



# enX

GROUP

## INTEGRATED REPORT

for the year ended 31 August

# 2022





## enX Group Limited

Incorporated in the Republic of South Africa  
Registration number: 2001/029771/06  
JSE share code: ENX  
ISIN: ZAE000222253  
JSE main board: Industrial general  
Listing date: 1 February 2007  
("enX" or "the company" or "the group")

enX Group Limited and its consolidated subsidiaries ("the group") are an industrial group listed on the JSE, providing integrated fleet management solutions and distributing quality branded industrial, petrochemical and fuel products to a wide range of economic sectors in South Africa and Sub-Saharan Africa.

## NAVIGATION

### OUR CAPITALS

Our relevance as a business depends on how we effectively utilise the various capitals available to us and the impact we make by leveraging our business strategy against these capitals.



#### FINANCIAL

Cash resources, bank funding, equity, trade credit lines



#### NATURAL

Water, electricity, fuel



#### SOCIAL

Relationships and supply



#### MANUFACTURED

Industrial equipment, rental and leasing fleets, warehousing, lubricants blending



#### HUMAN

Product and technical skills



#### INTELLECTUAL

Technical, supply chain skills, strategy and culture



Read more in this report



Read more online on [www.enxgroup.co.za](http://www.enxgroup.co.za)

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# 01 ABOUT THIS REPORT

The enX Group Limited and its consolidated subsidiaries' ("the group") integrated report provides a holistic assessment of the group's ability to create and preserve value for its stakeholders. It assesses strategy, risks and opportunities, financial performance, operational and sustainability material priorities. The group reports through three segments: **enX Fleet (Eqstra and Kynite), enX Petrochemicals (AG Lubricants, West African Group and Zestcor) and enX Equipment (New Way Power)**. **Discontinued operations** include **EIE SA** (sold 1 April 2022) and **Austro** (sold 30 June 2022). Each business is by-and-large managed autonomously.

## SCOPE AND BOUNDARY

This 2022 integrated annual report ("IAR") covers the businesses over which the group has control for the period 1 September 2021 to 31 August 2022, including subsidiaries and associates. The report also covers the risks, opportunities, stakeholder concerns and outcomes beyond the financial reporting boundary insofar as they materially affect the group's ability to create value in the short- to long-term.

The report is primarily targeted at current shareholders and potential investors in the group, but also covers areas of interest to other stakeholders such as suppliers, employees, customers, government and communities, which may be impacted by the group's operations.

The group uses its capitals, namely financial, social, human, natural, manufactured and intellectual, to achieve its strategic goals. These capitals are reported on primarily in our segmental reports and sustainability reports.

## PREPARATION, FRAMEWORKS AND ASSURANCES

The IAR is prepared according to:

- The JSE Listings Requirements
- The South African Companies Act 71 of 2008, as amended (Companies Act)

Frameworks applied and/or considered:

- IFRS Foundation's Integrated Reporting Framework 2021
- King Report on Corporate Governance for South Africa (2016) (King IV)
- Task Force on Climate-related Financial Disclosure (TCFD)

## ASSURANCES

The AFS have been prepared in accordance with International Financial Reporting Standards (IFRS), the requirements of the Companies Act, the JSE Listings Requirements and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council. Certain financial information contained within the extracts of the summarised financial information has been extracted from the audited consolidated and separate financial statements for the year ended 31 August 2022, but is not audited.

Non-financial assurances include B-BBEE verifications and health and safety ISO accreditations. At present the sustainability information is not independently assured. External assurance will be considered as and when necessary.

## MATERIAL EVENTS

### DISCONTINUED OPERATION – EIE SA

Shareholders are referred to the SENS announcement dated 30 September 2021 announcing the disposal of **EIE SA** to CFAO Holdings South Africa ("**CFAO South Africa**"). On 29 November 2021, enX, CFAO South Africa and EIE SA concluded definitive transaction agreements. Shareholder approval was obtained on 20 January 2022 and fulfilment of the final conditions precedent took place on 1 April 2022, being the effective date. The net transaction value was R676 million, being the transaction value of R700 million less calculated leakage of R24 million. R135 million was placed in escrow, being 20% of the net transaction value, for a period of two years, in terms of the transaction agreements.



**Read more in this report**  
Refer to page 21 for more details

### DISCONTINUED OPERATION – AUSTRO

Shareholders are referred to the Unaudited Interim Group Results for the six months ended 28 February 2022 announcing the sale of Austro Proprietary Limited ("**Austro**"). This transaction terminated, but based on the board's stated long-term decision to exit and manage the controlled wind-down of Austro with the specific intention to maximise cash generation, which has largely been achieved, another buyer was located. With effect from 30 June 2022, Austro was sold.



**Read more in this report**  
Refer to page 21 for more details

## REPORTING SUITE

The IAR (including the governance report) is available online, together with the enX Annual financial results ("AFS") for the year ended 31 August 2022, the King IV compliance report and the Annual general meeting notice ("AGM") which includes the form of proxy. Copies of this report can be requested at [info@enxgroup.co.za](mailto:info@enxgroup.co.za). For additional information and recent announcements, please visit enX's website at [www.enxgroup.co.za](http://www.enxgroup.co.za).



