R66,8 million (R42,7 million) of restricted cash in Angola.

Intangible assets and goodwill primarily reduced because of the reclassification of the cloud computing costs and the goodwill related to the financial services business that has been reclassified to assets held for sale. The reclassification is due to the change in accounting policy related to accounting for cloud computing software costs. In the prior year this was capitalised as part intangible assets. However, due to recent guidance provided from IFRS Interpretations Committee (IFRIC) and interpretation thereof the accounting policy has been changed to account for these costs as prepaid expenses instead of intangible assets.

Trade and other receivables have decreased by 25,2% since year end, through the concerted collection practices undertaken. The extensive focus in improving collections in South Africa and Australia has resulted in days sales outstanding reducing to 38 days from 43 days, and this continues to be a primary focus for management.

Chief Financial Officer's report continued

The right-of-use lease assets include a derecognition of R12,9 million and an impairment of R5,9 million relating to subletting portions of the head office at reduced rental rates because of current market conditions. Lease liabilities includes a derecognition of R17,7 million. The application of IFRS 16, Accounting for Leases, has resulted in a negative accounting impact of R19,8 million to the group's profit before tax for the current year.

Trade and other payables, including provisions decreased by 6,9% from 2020.

Liquidity and cash flow

Interventions and measures were successfully implemented early in the financial year to manage the liquidity position of the group during the pandemic outbreak. Cash generated by operations increased to R913,7 million (from R208,5 million in 2020). The group's consolidated cash and cash equivalents (excluding restricted cash in Angola and cash in assets held for sale) totalled R407,0 million, an increase of R93,1 million from the prior year (FY2020: R313,9 million).

Summarised consolidated statement of cash flows

	Feb 2021 R'000	Feb 2020* R'000
Cash generated from operations before working capital	281 869	334 017
Working capital changes	631 861	(125 596)
Cash generated from operations	913 730	208 521
Net cash generated/(utilised) from operating activities	770 605	(22 669)
Net cash inflow/(outflow) from financing activities	9 663	(72 712)
Net cash (outflow)/inflow from investing activities	(649 180)	47 101
Net increase/(decrease) in cash and cash equivalents	131 088	(48 280)
Cash and cash equivalents at the beginning of the year	360 500	408 780
Other movements	6 768	–
Cash and cash equivalents at the end of the year**	498 356	360 500

* Restated. Refer to the consolidated annual financial statements for details in the restatement.

** Includes R66,8 million (R42,7 million) of restricted cash in Angola and R24,5 million (R3,9 million) in cash assets held for sale.

Significant improvement in collections throughout the group and other cash positive initiatives resulted in group debt reducing to R455,9 million from R1 001,9 million in 2020, with both South Africa and Australia contributing to the substantial degearing of the balance sheet.

Group net debt excluding finance leases was R687,8 million as at 29 February 2020 and has reduced by R639,0 million to R48,8 million as at 28 February 2021.

Net debt

	Feb 2021 R'000	Feb 2020 R'000
ZAR amortising term loan	–	200 000
ZAR amortising revolving credit facility	–	570 000
ZAR new revolving credit facility	450 000	–
AUD borrowing base facility	5 823	231 684
Bank overdraft	87	182
Total debt	455 910	1 001 866
Cash and cash equivalents	(407 099)	(314 049)
Net debt excluding restricted cash and assets held for sale	48 811	687 817
Cash and cash equivalents – restricted cash	(66 833)	(42 712)
Cash and cash equivalents – assets held for sale	(24 511)	(3 921)

The South Africa operation concluded the facility extension with its lender consortium on 24 November 2020 and has since been extended to August 2022. The Australian operation extended its facility to June 2022. The facilities are used primarily to fund working capital requirements.

Business simplification

The group's ongoing initiatives to restructure and simplify the complex group structure was largely completed during the 2021 financial year. In line with the long term strategic and commercial objectives of the group, the group structure was rationalised and we now have a structure that aligns more efficiently to the group's operating model.

The project has also resulted in realigning our market facing brands and reduced administrative costs for the group through the deregistration of dormant and non-trading entities.

Disposal of Dare and FMS

The disposal of Dare Australia was concluded on 22 September 2020 and final proceeds received from the disposal amounted to R29,9 million.

The disposal of FMS was approved by shareholders on 30 March 2021 and the initial proceeds of R172,2 million after the deduction of certain closing liabilities were received on 31 March 2021. A further deferred payment of R8,34 million was paid on 25 June 2021 relating to FMS exceeding agreed targeted EBITDA for the 2021 financial year. To the extent applicable, an amount equal to R12,0 million will be payable in 2022, subject to FMS maintaining a certain minimum number of policy holders or a minimum revenue of R23,3 million for the period from 1 January 2021 until 31 December 2021.

The proceeds of both disposals were used to reduce debt facilities and strengthen the liquidity of the group.

New B-BBEE transaction

A new B-BBEE transaction was approved by shareholders on 14 December 2020. This was implemented to improve the level of BEE ownership in the group, to ensure competitiveness in the South African operating environment and to ensure that there will be sustainable value creation for Adcorp's various stakeholders. An IFRS 2 charge of R3,6 million was recognised in the 2021 financial year and it is important to note that an annual charge of R7,2 million related to the 2013 ownership scheme is still being incurred until the 2023 financial year.

Dividends

Despite the group's vastly improved net debt position, the subdued operating performance still requires a sustainable recovery. For this reason and the enhanced levels of economic and business uncertainty, which is likely to prevail, no dividend has been declared for the year.

Appreciation

In closing, I would like to extend my appreciation to colleagues on our finance team for their commitment and continued efforts to improve performance and for supporting the businesses to unlock value. I would like to acknowledge the board and other group EXCO members for their input and support during year.

Noel Prendergast

Chief Financial Officer

29 June 2021

Board of directors



INDEPENDENT NON-EXECUTIVES

1. Michael Spicer (68)

Lead independent non-executive
BA, MA (History)

Date of appointment

21 August 2013

Significant directorships

- Board Chairman for Wesgro.

Skills and expertise

Mike is the Chairman of the Wesgro board. He spent 20 years at Anglo American PLC ending his career as a non-executive director and Chairman of Anglo American South Africa.

Committee membership



2. Dr Phumla Mnganga (53)

BA, BEd, MBL, PhD

Date of appointment

6 September 2018

Significant directorships

- The SPAR Group Ltd;
- Crookes Brothers Ltd;
- Gold Circle (Pty) Ltd;
- Altron Ltd;
- Novus Holdings (Board Chairperson);
- Tolcon Group; and
- Lehumo Women's Investment Holdings (Founder and MD).

Skills and expertise

Phumla is founder and managing director of Lehumo Women's Investment Holdings and also previously held the role of HRD/Transformation Executive at Tongaat Hulett Group. Her considerable and varied experience includes human resource consulting, change management and B-BBEE investing.

Committee membership



3. Tshidi Mokgabudi (67)

CA(SA), Dip in Tax Law, BCompt (Hons), BCompt and BCom (Economics & Industrial Psychology)

Date of appointment

15 October 2020

Significant directorships

- Truworths Ltd
- University of Cape Town

Skills and expertise

Tshidi is a Chartered Accountant with extensive experience in board and executive leadership, as well as governance, spanning across both the public and private sectors. She has extensive financial expertise, business acumen and leadership qualities, with more than 30 years of accounting, auditing and advisory experience within the public and private sectors.

Committee membership



4. Prof Herman Singh (60)

BSc (Mech Eng), GDE (Industrial Engineering), MBA

Date of appointment

6 September 2018

Significant directorships

- 4Sight Holdings Ltd;
- Cenfri (The Centre for Financial Regulation and Inclusion);
- Bowwood and Main 273 Ltd; and
- Telkom Ltd.

Skills and expertise

Herman's focus on the convergence of technology and business has resulted in him taking on a number of key technology-focused roles at MTN, Vodacom and Standard Bank.

Committee membership



5. Ronel van Dijk (49)

CA(SA)

Date of appointment

6 June 2019

Significant directorships

- Musgraves Consulting;
- Burger King South Africa; and
- Grand Parade Investments Ltd.

Skills and expertise

Ronel is an experienced CFO with exposure to corporate governance, internal controls and risk management, strategy development and implementation, and leadership development. She was previously CFO of Spur Corporation and CFO of PPC Limited.

Committee membership



6. Melvyn Lubega (32)

BBusSc (Hons) Actuarial Science, MSc Learning and Technology (Oxford), MPP (Oxford)

Date of appointment

1 July 2020

Significant directorships

- Go1 (Co-founder and director);
- Conduit Capital Limited; and
- NEMISA NPC (National Electronic Media Institute of South Africa).

Skills and expertise

Melvyn is an actuary by training and is an experienced technology entrepreneur and executive who has built businesses that serve customers worldwide. As a referenced thought leader, he has been invited to speak both abroad and locally on digital transformation, disruptive innovation, the future of the workforce, as well as business strategy.

Committee membership



NON-EXECUTIVE DIRECTORS

7. Cecil Maswanganyi (55)

BCompt, MBL (UNISA), Postgraduate Diploma in Taxation, ACMA, GCMA

Date of appointment

1 March 2017 (previously an alternate director from 11 July 2012)

Significant directorships

- Simeka Group (executive director);
- Simeka Capital Holdings;
- Verge Management Services;
- Wescoal Holdings; and
- Specpharm Holdings.

Skills and expertise

Cecil is Group Chief Executive Officer of the Simeka Group, a private equity investment firm. His experience encompasses deal structuring, strategy and public sector. He was Group General Manager: Strategy at Transnet and was involved in Public Sector Consulting at Accenture.

Committee membership



* InvestCom chair

^ SETCom chair

** ARC chair

† HCC chair



8. Gloria Serobe (61)

Chairman

BCom, MBA

Date of appointment

11 July 2017

Significant directorships

- Women Investment Portfolio Holdings Limited (WIPHOLD);
- Denel SOC Ltd;
- Hans Merensky Holdings (Pty) Ltd;
- Sasfin Holdings;
- Transtar Hotel; and
- Solidarity Response Fund.

Skills and expertise

Gloria is the founder and Executive director of WIPHOLD and an honorary member of the Actuarial Society of South Africa. She also serves on the SAICA Advisory Council.

Committee membership



9. Monde Nkosi (31)

BBusSc (Hons), MA (Stanford), MBA (Stanford)

Date of appointment

6 June 2019 (previously an alternate director from 19 October 2018)

Significant directorships

- Grand Parade Investments Ltd;
- Value Capital Partners (Pty) Ltd;
- Advtech Limited; and
- Net 1 UEPS Technologies Incorporated.

Skills and expertise

Monde is an investment professional at Value Capital Partners. He was previously a senior associate on the investment team of FFL Partners, a San Francisco-based private equity firm managing over US\$2 billion.

Committee membership



10 Sam Sithole (48)

CA(SA), CA (Z)

Date of appointment

4 July 2017

Significant directorships

- Altron Ltd;
- Metair Investments;
- Sun International Ltd; and
- Value Capital Partners (Pty) Ltd.

Skills and expertise

Sam is one of the founding partners of Value Capital Partners and is the company's Chief Executive Officer. He was previously a Partner at Deloitte before joining Brait as the Group Financial Director.

Committee membership



11. Clive Smith (60)

ACIS (SA), EDP (GIBS)

Date of appointment

10 January 2020

Significant directorships

- EnviroServ Holdings (Pty) Ltd; and
- Enigma Collections (Pty) Ltd.

Skills and expertise

Clive was the Group CEO of Tsebo Solutions Group from January 2004 to May 2019. His experience includes oversight of complex international acquisitions and two rounds of institutional private equity funding.

Committee membership



EXECUTIVE DIRECTORS

12. Dr John Wentzel (54)

Chief Executive Officer

BSc, BSc Honours, MSc, PhD, MBA

Date of appointment

1 April 2021

Significant directorships

- Tsela Tshweu Pty Ltd;
- Finteq (Pty) Ltd;
- Finteq Africa (Pty) Ltd;
- DSVH Facilities Management Consortium;
- Sethekgo (Pty) Ltd; and
- Nanuq Capital Partners.

Skills and expertise

John is an experienced business executive with more than 15 years of experience in the retail and workplace management solutions sectors. John was the CEO at Tsebo International overseeing its operations in 21 African countries. Previous executive roles at the Tsebo Group included Chief Commercial Officer, where he drove customer value and the growth agenda, and CEO of the Facilities Solutions division. He further served as CIO and COO for large listed and unlisted companies.

Committee membership



13. Noel Prendergast (48)

Chief Financial Officer

CA(SA), BCompt (Hons), BCom

Date of appointment

21 October 2020

Significant directorships

- Wainfleet Trade (Pty) Ltd.

Skills and expertise

Noel completed his articles at KPMG, followed by a senior corporate finance role at PwC Corporate Finance. He later held executive positions at Clientele Limited and Wings Travel Management Limited. Noel has been with the company as interim CFO since 1 July 2020, and was subsequently appointed as Group CFO in October 2020.

Committee membership



Key

Audit and risk committee (ARC)

Human capital committee (HCC)

Social, ethics and transformation committee (SETCom)

Investment committee (InvestCom)

Executive management



1. Dr John Wentzel

Chief Executive Officer

2. Noel Prendergast

Chief Financial Officer

3. Lisa Laporte

Group Executive: Company Secretary, Legal, Risk and Compliance

Joined group: June 2002

4. Vinolia Singh

Group Executive: Human Capital

Joined group: September 2018

5. Bruce Toerien

Group Executive: Commercial

Joined group: August 2003

6. Kay Vittee

Portfolio Managing Executive: Professional Services

Joined group: July 2007

7. Rob de Groot

Portfolio Managing Executive: Industrial Services

Joined group: December 2002

8. Nick Najjar

Portfolio Managing Executive: Training

Joined group: May 2021

9. Megan Woodbury

Chief Operating Officer (Australia)

Joined group: February 2014

Ethical leadership

The board is ultimately responsible for the ethical behaviour of the business and considers sound corporate governance as a critical driver for sustainable growth. We are committed to being a good corporate citizen and acting with the highest standards of ethical behaviour at all times. In conducting the affairs of the company, the board endorses the principles of fairness, responsibility, transparency and accountability advocated by King IV™.

The board exercises and ensures effective and ethical leadership by always acting in the best interests of the company, and at the same time concerning itself with the sustainability of its business operations, by regularly reviewing the company's governance structures. Balancing the business' sustainability with the best interests of our stakeholders, is one of the ways the board demonstrates effective ethical leadership.

Adcorp ensures that the board, senior management and senior members of the finance team are made aware of closed periods during which they may not trade in Adcorp securities. All directors' dealings in Adcorp securities require prior approval from the chairman of the board or a designated director. The Company Secretary maintains a record of all share dealings.

The board governs compliance with applicable laws, regulations, adopted non-binding rules as well as codes and standards in a way that upholds the group's ethics and ensures that it remains a good corporate citizen.

The Adcorp board is committed to complying with all applicable laws and regulations, and its support and application of certain non-binding codes, standards and plans including the 10 principles of the United Nations Global Compact (UNGC); the South African National Development Plan (NDP); and the Confederation of Associations in the Private Employment Sector (CAPES).

A regularly reviewed code of ethics and business conduct is in place, and outlines Adcorp's commitment to conduct all business operations with honesty, integrity transparency, and openness.

The code applies to all employees and they are required to sign acknowledgement of the code. Lisa Laporte, Company Secretary, is the compliance officer responsible for monitoring adherence. Any reported contraventions are dealt with at managerial level.

The code of ethics and business conduct is regularly reviewed, and employees and other stakeholders have access to an ethics tip-off line through which behaviour that is thought to be unethical or fraudulent can be reported in confidence to an independent external service provider.

The group's code of ethics is driven by the following principals:

- **Health and safety:** Adcorp takes pride in providing and managing a safe and healthy working environment for all employees, contractors and visitors, and complies with all regulatory requirements with regard to health and safety.
- **Respect for individuality, diversity and equality:** Employees are a vital resource to the Adcorp Group; their knowledge, skills and commitment to the company's vision and values are central to its success. Adcorp seeks to promote the individuality of its employees by respecting the dignity of each individual, valuing diversity and ensuring equality.

- **Freedom of choice of employment and association:** Adcorp does not permit forced or compulsory labour. Employees have the freedom to terminate their employment in accordance with their contractual period of notice. Adcorp respects the right of employees to come together in groups, join a trade union, appoint a representative and be elected as a union representative, or refrain from doing so.
- **Honesty and anti-corruption:** Adcorp strives to market its services based on a proven track record of honesty, quality, reliability and good value.
- **Integrity, professionalism and avoidance of conflict of interest:** All employees are public representatives of Adcorp. To this end, regardless of inherent job pressures, all employees are obliged to act responsibly and in a manner that will uphold Adcorp's reputation. Integrity is the core principal behaviour of every Adcorp employee.
- **Prohibition against child labour and employment of young workers:** Adcorp supports human rights and the effective abolition of child labour. As such, Adcorp does not subscribe nor endorse any form of child labour or any form of human rights abuses. Adcorp has put in place practices and strict monitoring so that children are not employed, nor are there any instances of forced labour. Adcorp suppliers are also obliged to comply with applicable child labour legislation and an Adcorp supplier code of conduct.
- **Compliance with memorandum of incorporation (MOI), laws and governance regulations:** Adcorp has positioned itself as a leader in the marketplace and as such, is committed to doing business with integrity and according to all applicable laws.
- **Respect for privacy and the protection of personal information:** The personal information of all individuals, whether such is a client, employee, supplier or applicant, is respected and managed in line with the requirements of the Protection of Personal Information Act (POPIA) and Global Data Protection Regulation (GDPR).

The responsibility of overseeing ethics is managed by the social, ethics and transformation committee (SETCom). The audit and risk committee receives regular reports about any unethical lapses and fraud prevention in Adcorp and its subsidiaries. The reports further include a report on the ethics tip-off line and during the FY21, the tip-off anonymous hotline was extended to Australia. During the year the Deloitte tip-off line received six reports and there were 13 internal and external escalations.

The board confirms that the Adcorp Group has in all material respects applied and implemented the principles of King IV™ and the application register can be found on our website at <https://www.adcorpgroup.com/wp-content/uploads/2021/06/CorporateGovernanceRegister2021.pdf>.

The chairman of the board has reported on the quality and effectiveness of our board's leadership during the year under review and the oversight measures in place in the chairman's report on page 05.

