METAIR
INVESTMENTS LIMITED

automotive | industrial | retail

INTEGRATED ANNUAL REPORT 2020

METAIR AT A GLANCE

Metair Investments Limited
(Listed on the Johannesburg Stock Exchange)

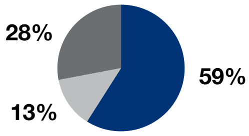
Metair Investments Limited (Metair, the company or the group) holds operations in South Africa, Turkey, Romania, the United Kingdom and Kenya that manufacture energy storage products and automotive components. These products are primarily used in the manufacture of motor vehicles by automotive original equipment manufacturers (OEMs) in local markets and sold in the automotive aftermarket in both local and international markets.


South Africa


Romania

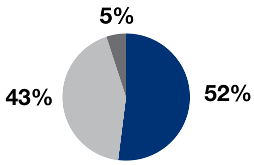

Turkey

GROUP REVENUE BY GEOGRAPHIC MARKET



■ South Africa ■ Romania ■ Turkey and the UK

GROUP REVENUE BY PRODUCT



■ Automotive batteries ■ Automotive components ■ Industrial and non-automotive products

Energy storage vertical

Produces and trades energy storage products and solutions, primarily lead-acid and a limited amount of lithium-ion batteries.

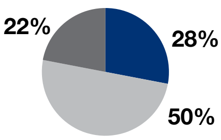
In 2020, Metair produced more than eight Gigawatt hours of energy storage capacity.

Primary customers are original equipment manufacturers and aftermarket customers.

Products supplied to customers in:

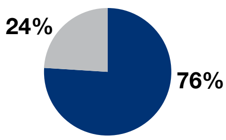
South Africa	Middle East
Turkey	North Africa
Romania	Germany
Russia	East Africa
United Kingdom	

REVENUE BY GEOGRAPHY



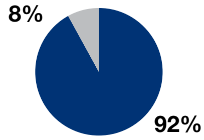
■ South Africa ■ Turkey and the UK ■ Romania

REVENUE BY DESTINATION



■ Local sales ■ Export sales

REVENUE BY PRODUCT



■ Automotive batteries ■ Industrial batteries

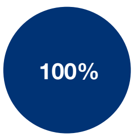
Automotive components vertical

Produces and sells components mainly used in the manufacture of cars and light commercial vehicles. Also supplies automotive components to the aftermarket sector.

Metair produced parts for more than 400 000 vehicles in 2020 (normally more than 600 000).

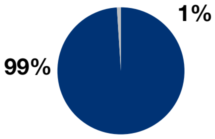
Primary customers are original equipment manufacturers and aftermarket customers in South Africa.

REVENUE BY GEOGRAPHY



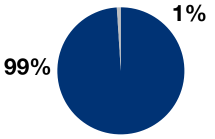
■ South Africa

REVENUE BY DESTINATION



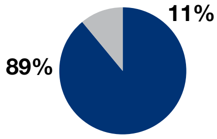
■ Local sales ■ Export sales

REVENUE BY PRODUCT



■ Automotive components and parts ■ Non-automotive

REVENUE BY CUSTOMERS



■ Original equipment manufacturers ■ Aftermarket and non-automotive

Revenue figures include Hesto

CONTENTS

Strategy legs – Refer to page 26

COVER IMAGE AND THEME

OF THE 2020 INTEGRATED ANNUAL REPORT

Metair's Integrated Annual Reports (IARs) are contextualised by a cover image and theme that provide stakeholders with an insight into the major events for the period being reported.

Worldwide, 2020 was dominated by the COVID-19 pandemic that challenged and affected not only every person on the planet, but also governments, businesses, institutions, health systems and economies. The sad and tragic loss of life and livelihoods are the most obvious impacts of the virus.

But COVID-19 also challenged our human resolve and leadership, and our care and concern for each other, laying the foundation for a possible positive response to such a negative and challenging pandemic.

A positive outcome of the response to the pandemic is that it brought stakeholders closer together. For Metair, there has never been a time that we needed to be so close to all the stakeholders in our business. Managing these relationships required leadership and resolve and, in light of this, the image and theme for the 2020 reporting period focuses on the leadership in the group. The image and theme talk not only to the continuation of leadership and changes in leadership, but also to the care for and focus on all stakeholders, the health and safety of our employees and the sustainability of our business.

The image for our 2020 IAR is that of a relay baton being passed on from a caring hand, from our lead independent director, Thandeka Mgoduso, representing the Metair board, to Riaz Haffejee, the new group CEO. The smooth passing of the baton represents the smooth transition of everything of value in the business – our employees, our shareholders, our businesses, our partners and all stakeholders.

The careful handover represents the care that we have in Metair for our people, our customers, our partners, our business, our shareholders, our country and all our stakeholders.

In the words of our outgoing Chairman, Brand Pretorius, in his book *In the Driving Seat – Lessons in Leadership*:

"When I started my business career 48 years ago, autocratic leadership was the norm. It was common practice to use positional power and authority to intimidate people, to rule by fear. Command and control were the operative words and employees had to bear the brunt of the tyranny of the boss. The outcome was reluctant compliance, low levels of energy and motivation, no sense of belonging and inevitably, poor results. A common belief was that a caring leadership approach underpinned by a willingness to serve, and the imperative to deliver results, were mutually exclusive.

"Nothing can be further from the truth. The essence of the leadership task is to unleash human advantage by optimising engagement. Effective leaders get their team members to volunteer their intelligence, energy, loyalty and commitment. That only happens when workplaces are created where humanity flourishes, where work is an outlet for employees' passion, where they feel empowered, respected, appreciated and most importantly, cared for. In my experience people who are cared for are more productive, engaged and committed. They accept co-responsibility and they release their discretionary energy. Productivity, performance and results follow. The simple truth is that people respond better to love than to fear. Therefore, before you can ask for a hand you need to touch a heart by caring about your people and by being willing to serve them.

"To lead is indeed to serve. If serving is below you, then leadership is beyond you. Great leaders are servants in the first instance. They are kind but not weak, gentle but fearless, hard-headed when it comes to results, but they have a gentle heart when it comes to people. Servant leadership, provided it comes from your heart, really works – particularly so in the tough world of business."

The baton is passing to strong and capable hands that will navigate the new normal, meet the challenge and take the business forward, setting a new direction and leading the way through the pandemic, winning the race and ensuring Metair's sustainable future.

Salient features

REVENUE decreased 9% to **R10.2 bn**

FREE CASH FLOW R687 m

EBITDA decreased **44%**

CASH GENERATED from operations declined **14%** to **R1.1 bn**

HEPS decreased **56% to 148** cents per share

COVID-19 response strategy **successfully implemented** to secure a U-shaped recovery

R1.93 bn as salaries, wages and other benefits (2019: R1.97 bn)

Achieved a consolidated group **B-BBEE level 1** and all South African subsidiaries at **level 4 or better**

Group Scope 1 and 2 carbon emissions per person hour worked **decreased to 11.4kg CO_2e**

± 65 700 tonnes of lead recycled

Sadly, **11** COVID-19 related fatalities as at 26 February 2021

Water consumption per person hour worked **increased 7%**

LTIFR improved to 0.61 in 2020 from 0.77 in 2019

R33.5 m invested in training initiatives to further develop our human capital (2019: R34.8 million)

R75 m in welfare to vulnerable workers during lockdown

ABOUT THIS REPORT

This Integrated Annual Report (report) covers the company's activities for the period 1 January to 31 December 2020 and is prepared primarily to meet the information needs of current and prospective shareholders and providers of finance. Metair views the integrated report as our terms and conditions for the basic understanding of our business and is set out in line with our commitment to integrated thinking, the report also includes disclosures that are of interest to all of our stakeholders.

The contents of the report are informed by the matters that most materially impact Metair's ability to create value over the long term. It aims to provide insight into Metair's strategy, business model, operating context, material risks and opportunities, stakeholder groups and their interests, governance, operational performance and prospects.

Metair's most material matters are shown at the bottom of this page, contextualised in the table on pages 56 and discussed in more detail throughout the report. These material matters were identified and prioritised from a combination of the risk assessment process, stakeholder inputs, board and committee deliberations, discussions with management and a review of regulations, guidelines, media, peer reports and our latest market intelligence.

The finalisation of the strategic review was deferred at the start of the crisis precipitated by COVID-19. The report provides information regarding the progress against the strategic priorities set at the start of the year as well as the implementation of the COVID-19 response strategy that was formulated in the second quarter.

Reporting guidelines and regulatory requirements

The structure of this is report and the information disclosed in it has been prepared to meet the requirements of, or align with, the relevant codes, frameworks and regulations including:

- The International Integrated Reporting Council's (IIRC) Integrated Reporting <IR> Framework
- The King IV Report on Corporate Governance™ for South Africa, 2016 (King IV™)
- International Financial Reporting Standards (IFRS)
- The JSE Limited Listings Requirements (JSE Listings Requirements)
- The Companies Act, No. 71 of 2008 (as amended)

The sustainability information included in the report is informed by the GRI Sustainability Reporting Standards reporting guidelines although Metair does not report in accordance with the Standards. Additional reporting of Metair's environmental disclosures in line with the CDP and climate change disclosures in line with the Task Force on Climate-related Financial Disclosures (TCFD) is available on our website at www.metair.co.za.

Report boundary

The financial information in this report includes all Metair subsidiaries and associates in accordance with IFRS.

Metair's material matters

- COVID-19
- Competitiveness
- Macro-economic and geopolitical factors
- Business partnerships
- Natural environment
- Strategic alignment
- Human capital
- Balanced business
- Technology and innovation

[1] *MOLL was liquidated during 2020.*

Non-financial sustainability information, such as human resources statistics and environmental performance, does not include information for Associated Battery Manufacturers (East Africa) Limited (ABM), MOLL[1] or Prime Batteries. This exclusion does not have a material effect on the group's reported non-financial performance due to the relatively small size of these operations.

Metair is responsible for the day-to-day management of Hesto and the associate is fully included in the non-financial reporting, but is reported in the annual financial statements as a managed associate. Transformation information provided on pages 65 and 69 covers all South African subsidiaries and their material holdings, but excludes the non-South African operations at year end: Rombat, Mutlu Akü, Dynamic, ABM and Prime Batteries.

No significant changes to Metair's business occurred during the year that affect comparability against the 2019 report and no material restatements of information provided in previous reports have been made.

Assurance

Metair's combined assurance model monitors key strategic risks and opportunities, internal controls and other material areas and the integrity of the management, monitoring and reporting of data is supported by internal and external assessments. External assurance of material information in this report includes:

- The consolidated and separate annual financial statements for the year ended 31 December 2020 were audited by PricewaterhouseCoopers Inc (PwC). Their report appears on page 140.
- Sustainability information was externally assured by IBIS ESG Consulting Africa (Pty) Ltd (refer to their report on page 122).
- External verification of Broad-Based Black Economic Empowerment (B-BBEE) performance is performed at a consolidated group level as well as at subsidiary level for the South African operations by Empowerlogic. The Metair group B-BBEE certificate and B-BBEE statutory report are available on our website at https://www.metair.co.za/sustainability/policies-and-reports.

All targets, intentions and forecasts stated in this report are accurate based on the information available to Metair at the time of writing. These may be invalidated should conditions change significantly and we will report on progress in the next report.

The forecast financial information contained in this integrated annual report has not been reviewed or reported on by the company's external auditor and is the responsibility of the directors of the company.

Approval of the report

The Metair board of directors (the board) acknowledges its responsibility to ensure the integrity of the report. The board confirms that it has applied its collective mind to the preparation and presentation of this report, and believes that all material matters, the integrated performance of the company and its impact on the environment and stakeholders are fairly presented.

For further information regarding this report, please contact the company secretary, Sanet Vermaak:

- **Telephone: +27 11 646 3011**
- **Fax: +27 11 646 3102**
- **Email: sanet@metair.co.za**

WHO WE ARE

Mission and vision

Our mission is to generate value for all stakeholders by managing and controlling businesses in the mobility and energy sectors that deliver quality and cost-competitive products through manufacturing, marketing and logistical excellence where technology-driven innovation is key.

Our activities and initiatives are driven by our core values and principles:

- Obey the law
- Respect others
- Be fair (equity)
- Be honest
- Protect the environment

Metair has operations in:

- South Africa
- Turkey
- Romania
- United Kingdom
- Kenya
- The Netherlands

As at the end of 2020, the company holds investments in and manages 11 South African and five international operations that manufacture, assemble, distribute and retail energy storage solutions and automotive components in Africa, Europe, the Middle East, Turkey and Russia.

The business is structured into two verticals:

Automotive components vertical

Produces original equipment (OE) components used in the assembly of new vehicles, as well as spare parts and other products used in the South African automotive aftermarket.

Products include brake pads, shock absorbers, lights, radiators and air-conditioners as well as generic aftermarket products for use in imported vehicles.

Primary customers are the OEMs manufacturing new vehicles in South Africa as well as the local automotive aftermarket.

Refer to page 5 for more information on products and customers in the Automotive Components Vertical.

Energy storage vertical

Manufactures batteries for use in mobility applications and in the telecoms, utility, mining, retail and materials/products handling sectors.

Automotive batteries are supplied to major automotive original equipment manufacturers (OEMs) for installation in new vehicles in South Africa, Europe, Romania, Kenya, Turkey and Russia through subsidiaries in Romania (Rombat), Turkey (Mutlu Akü), the United Kingdom (Dynamic Battery) and South Africa (First National Battery), and through our associate ABM in Kenya.

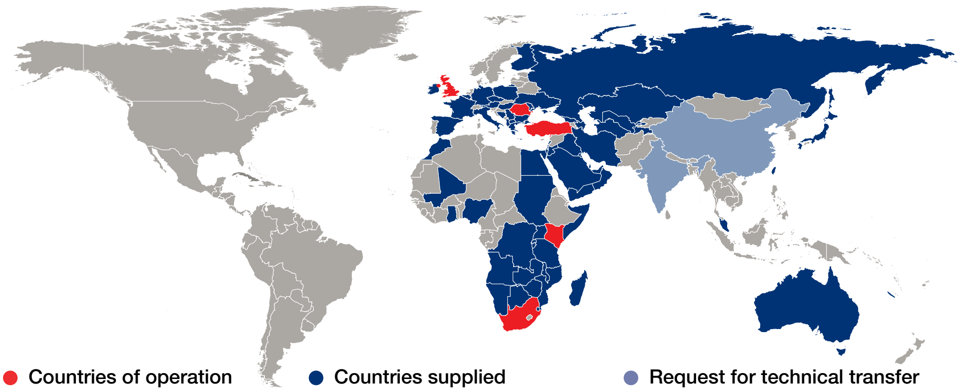
Batteries are also sold into the automotive aftermarket through our unique aftermarket distribution channels and franchised retail networks.

Refer to page 5 for more information on products and customers in the Energy Storage Vertical.

Most of the batteries we manufacture use lead-acid based technology, but we have been producing lithium-ion cap lamps since 2013 and lithium-ion automotive starter batteries in Turkey since 2017. Prime Batteries in Romania acts as an incubator and research and development centre for lithium-ion batteries and associated technology. The group's first lithium-ion battery cell manufacturing and assembly facility was completed in Bucharest at the end of 2019, although commissioning was delayed due to COVID-19 and will now happen in 2021.

Aftermarket batteries and automotive components are exported to approximately 46 destinations across Africa, Europe, the Middle East, Turkey and Russia. Non-automotive products are mainly sold into sub-Saharan Africa and Turkey.

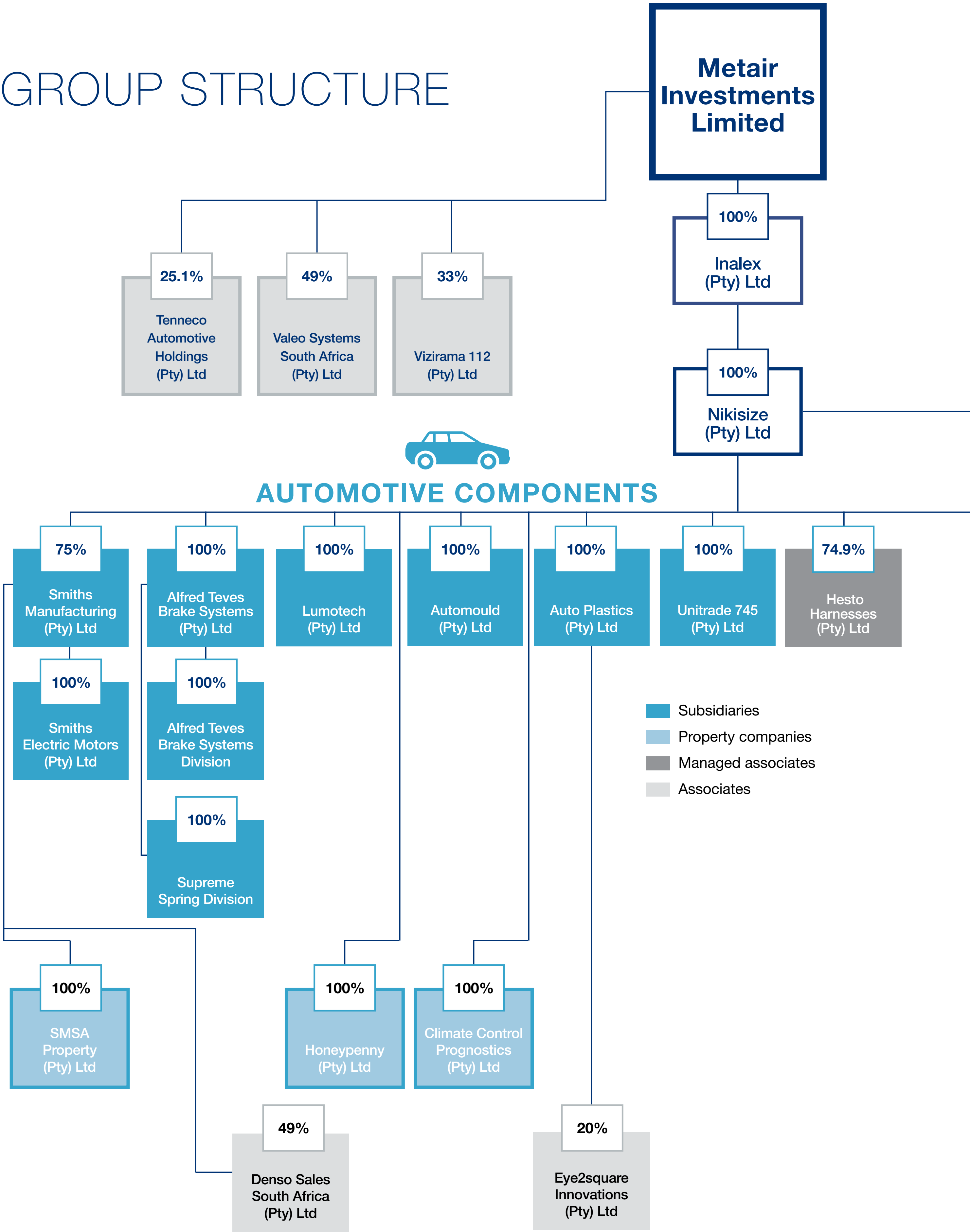
The board is in the process of assessing the best options for unlocking value for stakeholders. This includes separating the two verticals given their different strategic positions. The strategic review was put on hold to address the challenges created by COVID-19 and to focus on a successful leadership transition. The process will resume early in the second quarter of 2021, after which the board will present the options to shareholders to decide on the future direction of the business.

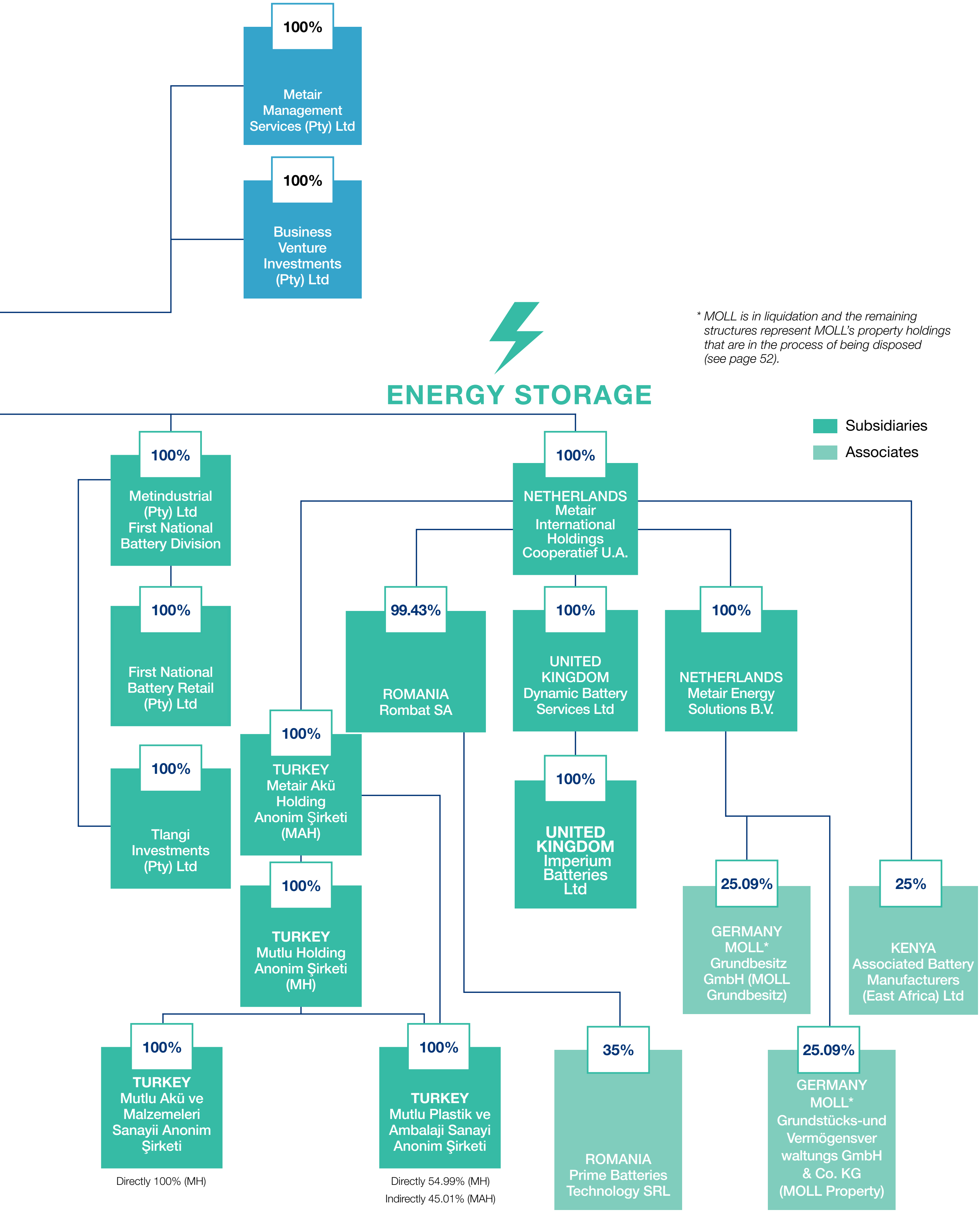


KEY BUSINESSES

	COMPANY	OWNERSHIP	KEY BUSINESS AREA AND PRODUCTS	IP IN PRODUCT DEVELOPMENT	MANUFACTURING PARTNERSHIPS	KEY OE RELATIONSHIPS
ENERGY STORAGE VERTICAL						
	Mutlu Akü	100.0%	Batteries, solar systems, backup systems, standby systems, charging systems	✓		
	First National Battery	100.0%	Batteries, solar systems, backup systems, standby systems, charging systems, Battery Centre franchise	✓		
	Rombat	99.4%	Batteries, solar systems, backup systems, standby systems	✓		
	Dynamic Battery Services	100.0%	National and international distribution of key battery group products			
	Prime Batteries	35%	Lithium battery production for electric vehicles and electric energy storage. Development of new lithium battery technologies	✓		
	Associated Battery Manufacturers (East Africa)	25.0%	Automotive and solar batteries		✓	
AUTOMOTIVE COMPONENTS VERTICAL						
	Smiths Manufacturing	75.0%	Heating, ventilation, and air conditioning (HVAC) and climate control systems, air cleaners, wiper and washer systems, radiators, reserve tanks, charge air coolers, compressors, engine control units, air conditioning pipes and hoses, cooling modules, radiator fan shrouds and condensers		✓	
	Hesto Harnesses	74.9%	Wiring harnesses, instrument cluster/combination meters, moulded parts		✓	
	Lumotech	100.0%	Headlights, tail lights, reflectors and plastic injection mouldings	✓	✓	
	Supreme Spring Division	100.0%	Coil springs, leaf springs, stabiliser bars, torsion bars	✓		
	Automould Smiths Plastics	100.0%	Plastic injection moulding, chrome plating, body colour painting and assembly		✓	
	Unitrade	100.0%	Automotive cable, automotive wire	✓		
	ATE	100.0%	Brake pads, brake discs, brake shoes, hydraulics and other braking components	✓		
	Valeo SA	49.0%	Front end modules		✓	
	Tenneco Automotive	25.1%	Shock absorbers, struts		✓	

GROUP STRUCTURE





** MOLL is in liquidation and the remaining structures represent MOLL's property holdings that are in the process of being disposed (see page 52).*

WHAT WE DO

Material operations and market segments

The information on the pages that follow shows the major operations, revenue contribution, revenue split and the percentage of Metair's holding in the subsidiaries/associates including Hesto.

Energy storage vertical

100% Holding

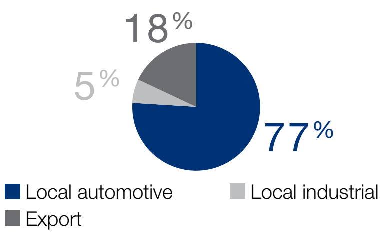
Mutlu Akü

Products
Automotive and industrial batteries

Locations
Istanbul and Gediz, Turkey

GROUP REVENUE CONTRIBUTION **27%**

REVENUE SPLIT BY PRODUCT AREA



100% Holding

Mutlu Holdings

Products
Automotive and industrial batteries

Locations
Istanbul, Turkey

100% Holding

Mutlu Plastic

Products
Plastic parts of batteries, covers and lids

Location
Istanbul, Turkey

100% Holding

Metindustrial

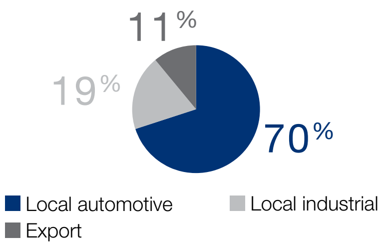
First National Battery division

Products
Batteries, solar systems, back-up systems, standby systems, charging systems, Battery Centre franchise

Locations
East London, Cape Town, Durban, Carletonville, Benoni and Rustenburg, South Africa

GROUP REVENUE CONTRIBUTION **16%**

REVENUE SPLIT BY PRODUCT AREA



99.4% Holding

Rombat

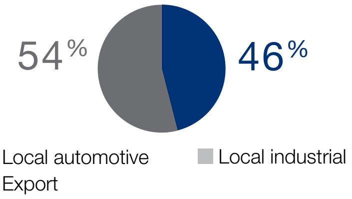
ROMBAT
Member of Metair Group

Products
Batteries, battery distribution networks

Locations
Bistrita and Copsa Mica, Romania

GROUP REVENUE CONTRIBUTION **13%**

REVENUE SPLIT BY PRODUCT AREA



100% Holding

Dynamic Battery

DYNAMIC
BATTERY SERVICES LTD

Products
Batteries, battery distribution networks

Locations
Lancashire, Wiltshire and Leicestershire, United Kingdom

GROUP REVENUE CONTRIBUTION **1%**

REVENUE SPLIT BY PRODUCT AREA

35% Holding

Prime Batteries

PRIME

Products
Lithium batteries, research and development and technology incubator

Location
Bucharest, Romania

25% Holding

Associated Battery Manufacturers

(East Africa) Limited

abm

Products
Automotive and solar batteries

Location
Kenya

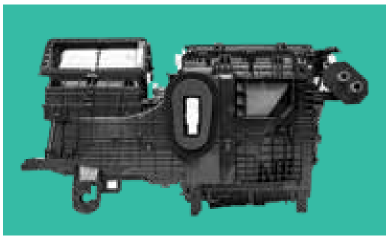
WHAT WE DO

Material operations and market segments (continued)

Automotive components vertical

75%
Holding

Smiths Manufacturing

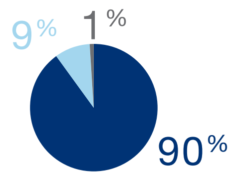


Products
Heating, ventilation, and air conditioning (HVAC) and climate control systems, air cleaners, wiper and washer systems, radiators, reserve tanks, charge air coolers, compressors, engine control units, air conditioning pipes and hoses, cooling modules, radiator fan shrouds and condensers

Locations
New Germany, South Africa

GROUP REVENUE CONTRIBUTION **14%**

REVENUE SPLIT BY PRODUCT AREA



■ Local automotive ■ Local aftermarket
■ Export

74.9%
Holding

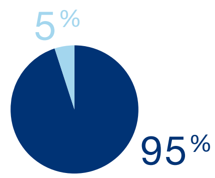
Hesto

Products
Wiring harnesses, combination meter/ instrument clusters, moulded parts

Locations
KwaDukuza, South Africa

GROUP REVENUE CONTRIBUTION **10%**

REVENUE SPLIT BY PRODUCT AREA



■ Local automotive ■ Local aftermarket
■ Export

100%
Holding

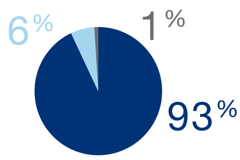
Lumotech

Products
Headlights, tail lights, reflectors and plastic injection mouldings

Location
Uitenhage, South Africa

GROUP REVENUE CONTRIBUTION **9%**

REVENUE SPLIT BY PRODUCT AREA



■ Local automotive ■ Local aftermarket
■ Export

100% Holding

Automould

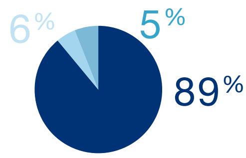
includes Smiths Plastics

Products
Plastic injection moulding, chrome plating, body colour painting and assemblies, interior and exterior trim, instrument panel assemblies, 2K moulding technology, side injection technology, engine components and cooling systems, plastic bins, crates and storage solutions, green energy systems

Location
New Germany, Westmead and East London, South Africa

GROUP REVENUE CONTRIBUTION **4%**

REVENUE SPLIT BY PRODUCT AREA



Local automotive | Local aftermarket | Export | Non-automotive

100% Holding

Alfred Teves Brake Systems

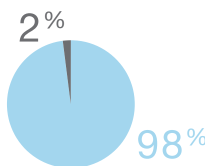
including Supreme Spring

Products
Brake pads, brake discs, brake shoes, hydraulics, and other braking components

Locations
Boksburg and Nigel, South Africa

GROUP REVENUE CONTRIBUTION **1%**

REVENUE SPLIT BY PRODUCT AREA

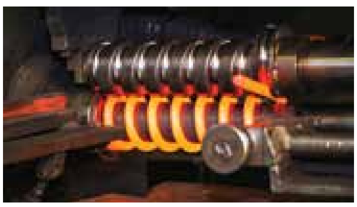


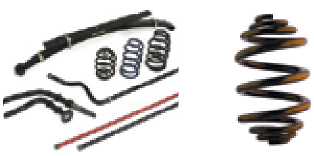
Local automotive | Local aftermarket | Export

Supreme Spring

Products
Coil springs, leaf springs, stabiliser bars and torsion bars

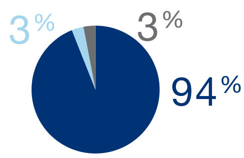
Locations
Boksburg and Nigel, South Africa





GROUP REVENUE CONTRIBUTION **4%**

REVENUE SPLIT BY PRODUCT AREA



Local automotive | Local aftermarket | Export

WHAT WE DO

Material operations and market segments (continued)

Automotive components vertical

100% Holding

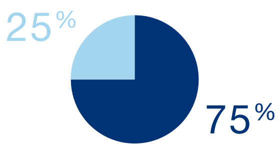
Unitrade

Products
Automotive cable, automotive wire

Location
KwaDukuza, South Africa

GROUP REVENUE CONTRIBUTION **1%**

REVENUE SPLIT BY PRODUCT AREA



49% Holding

Valeo Systems

South Africa

Products
Front-end modules

Location
Uitenhage, South Africa

25.1% Holding

Tenneco Automotive

Holdings SA

Products
Shock absorbers, struts, track control arms

Location
Port Elizabeth, South Africa

METAIR GROUP – SAFETY FOCUS

All internal presentations at Metair subsidiaries start with a safety focus to ensure that we continue to prioritise and embed our commitment to workplace safety in all we do. For the Managing Directors' (MDs) Conference held in January 2021, the MDs were invited to present their health and safety messages to share and emphasise the critical importance of helping our employees and contractors to stay safe and well.

METAIR GROUP

The three prevention measures

REALLY WORK

Wear masks always

Wash and sanitise hands repeatedly

Create space

DO THIS WITHOUT COMPROMISE and insist that those around you do the same

Limit VIRAL LOAD

if you come in contact with a positive person

This makes a big difference in the amount of work your body has to do to defend itself

GET TREATMENT EARLY

if you are diagnosed

get your bloods done repeatedly and early to assess your body's response to a possible cytokine storm

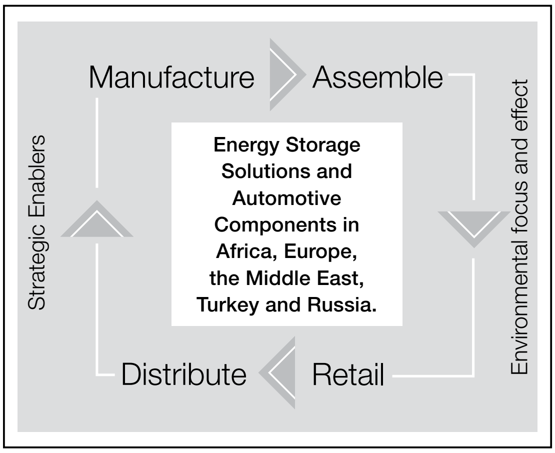
REGARDLESS OF WHETHER YOU THINK YOU ARE TOUGH ENOUGH

HOW METAIR CREATES VALUE

We create value for our stakeholders by managing and controlling businesses in the mobility and energy sectors to deliver quality and cost-competitive products. The activities of the operations in our two verticals transform the six capitals at our disposal, requiring ongoing trade-offs between risks and opportunities, stakeholder interests and the capitals themselves.

Stakeholders	Capital inputs
Shareholders, investors and funders	**Financial capital** Money raised from shareholders and funders, and generated from our activities that is retained in the business, can be invested in supporting our operations and growing the business.
Suppliers	**Manufactured capital** The property, plant and equipment we own include the facilities at which we manufacture our products, physical and IT infrastructure, and machinery and tooling at our 15 operations in five countries.
Employees, trade unions	**Human capital** How well we do business depends on the skills, experience, productivity, wellness and motivation of our 9 886 employees and contractors. Our leadership skills and culture of manufacturing excellence and custodianship.
Technology partners, leadership and employees	**Intellectual capital** Our manufacturing operations are dependent on various software and licensing rights and agreements. Our brands and the skills and experience of the technical experts in the group and the IP developed in our research and development divisions and technology incubators.
All stakeholders	**Social and relationships capital** Our business is based on trust and mutually beneficial relationships with our stakeholders. We demonstrate our commitment to custodianship and ethical business practices in our engagements with stakeholders. Our strong relationships with our technology partners are key assets required to support our customers.
	Natural capital The land on which our facilities stand, the air around us and key inputs such as water, raw materials and energy. Lead, which we use to make batteries, can have a significant environmental and social impact if not managed responsibly.

Value-adding business activities



Energy storage vertical

Outputs
- Lead-acid auto batteries
- Lithium-ion auto batteries
- Telecoms solutions
- Mining solutions
- Materials handling solutions

ISO 50001 | ISO 9001 | ISO 18001 | ISO/IATF 16949 | ISO 14001

Automotive components vertical

Outputs
- Brake systems
- Shock absorbers
- Lighting
- Radiators
- Air conditioners
- Suspension parts
- Wiring harnesses
- Plastic parts

Manufacturing inputs

- Steel
- Aluminium
- Copper
- Lead
- Polymers
- Alloys
- Rubber
- Tooling
- Parts
- Chemicals
- Gas
- Electricity
- Water
- Labour

UNDERPINNED BY GOOD GOVERNANCE

Our governance framework enables oversight and accountability through reporting and disclosure, effective risk management, clear performance management, transparency and ethical and effective leadership.

Capital outcomes

Financial capital	• R2.75 billion in wealth created for stakeholders • R1.93 billion in remuneration paid to employees • 2019 dividend cancelled and retained to preserve cash
Manufactured capital	• R247 million increase in manufacturing capital through capital expenditure • Wear and tear on manufacturing equipment
Human capital	• R75 million invested in staff welfare and COVID-19 prevention initiatives • Sadly, we lost 11 employees due to COVID-19 as at 26 February 2021 • Group LTIFR improved to 0.61 • Absenteeism increased to 4.2% • Staff attrition improved to 8.6% • R33.5 million invested in employee training spend • 91.8% HDSA staff • 32.3% female representation
Intellectual capital	• R26 million invested in research and development in 2020 • Improved technical skills and experience in the group • Focus on succession planning to develop the next generation of leadership and technical expertise • Continued development of lithium-ion batteries for automotive and industrial use • Lithium-ion battery cell manufacturing and assembly facility in Romania awaiting commissioning
Social and relationship capital	• R13.8 million invested in CSI projects • Consolidated group B-BBEE Level 1 achieved • Relationship with UWC to develop intellectual capital around lithium-ion technology
Natural capital	• 2020 carbon footprint 496 554 tCO_2e • 8 391 tonnes of non-hazardous waste recycled • ±65 700 tonnes of lead recycled

Material trade-offs made during 2020

Providing financial support for our most vulnerable employees reduced financial capital, but aligns with our values and demonstrates caring leadership while building our relationship with these workers. This support was made possible by a voluntary 50% pay cut for one month by senior management and the executive, and was also supplemented by the company.

The cancellation of the 2019 dividend increased financial capital in the company to protect the solvency and liquidity of the company, but affected shareholder returns.

The executive and management had to commit an extraordinary amount of time to the business during the crisis that came at a cost to their personal welfare in the form of work/life balance, but that was critical to ensure the safety and wellness of our human capital and for the business to survive the crisis.

Managing the restart at an operational level required a great deal of agility, courage and good judgement. Operating at 50% during Level 4 lockdown meant that only 50% of the workforce could work and be paid during that time. Selecting who would return to work and who didn't was an extremely difficult situation to try to ensure that everyone got an opportunity to work and that the process was fair and consistent.

Metair is committed to UN Sustainable Development Goals (SDGs) and ensures our environment impact is limited

DIRECTORS AND OFFICERS OF THE COMPANY

SG Pretorius 73

Independent non-executive chairman

M Comm (Business Economics)
Appointed to the board in 2014

Mr Pretorius holds an M Comm Business Economics from the University of the Free State and served as managing director of Toyota SA Marketing and then as chief executive officer of McCarthy Ltd. He retired as an executive director of McCarthy and its controlling shareholder, Bidvest, on 1 March 2011. He has received numerous national marketing and leadership awards including Marketing Person of the Year and Boss of the Year. He holds honorary professorships at the University of Johannesburg, University of Pretoria and University of the Free State, and honorary doctorates in marketing from the Durban University of Technology and the Central University of Technology.

Mr Pretorius is a Fellow in Leadership at the Gordon Institute of Business Science and serves on the boards of trustees of the READ Educational Trust and the business incubator InvoTech. He serves as non-executive director on the board of Italtile Ltd. Mr Pretorius was appointed as an independent non-executive director to the Metair board in January 2014 and as chairman on 1 July 2015. He was appointed to the social and ethics committee with effect from 14 June 2018 and the nomination committee with effect from 27 September 2018. Mr Pretorius will resign from the Metair board at the AGM in May 2021.

NOMCO SAEC 5

CT Loock 56

Outgoing chief executive officer

B Eng (Industrial)
Retired 31 December 2020

Mr Loock is a professional industrial engineer with supplementary business and economic studies. He obtained his engineering degree from the University of Pretoria in 1986.

His 34 years of mining and manufacturing experience started at Dorbyl Automotive Technologies and SASOL Coal. The listing of two family businesses on the local securities exchange gave him insight into managing and growing publicly-owned businesses. His career path as trainee engineer, planning manager, production manager and general manager at Dorbyl Engineering and Sasol Mining prepared him for various executive director roles in Scharrighuisen Mining Limited, Scharrighuisen Industrial Holdings Limited, Dorbyl Limited and Trident Steel (Pty) Limited. Growing and expanding listed businesses on the JSE in the role as CEO built his deal making, mergers and acquisitions expertise and deeper financial experience. He was appointed as the CEO of Metair in May 2006. Theo retired as CEO of Metair and as chairman and non-executive director of all local and international subsidiaries and associated companies, apart from Hesto, on 31 December 2020. In order to facilitate the handover to the new CEO, Riaz Haffejee, Theo has agreed to a two-year consultancy contract with Metair which includes conditions of restraint.

SAEC 15

Riaz Haffejee 50

Incoming chief executive officer

BSc, PGD, MBA
Appointed to the board in 2021

Mr Haffejee served as the CEO of Sumitomo Rubber South Africa Proprietary Limited ("Sumitomo Dunlop"), a division of the Japanese listed company, Sumitomo Rubber Industries Limited, where he held an Executive Officer position, as well as being the Chairman of its Middle Eastern subsidiary.

Previously, Mr Haffejee was an Executive at Vodacom Business from 2008 to 2012 and he also occupied a number of senior managerial positions at BMW South Africa over the period 1996 to 2008. His responsibilities there included several positions in manufacturing at Plant Rosslyn and GM roles in Corporate and Government Sales and Customer Relationship Management in Head Office.

He serves as an Executive member of both the component industry body, NAACAM and the Durban Auto Cluster, as well as having served as a Director of the tyre industry body, SATMC. In addition to this Mr Haffejee is a Durban Chapter Young Presidents' Organization (YPO) member and holds an MBA in Customer Loyalty, a postgraduate Diploma in Business Management and a BSc in Mechanical Engineering.

He was appointed as the CEO of Metair with effect from 1 February 2021.

S Douwenga 41

Chief financial officer

B Comm (Hons), CA (SA)
Appointed to the board in 2014

Mr Douwenga qualified as a Chartered Accountant in 2003 after completing his articles with PwC, and then spent approximately eight years in PwC's deals division where he gained extensive experience in acquisitions across various sectors within Africa and Europe. Mr Douwenga first started working with Metair in 2011 during the Rombat acquisition and was subsequently appointed as business development director at First National Battery during 2013 where he was primarily involved in operational and financial evaluation and execution of new acquisitions, most notably Mutlu Akü in Turkey. He was subsequently appointed as chief financial officer in 2014.

Mr Douwenga served as interim CEO from 1 to 31 January 2021.

IC 8

TN Mgoduso 64

Independent non-executive director

MA (Clinical Psychology)
Appointed to the board in 2016

Ms Mgoduso started her career as a clinical psychologist, during which time she lectured at universities and practiced both in South Africa and abroad. She served as group HR executive at Transnet SOC Ltd and then as chief executive officer of Freight Dynamics. She later joined Imperial Logistics as group transformation executive. She left Imperial Logistics to serve as managing director of Ayavuna Women's Investments. After her time at Ayavuna, she spent time in strategic consulting and infrastructural development and HR. She is currently a Trustee of Ayavuna Trust, a board member at Assore Ltd where she chairs the social and ethics committee and Zimplats, where she chairs the remuneration committee. She is the chairman of Jojose Investments. She chairs the remuneration committee at the Competition Commission. Ms Mgoduso was appointed to the Metair board on 1 March 2016 and serves as chairperson of the remuneration committee. She was appointed to the nominations committee with effect from 27 September 2018 and was appointed as lead independent director with effect from 17 February 2020.

REMCOM NOMCO 5

HG Motau 45

Independent non-executive director

CA(SA), MPhil Development Finance
Resigned 31 December 2020

Ms Motau is a Chartered Accountant and also holds an MPhil in Development Finance from the University of Stellenbosch. She currently serves as an independent non-executive director on the boards of Harmony Gold Mining Ltd and Merafe Resources Limited. In addition, she serves as a non-executive credit committee member of FirstRand Financial Institutions Credit Committee, the Industrial Development (IDC)'s Special Credit Committee and an audit committee member of the Auditor General of South Africa's office. She previously worked as an Audit Partner at KPMG's Energy and Natural Resources Division until March 2015. Furthermore, Ms Motau has held various management and advisory roles at organisations that include Blue IQ Investments, the National Treasury of South Africa and the IDC. She was appointed to the Metair board on 1 November 2016 and is a member of the audit and risk committee and the investment committee.

Ms Motau resigned from the board with effect 31 December 2020.

AC IC 4

KEY

●	Years of service				
AC	Audit and risk committee	REMCOM	Remuneration committee	IC	Investment committee
		SAEC	Social and ethics committee	NOMCO	Nomination committee
■	Committee Chairperson	■	Executive director	■	Non-executive director

DIRECTORS AND OFFICERS OF THE COMPANY continued

B Mawasha 42

Independent non-executive director

BSc (Eng), ADP, MDP, GCC
Appointed to the board in 2018

Mr Mawasha has been CEO of Kolobe Nala Investment Company (KNI) since April 2019. Prior to KNI, he was Country Head – South Africa for Rio Tinto and Managing Director of Richards Bay Minerals. He previously held leadership, operational and technical roles at Anglo American (Kumba Iron Ore), the De Beers Group and AngloGold Ashanti. Mr Mawasha is passionate about education and the development of others. He is a member of the Witwatersrand University Mining Advisory Council. In 2017, he was selected as a Young Global Leader of the World Economic Forum. Mr Mawasha was appointed to the Metair board and the audit and risk committee on 1 March 2018. On 2 May 2019, he was appointed as chairman of the investment committee and member of the nominations committee.

AC IC NOMCO 3

CMD Flemming 64

Independent non-executive director

B Comm, Bachelor of Law, B Prok, AMP Harvard
Appointed to the board in 2019

Mr Flemming joined African Oxygen Limited in the gases division in 1985 as the Financial Systems Manager for the Witwatersrand. He was appointed as the financial executive for the healthcare division of African Oxygen Limited in 1994 and as general business manager in 1997. Following the merger with the listed entity Presmed, the merged company was listed on the Johannesburg stock exchange in 1999. Mr Flemming was appointed CEO of Afrox Healthcare in 2002. The company was taken private in 2005 and relisted in 2010 as Life Healthcare and Mr Flemming served as CEO until his retirement in 2014. He serves as a non-executive director on the board of Medicover AB, an unlisted healthcare service company operating in Eastern Europe, the UK and India. He was appointed to the Metair board on 1 March 2019 and as the chairman of the audit and risk committee on 2 May 2019. Mr Flemming was appointed to the nominations committee on 17 February 2020 and to the social and ethics committee on 29 January 2021.

Mr Flemming, will replace Mr Pretorius as chairman of the board following the conclusion of the 2021 AGM.

SAEC NOMCO AC 2

S Sithole 48

Independent non-executive director

BAcc (Hons), CA(SA), CA(Z) Program for Leadership Development (Harvard Business School), Diploma in Banking (UJ)
Appointed to the board in 2019

Mr Sithole is the CEO and co-founder of Value Capital Partners Pty Limited (VCP). Prior to starting VCP, he was at Brait for more than eight years as an executive director. Prior to Brait, Mr Sithole was a partner at Deloitte, where he spent six years as an audit partner and departed the firm as group leader for the Financial Services Audit Practice in Johannesburg. He currently also holds directorships, among others, in Altron, Adcorp and Sun International. Mr Sithole was appointed to the Metair board on 1 March 2019 and to the remuneration and nominations committees on 2 May 2019.

REMCOM NOMCO 2

MH Muell 60

Independent non-executive director

Diplom-Betriebswirt (equivalent to B Comm)
Appointed to the board in 2019

Mr Muell holds a Diplom-Betriebswirt from Berufsakademie Stuttgart, Germany, equivalent to a Bachelor of Commerce. He has over 30 years of experience in the motor industry and is the co-founder and CEO of Scientrix Holdings Limited (Scientrix). Prior to Scientrix, Mr Muell was the President and CEO of Mercedes-Benz Argentina S.A and held various other executive positions within the Daimler Group in Germany, Turkey, South Africa, Mexico and Argentina. He has multinational and broad cross functional management experience in the fields of finance and controlling, logistics, procurement, strategic planning, sustainability and stakeholder management. Mr Muell was appointed chairman of the social and ethics committee and as a member of the remuneration committee on 17 February 2020.

REMCOM | SAEC | 2

N Mkhondo 37

Independent non-executive director

BAcc, CA(SA), MBA
Appointed to the board in 2019

Ms Mkhondo is an investment director at Value Capital Partners Pty Limited ("VCP"). Prior to joining VCP, Ms Mkhondo was a seasoned investment banking and corporate finance professional, having spent time at Goldman Sachs International Plc and Anglo American Plc (both based in the United Kingdom) where she was responsible for mergers and acquisition execution, investment evaluation and strategic long-term financial planning. During her time at Goldman Sachs and Anglo American, Ms Mkhondo executed cross-border transactions in the consumer/retail, healthcare, real estate and metals and mining sectors across the United Kingdom, Africa and the Americas. Ms Mkhondo is a Chartered Accountant (SA) by profession, having begun her career in the audit and advisory financial institutions services team at Deloitte & Touche, in Johannesburg. In addition, Ms Mkhondo has a Masters of Business Administration from the London Business School, where she was a Mo Ibrahim Scholar. Ms Mkhondo was appointed as an independent non-executive director of the company and as a member of the investment committee on 28 June 2019.

IC | 2

A Sithebe 38

Independent non-executive director

BCom Accounting (Hons), CA (SA), MBA
Appointed to the board in 2021

Ms Sithebe is a private equity investment professional with over a decade of experience in mergers and acquisitions (M&A) and corporate finance from a wide range of clients primarily in the industrials value chain. Her career debut was with EY where she trained to qualify as a CA(SA) after which she established her own accounting and audit practice named Kamva Advisory from 2008 to 2011. Ms Sithebe later went on to join the Industrial Development Corporation of South Africa (IDC) where she was a senior dealmaker. Ms Sithebe was most recently principal at African Phoenix Investments Limited until 2020 and senior associate at Senatla Capital prior, both mid-market focused private equity investment firms. Ms Sithebe is managing director of Kamva Investments, an investment holding entity with a focus on unlisted investments and M&A advisory. Ms Sithebe also serves on the board of Dis-Chem Pharmacies Limited, Infinity Anchor Fund and E Squared Investments' finance and risk committee. Ms Sithebe holds a BCom.Acc (RAU) with Honours (UNISA) and an MBA from GIBS.

Ms Sithebe was appointed as an independent non-executive director and a member of the audit and risk committee with effect from 1 January 2021 and to the social and ethics committee with effect from 29 January 2021.

AC | SAEC

KEY

Years of service

AC	Audit and risk committee	REMCOM	Remuneration committee	IC	Investment committee
		SAEC	Social and ethics committee	NOMCO	Nomination committee
	Committee Chairperson		Executive director		Non-executive director

DIRECTORS AND OFFICERS OF THE COMPANY continued

B Mathews 52

Independent non-executive director

BCom Accounting, BCom Accounting (Hons), CA (SA), HDip Tax

Appointed to the board in 2021

Ms Mathews is a qualified Chartered Accountant (South Africa) and holds a postgraduate certificate in advanced taxation from the University of South Africa (UNISA) and a B.Com.Acc (Hons) from Rand Afrikaans University (RAU). Ms Mathews currently serves on the board of trustees of Redefine Empowerment Trust, the board of directors of PSG Group Limited (and its audit and risk committee) and PSG Financial Services Limited. Ms Mathews is also the lead independent director of Redefine Properties Limited and serves on various committees. Ms Mathews previously served on the board of directors and various committees of, inter alia, ATKV, ATKV Sake and OneLogix Limited.

Ms Mathews was appointed as an independent non-executive director and member of the audit and risk committee of Metair on 1 January 2021. Ms Mathews will replace Mr Flemming as chairman of the audit and risk committee with effect from the conclusion of the 2021 AGM.

AC

PH Giliam 65

Independent non-executive director

B Eng (Hons)

Will be appointed to the board in May 2021

Mr Giliam holds a B.Eng (Hons) in Automotive, Project Management and a Bachelor in Mechanical Engineering from the University of Pretoria. Mr Giliam is currently the managing director of Robertson and Caine Proprietary Limited and has a wealth of experience in the automotive industry, gained through various senior roles, including, inter alia, project director at Jaguar Land Rover U.K, vice president at BMW Group and plant coordinator of Metalsa South Africa.

He will be appointed as an independent non-executive director and a member of the investment committee of Metair with effect from 1 May 2021.

IC

S Vermaak 55

Company secretary

B Comm (Fin M) AIRMSA

Ms Vermaak joined the company in August 1998 and was appointed as company secretary in March 2001 and group finance manager in July 2003. From 1 April 2015, she shifted focus from finance and was appointed as group risk and compliance manager. She completed her B Comm Financial Management degree (cum laude) in 2005 on a part time basis and has 22 years' experience in the listed company environment.

22

ENERGY VERTICAL – SAFETY FOCUS

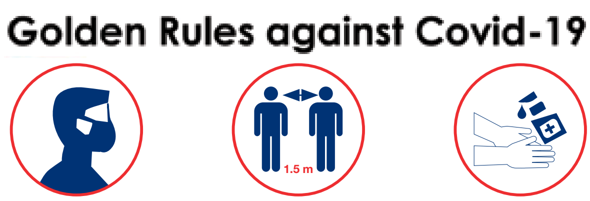
ABM

FNB

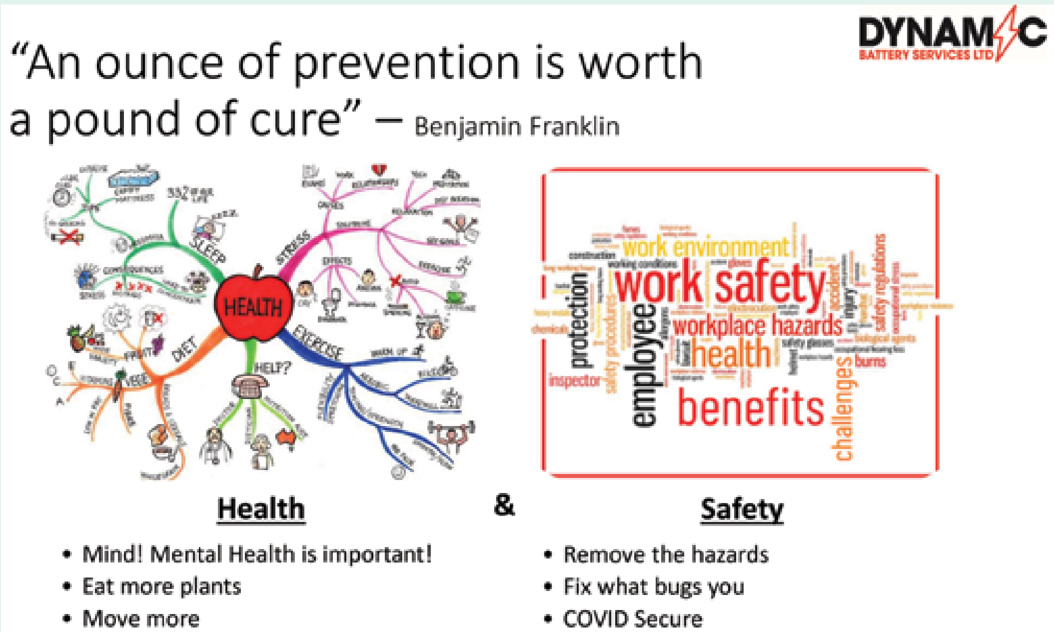
PRIME BATTERIES

ROMBAT

MUTLU AKÜ



DYNAMIC BATTERY SERVICES

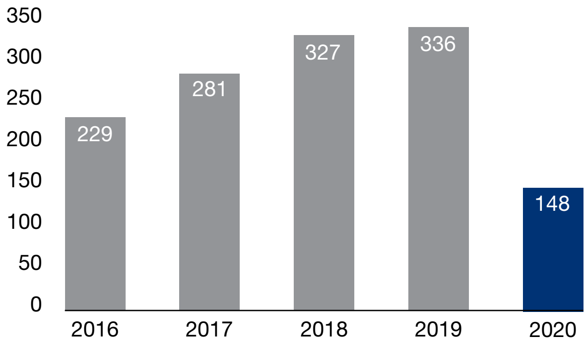


FINANCIAL PERFORMANCE

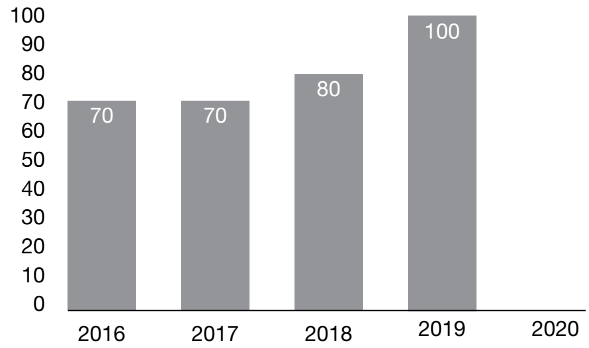
	2020 R'000	2019 R'000	2018 R'000	2017 R'000	2016 R'000
Revenue	**10 234 706**	11 237 995	10 276 966	9 516 657	8 953 710
Profit before taxation	**296 768**	871 369	899 329	775 814	606 492
Impairment charges	**108 168**	25 351	1 031	0	1 122
Interest paid	**204 731**	259 875	210 056	200 867	187 905
Preference dividend	**46 919**	60 532	59 206	92 107	102 583
Profit attributable to ordinary shareholders	**174 184**	624 186	667 377	556 182	447 930
Total equity	**4 214 838**	4 310 786	4 287 721	4 195 537	4 179 573
Interest-bearing debt	**2 370 313**	2 196 411	1 841 794	1 801 495	1 897 565
Property, plant and equipment	**2 618 197**	2 707 381	2 538 145	2 605 737	2 857 131
Current assets	**5 538 675**	4 906 321	4 493 253	4 071 600	3 780 361
Total assets	**9 298 270**	8 967 335	8 422 000	8 105 218	8 031 150
Number of shares in issue	**198 986**	198 986	198 986	198 986	198 986
Weighted average number of shares in issue	**192 118**	191 904	197 284	197 987	197 784
Net asset value per share (cents)*	**2 133**	2 186	2 167	2 059	2 059
Basic earnings per share (cents)	**91**	325	338	281	227
Headline earnings per share (cents)	**148**	336	327	281	229
Dividend per share (cents) declared and paid	**Nil**	100	80	70	70
Dividend cover (times) (calculated on headline earnings on prior year)	**N/A**	3.4	3.5	3.3	3.5
Return on invested capital after net profit as a % of average total shareholders' funds (ROIC)	**6.4**	13.0	13.0	11.8	9.1
Net profit as a % of average total shareholders' funds (ROE)	**4.3**	15.3	16.5	12.3	10.2
Total shareholders' funds as a % of total assets	**45.3**	48.1	50.9	51.8	52.0
Interest cover (times)	**3**	4	5	4	4
Staff complement	**5 920**	6 166	6 089	5 968	5 955

** Calculated on ordinary shareholders equity and number of shares in issue excluding treasury shares.*

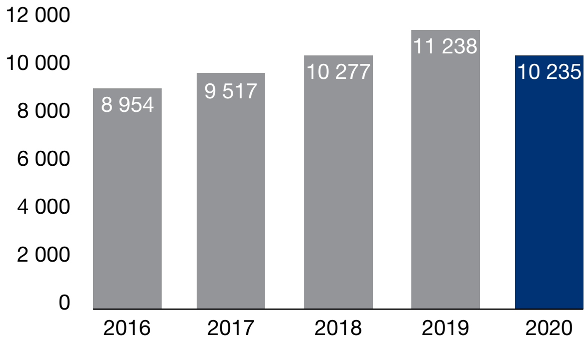
HEADLINE EARNINGS PER SHARE (CENTS)



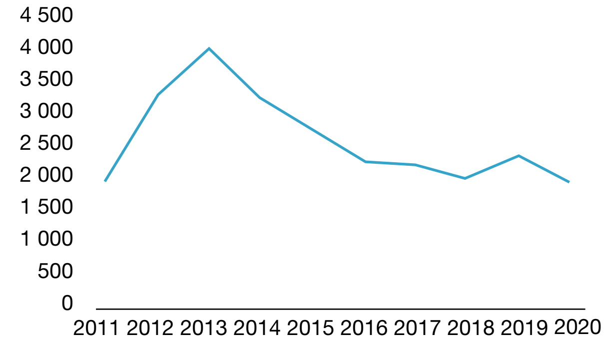
DIVIDENDS PER SHARE (CENTS)



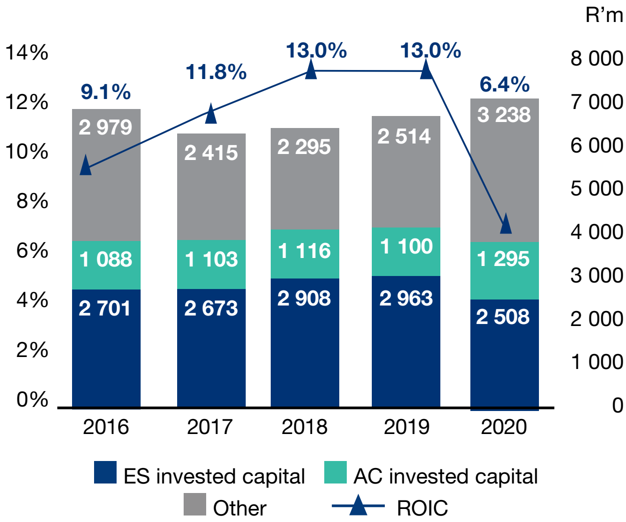
REVENUE (R MILLION)



SHARE PRICE AT 31 DECEMBER



METAIR INVESTED CAPITAL (R'M) AND ROIC (%)



AWARDS

SMITHS MANUFACTURING

Toyota Supplier Achievement Award
Value Analysis/Cost Management
Parts and Accessories
Conversion and Accessories (Superior)

LUMOTECH

Eastern Cape Automotive Industry Forum
Selfless Service to the Industry
2019/2020

HESTO

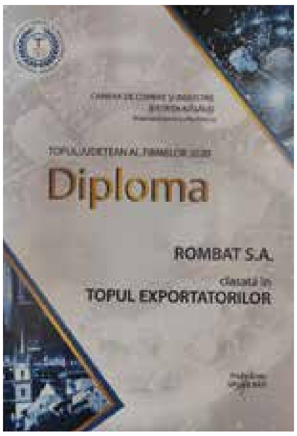
Toyota Supplier Achievement Awards:

Value Analysis/ Value Engineering

Cost Management

Parts and Accessories

ROMBAT



1st place for the top battery factory in the county
- Bistrita – Nasaud Chamber of Commerce and Industry

Supplier Excellence Award
- Automotive Forum Awards 2020

STRATEGIC REVIEW

How we derive our strategy

Management is responsible for developing and refining Metair's strategy in collaboration with the board. The strategy is reviewed and approved by the board, as are the policies and processes that enable the execution of the company's core purpose and alignment with our values. Management is responsible for implementing the strategy and the board provides ongoing oversight.

Metair's strategy is created in the context of the needs of our shareholders, customers, major trends and developments in automotive markets and technological developments, and the expectations of our key stakeholders. We also assess the strategy's impact on the six capitals defined by the IR Framework, the risks and opportunities facing the company and how it supports the principles of stewardship and sustainability.

The COVID-19 pandemic will affect the major industry trends and this will require that we review and adjust our strategic path. The change and strengthening of leadership in the group at board and executive level will have an impact on the strategic direction of the group.

The long-term[2] strategy is implemented through medium-term strategies with clear targets that provide the focus and context for that period. Short-term KPIs are set for the year ahead at the annual managing director's conference and progress on the prior year's targets are reported back on to drive accountability and implementation.

The Metair board started a strategy review process in December 2019 with the goal of potentially enhancing shareholder value. The review concluded that Metair's two business verticals are in different strategic positions and that a managed separation of the two verticals will unlock value for stakeholders. This was supported by unsolicited expressions of interest received for the Energy Storage Vertical, and in particular, Mutlu Akü in Turkey.

Metair's winning aspirations	
Sustaining relevance in a fast-changing competitive world	Delivering above-average, balanced and sustainable returns to our shareholders
Operating at the highest standards when it comes to people, the environment as well as health and safety	Being an ethical, value-driven and responsible organisation

The board continued to assess the best options of potentially unlocking shareholder value in the first quarter of 2020, including keeping the Energy Storage business as a separate vertical or potentially selling it. However, the process was deferred when the COVID-19 pandemic arrived in South Africa, with the focus shifting to the COVID-19 response strategy (see page 29). The strategy review will resume in the second half of 2021 to allow the new CEO and board members to provide input.

The strategic focus during 2020 was on implementing the COVID-19 response strategy, maximising the value potential for the Energy Storage Vertical and executing on the growth and expansion opportunities available for the Automotive Components Vertical.

Strategic positioning – Automotive Components Vertical

Metair started as a supplier of products to Toyota SA more than 60 years ago and the Automotive Component Vertical has grown and diversified to supply a broad range of automotive components to all seven OEMs in South Africa. Aftermarket products include brakes, filters, spark plugs and heat-exchange-product spares.

Automotive Component Vertical	
Strategic intent:	**Strategic enablers:**
Nurture our automotive components business with participation in selected growth opportunities and to be a mega parts supplier in the South African environment.	• Partnership value proposition • Government Automotive Production and Development Programme (APDP) scheme • Market access • Localisation opportunity • B-BBEE status • Manufacturing excellence • Planned new vehicle launches • Africa market focus and access • Local commodities

With the shift to electric vehicles (EVs) gathering momentum, the majority of our automotive component and commodity-based products remain relevant, particularly wiring harnesses, lighting units, heating and cooling systems and springs. The increasing complexity required in these components also increases the technology requirements and their unit value. South Africa's policy framework, global trade dynamics and OEM manufacturing decisions have provided significant support for long-term growth in the South African automotive industry. COVID-19 has increased OEMs' focus on simplifying supply chains by sourcing components close to the OEM manufacturing facilities (localisation). The APDP also incentivises localisation and B-BBEE. The COVID-19 pandemic led to a delay in the review of the APDP 2035 implementation, which is now likely to be completed in 2021.

South Africa appears to be becoming a favoured destination for particular models and variants, and several OEMs are shifting manufacture of legacy internal combustion engine models to South Africa as the manufacturing facilities in their home countries move to production of EVs. All of Metair's major South African OEM customers are introducing new models in the next two to five years with some limited introduction of their EV technology.

Currently, more than 60% of motor vehicle production in South Africa is exported globally, but largely to the EU. Demand for ICUs remain high, and this export percentage is likely to increase as some of the new launches planned will have a major export focus, delinking the production from local demand to a large degree. Metair's share of market is also growing on the back of increased localisation as well as securing significant Ford business potentially delivering R32 billion to R35 billion in turnover over a 10-year period commencing in 2022.

The increased proportion of exports into different markets, variability in customer demand across vehicle platforms and the need for OEMs to provide regular facelifts to existing models makes it very difficult to accurately forecast volumes and plan manufacturing. As a result, component manufacturers have to work very closely with OEMs and ensure that production is agile and responsive.

[2] *Throughout this report, "long-term" refers to 5+ years, "medium-term" refers to two to five years and "short-term" indicates a one-year period.*

Strategic positioning – Energy Storage Vertical

In 2012, Metair began an expansion focused on improving the company's sustainability by diversifying our client base, product lines and the geographies in which we operate. Our investments in Romania and Turkey enable us to get closer to the home markets of some of our biggest customers, access leading technologies and provide exposure to the latest developments in the rapidly evolving automotive industry. The Energy Storage Vertical supplies automotive batteries to OEMs in South Africa, Turkey, Romania, North Africa and Europe, and serves the aftermarket demand for batteries through retail outlets and wholesalers in South Africa, Turkey, UK, Africa, Western and Eastern Europe and the Middle East. Non-automotive energy storage solutions are sold into industries including telecommunications, utilities, mines, retail and materials/products handling sectors.

Energy Storage Vertical	
Strategic intent:	**Strategic enablers:**
Ensure lithium-ion technology readiness and maintain lead acid relevance. Focus on commissioning the lithium-ion line in Bucharest and expansion of niche lithium-ion applications and technical partnerships.	• Geographical position • Market position and branding • Distribution network • Property portfolio • Recycling system • Manufacturing excellence • Marketing excellence • Technical skills base • Trend awareness • Agile manufacturing • Lithium-ion partnership with Prime

The accelerating trend to full EV vehicles has increased the importance of lithium-ion batteries as a key enabler of current EV technology. The Energy Storage Vertical can support leading technology applications including lithium-ion across all product ranges in electrical and all systems in all forms of mobility. The vertical has access to the latest developments in lithium-ion battery technology through our investment in Prime Batteries, which acts as the incubator for Metair's IP in this area. Rombat's lithium-ion battery production facility provides an opportunity to build our experience in lithium-ion battery cell manufacture. We also have relationships with various tertiary research institutions and our close interactions with OEMs help us to stay up to date with the latest developments in next generation energy solutions. Our strategic focus for lithium-ion technology favours niche applications and we do not see a strategic benefit in trying to compete with global multinationals producing in volume. We see opportunities to work with technology partners through a Technical Aid agreement, using the model we have in a number of our current operations.

The majority of our current energy storage production comprises lead-acid batteries that are used in the existing internal combustion engine (ICE) technology. Demand for lead-acid automotive batteries is forecast to be sustained in the medium-term by technology providing real-time environmental monitoring at the level of individual vehicles that can meet the increasingly stringent emission limits. The ICE vehicles currently on the road will also require lead-acid batteries and Start/Stop battery storage solutions have an important role in reducing emissions from ICEs during the shift to full EV technology.

Pending the finalisation of the strategy review, Metair's strategic focus points in 2020 remained:

Balance business by building and expanding the Energy Storage Vertical

Building the Energy Storage Vertical improves balance in the business as Metair moves with the technological requirements of the shift to electric vehicles and lithium-ion technology.

Nurture the original equipment (OE) business in South Africa and expand the original equipment manufacturer (OEM) customer base

Technical cooperation with OEMs enhances our manufacturing expertise and the long OE product lifecycles create relatively predictable production volumes and revenue outlooks. The next generation of energy storage solutions will be developed in close collaboration with OEM customers and it is important to maintain strong relationships with our customers. The outlook for the South African automotive industry is positive, with OEMs investing significant capital to expand their facilities for model changes and additional models in the next two to five years.

Focus intently on cost

Cost competitiveness is the primary consideration in tendering for contracts with OE customers and production efficiencies must be managed extremely closely to ensure that we can win business at a reasonable economic return.

Secure and grow the aftermarket product range

Metair's aftermarket business produces spare parts and other products needed to keep vehicles on the road, including generic parts for the increasing pool of imported vehicles.

Grow our Africa footprint

Africa represents an attractive energy storage and automotive aftermarket opportunity that will continue to grow. We already have a presence in East Africa through ABM and continue to investigate further opportunities for growth on the continent.

Response to disruptive technologies

The automotive and energy storage industries are changing at an extremely rapid rate and we need to understand the likely impact of new technologies on our business model so that we can decide how to participate. We are prioritising the design and production of lithium-ion energy storage solutions in close collaboration with OEM customers.

To establish the principle of being an exemplary custodian within every employee that underpins the group's core social and ethical values

The principle of custodianship defines Metair's approach to business and sustainability, and forms the basis for the group's social and ethics framework.

Globalise the company by way of overlaying the energy solutions offering across the full mobility spectrum in both developed and emerging economics

Through our relationships with Prime Batteries and Chaowei, Metair has broad entry into many developed and developing markets across the range of mobility options, from full electric vehicles to electric locomotives and e-bikes.

Develop and deploy leading technology for niche applications into new and existing markets

Establish and nurture partnerships with leading companies in our field of applicable technologies ranging from wiring harnesses, heat exchangers, lighting solutions, plastic parts, ride control and lithium-ion technologies to be applied in the markets that we operate in.

Strategic execution in 2020

While the primary focus during 2020 was on addressing the COVID-19 crisis and its impact on the business and the automotive industry, the narrative below discusses the progress against the strategic focus points set at the start of the year.

1. **Get stakeholder buy-in for revised Metair strategy**
   Finalisation of the revised strategy was deferred to the second half of 2021 during COVID-19 to allow the new CEO and board members to provide their input taking into consideration the long-term effect of the pandemic on the business and industry. Analysing the major trend shifts, customer strategies and market trend analyses will be a key component of the strategic review.

2. **Execute and implement Metair strategy**
   The focus shifted to implementing the COVID-19 response strategy (see page 29).

3. **Stabilise Mutlu Akü management and performance**
   A new CEO was appointed at Mutlu Akü and performance during the year was positive under the circumstances.

4. **Improve MOLL performance and business outlook**
   MOLL went into liquidation as a result of the COVID-19 impact on volumes. The business outlook did not improve and shareholders decided not to inject more capital into the business.

5. **Design flexible volume manufacturing system for Metair companies**
   One of Metair's business design differentiators is the company's ability to convert local commodities in close proximity to customers with man, machine and method into the products required to serve customer needs. COVID-19 has accelerated the need to be more responsive to customer needs to adapt to the ever-changing and shifting market dynamics, which requires agile manufacturing. Metair is focused on designing a more responsive manufacturing system that will be driven by a deepening of engineering, project management and logistics supply chain skills.

STRATEGIC REVIEW continued

6. **Improve business morale and employee engagement**
   Employee morale and engagement were key focuses of our COVID-19 response strategy, which includes wellness focus and welfare support.

7. **Influence and stabilise Ford SA transformation objectives**
   Ford's international business model, product development and manufacturing location consolidation review has brought about significant additional complexity to the Ford SA project that will be reviewed. Ford's revised strategy has also impacted the business model of Metair's Japanese business partners as some plant closures have been communicated.

8. **Secure compact sports utility vehicle (CSUV) business from Toyota for Metair companies**
   Hesto and Smiths Manufacturing are participating in Toyota's CSUV business which is due to launch in the fourth quarter of 2021.

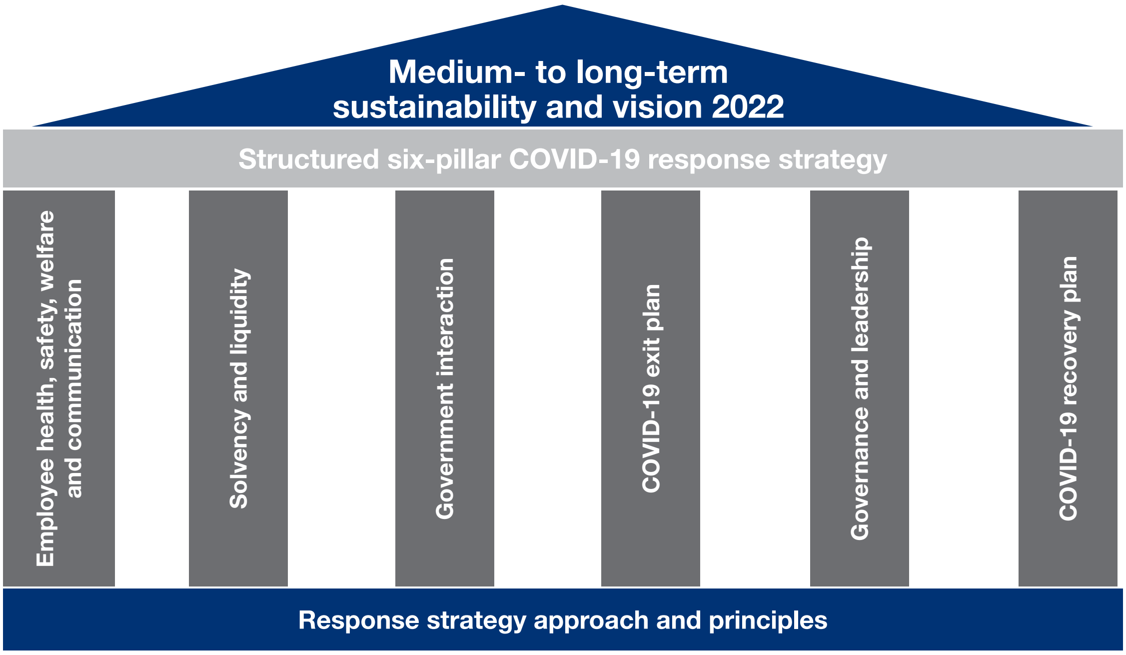
9. **Improve foreign exchange policies with all customers**
   Exchange rate fluctuation and their management is a major risk for the group, and therefore formalised exchange rate adjustment mechanisms are agreed with customers. During 2020, all formalised exchange rate recovery mechanisms were improved to ensure that rates are adjusted on a quarterly basis as a minimum.

10. **Secure product liability and recall insurance on an international basis for all Metair companies**
    Insurance markets globally continue to tighten significantly for product liability and recall insurance, and this was further compounded by COVID-19. However, Metair successfully secured product liability and recall insurance from our existing insurers.

2021 KPIs	
1.	Conclude commission of lithium-ion line, Grade A cells by Q3
2.	Formalised integration and development programme for the energy storage vertical, split by category and technology. Introduction by Q3
3.	Assess the organisational culture and make recommendations to the board on how to improve this by Q3
4.	Refinance of the group's borrowings facilities to long-term funding facilities by Q3
5.	Secure funding for new projects by Q3
6.	Support the development of the new Mutlu and Rombat CEOs and identify other functional requirements within these entities during H1
7.	Co-ordinate and secure US export business for the Energy Storage Vertical in H1
8.	Consider Metair and subsidiary structure relative to vertical strategic direction (including customer facing organisation) during H1
9.	Strategy review and recommendation to the board on the way forward on potentially unlocking shareholder value, including lithium-ion strategy during H2
10.	Successful management of the Ford and Toyota Hilux projects
11.	Finalise group insurance claim for the COVID-19 pandemic during the year
12.	Review of all the business units and recommend/confirm strategy for each business (including potential for M&A opportunities). To be presented at the annual MDs conference at the end of 2021

METAIR'S COVID-19 RESPONSE STRATEGY

Metair's leadership took the impact of COVID-19 very seriously from the onset. A well-structured six-pillar response strategy was developed that anticipated an extended duration of the crisis until a vaccine is widely available. The strategy was designed to address the immediate and longer-term actions required to sustain the company through the crisis and position it for the recovery we modelled in Vision 2022. It was supported by a progressive, positive and forward-thinking attitude and an increased level of governance and leadership. The strategy was fine-tuned for each region and vertical for the specific challenges in those areas to promote the agility of the business.



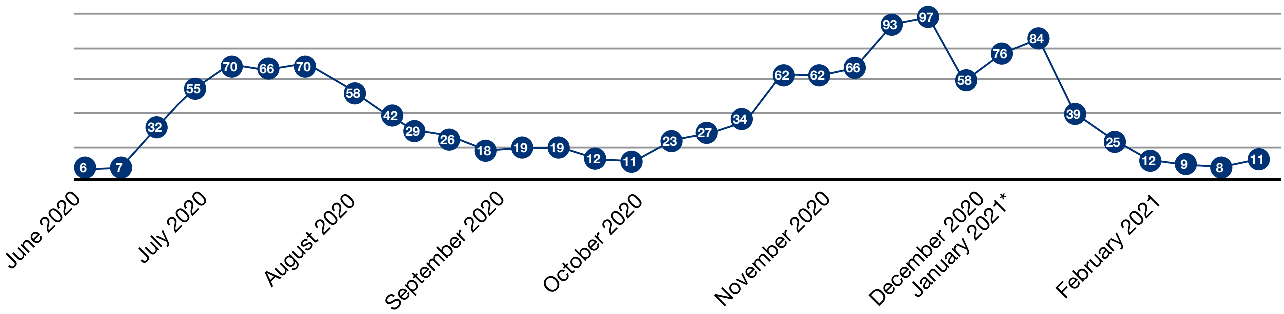
1. Employee health, safety, welfare and communication

The welfare, health and safety of our employees is a priority and a key concern. When lockdown was announced, we immediately ensured that our employees got home safely and our factories were shut down. An HR Response Team that included the CEO and HR manager was established and communication systems were set up to engage with the workforce, including SMSs and HR emergency call lines.

All Metair subsidiaries put policies in place and effective protocols to ensure a safe working environment and to prevent the spread of COVID-19. These policies and protocols align with the requirements of Section 8 (1) of the Occupational Health and Safety Act, No. 85 of 1993, as well as other regulations in their specific jurisdictions. Internal audit conducted a compliance review at First National Battery in terms of the relevant regulations and verified that the operation was compliant. The checklist of requirements was rolled out to the other subsidiaries to ensure compliance across the group.

The policies have specific provisions to address employees who show symptoms for COVID-19 during on-site screening. There are on-site isolation facilities and transportation arrangements to transfer employees suspected of having the virus to designated healthcare facilities for further testing. All Metair companies maintain a detailed dashboard to document all COVID-19 statistics.

TIMELINE OF ACTIVE COVID-19 CASES



** Metair did not collate data during the shutdown period between 4 December 2020 and 4 January 2021.*

METAIR'S COVID-19 RESPONSE STRATEGY continued

Metair unfortunately recorded 11 fatalities due to COVID-19, as at 26 February 2021, and our heartfelt condolences are extended to the families and colleagues of those we lost. To date, 908 Metair employees have tested positive for the virus and 2 492 Metair employees have had to self-quarantine.