## RESPONSIBILITY STATEMENT AND REVIEW

The audit and risk committee ("ARC") and the board acknowledge their responsibility to ensure the integrity of this IAR. The report has been reviewed by ARC, the board, company secretary and JSE sponsor. The AFS for the year ended 31 August 2022, of which a summary is included in this IAR, have been audited by external auditors, Deloitte & Touche.

## MATERIALITY

The IAR is intended to provide insight into issues identified as the most relevant and material to enX and its stakeholder groups that could potentially impact the group as a going concern. We believe that in order to create sustained value for our shareholders we need to look beyond short-term returns. We aim to incorporate this thinking throughout the report and in our everyday business.

The board, specifically the ARC and the Social and ethics committee, play a central role in the determination of material risks as well as opportunities that may arise, and further detail pertaining to these risks and opportunities is detailed on pages 14 to 17 of this report.

## FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements that, unless otherwise indicated, reflect the group's expectations as at 31 August 2022. Actual results may differ materially from the group's expectations if known and unknown risk or uncertainties affect its business, or if estimates or assumptions prove inaccurate. The group cannot guarantee that any forward-looking statement will materialise and, accordingly, readers are cautioned not to place undue reliance on these forward-looking statements.

The group disclaims any intention and assumes no obligation to update or revise any forward-looking statement even if new information becomes available as a result of future events or for any other reason, save as required to do so by legislation and/or regulation.

**Andrew Hannington**  
*Chief Executive Officer*

6 December 2022

**Robert Lumb**  
*Chief Financial Officer*

**Vuyani Jarana**  
*On behalf of the Audit and risk committee*

## FEEDBACK

We welcome your feedback on this report. Please email your comments to [info@enxgroup.co.za](mailto:info@enxgroup.co.za).

The definitions included in the Definitions section apply throughout the report.

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## OUR GROUP

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# OUR 2022 HIGHLIGHTS



## FINANCIAL

Robust profitability  
Strong cash generation  
Two special distributions declared to shareholders of R638m

**HEPS ↑ 160 cps**  
2021: 90 cps



## SOCIAL

To create a compassionate environment for operations, attending to the needs of our stakeholders and deliver on our commitments

**SD, SED AND ED SPEND R10.8M**



## HUMAN

To provide a safe working environment, providing equal opportunities in an inclusive organisation

**TRAINING SPEND R24.1m**



## NATURAL

Conduct our business with respect to the environment and use natural resources responsibly

**GO GREEN INITIATIVES**



## MANUFACTURED

Investing in plant and equipment that support our growth strategy

**DISPOSED OF EIE SA AND AUSTRO**



## INTELLECTUAL

Our proprietary and licenced software supports our competitive advantage

**OPTIMISED AND COMMERCIALISED KYNITE, A SOFTWARE-AS-A-SERVICE ("SAAS") OFFERING**

# OUR GROUP SEGMENTS

enX is an integrated fleet management solutions provider and distributor of quality branded industrial, petrochemical and fuel products.

enX is organised as follows:

 <p><b>enX FLEET segment</b> comprises:</p> <p><b>FLEET MANAGEMENT SOLUTIONS ACROSS ALL VEHICLE CLASSES:</b> Leasing maintenance, tracking, insurance and remarketing</p> <p><b>Eqstra</b> South Africa Johannesburg • Cape Town • Durban Botswana • Namibia • Swaziland</p>	<p><b>Segment comprises:</b></p> <p><b>% of Group revenue</b></p>  <p><b>Headcount</b> <b>387</b> (2021: 422)</p>
 <p><b>enX PETROCHEMICALS segment</b> comprises:</p> <p><b>MANUFACTURING AND DISTRIBUTION OF PETROCHEMICALS:</b> Oil lubricants and base oils, rubber chemicals, fillers, additives, natural and synthetic rubber, polyethylene, polystyrene and polypropylene</p> <p><b>WAG</b> Johannesburg • Durban • Cape Town <b>AG Lubricants</b> Johannesburg • Durban • Cape Town • Democratic Republic of Congo • Zambia</p>	<p><b>Segment comprises:</b></p> <p><b>% of Group revenue</b></p>  <p><b>Headcount</b> <b>173</b> (2021: 168)</p>
 <p><b>enX EQUIPMENT segment</b> comprises:</p> <p><b>DISTRIBUTION, RENTAL, PRE-OWNED AND VALUE-ADDED SERVICES FOR:</b> Diesel power solutions, renewables and diesel engines</p> <p><b>New Way Power</b> Johannesburg • Durban • Cape Town</p>	<p><b>Segment comprises:</b></p> <p><b>% of Group revenue</b></p>  <p><b>Headcount</b> <b>181</b> (2021: 181)</p>
 <p><b>DISCONTINUED OPERATIONS</b> comprises:</p>	

# OUR JOURNEY

<p><b>2007</b></p> <p>Listed Austro and Power business acquired</p>	<p><b>2014</b></p> <p>Establishment of Petrochemicals segment through acquisition of Centlube</p> <p>Group renamed enX</p>	<p><b>2015</b></p> <p>Awarded ExxonMobil distributorship</p>	<p><b>2016</b></p> <p>Acquisition of Genmatics, WAG and AG Lubricants</p> <p>Empowerment transaction and capital raise</p>	<p><b>2017</b></p> <p>Acquisition of Eqstra and EIE</p> <p>Decoupled from eXtract</p> <p>Growing Petrochemical segment</p>
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**Eqstra** provides a full spectrum of passenger vehicle services including leasing, fleet management, outsourcing solutions, maintenance, warranty management and vehicle tracking solutions. It also provides fleet management solutions for commercial vehicle fleet owners. Its footprint is South Africa, Botswana and Namibia. Eqstra’s commercial vehicle operations are supported by a nationwide network of workshops and panel repair shops. Included in Eqstra, is **Kynite**, a Software-as-a-Service (“SaaS”) solution which manages the full spectrum of vehicle services with external customers making use of this offering.