Governance report

Board

Independent non-executives

- Michael Spicer
(Lead independent non-executive)
- Melvyn Lubega
- Phumla Mnganga
- Tshidi Mokgabudi
- Herman Singh
- Ronel Van Dijk

Non-executives

- Gloria Serobe *(Chairman)*
- Cecil Maswanganyi
- Monde Nkosi
- Samuel Sithole
- Clive Smith

Executives

- John Wentzel *(CEO)*
- Noel Prendergast *(CFO)*

- T Mokgabudi *(Chair)*
- M Lubega
- H Singh
- MW Spicer
- R van Dijk

Responsibilities

Assists the board in discharging its responsibilities relating to: the safeguarding of assets; the operation of adequate and effective systems and control processes; the preparation of fairly presented financial statements in compliance with all applicable legal and regulatory requirements and accounting standards; and the oversight of the external and internal audit appointments and functions.

Committee independence

5/5

See full report on page 72

- S Sithole *(Chair)*
- GT Serobe *(Chairs Nomco agenda)*
- P Mnganga
- C Smith
- MW Spicer

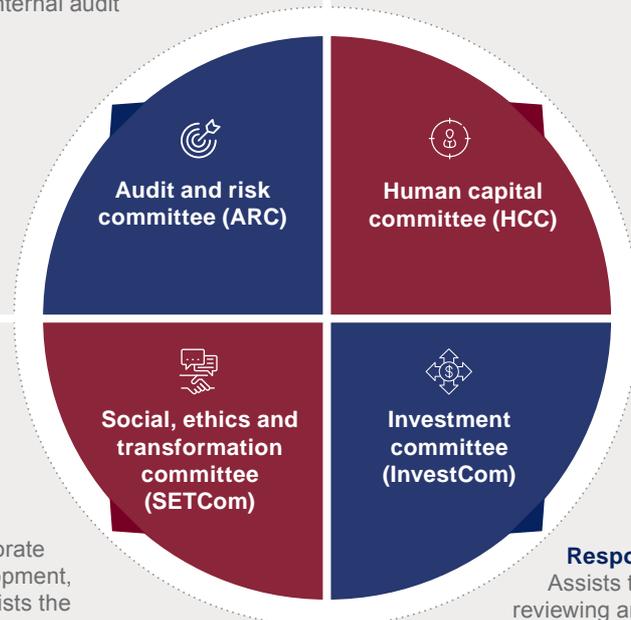
Responsibilities

Assists the board in ensuring the board's optimum composition, overseeing the appointment of executive management, succession planning, appropriate employee remuneration and monitoring the health of the organisation.

Committee independence

2/5

See full report on page 60



- P Mnganga *(Chair)*
- C Maswanganyi
- T Mokgabudi
- J Wentzel

Responsibilities

Oversight role and report on organisational ethics, corporate citizenship, sustainable development, stakeholder relationships. Assists the board in facilitating and supporting the development transformation objectives.

Committee independence

2/4

See full report on page 69

- C Maswanganyi *(Chair)*
- M Lubega
- M Nkosi
- N Prendergast
- H Singh
- J Wentzel

Responsibilities

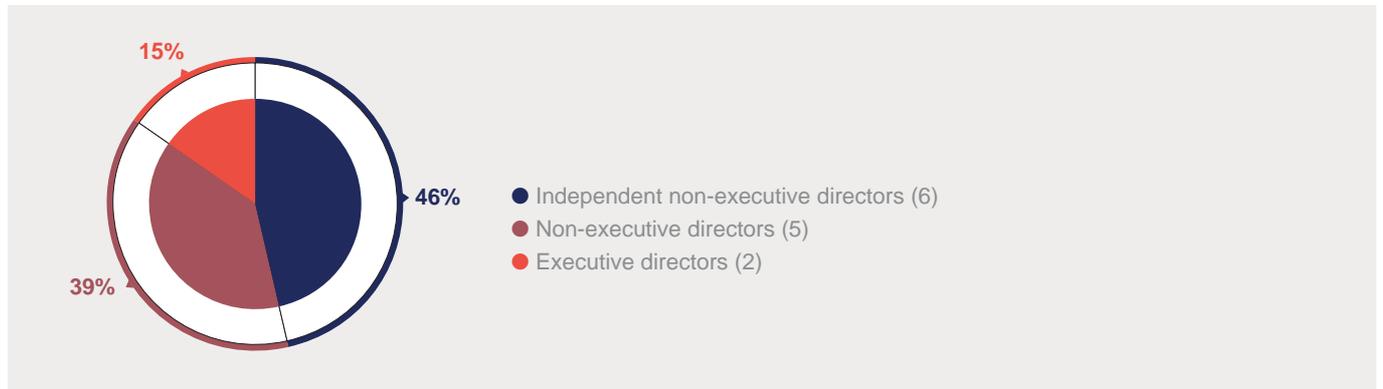
Assists the board in assessing, reviewing and approving (as provided by the approval framework) individual capital projects and investment and divestment opportunities in line with the company's investment criteria.

Committee independence

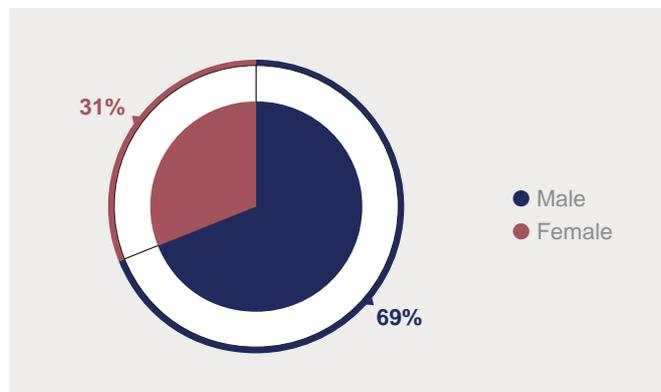
2/6

The board

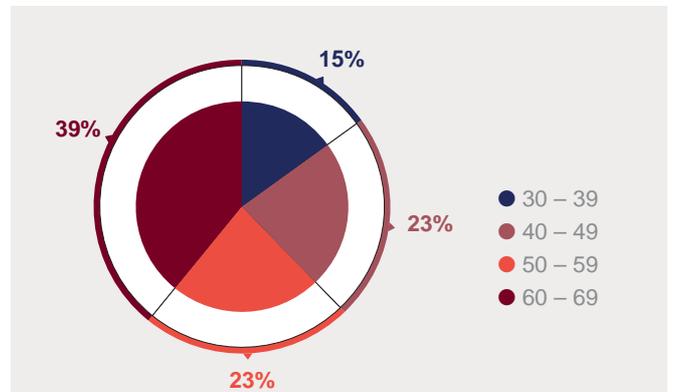
Board independence



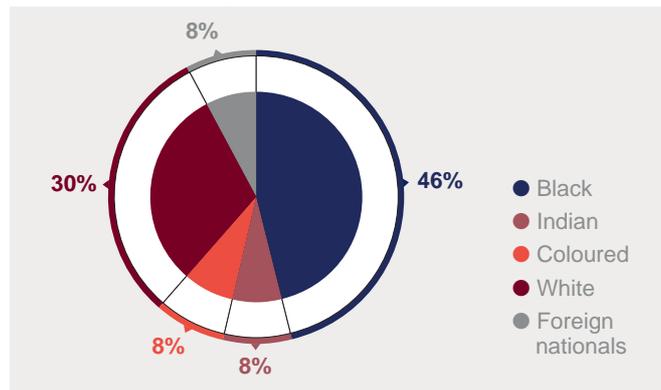
Board gender



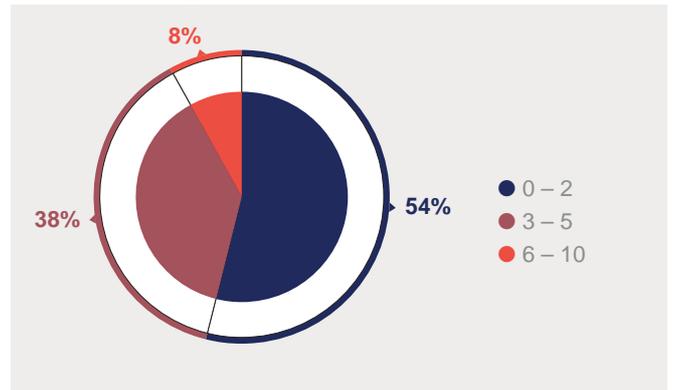
Board age diversity



Board race diversity



Board tenure – years



Governance report continued

Board and committee activities in FY2021 and their focus areas for FY2022, in addition to their mandate as set out in the respective terms of reference (TOR).

What kept the board busy this year	What will keep the board busy in FY2022
<ul style="list-style-type: none"> Investigating the root causes for the underperformance of the group and deliberating on the required corrective action; Sourcing of a CEO with extensive experience in undertaking successful turnaround strategies; Overseeing the transformation of the group's culture into one that is collaborative, transparent, empowering and innovative; Considering reports on the B-BBEE status and prospective schemes to improve black female ownership in the business; Enhancing governance through ensuring the right mix and skill are represented in each board committee and at the senior management level in the organisation; Conducting a strategy review into each of the strategic pillars of the Adcorp Group; and Steering the group in mitigating the negative impact of COVID-19. 	<ul style="list-style-type: none"> The board will continue to oversee the turnaround of the Adcorp Group and setting a strategy for the group that is in line with the new normal in a COVID-19 environment; Overseeing the improvement and maintenance of the B-BBEE status of the group and implementing a scheme that enhances black female ownership; and Ensuring that the budget is approved in line with the strategy set for the group.

Board independence

Through the appointment of independent directors and the separation and clear definition of the roles and responsibilities of the chairman and CEO, Adcorp has established a clear balance of power and authority at board level. This is further supported by the lead independent director, whose role is to address any conflicts that may arise, provide guidance on and monitor the application of appropriate standards of corporate governance.

Adcorp ensures that the interests of minority shareholders are protected. Even though the current composition of the board is not a majority independent, all directors exercise their duties with an unfettered mind and in an independent manner.

In order to assess the independence of directors who are nominated by and represent larger shareholders, the board has reviewed the relevant sections of the JSE Listings Requirements, the Companies Act and the Institute of Directors' practice note dealing with the independence of directors, and is satisfied that the directors in question apply their minds independently, in the best interests of Adcorp and are not tainted by their shareholding. The independence of directors is reassessed annually by the human capital committee and this process is overseen by the lead independent director.

The Adcorp board performs its duties within a framework of policies and controls that provide for effective risk assessment and management of our economic, environmental and social performance. The board charter details the roles and responsibilities of the board, while our MOI also addresses certain of the directors' powers and responsibilities.

The MOI requires one-third of Adcorp's directors to retire from office at every annual general meeting (AGM) based on their tenure since they were previously elected or re-elected to the board.

The roles and responsibilities of the chairman and CEO are separate and clearly defined. The CEO is accountable to the board for leading the implementation and execution of the board-approved strategy, policies and business plans. As an executive director of the Adcorp board and chair of the group executive committee, the CEO plays a key role in providing a link between management and the board and ensuring board decisions are communicated to management.

The MOI sets out the shareholders' delegation of authority to the board, which has a formal schedule of matters reserved for its consideration and decision. Its delegation of certain matters to its committees and subsidiary companies is described in the terms of reference of these committees, which are available from the Company Secretary. In addition, the board delegates authority to the group executive committee through a board-approved delegation of authority document.

Achieving effective control and legitimacy

Adcorp's governance framework and culture provide a solid foundation for the application of King IV™ with a focus on achieving the four corporate governance outcomes of an ethical culture, good performance, effective controls and legitimacy.

Applying King IV™ is a commitment on the part of Adcorp to stakeholder inclusivity, corporate citizenship and protecting the value we create.

Directors are required to declare their interests and to disclose any conflicts of interest when and if they arise. If a conflict is disclosed, it is managed appropriately by the board as required by the Companies Act. A declaration of interests register is maintained and updated by the Company Secretary.

Internal audit, which is outsourced to Ernst & Young, provides the audit and risk committee with a written assessment of the effectiveness of the organisation's governance, risk management and control processes annually. In order to provide a fair assessment of the effectiveness, the internal audit considers the reports issued by all assurance providers and external compliance consultants that have performed assurance and compliance procedures group-wide.

The audit and risk committee obtained assurance on the financial statements, internal controls and sustainability information included in Adcorp's integrated annual report and carried out its statutory duties set out in the Companies Act. It satisfied itself as to the expertise and experience of the CFO while in office and the financial function. The audit and risk committee assessed the independence and performance of the internal and external audit functions.

The social, ethics and transformation committee advises and provides guidance to the board on the effectiveness of management's efforts in respect of transformation, social and sustainable development-related matters. It also carries out its duties as prescribed in the Companies Act and reports on its discharge of its duties in this regard to the board and stakeholders.

Assessing the board's performance

In accordance with the board charter, a formal evaluation of the board and its committees is conducted every second year. Accordingly, the board performance evaluation has been undertaken in FY2021.

The human capital committee is responsible for ensuring that the composition of the board meets the ability to execute the strategy as set by the board through ethical and effective leadership.

The board is comfortable with its diversity in the broader sense and that its composition reflects an appropriate mix of knowledge, skills, experience and independence. Adcorp has exceeded its racial diversity target of 50%.

Board committees

The various board committees report quarterly to the board on their statutory duties and board-assigned responsibilities. Their responsibilities are set out in their terms of reference, which are regularly reviewed and are available from the Company Secretary.

Information on the board of directors and their committee memberships are included in this report on pages 44 and 45.

Board and committee meeting attendance

The board meets at least quarterly with additional meetings convened when necessary. Board and committee meetings during the year are set out below:

	Board [^]	Audit and risk committee [^]	Remuneration committee [~]	Nominations committee [~]	Human capital committee	Social, ethics and transformation committee	Investment committee
GT Serobe	6 of 9			1 of 1	2 of 2		
MW Spicer	9 of 9	8 of 8	2 of 2	1 of 1	2 of 2		
C Maswanganyi	9 of 9					2 of 2	4 of 4
S Sithole	9 of 9		2 of 2	1 of 1	2 of 2		
P Mnganga	7 of 9		2 of 2	0 of 1	1 of 2	2 of 2	
H Singh	8 of 9	8 of 8					4 of 4
MM Nkosi	9 of 9						3 of 4
R van Dijk	8 of 9	5 of 8					
C Smith	9 of 9	1 of 1*	2 of 2	1 of 1	1 of 2		
T Mokgabudi (appointed 15 October 2020)	4 of 4	2 of 2				1 of 1	
M Lubega (appointed 1 July 2020)	4 of 4	4 of 4					
N Prendergast (appointed 21 October 2020)	4 of 4	2 of 2*					
Resigned							
PM Roux (appointed April 2020)	5 of 6	4 of 6*	1 of 1*		2 of 2*	1 of 1*	2 of 2
SN Mabaso-Koyana [Resigned 1 Mar 2021]	7 of 9	8 of 8	1 of 2				
FS Mufamadi [Resigned 10 Sept 2020]	3 of 5					1 of 1	
GP Dingaen [Resigned 10 Sept 2020]	3 of 5					1 of 1	3 of 4
CJ Kujenga [Resigned 31 May 2020]	3 of 4	2 of 2*		1 of 1*		1 of 1	2 of 2

* Attendance is by invitation.

[^] Includes special meetings in addition to the regular schedule of meetings, 2/7 board meetings and 5/10 audit and risk committee meetings were special meetings.

[~] The remuneration and nomination committees were combined into the human capital committee during the year.

John Wentzel was appointed group CEO post year-end and therefore did not attend any board and committee meetings in the period 1 March 2020 to 28 February 2021.

Committee focus areas

See the social, ethics and transformation committee report on page 69 and audit and risk committee report on page 72 for the focus areas of these committees and the remuneration report on page 60 for the focus areas of the human capital committee.

Governance report continued

Investment committee

The focus areas of the committee included overseeing the disposal of certain divisions within the group as driven by the right-sizing initiative and monitoring the valuation, capital structure and weighted average cost of capital of the group and reporting the results to the board.

Succession planning

The human capital committee is responsible for ensuring adequate succession planning for directors and management, and that all committees are appropriately constituted and chaired. The board is satisfied that the depth of skills of current directors meets succession requirements. In new appointments, non-executive directors are selected on the basis of their skills, business experience, sector knowledge and qualifications.

Gender diversity

Adcorp supports the principles and aims of gender diversity at board level and a gender diversity policy is in place. We recognise the value that a diversity of skills, experience, background, knowledge, culture, race and gender adds to the effectiveness of the board. The HCC has adopted the race diversity policy and the committee continues to take into account gender, race, culture, field of knowledge, skills, expertise and experience when considering appointing a director or a senior executive manager. The company is committed to using its best endeavours to ensure that the current 31% female representation on the board improves over time and is considered each time a new appointment is being sought.

Share dealings and conflicts of interest

All directors and senior executives with access to financial and any other price-sensitive information are prohibited from dealing in Adcorp shares during closed periods, as defined by the JSE Listings Requirements, or while the company is trading under cautionary. An email communication is distributed informing the relevant individuals when the company is entering a closed period. At all other times, directors are required to disclose any share dealings in the company's securities to the CFO and Company Secretary for approval.

The CFO and Company Secretary, together with the sponsor, ensure that share dealings are published on the appropriate channels.

Financial and operating controls

The executive directors are charged with the responsibility of determining the adequacy, extent and operation of these systems. Comprehensive reviews and testing of the effectiveness of the internal control systems in operation will be performed by management and accompanied by external audits conducted by external practitioners whose work will be overseen by, and reported to, the audit and risk committee.

Going concern

The directors consider that the company and its subsidiaries have adequate resources to continue operating for the foreseeable future and that it is appropriate to adopt the going concern basis in preparing the company's consolidated and company financial statements. There are no specific material risks or uncertainties regarding future cash flows and operational results, which would impact the company's continuity for the period of 12 months after the preparation of the report.

The COVID-19 pandemic in FY2021 brought an unprecedented situation that required additional consideration to be made in the preparation of the financial statements.

Adcorp management has assessed the group's ability to continue as a going concern. The assessment included analysis of liquidity and solvency considering a wide range of factors and was based on expected cash flows in the next 12 months, including operational, financial and investment activity. As at 28 February 2021, the group had a stable liquidity position, with a cash balance (excluding restricted cash in Angola and cash in assets held for sale) of R407,0 million (2020: R313,9 million) (see note 14 to the annual financial statements).

Internal controls

To meet the company's responsibility to provide reliable financial information, the company maintains financial and operational systems of internal control. These controls are designed to provide reasonable assurance that transactions are concluded in accordance with management's authority, that the assets are adequately protected against material losses, unauthorised acquisition, use or disposal, and that those transactions are properly authorised and recorded.

The systems include a documented organisational structure and division of responsibility, established policies and procedures that are communicated throughout the group, and the careful selection, training and development of people.