We took steps to protect the financial position of our most vulnerable employees in the period until government relief became available. Executives at Metair and subsidiary level took a 50% pay cut so that, together with government support, operator level employees were supported at a level between 50% and 90% of their cost to company during lockdown. The Metair board approved management's request to support our hourly paid employees in South Africa with a R3 500 per month company welfare allowance when they were unable to work.

In South Africa, all our businesses successfully registered with the Unemployment Insurance Fund for the Temporary Employee Relief Scheme (TERS) funding that ran to mid-August.

Salary support provided during COVID-19 lockdown

South Africa	Turkey	Romania
38% of pay, up to a maximum of R17 000 per month, with the maximum support for any individual employees capped at R6 900 per month.	50% support for employees who were temporarily unemployed.	75% support for employees who were temporarily unemployed.

Other locations: 80% of a maximum level in the UK. Our Kenyan operations were allowed to operate fully under strict health and safety measures.

Taking a balanced, sustainable approach, R75 million was invested into staff welfare and COVID-19 prevention initiatives in 2020.

We are conscious of the high levels of stress our employees have been under since the start of the pandemic. Psychological support was made available to employees through the employee assistance program. We conducted a lockdown survey to assess how employees were coping and where they needed support.

2. Solvency and liquidity

All major capital and project expenses were deferred and working capital management was tightened to preserve cash and secure the solvency and liquidity of the company. We benefitted from the robust design of our business as we own all our major factories and have no rental obligations. Our cash flow forecasts planned for a worst-case scenario in which Level 5 lockdown in South Africa lasted for three months.

The board reviewed the projections and financial model for our outlook position, taking into consideration all of the relevant factors. Our modelling showed that distribution of the 2019 declared dividend could result in a breach of our loan covenants and, given the continued uncertainty and the possibility of a second wave, payment of the dividend was cancelled in September 2020. Despite the impact of COVID-19 and much lower earnings before interest, taxation, depreciation and amortisation (EBITDA), the company's financial position in terms of cash and liquidity remained strong and all covenant requirements were met at 31 December 2020. We were also able to renew our R750 million revolving credit facilities.

Management continues to closely monitor the group's financial position, and remains focused on effective cash management, specifically in the areas of working capital in conjunction with customer requirements, cost control and capital expenditures, taking into account planned investments required in new or upcoming customer models and facelifts.

3. Government interaction

Initially, Metair's South African business was classified as a Level 3 economic participant. After extensive lobbying and interaction with industry bodies including NAACAM, NAAMSA, TIPS and RMI, we managed to achieve a Level 4 economic participation classification that allowed us to operate at 50% during Level 4. However, First National Battery was classified as an essential service provider, which allowed it to operate at up to 100% during Level 4. Structurally we achieved the best possible economic participation position at an applied Level 4 risk level and we appreciate the Department of Trade and Industry (the DTI), Minister Patel and the CEOs of our industry bodies for their accommodation and approachability during this period.

4. COVID-19 exit plan

A well-structured COVID-19 lockdown exit plan was essential to ensure a smooth restart of our operations. We designed best practice return to work standard operating manuals and training programs to ensure a safe resumption of manufacturing. Operations conducted internal start up readiness self-assessments and secured the necessary personal protective equipment. Employees returned to work in a phased approach as required by the regulations and were trained in implementing the new standard operating procedures. The return to work process ran smoothly with a few minor labour incidents.

An external Disaster Act legal compliance audit was conducted at First National Battery and the legislative landscape list was rolled out to all South African businesses to ensure compliance. Similar programmes were implemented in our other countries of operation. The extraordinary start-up costs required under our return to work policies, regulations and procedures amounted to R13 million for the year.

Impact of COVID-19 on production levels

South Africa	Turkey	Romania
Level 5: 34 days, no production Level 4: 31 days, up to 50% production allowed[3] Level 3: 78 days, up to 100% Production during Levels 3 and 4 were affected by significantly reduced market demand.	Mutlu was classified as an essential service but had to deal with nine mini-lockdowns. Although operational, Mutlu had to adjust to market demand and operated at around 50% from mid-March, only increasing from June as OEMs customers started operating again.	Romania entered a state of emergency from the beginning of April to 18 May. OEMs stopped production on 16 March and re-opened on 15 June. Rombat was able to service aftermarket and OES sales but at much reduced demand.

Other locations: Our UK subsidiary continued to operate as an essential service and in Kenya we were allowed to operate fully under strict health and safety measures. Activities at both operations had to adjust to reduced market demand.

[3] *FNB was reclassified as an essential service provider and could restart operations at the end of April 2020.*

5. COVID-19 recovery plan

Metair's COVID-19 recovery plan is informed by Vision 2022 (see page 32), which lays out how the anticipated industry trends will impact the outlook for the two verticals. While our forecast for full year production volumes in South Africa contracting 30% proved accurate, volumes in the Automotive Components Vertical recovered strongly in the last quarter on model launches, face lifts and increased export demand from Europe. Volumes in the Energy Storage Vertical also recovered well in the second half of the year on strong aftermarket demand that offset some limitations on the vertical's ability to serve and reach its export customers and markets.

6. Governance and leadership

Leadership and maintaining high standards of corporate governance were critical aspects of the COVID-19 response plan. We saw it as our duty to lead and set the example from the front through the uncertainty and stress that characterised the period. The Metair team, subsidiary executives and leadership teams demonstrated their commitment and tenacity through the crisis, and the board met frequently and was continuously available to provide ongoing support and guidance.

CASE STUDY

COVID-19 testing equipment

Metair joined other Toyota business partners to support Toyota South Africa Motors' (TSAM) initiatives to fight the spread of COVID-19 through its support of the KwaZulu-Natal Department of Health as well as the eThekwini Metropolitan Municipality.

Metair donated R750 000 towards laboratory testing kits in the form of RNA extraction and amplification equipment that will be used in a mobile containerised laboratory. The laboratory is capable of processing up to 5 000 additional samples per day and was commissioned in January 2021.

Several of Metair's subsidiaries have manufacturing facilities in KwaZulu-Natal and we are proud to be a part of TSAM's efforts to support government to manage the spread of COVID-19.

VISION 2022

Metair's post-COVID-19 recovery is based on Vision 2022, our medium-term industry outlook. Vision 2022 focuses on a multi-stepped U-shaped recovery and avoiding an L-shaped recovery curve based on international V, U and L recovery trends.

V-shaped recovery	U-shaped recovery	L-shaped recovery
"A Quick Recovery"	**"2020 is gone, but it will be fine"**	**"18 months of downturn/recession"**
Assumes a firm reaction across countries leads to effective containment of COVID-19, that these is a seasonality of virus impact and that the peak impact hit early in the second half of 2020.	Models that public reaction is not effective to stop the spread of the virus, that the seasonality of virus impact will be longer and that medical treatment will be required in 2020 and 2021.	COVID-19 becomes the trigger for global recession, commodity markets react with a strong downturn and volatility and insecurity on capital markets remains.
Implications for the automotive industry:		
• Short-term business disturbance with declining car sales for car dealerships in April/May 2020. • Strong recovery of OEM production and car sales thereafter. • Global trade flows pick up quickly.	• Car production and sales are negatively affected through Q2 and Q3 2020. • Slow recovery as of Q4 2020. • Liquidation of some car dealers caused by too few car sales and workshop closures.	• Short-term disturbances lead to a longer decline in the auto industry. • Bankruptcies of a high number of car dealers, as insecurity leads to substantially lower new car sales and after-service sales.

At the time we developed Vision 2022, we considered that a U-shaped recovery was the most probable, with global vehicle sales falling 16% to 33% in 2020 and remaining around 10% below 2019 levels. However, the stronger than expected volumes in the second half of 2020 led us to revise Vision 2022 to a V-shaped recovery for the Energy Storage vertical, while the Automotive Component vertical recovery remains U-shaped.

Revenue approximated as a percentage of pre-COVID expectations as a proxy for production status

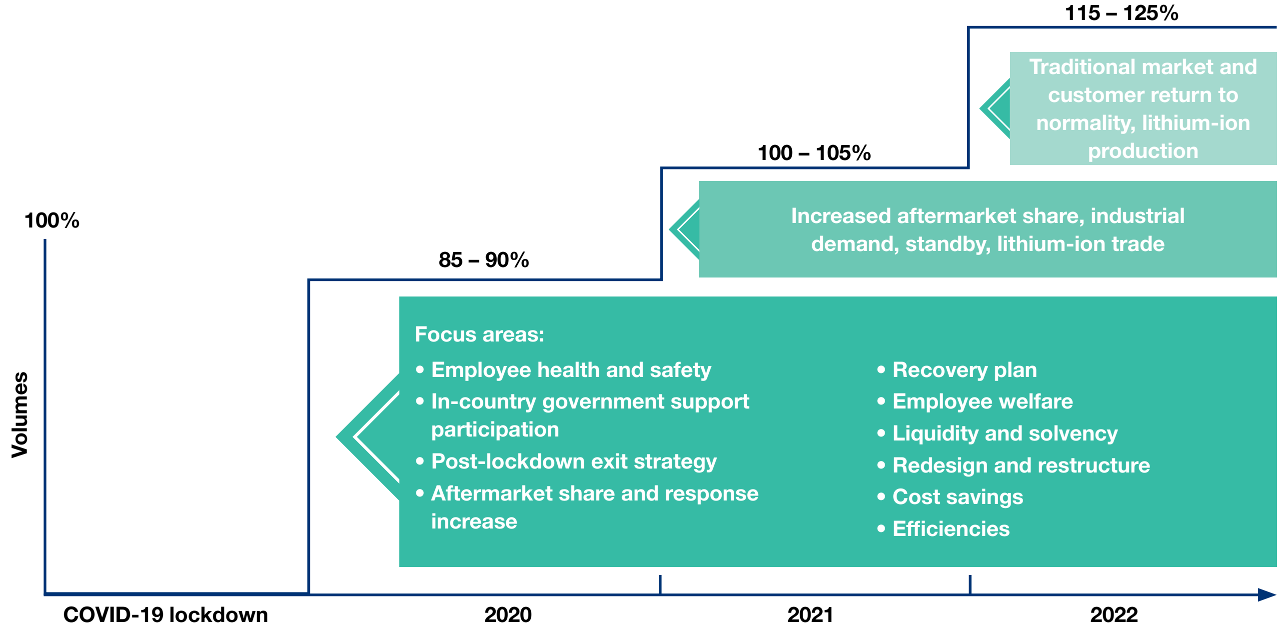
	Q1 2020	Q2 2020	Q3 2020	Q4 2020
Group	**83%**	**62%**	**87%**	**95%**
Automotive components	**89%**	**55%**	**87%**	**123%**
Energy storage	**80%**	**67%**	**86%**	**83%**

While the general outlook for the recovery appears to be challenging for vehicle sales in South Africa, the local vehicle manufacturing and export opportunity remain positive at present, it will take some time for absolute clarity to be achieved especially in light of the second and potential further waves of COVID-19 infections that could affect demand from Europe or trigger further lockdowns.

Energy Storage Vertical – a V-shaped recovery is likely

Aftermarket demand for automotive batteries returned strongly in the second half of the year and Metair structurally adapted its cost base and business activities to increase agility. Volumes in 2020 achieved 89% of 2019 levels and a full recovery is anticipated by 2022 based on increased aftermarket demand, market share gains, brand positioning, economic range expansion and OEM projects.

We continue to increase market visibility as COVID-19 has potentially impacted the longer-term viability of Metair's industrial manufacturing business in South Africa due to lower demand.



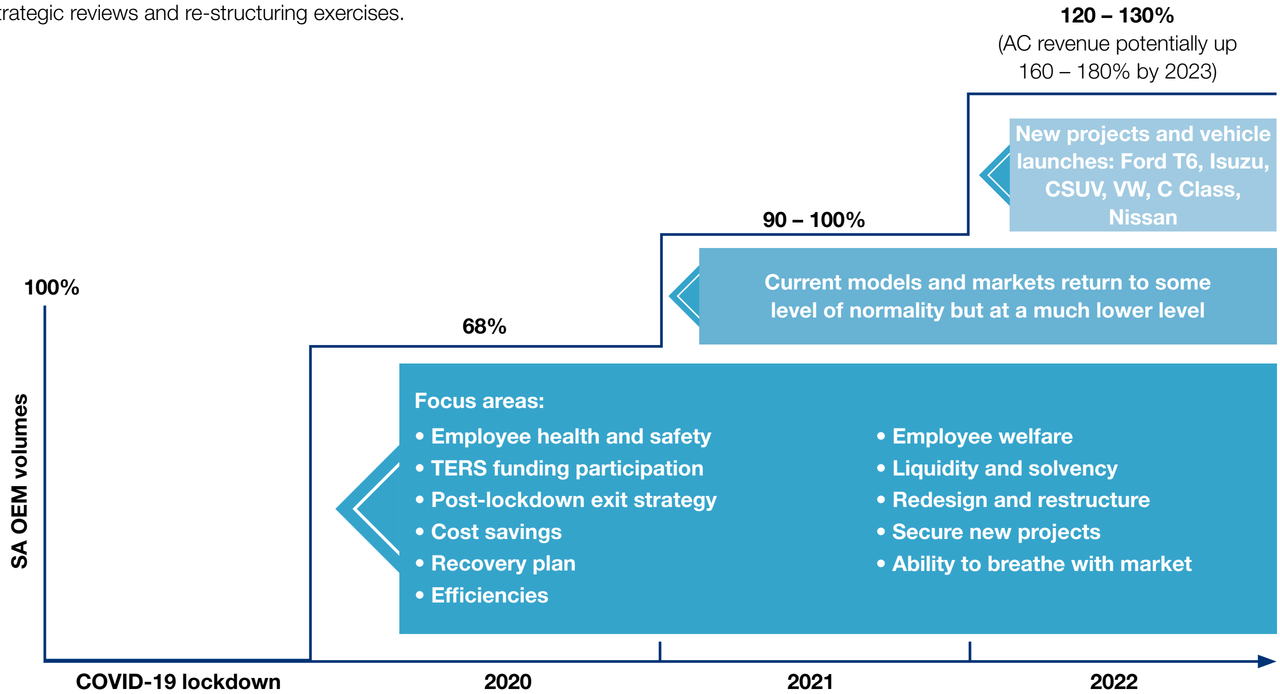
Automotive Components Vertical – a project-based recovery

While our interim forecast for full-year production volumes in South African motor vehicle production contracting by 30% proved accurate, the volumes produced by the Automotive Components Vertical recovered strongly in the second half of 2020, benefitting from face lifts and increased export demand from Europe, which historically accounted for around 60% of total vehicle exports from South Africa. Turnover for the vertical ended the year around 88% of 2019 levels, and we expect a 43% increase on 2019 in 2021.

We anticipate that, despite likely subdued local vehicle sales, the projects in the pipeline for the vertical and developing trends in the South African automotive sector can alter a potential L-shaped recovery to a U-shape, with full recovery achieved by 2022/2023 as customers cement capital investment commitments for new projects. Metair is committed to the successful launch and execution of these projects as the ongoing supply chain challenges created by COVID-19 (the business equivalent of "long COVID-19") affects businesses and our customers go through their own strategic reviews and re-structuring exercises.

Metair is committed to the new model launch projects to ensure optimal execution and focused on the selection of the most sustainable projects, customer, models and markets. The board approved a R1.3 billion investment to support new projects that can deliver between R32 billion and R35 billion of turnover over a 10-year period from the middle of 2022, 90% of which is new or incremental revenue. The majority of the vehicles produced through these projects will be for export markets and the final values realised will depend on project volumes and product designs.

One effect of COVID-19 has been a slight change in project timing resulting in potentially prolonged project model life. Project timings were pushed out due to travel restrictions and the finalisation of market positioning, and therefore some projects have been delayed by three to six months. Project model lives have also been reassessed by Metair's customers, and it appears that there is potential for the secured projects to be extended from the initial five to seven years to seven to ten years. In addition, the lives of current models being produced are also being extended.



AUTOMOTIVE COMPONENTS – SAFETY FOCUS

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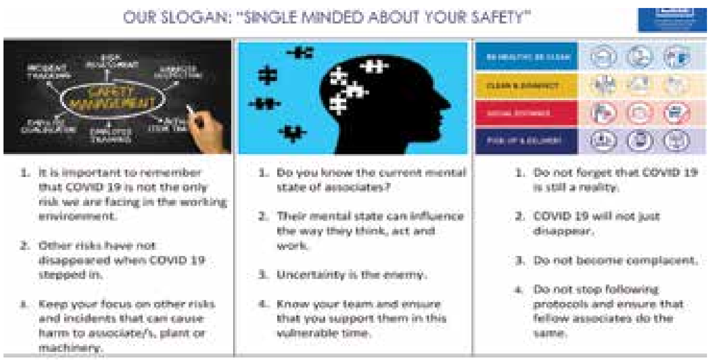


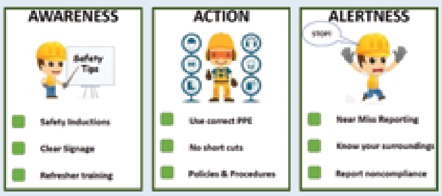
AUTOMOULD

I pledge to ensure that our working environments are safe and healthy for all stakeholders through the provision of all necessary resources.

I further pledge to always hold the "Safety" of my people, and the protection of our Environment above all else in the operations of the business.

I further pledge to entrench in all aspects of our business to: "immediately stop and correct" any unsafe or potentially unsafe activity.

UNITRADE



LUMOTECH

HESTO

Our Slogan

Our Team In Training

SUPREME SPRING

SMITHS MANUFACTURING

"I will take immediate action for any unsafe work practice"

SMITHS MOTTO
SAFETY
FIRST, LAST & ALWAYS

CHAIRMAN'S REPORT

"I believe that Metair's management team handled the COVID-19 crisis in an exemplary manner and used it to catalyse change that creates a platform to propel Metair to a better future."

BRAND PRETORIUS – CHAIRMAN

The impact of COVID-19 was severe – on society, the economy and on Metair. The health, safety and welfare of our people were uppermost in our minds. Our manufacturing facilities could not operate for the duration of the lockdowns imposed by government in our countries of operation (see page 30), cash flow declined drastically and financial resilience became the overriding priority.

The non-executive directors made themselves continuously accessible to act as a sounding board as management worked to minimise the effects of COVID-19 on our people and the viability of the group, offering moral support and appropriate advice. The board and management were in alignment and ensured that the priorities received the necessary focus. Jointly they oversaw the formulation, funding and successful implementation of Metair's COVID-19 recovery plan and exit strategy.

I believe that Metair's management team handled the COVID-19 crisis in an exemplary manner and used it to catalyse change that creates a platform to propel Metair to a better future.

The automotive industry has an important role in the post-COVID-19 recovery

The South African economy was in deep trouble even before COVID-19. Excessively high levels of sovereign debt coupled with a shrinking economy have pushed our country to the edge of the fiscal cliff. Regrettably the ruling party is still clinging to an ideological economic policy and remains hesitant to enforce the strict fiscal discipline that is required. As a result the country has been downgraded by international ratings agencies and both foreign and local investors lack confidence in our future, making the likelihood of significant investment-led economic growth limited.

The automotive sector has an important role in the recovery after COVID-19 through its contribution to economic growth, export earnings and employment. The industry contributes more than 6% to South Africa's GDP, 28% of the country's manufacturing output and is the fifth largest exporting sector, earning 15.5% of total exports.[4] In 2019, the automotive sector was responsible for more than 460 000 formal jobs in the automotive industry and more than 580 000 jobs in other industries in the value chain.[5] Major players in the industry continue to invest in South Africa as a strategic manufacturing destination and the pipeline of facelifts and new model launches is very positive, despite the current adverse conditions. Realising the full benefit of these opportunities will, however, require a supportive policy environment, functioning infrastructure, social stability, responsible labour relations and a recovery in GDP growth.

Main focus areas of the Metair board in 2020

- Minimising the impact of COVID-19 on the health, safety and welfare of our employees
- Ensuring the solvency and liquidity of the group during the lockdown period
- Ensuring a successful start-up after lockdown
- Tracking progress on unlocking value in the Energy Storage Vertical
- Assessing the feasibility of the Ford project and approving the R1.3 billion capital investment
- Recruiting a new CEO and three new non-executive directors
- Supporting management to successfully implement the COVID-19 recovery plan and exit strategy
- Providing input to Vision 2022

[4] *Source: NAAMSA, naamsa.net/fueling-the-economy*
[5] *Source: NAAMSA, Economic Impact of COVID19 on the SA Automotive Sector, May 2020*

GROUP B-BBEE
Level 1

DIVIDEND PER SHARE OF
75 cps
declared in 2021 in respect of the 2020 financial year

R75 m
in welfare and COVID-19 prevention initiatives

Metair is committing capital to match our customers' expansion plans, including a R1.3 billion investment across all subsidiaries, with Hesto, Lumotech and Automould being the main areas of capital spend. This expansion will create more than 3 000 new jobs.

Export growth offsets weak local sales

Not surprisingly, given the shocks to the economy, South African motor vehicle sales fell 29%[6] to 380 206 and domestic production followed suit. Fortunately more than 60% of vehicles produced locally are exported and many of our export markets staged a rapid recovery in the second half of the year. This helped volumes in the Automotive Component Vertical, which ended the year 32% below 2019. The planned facelifts and new model launches are potentially indicating a U-shaped recovery for the vertical in 2021.

The Turkish economy suffered a similar shock that saw motor vehicle production decrease 11% and exports fall 27% year on year7. Mutlu Akü, our energy storage business in Turkey, has a sizeable share of the aftermarket, in addition to its business with OEMs. Although overall volumes declined by 15% due to reduced exports, demand returned very strongly for local replacement and OEM volumes. Mutlu delivered an exceptional result, improving local currency operating profit by 7%.

The consequences of the change in leadership in the US on the relationship with Turkey is currently unclear and international trade dynamics remain complex. The design of Metair's corporate structures has proven to be robust and we are still able to repatriate funds.

Rombat traded well despite difficult trading conditions while First National Battery faced some challenges, particularly in its industrial batteries business. The Energy Storage Vertical, which comprises Mutlu Akü, Rombat and First National Battery, delivered a good result under the circumstances, driven mainly by robust aftermarket demand in Turkey.

Group revenue decreased 9% to R10.23 billion in 2020 (2019: R11.24 billion) due to the broad ranging impact of COVID-19. Revenue from the Automotive Components Vertical decreased by R703 million and revenue from the Energy Storage Vertical decreased R439 million. Group operating profit (EBIT) decreased by 45% to R561 million (2019: R1.018 billion) at an operating margin of 5.5% (2019: 9.1%).

[6] *Source: NAAMSA, naamsa.net*
[7] *Source: OSD, www.osd.org.tr*

The strategy remains under review

The board's review of Metair's strategy to unlock value for shareholders continued during the year. With COVID-19 necessitating a more operational focus and the appointment of a new CEO and three new board members enjoying priority attention, a decision was taken to move the full strategic review to the second half of 2021.

Lithium-ion technology is a key enabler for the future of electric vehicles and the long-term value of the Energy Storage Vertical. Given the complexity and speed of change in the technology, we adopted a phased approach that culminated in the completion and commissioning of the lithium-ion cell production facility in Romania. However, the travel ban affected our ability to engage external expert engineers to share their learnings and start production, which is now planned for the second half of 2021. This facility serves as an incubator where we can build IP in lithium-ion technology and production, including developing our understanding of the electronic management system that monitors and manages the battery.

Our preferred approach is to compete in profitable niches rather than trying to compete head-on in the volume segment of the market. We are seeing increased interest in lithium-ion technology in South Africa and, should demand for local production reach the necessary levels, our IP would establish us as a preferred partner in a Technical Aid agreement. Metair has shown that we can successfully implement this approach through our multi-licence relationships in the Automotive Component vertical.

Changes to the board

Governance and ethics are of great importance at the best of times. In a crisis, they become critical. During this time of great duress and uncertainty, Metair's principles and values acted as our moorings, bringing stability and providing the foundation for our recovery strategy. We anchored our behaviour in transparency, honesty, mutual trust and respect, caring for our people, teamwork and putting our customers first.

We announced a number of changes to the Metair board during the year. These appointments refresh the skills and experience on the board and add further relevant automotive industry depth.

Board appointments

- Alupheli Sithebe (NED) (01/01/21)
- Bridgitte Mathews (NED) (01/01/21)
- Riaz Haffejee (CEO) (01/02/21)
- Peter Giliam (NED) (01/05/21)

They also ensure diversity and the 2021 board will comply fully with our gender and transformation goals.

Alupheli Sithebe and Bridgitte Mathews bring a strong background in leadership, mergers and acquisitions, and the industrial value chain. They have both been asked to serve on the audit and risk committee and Bridgitte will replace Michael Flemming as chair of the committee when he steps up to chair the board following the conclusion of the annual general meeting in May this year.

Peter Giliam is an expert in engineering, manufacturing and quality assurance.

After a thorough search process, Riaz Haffejee was appointed to replace Theo Loock as CEO with effect from 1 February 2021. Theo asked to step down as CEO, with effect from 31 December 2020, in terms of our early retirement agreement announced in May 2020 and our CFO, Sjoerd Douwenga, held the role of interim CEO for the month of January 2021.

Portia Derby and Grathel Motau left the board during the year due to appointments to executive roles in other companies. We thank them for their valuable contribution to the company during their tenure and wish them well in their future endeavours.

Environmental and social responsibility

We view environmental, social and governance (ESG) issues through the lens of custodianship and our commitment to ethical business practices. Our aspiration to be exemplary custodians of the natural environment and society drives our approach to environmental issues, stakeholder engagement, corporate social investment, transformation, gender equality and our care for our employees.

Climate change concerns have shaped the long-term trajectory of the automotive industry and Metair's business. We continue to refine our understanding of the effect of climate change on the future of society and the company, and to mitigate and minimise our environmental impacts. We are pursuing carbon-neutral strategies with net-zero emissions being our long-term target, and are expanding our reporting, including through our CDP submission and refreshed TCFD disclosure.

Fair compensation was a focus during the year. Metair does not only consider the gap between the remuneration of the CEO and employees at the lowest grade but also tracks various shareholder "value for money" scenarios. These include assessing and benchmarking total executive earnings as a percentage of equity, turnover, assets and market capitalisation. Our peer comparisons show that Metair compares favourably with other similar listed companies.

Understanding stakeholder priorities

Effective communication with our stakeholders was particularly important during 2020. Metair provided regular and transparent feedback to shareholders and business partners regarding the impact of the pandemic, our response, and the CEO and Chairman transition.

The board engages directly with some stakeholders and is kept informed of all material engagements in the group and their outcomes as an agenda item at board meetings. Shareholders can engage with directors at results presentations, the AGM and on a one-on-one basis as and when required.

We invited major shareholders to nominate candidates for the next chairman of the board. A few shareholders initiated discussions with the chairman of our remuneration committee regarding the executive long-term incentive program.

Metair remains committed to engaging with all of our stakeholders to understand their views and needs, and to achieve a balance between the priorities of various stakeholder groups and the long-term best interests of the group.

Outlook

Certainty is currently in short supply, making it difficult to envisage the future with any confidence. Things are changing more quickly and frequently than ever before. Our new world is characterised by disruption – past certainties are no guarantee of future achievement. The reality is that both our key markets, South Africa and Turkey, are characterised by socio-political turmoil.

COVID-19 adds significantly to the volatility, unpredictability and complexity. If we can avoid another hard lockdown, Metair is projecting meaningful real growth in income and earnings in 2021 from both verticals. The Automotive Component Vertical is perfectly placed to grow as a result of new projects, vehicle face-lifts and increased vehicle exports. Volume growth in the Energy Storage Vertical is anticipated as a result of pent-up demand in the aftermarket, a recovery in orders from OEMs and additional export orders. Metair is therefore reasonably confident of delivering enhanced earnings in the 2021 financial year.

Dividend

In line with our dividend policy of setting the dividend at two to four times earnings, the board approved a cash dividend of 75 cents per ordinary share in respect of the 2020 financial year.

Given the uncertainty as to the duration and the extent of the impact that COVID-19 would have, the board resolved to defer payment of the 2019 dividend declared to preserve the company's liquidity. These deferrals were announced to the market in March and August.

In September the board again considered the company's solvency and liquidity position. While the company's financial position remained relatively strong throughout the COVID-19 pandemic, payment of the 2019 dividend at that stage was considered to imperil the solvency and liquidity of the company in the context of the uncertainty that existed in respect of the economic outlook for the South African and global economies, especially in light of the likelihood of a second wave in COVID-19 infection in South Africa as was experienced in most European countries. Accordingly, the board resolved to cancel the 2019 dividend with effect from 29 September 2020.

The board will continue to assess the recovery, solvency and liquidity of the company, and will consider a new dividend once the board is satisfied, in line with the requirements of the Companies Act, that solvency and liquidity requirements will be met after distributing a dividend.

Acknowledgement and thanks

Working with Theo over the past six years and observing him in action has been an exciting and inspirational experience. He is a visionary leader who exemplifies passion, enthusiasm and energy. He has a rare ability to turn vision into reality by getting things done.

During his time with Metair, he has transformed it from a small Toyota-focused component supplier to a globally respected manufacturer of automotive components and energy storage systems, with turnover in excess of R10 billion, providing jobs for nearly 10 000 employees and contractors.

During his tenure he cultivated quality relationships with our shareholders, customers and Japanese business partners. The transformation of the company is a credit to his leadership ability, business acumen and unrivalled work ethic. His total commitment to Metair for nearly 15 years necessitated many personal sacrifices and I understand and respect his decision to take early retirement. Metair stakeholders owe him a debt of gratitude for a job well done and our very best wishes accompany him into the future.

Metair is extremely fortunate to have secured the services of Riaz Haffejee as our new CEO. His academic qualifications and extensive business experience equip him with the ideal platform for the next stage in Metair's growth. I am excited about his appointment and wish to assure him of my confidence in his ability to lead Metair to a bright future.

Theo has agreed to a consultancy that retains his extensive automotive industry experience, institutional knowledge of Metair and technical expertise for the next two years. This will ensure a seamless hand over to the new CEO, provide continuity in the implementation of the COVID-19 recovery plan and facilitate the transition of relationships with customers and technical partners in support of flawless launches for new models and facelifts. He will also play an important advisory role in the Ford/Hesto project.

I would like to thank Metair's executive team and staff for the sacrifices they made during the lockdown period, their adherence to COVID-19 regulations and their hard work and dedication with the implementation of the recovery plan.

My thanks go to the board for their wise counsel and the extraordinary amount of time they afforded their Metair responsibilities. Our lead independent director, Thandeka Mgoduso, and the chairs of the various committees deserve a special mention.

Sincere thanks to our valued partners Denso and Yazaki for their ongoing guidance and support. We are privileged to have partners who are world leaders in their product categories. We also thank all our suppliers for their co-operation and assistance under difficult circumstances.

Brand Pretorius
Chairman

JOINT CEO'S REPORT

"Metair delivered a solid second half performance after a difficult first half, with demand recovering more strongly than anticipated in both verticals. Our six-pillar COVID-19 response strategy took into account the seriousness of the crisis and started with an overriding emphasis on the safety and wellbeing of our employees and our business. Vision 2022 describes how we anticipate the recovery to play out for our businesses and customers, and how this embeds a U-shaped recovery for Metair."

THEO LOOCK – OUTGOING CEO

As the CEO role in Metair is changing this year, we have decided to write a joint CEO report. My focus as the outgoing CEO will be on the 2020 performance while Riaz will focus on the outlook, prospect and strategy.

The CEO report for 2020 has proven to be the most difficult report to write in the 15 years that I have had the honour and privilege to be the custodian of the business.

Worldwide, 2020 was dominated by the COVID-19 pandemic that challenged and affected not only every person on the planet, but also governments, businesses, institutions, health systems and economies. The sad and tragic loss of life and livelihood are the most obvious impacts of the virus.

But COVID-19 also challenged our human resolve and leadership, and our care and concern for each other, laying the foundation for a possible positive response to such a negative and challenging pandemic.

A positive outcome of the response to the pandemic is that it brought stakeholders closer together. For Metair, there has never been a time that we needed to be so close to all the stakeholders in our business. Managing these relationships required leadership and resolve.

Handing over to the next stage

Leadership at Metair has been remarkably stable over the years. The company has been in the hands of only four CEOs in 72 years, which speaks to the company's philosophy of custodianship, of caring for something valuable that one day will be carefully passed to someone else. From the start, adaption and design were built into Metair's DNA in recognition that the company always outlives the individual.

Metair's founding father, Dr Albert Wessels, was the entrepreneur that got the business out of the blocks, establishing the manufacturing base and identifying the best commodities to manufacture in South Africa to meet Toyota's cost and quality standards. He was a visionary and highly competitive leader and industrialist, committed to building South Africa's manufacturing base to generate value and create jobs.

When he handed over, it was to bring in a CEO with financial expertise to add the necessary governance framework, financial controls, reporting and marketing system to the solid manufacturing base that established the framework necessary for the company to operate in the listed environment.

I was appointed to bring an engineering eye to the redesign of the business. This was at a time of major market and technology shifts, revision of the Government support program offered to the automotive industry, an ever-increasing need to serve the export market and customer need for a global supplier focus. At the same time, the Wessels family was exiting the business and Metair was working with the unions, government and other stakeholders in the automotive industry to provide input for what became the Automotive Production and Development Program (APDP). The priorities for the company were to institutionalise our relationship with Toyota, bring in the appropriate emphasis on environmental, social and governance factors, and expand and grow our customer, product, technology and partnership base, which drove the need to improve quality, cost and delivery.

The next phase of institutionalising the business calls for both an engineering and marketing focus, which makes Riaz Haffejee such an excellent choice as the next CEO. His background in the automotive industry and customer satisfaction together with his expertise in the digitalisation of things enable a more market-facing approach. Metair's goal is to secure a seamless leadership transition and a flawless launch of not only the next OEM models, but the models after that, to take us out for the next 35 years.

2021 also brings a new chairman, several new board members and new leadership at Rombat and Mutlu Akü. Small start-ups can be led autocratically from the centre. But Metair is growing to 13 000 to 14 000 employees and potential turnover of R16 to R20 billion in the next few years and that will require leadership that can motivate and inspire employees to take leadership themselves.

Our COVID-19 response

The COVID-19 pandemic demanded a quick and effective reprioritisation of all our efforts. We designed a six-pillar response strategy that took into account the seriousness of the crisis and the potential for an extended lockdown. Our structured response started with an overriding emphasis on the safety and wellbeing of our employees and our business and was built around the importance of good governance and the need to lead and set the example from the front.

FREE CASH FLOW
R687 m

COVID-19 STRATEGY successfully implemented to secure a **U-shaped recovery**

Employee health, safety, welfare and communication	Solvency and liquidity	Government interaction	COVID-19 exit plan	COVID-19 recovery plan and Vision 2022	Governance and leadership

Metair group provided clear direction and the leadership at the operations implemented decisively and quickly.

Policies and protocols are in place at all Metair subsidiaries to ensure a safe working environment and prevent the spread of COVID-19. We established an HR response team at the start of COVID-19 to coordinate and oversee our interactions with employees, which included communicating protocols, coordinating the return to work and securing TERS relief.

Sadly, we lost 11 employees to COVID-19 (as at 26 February 2021) related illnesses during the year and our heartfelt condolences go out to their families and colleagues. The 50% salary cut taken by the board and executive management at Metair and subsidiary level in April and government support programmes made it possible to provide a welfare allowance for our most vulnerable employees in South Africa and other regions when our facilities were closed during lockdown.

Cash preservation measures to secure the solvency and liquidity of the group included tightening working capital, deferring all non-essential capital and project expenses and cancelling the 2019 dividend. These measures and good cash generation from operations saw Metair ending the year in a strong cash and liquidity position, meeting all covenant requirements.

Ongoing interaction with government through industry bodies cleared the way to restart our operations quickly after lockdown level five and we are extremely grateful for the accommodation and approachability of the DTI, Minister Patel and the CEOs of our industry bodies during this period.

The COVID-19 pandemic was always going to have a material effect on the major trends and future direction of our employees, customers and target markets. The business equivalent of 'long COVID-19' in our employees is the complications and additional cost introduced into the supply and logistics chain by the pandemic that challenge stable and continuous supply on daily basis. The force majeure clauses invoked by the steel and oxygen suppliers serve as examples in this case.

Vision 2022

Our COVID-19 recovery plan is based on Vision 2022 (see page 32), which describes how we anticipate the recovery to play out for our businesses and customers, and how this embeds a U-shaped recovery for Metair. The recovery in demand in the second half of the year was better than anticipated in both verticals. This was largely attributable to model launches, face lifts and increased export demand in the Automotive Component Vertical and good growth in the Energy Storage Vertical from both catch-back volumes from the first half as well as genuinely strong market demand.

The positive outlook for the Automotive Component Vertical remains very much intact. South Africa is becoming a preferred manufacturing destination for particular types of vehicles and internal combustion engine derivatives as OEMs move to newer technologies in their home countries. Supply chain disruptions caused by COVID-19 further strengthened the trend towards localisation, which is also a feature of the APDP. Even in a COVID-19 affected future, there is potential for growth in motor vehicle manufacturing in South Africa.

The next few years will be a period of transition for the vertical as we launch new models. Model launches always bring a level of operational instability and our ability to control costs and manage launches and facelifts are a key part of our business. Increasing complexity and market volume mix uncertainty create a further challenge.

2020 performance

Metair delivered a solid second half performance after a difficult first half. Headline earnings decreased to 148 cents per share compared to 336 cents per share in 2019. Cash generated from operations reduced marginally to R1.1 billion.

The decrease in group revenue was limited to 9% and operating profit decreased by 45%. Profit from the Automotive Components Vertical decreased 84% and the Energy Storage Vertical declined by 12%.

Group margin declined to 5.5% (2019: 9.1%) and earnings before interest, tax, depreciation and amortisation (EBITDA) including equity earnings decreased by 44% to R783 million. Our emphasis on cash preservation resulted in the group's net debt position improving to R0.8 billion and gearing ended the year at a net debt/equity ratio of 20%. Group borrowings from third parties increased to R2.4 billion from R2.2 billion in 2019.

Automotive Components Vertical (including Hesto)

Turnover decreased by 12% to R4.9 billion in the automotive components businesses due to the production lost during lockdown, offset by the increased demand in the second half. Production efficiencies were affected by volume variations and the increasingly complex and variable product mix. The Automotive Component Vertical decreased EBIT contribution by 84% to R88.3 million, with margins declining to 1.8% due to volume fluctuations.

All automotive component business performed well in the second half of the year. Hesto wiring harnesses had to adapt to the increase in the accelerated implementation of the connectivity-related complexity in infotainment related to new CASE (Connectivity, autonomous driving, shared ownership and electrification) trends in new model launches. Highlighting the ever increasing requirements for agile manufacturing as the Covid effect on the automotive industry require customers to adjust to and satisfy demand from ever shifting target markets.

Vision 2022 anticipates a project-based U-shaped recovery for the vertical, with a 10% to 15% growth in 2021 against 2019 levels followed by a further step up in 2022/23 on new product and vehicle launches. The board approved a R1.3 billion investment to participate in the new projects, which will deliver between R32 billion and R35 billion of turnover over a 10-year period from the middle of 2022, 95% of which is new or incremental revenue. Most of these vehicles will be for export markets and the final values realised will depend on project volumes and product designs. COVID-19 has pushed out timelines on some the planned model launches but extended the model life.

We are working closely with our business partners and customers to support a flawless launch of these new models and facelifts. We are also investing in additional training and capacity to increase production agility and responsiveness, to offset the complexity, frequency and intensity of the upcoming model launches.

Energy Storage Vertical

The Energy Storage Vertical reported a decline in revenue of 6% to R6.4 billion, profit decreased by 12% to R588 million and the vertical sold 7.9 Gigawatt hours of our total installed capacity of 10.9 Gigawatt hours. All energy vertical business performed well and above expectation in the second half of the year. The star performance in the second half came from Mutlu Akü in Turkey. Mutlu Akü saw improved volumes and quality of earnings in the second half of the year on strong in-country aftermarket demand. Export opportunities are opening up for Mutlu Akü on the back of emerging technology trends, although the change in leadership in the US may have an impact on exports from Turkey. Mutlu Akü's turnover declined marginally by 1.8% but showed a 7% improvement in profitability in local currency. The Turkish Lira (TL) averaged 8% weaker against the Rand over the period and, in Rand terms, Mutlu Akü reported a mere 1% decrease in profitability.

Rombat reported a 36% increase in Rand contribution to R105 million, as the general trading environment in Romania improved in the second half of 2020. The steep decline in industrial demand in South Africa affected First National Battery. MOLL was unable to trade through COVID-19 and was placed into liquidation during the year.

The good growth in demand in the second half of 2020 point to a V-shaped recovery for the Energy Storage Vertical, with a full recovery anticipated by 2021 and further growth in 2022 on increased aftermarket demand, market share gains, brand positioning, economic range expansion and OEM projects.

Transparent communications were an important aspect of our response

At the start of the crisis, it was clear that effective communication would be critical for Metair's recovery and we increased engagements with our stakeholders to provide clarity and stability, support morale and provide direction. We engaged extensively with our international partners around our COVID-19 response, leadership changes and the implications of the APDP. Our relationships with unions are very important as Metair needs to be able to breathe with the market. The Section 189 processes implemented at the start of the year in Automould and First National Battery concluded during the year.

Our focus on developing "soft" skills in the organisation continued and we introduced 360 degree surveys with all senior management, further developed our succession planning and assessed management skills against requirements. Insurers and funders took a negative stance towards the automotive industry and we engaged with them on an ongoing basis to access risk transfer at a reasonable price, funding, capital management and debt covenants.

Technology trends

Lithium-ion technology sits at the centre of the shift to electric vehicles and is strategic priority for the Energy Storage Vertical. Commissioning of our lithium-ion production facility in Romania was unfortunately delayed by COVID-19 and we look forward to getting this going to further our IP in this area. Research and development during 2020 led to the design of lithium-ion prototypes for automotive starter batteries as well as solutions for industrial and home use.

The use of lithium-ion technology in electricity demand and supply management is a developing area of interest. Applications include solutions to store energy in off-peak periods for use in peak periods, backup energy during supply interruptions and energy storage for green energy projects.

Increased focus on the materials used in motor vehicles and end-of-life vehicle legislation has also affected the way we manufacture our products. Lead, the basis for lead-acid batteries, is a banned substance in Europe that is currently used under an exemption. There are also concerns around cobalt, which is used in lithium-ion batteries, and rare earth commodities regarding the need to ensure that these are mined in an ethical and responsible way.

We remain committed to ensuring that all components manufactured across the group have a positive lifecycle and end-of-life impact on the environment. Lead recycling is a core component of our business model for the energy storage businesses. Across the automotive industry, there is a trend towards improving design and manufacturing to reduce the volume of commodities used in each product. We continue to investigate ways to reduce the amount of lead used in our batteries without affecting performance and to meet the demand for thinner gauge, higher tension material in our components that also meets increasing temperature resistance and safety requirements. Inevitably, these improvements require further investments to keep up with the changes required in manufacturing technology.

Acknowledgements and thanks

I would like to thank the Metair team, subsidiary executives and leadership teams for their significant contribution and impressive implementation during the year. On behalf of the entire company, I would like to express our gratitude to the medical facility practitioners and clinic staff whose dedication secured our health and safety.

I thank the Metair board for their presence and availability during the year. I would also like to thank our chairman, Brand Pretorius, for the exceptional leadership he provided the group. His availability, access, insight into leadership and ability to inspire and motivate were critical in navigating the year's crisis and provided steady support for me on a personal level that was invaluable. I feel privileged to have been able to work with Brand in our time together. His ethos has enabled Metair to be successful through some very difficult times. Thank you to Metair's shareholders for their support over the years in executing our strategy.

Our experiences in 2020 will forever change the way we operate. They also create new opportunities and challenges as we adjust to the altered trends, demand patterns, regulations and operating protocols of the new normal. These changes will result in new products and services arising from emerging trends such as accelerated digitalisation, agile manufacturing, increased automation and innovative operating and distribution systems.

In closing, I would like to acknowledge Metair's previous leaders and all our customers and partners. It is not a stretch to say that Dr Wessels' focus on industrialisation and the components he chose to produce were the genesis of the current new model agreements that secure the future of the Automotive Component Vertical and the company. The financial and operational design of the business positions Metair well to move to a more market-facing approach and I am confident that leadership is passing into the right hands.

Our customers and partners have been extremely loyal over many years and were instrumental in our continuous development and improvement. Their trust is the foundation for the exciting opportunities that lie ahead. Thank you for your business, trust and support. Metair's customers and their products have been a big and exiting part of my journey through life.

CT Loock
Outgoing chief executive officer

JOINT CEO'S REPORT continued

"Metair's immediate priority is to ensure a smooth leadership transition at all levels and support flawless launches of new models and facelifts."

RIAZ HAFFEJEE – INCOMING CEO

Metair has always been a company I admired, not only because of its consistent performance and the awards it won year after year with OEMs, but also because of the integrity with which the company operated. This impressed me greatly and, coupled with the potential the company offers, it is therefore an honour to take on the role of CEO of Metair.

Our priority in 2021 will be to navigate through the COVID-19 disruptions and the response strategy will be continued and built on. Most economies will be back to "normal" by the second half of this year. What this means for the markets we serve will be better understood by mid-year. The assumptions we have made thus far are reasonable and somewhat bullish for a recovery in all markets towards the year end.

My first 100 days will be spent meeting with internal and external stakeholders, understanding the immediate pressures of the business and looking to formulate a strategy to take us forward into the years ahead. In 2020, priorities in the global automotive industry shifted across the board, from OEMs to technology companies, resulting in the common theme of an accelerated move to EVs, software-driven platforms and hi-tech manufacturing processes. How this affects Metair and our future will need to be understood given the scale of the market change and what we need to do to remain relevant will be top of mind in the year ahead.

Outlook and prospects

Metair's immediate priority is to ensure a smooth leadership transition at all levels and support flawless launches of new models and facelifts. In the year ahead we will continue to drive effective project management and improve operating efficiencies to maintain our current base while investing in the future. The strategic review will be completed and a decision will be made on the direction to follow with regards to lithium-ion technology.

As we prepare for our future and execute on new projects with an investment of R1.3 billion, the energy vertical will be focused on expanding our automotive battery product range. We will also evaluate the technology shift effect on our industrial battery manufacturing business while shifting to a more responsive imported new technology trade environment in our industrial business segment.

The automotive components business will enter a year of preparation and implementation as new projects are finalised and commissioned. In particular, in some of our subsidiaries we enter a pre-production and prototype manufacturing phase which will result in a slight shift in the business model in these companies. This means an increased focus on agility and responsiveness to global markets that will require more engineering and design skill while deepening our reach into our technical partners' skill and IP base.

The outlook for the year is therefore dependant on the final product complexity, model and market mix requirement that will become clearer towards the middle of the year as we build our engineering capabilities and capacity. This investment in our future could bring about a short-term migration towards the lower end of Metair's market guidance in automotive components for the year with substantial longer-term benefits.

R Haffejee
Incoming chief executive officer

PERFORMANCE REVIEW

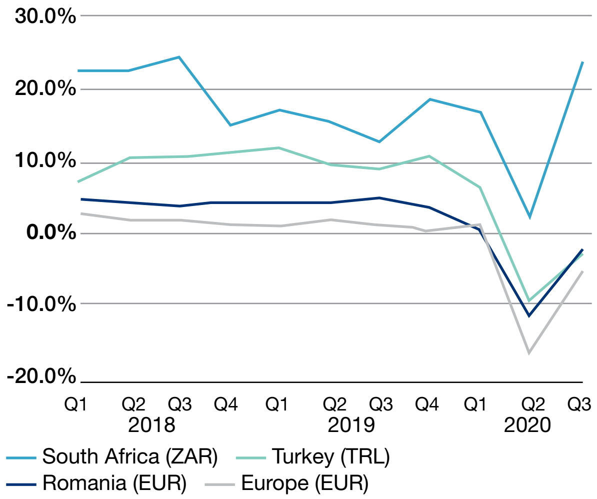
Operating context

South African motor vehicle production drives volumes for the businesses in the Automotive Component Vertical and First National Battery in the Energy Storage Vertical. Around 60% of South African motor vehicle production is exported, mainly to Europe, the UK, the US and Japan, with the balance sold into the local market.

The OEMs supplied by our energy storage operations in Turkey and Romania export vehicles into Western and Eastern Europe. Mutlu Akü, Rombat and First National Battery also have retail distribution networks in their domestic markets and export into other countries in the surrounding regions.

COVID-19 and the response to halt the spread of the virus had a severe impact on the global economy. The South African economy was particularly hard hit as the economy was already in recession before the pandemic.

YEAR-ON-YEAR GDP GROWTH PER QUARTER



Total South African motor vehicle production, local sales and exports all fell around 32% in 2020.[8] The South African Automotive Masterplan (SAAM) 2035 sets an ambitious vehicle production goal of 1.4 million vehicles for 2035 and we are forecasting local vehicle production of around 600 000 units per year in the short term, growing in excess of 750 000 in the medium term.

However, volumes in the Automotive Component Vertical rose strongly in the fourth quarter on model launches, face lifts and increased export demand from Europe.

Motor vehicle production in Turkey declined 11% in 2020 and exports fell 27%,[9] while passenger car production in Romania fell 16.5% in the first three quarters of 2020.[10] Despite these declines, Metair's Energy Storage Vertical saw stronger than anticipated volumes in the second half of the year.

The deteriorating state of electricity and water infrastructure is a concern in the South African manufacturing environment and the ongoing electricity supply interruptions affect production stability and increase costs. The future profitability and competitiveness of the South African industry depends on consistent and reliable supply of power from Eskom.

Global trade and geopolitical developments

The confrontational global trade dynamics of the last few years and uncertainty regarding Brexit led to OEMs reassessing the strategic exposure in their global supply chains. The benefits of keeping component production close to OEM manufacture were emphasised by the supply chain shocks during COVID-19.

While the political situation in Turkey appears to have stabilised, it is not yet clear what approach the new administration in the US will take regarding its relationship with Turkey.

Vehicles in use (vehicle parc)

The potential market for aftermarket automotive batteries and spares is a function of the total number of vehicles on the road. With 243 million passenger cars on the roads in the EU[11] at an average life of 11.5 years, our operations in Turkey and Romania provide access to a significant opportunity for aftermarket batteries.

Revenue approximated as a percentage of pre-COVID expectations as a proxy for production status

	Q1 2020	Q2 2020	Q3 2020	Q4 2020
Group	**83%**	**62%**	**87%**	**95%**
Automotive components	**89%**	**55%**	**87%**	**123%**
Energy storage	**80%**	**67%**	**86%**	**83%**

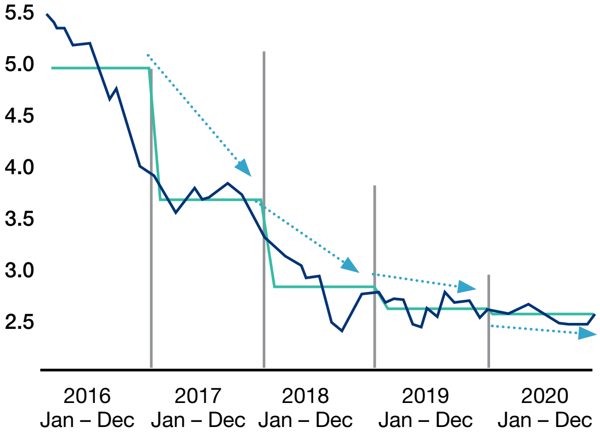
[8] *Source: NAAMSA: www.naamsa.net*
[9] *Source: OSD: osd.org.tr – statistics include passenger vehicles and pickup trucks*
[10] *Source: ACEA: www.acea.be*
[11] *ACEA: www.acea.be*

Currency volatility

Devaluation of the currencies Metair's operations report in – the Rand, Turkish Lira and Romanian Lei – against hard currencies increases the input cost of imported materials and commodities and negatively affects demand in local markets. Operations are able to recover rising input costs by increasing prices over time, but in the short term margins may be affected. Prolonged currency weakness improves competitiveness in export markets and makes competing imported product less attractive to customers.

Currency volatility makes planning and forecasting challenging and devaluation of the Lei and Lira against the Rand negatively affects reported profit from foreign operations. The financial effects of the significant weakening of the Lira against the Rand since 2016 are discussed in the CFO report on page 48.

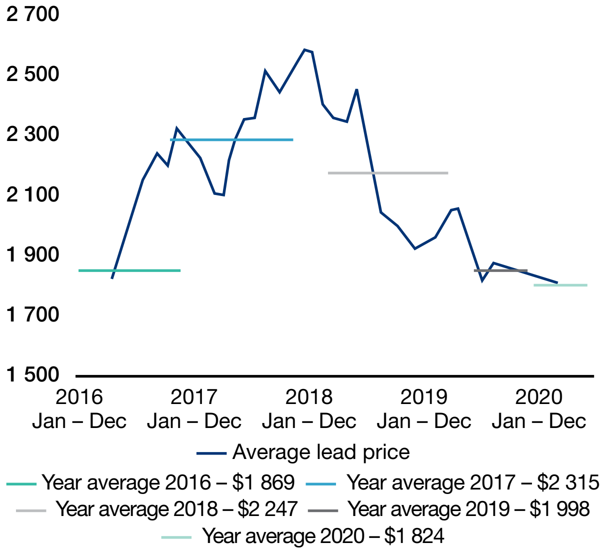
TURKISH LIRA/RAND



Raw material costs

Currency fluctuations also affect commodity prices, which are generally priced in US Dollars. Lead is a key input in our Energy Storage Vertical, and during the year the lead price fluctuated significantly, trading between US$1 600 and US$2 000.

AVERAGE LEAD PRICE $ (USD)



Stabilisation of supply chain and logistics

There is a major effort required to manage the way COVID-19 has disrupted supply chains and the immediate increase in logistics costs and complexity in supply chain solutions. In the same way that people suffering from "long COVID-19" take many months to recover, this "long COVID" in business will require innovative long-term solutions with the short-term impact being premium freight costs incurred to ensure supply stability.

2020 Sustainability Goals	2021 Sustainability Targets
All companies to target achievement of ISO 50001 accreditation by the end of 2020 or be on track for latest 2021 accreditation: ATE, Automould and Unitrade are on track for accreditation in 2021. All other operations are ISO 50001 accredited.	All companies to target achievement of ISO 50001 accreditation by the end of 2021.
Zero fatalities and maintain LTIFR below 1 across all companies: Zero fatalities. LTIFR below 1 across all companies, except First National Battery. A safety intervention is being implemented at First National Battery to improve safety performance.	Zero fatalities and maintain LTIFR below 1 across all companies.
Group absenteeism rate to average below 3.0% (excluding contractors) across all companies: The need to self-isolate and uncertainty around COVID-19 led to an increase in absenteeism in the group. Absenteeism was above 3.0% at Mutlu Akü, Rombat, Smiths Manufacturing and Automould.	Group absenteeism rate to average below 3.0% (excluding contractors and the impact of COVID-19) across all companies.
Maintain and improve our level 4 B-BBEE target going forward on the new codes: Achieved a Level 1.	Target at least a Level 2 B-BBEE score going forward.
Maintain group training spend at a minimum R40 million: Lockdown and the need to social distance impacted delivery of training programmes. Group training spend for the year was R33.5 million.	Maintain group training spend at a minimum R40 million.
At least 250 learnerships across the group: 360 learnerships including artisan and non-artisan learnerships.	At least 250 learnerships across the group.
1% of net profit spent on CSI projects. Within our targeted spend we would like to increase our focus on projects that benefit people living with disabilities and high-level industry-focused green manufacturing education: 7.4% of net profit for the year was spent on CSI projects. Metair head office supports TWIMS as an industry-focused green manufacturing institution. While some of the projects supported by the subsidiaries benefit people living with disabilities, there is scope to increase support in this area.	1% of net profit spent on CSI projects. Within our targeted spend we would like to increase our focus on projects that benefit people living with disabilities and high-level industry-focused green manufacturing education.
Target zero new cases of blood lead levels above 40µg per 100ml (early warning cases): New early warning cases decreased from 71 in 2019 to 47 in 2020. Additional measures are being implemented to reduce exposure to lead.	Target zero new cases of blood lead levels above 40µg per 100ml (early warning cases).
1% improvement on site-specific production scrap percentages across all companies: Five companies achieved the target, but Automould, First National Battery, Hesto, Supreme Spring and Unitrade were not able to achieve the target. Variable production affects efficiencies which impact scrap percentages.	1% improvement on site-specific production scrap percentages across all companies.
Energy storage businesses to improve yield by 2% at recycling facilities: Mutlu Akü has been achieving their maximum yield since 2019. First National Battery met the target and Rombat improved slightly in 2020 but did not improve by 2%.	Energy storage businesses to improve yield by 2% a year until they reach their theoretical ceiling yield.
Improve water consumption per PHW by 2% across all companies: Group water consumption per PHW increased 7%, with increases recorded at First National Battery, Hesto, Lumotech and Rombat.	Improve water consumption per PHW by 2% across all companies.
Reduce total energy consumption by reducing electricity consumption per PHW by 2% by December 2020: Production interruptions affected efficiencies and group electricity consumption per PHW remained relatively unchanged. First National Battery, Lumotech, Mutlu Akü, Rombat and Smiths Manufacturing all registered increases in electricity consumption per PHW.	Reduce total energy consumption by reducing electricity consumption per PHW by 2% by December 2021.
Sustain Scope 1 and 2 emissions per PHW worked below 11.5 kgs CO_2e/PHW: Group Scope 1 and 2 emissions per PHW were 11.35kgs CO_2e/PHW.	Sustain Scope 1 and 2 emissions per PHW worked below 11.5 kgs CO_2e/PHW.

CHIEF FINANCIAL OFFICER'S REPORT

"COVID-19 accelerated some of the trends that were already evident in the automotive industry in South Africa and globally, and our priority remains on ensuring Metair is well-placed to respond, participate and gain from these developments and their attendant opportunities. The pandemic also strengthened the trend to ensure that component supply is close to OEM manufacturing and the structural changes to global allocation of production location support the U-shaped recovery we see for the business."

SJOERD DOUWENGA – CFO

Metair results for 2020 were inevitably affected by COVID-19 and the shutdown that followed the arrival of the pandemic. This caused significant disruptions to our operations and to our customers, and our financial focus shifted to cash preservation and balance sheet protection to support the liquidity and sustainability of the company.

COVID-19 accelerated some of the trends that were already evident in the automotive industry in South Africa and globally. Our priority remains on ensuring Metair is well-placed to respond, participate and gain from these developments and their attendant opportunities. Technology continues to advance at a rapid rate and trade dynamics remain uncertain. However, COVID-19 has strengthened the trend to ensure that component supply is close to OEM manufacturing and the structural changes to global allocation of production location support the U-shaped recovery we see for the business. At the start of the pandemic, and given the uncertainty regarding the duration of disruption, we took a very conservative approach in our scenario planning. But the rapid recovery in demand in the second half for both the Automotive Components and Energy Storage Verticals surprised on the upside.

In the circumstances, limiting capital allocation to essential spend became a priority. While our lithium-ion production facility was completed at the end of 2019, we were unable to commission it as planned due to the various restrictions imposed as a result of COVID-19. The strategic importance of the facility remains as an incubator to build our IP in the development of bespoke chemistries, technologies and manufacturing facilities, as well as positioning Metair as a potential development partner for OEMs in pursuit of their own technological advancement.

The investments required to support the significant future industry growth in South Africa and increase market share continued during the year, but not to the extent expected. While timings on some of the new vehicle launches planned for the next three years by the major OEMs in South Africa have shifted out slightly due to COVID-19, they remain in place. The change in timing also resulted in a shift in capex spend from 2020 to 2021. Contracts to supply components for these vehicle launches support our ability to generate target returns well above the cost of capital to ensure we create long-term value. Our long-term target remains a 4% excess return over cost of capital.

This CFO report should be read with the financial statements and the integrated report as a whole. It provides a commentary on Metair's financial position and performance of the group for 2020, including the segmental results and other salient features. The report also addresses capital allocation, returns on capital invested, balance sheet strength, funding structures and strategy.

While our primary goal is to create financial value for our shareholders, the important and legitimate interests of all stakeholders are taken into account in the way we do business. This goal is balanced with the longer-term and sustainable interests of the group, which includes a responsible approach to social and environmental issues that aligns with our commitment to stewardship. Metair's distribution of the value created during the year to various stakeholders is shown in the group value-added statement on page 53.

Results

Group revenue decreased 9% to R10.23 billion in 2020 (2019: R11.24 billion), reflecting the month-long closure of our South African facilities under level 5 lockdown, another month of 50% allowed production at most facilities during lockdown level 4 combined with significantly reduced vehicle demand in the first half. One of our major OEM customers in South Africa experienced a strike at the start of the year, which also contributed to volumes falling 42% in the first half in the Automotive Component Vertical. The planned model launches, facelifts and general market recovery had a positive effect in the second half of the year, leading to improved second half volumes and production stability. Aftermarket, OEM and export demand returned strongly for the Energy Storage Vertical in all regions, and the overall volume decline was limited to 13% below 2019 levels.

The Automotive Components Vertical contributed R4.9 billion in revenue (12% down from 2019) while South African OEM production volumes for 2020 decreased 32% to 416 970 and Metair's major customers' volumes decreased by 28%. The limited revenue decline was mainly as a result of a weaker South African Rand, offsetting the operational volume decline. Manufacturing inefficiencies due to the shutdowns and limited volumes in the first half resulted in the decrease in margins in the Automotive Component Vertical, declining from 9.5% to 1.8%.

CASH GENERATED FROM OPERATIONS
declined 14% to
R1.1 bn

REVENUE
decreased 9% to
R10.2 bn

GROUP NET DEBT
decreased
R513 million to
R0.8 bn

The Energy Storage Vertical contributed R6.4 billion in revenue (only 6% down from 2019), and reported an EBIT of R588 million, down R78 million year-on-year. Local operating profit at both Mutlu Akü and Rombat exceeded 2019 performance, while First National Battery was down from prior year. Although Mutlu Akü's export volumes were severely affected by border closures and logistics constraints, aftermarket demand remained strong. OEM volumes in Turkey were higher than 2019, assisted by a strong recovery in vehicle production during the second half of the year and growing market share. Rombat benefitted from the Romanian government support plan during the national emergency, which assisted Rombat to continue to pay their employees' salaries during this period. First National Battery's results were severely negatively impacted by the performance of the industrial segment, while the automotive business recovered well post lockdown. Low industrial demand continues to pressure the sustainability of the industrial segment of the business.

Group operating profit (EBIT) decreased by 45% to R0.6 billion (2019: R1.018 billion) at an operating margin of 5.5% (2019: 9.1%).

Group EBITDA (including equity earnings and impairments) decreased 44% to R0.8 billion (2019: R1.39 billion) and the EBITDA margin decreased to 7.7% (2019: 12.4%).

The focus on cash preservation and liquidity contributed to group net debt decreasing to R0.8 billion (2019: R1.32 billion) and net finance expenses decreased to R164 million (2019: R227 million) due to the reduction in interest rates and lower net debt levels.

Headline earnings per share decreased by 56% to 148 cps (2019: 336 cps) and the weighted average number of shares remained at 192 million shares. Group return on invested capital (ROIC) decreased to 6.4% (2019: 13.0%).

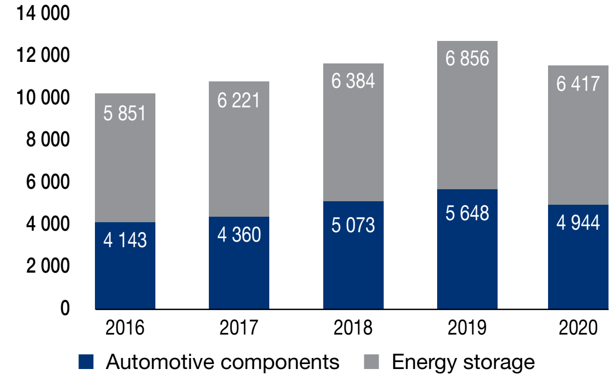
***Note:** The turnover and profit figures quoted in this section include the group's managed associate, Hesto, which aligns with the presentation in the segmental review on page 10.*

Segmental review

Metair's two business verticals – Automotive Components and Energy Storage – supply products to their local markets in South Africa, Romania and Turkey, and export to customers, mainly in Europe, the Middle East, sub-Saharan Africa and Russia.

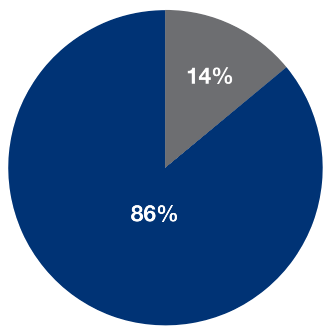
The Automotive Component Vertical contributed 44% to group turnover in 2020 and the Energy Storage Vertical 56% (2019: 45% Automotive Component Vertical and 55% Energy Storage Vertical).

REVENUE* (R MILLION)



** Includes Hesto*

GROUP LOCAL AND EXPORT SALES



Energy Storage Vertical

Turnover decreased by 6% to R6.4 billion (2019: R6.9 billion) with sales of automotive battery units declining 11.4% to 7.5 million units. Strong aftermarket demand in the second half at Mutlu Akü resulted in volumes ending the year at 3.7 million units, 15.4% down from 2019.

Operating margins in the Energy Storage Vertical decreased from 9.7% to 9.2% due to the disruptions to production and increased pressure on industrial battery volumes and margins. The vertical delivered operating profit of R588 million (2019: R666 million) and OEM volume proportions increased marginally to 28% from 26% in 2019.

CHIEF FINANCIAL OFFICER'S REPORT continued

Mutlu Akü performed exceptionally well in the context of the extremely difficult trading conditions during the year, with the EBIT in local currency approximately 7% higher than 2019 on a strong recovery in aftermarket demand in the second half. Industrial demand remained weak and the devaluation of the Turkish Lira (TL) against the Rand during the year saw a minimal decrease in Rand EBIT to R409 million from R413 million.

First National Battery's margins decreased to 4.7% (2019: 7.9%) and operating profit decreased to R86 million, reflecting the impact of COVID-19 and continued weak industrial battery demand despite a good automotive trading performance.

Rombat in Romania operating profit increased by 36% to R105 million and overall volumes declined by only 2%, as sustained demand for OEM, OES and export markets was experienced in the second half of the year, resulting in Rombat operating at full capacity during this period.

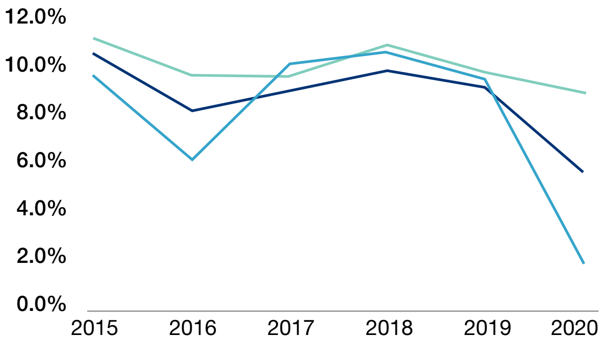
Sales of industrial batteries decreased to R530 million (2019: R608 million), mainly due to First National Battery's reduced volumes.

Return on invested capital for the segment decreased marginally to 16.2% (2019: 16.5%).

Automotive Components Vertical

Revenue in the Automotive Components Vertical reduced by R703 million to R4.94 billion (2019: R5.65 billion) despite the good recovery in the second half of the year. Operating profit decreased to R88 million (2019: R538 million) and the operating margin decreased by 7.7bps to 1.8%. Return on invested capital for the automotive component segment was 4.4% (2019: 33.4%).

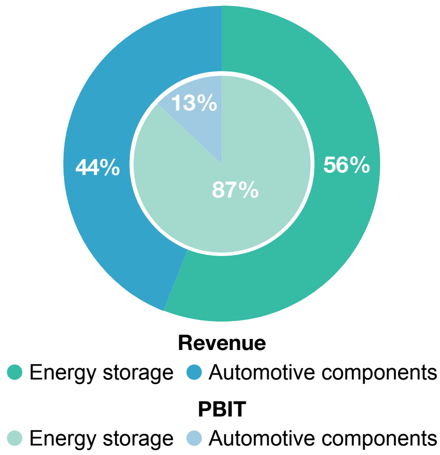
PBIT MARGIN



Currency impacts

Metair's four international investments operate in their local currencies – Turkish Lira (Mutlu Akü), Romanian Lei (Rombat), British Pound (Dynamic) and Kenyan Shilling (ABM). The contribution of these operations in Rand are impacted by exchange rate movements of these currencies against the Rand. Mutlu Akü and Rombat together contributed 45% of group revenue and 92% of EBIT in 2020 and significant exchange rate fluctuations have a marked impact on group results. We expect a more stable outlook for the Lira, but have stringent currency risk management processes in place to protect against short term volatility.

Revenue and PBIT contribution



Metair's foreign exchange risk management policy provides for hedging of foreign currency exposures on raw materials, components and capital equipment except where these exposures are offset by natural hedges.

The TL/Rand conversion weakened by 8% on average over 2020, and the year-end rate was 19% weaker than at 31 December 2019. Earnings of our foreign operations are translated into Rand at the average rate for the period. Mutlu Akü's reported a 7% increase in operating profit in TL, which translates into a 1% decline in Rand due to currency devaluation. The average Romanian Lei exchange rate for 2020 appreciated 12% against the Rand, which improved earnings translated from Rombat.

At year end, the net asset values of foreign subsidiaries are translated into Rand at the ruling exchange rate for inclusion in the financial reports. The devaluation of foreign currency spot rates (mainly the TL) resulted in net foreign exchange translation losses of R278 million (2019: R373 million loss) being recognised in other comprehensive losses in 2020. While a depreciating local currency reduces the investment's contribution to the group, it also creates opportunities as it improves the price competitiveness of exports from that location. Approximately 28% of Mutlu Akü's sales volumes are exported to aftermarket and OEM customers and currency fluctuations affect the reported value of sales and receivables in export markets.

Raw materials and components imported are also affected by currency movements. For the Energy Storage Vertical, these inputs are mainly denominated in US Dollars and Euros, and the currencies most relevant for the Automotive Components Vertical are the US Dollar, Euro and Japanese Yen. Foreign exchange movement recoveries on these input costs are achieved through various contractual arrangements with customers.

Financial position

Group net asset value per share decreased to 2 133 cents per share (2019: 2 186 cents per share) and net working capital decreased by R313 million due to lower activity levels combined with our focus on continuous improvement in the structural working capital requirements in each business. Cash generated from operations decreased to R1.1 billion (2019: R1.2 billion), representing a cash conversion ratio to EBITDA above 119%.

Cash and cash equivalents increased to R1.6 million from R878 million in 2019, while net debt (borrowings less cash and cash equivalents) reduced to R805 million at year-end (2019: R1.3 billion).

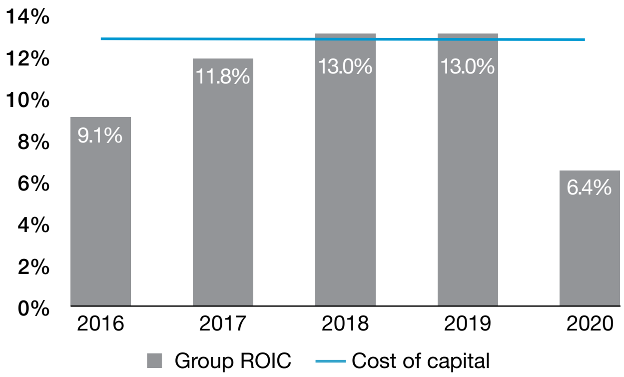
The group's net debt/equity ratio improved to 20% (2019: 31.5%). Metair's emphasis on liquidity during the year and the cancellation of the 2019 declared dividend ensured that we remained in compliance with all of our lenders' covenants during the year. Net debt to EBITDA was 1.0 times (2019: 0.95 times), and 1.4 times (2019: 1.12 times) for covenant measurement purposes.

As at 31 December 2020, Metair had access to unutilised facilities of approximately R880 million, US$41 million, TL75 million, €16 million and revolving credit facilities of R345 million. We successfully renewed our R750 million revolving credit facility due and payable, during the year. Note 14 in the financial statements provides detailed information on the group's borrowing facilities. The group has sufficient short-term borrowing facilities, including overdraft facilities, which are renewable annually.

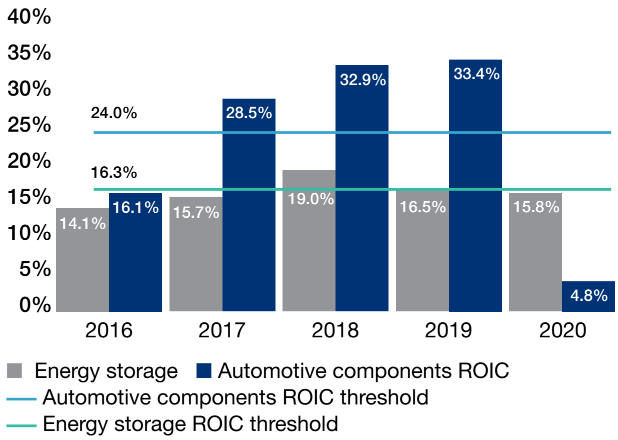
Capital allocation

Metair's return on invested capital decreased to 6.4% due to the reduction in profits.

RETURN ON INVESTED CAPITAL (ROIC) VS COST OF CAPITAL



VERTICAL ROIC AND THRESHOLDS



ROIC targets and investment thresholds are in place at group and individual business unit levels. Metair assesses capital allocation in three areas:

- Operational (internal)
- Strategic (internal)
- Shareholder capital (external)

Long-term return hurdle rates
Metair WACC: 13.1%
Energy Storage Vertical ROIC threshold: 16.3%
Automotive Components Vertical ROIC threshold: 24.0%

Allocation of capital to operating assets (maintenance and new business) and strategic investments (acquisitions) uses return on invested capital (ROIC) as the primary financial return criteria, supplemented by return on assets, internal rate of return and cash generation. With the exception of key strategic spend, capital allocated is required to exceed its cost of capital within two to three years of the investment being made. New investments are also required to achieve a target of 4% above the cost of capital over the project duration. As the holding company, Metair sources, allocates and controls capital to achieve these objectives.

2021 CAPITAL COMMITMENTS (INCLUDING HESTO)

(R'000)	Maintenance and general	Efficiency and expansion efficiency	Health, safety and environment	Total
Automotive Components Vertical	109	934	11	1 054
Energy Storage Vertical	161	96	25	282
Total commitments	**270**	**1 030**	**36**	**1 336**

Metair's capital expenditure policy also includes a focus on cash flow management, in particular free cash flow generation, to support our ability to pay down our future debt repayment obligations, without constricting growth capital. Total capital expenditure (including intangible assets) for 2020 was R247 million (2019: R495 million), with R99 million allocated to maintenance, R135 million to expansion capex and R13 million allocated to health and safety, improving the group's competitive position and efficiency.

Capital expenditure for 2021 will increase for the Automotive Components Vertical to invest in facilities, tooling and machinery required to support planned customer new business, new model launches and facelifts. The debt funding will be raised at subsidiary level, with potential support from Metair especially in the case of Hesto.

Intangible assets

Intangible assets reported on Metair's balance sheet primarily relate to goodwill, trademarks, licences, brands, customer relationships, capitalised development costs and software. Goodwill represents the excess in the consideration paid by the group over the acquiree's fair value of the identifiable net assets when subsidiaries were acquired. Goodwill and the Mutlu Akü indefinite useful life brand are not subject to amortisation, but are tested annually for impairment.

Intangible assets decreased to R504 million in 2020 (2019: R605 million) mainly due to the foreign exchange translation effects of Mutlu Akü.

We have concluded, based on value-in-use calculations, that the recoverable amount of all cash-generating units (CGUs), including goodwill, exceeds their carrying amounts (refer to note 8 of the annual financial statements (AFS).

During 2020, the group expensed R14 million in research and capitalised R12 million of development costs. Development costs capitalised relate to various new product and technology development projects at Mutlu Akü/MIB.

Insurance claims

Several recent court decisions set a precedent for business interruption insurance claims related to COVID-19 in South Africa. Metair continues to engage with its insurers to clarify the potential claim value.

Akkumulatorenfabrik MOLL impairment

Due to the impact of COVID-19 on the short-term liquidity of MOLL, combined with the uncertainty of the market effect caused by the pandemic, MOLL applied for liquidation as shareholders decided not to inject more capital into the business.

Metair has therefore written down the remaining R108 million investment as other shareholders were not able to provide further financial support.

Dividend

Metair's dividend policy is to pay dividends that are covered by earnings (dividend cover) between two and four times. The cash dividend of 120 cents per ordinary share declared in the 2019 financial reports was cancelled in 2020 to preserve cash in the context of the uncertainty created by COVID-19. Based on the current outlook, the board declared a dividend of 75 cents per share for the 2020 financial year.

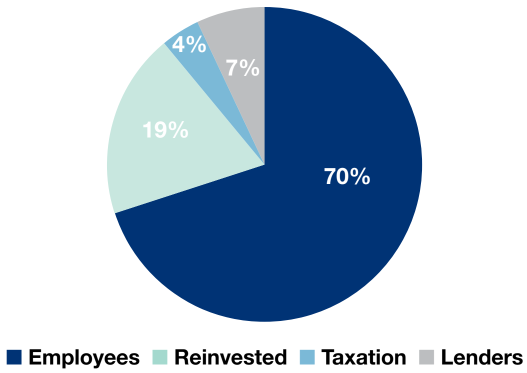
Management continues to closely monitor the group's financial position and remains focused on effective cash management, specifically in the areas of working capital in conjunction with customer requirements, cost control and capital expenditures, taking into account planned investments required in new or upcoming customer models and facelifts.

S Douwenga
Chief financial officer

VALUE ADDED STATEMENT

			GROUP 2020 R'000	GROUP 2019 R'000
WEALTH CREATED				
Revenue			**10 234 706**	11 237 995
Less: Net cost of products and services			**(7 420 637)**	(7 913 741)
Value added			**2 814 069**	3 324 254
Add: (Loss)/Income from investments			**(59 163)**	113 091
Wealth created			**2 754 906**	3 437 345
WEALTH DISTRIBUTION	**% 2020**	**% 2019**		
Employees				
Salaries, wages and other benefits (note 1)	70	57	**1 931 067**	1 965 655
Providers of capital	7	14	**204 731**	453 113
Interest on borrowings	7	8	**204 731**	259 875
Dividends to shareholders		6		193 238
Share buyback programme		1		44 984
Government taxation (note 4)	4	6	**111 491**	213 576
Retained in the group	19	22	**507 617**	760 017
To provide for the maintenance of capital (depreciation and amortisation)	12	9	**322 340**	295 462
To provide for expansion	7	13	**185 277**	464 555
	100	100	**2 754 906**	3 437 345
1) Salaries, wages and other benefits			**1 931 067**	1 965 655
Wages and salaries			**1 644 922**	1 717 065
Share-based payment expenses			**31 780**	24 392
Termination benefits			**25 081**	1 882
Social security costs			**131 618**	129 555
Pension costs – defined contribution plans			**90 005**	86 407
Defined benefit plans			**3 795**	2 718
Post-employment medical benefits			**3 866**	3 636
2) Value added ratios				
Total number of employees at year end			**5 920**	6 166
Hourly			**3 766**	3 699
Monthly			**2 154**	2 467
Revenue per employee			**1 729**	1 823
Value added per employee			**475**	539
Wealth created per employee			**465**	557
3) Monetary exchanges with governments				
SA normal tax/Income tax			**111 491**	213 576
South Africa			**39 404**	151 828
The Netherlands			**2 028**	356
Romania			**14 088**	12 938
Turkey			**55 971**	48 454

DISTRIBUTION OF VALUE ADDED %



KEY STAKEHOLDER RELATIONSHIPS

We define our stakeholders as those individuals or groups that are impacted by our business, or who have an impact on our business, and who affect our ability to deliver on our strategic objectives. Metair recognises that our ability to create long-term sustainable value depends on integrated thinking that considers the needs, interests and expectations of all stakeholders.

How we manage stakeholder engagement

The board is ultimately responsible for stakeholder engagement in the company. Engagements take place at various levels in the company and are handled by the functions to which they most closely relate. Stakeholder engagement is a standing item on the board agenda and directors are informed of all material engagements and their outcomes. The information and views expressed in these interactions provide input into strategy, helps to determine and prioritise material matters and key risks, and assists us to refine company policies and governance structures.

A group stakeholder engagement policy is in place that applies to all group companies. This policy and Metair's code of conduct emphasise equitable treatment of all stakeholders and apply to all group companies.

Key stakeholder engagements during 2020

COVID-19 emphasised the crucial importance of constructive engagements and strong relationships with all stakeholders in a time of crisis, not only for the sustainability of the company but also for the wellbeing of broader society.

