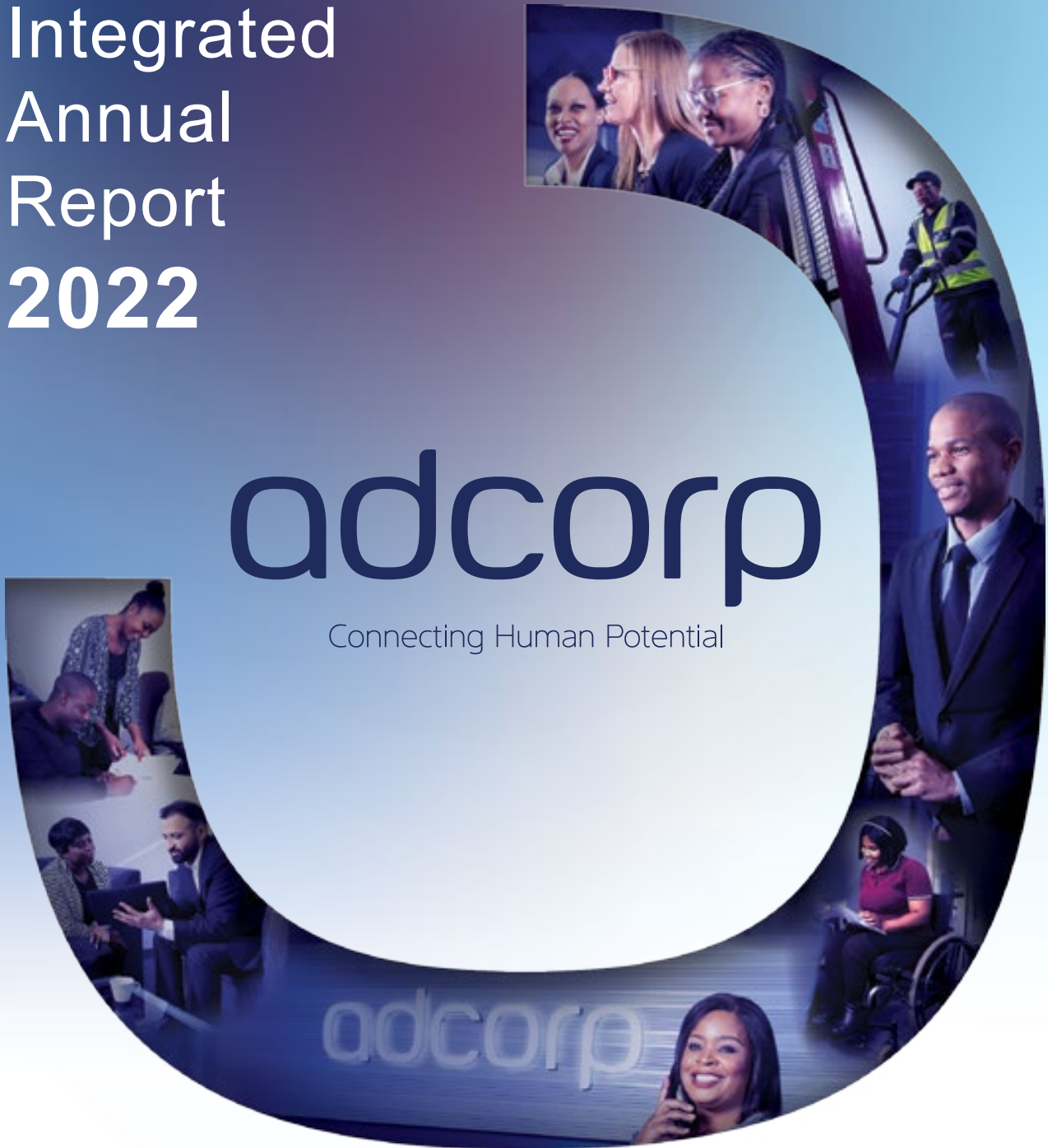


# Integrated Annual Report 2022

# adcorp

Connecting Human Potential



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# About this report

## Building on stability

Adcorp is a workforce solutions Company listed on the JSE with operations in South Africa and Australia. For more information refer to page 06

### REPORTING SCOPE AND BOUNDARY

This is Adcorp's 12<sup>th</sup> integrated report which 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 2021 to 28 February 2022. The report covers the South African and the Australian operations and follows the previous year's report published in June 2021.

### 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, which comprise the following:

- 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
- The King IV<sup>TM</sup> Report on Corporate Governance<sup>TM</sup>\* for South Africa, 2016 (King IV<sup>TM</sup>)
- 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 the importance of integrated reporting and the Group is committed to moving towards a more integrated approach to reporting, by making constant improvements on a year-on-year basis.

The financial statements are presented in ZAR, which is considered to be the Group's reporting currency and can be found on our website [www.adcorpgroup.com](http://www.adcorpgroup.com). The summarised financial statements are set out on pages 105 to 131.

We summarise our value creation as follows:

**The application of our strategy in order to create long-term value for shareholders.**

*See page 18*



**Management of risk, opportunities and the material issues on which our reporting is based to create sustainable value.**

*See pages 02 , and 76 to 81*



**Approach to governance, which is addressed in the accountability section.**

*See pages 64 to 104*



**Sustainable development of the business, which is addressed in the strategy and impact sections.**

*See pages 02 and 17*



How we created value in 2022

#### Navigation in this report

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



Further reference  
in the report



Further reference  
on the website

#### Feedback

A hard copy of this integrated report is available on request and online at <https://www.adcorpgroup.com/integrated-annual-report-2022/>

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](mailto:ir@singular.co.za)

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# About this report *continued*

## 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 Board has identified the following as Adcorp's material issues:

- Skills supply and demand imbalance
- Changing work environment – hybrid and remote work
- Impact of technology
- Reskilling the workforce
- COVID-19 pandemic (The impact thereof and our response are covered in detail on page 16)

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

## Assurance

Adcorp's combined assurance framework ensures the integration, co-ordination 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.

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.

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 (IIRC)	Guided by its principles	No external assurance
King Code on Corporate Governance 2016™ (King IV™)	Applied and application reported on (see link below)*	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
Broad-Based Black Economic Empowerment (B-BBEE)	Level 1	BEE Online

\* <https://www.adcorpgroup.com/corporate-governance-register-2022/>

## 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.

## Board approval

The Adcorp Board assumes responsibility for the integrity of this integrated annual report and believes that the integrated annual report was prepared in accordance with the International Integrated Reporting Framework. The report, which remains the ultimate responsibility of the Board, is prepared under the supervision of senior management, and subject to both internal and external assurance. The report is submitted to the audit and risk committee, which recommends it to the Board for approval having reviewed the contents, as well as the collation process, and with reliance on the assurance provided on the various reporting elements. 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 FY2022 on 27 June 2022.

Gloria Serobe (Chairman)	Monde Nkosi <sup>1</sup>
John Wentzel (CEO)	Herman Singh
Noel Prendergast (CFO)	Sam Sithole
Melvyn Lubega	Clive Smith
Phumla Mnganga	Ronel Van Dijk
Cecil Maswanganyi	Timothy Olls <sup>2</sup>
Tshidi Mokgabudi	

<sup>1</sup> Mr Monde Nkosi resigned as non-executive director of Adcorp effective 1 June 2022.

<sup>2</sup> Mr Timothy Olls appointed as alternative non-executive director to Mr Samuel Sithole effective 6 December 2021.

27 June 2022

# FY2022 salient features

## REVENUE FROM CONTINUING OPERATIONS

**R11,5<sup>bn</sup>**

2021 | R11,7bn | -1,7%

## OPERATING PROFIT FROM CONTINUING OPERATIONS BEFORE FINANCE INCOME AND FINANCE COSTS

**R199<sup>m</sup>**

2021 | R118m | +68,2%

## INTEREST-BEARING DEBT EXCLUDING LEASES

**R133<sup>m</sup>**

2021 | R456m | -70,8%

## TOTAL EARNINGS PER SHARE

**109,1 cents**

2021 | 35,6 cents | +206,5%

## DIVIDEND DECLARED PER SHARE

**47,0 cents**

2021 | Nil |

## GROSS PROFIT FROM CONTINUING OPERATIONS

**R1,2<sup>bn</sup>**

2021 | R1,1bn | +7,0%

## CASH GENERATED BY OPERATIONS

**R260<sup>m</sup>**

2021 | R914m | -71,6%

## NET CASH POSITION\* IMPROVED TO

**R198<sup>m</sup>**

2021 | -R49m | +505,0%

## TOTAL HEADLINE EARNINGS PER SHARE

**99,4 cents**

2021 | 34,2 cents | +190,6%

**B-BBEE  
Level 1 rating**

MAINTAINED FOR SOUTH AFRICAN  
OPERATIONS

\* Net debt/cash defined as interest-bearing debt excluding leases less unrestricted cash and cash equivalents from continuing operations and this is a non-IFRS measure.

# Chairman's perspective

"Adcorp's contribution to training people, placing people in meaningful work and enabling customers to grow, allows economies and companies to thrive, creates employment and helps people have fulfilling careers."



**Gloria Serobe** Chairman

On behalf of the Board, it is my privilege to share an update from a much-improved position compared to just one year ago. The COVID-19 pandemic made this year a gravely testing time worldwide. We have lost friends, colleagues and loved ones. Each of us has struggled in our own way and the global economy has been negatively impacted. We are greatly relieved to at last see light at the end of the tunnel and the start of recovery for our industry. Beyond the effects of the pandemic in FY2022 we also tragically saw violence in South Africa in July 2021 which resulted in the loss of lives. South Africa's challenges are exacerbated by low economic growth and record-high levels of unemployment, particularly youth unemployment. In Australia we have seen economic activity affected by pandemic lockdowns as well as the effects of widespread flooding in Queensland and New South Wales.

With the appointment of a new CEO and changes to the executive team in FY2022, Adcorp embarked on a journey of stabilisation and recovery. Our goal for the year was stability, which meant getting several fundamentals right. Chiefly, we worked on improving cash conversion, sustaining working capital improvement and maintaining debt at an acceptable level. Stability also meant continuing prudent cost management, improving the quality of earnings and increasing margins. Our results reflect the outcome of these efforts and we have built a strong platform for the years ahead.

My role as Chair is to provide leadership to the Board and to provide the right environment to enable each of the directors and the Board as a whole to perform effectively to promote the success of the Company for the benefit of its shareholders and other stakeholders. The Board has discharged those responsibilities and provided effective oversight during 2022. Adcorp acknowledges its accountability to all its stakeholders under the legal and regulatory requirements applicable to its business in both South Africa and Australia. The Board is committed to maintaining high standards of integrity, conducting fair dealings and ensuring transparency throughout its business.

Details of the Group's governance structures and our application of the principles of corporate governance, including King IV™ and various regulatory requirements, are provided throughout this integrated annual report.

As a Board, it was with great sadness that we learned of the passing of our long-serving lead independent director Michael "Mike" Spicer. We will miss his wisdom and insight and acknowledge his immense contribution to Adcorp and a free and democratic South Africa. We welcome Dr Phumla Mganga as our new lead independent director.

FY2022 was marked by a renewed focus on Adcorp's purpose. Adcorp recognised that having a purpose provides the foundation to build a sustainable business. Through our purpose of enabling agile, skilled and focussed workforces for the future, we are uniquely positioned to make a contribution to both shareholders and the broader society. It is a purpose and legacy that we at Adcorp are proud of.

As a Board, we acknowledge that Adcorp has a responsibility beyond its shareholders. We recognise that we have a role to play in ensuring effective custodianship of the environment, being a responsible social participant and ensuring good governance. In the past year, Adcorp has strengthened its ESG approach by appointing a sustainability executive and recognises that climate change is a significant threat to its future. Adcorp has committed to implementing policies that will see it through its business relationships and supply chain seeking to reduce its impact on the environment.

With stability re-established, we are galvanised for the next challenge: delivering growth to our shareholders. As global economies open and growth returns, Adcorp is well placed to return to top line growth.

## Appreciation

On behalf of the Adcorp Board, I would like to thank all our stakeholders for their continued support as we endeavour to realise a challenging corporate transformation amid unprecedented times. I wish to express my gratitude to my fellow Board members for their commitment and wise counsel over the past year and my appreciation to the executive team for stabilising the Company against the backdrop of the ongoing pandemic.

**Gloria Serobe**  
Chairman

27 June 2022

# Who we are

Connecting human potential

## Our purpose

*We enable agile, focused and skilled workforces for the future*

Workforces that make a positive contribution to society

Workforces that are inclusive of people of all abilities, genders, ages and ethnicities

Workforces that transform business outcomes for today and the future

Workforces that include permanent, contingent, contractor and gig workers

Workforces that are skilled for the future

The Adcorp Group is a **workforce solutions provider** with a goal to connect and cultivate human potential in order to shape markets and economies for a sustainable future. Our vision is to become a leading workforce solutions partner in the markets we serve with a mandate to research, search, place, develop, train and manage people in multiple work type models. This will ensure relevance, productivity and optimal efficiency.

Adcorp is a global company and its customer facing constituent brands are currently represented within South Africa and Australia, employing over 1 750 permanent employees during the year, assigning more than 44 000 contingent employees daily and training multiple learners through a vast spectrum of disciplines.

We connect people with jobs in a world that is constantly reinventing itself, as there is a need for new skills, talents and capabilities to interact, connect and collaborate, building workforces that will enable companies to grow and people to realise their full potential.

The Adcorp Group endorses its strong unique brands whose value propositions participate in a customer's end to end workforce lifecycle. The purpose and values of the organisation have evolved with the narrative of workforce lifecycle and how its brands can participate in multiple stages of a customer's workforce model. Importantly, a lifecycle denotes a long term and integrated relationship with all stakeholders and also leverages multi-brand integrated selling opportunities.

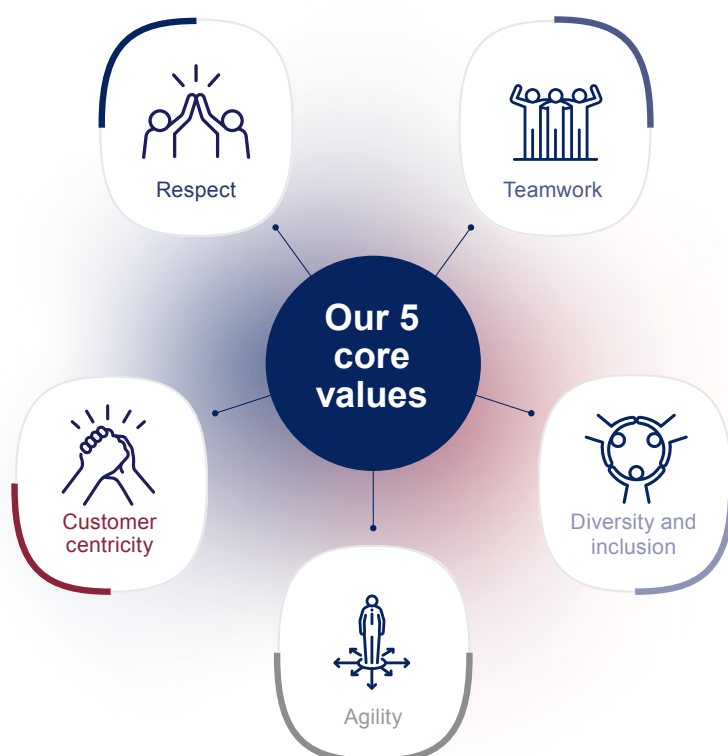
Further, purpose is driven by the need to enable agile, focused and skilled workforces for the future that will go on to make a positive contribution in society. This includes permanent, contingent, contractor and gig workers.

We look to create workforces that are inclusive of people, of all abilities, genders, ages and ethnicities in order to transform businesses for today and the future.

ESG is equally important to Adcorp and we believe that climate change is the biggest macro-risk to our company. As such, and in addition to being advocates of "social justice", Adcorp and its brands will not support companies that do not take environmental issues seriously or that harm the environment.







### Teamwork

We collaborate as a team to achieve excellence and take responsibility for our own deliverables.

#### What it is

- Listening and learning from each other
- Being helpful and supporting each other to achieve collective goals
- Building relationships and communicating in a non-judgmental way
- Sharing ideas to achieve a common goal
- Exploring the strengths and ideas of others

#### What it is not

- Teams and individuals chasing different goals
- Riding the coattails of colleagues and hiding behind others
- Saying yes, all the time, not voicing alternative thought
- Explaining why things are the way they are rather than doing something about it



### Respect

We respect the feelings, wishes, rights and traditions of our workforce, candidates, customers, communities and the environment

#### What it is

- Accepting and accommodating another person's views and perspectives without trying to change them
- Being thoughtful of other's feelings
- Treating people with honour and dignity
- A diverse and inclusive culture means every employee is supported, accepted, respected and safe at work

#### What it is not

- Respect does not mean being agreeable and not challenging others
- Respect does not mean being feared or taking advantage of others
- Only greeting the senior person to you and not the junior person
- Respect is not speaking over one another so as to make your voice heard

# Who we are *continued*



## Customer centricity

We strive to anticipate our customers' needs and deliver excellent customer experiences.

### What it is

- Putting the customer at the centre of everything that employees do (putting the customer first)
- Understanding the customer situation, perception, expectations, communication preference and business needs
- Providing a positive customer experience to drive profitability
- Customers are the primary reason why the business exists

### What it is not

- Not saying yes to every demand from the customers (sometimes the customer is wrong and needs to be made aware)
- Not pure volumes, it is also quality and efficiencies



## Agility

We act with speed and flexibility to ever changing conditions.

### What it is

- Adapting quickly to the changing circumstances and conditions, unexpected obstacles
- Being flexible to learn new things within a learning organisation
- Adapting swiftly to new situations
- Focusing on removing barriers and innovating in new and emerging markets

### What it is not

- Doing what you want without direction and planning
- Does not mean waiting for products to be 100% before testing or deploying in the market
- Not being 'stuck in our ways' and not adapting to changing circumstances and environments



## Diversity and inclusion

We welcome and embrace a diverse range of people, perspectives and ideas.

### What it is

- We respect and appreciate differences in age, gender, ethnicity, education, physical abilities, race, and religion amongst individuals
- Employees are empowered as individuals and trusted to make decisions in the best interest of the Company
- A welcoming environment that embraces the differences, allowing everyone to bring their entire, authentic selves to work

### What it is not

- Only hiring people who look like you and share the same values as you
- Does not mean hiring employees differing in gender, race, age, physical ability etc. for the sake of complying with the law
- Does not mean isolating employees for being diverse, authentic and genuine in their efforts to contribute to the environment in which they work

**Our purpose drives strategy, values and branding and guides decision making. We are building a Company that aims to resonate with management, employees, customers, investors and society while connecting people with potential to workforces that will contribute to the future.**

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 1 750 permanent employees, deploying in excess of 44 000 contingent employees\* 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

	Contingent employees	Permanent placements with customers	Adcorp permanent employees
South Africa	42 112	979	1 611
Australia	2 662	310	188
<b>Total</b>	<b>44 774</b>	<b>1 289</b>	<b>1 799</b>

\* Contingent employees - all employees whether on independent, temporary or permanent contracts of employment, who are deployed to Adcorp customer sites as part of a commercial outsourcing contract.



# Our footprint

1975

Adcorp Group  
founded

1987

JSE listing on the  
main board

2011

Acquisition of  
Paracon

## Overview of the business

Contingent, Functional Outsourcing, Professional, Training, Australia



Contingent

**BLU.**<sup>TM</sup>

A leading industrial contingent staffing service that offers compliant fixed term employee contracting, governed by human resources (HR) and employee relations (ER) excellence. A segmental focus within the FMCG, manufacturing and logistics industries. The end result is labour flexibility and variable cost management.



Functional outsourcing

**funxion**

An end-to-end outcomes-based solution provider offering effective non-core process outsourcing on total management control principles. Heavily invested in productivity, process efficiencies and continuous improvement. Exercises absolute management and control of its own employee base with risk and reward commercial models that unlock enhanced efficiencies and contractual benefits. Focused in the FMCG, warehousing and logistics sectors.

**Cynergy**

An ISO-accredited contingent technical staff business supplying and training artisans and semi-skilled staff within the renewables and sustainable mining sectors.



CAPability

A registered niched industrial and office cleaning company servicing existing Adcorp and other customers. Capability leverages the efficiencies embedded in Adcorp's national infrastructure and includes a uniquely embedded disability solution in partnership with I Can!

# South Africa



2012

Registration of Adcorp  
Holdings Australia (Pty) Ltd

2014

Acquisition of Kelly  
Group Limited

2020

Disposal of Dare  
(Australia)

2020

New BEE ownership  
structure

2021

Disposal of Adcorp  
Support Services

## Professional



A leading ICT personnel resourcing and project management brand that sources contractors from multiple ICT disciplines on either a contracting or permanent placement basis. A strong focus on business transformation and strategy delivery.



A nursing, medical staff and sundry wellbeing services provider to the private healthcare sector. Additional services include medical-wellness screening and medical-fitness assessments.



A brand that is synonymous with the placement of quality front and back-office temporary professionals across multiple industries. Sound corporate governance is underpinned by service delivery excellence, as well as the efficient rapid talent deployment of contingent staff.



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



## Training



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



A leader in the ICT software training industry (in excess of 370 courses within 40 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 or demand driven online training. Current topical programs include Cloud, RPA and cybersecurity training.



I Can!

South Africa's leading training and management 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.



ATT provides accredited artisan training and semi-skilled upskilling in multiple technical disciplines in its own or its customers technical training facilities.

# Our footprint *continued*

## Australia



**paxus**

A leading ICT personnel resourcing brand that sources high-end ICT contractors, from multiple disciplines.

**Labour Solutions**  
Australia

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

**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.

**allaboutXpert**

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



# Our context

The global COVID-19 pandemic continues to exact human costs. The nature of the crisis is fluid and this creates new labour market dynamics.

The emergence of the Omicron variant, at the end of 2021, created a new wave of infections and a reversal in the relaxation of government-mandated health restrictions in many countries. However, the successful vaccine rollout across various economies has mitigated the full impact of Omicron though its infectiousness poses the threat of subsequent waves.

## South Africa

The South African economy increased by 1.7% y-o-y in the fourth quarter of 2021, reducing from a 2.9% growth in the previous period in line with market expectations. This was the third consecutive economic expansion after four quarters of contraction due to the global pandemic crisis. During the year, the economy grew by 4.9%, the most in 14 years, recovering from a 6.4% pandemic-induced decline in 2020.

South Africa's unemployment rate decreased to 35.93% in the third quarter of 2021 from 37.73% in the second quarter of 2021. A red flag to be noted is rising inflation within both South Africa and Australia and the impact these cost increases have on individuals and companies.

## Australia

The national unemployment rate remains low at 4.2% while underemployment decreased to 6.6% with employers reducing hours at a faster rate than cutting jobs. The declining unemployment rate continues to coincide with employers reporting high job vacancies and difficulties finding suitable people to fill the job vacancies. This is specifically evident in the highly skilled and less skilled segments of the market.

In response to the shortage of skills and low unemployment in the job market, new technologies are being introduced and businesses are exploring new ways of working, driving increased project spend and growing demand for outsourced workforce solutions.

## Labour market overview

COVID-19 remains a dominant market trend with many countries already having vaccine mandates in place within certain occupational sectors. In countries such as Egypt, Fiji, Hungary and Ukraine all public sector workers are required to be vaccinated.

Regardless of how government policies evolve during 2022, many private employers have proactively implemented their own vaccination policies. The 2022 labour market has therefore been loaded with an array of new legislation and/or new administrative burdens for staffing intermediaries to deal with such as a need for the workforce to be vaccinated.

Providing vaccinated workers to employers is not vital but demand for this is escalating. Aside from the need to provide proof of vaccination, other complications arise in dealing with permissible exemptions and securely tracking valid COVID-19 tests of unvaccinated workers.

Apart from workforce solution companies having to reduce their overall costs to cope with the global pandemic, the pandemic has placed a new and complex administrative burden on them.

## The great resignation

Globally there has been a sharp increase in resignation rates currently known as the 'Great Resignation' particularly during 2021. In the United States over 4.3 million people resigned from their jobs in August 2021, which is 2.9% of the workforce, marking the highest number on record. In Australia, businesses are seeing significantly higher-than-normal turnover trends. This is leading to contractor terminations in the staffing services space which is placing pressure on growth outcomes.

The pandemic prompted staff to re-evaluate their priorities with some being encouraged to become stay-at-home parents or to start their own businesses, while others decided to put more effort into pursuing their dream careers. Many companies also opted for "work from home" policies during the pandemic and as such employees have re-evaluated lifestyle and location choices. This trend will inevitably continue beyond the pandemic.



The Great Resignation represents workers broadening their horizons and seizing new prospects however it also represents them retiring from the workforce altogether.

### Skills shortages

The global pandemic has prompted a quick reversal in the job supply and job demand ratio and the frequency within which skills shortages have developed coming out of an economic crisis has surprised many. Expectations that labour shortages would be resolved after government subsidies for workers were removed has turned out to be inaccurate. This is true within South Africa with regards to scarce skills but not in the context of general labour. Talent supply in developed economies is additionally coming under immense pressure as a result of the demographic crisis caused by an ageing workforce which suggests that tighter labour markets are not a temporary aberration.

### Mergers and acquisitions

Post a period of reduced M&A activity, annual mergers and acquisitions in staffing and other workforce solutions companies have increased in 2021 with over 300 transactions recorded.

There is no reason to believe that activity will let up in 2022 as staffing firms seek out safety in diversification and exploiting growth opportunities in new segments. The pandemic has positively turned the attractiveness of some staffing segments. While some sectors such as catering/hospitality have been decimated by the pandemic, others such as healthcare have prospered. Although many of the weaker-performing sectors will recover, their relative delicateness is not likely to go unnoticed.

Healthcare and IT were the staffing segments attracting the most activity in FY2022. However, the one standout feature of the M&A landscape is the amount of investment by staffing firms in non-staffing activity. During 2021, 54% of acquisitions were in non-staffing related segments, most notably the talent acquisition technologies. The fact that staffing firms are investing in technology, including platform-related business models, should come as no surprise at all and is likely to remain an investment focus during 2022.

### Remote work prevalence and preferences

Remote work relevance remains high. As of late 2021, most staff were working remotely at least part of their work time when compared to pre-pandemic periods. This phenomenon is becoming increasingly important to staff.

In a competitive market for staff where remote policies are commonly being eased up, failure to make some accommodation for staff remote work preferences may result in staff retention being more challenging.

The primary advantages staff noted for working remotely were fewer distractions, flexibility to deal with personal issues, avoiding the commute, working at their own pace. However, notable disadvantages were less communication, missing office energy/camaraderie, distractions from family, and loss of access to office resources.

### Rest of Africa

African economies have begun to recover from the impact of the COVID-19 pandemic however the broad outlook in both the global and domestic economies is clouded with uncertainty. GDP growth for smaller, less resource-dependant markets is anticipated to outperform their larger counterparts. Prior to the pandemic, non-resource-intensive countries with a diversified economic structure were growing faster than resource-rich countries. This has been exacerbated by the pandemic further highlighting key disparities in resilience with the war in Ukraine potentially stifling further growth.

*Source: Statistics South Africa, Trading Economics, Australian Bureau of Statistics and Staffing Industry Analysts, International Monetary Fund*

# Our response to COVID-19

The COVID-19 pandemic continued to have a negative effect on our business, with the government-imposed lockdowns and closures affecting our customers in both South Africa and Australia. We continue to focus on keeping our employees healthy and safe, supporting the government relief efforts (TERS relief fund) and ensuring business continuity.

## South Africa

Being a workforce solutions provider, Adcorp places the health and safety of its employees, contractors, learners, job seekers, customers and service providers at the core. To date we have around 73% of our permanent employees fully vaccinated. We continue to encourage our employees to get vaccinated and have implemented COVID-19 policies and procedures addressing safety protocols and measures in our workplaces. The Group's COVID-19 crisis committee and crisis plan protocols align with local requirements. For continued alignment and compliance with local and national guidelines, Adcorp continues to monitor the relevant health authorities closely.

The Group has implemented a hybrid working policy and customised contingency plans for its deployed and contingent staff who work in accordance with the requirements of the customer at which they are deployed. These measures have been put in place to ensure business continuity and productivity for our customers. Our SHEQ team continues to facilitate access control and temperature testing for employees and visitors of the Group.

With the conversion to a more blended learning modality, the Group has significantly invested in technological advancements which has allowed us to remain agile as the shift towards digital and online learning became more prevalent. Despite the effects of the national lockdown restrictions and with a view that the Omicron variant is less severe than earlier COVID-19 strains, management remains confident that the business has the necessary capabilities, agility and strategic coherence to ensure sustainability.

## Australia

Over 90% of the over-sixteen population is now fully vaccinated. International and local restrictions have generally been eased albeit that localised state lockdowns are still periodically experienced. The current easing of restrictions in an improving economic environment has created increased demand for our services albeit that the supply of resources remains constrained.



# Our value-creating business model

Adcorp has assessed the six capitals and determined that the below six capitals are applied in decisive success drivers for the business. These inform a revamped business model that directly targets value creation and preservation, and aims to cut erosion. See page 01 for detail on how we realise our value creation through our strategy.

## Inputs



### Financial capital

Invested shareholders' equity, working capital and debt funding from lenders, and cash generated from our activities that is retained in the business and can be invested for growth



### Intellectual capital

Adcorp's brands are the heart of the business. Through our customer focussed brands we deliver products and services that build our customers' workforces



### Human capital

We deliver our products and services through our people. How well we perform for our customers depends on the expertise, skills, wellness and motivation of all of our employees



### Social and relationship capital

The network of relationships that Adcorp has with all stakeholders to ensure that it makes a positive societal contribution in the geographies in which it operates



### Natural capital

The natural resources like water, materials, energy and the generation of waste that Adcorp uses, both directly and indirectly, to deliver to its customers



### Manufactured capital

The properties we lease and the IT infrastructure and systems that we use to deliver our products and services

## Adcorp Strategy

To be the leading workforce lifecycle solution provider across two continents, delivering agile, skilled and focused solutions in selected industries and geographies



## Outcomes



### Financial capital

**Optimised capital structure**

- Dividend paid of 47,0 cents per share
- Gross interest-bearing debt of R133 million
- Share buyback executed
- Investment in organic growth
- Cash generated by operations of R260 million



### Intellectual capital

**Customer focussed brands, products and services**

- Brand centric operating model deployed
- Brand marketing presence raised



### Human capital

**A skilled workforce**

- 342 401 hours of training concluded
- R34,4 million training spend
- 1 289 permanent placements made
- 44 774 contingent employees paid
- 1 799 permanent employees



### Social and relationship capital

**Adding value to all stakeholders**

- Government: taxes paid
- Customer: customer satisfaction raised
- Employees: jobs created
- Community: community services delivered



### Natural capital

**Sustainable use of natural resources**

- Reduction of water usage and maintaining the use of rain water for irrigation purposes
- Reduction in emissions through reduced travel
- Maintaining the use of solar power
- Improved recycling habits
- Understanding the need to increase the use of sustainable supplies



### Manufactured capital

- Bullhorn (recruiting software)
- Sirenum (staff management platform)
- Workday (ERP system)
- Salesforce (CRM system)

# Our strategy

## Purpose

The various workforce components come together in an ecosystem. The workforce ecosystem provides flexibility, scale and agility that traditional models cannot. It enables companies to access skills and talent in a way that traditional models cannot. At Adcorp, we know that workforce ecosystems are the future of the workforce. This passion drives Adcorp's purpose. Our purpose is *"to enable agile, skilled and focused workforces for the future"*.

### Our purpose

At Adcorp, we have always been about placing people into roles and creating workforces for our customers from our very roots. The workforce of the future will look very different to the workforce of the past. The past two years have accelerated a change that began before the COVID-19 pandemic. The future workforces will consist of traditional permanent employees complemented by contingent contractors, gig workers, human cloud, non-human contributors and third-party providers.

### Our strategy

Our strategy is to bring together people, processes and technology to build workforce lifecycle solutions for our customers. It is built on our core, which derives from our purpose. At the core of Adcorp is the provision of end to end workforce lifecycle solutions to customers.

### Our core

The workforce lifecycle is a representative model of what our core is. Each of the stages is one step in the cycle, from identifying and recruiting a candidate, through onboarding and training, to managing the workforce, ensuring the workforce's wellbeing to ensuring that the outputs of the workforce are delivered to offboarding the workforce or its components when they are no longer required and then restarting the cycle again.

Each of Adcorp's brands fits seamlessly and efficiently into one or more of the core stages. Adcorp can provide single, bundled, integrated or managed services that allow a customer to buy a single service line in one segment of the lifecycle to managed services where Adcorp provides fully integrated solutions built from its brands and incorporates non Adcorp workforce solutions into a managed offering. Our strategy is executed through our operating model.



# Operating Model

## Our operating model

Our operating model places the customer at the very centre of the Company. We know that we only exist because we have a customer. The renowned management thinker Peter Drucker said, “The purpose of business is to create and keep a customer”. Our operating model strives to do that.



### 01 Brands

- The centre of the business
- The market face of Adcorp
- Measured as a stand alone

### 02 Divisions

- Reporting and management control
- Brands clustered together by customer use
- No market facing presence

### 03 Adcorp

- The strategic architect
- Enables linkages and drives synergies
- An endorsing brand

01

## Our brands

Customers buy Adcorp's brands which are the centre of the Company. The brands are managed by a managing executive responsible for the profit and loss of one or more individual brands. The brands are operated on a fully absorbed basis as far as is reasonably possible and are measured as if they were stand-alone. They have maximal flexibility and agility. This approach allows them to focus on their respective services without undue constraints or interference from the centre.

02

## Our divisions

Our brands are logically grouped into divisions by customer use. We try to ensure that we listen to our customers and group brands by how they consume our services. For example, even though white-collar and blue-collar contingent has a similar process flow, their customers are fundamentally different in their needs and the role that these workers play in the customer's ecosystem. The divisions are management reporting and control structures. They have no market presence.

03

## Adcorp

At the organisational level, Adcorp acts as the strategic architect. It provides guidance and strategic input to the divisions and brands. It operates only that central component which cannot be meaningfully handed over to the divisions or brands. The Adcorp brand has a limited market facing presence, acting as an endorsing brand with the “by Adcorp” endorsement attached to all of our brands. Adcorp drives cross-sell and integrated selling and extracts synergies to coordinate customer value creation across the brands.

# Our strategy *continued*

## Capital allocation

The formalisation and approval of the capital allocation framework allow investors to have a clear view of the company's approach to capital allocation. The framework is designed to reward shareholders and invest in the company's ongoing growth.