The company monitors the operation of the internal control systems in order to determine if there are deficiencies. Corrective actions are taken to address control deficiencies as they are identified. The board of directors, operating through the audit and risk committee, oversees the financial reporting process and internal control systems. There are inherent limitations on the effectiveness of any system of internal control, including the possibility of human error and the circumvention or overriding of controls. Accordingly, an effective internal control system can provide only reasonable assurance with respect to financial statement preparation and the safeguarding of assets.

The company, under the lead of the audit and risk committee, performs an annual assessment, as to whether in the absence of an internal audit department, adequate alternative measures have been taken to ensure the effectiveness of internal control systems. Due to the size and complexity of the company's operations, the executive team established an operational audit and risk forum, which was established with the intention to strengthen the company's effectiveness of internal controls. As such, the executive team is of the opinion that the current company's controlling structure provides adequate insight into its operations. Please refer to the report of the audit and risk committee for consideration of the CEO and CFO responsibility statement in terms of JSE Listings Requirements 3.84(k) on internal financial controls and the conclusion thereof.

A whistle-blower policy is in place to ensure employees have the possibility of reporting alleged irregularities and ethical lapses. We believe that the internal risk management and control systems provide reasonable assurance that the financial reporting does not contain any material misstatements and that the risk management and control systems worked properly in the year without any failings.

Company Secretary

The Company Secretary, Lisa Laporte, is accessible to the board and provides guidance and assistance in line with the requirements outlined in King IV™ and the JSE Listings Requirements. The Company Secretary provides the directors, collectively and individually, with guidance as to their duties, responsibilities and powers, and ensures that the directors are aware of all laws and legislation relevant to, or affecting the group. The board has considered and satisfied itself on the competence, qualifications and experience of the Company Secretary.

Lisa Laporte has an arm's length relationship with the board which is maintained through the provisions of the service agreement which limits the duties of the Company Secretary to only those of governance and the administration of Company documentation.

IT and information governance

IT governance at Adcorp is underpinned by King IV™ and Control Objectives for Information and Related Technology (COBIT) and reflected within the Risk and Compliance Framework policy. The IT Governance Charter will be written in the year ahead to include the responsibilities and accountability changes in line with the consolidation of IT functions and the outsource of certain functions to Dimension Data.

Adcorp being a purveyor of people as its core business, took the decision to outsource its IT function. This will mitigate the risk of the availability of IT skills and the escalating IT costs. The Adcorp Technology refresh will benefit from an outsourced partner who can manage the appropriate expertise to sunset legacy technology, while at the same time ensure readiness for the future digital strategy. Adcorp will realise the benefit of a substantial financial saving over the five-year contract term.

The internal control framework utilises COBIT guiding principles and the group was audited by EY to obtain an independent assurance on the effectiveness of the controls. Adcorp and EY have also developed a three-year strategy, with the scope inclusive of IT General Controls, Applications, Data and Security.

The board delegates accountability to the risk and IT steering committees to ensure the IT strategy and business goals are aligned. For the Skyhawk project, which is a complete refresh of Adcorp's Enterprise Applications, the board actively participates and approves these initiatives. The Skyhawk steering committee has participants from the board and the Adcorp executive committee to drive the direction of technology enablement aligned to expected outcomes.

Information governance and protection is ensured through the adherence to relevant legislation, company policies, processes, and a host of managed security services.

Adcorp IT Management submits the IT progress, and risks with mitigations reports on a quarterly basis to the audit and risk committee.

IT developments during the year included:

- Implementation of cybersecurity awareness training across the organisation;
- Restructure of IT operating model across the various business units to ensure IT governance is structured and standardised within Adcorp;

- Steering committees and subcommittees are in place to mitigate risks that would be associated with the enterprise systems refresh (Skyhawk);
- Implementation of encryption, access, and authentication controls to improve governance;
- Review and analysis of suppliers and SLA adherence and implementation of the necessary changes to enable operational efficiency;
- Review and mapping of 3 637 business processes for the optimisation of the Enterprise Systems Refresh;
- Implementation of Workday Human Capital Management;
- Successful completion of the Bullhorn and Sirenum Pilot Sites for the Industrial Services portfolio;
- Implementation of the Payspace payroll technology in the Professional Services portfolio;
- Implementation of SumTotal in the Training portfolio;
- Adoption of Salesforce; and
- Design and development of a central data repository and the necessary master data management to ensure validity and accuracy of business and financial reporting.

Adcorp's approach to cybersecurity is a layered approach addressing the risks associated to people, process, and technology. Training provides a defence against phishing, weak passwords, and suspicious emails. Processes are in place with our managed security partners that include incident response plans, data recovery plans, the analysis of threats and the creation of threat intelligence strategies. Additionally, Adcorp has a variety of tools to ensure the varying degrees of security necessary across the environment.

IT is responsible for the disaster recovery plan that is tested annually.

POPIA compliance is addressed through a combination of technical security controls, policies and procedures across the organisation.

Legal compliance

Adcorp's board considers corporate governance practices to be a critical element in delivering sustainable growth for the benefit of all stakeholders. In conducting the affairs of the company, the board endorses the principles of fairness, responsibility, transparency and accountability advocated by the principles of King IV™.

The board is ultimately responsible for ensuring compliance with laws and regulations. In regularly reviewing the company's governance structures, the board exercises and ensures effective and ethical leadership, always acting in the best interests of the company and at the same time concerning itself with the sustainability of its business operations.

No fines or non-monetary sanctions were imposed on the group for non-compliance with any laws or regulations during the year under review, nor has the group been party to any legal actions for anti-competitive behaviour or antitrust.

Adcorp has complied with the provision of the Companies Act particularly with reference to the incorporation provisions set out therein and has operated in conformity with Adcorp's MOI.

Risk management

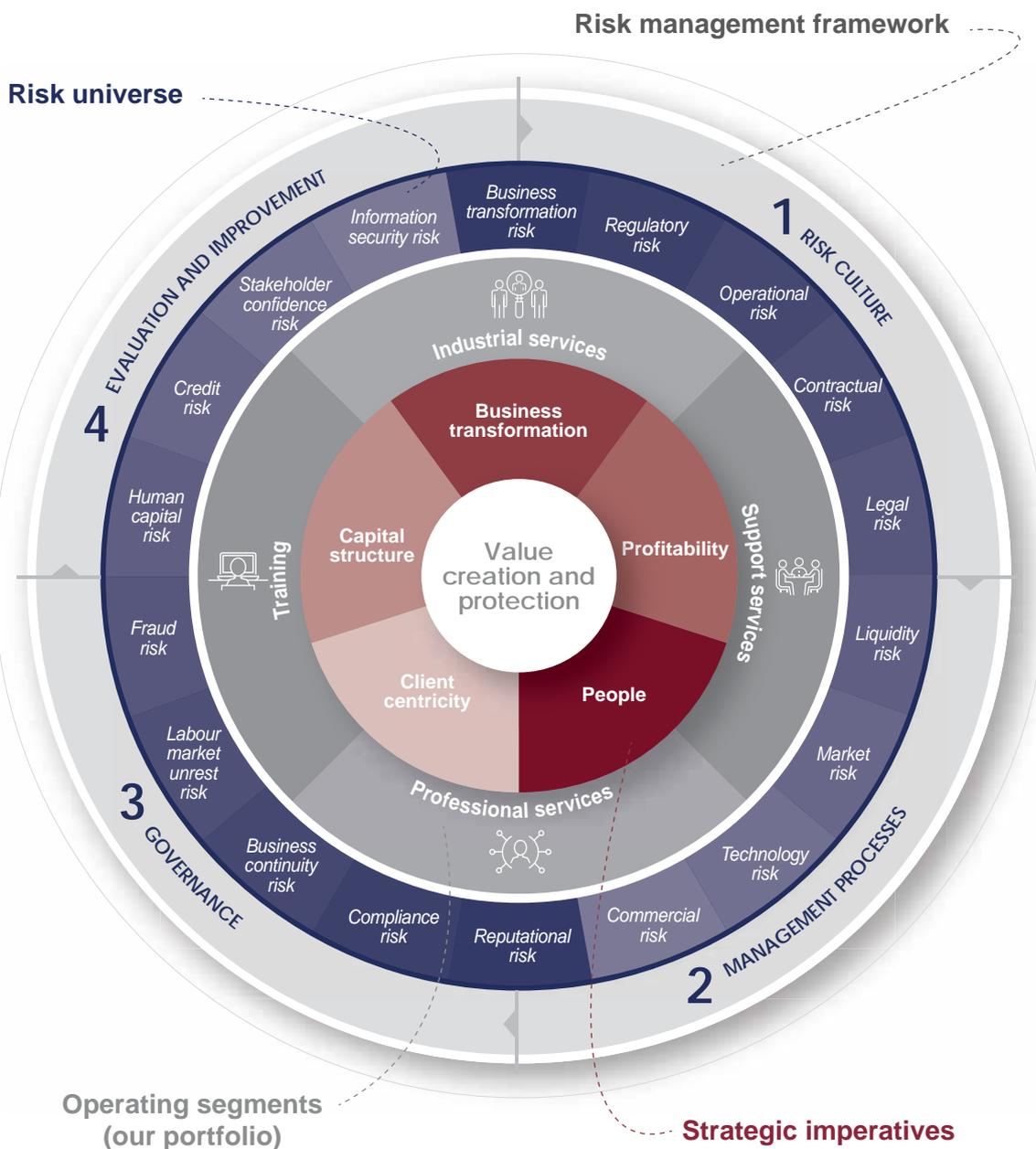
Risk management

Adcorp's board is responsible for the governance and mitigation of risk and oversees risk management through the audit and risk committee. The board delegates the responsibility to execute risk management, according to the enterprise risk management (ERM) policy and framework, to executive management. We embrace a structured and embedded risk management framework and strategy towards identifying and managing inherent, as well as new emerging risks, in pursuit of achieving our strategic objectives and creating sustainable value. The Adcorp Group risk and compliance portfolio has undergone a process of strategic realignment over the past year, driven by the COVID-19 pandemic.

The group has an effective ERM framework that aligns with our business strategy and is intended to provide a proactive, uniform approach to risk management. The aim is to provide the group with the information and direction needed to effectively manage risks and opportunities, and continually take corrective action that allows us to deliver on our business strategy.

The group's regulatory universe and risk strategy is defined in the board's approved ERM framework that largely comprises the following principles:

Enterprise risk management universe

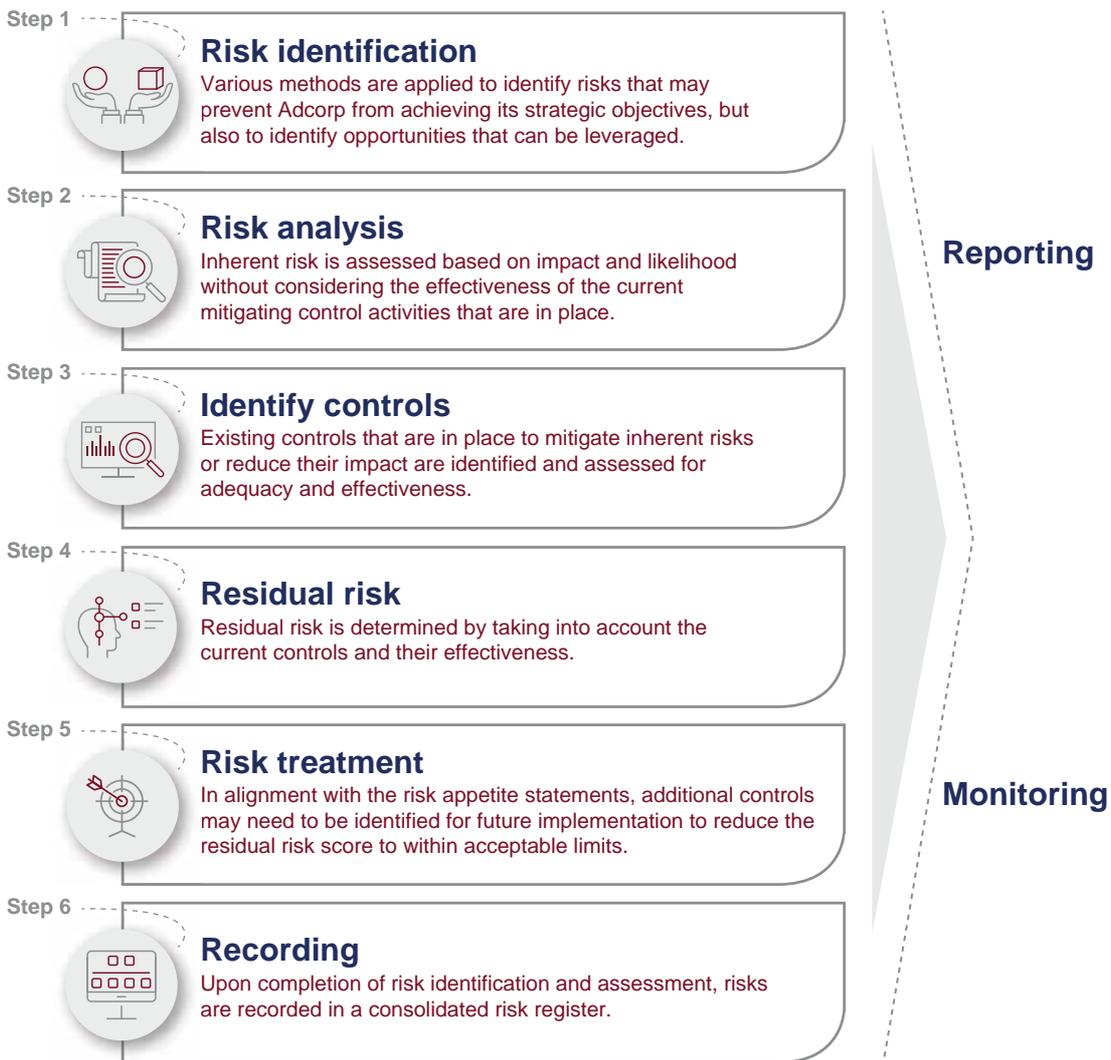


The Adcorp Group’s risk culture is influenced by the tone set by the board and filters down to the various levels of management. This is consistently and continuously enforced through effective communication around risk and ethics. The group’s risk culture and the degree of risk it is willing to take, in pursuit of creating shared value and achieving its strategic objectives, is embedded in its risk appetite and risk tolerance statements as defined and enforced. A new ERP system in Workday will be a key enabler to ensuring greater financial controls, simplification of auditing, speed and accuracy of reporting and risk reduction and mitigation.

Risk management process

Adcorp’s risk management process involves the systematic, consistent application of management policies, procedures and practices to identify, analyse, record, monitor and report on its risk universe and establish the adequacy of the control environment. Risk tolerance levels guide additional actions and controls required, as well as required levels of escalation.

In an endeavour to enhance the efficacy of the internal control environment, Adcorp management has established an operational audit and risk forum, chaired by the CFO. This forum ensures early detection and identification of possible internal control failures at short intervals. This forum thus ensures an additional layer of identification, analysis, monitoring and mitigating of risks identified.



The risk management process is at all times aligned to the governance requirements and principles of King IV™.

Risk management continued



King IV – Corporate governance, which entails ethical and effective leadership to achieve an ethical culture, good performance, effective control and ensure legitimacy.

Combined assurance

The Adcorp board is supported in the execution of its duties by the audit and risk committee, which meets at least quarterly to review the changes in Adcorp's risk profile. This ensures clear definition of the underlying risk mitigation controls and adequate enforcement as per the risk management framework.

Key strategic imperatives over this period included:

- In a COVID-19 pandemic year, stabilise the group risk and compliance function and ensure continuity in managing and mitigating key operational and legal risks;
- From an occupational health and safety perspective, monitor, manage and mitigate the impact and effects of COVID-19, both at our Adcorp premises and branches, as well as on client sites; and
- Facilitate enterprise risk workshops with the individual portfolios in the group.

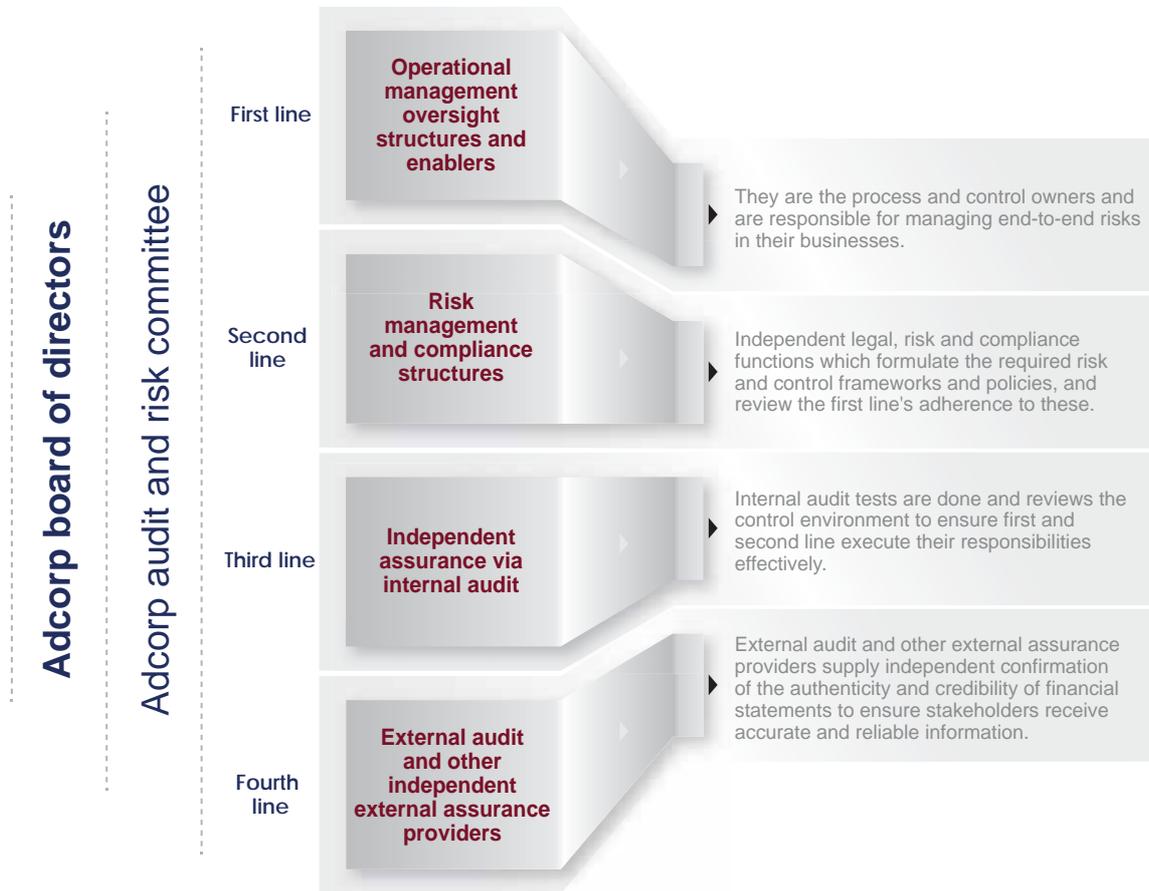
Combined assurance within the Adcorp Group ensures the integration, coordination and alignment of risk management and assurance processes so as when taken as a whole, these enable an effective control environment and support the integrity of information used for decision making by management.