**West African Group (“WAG”)** distributes plastics, polymers, rubber and specialty chemicals into Southern Africa. It is the sole agent and distributor of ExxonMobil chemicals in South Africa.

Affiliated brands:



**AG Lubricants through African Group Lubricants (“AGL”)** produces and markets oil lubricants and greases in South Africa and sub-Saharan Africa. It is the sole distributor of ExxonMobil lubricants (excluding marine and aviation) and Quaker Houghton International’s advanced fluids solutions and services. Included in the segment is our 37% investment in associate, **Zestcor**.

Affiliated brands:



**New Way Power** designs, manufactures, installs and maintains diesel generators as well as provides temporary power through New Way Rentals. The business also distributes a range of industrial and marine engines and components through Power O2 which is the sole distributor of John Deere and Baudouin industrial engines in South Africa. The business has recently evolved to include a more balanced power solution offering cleaner power through solar hybrid and grid alternatives.

Affiliated brands:



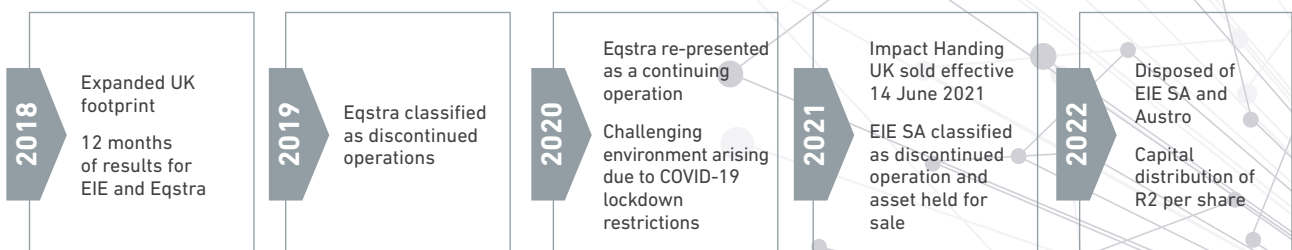
**Segment comprises:**



**EIE SA** provides distribution, rental and value added services for industrial and materials handling equipment in South Africa and other African countries. EIE SA is the sole distributor of Toyota Forklifts, BT warehousing equipment, Konecranes heavy duty forklifts and container handling equipment, Terberg Terminal Tractors, Balancell batteries and chargers, Hako Industrial cleaning equipment and CT Power Forklifts in sub-Saharan Africa. EIE SA was sold on 1 April 2022.



**Austro** distributes professional woodworking equipment, tooling and the provision of associated services such as blade sharpening and equipment maintenance. It is the sole distributor of Biesse equipment and Leitz tooling in South Africa. Austro was sold on 30 June 2022.



# OUR PURPOSE

enX Group is an **integrated fleet management solutions provider** and distributor of **quality branded industrial, petrochemical and fuel products**

- Integrated solutions-based leveraging off technology
  - » Kynite
  - » Specialist products and solutions in AG Lubricants and WAG
- Grow asset light
- Drive efficiencies through technology
- Quality brands and products
  - » Petrochemical
  - » New Way Power

## HIGHLIGHTS AND KEY FOCUS AREAS

### 1 Robust performance for year ended 31 August 2022

- Solid profitability in continuing operations
- Improved financial position
- Strong cash generation

### 2 Disposal of EIE SA

- Disposal effective 1 April 2022
- Aggregate consideration of R676 million
- R135 million, being 20% of the net purchase price, retained in escrow for two years

### 3 Application of R350 million into Eqstra funding from proceeds of the Impact Handling (UK) disposal

- Eqstra is now well capitalised with an improved maturity profile
- Reduction in cost of financing

### 4 Two special distributions to shareholders amounting to c. R638 million

- R2.00 per share on 13 June 2022 (c. R365 million)
- R1.50 per share on 5 September 2022 (c. R273 million)
- Achieved by a reduction of contributed tax capital which are not dividends as defined in terms of the Income Tax Act and do not attract withholding tax

### 5 Disposal of Austro

- Strategy of overseeing a controlled wind-down of the business with the specific intention to optimise cash generation
- Over R30 million in cash has been generated for enX since strategy commenced in July 2020
- Disposal effective 30 June 2022

### 6 Optimise and commercialise Kynite

- Kynite, a technology solution for the management of the full spectrum of vehicle services including leasing, fleet management outsourcing solutions, maintenance, warranty management and vehicle tracking solutions, has been developed by Eqstra
- Continue to optimise and commercialise Kynite, growing the asset-light portion of enX
- Provides future annuity revenue in the technology space through SaaS
- Customers have already been using the SaaS product