The Group is committed to returning 50% of HEPS to shareholders in terms of the framework. This will be returned to shareholders in the form of an ordinary dividend.

The Group will retain 50% of HEPS to invest in growth. The preference for the Company is to organically invest in its products and services to drive top-line revenue growth, lift margins and increase operating profit. If the Group cannot achieve its growth objectives through organic investment, it will consider strategic acquisitions to drive its goals.

Both organic and inorganic growth opportunities will be assessed against the requirement that ROIC exceeds WACC in the respective geographies. The Company has determined that the WACC for the Australian business is 10%, and the WACC for the South African business is 14%. This produces a blended WACC for the Group of 12%, the progress against which the Group will report. In addition to the requirement to meet the ROIC target, any acquisition considered must align with the Group's strategy.

The acquisition will not be more than one adjacency away from its core. Acquisitions that drive volume consolidation, capability expansion or geographic expansion will be considered. To ensure that the balance sheet is well maintained, the Group is willing to gear the balance sheet to fund an acquisition partially but has set a total gross debt cap of 1 x EBITDA as a prudent gearing level. Where debt is used to fund an acquisition partially, the Group will seek to raise debt and not use its working capital facilities to undertake investments.

In the case where organic or acquisition opportunities are not present or do not deliver the returns the Group seeks, the Group will return the uninvested excess cash to shareholders either by way of a special dividend or through a share buyback programme. Where the Group contemplates a share buyback programme, it will only do so where the share trades at a material discount to NAV or intrinsic value and if there is liquidity in the market to enable the acquisition of shares.

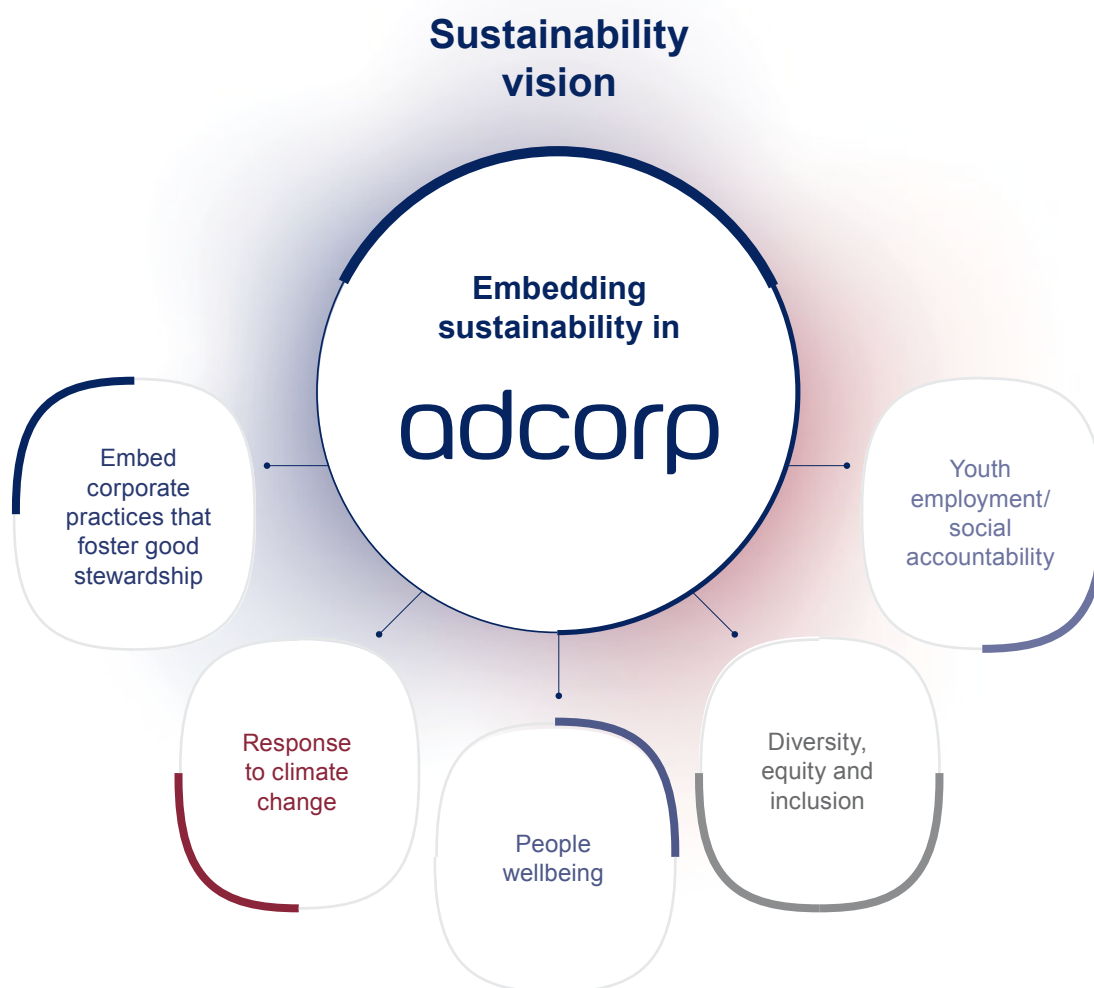
# Our approach to ESG and sustainability

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. Today we know sustainability isn't merely about ticking boxes as cheaply as possible. To borrow a phrase from impact investing, we believe we will do well by doing good.

Disclosure on key environmental, social and governance (ESG) elements that could have a material impact on our business and stakeholders is provided in our reporting. Adcorp is in the process of rigorously evaluating the most suitable reporting standards to adopt and comply with on a long term basis while ensuring that we monitor the indicators which enable us to commit to responsible business practice.

## Our sustainability vision:

To be a leader in sustainable development and contribute to a sustainable future by facilitating the development of fair and efficient labour markets, while 'doing well by doing good' providing value creation for both organisations and people.



# Our approach to ESG and sustainability *continued*

## Adcorp's contribution to the SDGs

The UN Sustainable Development Goals (SDGs) provide worldwide guidance for addressing the global challenges for a better world and Adcorp is committed to contributing to the Environmental, Social and Governance pillars through addressing the SDGs.

The following SDGs are prioritised based on what Adcorp in its nature as a workforce solutions provider can contribute to (direct contribution). Additionally, we include the SDGs to which we will contribute which are in line with our shared sustainable value strategic priority.

### Direct contribution:



**UN SDG 4**  
Quality education



**UN SDG 5**  
Gender equality



**UN SDG 8**  
Decent work and economic growth



**UN SDG 10**  
Reduced inequalities

### Indirect contribution:



**UN SDG 3**  
Good health and wellbeing



**UN SDG 12**  
Responsible consumption



**UN SDG 16**  
Peace, justice and strong institution



## Materiality matrix

Through our stakeholder engagement mechanisms, feedback on what is material to our stakeholders in the context of sustainability was gathered and assessed. The sustainability materiality assessment results were approved by the social, ethics and sustainability committee. The assessment is an ongoing activity and includes various areas of the business and its representatives to enhance the understanding of both material stakeholder issues as well as those which have material impacts and relevance to the business.

The materiality matrix provides a high-level overview of the issues identified as having possible material impacts on the business and stakeholders.

## Sustainability issues cloud



ESG issues are gaining traction among investors throughout the world as the world looks to businesses to play a more responsible role in maintaining the sustainability of natural resources and to act responsibly toward the environment, employees, and communities. Our sustainability materiality assessment outlines our ESG focus which filters into all our ESG activities.

Adcorp is committed to contributing to all three ESG pillars (Environmental, Social and Governance). We continually review our priority elements based on materiality.











# Our approach to ESG and sustainability *continued*

## Creating value through our ESG objectives

We currently focus on five priority elements:



The above priority elements are linked to the relevant UN SDGs and guided by the prioritised objectives. The ESG activities/initiatives are drawn from these objectives and implemented, monitored and reported on.

ESG pillar	Priority element	Related SDG impact	Objectives
<b>Social</b> 	1. Youth employment 2. Diversity, equity, and inclusion 3. People wellbeing	    	<ul style="list-style-type: none"> <li>• Drive higher youth employability</li> <li>• Develop skills</li> <li>• Ensure fair remuneration and reward</li> <li>• Create a conducive, inclusive, and accepting environment for all, including LGBTQ+</li> <li>• Create awareness amongst employees</li> <li>• Promote workforce wellbeing</li> <li>• Enable initiatives for physical, mental, social, and financial wellbeing</li> </ul>
<b>Environment</b> 	4. Response to climate change		<ul style="list-style-type: none"> <li>• A strong focus on the principle of “Do no harm”</li> <li>• Partner with sustainable suppliers</li> <li>• Minimise business travel</li> <li>• Reimagine our waste habits</li> <li>• Refocus Cynergy</li> <li>• Selectively partner with customers who are environmentally responsible</li> </ul>
<b>Governance</b> 	5. Embed corporate practices that foster good stewardship		<ul style="list-style-type: none"> <li>• Define framework</li> <li>• Create appropriate policies</li> <li>• Define targets and execution plan</li> <li>• Monitor and measure success</li> </ul>

## ESG disclosure and reporting

We are committed to reporting on ESG matters. As the ESG strategy was recently introduced the ESG disclosure in this report applies some of the disclosure principles, however this will be significantly expanded in future reports.

Reporting principles are fundamental to achieving high quality ESG reporting and we will therefore ensure the below is considered in defining report content:

- Stakeholder inclusiveness
- Sustainability context
- Materiality
- Completeness

Equally reporting quality will be assured by ensuring:

- Accuracy
- Balance
- Clarity
- Comparability
- Reliability
- Timeliness

## Adcorp's sustainability and ESG governance model

Well-defined sustainability governance is of utmost importance to ensuring a purposefully sustainable organisation. The Adcorp sustainability governance structure is founded on a model of innovating for a sustainable future.

The model comprises governing bodies, committees, executive team members and senior leaders who are positioned to drive alignment of our commitment across the organisation and address emerging risks and opportunities.

### Adcorp sustainability/ESG governance

#### ESG executive oversight

##### Roles and responsibilities

Executive	Support	Responsibilities
<b>Chief people officer</b>	HR Executives	<ul style="list-style-type: none"> <li>i. Inclusion and diversity</li> <li>ii. Ensure excellence in talent acquisition, retention, management and development</li> <li>iii. Organisational effectiveness, employee relations and labour relations</li> </ul>
<b>General counsel and company secretary</b>	Assistant company secretary	<ul style="list-style-type: none"> <li>i. Corporate governance</li> <li>ii. Ensure adherence of business practice to global business conduct standards</li> <li>iii. Health, safety, environment and security</li> <li>iv. Regulatory affairs</li> </ul>
<b>Chief technology officer</b>	Executive: Group technology	<ul style="list-style-type: none"> <li>i. Alignment of corporate innovation and technology strategies to Adcorp's sustainability commitments</li> </ul>
<b>Chief financial officer</b>	Executive: Finance	<ul style="list-style-type: none"> <li>i. Alignment of corporate responsibility efforts and investments to corporate strategy and sustainability goals</li> </ul>
	Head: Treasury	<ul style="list-style-type: none"> <li>ii. Alignment of procurement strategies with Adcorp's sustainability and B-BBEE strategy</li> </ul>
	Internal audit	<ul style="list-style-type: none"> <li>iii. Assurance</li> </ul>
	Head: Risk and compliance	<ul style="list-style-type: none"> <li>iv. Risk management</li> </ul>
<b>Chief commercial officer</b>	Executives	<ul style="list-style-type: none"> <li>i. Alignment of sales strategies and priorities with Adcorp's sustainability strategy.</li> </ul>
<b>Division managing directors</b>	Training, Industrial; Professional; Australia	<ul style="list-style-type: none"> <li>i. Alignment of sales strategies and priorities with Adcorp's sustainability strategy.</li> </ul>

**Board of directors**  
Provides oversight to our growth strategy for a sustainable future

**Primary Board committee: SESCom**  
Board committee of all the independent directors that oversees our ESG strategy, initiatives and performance

**Secondary Board committee: ARC HCC InvestCom**  
The above Board committees oversee and monitor the implementation of the applicable aspects of the ESG strategy, initiatives and performance

**CEO and Group EXCO**  
Executive responsibility for Adcorp's strategy and performance, including sustainability performance as it aligns to the corporate strategy.

# Stakeholder engagement

Engagement with our stakeholders is critical to our long-term viability and business plan

We are committed to maintaining open, timely, and consistent communication with all stakeholders, and engage with numerous stakeholder groups on a regular basis. The Board receives feedback from these engagements, which affects our important strategic decisions and the identification of our material concerns.

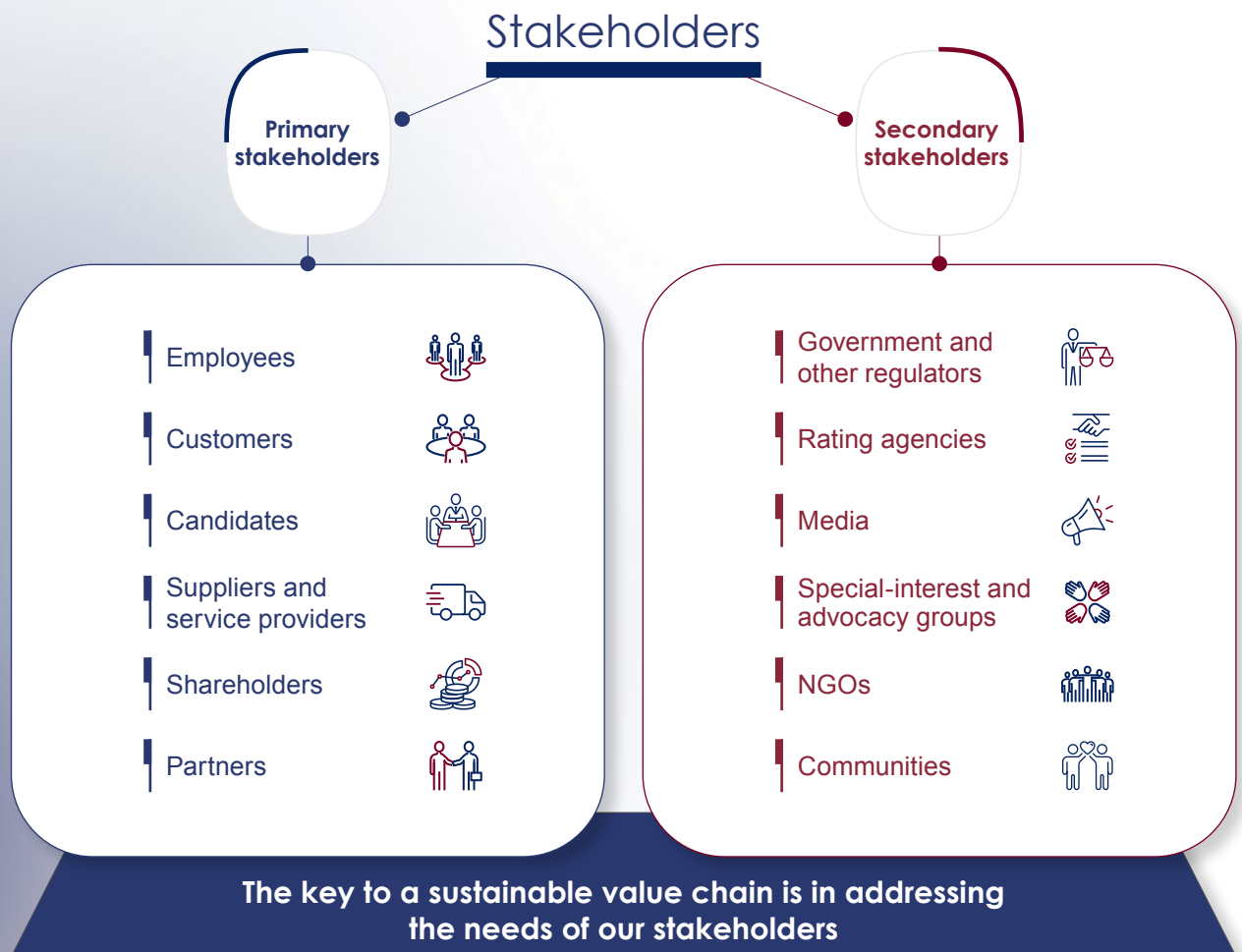
We communicate with stakeholders through our website, presentations, interaction with the media, one-on-one meetings, and ongoing informal and formal discussions. Due to the COVID-19 outbreak and subsequent restrictions, face-to-face interactions with our stakeholders were limited and now in the current transitional phase, we are gradually gravitating towards increasing face-to-face interactions, while we continue to adhere to strict infection prevention protocol.

We are a member of the Confederation of Associations in the Private Employment Sector (CAPES), which serves 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.

Adcorp's process for determining stakeholder groups considers all who are impacted by our value and existence, those who invest in our value and purpose, and those who may in turn impact our objectives. People are at the core of our focus at Adcorp as our existence has continued to positively impact the social pillar. With the prevalent dynamic evolution to the ways of work and industries, we are conscious of the fact that our various stakeholders have developed increasingly diverse needs which evolve with time and hence inform the revised intensities with which we drive our stakeholder engagement. Prioritising our stakeholders does not imply that any of our stakeholders are less important to the business but mainly assists us in ensuring that we meet the various needs and demands of our stakeholders.

We have identified our stakeholders as set out below:





Stakeholder engagement and relationship management is integrated into the ongoing management activities of the divisions and group functionaries.

To gather our stakeholder concerns, in addition to townhalls and face to face engagements, we make use of effective tools and consult with industry experts such as Culture Amp and nlightencx. The insights gained are used to guide strategy and communication to ensure a sustainable value chain.

During FY2022, Adcorp embarked on a prioritised process of measuring how motivated our people are to put in extra effort for the organisation as well as how committed they are to staying and accomplishing Company goals. This was achieved through our employee engagement survey. The gaps identified during this process have been of great assistance and have been extensively analysed by management. Mitigation strategies are underway to ensure that our people

are operating in a sustainable work environment where they are engaged and committed enabling them to thrive.

Quarterly client satisfaction surveys, which are conducted for all our business segments, provide us with valuable insight regarding the areas we need to improve on. The results assist us in revising strategic focus where required and driving relevant conversations with our clients, as well as internally, to address concerns.

The table below outlines the various stakeholder groups. Further details on the employees and communities stakeholder groups are set out on pages 28 to 44. 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.

## What matters to them

## How we engage

### Employees

- Career development;
- Communication;
- Fair remuneration and reward;
- Quality and safe workplace environment; and
- Job security.

- 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.

### Customers

- Effective and timeous service delivery; and
- Governance and sustainability.

- Customer satisfaction index; and
- One-on-one engagement.

### Candidates

- 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.

- 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.

### Suppliers and service providers

- Financial sustainability;
- Collaboration through relationship management;
- Foster innovation; and
- Good corporate governance.

- 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 innovative solutions and services; and
- Structured policies, standard operating processes and contracts.

### Shareholders

- Accessibility to management;
- Strategic execution and performance;
- Portfolio growth funding and interest rates;
- Capital appreciation;
- Timely servicing of debt; and
- Governance and sustainability.

- Investor relations and engagement plan;
- One-on-one discussions;
- Bi-annual results presentations;
- SENS and media releases;
- Website; and
- Social media channels.

### Government and other regulators

- Compliance;
- Sustainability; and
- Governance.

- Supervised compliance; and
- Transparent, timely and regular communications.

### Communities

- Environmental impact; and
- Responsible corporate citizenship.

- CSR events and initiatives;
- Website; and
- Social media channels.

# Our people

## Highlights

**Redefined** culture, values and purpose

**R34 million** training spend

Established **in-house leadership** programme

Established Adcorp Customer Academy

**342 401** hours of training provided

*“Adcorp is committed to building a high-performance and accountable culture”*

*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.*


## Five strategic levers for human resources

  
**Culture, climate and engagement**

How do we treat our people?  
How do they feel about working here?

  
**Work and structure**

What do we do to make money?  
How do we organise work to do it?

  
**Performance and outputs**

Who are our customers?  
What do we deliver to them through our work?

  
**Reward, incentives and recognition**

How do we pay people for the work they do? How do we attract and retain great talent through financial and non-financial recognition?

  
**Competencies and skills**

What competencies (knowledge, skills and attributes) do our people need to do their work?

Over the last year we focused on redefining our culture which is aimed at aligning purpose, values and behaviours. We achieved this by revisiting our purpose and establishing a new set of core values. Both initiatives aimed to achieve simple clear outcomes that could be easily understood and explained by all employees.

### Why was this important for us?

Organisations that clearly define their purpose and activate values to support them, are well positioned for long-term success in a rapidly changing business climate. Purpose defines why our organisation exists and drives our strategy and values. Purpose-driven businesses are committed to working towards something greater than profit and shareholder value. Our values are how we define the core principles of our identity which also affects the way we conduct business. Values set expectations for how employees behave when interacting with customers, colleagues and partners. It communicates what's important to our organisation providing clarity and direction for decision-making. Purpose and values must be translated into lived behaviours in order to bring them to life.

### Our purpose and values

We have a defined purpose as set on page 06 and we have engaged with employees and management for their input and defined five core values for the Group (see page 07).

Once we had our core values defined, the next was to explain to employees what the values mean and what they do not mean using explicit examples. This created a good understanding of what our values mean and how it should be lived daily. The values were then embedded through various activities including processes and practices.

### Engaging with employees

Adcorp conducted its first employee engagement survey in January 2022 and the results created a baseline measure. The survey highlighted the top three focus areas for us as a group. These included social connection which places emphasis on corporate social investment, collaboration and communication, and feedback and recognition. There are various initiatives underway to improve employee engagement across the organisation and management now has employee engagement as a key metric in their performance scorecard. We will conduct the employee engagement survey annually with an improved score as the desired outcome. See page 27 for further detail on how we engage with employees.

### 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 customer operations as part of our Functional Outsourcing Services on a permanent basis and Contingent Employment Services.

As at year-end, the Group had 1 799 permanent Adcorp employees, in addition on its permanent payroll it had 9 447 permanent employees deployed on client contracts.

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

- Adcorp direct permanent employees: 1 799 in South Africa and Australia; and
- Contingent permanent employees: 9 447 in South Africa and Australia.



# Our people *continued*

The information below reports on the permanent employees and deployed permanent employees for South Africa only, which is a total headcount of 11 026.

## Permanent employees (South Africa) – employment equity for the 12 months ended 31 March 2022

	2022	2021	2020	2019	2018
Total workforce	<b>11 026</b>	13 612	17 783	17 569	2 850
Total employees with disability		109	87	115	158
<b>Workforce profile</b>					
<b>Race and gender profile</b>					
Non-designated group (includes foreign nationals)	<b>310</b>	215	670	334	324
White females	<b>156</b>	193	298	401	474
Black males	<b>7 750</b>	9 919	13 150	12 822	846
Black females	<b>2 966</b>	3 285	3 665	4 012	1 206
<b>Occupational level profile</b>					
Management (top, senior, middle and junior)	<b>804</b>	937	1 322	1 547	1 401
Non-management	<b>10 222</b>	12 675	16 461	16 022	1 449
<b>Management profile by gender (top management, senior management, middle management, junior management)</b>					
Females	<b>438</b>	444	646	829	779
Males	<b>366</b>	493	676	718	622
<b>Management profile by race</b>					
Black	<b>575</b>	665	896	984	748
White (includes foreign nationals)	<b>229</b>	272	426	563	653
<b>Non-management profile by gender</b>					
Females	<b>2 692</b>	3 046	3 383	3 612	924
Males	<b>7 530</b>	9 629	13 078	12 410	525
<b>Non-management profile by race</b>					
Black	<b>10 141</b>	12 539	15 919	15 850	1 304
White (includes foreign nationals)	<b>81</b>	136	542	172	145
<b>Disability profile</b>					
Management	<b>13</b>	15	7	7	19
Non-management	<b>27</b>	94	80	108	139
<b>People with disabilities by gender</b>					
Females	<b>19</b>	51	43	59	77
Males	<b>21</b>	58	44	56	81
<b>Total employees before reporting cycle</b>	<b>14 454</b>	17 783	17 569	15 311	3 466
<b>Recruits</b>	<b>5 834</b>	8 971	10 978	12 004	1 202
<b>Resignations</b>	<b>2 759</b>	5 002	3 709	1 410	807
<b>Non-renewal of contracts (contract employees)</b>	<b>6 361</b>	6 737	6 769	8 032	545
<b>Dismissals (misconduct and incapacity)</b>	<b>52</b>	49	79	73	64
<b>Retirements</b>	<b>5</b>	7	11	10	4
<b>Deaths</b>	<b>6</b>	10	17	13	12
<b>Retrenchment</b>	<b>79</b>	495	179	208	386
<b>Total</b>	<b>11 026</b>	14 454	17 783	17 569	2 850

\* The skills development tables reporting runs from 1 April 2021 to 31 March 2022 and the equity reporting has been aligned with this. The presentation of this table is consistent with the prior year.

\*\* Adjustment for 2021 error – total permanent workforce reported at the end of 2021 reporting cycle should have ended on 14 454 and not 13 612.

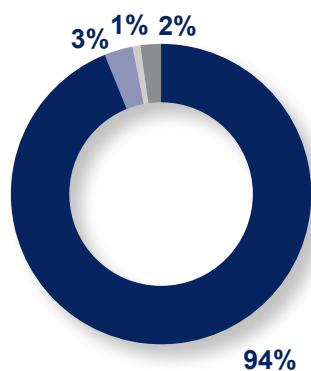


## Summary of employment equity report for public companies

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

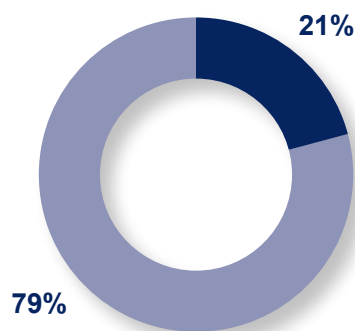
Occupational levels	Blacks		Indians		Coloured		Whites		Foreign nationals		Total
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	
Top management	0	0	0	1	1	0	3	0	0	0	5
Senior management	2	3	4	2	0	1	8	3	1	0	24
Professionally qualified and experienced specialists and mid-management	13	23	12	6	5	10	28	34	1	1	133
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	146	162	33	43	44	64	56	84	9	1	642
Semi- skilled and discretionary decision-making	3 370	1 178	36	53	280	222	21	35	11	5	5 211
Unskilled and defined decision-making	3 690	1 140	2	3	112	55	1	0	7	1	5 011
<b>Total permanent of all job levels</b>	<b>7 221</b>	<b>2 506</b>	<b>87</b>	<b>108</b>	<b>442</b>	<b>352</b>	<b>117</b>	<b>156</b>	<b>29</b>	<b>8</b>	<b>11 026</b>

**Percentage of employees:  
South Africa permanent**



- Contingent and functional outsourcing division
- Professional division
- Support/central division
- Training division

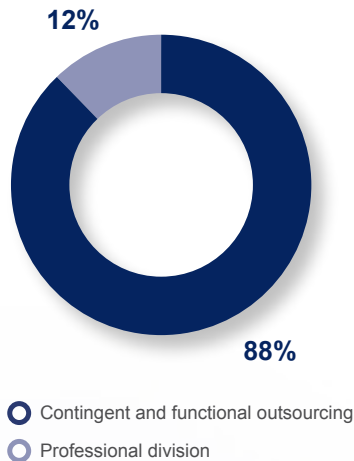
**Percentage of employees:  
Australia permanent**



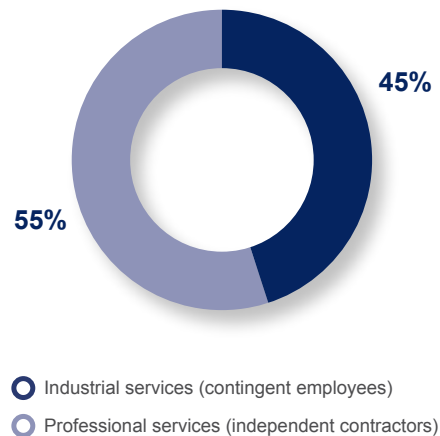
- Contingent division
- Professional division

# Our people *continued*

Percentage of employees:  
South Africa contingent



Percentage of employees:  
Australia contingent



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

### *Company strategy for skills development and training*

Adcorp's learning and development strategy, during and post COVID-19 pandemic has been underpinned by the need to build technical, leadership and soft skills to support the future reskilling of our workforce. The conversion to a blended learning modality, supported by our significant investment in our technology stack, allowed us to remain agile as the shift towards digital and online learning became more prevalent.

The trend to a more customised learning approach remained pivotal, offering employees a more personal learning experience based on what we know about our changing environment, and individual learning preferences, experiences, and strengths. The outcome is evidenced in heightened learner engagement and learning outcomes achieved with greater efficiency. Some of the main principles of customised learning have included:

- Self-paced instruction;
- Flexible and/or learner managed pace;
- Learner-centred approach;
- Collaborative content and approach to design and development ensuring learning experiences are directly linked to organisational goals and challenges;
- Co-creation of knowledge;
- Adaptive to individual needs; and
- Opportunity to plan own learning path.

Adcorp continued to invest in learnerships as a pathway into higher education for some of our workforce as well as investing in community programmes for both unemployed candidates and candidates with disabilities. Our significant investment in unemployed youth, comprised a cross-section of functional short courses to create the bridge into employment for sectors such as the healthcare sector and to provide much-needed additional resources into our healthcare facilities during the COVID-19 pandemic.

Our role in skilling the workforces of the future is one that we take seriously and with high levels of commitment and integrity, as it aligns with our strategic goal of becoming the top workforce solutions provider across two continents.

In this financial year, a major expenditure was providing bursaries to more than 150 workers studying for higher certificates, degrees, and post-graduate programmes.

We believe that Adcorp made significant strides towards building a learning organisation in 2022 with the following key focus areas:

- Driving a more collaborative learning culture;
- Providing room for innovation;
- Forward-thinking leadership;
- Knowledge sharing; and
- Personal mastery mindset.

Rapid changes in today's workplace call for fresh and dynamic approaches to learning to keep up with the skills required for business success. This is why Adcorp's ability to offer more blended and hybrid learning solutions, more bite-sized, timeous and relevant learning delivered in the flow of work, is pivotal to our future sustainability.

#### *Training interventions during the financial year*

Adcorp funded a range of training interventions for its employees including higher education bursaries, vocational learnerships, short courses and bespoke interventions to address identified skills gaps. The below table provides a breakdown of these learning activities.

Learnerships (NQF 1 – NQF 4) Adcorp's employees	Learnerships (NQF1 – NQF 4) unemployed youth	Bursaries for Adcorp's employees	Bursaries for unemployed youth	Short learning programmes – employed	Short learning programmes – unemployed youth	ICT short courses
78	170	169	123	2 726	3 690	136

People living with disabilities are included in our investment in training and development. Adcorp continues to prioritise diversity and inclusion as a basic principle in our learning and development approach, which forms part of one of our core principles.

#### *Internal skills development programmes aimed at building functional capability in the organisation*

This year saw the additional investment in two new programmes: an in-house leadership programme and the Adcorp Customer Academy.

Adcorp designed and developed an **in-house leadership programme** aimed at supporting Adcorp's leadership as the organisation embraced a hybrid working environment that called for an adjusted skills set to lead post pandemic teams.

This programme is underpinned by an action learning project that is presented to the Group executive team at the end of the intervention. Action learning is a powerful process of solving VUCA (volatility, uncertainty, complexity

and ambiguity) challenges, where no simple answer exists. Additionally, because of the Group work process, it enables leadership development through feedback from peers.

The **Adcorp Customer Academy** was created as a sales academy directed towards sales staff to build their sales capability and an understanding of impactful sales strategies to deliver long-term value for our customers. Employees from both South Africa and Australia participated in the programme.

Building high-performance teams remained a priority with significant hours spent on supporting employees in role and entity specific training. Notably, the First Line Responder course which was developed in 2020 serves as an example of a course that is specific to the operations of Adcorp BLU. The purpose of the programme is to prepare operational employees within the entity to serve our customers within the parameters of compliance while maintaining a customer-centric approach. The programme is currently being revised to address the new technology that was introduced over the past year and will continue to be rolled out during the year.

The demographics per programme is as follows:

Programme	African		Coloured		Indian		White		Total
	Male	Female	Male	Female	Male	Female	Male	Female	
Leadership	2	0	0	2	5	1	6	7	23
Sales Academy	14	14	4	14	12	12	39	53	162
First Line Responder	9	3	1	0	1	0	2	1	17

#### *Investment in training*

Adcorp takes pride in developing all its employees and through detailed planning ensures that all development efforts are spread across multi-dimensional learning opportunities throughout the year. The tables below provide an overview of the investment in training per category as set out by the B-BBEE schedules.

(R)	Course cost	Travel costs	Accommodation	Stationery	Catering	Salaries	Total
A	9 401 490	–	48 584	44 066	–	1 425 773	10 919 915
B	20 801	–	–	–	–	16 000	36 801
D	3 288 000	–	–	–	–	15 046 611	18 334 611
E	341 022	–	–	–	–	140 000	481 022
F	2 219 887	–	–	2 250	14 025	–	2 236 162
G	2 321 986	25 061	19 957	–	–	–	2 367 004
<b>Total</b>	<b>17 593 188</b>	<b>25 061</b>	<b>68 541</b>	<b>46 316</b>	<b>14 025</b>	<b>16 628 385</b>	<b>34 375 518</b>

# Our people *continued*

(R)	African		Total	
	Male	Female	Male	Female
Investment less salary portion	7 011 577	6 211 262	8 905 485	8 709 677
Investment including salary portion	13 785 471	11 658 883	18 877 514	15 366 032

A total of R34 375 518 (2021: R19,3 million) was invested in training in the 2022 year incorporating all spend.