Lockdown unintentionally disconnected businesses from their employees, markets and customers, and it was imperative that we acted quickly to reconnect with these critical stakeholders. Key engagements with our stakeholders during the year included the following:

- Consistent and transparent communication with employees was essential to ensure their health and wellbeing during lockdown and when operations resumed.
- We engaged with government through industry bodies to enable safe and early resumption of production.
- Regular interactions with trade unions supported the return to work and assisted the company's ability to breathe with the market through Section 189 processes at First National Battery and Automould.
- We worked closely with customers to understand the impact of COVID-19 on their operations and plans, ensure that we could continue to meet their requirements for increased flexibility and agility, and to prepare for planned model facelifts and new model launches.
- We continue to engage with shareholders regarding the strategic review and kept them informed regarding developments around COVID-19 and our response during and after lockdown.
- The board and executive met regularly with our business partners and technical partners regarding operational developments and to discuss the changes to leadership at board and executive levels. We also spent considerable time updating them regarding the implication of current and pending regulations and frameworks including the South African Automotive Masterplan (SAAM), the APDP and B-BBEE.
- The board engaged extensively with shareholders regarding executive remuneration structures and long-term incentives. Executive remuneration including long-term incentives is discussed on page 103.
- We engaged on an ongoing basis with banks, funders and insurers regarding the group's liquidity position, risks and outlook. This included presentations from Metair executives as well as from industry consultants to provide an overview of current and future trends in the automotive industry.

In addition to these engagements, Metair engages with a wide range of stakeholders through various engagement channels to understand and respond to their interests and concerns. These are summarised in the table available in Appendix IV on page 131.

Value created for our stakeholders

Metair created R2.75 billion in value in 2020 (2019: R3.44 billion). Employees received R1.93 billion as salaries, wages and other benefits (2019: R1.97 billion) and R33.5 million was invested in training initiatives to further develop our human capital (2019: R34.8 million). In addition, the company invested R75 million in staff welfare and COVID-19 initiatives during 2020.

R205 million was distributed to providers of finance (2019: R260 million) and R111 million was paid to governments as tax (2019: R214 million). R508 million was retained in the group for maintenance and expansion (2019: R760 million). R13.8 million was invested in local communities through our CSI initiatives (2019: R18.9 million).

KEY STAKEHOLDER GROUPS

INTERNAL

- Employees
- Subsidiary boards
- Executive management

Engage on an ongoing basis

DIRECT

- Shareholders
- Analysts
- Customers
- Suppliers
- Consultants
- Partners
- Providers of financial capital/ lenders/insurers

Direct interactions on a regular basis

INDUSTRY

- Industry bodies
- Trade unions
- Consultants/ assurance providers
- Policy makers
- Peers
- Government (DTI)

Ad hoc engagements as required

BROADER SOCIETY

- Government
- Media
- Communities

Ad hoc engagements as required

OUR MOST MATERIAL MATTERS

We define our material matters as the factors that have the highest potential impact – positive or negative – on the long-term sustainability of the group or its stakeholders.

Metair's material matters inform our deliberations on strategy and its implementation, and inform the contents of this report. They are determined by reviewing issues identified from a range of internal and external sources, including:

- The effect of COVID-19 on the business
- Key market analyses
- Major market and technology trends
- Customer requirements and shifts
- Business performance and budgets
- Developments in relevant legislation and regulation
- The information we gather from engagements with our key stakeholders
- Sustainability and integrated reporting guidelines and best practice
- Review of local and international media reports on the automotive and other target industries
- Peer reports and industry benchmarks
- Risks and opportunities identified in Metair's risk assessment process, which consolidates operational registers of key risks into a group risk register and includes a review of economic, environmental and social impacts, risks and opportunities.

The matters identified are ranked according to their impact and reviewed against our combined assurance model to ensure that they are subject to an appropriate level of assurance.

The 2020 materiality review indicated that the majority of last year's matters remain relevant, with the addition of COVID-19 as a stand-alone matter to reflect the pandemic's impact on all aspects of our business, as discussed throughout this report. Two additional factors were added to "Competitiveness" as follows:

- Agile and responsive manufacturing, and supply and logistics channels – Increased variability of consumer demand, a larger number of options, variants and models, as well as the need to supply into different export markets has greatly increased complexity and made planning of production more challenging. Metair has to be agile and responsive to changing OEM production patterns to meet these requirements.
- A smooth transition and flawless launch – Metair needs to manage the leadership transition effectively and ensure that we support our customers in the next round of facelifts and new model launches in the next few years to ensure that we can achieve a U-shaped recovery.

Metair does not currently reference the UN Sustainable Development Goals (SDGs) in its sustainability programmes and reporting, but many of our initiatives align with the goals explicit in the SDGs. Therefore we have included reference to the SDGs in the table where these are relevant.

1 COVID-19

- Impact on staff and operations
- Impact on customers and the economy
- Impact on supply chain
- Impact on strategic review
- Socio-economic impact on the country
- Potential impact of a second wave

Stakeholders primarily affected: All stakeholders

The COVID-19 pandemic has affected all aspects of society, government and business. Metair operations have embedded effective protocols around health and safety of employees and work from home to ensure that operations can continue should the second wave or future waves worsen. However, other factors such as lockdowns, travel restrictions, broader socio-economic impacts and obtaining government support are outside of Metair's control.

Opportunities: By designing and implementing a comprehensive response to COVID-19, we support the health and welfare of our workforce, sustain our operations and demonstrate custodianship. This can strengthen Metair's brands, reputation and relationships with stakeholders.

Read more: *Chairman's statement (page 36), Joint CEO's report (page 40), Metair's COVID-19 Response.*

Governance and combined assurance: The board and executive committee oversee implementation of the COVID-19 Response Strategy. Combined assurance through policies and procedures, internal controls, risk management function and regular management reviews.

GRI Standards: GRI 201: Economic Performance

2 Competitiveness

- Competition from low-cost countries
- Country competitiveness of South Africa
- Entry of international competitors
- Competing with subsidised imported products
- Labour
- Unreliable energy and water supply
- Raw materials supply
- Product quality
- Technology
- Flexibility and adaptability
- Agile and responsive manufacturing*
- Smooth transition and flawless new model launch*

Stakeholders primarily affected: All stakeholders

** Added in 2020*

The automotive component and energy storage markets are evolving rapidly and are highly competitive. Participation in OEM supply chains puts local suppliers in competition with suppliers in other parts of the world, which have more attractive government incentives, lower costs and higher labour efficiency than South Africa. The revised APDP provides automotive policy certainty for OEMs and emerging trends are positioning South Africa as a production centre for particular vehicles and variants. Metair's ability to earn a return depends on our ability to produce quality products cost-effectively despite increasingly complex, variable and unpredictable manufacturing requirements.

Manufacturing in South Africa faces a number of challenges including the volatile political and labour environment, policy uncertainty and supply interruptions to essential inputs such as energy, water and raw materials. These factors affect local manufacturers' ability to achieve the production efficiencies necessary to match or outperform competitors and attract long-term OEM investment. To remain competitive in the face of these challenges, manufacturers must be flexible and adaptable.

Keeping pace with the rapidly evolving technological changes and technical needs of OEMs requires access to highly specialised technical skills and substantial investment in research and development as well as product design resources.

Increased variability in product mix and customer requirements requires increased agility and responsiveness to meet customers' changing needs. Metair must ensure that the many transitions taking place in 2021 are completed smoothly and efficiently to support the flawless launches of new customer models that will secure the future of the Automotive Component Vertical.

Opportunities: Ensuring that Metair remains competitive, responsive to customer requirements and demonstrates manufacturing excellence strengthens the company's position to secure further model launches with OEMs and grow market share in automotive batteries. It also supports the attractiveness for our countries of operation for future OEM production decisions.

Read more: *Joint CEO's report (page 40), Performance review (page 45), Human capital (page 64).*

Governance and combined assurance: The board and executive committee oversee implementation of the COVID-19 Response Strategy. Combined assurance through policies and procedures, internal controls, risk management function and regular management reviews.

GRI Standards: GRI 201: Economic Performance

OUR MOST MATERIAL MATTERS continued

3 Macroeconomic and geopolitical factors

- Currency volatility
- Socio-economic stability in key markets
- Changing global trade dynamics (political, trade, etc.)
- Continuity of supply

Stakeholders primarily affected: All stakeholders

The global automotive industry exposes participants to international economic, trade and political trends that influence OEM investment and purchase decisions. Volatile global trade dynamics, changing technology and COVID-19 have led OEMs to reassess their global supply chains and move strategic components closer to their home markets in order to secure supply, particularly for electric vehicle components. Manufacturing facilities further away from the home markets are being used to produce current technology and are benefitting from increased volumes.

Our business is affected by exchange rate volatility in a number of ways, including margin recovery on long-term contracts, increasing complexity in budgeting and forecasting, and through its significant direct impact on our reported financial performance. Political and social challenges in Metair's locations of operation – particularly South Africa and Turkey – affect investor confidence in the group's ability to realise its strategy and raise capital for further capital investments and acquisitions.

Opportunities: Meeting our customers' needs despite socio-economic and political challenges strengthens our position to grow our share of their business.

Read more: *Chairman's statement (page 36), Joint CEO's report (page 40), Chief financial officer's report (page 48), Performance review (page 45) and Group risk management (page 87).*

Governance and combined assurance: The board and executive committee oversee implementation of the COVID-19 Response Strategy. Combined assurance through policies and procedures, internal controls, risk management function and regular management reviews.

GRI standards: GRI 201: Economic Performance

4 Business partnerships

- International business partners
- Customer relationships
- Shareholder relationships
- Government relationships
- Supply chain relationships
- Governance
- Finding suitable long-term empowerment shareholders

Stakeholders primarily affected:

- Customers (existing and potential)
- Suppliers and trading partners
- Shareholders
- Government

Our close relationships and long history with our technology partners are important assets that help to meet the changing needs of its OE customers.

Government provides significant support to the automotive industry through automotive and industrial programmes such as the South African Automotive Masterplan 2035 and the APDP. Where necessary, government can provide protection to local markets from imports subsidised by foreign governments. Bilateral trade agreements such as AGOA and special trade agreements secure access to potential export markets and form part of government's business platform staging.

Shareholder interests and inputs are helping to shape the new strategic direction of the company. Identifying and engaging suitable long-term empowerment shareholders remains a key focus.

Opportunities: The APDP is very supportive of future growth in the South African automotive industry. Metair's B-BBEE score and good relationships with our stakeholders positions us well to benefit from future industry growth. Our long experience with automotive technical partnerships is an asset that can unlock future opportunities for partnerships in energy storage and automotive technology.

Read more: *Chairman's statement (page 36), Stakeholder relations (page 54), Corporate governance report (page 77).*

Governance and combined assurance: The board and executive committee develop and execute strategies to respond to international developments and business interruptions. Combined assurance through policies and procedures, internal controls, risk management function and regular management reviews.

GRI standards: GRI 201: Economic Performance

5 Strategic alignment

Aligning the strategy to meet the needs of:

- Shareholders
- Providers of finance
- Customers
- Other stakeholders

Stakeholders primarily affected: All stakeholders

Metair's strategy review aims to ensure that the new strategy effectively balances the relevant interests of shareholders and other stakeholders, as well as the major mobility and technology trends, to ensure continued relevance and support.

Opportunities: Ensuring that the interests of stakeholders are aligned will provide clarity for the future strategy and growth opportunities.

Read more: *Chairman's statement (page 36), Joint CEO's report (page 40).*

Governance and combined assurance: The board and executive committee engage regularly with shareholders and other stakeholders. Management develops the group's strategy, which the board approves and oversees its implementation.

GRI standards: GRI 201: Economic Performance

6 Human capital

- Health and safety
- Labour productivity and efficiency
- Labour cost
- Skills retention and staff development
- Management retention and succession planning
- Management acumen
- Talent management and training
- Representative board, management, shareholding and workforce
- Corporate social investment

Stakeholders primarily affected:

- Employees
- Trade unions
- Government

The health and safety of our workforce is a priority and was a key concern during COVID-19.

Metair operates in highly technical industries and the skills and experience of our leadership, management and employees are important assets of the company. Developing and retaining technical skills and ensuring that management has the agility and resilience to accommodate the rapid changes in the automotive industry are areas of focus.

Labour costs and productivity are material inputs to cost efficiencies and manufacturing competitiveness, and must be balanced with our commitment to remunerate fairly and care for our workers.

Metair is committed to transformation and views strong B-BBEE performance as a competitive advantage. Demonstrating diversity at board and management level, and transforming the workforce are moral imperatives, a customer requirement and good business practice.

Opportunities: Sustaining our strong relationships with our employees and protecting their health and safety helps to retain skills and build a culture of care and excellence. Improved productivity supports our competitiveness. B-BBEE status can be a competitive advantage in dealings with customers and business partners.

Read more: *Joint CEO's report (page 40), Corporate governance report (page 77), Human capital (page 64).*

Governance and combined assurance: The remuneration committee, nominations committee, board and executive committees develop the human capital strategy, manage key relationships and monitor progress against stated KPIs and targets. Employment equity and transformation committees develop strategies and measure progress against stated targets. Combined assurance through regular management review, policies and procedures, risk management function, internal audit, external verification of B-BBEE information and OE supplier reviews, external accreditation (OHSAS 18001, ISO 14001) and external assurance of sustainability information.

GRI standards:

GRI 201: Economic Performance

GRI 203: Indirect Economic Impacts

GRI 204: Procurement Practices GRI 401: Employment

GRI 402: Labour/Management Relations GRI 403: Occupational Health and Safety

GRI 404: Training and Education GRI 405: Diversity and Equal Opportunity

GRI 406: Non-discrimination GRI 407: Freedom of Association and Collective Bargaining

7 Natural environment

- Impact of climate change on customers and products
- Energy consumption
- Carbon footprint
- Waste management
- Water
- Environmentally friendly products
- Environmental impacts

Stakeholders primarily affected: All stakeholders

Tightening motor vehicle emissions regulations to address climate change have had a profound impact on the automotive industry, including driving the trend towards electric vehicles. The response of our OE customers changes the products we make, affects OE production profiles and had a fundamental impact on our strategic review.

Metair's guiding principle of custodianship requires that we manage the environmental impact of our operations to reduce our use of scarce resources including energy, water and raw materials, and limit emissions and waste production. We prioritise recycling of water, raw materials and waste, wherever possible.

Many of the technologies under development in our operations have a positive environmental benefit, including solar energy solutions and essential components for the next generation of low-emission and full electric motor vehicles.

Opportunities: Innovation and partnerships that create more environmentally friendly technology provides new revenue streams. Demonstrating our commitment to responsible business practices supports Metair's brands and reputation, and can be a competitive advantage in dealings with customers and business partners.

Read more: *Joint CEO's report (page 40), Chairman's statement (page 36), The natural environment (page 71).*

Governance and combined assurance: The board and executive committees develop the environmental strategy and monitor progress against targets. Combined assurance through regular management review, risk management function, internal audit, policies and procedures, external accreditation (ISO 14001, ISO 50001), external preparation of carbon footprint data, external assurance of sustainability information.

GRI standards:

GRI 302: Energy

GRI 303: Water and Effluents

GRI 305: Emissions

GRI 306: Effluents and Waste

GRI 307: Environmental Compliance

8 Balanced business

Balance across:

- Customers
- Products
- OEM and aftermarket, industries
- Geographies
- Technologies
- Customer requirements and the need to earn a sustainable economic return

Stakeholders primarily affected:

- Shareholders
- Analysts
- Customers (existing and potential)
- Government

Metair's strategy has driven diversification to build a balanced business to mitigate risk and support the sustainability of the company. This led to broader representation in terms of customers, products, markets served, geographies and technologies. Balancing the requirements of our customers with the need to earn a sustainable economic return is an ongoing focus. Our research and development centres ensure that we understand and are positioned to respond to disruptive technologies and emerging trends, including developments in industrial and lithium-ion battery solutions and the impact on our business from electric vehicles.

Opportunities: Balance across the business supports the group's sustainability.

Read more: *Chairman's statement (page 36), Joint CEO's report (page 40), Chief financial officer's report (page 48), Performance review (page 45) and Group risk management (page 87).*

Governance and combined assurance: The board and executive committees develop the environmental strategy and monitor progress against targets. Combined assurance through regular management review, risk management function, internal audit, policies and procedures, external accreditation (ISO 14001, ISO 50001), external preparation of carbon footprint data, external assurance of sustainability information.

GRI standards: GRI 201: Economic Performance

9 Technology and innovation

- Technology shifts
- Customer relationships
- Products
- Raw material suppliers
- Business partnerships

Stakeholders primarily affected: All stakeholders

Future trends in the energy storage and automotive industries include the shift to electric vehicles, autonomous driving, increased vehicle connectivity and artificial intelligence. The technology to support these trends is developing rapidly and Metair needs to ensure that our research and product development meet the technology needs and fulfil the energy (watt-hour) and automotive component (parts) requirements of our international customer base. We continue to build our capacity and relationships to ensure that we can deliver on these requirements.

Opportunities: Innovation that leads to new product development creates new revenue opportunities. Metair's long history of successful technology partnerships positions us well to participate in future trends.

Read more: *Joint CEO's report (page 40), Chairman's statement (page 36).*

Governance and combined assurance: The board and the executive committee develop the technology and innovation strategy and monitor progress against targets. Combined assurance through regular management review, risk management function, internal audit, policies and procedures, external accreditation (ISO 14001, ISO 50001), external preparation of carbon footprint data, external assurance of sustainability information.

GRI standards: GRI 201: Economic Performance

SUSTAINABILITY

Integrated thinking

The automotive industry has made significant progress in reducing emissions from its products to respond to climate change and reacting to the COVID-19 pandemic. Metair's participation in the global automotive supply chain requires that we meet the high quality, environmental, social and governance standards set by its OEM customers. Given the industry's competitiveness, businesses that can demonstrate ethical and sustainable practices have a competitive advantage that will strengthen as trends such as Green Manufacturing, Industry 4.0 and the move to the circular economy gather pace.

Metair's values commit us to the principle of custodianship and ethical business practices, and sustainability is integrated into our strategy and designed into the way we do business. Custodianship means that we aim to be the best custodian in everything we do, manage our business in an ethical way and consider our environmental and social impacts with the perspective of future generations in mind. This requires that we take a precautionary approach when considering these issues and we regard sustainable business practices as an indicator of the health, resilience and longevity of the organisation.

The health of our business rests on the four pillars that support our sustainability design – entrepreneurial strategy, human capital, environmental and social responsibility, and financial capital.

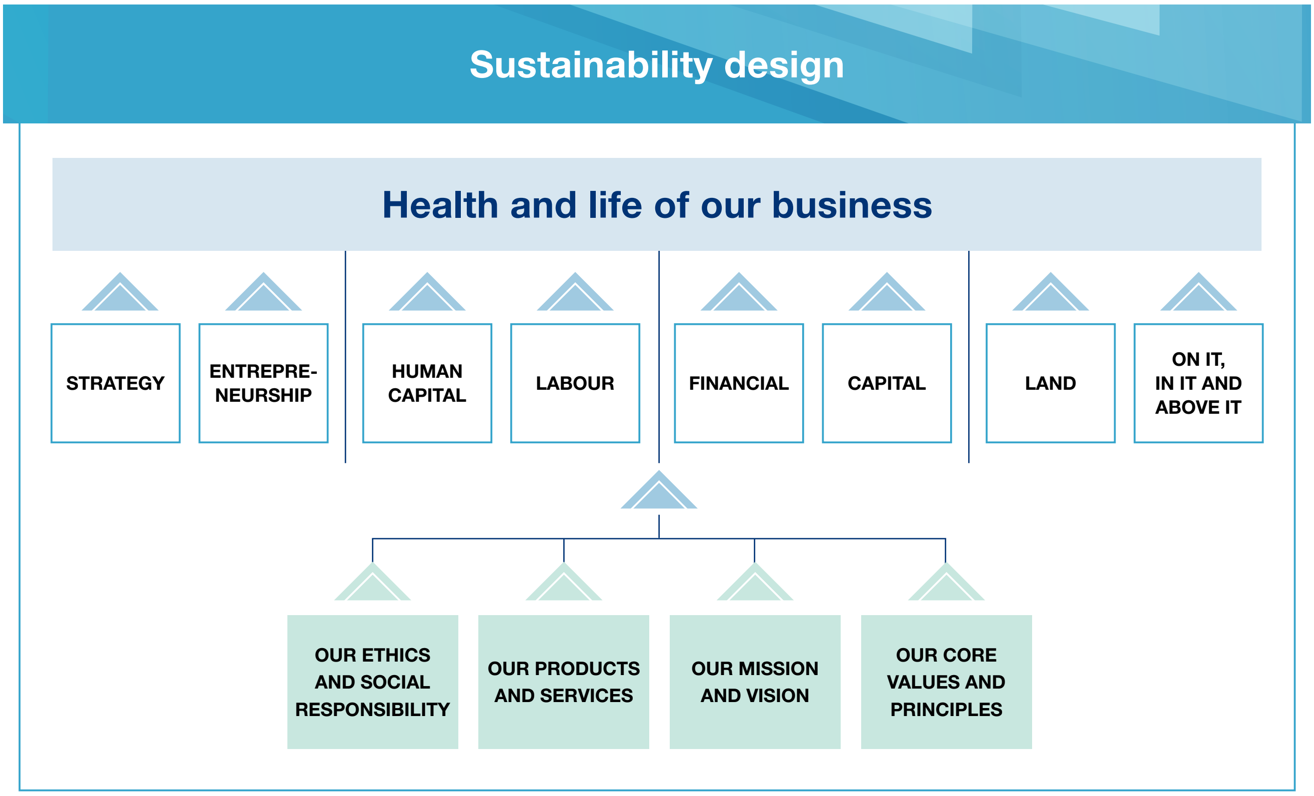
How we manage sustainability

The board is responsible for sustainability in the group and delegates the management and monitoring of sustainability to the social and ethics committee. The social and ethics framework defines and guides our approach to integrating sustainability into our strategy and operations. Environmental, social and governance policies and principles are set at group level and applied at operations. Metair's risk management processes include social, ethical and environmental risks in recognition that failure to manage sustainability issues over time creates financial risks.

Our approach to sustainability is guided by local and international legislation, frameworks and initiatives including:

- King IV
- The JSE Listings Requirements
- The IIRC Integrated Reporting <IR> Framework
- The UN Global Compact and Sustainable Development Goals
- The Global Reporting Initiative
- The Task Force on Climate-related Financial Disclosures (TCFD)
- The CDP

Sustainability performance and progress against sustainability targets is monitored on a continuous basis and a social and ethics risk dashboard is in place to improve reporting and performance assessment. Operational performance is consolidated and reported to the social and ethics committee every quarter and



management reports on social responsibility and ethics matters to the social and ethics committee at least twice a year.

The social and ethics committee sets environmental, social and governance (ESG) targets for operations and assesses performance against these targets. Yellow cards are issued to operations that are not meeting the targets and operations submit action plans to address the underperformance. ESG targets are incorporated in subsidiary key performance measures and influence short-term incentives. These targets measure product quality, blood lead level early warning cases (for the energy storage operations) and lost-time injury frequency rate (for the automotive component manufacturers).

ESG penalty clauses for underperformance in health and safety, preferential procurement and transformation are included in the long-term incentive structure for senior executives.

Ethics

A social and ethics register is in place that reports compliance and non-compliance to the social and ethics functions, disciplinary action status, corporate social investment initiatives, risks and opportunities, responsible persons and general comments. Ethics performance and the implementation of ethics initiatives are monitored through ethics questionnaires completed by the subsidiaries every quarter. In the first half of 2020, the internal audit function conducted an ethics training and awareness review across the group to assess design, implementation, and effective oversight. The refinements identified in the review are being implemented.

External assurance

The non-financial sustainability information disclosed in this report has been assured and the report of the independent external assurance provider is available on page 122. This assurance includes site visits to various operations and an assessment of data collection techniques and controls. Due to COVID-19, the site visits this year were predominantly conducted remotely. The internal audit programme includes areas relevant to and approved by the social and ethics committee, including audits of the whistleblowing facility and reports, policy and implementation reviews and ethics training. Risk audits are periodically done by Marsh to identify health and safety hazards.

SITES VISITED FOR ANNUAL EXTERNAL ASSURANCE OF SUSTAINABILITY INFORMATION

	2016	2017	2018	2019	2020*
ATE					
First National Battery					
Hesto Harnesses					
Lumotech					
Mutlu Akü					
Rombat					
Smiths Manufacturing					
Smiths Plastics/Automould					
Supreme Spring					
Unitrade					

** Remote site visit at Lumotech*

HUMAN CAPITAL

Metair's human capital is an important asset of the company and the welfare, health and safety of our employees and contractors are priorities and key concerns. At the start of COVID-19, an HR Response Team was established to coordinate the company's human capital-related initiatives and ensure regular and transparent communications with the workforce.

Policies and effective protocols are in place at all subsidiaries to ensure a safe working environment and to prevent the spread of COVID-19. These policies and protocols align with the requirements of the relevant regulations in each jurisdiction. More information on our COVID-19 response strategy is available on page 29.

The industries Metair competes in require high levels of technical skills and experience, and it is imperative that the company can attract, develop and retain the required skills to deliver on our strategy.

Human capital priorities:

- Ensuring the health, safety and welfare of the workforce during COVID-19
- Attracting, developing and retaining technical skills and experience
- Safe working conditions and a strong safety culture
- Supporting employee health
- Driving transformation in our management, workforce and supply chain

How we manage our human capital

Human resources functions at each subsidiary oversee the development of human capital in the company. The group HR co-ordinator drives collaboration regarding ideas, policy and governance across operations, reducing risks related to industrial relations and supporting HR best practices across the subsidiaries to improve stability in the workforce. An annual HR conference is held to share learnings, further professionalise the HR function across group companies and encourage standardisation of HR policies and procedures.

Metair's goal is to be the employer of choice in our industry by offering a compelling employee value proposition. This includes competitive remuneration, quality training programmes, practical learning opportunities and the potential for career opportunities and broader experience across the group and in our international operations.

The talent management strategy drives organisational transformation, future leadership and increased technology use while achieving gender and demographic transformation. It defines leadership competencies that inform individual development plans to create career paths and succession for our future leaders and technical experts.

A standardised performance management model is in place at subsidiaries to monitor and improve performance.

Metair's HR policies emphasise the importance of transformation and transformation targets are in place at all South African subsidiaries. Progress is monitored by the employment equity and transformation committees, which report to the board.

Note: *Total employee numbers reported in this section include Hesto employees as Metair is responsible for day-to-day management at this associate.*

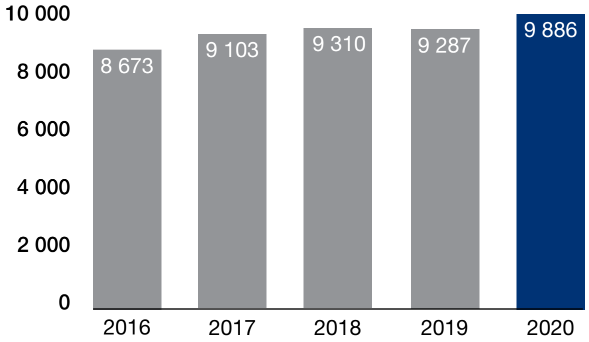
Workforce profile

Total staff complement (including contractors) increased to 9 886 at year end (2019: 9 287) – 79% in South Africa, 13% in Turkey and 8% in Romania. The increase in the number of employees across the group is mainly due to recruitments at Hesto in preparation for the upcoming model launches.

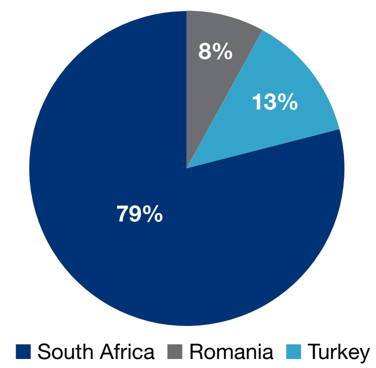
Permanent employees make up 87% of the workforce and contractors 13%. (2019: 89% permanent staff). Employment numbers may vary during the course of the year linked to model changes, seasonal volume adjustments and strikes.

Hesto employs 28% of the group workforce, First National Battery 16%, Lumotech 14%, Mutlu Akü 13%, Smiths Manufacturing 8% and Rombat 8%. Historically Disadvantaged South Africans (HDSA) comprise 92% of the South African workforce (2019: 92%) and women comprise 34% of the total group workforce (2019: 34%).

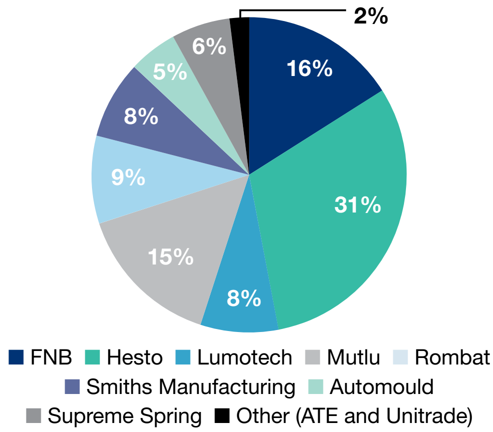
STAFF COMPLEMENT (INCLUDING HESTO)



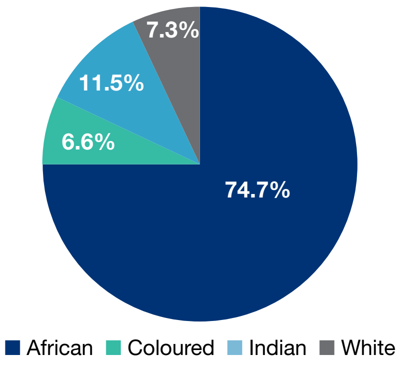
STAFF BY REGION



STAFF BY OPERATION



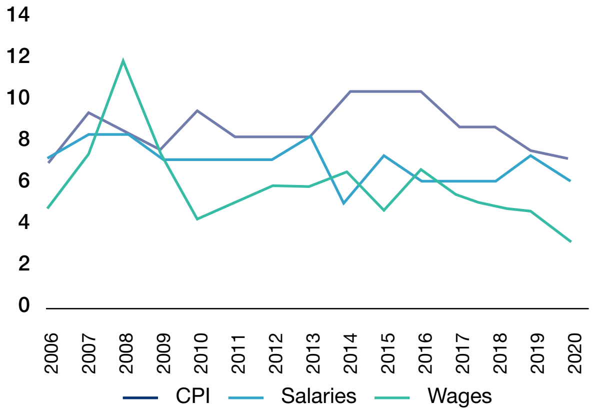
STAFF COMPOSITION (SA ONLY)



Permanent staff turnover increased to 8.6% in 2020 (2019: 9.8%). Absenteeism increased to 4.2% (2019: 3.2%), which is above our target of 3.0%, as a result of the need for self-isolation. There were 259 retrenchments (including 156 voluntary severance packages) in the group during 2020 (2019: 52), with most of these arising from Section 189 processes at Automould and First National Battery, as well as Hesto and Supreme Spring. Where possible, First National Battery employees were offered positions where these were available at other plants. In terms of the agreement, should vacancies occur in the next year, the company will first consider those affected by the retrenchments.

Metair is committed to fair and competitive remuneration and regularly benchmarks remuneration to ensure that we are kept informed of current levels. Due to COVID-19, the group did not conduct the benchmarking exercise in 2020. Metair pays well above the national minimum wage for its lowest earning workers and has consistently increased hourly wages faster than salaried pay and the Consumer Price Index (CPI) to help to reduce the pay gap between salaried employees and wage earners.

ANNUAL INCREASE %



Metair's COVID-19 response included initiatives to protect the financial position of our most vulnerable employees. Executives at Metair and subsidiary level took a 50% pay cut for one month so that, together with government support, operator level employees were supported at a level between 50% and 90% of their cost to company during lockdown. The Metair board approved management's request to support our hourly paid employees in South Africa with a R3 500 per month company welfare allowance when they were unable to work. In total, R75 million was invested in supporting employees and COVID-19 related initiatives during 2020.

Development opportunities include:

- Mandatory skills training
- Technical training
- Personal and professional development
- Product knowledge training
- On the job training
- Study assistance

Skills development

Each operation has training programmes in place to develop skills relevant to their industry and areas of focus. Hesto has a training school that is accredited with the Manufacturing, Engineering and Related Services SETA (MERSETA) and Hesto partners with the Durban Automotive Cluster to send selected candidates for a management development programme to promote succession planning and talent management.

Practical learning programmes include:

- Learnerships
- Apprenticeships
- Candidate technician internships
- Candidate engineers' programmes
- Graduate-in-training programmes

The group invests in various practical learning programmes for qualifying candidates that build a skills pipeline for future employment. Hesto's training school offers an accelerated artisan training programme in collaboration with the Department of Labour and MERSETA.

Adult education and training (AET) courses are offered at some operations and financial assistance is provided for permanent employees to further their studies at a recognised college or university. First National Battery, Hesto, Automould and Smiths Manufacturing provided learnership and other opportunities to disabled candidates.

There were 317 learners in non-artisan learnerships in the group in 2020 (2019: 192), 86% of whom are women as well as 43 new recruits in Metair's artisan apprenticeship programmes (10 women). 1 290 bursaries were provided to promising students studying in the engineering, finance and technical fields (2019: 351) at a cost of R3.7 million.

COVID-19 awareness and safety training was a particular focus during the year. Lockdown and social distancing affected the delivery of certain training programmes and where possible, training was delivered through remote channels. In total, the group invested R19.4 million in skills development programmes for employees in 2020 (2019: R18.9 million) which represents 10.2% of net profit after tax (2019: 2.9%). R33.5 million in total was invested into training, which includes induction training, awareness programmes and other non-skills training. Training spend per permanent employee remained in line with the prior year at R4 528 (2019: R4 550), across 14 333 training interventions. 80% of training spend in South Africa was directed to HDSA candidates in 2020.

Diversity and transformation

Metair recognises the benefits of diversity and is committed to the principles of transformation. In South Africa, transformation ensures relevance with customers, suppliers, government and communities. The revised APDP requires Level 4 B-BBEE status from 2021 in order to realise the full benefit of government support and a transformation performance B-BBEE status level is a potential source of competitive advantage when bidding for new business. At our offshore operations, the main diversity focus is on improving gender representation.

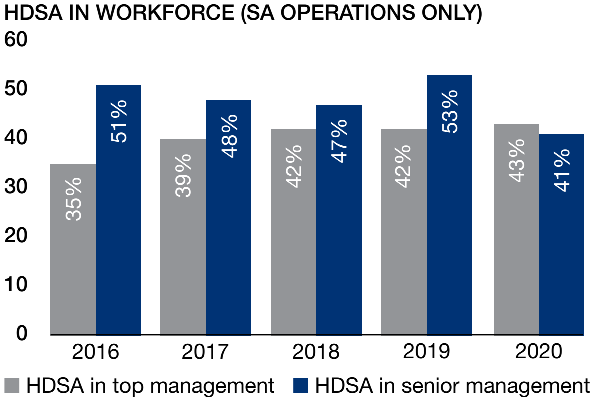
Metair's group transformation policy and equal opportunity policy define our approach to transformation in the workforce. Progress on the implementation of the group transformation masterplan at the South African operations is monitored and managed by the remuneration committee. Five-year employment equity plans are in place and annual employment equity reports are submitted in accordance with the Employment Equity Act. B-BBEE performance is included as a key performance indicator in executive variable remuneration.

Our talent management and succession planning programmes have a focus on transformation at management level. Development opportunities for promising candidates identified in the subsidiary companies include accelerated skills development programmes, learnerships and targeted internal and external training programmes.

The subsidiaries are required to identify at least two employment equity (EE) candidates to shadow executives on the subsidiary boards to provide mentoring and training to ultimately assume executive roles. Elevating these candidates creates space for other employees to be promoted to management level in the subsidiaries and provides succession possibilities for executives.

At the end of 2020, historically disadvantaged South Africans (HDSAs) comprised 75% of the total permanent workforce at the South African subsidiaries. HDSAs in top management increased to 43% (2019: 42%) and HDSAs in senior management decreased to 41% (2019: 53%).

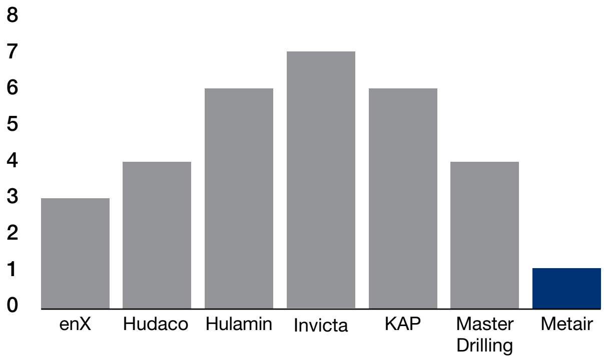
HDSA IN WORKFORCE (SA OPERATIONS ONLY)



Group and subsidiary B-BBEE performance

Group and subsidiary transformation progress is measured using the Department of Trade and Industry B-BBEE Codes of Good Practice (DTI CoGP). In 2020, the Metair group was externally assessed at a Level 1 B-BBEE status on a consolidated basis. All South African operations are at Level 4 or above, with three operations at Level 3 – FNB, Supreme and Unitrade, two at Level 2 – Lumotech and Smiths Manufacturing with Hesto at Level 1.

LATEST REPORTED B-BBEE STATUS LEVEL – PEER COMPARISON



Metair's B-BBEE performance compares favourably with that of manufacturing industry peers. Metair's externally verified B-BBEE certificate is available on the company website at https://www.metair.co.za

Health and safety

Metair's manufacturing facilities use machinery and certain materials that are potentially dangerous if safety policies and practices are not in place and adhered to. The most common workplace injuries in the group operations include cuts, bruises, back and muscle strains and burns.

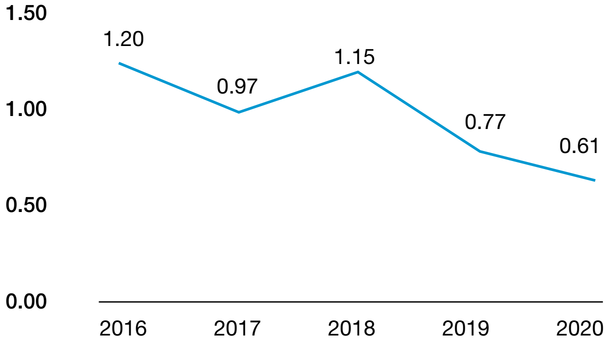
Guiding principles are set in the Metair group safety, health and environmental (SHE) policy that are implemented at the subsidiaries through detailed policies that align their specific situation with the group policy.

Element	Target	Score 2020	Score 2019	
Ownership	25	23.00	23.00	Metair's ownership score reflects the holding of the company's original empowerment shareholder, Royal Bafokeng Holdings, through the sale/loss of share principle. We continue to assess suitable long-term empowerment partners.
Management control	19	13.75	11.53	Metair's management transformation and skills development initiatives are discussed in the preceding section.
Skills development	25	16.55	16.25	
Enterprise and supplier development	44	45.00	40.50	Enterprise and supplier development initiatives at Metair's South African operations support the development of black-owned businesses.
Socio-economic development	5	5.00	5.00	Metair's CSI initiatives are discussed on page 75.
Overall score	**118**	**103.30**	**96.28**	
BEE contributor level		**1**	**2**	

Metair's health and safety policies align with the relevant legal frameworks, including the Occupational Health and Safety Act (OHSA), No. 85 of 1993. Eleven of our operations are accredited in terms of OHSAS 18001 or ISO 45001, the international health and safety standards. A health and safety template has been designed based on the ISO 45001 framework to assist subsidiaries with compliance, continuous improvement and best practices.

Benchmark lost-time injury frequency rates (LTIFR) are set for each subsidiary by the social and ethics committee to drive improvements in safety performance. Lost-time injuries are workplace injuries that prevent an employee from returning to work the next day. Our target is zero fatalities and disabling injuries, and an LTIFR of less than one incident per 200 000 person hours worked. Safety statistics include employees and contractors in line with the relevant legislation.

LTIFR PER 200 000 PERSON HOURS



There were no occupational fatalities at group operations in 2020 and lost time injuries reduced to 51 (2019: 73). The LTIFR improved to 0.61 (2019: 0.77), below our benchmark of 1.0. Hesto, our largest operation by number of employees, achieved zero lost-time injuries for the fourth year in a row. All operations achieved an LTIFR below the benchmark, apart from First National Battery and a safety action plan is in place to improve safety performance at the operation.

HIV/Aids

The South African operations have HIV/Aids awareness campaigns that include competitions, promotions, banners, speeches on wellness days and World Aids Awareness Day activities. Company clinics at Metair's major South African operations offer voluntary counselling and testing (VCT) for HIV/Aids to employees. 666 employees and contractors received counselling for HIV/Aids in 2020 (2019: 670) and 502 were tested (2019: 1 119). Estimated HIV/Aids prevalence rates at our South African operations remain around 4%.

HIV positive employees at some of our operations receive nutritional supplementation and vitamins. Employees who require antiretroviral treatment are referred to government clinics. Employees who participate in the group's medical aid programmes have access to Aids management programmes.

COVID-19

Each operation prepares a COVID-19 dashboard that is consolidated at group level weekly to enable effective monitoring and oversight. Employees with co-morbidities have been identified and are either working from home or booked off.

TOTAL NUMBER OF INFECTIONS IDENTIFIED	TOTAL NUMBER OF EMPLOYEES THAT HAVE BEEN SELF-ISOLATING	TOTAL NUMBER OF RECOVERIES	COVID-10 RELATED FATALITIES
908	**2 492**	**881**	**11**

COVID-19 DASHBOARD AS AT 26 FEBRUARY 2021

Location	South Africa – Eastern Cape	South Africa – KwaZulu-Natal	South Africa – Gauteng	United Kingdom^	Turkey^	Bistrita	Kenya^
Number of confirmed cases in the region	193 895	329 163	405 639	4 194 785	2 683 971	8 808	105 467
Number of recoveries	309 819	307 281	391 479	#	2 556 785	8 105	86 521
Number of fatalities	9 610	9 532	9 678	123 783	28 432	408	1 853

^ Countries not providing regional data/data for region not clear
 # Stat not available

HUMAN CAPITAL continued

Company	FNB*	Lumotech	Smiths Manufacturing	Automould	Unitrade	Hesto	Supreme	ATE	MMS	Dynamic Batteries	Mutlu Akü	Rombat	ABM	Group total
Number of employees**	1 323	675	683	468	59	2 688	548	96	8	9	1 285	750	749	**9 341**
Total number of positive COVID-19 infections identified	135	104	62	27	7	254	19	5	0	1	208	61	24	**908**
Total number of employees that have been in self-isolation	333	260	184	44	28	1 026	13	60	0	3	431	45	65	**2 492**
Total number of COVID-19 recoveries (re-introduced into the workplace)	127	98	60	26	7	254	19	4	0	0	203	60	24	**881**
COVID-19-related fatalities	4	2	1	1	0	1	1	0	0	0	0	1	0	**11**

** FNB also operates in Gauteng, Western Cape and KwaZulu-Natal*
*** Permanent, temporary and fixed term contract*

Hazardous substances

Facilities that use potentially dangerous substances apply standard health and safety procedures that comply with local country regulations and meet the standards governing our OE customers in other jurisdictions.

Lead is a core component of the lead acid batteries manufactured at our First National Battery, Mutlu Akü, Rombat, and ABM facilities. Long-term exposure to lead can result in lead poisoning and is particularly dangerous for pregnant women. As a result, no women are employed in lead areas in any of our operations.

Initiatives to minimise exposure to lead include improved extraction to reduce airborne lead dust, ongoing training, increased use of personal protective equipment and ensuring facilities such as change houses are sufficiently far from smelters.

Occupational health programmes at our operations that use lead include regular monitoring of blood lead levels to prevent lead poisoning. Blood lead levels are regularly tested and compared to the baseline test done when the employee joined the company as well as the maximum exposure limits set in the relevant occupational health and safety regulations in the country of operation. Employees are removed from lead areas if blood lead levels reach 35 μg/100ml, which is below the regulatory limit in South Africa (60 μg/100ml) and in Turkey and Romania (both 40 μg/100ml).

Operations monitor 40 μg/100ml as an "early warning" indicator and targeted no new cases above this limit for 2020.

At the start of 2020, there were 10 existing cases of employees with blood lead levels of above 40 μg/100ml and 47 new cases were identified during the year. 55 of these cases were returned to below 40 μg/100ml and there were two employees with blood lead levels of 40 μg/100ml or above at year-end.

Employees with blood lead levels >40 μg/100ml	2020	2019	2018
As at 1 January	**10**	13	30
New cases	**47**	71	88
Cases returned below 40 μg	**(55)**	(74)	(115)
As at 31 December	**2**	10	13

Human rights

The social and ethics committee oversees human rights in the group. Metair supports the elimination of child labour, forced and compulsory labour. We select our suppliers carefully to ensure that they share these ideals and that they operate in an ethical, compliant and sustainable manner. Suppliers are assessed against these requirements when onboarding new suppliers and during supplier audits.

We subscribe to the 10 principles of the United Nations Global Compact, which include provisions relating to human rights, the rights of labour and a commitment to working against corruption. These principles are applied consistently across all operations in all our countries of operation.

The code of conduct prohibits physical, mental, verbal, sexual or any other abuse, inhumane or degrading treatment, corporal punishment or any form of harassment. Metair does not tolerate unfair discrimination in the company and, should an incident be reported, it is subject to the normal disciplinary procedures, which include dismissal.

As a supplier of products to OEMs and a producer of commercial and industrial energy storage solutions, our products are not directly intended for use or consumption by children. Metair does not market its products to children.

There were no incidents reported in the company of unfair discrimination or human rights abuse during 2020, and no reported incidents of non-compliance with regulations and voluntary codes concerning the impacts of the company's products and services on children's health. There were no reported negative impacts on children in the local communities and/or wider society directly due to our products.

Labour relations

Metair respects the rights of our employees and those of our suppliers to freedom of association, and views trade unions as important stakeholders in the group. Recognition agreements are in place at national, provincial and company level. Most South African operations fall under Chapter III of the motor industry bargaining council, but First National Battery is covered at plant level. At year-end, 63% of employees across the group belonged to a union (2019: 62%).

Engagements with unions are approached with the aim of maintaining constructive relationships that appropriately balance the needs and interests of all parties. Metair lost 2 547 person days to work stoppages at Rombat and Smiths Manufacturing in 2020 (2019: 52 days at First National Battery).

Enterprise and supplier development

Enterprise and supplier development (ESD) initiatives are an important way of transforming the automotive supply chain, stimulating entrepreneurism and job creation, and providing opportunities for black-owned, black women-owned businesses and the youth. ESD programmes at Metair's South African operations support suppliers of raw materials and consumables, providers of services and consultants. The group procurement policy provides guidance to subsidiaries regarding preferential procurement and ESD and a procurement forum has been set up to share learnings and best practices across the group. Performance incentives for senior executives include preferential procurement targets. During the year, the group procurement policy was revised and audited by the internal audit function to assess alignment with B-BBEE regulations.

Total group preferential procurement spend in the South African operations was R1 677 million in 2020 (2019: R1 693 million), which represents 63% of total discretionary procurement spend.

Enterprise and supplier development initiatives that provide support to black-owned and black women-owned businesses during 2020 include:

Smiths Manufacturing	Lumotech	Unitrade
Provides interest-free loans to an embroidery business, a machining business, a security provider and a manufacturer of foam seals that together employ 178 people. Smiths Manufacturing's supplier development programme also assists suppliers to improve their systems and production processes to improve quality and efficiency.	Provided a grant loan and an interest-free loan to an electrical consulting firm and a corporate branded clothing company that enabled them to increase marketing, turnover and add employees.	Unitrade's enterprise development beneficiary over the past two years, Manotho Projects, was recognised by the dti for his success in growing in his business and rewarded with a trip overseas. Manotho Projects is a small steel fabricator that Unitrade supported with tooling, steel material and finding premises so that the company could tender for projects with local government.

Hesto
Bought a baling machine and related equipment for a recycling company. Assisted with setup of reusable items sorting and cleaning facility. This support enabled the business to grow volumes and expand the products recycled and processed. Provided cash grants, training, quality management systems development, financial planning support and assistance with garment development to a supplier of industrial supplies. This enabled the company to grow from a dealer in bought out items to develop a full branded uniform solution with their own equipment, employees and full manufacturing service, increasing from 20 to 25 employees.

First National Battery	ATE	Automould	Supreme Spring
Provides discounts to support two black-owned Battery Centres that together provide jobs for 41 employees.	Sponsors SA Garage with a fully equipped facility on site. The garage repairs vehicles for Ekurhuleni municipality and other privately-owned vehicles.	Provides rent-free office and storage space to a cleaning service and rent-free parking space to a transportation company to assist with running costs.	Supports a tool making and metal pressing business, a garden and cleaning service and a canteen service. Support includes training, mentorship, workshop and office space.

Metair group
A member of the National Association of Automotive Component and Allied Manufacturers (NAACAM), the representative body of the component industry. We are supporting NAACAM's initiatives to develop a new black supplier base in addition to the supplier development activities at the subsidiaries.

HUMAN CAPITAL continued

2020 Human capital targets and progress	2021 Human capital targets
Zero fatalities and reduce LTIFR to 1 or below across all companies: Zero fatalities. LTIFR below 1 across all companies, except First National Battery. A safety intervention is being implement at First National Battery to improve safety performance.	Zero fatalities and reduce LTIFR to 1 or below across all companies.
Group absenteeism to average below 3.0% (excluding contractors) across all companies: The need to self-isolate and uncertainty around COVID-19 led to an increase in absenteeism in the group. Absenteeism was above 3.0% at Mutlu Akü, Rombat, Smiths Manufacturing and Automould.	Group absenteeism to average below 3.0% (excluding contractors and COVID-19 impact) across all companies.
Maintain group training spend at a minimum of R40 million: Lockdown and the need to social distance impacted delivery of training programmes. Group training spend for the year was R33.5 million.	Maintain group training spend at a minimum of R40 million.
At least 250 learnerships across the group: 360 learnerships including artisan and non-artisan learnerships.	At least 250 learnerships across the group.
Maintain and improve our Level 4 B-BBEE target going forward on the new codes: Achieved a Level 1	Target at least a Level 2 B-BBEE score going forward.
Target zero new cases of blood lead levels above 40µg per 100ml (early warning cases): New early warning cases decreased from 71 in 2019 to 47 in 2020. Additional measures are being implemented to reduce exposure to lead.	Target zero new cases of blood lead levels above 40µg per 100ml (early warning cases).

THE NATURAL ENVIRONMENT

Protecting the environment is one of Metair's core values and aligns with our commitment to custodianship. It is also a key concern for our OEM customers, who are subject to high levels of regulatory oversight regarding their environmental impact and the impact of their supply chains.

We are focused on achieving manufacturing excellence, which includes a requirement to maximise the efficiency of use of inputs including scarce natural resources, minimise waste and prioritise recycling. Lead recycling is not only an environmental concern but also a strategic imperative to manage costs and supply, and to ensure that lead is managed responsibly through the battery lifecycle.

Metair and our customers adhere to the highest level of compliance and declarations related to environmental issues. We are collectively committed to green manufacturing practices in support of the circular economy, which includes initiatives such as waste reduction by avoiding landfill, reusing materials and recycling.

Environmental priorities:

- Improve the efficiency of use of resources (water and energy)
- Reduce carbon emissions
- Minimise pollution
- Responsible waste disposal
- Increase recycling

How we manage natural capital

The board, supported by the social and ethics committee, oversees the group's impact on the environment. The committee monitors our programmes to manage our impact on the environment, minimise pollution, optimise waste disposal and protect biodiversity. The safety, health and environment (SHE) departments at the operations manage the environmental issues relevant to their location and activities. All subsidiaries are accredited under ISO 14001 (environmental management) and are in the process of implementing ISO 50001 (energy management).

Climate change

Metair is cognisant of the United Nations Framework Convention on Climate Change (UNFCCC) Paris Agreement which focuses on mitigation of GHG emissions and climate change adaptation. The agreement aims to ensure that the increase in global average temperature remains below 2°C above pre-industrial levels to reduce the risks and impacts of climate change.

Metair recognises that the consequences of climate change could have a significant impact on the group's activities. We monitor greenhouse gas (GHG) emissions and set targets to ensure that the group's contribution to GHG emissions is mitigated and that we adapt to the changing climate and environmental conditions.

Potential direct and indirect impacts of climate change identified by our subsidiaries include:

- supply chain disruptions and increased cost of transport;
- water constraints;
- reduction or disruption to production due to extreme weather events;
- increased temperatures leading to increased heat stress and dehydration in the workforce and increased cooling costs at production facilities; and
- the shift to electric vehicles driving increased demand for lithium-ion battery technology and reduced demand for lead acid batteries rising costs due to carbon tax.

Metair reports in terms of the Task Force for Climate-Related Financial Disclosure (TCFD) principles and guidelines In line with our governance philosophy to report transparently. A summary of our TCFD disclosure is available on our website www.metair.co.za.

Metair participated in the 2020 CDP Climate Change project and achieved a B- CDP score, indicating that we are currently at a "Management" level regarding our approach to climate change. This score places us above the averages for global powered machinery companies (D), African companies (C) and the global average for all companies (C).

Carbon tax

South Africa's Carbon Tax Act came into effect from June 2019 and is being implemented in a phased approach. This market-based carbon pricing mechanism is an important step towards shifting the economy to a low-carbon growth path by initially targeting the most carbon- and energy-intensive companies.

Only ATE and Supreme Spring are taxpayers under the Carbon Tax Act as Metair's other production facilities are below the threshold emission levels in the legislation. Raw material suppliers may be affected by the tax and may pass through cost increases, but to date this has not been material. Phase Two of the Carbon Tax, from 2022 onwards, envisages a higher tax rate to begin aligning with global rates that could result in increased impact.

Carbon footprint

Metair's total carbon footprint decreased 23% to 496 554 tCO_2e in 2020 (2019: 641 441 tCO_2e) due to reduced production from the disruption caused by COVID-19 and the lockdowns. Scope 3 emissions decreased 27% as a result of decreased purchases of goods and services, and their associated transportation, primarily in the Energy Storage Vertical.

	2020	2019	2018	2017	2016
Scope 1 (director emissions	43 944	47 032	44 800	44 603	43 468
Scope 2 (indirect emissions from electricity)	146 062	173 311	153 767	138 134	141 376
Scope 3	306 549	421 099	423 946	455 455	398 100
Total	**496 554**	**641 441**	**622 513**	**638 192**	**585 944**

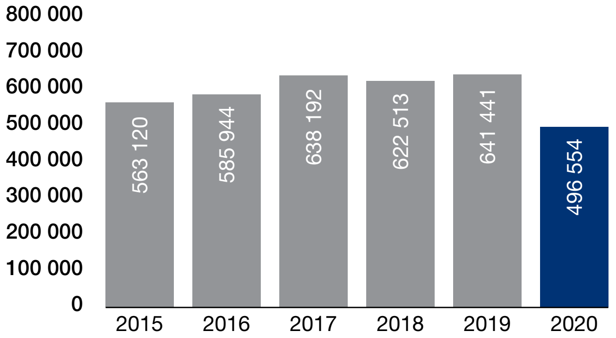
Metair's carbon footprint is calculated using the GHG Accounting Protocol (World Resources Institute, World Business Council For Sustainable Development) as a guideline, and includes CO_2, CH_4 and N_2O. Refrigerant gases included hydrofluorocarbons (HFCs) and hydrochlorofluorocarbons (HCFCs R22). The 2020, 2019 and 2018 Scope 1 carbon footprint were calculated using emission factors from the Intergovernmental Panel on Climate Change (IPCC). Scope 2 emissions for 2020 and 2019 used the grid emission factor specific to the country of operation. Scope 3 Emissions were calculated using the relevant DEFRA emission factors.

The production of energy storage solutions uses carbon-dense materials as well as significant quantities of energy and water. As a consequence the three operations in the Energy Storage Vertical – First National Battery, Rombat and Mutlu Akü – together contribute 78% to the group's total carbon footprint.

The consumption of raw materials (57%), stationary fuels (6%) and electricity (29%) comprise 92% of the group's carbon footprint. Our focus on manufacturing efficiencies, which includes reducing energy consumption, optimising the use of raw materials and minimising waste in the production process, remains the most effective means for reducing our carbon footprint.

Scope 1 and 2 emissions per person hour worked decreased 2.7% to 11.35 kgCO_2e in 2020 (2019: 11.7 kgCO_2e).

TOTAL CARBON EMISSIONS (tCO_2e)



Upstream Scope 3 emissions	Downstream Scope 3 emissions
• Extraction, production and transportation of raw materials • Extraction, refining and transportation of raw fuel • Transportation of raw materials from the manufacturers • Disposal and treatment of waste generated • Business travel • Employee commuting	• Transportation of products to distributors, retailers and customers

Energy consumption

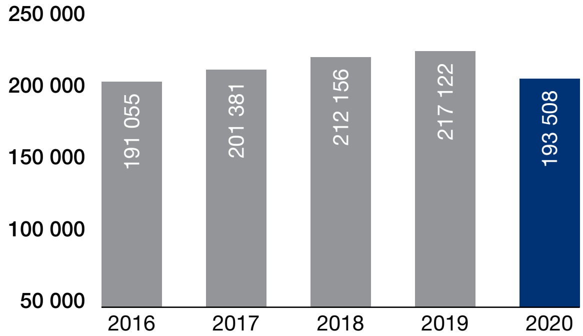
Electricity is the main form of energy consumed in our operations and we also use various fuels, such as petrol, diesel and gases. Electricity use is monitored as a key input in both our manufacturing processes and our costings. All operations have either implemented or are in the process of implementing the ISO 50001 energy management system. Retaining the ISO 50001 accreditation requires that companies demonstrate improved energy efficiency and this accreditation is an important way to drive improved energy efficiencies.

We targeted implementation and certification in terms of the standard to be completed across all operations during 2020 or on track for certification in 2021. At the end of 2020, all operations were certified, apart from ATE, Unitrade, and Automould, which are on track for accreditation in terms of ISO 50001 in 2021.

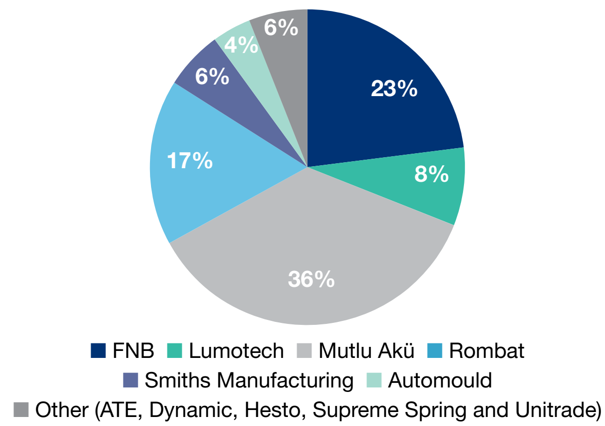
Ongoing training and awareness programmes emphasise the importance of reducing energy consumption improving efficiencies. New machinery replacing old machines in the maintenance cycle is generally more energy efficient. Focus areas for improving efficiencies over the last few years have been on increasing the use of energy efficient lighting and natural lighting, switching off lights and machines when not in use, decommissioning underused machinery or facilities and resizing electrical motors and installing power factor correction units. Metair is also investigating opportunities for energy storage solutions for alternative power generation, including solar support energy systems.

Total electricity consumed by the group decreased by 9% to 197 058 MWh or 709 410 Gigajoules (2019: 217 122 MWh or 781 637 GJ). Electricity consumption per person hour worked increased marginally to 11.77 kWh/PHW (2019: 11.49 kWh/PHW).

ELECTRICITY CONSUMPTION (MWh)



ELECTRICITY CONSUMPTION BY OPERATION



Around 77% of total group electricity was consumed by the three battery manufacturing operations. However, as batteries are charged before they leave the factory, around 40% of the electricity purchased by these operations is being sold in the battery, rather than used. The battery operations are therefore reporting electricity purchased, rather than electricity consumed.

Mutlu Akü is the largest consumer of electricity in the group, accounting for 36% of total consumption, followed by First National Battery (23%) and Rombat (17%).

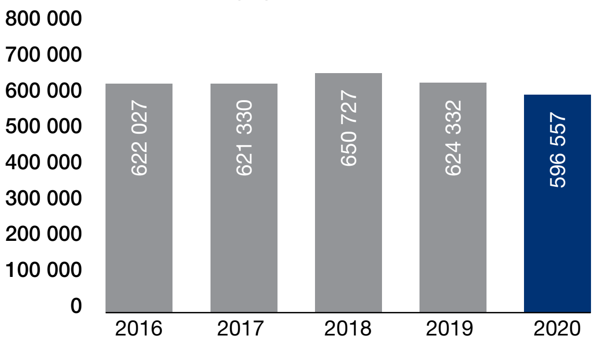
Water

Water is a scarce and precious resource, particularly in South Africa, and we aim to reduce our water consumption and increase water efficiencies as part of our focus on improving manufacturing efficiencies. Process water is recycled where possible and fresh water is withdrawn from municipal sources and boreholes. Municipal water use is measured from municipal meter readings and corroborated by readings from internal meters where these have been installed. Borehole water is measured through internal meter readings.

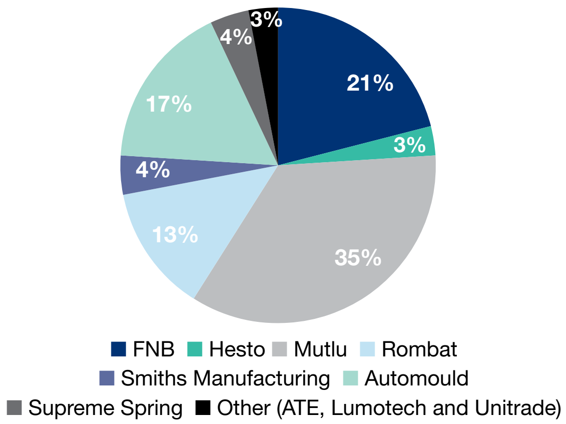
Water saving initiatives include training and awareness, leak identification and repair, rainwater harvesting and a reverse osmosis water purification plant at Smiths Manufacturing to recycle and recover process water.

Large quantities of water are used in the battery formation process and the businesses in the Energy Storage Vertical account for 69% of total group withdrawal. Group water withdrawal decreased by 5% to 596 557m³ (2019: 624 332 m³) and water consumption per person hour worked increased by 7% to 35.3 litres (2019: 33.1 litres).

WATER WITHDRAWAL (m³)



WATER WITHDRAWAL BY OPERATION



Metair does not currently participate in the CDP water programme, but does follow its guidance.

Waste management

Scrap reduction targets at each subsidiary for primary and secondary materials aim to minimise waste from production processes to improve manufacturing efficiency. Waste separation programmes are in place at most operations and ongoing training and awareness initiatives emphasise the importance of proper waste segregation at source.

We reuse or recycle wherever possible. Waste that cannot be reused or recycled is disposed of in a responsible manner and in compliance with the relevant legislation. Hazardous waste is disposed of using registered disposal companies.

First National Battery recycles pallets into combustible material for the furnace and uses reusable plastic crates to reduce cardboard waste and realise savings in packaging. Lumotech granulates regrind material from scrap components for reuse in production as well as for sale to local and international buyers. The income generated through these sales covers the cost of the initiative and other waste management projects. 30% of the polypropylene copolymer used by Rombat during the year was from recycling. Other operations are engaging with suppliers and customers to reduce the amount of packaging received and shipped with our products.

64% of total non-hazardous waste (8 391 tonnes) was recycled in 2020 (2019: 64% and 11 032 tonnes). Recycled waste was mainly in the form of externally recycled plastic and metal, wooden pallets, cardboard and internal recycling of plastics. We also recycled 36 487 litres of used oil during the year. Total non-hazardous waste sent to landfill decreased 24% to 4 781 tonnes and hazardous waste disposed decreased 20% to 17 640 tonnes.

Batteries and recycling

EU directive 2000/53/EC classifies lead as a banned substance and OEMs are required to limit these substances in new vehicles and ensure that they are responsibly managed throughout the vehicle lifecycle. We continue to investigate ways of reducing the amount of lead used in our batteries without affecting performance.

Lead-acid batteries are nearly 100% recyclable and retail customers are incentivised to return old batteries when buying new ones. Recycled lead uses around a third of the energy needed to produce virgin lead and is cheaper to access.

Recycling plants at our battery manufacturing operations extract lead from battery grids and terminals, which is refined and blended to produce high-quality lead alloys for new batteries. The yield on lead recycling and plastic recycling percentage are tracked as measurement criteria for waste management. Acid from the batteries is neutralised and processed through an effluent plant and the plastic from the battery casings is recycled into new battery casings.

During 2020 the group recycled around 65 700 tonnes of lead (2019: 67 300).

Environmental compliance and impact

Metair's Code of Ethics emphasises compliance with safety, health and environmental (SHE) regulations as one of its core pillars and environmental compliance is integrated into our operating practices and environmental management systems. We wholly support and aim to comply with or exceed the requirements of current environmental legislation and codes of practice.

The material makeup and environmental impact of our products and their constituents are subject to the strict environmental laws in Europe and Japan that apply to our OEM customers. These include end-of-vehicle life regulations that aim to reduce waste arising from end-of-life vehicles.

Metair provides its OEM customers with information on the chemical compositions of its products in line with the International Material Data System (IMDS). The IMDS is a global standard that contains a list of the components used in the production of the vehicles manufactured by every participating international vehicle manufacturer. These records include the weight, size and material composition of every component.

We aim to ensure that all components manufactured across the group have a positive life-cycle and end-of-life impact on the environment. Our ability to reclaim products or packaging from end users is limited given that our OE products end up as components in vehicles that may be manufactured in, or exported to, other countries. However, we aim to control and eliminate as far as possible the use of Substances of Concern (SoC) in our products. We closely monitor the chemical composition of our products and have started submitting full material declarations for all the components we manufacture in line with the IMDS.

THE NATURAL ENVIRONMENT continued

Environmental protection expenditure increased to R6.4 million in 2020 (2019: R4.2 million) mainly due to upgrades and maintenance at First National Battery.

	2020	2019	2018	2017	2016
Waste disposal, emissions treatment and remediation costs	**R2.7m**	R2.6m	R5.6m	R4.4m	R1.4m
Prevention and environment management costs	**R3.7m**	R1.6m	R1.0m	R2.2m	R3.0m

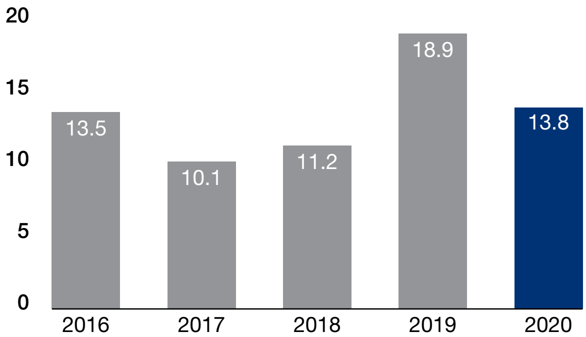
2020 Environmental targets and progress	2021 Environmental targets
All companies to target achievement of ISO 50001 accreditation by the end of 2020 or be on track for latest 2021 accreditation: ATE, Automould and Unitrade are on track for accreditation in 2021. All other operations are ISO 50001 accredited.	All companies to target achievement of ISO 50001 accreditation by the end of 2021.
Target a 2% improvement in the consumption of water per person hour worked (PHW) across all companies: Group water consumption per PHW increased 7%, with increases recorded at First National Battery, Hesto, Lumotech and Rombat.	Target a 2% improvement in the consumption of water per person hour worked (PHW) across all companies.
Reduce total energy consumption by reducing electricity consumption per PHW by 2% by December 2020: Production interruptions affected efficiencies and group electricity consumption per PHW remained relatively unchanged. First National Battery, Lumotech, Mutlu Akü, Rombat and Smiths Manufacturing all registered increases in electricity consumption per PHW.	Reduce total energy consumption by reducing electricity consumption per PHW by 2% by December 2021.
Target 1% improvement on site-specific production scrap percentages across all companies: Five companies achieved the target, but Automould, First National Battery, Hesto, Supreme Spring and Unitrade were not able to achieve the target. Variable production affects efficiencies which impact scrap percentages.	Target 1% improvement on site-specific production scrap percentages across all companies.
Energy storage businesses to improve yield at recycling facilities by 2%, especially at lead recycling facilities: Mutlu Akü has been achieving their maximum yield since 2019. First National Battery met the target and Rombat improved slightly in 2020 but did not improve by 2%.	Energy storage businesses to improve yield by 2% a year until they reach their theoretical ceiling yield.
Sustain Scope 1 and 2 emissions per PHW worked below 11.5kgs CO_2e/PHW: Group Scope 1 and 2 emissions per PHW were 11.35kgs CO_2e/PHW.	Sustain Scope 1 and 2 emissions per PHW worked below 11.5kgs CO_2e/PHW.

CORPORATE SOCIAL INVESTMENT

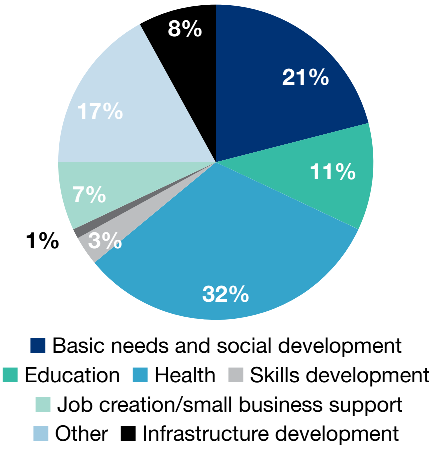
Metair aims to improve the lives and futures of the people around us by supporting socio-economic development in underprivileged areas through our corporate social investment programme. Each operating company allocates 1% of net profit after tax to various initiatives in their host communities and the group allocates a further 1% of group net profit after tax to community projects. Employees are encouraged to identify initiatives for support through the CSI programme.

We support projects that develop and uplift community members, and increase skills in local communities, with an emphasis on addressing health issues and improving facilities and tuition at schools. Corporate social investment decreased to R13.8 million in 2020.

CORPORATE SOCIAL INVESTMENT SPEND (R MILLION)



2020 CSI SPEND



Initiatives supported during the year included:

ATE	Automould	Supreme Spring	Hesto
Supported Oliver's House, which prepares underprivileged pre-schoolers for primary school and has a feeding and gardening scheme that feeds the elderly.	Supported the READ Education Trust literacy initiative to enhance education at a primary education level supporting Grade 0 to Grade 3.	• Supported a feeding scheme in the local community. • Supported four local community schools.	Moved several non-core activities out of the production environment, employing disabled unemployed youth graduates from our current development project at Stanger training centre.

First National Battery

Supported the ITEC Literacy Centre which addresses the literacy gap within the pre-school, foundation and intermediate phases of schooling as well as adults. ITEC supported children to continue reading through COVID-19 lockdown through participation in a WhatsApp-based book club, and through donations of reading books.

First National Battery also supported:
- Oliver's House.
- The South African Medical Foundation with a COVID-19 project at Groote Schuur Hospital.
- Masithethe Counselling Services to provide emotional support for distressed and traumatised adults and children.
- Sikhulule High School with their matric camp and tutoring support.
- Motivational talks at Sikhulule High School for matric student examination preparation.
- Food parcels were donated by associates to Sikhulule High School matric students.

Lumotech	Mutlu Akü	Rombat	Unitrade
• We Care Feeding Scheme. • Unity for Africa educational programme. • Unity for Africa learners were placed in learnership programs during the year.	• Donated disinfectant and pedal disinfectant stands to elementary schools. • Implemented a camera security system at an elementary school that was recently robbed. • Distributed food containers.	• Supported Hope and Hopes for Children to construct a social house for 12 orphans. • Provided financial support to Bistrita Municipal Hospital during the spring COVID-19 crisis, which allowed employees to get COVID-19 tests at a reduced price. • Donated 14 batteries to local families in need and people with disabilities.	Continued learner support for Grade 12 learners, which has led to improved results in maths, science and English.

CORPORATE SOCIAL INVESTMENT continued

Initiatives supported during the year included:

Smiths Manufacturing	Metair head office
• The READ Education Trust literacy initiative. • Constructed a fully equipped science laboratory for the 510 learners from Maqhutshana High School. • Supported 13 NPOs in healthcare, care giving and feeding schemes. • Supported a library program that will improve childhood literacy for 434 learners from Grade R to Grade 7 at Oceanview Primary in Chatsworth. • Provided bursaries to 10 hearing impaired learners. • The aftermarket team installed solar panel systems at Zamani Pre School, Mbalenhle Pre School and Isisbusiso Sethu Pre School.	• Sponsors the green manufacturing chair at the Toyota Wessels Institute for Manufacturing Studies (TWIMS) as well as a related CSI initiative. TWIMS is a learning institution in Durban that is accredited by GIBS Businesses School to offer advanced industry focused lean and green manufacturing MBA qualifications to previously disadvantaged individuals. TWIMS also offers a senior management development program that includes Green Manufacturing, African Trade Industrialisation, Lean Operations management, Lean Supply Management and the Age of Disruption. The Institute's innovation centre serves as an incubator in manufacturing simulation. • Metair also contributed towards testing equipment to support Toyota South Africa Motors' COVID-19 response project in KwaZulu-Natal (see page 31).

2020 Corporate Social Investment target and progress	2021 Human capital targets
1% of net profit spent on CSI projects. Within our targeted spend we would like to increase our focus on projects that benefit people living with disabilities and high-level industry-focused green manufacturing high level education: 7.4% of net profit for the year was spent on CSI projects. Metair head office supports TWIMS as an industry-focused green manufacturing institution. While some of the projects supported by the subsidiaries benefit people living with disabilities, there is scope to increase support in this area.	1% of net profit spent on CSI projects. Within our targeted spend we would like to increase our focus on projects that benefit people living with disabilities and high-level industry-focused green manufacturing high level education.

GOVERNANCE

Governance report

Metair defines governance as the system used to direct, grow and control its business. We continuously challenge our approach, design and application in this area. This requires a balanced focus on performance and conformance, bearing all stakeholder interests in mind.

Metair governance philosophy

The Metair board (board) is committed to integrity, fairness, justice, transparency, responsibility and accountability.

The board is the custodian of good corporate governance in the group and aims to remain relevant in the fast and dynamic environment in which the group operates. Our sound principles ensure that we can adapt, promote innovation and align with new trends, requirements and expectations in order to create value for our stakeholders.

In line with King IV, the board sets the group's ethical tone and upholds high standards of integrity. Metair's governance philosophy guides the board to continuously direct, grow and control the business towards the achievement of sustainable value creation for all stakeholders. The Metair board has adopted a stakeholder-inclusive approach in the execution of its governance roles and responsibilities. Refer to the Key Stakeholder Relations section on page 54.

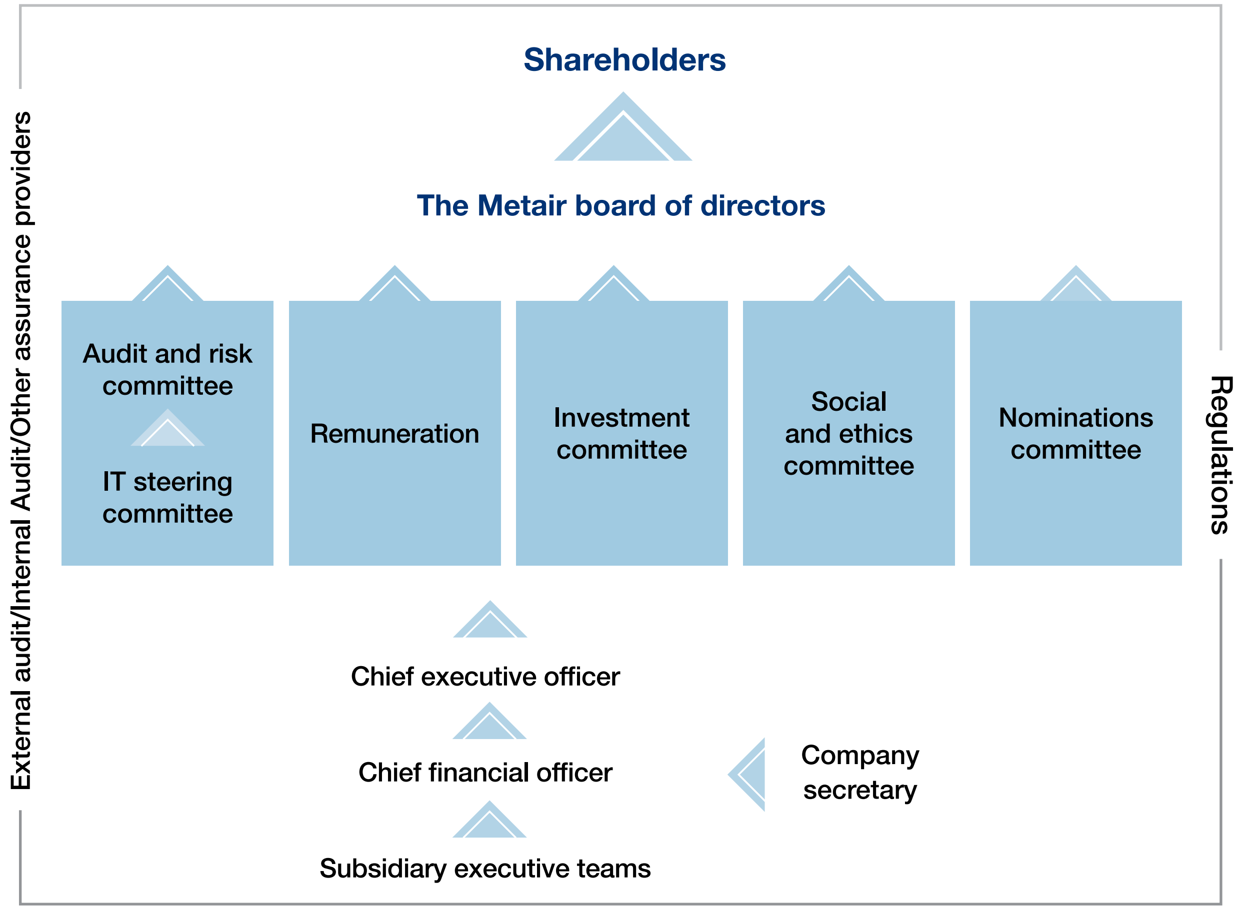
King IV application

The board aims to achieve the governance outcomes defined by King IV: ethical culture, good performance, effective control and legitimacy. They are interlinked and referred to throughout this integrated annual report.

The board is committed to the King IV principles and ensures that its recommendations are diligently applied to Metair's internal controls, policies, terms of reference as well as overall procedures and processes. Metair's application of the King IV principles and the adoption of the various recommendations set out in King IV are outlined in our King IV application register which is available on the company's website at www.metair.co.za.

Metair board charter

The board charter (charter) and Memorandum of Incorporation (MoI) outline the board's roles, responsibilities and policies and define the parameters which guide the board's functions. The charter aims to ensure that the board robustly applies good governance principles in all its dealings. The charter, which can be found on the company's website at www.metair.co.za, is aligned with the provisions of relevant statutory and regulatory requirements. Metair's board charter is reviewed and approved annually.



GOVERNANCE continued

Delegation of authority and governance framework

Metair has a formal delegation of authority framework which outlines the board's approved authority limits. The delegation of authority framework enables the board to retain effective control and well-informed oversight of the company. The framework was reviewed in 2020 and the board is satisfied that it contributes to role clarity and the effective exercise of authority.

The board, supported by its various committees, is accountable for the group's performance. All committees function according to board-approved terms of reference which ensures the proper management, measuring and monitoring of governance performance across the company.

The board is responsible for the group's strategic direction. It oversees the group's strategy formulation, risk management, stakeholder engagement, budget and policy approval, and materiality determination processes. These processes influence our strategic direction and the implementation thereof. The chief executive officer and chief financial officer (executive leadership) are the primary link between management and the board, and they formulate the strategy with the board (refer to the strategy section on page 25 for more details on the strategy). Executive leadership is responsible for the day-to-day operations of the group as well as implementation and execution of the board's approved strategy and policies.

Metair's autonomous subsidiary model mandates the subsidiary executive teams to manage their own day-to-day operations. The group has a formal governance framework and strategic objectives to guide its subsidiary boards.

The main focus areas of the group's governance framework are:

- Metair's vision, strategy and performance
- Corporate responsibility and ethics
- Risk management
- Sustainability
- Cost, delivery, quality and competitiveness
- Health, safety and the environment
- Finance – budgets and forecasts
- Wellness of employees
- Being a supplier of choice

Ethics

The board is committed to embedding an ethical culture for all Metair board members, employees, contractors and suppliers to embrace and abide by. Metair is committed to conducting business honestly, fairly, legally and transparently.

The core principle of the social and ethics framework is custodianship and its core values are unity, harmony, equality, respect for human dignity and doing what is right, fair, reasonable, lawful and just.

The word custodian comes from the Latin word "Custos" meaning "a guardian". Being a custodian refers to a person who is responsible for taking care of, protecting and looking after something. The aim is to inspire all employees to strive to be exemplary custodians in their area of responsibility in the workplace, in their home, community, country and world. This applies to all levels of the organisation from the least skilled employee to the chief executive officer, each making a different but invaluable contribution to the success of the business.

Being a custodian has the built-in notion that as individuals we have an important role to play in a bigger long-term plan and that it is not the size of the role that matters but rather how well we perform our role.