### 7 Clover exit

- Clover contract termination at end June 2022
- Commercial vehicle disposals included in Revenue
- Contract has historically had a negative impact on returns
- Released invested capital was in part to repay debt with balance returned to group after year-end

### 8 Mandatory offer

- Closed 3 June 2022
- Small acceptance of 103k shares (0.06% of enX share capital) at R5.60 per share

### 9 Continued focused decentralised management teams

- Empowering business unit leaders, with group assisting to improve synergies

### 10 Transformation strategy aligned to group and business requirements

- enX Group rated a level 4 B-BBEE scorecard (100% contributor)



# OUR STRATEGIC PRIORITIES



## TECHNOLOGY

- Enhancements using technology solutions to create value for customers and cost reduction for both customer and enX



## OPERATING EFFICIENCIES

- First class fleet provider with diverse suite of products catering from cradle to grave with emphasis on customer services
- Cost effective blending plant, delivering the highest quality products at competitive prices
- Preferred manufacture of large generators
- Preferred provider of polymers, rubber, fillers and specialised chemicals



## GROWTH

- Leasing unitary growth combined with strategic VAPs to drive improvement of earnings and unrivalled value to customer
- Volume growth at AG Lubricants and WAG
- Invest in own blending plant facility



## BOLD PLAYS

- Global VAPs and fleet support solutions
- Potential asset light solutions through support service offering
- Continual growth mindset identifying opportunities for organic and inorganic growth through acquisitions
- Annuity revenue in technology space through SaaS



## SUSTAINABLE INVESTMENT CASE

- Right-sizing business units or exit non-performing businesses
- Develop and empower leaders, with a strong focus on transformation and succession
- Manage environmental and social impacts
- Maintain and enhance governance practices and processes



## ENHANCE SHAREHOLDER VALUE

- Maintain a strong balance sheet and liquidity to fund working capital
- Deliver consistent profit margins and cash flows
- Provide our employees with career growth opportunities and a safe, rewarding and fair working environment

### 11 Continued "Back-to-Basics" strategy

- Focus on optimising those areas under our control
- Dealing decisively with the inherent structural inefficiencies in underperforming business units
- Executing the basics well and reducing complexity

### 12 Enabling technology to drive efficiencies, engage distribution networks and support engagement with customers

### 13 Cash and investment allocated to businesses with highest returns

# DIRECTORATE

## EXECUTIVE DIRECTORS

## NON-EXECUTIVE DIRECTORS



**Andrew Hannington (66)**  
 CEO  
 CA(SA)  
 Appointed: 3 July 2020

Andrew was appointed director on 3 July 2020 and has served as group CEO since 13 August 2020. He is also a non-executive Director of Texton Property Fund Limited. He was previously CEO of Grant Thornton Johannesburg (registered auditors) and prior to that CEO and National chairman of PKF (registered auditors). He is a member of the South African Institute of Chartered Accountants and the Institute of Directors. During his career in the auditing and accounting profession he acted as the reporting accountant on several JSE listings. Andrew indirectly holds 6% of enX shares.

**Robert Lumb (52)**  
 CFO  
 CA(SA), FCMA  
 Appointed: 1 March 2020

Robert serves as CFO of the enX Group. He previously served as CFO of Interwaste Holdings Limited after a long career within the Barloworld Group. He has a Bachelor of Commerce and Post Graduate Diploma in Accounting, is a CA(SA) and an FCMA. He has over 25 years of financial management experience in South Africa and the UK in several sectors including construction, FMCG, banking, IT, manufacturing, automotive, logistics and waste management. He directly holds 0.1% of enX shares.

**Paul Baloyi (66)**  
 Chair of the board and Nomination committee  
 MBA (Manchester Bangor University of Wales), MDP, SEP (Harvard)  
 Appointed: 1 January 2014

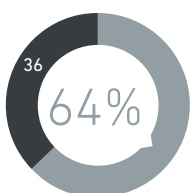
Paul is the non-executive director of several listed companies in South Africa, including Peermont, enX Group and Zarclear. Paul has had extensive operational experience as an executive at Standard Bank and Nedbank and as CEO of the Development Bank of Southern Africa until 2012. He has also had extensive governance experience as both chair and director on the boards of a number of diverse and complex organisations. Paul indirectly holds 5.3% shares in enX.

**Warren Chapman (51)**  
 Chairman of Remuneration committee  
 B Com, CFA, SA Institute of Stockbrokers  
 Appointed: 3 July 2020

Warren is the Group CEO of Peresec South Africa and an executive director of both African Phoenix Investments and Zarclear Holdings. He has worked in financial markets for over 25 years specialising in market structure, on-exchange liquidity, securities lending, derivatives and hedge funds where he has played market leading roles. He remains committed to the development and well-being of South African listed capital markets. Warren indirectly holds 16.1% of shares in enX.