## Training courses

### By category:

#### Category 1 – bursaries

Demographic	Number of delegates (Employed)	Duration of training (Hours)	Number of delegates (Unemployed)	Duration of training (Hours)	Total (Employed and unemployed)	Total hours
African male	55	41 469	73	27 308	128	68 777
African female	75	40 892	35	15 683	110	56 575
Coloured male	12	6 049	8	4 218	20	10 267
Coloured female	17	8 537	2	601	19	9 138
Indian male	2	21	3	1 800	5	1 821
Indian female	5	1 256	2	601	7	1 857
White male	—	—	—	—	—	—
White female	3	3	—	—	3	3
<b>Total</b>	<b>169</b>	<b>98 227</b>	<b>123</b>	<b>50 211</b>	<b>292</b>	<b>148 438</b>
<b>Total hours per person</b>		<b>581</b>		<b>408</b>		<b>508</b>

#### Category 2:

#### Learnerships/apprenticeships

Demographic	Number of delegates (Employed)	Duration of training (Hours)	Number of delegates (Unemployed)	Duration of training (Hours)	Total (Employed and unemployed)	Total hours
African male	34	27 898	89	59 218	123	87 116
African female	28	25 623	58	47 755	86	73 378
Coloured male	6	7 227	9	5 457	15	12 684
Coloured female	6	4 765	5	2 893	11	7 658
Indian male	1	1 100	5	4 463	6	5 563
Indian female	—	—	4	3 054	4	3 054
White male	2	3 007	—	—	2	3 007
White female	1	1 503	—	—	1	1 503
<b>Total</b>	<b>78</b>	<b>71 123</b>	<b>170</b>	<b>122 840</b>	<b>248</b>	<b>193 963</b>
<b>Total hours per person</b>		<b>911</b>		<b>722</b>		<b>782</b>



## Learners with disability

Higher education learners	People with disabilities enrolled	High school bursaries facilitated over four years	Learnerships
Employed – 166	Higher Education – 3	0	Disabled – 86
Unemployed – 122	Learnerships – 86		Employed – 75
	Short courses 4		Unemployed 170
			<b>Total – 245</b>

Our training business continues to improve and deliver quality learning by consistently seeking to understand our strengths and weaknesses based on our learners' feedback. In order to stay engaged and ensure that we meet the needs of our learners, a learner satisfaction survey is done after each intervention. Below is a sample of some of the comments received.

### *Feedback from employees on training interventions:*

To ensure that the training and development continuously meets the needs of our employees, a learner satisfaction survey is done after each intervention. Below is a sample of some of the comments received.

*"Without a doubt, the action learning project. Connected with people in other businesses and really shared learning, experiences and perspectives which created a very rich learning experience."* – **NextGen Leadership in a VUCA world.**

*"Assisted me with gaining further insight on my areas of strengths and weaknesses through the 360 assessment. I found the research topic very helpful in terms of my approach to employees with the hybrid working environment - Key competencies play a vital role when managing remote employees."* – **NextGen Leadership in a VUCA world.**

*"The connections to other leaders was great. The content was relevant and stimulated a lot of discussion in my group. The online videos were a great learning tool."* – **NextGen Leadership in a VUCA world.**

*"This is a great initiative pertaining to foundational sales and the customer centric methodology that we have adopted. ACA provides a combination of modern sales theory and sales force training which is most relevant to current times. This programme provides insights to all sales elements such: as communication, work place decorum, meeting alignment, an impactful sales cycle and much more."* – **Adcorp Customer Academy.**

*"It is definitely a course that anyone in the sales environment should take, it is well informed and allows the student relevant insights in terms of how to move from that initial point of having "an interest" in a potential customer to actually getting down and doing the work in preparation for the customer and culmination of closing the deal."* – **Adcorp Customer Academy.**

*"I initially was not sure about studying operations management through PMI. I am loving it and use what I have learnt in my work environment almost every day. I would highly recommend studying while you work and plan on doing the next qualification next year!"* **Higher Education Student on Higher Certificate in Operations Management.**

*"It was my first time studying accounting in my life. But due to this facilitator I have learned and understood it, in a short time."* **Higher Education Student on Higher Certificate in Business Management.**

# Our people *continued*

## *Custodianship*

While the chief people officer is ultimately responsible for skills development, the planning and implementation is cascaded to the Human Resources Business Partners (HRPBs) for each portfolio who are supported by their respective divisional executives.

A Skills Development Committee comprising the HRPBs and skills development specialists from PMI, meet regularly to steer the organisational skills development efforts by identifying business needs and addressing them accordingly.

All of this is implemented on a collaborative basis with operations to ensure high levels of application back into the business, underpinned by our strong commitment to the upskilling and future-skilling of our people.

## **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 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**

Adcorp Group strives to meet all applicable laws, rules and regulations, in particular those governing working conditions such as wages, hours of work, benefits, and minimum age for employment. As part of our employee value proposition, whether a permanent employee or deployed employee, the employment experience of each of our employees remains a critical measure of our vision to be an employer of choice.

All our HR policies and procedures are reviewed regularly to promote sound labour relations and maintain fair and equitable treatment for all our employees. As at February 2022, 0,06% of our permanent employees and 11,35% of our contingent employees are represented by unions and we apply the principles of collective bargaining and sound stakeholder engagement accordingly, whether at sector or workplace level.

Further, we strive to increase employee job satisfaction and growth by prioritising internal recruitment and providing training and development opportunities, such as in-house short courses, webinars, workshops, accredited courses, development programmes, bursaries, and sponsorships, as well as aligning employee skills and capabilities to our Group structure needs, which reflects our high-performance management culture. As a workforce service provider, we aim to minimise barriers to entry to the labour market by stimulating the employment of youth by providing practical experience programmes for graduates, on the job training to unskilled individuals and facilitating learnerships for unemployed individuals in conjunction with our customers.

## **Anti-discrimination policies**

We strive to maintain a healthy work environment by eliminating unfair discrimination and harassment in our workplaces and continuously focus on best practice as guided by legislation, regulations or codes of good practice by introducing policies changes and awareness. For the period March 2021 to February 2022, there were six claims of unfair discrimination and/or harassment related disputes. Four of the claims were withdrawn by the aggrieved employees while two of the claims were settled amicably between the parties.

Adcorp Holdings Australia (AHA) is committed to ensuring inclusion, diversity and appropriate workplace behaviour by:

- Supporting a high performing, professional and respectful workplace. We are committed to building a strong workplace culture where people are treated fairly, with dignity, courtesy and respect.
- Being committed to building strong relationships with indigenous communities, people living with a disability, veterans and creating increased opportunities for employment and engagement. As a Company, we seek to promote a greater understanding and appreciation of an inclusive culture.
- We are committed to a workplace free of discrimination, bullying, harassment and threatening, intimidating or humiliating behaviour. This policy includes:
  - Discrimination
  - Diversity and inclusion
  - Indigenous opportunity
  - Equal employment opportunity
  - Sexual harassment
  - Affirmative action
  - Harassment
  - Bullying
  - Victimisation
  - Employee relations

We believe by fostering a collaborative environment where all employees are treated with fairness and respect, we create an environment for employees to reach their personal best. Any breaches of our Workplace Behaviour Policy will result in disciplinary action.

Adcorp Australia also made amendments to the employee leave policy for sorry business leave (a first nation custom acknowledging grief), community service leave, domestic and family violence leave, flexible public holidays, parental leave and paternity leave.

## COVID-19 policies

Throughout the pandemic, Adcorp has placed the health and safety of employees, contractors, learners, job seekers, customers and service providers at the centre of our response. To this end, we have encouraged our employees to be vaccinated through a continued COVID-19 awareness and vaccination campaign, implementation of COVID-19 policies addressing safety protocols and measures in our workplaces in line with government regulations, as and when amended, as well as the introduction of a hybrid working policy.

During the year, there were specific programmes that were introduced and actions taken to help employees in terms of COVID-19:

- Work from home guidelines with resources and tools to set up work from home successfully;
- Regular communications around government policy and guidelines;
- Training sessions on COVID-19 government health orders;
- Developed a COVIDSafe Plan;
- Developed guides, resources, training materials as part of COVIDSafe workplace;
- Updated our onboarding for work remotely toolkit;
- Rolled out training programmes to facilitate effective working from home;
- Conducted manager training in virtual leadership;
- Developed an employee assistance programme;
- Revised mental health training for employees and managers toolkit (all employees and managers receive mental health training upon induction); and
- Initiated self-care / mental health day leave. Employees can use their personal leave for self-care.

The Adcorp Group will continue its efforts to uphold a safe and healthy environment for all who share our workplaces through periodic risk assessments and workplace initiatives.

# Our people *continued*

## Case studies

### PMI candidate Dalumusa Zuke takes his career to the next level

Dalumusa works for Nampak Rigids in Pinetown and started his journey at PMI in 2018. While he was studying a Diploma in Operations Management, he was offered a position as Process Control Technician.

He now holds an NQF 7 Advanced Diploma in Operations Management and is currently studying NQF 8 BCom Honours in Operations and Quality Management at PMI.

"My courses have prepared me to be solution-oriented, capable of chairing production meetings and working with and leading teams to achieve Company objectives and goals."



### PMI candidate shares her experience

#### **Rofhiwa Mudunwasi**

*PMI – Academic co-ordinator*

"I enjoy being a part of PMI, which is part of Adcorp, and I learn more about what it means to be a part of a collaborative organisation every day. I am aware of my obligations and contributions to this organisation."

Her experience with PMI began in banking in 2017 with a one-year NQF 5 learnership with FNB, followed by a one-year NQF 4 Business Administration learnership in 2019. When her learnership came to an end in 2020, she approached her prior academic co-ordinator about volunteering instead of sitting at home doing nothing. She volunteered for a Torque IT project while also pursuing a Higher Certificate in Business Management.

She pushed herself, gaining expertise and understanding of her function within the organisation, and she began training fellow co-workers as a result of her hard work and devotion.

Rofhiwa was made a permanent employee in 2021.



# Health and safety

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 customer sites. Formal health and safety and environmental policies are in place and are communicated to all employees.

Employees are still encouraged to adhere to the action plan and instructions that outline guidelines on how to proceed in the case of a COVID-19 infection. These guidelines which also apply to customers, take into account all protocols for prevention and management in the case of a positive infection in the workplace.

## Workforce wellness

Adcorp provides a comprehensive range of employee wellness benefits aimed at promoting both physical and psychological health, with a goal to have 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 that include the following:

- Emergency medical assistance;
- Personal health advisory services;
- Trauma and assault assistance;
- Legal assistance;
- HIV protection services; and
- Funeral repatriation services.

These benefits are 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 employees 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;
- Undertake hazard identification and risk assessment throughout all operations as far as possible to eliminate or minimise those risks by developing suitable controls;
- The Group has established a performance-orientated business culture that supports sustainable outcomes through commitment, governance and accountability;
- Safety awareness and training through a monthly health and safety Newsflash as well as weekly toolbox talks; and
- SHE committee meetings where incidents are discussed and effectiveness of corrective actions reviewed.

Adcorp's health and safety department conducts internal periodic evaluations of the Integrated Management System to ensure the adequacy of, and compliance to all procedures, work instructions and applicable legal requirements. Safety files are also audited at business sites to ensure compliance to customer requirements. A total of 48 internal audits have been conducted for the period under review.

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.

Various Adcorp facilities are audited externally by a registered service provider on an annual basis. For each facility audited we have been awarded a health and safety certificate of compliance.

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

The Adcorp Group continuously strives to create a work environment of the highest standards of safety and professional behaviour.

The Adcorp Group utilises a Sharepoint platform to monitor, report and manage all non-conformances and a Power BI tool to monitor lost time injury frequency rate. For the period under review Adcorp has achieved a LTIFR of 0.90 against an industry average of 2.2 as only two fatal incidents were reported. A total number of 212 COVID-19 cases were reported, of which there was one fatality.



# Our communities

## Adcorp continues to play a vital role in shaping the South African economy and society as the country's largest workforce solutions supplier

Our Group's performance is intrinsically related to our human capital resources, and our people are essential to delivering value to our shareholders and stakeholders.

Apart from the societal impact of our work, corporate social investment (CSI) is an important element of our culture, and we have a long history of developing, maintaining, and supporting developmental, social, and environmental projects. Our responsibility is to lead sensibly, to appreciate, defend, and nurture our communities, and to work with them on a path to personal and sustainable development.

We centralised all of our social corporate responsibility initiatives over the course of the year in order to focus our resources on more significant objectives. This allowed us to focus on a few important large-scale projects that would have the most impact on our recipients. It gave us a clear framework for how Adcorp brands may contribute to society and guaranteed that our goals aligned with Adcorp's social corporate responsibility strategy and transformation policy, which aims to leave a legacy of transforming lives in the communities where we operate.

### CSI activities

Organisation/ programme	Description
<b>Thuto Trust</b>	Adcorp continued to sponsor bursaries for the student beneficiaries who are pursuing their tertiary qualification in teaching through Thuto Trust. Thuto Trust ensures that the selected beneficiaries are deserving in that they are historically disadvantaged, have passion for teaching and are determined to make a difference in our communities.
<b>Girls and Boys Town</b>	GBTSA is a 64-year-old reputable and non-profit organisation that empowers disadvantaged youth by helping them rebuild their lives by offering residential services for the abused and homeless children, learning support programmes, intensive family strengthening and unification for the kids and parents/guardians and counselling. We have a long-term partnership where we give a monthly donation to assist the organisation to continue to change lives.
<b>Employability Vulindlela</b>	A monthly donation made to employability Vulindlela is to help maintain their Career Development Outreach Programme. This programme provides support for persons with intellectual disabilities from socio-economically disadvantaged communities and prepares them for the world of work through life skills training programmes. Our funding assists Employability to be able to empower these individuals in their personal growth and career growth.
<b>Various Schools</b>	Adcorp supported various schools with office stationery and furniture items across South Africa in disadvantaged communities.
<b>Furaha Solutions</b> (See case study on page 41)	Furaha Solutions is a 100% black female owned business and provides skills development spend solutions for companies, creates opportunities for youth employment services and offer learning experience platforms. We partnered with Furaha under Enterprise Development and pay a monthly contribution fee and offer free office space including utilities to run her business.
<b>Sihle's Brew</b>	Sihle owns a coffee shop within Adcorp's premises and has been with Adcorp since September 2019 as a catering service and coffee supplier. We continue to support his business with a monthly grant contribution, rental cost for the space allocated including electricity and water. Our support has enabled Sihle to expand his business as well as to create new employment within his business.
<b>Corporate Ride Shuttle Services</b>	Similar to Sihle's, Shuttle services has been with Adcorp since September 2019. This service provides transport solutions for Adcorp employees with the need to commute from Adcorp premises to the taxi rank and vice versa. We pay him a monthly grant.

## Case studies

### Furaha Solutions

- Founded in 2017
- 100% black female owned
- Facilitated skills development programmes for more than 160 employed and unemployed learners
- Facilitated digital learning for more than 2 700 employees on our Learning Experience Platform
- Assisted a customer base of 13 customers, majority being multinational companies
- Staff complement of five (three permanent and two contract)
- Turnover to date (since March 2018) R 22,9 million

#### What does Furaha do?

Furaha is a progressive, Pan-African organisation dedicated to enabling and leveraging growth across the African continent. We are dedicated to delivering holistic learning and development solutions in a manner that will maximise both the financial and non-financial benefits of our customer's organisations. We also offer learning experience platform solutions which include customised programmes for customers.

#### Adcorp's partnership with Furaha?

Furaha Solutions has been an Adcorp Enterprise Development beneficiary since November 2020 when Adcorp became the training partner for Furaha Learnership customers. The partnership allowed Furaha to render NQF 3 and NQF 4 Business Administration, End User Computing, and Information Technology short learning programme. In January 2022, Adcorp provided Furaha with an Enterprise Development grant to the value of R 450 000 to contribute to the development, sustainability, financial and operational independence of Furaha Solutions. The ED partnership also includes providing Furaha with office space for the duration of

12 months. The grant has enabled Furaha to employ a part-time Business Development Consultant who is focusing on sourcing customers.

#### Seeing the opportunities in adversity

In business there are never any challenges, just opportunities. During COVID-19, Furaha Solutions was able to introduce the Learner Management System (LMS), which is a digital platform that enables HR practitioners to deliver and communicate content, as well as map learner paths for employees. Now, more than ever, businesses are required to go beyond brick-and-mortar structures and work on digital platforms, COVID-19 enabled Furaha to do that for its customers.

Furaha is ready to explore virtual training and innovation skills of the future. They are focused on solutions that bridge the gap between technology innovation and digital skills in South Africa; and how do we bring these to the masses. This is, in essence, what will give South Africa a competitive advantage and Furaha Solutions would like to enable that through its skills training.

Furaha understands that empowering young people in South Africa with skills and giving them the necessary tools to be able to participate in the South African economy equitably is vital because South Africa needs empowered young people.

#### Furaha's advice to upcoming entrepreneurs

"Fail fast, fail often, fail forward. It is important that failure is part of your success and that you learn from failure. Do not be afraid to fail because that is how you grow. Be brave enough to pick yourself up after failing and learn from those lessons of failure."

# Our communities *continued*

## Thuto Trust

### The story of a Thuto Trust Beneficiary

Tlangelani Vhuyeya Holeni was born in the Limpopo town of Tzaneen. She earned two distinctions in her Post Graduate Certification Education while concurrently studying Fine Art at the Vaal University of Technology and she is currently working on her National Diploma, BTech, and N4 in Human Resources.

Following her internship with Redhill school she was offered a job at the school.

"I began to like teaching when I began demonstrating how to accomplish specific tasks, and it brought me happiness since I was able to help pupils better their artwork. I am now a visual art teacher with one of the top schools in South Africa thanks to Thuto Trust."



## Stationery donations to schools

Adcorp donated a range of stationery to a number of schools during the year as set out below:

- Driefonteine Primary (NPO) – Northwest
- Zodiac Primary
- Bethany Primary
- Bokmakierie Primary School
- Rainbow of Hope
- Saint Andrews Comprehensive High School

Beneficiaries were identified through Infinity Women's Association, a NPO which assists schools in need. Adcorp donated its excess stationery to underserved schools.

Employees were asked to clear out their storerooms and collect all excess stationery which was then donated. Adcorp employees also assisted in loading the stationery for collection by the schools.

## The July riots

### People come first at Adcorp

In July 2021, South Africa was in the midst of riots which were wreaking havoc on the country's economy and causing long-term damage. A number of companies were impacted with some closing down and unemployment increased. At Adcorp, we maintained our commitment to ensuring none of our employees in the affected areas should lose their job especially so soon after COVID-19.

Adcorp employees in affected areas were provided rapid and simple access to ICAS for mental health support. Adcorp cares for its employees in any crisis, and workplace wellness is a top priority for us. In addition to the mental health support we provided hampers for employees and their families when they were unable to obtain food and vital items.

### Golden Steps School

We wanted to aid our employees while also helping the communities in the areas in which we operate. Employees were asked to nominate businesses in their neighbourhoods that had been adversely affected by the rioting. Employees identified two Golden Steps Schools for intellectually challenged learners in Cottonlands, KwaZulu-Natal.

KwaZulu-Natal had the most recorded incidents as a result of the protest and Golden Steps experienced considerable destruction. Damage and loss of equipment occurred in their administration section, which is responsible for all students, staff administration, and welfare. All kitchen appliances, food products, and plates, as well as laptops and various skills equipment in the skills rooms and classrooms, were stolen from the kitchen where daily meals were prepared for the learners.

Adcorp supported the school's restoration and purchased supplies so that the school could continue and meals could be provided for the students, where the majority of children rely on the school for their daily meal.





# Our communities *continued*

## Girls and Boys Town story

### **The business of non-profit: sharing 64 years of learning at Girls and Boys Town**

Adcorp has partnered with Girls and Boys Town South Africa (GBTSA) and contributes to the organisation on a regular basis. The money helps with the daily needs of the NPO's young residents who are in their care. This year, GBTSA celebrated its 64th birthday, and it continues to develop and strengthen vulnerable children across the country, as well as expand its support for youth, families, and communities.

GBTSA works with children and teenagers to help them recover from traumatic events and provides them with a secure haven. GBTSA is South Africa's only youth-care organisation where young people are actively involved in making decisions that affect their own lives. They develop independence, leadership, and responsibility during their time at GBTSA, skills that will help them take control of their life once they leave care.

The organisation runs residential educational centres in Magaliesburg, Randfontein, Tongaat, and Macassar, as well as six family-style houses that each care for roughly ten young people.

GBTSA also provides community-based outreach programmes to help struggling families strengthen their family structures in order to safeguard vulnerable children from neglect, abandonment, abuse, or violence, reducing the need for children to be placed in structured care.

GBTSA's work is aligned with Adcorp's values of fulfilling dreams and bettering lives as the focus is on creating opportunities for youth to grow and develop into responsible citizens who are able to contribute to family and community life.

Adcorp's unwavering assistance over the past two decades, takes care of the basics; feeding the children in residential care, ensuring their safety, providing transportation and therapeutic treatments, and counselling families.



# Environmental

Creating value through our ESG – Environmental

## Our focus

“We recognise that the world faces deep environmental challenges. Adcorp is committed to not simply avoiding doing harm, but being part of the solution.”

## Our goals

Adcorp seeks to ensure sustainable consumption through:

- The sustainable management and efficient use of natural resources
- The reduction of waste generation through prevention, reduction, recycling and reuse
- Encourage the adoption of sustainable practices and the integration of sustainability information into reporting cycles
- Ensure that everyone has the relevant information and awareness for sustainable development and lifestyle in harmony with nature

## Our actions

### Partner with sustainable suppliers:

Align procurement processes to incorporate sustainability criteria in order to ensure that our suppliers are aligned to our strategy.

### Minimise business travel:

Adcorp appreciates the environmental benefits of hybrid working and further seeks to minimise business travel to cut down on fuel consumption and reduce carbon emissions (scope 2 and 3).

### Reimagine our waste habits:

Partner with waste management companies to improve our waste management efforts.

### Employee education and awareness to the environmental bias:

Adcorp believes in achieving awareness among its own employees as well as the vast number of learners which we are exposed to through awareness training on climate change and its impacts.

### Renewable energy use:

Adcorp reduces scope 2 carbon emissions by using reusable energy through solar panels at our head office building.

## Our indicators

Going forward we aim to measure our progress in terms of our ESG objectives and report on these in our integrated report. Below are the indicators we have identified for the Environmental pillar and will be tracking going forward. Targets and KPIs have been set for each metric. Some of these indicators are already reported on in this report on page 98.

Indicator	What we will measure
GHG emissions	GHG protocol Scope 1 and Scope 2 emissions
GHG emissions	Estimated and reported material upstream and downstream (GHG Protocol Scope 3) emissions where appropriate
Energy mix	Total energy use by generation type, noting use of energy from renewable non-fossil sources (solar)
Water usage	Total amount of municipal water consumed
Solid waste	Total solid waste generation (non-recycled) Total waste recycled
Supply chain	Report on mechanisms aimed at enhancing management of environmental issues (codes, policies, prevention, and treatment)

# Environmental *continued*

Adcorp aims to instil a social and environmentally responsible culture among employees through training and awareness initiatives, as well as supporting environmentally friendly behaviours in the workplace in an effort to continue being a responsible corporate citizen.

The majority of Adcorp's businesses have a considerably low environmental footprint and therefore do not pose a substantial risk to the environment. Nevertheless, the Adcorp Group is dedicated to lowering its environmental impact by encouraging the use of duplex printing, virtual communication, carpooling, and the development of innovative digital workforce solutions.

## Water and energy consumption

We aim to cut down on consumption across the Group, and business unit managers are expected to promote resource efficiency and accountability in their areas of responsibility. Some measures during the year to conserve resources such as energy and water included a hybrid work from home policy and installing solar panels at Adcorp Place resulting in up to a 30% saving in electricity consumption.

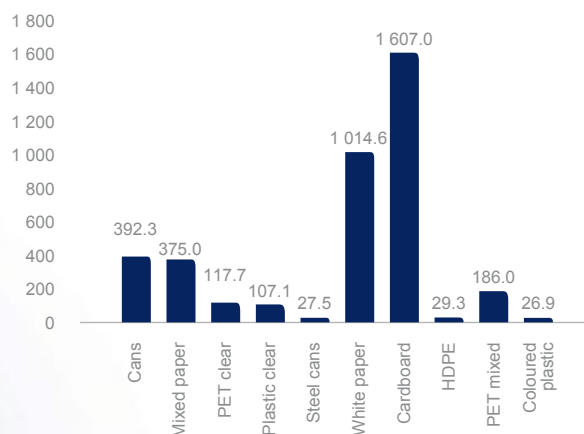
## Paper

The Group has centralised printing facilities in order to sustainably optimise costs and reduce the number of pages printed across all offices. The amount of energy consumed to print is reduced by lowering the number of pages produced.

The Group's head office results are set out below:

- Paper – Iron Mountain: Certificates for shredding backing documents available
  - Mass shredded = 6925 kg
  - Trees saved = 118
  - Litres of oil saved = 17891 L
  - Cubic meter of landfill space freed up = 16 m<sup>3</sup>
  - Kilowatts of energy – saved = 28,392 kWh
  - Litres of water – saved = 183,512 L
  - Kilograms of air pollution – saved = 785 kg
- Comparison trees saved:
  - How much CO<sub>2</sub> trees would have absorbed from the atmosphere = 46,19 kg
  - How much CO<sub>2</sub> would have been created when paper was burnt = 4711,68 kg

## Recyclables breakdown (mass (kg))



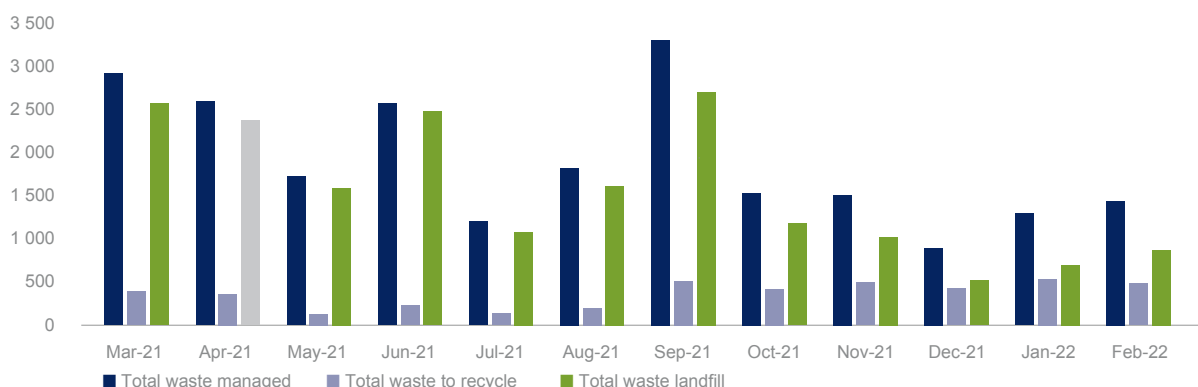
## Waste management

The Group provides skips, recycling bins for paper, plastic, solid and wet-waste for waste disposal. The waste generated by Adcorp comes from the canteens and the cleaning contractor on site. As this type of waste cannot be recycled, it has an impact on the recycling rate and going forward the target is to reduce this type of waste to increase the site's recycling rate. Food containers must be made of recyclable materials, according to the newly selected canteen supplier and the landlord and cleaning contractor are discussing replacing the bathroom hand towel dispensers with hand dryers.

General waste management comprises of manual sorting of solid waste materials into different waste streams (i.e. paper, plastic, glass, metal, hazardous materials and other materials), disposal of solid waste materials excluding recyclables and hazardous materials and recycling of paper, plastic, glass and metal solid waste materials on a weekly basis, and submission of a monthly report.

All waste is weighed on site. Waste materials that are too contaminated to recycle, and non-recyclable items, are disposed of along with the general waste. Other recyclables are extracted and stored separately. General waste is deposited into compact skips, and the non-general and non-recyclable waste is disposed of inside the non-compact skip.

### Monthly waste comparison (mass (kg))



### Adcorp Place

Adcorp has taken efforts to improve its environmental footprint, with plans in place to adopt green projects in the future. We continue to improve our office space's energy efficiency by installing LED light fixtures, motion sensors,

and time control switches for lights and HVAC systems. Wherever practical, rainwater tanks are placed. Employees are encouraged to use public transportation, carpool, and work from home as much as feasible, as well as virtual and electronic systems and communication.

## How Adcorp is addressing climate change

One area that can help address the threat of climate change is renewable energy. In South Africa, adoption has been slower, but the government's decision to raise the licensing exemption threshold for enterprises producing their own electricity from 1 MW to 100 MW has opened the door to renewable energy solutions, which will have a direct impact on the industry's growth.

While many basic talents are necessary for the development and implementation of solar and wind farms, technology-specific specialised skills connected to OEM equipment, such as solar panels and inverters, are required. This has resulted in a potential fast-growing industry sector which is facing a considerable skills gap. A contractor interested in the renewables sector would need to hire the necessary skills in year one.

For example, electrical technicians receive generalised sector training however the bulk of their training doesn't happen in the classroom but on-the-job.

In addition there is also a disconnect between the skills needed for the construction of these plants and the geographic areas where we historically find those skills. For example, experienced crane operators tend to be based in Western Cape, KwaZulu-Natal and also Mpumalanga, but wind farms are also built in the Northern Cape and Eastern Cape.

Adcorp is able to address this challenge through BLU which specialises in helping businesses to right-size their staff complements based on current contracts and business opportunities. With an on-boarded workforce to draw on it can deploy relevant skills immediately.

Cynergy is an extension of these capabilities. We offer turnkey, customised and fully outsourced project team solutions to fit all customer' needs within the energy, engineering, mining and construction sectors.

# Chief Executive Officer's perspective

"With the primary goal of stabilising the business completed, we now have the opportunity to allocate capital for tangible gains for our shareholders."

## The year in review

FY2022 opened with the immediate challenge of stabilising the business following the drastic measures we undertook to fix the business in FY2021. For Adcorp, stability meant financial stability and consistent operating performance. This translates into improving working capital, cash generation and balance sheet strength. Another key goal was improving the quality of our earnings, and that meant we had to forgo low margin or low cash generative business, which negatively impacted our revenue line. We tackled these challenges against the backdrop of the ongoing COVID-19 pandemic, though we are now learning to live with it.

Our efforts at ensuring stability have borne fruit. While we are disappointed by the slight decline in revenue, the contraction is the lowest it has been in five years. Our PBT is up 388% compared to FY2021 and for the first time in six years, we are reporting consecutive years of profit. HEPS is up by 190,6% compared to FY2021. Our balance sheet has improved and our net debt position in FY2021 has turned into a net cash position of R198 million. For only the second time in six years, we will be paying a dividend. As we progressed through the year, we had some breathing room to look forward to a hard-earned transition from stemming blood flow to building the business.

Our capital allocation strategy seeks to reward shareholders and invest in growth. Ordinary dividends will be paid out based on targeted 2x dividend cover. Remaining capital will be invested in organic and inorganic growth, depending on the opportunities available. Inorganic growth opportunities will only be pursued if the return on the investment exceeds the WACC of the Company and positively contributes to enhancing ROIC. Where we cannot effectively deploy capital to organic or inorganic growth opportunities the money will be distributed to shareholders via a special dividend or the repurchase of shares.



Dr John Wentzel CEO

To ensure that the balance sheet is well managed, we have set a maximal target of 1 x EBITDA as the maximum gearing we would hold on the balance sheet. We believe that being a small-cap services business in South Africa disadvantages the Company, and over FY2022, the share traded at a significant discount to intrinsic value. We took advantage of this when liquidity allowed and carried out a share buyback programme. In FY2023, where the same circumstances arise, we will not hesitate to buy back shares as we believe this delivers a more superior return on capital than many of the alternatives. For Adcorp, it is not good enough to be just a holding company. That has some benefits, but its real value lies in creating synergies.

Adcorp is a workforce lifecycle solution company. Our brands combine to create great solutions for our customers. This approach will guide our organic and inorganic growth. Growth should not be linear. It needs to be compounding in its returns and enhance our strategy. In FY2022 we laid the foundation for this. We have re-defined the core of what Adcorp does. We offer services to customers across the entire workforce lifecycle in selected industries and geographies. As we progressed the year it was clear we needed to drive a new operating model to adapt to the changing environment. Our new operating model launched during this year reflects this. We have moved away from a "one Adcorp" approach and the brands are now the centre of Adcorp.

In our new operating model, the head office serves the brands and its job is to drive synergistic customer solutions across the brands. To capacitate this new model, we determined we needed new human resources to run the engine. We increased the number of commercial people and drove integrated selling. The fruits of this will emerge in FY2023, but we are seeing new business written at higher margins than legacy business.

Three years ago, we announced project Skyhawk, a complete refresh of our technology infrastructure and we largely completed the project in FY2022. Our focus will now be on extracting customer-facing value from this investment and we have appointed a chief technology officer to drive this.

## Commitment to ESG

During FY2022 we raised our understanding and focus on ESG. We have appointed a head of sustainability and built ESG into our values. Adcorp strives to be a responsible corporate citizen and recognises that climate change is the greatest threat to our long term survival. Adcorp acknowledges that climate changed induced events will directly impact it as we have seen in recent years with flooding and fires in Australia and flooding in South Africa, which scientists have indicated could be linked to climate change. Adcorp's commitment to ESG goes beyond reporting on waste recycled and water conserved, though these are essential.

ESG will form a central part of how and who we do business with and how we procure goods and services. Adcorp has adopted a set of principles which will be rolled out in FY2023 that embodies our commitment to addressing climate change. We will not do business with customers that actively harm the environment and make no effort to mitigate that impact. We will not do business with customers that do not treat social issues as important. Adcorp will speak out against discrimination and abuse. Good governance is key to Adcorp and we have strengthened our governance competency and enhanced our process to identify weaknesses in governance and strengthen oversight.

## Our people

With COVID-19 and tumultuous markets, we were not surprised to experience high staff turnover during this period. This is likely to continue driving up the cost of employment as we compete for talent in our markets. The fight for talent is real, and we must compete against global companies paying higher salaries. To better retain our employees, we have put people at the centre of how we manage the Company. We know that employees want more than remuneration. They want to work for a Company that has a purpose that resonates with them as well as values they associate with. In FY2022, we renewed Adcorp's purpose and deployed a new set of values. We have listened to employees' requests for greater flexibility by introducing a permanent hybrid working model.

## Year ahead, outlook and growth prospects

With the business stabilised and investment in building commercial capacity largely completed, the focus for FY2023 will be to grow. We will seek to invest in organic and inorganic growth opportunities, in accordance with our capital allocation strategy, to drive service expansion and move up the customer value chain. Markets outside South Africa offer superior growth opportunities, and we may opportunistically seize those. Several factors, however, cloud the outlook. The spectre of rising inflation has become a reality, and we expect that inflation in our market in FY2023 will be higher than has been experienced over the past five years. We expect low economic growth to persist in the South African market and constrain our ability to pass along price increases. The fight for talent will be ongoing.

One year ago, we told investors that we had addressed what was then an existential crisis. We indicated that FY2022 would be focused on stabilising the business, capacitating for growth, and improving both the quality and quantum of earnings. I believe that our results show that we have delivered on that commitment. Having addressed many of the challenges, we faced going into FY2022 we are now ready to tackle our biggest challenge, that of achieving growth.

## Appreciation

It has not been a year without significant challenges, and I want to thank each one of the Adcorp family for their commitment, resilience and hard work which enabled our FY2022 results. Finally, I wish to express my gratitude to my Board for their ongoing support, guidance and counsel.