Metair custodianship

Metair core values	• Obey the law – doing what is right, fair and reasonable, lawful and just. • Respect others – treat all employees, service providers and stakeholders with respect, recognising the worth and goodness of everybody, and have mutual respect. • Be fair – equal access to opportunities for everybody. • Be honest – tell the truth under all circumstances with no fear or favour. • Protect the environment to ensure the long-term sustainability of the company, our communities and the world.
Code of conduct	• The board has a formal code of conduct (the code) which aims to cultivate intolerance towards unethical conduct, fraud and corruption. The code encourages all employees to be exemplary custodians in their areas of responsibility, wherever they go. • The code has been rolled out to all subsidiaries and is applicable to all employees (including contractors and temporary employees). The code is included in employee appointment letters and all employees undergo an induction process to familiarise themselves with the code. • Training, awareness programs and procurement workshops were held during the year to enhance the company's ethics management. • The code is available on http://www.metair.co.za/sustainability/policies-and-reports/. To ensure the inclusion of our diverse workforce, Metair has translated the code of conduct into the major languages represented in the group.
Whistle-blowing	• Metair has an independent anonymous whistleblowing program managed through Deloitte & Touche's fraud tip-off line that operates 24 hours a day, 365 days a year. • All employees at all subsidiaries are encouraged to report any unethical transgressions or conduct without fear of being victimised. All tip-offs that are received are investigated and resolved within a reasonable time. Feedback is available to the whistle-blower on the actions taken and outcomes of the report. During the year awareness training resulted in more reports received, however, most still relate to human resource issues and further training is required to explain internal HR processes that can be followed for those grievances.

Metair custodianship (continued)

	Reports received	2020	2019
	Tip-offs	51	65
Fair and responsible remuneration	Refer to the remuneration report on page 103.		
Conflicts of interest	Board members are required to: • Regularly declare any shareholding and any interest they might have in transactions with the group. • Declare any conflict of interest in respect of any matters on the agenda at board or committee meetings.		
Dealing in securities and insider trading	• In accordance with the JSE Listings Requirements, Metair discloses all director dealings in securities. • Metair executive directors participated in the Metair Investments Limited 2009 Share Plan during the year. • Proceeds on the vesting of the shares are disclosed in note 3 of the annual financial statements and further details on allocations to the Metair executive directors are disclosed in note 26.1 of the annual financial statements. • No employee (directors and officers included) may trade directly or indirectly in the shares of the company during a closed period or a prohibited period. Closed periods are imposed from 31 December and 30 June until the publication of the respective financial results. Where appropriate, a prohibited period is also imposed on certain employees during periods when they are in possession of undisclosed price-sensitive information.		
Donations and gifts	• Metair has a gifts and hospitality policy which guides employees on how to treat donations and gifts. • The code of conduct also refers to gifts and must be read in conjunction with this policy. • The company human resource departments are responsible for monitoring and ensuring adherence to this policy. • The policy is audited by internal and/or external auditors or assurance providers as and when required in line with approved audit/assurance plans to ensure compliance. • The social and ethics committee is responsible for monitoring Metair head-office gifts and hospitality activities. • The board of directors has the overall responsibility for ensuring this policy complies with legal and ethical obligations, and that all Metair employees comply with it.		
Human rights	• Human rights form part of the social and ethics committee functions, which include monitoring the company's activities, having regard to the Constitution (including the Bill of Rights), any relevant legislation, other legal requirements or prevailing codes of best practice, the company's own code of conduct and policies, as these relate to human rights. • The company supports and respects the protection of internationally proclaimed human rights. • The company is not complicit in human rights abuses.		

Compliance

The board is committed to ensuring that Metair and its subsidiaries consistently comply with all applicable laws, regulations and governance practices in the jurisdictions within which we operate. Metair also ensures compliance with King IV, the Companies Act, the JSE Listings Requirements and non-binding rules, codes and standards where applicable.

The board further confirms that Metair is in compliance with the provisions of the Company's Act or relevant laws of establishment, specifically relating to its incorporation and that Metair is operating in conformity with its MoI and/or relevant constitutional documents.

The audit and risk committee and the social and ethics committee oversee the group's compliance function. The company secretary and sponsor (One Capital Sponsor Services (Pty) Limited (One Capital)) are responsible for assisting the board in monitoring compliance with relevant legislation including the JSE Listings Requirements.

In order to keep the committee members informed of developments in legislation, the JSE Listings Requirements and general compliance trends in the industry, compliance reports are regularly compiled during the year and included in the meeting packs for the board and all committees.

During 2020, the board stringently monitored the compliance of occupational health and safety regulations, to ensure safe working environments and to prevent the spread of COVID-19.

In 2020 the key compliance risks were identified as:

- Occupational health and safety with specific attention to the COVID-19 dashboard and psychological support to our employees especially during the pandemic. For more information on the dashboard refer to page 67.
- Compliance with local and global business and competition regulations such as anti-competitive practices and increased focus on ESG aspects.
- Focus on the shift towards automotive companies pursuing carbon-neutral strategies. The entire lifecycle of products is now under scrutiny and as a component supplier, Metair businesses are working towards achieving net-zero emissions in the long term.

There were no known material or repeated regulatory penalties, sanctions or fines for contraventions, or non-compliance with environmental laws or criminal sanctions and prosecutions imposed against any Metair directors during 2020.

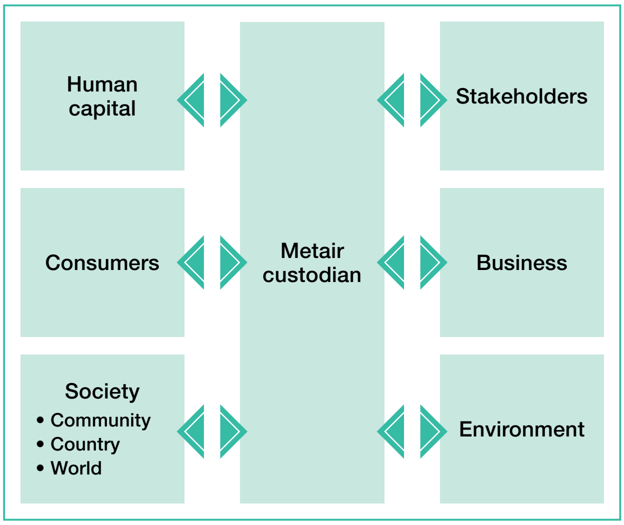
GOVERNANCE continued

Corporate citizenship

The board, supported by the social and ethics committee and management, recognises that the group is not only an economic entity but also a corporate citizen and, as such, it has social and moral responsibilities to society. Metair's approach to corporate social responsibility is based on the concept of custodianship. This philosophy is reinforced by the code, which entrenches the group's corporate citizenship and ethical leadership policies.

Custodianship encompasses the key elements of long-term sustainability and continuity. It elevates the focus beyond individual or personal interests to build a sustainable legacy while recognising the broad responsibilities we have as corporate citizens to our stakeholders, and in so doing contributes to the development of our society. The board exercises ongoing oversight of stakeholder engagement. This entails the identification of material stakeholders, assessing their expectations and defining the group's responses.

Metair's social and ethics framework is therefore designed around the concept of being an excellent guardian of the groups and areas shown in the diagram below.



The responsibilities arising from being a custodian also require accountability and thus evaluation against the measures set for attaining excellence.

Metair's social and ethics framework is the soft thread that runs through the business. It is intertwined with the hard threads associated with manufacturing, marketing and financial performance. Reporting on these annually, we are guided by the group's corporate image and theme for the year.

Past themes of the annual reports include:
- Transformation
- Transparency
- Balance
- Measure
- Adjust
- Reflection
- Growing an international footprint
- Excellence through brands
- Creativity and innovation
- Our people
- Our environment
- Stakeholder requirements
- Technology shift – Lithium-ion investments

The 2020 theme focuses on the leadership in the group – the continuation and change in leadership, and the care and focus on all stakeholders in our business as well as the health and safety of our employees and our business.

Refer to the social and ethics committee section on page 98 for more information.

The board is committed to responsible corporate citizenship. Metair does not currently reference the UN Sustainable Development Goals (SDGs) in its sustainability programmes and reporting, but many of our initiatives align with the goals explicit in the SDGs and we have included reference to the SDGs in the table where these are relevant in the "material matters" section of the report.

This integrated annual report details the group's progress against sustainability targets in all the capitals. The group is involved in a number of corporate social investment projects which are discussed on page 75.

The board

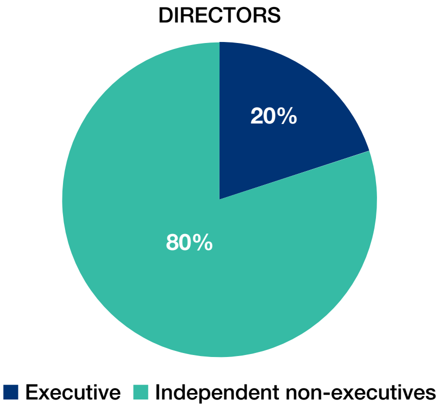
The board is constituted and functions in accordance with the company's MoI, in line with King IV and with a formal charter. The board provides ethical and effective leadership in accordance with good governance practices. The board members conduct their duties by collectively and individually applying integrity, competence, responsibility, accountability, fairness and transparency. It also provides strategic direction which results in value creation. Refer to the value-added statement on page 53.

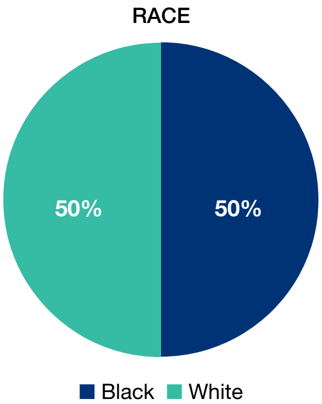
The board is satisfied that it discharged its duties and responsibilities mandated by the charter effectively during the year under review.

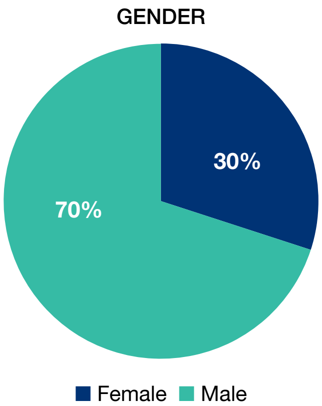
In 2020, the board's key decisions and resolutions were as follows:
- COVID-19 response strategy
- Revision of the strategic review timing
- The board and executive management at Metair and subsidiary level decided to sacrifice 50% of their April 2020 salaries to support the most vulnerable members of the company during the COVID-19 crisis period
- Approval of R1.3 billion investment into Ford project
- Appointment of non-executive directors to subsidiary boards
- Appointment of Mr Flemming as chairman
- Postponement and subsequent cancellation of dividend after due consideration of company's solvency and liquidity
- Appointment of Ms Sithebe, Ms Mathews and Mr Giliam
- Appointment of Mr Haffejee as Metair CEO following Mr Loock's retirement
- Agreed consultancy agreement with Mr Loock
- Appointment of Mr Douwenga as interim CEO during the period of 1 January 2021 to 31 January 2021

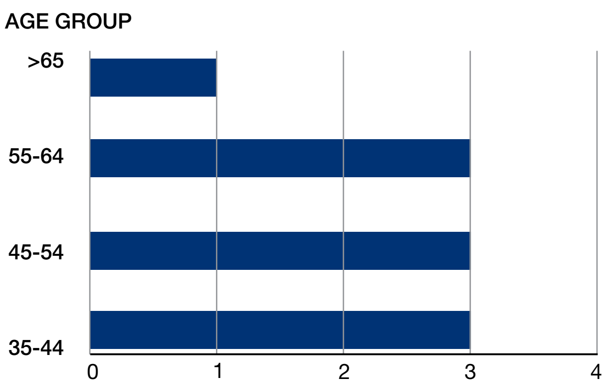
Board composition

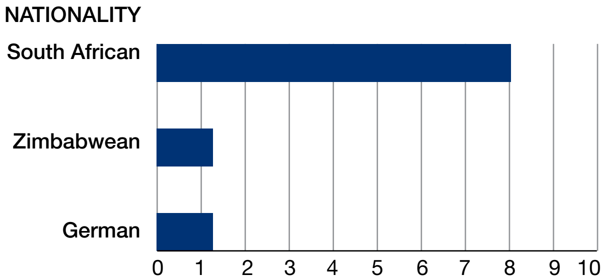
As at 31 December 2020, the board comprised ten directors. The graphs below include the board composition as at 31 December 2020 and does not include the board changes effective 1 January 2021. In terms of the MoI, the board shall consist of a minimum of five directors and a maximum of 15 directors, depending on the proper constitution of the board and all committees. No employees aside from the executive directors are deemed to be prescribed officers.

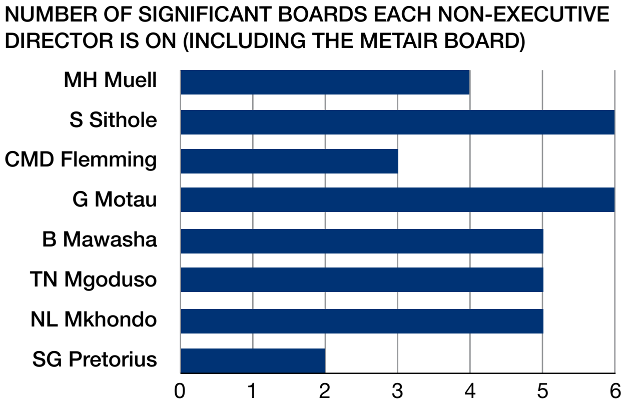


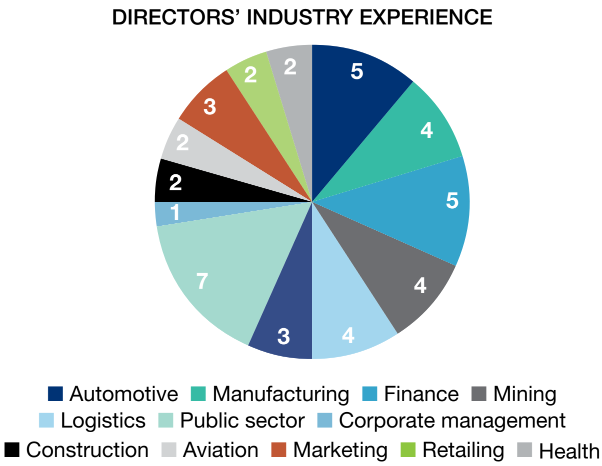












Board and committee changes

Mr Pretorius will resign from the Metair board and all committees at the AGM in May 2021. Mr Flemming, will replace Mr Pretorius as chairman of the board following the conclusion of the 2021 AGM. Ms Mathews was appointed as an independent non-executive director and member of the audit and risk committee of Metair on 1 January 2021. Ms Mathews will replace Mr Flemming as chairman of the audit and risk committee with effect from the conclusion of the 2021 AGM. Ms Sithebe was appointed as an independent non-executive director and member of the audit and risk committee with effect from 1 January 2021. Mr Giliam was appointed as non-executive director and member of the investment committee with effect from 1 May 2021.

Ms Motau resigned as an independent non-executive director to the board and as a member of the company's audit and risk committee as well as the investment committee on 31 December 2020.

Mr Loock retired as CEO of Metair and as chairman or member and non-executive director of all local and international subsidiaries and associated companies, except for Hesto, with effect from 31 December 2020. In order to facilitate the handover to the new

GOVERNANCE continued

CEO, Mr Loock has agreed to a two-year consultancy contract with Metair which includes conditions of restraint. Mr Haffejee was appointed as the CEO of Metair with effect from 1 February 2021. The JSE granted a dispensation to Mr Douwenga, the company's CFO to assume a secondary role as the interim CEO of Metair during the period of 1 January 2021 to 31 January 2021.

Board and committee attendance

Directors' attendance at board and committee meetings during the year is shown in the table below:

	Board	Audit and risk committee	Social and ethics committee	Remuneration committee	Nominations committee	Investment committee	IT steering committee	Overall attendance#
Number of meetings	**10**	**7**	**3**	**11**	**10**	**3**	**5**	
SG Pretorius (Chairman)	10		3		10			100%
CT Loock***	10		3					100%
S Douwenga	10					3	5	100%
CDM Flemming	10	7			10#			100%
S Sithole	10			10*	9*			94%
MH Muell	10		3	11				100%
NL Mkhondo	10					3		100%
TN Mgoduso	9*			11	10			97%
HG Motau**	9*	6*				2*		85%
B Mawasha	9*	6*			10	3		93%
P Govind>							5	100%
J Smith>							4*	80%
U Reddy>							5	100%
T Tulgar>							4*	80%
Overall director attendance#	**97%**	**90%**	**100%**	**97%**	**98%**	**92%**	**92%**	

Attendance percentage calculated on board attendance during the tenure of appointment. Executive directors are invited to attend all committee meetings.

* *Apologies tendered.*

> *Subsidiary representatives on the IT steering committee. They are not directors of Metair Investments Limited.*

** *Resigned from the Metair board, audit and risk committee and investment committee with effect from 31 December 2020.*

*** *Retired from the Metair board and social and ethics committee with effect from 31 December 2020.*

Appointment of directors

Metair's nomination, election and appointment process is conducted formally, transparently and ethically. All candidates identified as possible board members are requested to provide the board with details of their current professional commitments and a statement that confirms that the candidate has sufficient time available to fulfil the responsibilities of a non-executive director.

In terms of the MoI, one-third of the existing non-executive directors which includes all new directors appointed to the board since the previous AGM, are required to retire before the next AGM, but may offer themselves for re-election. Nominations for re-election are considered by assessing the director's performance, including attendance at board and committee meetings. The board supports the re-election of board members as contained in the notice of the annual general meeting and brief curriculum vitae are included in the directors' and officers' section on page 16.

Diversity

When appointing new directors, the nominations committee and the board consider broader diversity with respect to racial, cultural and gender representation to address the historical imbalances at this level. Age diversity is also considered to ensure optimal corporate performance. The board also considers the field of knowledge, skills, experience, independence, diversity and effectiveness to ensure that it reflects the context in which the company operates. The policy to encourage and foster broader diversity at board level includes the intention of the company to have at least one-third female board members and one third of the board members being black (as defined in the Broad-Based Black Economic Empowerment Act, No. 53 of 2003), wherever possible. Metair achieved its diversity targets in 2020.

Balance of power

The board operates with a clear division of responsibilities to ensure balance of power and authority. The board is led by an independent non-executive chairman. Metair has a lead independent director. The chief executive officer may not become the chair of the board until three complete years have passed after the end of his tenure as an executive director.

The leadership structure distinctly separates the roles of the chairman and the chief executive officer. This structure ensures that the appropriate balance of power and authority is in place and that no single person has unfettered decision-making powers.

The board meets at least once a quarter and is responsible for strategic direction, policy decisions, governance and control of the company, through, among other activities, the approval of budgets and the monitoring of group performance. Meeting dates are communicated to the board on a meeting plan and are normally agreed to by the end of the preceding year or at the beginning of the current year. Agenda items for each meeting are carefully planned and put together by the company secretary in conjunction with the chairman and the executive directors. Other non-executive directors also have an opportunity to add to the agenda. Detailed meeting packs are prepared and sent out to the board at least one week before meeting dates to enable board members to prepare for the meetings.

The independent board members meet at least once per annum for a non-executive directors' meeting to discuss matters without executive management being present. Non-executive directors can request documentation from or set up meetings with management as required.

Board independence

The board confirmed the independence of the non-executive directors. None of the Metair non-executive directors have served for nine years or longer.

Chief executive officer

The chief executive officer's employment contract stipulates a two-month notice period.

The chairman reviewed the outgoing chief executive officer's performance against agreed performance measures and targets. The board confirmed that they were satisfied that he carried out his duties with due care, skill and diligence. The board expressed their sincere appreciation and support for the dedication, commitment and high quality of work delivered by the outgoing chief executive officer and his management team.

The board, together with the chief executive officer, will agree on whether the chief executive officer may take up additional professional positions, including membership of other governing bodies, outside of Metair. Time constraints and potential conflicts of interest will be considered and balanced against the opportunity for professional development. The board appointments listed in the table below, outside of Metair, were approved by the board during the year in respect of Mr Loock, the outgoing chief executive officer.

Mr Loock also lectures at the Toyota Wessels Institute for Manufacturing Studies Green Manufacturing (TWIMS).

Succession planning

The nominations committee oversees the succession plan for the Metair board and aims to achieve an optimal balance between independence and continuity on the board and board committees. The remuneration committee oversees succession planning for the rest of the group. To assist the remuneration and nomination

BOARD APPOINTMENTS OUTSIDE OF METAIR (FOR THE OUTGOING CEO)

Company and registration number (and total number of issued shares in the case of a listed company)	Registered address	Present capacity	Date of appointment to the board	Nature and extent of interest (Ordinary shares unless otherwise stated)
Nostrovia Trading (Pty) Ltd 2014/243958/07	10 van Meurs Avenue, Moodie Hill, Johannesburg	Director and shareholder	01/02/2016	30 (25%)
Jordispark (Pty) Ltd 2013/122678/07	10 van Meurs Avenue, Moodie Hill, Johannesburg	Sole Director	04/07/2014	Nil
Andrew Mentis (Pty) Ltd	147 North Reef Road, Activia Park, Elandsfontein, 1429	Non-executive director	01/09/2019	Nil
Mentis Exports (Pty) Ltd	147 North Reef Road, Activia Park, Elandsfontein, 1429	Non-executive director	01/09/2019	Nil
Andrew Mentis Properties (Pty) Ltd	147 North Reef Road, Activia Park, Elandsfontein, 1429	Non-executive director	01/09/2019	Nil
Mentis Addictive Manufacturing (Pty) Ltd	147 North Reef Road, Activia Park, Elandsfontein, 1429	Non-executive director	01/09/2019	Nil
Mentis New Zealand (Pty) Ltd	147 North Reef Road, Activia Park, Elandsfontein, 1429	Non-executive director	01/09/2019	Nil

committees to have a clear view of the leadership bench strength in the group various executive assessments were done on the group managing directors.

The group human resource representative together with the subsidiary human resource directors formulated succession plans for each of the group companies. A talent management plan that aligns with the group's strategy and is directly linked to the transformation and diversity objectives, is in place and forms part of the subsidiaries' key performance indicators.

In summary, our three-tier approach to succession planning for the chief executive officer is as follows:
- Three external candidates are to be identified from the market
- An internal candidate has been identified
- Recruit or identify individuals at subsidiary level

In 2020, the board appointed Heidrick & Struggles as its professional recruitment agency for the selection and appointment of a replacement CEO.

Succession planning for the chief financial officer includes recruiting or identifying individuals at subsidiary level or source externally.

Professional advice

Metair has mechanisms in place to obtain independent professional advice on matters within the scope of any director's duties at the company's cost.

Combined assurance

The audit and risk committee oversees assurance on behalf of the board.

The group reviews its combined assurance model annually based on identified key risks. In 2020, the audit and risk committee confirmed that all areas are adequately covered by either/or external audit, internal audit, management, specialist consultants, government or insurance. Key strategic risks are included in the combined assurance model. All subsidiaries complete a control self-assessment questionnaire to declare that the assurance has taken place annually. The subsidiaries also complete a regulatory universe annually and relevant employees are responsible for monitoring adherence with relevant legislation. The regulatory universe is updated regularly to include the latest legislation.

Committees

All committees function according to their board-approved terms of reference or charters which are available on www.metair.co.za. The terms of reference or charters are reviewed annually and effectively delegated in respect of certain of the board's responsibilities. The board monitors these responsibilities to ensure effective oversight and control of the group's operations.

All committees confirmed that they are satisfied that they appropriately fulfilled their responsibilities in line with their terms of reference or charters during 2020. The chairpersons of all committees reported to the board after each meeting.

The committees are appropriately constituted to promote independent judgement and to assist with the balance of power. The board appoints the members of the committees and ensures the correct composition except for the audit and risk committee members who are nominated by the board and elected by shareholders. Executive directors, management and external advisors attend committee meetings by invitation except for the social and ethics committee where the chief executive officer is a member, and the investment committee where the chief financial officer is a member. The IT steering committee reports into the audit and risk committee, and members are appointed by the chairman of the IT steering committee in his capacity as executive director of Metair.

Board performance

Board evaluations	The board conducts an annual self-evaluation. The summarised results were noted at the meeting held in November 2020. The results indicate that the board is functioning well with some areas that require improvement. Areas that require improvement will be addressed during 2021. A peer evaluation of non-executive directors, as well as a chairman's evaluation, were done during the year. Peer evaluations were discussed with each non-executive director separately to highlight areas of improvement. The results indicate that the board is properly constituted. Executive directors are evaluated annually through a detailed performance assessment process. Externally facilitated board evaluations will be done as and when required. The board is satisfied that the board evaluation process supports continued improvement in the company's performance and effectiveness.
Committee evaluations	Self-evaluations are done annually for all committees. The results indicated that all the committees are functioning well. Areas of improvement were highlighted and will be addressed in due course. The board is satisfied that the committee evaluation process supports continued improvement in the company's performance and effectiveness.

Board performance (continued)

Induction process	The nominations committee oversees the development of a formal induction programme for new directors and ensures that inexperienced directors are developed through a mentorship programme. It also oversees the development and implementation of continuing professional development programmes for directors. The director's roles and responsibilities are contained in a letter of appointment that is given to the director on appointment. The induction process includes: • A welcome pack which includes all the relevant documentation required, amongst others: • CEO top of mind issues • Board and committee charters • Results presentations • The MoI • JSE Listings Requirements summary • A discussion with the Metair CEO to give the director the required level of understanding of the business, operations and industry as well as an outline of the company's vision and strategy. • A general discussion with Metair's CFO and company secretary. • A visit to major subsidiaries with the Metair CEO and/or CFO. • Provision of a copy of Metair's meeting schedule with all relevant board and committee meeting work plans, dates and times. • Provision of a copy of the latest Metair integrated annual report.
Board training	Continuous training and development are an important contributor to board effectiveness. Board training is scheduled annually on topical subjects by external and internal experts. The following training programmes were arranged in 2020: • Protection of Personal Information Act (POPIA) legislation update • Directors and Officers duties and insurance The following training will be scheduled in 2021: • JSE Listings Requirements refresher and update

The board reviews and approves all committee charters and terms of reference annually. All charters were updated and approved during the year.

Refer to the specific committee disclosures for more information.

Investment committee

Main areas of responsibility

The investment committee analyses investment opportunities which are presented by executive management. Once the opportunities are approved by the committee, they are submitted to the board for final approval.

The committee aims to optimise capital allocation in a manner which sustainably creates and optimises stakeholder value. The committee weighs and evaluates capital proposals required for operational capital, strategic capital and shareholder capital, and includes the review of overall capital levels, individual capital projects, investment and divestment opportunities, as well as financing proposals by applying specific, detailed investment criteria.

The committee will also be focusing on post investment review documents to track performance on previously approved investments going forward.

The committee does not assume the functions of management, which remain the responsibility of the executive directors and other members of senior management. In the execution of their duties, committee members must apply the standards of conduct of directors as set out in section 76 of the Companies Act 71 of 2008 (the Act) and directors' personal financial interests as set out in section 75 of the Act.

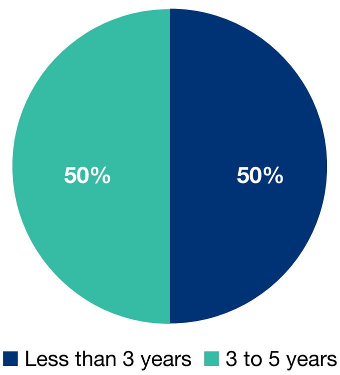
Committee composition

The committee comprises two independent non-executive directors and one executive director.

Member	Permanent invitees
Mr B Mawasha (chairman)	Mr CT Loock*
Ms HS Motau*	
Ms NL Mkhondo	
Mr S Douwenga	

** Ms Motau resigned and Mr Loock retired effective 31 December 2020*
Mr Giliam will be appointed with effect from 1 May 2021.

INVESTMENT COMMITTEE TENURE – NUMBER OF DIRECTORS



GOVERNANCE continued

Stakeholders

Direct and indirect key stakeholder interaction by the committee include shareholders, analysts, customers, suppliers and trading partners, business partners, government regulators, employees, industry bodies, consultants and service providers.

Shareholder interaction during the year focused on value upliftment. The board's review of the company's strategy as well as the policies and processes that enable the execution of the company's core purpose and alignment with our values, as set out in the integrated report for the year ended 31 December 2019, is still in progress ("strategic review"). We have moved out our internal timing for the completion of certain workstreams in respect of the strategic review, however the board remains committed to delivering on initiatives designed to potentially enhance shareholder value.

2020 focus areas

The committee's focus areas in 2020 included the following:

Focus areas	Action taken and feedback
Execution of strategic outcome requirements to split the business verticals	The strategic review was postponed to the second half of 2021 due to the impact of COVID-19.
Implementation of expansion project opportunities	Metair focused on new model launch projects as well as the most sustainable projects, customers, models, and markets, and approved a R1.3 billion investment to support new projects that can deliver between R32 billion and R35 billion of turnover over a 10-year period from the middle of 2022, depending on the final project volumes and product designs. However, one effect of COVID-19, has been a slight change in project timing resulting in potentially prolonged project model life.

2021 focus areas

The following focus areas have been identified for 2021:

Focus areas
Execution of strategic outcome requirements to split the business verticals
Preparation for new model launch projects

Audit and risk committee

Main areas of responsibility

The committee is constituted as a statutory committee of Metair in respect of its statutory duties in terms of section 94(7) of the Companies Act, the JSE Listings Requirements and in line with the recommendations of King IV as a committee of the board in respect of all other duties assigned to it by the board including those normally performed by an audit and risk committee.

The committee has an independent role and is accountable to the board and shareholders. The primary objective of the committee is to assist the board to fulfil its oversight responsibilities for the financial reporting process, the system of internal control, the audit process, the risk management process, combined assurance and the group's process for monitoring compliance with laws, regulations and the code of conduct. The committee also sets the policy for the provision of non-audit services. Non-audit services are reviewed and approved at each audit and risk committee meeting.

During the year, the committee updated and approved various policies which were recommended to the board for final approval where required:

- Accounting policies
- Metair tax strategy

These policy changes were all based on refinements and continuous improvements as well as new International Financial Reporting Standards (IFRS).

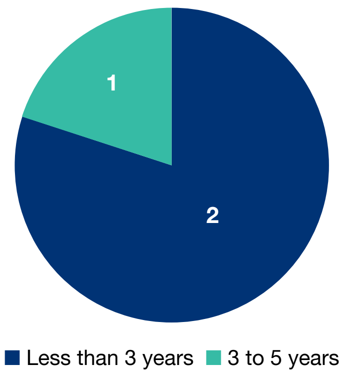
The committee does not assume the functions of management, which remain the responsibility of the executive directors, officers and other members of senior management.

Committee composition

The committee comprises four independent non-executive directors. For details of the experience and qualifications of the audit and risk committee members, refer to the directors and officers of the company section on page 16 for brief write-ups on the audit and risk committee members.

Member	Permanent invitees
Mr CMD Flemming (chairman)	Mr CT Loock/R Haffejee
Ms HS Motau*	Mr S Douwenga
Mr B Mawasha	Mr A Jogia
Ms B Mathews	
Ms A Sithebe	
Ms Motau resigned effective 31 December 2020. Ms Mathews and Ms Sithebe were appointed as members of the committee effective 1 January 2021. Ms Mathews will replace Mr Flemming with effect from the conclusion of the AGM to be held in May 2021. Mr Flemming will not serve as member of the committee following the conclusion of the 2021 AGM.	

AUDIT COMMITTEE TENURE – NUMBER OF DIRECTORS



Stakeholders

Direct and indirect key stakeholder interaction by the committee include shareholders, analysts, business partners, government regulators, employees, industry bodies, unions, media, consultants and service providers.

2020 focus areas

The committee's focus areas in 2020 included the following:

Focus areas	Action taken and feedback
Assessing the financial impact of COVID-19	Monitoring the company's status as a going concern and managing debt covenants.
Non-audit work service providers	Non-audit assurance work done by PWC was vanilla and mainly related to royalties and APDP work. Non-audit non-assurance work related to tax compliance, transfer pricing and customs. None of the work was new and it is following through from work which was done in the previous year. New service providers will be considered at for new work going forward.
Product recall insurance risk	Management took a new approach in 2020 and prepared a comprehensive presentation which was presented to 42 insurers to elaborate on our risk management and issue tracking. Recall insurance was fair, except the fact that we only have 90% cover. Also the requirement to have formal recall plans per company within the next year.
Audit rotation	A new audit partner was appointed. Mr Ndiweni replaced Mr de Wet with effect from 1 April 2020.

2021 focus areas

The following focus areas have been identified for 2021:

Focus areas
Audit firm rotation
Recall insurance plans to be put in place at subsidiaries
Non-audit work service providers

Refer to the audit and risk committee report on page 100.

Group risk management

Metair is committed to effective risk management which supports the group's objectives and the pursuit of value creation for all stakeholders.

Risk management is the responsibility of the board with the reporting and monitoring function being delegated to the audit and risk committee. An enterprise-wide risk management policy framework forms part of the audit and risk committee charter which is available on the company's website.

Risk reporting structure

The risk reporting structure is illustrated below.

Risk management is embedded into our day-to-day activities and key decision-making processes. Metair has a risk management plan which is updated annually. The group has adopted a structured and systematic enterprise risk management system. The system is aligned to the board's corporate governance responsibilities and the group's strategy.

Effective and proactive risk management enables us to identify and qualitatively measure the impact of risks and opportunities. Furthermore, it provides a platform for us to apply appropriate mitigation measures and to determine our appetite and tolerance levels. Metair addresses risks through avoidance, capital investment, systems, processes, people, insurance and assurance and/or a combination of these and believes that risk must always be reflected in business planning and be evident in budgets.

Risk reporting structure

Metair board	The Metair board is responsible for the identification of major risks, the total process of risk management, as well as for forming its own opinion on the effectiveness of the process.
The audit and risk committee	The audit and risk committee reviews and assesses the effectiveness of the risk management system and control processes within the organisation and presents its findings to the board.
Metair management	Metair management is accountable to the board for designing, implementing and monitoring the process of risk management and integrating it into the day-to-day activities of Metair.
Subsidiary boards	Subsidiary boards act as subsidiary risk committees and evaluate the risk registers, decide on the future monitoring of the material risks and opportunities and approve them for onward transmission to Metair.
Subsidiary management	Subsidiary management is responsible for setting a culture of risk identification and ensures that all staff members comply with the risk management policies and procedures set by Metair.

Risk management focus areas are included with the audit and risk committee's focus areas.

The table below sets out the top 10 risks of the group:

Rank	Previous rank	Move	Risk name	Risk category	Residual vs inherent risk exposure Low/High
1	New	▲	Total macro-, micro-economic and social effect on the business due to the COVID-19 pandemic and resultant impact on all the capitals (human, financial, manufacturing, intellectual, natural, social and relationship) as we execute a planned recovery from L- to U-shape subject to government regulations, actions and support.	Strategic/financial/ continuity of supply/ technical complexity	◆ ◆
2	7	▲	Risk of supply challenges across all subsidiaries	Strategic/financial/ continuity of supply/ technical complexity	◆ ◆
3	New	▲	Natural disasters and climate change events, explosions and conflagrations.	Strategic/financial/ continuity of supply/ technical complexity	◆ ◆
4	2	▼	Customer production stability, market demand visibility and overall volatility due to market, model and technology trends combined with model launch complexity and flexibility leading to an increase in capital and capacity requirements combined with project execution capability.	Strategic/financial/ continuity of supply/ technical complexity	◆ ◆
5	10	▲	Policies aimed at managing and controlling currency volatility including alignment with customer requirements and views.	Financial	◆ ◆
6	6	▶	General insurance business risk cover in current operating environment across all risk areas ranging from business interruption, dreaded disease, warranty and recall risk cover.	Financial/ continuity of supply	◆ ◆
7	3	▼	Stability and quality of reliable Eskom power supply.	Continuity of supply	◆ ◆
8	5	▼	Disruptive technology developments relating to our products and services, especially introduction of EVs.	Technical complexity	◆ ◆
9	1	▼	Turkey geopolitical and world trade position.	Strategic	◆ ◆
10	8	▼	Compliance with local and global business and competition regulations such as anti-competitive practices and increased focus on ESG aspects.	Financial/strategic/ continuity of supply	◆ ◆

◆ Inherent risk ◆ Residual risk

1. Total macro/micro-economic and socio effect on the business due to COVID-19 and overall effect on the capitals as we execute U-shaped recovery	**Risk category:**	**Strategic**
Total macro/micro-economic and socio effect on the business due to the COVID-19 pandemic and resultant impact on all the capitals (human, financial, manufacturing, intellectual, natural, social and relationship) as we execute a planned recovery from L- to U-shape subject to government regulations, actions and support.	Link to strategy	

Action plans	**Target date**	**Actual end date**	**Material matters affected**
COVID-19 recovery strategy	Ongoing	Ongoing	• Competitiveness • Macroeconomic and geopolitical factors • Business partnerships • Strategic alignment • Human capital • Natural environment • Balanced business • Technology and Innovation

Risk indicators	**Individual risk tolerance levels**
Recovery plans in place	9
Solvency and liquidity test	Achieved
Customer volume forecasting accuracy	Above Metair threshold
Revised employment conditions	Meet internal parameter
Government support	Announced government support level
COVID-related number of plant stoppages (internal)	None
Other number of plant stoppages (internal)	None
Number of lockdowns (external)	0
Length of lockdowns not allowing 100% utilisation	0
Number of currently active COVID-19 cases	12
Employees in self-isolation	Zero
Number of deaths	Zero
Total number of employees booked off as a result of co-morbidities	Zero
Travel restrictions	Zero
Total number of confirmed cases in South Africa	Zero

Opportunity	**Outcome**
Show the value of being in a structural U-shaped recovery. Shortening of supply chain routes. Local opportunities. Export opportunities to Europe.	Increases sustainability. Improves the fundamentals of quality, cost and delivery (QCD) and ESG.

2. Risk of supply challenges across all subsidiaries			Risk category:	Strategic/ financial/ continuity of supply/technical complexity
All subsidiaries face supply challenges for imported components and parts due to shipping industry disruptions as a result of COVID-19. This has resulted in increased use of premium freight services that come at a significant cost.			Link to strategy	
Action plans	**Target date**	**Actual end date**	**Material matters affected**	
Mitigation plans drawn up for all companies Develop a group-wide procurement solution	30 April 2021 30 April 2021	30 April 2021 30 April 2021	• Competitiveness • Balanced business • Human capital • Natural environment	
Risk indicators	**Individual risk tolerance levels**			
Number of production units lost at customer Overall Production Reliability (OPR) rate	Zero 100%			
Opportunity			**Outcome**	
Structural correction in the business. Engineering and supply chain stability. More localisation opportunities.			Increased customer satisfaction and more business opportunities.	

3. Natural disasters, climate change events, explosions and conflagrations			Risk category:	Continuity of supply
The nature of the manufacturing environment and high energy use requirements increase the risk of conflagrations, explosions and manufacturing failures. Natural environment risks increasing in ever-changing and deteriorating global warming conditions.			Link to strategy	
Action plans	**Target date**	**Actual end date**	**Material matters affected**	
Earthquake insurance in Istanbul for Mutlu Akü increased to 100% cover	1 October 2017	Ongoing	• Competitiveness • Balanced business • Natural environment	
Infrastructure capex approval to strengthen buildings	6 October 2018	Ongoing		
Adequate insurance cover for natural disasters	1 October 2019	Ongoing		
Risk indicators	**Individual risk tolerance levels**			
Number of natural disasters	Zero			
Safety incidents (first aid cases)	Zero			
Environmental incidents	Zero			
Opportunity			**Outcome**	
Dedicated focus on infrastructure, health and safety standards reduces the risk of supply stoppages and creates opportunity for insurance savings. Presents an opportunity for innovation.			Continued focus on new areas of risk and improvements in current risks. Implemented a risk identification and management plan with external assurance providers. Overall improvement in contingency plans.	

4. Customer production stability, market demand visibility and overall volatility due to market, model and technology trends combined with model launch complexity and flexibility leading to an increase in capital and capacity requirements combined with project execution capability			Risk category:	Strategic/ financial/ continuity of supply/technical complexity
World trade and economic adjustments in response to customer, market and technology shifts. High volatility in customer production volumes, product values and required variability. Metair confidence levels in OEM forecasts challenged.			Link to strategy	
Action plans	**Target date**	**Actual end date**	**Material matters affected**	
Product, market and technology trend monitoring and adjustment due to volume variation requirements by customers.	Ongoing	Ongoing	• Competitiveness • Macroeconomic and geopolitical factors • Technology and innovation • Strategic alignment	
Capital allocation focus to be adjusted to ensure optimal utilisation and opportunity possibility.	Ongoing	Ongoing		
Risk indicators		**Individual risk tolerance levels**		
All customers volume changes		Zero		
Metair confidence level changes in customer production plans		95%		
Opportunity			**Outcome**	
Opportunity to cement long-term relationships with customers, licensors and employees.			Metair's ability to deal with volatility and market changes effectively will result in Metair becoming and remaining the OEM supplier of choice despite changing markets and technologies.	

5. Policies aimed at managing and controlling currency volatility including alignment with customer requirements and views			Risk category:	Financial
Significant currency fluctuations due to political and emerging market sentiment. Potential loss of forex neutrality with our customers. Earnings conversion from TL to Rand impacted negatively. Unpredictable profitability due to foreign currency earnings translation as well as potential under-recovery on contractual forex exposure.			Link to strategy	
Action plans	**Target date**	**Actual end date**	**Material matters affected**	
Monitor exchange rate fluctuations and forex cover positions	Ongoing	Ongoing	• Competitiveness • Business partnership • Macro economic and geopolitical factors	
Negotiate significant event adjustments with customers	Ongoing	Ongoing		
Negotiate new forex policy with customers to increase the frequency of forex adjustments	Ongoing	Ongoing		
Ensure recovery of forex cost increases from customers and the market	Ongoing	Ongoing		
Risk indicators	**Individual risk tolerance levels**			
Budgeted Rand exchange rate against key currencies (US Dollar, Euro, TL, Yen, Thai Bhat and Romanian Lei)	Budgeted quarterly average exchange rates			
Total operating forex loss	R20 million			
Opportunity			**Outcome**	
Increase exports to hard currency destinations with improved local competitiveness. Improve the time frame for contractual currency recovery from customers.			Adherence to Metair currency risk management policy. Continued evaluation of effectiveness of current forex policies. Ensure recovery of forex cost increases from customers and the market.	

GOVERNANCE continued

6. General insurance business risk cover in current operating environment across all risk areas ranging from business interruption, dreaded disease, warranty and recall risk cover	Risk category:	Financial/ continuity of supply
Heightened sensitivity from insurers and underwriters in relation to losses suffered as a consequence of global exposures to hurricanes, floods, fires, COVID-19 etc. as well as specific exposures to the global automotive industry. Increased insurance premiums, deductibles and requirements to manage and mitigate risks. Metair insurance renewal, although more challenging, was affected but came with much higher insurance premiums, deductibles and risk monitoring and risk mitigation requirements.	Link to strategy	

Action plans	Target date	Actual end date	Material matters affected:
Annual risk review	31 October 2020	31 October 2020	• Macro economic and geopolitical factors • Business partnerships
Quarterly risk tracking progress report	Ongoing	Ongoing	
Pre-renewal formal insurance engagements structured	31 August 2020	31 August 2020	

Risk indicators	Individual risk tolerance levels
Outstanding risk findings	Zero
Insurance incidents (excl. motor)	Zero
Reportable incidents (excl. motor)	Zero

Opportunity	Outcome
Opportunity to improve all systems and management processes aimed at mitigating risk and ensuring manufacturing excellence with a focus on all ESG aspects.	Increased direct interaction by management with insurers. Long-term sustainability in the risk management process with improved risk cover appetite from insurers. Explore alternative insurance providers for Turkey and Romania.

7. Stability and quality of reliable Eskom power supply	Risk category:	Technical complexity
Government failure to plan, execute and supply sufficient power to local economy. Shrinking and declining economy with uncontrollable escalating utility costs and inability to effect long-term planning. Disruptive manufacturing environment internally and at customer with material premium cost to execute catch back plans and eliminate quality defects. Increased capital to mitigate power outages.	Link to strategy	

Action plans	Target date	Actual end date	Material matters affected
Monitor number of power outages and production hours lost	Ongoing	Ongoing	• Competitiveness • Balanced business • Business partnerships
Evaluate and implement standby systems and cost control measures	Ongoing	Ongoing	
Adjust working patterns according to availability of electricity	Ongoing	Ongoing	
Appropriate product development to meet mega project technical demands	Ongoing	Ongoing	

Risk indicators	Individual risk tolerance levels
Number of power outages – scheduled	Zero
Number of power outages – unscheduled	Zero
Premium cost to install standby systems	Zero
Number of production hours lost	Zero
Capital cost to install standby systems	Zero
Number of mega projects coming out on tender	One
Number of mega projects qualified as participant	One

Opportunity	Outcome
Opportunity lies in supply of major bulk energy storage solutions both to national utility supplier and regional distributors.	Partial mitigation of electricity supply disruptions while capitalising on potential opportunities for energy storage. Potential shift to green and more sustainable energy supply solutions both on national, local and private usage application solutions.

GOVERNANCE continued

8. Disruptive technology developments relating to our products and services, especially the introduction of electric vehicles (EVs)	Risk category:	Technical complexity
Increased focus on EVs and their potential forced mass introduction in various territories globally. Shift in consumer buying patterns and manufacturing volumes by type of technology. Refined strategy and focus on EV readiness across Energy Storage and Automotive Components Verticals.	Link to strategy	

Action plans	Target date	Actual end date	Material matters affected
Develop integrated EV strategy	31 December 2021	31 December 2021	• Competitiveness • Technology and innovation
Production of first lithium-ion cells in progress in South Africa, Romania and Turkey	31 January 2020	30 June 2021	
Establish strong relationships with government/university lithium-ion development facilities already constructed in Turkey, Romania and South Africa	1 December 2021	1 December 2021	
Sponsor two post doctorates at Argonne Institute in the USA	1 December 2021	1 December 2021	
Develop electric trains and buses in Romania	1 December 2021	1 December 2021	
Invest in first lithium-ion coating and assembly line	31 December 2021	31 December 2021	

Risk indicators	Individual risk tolerance levels
Number of rejections/failures in relation to request for project participation by OEMs	Zero

Opportunity	Outcome
Increased internal combustion manufacturing in South Africa. Automotive Components Vertical – increased relevance between all Metair product lines. Energy Storage Vertical – increased electrical requirement, lead acid batteries still required for two, or even four, electrical systems. Disruptive technology focus development of alternative products and solutions and create research and development and training opportunity. Investment into first lithium-ion coating and assembly line.	Metair opportunity to participate in various interesting lithium-ion and new technology projects with customers and international technology partners. Production of first electric public transport (trains and buses in Romania) and launch of Metair's first lithium-ion production facility in Romania and Turkey.

9. Turkey geopolitical and world trade position			**Risk category:**	**Technical complexity**
Challenging political views and policies affecting global relationships. Generally negative emerging market sentiment. US sanctions imposed on entities in Turkey and critical market access restrictions.			Link to strategy	
Action plans	**Target date**	**Actual end date**	**Material matters affected**	
Proactive monitoring of changing government policies and macro economic indicators	Ongoing	Ongoing	• Competitiveness • Macroeconomic and geopolitical factors • Human capital • Strategic alignment	
Maintain economic, social and political relevance	Ongoing	Ongoing		
Focus on export contracts and opportunities	Ongoing	Ongoing		
Monitor management and general employee satisfaction and resilience	Ongoing	Ongoing		
Improved consultation with local non-executive members on Mutlu Akü board	Ongoing	Ongoing		
Risk indicators	**Individual risk tolerance levels**			
Exchange rates TL vs USD	Below 6 TL to USD			
Exchange rates ZAR to TL	Above R2.50 to TL			
Published central bank interest rate	Below 20%			
Actual Turkey bank interest rate	Less than 5% above published rate			
Export volume to new customers	>Zero			
Export volume to new destinations	>Zero			
Export volume – general	95% of budget			
Aftermarket share	40%			
Aftermarket volumes	95% of budget			
Senior management separation	Zero			
Monitor trade with sanctioned individuals	Zero			
Monitor trade with sanctioned entities	Zero			
Opportunity			**Outcome**	
Review Mutlu Akü business design using competitive market position to improve market share. Improved management structure and style to overcome challenges.			Continued improved performance from Mutlu Akü that challenges the devaluation of the TL on a continued basis and adaption to changing operating environment.	

10. Compliance with local and global business and competition regulations such as anti-competitive practices and increased focus on ESG aspects	Risk category:	Financial/ strategic/ continuity of supply
Increased global and international focus by competition authorities within the automotive sector. Fines, investigations, reputational damage and changing market practices. Subjected to potential investigations, financial penalties and reputational damage.	Link to strategy	

Action plans	Target date	Actual end date	Material matters
External consultant reviews of current market practices	31 December 2018	31 December 2018	• Competitiveness • Business partnerships • Human capital
Dawn raid readiness training	10 September 2019	10 September 2019	
Continuous review of training programmes	Ongoing	Ongoing	
Hesto training	31 October 2020	31 October 2020	
Group Competition Compliance liaison officer	31 December 2021	31 December 2021	

Risk indicators	Individual risk tolerance levels
Open number of investigations into alleged anti-competitive behaviour	One
Internal and external findings of potential anti-competitive market practices to be resolved	Zero

Opportunity	Outcome
Increased focus on all marketing practices aimed at eliminating any possible anti-competitive business practices in all trading regions that could lead to increased focus by all players in the industry. Opportunity to review and learn from past practices.	Ongoing training of management and staff, issuing of specific internal manual containing information and regulations to guide behaviour in such a way as not to breach any competition regulations. Cooperation with all relevant authorities relating to all aspects that might be investigated from time to time.

Risk watch list

Metair's risk management approach includes a "watch list" which contains risks areas that are not specifically covered in our top 10 risks. This enables us to keep watch of potential risks and opportunities which could potentially impact our business.

No.	Risk name	Reason for consideration
1	Cyber risk monitoring.	Increased work from home as a result of the COVID-19 impact.
2	Specific financial impact of the economy not recovering and continued support from banks. Potential exposure to covenants to be monitored.	Potential impact should the pandemic continue and negatively impact the economy and the economy does not recover.

Technology and information steering committee

Main areas of responsibility

The IT steering committee reports to the audit and risk committee.

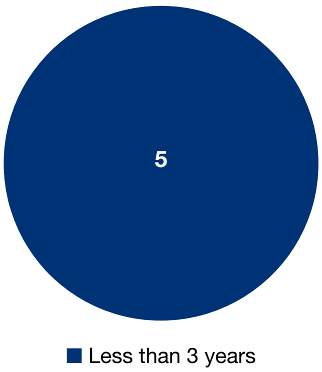
The primary purpose of this committee is to improve alignment between IT and business strategy. The committee aims to create accountability for IT decisions in five critical areas: investments, projects, risk, services, data and value generation by evaluating IT value and the performance of IT services on an ongoing basis. The committee focuses on risk and strategic matters relating to the use of technology and information across the group. The group does not get involved in operational technology and information issues.

Committee composition

The committee comprises one executive and four subsidiary representatives.

Member	Permanent invitees
Mr S Douwenga (chairman)	Mr A Jogia
Ms P Govind (Smiths Manufacturing)	Ms M Mail
Ms J Smith (Supreme Springs)	Mr R Lane
Mr T Tulgar (Mutlu Akü)	Mr M Brand
Mr U Reddy (First National Battery)	

IT STEERING COMMITTEE TENURE – NUMBER OF MEMBERS



Stakeholders
Direct and indirect key stakeholder interaction by the committee includes customers, suppliers and trading partners, government regulators, employees, consultants and service providers.

2020 focus areas
The committee's focus areas in 2020 included the following:

Focus areas	Action taken and feedback
IT Budgets	Introduction of IT budgeting process
IT repository	Implementation of group-wide IT repository
EU General Data Protection Regulation (GDPR) implementation/ Protection of Personal Information Act (POPIA)	A GDPR/POPIA compliance update was presented by KPMG to the Metair board and subsidiaries. Rombat implemented the GDPR project. Mutlu Akü is not directly exposed to GDPR but did a full scope of work for local data protection compliance which supports GDPR.
Cyber security	Marsh presented a cyber risk workshop to explain how the cyber risk landscape changed and how to identify and quantify cyber risks to help mitigate exposure to cyber events.

2021 focus areas
The following focus areas have been identified for 2021:

Focus areas
EU General Data Protection Regulation (GDPR) implementation and training
Protection of Personal Information (POPI) implementation
Continued focus on cyber security

Technology and information governance
Metair aims to establish and achieve accountability, strategic alignment and appropriate risk management to optimise the value we obtain from IT. To support this objective, all subsidiaries formulate their own IT strategies and plans which are subject to approval by their respective boards before being presented to the IT steering committee. The Metair group IT strategy and plan is available on the company's website.

In summary, the strategies all contain the following main items:
- Strategic overview
- Risks and challenges
- Analysis of IT spend
- Analytical view of IT
- IT operating model
- Detailed strategic roadmap
- Roles and responsibilities
- Gaps and solutions
- Critical success factors
- IT strategy guiding principles
- IT policy framework

Training and knowledge sharing are a large component of Metair's technology and information governance. The group has established a repository which is accessible to all subsidiaries containing examples of various policy documents and best practices. Metair encourages all subsidiaries to leverage off each other by sharing problem areas and diverse solutions.

The following policies are included on the repository for subsidiaries to adhere to as a minimum:
- Acceptable use policies:
  - Security policy
  - Incident response policy
  - Asset disposal policy
  - Mobile device acceptable use policy
  - Back up and archiving matrix guideline
- Disaster recovery plans
- IT purchasing policy
- Information and security policy

There are continuous training initiatives to enhance internal awareness and competencies in cyber security, hacking and phishing.

IT audits
IT internal audit reviews performed during the year at some of the subsidiaries include the following:
- Internal vulnerability test (IVA) and external vulnerability test (EVA) at First National Battery.
- Cyber security review (SCR) at Smiths Manufacturing.

Key findings are being shared amongst the group.

Nominations committee
The board established the committee on 29 March 2011, but it was decided that the full Metair board would act as the nominations committee for board appointments and the remuneration committee would serve as the nominations committee for subsidiary directors. The committee was re-established as a separate committee in 2018 and it was resolved that the committee would be responsible for board appointments.

Main areas of responsibility
The nominations committee oversees the appointment of executive and non-executive directors to the board, ensures succession planning at board level, reviews the structure, size and composition of the board and its committees, and evaluates the performance of the board, its committees, its chairman and its individual members.

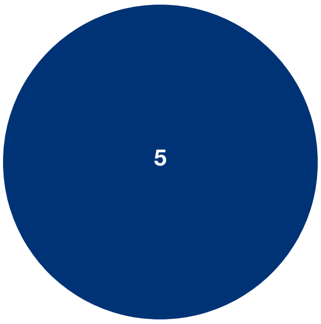
The appointment of subsidiary directors is the responsibility of the remuneration committee.

Committee composition

The committee comprises five independent non-executive directors.

Member	Permanent invitees
Mr SG Pretorius (chairman)	None
Ms TN Mgoduso	
Mr B Mawasha	
Mr S Sithole	
Mr CMD Flemming	

NOMINATIONS COMMITTEE TENURE – NUMBER OF DIRECTORS



Stakeholders

Direct and indirect key stakeholder interaction by the committee includes shareholders, business partners, government regulators, employees, industry bodies, unions, consultants and service providers.

2020 focus areas

The committee's focus areas in 2020 included the following:

Focus areas	Action taken and feedback
Appointment of new CEO to replace Mr Loock who retired.	Heidrick & Struggles was appointed to handle the recruitment of a new CEO. A rigorous process was followed by the committee with the final recommendation going to the Metair board for approval. Mr Haffejee was subsequently appointed as new Metair CEO with effect from 1 February 2021.
Appointment of subsidiary MDs at Mutlu Akü and Rombat.	Kilpatrick was appointed as recruitment agency to handle the recruitment of the Mutlu Akü and Rombat CEOs. The process was managed by Mr Muell (Metair non-executive board member and Mutlu Akü chairman) in conjunction with the various subsidiary boards and the Metair remuneration committee. A rigorous process was followed resulting in the appointment of an internal candidate, Mr Deniz Seker as the Mutlu Akü CEO and Mr Alin Ioanes, an external candidate as the Rombat CEO.
Appointment of three non-executive directors.	The committee identified three new non-executive board members who were successfully appointed by the board and subject to shareholder approval.

The committee applied the company's policy in terms of broad diversity in the nomination and appointment of the above directors.

2021 focus areas

The following focus areas have been identified for 2021:

Focus areas
Board succession planning and bench strength exercise

Social and ethics committee

The board established a social and ethics committee on 30 April 2012.

Main areas of responsibility

The social and ethics committee is a statutory committee which is constituted in terms of its duties set out in section 72(4) and (5) of the Companies Act and its associated regulations. The committee ensures that Metair operates as a responsible citizen and conducts its business in an ethical and properly governed manner.

The committee oversees and monitors the group's ethics, quality, human capital, procurement, CSI initiatives and stakeholder relationships. The committee aims to ensure that the internal audit function assesses the ethical culture of the company as well as the adequacy and effectiveness of the group's ethics programme.

In 2020, the committee updated and approved various policies which were recommended to the board for final approval.

A declaration process review was scheduled as part of the internal audit but the committee agreed to postpone the audit to 2021 due to COVID-19. The delay will also enable the new leadership to participate in the process. Risk audits are continuously being done by Marsh to identify health and safety hazards.

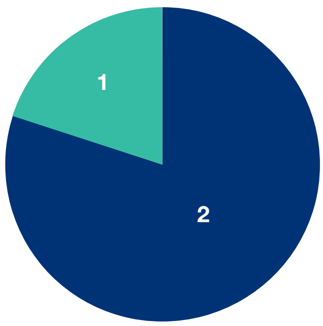
Committee composition

The committee comprises four independent non-executive directors and one executive director.

Member	Permanent invitees
Mr MH Muell (chairman)*	Mr MC Mahlanu (First National Battery)
Mr SG Pretorius	Mr L Stoltz (Lumotech)
Mr CT Loock**	Mr B. Zulu (Automould)
Mr CMD Flemming***	
Ms A Sithebe***	

* *Appointed as chairman with effect from 17 February 2020.*
** *Retired effective 31 December 2020.*
*** *Appointed as member with effect from 29 January 2021*

SOCIAL AND ETHICS COMMITTEE TENURE – NUMBER OF DIRECTORS



Subsidiary representatives are invited to attend the committee's meetings in order to increase awareness and implementation of the social and ethics programme across the group.

They also assess new ideas before they are rolled out to all the group's subsidiaries. The representatives rotate annually.

Stakeholders

Direct and indirect key stakeholder interaction by the committee includes shareholders, analysts, customers, suppliers and trading partners, business partners, government regulators, employees, industry bodies, unions, media, consultants and service providers.

2020 focus areas

The committee's focus areas in 2020 included the following:

Focus areas	Action taken and feedback
Safety and health	The welfare, health and safety of Metair's employees remains a priority and a key concern. All Metair subsidiaries have policies in place to ensure a safe working environment and to prevent the spread of COVID-19. The policies are in accordance with section 8(1) of the Occupational Health and Safety Act, No. 85 of 1993, as well as other regulations in their specific jurisdictions. The policies have specific provisions to address employees who show symptoms for COVID-19 during on-site screening. There are on-site isolation facilities and transportation arrangements to transfer employees suspected of having the virus to designated COVID-19 healthcare facilities for further testing. A COVID-19 dashboard was created that is updated on a weekly basis to keep track of developments and to ensure the necessary actions are taken timeously.
Product quality	The committee looked at the quality accreditation table and the quality training in the group. The committee focussed on warranty rates and the quality rejection rate (PPMs) information. Some initiatives implemented by subsidiaries during the year included: • Introduction of monthly quality themes. • Introduction an internal quality awareness campaign to display internal and customer rejects
Implementation of the social media policy	The policy was implemented by all subsidiaries

2021 focus areas

The following focus areas have been identified for 2021:

Focus areas
Focus on fire risk
Continuous awareness on health and safety due to COVID-19

Employment equity and transformation

The group, through each of its subsidiaries, has:

- Submitted the relevant employment equity reports (in October 2020), after thorough consultation with staff and union representatives.
- The employment equity and transformation committees at each of our South African subsidiaries, monitored and measured performance against the five-year employment equity plan and instituted corrective action where necessary; and
- Barriers such as skills shortages among previously disadvantaged groups were addressed through accelerated skills development programmes, learnership programmes, and intensive internal and external training.

The group consequently complies with all the requirements of the Employment Equity Act No 55 of 1998. Refer to the transformation section on page 65 of this report.

Broad-Based Black Economic Empowerment

Metair maintains a consolidated Broad-Based Black Economic Empowerment (B-BBEE) scorecard to monitor subsidiary performance.

In 2020, the group remained committed to improving management control, procurement and enterprise and supplier development.

The company will be addressing its ownership element in 2021. Metair scored 23 (2020: 23) on the ownership element on the generic B-BBEE scorecard. The transfer of these points to the subsidiaries results in all subsidiary companies being compliant during the period. All subsidiaries reported against the new codes and achieved their goal to be at least level 4 contributors. We are pleased to report that two of our subsidiaries achieved a Level 2 and one achieved a Level 1 for the reporting period.

Company secretary

Ms SM Vermaak has been the company secretary since 2001. The company secretary fulfils the duties set out in section 88 of the Companies Act 71 of 2008 and is also responsible for ensuring compliance with the JSE Listings Requirements.

All board members have unfettered access to the company secretary which assists them in performing their duties and responsibilities.

Metair's board conducts an evaluation of the company secretary annually. Based on the 2020 evaluation, the board is satisfied that the company secretary has the appropriate level of competence, qualifications and experience to perform her duties. The company secretary reports to the board via the chairman on all statutory duties and functions performed in connection with the board. All other duties and administrative matters are reported to the chief executive officer and/or chief financial officer. Ms Vermaak is not a director of the company and while she has direct access to the chairman, the board is satisfied that an arm's-length relationship has been maintained between the board and the company secretary.

The board approves the appointment, including the employment contract and remuneration, of the company secretary as recommended by the remuneration committee. The board also has the primary responsibility for the removal of the company secretary should it be required.

Sponsor

One Capital acts as sponsor to the company in compliance with the JSE Listings Requirements.

BOARD AUDIT AND RISK COMMITTEE REPORT

The audit and risk committee is constituted as a statutory committee of Metair Investments Limited in respect of its statutory duties in terms of section 94(7) of the Companies Act, 71 of 2008 (the Act) and as a committee of the board in respect of all other duties assigned to it by the board. The committee has complied with its legal and regulatory responsibilities for the 2020 financial year.

Names and qualifications of committee members

CMD Flemming (chairman)	BComm, Bachelor of Law, B Prok, AMP Harvard
B Mawasha	BSc, Electrical Engineering, AMP Kellogg
HG Motau*	CA(SA), MPhil Development Finance
A Sithebe**	BCom Accounting Honours, CA (SA), MBA
B Mathews**	BCom Accounting, BCom Accounting Honours, CA (SA), HDip Tax

* *Resigned effective 31 December 2020.*

** *Appointed effective 1 January 2021.*

Terms of reference

The committee has adopted formal terms of reference approved by the board. These terms of reference are reviewed on an annual basis and updated where necessary. During the past year, the committee has executed its duties in accordance with the terms of reference. The terms of reference can be found on the company's website, http://www.metair.co.za/sustainability/policies-and-reports/.

Internal audit terms of reference

The committee has considered and approved the internal audit terms of reference.

Composition

The committee comprises three independent non-executive directors. The governance of risk forms part of the audit and risk committee's duties. All members of the committee are suitably skilled and experienced. The chairman of the board is not eligible to be the chairman or a member of the audit and risk committee. Ms Motau resigned from the committee on 31 December 2020. Ms Sithebe and Ms Mathews were appointed to the committee effective 1 January 2021. Ms Mathews will replace Mr Flemming as chairman of the committee following the conclusion of the AGM to be held in May 2021.

Meetings

Seven meetings were held during the year. Mr Mawasha and Ms Motau both tendered apologies for the attendance of one of the meetings.

Statutory duties

The following statutory duties were executed by the committee in terms of the Act:

- Nominated and re-appointed PricewaterhouseCoopers Inc. (PwC) as external auditors and Mr N Ndiweni as the individual audit partner, after confirmation of their independence.
- The committee confirmed that PwC and the designated auditor were approved by the JSE.
- The external auditor's fees, as per note 3 of the annual financial statements, and their terms of engagement were approved.
- All non-audit services provided by PwC were reviewed and approved.
- Meetings were held with PwC after the audit and risk committee meetings, without executive management present, and no matters of concern were raised.
- No reportable irregularities were noted by PwC.
- The role of the committee is set out in the audit and risk committee charter which can be found on the company's website.
- The committee reviewed the annual financial statements, integrated annual report and the interim report during the year with the external auditors present before recommending these to the board for approval.
- Ensured that the JSE's 2019 reporting back on proactive monitoring of financial statements (2019 report) and documents set out in Annexure III of the 2019 report, and where necessary those of previous periods, was assessed and appropriate action taken where necessary to respond to the findings as highlighted in the JSE's report when preparing the annual financial statements.
- All trading statements were reviewed by the audit and risk committee before recommending them to the board for approval.

Risk management

The board has assigned oversight of the risk management function to the audit and risk committee.

The committee ensured 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 Metair to allow Metair to effectively prepare and report on the financial statements of the company.

The committee satisfied itself that the process and procedures followed in terms of identifying, managing and reporting on risk are adequate and that the following areas have been appropriately addressed:

- Financial reporting risks
- Internal financial controls
- Fraud risk relating to financial reporting
- IT risk as it relates to financial reporting

The committee mandate and enterprise-wide risk management policy framework are in place.

Internal financial controls

For the purpose of determining the effectiveness of management systems and internal controls during the year, the committee reviewed the internal and external audit scope, plans and the resultant findings to determine the effectiveness of management systems and internal controls. Assurance was received from management, internal and external audit and, based on this combined assurance, the committee is satisfied that the internal controls of the group are adequate and that there was no material breakdown in internal controls.

Regulatory compliance

The group complied with all relevant laws and regulations and considers adherence to non-binding rules, codes and standards. Compliance forms an integral part of the company's risk management process.

External audit

Following an effectiveness review the committee has no concerns regarding the external auditor's performance or independence and PwC has been recommended to the board and shareholders for reappointment. PwC has been the company's lead auditors since 1998 and Mr N. Ndiweni was appointed as designated audit partner in April 2020. Refer to note 3 of the annual financial statements for audit fees paid. The audit and risk committee has reviewed and assessed the external auditor and designated individual partner in terms of the JSE Listings Requirements and confirms the suitability of their reappointment at the annual general meeting. The committee ensured that the appointment of the auditor and designated audit partner is presented and included as a resolution at the AGM of Metair pursuant to Section 61(8) of the Company's Act. All non-audit services have been reviewed and approved by the committee and the independence of the auditors confirmed.

Key audit matters considered and addressed by the committee are as follows:

- Impairment assessment of goodwill and indefinite life intangible assets relating to Mutlu:
  - Reviewed the budget process, including consideration of the reasonability of future forecasts and the approval of the budget by the board;
  - Reviewed management's assessment and assumptions including discount rates and terminal growth rates; and
  - Reviewed inputs to the calculations for reasonability against market information, including the future revenue growth forecast, gross margin, working capital and capex assumptions.

Internal audit

The committee is responsible for overseeing internal audit. The committee:

- Approved the re-appointment of KPMG as internal auditor;
- Approved the internal audit plan;
- Ensured that KPMG is subject to an independent quality review, as and when the committee determines appropriate at least every five years; and
- Ensured that the company as established appropriate financial reporting procedures and that those procedures are operating, which includes consideration of all entities included in the consolidated group IFRS financial statement, to ensure that it has access to all the financial information of the company to allow the company to effectively prepare and report on the financial statements of the company.

Following an effectiveness review the committee has no concerns regarding the internal auditor's performance or independence and were satisfied with the performance of the head of internal audit (chief audit executive (CAE)).

The CAE has access to the chair of the committee to ensure independence and has confirmed that internal audit conforms to a recognised industry code of ethics.

An external quality assurance review was done and finalised at the end of 2019. External quality assurance is further provided through KPMG's international quality performance and compliance programme which comprises an annual quality performance program and risk compliance program as well as other global review activities to monitor compliance. The result of the assessment was that the maturity level of the internal audit activity, according to the internal audit maturity capability model is assessed at level five – advanced, meaning that it produces best practice, being a strategic partner to their clients and acting as a leader in the internal audit profession.

In 2020 internal quality assurances was done as external quality assurances are typically done every four to five years, in line with IIA requirements.

The internal audit service is subject to constant internal quality assurance and peer reviews. The primary responsibility for the ongoing, high-level quality assurance of all work carried out by the team is that of the engagement director – this responsibility includes ensuring that:

- The terms and conditions of the service level agreement are adhered to – both in letter and in spirit;
- The strategic and annual internal audit plans are risk based and provide the level of coverage and assurance required by management and the audit committee;
- Individual projects are appropriately staffed at director and manager level;
- The scope of the project is appropriately determined and communicated;
- The reporting deadlines and standards are consistently met;
- Internal quality assurance is performed by the manager and director on the assignment to ensure that the deliverable is of exceptional standard, meets the requirements of the scope letter and the approved internal audit plan;
- The director and manager's responsibility includes monitoring that the turnaround time for issuing reports is met; and
- The committee has a good working relationship with KPMG.

Chief financial officer review

The committee has reviewed the performance, appropriateness, experience and expertise of the CFO, Mr S Douwenga, and confirms his suitability in terms of the JSE Listings Requirements.

Integrated annual report

The committee has reviewed the annual financial statements of Metair Investments Limited and the group for the year ended 31 December 2020 and, based on the information provided to the committee, considers that the group complies in all material respects with the requirements of the Act and International Financial Reporting Standards. The committee has reviewed the integrated annual report and the committee recommends the report to the board and shareholders for approval.

On behalf of the board audit and risk committee,

CMD Flemming
Audit and risk committee chairman

17 March 2021

SOCIAL AND ETHICS COMMITTEE REPORT

The board established a social and ethics committee with effect from 30 April 2012.

The social and ethics committee is constituted as a statutory committee of Metair Investments Limited in respect of its statutory duties in terms of the Companies Act, 71 of 2008 and as a committee of the board in respect of all other duties assigned to it by the board. The committee assists the board in providing effective leadership and being a good corporate citizen. The committee has complied with its statutory duties and other duties assigned to it by the board for the 2020 financial year.

Names and qualifications of committee members

MH Muell* (chairman)	Diplom-Betriebswirt (BA) from Berufsakademie Stuttgart, Germany, equivalent to a Bachelor of Commerce
SG Pretorius	M Comm (Business economics)
CT Loock**	B Eng. (Industrial)
Mr CMD Flemming***	B Com, Bachelor of Law, B Prok, AMP Harvard
Ms A Sithebe***	BCom Accounting Honours, CA (SA), MBA

* *Appointed as chairman with effect from 17 February 2020.*
** *Retired effective 31 December 2020.*
*** *Appointed with effect from 29 January 2021.*

Terms of reference

The committee has adopted formal terms of reference approved by the board. These terms of reference are reviewed on an annual basis and updated where necessary. During the past year, the committee has executed its duties in accordance with the terms of reference. The terms of reference can be found on the company's website, http://www.metair.co.za/sustainability/policies-and-reports/

The committee has an independent role and makes recommendations to the board for its consideration.

The specific functions of the committee are to:

- Ensure that the company adopts an enterprise-wide social responsibility and ethics management process.
- Monitor the company's activities, having regard to the Constitution (including the Bill of Rights), any relevant legislation, other legal requirements or prevailing codes of best practice, the company's own code of conduct and policies, regarding matters relating to:
  - Ethics
  - Social and economic development
- Good and responsible corporate citizenship:
  - The environment, health and public safety, pollution, waste disposal and protection of biodiversity.
  - Stakeholder and consumer relationships, including the company's advertising, public relations and compliance with consumer protection laws.
  - Labour and employment.
- Draw matters within its mandate to the attention of the board.
- Report, through one of its members, to the shareholders at the company's annual general meeting on matters within its mandate.
- Ensure that the internal audit function assesses the ethical culture of the company as well as the adequacy and effectiveness of the ethics programme of the company.

Composition

As at 31 December 2020, the committee comprised two independent non-executive directors, namely Mr MH Muell (chairperson), Mr SG Pretorius one executive director, namely Mr CT Loock.

Meetings

Three meetings were held during the year and these were attended by all members.

No material non-compliance with legislation or best practice relating to the areas within the committee's mandate has been brought to the attention of the committee. Based on its monitoring activities to date, the committee has no reason to believe that such non-compliance has occurred.

The group incurred no material penalties, fines or convictions during the year.

On behalf of the social and ethics committee,

MH Muell
Social and ethics committee chairman

17 March 2021

REMUNERATION REPORT

The remuneration committee operates and reports in accordance with principle 14 of King IV. This report is separated into three main sections: a background statement, remuneration policy and implementation report. The report outlines how Metair compensated its executive directors, non-executive directors and, at a high level, other employees.

Background statement

Metair adheres to all relevant remuneration governance codes and statutes that apply in the various jurisdictions where the group operates. The committee continually strives to improve on the application and disclosure of the recommended practices. Achieving a balanced and sustainable company requires us to improve in all aspects of the business, including our remuneration and reward system. Due to the socio-political environment currently prevailing in South Africa and Turkey, remuneration and reward systems remain sensitive matters in the group.

Our remuneration approach is closely linked to the principles of our corporate governance philosophy. We are committed to fairness, justice, transparency, responsibility and accountability. The group recognises that our employees are central to our ability to deliver our strategy and create value across all operations. Therefore, delivering manufacturing excellence and adhering to our customer's quality standards while ensuring cost competitiveness is dependent on our ability to attract and retain appropriately skilled, experienced, diligent and motivated employees.

This remuneration report aims to provide our stakeholders with a transparent account of how we manage remuneration. Due to the sensitivity of remuneration, we rely on world-class remuneration systems to provide insight. The group uses the Towers Watson global grading system (GGS) to evaluate each position, combined with the Exsys scorecard system to manage the 21 different grade levels in the group. Metair uses the local country median as the targeted remuneration level to ensure sustainability. The paylines, job creating and executive salary surveys were not done during the year and will be done in 2021. The committee is satisfied that Towers Watson is independent and objective.

Shareholder voting

Metair proactively engages with its shareholders to discuss material concerns relating to the group's remuneration policy and the implementation thereof. In the event of a 25% or more vote against the remuneration policy or the implementation report, Metair will engage shareholders to address their concerns.

The committee will take the following steps in good faith to reasonably:

- engage with shareholders to ascertain the reasons for dissenting votes;
- address any legitimate and reasonable objections and concerns raised; and
- respond appropriately to amend the remuneration policy, clarify or adjust remuneration governance and/or processes.

Metair will disclose the parties with whom the company engaged and the manner and form of engagement to ascertain the reasons for dissenting votes and resulting responses/actions which have been taken to address legitimate and reasonable objections and concerns.

As required by the Companies Act and King IV, the remuneration policy and the implementation report will be tabled for separate non-binding advisory votes by shareholders at the AGM to be held on 5 May 2021. In future, there might be a requirement for a binding shareholder vote on executive remuneration. This will heighten the responsibility for all stakeholders, particularly executives, shareholders and remuneration committees to apply their minds to this subject.

Executives can no longer only take a self-serving approach and shareholders can no longer automatically vote "No" in the first instance according to general principles. The most common general principle used by the investor community to justify a "No vote" arises from shareholders objecting to the issue of shares to executives. This approach cements the "against" vote as the general norm and creates an unresolvable long-term disparity that will threaten sustainability.

Companies, through their remuneration committees, must do everything they can to ensure that acceptable and exemplary remuneration policies are in place to bridge the divide between all stakeholders by ensuring that awards are capped and subject to clawback. Metair will continue to engage with shareholders on important issues relating to remuneration.

Non-binding advisory votes

At the annual general meeting held on 5 May 2020, 83.81% (2019: 80.31%) of shareholders voted in favour of the 2019 remuneration policy and 83.37% (2019: 76.72%) were in support of the implementation report.

The results of the non-binding advisory voting on the 2020 remuneration policy and implementation report as well as the measures taken in response thereto based on King IV and the JSE Limited Listings Requirements (Listings Requirements) will be disclosed in the 2021 integrated annual report.

A copy of the annual general meeting minutes is available on the company's website.

	Shares voted	For	Against
Ordinary resolution number 6(a): Endorsement of the company's remuneration policy	85.13%	83.81%	16.19%
Ordinary resolution number 6(b): Endorsement of the company's implementation report	85.13%	83.37%	16.63%
Special resolution number 1: Approval of non-executive directors' remuneration	85.13%	100.00%	0.00%

Shareholder feedback	Metair response
Issue of shares to executives	In order to offset any potential shareholder dilution, shares will be repurchased from the market if the company believes the share price is undervalued to intrinsic value. However, if the share price is trading above intrinsic value, treasury shares will be used.
HEPS calculation and focus for the incentive schemes	The STIP policy will change from 2021 to focus more on HEPS. The LTIP HEPS target will be adjusted – previously growth was set at 6% plus over performance. As requested by shareholders, HEPS changed to be set at CPI + 3% or 4%. Performance shares include ESG targets which were previously included in share appreciation rights.

REMUNERATION REPORT continued

Board remuneration committee

Main areas of responsibility

The board remunerational committee (committee) aims to approve and oversee the implementation of a remuneration policy that supports Metair's strategic and value creation objectives. The committee ensures that the group has transparent, competitive, fair and responsible remuneration practices which promote the achievement of the group's strategy in the short-, medium- and long-term. The committee oversees and approves the remuneration of executives and the appointment of subsidiary directors on behalf of the board.

The remuneration policy is reviewed annually to ensure its alignment with shareholders' interests and its relevance to Metair's prevailing market conditions and the group's operational standpoint.

Eleven meetings were held during the year and were attended by all members of the committee with the exception of Mr Sithole tendering apologies for one meeting. Please refer to page 82 for more details on meeting attendance. The quorum for transacting business as per the committee terms of reference is that at least two members need to be present. The chairman reported to the board after each meeting.

During the year, the committee approved the following policies which were recommended to the board for final approval:

- Performance appraisal policy
- Metair relocation policy
- Metair sign-on bonus policy

The committee was satisfied that it achieved its stated objectives during the period under review.

The committee is satisfied that Metair's remuneration policy is suitable to support the achievement of the group's objectives and to attract, retain and motivate employees.

The following changes to the 2021 remuneration policy were made in response to our shareholders:

- In terms of the issue of shares to executives, the policy was changed to offset any potential shareholder dilution in that shares will be repurchased from the market if the company believes the share price is undervalued to intrinsic value. However, if the share price is trading above intrinsic value, treasury shares will be used.
- The STIP policy will change to focus more on HEPS. The LTIP HEPS target will be adjusted – previously growth was set at 6% plus over performance. As requested by shareholders, HEPS changed to be set at CPI + 3% or 4%. Performance shares include ESG targets which were previously included in share appreciation rights.

The committee functions in terms of a charter which is approved and reconfirmed by the board annually. A copy of the charter is available on the company's website, http://www.metair.co.za/sustainability/policies-and-reports/.

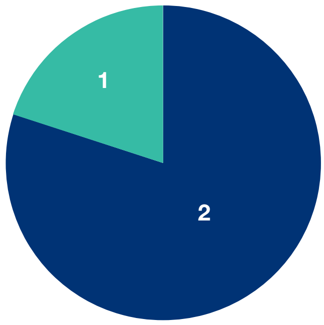
The committee also performs an annual self-evaluation of its effectiveness. The results of the 2020 self-evaluation confirmed that the committee is functioning well and no major concerns were noted. Succession planning and career path management were identified again as area for improvement, however, much improved from the previous year.

Committee composition

Member	Permanent invitees	Composition
Ms TN Mgoduso (Chair)	Mr CT Loock**	100% of the members are independent and non-executive
Mr Muell*	Mr S Douwenga	
Mr S Sithole		

** Mr Muell was appointed to the committee with effect from 17 February 2020.*
*** Mr Loock retired from the Metair board with effect from 31 December 2020.*

REMUNERATION COMMITTEE TENURE – NUMBER OF DIRECTORS



Key decisions and focus areas in 2020

The key focus areas of the committee are as follows:

- Review the remuneration policy and implementation report annually for presentation at the annual general meeting for separate non-binding advisory votes.
- Review and approve executive remuneration packages as well as short- and long-term incentives to ensure these are fair and appropriate for the long-term sustainability of the company.
- Review and approve succession planning to ensure the achievement of strategic objectives.
- Monitor improvements to performance appraisals and assessments to enhance talent management development and career path planning.
- Monitor employment equity reports and adherence to the Metair masterplan.
- Measure key executive performance against KPIs and strategic objectives.

For more information and other roles and responsibilities, refer to the committee charter on the company's website, http://www.metair.co.za/sustainability/policies-and-reports/

Succession planning

The Metair nominations committee addresses succession planning at board and board committee level and the remuneration committee addresses subsidiary executive appointments.
Our three-tier approach to succession planning is as follows:

- External candidates are identified from the market;
- Internally, possible replacements are identified; and
- Recruit or identify individuals at other subsidiaries, who can succeed possible vacancies.

Succession planning has also been highlighted as an important leadership issue. The group human resource (HR) function played a pivotal role in putting succession plans in place for each of the group companies. Succession planning will remain a key focus area in terms of updates as well as the HR function evolving continuously.

In order to better understand the group bench strength, detailed assessments were done during November/December 2020 on the subsidiary managing directors to assist with career path planning and Metair group succession. Results of the reports will be reviewed by the nominations and remuneration committees and proper development and career path plans will be put in place during 2021.

Employment contracts

Employment contracts with executive directors are reviewed and reconfirmed on an annual basis and service contracts are in place for all non-executive directors. Employment and service contracts will be the main vehicle to execute the clawback requirements for malice, value destruction and gross negligence. Although this concept is still untested in the market, the company will aim to as a minimum at least embed the right to full clawback in a court of law with standard burden of proof requirement in such an event. The concept will be introduced when current service and employment contracts expire or when new appointments are made.