The significant impact of COVID-19 on the economy, our clients, our operating entities and our workforce, has necessitated a significant focus and dedication of effort on risk and compliance matters pertaining to the pandemic. As we navigate "business unusual", driving towards a new reality, it is imperative to understand the complexities involved and proactively identify and introduce mitigating controls required by the altered risk and compliance landscape.

Current group level risks and issues remain within a medium to high residual risk level, but the ongoing focus and drive by the Adcorp leadership team to address control weaknesses, and to ensure previously raised findings are resolved, positively contributes towards sustainable improvements to our control environment and levels of compliance.

Taking into consideration these key focus areas, including but not limited to: a simplified internal statutory structure; the operational audit and risk forum; ERM framework; joint processes with the board; Workday implementation in group finance and HR; a new CFO appointed and stabilising the finance team; significant lowering of net debt and operating well within covenants, we envisage that our risk landscape will reflect a significant improvement in the residual risk levels in the short term.

Conscious governance



Our risk appetite and risk tolerance is reviewed and refined as part of the group's strategy development process. Adcorp uses risk appetite statements to ensure the compatibility of a course of action, or strategic and tactical decisions are always considered for alignment with the group's risk appetite. Risk appetite refers to the maximum risk that the group is willing to take in pursuit of its strategic objectives.

Evaluation and improvement

Adcorp undertakes regular risk assessments throughout the business. Risk performance indicators are monitored and reviewed on an ongoing basis to measure adequacy of risk management practices, which are continually improved through learning and experience.

Strategic risks and issues

Adcorp's significant strategic risks and issues have been ranked according to their residual risk ranking, i.e. based on the exposure levels after mitigating action and controls were taken into consideration.

Risk management continued

The group's key risks and mitigations are set out below:



Risk	Mitigation
Liquidity and funding risk	<ul style="list-style-type: none"> • Detailed treasury policy in place and actively managed. • Central treasury function monitoring covenant compliance. • Daily cash-flow management analysis, supported by medium and long-term cash-flow forecasts. • Effective collections process and strict credit limit. • Adequate credit insurance cover. • Bank account reduction and optimisation.
Commercial risk	<ul style="list-style-type: none"> • Expand Adcorp's footprint in existing strategic clients. • Proactive commercial engagement to onboard new clients. • Continuous monitoring of client satisfaction. • Dedicated focus on commercial initiatives and implementation of growth strategy. • Executive relationship management. • Alignment of management key performance indicators (KPIs) on sales, service delivery and strategy execution.
Operational risk	<ul style="list-style-type: none"> • Key account managers assigned to key accounts. • Effective monthly client service review meetings and management of action plans. • Proactive C-suite level engagement to maintain relationships. • Ongoing monitoring of client satisfaction levels. • Independent assurance checks to confirm SLA adherence. • Alignment of management's KPIs on sales, service delivery and strategy execution.

Risk	Mitigation
<p>Human capital risk</p>	<ul style="list-style-type: none"> • Inclusion of all levels in operating model discussions and ongoing transparent communications. • Finalise restructuring requirements and create stability. • Change management initiatives to build engaged teams. • Establish succession plans. • Talent management framework and ongoing talent reviews. • Sustainable equity solutions spanning recruitment, skills. • Development and promotions are underway. • Proactive retention strategies and key roles ringfenced.
<p>Business transformation risk</p>	<ul style="list-style-type: none"> • Investment in systems and data analytics capability to drive optimal decision making. • Investment in innovative technology solutions to remain relevant. • Proactive delivery against client value drivers. • Management’s KPIs linked to business development initiatives. • Implementation of a robust customer relationship management strategy. • Implementation of approved group simplification.
<p>Market risk</p>	<ul style="list-style-type: none"> • Market research and analysis across all client sectors. • Scenario planning frameworks developed for budgets. • Stakeholder engagement. • Key account management at senior management levels. • COVID-19 business continuity plans and crisis response policies developed.
<p>Technology risk</p>	<ul style="list-style-type: none"> • Robust business case and anticipated business benefits articulated and approved at commencement of ERP transformation programme. • Detailed solution architecture and selection of best practice technologies adopted. • Business-led programme. • Adequate governance structures in place to monitor delivery.
<p>B-BBEE</p>	<ul style="list-style-type: none"> • Risk and scorecard drivers are closely monitored by SETC and B-BBEE working committees. • B-BBEE strategy development. • Ongoing tracking and management of contractual obligations. • Formal B-BBEE maintenance plan. • Management’s KPIs aligned with transformation requirements and measurement of actual performance against agreed criteria.

Remuneration report

“COVID-19 is an unprecedented humanitarian crisis that has tested every business’ risk management protocols and will forever change the way we work. Adcorp remains steadfast in its commitment to ensuring the employability of our fellow South Africans and Australians as we navigate a new normal.”

PART 1: BACKGROUND STATEMENT

Adcorp recognises the critical role of remuneration in attracting, retaining, and incentivising people with the required skillsets and experience. The year ended 28 February 2021 was the second full year of implementation where the group’s remuneration philosophy aligns performance with sustainable value creation. In terms of the remuneration philosophy, annual incentives are dependent on the outcomes of the scorecard, which includes financial and individual strategic targets as reviewed and approved each year by the human capital committee (HCC or the committee).

The year under review has been an unprecedented year due to the COVID-19 pandemic, which negatively impacted the financial performance of the group. The group’s financial performance was already under pressure prior to the pandemic and any further adverse effects would exacerbate the financial instability. To ensure the long-term sustainability of the organisation immediate drastic steps needed to be operationalised. Management introduced various percentages of salary sacrifices across the group, as deep as 40%, and with equivalent sacrifices also applied to board fees. Management also took a decision not

to award annual increases in FY2022 and rebase the salaries of all employees to 95% for the duration of FY2022. Once the financial situation of the organisation stabilises this decision will be revisited with the aim of reinstating employees to 100% salary.

Numerous right-sizing and restructuring initiatives were applied across the group to ensure that the total employment costs were reduced. Management was successful in securing a substantial amount of financial relief for employees through the government TERS relief fund.

Adcorp continually enhances the remuneration policy and framework in line with the King IV™ principles to remunerate fairly, responsibly, and transparently. HCC has monitored the implementation of the group remuneration policy and framework and is of the view that there were no deviations from the policy in the year under review. 

This remuneration report is structured in line with King IV™ principles and includes:

- The remuneration philosophy and policy;
- An implementation report; and
- A section on non-executive director remuneration.

Remuneration governance

Adcorp’s approach to remuneration for FY2021 was implemented in line with the strategic priorities and value drivers at the start of the year:

- Re-organisation and resetting the cost base;
- Strategic customer management to ensure contract profitability upliftment;
- Topline growth and margin expansion;
- Disposals of non-core assets;
- Cultural rejuvenation and establishing an engaged high-performance workforce;
- Successful implementation of enterprise systems; and
- A transformed ownership structure to support our B-BBEE initiatives.

HCC supports the board in the monitoring and oversight of remuneration-related matters of the board, group executive management and senior leadership in the business in line with the remuneration policy.

The committee’s mandate includes ensuring:

- The remuneration philosophy supports the execution of the group’s strategy;
- There is an appropriate balance of short-term and long-term objectives; and
- Executive remuneration practices are fair and responsible.

HCC has discharged its duties as set out in a formal terms of reference that is regularly reviewed by the committee and recommended to the board for approval.



The following key matters were addressed during the year:

- Measurement of the performance of the executive management team in terms of the short-term incentive (STI) scheme for FY2021.
- Approval of the financial and non-financial metrics of the scorecard for the STIs for the executive management team for FY2021.
- Enhancement of the remuneration policy to ensure that all long-term incentive (LTI) allocations from hereon will require beneficiaries to hold three times their allocations before any trading of shares can occur, aligning to shareholder value.
- Approval of the allocation of the STIs as well as the LTI share allocations for FY2021.
- Recommendation of the non-executive directors' fees having considered external benchmarking.
- Establishing and implementing a retention policy for key executives and senior managers.
- Overseeing the negotiation of the remuneration packages of the exiting executive directors.
- The search and appointment of the group's new CEO and other key executive appointments including CFO and Portfolio Managing Executive – Training.
- Negotiation of the remuneration packages of the new executive directors.
- Ensuring a stable executive leadership team through the introduction of a retention scheme.

Areas of focus for FY2022 include:

- Continuing to review the Adcorp Group's remuneration policy as the impact, trends and effects of the COVID-19 pandemic become clearer;
- Adjusting the remuneration policy as may be required in this volatile economic environment in turnaround initiatives that will be put in place during the current financial year;
- Progressing the alignment of the Adcorp talent management process with the group's strategic imperatives and incorporating this into the revised remuneration policy
- Aligning the remuneration structures and levels to ensure that the Adcorp Group can remain competitive in its industry and in the broader economic context
- Monitoring the implementation of the remuneration policy and its amendments and the commensurate effects on performance within the group
- Continuing to ensure that the remuneration policy of the Adcorp Group attracts the best talent
- Monitoring and reviewing the financial and non-financial metrics included in the scorecard of the Adcorp Group
- Assessment and approval of the STIs and LTIs to be awarded for FY2022
- Review and recommendation of the non-executive directors' fees for approval by shareholders.

Changes to the executive management team

As set out in the governance report on page 48 there have been several changes in the executive management team during the past year as the board makes the necessary adjustments to ensure that Adcorp remains a sustainable entity. 

The biggest change to the group was the exit of CEO Phil Roux and appointment of new CEO Dr John Wentzel. Phil Roux was appointed as Adcorp CEO in April 2020. He brought to the group extensive experience in leading successful turnaround initiatives and was commissioned with a series of tasks to streamline the

business and stabilise the financial performance. Therefore, his original remuneration package was aligned to the successful transformation of Adcorp's performance. Given that Phil Roux joined Adcorp specifically to turn around the group's performance over a two-year period, his package was structured differently to our usual LTI considerations. The key features of his employment contract included:

- A contract for two years, with an option to renew for another year. The HCC has put in place key performance metrics that are focused on outcomes, which means the incentives can vest early if outcomes are achieved earlier.
- Sign-on cash bonus of R4,5 million, paid in year one, to compensate forgone benefits in prior role.
- LTI shares with a two-year vesting profile (as opposed to three years). This is also aligned to performance metrics outcomes, which might result in earlier vesting.
- STI at 120% of total cost to company (CTC).

However, due to the tremendous success and speed at which Phil Roux was able to achieve the milestones he was assigned, the HCC had to review the contract in place. Phil Roux had successfully completed his tasks within a one-year time frame. His revised remuneration resulted in the scrapping of his LTI completely, in return for an STI target of 187% of his total CTC capped at R12 million. This culminated in the HCC commencing a search in the last quarter of 2020 to find a successor to Phil Roux. In December 2020, the board announced that Dr John Wentzel would succeed Phil Roux and take over the reins as at 1 April 2021. His remuneration package includes a total CTC of R6 million, a sign-on bonus of R1,588 million and share allocations to the value of R5,5 million, which has the normal group key performance criteria. Dr Wentzel's key focus for the group will be to drive the growth agenda. Due to the CEO transition at such a pivotal time for the organisation an advisory contract was put into place for Phil Roux. This will be a 12 month contract totalling R3 million and will end in April 2022. This advisory contract is a mechanism of ensuring continuity during the leadership change, and Phil Roux will be available for consultation by the CEO and the Adcorp executive team during this period.

The group's leadership team assessed its strategic intent in Australia, culminating in the previous decision to exit this geography being reversed. The current CFO, Megan Woodbury, will be promoted to a newly introduced role of Chief Operations Officer. In addition to her responsibilities as CFO, she will oversee the Australian operations and will report directly to the group CEO. Edwin Cooke resigned as the Executive of the LSA business in Australia. Jason Trevethick was promoted to take on a broader role that included Paxus and LSA.

Hein Weyers resigned as Portfolio Managing Executive for Training effective January 2021. There were a few new appointments to the group's executive team. Bruce Toerien was promoted in June 2020 to Group Executive – Commercial and Lisa Laporte was promoted to Company Secretary and Group Executive – Legal in June 2020. Noel Prendergast was appointed as the CFO in July 2020, on contract, and later in September 2020 was made permanent into the role. Nick Najjar was appointed as Portfolio Managing Executive – Training in May 2021.

The board is satisfied that the executive team is now fully capacitated to deliver on the group's strategic priorities.

Remuneration report continued

Succession planning

The Adcorp nomination committee addresses the board succession plans at its meetings. Board succession remains a key focus area for Adcorp and we will continue to review the plans, applying best practice in line with the King IV™ guidelines. During FY2021, we extended this focus on succession planning to the top two levels of leadership. This will ensure that the group's succession plans remain relevant and can easily be implemented without any significant delay ensuring leadership for business community. 

Shareholder engagement and voting

The non-binding advisory vote by shareholders on Adcorp's remuneration policy and implementation report at the AGM held on 10 September 2020, resulted in a vote in favour of 82,62% (100% by B ordinary shareholders) for the remuneration policy and 68,75% (100% by B ordinary shareholders) for the implementation report.

The resolution on 'non-binding advisory vote on the remuneration implementation report', as set out in the IAR FY2020 on pages 34 to 36, did not obtain the required support of at least 75% of the votes cast as provided by King IV™. Adcorp values engagement with shareholders on matters relating to remuneration and encourages shareholders to share their views with the chairman of HCC in this regard. In line with the requirements of King IV™, Adcorp engaged with dissenting shareholders who voted against the implementation report. This process was aimed at determining shareholder concerns and the board then took reasonable measures to address the matters raised. This resulted in changes to the LTI scheme which will be implemented in the FY2022 allocations and beyond. 

The implementation report is set out below on page 66 to enable shareholders to understand the Adcorp remuneration policy and how it has been applied to the executive management team in FY2021. The remuneration policy also delineates the metrics used for both STI and LTI performance measures. 

The committee continues to refine the remuneration policy, disclosure of activities and the implementation of the remuneration policy. The executive directors engage regularly with shareholders in an open and transparent manner on the group's performance.

We trust that the remuneration report provides clarity on the matters relating to remuneration and we look forward to engaging in this regard.



Sam Sithole

Chairman of the human capital committee

29 June 2021

PART 2: THE ADCORP REMUNERATION PHILOSOPHY AND POLICY

Adcorp's remuneration policy, framework and principles are linked to sustainable value creation. This means that remuneration must be fair and responsible, bearing the long-term interests of the group in mind. This remuneration report provides an outline of the application of those policies to the group executive management team.

Remuneration philosophy

The group's remuneration philosophy is an integral part of our employment value proposition (EVP) and enables the achievement of Adcorp's strategic objectives. It ensures the fair, equitable and consistent application of the group's remuneration policies and practices, guided by King IV™ Principle 14 and aims to:

- Set competitive remuneration frameworks, enabling the attraction and retention of talented high-performing employees;
- Align executive management's remuneration with the achievement of short and long-term strategic and financial performance targets;
- Enhance consistency and fairness; and
- Provide continuous development opportunities and wellness.

Remuneration structure and design

Total guaranteed package (TGP) is computed using a CTC methodology. The group adopted the Paterson grading system and employees are remunerated according to their job grades ensuring fairness and consistency.

All permanent employees participate in the STI scheme appropriate to their level and role in the group. If specified minimum thresholds are not achieved STI payments are not awarded. Group executive and operating segment senior managers participate in the LTIs.

LTIs are awarded as performance shares with the aim of retaining and rewarding executives and senior managers who are key to the delivery of the group's long-term strategy. Performance shares vest, subject to the achievement of performance conditions, over a three-year performance period and are settled in equity. The key criterion for the performance conditions is economic value added (EVA), which seeks to reward for performance that exceeds the cost of capital for the group.

The key elements of the remuneration structure for the group executive management team which were applied in FY2021 are shown in the table below:

	Total Guaranteed Package (TGP)	Short-term incentives	Long-term incentives	Share ownership
CEO	Market-based in line with remuneration policy	187% of TGP	–	–
CFO	Market-based in line with remuneration policy	60% of TGP	60% of TGP	60% of TGP
Group executives	Market-based in line with remuneration policy	60% of TGP	60% of TGP	60% of TGP
Description	Core component of remuneration. It is set to reflect the market value of the role within a 50th percentile. Benchmarking of TGP for executive management takes place every three years. The TGP also includes benefits such as retirement/provident fund, death and disability cover, medical aid and group personal accident cover.	Encourage achievement of agreed set and stretch targets at a group, operating segment and business unit level. Targets are both financial and non-financial and based on a three-year view of the group. These targets are broken down into shorter-term targets and rewarded annually.	Encourage sustainable decision making that drives long-term returns for shareholders and other key stakeholders. Targets are based on a three-year view of the group.	The executive management team is required to hold fully vested and unencumbered shares. This policy came into effect in FY2018. Members of the executive management team will have five years from date of appointment into the role, or five years from implementation of the policy, to build up to the required level of holdings. The committee is assessing whether this policy provides market competitive remuneration and therefore retains discretion on how to operate this policy and may make exceptions and allowances as it sees fit.
Purpose and link to strategy	Attraction and retention of key staff	Creating a high-performing culture	Alignment of key employee interests with those of shareholders and retention	Alignment of key employee interests with those of shareholders and retention
Delivery mechanism	Monthly cash payments	Annual cash payment	Unvested shares	N/A
Performance period	Reviewed annually every March and adjusted in line with inflation, affordability, market surveys as well as company and individual performance. Due to business performance in FY2020 exacerbated by the COVID-19 pandemic, no annual increase has been awarded for FY2021	Aligned annually with the financial year i.e. 1 March to 28 February	Three-year performance based vesting period from date of award	N/A

Remuneration report continued

Short-term incentive performance metrics

The table below shows the performance measures and approach to the targets set for FY2021:

Metric – FY2021	Why it was chosen	How targets are set
Operating profit	Key indicator of the underlying performance of the group	Set annually for a 12-month period aligned to the financial period. These annual targets are considered in the context of the required three to five-year strategic goals.
Gross profit margin	Ensures profitable revenue is generated	Set annually for a 12-month period aligned to the financial period. These annual targets are considered in the context of the required three to five-year strategic goals.
DSO and cash conversion	Drives cash availability and efficiency in the operating cycle	Set annually based on anticipated growth in revenue and cash requirements of the group.
Revenue	Drives organic and new growth	Set annually for a 12-month period aligned to the financial period. These annual targets are considered in the context of the required three to five-year strategic goals.
Leverage	Strict adherence to the financial covenants prescribed by the lenders	Set in terms of the borrowing base facilities agreements with lenders to the group.
Interest cover	Strict adherence to the financial covenants prescribed by the lenders	Set in terms of the borrowing base facilities agreements with lenders to the group.
Strategic focus areas	These are quantitative and qualitative performance areas that are required to be executed in FY2021 in order to meet the strategic goals of the group	Targets are tailored at an individual level. In FY2021 these were focused on implementing the turnaround initiatives. An overarching growth strategy must be developed. The committee acknowledges the investment required to achieve this in FY2021 and sees this as a key enabler for achievement of the FY2022 and FY2023 targets. Business efficiencies are to be realised through the various system implementations. The group must improve its B-BBEE level.