**Dr John Wentzel**  
CEO

27 June 2022



# Operational overview

## Contingent

At the start of FY2022, the business environment remained constrained as a result of customer pressure to cut costs and rationalise employees due to the continuation of the COVID-19 pandemic. Low economic growth and ongoing electricity supply and infrastructure challenges in South Africa negatively affected economic growth and, consequently, demand for contingent labour. Demand was further negatively impacted by the July unrest in KwaZulu-Natal and parts of Gauteng. During the year, the business exited several large contracts that were low margin or negatively impacted working capital.

Divisional performance remained relatively resilient despite the challenges it faced. Revenue for the year was up 3,2% despite the exit of some contracts. BLU performed strongly, lifting revenue by 10,3%. A strong focus on margin management during the year saw margins lift. Cynergy was negatively impacted by the exit of two major customers who were adversely affected by changing business conditions. As a result, revenue declined by 48,8%. The Cynergy brand has been repositioned to serve the emerging renewable energy sector, but the full effect will only be seen in FY2023.

## Functional Outsourcing

Functional Outsourcing challenges for the year largely mirrored that of the Contingent business. Revenue declined 1,5% following the exit of large unprofitable contracts. Notwithstanding this, the division delivered a strong performance. The exit of unprofitable contracts and a substantial margin focus lifted gross profit sharply. FunxionO, which focuses mainly on FMCG, warehousing and logistics solutions, also saw its margins lift sharply and sold new business in H2 at higher margins than legacy business. Capability, which focuses on unique and specialised cleaning solutions, also delivered a solid performance and grew revenue whilst lifting gross profit.

Net of strategic exits, customer satisfaction and retention were high. The market has responded well to the suite of offerings from the Functional Outsourcing division, and we expect this interest to be converted into sales growth in FY2023. While the economic outlook and recovery in South Africa remain uncertain, we remain optimistic about the future growth outlook in the Functional Outsourcing business. We believe that the additional sales investment in the brands and the change in our operating model will pay dividends in FY2023.

## Professional

Professional experienced a tough year. Revenue declined as the economic recovery in South Africa stalled, and demand for its services fell. Many customer projects remained on hold, resulting in lower contingent and contract resource needs. Skills shortages in critical sectors continued, particularly

amongst nursing and IT resources, affecting Charisma and Paracon. The July unrest further exacerbated the economic challenges of several of our customers, resulting in a further strain on demand. Margin pressures were also felt during the year, as key customers sought to reduce their costs.

Revenue for the year was down 7,3%, and gross profit also decreased. Customer retention was high, however, the division experienced an in-contract contraction, which reduced revenue. Despite the contraction in revenue, gross profit margins were largely maintained. There was a strong focus on service excellence amongst current and new customers, with customer satisfaction scores averaging 83% over the course of the year. Cost containment continued during the year and has ensured that costs were well controlled. Nursing shortages negatively affected the Charisma business, although focusing on nurse retention and a pivot into COVID-19 contract and vaccine services helped to mitigate the effect.

Quest saw subdued demand through most of the year, however, demand for white-collar contingent and permanent placements lifted in Q4. In Paracon, there was a focus on new higher-margin businesses to drive a more sustainable business model. TalentCRU won several new RPO customers, indicating post-pandemic recovery for this service offering. Towards the end of the financial year, we saw some of our customers' activity increasing, and the demand for staffing has seen some encouraging traction in Q4. There are early signs of a recovery in the professional staffing industry. If the pandemic stays subdued and market recovery continues, the division is well-positioned to respond to customers' needs.

## Training

Despite these challenges associated with the COVID-19 pandemic, the division performed strongly, increasing 29,9% in revenue and lifting gross profit. Specific actions were taken to mitigate the challenges and ensure a successful year. Physical training instruction was converted to online or virtual instructor-led. Investments were made in establishing a "digital campus" to allow an agile approach to changing customer requirements. These actions, coupled with a strong drive for new sales, saw gross margin lift over the prior year.

The PMI brand performed strongly following investment in digital delivery channels and a strong focus on driving new sales. Revenue grew 42,7%, and margins were also lifted. Torque-IT optimised its product mix and class size, which raised revenue by 17,4% and improved margins. The conversion of some delivery channels to a digital format allowed the rationalisation of training space, reducing occupation costs. The training brands of Adcorp remain well placed for continued growth given continued customer demand for ongoing upskilling of workforces. Skills development remains a national transformation priority, and the division is well established to meet this demand.

## Australia

Australia's performance was impacted by the longer than anticipated lockdown at both international and state border levels. Eastern Australia floods in Queensland and New South Wales also negatively affected the business. Australian unemployment remained near record lows at 4,2%, and demand exceeded supply throughout the FY2022 year. Low unemployment rates have driven high competition for resources and higher than usual employee turnover in the contracting market and our workforce, impacting our ability to scale operations. Supply-side constraints have meant contractors have the advantage in the market, driving a higher than usual termination rate.

Revenue for Australia declined 4,1% in ZAR due to a negative currency swing but increased 1,1% in AUD. Paxus reported revenue growth off the back of a move to target mid-tier customers and a greater focus on permanent placements. LSA battled with supply-side shortages throughout the year,

and the lockdown saw contingent labour sources significantly reduced. The year-on-year business comparative is distorted substantially by the non-recurrence of income from the Australian Jobkeeper programme, which was in the prior year's other income number. Pleasingly the division has offset this with sustainable earnings from customers.

Toward the end of the financial year, Australia lifted its lockdown, and we expect that access to supply will improve throughout FY2023. On the blue-collar contingent front, we have the advantage of being the first approved labour hire company to access labour through the Pacific Labour Scheme. This will enable us to meet demand more efficiently than most competitors. Australia will invest in expanding the PLS programme through FY2023. The opening of state borders should ease supply-side constraints in Paxus, and we expect this will result in a stronger performance in FY2023. The ongoing demand for scarce skills will remain a challenge through FY2023.



# Five-year performance history

## Statement of financial position

	2022 R'000	2021 R'000	2020 R'000	2019 R'000	2018 R'000
<b>Assets</b>					
<b>Non-current assets</b>	<b>1 290 954</b>	1 357 418	1 532 497	1 711 896	1 719 016
Property and equipment	37 171	48 286	72 212	57 647	65 756
Right-of-use asset	323 432	364 572	414 917	–	–
Intangible assets	125 773	144 346	177 702	231 601	275 785
Goodwill	512 723	527 216	635 609	1 188 811	1 162 010
Other financial assets – investment at fair value	19 597	18 971	17 620	15 247	23 605
Deferred taxation	214 187	198 832	181 171	218 590	191 860
Prepayments	58 071	55 195	33 266	–	–
<b>Current assets</b>	<b>1 909 718</b>	1 962 906	2 428 870	2 718 087	2 801 348
Trade receivables	1 336 354	1 377 823	1 924 851	2 086 490	2 272 550
Other receivables	143 562	101 297	91 849	103 712	77 208
Other financial assets – investment at fair value	–	–	36 924	31 676	12 191
Taxation prepaid	9 447	9 854	18 485	87 202	79 071
Cash and cash equivalents	420 355	473 932	356 761	409 007	360 328
Disposal Group assets held for sale	–	196 553	116 039	–	10 434
<b>Total assets</b>	<b>3 200 672</b>	3 516 877	4 077 406	4 429 983	4 530 798
<b>Equity and liabilities</b>					
<b>Total equity</b>	<b>1 472 529</b>	1 352 254	1 245 847	1 976 308	1 602 589
Share capital and share premium	1 740 858	1 740 858	1 740 858	1 740 858	1 740 858
Treasury shares	(72 172)	(68 083)	(68 083)	(38 233)	(23 002)
Reserves	(196 157)	(320 521)	(426 928)	273 683	(115 267)
<b>Non-current liabilities</b>	<b>438 004</b>	870 459	489 676	801 203	1 078 270
Interest-bearing borrowings	–	400 000	–	690 466	978 196
Lease liabilities	348 493	369 658	404 021	–	–
Deferred taxation	89 511	100 801	85 655	104 077	100 074
Provisions	–	–	–	6 660	–
<b>Current liabilities</b>	<b>1 290 139</b>	1 273 020	2 303 024	1 652 472	1 820 694
Interest-bearing borrowings	133 336	55 823	1 001 684	194 836	228 687
Lease liabilities	75 472	75 281	93 457	–	–
Share-based payment liability	–	–	–	–	8 133
Bank overdraft	–	87	182	227	11 676
Trade and other payables	819 610	908 922	1 010 646	1 111 233	1 225 030
Provisions	203 930	183 738	162 429	286 663	287 202
Taxation payable	57 791	49 169	34 626	59 513	59 966
Disposal Group liabilities held for sale	–	21 144	38 859	–	29 245
<b>Total equity and liabilities</b>	<b>3 200 672</b>	3 516 877	4 077 406	4 429 983	4 530 798

## Statements of profit and loss

	2022 R'000	2021 R'000	2020 R'000	2019 R'000	2018 R'000
<b>Revenue</b>	<b>11 512 948</b>	11 716 956	12 922 325	15 065 369	15 325 391
Cost of sales	(10 290 896)	(10 575 140)	(11 452 501)	(13 032 499)	(13 097 630)
<b>Gross profit</b>	<b>1 222 052</b>	1 141 816	1 469 824	2 032 870	2 227 761
Other income	19 553	99 399	26 920	45 461	58 067
Operating expenses	(1 042 457)	(1 122 804)	(1 982 558)	(1 696 837)	(2 554 159)
<b>Operating profit/(loss) before finance income and costs</b>	<b>199 148</b>	118 411	(485 814)	381 494	(268 331)
Finance income	5 243	16 204	21 942	21 031	16 614
Finance costs	(69 022)	(106 854)	(127 456)	(104 624)	(140 643)
<b>Profit/(loss) before taxation</b>	<b>135 369</b>	27 761	(591 328)	297 901	(392 360)
Taxation expense	(33 778)	(22 338)	(71 977)	(35 578)	(28 350)
<i>Tax rate (%)</i>	<i>25,0</i>	<i>80,5</i>	<i>(12,2)</i>	<i>11,9</i>	<i>(7,2)</i>
<b>Profit/(loss) for the year from continuing operations</b>	<b>101 591</b>	5 423	(663 305)	262 323	(420 710)
Profit from discontinued operations	17 366	35 906	58 553	(178)	(140 322)
<b>Profit/(loss) for the year</b>	<b>118 957</b>	41 329	(604 752)	262 145	(561 032)
<b>Operating profit/(loss) before finance income and costs</b>	<b>199 148</b>	118 411	(485 814)	381 494	(268 331)
Depreciation and amortisation	(88 873)	(130 361)	(141 997)	(79 416)	(128 589)
Impairments, derecognition of lease liabilities & ROUA and profits/(losses) on the disposal of businesses	(4 952)	(1 008)	(597 449)	(6 247)	(276 361)
<b>Earnings before interest, tax, depreciation and amortisation (EBITDA)</b>	<b>292 973</b>	249 780	253 632	467 157	136 619



# Five-year performance history *continued*

## Statistics and ratios

	2022	2021	2020	2019	2018
<b>Statistics</b>					
Weighted number of shares	<b>106 692 859</b>	107 400 053	107 732 131	111 754 773	108 946 470
Headline earnings per share – total (cents)	<b>99,4</b>	34,2	(17,2)	245,1	(146,1)
Continuing operations	<b>96,2</b>	0,8	(71,6)	245,1	(86,4)
Discontinued operations	<b>3,2</b>	33,4	54,4	0,0	(59,7)
Earnings per share – total (cents)	<b>109,1</b>	35,6	(561,6)	239,9	(517,0)
Continuing operations	<b>92,8</b>	2,2	(616,0)	240,1	(388,2)
Discontinued operations	<b>16,3</b>	33,4	54,4	(0,2)	(128,8)
<b>Ratios (%)</b>					
<b>Return ratios</b>					
Return on Equity (PAT)	<b>6,9</b>	0,4	(53,2)	13,3	(26,3)
Return on total assets (PAT)	<b>3,2</b>	0,2	(16,3)	5,9	(9,3)
ROIC (NOPAT)	<b>8,8</b>	4,0	1,5	13,0	(0,6)
ROCE (EBIT)	<b>12,4</b>	6,5	(21,6)	13,3	(9,6)
<b>Margin ratios</b>					
Gross profit margin	<b>10,6</b>	9,7	11,4	13,5	14,5
Cost to income	<b>9,1</b>	9,6	15,3	11,3	16,7
EBITDA margin	<b>2,5</b>	2,1	2,0	3,1	0,9
Operating profit margin	<b>1,7</b>	1,0	(3,8)	2,5	(1,8)
Net margin (PAT)	<b>0,9</b>	0,0	(5,1)	1,7	(2,7)
<b>Leverage/gearing</b>					
Gearing: Gross Debt to Equity Ratio	<b>9,1</b>	33,7	80,4	44,8	75,3
Gearing: Net debt to Equity	<b>(19,5)</b>	(1,3)	51,8	24,1	53,6
Equity Ratio	<b>46,0</b>	38,5	30,6	44,6	35,4
Gross Debt Ratio	<b>4,2</b>	13,0	24,6	20,0	26,6
Net debt to EBITDA	<b>(0,98)</b>	(0,07)	2,54	1,02	6,28
Gross debt to EBITDA	<b>0,46</b>	1,82	3,95	1,90	8,83
<b>Efficiency</b>					
Total asset turnover (times)	<b>3,6</b>	3,3	3,2	3,4	3,4
Debtor collection (days) (DSO)	<b>38</b>	38	48	44	46
<b>Liquidity</b>					
<b>Asset Ratios</b>					
Current Ratio	<b>1,48</b>	1,54	1,05	1,64	1,54
Cash Ratio (%)	<b>32,6</b>	37,2	15,5	24,7	19,1
<b>Earnings Ratio</b>					
Times Interest Earned Ratio	<b>3,12</b>	1,31	(4,60)	4,56	(2,16)



## Statistics and ratios continued

## Cash flows

	2022 R'000	2021 R'000	2020 R'000	2019 R'000	2018 R'000
Cash generated from operations before working capital changes	321 033	281 869	334 017	442 548	243 760
Cash generated by operations	260 018	913 730	208 521	500 014	390 455
Net cash generated from/ (utilised in) by operating activities	145 735	770 605	(22 669)	350 256	133 057
Net cash generated inflow/ (outflow) from investing activities	128 758	9 663	(72 712)	16 703	269 399
Net cash (outflow)/inflow from financing activities	(368 652)	(649 180)	47 101	(348 981)	(152 506)
Net (decrease)/increase in cash and cash equivalents	(94 159)	131 088	(48 280)	17 978	249 950

## Share performance

	2022	2021	2020	2019	2018
Market price per share					
Highest (R)	7,39	10,08	25,00	21,35	18,30
Lowest (R)	4,65	1,35	9,50	15,50	10,01
Year-end (R)	6,00	6,49	9,50	20,00	17,31
Number of shares in issue	109 954 675	109 954 675	109 954 675	109 954 675	109 954 675
Volume traded during the period	25 941 579	41 065 441	23 563 882	32 834 894	48 287 862
Ratio of volume traded to shares issued (%)	23,59	37,35	21,43	29,86	43,92
Rand value traded during the period	155 932 759	191 056 330	391 809 738	601 388 255	663 208 844
Price/earnings ratio (%)	5,5	18,2	(1,7)	8,3	(3,3)
Earnings yield (%)	18,2	5,5	(59,1)	12,0	(29,9)
Dividend yield (%)	7,83	—	8,09	—	—
Market capitalisation	659 728 050	713 605 841	1 044 569 413	2 199 093 500	1 903 315 424

# Chief Financial Officer's report



Noel Prendergast CFO

"In line with our stated objective to improve the quality of earnings and associated margins, the gross profit margin improved from 9.7% to 10.6%."

Following a very challenging FY2021, during which many drastic measures were introduced to ensure Adcorp's survival, FY2022 has been a time to target stability. We are encouraged by the Group's performance this year, despite unusually challenging trading conditions in both South Africa and Australia.

Adcorp's recent years have been extraordinarily tough ones and holds across both of its geographies. Adcorp has had its own unique challenges and these have been further exacerbated by external factors.

In recent years, investors have also had to deal with anomalies within the results including once-off income or costs, accounting changes and restatements. With the exception of one material non-recurring income item, FY2022 has not been an anomalous year and the quality of earnings has considerably improved.

## Performance

	Audited 2022 R'000	Audited 2021 R'000	Var %
<b>Revenue</b>	<b>11 512 948</b>	11 716 956	(1,7)
Cost of sales	(10 290 896)	(10 575 140)	2,7
Gross profit	<b>1 222 052</b>	1 141 816	7,0
Gross profit %	<b>10,6</b>	9,7	
Other income excl. one-off type income	<b>19 553</b>	79 067	(75,3)
Operating expenses excl. one-off type costs	(948 632)	(971 103)	2,3
<b>EBITDA</b>	<b>292 973</b>	249 780	17,3
EBITDA %	<b>2,5</b>	2,2	
Depreciation and amortisation	(88 873)	(130 361)	31,8
Depreciation of PPE and amortisation	(35 228)	(68 553)	48,6
Depreciation of right of use assets (IFRS 16)	(53 645)	(61 808)	13,2
Net cost of funding	(63 779)	(90 650)	29,6
Net cost of loan funding	(18 892)	(42 996)	56,1
Lease liability interest (IFRS 16)	(44 887)	(47 654)	5,8
Impairments, derecognition of lease liabilities & ROUA and losses on the disposal of businesses	(4 952)	(1 008)	
<b>Profit before taxation</b>	<b>135 369</b>	27 761	387,6
Taxation expense	(33 778)	(22 338)	(51,2)
<b>Profit for the year</b>	<b>101 591</b>	5 423	1 773,3
Continuing operations	<b>101 591</b>	5 423	1 773,3
Discontinued operations	<b>17 366</b>	35 906	(51,6)
	<b>118 957</b>	41 329	187,8



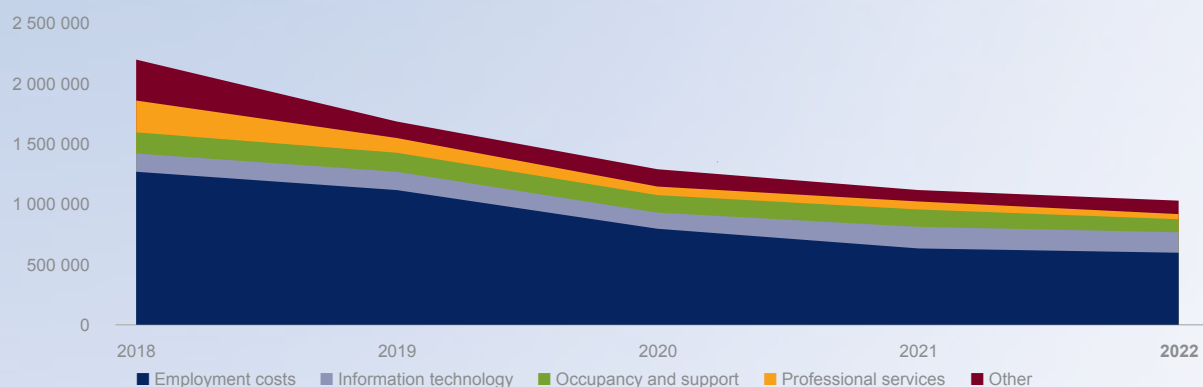
The decrease in revenue was primarily attributable to four factors:

- the strategic exit of low margin contracts;
- the appreciation of the rand to the Aus \$;
- the continued effects of COVID-19, affecting the Group in both South Africa and Australia (where lockdowns lasted longer and were more severe than expected); and
- the slow economic recovery in South Africa and the July unrest in KwaZulu-Natal.

Included in other income is rental income of R7 million relating to subletting of our office space to three sub tenants at reduced rental rates, although the resultant differential requiring an upfront impairment of R2,7 million of the right-of-use asset. The previous year included once-off Jobkeeper income of R43 million (net R31 million after distributions). Jobkeeper was the 2020 scheme that supported Australian businesses significantly impacted by COVID-19.

Operating expenses continue to be a focus of sustained efficiency management and have further decreased by 2,3% on a comparable basis. This is a remarkable achievement considering the comparable period included significant salary sacrifices and once-off cost benefits. The graph below demonstrates the 5-year trend of operating expenses by appropriate cost bucket.

#### Five-year cost trend



The resultant EBITDA margins increased some 19.4% from 2.2% to 2.5%.

The net cost of funding, excluding lease liability interest under IFRS 16, decreased significantly by 56%, following the reduction in gross debt to R133 million and active cash management throughout the year.

The Group's effective tax rate from continuing operations was 25.0%, largely driven by current year tax losses not recognised and non-deductible expenses. The South African tax system does not operate on Group taxation

principles and therefore Group companies are taxed at an entity level. The effective tax rate was also impacted by the positive financial performance of our Australian operations. As at 28 February 2022, total tax losses not recognised were R776 million (2021: R751 million) and those recognised were R259 million (2021: R332 million).

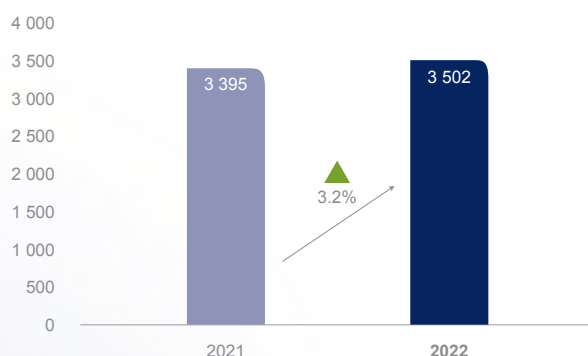
Due to the improved operational performance, overall, the net profit after tax from continuing operations improved to R102 million, albeit off a low base.

# Chief Financial Officer's report *continued*

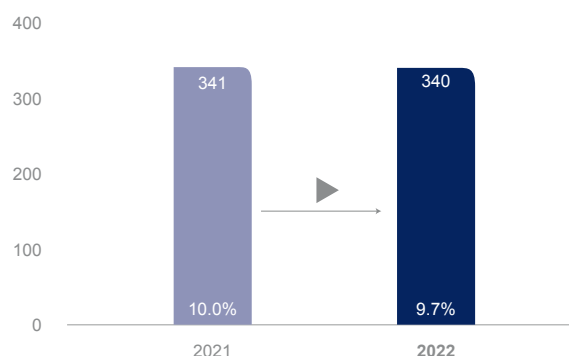
## Segmental revenue and gross profit performance

### Contingent

#### Revenue (R million)

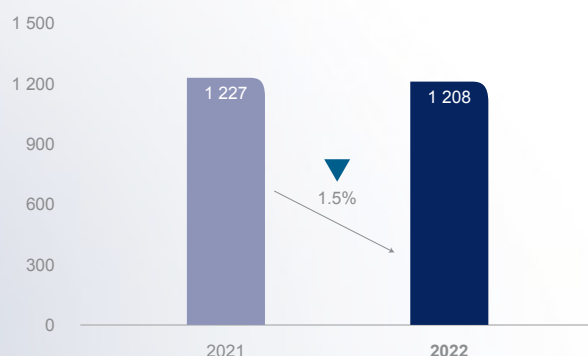


#### Gross profit (R million)

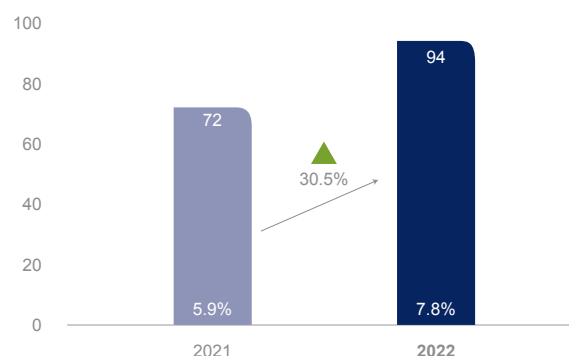


### Functional outsourcing

#### Revenue (R million)

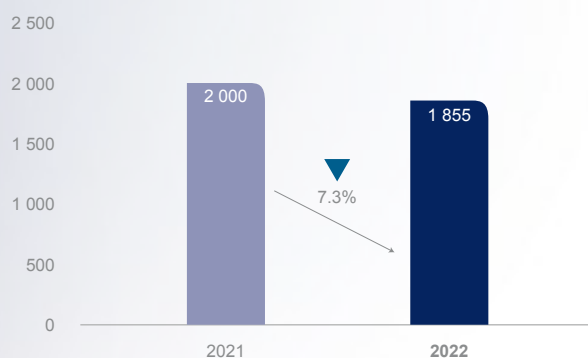


#### Gross profit (R million)

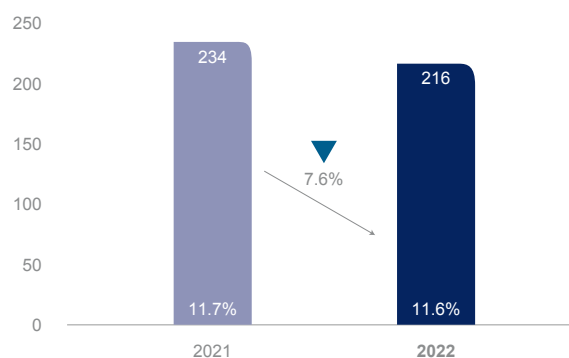


### Professional

#### Revenue (R million)

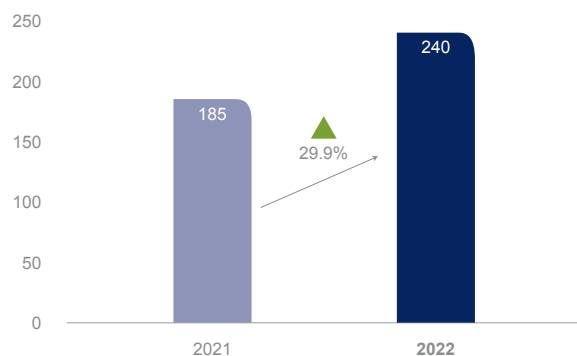


#### Gross profit (R million)

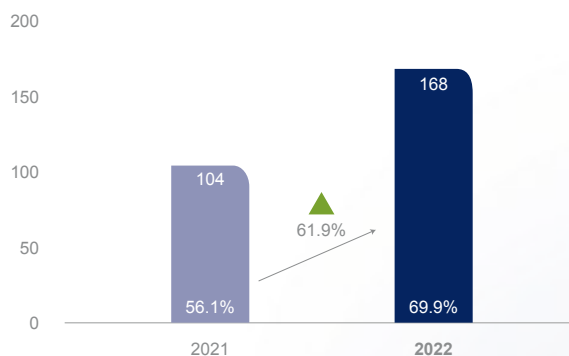


## Training

Revenue (R million)

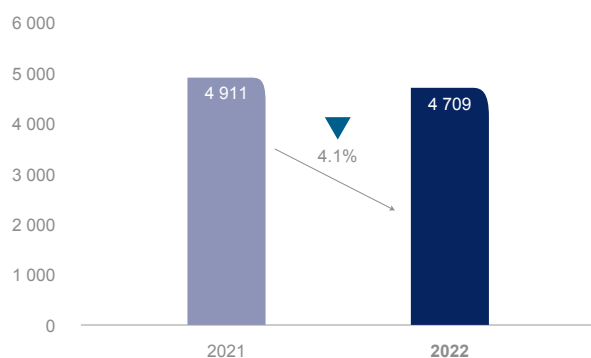


Gross profit (R million)

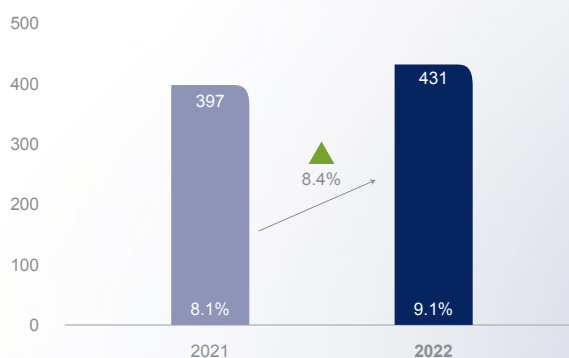


## Australia

Revenue (R million)



Gross profit (R million)





# Chief Financial Officer's report *continued*

## Segmental performance – operational review

### Contingent

This division comprises the high volume, largely industrial segment contingent staffing brands, BLU and Cynergy. Collectively, the division exceeded prior year revenues, albeit that this growth was largely attributable to BLU, which was over 10%.

Margin contraction was experienced as the result of direct salaries being reinstated at 100% compared to salary sacrifices in the previous year, growth in several large lower margin customers and a no fault high margin customer exits from Cynergy – margins would have been at least maintained on a normalised basis.

The 2nd half of the year showed signs of revenue recovery and such demand for contingent staffing should prevail. A refocus of Cynergy into the renewable energy sector should bring new opportunities.

### Functional Outsourcing

It was another successful year for Functional Outsourcing albeit that it experienced a revenue decline due to the strategic exit of unprofitable customers in the latter part of the year.

Improved margins were achieved enabling further investment in specialist skills aligned to the strategic choices of these brands. The brand FunxionO continues to explore new avenues within its chosen sectors as the large companies continue to express a willingness to consider alternate, variable cost, workforce models.

### Professional

It was a challenging year for Professional due to a stalled economic recovery and a lower demand from customers, specifically in the arena of scarce skills sourcing, project management and placement. Customer retention was high although there was in-contract contraction.

Increasing demand in both contingent and permanent sectors was evident in the 4th quarter.

Gross margins were largely maintained and costs well controlled.

Scarce skills will remain a challenge and the sourcing of these is a strategic priority. The shortage of nurses will have a muted impact on contingent healthcare solutions however the opening of the economy should support a growing demand for contingent office staff.

### Training

It was a good year for Training with increased revenues from higher demand and a strong focus on driving new sales. The benefits of operating leverage filtered through to vastly improved margins, in addition to optimising the product mix and hosting more online classrooms.

Investment in both the facilitation and creation of content into digital formats has enabled learning continuity, in a disrupted market.

The necessity of regulatory training spend will continue and similarly, the rate of disrupted change will necessitate the continual upskilling of workforces.

### Australia

The Rand strength during the year impacted the revenues generated by the Australian operations, which actually grew at 1% in its local currency.

A strategic market decision to shift focus away from Tier 1 government related contracts to Tier 2 corporates resulted in significantly improved gross margins. Additionally, there has been an uplift in higher margin permanent placement numbers.

Performance has been constrained by supply side shortages due to a number of reasons. There have been concerted efforts to initiate alternatives to counter this cycle and the benefits of such should become evident in the near future.

## Segmental performance: EBITDA

	Audited 2022 R'000	Audited 2021 R'000	Var %
<b>South Africa continuing operations</b>	<b>200 353</b>	138 201	45.0
Industrial	143 030	132 689	7.8
Professional	41 634	25 292	64.6
Training	9 795	(10 046)	197.5
Central costs	5 894	(9 734)	160.5
<b>South Africa – discontinued operations</b>	<b>4 772</b>	59 949	(92.0)
Financial services	4 772	59 949	(92.0)
<b>Total South Africa</b>	<b>205 125</b>	198 150	3.5
<b>Australia – continuing operations</b>	<b>92 620</b>	111 579	(17.0)
<b>Australia – discontinued operations</b>	<b>–</b>	11 505	(100.0)
<b>Total Australia</b>	<b>92 620</b>	123 084	(24.8)
<b>Total Group</b>	<b>297 745</b>	321 234	(7.3)
<b>Continuing operations</b>	<b>292 973</b>	249 780	17.3
<b>Discontinued operations</b>	<b>4 772</b>	71 454	(93.3)
<b>Total Group</b>	<b>297 745</b>	321 234	(7.3)

EBITDA from continuing operations has increased by 17.3% over the prior year.

South Africa's improvement was 45% with increases across all of its divisions. The South African central costs have been absorbed on a consistent basis across the South African portfolios, taking into account all direct and shared components.

Australia's EBITDA decrease was largely impacted by the currency swing and no repeat of the Jobkeeper scheme.

## Financial position

## Summarised consolidated statement of financial position

	Audited 2022 R'000	Audited 2021 R'000	Audited 2020 R'000
<b>Assets</b>			
Property and equipment	37 171	48 286	72 212
Right-of-use lease assets	323 432	364 572	414 917
Intangible assets and Goodwill	638 496	671 562	813 311
Investment and other financial assets	19 597	18 971	54 544
Tax and deferred tax asset	223 634	208 686	199 656
Trade and other receivables	1 537 987	1 534 315	2 049 966
Cash and cash equivalents	420 355	473 932	356 761
	<b>3 200 672</b>	3 320 324	3 961 367
Non-current assets held for sale	–	196 553	116 039
<b>Total assets</b>	<b>3 200 672</b>	<b>3 516 877</b>	<b>4 077 406</b>
<b>Equity and liabilities</b>			
Capital and reserves	1 472 529	1 352 254	1 245 847
Interest-bearing borrowings	133 336	455 910	1 001 866
Lease liabilities	423 965	444 939	497 478
Tax and deferred tax liability	147 302	149 970	120 281
Provisions, trade and other payables	1 023 540	1 092 660	1 173 075
	<b>3 200 672</b>	3 495 733	4 038 547
Held for sale liabilities	–	21 144	38 859
<b>Total equity and liabilities</b>	<b>3 200 672</b>	<b>3 516 877</b>	<b>4 077 406</b>

# Chief Financial Officer's report *continued*

The right-of-use lease asset and intangible assets have decreased by 11,3% and 4,9% respectively mainly due to depreciation and amortisation over the period. There have been no significant additions over the period for both line items. No goodwill has been impaired.

Trade and other receivables balances remained flat year-on-year and the quality of debtor books constantly improves.

Trade and other payables reduced from the prior year primarily due to the settlement of deferred payables that were in place in response to managing cash flow during COVID-19.

## Liquidity and cash flow

Cash generated by operations decreased to R260 million from R914 million in 2021; this was due to the material reduction of working capital that occurred in 2021, however, it is relevant to note that the Group's days sales outstanding (DSO) has been maintained at 38 days year on year. The Group's consolidated cash and cash equivalents (excluding restricted cash in Angola) totalled R331 million, decreasing by R76 million from the prior year (2021: R407 million).