The contracts of executive directors do not contain termination packages or excessive notice periods. An executive director may, subject to the provisions of the Companies Act, No. 71 of 2008 and the JSE Listings Requirements, be appointed as such by contract for such period as the board may determine, but not exceeding seven years. Executive directors shall not be subject to retirement by rotation or be taken into account in determining the rotation by retirement of directors during the period of any such contract, provided that the number of executive directors so appointed shall at all times be less than half of the number of directors in office.

An executive director shall be eligible for reappointment at the expiry of any period of his appointment. Subject to the terms of his contract, he shall be subject to the same provisions as to removal as the other directors and if he ceases to hold the office of director from any cause, he shall ipso facto cease to be an executive director.

Performance appraisals

The committee reviewed performance appraisals for group executive management and for management at the subsidiaries. The committee was part of the appraisal process specifically for the performance appraisals of the CEO, CFO and company secretary.

Performance appraisals are based on a generic assessment which includes the following key performance areas:
- Specific KPIs set by the Metair board;
- Thinking competencies;
- Self-managing competencies;
- Relationship competencies;
- Leadership competencies;
- Achievement competencies; and
- Alignment to Metair objectives.

Appraisals also include assessments of specific shareholder objectives, which include company and individual specific key performance areas. The results of the performance appraisals are moderated by Metair and the committee and are considered when salary increases are determined.

Employment equity (EE)

Great emphasis has been placed on EE with the remuneration committee assuming the oversight role of this function. An initiative has been implemented where subsidiaries must identify at least two EE candidates to shadow executives on the subsidiary board. The executives will spend time with the identified candidates mentoring and training them to ultimately assume an executive role on the subsidiary board. Elevating these candidates creates space for other employees to be promoted to management level in the subsidiaries to replace them. These candidates also provide succession possibilities for executives. This intervention is ongoing.

Management control on the B-BBEE scorecard has also been identified as an area of focus and the group has put specific plans in place to effectively improve the scores in this regard. The management control score declined slightly from the previous year as a result of resignations and retrenchments.

In Turkey and Romania, the subsidiaries are focusing on improving diversity in terms of gender representation, especially at executive and board level.

Diversity management has also been linked to the short-term incentive plan as one of the parameters to stress its importance.

Establishment of a human capital division

A group matrix style HR function was established during 2018 which contributed to greater collaboration between companies with wider sharing of HR best practices and policies. This initiative continued in 2019 and 2020. Greater collaboration has enhanced Metair’s ability to avoid risk in matters related to industrial relations as well as supporting employee stability and sharing leading practices such as talent management, organisational development, succession planning, performance management and the development of leadership competencies across the group.

Metair did not hold an HR conference in 2020 due to COVID-19 restrictions, however, virtual meetings and interaction between subsidiaries, the group HR co-ordinator and the chairman of the remuneration committee continued to assist HR professionals in the group.

Special attention was given to COVID-19 in terms of the impact on the business and employee work conditions, health and safety.

2020 focus areas

The committee's focus areas in 2020 included the following:

Focus areas	Action taken and feedback
Review the group-wide succession plan and bench strength	The committee reviewed the group-wide succession plan and bench strength and identified enhancements to be done. In order to better understand the group bench strength, detailed assessments were done during November/December 2020 on the subsidiary managing directors to assist with career path planning and Metair group succession. Results of the reports will be reviewed by the nominations and remuneration committees and formal development and career path plans will be put in place during 2021.
Review employment contracts to include clawback requirements for malice, value destruction and gross negligence	The committee reviewed employment contracts and included the clawback requirements for malice, value destruction and gross negligence in the new appointment made.
Enhance the performance appraisal and assessment process in terms of the people involved in the assessment, board participation to increase	Board and committee participation in the performance appraisal process increased. In terms of the CEO and CFO, the remuneration committee, audit and risk committee and the board participated.

2021 Focus areas

In addition to the ongoing focus areas, the following specific focus areas have been identified for 2021:

- Enhance the group-wide succession plan and bench strength and develop career path plans; and
- Market median gap closure policy to be looked at in terms of closing gaps taking experience, performance and length of service into account.

Remuneration policy 2020

The remuneration policy forms the basis of the group's remuneration model and strategy. The remuneration policy has been approved by the board and demonstrates the application of the company's ethical standards and processes around remuneration. There were no deviations from the policy.

Metair is mindful of the sensitivities around remuneration and we are committed to applying a transparent and professional approach. The policy is consequently designed with the following principles in mind:

- aligning with stakeholders' requirements and expectations;
- attracting, retaining and motivating qualified, skilled, motivated and engaged employees;
- enhancing transparency;
- fair and responsible remuneration practices;
- fair minimum wages; and
- driving a high-performance culture.

The remuneration model and strategy are aligned to the group's strategic direction and business-specific value drivers. It considers the dynamics of the market and the context in which the group operates.

Remuneration strategy

Metair recognises that the group's reward strategy has a direct impact on operational expenditure, group culture, employee behaviour and ultimately, with correct alignment, on the group's ongoing sustainably balanced strategy. Metair aims to reward its employees in a way that reflects the dynamics of the market and the context in which the company operates. All components of the group's reward strategy, including fixed pay, variable pay and performance management, are aligned to the strategic direction and business-specific value drivers of Metair and its subsidiaries.

The remuneration policy was developed from an understanding of all stakeholders' requirements, guided by an approach that sets the framework for the policy and, in the final analysis, delivered a comprehensively designed remuneration structure. This remuneration structure formulates the implementation and resulting financial remuneration. The remuneration policy articulates and gives effect to the company's direction of fair, responsible and transparent remuneration, has been approved by the board, and demonstrates the application of the company's ethical standards and processes.

The main roles and responsibilities of the committee relating to the remuneration policy are as follows:

- Discharge the responsibilities of the board relating to all compensation, including share-based compensation of the group executives;
- Establish and administer the agreed group executive remuneration policy with the broad objectives of:
  - aligning executive remuneration with the group strategy, company performance and shareholder interests;
  - aligning the remuneration policy to promote the achievement of strategic objectives within the company's risk appetite;
  - setting remuneration standards which attract, retain and motivate a competent executive team;
  - evaluating compensation of executives, including approval of salary, share-based and other incentive-based awards; and
  - ensuring that executive remuneration is fair and responsible in the context of overall employee remuneration to promote positive outcomes, an ethical culture and responsible corporate citizenship.
- Ensure that the remuneration policy describes all elements of remuneration that are offered in the company;
- Consider the remuneration policy, set strategic objectives for remuneration management within the company's operations and ensure that it gives effect in its direction to fair, responsible and transparent remuneration;
- Support the board to oversee that the implementation and execution of the remuneration policy achieves the stated objectives;
- Submit the remuneration policy to the board for approval;
- Ensure that the remuneration policy records the measures that the board commits to take if either the remuneration policy or the implementation report, or both, have been voted against by 25% or more of the voting rights exercised; and
- Engage with shareholders to address objections and concerns relating to the remuneration policy as and when required.

Benchmarking

Metair uses Willis Towers Watson, a leading Global Advisory, Broking and Solutions Company with offices in over 140 countries worldwide, for benchmarking of all employee salaries and wages. Executive remuneration reports are used to establish the competitiveness of executive and senior management pay in the group. Pay-line reports are used to review competitiveness by race, gender and global grade. Age analysis reports are done to assist the committee to identify trends such as future retirements to enable proper succession planning is in place. Income gap analyses are used to monitor employee categories relative to each other, for example comparing the average guaranteed package for top management for global grades 15 and above against clerical, administration and semi-skilled employees in global grades four to seven. These reports are used to ensure fair and responsible remuneration packages and wages for all employees. The current policy is to remunerate against the median considering employee performance, retention, years of service and other relevant indicators as specified per position. Measurements against the median are done every three to five years to consider increases to adjust individual salaries to the correct level, however, increases are subject to what the company can afford. Stakeholders can use this information to make peer comparisons as it includes data from all companies in the industry worldwide.

Non-executive director remuneration

Metair has service contracts in place for all non-executive directors which outline among others, their roles and responsibilities and fees. Our non-executive directors are paid a fixed fee for their services but are entitled to claim for travel and other expenses incurred in carrying out their duties. Non-executive directors do not participate in the short-term incentive programme (STIP) or long-term incentive programme (LTIP).

In line with the South African Revenue Service's (SARS) Binding General Ruling (Income Tax) 40 and Binding General Ruling (VAT) 41 which came into effect on 1 June 2017, all Metair non-executive directors that receive an aggregated fee in excess of R1 million (all director fees, committee fees and other income they receive) from all companies in which they hold office are obliged to register for VAT.

Non-executive directors that are independent contractors and seek to charge VAT are also required to add all the income of the respective billing entity for VAT purposes. Metair's approved fees are exclusive of VAT. Non-executive directors are required to send an invoice (inclusive of VAT where applicable) to Metair and the VAT then must be paid over to SARS. The company must pay an additional 15% on top of the approved director fees, which cannot be claimed as a deduction or reclaimed for VAT.

Executive director employment contracts and policies

All executive directors have seven-year employment contracts in place. Addendums to their service contracts are updated annually in terms of newly approved remuneration and any other changes that the committee requires. Executive director contracts do not contain termination packages or excessive notice periods.

Metair's approach and elements of executive management remuneration

The remuneration committee reviews remuneration on an annual basis and decides on the total remuneration. The committee also reviews targets to ensure that they are relevant, competitive, aligned to the strategy and potentially optimise shareholder value.

The principles applied to guaranteed pay and short-term incentives form part of the budgeted expenses of the business. Any incentive payment is subject to a self-funding requirement to ensure that targeted earnings attributable to shareholders are grossed up by the incentive payment amount and earned above target before pay-out.

Variable pay in the group consists of two elements – the STIP (Count 2 of total pay) and the LTIP (Count 4 of total pay).

Total annual remuneration in the group is designed around a remuneration counter system consisting of four pay elements (4 counts):

- Guaranteed pay – Count 1
- Capped short-term incentive – Count 2
- Overseas assignments (when necessary) – Count 3
- Capped long-term incentive – Count 4

Guaranteed pay – Count 1

All Metair employees are eligible to guaranteed pay on a monthly or weekly basis depending on the employment contract. The guaranteed pay structure for the group is based on cost to company, where all employee costs are accounted for as remuneration. Guaranteed pay comprises base salary and the group's contribution towards health and retirement benefits, medical aid or any other benefits required by the employment contract. Metair determines guaranteed pay by evaluating, understanding, comparing, measuring and grading every position in the group. The committee compares the position relative to the market in order to attract and retain talent. Pay performance against the median can be influenced over time by employee performance, retention and years of service.

Short-term incentive – Count 2

The design architecture for the STIP is based on a below market comparative position.

Specific elements	Maximum capped theoretical % CTC participation	
	Chief executive officer (CEO)	Chief financial officer (CFO)
Actual HEPS* vs budgeted HEPS	20	15
Annual specific performance KPIs**	30	20
ROIC*** vs target	15	10
HEPS and cash conversion target	25	20
Strategic execution targets	10	5
Total maximum theoretical participation	100	70
Comparable market position	100 – 150	80 – 100

* *HEPS – Headline earnings per share*
** *KPIs – Key performance indicators*
*** *ROIC – Return on invested capital*

REMUNERATION REPORT continued

The STIP policy will change from 2021 to focus more on HEPS. The adjusted weightings will be as follows:

Specific elements	Maximum capped theoretical % CTC participation	
	Chief executive officer (CEO)	Chief financial officer (CFO)
Actual HEPS* vs budgeted HEPS	35	30
Annual specific performance KPIs**	25	15
ROIC*** vs target	15	10
HEPS and cash conversion target	15	10
Strategic execution targets	10	5
Total maximum theoretical participation	100	70
Comparable market position	100 – 150	80 – 100

* *HEPS – Headline earnings per share*
** *KPIs – Key performance indicators*
*** *ROIC – Return on invested capital*

ROIC

Metair's definition of ROIC, in the final analysis is compared to the weighted average cost of capital defined as follows:

$$\text{ROIC} = \frac{\text{(A) Operating income (t) x (1 – tax rate)}}{\text{(B) Book value of invested capital (t – 1)}}$$

Where:

(A) After-tax operating income =

a. Profit after tax.
b. Add back interest expenses (1 – tax rate).
c. Adjusted for headline earnings per share (HEPS) adjustments (1 – tax rate).
d. Excluding project costs (1 – tax rate)*.

* (Project costs are defined as the direct net incremental expenses incurred subsequent to securing new business up until the start of production of the specific project)

(B) Book value of invested capital at the start of the period (t-1) =

a. Opening book value (BV) of interest-bearing debt plus the opening BV of equity – unproductive new project debt).
b. Plus the weighted average BV of debt (excluding unproductive new project debt) + BV of equity for the acquisition of new businesses.
c. Adjusted for the weighted average BV of debt repaid during a year.
d. Adjusted for the foreign currency translation reserve (FCTR) effect associated with intangible assets that arose on acquisition of subsidiaries.

Targets

During Metair's growth and technology balance phase, while Metair is still expanding and building the energy vertical through acquisitions:

- ROIC upper target = weighted average cost of capital (WACC) + 3%.
- ROIC lower threshold = 90% of WACC.

After the growth and technology balance phase, that is once acquisitions to expand the energy vertical are complete and the company has had three years to deliver targeted ROIC at company level:

- ROIC upper target = WACC + 4%.
- ROIC lower threshold = 100% of WACC.

Overseas assignments – Count 3

Overseas assignment costs refer to the refunding of costs related to temporary overseas assignments that reflect in the accounts as remuneration, although these are reimbursements.

Assignment costs consist of three elements and is in the third count of total remuneration:

- Living costs;
- Housing allowance and security; and
- Government and country legislated taxes and levies.

Long-term incentive – Count 4

Metair's long-term incentive plan was designed by an independent third party with high integrity as well as local and international recognition. Similar to the STIP, it is based on the cost to company of the participant to ensure fairness, justness and to have an automatic built-in protection against exorbitant reward.

The aim of the LTIP is to obtain, retain and extend the services of executive management of Metair. However, where required, the LTIP can be expanded to include certain high potential subsidiary senior executives with scarce and critical skills or key employees, even if they are not executives. All candidates recommended for inclusion in the scheme must be approved by the committee before being submitted to the board for final sign-off.

Metair's LTIP is highly skewed towards performance, retention and shareholder alignment as the system awards annual performance shares to participants.

In order to offset any potential shareholder dilution, shares will be repurchased from the market if the company believes the share price is undervalued to intrinsic value. However, if the share price is trading above intrinsic value, treasury shares will be used.

Share appreciation rights vest in years three, four and five and therefore have a three-year waiting and total five-year retention period. Performance shares have a three-year waiting period before vesting and therefore have a three-year retention period. This design architecture was adjusted to accommodate shareholders' requirement to move away from share appreciation rights to performance share participation only. 2019 was set as the last year for award of share appreciation rights and these rights will therefore (due to the related vesting periods) run out in 2024.

The start date for the conversion to pure performance share awards was April 2020. The conversion is quite technical, and the optimal design change requires the performance share award percentage of CTC to be increased to compensate for the loss of the share appreciation awards.

The table below indicates the adjustment in performance share awards to the different levels of participation:

Description	Old performance share award	% Loss of share appreciation rights	New performance share award % (rounded)
Group CEO	19%	40%	60%
Group CFO	15.1%	32%	50%
Metair management	10.4%	12%	25%
Subsidiary CEO	15.1%	32%	45%
Subsidiary senior executives	11.4%	17%	30%
Subsidiary junior executives	10.4%	12%	20%

A maximum multiplier of two times will be applied when all performance criteria are met. This will cap the CEO and CFO participation at 120% and 100% of CTC respectively.

Share appreciation rights (existing awards will phase out by 2024)

The last share appreciation rights allocation was made in November 2019. No new allocations will be made in 2020 as this element will be replaced by performance shares.

Metair has clawback rights on the vesting of share appreciation rights. At the time of vesting, the number of shares is always subject to committee approval.

The final number of shares allocated to the participant at vesting of the share appreciation rights is based on the growth in share price for the number of shares allocated divided by the share price at vesting. Over and above the share appreciation rights, the board added some penalty clauses linked to four environmental, social and governance (ESG) elements. If performance targets relating to the ESG elements are not met, or if they cause the company to suffer reputational, brand or sustainability damage, the vesting amount can be reduced by 5% per element totalling 20% for all elements. For 2019 the targets were as follows:

ESG element	2019 targets
Health and safety	Lost-time injury frequency rate – target of below 1.0
	Blood lead – target <40 µg per 100 ml for battery businesses
Broad-Based Black Economic Empowerment (B-BBEE)	Procurement – target 10% local content from enterprise developed businesses/black-owned businesses
Transformation	Increase in management control score on the new B-BBEE scorecard – a minimum of 77 points to be obtained for this element on the scorecard on a consolidated basis for South African subsidiaries. Develop 20 EE candidates on a group basis in the core of the business at executive committee level.

Performance shares

The performance criteria presented below are presented in two sections. Section 1 shows criteria for 2020 awards and Section 2 for 2021 awards going forward.

Section 1

Measurement for awards granted after April 2019 (first award is April 2020).

Metair's return measurements for vesting are based on return on invested capital (ROIC), specific HEPS growth targets as well as cash conversion rates.

Description	New performance share award criteria
ROIC targets	50%
HEPS growth	30%
Cash conversion target	20%

a. ROIC

Targets adjusted to:

- ROIC upper target = WACC + 3%.
- ROIC lower threshold = 100% of WACC.

Participation threshold and multipliers

1. At 100% of WACC – 0.5 times.
2. From WACC to target – 1 to 2 times (straight-line).
3. Above target ROIC – limited to 2 times.

b. HEPS Targets:

- Minimum HEPS growth of 6% compounded over three years.
- Targeted HEPS growth of 6% +1.5% compounded over three years.

Participation threshold and multipliers

1. At minimum HEPS growth – 0.5 times.
2. HEPS growth from 6% to 6% + 1.5% – 0.5 to 2 times (straight-line).
3. Above target HEPS growth – limited to 2 times.

c. Cash Conversion target:

- Minimum cash conversion of 70% of EBITDA over the measurement period.
- Targeted cash conversion of 100% of EBITDA over the measurement period.

Participation threshold and multipliers

1. At minimum cash conversion rate – 0.5 times.
2. Cash conversion between 80% and 100% – 0.5 – 2.0 times.
3. Above target cash conversion – limited to 2 times.

Section 2

Prospective measurement for awards granted after April 2020 (first award is April 2021).

Metair's return measurements for vesting will still be based on return on invested capital (ROIC), specific HEPS growth targets as well as cash conversion rates but ESG targets will be added to contribute positively and not as claw back clauses previously used in the share appreciation rights. The measuring of HEPS will be based on the growth above CPI over a rolling three to five-year period.

Description	New performance share award criteria
ROIC targets	40%
HEPS growth	30%
Cash conversion target	20%
ESG targets	10%

a. ROIC

Targets adjusted to:

- ROIC upper target = WACC + 3%.
- ROIC lower threshold = 100% of WACC.

Participation threshold and multipliers

1. At 100% of WACC – 0.5 times.
2. From WACC to target – 1 to 2 times (straight-line).
3. Above target ROIC – limited to 2 times.

b. HEPS

- Minimum HEPS growth of annual official CPI for South Africa compounded over three years.
- Targeted HEPS growth of annual official CPI for South Africa + 4% compounded over three years.

Participation threshold and multipliers

1. At minimum HEPS growth – 0.5 times.
2. HEPS growth from three-year average CPI to three-year average CPI + 4% – 0.5 to 2 times (straight-line).
3. Above target HEPS growth – limited to 2 times.

c. Cash Conversion target:

- Minimum cash conversion of 70% of EBITDA over the measurement period.
- Targeted cash conversion of 100% of EBITDA over the measurement period.

Participation threshold and multipliers

1. At minimum cash conversion rate – 0.5 times.
2. Cash conversion between 80% and 100% – 0.5 – 2.0 times.
3. Above target cash conversion – limited to 2 times.

d. ESG targets:

- Health and safety – measuring LTIFR – 5% and blood lead target – average <30 ug per 100 ml for battery businesses.
- Environmental incidents – target zero incidents.
- Total adherence to the Metair ethics code – target zero incidents.
- GDPR/POPIA – target zero incidents.
- Procurement – target 10% local content from enterprise developed businesses/black-owned businesses.
- Transformation – Increase in management control score on the new B-BBEE scorecard over a three-year measurement period on consolidated level with 2019 certification as the base.

Retention shares

The final retention element is a specific retention award aimed at attracting, retaining and extending employment contracts with key talent within Metair. Retention awards will be made in the form of performance shares, the quantum of which will depend on what incentive would be required to retain that specific individual for at least a five-year forward period. The Metair Investments Limited 2009 Share Plan will be revised to include a five-year period to eliminate the additional agreements to retain shares for another two years upon vesting after the current three-year vesting period.

All candidates recommended for inclusion in the scheme must be approved by the committee before being submitted to the board for final sign off.

Currently, no retention shares have been issued to any of the group's executives.

Retention shares from the company's perspective

Performance shares will vest on the third anniversary of their award to the extent that the specified performance criteria over the intervening period have been met, in line with the Metair Investments Limited 2009 Share Plan. But from a retention point of view, a contract to hold the shares for a further two years while still employed by the company will be entered into between the company and the executive. This contract will ensure a minimum retention period of five years from date of award, with the proviso that, in the case of hardship in meeting tax obligations at the time of the shares vesting, the committee can be approached to allow for the sale of some of these shares to pay part or all of the tax.

Any decision by the committee will be made with the shareholder requirement in mind to hold three times the individual's cost to company (CTC) in shares (see paragraph below) but will view any tax hardship in a sympathetic manner. Should the individual leave the company before the five-year period ends the retention of the shares will depend on the circumstances of the termination.

Retention shares from the shareholders' perspective

Shareholders expect Metair executives to show commitment and confidence in the company by holding unvested and vested shares. The board supports this view and has targeted a value of approximately three times annual CTC in total share exposure, but also recognises that enough time needs to be allowed to accumulate this shareholding as it is a significant number.

Implementation report

1. Job grading

Metair relies on objective international job grading systems, Towers Watson and Exsys, which include data from all companies in the industry worldwide. The benefit of using an objective international job grading system is that it allows stakeholders to compare positions and grades across all companies in the industry. This reporting period, grading for the top positions at Metair graded the CEO position at 21 points and the group CFO at 18 points. These rankings allow stakeholders to make peer comparisons and evaluate the correctness and fairness – equal work for equal pay – of the group's remuneration practices. This ensures that pay is capped at the relevant graded level. The group uses the Exsys job and evaluation system to determine the ranking across the 21 graded positions in the group.

Due to COVID-19, the group did not prepare a market pay line by global grade in 2020 and the data for the previous year was used.

The generalised outcome on the Towers Watson and Exsys system is summarised in the table below:

Global grade	Industry benchmark positions	Equivalent Metair positions
21	Group CEO	Metair CEO
18	Group level CFO, company levels MDs	Metair CFO, large company MDs
17, 16, 15, 14	Company level MDs, directors, senior managers, specialised professionals at group and company level	Small company MDs, directors, senior exco members, senior specialists, Metair group finance executive and Metair company secretary
13, 12, 11, 10	Junior managers, engineers, accountants	Junior exco members, managers, engineers, accountants and Metair group finance manager
9, 8, 7	Team leaders, line managers	Company team leaders, junior staff and clerks, technicians
6, 5, 4	Indirect workers, production support staff	Company quality controllers, logistics staff, administrative staff
3, 2, 1	Unionised and non-union workers	Direct labour

Income gap analysis

Due to COVID-19 an income gap analysis has not been compiled to depict the employee category/band ratios relative to each other in 2020.

Employee category	2015	2016	2017	2018	2019
Ratio of top management (GG 15+) to clerical/administration/ semi-skilled (GG 4 – 7)		8.93	8.78	8.74	8.45
Ratio of professionally qualified and subject matter expert/middle management (GG 12 – 14) to clerical/administration/ semi-skilled (GG 4 – 7)	4.21	4.25	4.09	4.08	4.01
Professionally qualified and subject matter expert/middle management (GG 12 – 14) to skilled technical and academically qualified and junior management (GG 8 – 11)	2.17	2.19	2.19	2.18	2.20
Skilled technical and academically qualified and junior management (GG 8 – 11) to clerical/administration/semi-skilled (GG 4 – 7)	1.94	1.94	1.87	1.87	1.83

The Metair income gap analysis depicting the employee category/band ratios relative to the CEO's salary showed that in 2020 the CEO earned 3.80 times (2019: 3.81 times) higher than the average guaranteed package for top management employees (global grades 15 and above, excluding CEOs and CFOs).

Employee category	2017	2018	2019	2020
CEO (GG 21) to CFO (GG18)	1.63	1.63	1.70	1.70
CEO (GG 21) to top management (GG 15 and above, excluding CEO and CFO)	3.80	3.73	3.81	3.80

2. Market position cap

The second element of Metair's approach plots remuneration for each position relative to the market and Metair's peers. Market data for January 2020 was used for measurement as there was no updated reports.

The remuneration gap for Grades 8 to 11 was addressed in 2020 in terms of competitiveness. An upliftment parameter of 8.5% instead of 7% was recommended for these grades. The wage increase for 2021 was set as per wage agreements.

Market comparisons are being performed by an independent third party that benchmarks Metair against global peers in other manufacturing businesses. The comparisons are used to determine where the group should remunerate within a three-tier grading across the lower quartile, the median or the upper quartile of the global peer group. Due to COVID-19 a new comparison was not done and the January 2020 market data was used.

Metair uses the global median as the targeted remuneration level to ensure sustainability. The median level is at 50% of the market, meaning that 50% of the market is still above the level of remuneration set at Metair.

The table below (Count 1 – Guaranteed pay) shows the lower quartile, median and upper quartile position for the guaranteed pay of the CEO and CFO in terms of their 2020 guaranteed packages, excluding short-term incentives. As can be seen from the table, the group CEO is at 105% and CFO is at 110% of the global median.

3. Pay structure

Count 1 – Guaranteed pay

The related market surveys and published reports on remuneration for 2020 indicated a 6% increase for executive remuneration. The group decided to recommend a 3% in budget and 1% saving to be obtained by subsidiary (2020: 6%) salary increase for 2021.

In order to ensure fair and competitive remuneration for all workers, the percentage annual increase in hourly wages has exceeded the increase in salaried pay to help narrow the pay gap between salaried employees and wage earners for the last decade. Refer to the human capital section on page 64 for more information.

Annual performance assessments are used to adjust recommended base increases up or down.

The table below (Count 1 – Guaranteed pay) shows group CEO and CFO remuneration for 2020.

2020

Count 1 – Guaranteed pay

		Market Data January 2020			Actual earnings as % of market level		
Position	Current Earnings (R)	Lower quartile (R)	Median (R)	Upper quartile (R)	Lower quartile	Median	Upper quartile
CEO	7 949 681	6 444 939	7 582 281	8 719 624	123%	105%	91%
CFO	4 963 843	3 821 325	4 495 676	5 170 028	130%	110%	96%

Note: *Market data has not been updated for 2020 resulting in the actual earnings for 2020 as a percentage of market appearing to be in excess of market median.*

2019

Count 1 – Guaranteed pay

		Market Data January 2020			Actual earnings as % of market level		
Position	Current Earnings (R)	Lower quartile (R)	Median (R)	Upper quartile (R)	Lower quartile	Median	Upper quartile
CEO	7 373 653	6 444 939	7 582 281	8 719 624	114%	97%	85%
CFO	4 801 184	3 821 325	4 495 676	5 170 025	126%	107%	93%

Count 2 – Short-term incentive

The table on the next page (Count 2 – Short-term incentive) compares the CEO and CFO short-term incentive participation for 2020 to the market.

The application of International Financial Reporting Standards (IFRS) results in a disconnect in the timing in which short-term incentives show in financial accounts since these incentives are paid and reflect in the company accounts in the year following the achieved and audited results on which the incentive is based. In this instance, the short-term incentives reflected in the annual financial statements, note 3, are based on the performance delivered against the 2019 financials and key performance indicator (KPI). However, the short-term incentives reflected in the table below are based on performance and KPIs delivered in 2020, but accrued in the annual financial statements of 2020 to be paid in 2021.

The CEO can participate at a theoretical capped maximum of 100% of CTC and the CFO at 70% where the actual capped percentage achieved for 2020 was at 49% for the CEO and 37% for the CFO.

The table below shows the actual performance elements for the 2020 STIP structure.

2020

Count 2 – Short-term incentive programme (incentive based on 2020 results to be paid in 2021)

Position	Actual % of CTC	Short-term incentive (R)	Market Data January 2020 Lower quartile (R)	Median (R)	Upper quartile (R)	Actual earnings as % of market level Lower quartile	Median	Upper quartile
CEO	49%	3 877 499	3 480 185	4 094 335	4 708 485	111%	95%	82%
CFO	37%	1 823 166	1 524 949	1 794 057	2 063 166	120%	102%	88%

2019

Count 2 – Short-term incentive programme (incentive based on 2019 results that was paid in 2020)

Position	Actual % of CTC	Short-term incentive (R)	Market Data January 2020 Lower quartile (R)	Median (R)	Upper quartile (R)	Actual earnings as % of market level Lower quartile	Median	Upper quartile
CEO	73%	5 771 133	3 480 185	4 094 335	4 708 485	166%	141%	123%
CFO	55%	2 734 031	1 524 949	1 794 057	2 063 166	179%	152%	133%

2020 STIP specific elements	Capped % at CTC participation – CEO	Capped % CTC participation – CFO	Actual % CTC participation – CEO	Actual % CTC participation – CFO
Actual HEPS vs budgeted HEPS				
Incentive will be paid on a straight-line basis starting from 90% of budgeted HEPS	**20%**	**15%**		
Annual specific performance KPIs:				
Secure CSUV business	5.0%	5.00%	5.00%	5.00%
Secure Ford T6 business	5.0%	5.00%	5.00%	5.00%
Secure product liability and recall insurance	5.0%	5.00%	5.00%	5.00%
Improve TSAM forex policy to achieve neutrality	5.0%	5.00%	5.00%	5.00%
Commission lithium-ion line	5.0%		5.00%	
Approve lithium-ion cells at A level	5.0%		5.00%	
Total	**30%**	**20%**	**30%**	**20%**
ROIC vs target				
Incentive will be earned on a straight-line basis between an ROIC of 12.7% and 15.7% for 2020	**15%**	**10%**		
HEPS and cash conversion target				
HEPS target between HEPS of 329 – 358 cps	10%	5%		
Consolidated group cash conversion* target between 67% to 77%	15%	15%	15%	15%
Total	**25%**	**20%**	**15%**	**15%**
Board specific KPIs: Performance against strategic execution targets				
Implement and expand group wide succession and career path management focus	**10%**	**5%**	**10%**	**5.0%**
Maximum potential on budget	**100%**	**70%**	**55%**	**40%**

** Conversion = Cash generated from operations/EBITDA (excluding equity accounted earnings)*

HEPS history (cents per share)

	2020	2019	2018	2017	2016
Target	Additional incentive paid on a straight-line basis between 329 – 358	Additional incentive paid on a straight-line basis between 324 – 350	Additional incentive paid on a straight-line basis between 272 – 300	Additional incentive paid on a straight-line basis between 238 – 262	Additional incentive paid on a straight-line basis between 230 – 248 and, 248 – 255 and, 255 – 285
Actual	148	336	327	281	229

2020

Total Count 1 and 2 – Guaranteed pay and short-term incentive

		Market data January 2020			Actual earnings as % of market level		
Position	Current Earnings (R)	Lower quartile (R)	Median (R)	Upper quartile (R)	Lower quartile	Median	Upper quartile
CEO	11 827 179	9 925 124	11 676 616	13 428 109	119%	101%	88%
CFO	6 787 009	5 346 274	6 289 733	7 233 194	127%	108%	94%

2019

		Market data January 2020			2019 actual earnings as % of market level		
Position	Current Earnings (R)	Lower quartile (R)	Median (R)	Upper quartile (R)	Lower quartile	Median	Upper quartile
CEO	12 692 410	9 925 124	11 676 616	13 428 109	128%	109%	95%
CFO	7 269 338	5 346 274	6 289 733	7 233 194	136%	116%	100%

The energy vertical head office is based in the Netherlands. Metair executive directors received director fees in the Netherlands which reflect in their total annual remuneration.

Count 3 – Overseas assignments

There were no overseas assignments during the year.

Count 4 – Retention and the capped LTIP

The table below indicates the percentage of CTC that is used to calculate the number of performance shares that were awarded in 2020 to the CEO and CFO. The percentage of CTC allocation is applied on an annual basis.

	Performance shares			
Position	% of CTC	Deemed value (R)	No. of shares	At deemed share value R/c
CEO	59%	4 653 002	324 251	14.35
CFO	46%	2 278 952	158 812	14.35

Details of awards for 2020	
Performance shares	
Metair CEO	324 251
Metair CFO	158 812
Total group allocation	2 650 159
Allocation date	3 April 2020
Vesting date	3 April 2023

The following table shows the current personal holdings of the CEO and CFO calculated at the Metair closing price of R18.75:

	Personal holding	Times CTC
CEO	732 414	1.7
CFO	48	0.0

Mr Loock's remaining personal holdings are restricted to 1 April 2021.

Vesting in 2020

The table below contains details of vesting in 2020:

Position	Performance shares				Share appreciation rights			
	% of CTC	Deemed value (R)	No. of shares	At deemed share value R/c	% of CTC	Value (R)	No. of shares	At share value R/c
CEO	40%	3 148 538	167 922	18.75	2%	160 294	8 549	18.75
CEO	18%	1 418 871	98 876	14.35				
CFO	14%	693 478	48 326	14.35				

Individual details on vesting

Share appreciation rights (CEO retirement)	
Metair CEO	8 549
Date of award	27 November 2018
Vesting price	R18.75
Deemed value for CEO	R160 293.75
Vesting date	31 December 2020

Performance shares (CEO retirement)	
Metair CEO	51 051, 36 409, 80 462
Allocation date	3 April 2018, 3 April 2019, 3 April 2020
Vesting price	R18.75
Deemed value for CEO	R957 206.25, R682 668.75, R1 508 662.50
Vesting date	31 December 2020

Performance shares	
Metair CEO	98 876
Metair CFO	48 326
Allocation date	3 April 2017
Vesting price	R14.35
Deemed value for CEO	R1 418 870.60
Deemed value for CFO	R693 478.10
Vesting date	3 April 2020

Awards not yet vested

Details of awards that have not yet vested including awards made in 2020 are included in the table below:

Position	Type of awards	Grant date	Maturity date	Grant price	Number of awards	Fair value at grant date	Market value at 31 December 2020	Fair value as at 31 December 2020
CFO	Performance shares	03-Apr-18	03-Apr-21	R0.00	27 275	R30.96	R511 406	R844 434
		03-Apr-19	03-Apr-22	R0.00	29 247	R32.61	R548 381	R953 745
		03-Apr-20	03-Apr-23	R0.00	158 812	R12.15	R2 977 725	R2 977 725
	Share appreciation rights	26-Nov-15	26-Nov-20	R28.30	28 834	R8.04		R231 825
		25-Nov-16	26-Nov-21	R20.02	58 116	R6.75		R392 283
		27-Nov-17	27-Nov-22	R19.12	65 596	R5.85		R383 737
		27-Nov-18	27-Nov-23	R17.70	75 110	R6.21	R78 866	R466 433
		27-Nov-19	27-Nov-24	R24.02	57 296	R7.37		R422 272
Total					**500 286**		**R4 116 378**	**R6 672 453**

Fair value is based on the higher of the intrinsic value or the originally determined value in terms of IFRS 2. The intrinsic value is based on the market value of the Metair share of R18.75 on 31 December 2020 and assumes that all performance criteria have been met.

For more details on CEO and CFO emoluments, refer to note 3 in the annual financial statements. The long-term incentive structure is further detailed in note 26 of the annual financial statements.

Total annual remuneration

Total annual remuneration for the group CEO and CFO consisting of all four pay counters for 2020 is shown in the table below:

2020

Position	Count 1 guaranteed (R)	Count 2 short-term incentive (R)	Count 4 long-term incentive (R)	Retirement payments (R)	Total (R)
CEO	7 949 681		4 727 702	14 643 341	27 320 724
CFO	4 963 843	1 823 166	3 019 178		9 806 187

Mr Loock retired with effect from 31 December 2020. His retirement payments included the following:

Short-term incentive	R3 877 498
Leave pay	R1 973 343
Notice pay	R1 292 500
Restraint of trade	R7 500 000
Total	**R14 643 341**

Reconciliation between executive management shown in the annual financial statements and the above

The difference to the financials is only the STIP that was paid in 2020 vs accrued in 2020 paid in 2021 that is included in IAR disclosure as well as subsistence allowance.

2020

Position	Count 1 guaranteed (R)	Subsistence allowance (R)	Count 2 short-term incentive prior year (R)	Retirement payments* (R)	Count 4 long-term incentive (R)	Total (R)
CEO	7 949 681	24 116	5 771 133	14 643 341	4 727 702	33 115 973
CFO	4 963 843	9 878	2 734 031		3 019 178	10 726 930

** Retirement payments include the short-term incentive payment for 2020 for the CEO.*

2019

Position	Count 1 guaranteed (R)	Count 2 short-term incentive (R)	Count 4 long-term incentive (R)	Total (R)
CEO	7 373 653	5 318 757	1 379 272	14 071 682
CFO	4 801 184	2 468 154	597 360	7 866 699

Reconciliation between executive management shown in the annual financial statements and the above

The difference to the financials is only the STIP that was paid in 2019 vs accrued in 2019 paid in 2020 that is included in IAR disclosure as well as subsistence allowance.

Position	Count 1 guaranteed (R)	Subsistence allowance (R)	Count 2 short-term incentive prior year (R)	Count 4 long-term incentive (R)	Total (R)
CEO	7 373 653	110 798	5 659 475	1 379 272	14 523 198
CFO	4 801 184	77 720	2 437 313	597 360	7 913 577

Top three executives' remuneration

The remuneration of the top three executives of the group, excluding Metair's holding company executives, is as follows:

Executive emoluments	Executive 1 R'000	Executive 2 R'000	Executive 3 R'000
Salaries and allowances	2 583	2 447	2 397
Performance bonuses	1 276	1 488	999
Pension and provident fund contributions	330	295	341
Company contributions	82	84	43
Gain on exercise of share options	432	0	0
Total	**4 703**	**4 314**	**3 893**

Non-executive directors' remuneration

An increase of 4% on non-executive directors' fees was recommended and will be presented for approval by shareholders at the 2021 annual general meeting. Directors' fees proposed for 2021 are exclusive of VAT and are as follows:

Board chairman	R714 355.20	per annum
Non-executive directors	R357 177.60	per annum
Audit and risk committee chairman	R42 848.00	per meeting
Audit and risk committee member	R26 187.20	per meeting
Remuneration committee chairman	R31 782.40	per meeting
Remuneration committee member	R19 874.40	per meeting
Nominations committee chairman	R31 782.40	per meeting
Nominations committee member	R19 874.40	per meeting
Social and ethics committee chairperson	R27 851.20	per meeting
Social and ethics committee member	R14 289.60	per meeting
Investment committee chairman	R27 851.20	per meeting
Investment committee member	R14 289.60	per meeting

Metair board members were appointed to subsidiary boards in order to expand insight and oversight by non-executive directors at subsidiary level from 2019. Two of the Metair non-executive board members, Messrs Muell and Mawasha were appointed to the Mutlu board with effect from December 2019 and January 2020 respectively. Ms Mgoduso was appointed to the Lumotech board and Mr Sithole to the Smiths Manufacturing board with effect from October 2020. Subsidiary board fees are calculated at one-third of the Metair board fees. Shareholders are requested to approve the following fees for non-executive directors of Metair serving on the board of directors of subsidiaries with effect from 1 January 2020 to 31 December 2020:

Chairman	R228 960	per annum
Board member	R114 480	per annum

Subsidiary board fees 1 January 2021 to 31 December 2021:

Chairman	R238 118.40	per annum
Board member	R119 059.20	per annum

Refer to note 3 in the annual financial statements for details on actual non-executive director emoluments.

SHAREHOLDER ANALYSIS

Company: Metair Investments Limited
Register date: 31 December 2020
Issued Share Capital: 198 985 886

Shareholder spread	No of Shareholdings	%	No. of Shares	%
1 – 1 000 shares	2 151	60.83	494 737	0.25
1 001 – 10 000 shares	826	23.36	2 958 610	1.49
10 001 – 100 000 shares	378	10.69	12 846 911	6.46
100 001 – 1 000 000 shares	142	4.02	45 117 295	22.67
1 000 001 shares and over	39	1.10	137 568 333	69.13
Totals	**3 536**	**100.00**	**198 985 886**	**100.00**

Distribution of shareholders	No of Shareholdings	%	No. of Shares	%
Banks/Brokers	55	1.56	21 677 699	10.89
Close Corporations	31	0.88	256 052	0.13
Endowment Funds	29	0.82	924 456	0.46
Individuals	2 700	76.36	7 579 225	3.81
Insurance Companies	35	0.99	6 027 564	3.03
Investment Company	1	0.03	674 652	0.34
Medical Schemes	7	0.20	1 163 712	0.58
Mutual Funds	172	4.86	83 908 213	42.17
Other Corporations	8	0.23	33 670	0.02
Private Companies	67	1.89	1 533 443	0.77
Public Companies	3	0.08	3 200	0.00
Retirement Funds	263	7.44	67 297 970	33.82
Treasury Stock	1	0.03	6 493 544	3.26
Trusts	164	4.64	1 412 486	0.71
Totals	**3 536**	**100.00**	**198 985 886**	**100.00**

Public/non-public shareholders	No of Shareholdings	%	No. of Shares	%
Non-public shareholders	**5**	**0.14**	**28 949 339**	**14.55**
Directors and associates of the company	3	0.08	732 462	0.37
Holdings of more than 10%	1	0.03	21 723 333	10.92
Treasury stock	1	0.03	6 493 544	3.26
Public shareholders	**3 531**	**99.86**	**170 036 547**	**85.45**
Totals	**3 536**	**100.00**	**198 985 886**	**100.00**

Beneficial shareholders holding 3% or more	No. of Shares	%
Value Active PFP H4 Q1	21 723 333	10.92
Government Employees Pension Fund	21 088 462	10.60
Foord	11 291 445	5.67
Coronation Fund Managers	10 271 582	5.16
Eskom Pension and Provident fund	9 935 124	4.99
Alexander Forbes Investments	8 279 885	4.16
Old Mutual	6 692 102	3.36
Business Venture Investments No. 1217	6 493 544	3.26
Vanguard	6 315 500	3.17

Shareholder spread	No. of Shares	%
Kagiso Group	6 218 857	3.13
Ninety One	6 162 987	3.10
Standard Bank Group Retirement Funds	6 034 607	3.03
Totals	**120 507 428**	**60.56**

Institutional shareholding 3% or more	No. of Shares	%
Value Capital Partners	37 698 710	18.95
Kagiso Asset Management	24 427 639	12.28
Foord Asset Management	22 222 063	11.17
Coronation Fund Managers	20 342 757	10.22
Public Investment Corporation	16 628 612	8.36
Ninety One	10 852 314	5.45
Vanguard	6 315 500	3.17
Totals	**138 487 595**	**69.60**

Breakdown of non-public holdings		
Directors	No. of Shares	%
Douwenga, S	**48**	**0.00**
Douwenga, S	48	0.00
Loock, CT	**732 414**	**0.37**
Loock, CT	728 603	0.37
Loock, CT	3 811	0.00
Totals	**732 462**	**0.37**

Treasury stock	No. of shares	%
Business Venture Investments No.1217	6 493 544	3.26
Totals	**6 493 544**	**3.26**

Holdings of more than 10%	No. of shares	%
Value Active PFP H4 QI Hedge Fund	21 723 333	10.92
Totals	**21 723 333**	**10.92**

Breakdown of beneficial shareholders holding 3% or more		
Beneficial Shareholders Holding 3% or more	No. of Shares	%
Value Capital Partners	**21 723 333**	**10.92**
Value Active PFP H4 QI Hedge Fund	21 723 333	10.92
Government Employees Pension Fund	**21 088 462**	**10.60**
Government Employees Pension Fund – Public Investment Corporation	14 011 976	7.04
Government Employees Pension Fund – Coronation Fund Managers	3 149 469	1.58
Government Employees Pension Fund – Sentio Capital Management	2 982 743	1.50
Government Employees Pension Fund – Public Investment Corporation	944 274	0.47

SHAREHOLDER ANALYSIS continued

Breakdown of beneficial shareholders holding 3% or more		
Beneficial Shareholders Holding 3% or more	**No. of Shares**	**%**
Foord	**11 291 445**	**5.67**
Foord Balanced Fund	7 379 000	3.71
Foord Equity Fund	3 535 638	1.78
Foord Domestic Balanced Fund	376 807	0.19
Coronation Fund Managers	**10 271 582**	**5.16**
Coronation Balanced Plus Fund	3 295 817	1.66
Corolife Special Opportunities Portfolio	2 814 156	1.41
Coronation Balanced Plus Fund	908 261	0.46
Coronation Equity Fund	726 368	0.37
Coronation Industrial Fund	657 550	0.33
Coronation Aggressive Equity 2	650 040	0.33
Corolife Houseview Equity Portfolio	331 203	0.17
Coronation Smaller Companies Fund	287 376	0.14
Coronation Market Plus Fund	248 349	0.12
Coronation SA Equity Fund	172 664	0.09
Coronation Life – Aggressive Equity	114 673	0.06
Coronation Market Plus Fund	55 583	0.03
Corolife Active Equity Portfolio	9 542	0.00
Eskom Pension and Provident Fund	**9 935 124**	**4.99**
Eskom Pension and Provident Fund – Value Capital Partners	6 335 800	3.18
Eskom Pension and Provident Fund – Kagiso Asset Management	1 200 039	0.60
Eskom Pension and Provident Fund – Kagiso Asset Management	1 083 587	0.54
Eskom Pension and Provident Fund – Coronation Fund Managers	853 383	0.43
Eskom Pension and Provident Fund – Ninety One	131 698	0.07
Eskom Pension and Provident Fund – Excelsia Capital	118 661	0.06
Eskom Pension and Provident Fund – Mianzo Asset Management	118 126	0.06
Eskom Pension and Provident Fund – Unidentified	88 830	0.04
Alexander Forbes Investments	**8 279 885**	**4.16**
Alexander Forbes Investments Fully Discretionary Local	5 814 164	2.92
Alexander Forbes Investments Funds	882 664	0.44
Alexander Forbes Investments Funds	586 874	0.29
Alexander Forbes Investments Funds	203 904	0.10
Alexander Forbes Investments Funds – Low Equity Conserver	178 418	0.09
Alexander Forbes Investments Funds – Local Balanced	149 335	0.08
Alexander Forbes Investments – Shariah Equity	149 014	0.07
Alexander Forbes Investments Funds – Capped SWIX Tracker	120 644	0.06
Alexander Forbes Investments Funds – Equity	54 446	0.03
Alexander Forbes Investments Funds – Multi-Factor	43 637	0.02
Alexander Forbes Investments Funds – Equity	34 588	0.02
Alexander Forbes Investments Funds	32 954	0.02
Alexander Forbes Investments – Aggressive Equity	22 456	0.01
Alexander Forbes Investments Funds – Multi-Factor	4 647	0.00
Alexander Forbes Investments Funds	2 140	0.00

Breakdown of beneficial shareholders holding 3% or more		
Beneficial Shareholders Holding 3% or more	**No. of Shares**	**%**
Old Mutual	**6 692 102**	**3.36**
Old Mutual Albaraka Equity Fund	2 016 577	1.01
Old Mutual Albaraka Balanced Fund	1 597 415	0.80
Old Mutual Life Assurance Company SA	1 464 277	0.74
Old Mutual Multi-Managers Satellite Equity Fund No. 2	659 107	0.33
Old Mutual Albaraka Income Fund	371 429	0.19
Old Mutual Multi-Managers Satellite Equity Fund	341 698	0.17
Old Mutual Namibia Growth Fund	133 044	0.07
Old Mutual Life Assurance Company SA	54 255	0.03
Old Mutual Dynamic Floor Fund	17 588	0.01
Old Mutual Capped Swix Index Fund	17 207	0.01
Old Mutual ESG Equity Fund	9 255	0.00
Old Mutual Core Balanced Fund	5 752	0.00
Old Mutual Life Assurance Company SA	2 442	0.00
Old Mutual Core Moderate Fund	1 673	0.00
Old Mutual Core Conservative Fund	383	0.00
Business Venture Investments No. 1217	**6 493 544**	**3.26**
Business Venture Investments No.1217	6 493 544	3.26
Vanguard	**6 315 500**	**3.17**
Vanguard FTSE All-World ex-US Small-Cap Index Fund	524 890	0.26
Vanguard Total International Stock Index Fund	2 493 734	1.25
Vanguard Emerging Markets Stock Index Fund	2 614 217	1.31
Vanguard Institutional Total International Stock Market Index Trust	72 579	0.04
Vanguard Institutional Total International Stock Market Index Trust	530 989	0.27
Vanguard Total World Stock Index Fund	79 091	0.04
Kagiso Group	**6 218 857**	**3.13**
Kagiso Balanced Fund	1 691 230	0.85
Kagiso Islamic Equity Fund	1 399 654	0.70
Kagiso Islamic Balanced Fund	1 390 179	0.70
Kagiso Equity Alpha Fund	1 373 581	0.69
Kagiso Stable Fund	249 246	0.13
Kagiso Protector Fund	114 967	0.06
Ninety One	**6 162 987**	**3.10**
Ninety One Emerging Companies Fund	3 446 009	1.73
Investec Special Focus Fund	2 716 978	1.37
Standard Bank Group Retirement Funds	**6 034 607**	**3.03**
Standard Bank Group Retirement Funds – Value Capital Partners	2 572 154	1.29
Standard Bank Group Retirement Funds – Kagiso Asset Management	2 206 092	1.11
Standard Bank Group Retirement Funds – Ninety One	1 256 361	0.63
Totals	**120 507 428**	**60.56**

INDEPENDENT ASSURANCE STATEMENT

TO THE MANAGEMENT AND STAKEHOLDERS OF METAIR INVESTMENTS LIMITED

Introduction

IBIS ESG Consulting Africa (Pty) Ltd (IBIS) was commissioned by Metair Investments Limited (Metair) to conduct an independent third-party assurance engagement in relation to sustainability information in its Integrated Annual Report (IAR or the report) for the financial year that ended 31 December 2020.

IBIS is an independent licenced provider of sustainability assurance services. The assurance team was led by Petrus Gildenhuys with support from Jonathan Sevitz and Adam Sutton-Pryce from IBIS. Petrus is a Lead Certified Sustainability Assurance Practitioner (LCSAP) with more than 25 years' experience in sustainability performance measurement involving both advisory and assurance work. This assurance engagement is the second consecutive sustainability assurance engagement conducted for Metair by IBIS.

Assurance standard applied

This assurance engagement was performed in accordance with AccountAbility's AA1000AS v3 (2020) ("AA1000AS") and was conducted to meet the AA1000AS Type II Moderate level requirements.

Respective responsibilities and IBIS' independence

Metair

Metair is responsible for preparing their IAR and for the collection and presentation of sustainability information within the report.

Metair is also responsible for maintaining adequate records and internal controls that support the reporting processes.

IBIS

IBIS' responsibility is to the management of Metair alone and in accordance with the scope of work and terms of reference agreed with Metair.

IBIS applies a strict independence policy and confirms its impartiality to Metair in delivering the assurance engagement.

Assurance scope

The scope of the subject matter for Moderate assurance in accordance with AA1000AS v3, as captured in the agreement with Metair is set out below:

Subject matters in the assurance scope

- Adherence to the AA1000AP (2018) AccountAbility Principles of Inclusivity, Materiality, Responsiveness and Impact
- Metair's alignment with the GRI standards reporting requirements
- The following selected disclosures relating to material sustainability issues and commitments

SOCIAL

- Total number of employees (including contractors) as per dti Codes of Good Practice definitions
- Percentage of employees who are women
- Absenteeism rate
- Total employee turnover
- Total number of employees trained

HEALTH AND SAFETY

- Total number of person hours worked
- Fatal Injury Frequency Rate (FIFR)
- Lost Time Injury Frequency Rate (LTIFR)
- Total Injury Frequency Rate (TIFR)

ENVIRONMENTAL

- Total direct and indirect consumption of energy (including electricity, petrol and diesel)
- Total water withdrawal – from all sources
- Total volume of solid waste sent for disposal at landfill
- Total volume of solid waste sent for recycling

Criteria

The following assessment criteria were used in undertaking the work:

AA1000AP (2018) AccountAbility Principles of Inclusivity, Materiality, Responsiveness and Impact	Metair's sustainability guideline that specifies definitions for reporting of sustainability information included in the Integrated Annual Report	Alignment with GRI Standards reporting requirements

Assurance procedures performed

Our assurance methodology included:

REVIEW	INTERVIEWS	INSPECTIONS	ASSESSING	REPORTING
Site visits to First National Battery and Supreme Spring and a desktop review of Lumotech, which involved testing on a sample basis, the measurement, collection, aggregation and reporting processes in place.	Interviews with relevant functional managers at head office and sites to understand and test the processes in place for maintaining information in relation with the subject matters in the assurance scope.	Inspection and corroboration of supporting evidence to evaluate the data generation and reporting processes against the assurance criteria.	Assessing the presentation of information relevant to the scope of work in the IAR for consistency with the assurance observations.	Reporting the assurance observations to management as they arose to provide an opportunity for corrective action prior to completion of the assurance process.

Engagement limitations

IBIS planned and performed the work to obtain all the information and explanations believed necessary to provide a basis for the assurance conclusions for a Moderate level of assurance in accordance with AA1000AS v3.

The procedures performed in a Moderate assurance engagement vary in nature from, and are less in extent, than for a High assurance engagement. As a result, the level of assurance obtained for a Moderate assurance engagement is lower than for High assurance as per AA1000AS v3.

Due to the global Covid-19 pandemic-related travel restrictions and risks, the review of Lumotech was done remotely. Evidence to support information reported for Lumotech was obtained electronically for review and assessment as a basis for our assurance conclusion. Readers of the Integrated Annual Report are cautioned to understand this inherent limitation.

Assurance conclusion

In our opinion, based on the work undertaken for Moderate assurance as described, we conclude that the subject matters in the scope of this assurance engagement have been prepared in accordance with the defined criteria and are free from material misstatements.

Key observations and recommendations for improvement

Based on the work set out above, and without affecting the assurance conclusion, the key observations and recommendations for improvement are set out below.

In relation to AA1000AP (2018)

Inclusivity: Metair has followed board-approved stakeholder engagement processes during the reporting period. Evidence observed pointed to inclusive stakeholder engagement where integrated thinking and decision-making is performed. Through the group's stakeholder engagement process, Metair annually reviews their key stakeholder groups. Stakeholder engagement processes are formalised through the group stakeholder engagement policy. The board is responsible for stakeholder engagement and directors are informed of material engagements and their outcomes during quarterly board meetings. Due to the dynamic nature of the Metair group, engagement channels are both ad hoc and formal in nature.

Materiality: Evidence observed confirmed that Metair has maintained due process in mapping and disclosing its material stakeholder matters in a transparent and balanced manner. An established materiality determination process was performed in 2020 and considers a range of internal and external sources including engagements with key stakeholders. The material issues determination process is connected to Metair's rigorous risk management process where material issues are linked to Metair's top risks, opportunities and strategic objectives. The Integrated Annual Report sets out matters of primary concern to stakeholders, how they are addressed and the relevant engagement channels for key stakeholder groups.

INDEPENDENT ASSURANCE STATEMENT continued

Responsiveness: Metair's responses to stakeholder issues observed across different stakeholder groups and case studies sampled indicate a high level of accountability to stakeholder issues raised. Responses to stakeholders were found to be directly related to the stakeholder concerns and were conducted in a timely, fair and appropriate manner without prejudice to any one stakeholder group.

Impact: Metair reports on a range of material environmental, social and governance topics based on its ongoing monitoring, measurement, and evaluation of its impacts, both qualitatively and quantitatively. Metair analyses the impact of the company's strategy on the six capitals defined by the IIRC's <IR> Framework, the risks and opportunities facing the company and how it supports the principles of stewardship and sustainability. The SDGs that Metair contributes to have been referenced in the material matters section of the 2020 Integrated Annual Report. It is recommended that Metair identifies and prioritises the SDGs that the business contributes to and report on the progress against the SDGs as well as monitor and measure the social changes that result from Metair's activities and the long-term impacts on its stakeholders and on Metair's business itself.

In relation to Metair's alignment with the GRI standards

Although Metair does not claim reporting to any GRI reporting option, a review of the report against the GRI Standards indicated alignment with the GRI Standards reporting requirements.

In relation to the selected disclosures

It was observed that appropriate measures are in place to provide reliable source-data related to the selected disclosures in the assurance scope. The general control environment for sustainability information has improved from the previous reporting period through management's incorporation of the recommendations provided by IBIS and Metair's diligent approach to improve their reporting of sustainability information.

It was found that the collection, verification, and reporting of information for certain environmental and social indicators presented some challenges at a subsidiary level, with data inconsistencies being identified during the assurance process that were subsequently corrected. In addition, guidance included in the Metair Sustainability Definitions document could be enhanced with more specific requirements and criteria as well as the introduction of guidance on the implementation of key internal controls to ensure that sustainability information collected by subsidiaries is consistent across all Metair subsidiary companies.

A comprehensive management report detailing specific findings and recommendations for continued sustainability reporting improvement has been submitted to Metair management for consideration.

Petrus Gildenhuys
Director
IBIS ESG Consulting Africa (Pty) Ltd

AA1000
Licensed Assurance Provider
000-156

Johannesburg
24 February 2021

SUPPLEMENTARY SCHEDULES

GLOSSARY

ABM	Associated Battery Manufacturers (East Africa) Limited
AGOA	Africa Growth and Opportunity Act. US legislation to support the development of Sub-Saharan countries
APDP	Automotive Production and Development Programme. A government support programme for the South African automotive industry
B-BBEE	Broad-Based Black Economic Empowerment
BV	Book value
CDP	Carbon Disclosure Project
CEO	Chief executive officer
CFO	Chief financial officer
CGT	Capital gains tax
CGU	Cash-generating unit
CPI	Consumer price index
CSI	Corporate social investment
CTC	Cost to company
EBITDA	Earnings before interest, tax, depreciation and amortisation
ECL	Expected credit loss
EE	Employment equity
ESG	Environmental, social and governance
EU	European Union
EV	Electric vehicle
FMCG	Fast-moving consumer goods
FNB	First National Battery
GDP	Gross domestic product
GG	Global grade
GHG	Greenhouse gas
GJ	Gigajoules
GRI	Global Reporting Initiative
HDSA	Historically disadvantaged South African
HEPS	Headline earnings per share
HR	Human resources
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
IIRC	International Integrated Reporting Council
IMDS	International Material Data System
IP	Intellectual property
IRBA	Independent Regulatory Board for Auditors
ISO	The International Organisation for Standardization
IT	Information Technology
JSE	Johannesburg Stock Exchange

GLOSSARY continued

KPI	Key Performance Indicator
LCV	Light commercial vehicle
LME	London Metal Exchange
LTIFR	Lost time injury frequency rate
LTIP	Long-term incentive plan
MD	Managing director
MERSETA	Manufacturing, Engineering and Related Services SETA
MIB	Metair International Battery Metair's battery marketing organisation
MOI	Memorandum of Incorporation
MWh	Megawatt hours
NAACAM	National Association of Automotive Component and Allied Manufacturers of South Africa
NAAMSA	National Association of Automobile Manufacturers South Africa
NAV	Net asset value
OE	Original Equipment
OEM	Original Equipment Manufacturer
OHSAS	Occupational Health and Safety Assessment Series
EBIT	Profit before interest and tax
PHW	Person-hours worked
RCF	Revolving Credit Facility
ROE	Return on equity
ROIC	Return on invested capital
SABS	South African Bureau of Standards
SAICA	South African Institute of Chartered Accountants
SANS	South African National Accreditation System
SENS	Stock Exchange News Service
SETA	Sector Education and Training Authority – Skills development institutions established by the Skills Development Act in South Africa
SHE	Safety, health and environment
STIP	Short-term incentive plan
TCFD	Taskforce for Climate-related Financial Disclosure
TL	Turkish Lira
TSAM	Toyota South Africa Motors
TSR	Total shareholders return
UWC	University of the Western Cape
VCA	Vehicle Certification Agency
VCT	Voluntary counselling and testing
WACC	Weighted average cost of capital

APPENDIX I – ACCREDITATION

	Environmental	Health and Safety	Quality (non-auto)	Quality (auto)	Energy Management	Quality (OEM)	Quality (OEM)	Quality (OEM)	Quality (EU)	Test (auto and industrial)
Subsidiaries	**ISO 14001**	**OHSAS 18001/ISO 45001**	**ISO 9001**	**ISO/IATF 16949**	**ISO 50001**	**Q1 Ford**	**QSB Isuzu**	**Formal Q**	**VCA**	**SABS SANS**
First National Battery	✔	✔	✔	✔	✔		✔	✔	N/A	✔
Smiths Manufacturing	✔	✔	✔	✔	✔	N/A	✔	N/A	N/A	N/A
Hesto Harnesses	✔	✔	✔	✔	✔	Planned for March 2023	✔	N/A	N/A	N/A
Smiths Plastics/ Automould	✔	✔	✔	✔	In planning	In planning	N/A	N/A	N/A	N/A
Supreme Spring Division	✔	✔	✔	✔	✔	✔	✔	N/A	N/A	N/A
Alfred Teves Brake Systems	✔	✔	✔	N/A	Planned for 2021	N/A	N/A	N/A	✔	N/A
Lumotech	✔	✔	✔	✔	✔	✔	N/A	✔	✔	N/A
Tenneco Automotive Holdings	✔	✔	✔	✔	✔	✔	✔	✔	N/A	N/A
Valeo Systems South Africa			✔	✔	✔	✔	N/A	✔	N/A	N/A
Unitrade 745	✔	✔	✔	✔	Stage 1	N/A	N/A	N/A	N/A	N/A
Rombat	✔	✔	✔	✔	✔	Planned for 2021	N/A	N/A	N/A	N/A
Mutlu Akü	✔		✔	✔	✔	✔	N/A	✔	✔	N/A
ABM	✔	N/A	✔	Planned for 2021	✔	N/A	N/A	N/A	✔	N/A

APPENDIX II – SUSTAINABILITY DATA TABLE

		FY2020	FY2019	FY2018	FY2017	FY2016
Labour						
Total number of permanent employees	Number	7 399	7 645	7 439	7 432	7 028
Total number of temporary employees	Number	1 198	644	788	810	1153
Total number of contractors	Number	1 289	998	1 074	861	492
Total employees (including contractors)	Number	9 886	9 287	9 301	9 103	8 673
Percentage of employees who are deemed "HDSA" (South Africa only)	%	91.0%	92.0%	90.70%	90.30%	90.90%
Percentage of employees who are women	%	34.4%	33.5%	32.40%	32.30%	32.8%
Percentage of employees who are permanent	%	86.1%	92.2%	90.40%	81.6%	81.0%
Percentage of employees who belong to a trade union	%	62.7%	71.7%	70.40%	69.70%	72.8%
Total number of employee terminations	Number	1 275	1 810	2 059	1 875	2 096
Employee turnover rate	%	8.6%	9.7%	8.9%	11.5%	8.4%
Total number of person hours worked – all employees and contractors	Number	16 745 357	18 890 351	18 572 407	17 721 822	18 160 037
Total number of person days lost due to absenteeism	Number	79 723	71 134	76 074	61 797	69 699
Absenteeism rate	%	4.2%	3.2%	3.60%	3.00%	3.3%
Total number of person days lost due to industrial action	Number	2 547	52	36 502	9 601	4 287
Industrial action rate	%	0.1%	0.0%	1.70%	0.4%	0.2%
Total number of employees trained	Number	8 951	10 630	8 867	7 593	8 590
Total number of training interventions	Number	14 333	26 807	26 632	15 288	17 592
Rand value of employee training spend	R (million)	33.5	34.7	28.2	27.3	30.9
Rand value of research and development spend	R (million)	26.0	28.0	35.0	38.6	59.8
Health and safety (all employees and contractors)						
Total number of lost time injuries	Number	51	73	107	86	109
Total number of medical treatment cases	Number	74	89	156	87	156
Total number of first aid cases	Number	547	549	771	875	582
Total number of recordable injuries	Number	125	162	263	173	265
Fatal injury frequency rate	Rate	0	0	0	0	0
Lost time injury frequency rate	Rate	0.61	0.77	1.15	0.97	1.20
Total recordable injury frequency rate	Rate	1.49	1.01	2.83	1.95	2.92
Total injury frequency rate	Rate	8.03	7.53	11.13	11.83	9.33
Total number of employees and contractors receiving Voluntary Counselling and Testing (VCT) for HIV/Aids (i.e. counselled)	Number	666	670	540	408	501
Total number of employees and contractors tested for HIV/Aids	Number	502	1 119	882	809	902
Environmental						
Carbon footprint						
– Scope 1	tCO_2e	43 944	47 031	44 800	44 603	46 468
– Scope 2	tCO_2e	146 062	173 311	153 767	138 134	141 376
– Scope 3	tCO_2e	306 549	421 099	423 946	455 455	398 100
– Total	tCO_2e	496 554	641 441	622 513	638 192	585 944
Energy						
Total electricity consumption	MWh	197 058	217 121	212 156	201 381	191 055
Total petrol consumption	litres	202 303	279 185	270 015	288 285	303 528
Total diesel consumption	litres	594 736	726 353	757 849	1 430 114	690 653

		FY2020	FY2019	FY2018	FY2017	FY2016
Environmental						
Water						
Total water consumption	m^3	596 577	624 332	650 727	621 330	622 027
Total volume of water discharged	m^3	192 097	262 253	194 061	192 909	180 595
Non-hazardous waste						
Total volume of non-hazardous waste sent to landfill	kgs	4 780 679	6 203 292	6 254 820	3 359 479	3 457 811
Total volume of paper recycled	kgs	62 738	73 100	386 865	802 564	660 000
Total volume of cardboard recycled	kgs	1 185 750	1 707 760	1 552 227	902 285	867 985
Total volume of plastic recycled (internal and external)	kgs	4 096 3231	4 748 610	3 780 586	3 647 220	4 142 133
Total volume of glass recycled	kgs	1 580	105	870	450	490
Total volume of metal recycled (including tin cans) (internal and external)	kgs	1 480 843	2 663 296	1 572 258	1 752 462	1 799 905
Total volume of biodegradable wet waste recycled	kgs	545 500	720 928	525 110	423 458	350 855
Total volume of other waste recycled (e-waste, wood, polystyrene, packaging foil etc.)	kgs	978 716	1 117 875	1 177 002	1 106 516	544 963
Total volume of non-hazardous waste recycled	kgs	8 391 147	11 031 674	8 994 897	8 634 955	8 366 331
Hazardous waste						
Total volume of hazardous waste sent to appropriate disposal sites	kgs	17 640 107	22 086 842	20 362 268	22 187 270	17 838 510
Total volume of lead recycled	Tonnes	±65 700	±67 300	±64 400	±67 000	±75 000
Total volume of oils recycled	kgs	36 487	27 847	52 424	37 276	66 701
CSI/SED expenditures						
Rand Value of Corporate Social Investment (CSI)/Socioeconomic Development (SED) expenditures	R (million)	13.8	18.9	11.2	10.1	13.6
Rand Value of CSI/SED spend on education	R (million)	1.5	2.8	1.6	1.9	2.9
Rand Value of CSI/SED spend on skills development, including Adult Basic Education & Training (ABET)	R (million)	0.9	1.6	1.0	0.9	1.2
Rand Value of CSI/SED spend on health, including HIV/AIDS	R (million)	4.5	4.0	3.8	2.5	2.3
Rand Value of CSI/SED spend on basic needs and social development, including nutrition and/or feeding programmes	R (million)	2.9	2.3	2.0	1.3	2.2
Rand Value of CSI/SED spend on infrastructure development	R (million)	0.4	0.0	0.1	0.8	0.4
Rand Value of CSI/SED spend on arts, sports and culture	R (million)	1.0	2.2	1.2	1.2	1.4
Rand Value of CSI/SED spend on other	R (million)	2.4	1.3	1.1	1.0	2.4
Rand Value of CSI/SED spend on environmental projects	R (million)	0	1.7	0.0	0.3	
Rand Value of CSI/SED spend on job creation/ small business support	R (million)	0.2	1.3	0.3	0.2	0.7
Enterprise development (support for small business development)						
Rand value of enterprise development spend	R (million)	17.0	16.6	14.2	20.9	21.5
Preferential procurement (South African operations only)						
Rand value of total discretionary procurement spend	R (million)	2 665	2 786.4	2 498.9	2 231.5	3 416.3
Rand value of HDSA procurement spend	R (million)	1 677	1 694	1 213.3	886.0	1 732.5
Preferential procurement spend rate	%	62.9%	65.4%	48.6%	39.7%	50.7%

APPENDIX III – HUMAN CAPITAL

Total headcount	Male	Female	Total
South Africa			
Permanent	3 407	2 334	5 741
Temporary	377	435	812
Contractors	1 239	16	1 255
Total	**5 023**	**2 785**	**7 808**
Romania			
Permanent	578	91	669
Temporary	73	8	81
Contractors	34	–	34
Total	**685**	**99**	**784**
Turkey			
Permanent	906	74	980
Temporary	305	–	305
Contractors	–	–	–
Total	**1 210**	**75**	**1 285**
UK			
Permanent	8	1	9
Temporary	–	–	–
Contractors	–	–	–
Total	**8**	**1**	**9**
Group (excluding contractors)	**5 653**	**2 928**	**8 597**
Group including independent contractors	**6 926**	**2 960**	**9 886**

Metair subsidiaries do not make use of labour brokers.

APPENDIX IV – STAKEHOLDER ENGAGEMENT

The table below shows Metair's stakeholders, primary engagement channels, their main concerns and how we address these:

Primary concerns	How we address these concerns	Engagement channels include
Shareholders		
Acceptable return on invested capital, capital allocation, COVID-19 response, strategy, sustainability of the business, total shareholder returns, remuneration, unlocking share value, reputation, industry trends, prospects and ESG.	• Transparent communication with the market to communicate the impact of COVID-19 and our response strategy • Regular management engagement to stay aware of shareholder expectations. • Non-executive director engagements with major shareholders. • Well-defined return targets. • Regular review of strategy to ensure alignment with shareholder priorities. • Delivery on our strategy supports returns and the sustainability of the business.	• Integrated annual report • Sustainability information • Results commentaries • The abridged report • Annual general meeting • Annual and interim results presentations • One-on-one meetings • Investor perception surveys • Site visits • Website • Pre- and post-results feedback • Pre-close period meetings • SENS announcements • Press releases • Analyst reports • Ad hoc meetings (as requested)
Analysts		
Acceptable return on invested capital, COVID-19 response, sustainability of the business, access to management, reputation, ESG, industry trends, prospects and business model.	• Transparent communication with the market to communicate the impact of COVID-19 and our response strategy • Regular engagement to understand their needs and meet their disclosure requirements where possible.	• Participation in industry forums • Annual and interim results presentations • One-on-one meetings • Site visits • Website • Research papers
Customers (existing and potential)		
Product quality, delivery standards, cost competitiveness, brand strength, ability to continue supply during COVID-19, sustainability of our business, B-BBEE, transformation, technology, investments, health and safety, environment, corporate social responsibility, training and innovation.	• Our strategic focus on manufacturing excellence, marketing excellence and cost efficiencies aligns the company with customers' needs. • We designed and implemented a comprehensive COVID-19 response strategy to ensure that we continued to meet customer needs as far as possible. • We are committed to delivering flawless model launches, zero quality incidents and to continue to produce innovative products. • We participate in industry forums to better understand our customers' needs and to represent the interests of automotive component and energy storage manufacturers. • Our strategy includes effective management of ESG concerns, transformation and quality production. • External verification of sustainability reporting, B-BBEE status and ISO 9001 and ISO/TS 16949 accreditation.	• Contract negotiations • Scheduled supplier forums • Ongoing interactions in the ordinary course of business • Quality reviews • Performance reviews • Industry forums • Trade shows and exhibits • Customer reward systems • Customer visits
Suppliers and trading partners		
Fair payment terms, continued business during COVID-19, sight of likely future needs, fair treatment, sustainability, logistics solutions, technology, major trends, cost competitiveness.	• Metair takes an ethical approach to doing business and our payment terms align with industry norms. • Metair's COVID-19 response strategy enabled operations to resume from lockdown Level 4. • Participation in industry forums to better understand the concerns of suppliers.	• Contract negotiations • Ongoing interactions in the ordinary course of business • Supplier audits • Service level agreement negotiations • Industry forums • Trade shows and exhibits • Annual meetings

APPENDIX IV – STAKEHOLDER ENGAGEMENT continued

Primary concerns	How we address these concerns	Engagement channels include
Business partners (JVs and associates)		
Financial, supply, manufacturing and management performance, fair treatment and quality of management, investment support, business model, ESG, technology, health and safety	• We are committed to ethical business practices and respect the interests of our business partners. • Implementation of strategy.	• Ongoing interactions in the ordinary course of business
Government regulators		
Responsible operation during COVID-19, transformation, health and safety, environmental responsibility, regulatory compliance, sustainable employment, corporate social responsibility.	• The COVID-19 response strategy aimed to ensure responsible operations and a review by internal audit confirmed compliance with regulatory requirements. • Metair's commitment to custodianship and ethical business practices supports social and environmental responsibility. • We invest in employee development and take a responsible and sensitive approach where adjustments are required to employment levels in line with all regulatory requirements. • Our CSI projects promote socio-economic development in our host communities. • Policies and procedures are in place to ensure compliance with all relevant regulations.	• Engagements on specific policy issues • Representation on industry bodies • Regular regulatory submissions • Interactions as required
Employees		
Safety, health and welfare during COVID-19, equal work/equal pay demands, health and safety, transformation, shareholding participation expectation, good corporate culture, banning of labour brokers, preferred procurement from BEE accredited parties, education, training and skills development, company involvement in secondary and tertiary education in communities, rural area economic development, deliverable and sustainable corporate social investment programs, anti-internationalisation and globalisation demands for South African businesses.	• The COVID-19 response strategy aimed to ensure the safety and health of all employees and contractors at our operations. • The board and executive management at Metair and subsidiary level took a salary sacrifice in April 2020 to support the most vulnerable members of the workforce, which was supplemented by the company. • Metair's ethical approach to doing business includes fair treatment and remuneration of our workers and a focus on health and safety standards and procedures. • Operations ensure that working conditions are acceptable, including work stations, canteen facilities, ablution facilities and meeting areas. • We invest substantially in skills development and aim to maintain good relationships with unions as representatives of our employees. • Remuneration benchmarking and formal job grading and evaluation provide objective measures of fair remuneration. • We are committed to transformation and have implemented initiatives to improve transformation performance at both group and operational levels. • CSI projects focus on rural and company-specific areas of support for schools, clinics, NGOs and any other feasible projects or entities. • Internationalisation and globalisation are driven by local sustainability needs to retain or gain international supply contracts and business opportunities.	• Channels during COVID-19 included HR phone lines, SMS communications, WhatsApp groups and electronic meeting applications • Employee forums • Health and safety committee meetings • Operational performance reviews • Feedback sessions • CEO site visits • Electronic communication • Anonymous Tip Offs hotline • Company website • Induction programmes

Primary concerns	How we address these concerns	Engagement channels include
Trade Unions		
Fair remuneration, equal work/equal pay demands, health and safety, job preservation and creation, transformation, banning of labour brokers, preferred procurement from BEE accredited parties, education, training and skills development, anti-internationalisation and globalisation demands for South African businesses.	• We respect the rights of employees to freedom of association and aim to maintain constructive relationships with unions that appropriately balance the needs and interests of all parties. • Metair's ethical approach to doing business includes fair treatment and remuneration of our workers and a focus on health and safety standards and procedures. • We aim to maintain good relationships with unions as representatives of our employees. • Operations ensure that working conditions are acceptable, including workstations, canteen facilities, ablution facilities and meeting areas. • Remuneration benchmarking and formal job grading and evaluation provide objective measures of fair remuneration. • We are committed to transformation and have implemented initiatives to improve transformation performance at both group and operational levels. • Internationalisation and globalisation driven by local sustainability needs to retain or gain international supply contracts and business opportunities.	• Union interactions as required • Wage negotiations • Company website
Industry bodies (NAACAM, NAAMSA)		
Good corporate conduct, support in engaging government, regulators on industry matters, ESG, health and safety, industry trends and investments.	• We take an ethical approach to doing business and engage with regulators and government to further the interests of the company and broader industry.	• Representation on industry bodies • Member of the South African Battery Manufacturers Association • Member of and represented on the National Executive Committee of NAACAM
Media		
Access to management	• Management aims to be appropriately accessible within operational constraints.	• Interactions as requested • Press releases • Website
Consultants and service providers		
Fair payment terms, fair treatment and fair contractual responsibility, industry and technology trends and strategy.	• Metair takes an ethical approach to doing business and our payment terms align with industry norms.	• Ongoing engagements in the normal course of business

CONTENTS

Level of assurance

These financial statements have been audited in compliance with the applicable requirements of the Companies Act of South Africa, No. 71 of 2008 (Companies Act)

Preparer

The financial statements were prepared under the supervision of Mr S Douwenga (CFO) B Comm (Hons), CA(SA)

Published

17 March 2021

CERTIFICATE BY THE COMPANY SECRETARY

In my capacity as company secretary, I hereby confirm, in terms of section 33(1) of the Companies Act, that for the year ended 31 December 2020, the company has lodged with the Companies and Intellectual Property Commission (CIPC) all such returns as are required of a public company in terms of the Companies Act and that all such returns are true, correct and up to date.

SM Vermaak
17 March 2021

APPROVAL OF FINANCIAL STATEMENTS

The group financial statements and the financial statements of the company for the year ended 31 December 2020, set out on pages 136 to 228, were approved by the board of directors and signed on its behalf by:

SG Pretorius
Chairman

R Haffejee
CEO

Johannesburg
17 March 2021

DIRECTORS' RESPONSIBILITY AND APPROVAL

STATEMENT OF RESPONSIBILITY BY THE BOARD OF DIRECTORS

The directors are responsible for maintaining proper accounting records and the preparation, integrity, and fair presentation of the financial statements of Metair Investments Limited (Metair or the company or the group) and its subsidiaries. The accounting records disclose with reasonable accuracy the financial position of the group and company.

The directors acknowledge that they are ultimately responsible for the system of internal controls established by the group and place considerable importance on maintaining a strong control environment. The directors are of the opinion, based on the information and explanations given by management and the internal auditors that the system of internal controls provides reasonable assurance that the financial records may be relied upon for the preparation of the financial statements.

The directors are of the opinion that the group and the company have adequate resources to continue in operation for the foreseeable future and accordingly the financial statements have been prepared on a going concern basis.

The auditor is responsible for reporting on whether the group financial statements and the financial statements of the company are fairly presented in accordance with the applicable reporting framework.

The consolidated financial statements are stated in South African Rand (ZAR) and are prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations adopted by the International Accounting Standards Board (IASB) in issue and effective for the group at 31 December 2020 and the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and the Companies Act.

They are based on appropriate accounting policies which have been applied consistently and are supported by reasonable and prudent judgements and estimates. The directors also prepared the other information included in the annual report and are responsible for both its accuracy and its consistency with the financial statements. The financial statements have been audited by the independent auditors, PricewaterhouseCoopers Inc., who were given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders, the board of directors and committees of the board. The directors believe that all representations made to the independent auditors during their audit are valid and appropriate.

The audit report of PricewaterhouseCoopers Inc. is presented on page 140.

DIRECTORS' RESPONSIBILITY ON FINANCIAL CONTROLS

The directors, whose names are stated below, hereby confirm that –

(a) the annual financial statements set out on pages 137 to 228, fairly present in all material respects the financial position, financial performance and cash flows of the company in terms of IFRS;

(b) no facts have been omitted or untrue statements made that would make the annual financial statements false or misleading;

(c) internal financial controls have been put in place to ensure that material information relating to the company and its consolidated subsidiaries have been provided to effectively prepare the financial statements of the company; and

(d) the internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function within the combined assurance model pursuant to principle 15 of the King Code. Where we are not satisfied, we have disclosed to the audit committee and the auditors the deficiencies in design and operational effectiveness of the internal financial controls and any fraud that involves directors, and have taken the necessary remedial action.

R Haffejee	**S Douwenga**
CEO	CFO

Johannesburg
17 March 2021

DIRECTORS' REPORT

The directors have pleasure in submitting their report for the year ended 31 December 2020.

GENERAL REVIEW

The main business of the group is the manufacture and supply of motor vehicle components and energy storage solutions such as automotive and industrial batteries. The group also manufactures non-automotive products. The financial statements on pages 146 to 228 set out fully the financial position, results of operations and cash flows of the group and company for the financial year.

FINANCIAL RESULTS

The consolidated net profit for the year attributable to equity holders of the company was R174.2 million (2019: R624.2 million).

DIVIDENDS

The following dividends were declared for ordinary shares:

31 December 2019
The dividend of R1.20 per share, declared on 17 March 2020 in respect of the year ended 31 December 2019, was cancelled on 1 October 2020.