Long-term incentive performance metrics

The table below shows the metrics for the share awards for FY2021:

LTI metric	Why it was chosen	Performance requirements for vesting	How targets are calculated
ROIC	Key indicator of the effective use of capital	<ul style="list-style-type: none"> No award for ROIC below or equal to WACC 50% awarded where ROIC exceeds WACC by 2% 100% awarded where ROIC exceeds WACC by 4% 	Calculated on a linear scale, as the three-year average of the excess of the actual annual ROIC achieved each year, compared to the WACC year as determined by the investment committee in February of each year. The ROIC is based on profit after tax.
HEPS	Measures the growth in the group's core profitability	<ul style="list-style-type: none"> No award where HEPS growth is zero or below 50% awarded where HEPS growth is 10% 100% awarded where HEPS growth is 20% 	Calculated on a linear scale as the three-year average HEPS growth.

LTI in the form of share-based awards granted under the group's share plan will be determined based on the relevant plan rules. The default treatment is that any outstanding awards lapse on cessation of employment. However, in certain prescribed circumstances, such as death, disability, retirement or other circumstances at the discretion of the committee, "good leaver" (as defined in the share policy) status can be applied.

For good leavers, the awards are reduced pro rata to reflect the proportion of the performance period actually served. The committee can use their discretion to disapply the application of performance conditions and/or time prorating if it considers it appropriate to do so. However, it is envisaged that this would only be applied in exceptional circumstances.

In determining whether an executive should be treated as a good leaver or not, HCC will take into account the performance of the individual and the reasons for their departure.

Executive directors' employment contracts

The employment contracts for the CEO, CFO and group executive management team provide for a three-month notice period by either party. The retirement age for executive directors is 65.

Prescribed officers

The prescribed officers of Adcorp in terms of the Companies Act include the CEO, CFO and Portfolio Management Executives. Remuneration of the prescribed officers is disclosed in the remuneration implementation report and the annual financial statements on pages 66.

Non-executive directors

Appointment of executive and non-executive directors

Both executive and non-executive directors' appointments are subject to ratification by shareholders at the first AGM following their appointment and are then required to submit their resignation by rotation in accordance with Adcorp's MOI.

The appointment of a non-executive director may be terminated without compensation if that director is not re-elected by shareholders, or otherwise in accordance with the company's MOI.

Non-executive directors are appointed to the board based on their ability to contribute competence, insight and experience appropriate to assisting the group to set and achieve its objectives. Consequently, fees are set at levels to attract and retain the calibre of director necessary to contribute to a highly effective board. Non-executive directors receive fees for their services as directors and for services provided as members of board committees. They do not receive STIs, nor do they participate in LTI schemes.

Non-executive director fees

Adcorp board fees comprise both a retainer fee and an attendance fee. The level of fees paid to non-executive directors is based on current market practice and similar comparators. The total remuneration payable to non-executive directors requires approval of shareholders at the AGM. The last approval by shareholders was obtained at the AGM of shareholders on 10 September 2020.

The proposed board fees for FY2022 will be tabled for shareholder approval at the upcoming AGM. The board agreed to a 20% reduction in directors' fees for April and May 2020 and 30% reduction for a six-month period from June 2020 to December 2020 due to the impact of COVID-19.

Total emoluments to non-executive directors for FY2021 are set out in the table on page 67 and the proposed fees for FY2021 payable from the date of the AGM are included in the notice to the AGM on page 78.

Directors' loans and interests in contracts

Directors have no loans with the group companies. A register detailing director and officers' personal financial interest is available for inspection at the group's registered address.

Fair and responsible remuneration

Adcorp's approach to fair and responsible remuneration is in line with principle 14 of King IV™ that includes:

- Fair and responsible pay, free from discrimination, self-interest, prejudice or favouritism;
- Addresses inequality and ensures equal pay for equal work;
- Achievement of employment equity targets; and
- Reward performance and incentivise future sustainability and value creation.

Adcorp does not:

- Pay for non-performance;
- Reprice share options; or
- Guarantee bonuses.

The HCC works together with the social, ethics and transformation committee to embed principles that govern the group's approvals of fair pay across all levels of employees as well as our assignee and contingent workforce as discussed below.

Fair and responsible remuneration of permanent employees

At Adcorp we believe that fair and responsible remuneration ensures that our remuneration is both externally competitive and internally equitable. The HCC monitors internal pay gaps across Adcorp to ensure remuneration is fair and responsible in the context of overall employee remuneration.

The group, which employs job grading and pay bands for different jobs, generally pays TGP in the middle quartile of the market in order to remain competitive with the TGP for comparable roles in companies of a similar complexity and size. This enables the group to attract and retain top talent, especially in critical or strategic areas.

The group uses external parity and benchmarking. Adcorp conducts regular salary reviews, which take into consideration changes in the scope and roles performed by individuals, changes required to meet the requirement of the remuneration policy and the market competitiveness of the salaries and benefits provided by the group. Salaries are also adjusted to account for the results of benchmarking and individual performance and experience. Consistent job evaluation and grading of roles ensures equity of reward and facilitates both our transformation objectives and mobility within the group.

Fair and responsible remuneration for assignees and contractors

Adcorp's commitment to our assignee workforce is to ensure that they receive equitable and fair pay at client sites.

The group advocates equal treatment policies for all its assignees and has reinforced this through products available from its partners like the Financial Services business, that deals responsibly with death, wellness and long-term savings. Currently, within the temporary staff base and outside of those staff already provided for by industry-specific bargaining councils,

Remuneration report continued

several assignees benefit from affordable additional employee benefits such as funeral cover, income protection and provident fund benefits.

FY2019 witnessed the promulgation of the National Minimum Wage Act. Although in excess of 80% of Adcorp's temporary employment services staff earned more than the subsequently prescribed minimum wage, there were industry sectors that historically had a lower base rate wage. The group adopted a zero tolerance approach to non-adherence to the prescribed minimum wage rates and made every effort to ensure that no

staff were paid or will subsequently be paid, beneath the prescribed legislative values.

It is pleasing to note that most of Adcorp's clients share a great sense of social responsibility and we will continue to engage with our clients and relevant stakeholders on the ongoing discourse related to minimum wage versus living wage.

PART 3: IMPLEMENTATION REPORT 2021

The committee confirms that remuneration has been implemented according to the remuneration policy during the reporting period.

The table below provides the actual remuneration for FY2021 and the related actual and expected cash outflow.

	FY2021 remuneration (rand value)			Total	Long-term incentive (number of shares)			
	Annual TCTC	Sign-on bonus	Short-term incentive		LTI allocation FY2021	LTI paid out in FY2021	LTI payable in the next 12 months	LTI payable beyond 12 months
Phil Roux	5 456 931	4 500 000	9 600 000	19 556 391	–	–	–	–
Noel Prendergast*	2 066 667	–	612 000	2 678 667	516 129	–	–	516 129
Kay Vittee	2 567 744	–	699 308	3 267 052	469 965	–	106 891	532 227
Rob de Grooth	2 638 032	–	720 145	3 358 177	483 969	–	51 836	560 104
Hein Weyers**	1 378 226	–	–	1 378 226	159 677	–	Resigned	Resigned
Trevor Fowler***	2 379 091	–	751 292	3 130 383	–	94 548	Part of FMS sale	Part of FMS sale

* Noel Prendergast was on contract from July to August then made permanent from September 2020.

** Hein Weyers was appointed as Portfolio Executive Training in June 2020 and later resigned in January 2021.

*** Trevor Fowler was part of the FMS sale.

**** Kay Vittee, Rob de Grooth and Hein Weyers were on salary sacrifice.

Remuneration for executive directors and prescribed officers in FY2021

King IV™ requires disclosure of the potential consequences on the forward-looking total remuneration for executive directors and prescribed officers on a total, single figure basis based on achievement of minimum, on-target and stretch performance outcomes. The tables that follow outline the on-target versus stretch weightings of the group executive management team and then provide the proportions of the pay mix based on minimum, on-target and stretch targets. The pay mix is designed to reward the achievement of short-term strategic financial and non-financial objectives through STIs and to reward executives and senior managers for their performance with regard to the delivery of the group's long-term strategy.

The HCC has designed the remuneration mix for executive managers in a manner that avoids overdependence on variable stretch and variable long-term components. This results in a high requirement for on-target performance and discourages any excessive risk-taking behaviours.  ¹⁴

Performance outcomes

The Adcorp Group revised its original budget due to the impact of the COVID-19 pandemic. While the required group operating profit has not been achieved to give effect to a full STI payment, the management team has endeavoured to mitigate the risks

associated with COVID-19 and completed several business-critical interventions ensuring business continuity and establishing sustainability. Upon review of the overall performance of the business, the group executive and senior leadership team was awarded a partial incentive payment in recognition of their hard work and efforts. There were four business units who have met their set targets for the year under review and employees within these business entities received a bonus as recognition for their efforts.

STI framework for FY2022

The Adcorp People Philosophy is a governance framework for all aspects of decisions relating to its employees. It is within this philosophy that we commit to treating our employees fairly and respectfully at all stages of the employee life-cycle, including fair remuneration practices. Adcorp has a remuneration philosophy that seeks to align the corporate objectives with the commitment and performance of individuals and reward them accordingly. To this end, remuneration structures need to recognise individual and team contribution to the achievement of such objectives and ensure that employees are fairly and responsibly remunerated.

The framework below indicates shared responsibility and accountability to deliver the group performance. It sets out the financial metrics that have a 70% weighting, while non-financial metrics, carrying a strategic focus have a 30% weighting.

	Gross profit margin	Group operating profit	Debt covenants	EBITDA margin	Revenue net new sales	Group DSO	Total financial metrics – group
Weighting	10%	20%	10%	10%	10%	10%	70%

All the financial metrics will be based on group financial targets, which includes cost-saving targets. The following strategic targets are also included in the STI scorecards:

- B-BBEE – the executives must ensure a level 1 is maintained or at least a level 2 is achieved.
- Technology enablement – each executive is responsible for the successful completion of the relevant piece of the project and to ensure optimal utilisation by their function in line with the quantifiable benefits identified.
- Client satisfaction survey – the introduction of a suitable CSI tool to measure monthly satisfaction levels of clients across the group. The annual average score should be no less than 80% for each pillar.

Long-term incentive (LTI) performance metrics

The table below shows the metrics for the share awards for FY2022:

LTI Metric	Why it was chosen	Performance requirements for vesting	How targets are calculated
ROIC	Key indicator of the effective use of capital	<ul style="list-style-type: none"> • 50% award for ROIC equal to WACC. 100% awarded where ROIC exceeds WACC by 4% 	<p>Calculated on a linear scale, as the three-year average of the excess of the actual annual ROIC achieved each year, compared to the WACC of each year as determined by the investment committee in February of each year.</p> <p>The ROIC is based on profit after tax.</p>
HEPS	Measures the growth in the group's core profitability	<ul style="list-style-type: none"> • No award where HEPS growth is zero or below • 50% awarded where HEPS growth is CPI + 3% average HEPS growth. • 100% awarded where HEPS growth is CPI + 6% 	Calculated on a linear scale as the three-year

A revised new criteria for executives to hold three times their annual allocation will be introduced to all share allocations from FY2022 and beyond.

Non-executive directors' fees

Details of the actual fees paid to non-executive directors during the year are as follows:

FY2021 Director	Date appointed	Date resigned	Total	FY2020 Director	Date appointed	Date resigned	Total
Gloria Serobe	11/07/2017		776 620	Gloria Serobe	11/07/2017		927 000
Michael Spicer	21/08/2013		466 576	Michael Spicer	21/08/2013		636 000
Cecil Maswanganyi	01/03/2017		241 285	Cecil Maswanganyi	01/03/2017		349 000
Clive Smith*	10/01/2020		1 656 000	Clive Smith*	10/01/2020		295 000
Phumula Mnganga	06/09/2018		362 299	Phumula Mnganga	06/09/2018		361 000
Monde Nkosi	06/06/2019		236 313	Monde Nkosi	06/06/2019		455 000
Herman Singh	06/09/2018		701 712	Herman Singh	06/09/2018		607 000
Samuel Sithole	04/07/2017		337 949	Samuel Sithole	04/07/2017		441 000
Ronel van Dijk	06/06/2019		306 102	Ronel van Dijk	06/06/2019		355 000
Tshidi Mokgabudi	15/10/2020		243 054	Sindiswa Mabaso-Koyana	15/10/2020		1 059 000
Melvyn Lubega	01/07/2020		248 681	Gugulethu Dingaana	01/07/2020		406 000
Sindiswa Mabaso-Koyana	14/09/2012	01/03/2021	427 245	Sydney Mufamadi	14/09/2012		368 000
Gugulethu Dingaana	18/08/2010	10/09/2020	113 981	Paul Moeketsi	05/02/2018	06/06/2019	184 000
Sydney Mufamadi	11/07/2017	10/09/2020	64 944	Mncane Mthunzi	28/02/2010	06/06/2019	99 000
Total NEDs fees as 28 February 2021			6 182 761	Total NEDs fees as 29 February 2020			6 542 000

* Mr Clive Smith was appointed as a non-executive director and advisor to the CEO in January 2020 and the fee above is inclusive of both his normal non-executive director role and advisory contract with the company. A former CEO of Tsebo Solutions Group, a service industry business whose model is quite similar to Adcorp, his appointment was quite strategic and included contracting for 25% of his time to work with the CEO and executive committee to drive initiatives for the stabilisation of the business. Following the departure of Innocent Dutiros as group CEO in October 2019, Mr Smith and the rest of the board were crucial in guiding the business through a period of great uncertainty and financial and liquidity vulnerability. He was also a key member of the committee that oversaw both the hiring and appointment of Phil Roux and John Wentzel as leaders of the business.

Remuneration report continued

Details of the proposed fees for FY2022

	Retainer fee per meeting for 2020/2021	Attendance fee per meeting for 2020/2021	Retainer fee per meeting for 2021/2022	Attendance fee per meeting for 2021/2022
Board				
Chairperson	95 191	142 787	95 191	142 787
Lead independent non-executive	37 047	52 953	37 047	52 953
Non-executive	26 508	39 763	26 508	39 763
Ad hoc work performed by NEDs in their role as directors (hourly rate)	–	2 650	–	2 650
Audit and risk committee				
Chairperson	31 516	47 275	31 516	47 275
Non-executive	15 759	23 637	15 759	23 637
Human capital committee				
Chairperson: HCC	24 064	30 936	32 281	43 626
Non-executive: HCC	10 446	14 555	18 663	26 881
Chairperson: Nomination	13 741	20 613	13 741	20 613
Non-executive	8 217	12 326	–	–
Social, ethics and transformation committee				
Chairperson	12 959	19 438	12 959	19 438
Non-executive	8 217	12 326	8 217	12 326
Investment committee				
Chairperson	31 516	47 275	31 516	47 275
Non-executive	15 759	23 637	15 759	23 637

Social, ethics and transformation committee report

1. Introduction

The social, ethics and transformation committee (SETCom or the committee) has an independent role and its responsibilities are set out in section 72(4) of the Companies Act. The committee's mandate is elaborated upon in its approved TOR, which are aligned to the group's statutory and other responsibilities. The TOR is reviewed annually for relevance and appropriateness.

Adcorp's SETCom supports the board in overseeing the group's activities in terms of legislation, regulation and codes of best practice relating to the social, ethics, transformation, employment, health and safety, and environmental activities of the group to enhance its value proposition in the human capital domain.  ⁸

2. Roles and responsibilities of the committee

The responsibilities of the committee include:

- Oversight of Adcorp's transformation and employment equity performance against approved plans, including the group's performance in relation to the Employment Equity Act and the Broad-Based Black Economic Empowerment Act;
- Reporting and ensuring that Adcorp has a productive relationship with both primary and secondary stakeholders;
- Ongoing monitoring and oversight of ethics and ethical practices within the group to ensure that all stakeholders of the company operate within a coherent ethics framework;
- Monitoring the group's engagement with its clients;
- Reviewing and monitoring compliance and application of legislation and practices with regard to the environment, health, public safety and wellbeing of the group's employees, assignees and candidates;

- Ensuring the policies and practices relevant to its areas of responsibility are adequately and appropriately formulated;
- Monitoring the group's performance as a good corporate citizen, which includes its stakeholder relations and, where possible, exceeding its social commitments, with an enhanced focus on transformation as we operate within the realms of human capital; and
- Reporting to stakeholders annually on matters relevant to the committee.  ^{1,3}

3. Composition and attendance

The committee comprised the members as set out below during the reporting period and a brief description and *curriculum vitae* of each committee member is set out on pages 44 and 45. During the year under review, the committee comprised of five non-executive directors and one executive director. Two directors resigned during the year with one new director being appointed. Currently there are three directors, of whom two are independent, as listed below:

- P Mnganga: chairman and independent non-executive director;
- C Maswanganyi: non-executive director;
- T Mokgabudi: independent non-executive director (appointed 15 October 2020);
- S Mufamadi: Independent non-executive director (resigned 10 September 2020);
- G Dinga: non-executive director (resigned 10 September 2020); and
- P Roux: executive director (resigned 30 April 2021), P Roux was replaced by J Wentzel who was appointed with effect from 1 April 2021.

The group executive – Human Capital, Legal Risk and Compliance, Strategy and Investor Relations and members of senior management have standing invitations to the committee meetings. In alignment with its TOR, the committee met twice, and the meeting attendance is set out on page 51. The agenda of these meetings is addressed under the key focus areas in section four below.

4. Key focus areas of the committee

The committee focused on the following areas during FY2021:

4.1 Policy reviews

During the financial year under review, the following policies were updated:  ¹⁰

4.1.1 Transformation policy

Adcorp subscribes to the need for meaningful and sustainable workforce transformation, as encapsulated by the Employment Equity Act, the Skills Development Act and the Broad-Based Black Economic Empowerment (B-BBEE) Act.