## Summarised consolidated statement of cash flows

Summarised consolidated statement of cash flows for the year ended 28 February 2022

	2022 R'000	2021 R'000
Cash generated from operations before working capital changes	321 032	281 869
Working capital changes	(61 012)	631 861
Cash generated from operations	260 020	913 730
Net cash generated from operating activities	145 737	770 605
Net cash inflow from investing activities	128 758	9 644
Net cash outflow from financing activities	(368 653)	(649 180)
Net (decrease)/increase in cash and cash equivalents	(94 158)	131 088
Cash and cash equivalents at the beginning of the year	498 356	360 500
Foreign currency adjustments	16 157	6 787
<b>Cash and cash equivalents at the end of the year</b>	<b>420 355</b>	<b>498 356</b>

Adcorp is presenting a net unrestricted positive net cash position at a year-end for the first time in the last five years. Interest bearing debt has reduced by R369 million from a year ago.

The Group continued a positive cash generation from operations for the year and cash conversion remains high.

Adcorp does operate in a negative working capital cycle and as revenues improve, we would anticipate an investment in working capital.

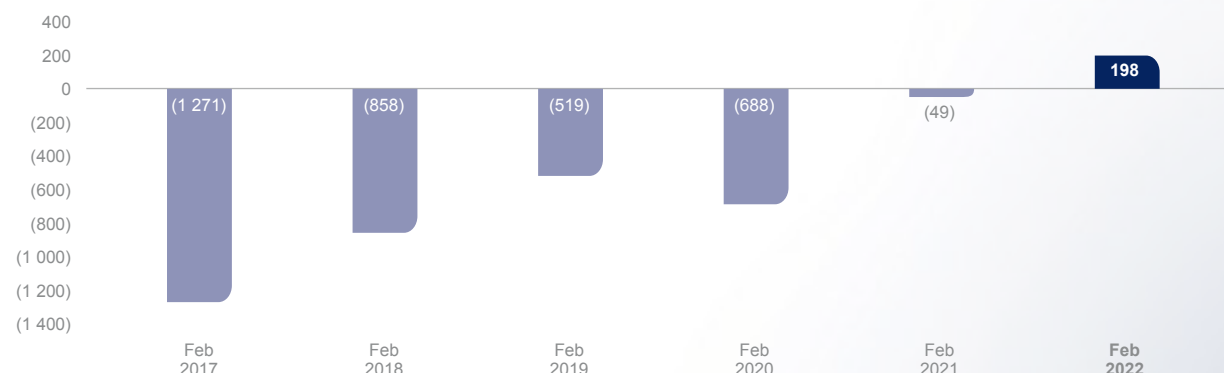
Adcorp is a capital light Group with much of its investment in capital expenditure is to maintain operations, however we will continue to prioritise investments which contribute to our digital transformation initiatives in enhancing customer experience.

The proceeds from the disposal of Adcorp Support Services included under investing activities materially contributed to the de-gearing.

## Net cash

	Audited 2022 R'000	Audited 2021 R'000
ZAR revolving credit facility	(100)	(450)
AUD barrowing base facility	(33)	(6)
<b>Total gross debt</b>	<b>(133)</b>	<b>(456)</b>
Cash and cash equivalents	331	407
Cash and cash equivalents excluding restricted cash	198	(49)
Restricted cash	89	67
Cash and cash equivalents (assets held for sale)	–	25
<b>Total net cash</b>	<b>287</b>	<b>43</b>

## Net cash/(debt) trend



Considering the debt position Adcorp faced in 2020, the reversal of such difficulties has been outstanding and could not have been accomplished without the contribution from many dedicated people. The momentum achieved has returned Adcorp's balance sheet to a position of strength and enables it to enhance value for all stakeholders through a renewed focus on its capital allocation framework.

## Disposal of FMS

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. The final upfront payment of R12,0 million was paid on 21 January 2022, relating 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 from the disposal were used to reduce debt facilities and strengthen the liquidity of the Group.

## Dividends

In line with the principles of Adcorp's capital allocation framework to return 50% of HEPS to shareholders via dividends, the total dividend for FY2022 year is 47,0 cents per share (FY2021: nil).

## Appreciation

It is vitally important for me to recognise my finance colleagues for the progress made over the last financial year, their hard work and commitment has been unwavering. My utmost appreciation is also extended to the Board and my fellow Group EXCO members for their support during year.

## Noel Prendergast

Chief Financial Officer

27 June 2022

# Board profile



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6

## INDEPENDENT NON-EXECUTIVES

### 1. Dr Phumla Mnganga (54)

BA, BEd, MBL, PhD

#### Date of appointment

6 September 2018

#### Significant directorships

- The SPAR Group Ltd;
- Crookes Brothers Ltd;
- Gold Circle (Pty) Ltd; and
- Altron Ltd

#### Skills and expertise

Phumla is the 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



### 2. Tshidi Mokgabudi (68)

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

#### Date of appointment

15 October 2020

#### Significant directorships

- Truworths Ltd

#### 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



### 3. Prof Herman Singh (61)

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

#### Date of appointment

6 September 2018

#### Significant directorships

- Telkom Limited; and
- African Bank

#### 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



### 4. Ronel van Dijk (50)

CA(SA)

#### Date of appointment

6 June 2019

#### Significant directorships

- PPC Ltd;
- Grand Parade Investments Ltd; and
- Omnia Holdings Limited (director)

#### 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



### 5. Melvyn Lubega (33)

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

#### Date of appointment

1 July 2020

#### Significant directorships

- Go1 (Co-founder and director); 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

### 6. Cecil Maswanganyi (56)

BCompt, MBL (UNISA), Postgraduate Diploma in Taxation, CIMA Adv Dip MA

#### 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; and
- Salungano Group

#### 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



#### In memoriam

Michael "Mike" Spicer was appointed to the Board as the Group's lead independent director in August 2013 and served as a member of the human capital committee and the audit and risk committee until his passing in March 2022.

Mike was highly regarded and respected in his role as lead independent director, and leaves behind him a proud legacy of principled and measured leadership. Mike will be sorely missed by his fellow directors, Adcorp management and all who knew him at Adcorp.

The Board extends its deepest sympathies and condolences to Mike's family.

\* InvestCom chair  
\*\* ARC chair

^ SESCom chair  
† HCC chair

#### Key



Audit and risk committee (ARC)



Human capital committee (HCC)



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### 7. Gloria Serobe (62)

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



### 8. Monde Nkosi (32)#

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; and
- Value Capital Partners (Pty) Ltd

#### 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



# Stepped down 1 June 2022.

### 9. Sam Sithole (49)

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



### 10. Clive Smith (61)

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



### 11. Timothy Olls (31)

BCom Hons (Acc) cum laude, CA(SA), CFA

#### Date of appointment

6 December 2021 (Alternative to Sam Sithole)

#### Significant directorships

- None

#### Skills and expertise

Timothy is an associate director at Value Capital Partners (VCP). He was previously a manager in the Mergers and Acquisitions team at PwC.

## EXECUTIVE DIRECTORS

### 12. Dr John Wentzel (55)

Chief Executive Officer

BSc (Mathematics and Physics), BSc Honours (Nuclear Physics), MSc (Nuclear Physics), PhD (Industrial Systems)

#### 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 (49)

Chief Financial Officer

CA(SA), BCompt (Hons), BCom

#### Date of appointment

21 October 2020

#### 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



# Executive management



1



2



3



4



5



6



7



8



9

## **1. Dr John Wentzel**

Chief Executive Officer  
Joined Group: April 2021

## **2. Noel Prendergast**

Chief Financial Officer  
Joined Group: July 2020

## **3. Lisa Laporte**

General Counsel and Company Secretary  
Joined Group: June 2002

## **4. Vinolia Singh**

Chief People Officer  
Joined Group: September 2018

## **5. Bruce Toerien**

Previously Chief Commercial Officer  
Managing Director: Training (effective 1 March 2022)  
Joined Group: August 2003

## **6. Unathi Thosago**

Chief Technology Officer  
Joined Group: April 2022

## **7. Rob de Grooth**

Managing Director: Contingent and Functional Outsourcing  
Joined Group: December 2002

## **8. Nick Najjar**

Previously Managing Director: Training  
Managing Director: Professional (effective 1 March 2022)  
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 makes sure that the board of directors, senior management, and senior members of the finance team are aware of any closed periods when they are unable to trade in Adcorp shares. Prior consent from the chairman of the Board or a designated director is required for all directors' dealings in Adcorp stocks. The company secretary keeps track of all share transactions.

The Board oversees the Group's adherence to applicable laws, regulations, adopted non-binding norms, as well as codes and standards, in order to maintain the Group's ethics and guarantee that it continues to be 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 United Nations Sustainable Development Goals; the South African National Development Plan (NDP); and the Confederation of Associations in the Private Employment Sector (CAPES).

Adcorp's commitment to conduct all Company activities with honesty, integrity, transparency, and openness is outlined in a code of ethics and corporate conduct that is evaluated on a regular basis.

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

Specific ethics training for directors is being arranged for the year ahead.

All employees are required to complete the training modules on fraud and ethics, which training includes all codes and policies relating to anti-bribery and corruption.

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 principles:

- **Health and safety:** Adcorp take 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 to 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.



# Ethical leadership *continued*

- **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 customer, 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 sustainability committee (SESCoM). The audit and risk committee receive 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 FY2022, the tip-off anonymous hotline was extended to Australia. During the year the Deloitte tip-off line received 18 reports and there were nine internal and external escalations.

As part of enhancing the ethical culture within the organisation, a survey on fraud and corruption awareness was conducted within the Group including both South Africa and Australia, during the year. The outcomes of which were interrogated by the SESCOm as part of its governance mandate to promote ethical culture and awareness within the Group. Refer to the SESCOm report on page 94.

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 [www.adcorpgroup.com](http://www.adcorpgroup.com).

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

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ACCOUNTABILITY

INTEGRATED ANNUAL REPORT 2022

adcorp

## 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
- Timothy Olls (*Alternative non-executive*)

### Executives

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

- Tshidi Mokgabudi (*Chair*)
- Melvyn Lubega
- Herman Singh
- Ronel van Dijk
- Michael Spicer\*\*

### 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 101

- Sam Sithole (*Chair*)
- Gloria Serobe (*Chairs Nomco agenda*)
- Clive Smith
- Phumla Mnganga
- Michael 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 82

- Phumla Mnganga (*Chair*)
- Cecil Maswanganyi
- Tshidi Mokgabudi

### 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

2/3

See full report on page 94

- Cecil Maswanganyi (*Chair*)
- Melvyn Lubega
- Monde Nkosi\*
- Noel Prendergast
- Herman Singh
- John 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

\* Stepped down 1 June 2022.

\*\* Passed away 9 March 2022.



# Governance report

## *continued*

### The board

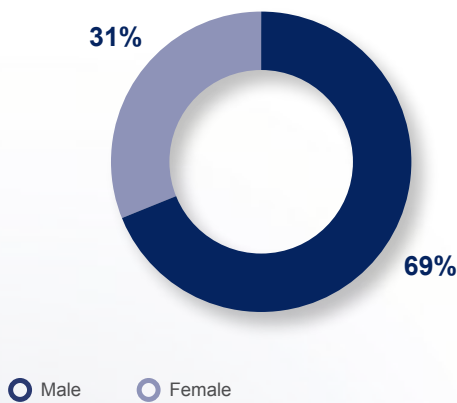
#### Board independence

Independent non-executive directors (6)

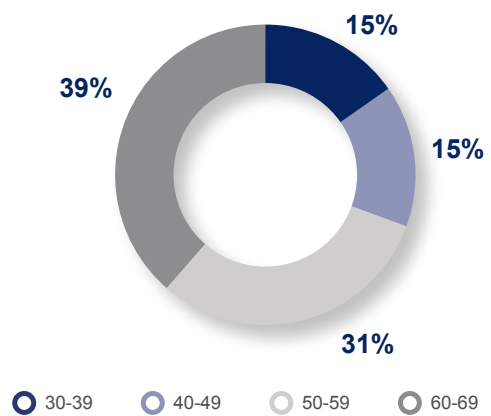
Non-executive directors (5)

Executive directors (2)

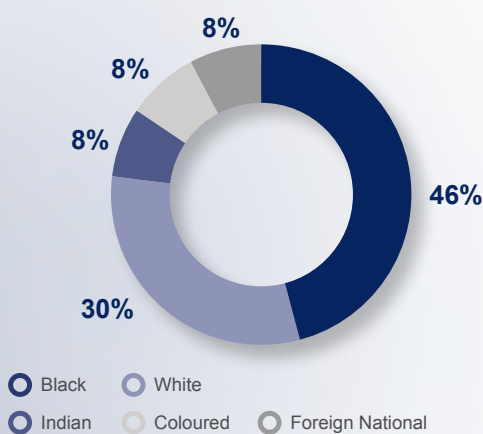
#### Board gender



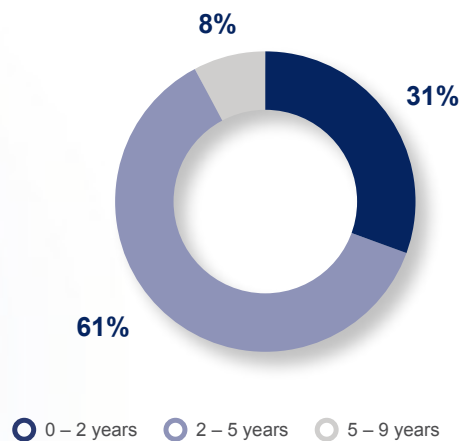
#### Board age diversity



#### Board race diversity



#### Board tenure – years



## Board activities in FY2022 and their focus areas for FY2023.

### What kept the Board busy this year

- Oversight of the corrective action implemented by management to ensure the continuous improvement of the Group's performance;
- Overseeing the improvement and maintenance of the B-BBEE status of the Group; and
- Promoting the establishment of the sustainability team, with a key focus being that of ESG.

### What will keep the Board busy in FY2023

- The Board will continue its role in overseeing the growth strategy of the Adcorp Group, particularly in a COVID-19 environment;
- Oversight of the transformation of the Group's culture into one that is purpose-driven, collaborative, transparent, empowering and innovative;
- Continuous improvement of the Group's ESG rating through embedding a sustainable framework and ensuring that we:
  - Minimise our environmental impact through the adoption of the 'Do no harm' approach;
  - Optimise and enhance our social impact;
  - Adhere to best practice and attain continuous improvement on corporate governance; and
- Monitoring and overseeing value-creation in the investment in technology and digital transformation.

### Board independence

Through the appointment of 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 late lead independent director, whose role was to address any conflicts that may arise, provide guidance on and monitor the application of appropriate standards of corporate governance. Following the passing of Michael Spicier, in March 2022, the Board appointed a new lead independent director, Dr Phumla Mnganga who will be continuing with the same standards that have been set for the Group.

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's 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's 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

# Governance report

## *continued*

a conflict is disclosed, it is managed appropriately by the Board as required by the Companies Act. A declaration of interest's 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 sustainability 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 and the next round of Board evaluation is scheduled for FY2023.

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 64 and 65.



## 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*	Human capital committee	Social, ethics sustainability committee	Investment committee
Gloria Serobe	5 of 5		2 of 3		
Michael Spicer*	5 of 5	9 of 9	3 of 3		
Cecil Maswanganyi	5 of 5			3 of 3	
Sam Sithole	5 of 5		3 of 3		
Phumla Mnganga	5 of 5		3 of 3	3 of 3	
Herman Singh	4 of 5	9 of 9			
Monde Nkosi	5 of 5				
Ronel van Dijk	5 of 5	9 of 9			
Clive Smith	5 of 5		3 of 3		
Tshidi Mokgabudi	5 of 5	9 of 9		3 of 3	
Melvyn Lubega	5 of 5	9 of 9			
Noel Prendergast	5 of 5	9 of 9 <sup>^</sup>			
John Wentzel	5 of 5	9 of 9 <sup>^</sup>	3 of 3 <sup>^</sup>	3 of 3 <sup>^</sup>	
Timothy Olls~	1 of 1 <sup>^</sup>				

\* Passed away 09 March 2022.

<sup>^</sup> Invitee.

\*\* Includes special meetings in addition to the regular schedule of meetings, 1/5 Board meetings and 5/9 audit and risk committee meetings were special.

# The investment committee meets as and when necessary, such committee did not meet during the period.

~ Appointed 1 April 2022.

## Committee focus areas

See the social, ethics and sustainability committee report on page 95 and audit and risk committee report on page 104 for the focus areas of these committees and the remuneration report on page 83 for the focus areas of the human capital committee.

## Investment committee

Notwithstanding that the committee did not meet during FY2022; the focus areas for FY2023 include overseeing the acquisition and or disposal of certain divisions within the Group as driven by the growth and right-sizing initiatives, reviewing the capital allocation framework 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 consider 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.



# Governance report

## *continued*

### 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. Email communication is distributed informing the relevant individuals when the Company is entering a closed period. At all other times, directors and prescribed officers are required to seek approval as provided for under the Adcorp share trading policy.

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 and the KwaZulu-Natal and Gauteng social unrest in FY2022 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 an 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 2022, the Group had a stable liquidity position, with a cash balance (excluding restricted cash in Angola and cash in assets held for sale) of R331,0 million (2021: R407,0 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 with the competence, qualifications, and experience of the company secretary.



In executing her duties of governance and administration, Lisa Laporte maintains an arms-length relationship with the Board and its directors, as far as reasonably possible.

## 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 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.

The main IT project has been Project Skyhawk which was established to ensure the effective deployment of technology to contribute to the standardisation and automation of many of the business processes within the core workforce management function.

The configuration of the application for the Industrial Division brands is nearing completion and has been deployed to more than 750 customer sites.

The development of the unique features for Professional Division are progressing well.

The main progress during the reporting period was the finalisation of the Foundational Data Model to ensure it supports Adcorp's revised operating model and brand centric approach. This has been completed and the build of the end-to-end tenant has been completed. The switch over to a single ERP for the South African operations is scheduled for 5 September 2022.

IT developments during the year included:

- Revision of Dimension Data outsourcing contract to ensure internal support capability and reduction of IT costs.
- Enhanced cyber security capabilities by expanding on the Managed Security Services.
- Enhanced IT Service Delivery model by clearly defining what should be managed internally and what will be provided by the appointed service providers through clear SLAs.
- Refined IT operation model to ensure alignment to Adcorp strategy and business requirements.
- Improved controls, policies and standard operating procedures.

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 and mitigation

## Risk management

Risk management is a key focus within the Group which is focused on consistently and proactively identifying, managing, mitigating and monitoring key risks on an ongoing basis.

The Adcorp Group audit and risk committee oversees risk management on behalf of the Board and receives regular feedback from management on all risk related activities. The committee continually assesses all governance structures and lines of defence to ensure that roles, responsibilities and accountabilities for identifying, managing, mitigating, reporting and escalation of risks within the Company are clearly defined.

An integrated risk management process has been adopted which includes a methodical bottom-up and top-down approach process which ensures that management identifies strategic risks that were scoped and ranked and mitigated.

The Group's Enterprise Risk Management Framework is reviewed annually to ensure that it remains aligned to the Group's objectives, business needs and our governance responsibilities.

## Enterprise risk management universe



The Group's risk culture is set by the 'tone at the top' i.e. from Board level and down through to executive management and other management levels. This is achieved through effective and consistent communication around risks and ethics. The Group's level of risk exposures are measured against formalised risk appetite statements and further aligned to the Group's strategic objectives.

### Risk management process

**Adcorp risk applies the five step risk management process which encompasses the below:**

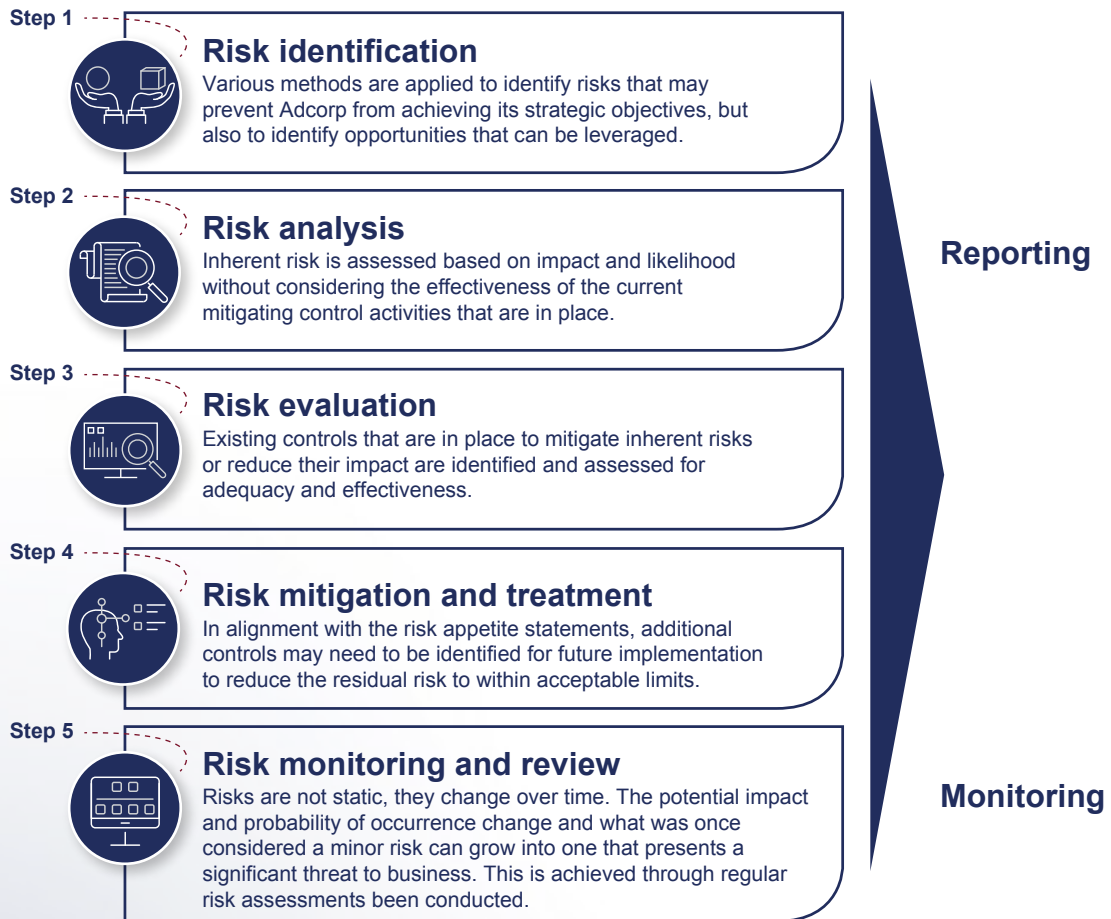
1. Risk identification
2. Risk analysis
3. Risk evaluation
4. Risk mitigation and treatment
5. Risk monitoring and review

Risk appetites and tolerance are core considerations for our risk response plans as they consider the relationship between the potential impact of key risks and the effectiveness of mitigating controls or management actions.

In an endeavour to enhance the efficacy of the internal control environment, Adcorp's management established management risk forum, chaired by the chief financial officer. 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.



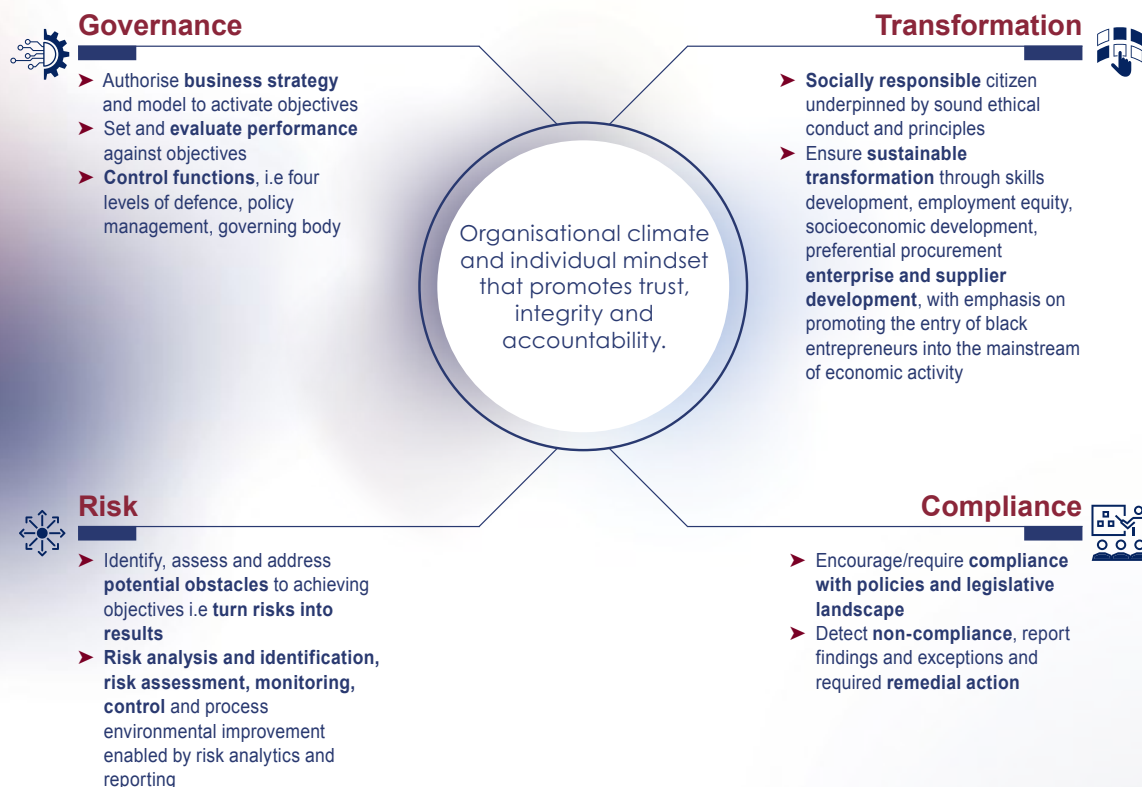
# Risk management and mitigation *continued*



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



# Adcorp culture



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

## Combined assurance

Adcorp considers risk appetite and tolerance levels in evaluating strategic alternatives, setting objectives, and developing mechanisms to manage related risks. The Combined Assurance Framework enables Leadership to effectively co-ordinate assurance provision by management, internal and external assurance providers (four levels of defence), over mitigating responses/ controls implemented. This is to prevent or reduce the impact of risk events that could impact Adcorp strategic and business objectives.

Key strategic imperatives over this period included:

- Stabilising the Group risk and compliance function and ensuring continuity in managing and mitigating key operational and legal risks;
- Continuing to monitor, manage and mitigate the impact and effects of COVID-19, both at our Adcorp premises and branches, as well as on customer sites; and
- Facilitating enterprise risk workshops with the individual portfolios in the Group.

The Combined Assurance Framework facilitates a common understanding of assurance terminology across the organisation and reduces the complexity of assurance practices through standardisation across the organisation.

The Framework ensures that assurance is integrated and embedded into the day-to-day management of risk, opportunities and decision-making activities. It ensures alignment with the Adcorp Risk Management Framework and all risk related policies and activities.

Current Group level risks and issues remain within a low to medium 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 contribute 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 Group statutory structure;
- The management risk forum;
- ERM framework;
- Joint processes with the Board;
- Workday implementation in Group finance and HR; 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.



# Risk management and mitigation *continued*

OVER-SIGHT	BOARD OF DIRECTORS									
	Executive committee			Board sub-committees				Company secretary		
4TH LINE OF DEFENCE	External audit		Regulatory audit			Global Standards Certification		Other assurance providers		
3RD LINE OF DEFENCE	INTERNAL AUDIT									
2ND LINE OF DEFENCE	Group legal	Group GRC	Group health and safety	Group commercial	ST insurance	Group HCM	Group Finance	Transformation / CSI	Info Systems	
1ST LINE OF DEFENCE	OPERATIONAL MANAGEMENT Strategy, Delegation of authority, Sales & Marketing, Procurement, HR									

The risk appetite and risk tolerance are 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.

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



RISK	MITIGATION	RISK	MITIGATION
<b>Liquidity and funding risk</b> 	<ul style="list-style-type: none"> <li>Treasury policy in place and actively managed</li> <li>Treasury function monitoring covenant compliance</li> <li>Daily cash flow management analysis, supported by medium and long-term cash flow forecasts</li> <li>Effective collections process and strict credit limit</li> <li>Adequate credit insurance cover</li> </ul>	<b>Human capital risk</b> 	<ul style="list-style-type: none"> <li>Active and robust plan in place to ensure a positive change in culture at all levels of the organisation</li> <li>Internal leadership courses implemented to ensure change in leadership style</li> <li>Inclusion of all levels in operating model discussions and ongoing transparent communications</li> <li>Adequate remuneration structures</li> </ul>
<b>Anti-bribery and corruption</b> 	<ul style="list-style-type: none"> <li>Anti-Bribery Policy in place</li> <li>Anonymous tip-off Line in place for all stakeholders i.e suppliers, employees and clients</li> <li>Effective employee awareness campaign</li> </ul>	<b>B-BBEE</b> 	<ul style="list-style-type: none"> <li>Risk and scorecard drivers are closely monitored.</li> <li>B-BBEE strategy developed</li> <li>Formal B-BBEE plan in place and monitored</li> <li>Management's KPIs aligned with transformation requirements and measurement of actual performance against agreed criteria</li> </ul>
<b>Compliance risk</b> 	<ul style="list-style-type: none"> <li>Robust Risk and Compliance function</li> <li>Participation and engagement with Regulatory Authorities</li> </ul>	<b>COVID-19</b> 	<ul style="list-style-type: none"> <li>Policies and procedures in place</li> <li>Risk Assessments conducted</li> <li>Continues review of the above</li> </ul>
<b>Commercial risk</b> 	<ul style="list-style-type: none"> <li>Key Focus on Growth of new business opportunities in new sectors</li> <li>Continuous monitoring of client satisfaction via a 3rd party supplier</li> <li>Dedicated focus on commercial initiatives and implementation thereof</li> <li>Executive management relationships and involvement at a client level.</li> </ul>	<b>Technology risk</b> 	<ul style="list-style-type: none"> <li>Cyber Security Policy and procedures in place with regular reviews</li> <li>Regular testing conducted</li> <li>Expert 3rd party suppliers consulted</li> <li>Project plan for the implementation of the new ERP system in place</li> <li>Project sponsored by Executive Management (CEO &amp; CFO)</li> <li>Fail over plan in place</li> </ul>

# Remuneration report



**Sam Sithole**

Chairman of the human capital committee

“Through our purpose of enabling agile, skilled and focussed workforces for the future, we are uniquely positioned to make a contribution to both shareholders and the broader society. Adcorp’s contribution to training people, placing people in meaningful work and enabling clients to grow, allows economies and companies to thrive, creates employment and helps people build fulfilling careers. It is a purpose and legacy that we at Adcorp are proud of.”

## 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 2022 was the third consecutive 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 individual’s performance 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 another unprecedented year due to the COVID-19 pandemic, with South Africa experiencing the third and fourth waves while Australia underwent severe lockdown measures. Further, the July unrest in KwaZulu-Natal created challenges for certain operating business units. Collectively the pandemic and unrest impacted the financial performance of the Group. The Group also experienced a change in CEO. Outgoing CEO Phil Roux was replaced by Dr John Wentzel from 1 April 2021. There was a one month hand-over period which ensured a smooth transition in leadership. During 2020 management introduced a rebase in the salaries of all employees to 95% which was to run for the duration of FY2022. To ensure the long-term sustainability of the organisation and once the financial situation of the organisation stabilised this decision was reversed and all employees were reinstated to 100% salary from June 2021.

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 the King IV™ principles and includes:

- The remuneration philosophy and policy;
- An implementation report; and
- Non-executive director remuneration.

### Remuneration governance

Adcorp's approach to remuneration for FY2022 was implemented in line with the strategic priorities and value drivers at the start of the year. The main priorities included:

- Stabilising the business;
- Capacitating for growth;
- Ensuring revenue growth in new sales;
- Ensuring margin improvement;
- Cultural rejuvenation by redefining our core purpose and values;
- Establishing an engaged high performance workforce;
- Successful implementation of enterprise systems; and
- Maintaining our B-BBEE level 1 certificate.

HCC supports the Board in the monitoring and oversight of remuneration-related matters of the Board, Group executive and senior management 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:

- Approval of the financial and non-financial metrics of the scorecard for the STIs for the executive management team for FY2022;
- Measurement of the performance of the executive management team in terms of the short-term incentive (STI) scheme for FY2022;
- Approval of the allocation of the LTI share allocations for FY2022;
- Continuous review of Adcorp Group's remuneration policy as the impact, trends and effects of the COVID-19 pandemic became clearer;
- Adjustment of the remuneration policy as may be required in this volatile economic environment in turnaround initiatives that were put in place during the current financial year;
- Establishing a STI policy for the Group;
- Progressing the alignment of the Adcorp talent management process with the Group's strategic imperatives and incorporating this into the revised remuneration policy;
- Review and recommendation of the non-executive directors' fees for approval by shareholders;
- Review of the pay gap analysis of employees in South Africa and Australia and established methods to address any gaps; and
- Negotiation of the remuneration packages of the new executive directors and managers.

### Areas of focus for FY2023 include:

- Monitoring and reviewing the financial and non-financial metrics included in the scorecard of the Adcorp Group;
- Approval of the financial and non-financial metrics of the scorecard for the STIs for the executive management team for FY2023;
- Monitoring and 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;
- Aligning the remuneration structures and levels to ensure that the Adcorp Group can remain competitive in its industry and in the broader economic context;
- Assessment and approval of the LTIs to be awarded for FY2023; and
- Establishing shared roles and responsibility in conjunction with the SESCom in relation to ESG.

# Remuneration report *continued*

## Changes to the executive management team

As set out on page 69 there have been a few 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 from 1 April 2022. His remuneration package included 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 have the normal group key performance criteria. Dr Wentzel's key focus for the Group was to drive the growth agenda.

Nick Najjar was appointed in May 2021 as managing director for Training and subsequently as managing director for Professional from 1 March 2022. Bruce Toerien took on the role as managing director for Training from 1 March 2022 while still maintaining the role and responsibilities of the chief commercial officer. The Group seeks to find a suitable replacement as chief commercial officer in due course.

Unathi Thosago was appointed in April 2022 as the chief technology officer for the Group. Kay Vittee resigned as managing director for Professional and exited the Group in February 2022. Megan Woodbury has resigned as chief operations officer in Australia and will exit the Group at the end of June 2022. A search for her replacement is currently underway.

The Board is satisfied that the executive team is adequately capacitated to deliver on the Group's strategic priorities.

## 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 FY2022, we extended this focus on succession planning to the top two levels of leadership. The talent review for the executive and senior management teams took place in November 2022. 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 29 July 2021, resulted in a vote in favour of 76,12% for the remuneration policy and 75,53% for the implementation report.