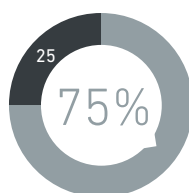
## DIRECTORS

### RACE



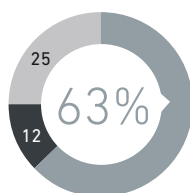
■ Black ■ White

### GENDER



■ Male ■ Female

### INDEPENDENCE



■ Independent ■ Executive  
 ■ Non-Independent

■ Audit and risk committee  
 ■ Remuneration and nomination committee  
 ■ Social and ethics committee

**Refer to the website for the executive management team.**

## INDEPENDENT NON-EXECUTIVE DIRECTORS



**Vuyani Jarana (52)**  
*BCom, MBA*  
Appointed: 3 September 2020

Vuyani is a seasoned business transformation leader with over 25 years of ICT experience, most of which he spent within the Vodacom Group where he held various positions including a Group COO role and a CEO for Vodacom Business. He is the former CEO of South Africa Airways. Vuyani has extensive experience in doing business in the African continent. As a development activist he always looks at the most appropriate ways to apply mobile and digital technologies to address some of the most challenging and stubborn social issues facing the African continent. He is currently the shareholder and the Chairman of the Mobax Group, a leading managed services company providing infrastructure into the telecommunications sector. He is also a board member of the Eastern Cape Rural Development Agency.



**Babalwa Ngonyama (48)**  
**Audit and risk committee  
Chair**  
*BCom (Hons) CA(SA)*  
Appointed: 19 July 2019

Babalwa was appointed to the board in July 2019 and is the Chairperson of the Audit and risk committee. She is the CEO of Sinayo Securities (Pty) Limited, a women-owned and managed securities firm. Prior to this she was the Group chief internal auditor of Nedbank Limited, the past FD of Safika Holdings, an audit partner at Nkonki Chartered Accountants and, thereafter, a partner at Deloitte (Financial Institutions Services Team). She is, among others, a non-executive director and member of the Audit committees of Aspen Pharmacare Holdings Limited and previously served as a non-executive director of Barlworld and Implats Limited. She brings considerable financial and commercial experience to the Board. Babalwa is the founding chairperson of the African Women Chartered Accountants (AWCA) and serves as a chairperson of the Council for the University of Cape Town.



**Lerato Molefe (46)**  
*Juris Doctor (Harvard)*  
**Social and ethics committee  
Chair**  
Appointed: 21 October 2016

Lerato is the founding director of Naaya - an Africa-focused advisory and investment business based in Johannesburg. Most recently, she was the director of strategic investments at a fast-growing global fintech company, having begun her career practicing mergers and acquisitions law at Shearman & Sterling LLP in New York and Paris, and later at Bowmans in Johannesburg. Lerato holds a juris doctor degree from Harvard Law School, and is studying towards her executive MBA degree with Saïd Business School at Oxford University.



**Zolani Kgosietsile ("Kgosie")  
Matthews (65)**  
*BA (Hons)*  
Appointed: 3 July 2020

Kgosie is currently serving on the board on the NYSE listed, African Gold Acquisition Corporation and is a member of its Audit and risk committee. He previously served as a non-executive director of the South African Post Office where he was a member of their Audit and risk committee, a trustee of the South African Post Office Retirement Fund, chairman of the Postbank Committee of the Post Office board, executive chairperson of Imvula Group in Johannesburg, MD of Fordworks and Associates in New York, senior manager at Armscor in Pretoria, vice chairperson at Washington Strategic Consulting Group Inc. in Washington DC, as well as the director of state and local government affairs at America Express in New York. In September 2020, he was appointed by parliament as a full-time councillor for the Independent Communications Authority of South Africa (ICASA) for a four-year term.

### enX Group Limited director attendance and participation at meetings for the 2022 financial year

Director	Board	Audit and risk committee	Social and ethics committee	Remuneration and nomination committee
P Baloyi	4(4)	–	2(2)	2(2)
W Chapman	4(4)	–	–	2(2)
A Hannington	4(4)	4(4) <sup>#</sup>	2(2) <sup>#</sup>	2(2) <sup>#</sup>
R Lumb	4(4)	4(4) <sup>#</sup>	2(2) <sup>#</sup>	2(2) <sup>#</sup>
O Mabandla <sup>®</sup>	3(3)	–	2(2)	2(2)
K Matthews <sup>%</sup>	4(4)	–	–	2(2)
L Molefe	4(4)	4(4)	2(2)	–
B Ngonyama	4(4)	4(4)	–	2(2)
J Varana	4(4)	4(4)	–	2(2)

<sup>#</sup> Executive directors attended meetings by invitation.

<sup>®</sup> O Mabandla resigned as director on 8 June 2022.

<sup>%</sup> K Matthews was appointed member of the Social and ethics committee on 24 August 2022.

# RISK MANAGEMENT AND TOP OF MIND ISSUES

The board undertakes responsibility for the process of risk management in the group and is further responsible for setting the tone for risk management by providing discipline and structure. While primary risk management has been delegated to the ARC, each committee of the board manages the group's risks for its areas of responsibility.

enX's risk management framework is embedded in our daily operations and promotes responsible risk-taking, improves understanding of potential impact of risks and identifies opportunities. This process empowers management to analyse and assess the likelihood of material risks and identify effective plans to mitigate these risks and realise opportunities.