This policy seeks, within the parameters of applicable laws, codes and policies, to create structured and accountable decision making at all levels of management within Adcorp in order to promote effective and efficient governance of transformation within Adcorp.

Adcorp follows a centrally driven B-BBEE strategy with detailed accompanying plans across all Portfolios and business entities to assist with compliance. Adcorp is focused on creating a culture in which employees are personal enablers and ambassadors of transformation, holding each other and the business accountable as well as challenging each other in their behaviours.



Social, ethics and transformation committee continued

4.1.2 Work from home policy

The enhancement of policies that the group has in place to govern working from home received the required level of attention to ensure its alignment to COVID-19 regulations. For many months employees were required to work from home so the revised policy ensured that employees and line managers were aligned on critical aspects of this new way of working including: communication channels, team engagements, tools for working, management of self and time and performance related to required deliverables.

4.1.3 COVID-19 health and safety policy

Due to the pandemic, it was crucial for the group to have a response plan for both workforce readiness and compliance, as well as employee wellbeing. The policy ensured that the workplace was safe to ensure and limit the risk of the spread of the virus should employees return to work. Such risk measures included regular deep cleaning of the offices, wearing a mask at all times by employees and visitors, constant sanitising throughout the day, temperature checks upon arrival and social distancing in seating arrangements. To ensure employee wellbeing, the policy outlined the various types of leave employees were entitled to if they were in self-isolation or recovering from the virus. Furthermore, it specified under which circumstances the group would cover the cost of the COVID-19 test.

The committee provided a level of oversight and direction to the above policies to ensure our ethical landscape remained intact.

4.2 Organisational ethics

The creation of an optimal ethical climate remained imperative for the committee. The impact of the increased levels of change, restructuring and retrenchment processes were continuously monitored to ensure the desired ethical behaviour in the group remained paramount and that ethical lapses were duly addressed and rectified.

Where reports on any unethical behaviour were received through the tip-off line managed independently by Deloitte, management immediately evaluated the structures, policies and procedures Adcorp has in place in terms of addressing fraud and corruption. This proved to be an effective detective mechanism to combat fraud and corruption as it encouraged employees to report illegal action and ethical misconduct.

Oversight of the process in managing the impact of COVID-19 was a dominant theme for the committee over the past year. The committee is confident that in addition to its statutory obligations all appropriate policies, procedures and protocols were implemented to safeguard the wellbeing of all the group's stakeholders during this pandemic.

Management was able to process numerous applications and payments of TERs funding to the value of more than R315 million over a 10-month period to 1 331 permanent employees and 25 906 assignees with no adverse implications. Surplus payments were refunded to the UIF department.

4.3 Stakeholder relationships

The committee confirmed its commitment to effective and transparent communication with key stakeholders and also acknowledged their ongoing responsibilities to these stakeholders during the period under review.

Key stakeholders have been defined under the stakeholder engagement section of this report on page 22, but these primarily comprise groups that are most likely to influence the delivery of the group's strategy, i.e.:

- Shareholders and providers of other capital;
- Employees and clients;
- Candidates;
- Government and other regulatory bodies; and
- Communities.

The committee recognised that effective stakeholder relationships are critical for sustainable value creation. The committee monitored the quality of these relationships to ensure the needs, expectations and concerns of stakeholders were adequately managed by the group. 

4.4 Transformation

The committee members actively participated in the group's transformation programme, not only to ensure optimal B-BBEE scores for the group and operating entities, but also to drive sustainable transformation imperatives for the group.

Progress on transformation in terms of compliance with the South African regulatory landscape through a mindful approach to true broad-based empowerment was continuously monitored and supported. With amendments to the Employment Equity Act, the committee guided management to the required actions necessary for the group to adapt.

The committee identified opportunities to improve the group's B-BBEE scores. The group achieved a B-BBEE level 1 rating as a consequence of the improvements in all elements of the scorecard. A key opportunity was to introduce a new share scheme within the group. The committee appointed a working group that focused on crafting a new ownership architecture which is a broad-based share scheme. The scheme encompasses external black shareholders and an internal trust called AEBT 3, which was successfully registered at the master's deeds office. The new ownership transaction utilises a sustainable funding structure which is not reliant on external bank funding, share price appreciation or dividend payments and preserves the existing value for all shareholders. The structure ensures that the interest of the B-BBEE shareholders and other shareholders are aligned and value accretion, for both groupings, will ultimately be driven by the growth in the sustainable earnings and cash flow generation capability of the group's South African assets. Growing the earnings and cash flow generation of these assets will drive the value of these assets and ultimately provide the B-BBEE shareholders with an opportunity to realise value over time.

This ABET 3 share trust scheme is specifically designed to benefit female employees across our group. By implementing this share scheme, Adcorp seeks to achieve the following:

- Enable real black economic advancement amongst female employees.
- Recognise, reward and retain more female Adcorp employees, while attracting exceptional talent.
- Enhance employee's participation in the future prosperity of the organisation
- Positioned to compete better in the marketplace by having 59% black ownership and 49% black women ownership including our shareholder Simeka.

The scheme has 774 beneficiaries (100% female) and upon initial allocation 93.2% of share allocation is awarded to black beneficiaries of which 35.59% are from designated groups.

A critical component of transformation is a sound diversity and inclusion strategy. This has been incorporated in the group's transformation policy. Management has constituted a 'Diversity and Inclusion Forum' across the group. The constitution was tabled for the committee's approval which was adopted.

Lastly, the committee has supported the continued investment of all enterprise development initiatives enabling young entrepreneurs to participate in business operations at the group's head office site. Such initiatives include an onsite coffee shop and restaurant, a staff shuttle service to the various surrounding public transport sites, a car wash service and a personal hygiene and wellness centre including a beauty and massage therapist.

The committee ensured the CSI programme continued to focus on areas that supported the development and education of young people. It also actively monitored the performance in key sustainability areas including human rights, labour law compliance, key stakeholder relations, good corporate citizenship, maintaining our social licence to operate, its B-BBEE status and readiness to comply with the POPIA. 

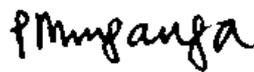
5. Outlook for the year ahead

Managing the impact of COVID-19 is anticipated to remain a dominant theme for the committee in the coming year. The committee will work closely with management to ensure the necessary changes to policies, equity plans and equity committees are achieved for the group to be aligned with the new amendments to the Employment Equity Act. In addition, the committee will play an oversight role in the wage-gap strategy and framework to ensure a fair and equitable approach to wages and remuneration.

6. Conclusion

The committee will endeavour to embed an exemplary standard of ethics, transformation and sustainability throughout the business. The aforementioned will be considered to support the group's aspiration to become a leading workforce solutions company and market leader in human capital and talent management.

The committee focuses on the organisation's responsibility towards ESG and prioritises this as part of the agenda. Refer to page 02 of this report for an amplification of the committee's oversight and direction relating to the group's human, social, natural, intellectual and financial capitals.



Dr Phumla Mnganga

Chairman of the social, ethics and transformation committee

29 June 2021

Audit and risk committee report

The group's audit and risk committee (the committee or ARC) presents its report for the financial year ended 28 February 2021. The committee's duties and objectives, as mandated by the board, allow it to discharge its statutory and other board-delegated duties in keeping with its terms of reference. These duties are briefly set out in this report.

Composition, meetings and assessment

The five members of the ARC were recommended by the board to the shareholders and were formally appointed at the previous AGM held on 10 September 2020 except for T Mokgabudi who was only appointed on 15 October 2020.

- T Mokgabudi (Chairman)*
- SN Mabaso-Koyana**
- H Singh
- M Lubega
- MW Spicer
- R van Dijk

* Appointed as member of audit and risk committee on 15 October 2020 and chairman of the audit and risk committee on 1 March 2021

** Resigned as chairman of the audit and risk committee and the board on 1 March 2021

Closed sessions are arranged with key relevant parties and private sessions of members are held from time to time to ensure confidential assessments and discussions can occur. Eight committee meetings were held during the year including ordinary and special meetings.

In line with King IV, the board and its committee should be assessed once every two years and this was performed during the 2021 financial year.

Roles and responsibilities

The committee is satisfied that it has executed its responsibilities in keeping with the requirements of the Companies Act of South Africa, the JSE Listings Requirements and the recommendations of King IV, as well as additional requirements prescribed by its terms of reference, which have been endorsed by the board of directors. Its key areas of responsibilities are to:

- Perform its statutory duties as prescribed by the Companies Act of South Africa, including the appointment and the assessment of the independence of the external auditor;
- Oversee the integrated reporting process and assess disclosures made to all stakeholders, which included the consolidated financial statements for the year under review;
- Oversee and evaluate the governance of risk and the related internal control environment, and consider the recommendation of the internal auditors in respect of the effectiveness of the system of internal controls;
- Monitor and assess all internal and external assurance providers;
- Assess key audit matters;
- Assess the expertise and experience of the CFO and the resources within the financial function; and
- Recommend the consolidated financial statements for report for approval by the board.

In order to execute her responsibilities, the chairman of the committee met separately during the course of the year with the CFO, the Company Secretary, management and the external auditor.

External auditor appointment and independence

The committee satisfied itself that the appointment of the external auditor has been made in accordance with the provisions of section 22 of the JSE Listings Requirements and that all requisite information in this regard has been received to enable it to arrive at this consensus.

The committee satisfied itself that the external auditor of the group is independent. The requisite assurance was sought and provided by the auditor that the internal governance processes within the audit firm support and demonstrate its claim to independence.

The committee, in consultation with executive management, agreed to the engagement letter terms, audit plan including the materiality levels proposed and budgeted audit fees for the year under review. There is a formal procedure and policy that governs the process whereby the auditor is considered for non-audit services.

The committee continuously assesses the impact of the overall audit professional environment and current challenges. The external auditor shared risk management priorities and response thereto. The committee thus satisfied itself of the continued independence and competence of the auditor.

The audit and risk committee considered the tenure of Deloitte & Touche and has nominated, for re-election at the AGM of shareholders, Deloitte & Touche to continue in office in accordance with section 94(7) of the Companies Act of South Africa. Mr Thega Marrayday has been recommended by the Deloitte Africa Executive to continue as the designated individual auditor for Adcorp Holdings Limited for the financial year ended 28 February 2022.

The audit and risk committee has requested and has been provided with all decision letters/explanations issued by IRBA or any other regulator and any summaries relating to monitoring procedures/deficiencies issued by Deloitte & Touche.

Financial statements and accounting policies

The committee has assessed the group's accounting policies and the consolidated financial statements for the year ended 28 February 2021 and is satisfied that they are appropriate and comply in all respects with the Companies Act, IFRS and the JSE Listings Requirements together with consideration of the findings from the JSE Reporting back on proactive monitoring of financial statements in 2020 and combined findings of the JSE proactive monitoring of financial statements: Reviews done 2011 to 2019.

The committee reviewed the processes in place for the reporting of concerns and complaints relating to financial reporting and accounting practices, internal audit, contents of the consolidated financial statements, internal financial controls and any related matters. The committee can confirm that there were no such complaints of substance during the year under review.

The committee supports the opinion of the board and the external auditor with regard to the consolidated financial statements, which have been approved by the board and will be presented to shareholders at the AGM to be held on 29 July 2021.

Based on the information and explanations given by directors and the internal and external auditors, the committee is of the opinion that the accounting and internal controls, including the

internal financial controls, are adequate and that the financial records may be relied upon for preparing the consolidated financial statements in accordance with IFRS and maintaining accountability for the group's assets and liabilities.

Governance of risk

The committee is responsible for overseeing the governance of risk across the group. During the year, the committee revisited the risk management framework and determined how to ensure effective cascading of integrated assurance across the various board committees.

Nothing has come to the committee's attention to indicate that any material breakdown in the functioning of internal controls resulting in a material loss to the group has occurred during the year and up to the date of this report.

Internal audit

The internal audit function under Ernst & Young reviews and provides assurance on the adequacy and effectiveness of internal controls and internal financial controls.

During the year under review, the committee:

- Reviewed and approved the annual internal audit coverage plan;
- Evaluated the independence, effectiveness and performance of the internal audit function in terms of its scope, execution of its plan, coverage, independence, skills, resourcing, overall performance and position within the organisation and found it to be satisfactory;
- Received assurance that proper and adequate accounting records were maintained;
- Considered the internal audit reports on the group's systems of internal controls, including financial controls;
- Reviewed significant issues raised by the internal audit processes and the adequacy of corrective action in response to internal audit findings and considered management's responses to adverse internal audit findings;
- Met with the internal audit independently of management; and
- Assessed the adequacy of the performance of the internal audit function and found it to be satisfactory.

CEO and CFO responsibility statement

The committee evaluated the group's assessment of the CEO and CFO responsibility statement on the consolidated financial statements and internal financial controls as required by new JSE Listings Requirements as set out in the consolidated annual financial statements. The committee received an update on the implementation of the project initiated to ensure compliance with paragraph 3.84(k) of the Listings Requirements of the JSE Limited. The implementation of the project included various stages such as scoping and assessment of materiality, gap analysis and the compilation of comprehensive risk and control matrices covering all of the business processes that have an impact on financial reporting, the review and testing of key controls, consideration of any findings identified by internal audit and the final year end sign off by all the relevant control owners. The process identified significant deficiencies which have been communicated to the committee and external auditors and have been included in a remediation plan by management. The committee have considered the mitigating controls provided by management that provide reasonable assurance that these financial statements are fairly presented.

Impact of COVID-19

The committee considered the impact of COVID-19 on the group's operations and assessed the relevant business and financial risks. The committee also considered the group's proactive response to address the threat posed to the lives and livelihoods of the company's employees and other stakeholders.

Going concern

In preparing the consolidated group financial statements, the directors are responsible for evaluating the group's ability to continue as a going concern and therefore the appropriateness of the going concern assumption in preparing the financial statements. The directors have assessed the economic environment, current financial position, and the group's expected cash flows for the next 12 months through to the end of June 2022. The liquidity and solvency position has also been reviewed as part of this assessment.

The directors are satisfied that there are no material uncertainties that cast doubt on the group or company's ability to operate as a going concern. The group and company have sufficient resources, or access to resources, to continue with all operating activities for the foreseeable future. Based on this assessment, the directors consider it appropriate to adopt the going concern assumption for the preparation of the 2021 financial statements.

Significant areas of judgement

In arriving at the figures disclosed in the consolidated financial statements, there are certain areas where judgement is needed. The audit and risk committee has considered various elements of the consolidated financial statements that require judgement and provide additional commentary on the following:

- Goodwill impairment assessment; and
- Deferred tax assets raised on tax losses.

Goodwill and impairment assessment

Management performed the annual assessment for impairment of goodwill. The committee has considered the significant estimates and judgements applied in management's valuation and impairment assessments. The committee assessed the following factors:

- The reasonableness of management's assumptions used in determining future cash flows;
- The terminal value and discount rates applied in management's valuation; and
- The adequacy of the disclosures made in note 7 in the financial statements.

On this basis, the committee is satisfied that no impairment (2020: R558 million) is required on the goodwill for the current year.

Refer to note 7 in the annual financial statements for a detailed analysis of the factors, inputs and outcomes of results of impairment testing at the reporting date.

Deferred tax assets on tax losses

The group operates in different jurisdictions including South Africa and Australia, requiring judgements in recognising tax liabilities. There are also judgements needed in recognising deferred tax assets. The committee has applied its mind to the assumptions made in determining the recognition of the deferred tax assets and is satisfied as to the recoverability. A detailed view of the tax position of the group is provided in notes 9 and 10 in the consolidated financial statements.

Audit and risk committee report continued

Evaluation of the expertise and experience of the CFO and the finance function

The committee has considered and is satisfied with the appropriateness of the expertise and experience of the CFO, Mr Noel Prendergast who was appointed as the interim CFO (effective 1 July 2020) and subsequently CFO on 21 October 2020.

The committee is satisfied that it has met the requirements of its terms of reference.

The audit and risk committee has access to all financial information of the company, including the financial information of all entities within the group.

Key focus areas

In addition to executing on its statutory duties and considering key audit matters, the committee also addressed the following key areas of focus during the year ended 28 February 2021:

- Monitoring progress in term of the group's financial roadmap;
- Receiving and discussing reports from internal audit and monitoring the risks and compliance within the business; and
- Ensuring appropriate governance and oversight of the group's IT transformation process. Refer to note 2.2 in the consolidated annual financial statements for further details.

The committee has set the following key areas of focus for 2022:

- Continuing to monitor the progress of the group's financial roadmap and approving any amendments necessitated by the turnaround strategy;
- Monitoring actions taken to mitigate the risks of COVID-19 on the business and its stakeholders; and
- Continuing monitoring the risk exposure of the group and ensuring adequate and sound mitigating measures are in place.

Conclusion

Having considered all the material factors and key audit matters the committee recommended the consolidated financial statements for the year ended 28 February 2021 for approval to the board. The board has approved the annual financial statements which will be open for discussion at the forthcoming AGM of shareholders.

I would like to extend my appreciation to management, the external auditor, internal auditors and fellow committee members for their work and support throughout the year.