31 December 2020
A dividend of 75 cents per share is declared on 17 March 2021 in respect of the year ended 31 December 2020.

STATED CAPITAL

Full details on the present position of the company's stated capital are set out in the notes to the financial statements.

There were no changes to stated capital for the year under review. Share incentive scheme particulars relating to options and awards under the Metair 2009 share plan are given in note 26.1 to the financial statements.

CHANGES IN NON-CURRENT ASSETS

The main changes to property, plant and equipment (including lease assets capitalised under IFRS 16) of the group were as follows:

	R'000
Additions	236 742

The main changes to the intangible assets of the group were as follows:

	R'000
Additions	20 858

Details can be found in note 7 and note 8 of the financial statements.

DIRECTORS

The composition of the board of directors is set out on pages 16 to 20 of the integrated annual report.

SG Pretorius (appointed January 2014 retiring May 2021)
R Haffejee (appointed February 2021)
CT Loock (appointed March 2006 retired December 2020)
S Douwenga (appointed March 2014)
TN Mgoduso (appointed March 2016)
PPJ Derby (appointed March 2016 resigned February 2020)
G Motau (appointed November 2016 resigned December 2020)
B Mawasha (appointed March 2018)
CMD Flemming (appointed March 2019)
S Sithole (appointed March 2019)
MN Muell (appointed May 2019)
NL Mkhondo (appointed June 2019)
B Mathews (appointed January 2021)
A Sithebe (appointed January 2021)
P Giliam (appointed effective from May 2021)

SECRETARY

SM Vermaak

Business address
10 Anerley Road, Parktown, Johannesburg, 2193

Postal address
PO Box 2077, Saxonwold, 2132

INTEREST OF DIRECTORS

Interest of directors in the company's stated capital are disclosed in note 26 of the financial statements.

The directors have no material interest in contracts with the group.

SUBSIDIARIES

Details of the company's investments in its subsidiaries are disclosed on page 226 and note 9 to the financial statements.

HOLDING COMPANY

The company has no holding company.

AUDITORS

PricewaterhouseCoopers Inc. are the current appointed auditors in accordance with section 90(6) of the Companies Act.

RESOLUTIONS

The following special resolutions, the nature of which might be significant to members in their appreciation of the state of affairs of the group, were passed at a general meeting held on 5 May 2020:

Special resolution number 1

Resolved as a special resolution in terms of section 66(9) of the Companies Act, that the remuneration of the non-executive directors with effect from 1 January 2020 to 31 December 2020 be and is hereby approved.

The reason for and effect of special resolution number 1 is to approve, to the extent required, the remuneration for non-executive directors for the period commencing 1 January 2020 and ending 31 December 2020.

Special resolution number 2

Resolved as a special resolution in accordance with section 45 of the Companies Act, that the board be and is hereby authorised, by way of a general authority to, at any time and from time to time during the period of two years commencing on the date of passing of this special resolution to provide, any direct or indirect financial assistance limited to related and inter-related companies which Metair, directly or indirectly, holds a controlling equity interest (50% plus one share), (but subject to the provisions of the MOI and section 45(1) of the Companies Act) in such amount and in any form including, but not limited to, by way of loan (on an interest-free or a market-related interest basis), guarantee, the provision of security or otherwise) to any of its present or future subsidiaries and/or any juristic person that the company directly or indirectly controls from time to time (collectively hereinafter referred to as the 'Metair group') and being on such terms and conditions as the Board in its discretion deems fit, for any purpose whether in the normal course of business of the Metair group or of a transactional nature, subject thereto that the board will, before making such financial assistance available, satisfy itself that:

(i) immediately after providing the financial assistance, the company will satisfy the solvency and liquidity test as prescribed in section 4 of the Companies Act; and

(ii) the terms under which the financial assistance is proposed to be given are fair and reasonable to the company.

The effect of the special resolution and the reason therefore is that such special resolution is required in terms of section 45 of the Companies Act to grant the directors the authority to allow the company to provide financial assistance by way of loan, guarantee, the provision of security or otherwise, to any company which is related or inter-related to the company or any other juristic person that the company directly or indirectly controls.

The special resolution does not authorise Metair to provide financial assistance to a director or prescribed officer of the company.

In accordance with section 45(5) of the Companies Act, the Board hereby gives notice to its shareholders of the fact that no financial assistance has been provided to subsidiaries during the 2019 financial year.

Special resolution number 3

Resolved as a special resolution in accordance with section 44 of the Companies Act, that the Board be and is hereby authorised, by way of an authority to, at any time and from time to time during the period of two years commencing on the date of passing of this special resolution to provide, any direct or indirect financial assistance to any related or inter-related companies in which Metair, directly or indirectly, holds a controlling equity interest (50% plus one share) for the purpose of or in connection with the subscription of any option, or any securities, issued or to be issued by Metair or any related or inter-related companies in which Metair, directly or indirectly, holds a controlling equity interest (50% plus one share), (but subject to the provisions of the MOI and section 44 of the Companies Act) in such amount an in any form (including, but not limited to, by way of loan (on an interest-free or a market-related interest basis), guarantee, the provision of security or otherwise) whether in the normal course of business or of a transactional nature, subject thereto that the Board will, before making such financial assistance available, satisfy itself that:

(i) immediately after providing the financial assistance, Metair will satisfy the solvency and liquidity test as prescribed in section 4 of the Companies Act; and
(ii) the terms under which the financial assistance is proposed to be given are fair and reasonable to Metair.

The effect of the special resolution and the reason therefore is that such special resolution is required in terms of section 44 of the Companies Act to grant the directors the authority to allow Metair to provide financial assistance by way of loan, guarantee, the provision of security or otherwise, to any related or inter-related company in which Metair, directly or indirectly, holds a controlling interest for the purpose of or in connection with the subscription of any option, or any securities, issued or to be issued by Metair or any related or inter-related company which Metair, directly or indirectly, holds a controlling interest, or for the purchase of any securities in Metair or any related or inter-related company in which Metair, directly or indirectly, holds a controlling interest.

Furthermore, this special resolution specifically makes provision for Metair to provide financial assistance in respect of the issuance of preference shares by members of the Metair group, as part of the group's tax efficient funding strategy.

The special resolution does not authorise Metair to provide financial assistance to a director or prescribed officer of Metair.

Special resolution number 4

Resolved as a special resolution in terms of the Companies Act and the Listing Requirements of the JSE Limited ('JSE'), that the authorisation granted to the company in terms of Article 13 of its MOI to acquire the company's own securities by way of a general approval, upon such terms and conditions and in such amounts as the directors may from time to time decide, subject only to the provisions of the Companies Act and the JSE Listings Requirements, be and is hereby approved, subject to the following terms and conditions:

(i) any repurchase of securities must be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and any counterparty;

(ii) this general authority shall be valid until the company's next annual general meeting, provided that it shall not extend beyond 15 months from the date of passing of this special resolution;

(iii) repurchases may not be made at a price greater than 10% above the weighted average of the market value of the securities for the five business days immediately preceding the date on which the repurchase will be effected;

(iv) at any point in time, the company may only appoint one agent to effect repurchases on the company's behalf;

(v) an announcement shall be published as soon as the company has cumulatively repurchased 3% of the initial number (being the number of that class of shares in issue at the time that the general authority was granted) of the relevant class of securities and for each 3% in aggregate of the initial number of that class acquired thereafter, containing the details as required by paragraph 11.27 of the JSE Listings Requirements;

(vi) repurchases shall not, in the aggregate, in any one financial year exceed 5% of the company's issued share capital of that class;

(vii) acquisitions by the subsidiaries of the company may not result in a subsidiary, together with all other subsidiaries of the company holding more than 10% of the relevant class of the issued share capital of the company from time to time;

(viii) repurchases may not be made by the company and/or its subsidiaries during a prohibited period as defined by the JSE Listings Requirements unless a repurchase programme is in place where the dates and quantities of securities to be traded during the relevant period are fixed and full details of the programme have been disclosed and approved by the JSE prior to the prohibited period;
With regard to the above, the company must 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 the commencement of the prohibited period to execute the repurchase programme submitted to the JSE;

(ix) the intention of the board is that the repurchase of the company's securities will be effected within the parameters laid down by this resolution as well as by the Companies Act, the JSE Listings Requirements and the board, as and when the directors of the company deem such repurchases to be appropriate, having regard for prevailing market and business conditions; and

(x) the directors will ensure that the requisite prior resolution of the board has been taken authorising such repurchases, confirming that the company and its subsidiaries engaged in such repurchases have passed the solvency and liquidity test envisaged in the Companies Act and confirming that, since such tests were performed, there have been no material changes to the financial position of the Metair group.

The directors shall not make any repurchases under this general authority unless they are of the opinion that, after considering the effect of the maximum number of shares to be repurchased and for a period of 12 months after the date of the notice of the annual general meeting:

a) the company and the Metair group will be able, in the ordinary course of business, to pay their debts;

b) the assets of the company and the Metair group will be in excess of the liabilities of the company and the Metair group, the assets and liabilities being recognised and measured in accordance with the accounting policies used in the latest audited financial statements;

c) the share capital and reserves of the company and the Metair group are adequate for the ordinary business purposes of the company and the Metair group; and

d) the working capital of the company and the Metair group will be adequate for ordinary business purposes.

The effect of the special resolution and the reason therefore is to renew the general authority given to the directors in terms of the Companies Act, the MOI and the JSE Listings Requirements for the acquisition by the company and/or its subsidiaries of the company's securities, which authority may be used at the directors' discretion during the course of the period authorised.

POST-BALANCE SHEET EVENTS

There were no significant post-balance sheet events.

Covid-19 Impact

The impact of Covid-19 is discussed fully in note 29 to the financial statements.

APPROVAL OF FINANCIAL STATEMENTS

The directors have approved the financial statements on pages 146 to 228 which are signed on their behalf by:

SG Pretorius
Chairman

R Haffejee
CEO

Johannesburg
17 March 2021

Independent auditor's report

To the Shareholders of Metair Investments Limited

Report on the audit of the consolidated and separate financial statements

Our opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Metair Investments Limited (the Company) and its subsidiaries (together the Group) as at 31 December 2020, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

What we have audited

Metair Investments Limited's consolidated and separate financial statements set out on pages 148 to 230 comprise:

- the consolidated and separate balance sheets as at 31 December 2020;
- the consolidated and separate income statements for the year then ended;
- the consolidated and separate statements of comprehensive income for the year then ended;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated and separate financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards).*

Our audit approach

Overview

Overall group materiality

- *Overall group materiality: R86,995,000, which represents 0.85% of consolidated revenue.*

Group audit scope

- *We performed full scope audits over 10 components and review procedures over 1 component.*
- *The group engagement team performed analytical review procedures on components not in scope for audit or review.*

Key audit matters

- *Impairment assessment of goodwill relating to Mutlu group and Rombat SA and indefinite life intangible asset relating to Mutlu group.*

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and separate financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall group materiality	*R86,995,000.*
How we determined it	*0.85 % of consolidated revenue.*
Rationale for the materiality benchmark applied	*We chose consolidated revenue as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users as volumes are the key driver of the Group's business.*

	We chose 0.85 % in the current year to allow for the sensitivity in the results due to the impact of COVID-19 and the additional economic strain placed on the business.

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Every component that contributed significantly to the consolidated revenue, consolidated profit before taxation and consolidated total assets of the Group was subject to a full scope audit. We performed full scope audits over 10 components and review procedures over 1 component, based on the risk associated with the component and considerations relating to aggregation risk within the Group. The group engagement team performed analytical review procedures on the remaining insignificant components.

Where the work was performed by component auditors, we determined the level of involvement necessary in the audit work at those components to be able to conclude whether sufficient appropriate audit evidence has been obtained as a basis for our opinion on the consolidated financial statements as a whole.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter below relates to the consolidated financial statements. We have determined that there are no key audit matters to report with respect to the separate financial statements.

Key audit matter	***How our audit addressed the key audit matter***
Impairment assessment of goodwill relating to Mutlu group and Rombat SA and indefinite life intangible asset relating to Mutlu group. As at 31 December 2020, the Group had goodwill amounting to R201 million, which relates to Mutlu group and Rombat SA and the Mutlu group brand classified as an indefinite life intangible asset amounting to R 136 million. Refer to Note 8: Intangible assets to the consolidated financial statements. Goodwill and the indefinite life intangible asset are required to be tested for impairment on an annual basis and whenever there is an indication of impairment, pursuant to the requirements of International Accounting Standard (IAS) 36: Impairment of assets. The impairment test for goodwill and the indefinite life intangible asset is performed for the group of cash-generating units to which these assets have been allocated.	We tested the mathematical accuracy of management's valuation model and agreed the relevant data, including assumptions regarding timing of future earnings, investment in working capital and maintenance capital expenditure, to the latest budgets and cash flow projections, noting no material exceptions. Assessed whether management adequately incorporated the expected impact of the Covid-19 pandemic on future earnings and relevant cash flows by comparing the post Covid-19 budgets to pre-Covid-19 forecasts and expectations. We noted no aspects in this regard requiring further consideration. Management's cash flow forecasts were agreed to board approved budgets, noting no exceptions. We assessed the reasonableness of the budgeting process by comparing current year actual results

Management performed their annual impairment assessment of the Mutlu group and Rombat SA cash-generating units (“CGUs”), to which the goodwill and the brand were allocated and based their assessment of value-in-use calculations, which have been estimated using a discounted cash flow model. In determining the value in use of the CGUs, management made assumptions, and applied significant judgement. The value in use calculation is sensitive to changes in future cash flows which are estimated based on financial budgets and approved business plans covering a five-year period. Key assumptions made in the calculation, include: ● the discount rate; ● the long-term growth rate; ● the compound annual volume growth rate; and ● the period (years). Refer to Note 24: Critical accounting estimates and judgements and Note 8: Intangible assets, to the consolidated financial statements where the key assumptions used, and judgements applied by management have been disclosed. The impairment assessment of the goodwill relating to Mutlu group and Rombat SA and indefinite life intangible asset relating to Mutlu group is considered to be a matter of most significance to the current year audit due to: • the significant judgements applied by management with regards to determining the key assumptions and future cash flows that are included in the value-in-use calculation; and • the magnitude of the goodwill and indefinite life intangible assets balance to the consolidated financial statements.	with the prior year budgeted results. Based on the results of our work performed, we did not note any aspect requiring further consideration. The long-term growth rate used by management was compared to long-term inflation rates obtained from independent sources. Our determined rate was incorporated into our stress testing referred to below to assess the impact of any difference on the valuation results. Making use of our valuation expertise, we assessed the reasonableness of the assumptions and inputs applied as follows: ● Assessed the appropriateness of the discount rate used by management in the cash flow forecast, by comparing the discount rate against our own internally developed range of acceptable discount rates, which took into account independently obtained data such as the cost of debt, the risk-free rate in Turkey and Romania, market risk premiums, debt/equity ratios as well as the beta of comparable companies and Covid-19 impacted forecast economic conditions. Whilst our range is, in itself subjective, the discount rate adopted by management fell within our internally developed range. We held discussions with management and obtained an understanding of the rationale for the discount rate applied; and ● Performed a sensitivity analysis on management’s assumptions using our own independent model, based on our understanding of the industry, the entity specific circumstances and economic environment. This was done to calculate the degree to which these assumptions would need to change before an impairment would be triggered. Based on our assessment, management’s assumptions fell within our acceptable ranges. We performed stress testing on the value-in-use model which involved recalculating a range of values and compared this to the value as calculated by management. Management’s value fell within our recalculated range of values.

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled “*Metair Investments Limited Integrated Annual Report 2020*”, which includes the Directors’ Report, the Board Audit and Risk Committee’s Report and the Certificate by Companies Secretary as required by the Companies Act of South Africa. The other information does not include the consolidated or the separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and/or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and / or Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of Metair Investments Limited for 23 years.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.

Director: N Ndiweni

Registered Auditor

Johannesburg

17 March 2021

BALANCE SHEETS

AS AT 31 DECEMBER 2020

		GROUP		COMPANY	
		2020	2019	2020	2019
	Notes	R'000	R'000	R'000	R'000
ASSETS					
Non-current assets		3 759 995	4 061 014	573 685	564 758
Property, plant and equipment	7	2 618 197	2 707 381		
Intangible assets	8	503 801	605 059		
Interest in subsidiaries	9			570 892	561 965
Investment in associates	10	624 185	733 440	2 793	2 793
Deferred taxation	15	13 812	15 134		
Current assets		5 538 675	4 906 321	1 526 287	1 524 961
Inventory	11	1 695 429	1 735 629		
Trade and other receivables	12	1 819 377	1 699 884		
Contract assets	1.2	382 278	303 725		
Taxation		17 653	26 460		
Short-term loans - subsidiaries	9			1 523 467	1 524 490
Derivative financial assets	19.5	242	552		
Cash and cash equivalents	13	1 623 696	1 140 071	2 820	471
Total assets		9 298 670	8 967 335	2 099 972	2 089 719
EQUITY AND LIABILITIES					
Capital and reserves					
Stated capital	26	1 497 931	1 497 931	1 497 931	1 497 931
Treasury shares	26	(128 126)	(142 176)		
Share-based payment reserve	27.1	178 087	149 047	77 198	68 271
Foreign currency translation reserve	27.2	(2 069 461)	(1 791 227)		
Equity accounted earnings	27.3	463 323	470 111		
Changes in ownership reserve	27.4	(21 197)	(21 197)		
Retained earnings	27.5	4 185 418	4 025 564	301 375	312 996
Ordinary shareholders equity		4 105 975	4 188 053	1 876 504	1 879 198
Non-controlling interests	27.6	108 863	122 733		
Total equity		4 214 838	4 310 786	1 876 504	1 879 198
Non-current liabilities		1 028 096	1 843 251		
Borrowings	14	519 311	1 299 437		
Post-employment benefits	22	91 327	85 317		
Deferred taxation	15	251 155	284 727		
Deferred grant income	16	124 626	134 476		
Provisions for liabilities and charges	17	41 677	39 294		
Current liabilities		4 055 736	2 813 298	223 468	210 521
Trade and other payables (including deferred grant income)	16	1 873 269	1 360 535	837	777
Contract liabilities	1.2	118 496	161 133		
Borrowings	14	1 851 002	896 974		
Taxation		53 364	29 500		
Provisions for liabilities and charges	17	83 175	87 790		
Short-term loans - subsidiaries	9			222 631	209 744
Derivative financial liabilities	19.5	17 857	15 900		
Bank overdrafts	13	58 573	261 466		
Total liabilities		5 083 832	4 656 549	223 468	210 521
Total equity and liabilities		9 298 670	8 967 335	2 099 972	2 089 719

INCOME STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

		GROUP		COMPANY	
		2020	2019	2020	2019
	Notes	R'000	R'000	R'000	R'000
Revenue	1	10 234 706	11 237 995		
Cost of sales		(8 642 047)	(9 234 430)		
Gross profit		1 592 659	2 003 565		
Other operating income and dividend revenue	3	117 943	113 775		6 295
Distribution expenses		(382 932)	(438 854)		
Administrative and other operating expenses		(751 282)	(661 051)	(5 143)	(5 681)
Impairment (loss)/gain on financial assets	12	(15 726)	718	(6 478)	77 305
Operating profit/(loss)	3	560 662	1 018 153	(11 621)	77 919
Interest income	2	40 873	32 777		1
Interest expense	2	(204 731)	(259 875)		
Share of results of associates*	10	8 132	105 665		
Impairment of associates*	10	(108 168)	(25 351)		
Profit/(loss) before taxation		296 768	871 369	(11 621)	77 920
Taxation	4	(111 491)	(213 576)		
Profit/(loss) for the year		185 277	657 793	(11 621)	77 920
Attributable to:					
Equity holders of the company		174 184	624 186	(11 621)	77 920
Non-controlling interests		11 093	33 607		
		185 277	657 793	(11 621)	77 920
Earnings per share					
Basic earnings per share (cents)	5	91	325		
Diluted earnings per share (cents)	5	91	324		

** Earnings from associates has been expanded in the current year to separate the impact of impairments. Prior year comparative figures have been adjusted accordingly.*

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

		GROUP		COMPANY	
		2020	2019	2020	2019
	Notes	R'000	R'000	R'000	R'000
Profit/(loss) for the year		185 277	657 793	(11 621)	77 920
Other comprehensive income:					
Items that will not be reclassified to profit or loss:					
- Actuarial losses recognised	22	(9 552)	(14 773)		
- Taxation effect	15	2 056	3 090		
		(7 496)	(11 683)		
Items that may be reclassified to profit or loss:					
- Net exchange losses arising on translation of foreign operations		(277 768)	(373 198)		
Other comprehensive loss for the year net of taxation		(285 264)	(384 881)		
Attributable to:					
Equity holders of the company		(285 462)	(384 314)		
- Actuarial losses recognised		(7 228)	(11 406)		
- Net exchange losses arising on translation of foreign operations		(278 234)	(372 908)		
Non-controlling interests	27.6	198	(567)		
- Actuarial (losses)/gains recognised		(268)	(277)		
- Exchange gains/(losses) arising on translation of foreign operations		466	(290)		
Total comprehensive (loss)/income for the year		(99 987)	272 912	(11 621)	77 920
Attributable to:					
Equity holders of the company		(111 278)	239 872	(11 621)	77 920
Non-controlling interests	27.6	11 291	33 040		

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	Stated capital R'000	Treasury shares R'000	Other reserves R'000	Retained earnings R'000	Attributable to equity holders of the group R'000	Non-controlling interests R'000	Total equity R'000
		GROUP						
Year ended 31 December 2020								
Balance as at 1 January 2020	26, 27	**1 497 931**	**(142 176)**	**(1 193 266)**	**4 025 564**	**4 188 053**	**122 733**	**4 310 786**
Net profit for the year	27				**174 184**	**174 184**	**11 093**	**185 277**
Other comprehensive loss	27			**(278 234)**	**(7 228)**	**(285 462)**	**198**	**(285 264)**
Total comprehensive loss for the year	27			**(278 234)**	**166 956**	**(111 278)**	**11 291**	**(99 987)**
Employee share option scheme	27.1			**29 040**		**29 040**		**29 040**
Vesting of share-based payment obligation	26, 27.1		**14 050**	**(13 890)**		**160**		**160**
Transfer of net vesting impact to retained earnings	27.1, 27.5			**13 890**	**(13 890)**			
Transfer of associate loss and dividend	27.3			**(6 788)**	**6 788**			
Dividend*	27.5						**(25 161)**	**(25 161)**
Balance as at 31 December 2020		**1 497 931**	**(128 126)**	**(1 449 248)**	**4 185 418**	**4 105 975**	**108 863**	**4 214 838**
Year ended 31 December 2019								
Balance as at 1 January 2019	26, 27	1 497 931	(112 510)	(918 246)	3 699 197	4 166 372	121 349	4 287 721
Net profit for the year	27				624 186	624 186	33 607	657 793
Other comprehensive loss	27			(372 908)	(11 406)	(384 314)	(567)	(384 881)
Total comprehensive income for the year	27			(372 908)	612 780	239 872	33 040	272 912
Employee share option scheme	27.1			23 391		23 391		23 391
Treasury shares acquired	26, 27.1		(44 984)			(44 984)		(44 984)
Vesting of share-based payment obligation	26, 27.1		15 318	(18 678)		(3 360)		(3 360)
Transfer of net vesting impact to retained earnings	27.1, 27.5			18 678	(18 678)			
Transfer of associate profit and dividend	27.3			74 497	(74 497)			
Dividend**	27.5				(193 238)	(193 238)	(31 656)	(224 894)
Balance as at 31 December 2019		1 497 931	(142 176)	(1 193 266)	4 025 564	4 188 053	122 733	4 310 786

* The ordinary dividend of R1.20 per share declared (by the company) in respect of the year ended 31 December 2019, was cancelled. R25.2 million refers to Smiths Manufacturing (Pty) Ltd (Smiths Manufacturing) and Rombat SA dividends paid to outside shareholders.

** An ordinary dividend of R1 per share was declared (by the company) in respect of the year ended 31 December 2018. R31.7 million refers to Smiths Manufacturing and Rombat SA dividends paid to outside shareholders.

STATEMENT OF CHANGES IN EQUITY continued

		COMPANY					
	Notes	Stated capital R'000	Treasury shares R'000	Share-based payment reserves R'000	Retained earnings R'000	Attributable to equity holders of the company R'000	Total equity R'000
Year ended 31 December 2020							
Balance as at 1 January 2020	26, 27	**1 497 931**		**68 271**	**312 996**	**1 879 198**	**1 879 198**
Net loss for the year	27.5				**(11 621)**	**(11 621)**	**(11 621)**
Total comprehensive loss for the year					**(11 621)**	**(11 621)**	**(11 621)**
Employee share option scheme	27.1			**31 780**		**31 780**	**31 780**
Purchase of treasury shares from BVI	26		**(22 853)**			**(22 853)**	**(22 853)**
Settlement of share options	27.1		**22 853**	**(22 853)**			
Dividend*	27.5						
Balance as at 31 December 2020		**1 497 931**		**77 198**	**301 375**	**1 876 504**	**1 876 504**
Year ended 31 December 2019							
Balance as at 1 January 2019	26, 27	1 497 931		66 598	440 357	2 004 886	2 004 886
Net profit for the year	27.5				77 920	77 920	77 920
Total comprehensive income for the year	27				77 920	77 920	77 920
Employee share option scheme	27.1			24 392		24 392	24 392
Purchase of treasury shares	26		(29 014)			(29 014)	(29 014)
Settlement of share options	27.1		29 014	(22 719)	(6 295)		
Dividend**	27.5				(198 986)	(198 986)	(198 986)
Balance as at 31 December 2019		1 497 931		68 271	312 996	1 879 198	1 879 198

* The ordinary dividend of R1.20 per share declared in respect of the year ended 31 December 2019, was cancelled.

** An ordinary dividend of R1 per share was declared in respect of the year ended 31 December 2018.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

		GROUP		COMPANY	
		2020	2019	2020	2019
	Notes	R'000	R'000	R'000	R'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash generated from/(utilised in) operations	18.1	1 057 418	1 229 928	(5 083)	(5 488)
Interest paid	18.4	(200 086)	(259 893)		
Taxation paid	18.2	(91 513)	(220 468)		
Dividends paid	18.3	(25 161)	(224 894)		(198 986)
Dividends from associates	10	14 920	31 168		
Net cash inflow/(outflow) from operating activities		755 578	555 841	(5 083)	(204 474)
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of property, plant and equipment (excludes leased assets)	7	(225 031)	(455 837)		
Acquisition of intangible assets	8	(20 858)	(23 992)		
Final insurance proceeds on property, plant and equipment	3		33 683		
Grant repayment			(26 027)		
Increase in investments in associate	10	(9 559)	(2 553)		
Advances (raised)/repaid by subsidiaries	9			(5 455)	173 138
Interest received	2	40 873	32 777		1
Proceeds on disposal of property, plant and equipment	3, 7	1 985	7 234		
Net cash (outflow)/inflow from investing activities		(212 590)	(434 715)	(5 455)	173 139
CASH FLOWS FROM FINANCING ACTIVITIES					
Revolving credit facility drawdown	18.5	150 000	41 000		
Mutlu borrowings repaid	18.5	(114 212)	(128 510)		
Mutlu and Rombat borrowings raised	18.5	223 731	385 042		
Lease payments	18.5	(48 916)	(47 457)		
Advances raised from subsidiaries	9			12 887	31 482
Acquisition of treasury shares	26		(44 984)		
Utilisation of treasury shares - CGT loss/(gain)	27.1	160	(3 360)		
Net cash inflow/(outflow) from financing activities		210 763	201 731	12 887	31 482
Net increase/(decrease) in cash and cash equivalents		753 751	322 857	2 349	147
Cash and cash equivalents at the beginning of the year		878 605	579 610	471	324
Exchange loss on cash and cash equivalents		(67 233)	(23 862)		
Cash and cash equivalents at end of the year	13	1 565 123	878 605	2 820	471

NOTES TO THE FINANCIAL STATEMENTS

1. SEGMENT REPORT AND REVENUE	GROUP					
	2020			2019		
	Segment revenue R'000	% of total segment revenue	Segment PBIT R'000	Segment revenue R'000	% of total segment revenue	Segment PBIT R'000
1.1 SEGMENT REVIEW						
Energy storage						
Automotive						
Local	4 370 104	38	460 032	4 381 959	35	463 557
Direct exports	1 517 024	13	161 034	1 865 595	15	171 476
	5 887 128	51	621 066	6 247 554	50	635 033
Industrial						
Local	511 658	5	(31 716)	589 790	5	31 185
Direct exports	18 268		(937)	18 539		(18)
	529 926	5	(32 653)	608 329	5	31 167
Total energy storage	6 417 054	56	588 413	6 855 883	55	666 200
Automotive components						
Local						
Original equipment	4 410 129	39	45 556	5 031 676	40	433 296
Aftermarket	466 509	4	47 747	538 424	4	93 363
Non-auto	25 523		(2 125)	28 207		1 741
	4 902 161	43	91 178	5 598 307	44	528 400
Direct exports						
Original equipment				5 678		1 692
Aftermarket	42 247		(2 867)	43 644		7 597
	42 247	1	(2 867)	49 322	1	9 289
Total automotive components	4 944 408	44	88 311	5 647 629	45	537 689
Total segment results	11 361 462		676 724	12 503 512		1 203 889
Managed associate*	(1 126 756)		27 736	(1 265 517)		(109 962)
Amortisation and depreciation on fair value uplift of assets arising from businesses acquired			(22 216)			(22 963)
Other reconciling items**			(121 582)			(52 811)
Total group results	10 234 706		560 662	11 237 995		1 018 153
Share of results of associates and impairment			(100 036)			80 314
Profit before interest and taxation			460 626			1 098 467
Net finance costs			(163 858)			(227 098)
Profit before taxation			296 768			871 369
Included in the above:						
Depreciation and amortisation			(322 340)			(295 462)
- Energy storage***			(224 589)			(203 242)
- Automotive components****			(97 751)			(92 220)
Impairment charges*****						

* The full results of Hesto Harnesses Pty (Ltd) ('Hesto') have been included in the segment review. Metair has a 74.9% equity interest and is responsible for the operational management of this associate.

** Other reconciling items relate to Metair head office companies.

*** Allocated to automotive R206.0 million (2019: R193.7 million) and industrial R18.6 million (2019: R9.5 million).

**** Allocated to original equipment R87.2 million (2019: R 74.6 million) and aftermarket and non-auto R10.6 million (2019: R17.6 million).

***** MOLL group was an associate and did not form part of energy storage results. However, the remaining investment in MOLL was fully impaired by R108 million (2019: R25 million). MOLL is in a liquidation process. There are no further impairments in segmental assets.

1. SEGMENT REPORT AND REVENUE (continued)

1.1 SEGMENT REVIEW (continued)

Segment information

Segment description and principal activities

The group manages an international portfolio of companies that manufacture and supply automotive components and energy storage solutions for local and export automotive and industrial markets. The group's manufacturing locations include South Africa, Romania and Turkey and the group also exports products directly from these locations into Africa, Middle East, Russia and Europe. The executive directors of the group and company are the chief operating decision makers. In order to determine operating and reportable segments, management examines the group's performance from a product, market and geographic perspective and the reportable segments in the annual report are identical to the operating segments identified. The group's business is managed and analysed in two distinct verticals – the energy storage and the automotive components business units. Following the acquisitions of Rombat and Mutlu, the impact of the energy storage businesses on the group results has become significant, and the evaluation and management of the group's businesses by the chief operating decision maker is therefore focused on energy storage and automotive components. The reportable segments of these businesses are identified as follows:

Energy storage vertical– automotive and industrial

The energy storage business consists of the automotive and industrial segments which manufacture products for local and export markets. FNB (South Africa), Mutlu (Turkey), Rombat (Romania) and Dynamic (United Kingdom) are included in energy storage results.

Automotive batteries are mainly supplied to the aftermarket through the group's unique distribution channels and retail networks in addition to the supply of batteries to the original equipment manufacturers (OEMs).

Industrial energy products relate to products sold in the telecoms, utility, mining, retail and materials/product handling sectors and are mainly sold in sub-Saharan Africa and Turkey.

Automotive components vertical, including exports – original equipment (OE), aftermarket and non-automotive

The traditional automotive component business comprises of the following segments which manufacture products for the local and export markets:

- OE;
- aftermarket; and
- non-automotive products.

OE involves the manufacture and distribution of components used in the assembly of new vehicles. Supply is linked to a particular vehicle model as the group benefits from long industry product life cycles. Aftermarket involves the manufacture and distribution of components used to service vehicles produced by local OEMs as well as generic parts for imported vehicles. This creates the opportunity for the group to supply products to owners of vehicles throughout its life cycle. Non-automotive markets include manufacture and distribution of products mostly related to industrial and utility sectors.

Automotive components include coil and leaf springs, headlights, wiring harnesses and cable, air-conditioning, radiators, climate control systems, shock absorbers, plastic injection mouldings and brake pads. The group's 'non-battery' operating subsidiaries represents the automotive component business unit and these include the businesses of Smiths Manufacturing, Automould and Auto Plastics, Supreme Spring and ATE, Lumotech, Unitrade and Hesto.

Basis of measurement

The executive directors assess the performance of these operating segments based on operating profit, or profit before interest and tax (PBIT), which includes reported depreciation, amortisation as well as impairment charges. PBIT also includes the results of the managed associate (Hesto), but excludes the results of the share of other associates.

Interest income and expenses are not allocated to segments and amortisation of intangible assets arising from business combinations are also excluded. The amounts provided to the executive directors do not include regular measures of segment assets and liabilities and have therefore not been disclosed. The revenue from external parties reported to the executive directors is measured in a manner consistent with that in the income statement. All segment revenues include those from external customers from the sales of goods.

NOTES TO THE FINANCIAL STATEMENTS continued

1. SEGMENT REPORT AND REVENUE (continued)

1.1 SEGMENT REVIEW (continued)

Entity-wide information

Major customers

30% (2019: 29%) of total revenue results from sales to a single external customer of the group.

Geographical information

The group is domiciled in South Africa. The result of its revenue from South African operations (including Hesto) is R6 737 million (2019: R7 716 million) and from Europe and the Middle East (EME), R4 624 million (2019: R4 788 million). EME domiciled operations predominantly consists of Romania and Turkey.

Non-current assets

Non-current assets (excluding deferred tax assets) amounted to R3 746 million (2019: R4 069 million) of which foreign operations amounted to R2 214 million (2019: R2 377 million). Goodwill of R202 million (2019: R248 million) is fully allocated to energy storage and arises out of the acquisition of Mutlu and Rombat. Goodwill is tested for impairment and no impairments were recorded in the current or prior years. Details can be found in note 8 – Intangible assets and impairment testing on Mutlu and Rombat cash generating units.

1.2 REVENUE

A. Revenue streams

The group generates revenue primarily from the sale of automotive components (car parts), automotive batteries and industrial products to its customers. The group currently has two distinct business verticals, energy storage and automotive components. The group's segment report (note 1.1 above) provides further information about the group's products, markets and revenue streams.

	GROUP	
	2020 R'000	2019 R'000
Revenue from contracts with customers	**10 234 706**	11 237 995

B. Disaggregation of revenue from contracts with customers

The group derives revenue from the transfer of goods and services over time and at a point in time. In the following tables, revenue is disaggregated by primary geographical region (domiciled sales), major products and markets as well as the timing of revenue recognition for the year ended 31 December. The tables also include a reconciliation of the disaggregated revenue with the group's reportable segment revenue.

	GROUP					
	2020			2019		
	Revenue as reported R'000	Hesto (managed associate) exclusion R'000	Total segment revenue including Hesto R'000	Revenue as reported R'000	Hesto (managed associate) exclusion R'000	Total segment revenue including Hesto R'000
Primary geographical markets						
South Africa	**5 609 981**	**(1 126 756)**	**6 736 737**	6 450 490	(1 265 517)	7 716 007
Turkey and UK	**3 201 392**		**3 201 392**	3 498 391		3 498 391
Romania	**1 423 333**		**1 423 333**	1 289 114		1 289 114
	10 234 706	**(1 126 756)**	**11 361 462**	11 237 995	(1 265 517)	12 503 512
Major product and service lines						
Automotive batteries	**5 887 128**		**5 887 128**	6 247 555		6 247 555
Automotive components and car parts	**3 478 789**	**(1 126 756)**	**4 605 545**	4 236 083	(1 265 517)	5 501 600
Automotive customer tooling	**313 340**		**313 340**	117 822		117 822
Industrial and non-automotive products	**555 449**		**555 449**	636 535		636 535
	10 234 706	**(1 126 756)**	**11 361 462**	11 237 995	(1 265 517)	12 503 512
Timing of revenue recognition						
Products transferred at a point in time	**6 677 958**	**(60 573)**	**6 738 531**	7 098 531	(46 937)	7 145 468
Products and services transferred over time	**3 556 748**	**(1 066 183)**	**4 622 931**	4 139 464	(1 218 580)	5 358 044
	10 234 706	**(1 126 756)**	**11 361 462**	11 237 995	(1 265 517)	12 503 512

1. SEGMENT REPORT AND REVENUE (continued)

1.2 REVENUE (continued)

B. Disaggregation of revenue from contracts with customers (continued)

	Reportable segments				
		Automotive		Industrial	
ENERGY STORAGE:	**Total revenue R'000**	**Local R'000**	**Direct export R'000**	**Local R'000**	**Direct export R'000**
2020					
Primary geographical markets					
South Africa	**1 792 329**	**1 253 703**	**178 947**	**341 411**	**18 268**
Turkey and UK	**3 201 392**	**2 468 568**	**562 577**	**170 247**	
Romania	**1 423 333**	**647 833**	**775 500**		
	6 417 054	**4 370 104**	**1 517 024**	**511 658**	**18 268**
Major product and service lines					
Automotive batteries	**5 887 128**	**4 370 104**	**1 517 024**		
Industrial batteries	**529 926**			**511 658**	**18 268**
	6 417 054	**4 370 104**	**1 517 024**	**511 658**	**18 268**
Timing of revenue recognition					
Products transferred at a point in time	**6 417 054**	**4 370 104**	**1 517 024**	**511 658**	**18 268**
2019					
Primary geographical markets					
South Africa	2 068 378	1 358 831	249 568	441 440	18 539
Turkey and UK	3 498 391	2 451 445	898 596	148 350	
Romania	1 289 114	571 683	717 431		
	6 855 883	4 381 959	1 865 595	589 790	18 539
Major product and service lines					
Automotive batteries	6 247 554	4 381 959	1 865 595		
Industrial batteries	608 329			589 790	18 539
	6 855 883	4 381 959	1 865 595	589 790	18 539
Timing of revenue recognition					
Products transferred at a point in time	6 855 883	4 381 959	1 865 595	589 790	18 539

NOTES TO THE FINANCIAL STATEMENTS continued

1. SEGMENT REPORT AND REVENUE (continued)

1.2 REVENUE (continued)

B. Disaggregation of revenue from contracts with customers (continued)

		Reportable segments			
		Local		Direct export	
	Total revenue	Original equipment	Aftermarket and non-auto	Original equipment	Aftermarket
AUTOMOTIVE COMPONENTS:	R'000	R'000	R'000	R'000	R'000
2020					
Primary geographical markets					
South Africa	**4 944 408**	**4 410 129**	**492 032**		**42 247**
	4 944 408	**4 410 129**	**492 032**		**42 247**
Major product and service lines					
Automotive components and parts	**4 605 545**	**4 096 789**	**466 509**		**42 247**
Customer tooling services	**313 340**	**313 340**			
Non-automotive products	**25 523**		**25 523**		
	4 944 408	**4 410 129**	**492 032**		**42 247**
Timing of revenue recognition					
Products transferred at a point in time	**321 477**	**85 707**	**221 041**		**14 729**
Products and services transferred over time	**4 622 931**	**4 324 422**	**270 991**		**27 518**
	4 944 408	**4 410 129**	**492 032**		**42 247**
2019					
Primary geographical markets					
South Africa	5 647 629	5 031 676	566 631	5 678	43 644
	5 647 629	5 031 676	566 631	5 678	43 644
Major product and service lines					
Automotive components and parts	5 501 601	4 913 854	538 425	5 678	43 644
Customer tooling services	117 822	117 822			
Non-automotive products	28 206		28 206		
	5 647 629	5 031 676	566 631	5 678	43 644
Timing of revenue recognition					
Products transferred at a point in time	289 585		275 786		13 799
Products and services transferred over time	5 358 044	5 031 676	290 845	5 678	29 845
	5 647 629	5 031 676	566 631	5 678	43 644

C. Contract balances

The following section provides information about receivables, contract assets and contract liabilities:

	GROUP	
	31 Dec 2019 R'000	31 Dec 2018 R'000
Receivables, which are included in 'trade and other receivables' (note 12)	**1 530 544**	1 415 105
Contract assets*	**382 278**	303 725
Contract liabilities	**(118 496)**	(161 133)

* *Any unconditional rights to consideration are presented separately as a receivable. A right to consideration is 'unconditional' if only the passage of time is required before payment is due. Although the group has an enforceable right to payment for performance completed to date (i.e. Automotive parts completed but not delivered) it does not necessarily have a present unconditional right to consideration until goods are actually delivered and invoiced. Expected credit losses on contract assets are immaterial.*

1. SEGMENT REPORT AND REVENUE (continued)

1.2 REVENUE (continued)

C. Contract balances (continued)

C.1 Significant changes in contract assets and liabilities

Contract assets relate primarily to the group's rights to consideration for work completed to date on automotive components and tooling, but not billed at the reporting date. The contract assets were not impaired (refer to note 19.B). These contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the goods have been delivered and invoiced, upon acceptance by the customer. The associated finished goods, work in progress and materials have been de-recognised within cost of sales.

The contract liabilities primarily relate to advances received from customers for tooling and is invoiced as per specific contractual arrangements.

Rebates and discounts payable for R19.7 million (2019: R14.6 million), as well as refund liabilities for R18 million (2019: R13 million) are included within trade and other payables (note 16).

The significant changes in the contract assets and the contract liabilities during the period are reconciled in the tables below:

	GROUP			
	2020		2019	
	Contract assets R'000	Contract liabilities R'000	Contract assets R'000	Contract liabilities R'000
Opening balances at 1 January	303 725	(161 133)	288 770	(846)
Tooling activities concluded	(5 331)	153 654	(4 845)	(2 113)
Increases due to cash received excluding amounts recognised as revenue during the period	4 390	(111 017)		(158 174)
Transfers from contract assets to receivables (manufactured goods now invoiced)	(298 394)		(272 130)	
Work completed but not yet invoiced during the year	377 888		291 930	
Closing balances at 31 December	382 278	(118 496)	303 725	(161 133)

The major movements relate to increases in revenue recognised from changes in the levels of finished goods, work in progress and materials in respect of automotive components for OEM customers at balance sheet date.

C.2 Revenue recognised in relation to previous periods

Revenue of R12.6 million (2019: R11.1 million) was recognised in the current year from performance obligations satisfied (or partially satisfied) in previous periods. These relate to a battery distributor arrangement in which entitlement to consideration is contingent on the occurrence or non-occurrence of future "on-sales". Within one of the groups entities, a supply arrangement exists whereby certain distributors could be requested to supply batteries to other customers of the group entity. A credit note (refund) is given to the distributor for their stock utilised. The arrangement is treated as a sale with a right to return, a form of variable consideration. Most distributors generally hold up to two weeks stock holding. A portion of batteries sold is therefore reversed, based on estimated historical data sales trends. A refund liability and right to recover goods (assets) is created.

1. SEGMENT REPORT AND REVENUE (continued)

1.2 REVENUE (continued)

C. Contract balances (continued)

C.3 Transaction price allocated to remaining performance obligations

The group's performance obligations are short term in nature. Purchase orders are received for daily car builds and ordering commitments, from OEMs, do not exceed 3 months in general. Tooling contracts in progress have a duration of not more than one year at reporting date. Therefore no information is provided about remaining performance obligations at 31 December that have an original expected duration of one year or less, as allowed by IFRS 15.

At 31 December 2020, an amount of RNIL million (2019: R0.6 million) was allocated to an OEM customer material right and relates to future potential discounts, which will be realised during 2021. In addition, as a result of the battery distributor arrangement (refer C.2 above), revenue of R12.1 million (2019: R12.6 million) has been deferred or constrained until 2021 (2020).

C.4 Contract costs

No such incremental costs were incurred that may qualify for capitalisation under IFRS 15. The group does incur training costs from time to time. These costs will be assessed for capitalisation, where applicable. Costs to fulfil contracts in progress form part of inventory. The group did not incur any nomination fee expenses or pre-production costs which could be potentially capitalised under IFRS 15 during the year.

D. Performance obligations and summary of revenue recognition policies

The following tables highlight the key considerations under IFRS 15, by business vertical, from which the group generates its revenue. The full revenue accounting policies can be found within the group's overall accounting policies.

1. SEGMENT REPORT AND REVENUE (continued)

1.2 REVENUE (continued)

D. Performance obligations and summary of revenue recognition policies (continued)

Automotive components	
Products and services	**Nature, timing of satisfaction of performance obligations and significant payment terms**
Automotive components	Under our arrangements with OEMs, the customers control all of the work in progress as the parts are being built. Revenue is recognised progressively (over time) including parts to be delivered (on hand) but entitled to be invoiced. For finished goods, revenue is recognised based on an 'entitled to invoice' method as selling price is known and fixed until annual pricing reviews. For work in progress and specific materials, these are based on costs incurred to date plus an appropriate mark up. Payment terms are normally 30, 45 and 60 days from invoice following actual delivery of the part. The entitlement to consideration is recognised as a contract asset and transferred to receivables when the entitlement to payment becomes unconditional (delivery and acceptance of parts).
OEM customer tooling	Revenue for tooling services is recognised progressively based on costs incurred to date (input method). Revenue is recognised on a gross basis (as principal) even though the production of the tooling is normally outsourced to third party tool-makers. Payment terms are usually based on specified instalments over the duration of the contract or construction of the tool.
Customer options (material rights)	Lifetime price reductions for future goods, which result in a material right for a customer, are separated and a portion of revenue (the sales price) is only allocated when those future goods are transferred.
Other (non-OEM) products	Under other revenue streams other than OEMs, customers do not take control of the products until delivered. Revenue is recognised upon formal acceptance of the product, including risks and rewards of ownership. Payment is on 30-day terms.
Warranty	All contracts include standard warranty clauses to guarantee that products comply with agreed specifications. Warranty provisions are recognised by the group. There are no extended warranties.
Financing components	The group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and the payment by the customer exceeds one year. As a consequence, the group does not adjust any of the transaction prices for the time value of money. Payment terms are within industry norms.

Energy Storage	
Products and services	**Nature, timing of satisfaction of performance obligations and significant payment terms**
Automotive batteries	The group recognises revenue when the customer takes possession of the battery. This usually occurs upon delivery to the customer's premises. For certain distributor arrangements, the amount of revenue recognised is adjusted for the expected refunds to be granted to the distributor, which are estimated based on the historical data for specific sale channels in which the goods are redirected. No cash refunds are made but credit notes are issued. These arrangements are treated as a sale with a right of return, a form of variable consideration. Export sales "incoterms" are usually free on board and recognised upon shipment of the batteries. Payments terms for sale of batteries varies according to sale channels and are up to 90 days for distributors, 45 to 60 days for OEMs and up to 90 days upon shipment for exports.
Industrial products	Under industrial revenue streams, customers do not take control for the product until they are completed. Revenue is recognised on formal acceptance by the customer (point in time), usually upon delivery to the customers premises. Payment terms are 60 and 90 days from delivery.
Warranty	All contracts include standard warranty clauses to guarantee that products comply with agreed specifications. Warranty provisions are recognised by the group. There are no extended warranties.
Financing components	The group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and the payment by the customer exceeds one year. As a consequence, the group does not adjust any of the transaction prices for the time value of money. Payment terms are within industry norms.

NOTES TO THE FINANCIAL STATEMENTS continued

		GROUP 2020 R'000	GROUP 2019 R'000	COMPANY 2020 R'000	COMPANY 2019 R'000
2.	**NET FINANCE COSTS**				
	Interest income				
	On bank deposits	**40 843**	31 425		1
	Other	**30**	1 352		
		40 873	32 777		1
	Interest expense				
	Bank borrowings and overdraft	**(139 920)**	(168 372)		
	Leases and hire purchase	**(9 864)**	(12 926)		
	Dividend on redeemable preference shares	**(46 919)**	(60 532)		
	Defined employee benefits and other	**(8 028)**	(18 045)		
		(204 731)	(259 875)		
	Net finance (expense)/income	**(163 858)**	(227 098)		1
3.	**OPERATING PROFIT/(LOSS)**				
	Operating profit is stated after taking into account the following:				
	Other operating income and dividend revenue				
	Distribution from subsidiaries				6 295
	Management fees received - external	**7 635**	7 474		
	Government grants	**92 807**	104 674		
	Bad debts recovered	**46**	124		
	Rent received	**353**	137		
	Derivatives at fair value through profit or loss:				
	- Fair value profit/(loss) - FECs	**2 241**	(24 204)		
	Insurance proceeds - general	**1 006**	2 232		
	Profit on transfer of aftermarket business (note 10)		8 313		
	Sundry income	**13 855**	15 025		
		117 943	113 775		6 295
	Expenses by nature				
	Auditors' remuneration:				
	- Audit fees and disbursements	**10 794**	9 877	**861**	1 148
	- Non-audit assurance services	**1 103**	533		
	- Non-audit non-assurance services	**423**	510		
	Depreciation and amortisation (notes 7 and 8)	**322 340**	295 462		
	Loss/(profit) on disposal of property, plant and equipment	**1 833**	(1 969)		
	Lease charges (note 7)	**15 099**	13 342		
	Impairment loss/(gain) on financial assets	**15 726**	(718)	**(6 478)**	(77 305)
	MOLL deposit write-off	**31 555**			
	Managerial, technical service fees and transaction costs paid to outside parties	**63 811**	34 758		
	Foreign exchange (gains)/losses	**(6 993)**	9 728		
	Sales and marketing	**64 958**	102 036		
	Transport, handling and logistics	**155 841**	177 951		
	Other distribution costs	**62 354**	48 624		
	Raw materials, consumables used and other overheads	**7 052 783**	7 622 227		
	Employee benefit expense	**1 931 067**	1 965 655	**3 335**	3 389
	Other administrative and general expenses	**69 293**	55 601	**947**	1 144
	Total cost of sales, distribution expenses, administrative and other operating expenses	**9 791 987**	10 333 617	**(1 335)**	(71 624)

		GROUP		COMPANY	
		2020	2019	2020	2019
		R'000	R'000	R'000	R'000
3.	**OPERATING PROFIT/(LOSS) (continued)**				
	Employee benefit expense				
	Wages and salaries	1 644 922	1 717 065	3 335	3 389
	Share-based payment expenses	31 780	24 392		
	Termination benefits	25 081	1 882		
	Social security costs	131 618	129 555		
	Pension costs - defined contribution plans (note 22.3)	90 005	86 407		
	Post-employment medical aid benefits (note 22.1)	3 795	2 718		
	Other post-employment benefits (note 22.2)	3 866	3 636		
		1 931 067	1 965 655	3 335	3 389
	Number of persons employed by the group at the end of the year				
	Hourly	3 766	3 699		
	Monthly	2 154	2 467		
		5 920	6 166		
	Directors' emoluments				
	Executive directors				
	Salaries and allowances	35 412	19 787	35 412	19 787
	Other benefits	8 431	2 648	8 431	2 648
		43 843	22 435	43 843	22 435
	Paid by subsidiary companies	(43 843)	(22 435)	(43 843)	(22 435)
	Non-executive directors	2 988	3 105	2 988	3 105
	Fees	7 187	5 487	7 187	5 487
	Paid by subsidiary company	(4 199)	(2 382)	(4 199)	(2 382)

3. OPERATING PROFIT/(LOSS) (continued)

Directors' emoluments (continued)

	COMPANY			
	2020		2019	
	CT Loock R'000	S Douwenga R'000	CT Loock R'000	S Douwenga R'000
Executive directors				
Salaries and allowances	14 726	4 681	7 090	4 601
Restraint of trade	7 500			
Performance bonuses	5 771	2 734	5 659	2 437
Pension and provident fund contributions	351	225	354	212
Company contributions	40	68	40	66
Gain on the exercise of share options*	4 728	3 019	1 379	597
	33 116	10 727	14 522	7 913
Paid by subsidiary companies	(33 116)	(10 727)	(14 522)	(7 913)

	COMPANY					
	2020			2019		
	Net R'000	Fees R'000	Paid by subsidiary company R'000	Net R'000	Fees R'000	Paid by subsidiary company R'000
Non-executive directors						
SG Pretorius	658	1 194	(536)	648	973	(325)
B Mawasha	329	1 063	(734)	324	921	(597)
TN Mgoduso	329	1 128	(799)	324	604	(280)
PPJ Derby	27	45	(18)	324	530	(206)
HG Motau	329	481	(152)	324	527	(203)
CMD Flemming	329	1 031	(702)	270	545	(275)
S Sithole	329	768	(439)	270	433	(163)
MN Muell	329	970	(641)	216	341	(125)
NL Mkhondo	329	507	(178)	162	208	(46)
TP Moeketsi				108	134	(26)
JG Best				135	271	(136)
	2 988	7 187	(4 199)	3 105	5 487	(2 382)

* Unrestricted portion.

Information regarding share awards/share options granted to executive directors of Metair can be found in note 26.1.

		GROUP		COMPANY	
		2020	2019	2020	2019
		R'000	R'000	R'000	R'000
4.	**TAXATION**				
	Normal taxation				
	Current:				
	- Current year	122 245	195 870		
	- Prior years	3 508	(1 358)		
	Deferred:				
	- Current year	(11 833)	13 512		
	- Prior years	(1 820)	5 196		
	- Rate change	(2 637)			
	Dividend withholding taxes	2 028	356		
		111 491	213 576		
		%	%	%	%
	Reconciliation of taxation rate:				
	Standard rate - South Africa	28.0	28.0	28.0	28.0
	Effect of change in taxation rate	(0.8)			
	Associates' results net of taxation	(0.8)	(3.4)		
	Associates' impairment	10.2	0.8		
	Prior year adjustment	0.6	0.4		
	- Current	1.2	(0.2)		
	- Deferred	(0.6)	0.6		
	Non-deductible expenses	15.4	4.4	(28.0)	2.0
	- Non-deductible expenses for preference dividends	4.4	1.9		
	- Non-deductible expenses for interest and fees	2.9	1.2		
	- Non-deductible expenses on corporate and legal costs	2.5	0.4	(28.0)	2.0
	- Non-deductible expenses on MOLL	3.0			
	- Non-deductible expenses	2.6	0.9		
	Dividend withholding/other taxes	0.7			
	Taxation losses for which no deferred taxation asset was recognised	3.0	0.6		
	Utilisation of previously unrecognised tax losses	(0.8)	(0.6)		
	Exempt income	(0.2)	(0.2)		(30.0)
	Research and development tax credits	(1.2)	(0.6)		
	Learnership allowances	(0.6)			
	Investment tax credit - Turkey (Mutlu)	(5.3)	(1.7)		
	Foreign tax rate difference*	(10.6)	(3.2)		
	Effective rate	37.6	24.5		

* Mutlu and Rombat statutory taxation rates are 22% (2019: 22%) and 16% (2019: 16%) respectively.
Mutlu statutory taxation rate reduced to 20% effective from 2021.

The tax effects relating to items of other comprehensive income are disclosed in notes 15 and 27.

Deferred income taxation assets are recognised for assessable taxation losses to the extent that the realisation of the related taxation benefit through taxable profits is probable and is based primarily on the future forecasted profitability of the relevant entity. Factors considered include future profitability forecasts and internal reorganisations. Also see note 15 for information about recognised tax losses and assets.

The group did not recognise deferred income taxation assets of R60.4 million (2019: R49.5 million) in respect of estimated taxation losses amounting to R297.7 million (2019: R212.7 million) that can be carried forward against future taxable income. They can be carried forward indefinitely. The carry forward of South African assessed losses will be restricted to 80% of the taxable income of the relevant company from 2021.

Dividend withholding tax is payable at a rate of 20% (2019: 20%) on dividends distributed to shareholders. Dividends paid to companies and certain other institutions and certain individuals are not subject to this withholding tax. This tax is not attributable to the company paying the dividend but is collected by the company and paid to the tax authorities on behalf of the shareholder. On receipt of a dividend, the company includes the dividend withholding tax on this dividend in its computation of the income tax expense in the period of such receipt.

	GROUP 2020	2019
5. EARNINGS PER SHARE		
Basic earnings per share represents the income in cents attributable to equity holders of the company, based on the group's attributable profit or loss from ordinary activities divided by the weighted average number of shares in issue during the year, excluding treasury shares.	**91**	325
Headline earnings per share represents the income in cents attributable to equity holders of the company, based on the group's attributable profit or loss from ordinary activities, adjusted as required by SAICA Circular 1/2019, divided by the weighted average number of shares in issue during the year excluding treasury shares.	**148**	336
Diluted earnings per share		
Diluted earnings per share (cents)	**91**	324
Diluted headline earnings per share (cents)	**148**	335

For the diluted earnings per share calculation, the weighted average number of ordinary shares outstanding is adjusted to take into account all dilutive potential ordinary shares.
The company has one category of potential dilutive ordinary shares: Share options.
The number of shares taken into account is determined by taking the number of shares that could have been acquired at fair value based on the monetary value of the subscription rights attached to the outstanding share options and awards.
This calculation is done to determine the 'purchased' shares to be added to the ordinary shares outstanding for the purpose of computing the dilution.

	GROUP			
	Earnings per share		Earnings per share	
	2020	2020	2019	2019
Reconciliation between basic and headline earnings	R'000	cents	R'000	cents
Net profit attributable to ordinary shareholders	**174 184**	**90.7**	624 186	325.3
Loss/(profit) on disposal of property, plant and equipment	**1 520**	**0.8**	(1 567)	(0.8)
Gross amount	**1 833**		(1 969)	
Taxation effect	**(313)**		402	
Impairment of associate	**108 168**	**56.3**	25 351	13.2
Gross amount	**108 168**		25 351	
Gain on transfer of Smiths Manufacturing (Pty) Ltd aftermarket business			(3 497)	(1.8)
Gross amount			(8 313)	
Taxation effect			3 651	
Non-controlling interest effect			1 165	
Headline earnings	**283 872**	**147.8**	644 473	335.8
Weighted average number of shares in issue ('000)	**192 118**		191 904	
Diluted earnings per share				
Net profit attributable to ordinary shareholders	**174 184**	**90.5**	624 186	324.2
Number of shares used for diluted earnings calculation ('000)	**192 365**		192 538	
Diluted headline earnings per share				
Headline earnings	**283 872**	**147.6**	644 473	334.9
Number of shares used for diluted earnings per share calculation ('000)	**192 365**		192 453	
Weighted average number of shares in issue ('000)	**(192 118)**		(191 904)	
Adjustment for dilutive share options ('000)	**247**		549	

		GROUP 2020 R'000	GROUP 2019 R'000	COMPANY 2020 R'000	COMPANY 2019 R'000
6.	**DIVIDENDS**				
	The dividend of 120 cents per share, declared on 17 March 2020, in respect of the 2019 year end was cancelled (2019: 100 cents declared and paid for the 2018 year end)		193 238		198 986

	GROUP					
		Land and buildings R'000	Plant, machinery and equipment R'000	Vehicles and furniture and fittings R'000	Right-of-use assets R'000	Total R'000
7.	**PROPERTY, PLANT AND EQUIPMENT**					
	2020					
	At cost	**954 970**	**3 271 410**	**201 803**	**139 849**	**4 568 032**
	Less: Accumulated depreciation and impairment	**(144 127)**	**(1 617 679)**	**(127 290)**	**(60 739)**	**(1 949 835)**
		810 843	**1 653 731**	**74 513**	**79 110**	**2 618 197**
	2019					
	At cost	989 794	3 081 610	194 093	137 563	4 403 060
	Less: Accumulated depreciation and impairment	(123 208)	(1 418 995)	(119 483)	(33 993)	(1 695 679)
		866 586	1 662 615	74 610	103 570	2 707 381
	Reconciliation of movement:					
	Year ended 31 December 2020					
	Opening net book value	**866 586**	**1 662 615**	**74 610**	**103 570**	**2 707 381**
	Transfers*	**19 391**	**(28 289)**	**9 532**	**(634)**	
	Additions	**2 554**	**205 102**	**18 008**	**11 078**	**236 742**
	Disposals	**(473)**	**(1 766)**	**(574)**	**(1 005)**	**(3 818)**
	Depreciation	**(16 642)**	**(219 852)**	**(19 569)**	**(36 683)**	**(292 746)**
	Currency adjustment	**(60 573)**	**35 921**	**(7 494)**	**2 784**	**(29 362)**
	Closing net book value	**810 843**	**1 653 731**	**74 513**	**79 110**	**2 618 197**
	Year ended 31 December 2019					
	Opening net book value	916 358	1 556 394	65 393		2 538 145
	Application of IFRS 16 at 1 January 2019				84 529	84 529
	Transfers	24 163	(35 228)	6 470	4 595	
	Additions	20 414	424 346	26 647	51 267	522 674
	Disposals	(2 342)	(174)	(184)	(2 565)	(5 265)
	Depreciation	(15 124)	(203 489)	(16 792)	(32 203)	(267 608)
	Currency adjustment	(76 883)	(79 234)	(6 924)	(2 053)	(165 094)
	Closing net book value	866 586	1 662 615	74 610	103 570	2 707 381

* Transfers relate to previous assets under construction which have now been completed.

Property, plant and equipment comprise of owned (including assets under construction) and leased assets. The group leases assets which include land and buildings, machinery, equipment and vehicles.

A register of land and buildings is available at the registered offices of the subsidiaries owning the respective properties.

Property, plant and equipment amounting to R108.5 million (2019: R109.0 million) relating to Rombat, are encumbered as security for bank overdraft facilities provided to Rombat.

R12 million (2019: R67 million) of the total additions of R237 million (2019: R523 million), relates to instalment sale liabilities and leases. R225 million (2019: R456 million) relates to capital expenditure.

Depreciation expenses are included within cost of sales of R237.3 million (2019: R223.4 million); distribution costs of R9.4 million (2019: R9.0 million); and administrative expenses of R46.0 million (2019: R35.2 million) in the income statement.

7. PROPERTY, PLANT AND EQUIPMENT (continued)

Assets under construction are included as follows:

	GROUP	
	2020	**2019**
	R'000	**R'000**
Land and buildings	**4 498**	15 255
Plant and equipment	**336 614**	264 002

Work in progress assets include R207 million relating to Lithium-Ion (Li-ion) investments to be commissioned.

Right of use assets are included as follows:

	GROUP	
	31 Dec 2020	**31 Dec 2019**
	R'000	**R'000**
Land and buildings (Property)	**43 913**	55 009
Machinery, forklifts and factory equipment	**23 824**	33 502
Vehicles	**11 374**	12 947

The group leases various assets under non-cancellable lease agreements, with lease terms ranging from 1 to 5 years. The net book value of the assets leased and capitalised amounted to R79.1 million (2019: R101.5 million).

Lease liabilities are included within borrowings. Refer to note 14 for details of lease liabilities recognised.

The group also acquires assets under instalment sale agreements (HPs). The net book values of these assets amounted to R46 million (2019: R54 million).

Lease rentals amounting to R5.9 million (2019: R6.5 million) relating to property and R9.2 million (2019: R6.8 million) relating to equipment are included in the income statement. These leases are short term and/or leases of low value items. These leases are not capitalised as the group has elected not to recognise right of use assets and lease liabilities for these leases. Equipment comprise mainly of IT and administrative equipment.

7. PROPERTY, PLANT AND EQUIPMENT (continued)

The amounts recognised in profit and loss in respect of the group's leases are as follows:

	GROUP	
	2020 R'000	**2019 R'000**
Interest on lease liabilities (included in finance costs)	**7 277**	8 731
Expenses relating to short term leases	**10 814**	9 831
Expenses relating to leases of low value assets that are not short term leases	**4 285**	3 511
Depreciation charges on right of use assets:		
- Property	**14 858**	8 378
- Machinery, forklifts and equipment	**14 474**	16 106
- Vehicles	**7 351**	7 719

The total cash outflow for leases was R64.1 million (2019: R60.8 million).

The group's leasing activities:

The group leases forklifts, vehicles, equipment and machinery for operational requirements. Rental or lease contracts range 1 one to 5 years. Lease terms are negotiated on an individual basis and contain different terms and conditions, but are generally standard in nature. The lease arrangements generally do not contain any covenants, but leased assets may not be used as security for borrowing purposes (other than HPs).

Group companies own most of their properties other than ATE and Rombat's Li-ion facility. ATE has entered into a 5 year agreement to lease property in Benoni, South Africa, from which it operates. Annual rentals start from R5 991 000, with escalations of 8% per annum.

Rombat leases property in Bucharest, Romania, from which it carries out its Li-Ion cell manufacturing. Operations commenced in November 2019 and the lease term is for 5 years. Annual lease rentals are EUR276 000 and there is no escalations.

Generally leases are recognised as a right of use asset and a corresponding liability at the date at which the leased asset is available for use by the group. Right of use assets are depreciated. Lease payments are allocated between the liability and finance costs.

		GROUP						
		Goodwill R'000	Trade-marks R'000	Licences R'000	Brands R'000	Customer relation-ship R'000	Develop-ment costs and other R'000	Total R'000
8.	**INTANGIBLE ASSETS**							
	2020							
	At cost	**219 492**	**52 415**	**45 113**	**177 466**	**93 928**	**91 640**	**680 054**
	Less: Accumulated amortisation and impairment	**(17 797)**	**(27 787)**	**(26 904)**	**(19 790)**	**(47 417)**	**(36 558)**	**(176 253)**
		201 695	**24 628**	**18 209**	**157 676**	**46 511**	**55 082**	**503 801**
	2019							
	At cost	266 173	48 537	37 509	209 535	110 987	93 201	765 942
	Less: Accumulated amortisation and impairment	(17 797)	(22 154)	(23 763)	(19 664)	(48 460)	(29 045)	(160 883)
		248 376	26 383	13 746	189 871	62 527	64 156	605 059
	Reconciliation of movement:							
	Year ended 31 December 2020							
	Opening net book value	**248 376**	**26 383**	**13 746**	**189 871**	**62 527**	**64 156**	**605 059**
	Additions			**8 757**			**12 101**	**20 858**
	Amortisation		**(3 189)**	**(3 165)**	**(2 793)**	**(6 997)**	**(13 450)**	**(29 594)**
	Currency adjustments	**(46 681)**	**1 434**	**(1 129)**	**(29 402)**	**(9 019)**	**(7 725)**	**(92 522)**
	Closing net book value	**201 695**	**24 628**	**18 209**	**157 676**	**46 511**	**55 082**	**503 801**
	Year ended 31 December 2019							
	Opening net book value	298 425	31 923	13 259	220 914	80 104	62 857	707 482
	Additions		26	4 283			19 683	23 992
	Amortisation		(2 960)	(2 854)	(2 982)	(7 566)	(11 492)	(27 854)
	Currency adjustments	(50 049)	(2 606)	(942)	(28 061)	(10 011)	(6 892)	(98 561)
	Closing net book value	248 376	26 383	13 746	189 871	62 527	64 156	605 059

8. INTANGIBLE ASSETS (continued)

General

Goodwill, trademarks, brands and customer relationships are allocated to their respective underlying cash-generating units (CGUs'). The respective businesses acquired are defined as the underlying CGUs which support the valuation of the goodwill, trademarks, brands and customer relationships.

Significant trademarks and brands comprise of Mutlu, Povver, Celik and Rombat.

Additions to intangible assets comprise predominantly of capitalised development costs within the Energy Storage vertical, licences and software.

Brands are recognised as indefinite useful life intangible assets when an analysis of the relevant underlying factors confirm that there is no foreseeable limit to the period over which the asset is expected to generate net cash flows for the entity. This assumption is further justified by the strong presence these brands have in their respective marketplace. The Mutlu brand has a track record of stability, is long established and has demonstrated the ability to survive changes in the economic environment. Factors considered include the market-leading position of the Mutlu brand in Turkey, its wide name-recognition and strong presence in the marketplace, management's intention to maintain advertising spend and to keep the brand indefinitely.

Amortisation on finite intangible assets of R14.7 million (2019: R15.3 million) is included within cost of sales and R14.9 million (2019: R12.6 million) within administration expenses in the income statement. Intangible assets recognised as defined life intangible assets are carried at cost less accumulated amortisation and impairment. Amortisation is calculated using the straight-line method to allocate the costs of these assets over their useful lives. Trademarks, brands and customer relationships are amortised over periods ranging from 5 to 25 years. There are no restrictions on title.

Goodwill and indefinite life intangible assets are allocated to the following CGUs:

	Opening net book value R'000	Currency adjustments R'000	Closing net book value R'000
2020			
Goodwill			
- Rombat SA	**45 753**	**4 082**	**49 835**
- Mutlu group	**202 623**	**(50 763)**	**151 860**
Brands			
- Mutlu group	**162 868**	**(26 413)**	**136 455**
	411 244	**(73 094)**	**338 150**
2019			
Goodwill			
- Rombat SA	48 247	(2 494)	45 753
- Mutlu group	250 178	(47 555)	202 623
Brands			
- Mutlu group	187 611	(24 743)	162 868
	486 036	(74 792)	411 244

Impairment tests on goodwill and indefinite life intangible assets

The group's goodwill and indefinite life intangible assets arising in the CGUs, Mutlu and Rombat, belong to the energy storage vertical. The recoverable amount has been determined based on value-in-use calculations and is estimated using a discounted cash flow model (DCF).

DCF calculations use cash flow projections based on financial budgets and five-year business plans approved by management and the board, which include assumptions on profit before interest and tax, depreciation, working capital movements and capital maintenance expenditure. Cash flows beyond a five-year period are extrapolated using the estimated growth rates stated below (terminal value). The estimated future cash flows used are pre-tax.

The perpetuity growth rate is consistent with long-term industry growth forecasts. The discount rate reflects specific risks relating to the CGU. No impairment was required in the current or prior year.

8. INTANGIBLE ASSETS (continued)

The summary of key assumptions used for value-in-use calculations are as follows:	ROMBAT %	MUTLU %
2020		
Compound annual volume growth rate*	**2.1**	**8.9**
Long-term growth rate**	**3.8**	**3.3**
Discount rate (WACC)***	**11.2**	**28.0**
Period (years)	**5.0**	**5.0**
2019		
Compound annual volume growth rate*	3.5	3.8
Long-term growth rate**	2.9	3.6
Discount rate (WACC)***	12.2	27.9
Period (years)	5.0	5.0

* Compound annual volume growth rate in the initial five-year period for automotive batteries.

** Long-term growth rate used to extrapolate cash flows beyond the five-year period.

*** Implied pre-tax discount rate applied to cash flow projections reflecting specific risks relating to the CGU and the country they operate in.

Raw material input costs: Lead constitutes approximately 60% of the material cost of batteries and therefore the group is exposed to commodity price risk in the quoted market price of Lead which may impact on input costs. However; this risk is mitigated by the following:

- Operations benefit from vertical integration of scrap battery recycling which also allows the group to meet its legal recycling obligations and acts as a key source of raw materials.
- Recovery of old batteries through the group's distribution network and recycling of its Lead content allows the group to significantly reduce its costs, thus achieving strong operational efficiency and overall lower input costs when compared to London Metals Exchange (LME).
- A natural hedge exists for USD denominated Lead price which is partially off-set through export sales denominated in foreign currency.
- Medium and long-term product pricing generally follow trends in USD and LME as battery prices are predominantly based on the USD exchange rate and the LME price of lead per tonne. USD1 900 USD/tonne (2019: USD2 100 USD/tonne) has been used in the forecast period costs for Lead.

Implied pre-tax discount rate: The discount rate of each CGU is determined using a Weighted Average Cost of Capital ('WACC') approach. Risk adjusted discount rates are derived from risk-free rates based upon long-term government bonds in the territory, or territories, within which each CGU operates. We have taken the yield of the ten-year benchmark sovereign bond for Romania denominated in the CGUs domestic currency as a proxy for the risk-free rate for Rombat. For Turkey (Mutlu), we have used the 30-year United States (US) government bond and applied a 'build-up approach', including adjusting for an inflation differential between the Turkish Lira and USD. A relative risk adjustment (or beta) has been applied to risk-free rates to reflect the risk inherent in each CGU relative to all other sectors on average, determined using an average of the betas of comparable listed companies, relevered. The discount rate is further adjusted (where applicable) for a small stock premium, a company specific risk premium (CSRP), forecasting risk ('alpha') and a market or equity risk premium. Since we have made use of domestic sovereign bonds as a measure of the risk-free rate for Rombat, no country risk premium has been applied. However, a country risk premium of 5.6% (2019: 4.4%) was applied to the risk-free rate determination of Mutlu. In determining the cost of debt we have used a 'build-up approach' considering each CGUs capacity to borrow on a stand-alone basis. A long-term target debt weighting (debt to equity ratio) of 20% has been applied to arrive at a WACC.

Long-term growth rates: To forecast beyond the detailed cash flows into perpetuity, a long-term growth rate has been used. In each case, this approximates long-term industry and country forecasts in the territory where the CGU is primarily based.

Goodwill sensitivity analysis

The results of the group's impairment tests are dependent upon estimates and judgements made by management, particularly in relation to the key assumptions described above. Sensitivity analysis to potential changes in key assumptions has therefore been reviewed.

The table that follows shows the discount rate and long-term growth rate assumptions used in the calculation of value-in-use and the amount by which each assumption must change in isolation in order for the estimated recoverable amount to approximate the carrying value.

8. **INTANGIBLE ASSETS (continued)**

Sensitivity analysis of assumptions used in the goodwill impairment test	**ROMBAT**	**MUTLU**
Change required for the carrying value to approximate the recoverable amount:		
2020		
Discount rate %	**11.2**	**28.0**
Percentage points change	**+4.0**	**+10.0**
Long-term growth rate %	**11.2**	**3.3**
Percentage points change	**-6.1**	**-20.0**
2019		
Discount rate %	12.2	27.9
Percentage points change	+5.6	+6.2
Long-term growth rate %	2.9	3.6
Percentage points change	-9.9	-14.5

Changes to the compound annual volume growth rates are not significantly sensitive to recoverable amounts.

During the interim reporting period, impairment indicator assessments were performed. This led to impairment tests being performed on material CGUs including goodwill. Sufficient headroom was in place based on the revised forecast volumes and business plans.

	COMPANY	
	2020 R'000	**2019 R'000**
9. INTEREST IN SUBSIDIARIES		
Unlisted		
Investments at cost	**493 695**	493 695
Share-based payment costs	**77 197**	68 270
	570 892	561 965
Advances to subsidiary companies, net of impairments	**1 523 467**	1 524 490
Current advances from subsidiary companies	**(222 631)**	(209 744)
	1 300 836	1 314 746
Total net investment interest and advances to/(from) related parties	**1 871 728**	1 876 711

Advances to subsidiary companies are interest-free, unsecured, repayable on demand and to be settled in cash. These are presented as short-term loans to/(from) group subsidiary companies, net of impairment allowances. The gross carrying amount of loans, which represent the maximum exposure to loss, is R1 765 540 309 (2019: R1 760 085 710). A listing of amounts due to/(from) subsidiary companies can be found on page 228.

The total expected credit loss provision amounted to R242 073 684 (2019: R235 595 517). Further information on impairments can be found in note 19.2 B (financial instruments - credit risk). Related party loans receivable are classified within a “held-to-collect” business model as the company holds the loans with the objective to collect the contractual cash flows which solely relates to payments of the principal amount and therefore classified at amortised cost.

The interest of Metair in the aggregate after tax income/(loss) of the subsidiaries was as follows:

	GROUP	
	2020 R'000	**2019 R'000**
Net income	**754 087**	1 038 535
Net losses	**(89 764)**	(23 191)

Details of subsidiaries of the group are disclosed on page 226. The group structure is available on page 6 of the integrated annual report.

All subsidiary undertakings are included in the consolidation. The total non-controlling interest for the period is R108.9 million (2019: R122.7 million) of which R104.2 million (2019: R118.8 million) is for Smiths Manufacturing. Smiths Manufacturing is situated in South Africa and is a conventional manufacturing company producing automotive products such as climate control and air-conditioning systems predominantly for the OE sector. Management has assessed the level of influence the group is able to exercise over Smiths Manufacturing and it has control over the company due to its voting and similar rights as well as the ability to direct the relevant activities.

9. INTEREST IN SUBSIDIARIES (continued)

Summarised financial information on subsidiaries with material non-controlling interests

Set out below are the summarised financial information, prepared in accordance with IFRS, for Smiths Manufacturing (75% held) that has non-controlling interest that is material to the group. The amounts disclosed are based on those included in the consolidated financial statements before inter-company eliminations.

	2020 R'000	2019 R'000
Summarised balance sheet		
Non-controlling interest %	25	25
Current		
Assets	531 337	524 132
Liabilities	(304 021)	(233 770)
Total net current assets	227 316	290 362
Non-current		
Assets	268 752	266 709
Liabilities	(92 540)	(96 523)
Total net non-current assets	176 212	170 186
Net assets	403 528	460 548
Summarised results		
Revenue	1 578 407	1 850 541
Other comprehensive loss	(1 071)	(1 109)
Profit attributable to non-controlling interest	10 609	33 292
Total comprehensive income allocated to non-controlling interest	10 341	33 014
Dividends paid to non-controlling interest	24 969	31 401
Accumulated non-controlling interest	104 190	118 818
Summarised cash flow		
Net cash inflow from operating activities	12 315	38 867
Net cash outflow from investing activities	(24 686)	(19 487)
Net cash outflow from financing activities	(1 885)	(3 213)

	GROUP		COMPANY	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
10. INVESTMENT IN ASSOCIATES				
Unlisted				
Investments at cost less impairment	150 400	270 658	2 793	2 793
Share of post-acquisition reserves included in equity accounted earnings	473 785	462 782		
Total carrying value	624 185	733 440	2 793	2 793
Reconciliation of movements:				
Balance at the beginning of the year	733 440	674 296	2 793	2 793
Additional investment in associate	9 559	10 866		
Impairment of associate	(108 168)	(25 351)		
Share of equity accounted earnings	8 132	105 665		
Dividends received	(14 920)	(31 168)		
Foreign currency translation	(3 858)	(868)		
Investment in associates	624 185	733 440	2 793	2 793

Set out below is the associates of the group, which are accounted for on the equity method.
The associates have share capital consisting of ordinary shares and subscribed capital which are held directly by the group except for Valeo Systems SA and Tenneco Automotive Holdings SA where it is held directly by the company.

Their principal place of business is identical to their country of incorporation and the proportion of ownership is the same as the voting rights held.

10. INVESTMENT IN ASSOCIATES (continued)

Nature of investment in associates	Percentage holding (effective) %	Place of business/ country of incorporation	Group carrying amount R'000
2020			
Unlisted			
Hesto Harnesses (Pty) Ltd	**74.9**	**South Africa**	**263 781**
Valeo Systems SA (Pty) Ltd	**49.0**	**South Africa**	**76 326**
Tenneco Automotive Holdings SA (Pty) Ltd	**25.1**	**South Africa**	**75 727**
Associated Battery Manufacturers (East Africa) Limited ('ABM')	**25.0**	**Kenya**	**182 089**
Prime Motors Industry Srl ('Prime')	**35.0**	**Romania**	**26 262**
MOLL	**25.1**	**Germany**	
Vizirama 12 (Pty) Ltd	**33.0**	**South Africa**	
Eye2square Innovations (Pty) Ltd	**20.0**	**South Africa**	
Denso Sales South Africa (Pty) Ltd	**49.0**	**South Africa**	
			624 185
2019			
Unlisted			
Hesto Harnesses (Pty) Ltd	74.9	South Africa	279 222
Valeo Systems SA (Pty) Ltd	49.0	South Africa	87 943
Tenneco Automotive Holdings SA (Pty) Ltd	25.1	South Africa	71 424
Associated Battery Manufacturers (East Africa) Limited	25.0	Kenya	170 467
Prime Motors Industry Srl ('Prime')	35.0	Romania	16 216
MOLL	25.1	Germany	108 168
Vizirama 12 (Pty) Ltd	33.0	South Africa	
Eye2square Innovations (Pty) Ltd	20.0	South Africa	
Denso Sales South Africa (Pty) Ltd	49.0	South Africa	
			733 440

Details of the associates are disclosed on page 227. There are no significant restrictions on the ability of associates to transfer funds to the group. The group does not provide and has not received guarantees or similar undertakings for financing facilities, except for a limited letter of support of R3.6 million (2019: R3.6 million) granted to Valeo for overdraft facilities. The risk of default is considered remote. The associate companies operate in the automotive component industry and manufacture automotive parts and batteries for OE and aftermarket segments.

The group's associates are private entities and there is no quoted market price available for shares.

The group owns 74.9% of the majority of the voting rights in Hesto. However, the Shareholder’s Agreement stipulates that unanimous consent is required for all decisions relating to the relevant activities of Hesto. The other shareholder also has a currently exercisable and substantive option (call option) that results in Metair accounting for the investment as an associate.

Hesto manufactures and sells automotive wiring harnesses and related components in South Africa. Hesto is a strategic and specialist automotive component manufacturer which provides the group with OE product and market focus as well being a product differentiator. Hesto’s results are also included in the group’s segmental analysis, as a managed associate.

The group’s 35% investment in Romanian Li-ion battery maker, Prime, establishes an incubation, research and development centre for Li-ion development and to accelerate production of Li-ion batteries for the European market.