When identifying relevant matters, we consider topics or issues that:

- Are important to key stakeholders
- Form the basis of boardroom discussions
- Could substantively affect value creation
- Link to strategy, governance, performance or prospects

When evaluating the importance of relevant matters, we consider:

- Quantitative and qualitative effects
- The nature, area and time frame of effects
- The magnitude of impact and likelihood of occurrence

The table provides a summary of the roles and responsibilities of each of the key stakeholders in the enX group risk management process:

## FRAMEWORK

The framework provides the design, implementation, monitoring, reviewing and continuous improving of risks and opportunities.

### BOARD AND SUBCOMMITTEE

#### Board responsibilities

- The board is responsible for the governance of risk and sets the tone for risk management
- The board approves the ERM Framework which clearly defines enX's risk management philosophy
- Overriding control and mitigation of risks
- Approving risk appetite and ensuring alignment with strategy
- Setting risk tolerance and appetite

#### Audit and risk committee responsibilities

- Monitors the implementation of the risk management process
- Monitors that the ERM Framework is integrated and embedded into normal business processes and activities

### MANAGEMENT AND EMPLOYEES

#### CEO, CFO and management responsibilities

- The group's CEO and CFO drive the culture of risk management and sign off on annual risk attestation
- Continuously improve the group's risk management policy, strategy and supporting framework
- Ensure that employees in their business units comply with the risk management policy
- Foster a culture where risks can be identified and addressed

## PROCESS

Risks are managed using policies, standards, procedures and practices and internal controls. The process of risk management is to systematically apply management policies, procedures, and practices to the following risk activities:

- Determine appetite and tolerance
- Risk classification
- Communication and consultation
- Risk assessment
- Risk response
- Monitoring and review

**CONTROLS**

The assurance framework promotes accountability and consistency. It supports a coordinated approach to risk management throughout the group and provides assurance that risks are being effectively managed.

**LINES OF DEFENCE**

**First line of defence (management)**  
– responsible for the identification and management of risks, in line with agreed policies, risk appetite, tolerance levels and controls at an operational level.

**Second line of defence (risk management, compliance, legal quality control functions)** – responsible for the oversight and monitoring of different risks and provides the first line of defence with the appropriate tools to effectively manage identified risks.

**Third line of defence (internal audit, external audit, independent assurance providers)** – provides independent oversight and assurance to the board and senior management on the adequacy and effectiveness of controls implemented.

All three lines of defence report to the board directly or through the ARC and/or SEC.

Material priorities are those factors most likely to influence the conclusions of our stakeholders when assessing our ability to create value over time.

The board and management teams continuously identify, analyse and evaluate the most appropriate response options. These are then evaluated in relation to enX's risk appetite, the cost versus benefit of potential risk responses, and the degree to which a response will reduce the impact and/or likelihood of a risk materialising.

enX determines if a factor is material by considering its potential to impact strategy performance and prospects in the short-, medium- and long-term, and ultimately our ability to create, sustain and limit the erosion of value.

Within the context of the uncontrollable factors in our operations, our material priorities are those factors we can to some extent control. We considered our strategy, the views and concerns of management and the board, key stakeholder groups, including customers, investors, lenders, suppliers and staff.

Following these workshops, top-of-mind issues were identified at both a group and segmental level, as were the control strategies to mitigate them.



# OUR INTEGRATED RISK MODEL

A risk is defined as the impact of uncertainty on objectives. An uncertainty can manifest as an opportunity or an adverse event. The risk management process that ensures a proactive, systematic and structured response to uncertain events is incorporated throughout our business operations and operating cycles.

Our embedded integrated risk model identifies and assesses existing and emerging risks. Our processes aim to understand these risks and how they affect all our objectives, whether they be strategic, operational, reporting or compliance.

To achieve this, the model establishes the potential impact and likelihood of the risks and identifies actions. Any risk taken is considered within board-approved risk appetite and tolerance levels which are reviewed and, where necessary, updated quarterly. Management monitors emerging risks on an ongoing basis until they are formally assessed and incorporated into our risk profile. Risks are classified as emerging when their extent, nature and timing are uncertain.

Effective risk management is dependent on the integrity and experience of management. Our ethics and values govern our approach to the governance and management of risks and require that we are honest, transparent and communicate the level of exposure we take in the pursuit of value creation and preservation.