Tshidi Mokgabudi

Chairman, audit and risk committee

31 May 2021

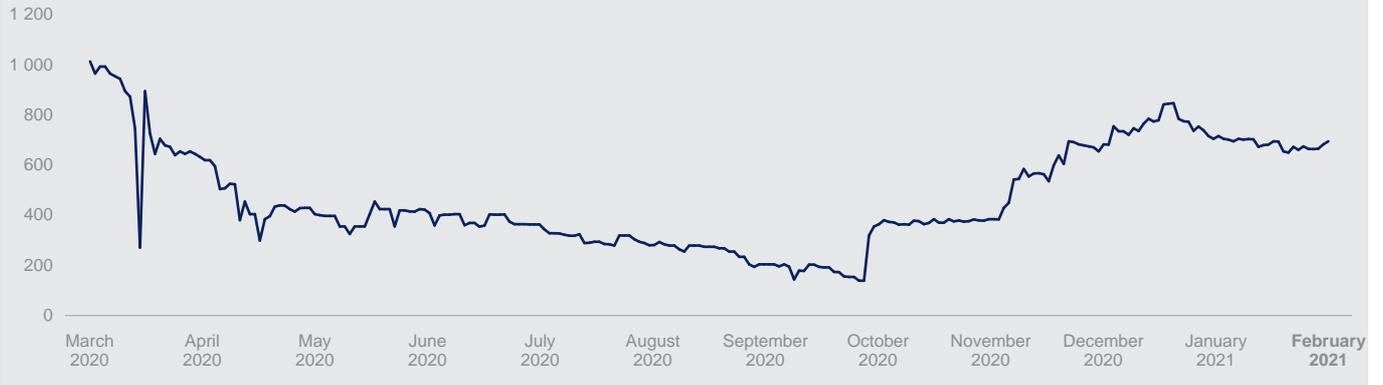
Shareholder analysis

Shareholder spread	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
1 – 1 000	4 003	84,86	418 290	0,38
1 001 – 10 000	409	8,67	1 348 307	1,23
10 001 – 100 000	192	4,07	6 541 877	5,95
100 001 – 1 000 000	88	1,87	26 948 039	24,51
Over 1 000 000	25	0,53	74 698 162	67,93
Total	4 717	100,00	109 954 675	100,00
Distribution of shareholders				
Assurance companies	18	0,38	2 689 142	2,45
Close corporations	16	0,34	157 399	0,14
Collective investment schemes	76	1,61	31 788 793	28,91
Control accounts	1	0,02	108	0,00
Foundations and charitable funds	25	0,53	948 469	0,86
Hedge funds	3	0,06	20 839 390	18,95
Insurance companies	7	0,15	288 489	0,26
Investment partnerships	10	0,21	2 089 246	1,90
Managed funds	15	0,32	127 485	0,12
Medical aid funds	9	0,19	474 461	0,43
Organs of state	2	0,04	2 579 260	2,35
Private companies	30	0,64	2 071 244	1,88
Public companies	1	0,02	16	0,00
Public entities	2	0,04	103 356	0,09
Retail shareholders	4 255	90,21	3 749 718	3,41
Retirement benefit funds	129	2,74	36 131 194	32,86
Scrip lending	4	0,09	1 255 076	1,14
Stockbrokers and nominees	20	0,42	3 339 898	3,04
Treasury	1	0,02	556 605	0,51
Trusts	83	1,76	764 736	0,70
Unclaimed scrip	10	0,21	590	0,00
Total	4 717	100,00	109 954 675	100,00
Shareholder type				
Non-public shareholders	6	0,13	34 971 141	31,81
Directors and associates (direct holding)	1	0,02	6 330	0,01
Directors and associates (indirect holding)	4	0,09	34 408 206	31,29
Treasury	1	0,02	556 605	0,51
Public shareholders	4 711	99,87	74 983 534	68,19
Total	4 717	100,00	109 954 675	100,00

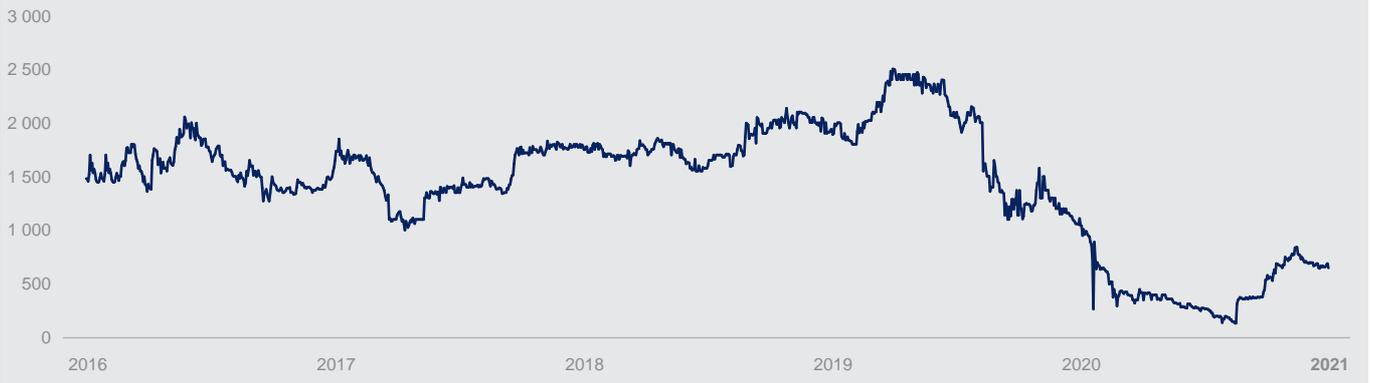
Shareholder analysis continued

Fund managers with a holding greater than 5% of the issued shares	Number of shares	% of issued capital
Value Capital Partners	32 758 743	29,79
Allan Gray	21 512 994	19,57
Kagiso Asset Management	19 914 543	18,11
PSG Asset Management	9 070 949	8,25
Total	83 257 229	75,72
Beneficial shareholders with a holding greater than 5% of the issued shares		
H4 Collective Investments	20 053 299	18,23
Allan Gray	9 819 879	8,93
PSG	9 070 949	8,25
Kagiso	6 042 585	5,50
Sentinel Mining Industry Retirement Funds	5 725 340	5,21
Total	50 712 052	46,12
Total number of shareholdings	4 717	
Total number of shares in issue	109 954 675	
Share price performance		
Opening price 1 March 2020	R10,08	
Closing price 28 February 2021	R6,49	
Closing high for the period	R10,08	
Closing low for the period	R1,35	
Number of shares in issue	109 954 675	
Volume traded during the period	41 065 441	
Ratio of volume traded to shares issued (%)	37,35%	
Rand value traded during the period	R191 056 330	
Price/earnings ratio as at 28 February 2021	21,21	
Earnings yield as at 28 February 2021	4,71	
Dividend yield as at 28 February 2021	0,00	
Market capitalisation at 28 February 2021	R713 605 841	

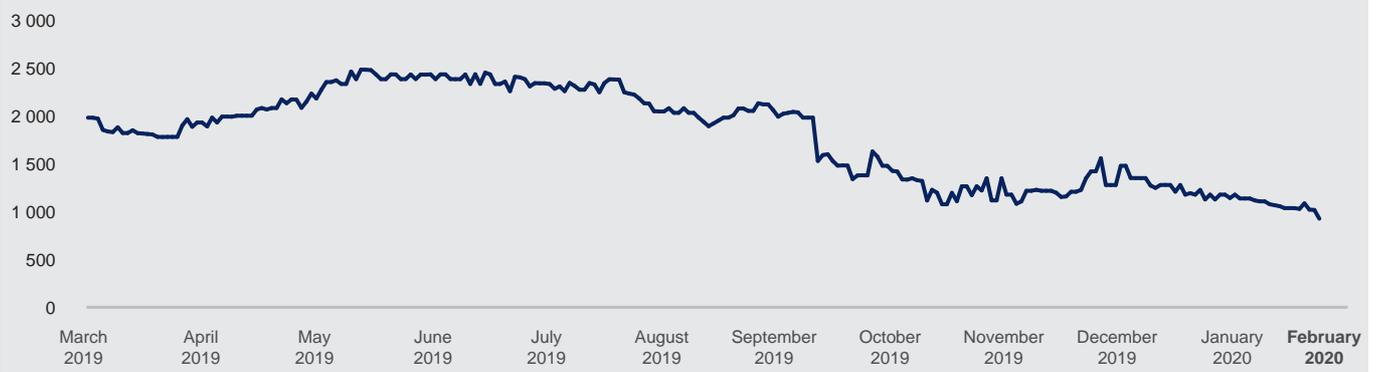
Adcorp price chart – daily closing price (cents)



Five-year share price performance (cents)



Adcorp price chart – daily closing price (cents)



Notice of annual general meeting

Adcorp Holdings Limited

Incorporated in the Republic of South Africa

Registration number: 1974/001804/06

Share code: ADR ISIN: ZAE000000139

(Adcorp or the company)

If you are in any doubt as to what action you should take in respect of the following resolutions, please consult your Central Securities Depository Participant (CSDP), broker, banker, attorney, accountant or other professional adviser immediately.

Notice is hereby given to shareholders recorded in the company's share register, that the annual general meeting (AGM) of shareholders of Adcorp will be held, (subject to any adjournment, postponement or cancellation) at 09:00 on Thursday, 29 July 2021, electronically for the purpose of considering and, if deemed fit, passing, with or without modification, the ordinary and special resolutions set out hereunder.

The board of directors of the company has determined, in terms of section 62(3)(a), as read with section 59 of the Companies Act, No 71 of 2008 (the Companies Act), that the record date for the purposes of determining which shareholders of the company are entitled to participate in and vote at the AGM is Friday, 23 July 2021. Accordingly, the last day to trade Adcorp shares in order to be recorded in the register to be entitled to vote will be Tuesday, 20 July 2021.

Shareholders' diary

Event	2021
Record date in order to be eligible to receive the AGM notice	Friday, 25 June
AGM notice posted to shareholders	Tuesday, 29 June
Last date to trade in order to be eligible to vote at the AGM	Tuesday, 20 July
Record date in order to be eligible to vote at the AGM	Friday, 23 July
Last day to lodge forms of proxy for administration purposes for the AGM and registration of electronic participation (by 09:00)	Wednesday, 28 July
AGM (at 09:00)	Thursday, 29 July
Results of the AGM released on SENS	Thursday, 29 July

Electronic participation in the AGM

Due to the impact of the COVID-19 pandemic and the uncertainty regarding the levels of restrictions that might be in place on public gatherings at the time of the annual general meeting, the annual general meeting will only be accessible through electronic participation, as provided for in terms of the provisions of the Companies Act and the company's MOI. Shareholders should inform the Company Secretary at companysecretary@adcorpgroup.com and copy 4AX (transfer secretaries to Adcorp) on adcorp@4axregistry.co.za or alternatively contact 4AX on +27 011 100 8352 by no later than 09:00 on Wednesday, 28 July 2021 (electronic notice) should they wish to attend.

Shareholders are able to vote through proxy submission in the usual manner, despite opting to participate electronically. Shareholders are strongly encouraged to submit votes by proxy before the annual general meeting. Shareholders who choose to vote during the meeting will be able to do so electronically. 4AX will assist shareholders with the requirements for electronic meeting participation. 4AX is obliged to validate this information with your CSDP before providing you with the necessary means to access the voting platform. Any reference to "shareholder" in this section includes a reference to that shareholder's proxy.

In order for the electronic notice to be valid it must contain:

1. If the shareholder is an individual, a certified copy of his/her identity document and/or passport;
2. If the shareholder is not an individual, a certified copy of a resolution by the relevant entity and a certified copy of the identity documents and/or passports of the persons who passed the relevant resolution and the relevant resolution must set out who from the relevant entity is authorised to represent the relevant entity at the annual general meeting via electronic communication;
3. In the case of (1) and (2) above, the shareholders should indicate that their shareholding has been voted and the manner in which it has been cast, so as to provide the company with assurance that they have understood that their participation is not in order to vote; and
4. A valid email address and telephone number of the participant (by no later than 48 hours prior to the time of the annual general meeting, the company shall use its reasonable endeavours to communicate with each shareholder who has delivered a valid electronic notice, by notifying such shareholder at its contact address and/or number of the relevant details through which the shareholder can participate via electronic communication).

Where the company is required to provide for electronic participation at the annual general meeting, the costs of accessing any means of electronic participation provided by the company will be borne by the shareholder so accessing the electronic participation. Should a shareholder wish to vote at the annual general meeting, he/she may do so by attending and voting at the annual general meeting either in person or by proxy regardless of attendance in person or electronically.

Purpose of the AGM

The purpose of the AGM is to present the annual financial statements for the year ended 28 February 2021 and to consider and, if deemed fit, to pass, with or without modification, the ordinary and special resolutions set out in this notice. The annual financial statements are presented at the AGM in accordance with section 30(3)(d) and section 60(3)(d) of the Companies Act. The complete set of annual financial statements is also available at www.adcorpgroup.com.

Ordinary resolutions

The minimum percentage of voting rights required for each of the resolutions set out in items 1 to 7 below to be adopted, is more than 50% of the voting rights exercised on each of the resolutions by shareholders present or represented by proxy at the AGM.

1. Ordinary resolutions number 1.1 to 1.6: Election and re-election of directors

To elect J Wentzel, N Prendergast and T Mokgabudi who were appointed as directors post the previous AGM held on 10 September 2020, in accordance with the company's MOI.

To re-elect, by way of separate resolutions P Mnganga, H Singh and R van Dijk who retire by rotation in accordance with the provisions of the company's MOI and offer themselves for re-election.

Details of the directors offering themselves for election and re-election are as follows:

- 1.1 J Wentzel – Date of appointment 1 April 2021
- 1.2 N Prendergast – Date of appointment 21 October 2020
- 1.3 T Mokgabudi – Date of appointment 15 October 2020
- 1.4 P Mnganga – Date of appointment 6 September 2018
- 1.5 H Singh – Date of appointment 6 September 2018
- 1.6 R van Dijk – Date of appointment 6 June 2019

Refer to pages 44 to 45 of this integrated annual report of which this notice forms part for a brief description and curriculum vitae of each director.

2. Ordinary resolutions number 2.1 to 2.5: Election of audit and risk committee members

To elect T Mokgabudi, an independent non-executive director, as new chairperson and member of the audit and risk committee and to re-elect, each by way of a separate resolution, the following independent non-executive directors set out below, as members of the company's audit and risk committee:

- 2.1 T Mokgabudi – Chairperson, subject to her election as director
- 2.2 H Singh – Member, subject to his re-election as director
- 2.3 MW Spicer – Member
- 2.4 R van Dijk – Member, subject to her re-election as director
- 2.5 M Lubega – Member

3. Ordinary resolution number 3: Reappointment of independent external auditor

To reappoint Deloitte & Touche as the independent registered auditor of the company and the group for the ensuing financial year, and to note that the individual registered auditor who will undertake the audit during the financial year ending 28 February 2022 is T Marrayday. The audit and risk committee and the board have evaluated the performance and independence of Deloitte & Touche and recommend their reappointment as the external auditors.

4. Ordinary resolution number 4: Place 2 000 000 of the authorised but unissued ordinary shares under the control of the directors

To place 2 000 000 of the unissued ordinary shares in the authorised share capital of the company under the control of the directors as a specific authority in terms of the Companies Act, from time to time, subject to the provisions of the Companies Act and the JSE Listings Requirements. These shares are specifically for the issue of shares to employees in order to meet the company's commitment in terms of the Adcorp Holdings 2006 Share Trust.

5. Ordinary resolution number 5: Non-binding advisory vote on the remuneration policy

To endorse, by way of a non-binding advisory vote, the group's remuneration policy, as set out in the integrated annual report on pages 60 to 68. Shareholders are reminded that in terms of King IV™, the passing of this ordinary resolution is by way of a non-binding vote. Should 25% or more of the votes cast vote against this ordinary resolution, Adcorp undertakes to engage with shareholders as to the reasons therefore. The manner and timing of such engagement, if required, shall be communicated in the voting results announcement.

6. Ordinary resolution number 6: Non-binding advisory vote on the remuneration implementation report

To endorse, by way of a non-binding advisory vote, the group's remuneration implementation report, as set out in the integrated annual report on pages 60 to 68.

Shareholders are reminded that in terms of King IV™, the passing of this ordinary resolution is by way of a non-binding vote. Should 25% or more of the votes cast vote against this ordinary resolution, Adcorp undertakes to engage with shareholders as to the reasons therefore. The manner and timing of such engagement, if required, shall be communicated in the voting results announcement.

Notice of annual general meeting continued

7. Ordinary resolution number 7: Authority to implement resolutions passed at the AGM

To resolve that the CEO or the Company Secretary of the company be authorised to do all such things, perform all acts and sign all such documentation as may be required to give effect to the ordinary and special resolutions passed at this AGM or any adjustment thereof.

Special resolutions

For special resolutions to be adopted, it must be supported by at least 75% (seventy-five percent) of the voting rights exercised on each special resolution by shareholders present or represented by proxy at the AGM and entitled to exercise voting rights on the resolution concerned.

8. Special resolution number 1: Remuneration payable to non-executive directors

Due to the current economic environment the non-executive directors' fees for the ensuing year up to the next AGM will not be increased and will remain at the rates approved by shareholders at the previous AGM. The remuneration structure, excluding value-added tax, of the non-executive directors remains as follows:

Board	Retainer fee per meeting		Attendance fee per meeting	
	Current for 2020/2021 R	Proposed for 2021/2022 R	Current for 2020/2021 R	Proposed for 2021/2022 R
Chairman	95 191	95 191	142 787	142 787
Lead independent non-executive director	37 047	37 047	52 953	52 953
Non-executive director	26 508	26 508	39 763	39 763
Ad hoc work performed by non-executive directors in their role as directors (hourly rate)	0	0	2 650	2 650
Audit and risk committee				
Chairman	31 516	31 516	47 275	47 275
Non-executive director	15 759	15 759	23 637	23 637
Human capital committee*				
Chairperson: HCC**		32 281		43 262
Non-executive: HCC***		18 663		26 881
Chairperson: Nomination****		13 741		20 613
Remuneration committee*				
Chairman*	24 064		30 936	
Non-executive director	10 446		14 555	
Nominations committee*				
Chairman	13 741		20 613	
Non-executive director	8 217		12 326	
Social, ethics and transformation committee				
Chairman	12 959	12 959	19 438	19 438
Non-executive director	8 217	8 217	12 326	12 326
Investment committee				
Chairman	31 516	31 516	47 275	47 275
Non-executive director	15 759	15 759	23 637	23 637

* The human capital committee combines the functions of the remuneration committee and nominations committee.

** The fees are combined for chairing the remuneration committee and attending the nominations committee component of the agenda.

*** This combines the fees for the nominations committee and remuneration committee for 2020/2021.

**** Fees only applied for chairing the nominations committee agenda as the nominations committee chair is recused for the remuneration committee component. In the event that the nominations committee chairman attends the remunerations committee agenda, the retainer and attendance fee for a non-executive nominations committee member would be applied.

9. Special resolution number 2: Repurchase of the company's shares

To resolve that the company, and/or a subsidiary of the company, is authorised to repurchase or purchase, as the case may be, shares issued by the company, from any person, upon such terms and conditions and in such number as the directors of the company or the subsidiary may from time to time determine, including that such shares be repurchased or purchased subject to the applicable requirements of the company's MOI, the Companies Act and the JSE Listings Requirements, each as presently constituted and as amended from time to time; and subject further to the restriction that the repurchase or purchase, as the case may be, by the company and/or any of its subsidiaries, of shares in the company of any class under this authority shall not, in aggregate in any one financial year, exceed 10% of the shares in issue in such class as at the commencement of such financial year.