The market effect caused by the Covid-19 pandemic in Germany had a significant impact on the group’s 25% associate investment, Akkumulatorenfabrik MOLL (“MOLL”). MOLL applied for liquidation as shareholders decided not to inject more capital into the business given the extended outlook for recovery of the business and reliance on key OE customers. Metair has therefore impaired the remaining R108 million investment (2019: R25 million) in MOLL.

ABM owns the Chloride and Exide brands for the Kenyan as well as Tanzanian and Ugandan markets. The ABM group is purely aftermarket and represents significant potential for synergies and technology transfer in maintenance free batteries for automotive and lithium batteries for solar.

10. INVESTMENT IN ASSOCIATES (continued)

Summarised financial information for associates

Set out below is the summarised financial information for the associates, which are accounted for using the equity method:

	2020		
	Hesto R'000	ABM R'000	Other associates R'000
Summarised income statements			
Revenue	1 126 756	1 405 666	764 248
(Loss)/profit after taxation	(20 616)	121 561	(5 144)
Total comprehensive (loss)/income	(20 616)	121 561	(2 316)
Attributable to group	(15 441)	30 390	(6 817)
Dividends received from associates		(14 920)	
Post foreign earnings currency translation		(3 848)	(10)
Summarised balance sheets			
Current			
Assets	365 209	498 392	750 295
Liabilities	(314 267)	(133 376)	(367 248)
Non-current			
Assets	346 788	294 414	344 735
Liabilities	(45 554)	(119 166)	(111 276)
Net assets	352 176	540 264	616 506

	2019			
	Hesto R'000	ABM R'000	MOLL R'000	Other associates R'000
Summarised income statements				
Revenue	1 265 517	1 132 200	1 073 234	937 030
Profit after taxation	81 000	69 597	1 405	72 304
Total comprehensive income	81 000	69 597	1 405	81 843
Attributable to group	60 669	17 400	351	27 245
Dividends received from associates	(27 628)	(3 540)		
Post foreign earnings currency translation		(868)		
Summarised balance sheets				
Current				
Assets	303 922	475 278	284 653	708 154
Liabilities	(124 841)	(116 411)	(264 192)	(233 753)
Non-current				
Assets	233 256	253 970	259 578	128 672
Liabilities	(39 545)	(105 883)	(92 367)	(15 297)
Net assets	372 792	506 954	187 672	587 776

The information above reflects the amounts presented in the financial statements of the associates (and not the group's share of those amounts) adjusted for differences in accounting policies between the group and the associates.

The statutory financial year-end of ABM is the end of February, however, the results presented are at 31 December 2020 and equity accounted up to this date.

The majority partner in MOLL Opco had a put option to sell their entire shareholding to the remaining shareholders of the entity. The option has now lapsed, given the liquidation of the business.

10. INVESTMENT IN ASSOCIATES (continued)

Reconciliation of summarised financial information

Reconciliation of summarised financial information of associates is presented in the table below:

	2020		
	Hesto R'000	**ABM R'000**	**Other associates R'000**
Opening net assets 1 January	372 792	506 954	587 776
(Loss)/profit for the year	(20 616)	121 561	(5 144)
Dividends paid		(59 679)	
Foreign currency translation and other movements		(28 572)	33 874
Closing net assets	352 176	540 264	616 506
Shareholding	74.9%	25.0%	Varying
Acquisition cost less impairment	1	121 986	28 413
Post equity accounted profits	263 780	60 103	149 902
Carrying amount	263 781	182 089	178 315

	2019			
	Hesto R'000	**ABM R'000**	**MOLL R'000**	**Other associates R'000**
Opening net assets 1 January	328 679	471 956	210 421	515 472
Profit for the year	81 000	69 597	1 405	72 304
Dividends paid	(36 887)	(14 160)		
Foreign currency translation		(20 439)	(24 154)	
Closing net assets	372 792	506 954	187 672	587 776
Shareholding	74.9%	25.0%	25.1%	Varying
Acquisition cost less impairment	1	121 986	129 817	18 854
Post equity accounted profits/(losses)	279 221	48 481	(21 649)	156 729
Carrying amount	279 222	170 467	108 168	175 583

	GROUP		COMPANY	
	2020 R'000	**2019 R'000**	**2020 R'000**	**2019 R'000**
11. INVENTORY				
Raw material	789 940	730 510		
Work in progress	345 192	433 780		
Finished goods	552 428	563 281		
Right to recover returned goods	7 869	8 058		
	1 695 429	1 735 629		
Write-downs of inventories to net realisable value amounted to	52 215	17 731		
The cost of inventories recognised as expense and included in cost of sales amounted to	7 201 153	7 905 261		
Inventory pledged by Rombat for bank overdrafts amounted to	4 303	7 205		

Inventory and work in progress related to automotive components revenue are recognised over time and contract assets are created. An asset for the right to recover returned goods is recognised in relation to batteries sold under certain distributor arrangements.

	GROUP		COMPANY	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
12. TRADE AND OTHER RECEIVABLES				
Trade receivables	**1 587 227**	1 455 818		
Less: Provision for impairment of trade receivables	**(56 683)**	(40 713)		
	1 530 544	1 415 105		
Prepayments and deposits	**45 896**	85 395		
Tooling receivables	**49 671**	68 221		
Insurance proceeds and claims receivable		315		
Grant claim receivable	**4 403**	4 245		
VAT asset	**12 031**	8 236		
Rebates and discounts receivable	**112 547**	72 225		
Other receivables	**64 285**	46 142		
	1 819 377	1 699 884		
Trade receivables is analysed as follows:				
Original equipment (OEMs)	**595 684**	360 223		
Exports	**224 183**	262 720		
Aftermarket	**700 017**	739 755		
Non-automotive	**67 343**	93 120		
	1 587 227	1 455 818		

Trade receivables increased predominantly due to increased activity and higher volume call offs from OEM customers when to Q4 2019. OEMs also closed later in 2020. Mutlu aftermarket sales in Q4 was strong and cash collections improved.

The quality of the group's debtors book has remained strong during the year and actual bad debts were insignificant.

The carrying amounts of the group's trade and other receivables are denominated in the following currencies:

	GROUP	
	2020 R'000	2019 R'000
Rand	**841 885**	684 485
British Pound	**31 465**	27 242
Euro	**157 467**	78 286
US Dollar	**93 639**	157 490
Australian Dollar	**133**	1 303
Romanian Lei	**154 578**	133 837
Turkish Lira	**539 800**	616 730
Singapore Dollar	**409**	513
	1 819 376	1 699 886

12. TRADE AND OTHER RECEIVABLES (continued)

The provision for impairment (loss allowance) can be reconciled as follows (also refer to note 19.2B for details):

	Total R'000	Original equipment R'000	Export R'000	After-market R'000	Non-automotive R'000
2020					
At 1 January	**40 713**	**119**	**24 887**	**13 684**	**2 023**
Net remeasurement of loss allowance	**15 726**	**710**	**6 583**	**6 421**	**2 012**
Amounts written off	**(3 824)**		**(1 875)**	**(1 019)**	**(930)**
Currency adjustments	**4 068**	**9**	**2 741**	**1 318**	
As at 31 December	**56 683**	**838**	**32 336**	**20 404**	**3 105**
2019					
At 1 January	49 327	127	28 923	17 810	2 467
Net remeasurement of loss allowance	(718)	67	(2 180)	1 404	(9)
Amounts written off	(4 839)	(72)		(4 332)	(435)
Currency adjustments	(3 057)	(3)	(1 856)	(1 198)	
As at 31 December	40 713	119	24 887	13 684	2 023

We adjusted our computed average loss rates (provision model matrix) to consider applicable forward-looking macroeconomic factors including an adjustment for the impact of Covid-19 (refer to note 29).

We applied an overlay factor and increased the loss rates slightly higher for our export and aftermarket customers, who may be subject to some short-term stress, although actual current payment profiles have been generally within terms. Our OEM customers are considered very low risk non-payment. Retail (replacement) customer collection efforts have improved at Rombat and Mutlu. 89% (2019: 84%) of the group's total debtors are within terms.

An ageing profile of total trade receivables, from a market perspective, is presented below:

	Total R'000	Original equipment R'000	Export R'000	After-market R'000	Non-automotive R'000
2020					
Up to 3 months	**1 508 986**	**593 754**	**191 899**	**661 884**	**61 449**
3 to 6 months	**22 953**	**1 179**	**1 154**	**16 963**	**3 657**
Over 6 months	**55 288**	**751**	**31 130**	**21 170**	**2 237**
	1 587 227	**595 684**	**224 183**	**700 017**	**67 343**
2019					
Up to 3 months	1 355 505	357 147	230 724	692 073	75 561
3 to 6 months	33 890	1 317	1 444	20 793	10 336
Over 6 months	66 423	1 759	30 552	26 889	7 223
	1 455 818	360 223	262 720	739 755	93 120

12. TRADE AND OTHER RECEIVABLES (continued)

The other classes within trade and other receivables do not contain impaired assets. Other than the specific once-off write-off relating to the Moll liquidation for R32 million, other debtors are recoverable and of insignificant credit risk. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above.

Mutlu has obtained security over trade receivables in the form of bank guarantees, mortgages and bank letters of credit which can be called upon if the trade debtor is in default. The total value of coverage is R549 million (2019: R658 million), which represents approximately 79% (2019: 86%) of total Mutlu debtors outstanding at year end. Local aftermarket and export customers, in which the default risk is raised when compared to international OEM customers, are fully covered by collateral received as well as credit insurance over certain export debtors. Mutlu has a very low history of customer defaults and the collateral has been taken into account in determining the loss allowance under IFRS 9.

Receivables are classified within a “held-to-collect” business model since the group holds the trade receivables with the objective to collect the contractual cash flows and therefore measured at amortised cost. Trade receivables are recognised initially at the amount of consideration that is unconditional. Information about the group’s exposure to credit risk, the impairment policies and loss allowance model for trade receivables can be found in note 19.2B.

Trade receivables of R141.1 million (2019: R109.3 million), relating to Rombat, have been pledged as security for bank overdraft facilities granted to Rombat.

		GROUP		COMPANY	
		2020 R'000	2019 R'000	2020 R'000	2019 R'000
13.	**CASH AND CASH EQUIVALENTS**				
	For the purposes of the cash flow statement, cash and cash equivalents consist of the following:				
	Cash at bank and on hand	1 623 696	1 140 071	2 820	471
	Bank overdrafts	(58 573)	(261 466)		
		1 565 123	878 605	2 820	471
	The following bank rates applied at year-end:				
	Interest rate on South African short-term bank deposits	5.2%	8.1%		
	Interest rate on Turkish short-term bank deposits	17.1%	17.9%		
	Interest rate on European short-term bank deposits	0.1%	0.8%		
	Interest rate on South African bank overdrafts	6.3%	9.7%		
	Interest rate on European bank overdrafts	1.2%	1.7%		

Rombat has pledged property, plant and equipment of R108.5 million (2019: R109.0 million), inventory of R4.3 million (2019: R7.2 million) and trade receivables of R141.1 million (2019: R109.3 million) as security for bank overdrafts granted.

		GROUP		COMPANY	
		2020 R'000	2019 R'000	2020 R'000	2019 R'000
14.	**BORROWINGS**				
	Redeemable preference shares	840 000	840 000		
	Bank borrowings	1 427 833	1 218 445		
	Instalment sale liabilities	24 362	37 846		
	Lease liabilities	78 118	100 120		
	Total borrowings	2 370 313	2 196 411		
	Current portion included in current liabilities	(1 851 002)	(896 974)		
	Non-current portion	519 311	1 299 437		

Redeemable preference shares

An aggregate of 1 400 cumulative redeemable no par value preference shares were issued on 2 September 2014 and are mandatorily redeemable. The remaining obligation of R840 million is to be settled on 13 December 2021.

Preference dividends are paid on a semi-annual basis on 15 April and 15 October of each year during the term and carry a dividend rate of 70% of the ruling South African prime rate calculated on a nominal annual monthly compounded basis.

The preference shares are subject to covenant requirements (refer to note 19.3) and these requirements have been complied with.

14. BORROWINGS (continued)

Bank borrowings

Bank borrowings includes term and call loans of R498 million (2019: R438 million) and revolving credit facilities (RCF's) of R930 million (2019: R780 million).

The group has two RCF facilities for R750 million (RCF 1) and R525 million (RCF 2), provided by Absa Bank Limited, Investec Bank and Standard Bank of South Africa Limited. Drawdowns amounted to R930 million (2019: R780 million) at balance sheet date. RCF 1 is fully drawn and has a tenure of five years. The maturity date was extended to 13 August 2021. Interest is charged at 2.05% over the ruling JIBAR rate, determined either on a one, three or six month basis, as selected by the group (interest period). RCF 2, of which R180 million has been drawn, has a tenure of five years with a final maturity date of 23 August 2023. Interest is charged at 2.35%, over JIBAR. Interest accrues on a daily basis and is payable in arrears at the end of each interest period. Drawdowns are payable on a rolling basis at each interest period, but not later than the final maturity date. RCF 2 is classified as non-current at balance sheet date as a result of the rolling mechanism and expected to be settled in 2023. RCF 1 is classified as current as it is repayable in 2021, unless re-financed. The RCF funding is guaranteed on a joint and several basis by certain subsidiaries within the group and also subject to covenant requirements.

The secured term and call loans of R498 million (2019: R438 million of secured term loans) consist of borrowings arising in Mutlu and Rombat for R354 million (2019: R312 million) and R144 million (2019: R126 million) respectively.

Mutlu - Turkish Lira denominated borrowings:

Various term and call loans totalling TL179 million arising in Mutlu (2019: TL132.3 million) with maturities ranging from July 2021 up to March 2023. The interest rates are fixed and range from 8.5% to 10.4% (at an average of 9.93%) per annum. The short term capital portion is TL100.3 million (R198 million). Annual repayments approximate TL71 million (R139 million) and TL8 million (R17 million) for 2021 and 2022. The total long term portion is TL79 million (R156 million).

Rombat - Euro denominated borrowings:

Approximately EUR8 million (R144 million) arising in Rombat (Romania) which matures in June 2026. Interest is charged at 1.4% per annum and is fixed. The loan is secured over property, plant and equipment, for EUR11.5 million (2019: EUR14 million). Capital repayments amounts to EUR0.4 million (R6.9 million) per quarter (EUR1.5 million (R27.5 million) annum), commencing from June 2021.

	GROUP		COMPANY	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Maturity of borrowings (bank and preference shares)				
Within 1 year	**1 809 040**	849 728		
Later than 1 year and not later than 2 years	**166 394**	987 054		
Later than 2 year and not later than 5 years	**292 399**	221 663		
	2 267 833	2 058 445		
The carrying amount of the total borrowings are denominated in the following currencies:				
Rand	**1 848 869**	1 732 212		
Euro	**162 716**	146 318		
Turkish Lira	**358 728**	317 881		
	2 370 313	2 196 411		

The group had the following undrawn borrowing (including overdraft) facilities at year-end:

- RCF 1 is fully utilised (2019: fully utilised)
- RCF 2 of R345 million (2019: R495 million)
- Other South African facilities of R880 million (2019: R606 million)
- USD denominated facilities of USD41 million (2019: USD44 million)
- Turkish Lira denominated facilities of TL75 million (2019: TL214 million)
- Euro denominated facilities of EUR16 million (2019: EUR10 million)

Except for the RCF funding, all undrawn borrowing facilities are renewable annually. The borrowing powers of the company are unlimited in terms of its memorandum of incorporation.

Instalment sale liabilities

Assets acquired by instalment sale agreements are paid over an agreed time period. The title of the asset passes automatically, once the full amount has been paid. Payment obligations are effectively secured as the rights to the asset revert to the financer in the event of default. Instalment sale agreements are secured over vehicles and machinery with a book value of R46.0 million (2019: R54.0 million).

		GROUP		COMPANY	
		2020 R'000	2019 R'000	2020 R'000	2019 R'000
14.	**BORROWINGS (continued)**				
	Instalment sale liabilities - minimum payments:				
	Within 1 year	13 101	16 866		
	Later than 1 year and not later than 5 years	13 340	26 974		
	Minimum instalments	26 441	43 840		
	Future finance charges	(2 079)	(5 994)		
	Present value of liabilities	24 362	37 846		
	The present value of all instalment sale liabilities may be analysed as follows:				
	Within 1 year	11 903	13 850		
	Later than 1 years and not later than 2 years	6 749	12 115		
	Later than 2 years and not later than 5 years	5 710	11 881		
	Present value of liabilities	24 362	37 846		
	Lease liabilities				
	Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.				
	Gross lease liabilities - minimum lease payments:				
	Within 1 year	32 829	38 380		
	Later than 1 year and not later than 5 years	54 591	75 572		
	Minimum lease payments	87 420	113 952		
	Future finance charges on leases	(9 302)	(13 832)		
	Present value of lease liabilities	78 118	100 120		
	The present value of all lease liabilities may be analysed as follows:				
	Within 1 year	30 059	33 396		
	Later than 1 years and not later than 2 years	30 139	39 435		
	Later than 2 years and not later than 5 years	17 920	27 289		
		78 118	100 120		
	All borrowings are interest-bearing and the approximate annual interest rates at year-end are as follows:	%	%		
	Preference shares	7.1	7.1		
	Bank borrowings				
	- Revolving credit facility 1	*JIBAR+2.05	*JIBAR+2.05		
	- Revolving credit facility 2	*JIBAR+2.35	*JIBAR+2.35		
	- Call and term loans (TL borrowings)	8.5 - 10.4	14.7 - 20.8		
	- Term loan (Euro borrowings)	1.4	1.4		
	Instalment sale liabilities	5.9 - 7.0	10.0		
	Lease liabilities	1.4 - 10.0	9.0 - 10.5		

* Johannesburg inter-bank agreed rate.

		GROUP		COMPANY	
		2020	2019	2020	2019
		R'000	R'000	R'000	R'000
15.	**DEFERRED TAXATION**				
	Deferred taxation is calculated on all temporary differences under the liability method using a principal taxation rate of 28% (2019: 28%) for South Africa, 16% (2019: 16%) for Romania, 20% (effective 2021) (2019: 22%) for Turkey and 19% (2019: 19%) for the United Kingdom. The following amounts are shown in the consolidated balance sheet:				
	Deferred taxation assets	(13 812)	(15 134)		
	Deferred taxation liabilities	251 155	284 727		
		237 343	269 593		
	The movement is as follows:				
	At the beginning of the year	269 593	272 631		
	Income statement (credit)/charge:				
	- Current year	(11 833)	13 512		
	- Prior year	(1 820)	5 196		
	- Rate change	(2 637)			
	Taxation credited to other comprehensive income:				
	- Actuarial losses	(2 056)	(3 090)		
	Taxation charged to equity:				
	- Share-based payments	2 740	1 001		
	Currency adjustments	(16 644)	(19 657)		
	At the end of the year	237 343	269 593		
	Deferred taxation assets:				
	Deferred taxation asset to be recovered after more than 12 months	(65 211)	(73 035)		
	Deferred taxation asset to be recovered within 12 months	(84 458)	(60 689)		
		(149 669)	(133 724)		
	Deferred taxation liabilities:				
	Deferred taxation liability to be recovered after more than 12 months	303 552	340 020		
	Deferred taxation liability to be recovered within 12 months	83 460	63 297		
		387 012	403 317		
	Amounts aggregated:				
	Deferred taxation assets	(149 669)	(133 724)		
	Deferred taxation liabilities	387 012	403 317		
	Net deferred taxation liability	237 343	269 593		

15. DEFERRED TAXATION (continued)

Deferred taxation liabilities

	GROUP Plant and equipment R'000	Intangibles R'000	Claims and other receivables R'000	Total R'000
2020				
Opening balance	**311 456**	**47 729**	**44 132**	**403 317**
(Credited)/charged to the income statement:				
- Current year	**(7 321)**	**(8 281)**	**18 426**	**2 824**
- Prior year	**1 221**		**276**	**1 497**
Rate change	**(2 134)**	**1 493**	**(640)**	**(1 281)**
Credited to other comprehensive income			**(15)**	**(15)**
Currency adjustments	**(12 142)**	**(5 559)**	**(1 629)**	**(19 330)**
Closing balance	**291 080**	**35 382**	**60 550**	**387 012**
2019				
Opening balance	301 002	55 443	44 997	401 442
Reallocations			(494)	(494)
Charged/(credited) to the income statement:				
- Current year	22 113	(961)	(5 118)	16 034
- Prior year	3 688	37	5 169	8 894
Currency adjustments	(15 347)	(6 790)	(422)	(22 559)
Closing balance	311 456	47 729	44 132	403 317

Deferred taxation assets

	GROUP Share-based payments R'000	Post-employ-ment benefits R'000	Assessed losses set off R'000	Provision for doubtful debts R'000	Warranty claims R'000	Derivatives and other R'000	Total R'000
2020							
Opening balance	**(3 021)**	**(23 131)**	**(4 636)**	**(3 723)**	**(13 994)**	**(85 219)**	**(133 724)**
(Credited)/charged to the income statement:							
- Current year	**(3 477)**	**(2 222)**	**(10 316)**	**(6 848)**	**507**	**7 700**	**(14 656)**
- Prior year						**(3 317)**	**(3 317)**
Rate change		**(1 041)**			**(229)**	**(87)**	**(1 357)**
Credited to other comprehensive income		**(2 042)**					**(2 042)**
Deferred taxation on share-based payment reserve*	**2 740**						**2 740**
Currency adjustments	**(32)**	**2 616**	**(375)**	**(309)**	**409**	**378**	**2 687**
Closing balance	**(3 790)**	**(25 820)**	**(15 327)**	**(10 880)**	**(13 307)**	**(80 545)**	**(149 669)**
2019							
Opening balance	(1 608)	(20 912)		(5 551)	(16 455)	(84 285)	(128 811)
Reallocations						494	494
(Credited)/charged to the income statement:							
- Current year	(2 453)	(830)	(4 609)	1 600	2 148	1 622	(2 522)
- Prior year	22	(8)				(3 712)	(3 698)
(Credited)/charged to other comprehensive income		(3 121)				31	(3 090)
Deferred taxation on share-based payment reserve*	1 001						1 001
Currency adjustments	17	1 740	(27)	228	313	631	2 902
Closing balance	(3 021)	(23 131)	(4 636)	(3 723)	(13 994)	(85 219)	(133 724)

* The measurement of the deductible expense on share-based payment reserve is based on the entity's share price at the balance sheet date.

15. DEFERRED TAXATION (continued)

Deferred tax assets have been recognised for the carry forward amount of unused tax losses relating to the group's operations where, among other things, taxation losses can be carried forward indefinitely and there is evidence that it is probable that sufficient taxable profits will be available in the future to utilise all tax losses carried forward.

Deferred tax assets have been recognised to the extent that it is probable that the entities will generate future taxable income against which these tax losses can be utilised. Currently there are no statutory limitations as to its usage.

Deferred tax liabilities are not recognised for the income tax effect that may arise on the remittance of unremitted earnings by subsidiaries. It is management's intention that, where there is no double taxation relief, these earnings will be permanently re-invested in the group.

	GROUP 2020 R'000	GROUP 2019 R'000	COMPANY 2020 R'000	COMPANY 2019 R'000
16. TRADE AND OTHER PAYABLES				
Trade creditors	**1 407 434**	956 248		
Accrual for leave pay	**26 261**	28 017		
Trade accruals, including utilities, technical and licence fees	**105 448**	72 870	**837**	777
Tool-maker payables	**75 500**	80 857		
Deferred income on government grants	**168 654**	171 388		
Payroll and statutory accruals	**75 425**	70 761		
Royalties payable	**29 874**	27 425		
VAT and other indirect taxes	**39 089**	33 707		
Rebates and discounts payable	**19 667**	14 560		
Refund liabilities	**18 011**	13 214		
Audit fee accrual	**6 127**	5 000		
Sundry creditors	**11 904**	11 108		
Preference share and interest accruals	**14 501**	9 856		
	1 997 895	1 495 011	**837**	777
Non-current portion of deferred income on government grants included in non-current liabilities	**(124 626)**	(134 476)		
Current portion included in current liabilities	**1 873 269**	1 360 535	**837**	777
Trade accruals and sundry items have been expanded in the current year. To the extent practicable, comparative information has also been expanded. The total trade and other payables balance has not changed.				
The carrying amounts of the group's trade and other payables are denominated in the following currencies:				
Rand	**708 009**	530 194	**837**	777
Yen	**68 577**	75 339		
US Dollar	**591 922**	513 748		
Euro	**190 067**	138 889		
British Pound	**12 002**	7 667		
Thai Baht	**95 041**	21 658		
Romanian Lei	**103 512**	69 899		
Turkish Lira	**228 514**	137 490		
Singapore Dollar		96		
Indian Rupee	**251**	31		
	1 997 895	1 495 011	837	777

17. PROVISIONS FOR LIABILITIES AND CHARGES

Warranty

Provision is made for the estimated liability on all products sold which are still under warranty including claims initiated, not yet settled. Claims are expected to be settled in the next financial year. Management estimates that the provision based on historical warranty claim information and any recent trends that may suggest future claims would differ from historical amounts. Factors that could impact the estimated claims information include the success of the group's productivity and quality initiative, as well as parts and labour costs. Warranties are assurance based and cannot be separately purchased.

Executive bonuses

Executive bonuses are approved by the remuneration committee.

Other provisions

Other provisions comprise predominantly of scrap battery returns (recycling obligations) and long service awards.
The provisions amounted to R6.4 million (2019: R9.4 million) and R26.2 million (2019: R24.8 million) respectively. The balance of R14.3 million (2019: R4.6 million) consists of legal and other provisions.

	GROUP				
	Executive bonus R'000	Warranty claims R'000	Environ-mental R'000	Other R'000	Total R'000
2020					
Balance at the beginning of the year	**29 153**	**59 083**		**38 848**	**127 084**
- Additional provision	**24 782**	**42 257**		**39 965**	**107 004**
- Unused amounts reversed	**(3 908)**				**(3 908)**
Utilised during the year	**(29 078)**	**(42 746)**		**(29 240)**	**(101 064)**
Currency adjustments	**(347)**	**(1 227)**		**(2 690)**	**(4 264)**
Balance at the end of the year	**20 602**	**57 367**		**46 883**	**124 852**
2019					
Balance at the beginning of the year	46 747	68 139	17 293	31 809	163 988
- Additional provision	28 326	43 032		38 952	110 310
- Unused amounts reversed	(266)		(16 629)	(234)	(17 129)
Utilised during the year	(44 955)	(50 259)		(29 854)	(125 068)
Currency adjustments	(699)	(1 829)	(664)	(1 825)	(5 017)
Balance at the end of the year	29 153	59 083		38 848	127 084

Analysis of total provisions:	2020 R'000	2019 R'000
Non-current	**41 677**	39 294
Current	**83 175**	87 790
	124 852	127 084

		GROUP 2020 R'000	GROUP 2019 R'000	COMPANY 2020 R'000	COMPANY 2019 R'000
18.	**NOTES TO CASH FLOW STATEMENTS**				
18.1	**RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS**				
	Profit/(loss) before taxation	296 768	871 369	(11 621)	77 920
	Adjustment for:				
	Depreciation and amortisation	322 340	295 462		
	Impairment charge/(reversal)	108 168	25 351	6 478	(77 305)
	MOLL deposit write-off	31 555			
	Loss/(profit) on disposal of property, plant and equipment	1 833	(1 969)		
	Other financial assets at fair value through profit or loss:				
	- Fair value profit/(loss) - FECs	(2 241)	24 204		
	Foreign exchange losses on operating activities	(6 993)	9 728		
	Share-based payment expenses	31 780	24 392		
	Net share-based payment effects				(6 295)
	Post-employment benefit - charge	12 872	11 511		
	Post-employment benefits - contributions paid	(5 470)	(10 605)		
	Equity accounted earnings/income from investments	(8 132)	(105 665)		
	Transfer of aftermarket business		(8 313)		
	Interest income	(40 873)	(32 777)		(1)
	Interest expense	204 731	259 875		
	Decrease in provisions and derivatives	(16 377)	(31 794)		
	Operating cash generated/(utilised) before working capital changes	929 961	1 330 769	(5 143)	(5 681)
	Working capital changes (excluding the effect of exchange differences on consolidation):	127 457	(100 841)	60	193
	Changes in contract assets and liabilities	(121 191)	145 333		
	Increase in inventory	(88 554)	(30 291)		
	Increase in trade and other receivables	(286 240)	(216 969)		
	Increase in trade and other payables	623 442	1 086	60	193
	Cash generated from/(utilised in) operations	1 057 418	1 229 928	(5 083)	(5 488)
18.2	**TAXATION PAID**				
	Taxation paid is reconciled to the amount disclosed in the income statement as follows:				
	Amounts payable at the beginning of the year	(3 040)	(33 260)		
	Income statement charge (note 4)	(127 780)	(194 868)		
	Currency adjustment	3 595	4 620		
	Amounts unpaid at the end of the year	35 712	3 040		
		(91 513)	(220 468)		
18.3	**DIVIDENDS PAID**				
	To shareholders		(193 238)		(198 986)
	To non-controlling interests	(25 161)	(31 656)		
		(25 161)	(224 894)		(198 986)
18.4	**INTEREST PAID**				
	Interest expense (note 2)	(204 731)	(259 875)		
	Preference share and interest accruals at the beginning of the year	(9 856)	(9 874)		
	Preference share and interest accruals at the end of the year	14 501	9 856		
		(200 086)	(259 893)		

		GROUP			
		Redeemable preference shares R'000	Bank borrowings R'000	Instalment sale and lease liabilities R'000	Total R'000
18.	**NOTES TO CASH FLOW STATEMENTS (continued)**				
18.5	**RECONCILIATION OF MOVEMENTS IN BORROWINGS (REFER TO NOTE 14) TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES**				
	2020				
	Balance at the beginning of the year	**840 000**	**1 218 445**	**137 966**	**2 196 411**
	Changes from financing cash flows:		**259 519**	**(48 916)**	**210 603**
	Proceeds from RCF drawdowns		**150 000**		**150 000**
	Mutlu borrowings repaid		**(114 212)**		**(114 212)**
	Mutlu and Rombat borrowings raised		**223 731**		**223 731**
	Lease repayments			**(48 916)**	**(48 916)**
	New leases			**11 711**	**11 711**
	Foreign exchange rate adjustments		**(50 131)**	**1 719**	**(48 412)**
	Balance at the end of the year	**840 000**	**1 427 833**	**102 480**	**2 370 313**
	2019				
	Balance at the beginning of the year	840 000	964 044	37 751	1 841 795
	Changes from financing cash flows:		297 532	(47 457)	250 075
	Preference shares redeemed/repaid				
	Proceeds from RCF drawdowns		41 000		41 000
	Mutlu borrowings repaid		(128 510)		(128 510)
	Mutlu and Rombat borrowings raised		385 042		385 042
	Lease repayments			(47 457)	(47 457)
	New leases			64 370	64 370
	Application of IFRS 16 at 1 January 2019			84 529	84 529
	Foreign exchange rate adjustments		(43 131)	(1 227)	(44 358)
	Balance at the end of the year	840 000	1 218 445	137 966	2 196 411

19. FINANCIAL INSTRUMENTS

19.1 FINANCIAL INSTRUMENTS BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

Classification of financial assets included in balance sheet

	GROUP		
	Financial assets at amortised cost R'000	Mandatorily at fair value through profit or loss R'000	Total R'000
2020			
Derivative financial instruments		**242**	**242**
Trade and other receivables*	**1 719 101**		**1 719 101**
Cash and cash equivalents	**1 623 696**		**1 623 696**
Total	**3 342 797**	**242**	**3 343 039**
2019			
Derivative financial instruments		552	552
Trade and other receivables*	1 544 910		1 544 910
Cash and cash equivalents	1 140 071		1 140 071
Total	2 684 981	552	2 685 533

Classification of financial liabilities included in balance sheet

	GROUP		
	Mandatorily at fair value through profit or loss R'000	Financial liabilities at amortised cost R'000	Total R'000
2020			
Borrowings		**2 370 313**	**2 370 313**
Derivative financial instruments	**17 857**		**17 857**
Bank overdraft		**58 572**	**58 572**
Trade and other payables**		**1 756 742**	**1 756 742**
Total	**17 857**	**4 185 627**	**4 203 484**
2019			
Borrowings		2 196 411	2 196 411
Derivative financial instruments	15 900		15 900
Bank overdraft		261 466	261 466
Trade and other payables**		1 246 495	1 246 495
Total	15 900	3 704 372	3 720 272

* Prepayments and VAT receivables are excluded from the trade and other receivables balance.

** Leave pay, advances received, deferred income and other non-financial liabilities are excluded from trade and other payables balance.

19. FINANCIAL INSTRUMENTS (continued)

19.1 FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The accounting policies for financial instruments have been applied to the line items below for the company:

Assets and liabilities as per balance sheet

	COMPANY		
	Financial assets at amortised cost R'000	Financial liabilities at amortised cost R'000	Total R'000
2020			
Short-term loans to subsidiaries	**1 523 467**		**1 523 467**
Cash and cash equivalents	**2 820**		**2 820**
Short-term loans from subsidiaries		**(222 631)**	**(222 631)**
Trade and other payables		**(771)**	**(771)**
Total	**1 526 287**	**(223 402)**	**1 302 885**
2019			
Short-term loans to subsidiaries	1 524 490		1 524 490
Cash and cash equivalents	471		471
Short-term loans from subsidiaries		(209 744)	(209 744)
Trade and other payables		(777)	(777)
Total	1 524 961	(210 521)	1 314 440

19.2 FINANCIAL RISK MANAGEMENT

The group's activities expose it to financial risks: market risk (including foreign currency exchange rate risk and variable interest rate risk), credit risk and liquidity risk. The group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance. The risk management committee provides principles for overall risk management, as well as guidance containing specific areas such as foreign exchange currency risk.

A. Market risk

i. Foreign currency exchange rate risk (also refer to note 19.5)

The group exports and imports goods and is therefore exposed to exchange currency risk arising as a result of various foreign currency exchange exposures. These consist primarily of exposures with respect to the Euro, USD and Japanese Yen.

Management has set up policies to require group companies to manage their foreign currency exchange rate risk against their functional currency. When the business wins long-term customer tenders or orders that are in a foreign currency the group minimises the potential volatility of the cash flows from these transactions by 'hedging' either economically or through forward exchange contracts ('FECs'). At period end, the group is required to mark to market these FECs even though it has no intention of closing them out in advance of their maturity dates. The marked to mark value represents foreign notional amounts translated at the market forward rate at reporting date. These valuation adjustments are realised through profit and loss. Hedge accounting is not applied unless specifically designated as a cash flow hedge. Hedge accounting is usually applied in the case of foreign business acquisitions such as the 2013 Mutlu business combination. The group's current foreign exchange currency risk management policy is to 'cover' at least 50% of net exposures (including orders or firm commitments, where possible).

The group makes use of professional foreign currency management specialists to assist in administering its foreign exchange exposures/contracts.

The company does not have any foreign currency exchange rate risk.

19. FINANCIAL INSTRUMENTS (continued)

19.2 FINANCIAL RISK MANAGEMENT (continued)

A. Market risk (continued)

Uncovered foreign currency exchange exposures at year-end can be analysed as follows:

	At balance sheet date				Purchase orders not yet reflected as liabilities in the balance sheet			
	2020		2019		2020		2019	
	Foreign amount outflow/ (inflow) '000	Rand equivalent outflow/ (inflow) R'000	Foreign amount outflow/ (inflow) '000	Rand equivalent outflow/ (inflow) R'000	Foreign amount '000	Rand equivalent R'000	Foreign amount '000	Rand equivalent R'000
US Dollars	9 798	142 337	10 816	151 966	7 437	109 994	5 217	69 042
Euros	10 389	187 309	(3 522)	(55 529)	2 055	36 983	754	10 757
Japanese Yen	127 646	16 143			404 857	57 718	287 330	35 124
Great British Pound	(140)	3 276	(16)	(308)			149	3 022
Thai Baht					40 646	19 936		
Singapore Dollars	3 222	2 216	635	243	1 363	274	1 050	207
Indian Rupee			3	31	1	12	3	27
Total		351 281		96 403		224 917		118 179

Foreign exchange sensitivity analysis	Profit higher/(lower) 2020 R'000	Profit higher/(lower) 2019 R'000
At 31 December 2020, if the Rand had weakened/strengthened by 10% in relation to the following currencies, with all other variables held constant, estimated post-taxation profit for the year would change for the following:		
- Mainly as a result of foreign exchange gains/(losses) on translating foreign denominated trade receivables, trade payables and the mark-to-market valuation of the group's forward exchange contracts:		
US Dollar	39 080	27 988
Euros	2 946	5 240
Japanese Yen	5 056	5 653
Great British Pound	71	77
Thai Baht	6 888	1 602

The following significant exchange rates against the Rand applied at year-end:

	Spot rate 2020	Spot rate 2019	Average rate 2020	Average rate 2019
US Dollar	14,8	14,2	16,6	14,5
Euros	18,0	15,8	18,8	16,2
Japanese Yen (at inverted rate)	6,7	7,5	6,4	7,5
Turkish Lira - Mutlu - translation of results	2,0	2,4	2,4	2,5
Romanian Lei - Rombat - translation of results	3,7	3,3	3,9	3,4

19. FINANCIAL INSTRUMENTS (continued)

19.2 FINANCIAL RISK MANAGEMENT (continued)

A. Market risk (continued)

ii. Interest rate risk

The group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings issued at fixed rates expose the group to fair value interest rate risk. The group is exposed to variable interest rate risk as some of its borrowings are at floating interest rates. These include the group's local RCF facility, bank overdrafts and the group's local preference share funding (refer to note 14). The loans in Mutlu and Rombat are at fixed interest rates.

Management evaluates the group's borrowings and exposures as it deems appropriate in order to optimise interest savings and reduce volatility in the debt-related element of the group's cost of capital.

Interest rates on bank overdrafts are disclosed in note 13. Interest rates on other long- and short-term borrowings are disclosed in note 14. Bank overdraft facilities are reviewed annually and the terms are normally market-related. For borrowing exposures and related maturity dates refer to note 14.

At 31 December 2020, if the average interest rates on borrowings had changed 1.0% point with all other variables held constant, post-taxation profit for the year would have changed by R8.3 million (2019: R8.9 million).

Changes in variable interest rates do not have a significant impact on the company as the company does not have any external borrowings or significant cash holdings.

Current advances to/from subsidiaries are interest free (refer to note 9).

iii. Price risk

The company and group is not exposed to equity securities price risk as the group does not have investments in equities or similar instruments.

B. Credit risk

Credit risk is the risk of financial loss to the group if a customer fails to pay their debt or a counterparty to a financial instrument fails to meet its contractual obligations i.e. recovering our cash from deposits held with banks. The group has two types of credit risk; operational and financial.

Operational credit risk relates to non-performance by customers in respect of trade and other receivables. Financial credit risk relates to non-performance by banks and similar institutions in respect of cash and deposits, facilities and financial instrument contracts such as forward foreign exchange currency contracts.

Our credit risk arises principally from receivables due from customers.

Operational

The group supplies batteries and automotive parts predominantly to the automotive industry. Our debtor's book consist of OEM, aftermarket and export customers. As a supplier to international automotive OEMs, the cash recovery ranges from 30, 45 and 60 days, however, the group may have a concentration of amounts outstanding with a single or smaller grouping of customers at any one time. Trade receivables comprise of 38% (2019: 25%) due from OEM customers. The credit profiles of such OEMs are available from credit rating agencies. The insolvency of, damage to relations or commercial terms with a major customer could impact future results. In the aftermarket customer base there are a greater proportion of amounts receivable from small- and medium-sized customers including the group's independent distributor networks in our energy storage business. This indirectly provides an advantage in concentration to OEMs.

Net trade receivables of R1 531 million (2019: R1 415 million) comprise of R1 155 million (2019: R1 192 million) from the energy storage business and R376 million (2019: R223 million) from the automotive component business. Note 12 includes further analysis of trade receivables, including, currency, type of customer/market and management ageing profiles.

Credit risk and customer relationships are managed in a number of ways within the group. The granting of credit is controlled by formal application processes and rigid account limits specific to each business unit. Credit evaluations are performed on the financial position of these debtors. This evaluation takes into account its financial position, past experience and other factors such as amounts overdue and credit limits. The group has extensive and regular dialogue with key customers and strong commercial and business relationships.

96% (2019: 92%) of the group's customers are long standing and have an established track record when transacting with the group. None of these customers' balances have been written off or are credit-impaired. An analysis of the group's credit quality can be found in the tables that follow.

19. FINANCIAL INSTRUMENTS (continued)

19.2 FINANCIAL RISK MANAGEMENT (continued)

B. Credit risk (continued)

Trade receivables are presented net of the provision for impairments. Movements in the allowance for impairment of trade receivables can be found in note 12.

The group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. In monitoring customer credit risk, customers are grouped according to certain shared credit characteristics such as industry and markets, product types and sectors, trading history and existence of previous financial difficulties and geographies.

A forward looking 'expected credit loss' (ECL) model is used to determine impairment losses and group entities adopt a provision matrix, as a practical expedient, to measure ECL on trade receivables ('the simplified approach'). This model focuses on the risk that a debtor will default, rather than whether a loss has or will be incurred (objective evidence of impairment). Credit losses are recognised earlier because every loan and receivable 'has some risk of defaulting in the future' and has an 'expected' credit loss associated with it, from the moment of its origination or acquisition.

The matrix is a calculation of an impairment loss based on a default loss rate percentage applied over the life of trade receivables. The provision matrix is developed to compute historically observed 'flow rates'. These are derived by computing the historical 'flow rate' of trade receivables, based on their ageing and arriving at an average loss rate. After determining our ageing buckets we also identify the default bucket. The definition of 'default' is consistent with that used for our internal credit risk management. We have used an 'over 6 months' ageing bucket as a default event.

Where practically possible, we adjust average loss rates for current conditions and forward-looking estimates, provided these are necessary and reasonable supportable information is available without undue cost or effort. We closely monitor the economic environments of our customers and our risk management processes are considered appropriate. In Turkey we obtain collateral for aftermarket and export customers. The scalar economic factors we considered for the group included the state of the automotive industry and outlook, GDP forecasts as well Covid-19. The impact of any future credit losses, based on forward-looking information, is considered immaterial. Actual bad debts for the year amounted to R3.8 million (2019: R4.8 million).

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there are no reasonable expectations of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the group, and a failure to make payments for a period of greater than 180 days past due. The group continues to engage in enforcement activity to attempt to recover amounts written off.

In summary, the following step-wise approach to determine the provision matrix is applied:

Step 1: Disaggregation (segmentation) of debtor's book:

- Receivables are analysed by underlying markets and common credit characteristics being OEM, exports, aftermarket and non-auto.
- OEMs have low default risk and very limited or no historical write-offs. Exports and aftermarket may have a raised default risk due to the nature of customers (normally 'private' businesses) and have different route to markets compared to OEMs.

Step 2: Determine the period over which the data may be considered for determining the loss rates:

- Our analysis of data was performed over a period of between one to two years. Our debtors profile has been relatively consistent over the past 5 years.

Step 3: Determine the ageing buckets and identify the default buckets:

- We analysed the collection of invoices separately for OEMs, aftermarket, exports and non-auto.
- We determined when the debtors paid and sorted into 'buckets' based on the number of days from creation of invoice until collection of invoice.
- Default triggers determined at 6 months except for OEM customer at 3 months.

Step 4: Conclude on appropriate loss rates:

- We calculated the theoretic 'historical' credit loss by using our default (or loss) 'trigger' divided by the amount unpaid (outstanding) at the end of each time bucket to arrive at the loss rate.
- Basically, we determined what percentage of proportion of trade receivables reach a point of no collection or loss.
- We considered adjusting the rates by scalar factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and our view of economic conditions over the expected lives of the receivables.
- We looked at past customer default history, specifically the 2008 global financial crisis and impact on the automotive industry in determining the Covid-19 overlay factor.

Step 5: Calculate expected credit losses:

- We then applied the loss rates to the actual portfolio of debtors (each ageing bucket in each pool/segment), at balance sheet date, to arrive at the impairment.

19. FINANCIAL INSTRUMENTS (continued)

19.2 FINANCIAL RISK MANAGEMENT (continued)

B. Credit risk (continued)

The loss rates effective at reporting date can be summarised as follows:

	GROUP					
	2020			2019		
Loss rates (%):	Age analysis			Age analysis		
Type of debtor	**Up to 3 mths**	**3 - 6 mths**	**Over 6 mths**	**Up to 3 mths**	**3-6 mths**	**Over 6 mths**
OEM	**0.00%**	**35.79%**	**47.40%**	0.00%	0.30%	5.74%
Export	**0.21%**	**70.19%**	**100.00%**	0.21%	0.00%	79.88%
Aftermarket	**0.04%**	**2.02%**	**93.50%**	0.12%	0.17%	47.63%
Non-auto	**0.54%**	**14.68%**	**100.00%**	0.64%	1.21%	19.62%

From a group point of view our ECL matrix and provision can be summarised as follows:

	GROUP					
	2020			2019		
Ageing buckets - R'000	**Amounts outstanding at year-end**	**Loss rate**	**Expected credit loss**	**Amounts outstanding at year-end**	**Loss rate %**	**Expected credit loss**
OEM	**595 684**	**0.14%**	**837**	**360 223**	**0.03%**	**119**
Up to 3 months	**593 754**	**0.00%**	**59**	357 147	0.00%	14
3 to 6 months	**1 179**	**35.79%**	**422**	1 317	0.30%	4
Over 6 months	**751**	**47.40%**	**356**	1 759	5.74%	101
Export	**224 183**	**14.42%**	**32 336**	**262 720**	**9.47%**	**24 886**
Up to 3 months	**191 899**	**0.21%**	**396**	230 724	0.21%	480
3 to 6 months	**1 154**	**70.19%**	**810**	1 444	0.00%	
Over 6 months	**31 130**	**100.00%**	**31 130**	30 552	79.88%	24 406
Aftermarket	**700 017**	**2.91%**	**20 404**	**739 755**	**1.85%**	**13 684**
Up to 3 months	**661 884**	**0.04%**	**268**	692 073	0.12%	840
3 to 6 months	**16 963**	**2.02%**	**342**	20 793	0.17%	36
Over 6 months	**21 170**	**93.50%**	**19 794**	26 889	47.63%	12 808
Non-Auto	**67 343**	**4.61%**	**3 106**	**93 120**	**2.17%**	**2 023**
Up to 3 months	**61 449**	**0.54%**	**332**	75 561	0.64%	481
3 to 6 months	**3 657**	**14.68%**	**537**	10 336	1.21%	125
Over 6 months	**2 237**	**100.00%**	**2 237**	7 223	19.62%	1 417
IFRS 9 lifetime ECL: Y/E	**1 587 227**	**3.57%**	**56 683**	**1 455 818**	**2.80%**	**40 712**

The following table provides information about the exposure to credit risk for trade receivables from individual customers as at 31 December:

31 December 2020	**Gross carrying amount R'000**	**Loss allowance R'000**	**Credit impaired**
Current (not past due)	1 314 351	(522)	No
1 - 30 past due	192 053	(278)	No
31 - 60 days past due	25 732	(792)	No
61 - 90 days past due	5 845	(5 845)	Yes
More than 90 days past	49 246	(49 246)	Yes
Total debtors book	**1 587 227**	**(56 683)**	
31 December 2019			
Current (not past due)	1 190 651	(362)	No
1 - 30 past due	125 288	(633)	No
31 - 60 days past due	26 777	(639)	No
61 - 90 days past due	12 790	(678)	No
More than 90 days past	100 312	(38 400)	Yes
Total debtors book	**1 455 818**	**(40 712)**	

Approximately R34.0 million (2019: R35.9 million) of trade receivables are recorded over 12 months on hand and carried over from previous years. The majority refers to Rombat export debtors, most of which are provided for.

19. FINANCIAL INSTRUMENTS (continued)

19.2 FINANCIAL RISK MANAGEMENT (continued)

B. Credit risk (continued)

Contract assets are short-term in nature and relate to OEM customers, being global automakers, of low default risk and ECLs are immaterial. The main contributors to credit risk arise in the energy storage business, the majority of which arises in Rombat. These businesses are exposed to aftermarket and export customers and markets. Losses are minimised by collateral that the group has over certain receivables 35% (2019: 45%), arising mainly in Mutlu. In certain instances goods are not shipped if amounts are past due and cash advances are then requested. Expected credit losses on rebates, discount receivables and other receivables has been considered and are immaterial.

Financial

Cash and cash equivalents

Credit risk is mitigated by placing cash with different financial institutions to minimise risk. In South Africa, this is usually limited to the 'big 4' retail banks and highly reputable financial institutions. In Turkey and Romania, this is usually limited to reputable financial institutions with strong international investment ratings. The maximum exposure to a single bank for deposits in South Africa is R354.1 million (2019: R324.9 million), whilst foreign deposits (held by foreign subsidiaries) vary amongst counterparties.

ECLs on cash and cash equivalents are immaterial. Deposits are readily convertible to cash and access is not restricted.
There have been no historical losses and none is expected in the future.

Derivatives

The derivatives (predominantly FECs) are entered into with various banks and financial counterparties of strong investment grades.

Guarantees

Certain group companies have provided cross guarantees for the RCF funding provided to the group. The company has provided no guarantees to third parties.

The credit quality of financial assets is based on historical counterparty default rates:

	GROUP	
Analysis of credit quality	**2020 R'000**	**2019 R'000**
Trade receivables		
Counterparties are:		
Group 1 - new customers (less than 6 months) with no defaults	**30 395**	112 448
Group 2 - existing customers (more than 6 months) with no defaults in the past	**1 500 149**	1 302 657
Group 3 - existing customers (more than 6 months) with some defaults	**56 683**	40 713
	1 587 227	1 455 818
The group has different categories of customers and a period of six months has been used as the criteria in distinguishing between new and existing customers.		
Credit limits were within terms and management does not expect any losses from non-performance by these counterparties. The maximum exposure to credit risk is estimated to be the carrying amounts of the financial assets and the risk exposure may be minimised by collection of collateral held by Mutlu (refer to note 12).		
Cash and cash equivalents		
Bank balances were held as follows:		
South African banks	**748 034**	678 119
European banks	**266 916**	117 429
Turkish banks	**608 746**	344 523
	1 623 696	1 140 071
Derivative financial instruments		
Forward exchange contracts were held as follows:		
South African banks - net ZAR forward cover notional outflow	**(451 502)**	(348 974)

The group does not expect any financial counterparties to fail to meet their obligations. Additional information on credit ratings can be found publicly on S&P Global and Fitch and Moody's Investor services. Moody's credit rating for South Africa was Ba2 (20/11/2020) with a negative outlook and the rating for Turkey and Romania was B2 and Baa3 respectively.

19. FINANCIAL INSTRUMENTS (continued)

19.2 Financial risk management (continued)

	COMPANY	
Credit quality - Company	**2020 R'000**	**2019 R'000**
Current advances to subsidiaries		
- with no defaults in the past not credit impaired/low credit risk ('Inalex')	1 467 576	1 471 357
- with no defaults in the past but with raised default risk ('MMS')	55 891	53 194
Bank balances with South African banks - fully performing	2 820	471

As at 31 December 2020, the company has fully impaired its loan advanced to Automould (Pty) Ltd for R167 451 000 (2019: R167 451 000). This subsidiary had suffered financial losses in the past. The loan is subordinated in favour of other creditors by the company. Further information on interests in subsidiaries can be found in note 9.

Credit risk for the stand-alone company arises in the loans advanced to subsidiaries and carried at amortised cost. These are subject to the expected credit loss model. The company applies the general approach for assessing impairments on loans advanced to subsidiaries because loans do not fall within the scope of the simplified approach.

The general model requires recognising impairment losses in line with the stage of the financial asset and if there is no significant increase in credit risk (SICR), the loss allowance is based on 12-months ECL, alternatively the loss allowance is based on lifetime ECL. ECLs are probability weighted averages of credit losses with the respective defaults occurring as the weights. Three elements are taken into account:

- Probability of default (PD) - is the percentage likelihood of that the borrower will not be able to repay its debt within some period.
- Loss given default (LGD) - is the percentage that could be lost in the event of a default by the borrower not paying its debt (principal and interest).
- Exposure at default (EAD) - is the outstanding balance of the loan - how much the company is owed at balance sheet date.

There is a rebuttable presumption that if a loan is more than 30 days past due, there has been a significant increase in credit risk.

Loans to subsidiaries have no fixed repayment terms, are interest free and therefore payable on demand (‘quasi equity’). If the loan is in stage 1-a fully performing, healthy asset, then the loss allowance can be calculated at 12-month ECL.

We therefore applied a PD*LGD*EAD (probability weighted) methodology for calculating the expected credit loss under IFRS 9. A weighted average PD rate was computed based on a probability weighted outcomes approach. We considered the most likely scenario if the loan is not repaid.

The company has considered qualitative factors when assessing whether or not there has been a SICR:

- Adverse forecasts for the subsidiaries’ operating results.
- Evidence of working capital deficiencies or liquidity problems in the subsidiaries, which could also be the result of financing or cash management decisions taken by the company (head office).
- Changes in credit spread in the automotive industry that may indicate an increase in credit risk or deterioration over time which may provide a general indicator of exposures to operating subsidiaries.
- Changes in the enterprise values of the underlying operations and indicators of decline in values.

19. FINANCIAL INSTRUMENTS (continued)

19.2 FINANCIAL RISK MANAGEMENT (continued)

B. Credit risk (continued)

Credit risk – company (continued)

On adopting a 'repay over time' strategy for the expected recovery in determining ECLs, loans could be repaid over time in a number of ways, including, but not limited to:

- adjustment in dividends declared upstream;
- refinancing or extensions of the preference shares issued;
- sale of certain operating subsidiaries or introduction of equity partners into some of our businesses; and
- sale of some of the group's free-hold properties.

Under a 12-month ECL scenario, the impairment loss should be limited to the effect of discounting the amount due on the loan at the effective interest rate (present value). Since the effective interest rate is 0%, and all strategies indicate that the company would fully recover the outstanding balance of the loan, discounting would have no impact on ECLs. However, as a consequence of our over time strategy, we also considered the following forward-looking information and scenarios:

External information:

- The Automotive industry default rates per the Moody's 'Annual default study: Corporate default and recovery rates' 2020.
- Default rates for rated speculative-grade corporate issuers (emerging markets) and in country credit ratings per S&P's 'annual global corporate default and rating transition study'.
- SA government bond yields – five-year credit default swaps (implied PD).

Internal information:

- There are no adverse indicators in the group's and Inalex's operating results.
- Covid-19 impact is considered short-term.
- The group and Inalex has complied with lenders covenants (refer to note 19).
- Inalex would be able to service its preference dividends and the redemption of the preference shares is due in 2021.
- The stability in the South African automotive outlook project good production volume recovery.
- The group will focus on Li-ion expansion.
- The South African government has supported the local automotive industry and has extended the APDP plan until 2035, creating certainty for the industry.
- The underlying impairment testing carried out (note 8) indicates that Mutlu Akü's recoverable amount exceeds carrying values, making this the most valuable asset held by the group.

19. FINANCIAL INSTRUMENTS (continued)

19.2 FINANCIAL RISK MANAGEMENT (continued)

B. Credit risk (continued)

Credit risk - company (continued)

The reconciliation for loss allowances (impairments) at 31 December are as follows:

	COMPANY	
	2020 Loans to subsidiaries at amortised cost R'000	2019 Loans to subsidiaries at amortised cost R'000
Opening loss allowance as at 1 January	(235 596)	(312 901)
Loss allowance measured at:		
Lifetime ECL - (increase)/decrease in credit risk since initial recognition	(6 478)	77 305
Loss allowance as at 31 December	(242 074)	(235 596)

C. Liquidity risk

The group is exposed to liquidity risk as part of its normal financing and operational cash cycles. Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities to ensure that sufficient liquidity is available to meet obligations as they fall due and to maintain sufficient flexibility in order to fund investment and acquisition objectives. The group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.

The repayment of the remaining preference shares will be funded using a combination of new preference share subscriptions, available cash or existing unutilised credit facilities and is repayable in 2021. The repayment of RCF 1 was extended to August 2021 and will be repaid by a combination of cash and/or re-financing.

The group utilises the credit facilities of various banking institutions and has been able to operate within these facilities. This trend is expected to continue into the foreseeable future to fund growth in the group. Details of borrowings including available facilities are disclosed in note 14. Projected operational cash flows are expected to provide adequate support in liquidity levels. Also refer to note 29 for the impact of Covid-19.

Analysis of financial liabilities - maturities (group)

The table below analyses the group's financial liabilities and derivative financial liabilities into relevant maturity groupings based on the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Balance sheet carrying value R'000	Contractual cash flows R'000	Less than 1 year R'000	Between 1 and 2 years R'000	Between 2 and 5 years R'000	Over 5 years R'000
As at 31 December 2020						
Borrowings (excluding lease liabilities)	**2 292 195**	**2 437 493**	**1 936 971**	**194 125**	**292 663**	**13 734**
Lease liabilities	**78 118**	**87 420**	**32 955**	**26 518**	**27 947**	
Derivative financial liabilities	**17 857**	**17 857**	**17 857**			
Overdraft	**58 573**	**58 573**	**58 573**			
Trade and other payables	**1 756 742**	**1 756 742**	**1 756 742**			
As at 31 December 2019						
Borrowings (excluding lease liabilities)	2 096 291	2 341 029	999 874	1 087 375	215 944	37 836
Lease liabilities	100 120	113 952	38 380	38 380	37 192	
Derivative financial liabilities	15 900	15 900	15 900			
Overdraft	261 466	261 466	261 466			
Trade and other payables	1 246 495	1 246 495	1 246 495			

Analysis of financial liabilities - maturities (company)

Financial liabilities noted in note 19.1 for R222.6 million (2019: R209.7 million) relate to current advances from a subsidiary, Business Investments No 1217 (Pty) Ltd (BVI). BVI holds treasury share investments in the company. The projected recovery of advances granted to other subsidiaries as well as dividends are expected to provide adequate liquidity to repay this obligation if required. The contractual cash flows approximate the carrying values.

Analysis of derivative financial instruments

Details of the outstanding foreign exchange contracts which will be settled on a gross basis follows in note 19.5.

19 FINANCIAL INSTRUMENTS (continued)

19.3 CAPITAL RISK MANAGEMENT

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital and maximise returns.

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt/reduce capital investments. Capital allocations are limited to the most meaningful projects with the highest probability of success to support the group's required return on invested capital and free cash flow generation.

The group monitors capital structure on the basis of net debt/equity. This ratio is calculated as net debt divided by ordinary shareholders' equity. Net debt is calculated as total interest bearing borrowings (including bank overdrafts) less cash and cash equivalents. Metair's capital structure remains relatively conservative and in compliance with all of our lender's covenants. Over time our target remains c. 25% debt:equity and the actual ratio may fluctuate over the short-term. Overall the debt levels are targeted not to exceed 2.5 x Earnings before Interest, Tax, Depreciation and Amortisation (group EBITDA), calculated as: profit before taxation of R297 million, excluding net interest expense of R164 million and excluding depreciation and amortisation of R322 million, amounting to R783 million.

The ratios at 31 December were as follows:

	GROUP	
	2020 R'000	2019 R'000
Total borrowings including bank overdraft (notes 13 and 14)	2 428 886	2 457 877
Less: Cash and cash equivalents (note 13)	(1 623 696)	(1 140 071)
Net debt	805 190	1 317 806
Ordinary shareholders' equity	4 105 975	4 166 372
Total capital employed	4 911 165	5 484 178
Net debt/equity ratio %	19.6	31.6
Net debt:EBITDA ('times')	1.0	0.9
Net debt/Capital ratio %	16.4	24.0

Our debt and capital structures remain healthy. Also refer to note 29, Covid-19 impact assessment.

Debt covenants

The borrowings provided by lenders to the group are subject to covenant measures. Covenant measures at reporting date and in the prior year have been met.

The three covenant measures (as calculated and defined per covenant requirements) are:

- Priority debt covenant not more than 1 times (achieved - 0.37 times)
- Interest cover ratio not less than 3.0 times (achieved 5.44 times)
- Net borrowings to 'adjusted EBITDA' ratio (on a covenant testing basis) shall not exceed 2.5 times (achieved 1.40 times)

The company is not subject to debt covenants.

19.4 FAIR VALUE ESTIMATION

The financial instruments that are measured subsequent to initial recognition at fair value are forward currency contracts. All of these financial instruments are classified as Level 2 fair value measurements, as defined by IFRS 13, being those derived from inputs other than quoted prices that are observable. Derivative financial instruments are discussed further below in note 19.5.

Financial instruments traded in active markets and based on market prices at reporting date as well as financial instruments in which inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) are classified as level 1 and level 3 respectively, as defined by IFRS 13. There are no such items applicable to the group at reporting date.

Bank overdrafts, other short-term bank borrowings, bank balances and cash and short-term bank deposits, trade receivables and payables approximate book value due to their short maturities.

For borrowings, the current contractual pricing of borrowings approximates the rates that would be available to the group. The fair value of the long-term fixed rate borrowings in Mutlu amount to R123 million (TL62 million) (2019: R185 million (TL79 million)).

19. FINANCIAL INSTRUMENTS (continued)

19.5 DERIVATIVE FINANCIAL INSTRUMENTS

The table below analyses financial instruments carried at fair value, by valuation method as defined in note 19.4:

		GROUP			
		2020 R'000		2019 R'000	
At 31 December	Level	Assets	Liabilities	Assets	Liabilities
Forward exchange contracts and similar instruments - Mandatorily at fair value through profit/(loss)	2	242	17 857	552	15 900

The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates (market observable/published rates) to terminate the contracts at the reporting date. The maximum exposure to credit risk at the balance sheet is the fair value of the derivative assets.

Derivatives are used as economic hedges and are classified as current assets or liabilities as the maturity of the hedged item is less than 12 months. Derivative instruments resulted in a gain of R2.2 million (2019: loss of R24.2 million) for the year.

Forward exchange contracts (FECs)

Year-end forward exchange contracts can be analysed as follows:

	**Rand amount '000	Foreign notional amount '000	FEC rate - range	Derivative Asset/ Liability fair value Rand '000	Period to maturity
Derivative financial assets					
Imports*					
US Dollar	65 686	4 450	14.60 - 14.84	132	4 January 2021 - 30 April 2021
Euro	14 340	791	18.06 - 18.07	54	27 January 2021 - 29 January 2021
Japanese Yen	2 870	19 882	6.92 - 7.06	15	29 January 2021 - 30 April 2021
Great British Pound	54	3	19.87	1	27 June 2021
Thai Baht	1 190	2 400	2.05	17	3 March 2021
	84 140			219	
Exports*					
US Dollar	889	60	14.74 - 15.09	11	29 January 2021
Euro	453	25	18.29	4	29 January 2021
Australian Dollar	1 129	99	11.47	8	26 January 2021
	2 471			23	
Total derivative financial assets				**242**	
Derivative financial liabilities					
Imports*					
US Dollar	253 952	17 160	14.74 - 17.03	(14 298)	5 January 2021 - 5 November 2021
Euro	52 650	2 873	18.23 - 20.09	(1 122)	21 January 2021 - 31 August 2021
Great British Pound	885	44	21.65	(66)	29 January 2021
Japanese Yen	48 950	340 423	6.13 - 6.91	(1 657)	29 January 2021 - 31 March 2021
Thai Baht	18 897	38 300	1.92 - 1.99	(640)	29 January 2021 - 31 March 2021
	375 334			(17 783)	
Exports*					
Euro	527	29	17.98	(6)	22 February 2021
Great British Pound	3 892	194	19.87	(51)	27 January 2021
Australian Dollar	1 082	96	11.20 - 11.22	(17)	21 January 2021 - 22 February 2021
	5 501			(74)	
Total derivative financial liabilities				**(17 857)**	

* Includes forward exchange contracts that represent imports and exports being managed on a net basis.

** Forward cover value in ZAR terms, representing the foreign notional amount translated at the contracted rates.

		GROUP		COMPANY	
		2020	2019	2020	2019
		R'000	R'000	R'000	R'000
20.	**CONTINGENT LIABILITIES**				
	Letters of support in respect of overdrafts of associates				
	Valeo	3 675	3 675	3 675	3 675

The group has contingent liabilities in respect of performance guarantees, letters of credit, customs and excise and other related matters such as claims and disputes arising out of the ordinary course of business of which the likelihood of loss is remote. Performance and related guarantees amounted to R192 million (2019: R187 million) at 31 December 2020.

Refer to note 23 for details on subordination agreements with subsidiaries. Certain group subsidiaries provided guarantees for funding provided to the group.

		GROUP 2020 R'000	GROUP 2019 R'000	COMPANY 2020 R'000	COMPANY 2019 R'000
21.	**COMMITMENTS**				
	Capital commitments	766 938	396 185		
	Contracted:				
	- Plant, machinery and equipment	341 388	51 236		
	Authorised by the directors, but not yet contracted:				
	- Plant, machinery and equipment	425 550	344 949		

The above commitments will be financed mainly from internal resources as well as from facilities available. In addition to the above, Hesto has capital expenditure authorised of R569 million in 2021. The maturity profile for lease obligations can be found in notes 14 and 19.2 C.

22. POST-EMPLOYMENT BENEFITS

The group provides post-employment benefits for its employees.
Amounts included in the financial statements comprise of:

	GROUP 2020 R'000	GROUP 2019 R'000
Balance sheet obligation for:		
Post-employment medical aid benefits (note 22.1)	38 774	35 206
Other post-employment benefits (note 22.2)	52 553	50 111
Liability in the balance sheet	91 327	85 317
Income statement charge:		
Post-employment medical aid benefits (note 22.1)	3 795	2 718
Other post-employment benefits (note 22.2)	9 076	8 793
	12 871	11 511
Remeasurements included in other comprehensive income for:		
Post-employment medical aid benefits (note 22.1) - loss	1 026	1 179
Other post-employment benefits (note 22.2) - loss	7 729	13 079
Long service award - loss	797	515
	9 552	14 773

22.1 POST-EMPLOYMENT MEDICAL AID BENEFITS

Certain of the companies in the group operated post-employment medical benefit schemes until 31 December 1996. Employees who joined the group after 1 January 1997 will not receive any co-payment subsidy from the group upon reaching retirement.

The scheme is unfunded. The present value of the obligation is based on the 'projected unit credit basis' using certain assumptions.

The amounts recognised in the income statement are as follows:

	GROUP 2020 R'000	GROUP 2019 R'000
Current service costs	544	555
Interest costs	3 252	2 163
	3 796	2 718
Movement in the liability recognised in the balance sheet		
At the beginning of the year	35 206	32 207
Total expense per income statement	3 795	2 718
Contributions paid	(1 253)	(898)
Actuarial loss recognised in other comprehensive income	1 026	1 179
At the end of the year	38 774	35 206
The amounts recognised in equity are as follows:		
Recognised actuarial loss	1 026	1 179

The effect of a 1% movement in the assumed medical healthcare cost rate is as follows:

	Increase R'000	Decrease R'000
Effect on the aggregate of the current service cost and interest cost	(3 174)	4 067
Revised defined benefit obligation - net	37 578	40 153

Assumptions	2020	2019
The principal actuarial assumptions used were:		
- Discount rate for obligation	10.0%	10.0%
- Healthcare cost inflation	6.2%	5.6%
- Continuation of membership on retirement	100%	100%
- CPI inflation	5.7%	5.0%
- Post-retirement mortality	PA (90)-1	PA (90)-1
- Pre-retirement mortality	SA 85-90	SA 85-90

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience.

22. POST-EMPLOYMENT BENEFITS (continued)

22.2 OTHER POST-EMPLOYMENT BENEFITS

In accordance with Turkish social legislation, Mutlu is required to make lump sum payments to current employees whose employment is terminated due to retirement or for reasons other than resignation or misconduct.

Such payments are calculated on the basis of 30-day pay limited to a salary cap of TL7 117 (2019: TL6 380) per year for each year of employment at the rate of pay applicable at the date of retirement/termination.

In the financial statements, the group reflects a liability calculated using the projected unit credit method and based upon factors derived using their experience of personnel terminating their services and being eligible to receive retirement pay and discounted by using the current market yield at the balance sheet date on government bonds (or rates approved by the Turkish capital markets board). Severance payment liability is not subject to any legal funding.

The scheme is unfunded.

	GROUP	
	2020 R'000	**2019 R'000**
Current service costs	**3 866**	3 636
Interest costs	**5 210**	5 157
	9 076	8 793
Movement in the liability recognised in the balance sheet		
At the beginning of the year	**50 111**	44 736
Total expense per income statement	**9 076**	8 793
Contributions paid	**(4 216)**	(9 707)
Actuarial loss recognised in other comprehensive income	**7 729**	13 079
Currency adjustment	**(10 147)**	(6 790)
At the end of the year	**52 553**	50 111
The amounts recognised in equity are as follows:		
Recognised actuarial loss	**7 729**	13 079
The principal actuarial assumptions used at balance sheet date are as follows (based on Turkish statistics):	**2020**	**2019**
Annual discount rate	**25.7%**	11.4%
Salary inflation rate	**16.8%**	6.5%
Average monthly earnings (Turkish Lira)	**6 983**	6 190
Mortality table	**CS080 F/M**	CS080 F/M

The principal assumption is that the maximum liability for each year of service will increase in line with inflation.

22.3 PENSION SCHEMES

The group operates defined contribution pension schemes and contributions are charged against the income statement. The group contributed R90.0 million (2019: R86.4 million) to the defined contribution schemes.

		GROUP		COMPANY	
		2020 R'000	2019 R'000	2020 R'000	2019 R'000
23.	**SUBORDINATION AGREEMENTS**				
	The company has subordinated a portion of loans receivable from the following subsidiaries in favour of, and for the benefit of, the other creditors of the subsidiaries to the extent that the aforementioned subsidiaries liabilities exceed total assets.				
	Total loan amount receivable (Gross):				
	Automould (Pty) Ltd (formerly Smiths Plastics (Pty) Ltd)			167 451	167 451
	Metair Management Services (Pty) Ltd (MMS)			111 782	106 328
				279 233	273 779

The company has also subordinated its claims against subsidiaries in respect of funding, in favour of the lenders.

24. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In preparing these consolidated financial statements, management has made judgements and estimates that affect the application of the group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively. The judgements, estimates and assumptions that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

A. Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements include the following:

Revenue recognition

- Timing of revenue recognition – Whether revenue from the supply of automotive components is recognised over time or at a point in time; and
- Whether tooling supply arrangements result in separate performance obligations and should therefore be included within revenue, on a principal, rather than agent, basis.

Refer to notes 1.2 and accounting policies on revenue for further details.

Treatment of Hesto using the Equity accounting method

Although Metair owns 74.9% of Hesto, Hesto is accounted for as an associate, using the equity accounting method and is not consolidated as a group entity. The shareholder's agreement stipulates that unanimous consent is required for all decisions relating to the relevant activities of Hesto (*de facto* control or majority vote). In addition, the other shareholder also has a currently exercisable and substantive option (call option) over Metair's shareholding that results in the classification of the investment as an associate rather than a joint venture.

The call option held would benefit the other shareholder through additional voting rights acquired from its exercise. The other shareholder currently holds 25.1% shareholding in Hesto and the option will allow an increase to either 50.1% or 100% shareholding. The unanimous consent required for decision-making is a clear indication that Metair does not control Hesto. Although unanimous consent usually indicates joint control, the impact of the call option results in the relationship being one of an associate. Metair therefore applies equity accounting to Hesto.

IFRS 16 – Incremental borrowing rates

The determination of incremental borrowing rates, as set out in the accounting policy note on leases, required management judgement. Incremental borrowing rates (IBR's) are based on the cost of borrowing from third parties. Borrowing rates readily observable in the market or available through recent financing are used by group entities as a starting point and adjusted by margins of between 0.25 to 1 basis points (bps) depending on the size, duration and country of lease. Security provided as well as the nature of the asset leased is also considered.

B. Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties at 31 December 2020 that have a risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

Asset useful lives and residual values (refer to note 7)

Property, plant and equipment are depreciated over its useful life taking into account residual values where appropriate. The actual useful lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In reassessing asset useful lives, factors such as technological innovation, product life cycles/project life and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

24. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

Goodwill impairment testing (refer to note 8)
The group tests annually whether goodwill (including indefinite life intangibles) has suffered any impairment, in accordance with the accounting policy. The recoverable amounts of CGUs have been determined based on value-in-use calculations. These calculations require the use of estimates. Key estimates include growth and discount rates (WACC) applied. Future cash flows (earnings) expected to be generated by Mutlu and Rombat (CGUs) are projected, taking into account factors such as market conditions and earnings growth. Sensitivity analyses are also performed.

IFRS 2 - Equity-settled schemes (refer to note 26.1)
IFRS 2 charges, determined by reference to the fair value of options granted, are calculated in terms of the group's accounting policy and based on option pricing models for the share option scheme in operation. The charge is based on assumptions applied at grant date to the valuation models. These include, among others, the risk-free interest rate, Metair share price volatility and dividend yields.

Fair value determination at grant date includes market performance conditions (such as share price), excludes the impact of any service and non-market performance vesting conditions (such as employment period conditions and profitability) and includes the impact of any non-vesting conditions.

At the end of each reporting period, the group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions and service conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

Measurement of expected credit loss (ECL) allowance for trade receivables, contract assets and intercompany loans (refer to notes 12 and 19.2 B. Credit risk)
IFRS 9 allows a 'simplified approach' (one of the three approaches) to determine loss allowances and adopts a 'life-time' ECL for trade receivables (without significant financing components). Essentially IFRS 9 tells us how to create bad debt provisions for trade receivables using a 'provision matrix'.

Basically, the calculation of an impairment loss is based on a default rate percentage applied over the life of a group of financial assets or receivables, from the moment of its origination or acquisition. The definition of 'default' should also be consistent with that used for internal credit risk management.

In using the simplified approach, certain assumptions in determining the weighted-average loss rate was applied. The group also 'disaggregated' its debtor's book into common credit characteristics as well as payment and risk profiles. Some of the assumptions applied included defining a default base, analysing historical credit losses and the practicalities of applying forward looking estimates.

The company applied the general approach to estimate ECL for intercompany loans.

Revenue measurement in battery aftermarket arrangements – estimate of variable consideration (refer to note 1.2)
An entity shall include in revenue some or all of an amount of variable consideration, estimated only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur, when the uncertainty associated with the variable consideration is subsequently resolved.

In one of the group's businesses, a supply arrangement exists whereby some independent aftermarket franchises are requested to supply batteries to other customers. A credit-note (refund) is issued to the specific distributor or franchise for their stock that is utilised from their inventory holding.

Since the group has an option to redirect the batteries, initially sold to the distributor, a variable consideration constraint exists. Therefore, the amount of revenue recognised is adjusted for the expected credit notes to be issued, usually indicated by historical trends and sales forecasts.

Assessing the impact of Covid-19
We have exercised judgement in evaluating the impact of Covid-19 on the financial statements. Certain areas have been recognised as being potentially affected. A detailed assessment of those areas can be found in note 29 to the annual financial statements.

25. RELATED PARTIES

The group and company entered into transactions with related parties. Transactions that are eliminated intra-group for consolidation purposes are not included.

Information on emoluments paid to executive and non-executive directors have been presented in note 3. Employees fulfilling the role of key management are all appointed to the board of directors.

Information on investments in subsidiaries and associates is presented in notes 9 and 10. Information on loans granted to subsidiaries has been presented in note 9. Dividends from subsidiaries has been presented in note 3. Directors' shareholding and share incentives granted have been presented in note 26.

Information on the Metair Investments Limited 2009 Share Plan can be found in note 26. The share-based payment expense for key management amounted to R10.7 million (2019: R9.5 million).

Information on the Metair group Pension Scheme can be found in note 22.3.

Information on shareholding of the company can be found on pages 118 to 121.

	GROUP	
	2020 R'000	2019 R'000
The group entered into the following transactions with its associates:		
Hesto		
Purchases from group companies	125 510	149 675
Sales to group companies	10 284	15 454
Management fees paid to group companies	5 185	6 285
Management fees received from group companies	406	378
Outstanding balance to group companies	10 158	5 774
Outstanding balance from group companies	603	47
Valeo		
Purchases from group companies	44 143	60 047
Management fees paid to group companies	324	301
Outstanding balance to group companies	8 227	1 593

The company has provided limited letters of support to certain subsidiaries within the group (refer to note 23).

		GROUP		COMPANY	
		2020 R'000	2019 R'000	2020 R'000	2019 R'000
26.	**STATED CAPITAL AND TREASURY SHARES**				
	Authorised number of shares				
	400 000 000 ordinary shares at no par value	400 000 000	400 000 000	400 000 000	400 000 000
	Issued number of shares				
	Ordinary shares at beginning and end of the year	198 985 886	198 985 886	198 985 886	198 985 886
		198 985 886	198 985 886	198 985 886	198 985 886
	Issued				
	198 985 886 ordinary shares of no par value	1 497 931	1 497 931	1 497 931	1 497 931
		1 497 931	1 497 931	1 497 931	1 497 931
	Treasury shares				
	Balance at the beginning of the year	(142 176)	(112 510)		
	Shares acquired by Business Venture Investments No 1217 (Pty) Ltd		(44 984)		
	Shares disposed by Business Venture Investments No 1217 (Pty) Ltd (vesting utilisation)	14 050	15 318		
	Balance at the end of the year	(128 126)	(142 176)		
	Number of treasury shares are held as follows				
	Business Venture Investments No 1217 (Pty) Ltd	6 504 167	7 374 023		

Treasury shares are ordinary shares held by Business Venture Investments No 1217 (Pty) Ltd for the purpose of the Metair Investments Limited 2009 share plan and share buyback programme. During the prior year 1 923 027 ordinary shares were acquired for a total of R45 million at an average price of R23.39 per share as part of concluding the group's share buyback programme.

26.1 THE METAIR INVESTMENTS LTD 2009 SHARE PLAN (EQUITY-SETTLED SHARE-BASED PAYMENT SCHEME)

The Metair Investments Ltd 2009 Share Plan is an equity-settled share-based payment scheme.

The Metair Investments Ltd 2009 Share Plan was approved by shareholders on 4 December 2009. Under the plan, executives, senior managers and/or key employees of the group will annually be offered a combination of share appreciation rights, performance shares or bonus shares.

Annual allocations of awards of performance shares and share appreciation rights (made to executives and selected managers) are governed by Metair's remuneration policies.

If an employee ceases to be employed by the group by reason of no fault termination prior to the vesting and/or exercise of the share appreciation rights, performance shares or bonus shares, the share appreciation rights, performance shares or bonus shares available to vest and/or be exercised shall be deemed to have vested and been exercised and shall be settled to the employee in terms of the share plan with effect from the date of termination of employment.

All shares vested are exercised.

a) Share appreciation rights

2019 was set as the last year for the award of share appreciation rights and these rights will therefore (due to the related vesting periods) terminate in 2024.

Annual allocations of share appreciation rights will be made to executives and selected managers and will be settled, subject to any performance criteria that were stipulated at allocation in equal thirds on the third, fourth and fifth anniversaries but need not be exercised until the sixth anniversary, at which time they will be automatically settled.

On settlement, the value accruing to participants will be the appreciation of Metair's share price. The appreciation may be calculated as the full appreciation in the share price, or that appreciation over and above a prescribed hurdle rate which may have been stipulated at allocation.

NOTES TO THE FINANCIAL STATEMENTS continued

26. STATED CAPITAL AND TREASURY SHARES (continued)

26.1 THE METAIR INVESTMENTS LTD 2009 SHARE PLAN (EQUITY-SETTLED SHARE-BASED PAYMENT SCHEME) (continued)

a) Share appreciation rights (continued)

Movements in the number of rights granted are as follows:

	2020		2019	
	Number of rights	Weighted average strike rights price R	Number of rights	Weighted average strike rights price R
Balance at the beginning of the year	**4 562 524**	**23.74**	5 116 997	25.65
Granted			885 222	24.02
Lapsed	**(154 751)**	**(21.21)**	(1 197 826)	(32.85)
Vested with appreciation	**(8 770)**	**(17.70)**	(38 433)	(20.02)
Vested with no appreciation	**(1 335 150)**	**(30.57)**	(203 436)	(20.02)
Balance at the end of the year	**3 063 853**	**20.91**	4 562 524	23.74
IFRS 2 share-based payment charge		**R5 728 654**		R4 074 783

Rights outstanding at the end of the year vest in the following years (performance period), subject to the fulfilment of performance conditions.

	2020 Number of rights	2019 Number of rights
Year ending 31 December:		
2020		1 706 928
2021	**1 505 244**	923 034
2022	**775 585**	966 389
2023	**543 244**	671 100
2024	**239 780**	295 073
	3 063 853	4 562 524

b) Performance shares

Annual conditional awards of performance shares will be made to participants with a zero strike price. Performance shares will vest on the third anniversary of their award to the extent that the specified performance criteria over the intervening period has been met.

The Metair board dictates the performance criteria for each award, which will be selected from the return on equity, return on assets, cash generation and compounded annual growth in headline earnings per share.

The performance conditions applied to the performance shares awarded in 2020 are as follows:

- Metair executives performance criteria will be the group's return on invested capital ('ROIC') (50%), HEPS growth targets (30%) as well as cash conversion rates (20%).

The performance conditions applied to the performance shares awarded in 2018 and 2019 are as follows:

- Metair executives performance criteria will be group's ROIC (50%) and total shareholder return ("TSR") (50%) being targeted. TSR will be measured against a benchmark of selected mid-tier industrial and trading companies. Metair's weighted average ROIC over the three-year period will be referenced to WACC.