The resolution on 'non-binding advisory vote on the remuneration policy and implementation report', as set out in the IAR FY2021 on page 79, did 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 will continue to encourage shareholders to share their views with the chairman of HCC in this regard.

Should 25% or more of the votes be casted against the remuneration policy and/or implementation report, 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.

The implementation report is set out below on page 90 to enable shareholders to understand the Adcorp remuneration policy and how it has been applied to the executive management team in FY2022. 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*

27 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, taking into account the long-term interests of the Group. 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 Patterson 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. Only the 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.

# Remuneration report *continued*

The key elements of the remuneration structure for the Group executive management team which were applied in FY2022 are shown in the table below:

	Total Guaranteed Package (TGP)	Short-term incentives	Long-term incentives
<b>CEO</b>	Market-based in line with remuneration policy	100% of TGP	100% of TGP
<b>CFO</b>	Market-based in line with remuneration policy	60% of TGP	60% of TGP
<b>Group executives</b>	Market-based in line with remuneration policy	60% of TGP	60% of TGP
<b>Description</b>	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.
<b>Purpose and link to strategy</b>	Attraction and retention of key employees	Creating a high performing culture	Alignment of key employee interests with those of shareholders and retention
<b>Delivery mechanism</b>	Monthly cash payments	Annual cash payment	Unvested shares
<b>Performance period</b>	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 2021 exacerbated by the COVID-19 pandemic, no annual increase has been awarded in FY2022. Annual increases of 4,5% were awarded post year-end for FY2023 in March 2022.	Aligned annually with the financial year i.e. 1 March to 28 February	Three-year performance based vesting period from date of award

### Short-term incentive performance metrics

The table below shows the performance measures and approach to the targets set for FY2022:

Metric – FY2022	Why it was chosen	How targets are set
<b>Operating profit</b>	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.
<b>Gross profit margin</b>	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.
<b>DSO</b>	Drives cash availability and efficiency in the operating cycle	Set annually based on anticipated growth in revenue and cash requirements of the Group.
<b>Revenue growth in new sales</b>	Drives 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.
<b>EBITDA margin</b>	Strict adherence to the financial covenants prescribed by the lenders	Set in terms of the borrowing base facilities agreements with lenders to the Group.
<b>Strategic focus areas</b>	These are quantitative and qualitative performance areas that are required to be executed in FY2022 in order to meet the strategic goals of the Group	Targets are tailored at an individual level. In FY2022, these were focused on implementing the business stabilisation initiatives. An overarching growth strategy must be developed. The committee acknowledges the investment required to achieve this in FY2022 and sees this as a key enabler for achievement of targets for FY2023 and beyond. Business efficiencies are to be realised through the various system implementations. Customer satisfaction surveys need to be established. The Group must maintain its B-BBEE level.

### Long-term incentive performance metrics

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

LTI metric	Why it was chosen	Performance requirements for vesting	How targets are calculated
<b>ROIC</b>	Key indicator of the effective use of capital	<ul style="list-style-type: none"> <li>50% awarded if ROIC equals WACC.</li> <li>75% awarded if ROIC exceeds WACC by 1%</li> <li>100% awarded where ROIC exceeds WACC by 2%</li> </ul>	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 net operating profit after tax.
<b>HEPS</b>	Measures the growth in the Group's core profitability	<ul style="list-style-type: none"> <li>No award where HEPS growth is zero or below</li> <li>50% awarded where HEPS growth is =&gt; CPI + 3%</li> <li>100% awarded where HEPS growth is =&gt; CPI + 6%</li> </ul>	Calculated on a linear scale as the three-year average HEPS growth.

# Remuneration report *continued*

LTIs 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 managing directors of each business unit. Remuneration of the prescribed officers is disclosed in the remuneration implementation report and the annual financial statements on page 91.

## 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.

## Remuneration of non-executive directors

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 29 July 2021. The proposed Board fees for FY2023 will be tabled for shareholder approval at the upcoming AGM.

Total emoluments to non-executive directors for FY2022 are set out in the table on page 93 and the proposed fees for FY2023 payable from the date of the AGM are included in the notice to the AGM on page 140.

## 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 work of equal value;
- 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 sustainability 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 brands 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 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 customer sites.

The Group advocates equal treatment policies for all its assignees and has reinforced this through products available from its partners such as AFS, a division of UniQ Benefit Solutions, that deals responsibly with death, wellness and long-term savings. Currently, within the contingent staff base and outside of those employees already provided for by industry-specific bargaining councils, several assignees benefit from affordable additional employee benefits such as funeral cover, income protection and provident fund benefits.

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.

### **Remuneration for executive directors and prescribed officers in FY2022**

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 nonfinancial 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.

### **Performance outcomes**

It has been a challenging year for the Group, but we have delivered against this backdrop. The COVID-19 pandemic remains with us, economic recovery in both markets remains slow and employee morale has not recovered from the drastic measures, of salary sacrifices and retrenchments, that were required to save the business in FY2022. Our goal for FY2022 as an executive team was to stabilise the business. Stability meant improving the working capital position, controlling costs, raising quality and quantity of earnings, and lifting ROIC. We have achieved significant progress across all of these measures except for year-on-year revenue growth. It is, however, noteworthy that the year-on-year decline in revenue (1.7%) is the lowest it has been for 6 years. Against the FY2022 STI metrics, the Group executive team has achieved between 82.5% to 95% of their individual measures, while most business units achieved majority of their set metrics.

Due to solid business performance and results achieved, bonuses were paid to management and employees in recognition of their efforts.



# Remuneration report *continued*

## Part 3: IMPLEMENTATION REPORT 2021

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

### STI framework for FY2022

The Adcorp People Philosophy is a governance framework for all aspects of decisions relating to is 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 individual 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 metrics which are shared responsibility and accountability to deliver the Group performance for FY2023. It sets out the financial metrics that have a 70% weighting, while non-financial metrics, carrying a strategic focus have a 30% weighting.

Metric	Revenue growth	Gross margin	EBITDA – Group	HEPS growth	DSO	Cash management	Employment tax incentive (ETI)	Total
Weighting	10%	10%	10%	10%	10%	10%	10%	70%

All the financial metrics above will be based on Group financial targets. The following non-financial strategic targets are also included in the STI scorecards:

- B-BBEE – the executives must ensure a level 1 is maintained.
- Technology enablement – ensure the successful completion of Workday Finance within the defined project timeframe. Optimise technology cost by meeting or improving the budget. Develop an IT value extraction strategy.
- Customer satisfaction survey – measure monthly satisfaction levels of external clients across the Group using a suitable CSI tool. The annual average score should be no less than 80% for each pillar. Support functions will be measured by internal clients including the Board and Board sub-committees.
- Employee engagement score – improve the employee engagement scores from the FY2022 level.

### Long-term incentive (LTI) performance metrics

The table below shows the metrics for the share awards for FY2023:

LTI metric	Why it was chosen	Performance requirements for vesting	How targets are calculated
<b>ROIC</b>	Key indicator of the effective use of capital	<ul style="list-style-type: none"> <li>• 50% awarded if ROIC equals WACC.</li> <li>• 75% awarded if ROIC exceeds WACC by 1%</li> <li>• 100% awarded where ROIC exceeds WACC by 2%</li> </ul>	<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 net operating profit after tax.</p>
<b>HEPS</b>	Measures the growth in the Group's core profitability	<ul style="list-style-type: none"> <li>• No award where HEPS growth is zero or below</li> <li>• 50% awarded where HEPS growth is CPI + 3%</li> <li>• 100% awarded where HEPS growth is CPI + 6%</li> </ul>	Calculated on a linear scale as the three-year average HEPS growth.

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

The tables below provides the actual remuneration for FY2022 and the related actual and expected cash outflow.

**Table 1: Directors Earnings 1 March 2021 – 28 February 2022**

**Directors' and prescribed officers' emoluments**

Executive directors 2022	Salary R'000	Bonus R'000	Employee benefits R'000	Sub-total R'000	Realised gains on share options R'000	Separation costs R'000	Notice and leave pay R'000	Total R'000
Dr John Wentzel (appointed 1 April 2021)	4 409	6 088*	1 157	11 654	–	–	–	11 654
Noel Prendergast	2 723	1 440	517	4 680	–	–	–	4 680
Phil Roux (resigned 31 March 2021)	500	–	40	540	–	–	353	893
	7 632	7 528	1 714	16 874	–	–	353	17 227

\* R1 588 million sign on bonus and R4,5 million FY22 bonus

**Table 2: Prescribed Officers Earnings 1 March 2021 – 28 February 2022**

Executive directors 2022	Salary R'000	Bonus R'000	Employee benefits R'000	Sub-total R'000	Realised gains on share options R'000	Separation costs R'000	Notice and leave pay R'000	Total R'000
Rob de Grooth	2 715	1 350	301	4 366	298	–	–	4 664
Kay Vittee (resigned 28 February 2022)	2 440	–	666	3 106	615	3 069	877	7 667
Nick Najjar (appointed 10 May 2021)	1 798	1 638*	471	3 907	–	–	–	3 907
Megan Woodbury	2 768	665	247	3 680	–	–	–	3 680
	9 721	3 653	1 685	15 059	913	3 069	877	19 918

\* R400 000 sign on bonus and R1 238 million FY22 bonus

# Remuneration report *continued*

**Table 3: Directors and prescribed officers' long-term incentive participation  
1 March 2021 – 28 February 2022**

**Directors' and prescribed officers' participation in long-term incentive scheme**

	Number of unexercised options as at 28 February 2021	Issue price R/share	Number of options granted	Issue price R/share	Number of options exercised	Number of options forfeited	Number of unexercised options as at 28 February 2022	Vesting date
<b>Executive directors</b>								
Dr John Wentzel	–	–	906 095	4,88	–	–	<b>906 095*</b>	01/04/2024
	–	–	949 367	3,82	–	–	<b>949 367#</b>	30/06/2024
Noel Prendergast	516 129#	4,26	–	–	–	–	<b>516 129#</b>	30/11/2023
	–	–	303 797	3,82	–	–	<b>303 797#</b>	30/06/2024
<b>Prescribed officers</b>								
Rob de Grooth	35 000#	17,99	–	–	(17 500)	(17 500)	–	01/03/2020
	68 671#	17,16	–	–	(34 336)	(34 335)	–	20/06/2021
	76 135#	23,93	–	–	–	–	<b>76 135#</b>	01/03/2022
	483 969#	4,26	–	–	–	–	<b>483 969#</b>	30/11/2023
	–	–	456 713	5,93	–	–	<b>456 713~</b>	28/02/2023
	–	–	284 868	3,82	–	–	<b>284 868#</b>	30/06/2024
Kay Vittee**	139 650#	17,99	–	–	(69 825)	(69 825)	–	01/03/2020
	74 132#	17,16	–	–	(37 066)	(37 066)	–	20/06/2021
	62 262#	23,93	–	–	–	(62 262)	–	01/03/2022
	469 965#	4,26	–	–	–	(469 965)	–	30/11/2023
	–	–	443 498~	5,93	–	(443 498)	–	28/02/2023
	–	–	277 562#	3,82	–	(277 562)	–	30/06/2024
Nick Najjar	–	–	261 076	3,82	–	–	<b>261 076#</b>	30/06/2024
Trevor Fowler	64 779#	17,16	–	–	–	(64 779)	–	20/06/2021
	52 751#	23,93	–	–	–	(52 751)	–	01/03/2022

# Performance shares.

~ Retention shares.

\* Sign-on shares.

On resignation, rights to all shares in the long-term incentive scheme are forfeited.

\*\* Kay Vittee resigned on the 28 February 2022.

## Non-executive directors' fees

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

Director	Date appointed	Date resigned	FY2022 fees R'000	FY2021 fees R'000
Gloria Serobe	11 July 2017		1 037	777
Michael Spicer	21 August 2013		643	467
Cecil Maswanganyi	1 March 2017		329	241
Clive Smith	10 January 2020		338	260
Phumla Mnganga	6 September 2018		502	362
Monde Nkosi	6 June 2019	1 June 2022	268	236
Herman Singh	6 September 2018		468	702
Samuel Sithole	4 July 2017		494	338
Ronel Van Dijk	6 June 2019		443	306
Tshidi Mokgabudi	15 October 2020		665	243
Melvyn Lubega	1 July 2020		443	249
Sindiswa Mabaso-Koyana	14 September 2012	1 March 2021	—	427
Gugulethu Dinga	18 August 2010	10 September 2020	—	114
Sydney Mufamadi	11 July 2017	10 September 2020	—	65
<b>Total NED fees as at 28 February</b>			<b>5 630</b>	<b>4 787</b>

\* Mr Clive Smith was appointed as a non-executive director and a consultant to the Group in January 2020 and the fee above is exclusive of the consulting fees amounting to R1 461 905 (2021: R1 396 237). 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 20% (one day a week on average) 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 Dutirol as Group CEO in October 2019, Mr Clive 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 Dr Phil Roux and Dr John Wentzel as leaders of the business.

## Details of the proposed fees for FY2023

(R)	Retainer fee per meeting for 2021/2022	Attendance fee per meeting for 2021/2022	Proposed annual retainer fee for 2022/2023
<b>Board</b>			
Chairperson*	95 191	142 787	875 000
Lead independent non-executive	37 047	52 953	350 000
Non-executive	26 508	39 763	250 000
Ad hoc work performed by NEDs in their role as directors (hourly rate)	—	2 650	—
<b>Audit and risk committee</b>			
Chairperson	31 516	47 275	300 000
Non-executive	15 759	23 637	150 000
<b>Human capital committee</b>			
Chairperson	32 281	43 626	150 000
Non-executive: HCC	18 663	26 881	80 000
Chairperson: Nomination*	—	13 741	20 613
<b>Social, ethics and sustainability committee</b>			
Chairperson	12 959	19 438	150 000
Non-executive	8 217	12 326	80 000
<b>Investment committee</b>			
Chairperson	31 516	47 275	150 000
Non-executive	15 759	23 637	80 000

\* The Board chairperson's fees are capped at R875 000 per annum; the Board chairperson does not receive additional fees for serving on other committees she may be serving on.

# Social, ethics and sustainability committee

## Introduction

Adcorp has embarked on a more robust approach to sustainability and in response the social, ethics and sustainability committee (SESCoM or the committee) has an independent role and its responsibilities are as set out in section 72(4) of the Companies Act. The committee's mandate is elaborated upon in its approved Terms of Reference (TOR), which are aligned to the Group's statutory and other responsibilities. The TOR is reviewed annually for relevance and appropriateness.

Adcorp's SESCOm supports the Board in overseeing the Group's activities in terms of legislation, regulation and codes of best practice relating to the social, ethics, sustainability, transformation, employment, health and safety, and environmental activities of the Group. Adcorp has adopted a strategic proactive approach to focus on Environmental, Social and Governance (ESG) matters and as such appointed a Group Sustainability Executive. It was therefore deemed appropriate for the social, ethics and transformation committee to change its name to social, ethics and sustainability committee. This committee had oversight on all matters in relation to both the South Africa and Australian business entities.

## Roles and responsibilities of the committee

The overall 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

With an intentional focus on ESG the following are related responsibilities of the committee:

- Oversee the establishment of ESG policies and codes of practice and their effective implementation, and monitor and review their ongoing relevance, effectiveness, and further development;
- Ensure that Adcorp monitors and reviews current and emerging ESG trends, relevant international standards and legislative requirements, identifies how those are likely to impact on the strategy, operations, and reputation of the Company and determines whether and how these are incorporated into or reflected in the company's ESG policies and objectives;
- Work and liaise as necessary with all other Board committees and defining accountability. Such Board committees include the audit and risk committee and the human capital committee;
- Oversee the development of and make recommendations to the Board regarding the Group's ESG strategy;
- Set appropriate strategic goals, as well as shorter term KPIs and associated targets related to ESG matters and oversee the ongoing measurement and reporting of performance against those KPIs and targets;
- Work in conjunction with the audit and risk committee and the human capital committee to oversee the identification and mitigation of risks relating to ESG, as well as the identification of opportunities related to ESG matters;
- Make recommendations to the Board in relation to the required resourcing and funding of ESG-related activity and, on behalf of the Board, oversee the deployment and control of any resources and funds;



**Dr Phumla Mnganga**

Chairperson: Social, ethics and sustainability committee



- Identify the relevant ESG matters that do or are likely to affect the operation of Adcorp and/or its strategy;
- Oversee the company's engagement with its broader stakeholder community; and
- Ensure that the Company provides appropriate information and is transparent regarding its ESG related policies with the investment community, particularly ethical/socially conscious investment funds, by whatever means are deemed to be most effective.

### 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 64 and 65. During the year under review, the committee comprised of three non-executive directors, two of whom are independent, as listed below:

- Phumla Mnganga: Chairperson and independent non-executive director;
- Tshidi Mokgabudi: independent non-executive director;
- Cecil Maswanganyi: non-executive director;

The Group executives – chief executive officer, chief people officer, general counsel and Cosec, and members of senior management have standing invitations to the committee meetings. In alignment with its TOR, the committee met three times, and the meeting attendance is set out on page 73. The agenda of these meetings is addressed under the key focus areas below.

### Key focus areas of the committee

The committee focused on the following areas during FY2022:

#### Policy reviews

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

##### *Stakeholder engagement policy*

Adcorp recognises that effective stakeholder engagement is essential to achieving our strategic priority, being the creation of a shared sustainable value. The Group is committed to adding sustainable value to all our key stakeholders and having a positive impact on broader society (i.e., promoting shared value). These specifically include shareholders, employees, customers, suppliers, and communities in the context of broader society. Adcorp subscribes to the need for meaningful and sustainable engagement with all its stakeholders.

This policy seeks, within the parameters of the Group's core values, to establish a governance framework and principles of engagement with all stakeholders. Further, it aims to ensure that the code of ethics is upheld throughout all stakeholder engagement.

Adcorp uses a decentralised stakeholder engagement model in which individual business units, legal entities, and corporate functions manage their own stakeholder engagement and are responsible for identifying stakeholder concerns and taking appropriate action. Maintaining constructive relations with legitimate and material stakeholders is a core responsibility of each business unit, legal entity, and corporate function. Nevertheless, certain stakeholders require dedicated relationship management, and this is the responsibility of specific business units within the Group.

##### *Hybrid working policy*

During the COVID-19 pandemic, employees were required to work from home for many months. Subsequently, the Group decided to introduce a hybrid working model from September 2021. The purpose of this hybrid working policy is to outline the standard conduct and guiding principles related to Adcorp's approach to location-flexible work patterns. This location-flexible arrangement allows employees, in qualifying roles, to combine onsite and offsite work as is reasonably expected, in line with operational requirements across various business units, thus requiring management approval. It aims to empower employees to manage their time more productively, while empowering managers with the necessary guidance to maintain a high performance culture.

##### *COVID-19 health and safety policy*

Throughout the pandemic, Adcorp has placed the health and safety of our employees, contractors, learners, job seekers, customers and service providers at the centre of our response. To this end, we have encouraged our employees to be vaccinated through a continued COVID -19 awareness and vaccination campaign and implemented COVID-19 policies addressing safety protocols and measures in our workplaces, in line with government regulations. Adcorp will continue in our efforts to uphold a safe and healthy environment for all sharing our workplaces through periodic risk assessments and workplace initiatives.

##### *Conflict of interest and disclosure policy*

Employees, directors, as well as prescribed officers of the Company have a common law duty to avoid any conflict of interest and to act in the best interest of the Company at all times, as well as the statutory duty of disclosure as laid down in the Companies Act.

The aim of the policy is therefore to protect both the Company and the individuals involved from any appearance of impropriety, unethical behaviour and to ensure compliance to statutory and best practice norms. The policy also serves to fulfil the Board's responsibility in terms of the King IV™ Report principles. We aim to run annual awareness drives amongst all employees and encourage disclosure.

# Social, ethics and sustainability committee *continued*

## *POPIA and PAIA policy*

Adcorp Group guarantees its commitment to protecting data subject privacy, as well as ensuring that their personal information is used appropriately, transparently, securely and in accordance with applicable laws, which includes the constitutional provisions of the Republic of South Africa. Similar mechanisms and guidelines have been implemented within our Adcorp Australia businesses, in so far as the relevant privacy laws are concerned.

It is a requirement of POPIA to adequately protect the personal information which Adcorp Group holds and to avoid unauthorised access and use of personal information. Adcorp Group reviews its technical and operational security controls and processes on a regular basis to ensure that personal information is secure.

Adcorp Group has appointed an Information Officer who is responsible for the encouragement of compliance with the conditions for the lawful processing of personal information and other provisions of POPIA and PAIA.

The committee provided a level of oversight and direction to the above policies to ensure our ethical landscape and culture is maintained.

## **Organisational ethics**

The creation of an optimal ethical climate remained a crucial focus for the committee. The impact of increased levels of change and restructuring were continuously monitored to ensure the desired ethical lapses were duly addressed and rectified.

During the year a survey on fraud and corruption awareness was conducted within the Group including both South Africa and Australia and the outcome was interrogated by the committee as part of its governance mandate to promote ethical culture and awareness within the Group.

The recommendations coming out of the survey informed the current activities in so far as the promotion of ethical culture is concerned, and these include:

- Development of an ethics and fraud awareness programme;
- Development of a fraud risk management strategy and programme;
- Ethics pledge; and
- Disclosure of interest and fraudulent activities.

Notwithstanding the ongoing activities aimed at improving ethical culture; reports of any unethical behaviour are received through the tip-off line managed independently by Deloitte and management will swiftly address the reported cases in line with the policies and procedures that are in place. This has proved to be an effective detective mechanism to combat fraud and corruption as it encourages employees to report illegal action and ethical misconduct.

## **Stakeholder relationships**

The committee confirmed its commitment to effective and transparent communication with key stakeholders and also acknowledged its 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 26, 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 addressed by the Group.

## **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.

## *Amendments to the Employment Equity Act*

The Department of Labour's proposed amendments were planned for promulgation in February 2022. With these pending amendments to the Employment Equity Act, the committee guided management on the required actions necessary for the Group to adapt. Actions to date included training to capacitate business to manage the changes to the Employment Equity Amendments. Two virtual training sessions were held by an expert in the month of October 2021. The audience included portfolio executives; senior managers responsible for Employment Equity and HR teams to support business. The purpose of this training session was to collaborate and capacitate the EXCO team, HR practitioners, and EE managers so that they can take proactive and informed steps to prepare for this strategic and operational vital legislation. As from 1 October 2022 all current plans will be replaced. The following toolkits were shared to ensure transfer of learning and value-add by addressing:

- A model for fair discrimination
- Framework for workforce modelling
- Model for workforce planning
- Model for addressing equal pay for work of equal value
- Link of the Certificate of Compliance to tenders (public and private sector) as well as B-BBEE verifications

- A checklist for ensuring governance
- An approach for designing the 5-year plan that will achieve the Sectoral Ministerial Targets.

Post this training, executive members recognised the long-term consequences of the changes and became deeply invested in ensuring Adcorp succeeds at setting new targets and achieving them. Further, the impact of the new amendments on other race groups was debated and the strategies the organisation needs to deploy to keep these groups motivated and engaged in the workplace. There has been a task team set up with action plans defined to ensure that we as an organisation prepare adequately and timeously for the new amendments.

### **B-BBEE**

The committee identified opportunities to improve the Group's B-BBEE scores. The Group maintained and achieved a B-BBEE level 1 rating, for a second year. A key opportunity for the Group that was well maintained was the new share scheme. The scheme encompasses external black shareholders and an internal trust called ABET 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.

The 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 currently 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. Six trustees were appointed to the trust. Three are external independent trustees and three are employee beneficiary nominated trustees. Our partners at Baker & McKenzie Attorneys conducted training on the Trust Deed with these Trustees, explaining all elements of the Trust Deed in detail. Adcorp held a General Meeting with beneficiaries on 4 June 2021, with 300 beneficiaries in attendance.

### **Diversity, Equity and Inclusion**

A critical component of transformation is a sound diversity, equity and inclusion strategy. This has been incorporated in the Group's transformation policy and management has constituted a 'Diversity, Equity and Inclusion Forum' across the Group. The constitution was tabled for the committee's approval which was adopted. Adcorp currently has nine diversity, equity and inclusion committees across the Group with a total of 86 members. The committees are made up of employee nominated employees and manager representatives of various occupational levels, race and gender of the specific companies. Each committee is made up of a senior manager responsible for employment equity and committee members. Members serve in the committee for a period of two years, following which re-election processes commence. Senior managers responsible for employment equity are appointed by the portfolio managing executives of the respective businesses. Committees meet every quarter in February, May, August and November.

The table below illustrates the tasks carried out and planned for the year ahead.

March 2021 to October 2021	November 2021 to October 2022
<ul style="list-style-type: none"> <li>• Review of legislative EE Amendments</li> <li>• Continual implementation of current EE Plan</li> <li>• Monitoring and tracking of recruitment in line with targets and goals</li> <li>• Submissions of WSP and ATR</li> </ul>	<ul style="list-style-type: none"> <li>• Strategic focus and implementation of new EE Plan in line with new sectoral targets</li> <li>• New EE Plan to be implemented over five-year period with annual targets</li> <li>• New EE Plan to be implemented March 2022 with EAP targets until September 2022, from October 2022 to March 2026 will be against new sectoral targets</li> <li>• Implementation of new policies               <ul style="list-style-type: none"> <li>– Sexual Harassment</li> <li>– Racial Harassment</li> <li>– Violence in the Workplace</li> <li>– Stronger focus on Discrimination and Equal Treatment policy</li> </ul> </li> <li>• Training across the Group on diversity inclusion, discrimination, and all forms of harassment</li> <li>• WSP and ATR submissions for the five-year period</li> <li>• Alignment of employment equity to B-BBEE to ensure compliance</li> </ul>



# Social, ethics and sustainability committee *continued*

## Fair and responsible pay

The Group's remuneration philosophy is to recruit, develop and retain employees who believe in our core purpose, and live by our values. We endeavour to encourage innovation and growth by creating a working environment that motivates high performance so that all employees can positively contribute to the vision, mission, values, strategy and goals of the Group. As a responsible employer, Adcorp applies the principle of equal pay for work of equal value.

This is applicable to both South Africa and Australia with local legislation governing it. The Group completed a pay parity exercise across all its divisions. Each business division has devised its own strategy (budget permitting) to close this pay gap, where necessary, either immediately or over a period of time.

### *Social economic development*

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, an employee shuttle service to the various surrounding public transport sites as well as a car wash service.

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.

## Environment impact

Adcorp adopts a position of "Do no harm" to the environment. While the current focus has been on a transactional level, see details below, there is an intent to shift to a more strategic focus as explained under the outlook section below.

### *Environmental highlights for the last year*

- GHG emission reduction – Adcorp head office utilises reusable energy through existing solar panels. This provides up to 30% saving in electricity and a related reduction in scope 2 carbon emissions.
- GHG emission reduction – Adcorp continues to operate on a working from home hybrid model which reduces traveling and a resultant reduction in scope 3 (flights) and scope 1 carbon emission.
- Waste management – Adcorp makes use of responsible waste disposal methods through trusted service providers who provide monthly reports to assist us in managing our waste.

## Outlook for the year ahead

Managing the impact of COVID-19 is anticipated to remain a theme for the committee in the coming year. Adcorp will ensure it creates a safe working environment in order to fulfil the company's obligations in terms of the Occupational Health and Safety Act, Code Of Practice. The Company is neither for nor against vaccinations, however, is required by law to ensure that its working environment is healthy and safe as it impacts employees, their families and the general public. Therefore, Adcorp will necessitate the steps required to ensure a safe working environment for all. To date we have approximately 72% of permanent employees in South Africa who are vaccinated while Australia has achieved above 90% vaccinated employees.


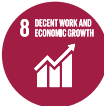





The committee will work closely with management to ensure the necessary changes to policies, equity plans and equity committees are achieved for the Group to be aligned with the new amendments to the Employment Equity Act. In addition, the committee will play an oversight role in the wage-gap strategy and framework to ensure a fair and equitable approach to wages and remuneration. Further the committee will place a huge intentional focus on ESG.

## Adcorp's approach to ESG going forward

Adcorp aims to contribute to a sustainable future by facilitating the development of fair and efficient labour markets for organisations, as well as people. This is done in line with the United Nations 17 Sustainable Development Goals (SDGs), which governments have adopted to end poverty, protect the planet and ensure prosperity for all by 2030.

As a committed workforce solutions provider, Adcorp specifically contributes to seven SDGs which are related to the five priority elements identified during the financial year through a materiality assessment involving stakeholder engagement. The initiatives which support the priority elements have been included in the action plans and are being rolled out within the business.

The five ESG priority elements for the year ahead and their related SDG impacts are as follows:

ESG Pillar	Priority element	Related SDG impact	Objectives
Social	① Youth employment/ social Impact	 	<ul style="list-style-type: none"> <li>• Drive higher youth employability</li> <li>• Develop skills</li> <li>• Ensure fair remuneration and reward</li> </ul>
	② Diversity, equity, and inclusion	 	<ul style="list-style-type: none"> <li>• Embrace all dimensions of diversity eg age, ethnicity, religion, LGBTQ+</li> <li>• Create a conducive and accepting environment</li> <li>• Create awareness amongst employees</li> </ul>
	③ People wellbeing		<ul style="list-style-type: none"> <li>• Promote workforce wellbeing</li> <li>• Enable initiatives for physical, mental, social, and financial wellbeing</li> </ul>
Environment	④ Respond to climate change		<ul style="list-style-type: none"> <li>• Partner with sustainable suppliers</li> <li>• Minimise business travel</li> <li>• Reimagine our waste habits</li> <li>• Refocus Cynergy as a business that supports renewable energy</li> </ul>
Governance	⑤ Embed corporate practices that foster good stewardship		<ul style="list-style-type: none"> <li>• Define framework</li> <li>• Create appropriate policies</li> <li>• Define targets &amp; an execution plan; monitor and measure success</li> </ul>



# Social, ethics and sustainability committee *continued*

Further, the Group's strategic intention is to:

- Partner with suppliers who have a zero or minimum negative impact on the environment. This will require revising our procurement process; and
- Provide services to clients who align with our ESG strategy to not negatively impact the environment.

Adcorp will utilise its annual employee engagement survey as a tool to measure success on some of the objectives listed in this report.

## 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**

*Chairperson: Social, ethics and sustainability committee*

# Audit and risk committee report

for the year ended 28 February 2022

The Group's audit and risk committee (the committee or ARC) presents its report for the financial year ended 28 February 2022. 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 annual general meeting (AGM) held on 29 July 2021.

Tshidi Mokgabudi (Chairman)

Herman Singh

Melvyn Lubega

Michael Spicer\*

Ronel van Dijk

\* Passed away on 9 March 2022

After due consideration by the Board, and as provided for in the ARC's terms of reference, the Board has agreed to maintain the current ARC composition following the passing of Michael Spicer, with the existing four ARC members standing for re-election for the FY2023 period. Further in terms of the ARC's terms of reference, closed sessions are arranged at least once a year with key relevant parties to ensure confidential assessments and discussions can occur. Nine (9) committee meetings were held during the year, of which five (5) were special meetings and four (4) were ordinary meetings.

In line with King IV™, the Board and its committee should be assessed once every two years and this will be performed during the 2023 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, as approved by the board of directors. The ARC's key areas of responsibility include:

- Performing statutory duties as prescribed by the Companies Act of South Africa, including the appointment and the assessment of the independence of the external auditor;
- Overseeing the integrated reporting process and assessing disclosures made to all stakeholders, which includes the consolidated financial statements for the year under review;
- Overseeing and evaluating the governance of risk and the related internal control environment, and considering the

recommendation of the internal auditors in respect of the effectiveness of the system of internal controls;

- Monitoring and assessing all internal and external assurance providers;
- Assessing key audit matters;
- Assessing the expertise and experience of the CFO and the resources within the financial function; and
- Reviewing and recommending 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 internal and external auditors.

## External auditor appointment and independence

### FY2022

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 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.

### FY2023

The Independent Regulatory Board for Auditors (IRBA) has determined that from 2023 all South African public interest entities must comply with mandatory audit firm rotation. Following careful consideration including the need for rotation of external auditors, the board of directors of Adcorp

# Audit and risk committee report *continued*

for the year ended 28 February 2022

Holdings Limited decided to embark on a tender process to consider the appointment of an external audit firm.

The committee, after following the process set out in paragraph 3.84(g)(iii) of the Listings Requirements, have recommended the appointment of KPMG and Giuseppina Aldrighetti as the designated partner to the board of directors. The committee have verified the independence of KPMG and Giuseppina Aldrighetti, who will be responsible for the audit. KPMG and Giuseppina Aldrighetti will be nominated and recommended to the shareholders at the AGM to be held on 28 July 2022.

## 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 2022 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 2021.

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 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 28 July 2022.

Based on the information and explanations given by directors and the internal auditors, the committee believes 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.

The committee confirms that appropriate financial reporting procedures exist and are working, which includes consideration of all entities included in the consolidated group IFRS financial statements, to ensure that it has access to all the financial information of Adcorp to allow Adcorp to effectively prepare and report on the financial statements.

## 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's responsibility statement on the consolidated financial statements and internal financial controls as required by the JSE Listings Requirements as set out on page 2.

The Group CEO and Group CFO reviewed the controls over financial reporting and presented the findings to the committee.

Based on this evaluation management identified certain deficiencies that were largely mitigated by compensating controls and did not lead to any material concerns with the financial reporting process.

A remediation plan has been developed by management to address control deficiencies as part of the Group's ongoing journey towards strengthening the internal controls related to financial reporting, especially as it relates to control improvements associated with control disciplines and the implementation of a new universal ERP system.

The committee received an update on the implementation of the risk and control matrices and discussed managements conclusion and believe the internal controls can be relied upon as a reasonable basis for the preparation of the financial statements.

### 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 May 2023. 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 2022 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 goodwill impairment assessment.

### 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 growth rates applied to revenue and earnings before interest, taxes, depreciation and amortisation (EBITDA) and EBITDA margins;
- The terminal growth rate 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 (2021: Rnil) 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.

### 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. The committee considered the appropriateness of the expertise, diversity and adequacy of resources of the Group's financial function and the effectiveness of the members of management responsible for the financial function.

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.

# Audit and risk committee report *continued*

for the year ended 28 February 2022

## 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 2022:

- Continued to monitor the progress of the Group's financial roadmap and approving any amendments necessitated by the turnaround strategy;
- Continued oversight of the key finance IT initiatives across the Group, including those impacting efficiency and integrity of the reporting processes;
- Monitored actions taken to mitigate the risks of COVID-19 on the business and its stakeholders; and
- Continued monitoring the risk exposure of the Group and ensuring adequate and sound mitigating measures are in place.