The JSE Listings Requirements provide, inter alia, that the company, or any subsidiary of the company, may only make a general repurchase of the shares in the company subject to the following:

- Any such repurchase of shares is effected through the order book operated by the trading system of the JSE Limited (JSE) and done without any prior understanding or arrangement between the company and the counterparty (reported trades are prohibited).
- Authorisation thereto is given by the company's MOI.
- At any point in time, the company may appoint only one agent to effect any repurchase(s) on its behalf.
- The general authority shall be valid only until the company's next AGM or 15 months from the date of passing of this special resolution, whichever is earlier.
- When the company or a subsidiary of the company has cumulatively repurchased 3% of any class of the company's shares in issue on the date of passing of this special resolution (the initial number), and for each 3% in aggregate of that class of shares acquired thereafter, in each case in terms of this resolution, an announcement shall be published on the Securities Exchange News Service (SENS) of the JSE, giving such details as may be required in terms of the JSE Listings Requirements.
- The company or its subsidiaries may not repurchase any of the company's shares during a prohibited period as defined in the JSE Listings Requirements, unless they have in place a repurchase programme where the dates and quantities of securities to be traded during the relevant period are fixed (not subject to any variation) and the company has submitted the repurchase programme to the JSE in writing. The company will instruct an independent third party, which makes its investment decisions in relation to the company's securities independently of, and uninfluenced by, the company, prior to commencement of the prohibited period to execute the repurchase programme submitted to the JSE.
- No repurchases may be made at a price which is greater than 10% above the weighted average of the market value for the securities for the five business days immediately preceding the date on which the transaction is effected (the maximum price). The JSE will be consulted for a ruling if the company's securities have not traded in such a five-day period.

Prior to entering the market to repurchase the company's shares, a board resolution will have been passed stating that the directors have authorised the repurchase of shares under this general authority and that Adcorp and/or its subsidiaries have passed the solvency and liquidity test as set out in the Companies Act.

Adequacy of working capital in terms of section 11.26 of the JSE Listings Requirements

The directors of the company will ensure that, after considering the effect of the maximum repurchase:

- (i) the company and the group will be able, in the ordinary course of business, to pay its debts for a period of 12 months after the date of the notice of AGM;
- (ii) assets of the company and the group will be in excess of the liabilities of the company and the group for a period of 12 months after the date of the notice of AGM. For this purpose, the assets and liabilities should be recognised and measured in accordance with the accounting policies used in the latest audited group annual financial statements;
- (iii) share capital and reserves of the company and the group will be adequate for ordinary business purposes for a period of 12 months after the date of the notice of AGM; and
- (iv) working capital of the company and the group will be adequate for ordinary business purposes for a period of 12 months after the date of the notice of AGM.

Other disclosure in terms of section 11.26 of the JSE Listings Requirements

The JSE Listings Requirements require the following disclosure, which is contained in the integrated annual report of which this notice forms part:

- Major shareholders of the company on pages 75 to 77.
- Stated capital of the company on page 58 of the audited to the consolidated annual financial statements.

Material change

There have been no material changes in the affairs or financial position of the company and its subsidiaries since the company's financial year end and the date of this notice.

Directors' responsibility statement

The directors, whose names are given on pages 44 to 45 of this integrated annual report, collectively and individually accept full responsibility for the accuracy of the information pertaining to special resolution number 2 and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the special resolutions contain all such information as required by law and the JSE Listings Requirements.

Notice of annual general meeting continued

10. Special resolution number 3: Financial assistance for the provision of loans or other financial assistance to present or future-related and inter-related companies

To authorise the directors, in terms of and subject to the provisions of section 44 of the Companies Act, to cause the company to provide financial assistance by way of a loan, guarantee, the provision of security or otherwise to any person for the purpose of, or in connection with, the subscription of any debt securities, issued or to be issued by the company or a present or future-related or inter-related company or for the purchase of any debt securities of the company or a present or future-related or inter-related company in terms of section 44 of the Companies Act.

To authorise the directors, in terms of and subject to the provisions of section 45 of the Companies Act, to cause the company to provide direct or indirect financial assistance to any company or corporation or future company or corporation which is related or inter-related to the company, for such amounts and on such terms and conditions the board of the company may determine.

Voting and proxies

1. An ordinary and/or "B" ordinary shareholder entitled to attend and vote at the AGM may appoint any individual (or two or more individuals) as a proxy or as proxies to attend, participate in and vote at the AGM in the place of the shareholder. A proxy need not be a shareholder of the company.
2. A proxy appointment must be in writing, dated and signed by the shareholder appointing a proxy, and, subject to the rights of a shareholder to revoke such appointment, remains valid only until the end of the AGM.
3. A proxy may delegate the proxy's authority to act on behalf of a shareholder to another person, subject to any restrictions set out in the instrument appointing the proxy.
4. The appointment of a proxy is suspended at any time and to the extent that the shareholder who appointed such proxy chooses to act directly and in person in the exercise of any rights as a shareholder.
5. The appointment of a proxy is revocable by the shareholder in question cancelling it in writing, or making a later inconsistent appointment of a proxy, and delivering a copy of the revocation instrument to the proxy and to the company. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the shareholder as of the later of (a) the date stated in the revocation instrument, if any; and (b) the date on which the revocation instrument is delivered to the company as required in the first sentence of this paragraph.
6. If the instrument appointing the proxy or proxies has been delivered to the company, as long as that appointment remains in effect, any notice that is required by the Companies Act or the company's MOI to be delivered by the company to the shareholder, must be delivered by the company to (a) the shareholder, or (b) the proxy or proxies, if the shareholder has
(i) directed the company to do so in writing; and
(ii) paid any reasonable fee charged by the company for doing so. Attention is also drawn to the "Explanatory notes regarding proxy".

It is recommended that forms of proxy should be delivered to 4AX at adcorp@4axregistry.co.za or alternatively contact 4AX on +27 11 100 8352 so as to reach this address by no later than 09:00 on Wednesday, 28 July 2021.

Shareholders who have dematerialised their shares, other than with "own name" registration, should contact their CSDP or stockbroker:

- to furnish their CSDP or stockbroker with their voting instructions; or
- in the event that they wish to attend the meeting, to obtain the necessary letter of representation to do so.

This must be done in terms of the agreement entered into between the shareholder and the CSDP or stockbroker concerned.

Any shareholder having difficulties or queries with regard to the above may contact the Company Secretary via email at companysecretary@adcorpgroup.com.

By order of the board

Form of proxy



Adcorp Holdings Limited

Incorporated in the Republic of South Africa
 Registration number: 1974/001804/06
 Share code: ADR ISIN: ZAE000000139
 (Adcorp or the company)

This form of proxy relates to the annual general meeting (AGM) to be held electronically on Thursday, 29 July 2021, at 09:00 and is for use by certificated ordinary shareholders and dematerialised shareholders with "own name" registrations on the date of the meeting.

Please print clearly when completing this form and see the instructions and notes at the end of this form for an explanation of the use of this form of proxy and the rights of the shareholder and the proxy.

I/We

(Name in block letters)

of (address)

being a shareholder of the company and the registered holder(s) of Ordinary Shares of the company hereby appoint:

1. or, failing him/her,
2. or, failing him/her,
3. or, failing him/her,
4. the chairman of the AGM, to attend and participate in the meeting and to speak and vote or abstain from voting for me/us and on my/our behalf in respect of all matters arising (including any poll and all resolutions put to the meeting) at the meeting, even if the meeting is postponed, and at any resumption thereof after any adjournment.

Please indicate with an "X" in the appropriate spaces below how you wish your votes to be cast. Unless otherwise instructed, my/our proxy may vote as he/she thinks fit.

	Number of shares		
	For	Against	Abstain
Ordinary resolution number 1: Election and re-election of directors			
Ordinary resolution 1.1: Election of J Wentzel			
Ordinary resolution 1.2: Election of N Prendergast			
Ordinary resolution 1.3: Election of T Mokgabudi			
Ordinary resolution 1.4: Re-election of P Mnganga			
Ordinary resolution 1.5: Re-election of H Singh			
Ordinary resolution 1.6: Re-election of R van Dijk			
Ordinary resolution number 2: Election of audit and risk committee members			
Ordinary resolution 2.1: T Mokgabudi, subject to election as a director			
Ordinary resolution 2.2: H Singh, subject to re-election as a director			
Ordinary resolution 2.3: MW Spicer			
Ordinary resolution 2.4: R van Dijk, subject to re-election as a director			
Ordinary resolution 2.5: M Lubega			
Ordinary resolution number 3: Reappointment of independent external auditor			
Ordinary resolution number 4: Place 2 000 000 of the authorised but unissued ordinary shares under the control of the directors			
Ordinary resolution number 5: Non-binding advisory voted on the remuneration policy			
Ordinary resolution number 6: Non-binding advisory voted on the remuneration implementation report			
Ordinary resolution number 7: Authority to implement resolutions passed at the AGM			
Special resolution number 1: Remuneration payable to non-executive directors			
Special resolution number 2: Repurchase of the company's shares			
Special resolution number 3: Financial assistance for the provision of loans or other financial assistance to present or future-related and inter-related companies			

(Indicate instruction to proxy by way of a cross in space provided above)

Unless otherwise instructed, my/our proxy may vote as he/she thinks fit.

Signed this _____ day of _____ 2021
 Signature: _____ Tel: () _____ Mobile: () _____
 Email: _____

Explanatory notes regarding proxy

Summary of rights contained in section 58 of the Companies Act

In terms of section 58 of the Companies Act:

- A shareholder may, at any time and in accordance with the provisions of section 58 of the Companies Act, appoint any individual (including an individual who is not a shareholder) as a proxy to participate in, and speak and vote at, a shareholders' meeting on behalf of such shareholder.
- A shareholder may appoint two or more persons concurrently as proxies, and may appoint more than one proxy to exercise voting rights attached to different securities held by the shareholder.
- A proxy may delegate his authority to act on behalf of a shareholder to another person, subject to any restriction set out in the instrument appointing such proxy.
- Irrespective of the form of instrument used to appoint a proxy, the appointment of a proxy is suspended at any time and to the extent that the relevant shareholder chooses to act directly and in person in the exercise of any of such shareholder's rights as a shareholder.
- Any appointment by a shareholder of a proxy is revocable, unless the form of instrument used to appoint such proxy states otherwise.
- If an appointment of a proxy is revocable, a shareholder may revoke the proxy appointment by (i) cancelling it in writing, or making a later inconsistent appointment of a proxy and (ii) delivering a copy of the revocation instrument to the proxy and to the relevant company.
- A proxy appointed by a shareholder is entitled to exercise, or abstain from exercising, any voting right of such shareholder without direction, except to the extent that the relevant company's memorandum of incorporation, or the instrument appointing the proxy, provides otherwise.
- If the instrument appointing a proxy or proxies has been delivered by a shareholder to a company, then, for so long as that appointment remains in effect, any notice that is required in terms of the Companies Act or such company's memorandum of incorporation to be delivered to a shareholder must be delivered by such company to:
 - the relevant shareholder; or
 - the proxy or proxies, if the relevant shareholder has: (i) directed such company to do so, in writing and (ii) paid any reasonable fee charged by such company for doing so.

Explanatory notes

1. The form of proxy must only be used by shareholders who hold shares in certificated form or who are recorded on the sub-register in electronic form in "own name".
2. All other beneficial owners who have dematerialised their shares through a CSDP or broker and wish to attend the AGM must provide the CSDP or broker with their voting instructions in terms of the relevant agreement entered into between them and the CSDP or broker.
3. An ordinary and/or "B" ordinary shareholder entitled to attend and vote at the AGM may insert the name of a proxy or the names of two or more alternate proxies of the shareholder's choice in the space provided, with or without deleting "the chairman of the AGM". The person whose name stands first on the form of proxy and who is present at the AGM will be entitled to act as proxy to the exclusion of such proxy(ies) whose names follow.
4. An ordinary and/or "B" ordinary shareholder is entitled to one vote on a show of hands and, on a poll, one vote in respect of each ordinary and/or "B" ordinary share held. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that shareholder in the appropriate space provided. If an "X" has been inserted in one of the blocks to a particular resolution, it will indicate the voting of all the shares held by the shareholder concerned. Failure to comply with this will be deemed to authorise the proxy to vote or to abstain from voting at the AGM as he/she deems fit in respect of all the shareholder's

exercisable votes. A shareholder or the proxy is not obliged to use all the votes exercisable by the shareholder or by the proxy, but the total of the votes cast and in respect of which abstention is recorded may not exceed the total of the votes exercisable by the shareholder or the proxy.

5. A vote given in terms of an instrument of proxy will be valid in relation to the AGM despite the death, insanity or other legal disability of the person granting it, or the revocation of the proxy, or the transfer of the shares in respect of which the proxy is given, unless notice on any of the noted matters has been received by the transfer secretaries not less than 48 hours before the start of the AGM.
6. If a shareholder does not indicate on this form that his/her proxy is to vote in favour of or against any resolution or to abstain from voting, or gives contradictory instructions, or should any further resolution(s) or any amendment(s) which may properly be put before the AGM be proposed, such proxy shall be entitled to vote as he/she thinks fit.
7. The chairman of the AGM may reject or accept any form of proxy which is completed and/or received other than in compliance with the Act, the MOI and these notes.
8. A shareholder's authorisation to the proxy, including the chairman of the AGM, to vote on such shareholder's behalf, will be deemed to include the authority to vote on procedural matters at the AGM.
9. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the AGM and speaking and voting in person to the exclusion of any proxy appointed in terms hereof.
10. Documentary evidence establishing the authority of a person signing the form of proxy in a representative capacity must be attached to this form of proxy, unless previously recorded by the company's transfer secretaries or it is waived by the chairman of the AGM.
11. A minor or any other person under legal incapacity must be assisted by his/her parent or guardian, as applicable, unless the relevant documents establishing his/her capacity are produced or have been registered by the transfer secretaries of the company.
12. Where there are joint holders of shares:
 - (i) any one holder may sign the form of proxy; and
 - (ii) the vote(s) of the senior shareholder(s) (for that purpose seniority will be determined by the order in which the names of shareholders appear in the company's register of shareholders) who tender(s) a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint shareholder(s).
13. Completed Forms of Proxy and the authority (if any) under which they are signed must be lodged with or delivered to the company, at 4 Africa Exchange Registry, Hill on Empire, 4th Floor, Block A, 16 Empire Road, Parktown, 2193 or by email at adcorp@4axregistry.co.za to be received by them for administrative purposes only by no later than 48 hours before the commencement of the annual general meeting (or any adjournment of the annual general meeting), excluding Saturdays, Sundays and official public holidays, provided that any form of proxy not delivered to the transfer secretaries by this time may be handed to the chairman of the annual general meeting prior to any time before the appointed proxy exercises any shareholder rights at the annual general meeting.
14. A deletion of any printed matter and the completion of any blank space need not be signed or initialled. Any alteration or correction must be signed and not merely initialled.

Definitions

Abbreviation	Description
Adcorp/the company	Adcorp Holdings Limited
Adcorp Group/the group/the business	Adcorp group of companies
AFS	Annual financial statements
AGM	Annual general meeting
ARC	Audit and risk committee
Assignees	Temporary employees that are recruited, screened, trained and employed by the TES provider, then assigned to client organisations
ATT/Adcorp Technical Training	Adcorp Technical Training (Pty) Ltd
Board	The board of directors of Adcorp
Deloitte/Deloitte & Touche/the external auditors	The external auditors for the Adcorp group
Business/the business	The business conducted within the Adcorp group
B-BBEE	Broad-Based Black Economic Empowerment
Candidate	A job applicant or prospective employee
Chair/Chairperson	The chairperson of the board
CIPC	Companies and Intellectual Property Commission
Companies Act	Companies Act 71 of 2008
Deployed Permanent Employee	A permanent employee that has been deployed/outsourced to a client company
DSO	Days Sales Outstanding, a measure of the average number of days that it takes a company to collect payment after a sale has been made
EPS	Earnings Per Share
EBITDA	Earnings (i.e. operating profit) before interest, tax, depreciation and amortisation
EE	Employment equity
ETI	Employment Tax Incentive, a SARS tax incentive which reduces the cost of hiring young people by reducing the amount of PAYE owed by the employer to SARS without affecting the employees' wages
FO	Functional Outsourcing
GDP	Gross Domestic Product
HCC	Human capital committee
HEPS	Headlines earnings per share
IAR	Integrated annual report
IIRC	International Integrated Reporting Council
IFRS	International Financial Reporting Standards
IPA	Individual Performance Appraisals
Independent Contractor	An independent contractor is a self-employed individual performing services for a company under contract rather than as an employee, either on-or off-site
Insourced Temporary Employees	Employees that are hired from outside agencies and managed through the MSP model to render services to client companies
InvestCom	Investment committee
JSE	Johannesburg Stock Exchange Limited

Definitions continued

Abbreviation	Description
King IV™/King IV™ Report	King IV Report on Corporate Governance for South Africa 2016 the copyright and trademarks are owned by the Institute of Directors in Southern Africa NPC and all of its rights are reserved
LRA	Labour Relations Act 66 of 1995 is a South African statute that regulates labour relations and collective bargaining in the workplace. The LRA contains provisions outlining the labour relations rights and responsibilities of employers, trade unions and employees
LTI	Long-term incentive
MSP	Managed service provision is a service whereby a company takes on primary responsibility for managing an organisation's contingent workforce programme, including overall programme management, reporting and tracking, supplier selection and management, order distribution and consolidated billing
NMW	National minimum wage
Nomco	Nominations committee
Permanent Employee	An employee who works for and is paid directly by a specific employer without a predetermined end date for the employment arrangement. Permanent employees are often eligible for employment benefits e.g. paid leave, health insurance and retirement plan access
PMI	PMI (Pty) Ltd
Remco	Remuneration committee
Report/IAR	Adcorp integrated annual report for the year ending 28 February 2021
ROIC	Return on invested capital is the percentage return that a company makes over its invested capital
RPO	Recruitment Process Outsourcing is the partial or full outsourcing of a company's internal recruitment function to a third-party specialist provider, for all its direct hire (permanent workers) recruitment needs
SETCom	Social, ethics and transformation committee
SENS	Stock Exchange News Service
SETA	Sector Education and Training Authority in South Africa which govern skills development through learnerships, internships, unit based skills programmes, and apprenticeships
STI	Short-term incentive
TES	Temporary Employment Services are, according to the LRA, employees that work for a client on a temporary basis and are paid by the temporary employment service provider
TGP	Total guaranteed package calculated using a total cost to company methodology.
Torque IT	Torque IT (Pty) Ltd

Corporate information

Adcorp Holdings Limited

Registration number 1974/001804/06

Listed on the JSE in 1987

Share code: ADR

ISIN: ZAE000000139

Website: www.adcorpgroup.com

Registered office

Adcorp Holdings Limited

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South Africa, 2021

Tel: +27 (0)10 800 0000

Email: info@adcorp.co.za

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South Africa, 2021

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PO Box 782244, Sandton City, Johannesburg

South Africa, 2146

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Email: petervanniekerk@eversheds-sutherland.co.za

Transfer secretaries

4 Africa Exchange Registry Proprietary Limited

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South Africa, 2193

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Email: admin@4aregistry.co.za

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Sandhurst

Sandton, 2196

Tel: +27(0) 860 638 799

Email: info@psgcapital.com

Website: www.psgcapital.com