Risk description	Mitigating actions and opportunities
Global supply chain constraints	<ul style="list-style-type: none"> <li>• Effective board and committee oversight</li> <li>• Extended lead times on imports</li> <li>• Supplying customers where other suppliers are not able</li> </ul>
Successes	<ul style="list-style-type: none"> <li>• Ability to extend lease contracts to overcome vehicle supply shortages</li> <li>• Secure alternative suppliers for product</li> <li>• Supply chain management and higher inventory holding when required to meet demand</li> <li>• Supply chain optimisation</li> </ul>
Opportunities	<ul style="list-style-type: none"> <li>• Broaden current suppliers by securing volume from alternative sources</li> <li>• Our ability to extend lease contracts, interchange fleet vehicles between areas of operations and even customers</li> <li>• Access to global markets and relationship</li> </ul>
Risk description	Mitigating actions and opportunities
Impact of disruptive technologies including increased cyber-security requirements	<ul style="list-style-type: none"> <li>• Implementation of new and improved technologies to improve efficiencies</li> <li>• Monitoring innovative changes in the market</li> <li>• Strategy alignment reviews to ensure appropriate IT strategies</li> <li>• Business Continuity and Disaster Recovery Plans are in place</li> <li>• Awareness training</li> <li>• Appropriate network security</li> <li>• Implementation of effective endpoint security</li> <li>• Cyber strategy</li> <li>• Continued implementation of additional controls arising from penetration tests</li> <li>• Committee oversight of material IT projects</li> <li>• Data security and protection of personal information</li> <li>• Hybrid work conditions enabling employees to securely and effectively work from home</li> </ul>
Successes	<ul style="list-style-type: none"> <li>• IT teams fast track key projects within the business to re-align with business requirements.</li> <li>• POPIA measures implemented</li> <li>• Delivering on technology refresh programmes to support the digital transformation journey</li> <li>• Migrating acquired business systems into consolidated platforms</li> <li>• Enhancing the sales processes by streamlining the process to work for the sales teams</li> <li>• Modernisation and optimisation of ERP systems within the group</li> <li>• Building analytical capability for better insights into business data for efficient decision-making</li> <li>• ISO 27001 implementation process commenced</li> <li>• Completed year one of a three-year IT maturity independent review process</li> </ul>
Opportunities	<ul style="list-style-type: none"> <li>• Obtain ISO 27001 certification</li> <li>• Benefit from Kynite SaaS solution</li> <li>• Invest in leading technology, including ongoing digitisation initiatives</li> </ul>



Risk description	Mitigating actions and opportunities
<p>Inability to sustain and grow profitability of the business resulting in underperformance of earnings and returns to shareholders</p>	<ul style="list-style-type: none"> <li>• Enhance efficiencies to maintain margin</li> <li>• Right-sizing of business units</li> <li>• Regular review, analysis and reporting on margins and focussed balance sheet management with strong cash flow management</li> <li>• Proactively managing debt maturity profile</li> <li>• Dedicated funding in each borrowing unit, where appropriate, with more focussed treasury management</li> <li>• Hedging policies in place</li> <li>• Continuous assessment of allocation of capital into a diversified portfolio of businesses.</li> <li>• Improved credit granting process and debtor management</li> <li>• Focus on new opportunities</li> <li>• Continue to provide service excellence</li> <li>• Active management of currency volatility through hedging with overarching policy and governance structures</li> </ul>
<p>Successes</p>	<ul style="list-style-type: none"> <li>• Revenue from continuing operations R5.556 billion (2021: R4.210 billion), up 32%</li> <li>• Robust cash flow generated before financing activity of R1.019 billion (2021: R1.033 billion)</li> <li>• Capital contribution of R2.00 and R1.50 per share paid to shareholders on 20 June 2022 and 5 September 2022 respectively</li> </ul>
<p>Opportunities</p>	<ul style="list-style-type: none"> <li>• Additional growth in shareholder returns</li> <li>• Revenue and sales volume growth</li> </ul>

Risk description	Mitigating actions and opportunities
<p>Deterioration of social and political environment</p>	<ul style="list-style-type: none"> <li>• Effective relationship management with OEMs to secure product</li> <li>• High focus on diversifying supply chains</li> <li>• Long-term contracts secured</li> <li>• Business continuity plans reviewed and improved</li> </ul>
<p>Successes</p>	<ul style="list-style-type: none"> <li>• No major inventory losses due to unrest and social instability</li> <li>• Renewed insurance in line with risk appetite following improved risk management through site surveys</li> </ul>
<p>Opportunities</p>	<ul style="list-style-type: none"> <li>• Generator demand increases creates opportunities for New Way Power</li> <li>• Renewable energy solutions offered to customers and also installations at owned facilities</li> </ul>

Risk description	Mitigating actions and opportunities
<p>Not prioritising our people's health, safety and well being</p>	<ul style="list-style-type: none"> <li>• Implementation of operating protocols to protect our stakeholders against the spread of COVID-19 in the places we operate</li> <li>• Strict adherence to protocols</li> <li>• Position the group with high levels of professionalism and values</li> <li>• Manage the impacts of right-sizing our operations</li> <li>• Ensure all stakeholders are treated fairly and in line with our values</li> <li>• Safety audits</li> </ul>
<p>Successes</p>	<ul style="list-style-type: none"> <li>• Appropriate health and safety protocols in place to ensure safe working conditions for staff</li> <li>• Pro-active approach against favoritism, discrimination and breach of Ethics code of conduct</li> <li>• Toll blending plant independently assessed and certificated using the ExxonMobil Fuels and Lubricants Quality Practices and Guidelines (QP&amp;G) standard</li> </ul>
<p>Opportunities</p>	<ul style="list-style-type: none"> <li>• Conduct basic health checks for all staff</li> <li>• Obtain ISO 45001 accreditations at Eqstra</li> </ul>