The committee has set the following key areas of focus for 2023:

- 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 continued risks of COVID-19 on the business and its stakeholders;
- Continuing monitoring the risk exposure of the Group and ensuring adequate and sound mitigating measures are in place;
- Ensuring that the combined assurance model is in place and is applied to provide a coordinated approach to all assurance activities; and
- Evaluating initiatives implemented to monitor cyber security and security of data.

## Conclusion

Having considered all the material factors and key audit matters the committee recommended the consolidated financial statements for the year ended 28 February 2022 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*

27 June 2022



# Audited summarised consolidated statement of financial position

as at 28 February 2022

	Notes	2022 R'000	2021 R'000
<b>Assets</b>			
<b>Non-current assets</b>		<b>1 290 954</b>	<b>1 357 418</b>
Property and equipment		37 171	48 286
Right-of-use assets		323 432	364 572
Intangible assets		125 773	144 346
Goodwill	8	512 723	527 216
Other financial assets – investment at fair value		19 597	18 971
Deferred taxation		214 187	198 832
Prepayments		58 071	55 195
<b>Current assets</b>		<b>1 909 718</b>	<b>1 962 906</b>
Trade receivables		1 336 354	1 377 823
Other receivables		143 562	101 297
Taxation prepaid		9 447	9 854
Cash and cash equivalents		420 355	473 932
Disposal group held for sale	5	–	196 553
<b>Total assets</b>		<b>3 200 672</b>	<b>3 516 877</b>
<b>Equity and liabilities</b>			
<b>Total equity</b>		<b>1 472 529</b>	<b>1 352 254</b>
Share capital and share premium		1 740 858	1 740 858
Treasury shares		(72 172)	(68 083)
Reserves		(196 157)	(320 521)
<b>Non-current liabilities</b>		<b>438 004</b>	<b>870 459</b>
Interest-bearing borrowings	9	–	400 000
Lease liabilities	9	348 493	369 658
Deferred taxation		89 511	100 801
<b>Current liabilities</b>		<b>1 290 139</b>	<b>1 273 020</b>
Interest-bearing borrowings	9	133 336	55 823
Lease liabilities	9	75 472	75 281
Bank overdraft		–	87
Trade and other payables		819 610	908 922
Provisions		203 930	183 738
Taxation payable		57 791	49 169
Disposal liabilities held for sale	5	–	21 144
<b>Total equity and liabilities</b>		<b>3 200 672</b>	<b>3 516 877</b>

# Audited summarised consolidated statement of profit or loss

for the year ended 28 February 2022

	Notes	2022 R'000	2021 R'000
<b>Continuing operations</b>			
<b>Revenue</b>	7	<b>11 512 948</b>	11 716 956
Cost of sales		(10 290 896)	(10 575 140)
<b>Gross profit</b>		<b>1 222 052</b>	1 141 816
Other income		19 553	99 399
Loss allowance for expected credit losses – trade receivables		15 673	33 396
Operating expenses		(1 058 130)	(1 156 200)
<b>Operating profit before finance income and finance costs</b>		<b>199 148</b>	118 411
Finance income		5 243	16 204
Finance costs		(69 022)	(106 854)
<b>Profit before taxation</b>		<b>135 369</b>	27 761
Taxation expense		(33 778)	(22 338)
<b>Profit for the year from continuing operations</b>		<b>101 591</b>	5 423
<b>Discontinued operations</b>			
Profit for the year from discontinued operations	5	17 366	35 906
<b>Profit for the year</b>		<b>118 957</b>	41 329
<b>Profit attributable to:</b>			
Owners of the parent from continuing operations		99 037	2 322
Owners of the parent discontinued operations		17 366	35 906
Non-controlling interest		2 554	3 101
<b>Continuing operations basic and diluted earnings per share:</b>			
Basic earnings per share (cents)		92,8	2,2
Diluted earnings per share (cents)		87,8	2,1
<b>Discontinued operations basic and diluted earnings per share:</b>			
Basic earnings per share (cents)		16,3	33,4
Diluted earnings per share (cents)		15,4	32,5
<b>Total earnings per share:</b>			
Basic earnings per share (cents)		109,1	35,6
Diluted earnings per share (cents)		103,2	34,6

# Audited summarised consolidated statement of other comprehensive income

for the year ended 28 February 2022

	2022 R'000	2021 R'000
Profit for the year	118 957	41 329
<b>Other comprehensive income<sup>1</sup></b>		
<b>Continuing operations</b>	<b>(5 261)</b>	60 284
Exchange differences on translating foreign operations	10 726	16 539
Exchange difference reclassified to profit or loss on disposal of foreign business	–	(3 770)
Exchange differences arising on the net investment of a foreign operation	(15 987)	47 515
Other comprehensive (loss)/income for the year, net of taxation	(5 261)	60 284
<b>Total comprehensive income for the year</b>	<b>113 696</b>	101 613
<b>Total comprehensive income attributable to:</b>		
Owners of the parent continuing operations	93 776	62 927
Owners of the parent discontinued operations	17 366	35 906
Non-controlling interest	2 554	2 780

<sup>1</sup> All items included in other comprehensive income/(loss) will be reclassified to profit or loss upon derecognition.

# Audited summarised consolidated statement of cash flows

for the year ended 28 February 2022

	Notes	2022 R'000	2021 R'000
<b>Operating activities</b>			
Profit before taxation		153 977	95 317
From continuing operations		135 369	27 761
From discontinued operations		18 608	67 556
<b>Adjusted for:</b>			
Depreciation on property and equipment		18 496	27 960
Depreciation right-of-use assets		53 645	63 907
Amortisation of intangibles		16 880	42 148
Prepayment released – enterprise technology transformation project		19 844	14 373
Impairment of right-of-use assets		2 770	5 889
Lease liabilities derecognised net of settlement costs		–	(17 740)
Right-of-use assets derecognised		–	12 895
Profit on the sale of property and equipment		2 182	(7 881)
Share-based payments		19 709	12 923
(Profit)/loss on the disposal of businesses		(13 950)	(2 592)
Fair value adjustment – investment at fair value		(626)	(1 351)
Value added tax accrual		–	(21 479)
Decrease in loss allowances for expected credit losses – trade receivables		(15 673)	(33 396)
Finance income		(5 243)	(16 416)
Finance costs		69 022	107 312
<b>Cash generated from operations before working capital changes</b>		<b>321 033</b>	<b>281 869</b>
(Increase)/decrease in trade and other receivables		(13 658)	745 667
Decrease in trade and other payables		(66 303)	(136 457)
Increase in provisions		18 946	22 651
<b>Cash generated by operations</b>		<b>260 018</b>	<b>913 730</b>
Finance income		5 243	16 416
Finance costs		(24 645)	(59 201)
Interest expense on lease liabilities		(45 087)	(48 111)
Taxation paid		(49 794)	(52 229)
<b>Net cash generated from operating activities</b>		<b>145 735</b>	<b>770 605</b>

	Notes	2022 R'000	2021 R'000
<b>Investing activities</b>			
Additions to property and equipment		(10 835)	(15 750)
Proceeds from sale of property and equipment		511	16 930
Additions to intangible assets		(804)	(980)
Prepayment – enterprise technology transformation project		(23 798)	(57 456)
Proceeds from investment – amortised cost		–	37 067
Proceeds on disposal of businesses		163 684	29 833
<b>Net cash inflow from investing activities</b>		<b>128 758</b>	<b>9 644</b>
<b>Financing activities</b>			
Share repurchases		–	(357)
Treasury shares acquired for delivery to share-based payment schemes		(4 089)	–
Repayment of borrowings		(960 000)	(965 524)
Proceeds from borrowings		637 509	386 667
Distributions to non-controlling interests		(1 991)	–
Cash flow on increases in ownership interests		(3 864)	–
Repayment of lease liabilities and lease settlement cost		(36 217)	(69 966)
<b>Net cash outflow from financing activities</b>		<b>(368 652)</b>	<b>(649 180)</b>
Net (decrease)/increase in cash and cash equivalents		(94 159)	131 069
Cash and cash equivalents at the beginning of the year		498 356	360 500
Foreign currency adjustments		16 158	6 787
<b>Cash and cash equivalents at the end of the year</b>		<b>420 355</b>	<b>498 356</b>



# Audited summarised consolidated statement of changes in equity

for the year ended 28 February 2022

	Share capital R'000	Share premium R'000	Treasury shares R'000
<b>Balance as at 29 February 2020</b>	2 749	1 738 109	(68 083)
Share-based payments	—	—	—
Profit for the year	—	—	—
Other comprehensive income/(loss)	—	—	—
Share repurchases	—	—	—
Loss of control	—	—	—
<b>Balance as at 28 February 2021</b>	2 749	1 738 109	(68 083)
Share-based payments	—	—	—
Profit for the year	—	—	—
Other comprehensive income	—	—	—
Treasury share purchases	—	—	(4 947)
Treasury shares sold	—	—	858
Distributions to shareholders	—	—	—
Transactions with non-controlling interests	—	—	—
<b>Balance as at 28 February 2022</b>	2 749	1 738 109	(72 172)

Share-based payment reserve R'000	Foreign currency translation reserve R'000	Accumulated retained earnings/ (loss) R'000	Attributable to equity holders of the parent R'000	Non- controlling interest R'000	Employees' share option scheme reserve R'000	Total R'000
166 794	(31 823)	(567 474)	1 240 272	4 899	676	1 245 847
12 923	—	—	12 923	—	—	12 923
—	—	38 228	38 228	3 101	—	41 329
—	60 605	—	60 605	(321)	—	60 284
—	—	151	151	—	(508)	(357)
—	—	—	—	(7 772)	—	(7 772)
179 717	28 782	(529 095)	1 352 179	(93)	168	1 352 254
17 381	—	—	17 381	—	—	17 381
—	—	116 403	116 403	2 554	—	118 957
—	(5 124)	—	(5 124)	(137)	—	(5 261)
—	—	—	(4 947)	—	—	(4 947)
(858)	—	—	—	—	—	—
—	—	—	—	(1 991)	—	(1 991)
—	—	—	—	(3 864)	—	(3 864)
<b>196 240</b>	<b>23 658</b>	<b>(412 692)</b>	<b>1 475 892</b>	<b>(3 531)</b>	<b>168</b>	<b>1 472 529</b>

# Segment report

for the year ended 28 February 2022

Information reported to the group's executive committee chief operating decision maker (CODM) for the purposes of making key operating decisions, resource allocation and the assessment of segmental performance is focused on the different service offerings and geographical region of operations. The group's reportable segments under IFRS 8 are as follows:

## Industrial

This operating segment provides industrial staffing solutions in the "blue collar" and technical areas and places assignees such as engineers, project support staff, artisans, construction workers, logistics, manufacturing and warehousing staff.

## Professional

This operating segment provides highly skilled information technology (IT) and digitally focused professionals. It also delivers consulting, project and management services in a number of specialist domains as well as support staffing solutions in "white collar" areas, such as nursing, clerical, administration, office and call centre positions.

## Training

This operating segment facilitates training and provides solutions to external clients and support to other Adcorp service lines.

## Central

This segment plays a pivotal support role in the execution and the handling of specialised operational services such as finance, human resources, payroll, IT, legal, risk, compliance and marketing. This segment acts as a service centre for all other operating segments in the group in order to identify efficiencies that will reduce costs and create a higher degree of strategic flexibility and support.

## Australia

This operating segment includes both Industrial Services and Professional Services, as well as central services as described above combined into one segment as decisions taken relate to the Australian operating business as a whole.

## Geographical segmentation

The geographic segment report is disclosed as (a) South Africa and (b) International (being operations in Australia).

Segment operating profit or loss before finance income and finance costs represents the profit or loss earned by each segment without allocation of, central administration costs including directors' salaries, finance income, finance costs, and income tax expense applicable to the central segment, however, includes internal charges between the central and other segments. The finance income and finance costs includes intra-group charges. This is the measure reported to the group's Chief Executive for the purpose of resource allocation and assessment of segment performance. For the purposes of monitoring segment performance and allocating resources between segments the group's Chief Executive monitors the tangible, intangible and financial assets attributable to each segment. All assets are allocated to reportable segments with the exception of other financial assets (except for trade and other receivables) and taxation assets. Goodwill has been allocated to reportable segments as described in note 8.

Transactions between segments follow the group's accounting policies.

No single customer contributes more than 10% of the group's revenues.



# Segment report *continued*

for the year ended 28 February 2022

	Industrial	Professional <sup>1</sup>	Training	Australia	Central
	South Africa R'000	South Africa R'000	South Africa R'000	International R'000	South Africa R'000
<b>– Revenue</b>					
– 2022	4 709 665	1 854 921	239 764	4 708 598	–
– 2021	4 621 131	2 000 039	184 609	4 911 177	–
<b>Internal revenue</b>					
– 2022	59 515	52 995	11 388	–	–
– 2021	145 150	7 828	12 844	–	5 262
<b>Loss allowances for expected credit losses and bad debts on trade receivables – income/ (expense)</b>					
– 2022	10 081	4 642	176	774	–
– 2021	4 427	20 763	2 738	5 466	2
<b>Operating profit/(loss) before finance income and finance costs<sup>4,5</sup></b>					
– 2022	129 246	23 906	(22 834)	69 007	47
– 2021	125 964	668	(21 654)	62 730	(35 508)
<b>Depreciation and amortisation</b>					
– 2022	2 079	17 968	7 604	23 612	37 622
– 2021	5 617	22 179	11 645	50 333	40 587
<b>Finance income</b>					
– 2022	3	12	58	–	5 170
– 2021	1 643	80	138	37	14 306
<b>Finance costs</b>					
– 2022	(276)	(80)	(670)	(5 664)	(62 332)
– 2021	(4 775)	(152)	(1 074)	(8 970)	(91 883)
<b>Impairment expense<sup>6</sup></b>					
– 2022	–	–	–	–	(2 770)
– 2021	–	–	–	–	(5 889)
<b>Taxation (expense)/ income</b>					
– 2022	(19 340)	(417)	5 118	(21 549)	2 410
– 2021	(43 082)	(18 948)	(20 575)	(11 598)	71 865



Group – continued operations	Discontinued operations <sup>2</sup>	Discontinued operations <sup>3</sup>	Total group	Geographical segments	
R'000	South Africa R'000	International R'000	R'000	South Africa R'000	International R'000
<b>11 512 948</b>	<b>11 024</b>	<b>–</b>	<b>11 523 972</b>	<b>6 815 374</b>	<b>4 708 598</b>
11 716 956	128 624	291 538	12 137 118	6 934 402	5 202 716
<b>123 898</b>	<b>–</b>	<b>–</b>	<b>123 898</b>	<b>123 898</b>	<b>–</b>
171 084	–	–	171 084	171 084	–
<b>15 673</b>	<b>–</b>	<b>–</b>	<b>15 673</b>	<b>14 899</b>	<b>774</b>
33 396	–	–	33 396	27 930	5 466
<b>199 372</b>	<b>4 402</b>	<b>–</b>	<b>203 774</b>	<b>134 767</b>	<b>69 007</b>
132 200	44 623	9 389	186 212	114 093	72 119
<b>88 885</b>	<b>146</b>	<b>–</b>	<b>89 031</b>	<b>65 419</b>	<b>23 612</b>
130 361	3 654	–	134 015	83 682	50 333
<b>5 243</b>	<b>31</b>	<b>–</b>	<b>5 274</b>	<b>5 274</b>	<b>–</b>
16 204	212	1	16 417	16 379	38
<b>(69 022)</b>	<b>–</b>	<b>–</b>	<b>(69 022)</b>	<b>(63 358)</b>	<b>(5 664)</b>
(106 854)	(458)	–	(107 312)	(98 342)	(8 970)
<b>(2 770)</b>	<b>–</b>	<b>–</b>	<b>(2 770)</b>	<b>(2 770)</b>	<b>–</b>
(5 889)	–	–	(5 889)	(5 889)	–
<b>(33 778)</b>	<b>(1 242)</b>	<b>–</b>	<b>(35 020)</b>	<b>(13 471)</b>	<b>(21 549)</b>
(22 338)	(17 098)	(14 551)	(53 987)	(27 838)	(26 149)

# Segment report *continued*

for the year ended 28 February 2022

	Industrial	Professional <sup>1</sup>	Training	Australia	Central
	South Africa R'000	South Africa R'000	South Africa R'000	International R'000	South Africa R'000
<b>Total assets</b>					
– 2022	839 565	448 313	100 096	1 146 197	666 501
– 2021	884 450	477 594	78 362	1 169 413	710 505
<b>Total liabilities</b>					
– 2022	372 681	159 618	138 677	471 515	585 652
– 2021	395 155	170 157	133 242	489 475	955 450
<b>Additions to property and equipment</b>					
– 2022	997	147	760	8 306	625
– 2021	246	572	119	10 808	627
<b>Additions to right-of-use assets</b>					
– 2022	1 289	243	11 266	5 203	–
– 2021	2 699	2 271	8 117	7 152	7 338
<b>Additions to intangible assets</b>					
– 2022	–	–	804	–	–
– 2021	–	–	–	980	–

<sup>1</sup> Includes Zest, which was previously included in the professional segment in the 2021 financial year which is now managed in the industrial segment. The comparatives have been restated to include Zest in the industrial segment.

<sup>2</sup> Relates to the trading performance and financial position of Adcorp Support Services Proprietary Limited classified as a discontinued operation in the 2021 financial year and its related asset and liabilities classified as held for sale.

<sup>3</sup> Relates to the trading performance and financial position of Dare Holdings Proprietary Limited and Adcorp Singapore Pte Limited being classified as a discontinued operation in the 2020 financial year and their related assets and liabilities classified as held for sale. The results in the 2021 financial year, includes the trading performance of Dare Holdings Proprietary Limited and Adcorp Singapore Pte Limited up until the disposal date being 30 September 2020.

Group – continued operations	Discontinued operations <sup>2</sup>	Discontinued operations <sup>3</sup>	Total group	Geographical segments	
R'000	South Africa R'000	International R'000	R'000	South Africa R'000	International R'000
<b>3 200 672</b>	–	–	<b>3 200 672</b>	<b>2 054 475</b>	<b>1 146 197</b>
3 320 324	196 553	–	3 516 877	2 347 464	1 169 413
<b>1 728 143</b>	–	–	<b>1 728 143</b>	<b>1 256 628</b>	<b>471 515</b>
2 143 479	21 144	–	2 164 623	1 675 148	489 475
<b>10 835</b>	–	–	<b>10 835</b>	<b>2 529</b>	<b>8 306</b>
12 372	3 364	–	15 736	4 928	10 808
<b>18 001</b>	–	–	<b>18 001</b>	<b>12 798</b>	<b>5 203</b>
27 577	–	–	27 577	20 425	7 152
<b>804</b>	–	–	<b>804</b>	<b>804</b>	–
980	–	–	980	–	980

<sup>4</sup> Includes internal charges charged between segments within continued and discontinued operations. As a result, the amounts presented in the segmental report from continuing operations will not agree to the amounts presented in the consolidated statement of profit or loss for continuing operations.

<sup>5</sup> Includes internal charges charged between segments within continued and discontinued operations. As a result, the amounts presented in the segmental report from continuing operations will not agree to the amounts presented in the consolidated statement of profit or loss for continuing operations. In the current financial year, the central segment did not charge the remaining segments financing costs.

<sup>6</sup> Includes impairment on right-of-use assets.

# Notes to the audited summarised consolidated financial statements

for the year ended 28 February 2022

## 1. Independent audit

The summary consolidated financial statements have been derived from the audited consolidated financial statements. The directors of the company take full responsibility for the preparation of the summary group financial statements and that the financial information has been correctly derived and are consistent in all material respects with the underlying audited group financial statements.

The summary consolidated financial statements for the year ended 28 February 2022 have been audited by our auditor, Deloitte & Touche, who has expressed an unmodified opinion thereon. The auditor also expressed an unmodified opinion on the consolidated financial statements, which included a key audit matter from which these summarised consolidated financial statements were derived.

A copy of the auditor's report on the summarised consolidated financial statements and of the auditor's report on the consolidated financial statements are available for inspection during office hours 08:00 to 16:00, Monday to Friday, at the company's registered office, Adcorp Place, 102 Western Service Road, Gallo Manor Ext 6, Johannesburg, South Africa, 2191, together with the financial statements identified in the respective auditor's reports.

The auditor's reports do not necessarily report on all the information contained in this announcement. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement, they should obtain a copy of that report together with the accompanying financial information from the company's registered office.

Any forward looking statements have not been reviewed or reported on by the company's external auditor.

## 2. General information

The group carries on business in South Africa and Australia with its activities including the permanent recruitment and flexible staffing, professional IT services as well as the provision of business process outsourcing, training and financial services.

## 3. Basis of preparation

The summarised consolidated financial statements are prepared in accordance with the JSE Listings Requirements for provisional financial statements and the requirements of the Companies Act, No 71 of 2008 of South Africa applicable to summary financial statements. The summarised consolidated financial statements are prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the Financial Pronouncements as issued by the Financial Reporting Standards Council (FRSC), and to also, as a minimum, contain the information required by IAS 34 *Interim Financial Reporting*.

The accounting policies applied in the consolidated financial statements from which the summary consolidated financial statements were derived, are in accordance with IFRS and are consistent with those accounting policies applied in the preparation of the consolidated audited financial statements for the year ended 28 February 2021 unless otherwise stated.

The summary consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended 28 February 2022, which have been prepared in accordance with IFRS and the Companies Act, No 71 of 2008 of South Africa. A copy of the full set of the audited consolidated financial statements is available for inspection from the Company Secretary or can be downloaded from the website: [www.adcorpgroup.com/investors/financials](http://www.adcorpgroup.com/investors/financials).

These summarised consolidated financial statements and the consolidated financial statements were prepared under the supervision of Noel Prendergast CA(SA), in his capacity as Chief Financial Officer and have been audited by the Company's auditor.

#### 4. Going concern

The directors are responsible for evaluating the group's ability to continue as a going concern and as a consequence the appropriateness of the going concern assumption in the preparation of 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 May 2023.

##### Solvency

On 28 February 2022, the total assets of the group exceeded the total liabilities by R1 473 million and the current ratio as at 28 February 2022 was 1,5:1. There are no events anticipated in the year ahead that indicate any risk to the group's solvency position.

##### Liquidity

In assessing the liquidity position, cash flow forecasts were prepared, which took into consideration, the disposal of non-core assets and the extension of debt facilities. This cash flow forecast covered the period up until the end of May 2023. The cash position is monitored daily by management and the group is comfortable with its liquidity levels.

##### Going concern conclusion

Although it is not possible to make an accurate and complete estimate of the full impact that the COVID-19 pandemic's continued national level restrictions imposed in South Africa will have on the macroeconomic environment within which the group operates, the directors are of the view that there are no known material uncertainties that cast doubt on the group's ability to operate into the foreseeable future. The directors are also satisfied that the group has sufficient resources, or access to resources, to continue with all operating activities for the foreseeable future. Based on this assessment, the directors have no reason to believe that the group will not be a going concern for the foreseeable future.

For this reason, accounting policies supported by judgements, estimates and assumptions in compliance with IFRS are applied on the basis that the group shall continue as a going concern.

#### 5. Discontinued operations

The group disposed of its investment in Adcorp Support Services Proprietary Limited, a wholly owned indirect subsidiary of Adcorp Holdings Limited, which was disclosed as a discontinued operation in the 2021 financial year and the current financial year until the effective date of disposal on 30 March 2021. The disposal is consistent with the group's long-term policy to focus activities on the core businesses of the group and to utilise the proceeds to reduce the group's gearing.

	2022 R'000	2021 R'000
<b>Profit or loss</b>		
<b>Revenue</b>	<b>11 024</b>	420 162
Cost of sales	(4 199)	(304 934)
<b>Gross profit</b>	<b>6 825</b>	115 228
Other income	158	1 536
Operating expenses	(2 356)	(48 963)
<b>Operating profit before finance income and finance costs</b>	<b>4 627</b>	67 801
Finance income	31	213
Finance costs	–	(458)
<b>Profit before taxation</b>	<b>4 658</b>	67 556
Taxation expense	(1 242)	(31 650)
<b>Profit after taxation</b>	<b>3 416</b>	35 906
Profit on disposal of discontinued operations	13 950	–
<b>Total profit for the year from discontinued operations</b>	<b>17 366</b>	35 906

The cash flows presented below relate to Adcorp Support Services Proprietary Limited up until the disposal date on 30 March 2021.



# Notes to the audited summarised consolidated financial statements *continued*

for the year ended 28 February 2022

## 5. Discontinued operations *continued*

	2022 R'000	2021 R'000
Net cash inflow from operating activities	1 572	88 183
Net cash outflow/(inflow) from investing activities	7 788	(3 361)
Net cash outflow from financing activities	(3 702)	(3 113)
<b>Net cash inflow from discontinued operations</b>	<b>5 658</b>	<b>81 709</b>

## 6. Earnings per share

The calculation of earnings per share on continuing operations attributable to the ordinary equity holders of the parent is based on profits of R99,0 million (2021: R2,3 million), profit from discontinued operations of R17,4 million (2021: R35,9 million), and ordinary shares of 106 692 859 (2021: 107 400 053), being the weighted average number of shares relative to the above earnings.

	2022	2021
<b>Continuing operations</b>		
Basic earnings per share – cents	92,8	2,2
Diluted earnings per share – cents	87,8	2,1
<b>Discontinued operations</b>		
Basic earnings per share – cents	16,3	33,4
Diluted earnings per share – cents	15,4	32,5
<b>Total basic earnings/(loss) per share</b>		
Basic earnings per share – cents	109,1	35,6
Diluted earnings per share – cents	103,2	34,6
<b>Weighted average number of ordinary shares outstanding during the period</b>	<b>106 692 859</b>	107 400 053
<b>Reconciliation of weighted average number of ordinary shares outstanding to the weighted average diluted number of shares outstanding during the period</b>		
Weighted average number of ordinary shares outstanding during the period	106 692 859	107 400 053
Adcorp employee share schemes – potential dilution <sup>1</sup>	12 204 416	6 354 260
Adcorp employee share schemes – anti-dilutive shares excluded <sup>1</sup>	(6 102 208)	(3 177 130)
<b>Diluted weighted average number of shares outstanding during the period</b>	<b>112 795 067</b>	110 577 183

6. Earnings per share *continued*

	2022 R'000	2021 R'000
<b>Reconciliation of headline earnings from continuing operations<sup>2</sup></b>		
Profit for the year	99 037	2 322
Loss/(profit) on sale of property and equipment	2 182	(7 881)
Taxation recovered on the sale of property and equipment	(611)	2 207
Impairment of right-of-use assets and goodwill	2 770	5 889
Taxation on impairment of right-of-use asset	(776)	(1 649)
(Profit)/loss from the sale of subsidiaries	–	(36)
<b>Headline earnings from continued operations</b>	<b>102 602</b>	<b>852</b>
Headline earnings per share – cents	96,2	0,8
Diluted headline earnings per share – cents	91,0	0,8
<b>Reconciliation of headline earnings/(loss) from discontinued operations<sup>2</sup></b>		
Profit for the year	17 366	35 906
Profits from the sale of businesses	(13 950)	–
<b>Headline earnings from discontinued operations</b>	<b>3 416</b>	<b>35 906</b>
Headline earnings per share – cents	3,2	33,4
Diluted headline earnings per share – cents	3,0	32,5
<b>Reconciliation of headline earnings from total operations<sup>2</sup></b>		
Profit for the year	116 403	38 228
Loss/(profit) on sale of property and equipment	2 182	(7 881)
Taxation recovered on the sale of property and equipment	(611)	2 207
Impairment of goodwill and right-of-use assets	2 770	5 889
Taxation on impairment of right-of-use asset	(776)	(1 649)
Profits from the sale of businesses	(13 950)	(36)
<b>Headline earnings</b>	<b>106 018</b>	<b>36 758</b>
Headline earnings per share – cents	99,4	34,2
Diluted headline earnings per share – cents	94,0	33,2

<sup>1</sup> The dilution of shares results from the potential exercise of options in the employee share scheme. The potential exercise of options considered to be anti-dilutive are excluded.

<sup>2</sup> Headline earnings per share is based on the earnings adjusted for the (profit)/loss on the sale of assets, impairment of goodwill and right-of-use assets.

# Notes to the audited summarised consolidated financial statements *continued*

for the year ended 28 February 2022

## 7. Revenue

Performance obligation	Description	Timing	2022 R'000	2021 R'000
Permanent placement	Permanent placement involves placing candidates in full-time employment with prospective employers. Once candidates are placed, the group has no further obligations to the customer.	Revenue is recognised when placed candidates begin employment.	73 004	59 068
Temporary placement	Adcorp provides temporary employment services to customers – the services are described as a “solution”. The services contracted include procurement, screening, payroll administration, maintenance of records, management reporting, labour-related matters etc. Additional services may be required on an ad hoc basis, the terms of which are to be agreed upon between the parties.	Revenue is recognised as the services are rendered.	9 387 825	9 513 786
Training	The group provides disability, technical, higher and technological training, as well as other ancillary services. There are no contracts with variable consideration components, as well as multiple performance obligations.	Revenue is recognised as the training is provided.	239 764	184 609
Outsource-based solutions	This is focused on managing a wide range of business processes through qualified professionals who use automation and optimisation tools to help improve efficiency, reduce operational costs and increase productivity, while capitalising on process automation technologies. This could also include providing clients with contract management and vendor disbursements for client suppliers.	Revenue is recognised once the solution has been delivered to the customer.	1 812 355	1 959 493
<b>Total revenue</b>			<b>11 512 948</b>	<b>11 716 956</b>

7. Revenue *continued*

## Disaggregation of revenue by geographical region

Region	Segment	Performance obligation	2022 R'000	2021 R'000
South Africa			6 804 350	6 805 779
	Industrial		4 709 665	4 621 131
		Temporary placement	3 728 716	3 672 153
		Outsourced-based solutions	980 949	948 978
	Professional		1 854 921	2 000 039
		Temporary placement	994 237	953 103
		Permanent placement	29 280	36 421
		Outsourced-based solutions	831 404	1 010 515
	Training			
		Training	239 764	184 609
Australia			4 708 598	4 911 177
	Australia		4 708 598	4 911 177
		Temporary placement	4 664 872	4 888 530
		Permanent placement	43 726	22 647
<b>Total revenue</b>			<b>11 512 948</b>	<b>11 716 956</b>

The timing of revenue recognition is as follows:

	2022 R'000	2021 R'000
Over time	9 627 589	9 698 395
At a point in time	1 885 359	2 018 561
<b>Total revenue</b>	<b>11 512 948</b>	<b>11 716 956</b>

In certain cases the group uses output-based methods to determine when the revenue for performance obligations is recognised over time.

# Notes to the audited summarised consolidated financial statements *continued*

for the year ended 28 February 2022

## 8. Goodwill

An annual impairment test was performed on the 28 February 2022 for all CGU's. No impairment was recognised in the current financial year (2021: Rnil impairment was recognised).

### Reconciliation of beginning and ending balance

	2022 R'000	2021 R'000
<b>Cost</b>		
Opening balance at the beginning of the year	1 482 783	1 591 176
Foreign currency movement	(14 493)	40 263
Classified as held for sale	–	(148 656)
<b>Closing balance at the end of the year</b>	<b>1 468 290</b>	<b>1 482 783</b>
<b>Impairments</b>		
Opening balance at the beginning of the year	(955 567)	(955 567)
<b>Closing balance at the end of the year</b>	<b>(955 567)</b>	<b>(955 567)</b>
<b>Carrying amount at the end of the year</b>	<b>512 723</b>	<b>527 216</b>
After recognition of impairment losses, the carrying amount of goodwill is attributable to the following CGUs:		
<b>Industrial Services</b>	<b>83 109</b>	<b>83 109</b>
Adcorp BLU, a division of Adcorp Workforce Solutions Proprietary Limited	83 109	83 109
<b>Professional Services</b>	<b>128 612</b>	<b>128 612</b>
Paracon a division of Fortress Administration Proprietary Limited	128 612	128 612
<b>Australia</b>	<b>301 002</b>	<b>315 495</b>
Australia Group of Companies	301 002	315 495
<b>Total</b>	<b>512 723</b>	<b>527 216</b>



## 8. Goodwill *continued*

### Reconciliation of beginning and ending balance *continued*

The table below illustrates the pre-tax discount rate, growth rates and terminal growth rate used in the valuation calculation to determine the headroom for each CGU.

Segmental CGU	Pre- tax discount rate		Growth rates range		Terminal growth rate		Headroom	
	2022 %	2021 %	2022 %	2021 %	2022 %	2021 %	2022 R'000	2021 R'000
<b>Industrial</b>								
BLU	24,4	25,9	5 – 9	5 – 17	2,5	2	122 000	127 000
<b>Professional</b>								
Paracon	24,2	24,8	5 – 12	5 – 19	2,5	2	45 000	212 000
<b>Australia</b>								
Paxus	17,1	16,4	2 – 12	2 – 13	2	2	347 000	411 000
TalentCru	20,0	16,4	2 – 10	2 – 26	2	2	66 000	51 000
Labour Solutions	17,1	19,3	2 – 10	5 – 14	2	2	45 000	156 000

### Sensitivity analysis

The impairment calculations are most sensitive to the following assumptions:

- Discount rates
- Terminal growth rates
- Growth rates applied to revenue and earnings before interest, taxes, depreciation and amortisation (EBITDA) and EBTDA margins.

Appropriate sensitivity analyses were performed on all CGUs, which included fluctuations in growth rates applied to revenue, earnings before interest, taxes, depreciation and amortisation (EBITDA) in the cash flow forecast, terminal growth rates and discount rates.

### Industrial segment CGUs

#### BLU

A change of 10% in growth rates applied to revenue and earnings before interest, taxes, depreciation and amortisation (EBITDA) in the cashflow forecast would result in a valuation difference of R64 million (2021: R85 million), which would not result in an impairment if the deviation in earnings is negative (2021: Rnil).

A change of 1% of the discount rate would result in a R28 million (2021: R17 million) difference in the valuation, which would not result in an impairment if the rate increased by 1% (2021: Rnil million).

A change of 1% of the terminal growth rate would result in a R18 million difference in the valuation, which would not result in an impairment if the rate decreased by 1%.

### Professional segment CGUs

#### Paracon a division of Fortress Administration Proprietary Limited

A change of 10% in growth rates applied to revenue and earnings before interest, taxes, depreciation and amortisation (EBITDA) in the cashflow forecast would result in a valuation difference of R37 million (2021: R53 million), which would not result in an impairment if the deviation in earnings is negative (2021: Rnil).

A change of 1% of the discount rate would result in a R20 million (2021: R13 million) difference in the valuation, which would not result in an impairment if the rate increased by 1% (2021: Rnil million).