# RISK MANAGEMENT AND TOP OF MIND ISSUES (continued)

Risk description	Mitigating actions and opportunities
Not managing stakeholder expectations	<ul style="list-style-type: none"> <li>• Board and committee oversight</li> <li>• Constant financial management oversight and reporting (budgeting, cash flow management)</li> <li>• Enhance efficiencies to maintain margin</li> <li>• Right-sizing and restructuring of business units not performing</li> </ul>
Successes	<ul style="list-style-type: none"> <li>• Strong recovery in profitability for the year ended 31 August 2022, with continuing operations PAT up 67%</li> <li>• HEPS from continuing operations of 160 cps (2021: 90 cps)</li> <li>• Actively engaged with shareholders regarding remuneration policy and the implementation thereof</li> </ul>
Opportunities	<ul style="list-style-type: none"> <li>• Further improvement of efficiencies</li> <li>• Continuous right-sizing of businesses</li> </ul>

Risk description	Mitigating actions and opportunities
Failure to act in an environmentally responsible way	<ul style="list-style-type: none"> <li>• Climate-related risk: extreme weather events can disrupt business operations, weaken economic growth and cause damage to vehicles, property and other assets</li> <li>• Higher temperatures and lower rainfall brought about by climate change will impact the length and severity of droughts and, in turn, our customers and communities</li> <li>• Climate change will have a direct impact on energy availability, supply chains and the supply of food</li> <li>• The transition to a low-carbon economy may also pose risks to the group, for example, increasing emissions tax and introducing NEVs</li> </ul>
Successes	<ul style="list-style-type: none"> <li>• Obtained required environmental compliance certificate at AG Lubricants</li> <li>• Go Green initiatives at all operations</li> </ul>
Opportunities	<ul style="list-style-type: none"> <li>• Procure lower emissions vehicles for the car rental and own fleet</li> <li>• Solar solutions to overcome Eskom reliance</li> <li>• Invest further in waste water systems and water tanks</li> </ul>

Risk description	Mitigating actions and opportunities
Unintended non-compliance to laws and regulatory requirements	<ul style="list-style-type: none"> <li>• Understanding and managing the legal universe in which we operate</li> <li>• Confirmation of current legislation included into processes and procedures</li> <li>• Monitoring the legal environment for any material changes to the current landscape</li> <li>• Constant reviews, training and roll out of compliance programmes</li> </ul>
Successes	<ul style="list-style-type: none"> <li>• All staff received training regarding POPIA on schedule, change management has been implemented and is being monitored, enhanced security regarding personal data, customer and supplier responses being collated. All business have been independently verified as being compliant</li> <li>• Eqstra conducted legal universe review with rollout planned for the rest of the group in 2023</li> </ul>
Opportunities	<ul style="list-style-type: none"> <li>• Enhance and expand compliance function</li> <li>• Earning the trust of our stakeholders as a good corporate citizen to invest in, do business with and work for</li> <li>• Be seen as an organisation that effectively implements new controls quickly and ensures compliance in an increasingly complex regulatory environment</li> <li>• Strengthened internal audit</li> </ul>

Risk description	Mitigating actions and opportunities
Not achieving transformational targets	<ul style="list-style-type: none"> <li>Continual monitoring of B-BBEE scorecard and targets</li> <li>Initiatives in place to meet employment equity targets and skills development</li> <li>Keeping abreast of potential code changes and planning accordingly</li> </ul>
Successes	<ul style="list-style-type: none"> <li>Achieved a level 3 B-BBEE contribution rating in November 2021 at various operational levels and level 4 for the group</li> </ul>
Opportunities	<ul style="list-style-type: none"> <li>Focus on doing business with QSMEs and SMEs</li> <li>Achieve a B-BBEE scorecard rating that gives us preferred supplier and employer status, enhancing our competitiveness and access to private sector and government business</li> <li>Support NGO societal partners to uplift and support communities in need</li> <li>Employ young people to assist with their development and preparedness for the job market</li> </ul>

Risk description	Mitigating actions and opportunities
Not appropriately managing reputational risks	<ul style="list-style-type: none"> <li>Maintain high standards of accountability, transparency and integrity in running the business and reporting to shareholders and other stakeholders</li> <li>Strengthened key stakeholder engagement and responding to legitimate concerns</li> <li>Deliver on strategy</li> <li>Identified key stakeholders, rated relationships, and identified areas that require improvement</li> </ul>
Successes	<ul style="list-style-type: none"> <li>The group improved performance and delivered on strategy</li> <li>Continued efforts to embed culture of high ethical standards</li> </ul>
Opportunities	<ul style="list-style-type: none"> <li>Improve reporting on ESG matters whilst insuring long-term value creation to all stakeholders</li> </ul>

Risk description	Mitigating actions and opportunities
Inadequate succession planning and talent management	<ul style="list-style-type: none"> <li>Strategy alignment</li> <li>Remuneration strategy for executives</li> <li>Co-ordinated transformation policies and programmes focussed on development, promotion and recruitment of employment equity candidates</li> <li>Succession planning at all levels</li> <li>Training and development programmes including our training academy</li> <li>Providing support</li> </ul>
Successes	<ul style="list-style-type: none"> <li>Upskilling of staff, spending R24.1 million on training, ensuring a pipeline of middle and junior managers to improve succession planning</li> <li>Revised senior management long-term incentive scheme in progress</li> <li>Multiskilling of staff</li> </ul>
Opportunities	<ul style="list-style-type: none"> <li>Implement long-term incentive plan for top management</li> <li>Implementation of transformation targets</li> <li>Being an employer of choice</li> <li>Developing a deep, diverse talent pool</li> </ul>