A change of 1% of the terminal growth rate would result in a R13 million difference in the valuation, which would not result in an impairment if the rate decreased by 1%.

# Notes to the audited summarised consolidated financial statements *continued*

for the year ended 28 February 2022

## 8. Goodwill *continued*

### Australia segment CGUs

#### *Paxus Australia*

A change of 10% in growth rates applied to revenue and earnings before interest, taxes, depreciation and amortisation (EBITDA) in the cashflow forecast would result in a valuation difference of R133 million (2021: R141 million) which would not result in an impairment if the deviation in earnings is negative.

A change of 1% of the discount rate would result in a R74 million (2021: R48 million) difference in the valuation, which would not result in an impairment if the rate increased by 1%.

A change of 1% of the terminal growth rate would result in a R44 million difference in the valuation, which would not result in an impairment if the rate decreased by 1%.

#### *TalentCru Proprietary Limited in Australia*

A change of 10% in growth rates applied to revenue and earnings before interest, taxes, depreciation and amortisation (EBITDA) in the cashflow forecast would result in a valuation difference of R12 million (2021: R10 million) which would not result in an impairment if the deviation in earnings is negative.

A change of 1% of the discount rate would result in a R7 million (2021: R36 million) difference in the valuation, which would not result in an impairment if the rate increased by 1%.

A change of 1% of the terminal growth rate would result in a R5 million difference in the valuation, which would not result in an impairment if the rate decreased by 1%.

#### *Labour Solutions Australia*

A change of 10% in growth rates applied to revenue and earnings before interest, taxes, depreciation and amortisation (EBITDA) in the cashflow forecast would result in a valuation difference of R24 million (2021: R34 million), which would not result in an impairment if the deviation in earnings was negative.

A change of 1% of the discount rate would result in a R19 million (2021: R13 million) difference in the valuation, which would not result in an impairment if the rate increased by 1%.

A change of 1% of the terminal growth rate would result in a R9 million difference in the valuation, which would not result in an impairment if the rate decreased by 1%.

## 9. Interest-bearing liabilities

	Interest rate	Maturity	2022 R'000	2021 R'000
<b>Non-current interest-bearing liabilities</b>			<b>348 493</b>	769 658
ZAR revolving credit facility	Johannesburg Interbank Agreed Rate (JIBAR) + agreed margin <sup>1</sup>	31 May 2022	–	400 000
Lease liabilities	Incremental borrowing rate (IBR)		<b>348 493</b>	369 658
<b>Current interest-bearing liabilities</b>			<b>208 808</b>	131 104
ZAR revolving credit facility	JIBAR + agreed margin <sup>1</sup>	31 August 2022	<b>100 000</b>	50 000
AUD borrowing base facility	Base rate <sup>2</sup> + margin	10 March 2024	<b>33 336</b>	5 823
Lease liabilities	IBR		<b>75 472</b>	75 281
<b>Total</b>			<b>557 301</b>	900 762

<sup>1</sup> The margin is determined on each measurement date being the last day of each financial quarter with reference to the agreed leverage ratio. The rate ranges between 3,4% and 5,2% on the ZAR revolving credit facility.

<sup>2</sup> The base rate is determined with reference to the Australian Reserve Bank rates at the time of drawdown. The rate ranges between 1,0% and 1,6% on the Australian borrowing base facility.

In the prior year, the group restructured its facilities to include a revolving credit facility of R850 million ("ZAR revolving credit facility") originally maturing on 31 May 2022 and an accordion facility of R150 million which matures three months following the commencement of the availability period for the accordion facility which shall be no later than 31 May 2022. The ZAR revolving credit facility reduced automatically to R400 million on 1 July 2021, with an extension granted on the facility to 31 August 2022.

The AUD borrowing base facility consists of a revolving borrowing base facility of AUD20 million that was expected to mature on 30 June 2022.

On 23 March 2022, the lenders of the Australian operations interest – bearing borrowings agreed to extend the Revolving Borrowing Base facility maturity date until 10 March 2024 at a revised margin of 1,6% (note 14).

The South African operation is in the final stages of renegotiating a facility of R250 million plus an accordion feature of R100 million which is expected to be effective from 1 September 2022. The facility is expected to mature in three years from the effective date and will be used to fund its working capital requirements.

As security for the South Africa and Australia loan facilities granted to the Group, a shared security agreement was entered into that holds a cession over the trade receivables between specified operating subsidiaries of the Adcorp Group.

## 10. Management of capital

The group manages its capital to ensure that entities in the group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the group consists of debt, which includes the interest-bearing borrowings, cash and cash equivalents, and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

The group's investment committee has considered the cost of capital and the risks associated with each class of capital. The Group's favourable leverage ratio is 19,5% (2021: 1,3%). The gearing ratio is determined as net debt (being interest-bearing borrowings less unrestricted cash and cash equivalents) excluding finance leases as a percentage of total equity. The investment committee believes that the appropriate leverage ratio for the nature of the business is the gross debt-to-EBITDA ratio and has a target of 1,0x. This is reviewed on an ongoing basis as the strategic transformation of the group progresses.

# Notes to the audited summarised consolidated financial statements *continued*

for the year ended 28 February 2022

## 11. Financial instruments by category

	2022 R'000	2021 R'000
<b>Financial assets</b>		
Other financial assets – investment at fair value	19 597	18 971
Trade receivables – amortised cost	1 336 354	1 377 823
Other receivables – amortised cost	82 355	56 809
Cash and cash equivalents – amortised cost	420 355	473 932
<b>Financial liabilities</b>		
Lease liabilities – amortised cost	423 965	444 939
Interest-bearing borrowings – amortised cost	133 336	455 823
Bank overdraft – amortised cost	–	87
Trade and other payables – amortised cost	317 441	361 487

## 12. Financial risk management

### 12.1 Financial risk management objectives

The group's activities expose it to a variety of financial risks such as market risk (including foreign currency exchange risk), interest rate risk, credit risk and liquidity risk. The group's executive and head office treasury function provides services to the business, co-ordinates access to domestic financial markets, and monitors and manages the financial risks relating to the operations of the group. The group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The head office treasury function reports quarterly to the board, which monitors risks and policies implemented to mitigate risk exposures.

The table below analyses the impact on the group's revenue, post-tax profit and assets/liabilities. The analysis is based on the assumption that the ZAR had strengthened/weakened by 10% against the foreign currency with all variables held constant.

	Rand weakened		Rand strengthened	
	2022 R'000	2021	2022 R'000	2021
<b>Impact on revenue</b>				
AUD	470 861	491 118	(470 861)	(491 118)
<b>Impact on profit/(loss) after tax</b>				
AUD	4 179	3 704	(4 179)	(3 704)
<b>Impact on assets/liabilities</b>				
AUD	83 014	80 651	(83 014)	(80 651)

## 12. Financial risk management *continued*

### 12.2 Foreign currency management

The group was exposed to foreign currency exchange movements related to the investment carried at amortised cost in the prior financial year and cash and cash equivalents denominated in US dollars in the current and prior financial year.

At 28 February 2022, in respect of the cash and cash equivalents denominated in US dollars, if the South Africa Rand had weakened/strengthened 5% against the US dollar, with all other variables held constant, profit or loss for the year would have increased/decreased by R4 million (2021: R3 million).

### 12.3 Interest risk management

The group is exposed to interest rate risk because it has interest-bearing borrowings (note 9) that attract interest at a floating rate.

At 28 February 2022, if interest rates had been 1% higher/lower and all other variables were held constant, the profit or loss for the year would have decreased/increased by R1 million (2021: decreased/increased by R5 million).

The sensitivity analyses have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting year. The analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year.

### 12.4 Credit risk management

The maximum exposure to credit risk is represented by the carrying amount of trade receivables and short-term cash and cash equivalents.

Before accepting any new customer, the South African operations make use of an external credit bureau to assess the potential customer's credit quality and defines credit limits by customer, whereas, Australia only make use of an external credit bureau when vetting customers that trade outside of professional sectors. Customers that trade within professional services are usually government, tier 1 agencies or well-known and established entities within our geography, as such, they are subject to contract review only and not credit sign off.

A customer is considered to be in default when the amount based on customer credit terms is due but is unpaid. The group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier.

The group's credit terms to clients range between seven to 180 days with an average collection period of 38 days (2021: 38 days) and no interest is charged on the trade receivables.

The group only deposits short-term cash surpluses with financial institutions of high-quality credit standing.

The credit quality of cash at bank and short-term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates.

### 12.5 Liquidity risk management

The group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.

The group has undrawn variable rate facilities of R661 million (2021: R835 million). Cash and cash equivalents as at 28 February 2022 is R420 million (2021: R474 million). Included in cash and cash equivalents is restricted cash held in Angola of R89 million (2021: R67 million).



# Notes to the audited summarised consolidated financial statements *continued*

for the year ended 28 February 2022

## 12. Financial risk management *continued*

### 12.6 Maturity analysis of non-derivative financial liabilities (including interest)

	2022 R'000	2021 R'000
Trade and other payables	317 441	361 487
Interest-bearing borrowings	133 336	55 823
Lease liabilities	80 396	83 240
<b>Total due within one year</b>	<b>531 173</b>	<b>500 550</b>
After one year but within two years	75 002	475 258
After two years but within three years	68 959	69 869
After three years but within four years	62 037	66 465
After four years but within five years	62 797	60 806
After five years	352 679	415 367
<b>Total due after one year</b>	<b>621 474</b>	<b>1 087 765</b>
<b>Total debt</b>	<b>1 152 647</b>	<b>1 588 315</b>

### 12.7 Financial instruments measured at fair value

Some of the group's financial assets are measured at fair value at the end of each reporting period. The primary valuation models utilised by the group for valuing unlisted portfolio investments are market-related net asset value of investments. The market-related net asset value used is dependent on independent third party valuations. The following table gives information about how the fair value of these financial assets are determined (in particular, the valuation technique(s) and inputs used):

	2022 R'000	2021 R'000	Valuation technique(s) and key inputs	Fair value hierarchy	Relationships of unobservable inputs to fair value
Investment – fair value	19 597	18 971	Fair value – market valuation	Level 3	The fair value is determined based on the net asset value of the insurance cell captive at the reporting date. The net asset value is determined from financial information received from the insurer

### 13. Contingent liabilities and commitments

The bank has issued guarantees R24 million (2021: R26 million) on behalf of the group, to creditors. The group has commitments relating to information technology development of R11 million.

## 14. Events after the reporting period

### Debt refinance in South Africa

The South African operation is in the final stages of renegotiating a facility of R250 million plus an accordion feature of R100 million which is expected to be effective from 1 September 2022. The facility is expected to mature in three years from the effective date and will be used to fund its working capital requirements.

It matures in three years. The facility will be used to fund working capital requirements.

### Debt extension in Australia

On 23 March 2022, the lenders of the Australian operations interest – bearing borrowings agreed to extend the revolving borrowing base facility maturity date until 10 March 2024.

## 15. Dividends

### 15.1 Dividend paid

No dividends were paid in the current financial year (2021: Rnil million)

### 15.2 Dividend declared

Shareholders are hereby advised that the board of directors of Adcorp has approved and declared a final gross dividend of 47,0 cents per ordinary share, from income reserves, for the year ended 28 February 2022.

The dividend is subject to a South African dividend withholding tax rate of 20%, resulting in a net dividend of 37,6 cents per ordinary share, unless the shareholder is exempt from paying dividend tax or is entitled to a reduced rate of dividend tax in terms of an applicable double-taxation agreement.

As at the date of this announcement, the Company has 109 954 675 ordinary shares of no par value in issue.

The Company's income tax reference number is 9233680710.

### Salient dates and times

Shareholders are hereby advised of the following salient dates and times for the payment of the dividend:

Last day to trade cum dividend	Tuesday, 16 August 2022
Securities commence trading ex dividend	Wednesday, 17 August 2022
Record date for purposes of determining the registered holders of ordinary shares to participate in the dividend at close of business on	Friday, 19 August 2022
Payment date	Monday, 22 August 2022

Share certificates may not be dematerialised or rematerialised between Wednesday, 17 August 2022 and Friday, 19 August 2022, both dates inclusive.

# Shareholder analysis

Shareholder spread	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
1 – 1 000	5 581	89,78	399 732	0,36
1 001 – 10 000	362	5,82	1 207 508	1,10
10 001 – 100 000	162	2,61	5 520 136	5,02
100 001 – 1 000 000	85	1,37	28 837 159	26,23
Over 1 000 000	26	0,42	73 990 140	67,29
<b>Total</b>	<b>6 216</b>	<b>100,00</b>	<b>109 954 675</b>	<b>100,00</b>
<b>Distribution of shareholders</b>				
Assurance companies	14	0,23	6 587 163	5,99
Close corporations	14	0,23	106 875	0,10
Collective investment schemes	40	0,64	29 540 378	26,87
Control accounts	1	0,01	108	0,00
Custodians	6	0,10	222 761	0,20
Foundations and charitable funds	16	0,26	1 331 776	1,21
Hedge funds	4	0,06	19 429 164	17,67
Insurance companies	3	0,05	254 982	0,23
Investment partnerships	14	0,23	4 097 289	3,73
Managed funds	11	0,18	216 823	0,20
Medical aid funds	4	0,06	409 714	0,37
Organs of state	2	0,03	2 496 243	2,27
Private companies	34	0,55	2 169 109	1,97
Public companies	2	0,03	318 510	0,29
Retail shareholders	5 843	94,00	3 686 173	3,35
Retirement benefit funds	111	1,79	36 210 526	32,93
Scrip lending	2	0,03	550 042	0,50
Stockbrokers and nominees	13	0,21	925 318	0,84
Treasury	1	0,01	556 605	0,51
Trusts	71	1,14	844 526	0,77
Unclaimed scrip	10	0,16	590	0,00
<b>Total</b>	<b>6 216</b>	<b>100,00</b>	<b>109 954 675</b>	<b>100,00</b>
<b>Shareholder type</b>				
Non-public shareholders	8	0,13	39 208 395	35,66
Directors and associates (direct holding)	3	0,05	38 375	0,03
Directors and associates (indirect holding)	3	0,05	35 908 206	32,66
Treasury	2	0,03	3 261 814	2,97
Public shareholders	6 208	99,87	70 746 280	64,34
<b>Total</b>	<b>6 216</b>	<b>100,00</b>	<b>109 954 675</b>	<b>100,00</b>

Fund managers with a holding greater than 5% of the issued shares		Number of shares	% of issued capital
Value Capital Partners		34 258 743	31,16
Allan Gray		18 335 751	16,68
Kagiso Asset Management		20 898 247	19,01
Steyn Capital Management		8 355 882	7,60
PSG Asset Management		8 733 422	7,94
<b>Total</b>		<b>90 582 045</b>	<b>82,39</b>
Beneficial shareholders with a holding greater than 5% of the issued shares			
H4 Collective Investments		14 640 795	13,32
Allan Gray		9 894 847	9,00
PSG		8 733 422	7,94
Kagiso		6 534 278	5,94
Sentinel Mining Industry Retirement Funds		5 886 235	5,35
Eskom Pension & Provident Fund		5 667 700	5,15
<b>Total</b>		<b>51 357 277</b>	<b>46,70</b>
<b>Total number of shareholdings</b>		<b>6 216</b>	
<b>Total number of shares in issue</b>		<b>109 954 675</b>	
Share price performance			
Opening price 1 March 2021		R6.49	
Closing price 28 February 2022		<b>R6.00</b>	
Closing high for the period		<b>R7.39</b>	
Closing low for the period		<b>R4.65</b>	
Number of shares in issue		<b>109 954 675</b>	
Volume traded during the period		<b>25 941 579</b>	
Ratio of volume traded to shares issued (%)		<b>23,59</b>	
Rand value traded during the period		<b>R155 932 759</b>	
Price/earnings ratio as at 28 February 2022		<b>20,91</b>	
Earnings yield as at 28 February 2022		<b>4,78</b>	
Dividend yield as at 28 February 2022		<b>7,83</b>	
Market capitalisation at 28 February 2022		<b>R659 728 050</b>	

# Shareholder analysis *continued*

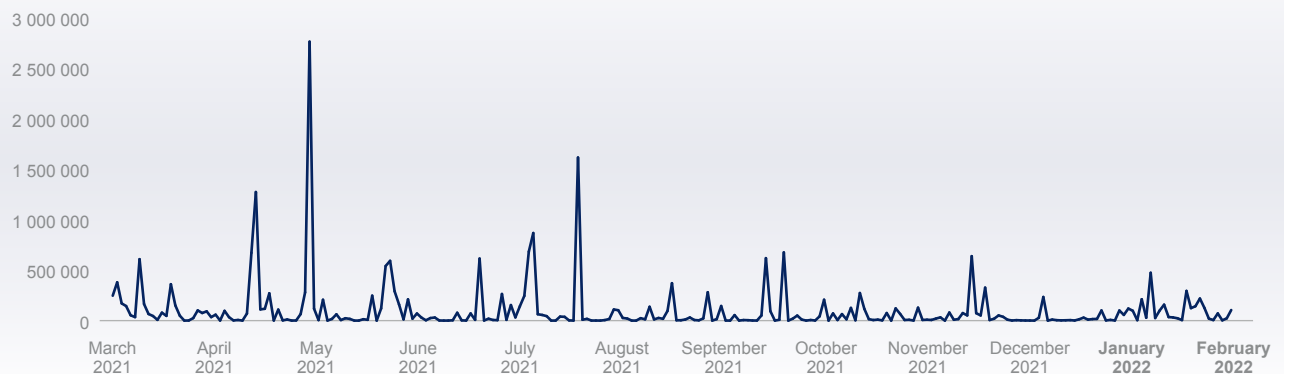
Adcorp price chart – daily closing price (cents)



Five-year share price performance (cents)



Adcorp price chart – 1 March 2021 to 28 February 2022 (volume)





# Shareholders' diary

Financial year-end  
Annual results announcement  
Annual report posted  
Annual general meeting  
Interim results announcement

28 February  
30 May 2022  
30 June 2022  
28 July 2022  
November 2022



# Notice of annual general meeting

29 June 2022

**Adcorp Holdings Limited**

Registration number: 1974/001804/06

Share code: ADR

ISIN: ZAE000000139

(Adcorp or the Company)

**Dear Adcorp shareholder****PUBLICATION OF THE INTEGRATED ANNUAL REPORT FOR THE YEAR ENDED 28 FEBRUARY 2022**

Kindly note that the Adcorp Holdings Limited's integrated annual report for the year ended 28 February 2022 has been released.

The Adcorp Holdings Limited's annual general meeting will be held entirely by way of electronic meeting participation on Thursday, 28 July 2022 at 09:00.

The integrated annual report of the Company for the year ended 28 February 2022, incorporating the attached notice of the annual general meeting, is available on the Company website at <https://www.adcorpgroup.com/integrated-annual-report-2022/>.

The separate audited Company annual financial statements for Adcorp Holdings Limited are also available on the Company website at <https://www.adcorpgroup.com/wp-content/uploads/2022/05/FY2022-Adcorp-Group-Consolidation-Annual-Financial-Statement.pdf>.

Should you require a printed copy of the integrated annual report and/or the consolidated annual financial statement, kindly inform the company secretary or the transfer secretary on the contact details as provided in the notice of the annual general meeting.

Kindly note that the attached proxy form must be lodged with the Transfer Secretaries by no later than 09:00 on Tuesday, 26 July 2022 at **adcorp@4axregistry.co.za**.

Yours sincerely

**Lisa Laporte**

*Group Company Secretary*

Adcorp Holdings Limited

## 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, 28 July 2022 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 71 of 2008, as amended (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, 22 July 2022. Accordingly, the last day to trade Adcorp's shares in order to be recorded in the register to be entitled to vote will be Tuesday, 19 July 2022.

## Shareholders' diary

Event	2022
Record date in order to be eligible to receive the AGM notice	Friday, 17 June
AGM notice posted to shareholders	Wednesday, 29 June
Last date to trade in order to be eligible to vote at the AGM	Tuesday, 19 July
Record date in order to be eligible to vote at the AGM	Friday, 22 July
Last day to lodge forms of proxy for administration purposes for the AGM and registration of electronic participation (by 09:00)	Tuesday, 26 July
AGM (at 09:00)	Thursday, 28 July
Results of the AGM released on SENS	Thursday, 28 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 AGM, the AGM 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](mailto:companysecretary@adcorpgroup.com) and copy CTSE Registry (Transfer Secretaries to Adcorp) on [adcorp@4axregistry.co.za](mailto:adcorp@4axregistry.co.za) or alternatively contact CTSE Registry on +27 (0) 11 100 8352 by no later than 09:00 on Tuesday, 26 July 2022 (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 AGM. Shareholders who choose to vote during the meeting will be able to do so electronically. CTSE Registry will assist shareholders with the requirements for electronic meeting participation. CTSE Registry 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.

# Notice of annual general meeting *continued*

## 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 AGM 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 AGM, 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 AGM, 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 AGM, he/she may do so by attending and voting at the AGM 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 2022 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](http://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 1.5: Election and re-election of directors

#### 1.1 Ordinary resolution number 1.1

"Resolved that Timothy Olls (who was appointed as an alternate director post the previous AGM held on 29 July 2021), be elected as a non-executive director of the company, in accordance with the company's MOI."

#### 1.2 Ordinary resolution number 1.2

"Resolved that Samuel Sithole, who retires by rotation in accordance with the provisions of the company's MOI, subject to the passing of ordinary resolution number 1.1, offers himself for election as an alternate director to Timothy Olls."

#### 1.3 Ordinary resolution number 1.3

"Resolved that Phumla Mnganga, who retires by rotation in accordance with the provisions of the company's MOI, being eligible and offering herself for re-election, be and is hereby re-elected as a director."

Appointed to the board on 6 September 2018.

#### 1.4 Ordinary resolution number 1.4

"Resolved that Herman Singh, who retires by rotation in accordance with the provisions of the company's MOI, being eligible and offering himself for re-election, be and is hereby re-elected as a director."

Appointed to the board on 6 September 2018.

#### 1.5 Ordinary resolution number 1.5

"Resolved that Gloria Serobe, who retires by rotation in accordance with the provisions of the company's MOI, being eligible and offering herself for re-election, be and is hereby re-elected as a director."

Appointed to the board on 7 April 2017.

*Notes: 1. Cecil Maswanganyi, who will retire by rotation in terms of the company's MOI, has indicated that he will not be making himself available for re-election and will be stepping down as a non-executive director of the company at the conclusion of the AGM.*

*2. Refer to pages 64 and 65 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 2.4: Re-election of audit and risk committee members

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 Tshidi Mokgabudi – Chairperson
- 2.2 Herman Singh – Member, subject to his re-election as a director
- 2.3 Ronel van Dijk – Member
- 2.4 Melvyn Lubega – Member

## 3. Ordinary resolution number 3: Appointment of independent external auditor

To appoint KPMG 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 2023 is Giuseppina Aldrighetti. The audit and risk committee and the Board have evaluated the independence, experience and expertise of both KPMG and Giuseppina Aldrighetti and have concluded that both the firm and individual designated auditor are independent of the Company in accordance with section 94(8) of the Companies Act. In compliance with the JSE Listings Requirements (paragraph 3.84(g)(iii)), the audit and risk committee obtained and considered all information listed in paragraph 22.15(h) of the JSE Listings Requirements in its assessment of the suitability of KPMG as well as Giuseppina Aldrighetti for appointment and recommend their appointment 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 85 to 89. 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 be casted against this ordinary resolution, Adcorp undertakes to engage with shareholders as to the reasons therefor. 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 90 to 93.

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 be casted against this ordinary resolution, Adcorp undertakes to engage with shareholders as to the reasons therefor. The manner and timing of such engagement, if required, shall be communicated in the voting results announcement.

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

To resolve that the CEO, CFO 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.



# Notice of annual general meeting *continued*

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

Following a benchmarking exercise of the non-executive directors' fees, the Board resolved to restructure the non-executive directors' fees from the per meeting fee to the annual retainer fee. The remuneration structure, excluding value-added tax, of the non-executive directors' fees is recommended as follows:

	Proposed annual retainer fee for 2022/2023	Retainer fee per meeting Approved for 2021/2022	Attendance fee per meeting Approved for 2021/2022
<b>Board</b>			
Chairman*	875 000	95 191	142 787
Lead independent non-executive director	350 000	37 047	52 953
Non-executive director	250 000	26 508	39 763
Ad hoc meetings/work performed by non-executive directors in their role as directors (hourly rate)	–	–	2 650
<b>Audit and risk committee</b>			
Chairman	300 000	31 516	47 275
Non-executive director	150 000	15 759	23 637
<b>Human capital committee**</b>			
Chairperson: HCC***	150 000	32 281	43 262
Non-executive: HCC	80 000	18 663	26 881
Chairperson: Nomination*	–	13 741	20 613
<b>Social, ethics and sustainability committee</b>			
Chairman	150 000	12 959	19 438
Non-executive director	80 000	8 217	12 326
<b>Investment committee</b>			
Chairman	150 000	31 516	47 275
Non-executive director	80 000	15 759	23 637

\* The Board chairperson's fees are capped at R875 000 per annum; the Board chairperson chairs part of the HCC agenda that deals with the nomination aspects and does not receive additional fees for serving on this committee and any other committee she may be serving.

\*\* 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.

## 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 the initial number 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.

In terms of section 48(2)(b)(i) of the Companies Act, subsidiaries may not hold more than 10%, in aggregate, of the number of the issued shares of any class of a company. For the avoidance of doubt, (i) a pro rata repurchase by the company from all its shareholders; and (ii) intra-group repurchases by the company of its shares from wholly-owned subsidiaries, share incentive schemes pursuant to Schedule 14 of the JSE Listings Requirements and/or nondilutive share incentive schemes controlled by the company, where such repurchased shares are to be cancelled, will not require shareholder approval, save to the extent as may be required by 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 132 to 134.
- Stated capital of the Company on page 109 of the audited 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 64 and 65 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 resolution contains 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 CTSE Registry at [adcorp@4axregistry.co.za](mailto:adcorp@4axregistry.co.za) or alternatively contact CTSE Registry on +27 (0) 11 100 8352 so as to reach this address by no later than 09:00 on Tuesday, 26 July 2022.

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](mailto: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, 28 July 2022, at 09:00 and is for use by certificated ordinary shareholders and dematerialised shareholders with "own name" registrations on the date of the AGM.

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 Timothy Olls			
Ordinary resolution 1.2: Election of Samuel Sithole, subject to the passing of ordinary resolution 1.1			
Ordinary resolution 1.3: Re-election of Phumla Mnganga			
Ordinary resolution 1.4: Re-election of Herman Singh			
Ordinary resolution 1.5: Re-election of Gloria Serobe – (Board chairman)			
Ordinary resolution number 2: Re-election of audit and risk committee members			
Ordinary resolution 2.1: Tshidi Mokgabudi – chairman			
Ordinary resolution 2.2: Herman Singh, subject to re-election as a director			
Ordinary resolution 2.3: Ronel van Dijk – member			
Ordinary resolution 2.4: Melvyn Lubega – member			
Ordinary resolution number 3: Appointment 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 vote on the remuneration policy			
Ordinary resolution number 6: Non-binding advisory vote 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 \_\_\_\_\_ 2022

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 CTSE Registry Services Proprietary Limited, 5<sup>th</sup> Floor, Block B, The Woodstock Exchange Building, 66–68 Albert Road, Woodstock, 7925, South Africa, 2193 or by email at [adcorp@4axregistry.co.za](mailto:adcorp@4axregistry.co.za) to be received by them for administrative purposes only by no later than 48 hours before the commencement of the AGM (or any adjournment of the AGM), 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 AGM prior at any time before the appointed proxy exercises any shareholder rights at the AGM.
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
<b>Adcorp/the Company</b>	Adcorp Holdings Limited
<b>Adcorp Group/the Group/the business</b>	Adcorp Group of companies
<b>AFS</b>	Annual financial statements
<b>AGM</b>	Annual general meeting
<b>ARC</b>	Audit and risk committee
<b>Assignees</b>	Temporary employees that are recruited, screened, trained and employed by the TES provider, then assigned to customer organisations
<b>ATR</b>	Average True Range
<b>ATT/Adcorp Technical Training</b>	Adcorp Technical Training (Pty) Ltd
<b>Board</b>	The board of directors of Adcorp
<b>Deloitte/Deloitte &amp; Touche/the external auditors</b>	The external auditors for the Adcorp Group
<b>Business/the business</b>	The business conducted within the Adcorp Group
<b>B-BBEE</b>	Broad-Based Black Economic Empowerment
<b>Candidate</b>	A job applicant or prospective employee
<b>Chair/chairperson</b>	The chairperson of the Board
<b>CIPC</b>	Companies and Intellectual Property Commission
<b>Companies Act</b>	Companies Act 71 of 2008
<b>Contingent employees</b>	All employees whether on independent, temporary or permanent contracts of employment, who are deployed to Adcorp customer sites as part of a commercial outsourcing contract
<b>Deployed Permanent Employee</b>	A permanent employee that has been deployed/outsourced to a customer company
<b>DSO</b>	Days Sales Outstanding is a measure of the average number of days that it takes a company to collect payment after a sale has been made
<b>EPS</b>	Earnings Per Share is the portion of the company's profit allocated to each outstanding share.
<b>EBITDA</b>	Earnings (i.e. operating profit) before interest, tax, depreciation and amortisation
<b>EE</b>	Employment equity
<b>ESG</b>	Environmental, Social and Governance
<b>ETI</b>	Employment Tax Incentive is 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
<b>FY2021</b>	Year ended 28 February 2021
<b>FY2022</b>	Year ended 28 February 2022
<b>FY2023</b>	Year ending 28 February 2023
<b>FO</b>	Functional Outsourcing
<b>GHG</b>	Greenhouse gases
<b>GDP</b>	Gross Domestic Product
<b>GRI</b>	Global Reporting Index
<b>HCC</b>	Human capital committee
<b>HEPS</b>	Headlines earnings per share
<b>IAR</b>	Integrated annual report
<b>IIRC</b>	International Integrated Reporting Council
<b>IFRS</b>	International Financial Reporting Standards
<b>IPA</b>	Individual Performance Appraisals

# Definitions *continued*

Abbreviation	Description
<b>Independent Contractor</b>	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
<b>Insourced Temporary Employees</b>	Employees that are hired from outside agencies and managed through the MSP model to render services to customer companies
<b>JSE</b>	Johannesburg Stock Exchange Limited
<b>King IV™/King IV™ Report</b>	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
<b>LRA</b>	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
<b>LTI</b>	Long-term incentive
<b>LTIFR</b>	Lost Time Injury Frequency Rate
<b>MSP</b>	Managed service provision is a service whereby a company takes on primary responsibility for managing an organisation's contingent workforce program, including overall program management, reporting and tracking, supplier selection and management, order distribution and consolidated billing
<b>NMW</b>	National minimum wage
<b>Nomco</b>	Nominations committee
<b>PBT</b>	Profit before tax
<b>Permanent Employee</b>	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
<b>PMI</b>	Production Management Institute of Southern Africa (Pty) Ltd
<b>POPIA</b>	Protection of Personal Information Act (POPI Act)
<b>Remco</b>	Remuneration committee
<b>Report/IAR</b>	Adcorp integrated annual report for the year ended 28 February 2022
<b>ROIC</b>	Return on invested capital is the percentage return that a company makes over its invested capital
<b>ROUA</b>	Right-of-use asset
<b>RPO</b>	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
<b>SESCo</b>	Social, ethics and sustainability committee
<b>SENS</b>	Stock Exchange News Service
<b>SETA</b>	Sector Education and Training Authority in South Africa which govern skills development through learnerships, internships, unit-based skills programmes, and apprenticeships
<b>SHEQ</b>	Safety, Health, Environment and Quality
<b>STI</b>	Short-term incentive
<b>TERS</b>	Temporary Employer-Employee Relief Scheme, introduced by the SA government as a result of the COVID-19 pandemic lockdowns
<b>TES</b>	Temporary Employment Services are, according to the LRA, employees that work for a customer on a temporary basis and are paid by the temporary employment service provider
<b>TGP</b>	Total guaranteed package calculated using a total cost to company methodology
<b>Torque IT</b>	Torque Technical Computer Training (Pty) Ltd
<b>WACC</b>	Weighted average cost of capital
<b>WSP</b>	Workplace skills plan

# 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](http://www.adcorpgroup.com)

## **Registered office**

Adcorp Holdings Limited  
Adcorp Place, 102 Western Service Road  
Gallo Manor Ext 6, Johannesburg  
South Africa, 2191  
PO Box 70635, Bryanston, Johannesburg  
South Africa, 2021  
Tel: +27 (0)10 800 0000  
Email: [info@adcorp.co.za](mailto:info@adcorp.co.za)

## **Company secretary**

Lisa Laporte  
Adcorp Place, 102 Western Service Road  
Gallo Manor Ext 6, Johannesburg, South Africa, 2191  
PO Box 70635, Bryanston, Johannesburg  
South Africa, 2021  
Tel: +27 (0)10 800 0000  
Direct Tel: +27 (0)10 800 0786  
Email: [companysecretary@adcorpgroup.com](mailto:companysecretary@adcorpgroup.com)

## **Investor relations**

Singular Systems IR  
Michèle Mackey  
Singular Systems, 25 Scott Street  
Waverley, 2090  
Tel: +27 (0)10 003 0661  
Email: [michele@singular.co.za](mailto:michele@singular.co.za)

## **External auditors**

Deloitte & Touche  
5 Magwa Crescent  
Midrand  
South Africa, 2066  
Tel: +27 (0)11 806 5000

## **Legal advisers**

Eversheds Sutherland SA  
3rd Floor, 54 Melrose Boulevard, Melrose Arch  
Melrose North, Johannesburg  
South Africa, 2196  
PO Box 782244, Sandton City, Johannesburg  
South Africa, 2146  
Tel: +27 10 003 1420  
Email: [petervanniekerk@eversheds-sutherland.co.za](mailto:petervanniekerk@eversheds-sutherland.co.za)

## **Transfer secretaries**

CTSE Registry Services Proprietary Limited,  
5<sup>th</sup> Floor, Block B, The Woodstock Exchange Building,  
66–68 Albert Road, Woodstock, 7925  
South Africa, 2193  
Tel: +27 (0)11 100 8352  
Email: [admin@4aregistry.co.za](mailto:admin@4aregistry.co.za)

## **Sponsors**

PSG Capital  
1st Floor, Ou Kollege Building,  
35 Kerk Street  
Stellenbosch, 7600  
Tel: +27(0) 21 887 9602  
Email: [info@psgcapital.com](mailto:info@psgcapital.com)  
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