26. STATED CAPITAL AND TREASURY SHARES (continued)

26.1 THE METAIR INVESTMENTS LTD 2009 SHARE PLAN (EQUITY-SETTLED SHARE-BASED PAYMENT SCHEME) (continued)

b) Performance shares (continued)

Movements in the number of shares awarded are as follows:

	2020 Number shares	2019 Number shares
Balance at the beginning of the year	1 434 344	1 412 297
Granted	2 650 159	654 844
Additional increase based on performance criteria	294 218	
Lapsed	(414 744)	(219 827)
Vested	(861 086)	(412 970)
Balance at the end of the year	3 102 891	1 434 344
Share awards outstanding vest in the following years, subject to the fulfilment of performance conditions.		
Year ending 31 December:		
2020		393 598
2021	368 364	457 724
2022	480 253	583 022
2023	2 254 274	
	3 102 891	1 434 344
IFRS 2 share-based payment charge	R20 861 043	R16 159 649

c) Bonus shares

Bonus shares are no longer awarded.

Movements in the number of bonus shares awarded are as follows:

	2020 Number shares	2019 Number shares
Balance at the beginning of the year	250 000	1 050 000
Lapsed	(250 000)	(800 000)
Balance at the end of the year		250 000
IFRS 2 share-based payment charge	R5 189 813	R4 157 167
Share awards outstanding at the end of the year vest in the following years, subject to the fulfilment of performance conditions.		
Year ending 31 December:		
2020		250 000
		250 000

26. STATED CAPITAL AND TREASURY SHARES (continued)

26.1 THE METAIR INVESTMENTS LTD 2009 SHARE PLAN (EQUITY-SETTLED SHARE-BASED PAYMENT SCHEME) (continued)

d) Valuation of share incentive grants

The fair value of the share appreciation rights was determined using a modified binomial tree model. The performance and bonus shares granted in terms of the share plan are the economic equivalent of awarding a Metair share (without dividend rights for the period from grant date to vesting date) at zero strike. Therefore, the value of each performance share and bonus share is equal to the share price on the grant date less the present value of future dividends expected over the vesting period.

The table below sets out the assumptions used to value the grants:

	Share appreciation rights	Performance shares
2020		
Spot price		**R14.98**
Strike price (grant price)		**Nil**
Volatility*		**N/A**
Dividend yield		**7.00%**
Valuation (IFRS 2)		**R34 492 363**
Fair value per share at grant date		**R12.15**
2019		
Spot price	R23.65	R23.01
Strike price (grant price)	R24.02	Nil
Volatility*	33.95%	36.78%/N/A
Dividend yield	3.9%	4.3%
Valuation (IFRS 2)	R6 527 420	R23 894 951
Fair value per share at grant date	R7.37	R45.01/R20.22

The total IFRS 2 employee share-based payment expense for the year was R31.8 million (2019: R24.4 million), including allocation to non-controlling interests. The cost of share-based expenses for the company is capitalised to the investment in subsidiaries. Metair's share price at 31 December 2020 was R18.75 (2019: R23.10).

* The volatility input to the pricing model is a measure of the expected price fluctuations of the Metair share price over the life of the option structure. Volatility is measured as the annualised standard deviation of the daily price changes in underlying shares.

26. STATED CAPITAL AND TREASURY SHARES (continued)

26.1 THE METAIR INVESTMENTS LIMITED 2009 SHARE PLAN (EQUITY-SETTLED SHARE-BASED PAYMENT SCHEME) (continued)

e) Share awards, options and other grants allocated to and exercised by Metair Investments Limited executive directors

	Share appreciation rights	Performance shares	Bonus shares	Total
Yearly award (number of shares):				
2020				
CT Loock		**324 251**		**324 251**
S Douwenga		**158 812**		**158 812**
2019				
CT Loock	121 858	62 615		184 473
S Douwenga	57 296	29 247		86 543
Lapsed (number of shares):				
2020				
CT Loock*	**(641 110)**	**(274 749)**		**(915 859)**
S Douwenga	**(295 730)**		**(250 000)**	**(545 730)**
2019				
CT Loock**	(833 742)	(4 039)		(837 781)
S Douwenga**		(1 964)		(1 964)
Additional increase based on performance criteria (number of shares):				
CT Loock		**51 110**		**51 110**
S Douwenga		**24 980**		**24 980**
Exercise (number of shares):				
2020				
CT Loock*	**(8 549)**	**(266 798)**		**(275 347)**
S Douwenga		**(48 326)**		**(48 326)**
2019				
CT Loock	(6 299)	(53 654)	(800 000)	(859 953)
S Douwenga		(26 097)		(26 097)
Cumulative (number of shares):				
2020				
CT Loock				
S Douwenga	**284 952**	**215 334**		**500 286**
2019				
CT Loock	649 659	166 186		815 845
S Douwenga	580 682	79 868	250 000	910 550

* Includes 442 671 shares exercised and 614 915 shares lapsed on retirement.

** Included in performance shares lapsed is nil (2019: 6 003) shares not vested by the remuneration committee in terms of the under fulfilment of certain performance conditions.

26.2 INTEREST OF DIRECTORS

At 31 December 2020, members of the board of directors had a direct beneficial interest in the company's ordinary stated capital as set out below (there has been no change since that date):

	2020 Beneficial Direct Number	2020 %	2019 Beneficial Direct Number	2019 %
Executive directors				
CT Loock	**732 414**	**0.37**	906 459	0.46
S Douwenga	**48**	**0.00**	143 048	0.07
Total	**732 462**	**0.37**	1 049 507	0.53

There is no indirect beneficial or non-beneficial interest by members of the board of directors.

		GROUP 2020 R'000	GROUP 2019 R'000	COMPANY 2020 R'000	COMPANY 2019 R'000
27.	**RESERVES**				
	Reserves comprises the following:				
27.1	**SHARE-BASED PAYMENT RESERVE**				
	Balance at the beginning of the year	**149 047**	125 656	**68 270**	66 598
	Value of service provided	**31 780**	24 392	**31 780**	24 392
	Deferred taxation	**(2 740)**	(1 001)		
	Utilisation of treasury shares to settle obligation*	**(14 050)**	(15 318)	**(22 853)**	(22 719)
	Estimated taxation effect of utilisation of treasury shares	**160**	(3 360)		
	Transfer of net vesting impact to retained earnings	**13 890**	18 678		
	Balance at the end of the year	**178 087**	149 047	**77 197**	68 271
	* The market value of shares utilised to settle the obligation amounted to R13.3 million (2019: R28.7 million).				
27.2	**FOREIGN CURRENCY TRANSLATION RESERVE**				
	Balance at beginning of the year	**(1 791 227)**	(1 418 319)		
	Net exchange loss arising from translation of foreign operations	**(278 234)**	(372 908)		
	Balance at end of the year	**(2 069 461)**	(1 791 227)		
27.3	**EQUITY ACCOUNTED RESERVES**				
	Balance at the beginning of the year	**470 111**	395 614		
	Transfers from retained earnings	**(6 788)**	74 497		
	Balance at the end of the year	**463 323**	470 111		
	Transfer from retained earnings consists of:				
	- Share of results of associates	**8 132**	105 665		
	- Dividends received	**(14 920)**	(31 168)		
		(6 788)	74 497		
27.4	**CHANGE IN OWNERSHIP RESERVE - NON-CONTROLLING INTERESTS (NCI)**				
	The reserve relates to the premiums paid on purchases of and profit/loss on disposals to NCI without a change in degree of control. The reserve arose as a result of transactions with Mutlu NCI in previous years.				
	Balance at the end of the year	**(21 197)**	(21 197)		
	Total other reserves	**(1 449 248)**	(1 193 266)	**77 197**	68 271
27.5	**RETAINED EARNINGS**				
	Balance at the beginning of the year	**4 025 564**	3 699 197	**312 996**	440 357
	Net profit/(loss) for the year	**174 184**	624 186	**(11 621)**	77 920
	Other comprehensive loss	**(7 228)**	(11 406)		
	Dividends paid		(193 238)		(198 986)
	Transfers to equity accounted reserves	**6 788**	(74 497)		
	Transfer of net vesting impact to retained earnings	**(13 890)**	(18 678)		(6 295)
	Balance at the end of the year	**4 185 418**	4 025 564	**301 375**	312 996
27.6	**NON-CONTROLLING INTERESTS**				
	Balance at the beginning of the year	**122 733**	121 349		
	Net profit for the year - attributable to non-controlling interests	**11 093**	33 607		
	Other comprehensive income/(loss) - attributable to non-controlling interests	**198**	(567)		
	Dividend	**(25 161)**	(31 656)		
	Balance at the end of the year	**108 863**	122 733		

28. CHANGES IN ACCOUNTING POLICIES

Except for the changes below, the group has consistently applied the accounting policies to all periods presented in these consolidated financial statements.

28.1 IFRS 16 – LEASES – Adopted on 1 January 2019

The group applied IFRS 16 from 1 January 2019 (in the 2019 financial year end). As a result, the group has changed its accounting policy for lease contracts. IFRS 16 was applied using the modified retrospective approach and there was no impact on retained earnings at 1 January 2019 as the right-of-use assets were measured at an amount equal to the remaining lease liabilities.

As a lessee, the group previously classified leases as operating or finance leases based on its assessment of whether the leases transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the group. Under IFRS 16, the group recognises right-of-use assets and lease liabilities for most leases, including operating leases. In other words, majority of leases are 'on-balance sheet'.

The group has applied recognition exemptions available for short-term leases of administrative and IT equipment as well as leases meeting the threshold for 'low value' items. For all other leases, which were classified as operating under IAS 17, the group recognised right-of-use assets and lease liabilities.

On transition to IFRS 16, the group also applied the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.

A. Leases classified as operating leases under IAS 17

At 1 January 2019, transition lease liabilities were measured at the present value of the remaining lease payments, discounted at the group's incremental borrowing rate at 1 January 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The following practical expedients were used when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Applied the exemption not to recognise right-of-use assets and liabilities with less than 12 months of lease term remaining.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Use of hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

B. Leases previously classified as finance leases

For leases that were previously classified as finance leases under IAS 17, the carrying amount for the right-of-use asset and the lease liability at 1 January 2019 are determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

C. Impact on financial statements

On transition to IFRS 16, the group recognised right-of-use assets for R89.1 million and additional lease liabilities for R84.5 million. Right-of-use assets are included within property, plant and equipment and lease liabilities are included within non-current and current borrowings. Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Depreciation for the current year increased by R32 million because of IFRS 16. When measuring the lease liabilities at present value, a weighted average incremental borrowing rate of 9.0% to 10.5% was applied in 2019 (1 January 2019: 9.7%) for South Africa and 1.4% for Romania (European based). The new rules did not have a material impact on operating profit, however, interest expense increased by R4.7 million, mainly as a result of ATE's property lease and FNB's forklift rentals. R13.3 million was directly expensed in the current year in terms of the recognition exemptions.

A reconciliation of the operating lease commitments capitalised at 1 January 2019 is as follows:

R'000	1 January 2019
Operating lease commitments at 31 December 2018 as disclosed in note 21 to the financial statements:	91 236
Discounted using incremental borrowing rate	64 913
Recognition exemption for:	
- low value assets	(3 107)
- short term leases	(7 357)
Discounted using the incremental borrowing rate at 1 January 2019	54 449
Alfred Teves Brake Systems (Pty) Ltd property lease at 1 January 2019	30 080
Existing finance lease liabilities recognised at 31 December 2018	4 595
Total right-of-use assets (lease liabilities) recognised at 1 January 2019	**89 124**

29. COVID-19 IMPACT AND ASSESSMENTS

Operational impact

The impact of the Covid-19 pandemic caused unprecedented disruptions to businesses globally in 2020. These disruptions, brought on by governments' measures to contain the virus such as extended lockdowns, aimed at protecting the health and safety of citizens and unintentionally temporarily disconnected businesses from their employees, markets, and customers.

The group was largely impacted in the first half of the year but showed significant improvement in the second half, particularly in Q4. In South Africa, where the group earned 58% of annual segmental revenues, operations went into various levels of lockdown:

- Level 5: 27 March to 30 April (no production).
- Level 4: 1 May to 31 May (up to 50% production/capacity utilisation). First National Batteries (FNB) managed to be classified as an essential service provider.
- Level 3: 1 June to 17 August (up to 100%), but with automotive capacity still linked to market demand.

Mutlu Akü (Turkey) and Rombat (Romania), our international Energy storage businesses where the group earned 42% of annual segmental revenues, were able to trade throughout, albeit at a reduced level. Mutlu was classified as an essential service but had to deal with nine mini-lockdowns. Although operational, Mutlu had to adjust to market demand and operated at c. 50% from mid-March, only increasing from June as OEMs become operational again. Romania entered a state of emergency from beginning of April to 18 May. OEMs stopped production on 16 March and re-opened on 15 June. Rombat was able to service AM and OES sales but at reduced demand.

The impact of Covid-19 was taken very seriously from the onset of the pandemic and Metair designed a structured 'six pillar Covid-19 response strategy' addressing immediate and longer term actions, fine-tuned for each geographic region and business vertical.

South African local OEM demand recovered largely back to prior year levels in the second half of the year and the group's automotive components business enjoyed improved production levels and recovery in demand from export vehicle sales (60% of local SA vehicle production is exported). Energy storage experienced unprecedented demand for quality volumes, some relating to first-half catch-back sales, but largely genuinely strong demand in our automotive sales channels overall and in particular our international business.

Metair's results impact

Group revenues declined in the first six months of 2020 by 27% when compared to the same period in 2019, approximately R1.5 billion. However, the decline was contained to R1 billion as revenue of R10.2 billion (2019: R11.2 billion) was generated for the full year.

The group's automotive businesses reported satisfactory results under tough conditions. Energy storage recovered strongly and achieved 88% of prior year operational profit in ZAR terms. The group recovered from a first-half operating loss of R18 million to a full year operating profit of R561 million (2019: R1 billion operating profit).

Net loss for the first half of the year was R216 million (including Moll impairments for R108 million) compared to 2019 comparative period profit of R330 million. Full-year profit recovered to R185 million, but down on the previous year's R658 million. The Covid-19-related hard lockdowns on economies during the first half of the financial year had an impact on revenue. As lockdowns eased and economic activity opened up, sales volumes proceeded to recover in the second half.

Welfare (salary and wages) support to employees during hard lockdown and direct Covid-19 related costs of R61 million and R14 million respectively, totalling R75 million, were expensed in the year. In addition, employee termination costs for R25.1 million (2019: R1.9 million) was also incurred.

Dividend distribution and cancellation

As communicated in our SENS update to the market on 1 October 2020, given the uncertainty that existed at that time in respect of the economic outlook for the South African and global economies, especially in light of the likelihood of a potential second wave in Covid-19 infection in South Africa, as has been experienced in most European countries and to preserve cash, the distribution of the dividend declared on 18 March 2020 of 120 cents per share (R239 million in respect of 2019 year-end) was cancelled.

Liquidity and solvency

Our business design, together with our focused Covid-19 response strategy proved to be robust. We deferred all major capital and project expenses and set out to effectively preserve cash. Despite the Covid-19 impact and much lower EBITDA, the group's financial position in terms of cash and liquidity has remained in a surplus cash position. Focused cash management resulted in R1.1 billion (2019: R1.2 billion) cash generated from operations and net cash inflow of R756 million (2019: R556 million) after payment of interest and taxes. The group held cash and cash equivalents of R1.6 billion (2019: R878 million) at year end. The position was assisted by cancelling the payment of the declared dividend of R239 million, lower capital expenditure and overall improved working capital management.

Unutilised and available finance facilities were R877 million in South Africa and R1.1 billion combined equivalent at Rombat and Mutlu. In addition, R345 million is still available through the RCF 2 South African facility. The RCF 1 repayment due in August 2020, for R750 million, was extended and is now repayable in August 2021 with no change in pricing.

Management continues to closely monitor the group's financial position, and remains focused on effective cash management, specifically in the areas of working capital in conjunction with customer requirements, cost control and capital expenditures including planned investments required in new or upcoming customer models and facelifts. Inventory levels are being built up, for the peak cycle in Europe as markets open up. We are increasing inventory supply levels to maintain production, despite the supply challenges and short-term material shortages.

Currently, our solvency and liquidity assessments indicate that the group has sufficient cash and available facilities to meet our obligations as they become due in the next 12 months.

29. COVID-19 IMPACT AND ASSESSMENTS (continued)

Debt covenants

Net debt decreased to R805 million compared to R1.3 billion at 31 December 2019. The group's leverage ratio (net debt /EBITDA ratio) was 0.9 times, on par with 31 December levels. All covenant requirements were met in the period, and on a covenant testing basis net debt to EBITDA was 1.38 times, largely impacted by lower full-year EBITDA but compared to a limit of 2.5 times. This demonstrates healthy headroom. Our covenant includes Hesto in the group calculations.

Going concern

The impact of lower sales volumes had an adverse result on profitability in the first half of the year, however, the group operated at near break-even, contained cash and recovered in the second half of 2020. As annual standing practice, the group conducts detailed five-year business plans which include approval of budgets for the next financial year, forecasts of profitability, capital expenditure, working capital requirements and cash flows. Our outlook took into account the uncertainties following the outbreak of Covid-19 as well as latest market and customer requirement intelligence. In addition to executing all the activities required to manage the Covid-19 risks, we also focused on creating our future vision: Vision 2022, which will shape our designed recovery post the pandemic. Our focus was to design a multi-stepped U-shaped recovery and avoid an L-shaped recovery curve.

The Automotive Components Vertical recovery is a project-based stepped U-shaped recovery from the full-year overall decline of 32% in South African production volumes in 2020. Metair is focused on new model launch projects as well as the most sustainable projects, customers, models, and markets with anticipated increase in export demand from Europe. Recent investment announcements by major South African OEMs, together with policy certainty created in the APDP scheme renewal as well as the drive for localisation initiatives shows ongoing commitment to the automotive industry value chain in South Africa. The Energy Vertical recovery is based on an aftermarket demand, market share, brand positioning, and economic range expansion and OEM projects. Aftermarket demand has returned strongly and we look to structurally adapt our cost base and business activities to increase agility.

There are no indications that the group will not be a going concern at any point in time in the future. The group has a strong balance sheet, healthy cash flow generation and access to bank funding. Management has considered the consequences of Covid-19 and other events and conditions and has determined that they do not create a material uncertainty or significant doubt upon the group's ability to continue as a going concern.

Financial accounting considerations of COVID-19

The COVID-19 pandemic developed rapidly since government lockdowns in March 2020, and steps taken to contain the virus affected the automotive environment. Our assessment and impact thereof is summarised below:

Investment in Moll

In Germany, businesses were already dealing with the market effect caused by the pandemic. Metair's 25% associate investment, Moll, applied for liquidation as shareholders decided not to inject more capital into the business given the extended outlook for recovery of the business combined with the uncertainty of the market effect caused by the pandemic at the time. Metair therefore impaired the remaining R108 million investment in Moll, also taking into account the liquidator's final business review and recommendations.

Impairment of non-financial assets, such as goodwill, intangibles and property, plant and equipment (PPE)

We performed impairment testing on CGUs including goodwill, and sufficient headroom exists based on our expectations of the market recovery, revised forecast volumes from major customers and post-Covid-19 subsidiary adjusted business plans.

Negative impact to trading results was experienced during the first half of the year as result of the temporary closure of operations during the hard lockdown period. However sales and volumes have largely recovered in the second half of the financial year.

Our five year forecasts support the carrying values of PPE, which include R1.4 billion belonging to Rombat and Mutlu (international) and R1.2 billion arising in the rest of the group (South Africa). These will be recovered from free cash flow generation and a reasonably possible change in assumptions is not likely to cause recoverable amounts to fall below the carrying value.

Property, plant and equipment – Useful life estimates

The remaining useful lives of PPE are reviewed annually in the group. PPE was temporarily under-utilised in the first half of the financial year, but utilisation improved to near capacity levels in the second half. Management does not anticipate that the effects of COVID-19 will have a lasting impact on the productivity of the group's property, plant and equipment and our recovery plans support carrying values.

Financial assets (incl. trade and other receivables)

The group's trade receivable balances is diversified into different customer markets and channels, disaggregated into OEMs (owned equipment manufacturers), aftermarket-export, aftermarket-local and non-auto (industrial) customer groupings. Customer concentration, largely comprising of major international OEMs, is found in our automotive component business, however, a large number of different customers are found in our energy storage (battery) business.

The group continued to apply strict application of credit control processes and strong cash recoveries proved its value during the year as collection were largely within terms. The group also considered any specific communications from customers, which would cause concern regarding their ability to meet their obligations as at the reporting date and no such communications were received. The group did not incur significant trade receivable write-offs relating to Covid-19.

29. COVID-19 IMPACT AND ASSESSMENTS (continued)

Financial assets (incl. trade and other receivables) (continued)

Throughout the year under review and at balance sheet date, management assessed the ECLs for trade and other receivables as well as contract assets. The group calculates ECLs using a provision matrix and is based on the past experience of default rates of customer groupings, focussing on the risks relevant to each geographic region and customer channels.

The impact of Covid-19 on customers has been, and is still closely monitored and we took into account forward-looking adjustments (where practical). Due to the global financial uncertainty and future consequences arising from Covid-19, we applied higher loss rates to our ageing buckets based on judgement. An 'overlay' factor was applied to the default rates. A charge of R16 million for impairment provisions was recognised in profit/loss in the year, of which R9.8 million is considered to relate to the impact of Covid-19.

Other than the specific once-off write off relating to the Moll liquidation for R32 million, other financial assets (other receivables, contract assets and cash equivalents) have not been impacted.

Other areas

- Inventory: Write-down of inventories (stock obsolescence) increased to R52 million (2019: R18 million). The increase was largely attributable to the pull forward of new models and facelift introductions in the second half of the year and additional industrial segment obsolescence, amounting to R32 million. Although sales volumes and capacity utilisation was lower in the first half of the year, we monitored inventory obsolescence and stock levels very closely. Based on information available, ordering lead times and safety stock levels were maintained in order to secure raw material supplies and will be recovered through normal trading.
- Leases: As we own all our major factories and have few rental obligations, there were no changes to the group's existing lease portfolio or profiles.
- Revenue recognition: There has been no significant changes to revenue invoicing and pricing terms. Contract assets, mainly relate to confirmed OEM parts order builds for R382 million (2019: R304 million) which are fully recoverable.
- Assessed losses: Deferred tax assets of R15 million (2019: R4 million) on estimated tax losses were recognised to the extent that it is probable that taxable income will be available in future against which they can be utilised. Future taxable profits is supported by business recovery plans and management remains confident of the group's ability to generate taxable income.
- Retirement benefits: Post-retirement medical aid benefit schemes, for certain past employees, exist in three South African subsidiaries while other legislative benefits are recognised in Turkey. The schemes are unfunded and there was no material impact on underlying actuarial valuations.

Insurance recovery for dreaded disease (potential business interruption claims)

The results for the year do not include any business interruption insurance claims related to Covid 19 in South Africa. Metair is in discussions with its insurers regarding the claim, including clarity on the potential value thereof post favourable recent SCA judgements in favour of the insured (claimants).

The group has cover for business interruption relating to the extended damages clauses, due to infectious or contagious diseases. Income will be booked when 'virtually certain'.

ACCOUNTING POLICIES

PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

BASIS OF PREPARATION

The consolidated financial statements are stated in South African Rand and are prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations adopted by the International Accounting Standards Board (IASB) in issue and effective for the group at 31 December 2020 and the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and the Companies Act.

The consolidated financial statements have been prepared on the historical cost basis, except as disclosed in the accounting policies below. Derivative financial instruments are carried at fair value.

The consolidated financial statements are prepared on the going concern basis.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 24.

NEW STANDARDS AND INTERPRETATIONS

Accounting policy developments include new standards issued, amendments to standards, and interpretations issued on current standards as issued by the IASB.

(a) Standards, amendments and interpretations effective for the first time

Standards and amendments adopted by the group:
The group has applied the following standards and amendments for the first time for the annual reporting period commencing 1 January 2020. These amendments did not have any impact on amounts recognised in prior periods and are not expected to significantly affect current or future periods:

- Amendments to IAS 1 and IAS 8, definition of material.
- Amendment in IFRS 3 Business combinations and new definition of 'business'.
- IFRS 17 Insurance contracts (effective 1 January 2021).
- Sale or contribution of assets between an investor and its associate or joint venture – Amendments to IFRS 10 and IAS 28 (deferred but available to adopt).
- Revised Conceptual Framework for financial reporting.
- Amendments to IFRS 9, IAS 39 and IFRS 7, interest rate benchmark reform.
- Annual Improvements to IFRS Standards 2018-2020 Cycle.

(b) Standards, amendments and interpretations not yet effective but have been early adopted by the group

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

BASIS OF CONSOLIDATION

(a) Subsidiaries

The consolidated financial statements incorporate the financial statements of Metair and all its subsidiaries from the effective dates of acquisition to the effective dates of loss of control.

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are no longer consolidated from the date that control is lost.

The acquisition method of accounting is used to account for business combinations of subsidiaries by the group.
The consideration transferred for the acquisition of a subsidiary is measured at the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity instruments issued at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest (NCI). Acquisition-related costs are expensed in the period in which the costs are incurred, or services received.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

The excess of the consideration transferred, the amount of any NCI in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, NCI recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

The company accounts for subsidiary undertakings at cost less impairment. Advances to subsidiaries by the company, which do not have fixed terms of repayment, are classified as loans to subsidiary companies – current at amortised cost. Accounting policies on intercompany loans, including impairment assessments, is fully discussed in notes 9 and 19.2.

For the company, the equity-settled share-based payment cost is capitalised to the investment in subsidiaries.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently re-measured to fair value with changes in fair value recognised in profit or loss.

Changes in ownership interests in subsidiaries without change of control
Transactions with NCI that do not result in loss of control are accounted for as equity transactions - that is, as transactions with the owners in their capacity as owners. The difference between the fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to NCIs are also recorded in equity.

Disposals of subsidiaries
When the group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(b) Non-controlling interest (NCI)
NCI is valued at the NCI's portion of the acquirer's identifiable assets, liabilities and contingent liabilities at the acquisition date plus the NCI's portion of post-acquisition reserves, excluding the NCI's portion of share-based payment reserve.

NCI is included in equity on the balance sheet and is also reconciled in the statement of changes in equity.

(c) Associated companies
Associates are all entities over which the group has a significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment losses. The group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in the statement of other comprehensive income with a corresponding adjustment to the carrying amount of the investment. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.
If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit/(loss) of an associate' in the income statement.

Unrealised gains on transactions between the group and its associates are eliminated to the extent of the group's interest in associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Dilution gains or losses arising on investments in associates are recognised in the income statement.

If an associated company applies accounting policies that are recognised as being materially different to those adopted by the group, appropriate adjustments are made to the consolidated financial statements, prior to equity accounting.

The group's share of associated earnings less dividends received is transferred to other reserves within the statement of changes in equity. For the purposes of the cash flow statement, dividends received from associates are classified as operating cash flows as these enter into the determination of net profit or loss.

FOREIGN CURRENCY TRANSLATION

(a) Functional and presentation currency
Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in South African Rands (ZAR), which is the company's functional and the group's presentation currency.

(b) Transactions and balances
Transactions denominated in foreign currency are translated into the functional currency at the rate of exchange ruling at the transaction date and if remeasured on date of remeasurement. Foreign exchange gains or losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currency, are recognised within other operating expenses in the income statement, except when deferred in other comprehensive income as a qualifying cash flow hedge. Monetary items denominated in foreign currency are translated at the rate of exchange ruling at the reporting date.

(c) Group companies
The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
(ii) Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
(iii) All resulting exchange differences are recognised in other comprehensive income. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets or liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

INTANGIBLES

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred in an acquisition over the group's share in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquired and the amount of the non-controlling interest in the acquiree. Goodwill on acquisitions of subsidiaries is included in intangible assets.

Goodwill on acquisitions of associates is included in investments in associates and is tested for impairment as part of the overall balance.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed and is recognised in profit or loss.

The carrying value of goodwill is compared to the recoverable amount which is the higher of value-in-use and the fair value less cost to sell. Goodwill is allocated to CGUs for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level. Gains or losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(b) Trademarks and licences

Separately acquired trademarks and licences are shown at historical cost. Trademarks and licences acquired in a business combination are recognised at fair value at the acquisition date. Trademarks and licences have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licences over their estimated useful lives of 15 years.
The amortisation methods and estimated remaining useful lives are reviewed at least annually.

(c) Customer relationships

Customer relationships acquired in a business combination are recognised at fair value at the acquisition date. These intangibles have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is charged to the income statement on a straight-line basis over their estimated useful lives of 5 to 15 years. The amortisation methods and estimated remaining useful lives are reviewed at least annually.

(d) Brands

Brands acquired in a business combination are recognised at fair value at the acquisition date. Brands are classified into two categories: brands with a finite useful life and are carried at cost less accumulated amortisation (definite lives) and brands which have been assessed by management as an indefinite useful life intangible asset and not subject to amortisation.

The Mutlu brand has been assessed as an indefinite useful life intangible asset and is based on an analysis of relevant underlying factors confirming that there is no foreseeable limit to the period over which the asset is expected to generate net cash flows for the group. This assumption is further justified by the strong presence the brand has in Turkey and the rest of its international market place and management's intention to keep the Mutlu brand indefinitely.

Amortisation is charged to the income statement on a straight-line basis over the useful life of the asset of 25 years, except for the Mutlu brand. The amortisation methods and estimated remaining useful lives are reviewed at least annually. The indefinite life intangible assets are tested for impairment annually. The assessment that the estimated useful lives of these assets are indefinite is reviewed at least annually.

Subsequent expenditure on acquired intangible assets is capitalised only when the cost meets the definition and recognition criteria of IAS 38 and the costs can be reliably measured.

(e) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives.

Costs associated with maintaining computer software programs are recognised as an expense as incurred.

Costs that are directly associated with the production of identifiable and unique software products controlled by the group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the costs of software development employees and an appropriate portion of relevant overheads.

Computer software development costs recognised as assets are amortised over their estimated useful lives (3 - 5 years).

(f) Research and development

Research expenditure relating to gaining new technical knowledge and understanding is charged to the income statement when incurred. Development expenditure relating to the production of new or substantially improved products or processes is capitalised if the costs can be measured reliably, the products or processes are technically and commercially feasible, future economic benefits are probable, and the group intends to and has sufficient resources to complete development and to use or sell the asset. All remaining development expenditure is charged to the income statement. Cost includes expenditure on materials, direct labour and an allocated proportion of project overheads.

Amortisation of development costs recognised as assets are written off to the income statement over 3 - 5 years.

PROPERTY, PLANT AND EQUIPMENT

(a) Owned assets

Land and buildings comprise mainly factories and offices.
All property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred. Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to reduce their cost to their residual values over their estimated useful lives as follows:

Buildings	50 years
Plant, machinery and equipment	3 - 20 years
Vehicles and furniture and fittings	3 - 5 years

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Residual values and useful lives of all assets are reviewed, and adjusted if appropriate, on an annual basis.

In addition, depreciation of an item of property, plant and equipment is to begin when it is available for use and ceases at the earlier of the date it is classified as held for sale or the date that it is derecognised upon disposal. Expenditure incurred on the construction of property, plant and equipment is capitalised within property, plant and equipment and depreciated once brought into use.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains or losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within other operating income and expenses in the income statement.

(b) Spare parts and tooling

Spare parts are classified as plant and equipment rather than inventory when they meet the definition of property, plant and equipment. Tooling used in the production of a specific project is subjected to an economic analysis of contractual relations with the automaker/customer in order to determine which party has control over the tool. Tooling is capitalised as part of plant and equipment only when it meets the definition of an asset.

LEASES

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed monthly lease payments (including in-substance fixed payments), less any lease incentives receivable.

The group's leasing arrangements are predominantly standard in nature. Lease terms are negotiated on an individual basis and contain varying terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes. Leased payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the group:

- Where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received.
- Uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by group entities, which does not have recent third-party financing, and
- Makes adjustments specific to the lease, e.g. term, country, currency and security.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability.
- Any lease payments made at or before the commencement date less any lease incentives received.
- Any initial direct costs.
- Restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture. Further information on leases can be found in note 7.

IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that have an indefinite useful life, for example, goodwill, are not subject to amortisation and are tested annually for impairment. The group periodically evaluates the carrying value of property, plant and equipment and intangible assets when events and circumstances warrant such a review. The carrying value of an asset is considered to be impaired when the recoverable amount of such an asset is less than its carrying value.

In that event, a loss is recognised based on the amount by which the carrying value exceeds the recoverable amount.
The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs).

In assessing value-in-use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of time value of money and the risks specific to the asset.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable willing parties, less the costs of disposal.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the CGU to which the asset belongs.

Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

INVENTORY

Inventory is stated at the lower of cost or net realisable value, due account being taken of possible obsolescence. The cost of inventories is based on the first-in, first-out principle. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and appropriate share of production overheads based on normal operating capacity.

Borrowing costs are excluded as manufactured inventories and are not considered to be qualifying assets. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

CURRENT AND DEFERRED TAX

(a) Income tax expense

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity respectively. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities. The charge for current tax is predominantly based on results for the year as adjusted for income that is exempt and expenses that are not deductible using tax rates that are applicable to the taxable income and includes any adjustments to tax payable in respect of prior years.

(b) Deferred tax assets and liabilities

Deferred income tax is recognised, using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

The provision of deferred tax assets and liabilities reflects the tax consequences that would follow from the expected recovery or settlement of the carrying amount of its assets and liabilities. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

PROVISIONS

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. The group recognises the estimated liability on all products still under warranty at the reporting date. This provision is calculated based on service histories. The group also estimates and recognises a liability for Lead scrap collections on certain products sold regarding recycling obligations. The provision is calculated based on return rates.

TRADE PAYABLES

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

REVENUE AND OTHER INCOME

Revenue from contracts with customers

General

The group recognises revenue when (or as) a group entity satisfies a performance obligation by transferring a promised good or service to a customer. Goods and services are transferred when (or as) the customer obtains control of that asset. Control of an asset refers to the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset. Control includes the ability to prevent other entities from directing the use of, and obtaining the benefits from, an asset.

Revenue from a contract with customers is in scope of IFRS 15, once all of the following criteria are met:

- Collection of consideration is probable.
- Contract has commercial substance.
- Rights and payment terms are identified.
- Approved and parties committed to obligations.

Revenue is measured at the transaction price derived from contracts with customers and is net of volume rebates, discounts and other similar items such as life-time price reductions (LTRs), incentives and sales taxes ('VAT'). Intercompany sales have been eliminated for purposes of group consolidation.

The significant specific accounting policies for the group's main types of revenue streams are summarised as follows:

Sale of automotive parts and components including tooling obligations to customers

The automotive components business vertical produces original equipment (OE) components used in the assembly of new vehicles by OEMs (original equipment manufacturers) in South Africa as well as spare parts and accessories (OES). The group also produces generic and aftermarket products. Products include lights (headlamps and tail-lamps), wire harnesses, suspension springs, radiators, air conditioners and brakes.

The majority of automotive component revenue streams arise from contracts with OEMs and normally span over the vehicle model life which can range from between 5 to 7 years of production, including facelifts.

For the purposes of the segment report, OE revenue is derived from the manufacture of components used in the assembly of new vehicles. Aftermarket revenue includes the manufacture and distribution of parts used to service vehicles already produced by OEMs, known as OES, as well as other generic parts.

Revenue on components and parts sold are recognised on the following basis:

- OEM contractual customers – Over time, i.e. before the parts have been delivered to the customers premises; and
- At the point in time for all other customers i.e. usually when the parts have been delivered and accepted by customers at their premises.

The group meets the requirements for applying the 'series' guidance for components and spare parts sold to OEMs over-time and therefore, in respect of each non-cancellable customer purchase order (or rolling forecasts received from the customers), the entire quantity of parts required by the customer is accounted for as a single performance obligation for which revenue is allocated and recognised, as the parts are manufactured. Manufacturing and delivery is based on customer-specific production releases.

For all other generic and aftermarket parts, customers obtain control the parts when the goods are delivered to and have been accepted at their premises. Invoices are generated at that point in time. Delivery occurs when the parts have been shipped to the specific location, the risk of obsolescence and loss has been transferred to the customers and the customers have accepted the goods in accordance with their corresponding purchase orders.

Measurement

Revenue for fully completed parts is recognised predominantly on the 'right to invoice' method. Subject to OEM annual pricing reviews, the selling or piece price per component manufactured is usually fixed and agreed by both parties. For semi-completed components and customer specific raw materials committed, revenue is recognised on an input method, being the measure of progress of manufacturing costs increment to date plus an appropriate margin. This depicts a fair representation of efforts fulfilled, in terms of the overall performance obligations to OEMs. Aftermarket pricing is based on approved price lists.

Revenue adjustments and variations

The transaction price is based on the amount of consideration a group entity expects to be entitled to for each component manufactured and supplied. These include fixed and variable (subject to constraints) elements. Variable consideration encompasses any amount that is variable under a contract including, for example, discounts, rebates, OEM price adjustments and customer's rights to return products.

During the ordinary course of business, OEM customer pricing is normally adjusted to take into account inflationary cost increases in materials (such as steel and copper), economic cost increases for labour and production overheads and foreign exchange rate fluctuations on imported materials. These adjustments are common in our industry and are negotiated and adjusted for in annual pricing reviews or 'APRs'. Pricing changes could also occur as a result of engineering changes due to model facelifts.

Revenue therefore includes some or all of an amount of variable consideration, estimated only to the extent that it is highly probably that a significant reversal in the cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is resolved. If applicable, revenue is adjusted, on a cumulative catch up basis, for pricing changes on components already supplied (retrospective) to OEMs. Adjustments are based on the most likely amount to be received (or paid), subject to the extent that it does not result in a significant reversal of revenue accumulated.
Contract modifications are applied prospectively (i.e. to future parts supplied) and will only impact future purchase orders and performance obligations.

In certain instances, OEMs request lifetime price reductions ('LTRs') that is volume linked. When a group entity agrees to grant a customer an option to acquire additional goods or services at a reduced price, that option is a separate performance obligation under the contract if it provides a material right that the customer would otherwise not receive without entering into the contract. Revenue is adjusted based on the anticipated sales over the LTR period and where products sold are substantially the same and the customer is able to buy future units at a reduced price, a relatively consistent price is applied to all parts during the LTR period.
The LTR gives the customer the right to acquire additional parts at a lower price in future and in these specific cases, a portion of revenue is deferred to later in the contract.

Customer tooling requirements

During new vehicle model launches or major facelifts, the group's automotive business units may engage in sourcing, procuring and/or assembly of customer tooling required for the specific parts to be manufactured for the OEM customers. Customer-specific tooling orders are normally outsourced to third-party specialised toolmakers and the costs are recovered with usually no mark up (we have limited pricing influence).

Tooling supply arrangements create separate enforceable rights and performance obligations and revenue is therefore recognised separately. The group is the primary party responsible for the delivery of the tool to the customer and the group controls the tool before the obligation is satisfied. The group therefore accounts for these arrangements as principal and revenue is recognised on a gross basis. Revenue for the tool is recognised progressively ('over time'). Costs incurred to fulfil the contract to date are effectively recognised immediately, since the revenue booked represents recovery of costs incurred, at zero profit margin.

Cash advancements or progress payments received from customers are initially classified as contract liabilities.

Revenue from OEM customer specific tooling, that we are engaged to supply for use in the production of customer-specific parts, is recognised over time, as the services are provided and contract assets are raised. The stage of completion to determine the amount of revenue to recognise is based on the cost to cost method. The related costs are recognised in profit or loss when they are incurred. Advances received are included in contract liabilities. Tooling arrangements can differ on a case-by-case basis.

Energy storage – sale of automotive and industrial batteries

The energy storage business manufactures automotive batteries for supply to the aftermarket (replacements) through our unique aftermarket distribution channels and independent franchised retail networks ('distributors') as well as to OEMs for new vehicles manufactured. Batteries are also exported to destinations across 'EMEA' from our operations in South Africa, Turkey and Romania.

Revenue is recognised when control of the batteries has transferred, being at the point in time when the batteries have been delivered. None of the requirements to recognise revenue over time is met.

Delivery occurs when the batteries have been shipped to the specific location, the risk of obsolescence and loss have been transferred to the customers and the customers have accepted the goods in accordance with their corresponding purchase orders.

When a product is subject to delivery to the customer's site, legal title passes when the product is physically handed over. When a product is shipped to the customer 'free-on-board' (FOB) shipping point (i.e. exports), legal title passes and the risks and rewards are generally considered to have transferred to the customer when the product is handed over to the carrier.

Arrangements that involve shipment of goods to a customer might include promises related to the shipping service that give rise to a performance obligation. Shipping and handling services may be considered a separate performance obligation if control of the goods transfers to the customer before shipment, but a group entity may promise to ship the goods (or arrange for the goods to be shipped). In contrast, if control of a good does not transfer to the customer before shipment, shipping is not a promised service to the customer. This is because shipping is a fulfilment activity as the costs are incurred as part of transferring the goods to the customer.

The amount of revenue booked is based on the transaction price, which is the full amount of consideration a group entity expects to be entitled to for supplying each battery. OEM pricing is normally also adjusted during the year for movements in forex rates regarding imported subcomponents and the London Metal Exchange index changes ('LME' changes) for lead. These adjustments result in variable consideration. To the extent that forex rates and lead commodity (LME) price changes relates only to batteries that are to be delivered in the future, there is no variable consideration, as there is no variability in the selling price between when control of the battery transfers to an OEM customer and when the selling price is settled.

If the price negotiations will impact the transaction price of the parts already supplied, then revenue is adjusted for the revised price as a cumulative catch-up adjustment.

Revenue from aftermarket sales is recognised based on the price quoted to the customer, governed by internal pricing lists, net of any discounts and rebates. Volume discounts, rebates and similar customer incentives are accrued for during the year, based on the most likely amount to be paid and is readily determinable at balance sheet. These amounts are accrued for within trade and other payables (see note 16).

In one group entity, a supply arrangement exists whereby refunds are issued to certain distributors who may be requested to deliver stock, initially sold to them, to other customers of the group entity. The distributor also receives a handling (logistics) fee for this service. The handling fee is expensed as it is a distinct service provided to the group entity. The distributor arrangement effectively permits the customer to return an item for a credit as stock is re-directed to other customers of the entity. Sales made to distributors, who have a right of return arrangement, are deferred for the amount of revenue the group is ultimately entitled to. Therefore, for goods that will be re-distributed to other customers under this arrangement, revenue is not recognised as it is highly probable that a significant reversal will occur.

A liability is created for the amount of revenue the group entity expects to refund (i.e., products expected to be returned). An asset with a corresponding decrease to cost of sales is created for the right to recover products, when the refund liability is settled, at the cost of the initial inventory less any costs to recover the products.

Contract assets and trade receivables

A trade receivable is recognised when the goods are delivered, as this is the point in time that the consideration is unconditional because only the passage of time is required before payment is due. If the group has recognised revenue but not issued an invoice, then the entitlement to consideration is recognised as a contract asset. The contract asset is transferred to receivables when the entitlement to payment becomes unconditional, usually upon collection or delivery of the goods and in the case of tooling, as agreed with the customer.

Warranties

The group's obligation to provide for warranties is recognised as a provision (see note 17). The customer does not have the option to purchase the warranty separately. Refunds are provided for faulty products under the group's standard warranty obligations which are in line with industry practices. The estimated costs are recorded as a liability when the group transfers the product to the customer.

Returned goods are exchanged for new goods and no cash refunds are offered.

Financing components

The group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the group does not adjust any of the transaction prices for the time value of money. No element of financing is deemed present, sales are consistent with market practice.

Dividends

Dividend income is recognised when the right to receive payment is established.

Interest

Interest income is recognised using the effective interest method. In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired).

Sundry and incidental income

The group generates incidental income in the form of sale of scrap such as off-cuts, rental income arising from short-term external rental of portions of owned warehouses, external management fees and other sundry items. These items are accounted for as other operating income and are not regarded as core revenue streams.

GOVERNMENT GRANTS AND SIMILAR INCENTIVES

The group qualifies for certain incentives and allowances mainly linked to investment stimulation and production output such as the Automotive Incentive Scheme (AIS), the Enterprise Investment Programme (EIP), the Productive Asset Allowance (PAA), the Automotive Production and Development Programme (APDP) and similar other foreign state incentives.

Government grants that compensate the group for the cost of an asset are recognised in the balance sheet initially as deferred income when there is reasonable assurance that they will be received and that the group will comply with the conditions attached to the grants. The grants are amortised to the income statement as other operating income on a systematic basis over the useful life of the asset, or vehicle model life if shorter.

Grants are classified as non-current to the extent that they are long-term in nature.

Government grants that compensate the group for expenses incurred are recognised in the income statement as other operating income when there is reasonable assurance that they will be received and that the group will comply with the conditions attached to the grants. These are recognised over the period necessary to match them with the costs that they are intended to compensate. Grants are recognised at their fair value when there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions.

EARNINGS PER SHARE

Basic earnings per share is expressed in cents and is based on the net profit attributable to ordinary shareholders divided by the weighted average number of shares in issue during the year, excluding ordinary shares purchased by the company (treasury shares).

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares (incentive shares).

Headline earnings is earnings as determined by IAS 33, adjusted for 'separately identifiable re-measurements' (as defined in SAICA Circular 1/2019), net of related tax (both current and deferred) and related non-controlling interest.

FINANCIAL INSTRUMENTS

(a) Recognition and initial measurement

Financial instruments, consisting of financial assets and financial liabilities, carried at the reporting date by the group include bank and cash, trade receivables, trade payables, borrowings, bank overdrafts and derivative instruments such as forward foreign exchange contracts. Trade receivables and trade payables exclude prepayments and certain statutory and employee-related payables for the purposes of financial instruments. Contract assets are also excluded as it does not represent an unconditional right to payment until goods are physically delivered.

Trade receivables are initially recognised when they are originated, in conjunction with IFRS 15. All other financial assets and liabilities are recognised on the balance sheet when the group and company become a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(b) Classification and subsequent measurement

Financial Assets

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The consolidated group does not hold debt or equity investments.

Financial assets are classified as current assets if they are expected to be realised within 12 months of the reporting date.

Assessing the SPPI criterion

In order for a financial asset to qualify for amortised cost or FVOCI it needs to give rise to cash flows that are 'solely payments of principal and interest' on the principal amount outstanding. This assessment is colloquially referred to as the SPPI test. It is performed at an instrument level.

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

The trade receivables of the group only involve a single cash flow - the payment of the amount resulting from a transaction in the scope of IFRS 15, which is deemed to be the principal, as stated above. Therefore, the cash flows resulting from the receivables meet the SPPI test of payments of principal and interest despite the interest component being zero in most cases.

Bank and cash are short term in nature and interest income is earned on amounts deposited with the bank. The group recognises these balances at its contractual par amount. The bank balances involve one single cash flow which is the repayment of the principal plus interest accrued at the effective rate. Therefore, the cash flows resulting from these deposits meet the SPPI test of payments of principal and interest.

The contractual cash flows for trade receivables and bank and cash consists solely of principal and interest.

IFRS 9 'Business model' assessment

In addition to the results from the SPPI test, the classification is dependent on the business model under which the group holds the financial assets. An entity's business model for managing financial assets refers to how an entity manages its financial assets in order to generate cash flows. That is, the entity's business model determines whether cash flows will result from either collecting contractual cash flows, selling the financial assets or both.

A business model is typically observable through particular activities undertaken by an entity to achieve its objective, such as how its performance is evaluated, how its managers are remunerated and how its risks are managed, plus the frequency and magnitude of sales. For the purposes of the business model assessment, the group assessed financial assets at a higher level of aggregation. The group has more than one business model for managing its financial instruments and therefore the assessment need not be determined at the reporting entity level.

Amortised cost business model

The group operates an amortised cost business model for financial assets other than derivatives. Trade and other receivables as well as bank and cash are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Our business model is to hold these assets in order to collect contractual cash flows, provided they pass the SPPI test mentioned above. The group manufactures and supplies automotive parts and batteries for the automotive industry. Receivables, arising from the revenue generated, are collected from customers and are based on the agreed contractual terms. This forms an integral component of working capital and credit risk management as well as cash generation for the group. In re-affirming our assessment, we considered:

- The time value of money.
- Credit risk.
- Terms that limit the group's claim to cash flows.
- Liquidity risk.
- Administration costs.
- Profit margins applied.

The group's policy for trade receivables as well as bank and cash are to therefore hold to collect the contractual cash flows. Therefore, these are classified and measured at amortised cost.

Amortised cost financial assets are subsequently measured using the effective interest method and are subject to the impairment requirements in IFRS 9. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Gains and losses are recognised in profit or loss when the instrument is derecognised or impaired.

Other business models

All financial assets not classified as measured at amortised cost or FVOCI are measured at FVTPL. IFRS 9 requires financial assets to be measured at FVTPL if they are not held within either a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

The group makes use of derivative financial instruments such as forward foreign exchange contracts to manage foreign exchange risk. Derivatives fail the SPPI test. They include considerable leverage which is a non-SPPI feature. Therefore, derivative financial instruments are classified and measured at FVTPL. Refer to section C below for further polices on derivatives and hedging.

On initial recognition, the group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. This was not applicable for the year.

Financial liabilities

Financial liabilities are recognised on the transaction date when the group becomes a party to the contract and thus has a contractual obligation and are derecognised when these contractual obligations are discharged, cancelled or expired.

The group classifies its financial liabilities as either at fair value through profit or loss (predominantly derivatives instruments such as FECs) and amortised cost.

Financial liabilities are stated initially on the transaction date at fair value including transaction costs. Subsequently, they are stated at amortised cost using the effective interest method, other than those designated at fair value through profit or loss. Interest expenses and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Fair value estimation

The fair value of forward exchange contracts is determined using forward exchange market rates at the reporting date. The nominal value less estimated credit adjustments of trade receivables are assumed to approximate their fair values.

Impairment of financial assets

The group recognises loss allowances for ECLs on financial assets at amortised cost. Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. See accounting policy on trade receivables for further information. Loss allowances for advances to subsidiaries are calculated using a probability weighted basis for lifetime ECLs.

(c) Derivative financial instruments and hedging activities

All derivative financial instruments are initially recognised at fair value and are subsequently stated at fair value at the reporting date. Attributable transaction costs are recognised in the income statement when incurred. Resulting gains or losses on derivative instruments, excluding designated and effective hedging instruments, are recognised in the income statement within other operating income. The group does not hold or issue derivative financial instruments for dealing purposes.

The group is exposed to market risks from changes in interest rates, foreign exchange rates and commodity prices. The group uses derivative instruments to hedge its exposure to these risks.

The group predominantly uses forward foreign exchange contracts (FECs) to limit risk in changes in foreign exchange rates. To the extent that a derivative instrument has a maturity period of longer than one year, the fair value of these instruments will be reflected as a non-current asset or liability.

The method of recognising the resulting gain or loss is dependent on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The group designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or firm commitment (fair value hedge); or
- hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

Hedge accounting is optional, and the group does not apply hedge accounting unless in situations of acquisition of significant foreign operations. Hedge accounting is therefore not discussed further.

When derivative instruments, including forward exchange contracts, are entered into as fair value hedges, no hedge accounting is applied (held for trading). All gains and losses on fair value hedges are recognised in the income statement.
The fair values of derivative instruments used for hedging purposes are disclosed in note 19.5.

TRADE RECEIVABLES

Trade receivables are recognised at the transaction price as measured and defined in IFRS 15, Revenue from contracts with customers and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

The group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which requires lifetime credit losses to be recognised from initial recognition of all receivables and contract assets. Refer to note 19.2 B – credit risk management for further details on impairment policies.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents are carried in the balance sheet at carrying value, measured at amortised cost.

Cash and cash equivalents comprise cash on hand, deposits held on call with banks and other short-term, highly liquid investments with original maturities of three months or less, all of which are available for use by the group unless otherwise stated.

Bank overdrafts are included within borrowings in current liabilities in the balance sheet.

BORROWINGS

Borrowings are recognised initially at fair value, net of transaction costs incurred. In subsequent periods, borrowings are stated at amortised cost using the effective interest method; any difference between proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowing. Borrowing costs are expensed unless capitalised as part of the cost of a qualifying asset, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Preference shares, which are mandatorily redeemable on a specific date, or at the option of the shareholders, or if dividend payments are not discretionary are classified as liabilities. The dividends on these preference shares are recognised in the income statement as interest expense.

EMPLOYEE BENEFITS

Remuneration of employees is charged to the income statement. Short-term employee benefits are those that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the services have been rendered. Short-term employee benefit obligations are measured on an undiscounted basis and are charged to the income statement as the related service is provided.

Long-term employee benefits are those benefits that are expected to be wholly settled more than 12 months after the end of the annual reporting period in which the services have been rendered and are discounted to their present value. An accrual is recognised for accumulated leave, incentive bonuses and other employee benefits when the group has a present legal or constructive obligation as a result of past service provided by the employee, and a reliable estimate of the amount can be made.

Retirement benefits

The group operates a number of defined contribution plans, the assets of which are generally held in separate trustee-administered funds. The plans are generally funded by payments from employees and by the relevant group companies taking account of the recommendations of independent qualified actuaries.

The group also has an obligation in respect of its operations in Turkey which requires mandatory lump sum payments similar to that of a defined benefit pension plan. Defined benefit plans require a liability to be recognised in the balance sheet at the present value of the expected obligation at reporting date. There are no plan assets.

(a) Defined contribution pension plans

For defined contribution pension plans, the group pays contributions to privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due.

Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Defined benefit (post-employment) medical aid benefits

Some group companies provided post-employment health care benefits to their retirees until 31 December 1996. Employees who joined the group after 1 January 1997 do not receive this benefit. The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and electing to participate in the scheme. Valuations of these obligations are carried out by independent qualified actuaries.

The liability recognised in the balance sheet is the present value of the defined benefit obligation at the reporting date. The plans are unfunded.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related liability. The discount rate used is interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related obligation. In South Africa there is no deep and liquid market in such bonds and therefore the market rates on government bonds are used. For Turkey, the rates approved by Capital Markets Board are used.

Actuarial gains or losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the statement of comprehensive income as re-measurements, in the period in which they arise. Past-service costs are recognised immediately in the income statement.

(c) Other post-employment benefits

In accordance with the existing Turkish social legislation, the group is required to make lump sum payments to current employees (employed in Mutlu) whose employment is terminated due to retirement or for reasons other than resignation or misconduct.

The expected costs of these benefits are accrued on a systematic basis over the expected remaining period of employment, using the accounting methodology described in respect of defined benefit plans above. Valuations of these are carried out by independent qualified actuaries. The obligation is discounted by using the market rate on government bonds or rates approved by the Capital Markets Board of Turkey.

(d) Long service

The group pays its employees a long service benefit after a specified period of continuous service. The benefit is paid in the month the employee reaches the milestone. The method of accounting and frequency of valuation are similar to those under the defined schemes. The actuarial valuation to determine the liability is performed annually.

(e) Bonus plans

The group recognises a liability and an expense for bonuses and similar items based on a formula that takes into consideration, among others, the profit attributable after certain adjustments. The group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(f) Share-based payment transactions

The group operates an equity-settled share-based payment compensation plan. The fair value of share options, share appreciation rights, bonus shares and performance shares granted to group directors and senior executives are recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and expensed over the period during which the employee becomes unconditionally entitled to the equity instruments. The fair value of the instruments granted is measured using generally accepted valuation techniques, taking into account the terms and conditions upon which the instruments are granted excluding the impact of non-market vesting conditions.

Fair value is measured using the Black Scholes, Binomial tree and Monte-Carlo option pricing models where applicable. The expected life used in the models has been adjusted, based on management's best estimate, for the effects of behavioural considerations such as volatility, dividend yield and the vesting period. The fair value takes into account the terms and conditions on which these incentives are granted and the extent to which the employees have rendered service to the reporting date.

Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each reporting date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, for equity-settled share-based payments, in the income statement, with a corresponding adjustment to equity.

The grant by the company of options over its equity instruments to the employees of subsidiary undertakings in the group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value of equity instruments granted, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts. The group's net vesting impact on the vesting of share-based payment obligations is transferred to retained earnings within the statement of changes in equity.

INVESTMENT TAX CREDITS (ITC)

The group uses the 'flow-through' method under which the tax benefit from an ITC is recorded immediately as a reduction in current income tax expense (income tax credit) in the period that the credit is generated. The amount recognised is the actual tax reduction, indicated by the tax authorities, which is deducted from corporate tax calculated at reporting date.

If there are significant ongoing performance obligations or a less than probable likelihood of not committing to a project objective or outlay, the 'deferral' method, under which the tax benefit from an ITC is deferred and amortised within income tax provision over the lesser of the project or asset useful life, is applied.

STATED CAPITAL

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Where a group company purchases the company's equity stated capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the company's equity holders.

Dividends received on treasury shares are eliminated on consolidation.

TOOLING DEBTORS AND CREDITORS

The group also facilitates tooling arrangements in terms of which it sources and oversees the manufacture of certain moulds on behalf of its customers.

Deposits received from customers for tooling arrangements are recorded as contract liabilities under IFRS 15 (previously tooling creditors). Prepayments paid to suppliers for tooling arrangements are recorded as tooling debtors or prepayments.

DIVIDENDS PAYABLE

Dividend distribution to the company's shareholders is recognised as a liability in the financial statements in the period in which the dividends are approved by the company in a general meeting or by the board.

DIVIDENDS WITHHOLDING TAX

Dividends withholding tax is a tax on shareholders receiving dividends and is applicable to all dividends declared on or after 1 April 2012. The group withholds dividends tax on behalf of its shareholders at a rate of 20% on dividends declared. Amounts withheld are not recognised as part of the group's tax charge but rather as part of the dividend paid recognised directly in equity. Where withholding tax is withheld on dividends received, the dividend is recognised at the gross amount with the related withholdings tax recognised as part of tax expense unless it is otherwise reimbursable in which case it is recognised as an asset.

SEGMENT REPORTING

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses, whose results are reviewed by the executive decision-makers to allocate resources and to assess its performance.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers. The chief operating decision-makers, who are responsible for allocating resources and assessing performance of the operating segments, have been identified as the executive directors that make strategic decisions. The operating activities of the group (predominantly automotive) are structured according to the markets served – energy storage and automotive components. Reportable segments derive their sales from the manufacture of predominantly batteries and automotive parts.

COMPARATIVE FIGURES

Certain additional disclosure has been provided in respect of the current year. To the extent practicable, comparative information has also been provided.

INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

AS AT 31 DECEMBER 2020

	Type	Issued share capital 2020 R'000	Issued share capital 2019 R'000	Direct/(indirect) interest 2020 %	Direct/(indirect) interest 2019 %	Direct/(indirect) cost of shares less impairment 2020 R'000	Direct/(indirect) cost of shares less impairment 2019 R'000
SUBSIDIARIES							
Automotive components							
Smiths Manufacturing (Pty) Ltd	ordinary			(75.0)	(75.0)	(4 500)	(4 500)
Lumotech (Pty) Ltd	ordinary	1 200	1 200	(100.0)	(100.0)	(20 000)	(20 000)
Alfred Teves Brake Systems (Pty) Ltd	ordinary	15	15	(100.0)	(100.0)	(15)	(15)
Automould (Pty) Ltd	ordinary			(100.0)	(100.0)	(28 194)	(28 194)
Unitrade 745 (Pty) Ltd	ordinary			(100.0)	(100.0)		
Smiths Electric Motors (Pty) Ltd	ordinary			(75.0)	(75.0)		
Auto Plastics (Pty) Ltd	ordinary	2	2	(100.0)	(100.0)	(25 477)	(25 477)
Energy storage							
Metindustrial (Pty) Ltd	ordinary	500	500	(100.0)	(100.0)		
Rombat SA**	ordinary	76 010	76 010	(99.4)	(99.4)	(437 393)	(437 393)
Mutlu Akü ve Malzemeleri Sanayii Anonim Şirketi***	ordinary			(100.0)	(100.0)		
Dynamic Battery Services Limited~	ordinary	2	2	(100.0)	(100.0)	(31 000)	(31 000)
First National Battery Retail (Pty) Ltd	ordinary			(100.0)	(100.0)		
Tlangi Investments (Pty) Ltd	ordinary			(100.0)	(100.0)		
Intermediate holding and management services							
Inalex (Pty) Ltd	ordinary	493 695	493 695	100.0	100.0	493 695	493 695
Nikisize (Pty) Ltd	ordinary	52 695	52 695	(100.0)	(100.0)	(52 695)	(52 695)
Metair Management Services (Pty) Ltd	ordinary			(100.0)	(100.0)		
Business Venture Investments No 1217 (Pty) Ltd	ordinary			(100.0)	(100.0)		
Metair International Cooperatief U.A.*	ordinary	3 371 154	3 371 154	(100.0)	(100.0)	(3 327 291)	(3 473 548)
Metair Energy Solutions B.V*	ordinary			(100.0)	(100.0)		(138 764)
Metair Akü Holding Anonim Şirketi***	ordinary	2 494 422	2 596 698	(100.0)	(100.0)	(2 514 065)	(2 987 107)
Properties							
SMSA Property (Pty) Ltd	ordinary	3 000	3 000	(75.0)	(75.0)		
Honeypenny (Pty) Ltd	ordinary			(100.0)	(100.0)	(6 850)	(6 850)
Climate Control Properties (Pty) Ltd	ordinary	2	2	(100.0)	(100.0)	(2)	(2)
Direct interest						493 695	493 695
Indirect interest						(6 447 482)	(7 205 545)

	Type	Issued share capital		Direct/ (indirect) interest		Direct/ (indirect) cost of shares less impairment	
		2020 R'000	2019 R'000	2020 %	2019 %	2020 R'000	2019 R'000
ASSOCIATES							
Hesto Harnesses (Pty) Ltd	ordinary	**1**	1	**(74.9)**	(74.9)	**(1)**	(1)
Associated Battery Manufacturers (East Africa) Ltd`	ordinary	**953**	953	**(25.0)**	(25.0)	**(121 986)**	(121 986)
Akkumulatorenfabrik MOLL GmbH + Co.KG``	fixed capital			**(25.1)**	(25.1)		(103 321)
MOLL Grundstücks- und Vermogensverwaltungs GmbH + Co. KG``	fixed capital			**(25.1)**	(25.1)		(26 496)
Tenneco Automotive Holdings SA (Pty) Ltd	ordinary	**1 233**	1 233	**25.1**	25.1		
Valeo Systems South Africa (Pty) Ltd	ordinary	**1**	1	**49.0**	49.0	**2 793**	2 793
Prime Motors Industry Srl```	ordinary			**(35.0)**	(35.0)	**(25 620)**	(16 061)
Vizirama 112 (Pty) Ltd	ordinary			**33.0**	33.0		
Eye2square Innovations (Pty) Ltd	ordinary			**(25.0)**	(25.0)		
Denso Sales South Africa (Pty) Ltd	ordinary			**(49.0)**	(49.0)		
Direct interest						**2 793**	2 793
Indirect interest						**(147 607)**	(267 865)

All subsidiaries and associates are incorporated in South Africa except for:

* Metair International Cooperatief U.A. and Metair Energy Solutions B.V - Netherlands

** Rombat SA - Romania

*** Mutlu group is incorporated in Turkey, takes into account capital repayments and consists of the following:

- Metair Akü Holding Anonim Şirketi
- Mutlu Holding Anonim Şirketi
- Mutlu Akü ve Malzemeleri Sanayii Anonim Şirketi (Mutlu Akü)
- Mutlu Plastik ve Ambalaji Sanayi Anonim Şirketi (Plastik)

~ Dynamic Batteries - United Kingdom

` Associated Battery Manufacturers (East Africa) Limited - Kenya

`` MOLL group are registered partnerships in Germany and consists of the following entities:

- Akkumulatorenfabrik MOLL GmbH & Co. KG (currently in liquidation process)
- MOLL Grundstücks- und Vermogensverwaltungs GmbH & Co. KG
- MOLL Beteiligungsgesellschaft GmbH
- MOLL Grundbesitz GmbH

``` Prime Motors Industry Srl - Romania
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INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES continued

Amounts owing by/(to) subsidiaries before impairment:	2020 R'000	2019 R'000
Metair Management Services (Pty) Ltd	**111 782**	106 328
Inalex (Pty) Ltd	**1 486 307**	1 486 307
Automould (Pty) Ltd	**167 451**	167 451
Business Venture Investments 1217 (Pty) Ltd	**(222 631)**	(209 744)
	1 542 909	1 550 342

SHAREHOLDER INFORMATION

METAIR INVESTMENTS LIMITED
(Incorporated in the Republic of South Africa)
(Registration Number 1948/031013/06)
JSE share code: MTA
ISIN: ZAE000090692
("Metair" or the "company")

Notice to shareholders

Notice is hereby given that the annual general meeting (AGM) of the shareholders of Metair will be held remotely through an electronic interactive platform hosted by The Meeting Specialist (Pty) Ltd (TMS), as permitted in terms of clause 16.5 of Metair's memorandum of incorporation (MOI), the Listings Requirements of the JSE Limited (JSE) (JSE Listings Requirements) and the Companies Act, No. 71 of 2008, as amended (Companies Act) on Wednesday, 5 May 2021, at 14h00, subject to any cancellation, postponement or adjournment, in terms of section 63(2)(a) of the Companies Act, for the following purposes:

Ordinary business

1. Presentation of annual financial statements

To present the audited annual financial statements, which include the directors' report and the audit and risk committee (committee) report, for the year ended 31 December 2020, as approved by the board of directors of the company (directors) (board) in terms of section 30(3) of the Companies Act, incorporating the auditor's report.

2. Social and ethics committee report

To receive a report by the social and ethics committee on the matters within its mandate.

To consider, and, if deemed fit pass, with or without modification, the ordinary resolutions set out below:

3. Retirement, re-election and election of directors

As announced at the 2020 AGM, it is recorded that Mr SG Pretorius will formally retire as an independent non-executive director of the company in terms of the provisions of the company's MOI, at the AGM, and will not be offering himself for re-election.

3.1 Ordinary resolution number 1

Resolved that Ms TN Mgoduso, who retires in terms of the provisions of the company's MOI, but, being eligible and has offered herself for re-election (refer to page 17 of the integrated annual report for a brief curriculum vitae of Ms TN Mgoduso), be and is hereby re-elected as a director of the company.

3.2 Ordinary resolution number 2

Resolved that Mr B Mawasha, who retires in terms of the provisions of the company's MOI, but, being eligible and has offered himself for re-election (refer to page 18 of the integrated annual report for a brief curriculum vitae of Mr B Mawasha), be and is hereby re-elected as a director of the company.

3.3 Ordinary resolution number 3

Resolved that Ms A Sithebe, who retires in terms of the provisions of the company's MOI, but, being eligible and has offered herself for re-election (refer to page 19 of the integrated annual report for a brief curriculum vitae of Ms A Sithebe), be and is hereby elected as a director of the company.

3.4 Ordinary resolution number 4

Resolved that Mr P Giliam, who retires in terms of the provisions of the company's MOI, but, being eligible and has offered himself for re-election (refer to page 20 of the integrated annual report for a brief curriculum vitae of Mr P Giliam), be and is hereby elected as a director of the company.

3.5 Ordinary resolution number 5

Resolved that Ms B Mathews, who retires in terms of the provisions of the company's MOI, but, being eligible and has offered herself for re-election (refer to page 20 of the integrated annual report for a brief curriculum vitae of Ms B Mathews) be and is elected as a director of the company.

4. Re-appointment of independent auditors

4.1 Ordinary resolution number 6

Resolved that PricewaterhouseCoopers Inc., with the designated audit partner being Mr N Ndiweni, be and are hereby re-appointed as the independent auditors of the company for the ensuing year as recommended by the committee.

5. Election and re-election of committee members

5.1 Ordinary resolution number 7

Resolved that, subject to their applicable appointments and re-appointments as directors in terms of the resolutions proposed above, the members of the committee, as set out below, be and are hereby appointed in accordance with the provisions of section 94 of the Companies Act for the period commencing on the date of their appointment or re-appointment and enduring until the next annual general meeting of the company.

Resolved that the nominees to the committee, as proposed by the board, be and are hereby elected and/or re-elected:

(i) Ms B Mathews, as chairman of the committee;
(ii) Ms A Sithebe, as a member of the committee; and
(iii) Mr B Mawasha, as a member of the committee,
each of whom are independent non-executive directors of the company.

Refer to pages 18, 19 and 20 of the integrated annual report for brief curricula vitae of the nominees.

6. Ordinary resolution number 8

a. Resolved as a non-binding ordinary resolution that the company's remuneration policy, as set out in the remuneration report contained in the integrated annual report (refer to page 106 of the integrated annual report) be and is hereby approved through a non-binding advisory vote.

b. Resolved as a non-binding ordinary resolution that the company's remuneration implementation report, as set out in the remuneration report contained in the integrated annual report (refer to page 111 of the integrated annual report) be and is hereby approved through a non-binding advisory vote.

The reason for the above resolutions being proposed through separate non-binding advisory votes is as a result of the recommended practices in terms of the King IV Report on Governance for South Africa, 2016 (King IV) and a requirement of the JSE Listings Requirements, which is in line with sound corporate governance.

The non-binding ordinary resolutions are of an advisory nature only and failure to pass these resolutions will therefore not have any legal or other consequences relating to existing arrangements. However, the board will take the outcome of the vote into consideration when considering future implementation of the company's remuneration report.

Shareholders are reminded that in terms of King IV and the JSE Listings Requirements, should 25% or more of the voting rights exercised be against one or both of these non-binding ordinary resolutions, the company undertakes to engage with such shareholders as to the reasons therefore, and undertakes to make recommendations based on the feedback received.

Special business

To consider, and, if deemed fit, to pass, with or without modification, the special resolutions set out below:

Special resolution number 1

Resolved as a special resolution in terms of section 66(9) of the Companies Act, that the remuneration of the non-executive directors of the company serving on the board of directors of the company and/or any of its subsidiaries with effect from 1 January 2021 to 31 December 2021 as well as the remuneration of the non-executive directors of the company serving on the board of directors of any of its subsidiaries with effect from 1 January 2020 to 31 December 2020 (refer to page 117 of the integrated annual report) be and is hereby approved.

The reason for and effect of special resolution number 1 is to approve, to the extent required, the remuneration for non-executive directors for the period commencing 1 January 2021 and ending 31 December 2021.

Special resolution number 2

Resolved as a special resolution in accordance with section 45 of the Companies Act, that the board be and is hereby authorised, by way of a general authority to, at any time and from time to time during the period of two years commencing on the date of passing of this special resolution to provide, any direct or indirect financial assistance limited to related and inter-related companies which Metair, directly or indirectly, holds a controlling equity interest (50% plus one share), (but subject to the provisions of the MOI and section 45(1) of the Companies Act) in such amount and in any form including, but not limited to, by way of loan (on an interest-free or a market-related interest basis), guarantee, the provision of security or otherwise) to any of its present or future subsidiaries and/or any juristic person that the company directly or indirectly controls from time to time (collectively hereinafter referred to as the Metair Group) and being on such terms and conditions as the board in its discretion deems fit, for any purpose whether in the normal course of business of the Metair group or of a transactional nature, subject thereto that the board will, before making such financial assistance available, satisfy itself that:

(i) immediately after providing the financial assistance, the company will satisfy the solvency and liquidity test as prescribed in section 4 of the Companies Act; and
(ii) the terms under which the financial assistance is proposed to be given are fair and reasonable to the company.

The effect of this special resolution number 2 and the reason therefore is that such special resolution is required in terms of section 45 of the Companies Act to grant the directors the authority to allow the company to provide financial assistance by way of loan, guarantee, the provision of security or otherwise, to any company which is related or inter-related to the company or any other juristic person that the company directly or indirectly controls.

This special resolution does not authorise Metair to provide financial assistance to a director or prescribed officer of the company.

In accordance with section 45(5) of the Companies Act, the board hereby gives notice to its shareholders of the fact that no financial assistance has been provided to subsidiaries during the 2020 financial year.

Special resolution number 3

Resolved as a special resolution in accordance with section 44 of the Companies Act, that the board be and is hereby authorised, by way of a general authority to, at any time and from time to time during the period of two years commencing on the date of passing of this special resolution to provide, any direct or indirect financial assistance to any related or inter-related companies in which Metair, directly or indirectly, holds a controlling equity interest (50% plus one share) for the purpose of or in connection with the subscription of any option, or any securities, issued or to be issued by Metair or any related or inter-related companies in which Metair, directly or indirectly, holds a controlling equity interest (50% plus one share) or for the purchase of any securities in Metair or any related or inter-related companies in which Metair, directly or indirectly, holds a controlling equity interest (50% plus one share), (but subject to the provisions of the MOI and section 44 of the Companies Act) in such amount and in any form (including, but not limited to, by way of loan (on an interest-free or a market-related interest basis), guarantee, the provision of security or otherwise) whether in the normal course of business or of a transactional nature, subject thereto that the board will, before making such financial assistance available, satisfy itself that:

(i) immediately after providing the financial assistance, Metair will satisfy the solvency and liquidity test as prescribed in section 4 of the Companies Act; and
(ii) the terms under which the financial assistance is proposed to be given are fair and reasonable to Metair.

The effect of the special resolution and the reason therefore is that such special resolution is required in terms of section 44 of the Companies Act to grant the directors the authority to allow Metair to provide financial assistance by way of loan, guarantee, the provision of security or otherwise, to any related or inter-related company in which Metair, directly or indirectly, holds a controlling interest for the purpose of or in connection with the subscription of any option, or any securities, issued or to be issued by Metair or any related or inter-related company which Metair, directly or indirectly, holds a controlling interest, or for the purchase of any securities in Metair or any related or inter-related company in which Metair, directly or indirectly, holds a controlling interest.

Furthermore, this special resolution specifically makes provision for Metair to provide financial assistance in respect of the issuance of preference shares by members of the Metair group, as part of the Metair group's tax efficient funding strategy.

The special resolution does not authorise Metair to provide financial assistance to a director or prescribed officer of Metair.

Special resolution number 4

Resolved as a special resolution in terms of the Companies Act and the JSE Listings Requirements, that the authorisation granted to the company and/or any of its subsidiaries in terms of clause 13 of its MOI to acquire the company's own securities by way of a general approval, upon such terms and conditions and in such amounts as the directors may from time to time decide, subject only to the provisions of the Companies Act and the JSE Listings Requirements, be and is hereby approved, subject to the following terms and conditions:

(i) any repurchase of securities must be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and any counterparty;
(ii) this general authority shall be valid until the company's next annual general meeting, provided that it shall not extend beyond 15 months from the date of passing of this special resolution;
(iii) repurchases may not be made at a price greater than 10% above the weighted average of the market value of the securities for the five business days immediately preceding the date on which the repurchase will be effected;
(iv) at any point in time, the company may only appoint one agent to effect repurchases on the company's behalf;
(v) an announcement shall be published as soon as the company has cumulatively repurchased 3% of the initial number (being the number of that class of shares in issue at the time that the general authority was granted) of the relevant class of securities and for each 3% in aggregate of the initial number of that class acquired thereafter, containing the details as required by paragraph 11.27 of the JSE Listings Requirements;
(vi) repurchases shall not, in the aggregate, in any one financial year exceed 5% of the company's issued share capital of that class;
(vii) acquisitions by the subsidiaries of the company may not result in a subsidiary, together with all other subsidiaries of the company holding more than 10% of the relevant class of the issued share capital of the company from time to time;
(viii) repurchases may not be made by the company and/or its subsidiaries during a prohibited period as defined by the JSE Listings Requirements unless a repurchase programme is in place where the dates and quantities of securities to be traded during the relevant period are fixed and full details of the programme have been disclosed to the JSE prior to the prohibited period;
With regard to the above, the company must 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 the commencement of the prohibited period to execute the repurchase programme submitted to the JSE;
(ix) the intention of the board is that the repurchase of the company's securities will be effected within the parameters laid down by this resolution as well as by the Companies Act, the JSE Listings Requirements and the board, as and when the directors of the company deem such repurchases to be appropriate, having regard for prevailing market and business conditions; and
(x) the directors will ensure that the requisite prior resolution of the board has been taken authorising such repurchases, confirming that the company and its subsidiaries engaged in such repurchases have passed the solvency and liquidity test envisaged in section 4 of the Companies Act and confirming that, since such tests were performed, there have been no material changes to the financial position of the Metair group.

The directors shall not make any repurchases under this general authority unless they are of the opinion that, after considering the effect of the maximum number of shares to be repurchased and for a period of 12 months after the date of the notice of the annual general meeting:

a. the company and the Metair group will be able, in the ordinary course of business, to pay their debts;
b. the assets of the company and the Metair group will be in excess of the liabilities of the company and the Metair group, the assets and liabilities being recognised and measured in accordance with the accounting policies used in the latest audited annual financial statements;
c. the share capital and reserves of the company and the Metair group are adequate for the ordinary business purposes of the company and the Metair group; and
d. the working capital of the company and the Metair group will be adequate for ordinary business purposes.

The effect of this special resolution number 4 and the reason therefore is to renew the general authority given to the directors in terms of the Companies Act, the MOI and the JSE Listings Requirements for the acquisition by the company and/or its subsidiaries of the company's securities, which authority may be used at the directors' discretion during the course of the period authorised.

Additional disclosure

In terms of the JSE Listings Requirements, the following disclosures are required with reference to the general authority to repurchase its own securities by the company and/or its subsidiaries set out in special resolution number 4, some of which are set out in the integrated annual report of which this notice forms part.

Major shareholders of the company – refer to page 118 of the integrated annual report.

Share capital – refer to page 205 of the integrated annual report.

Directors' responsibility statement

The directors, whose names are given on pages 16 to 20 of the integrated annual report, collectively and individually, accept full responsibility for the accuracy of the information pertaining to the above special resolution number 4 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 aforementioned special resolution contains all the information required by law and the JSE Listings Requirements.

Material change

Other than the facts and developments reported on in the integrated annual report, there have been no material changes in the financial or trading position of the Metair group since the date of signature of the integrated annual report and the posting date hereof.

Percentage of voting rights required for resolutions

Special resolutions

The percentage of voting rights that will be required for the adoption of each special resolution is at least 75% of the voting rights exercised on the resolution by shareholders present or represented by proxy at the annual general meeting in order to be adopted.

SHAREHOLDER INFORMATION continued

Ordinary resolutions

The percentage of voting rights that will be required for the adoption of each ordinary resolution is 50% plus one of the voting rights exercised on the resolution by shareholders present or represented by proxy at the annual general meeting in order to be adopted.

Notice record date, voting record date and forms of proxy

This notice of the company's annual general meeting has been sent to its shareholders who were recorded as such in the company's securities register on Friday, 19 March 2021, being the notice record date used to determine which shareholders are entitled to receive notice of the annual general meeting.

The record date on which shareholders of the company must be registered as such in the company's securities register in order to electronically attend and vote at the annual general meeting is Friday, 23 April 2021, being the voting record date used to determine which shareholders are entitled to electronically attend and vote at the annual general meeting. The last day to trade in order to be entitled to vote at the annual general meeting will therefore be Tuesday, 20 April 2021.

In terms of section 63(1) of the Companies Act, any person electronically attending or participating in the AGM must present reasonably satisfactory identification and the person presiding at the meeting must be reasonably satisfied that the right of any person to electronically participate in and vote (whether as shareholder or as proxy for a shareholder) has been reasonably verified.

Duly completed proxy forms must be received by TMS at the JSE Building, One Exchange Square, Gwen Lane, Sandown, 2196 or at PO Box 62043, Marshalltown, 2107 or via email at proxy@tmsmeetings.co.za by no later than Monday, 3 May 2021 at 14h00. Any forms of proxy not lodged at this time must be submitted to the chairman of the AGM immediately prior to the commencement of the annual general meeting, electronically, as set out in this notice.

A shareholder entitled to electronically attend and vote at the AGM, is entitled to appoint a proxy to electronically attend, participate in and vote at the AGM in place of the shareholder. A proxy need not be a shareholder of the company. The attention of shareholders is directed to the additional notes contained in the form of proxy.

Electronic participation

The AGM will be accessible through electronic communication, as permitted by the JSE Listings Requirements and in accordance with the provisions of the Companies Act and the companies MOI. TMS will assist shareholders with the requirements for electronic attendance, participation in, and/or voting at the AGM. Shareholders who wish to electronically attend, participate in and/or vote at the AGM are required to contact TMS at proxy@tmsmeetings.co.za or contact them on +27 520 7950/1/2 as soon as possible, in any event by no later than 14h00 on Monday, 3 May 2021. Shareholders participating in this manner may still appoint a proxy to vote on their behalf at the AGM. Access by means of electronic communication will be at the expense of the individual shareholders.

Neither the company nor TMS can be held accountable in the case of loss of network connectivity or other network failure due to, inter alia, insufficient airtime, internet connectivity, internet bandwidth and/or power outages which prevent any shareholder from electronically attending, participating in and/or voting at the AGM.

Shareholders or their proxies may also participate in (but not vote at) the annual general meeting by way of telephone conference call. If they wish to do so they:

- must contact the company secretary (by email at the address sanet@metair.co.za) by no later than Monday, 3 May 2021 at 14h00 in order to obtain a pin number and dial-in details for that conference call;
- will be required to provide reasonably satisfactory identification; and
- will be billed separately by their own telephone service providers for their telephone call to participate in the meeting.

Shareholders and their proxies will not be able to vote telephonically at the annual general meeting and will still need to appoint a proxy or representative to vote on their behalf at the meeting.

By order of the board

SM Vermaak
Company secretary

Johannesburg
17 March 2021

Registered office

Metair Investments Limited
Wesco House
10 Anerley Road
Parktown
Johannesburg

SHAREHOLDERS' DIARY

Financial year-end	December
Annual general meeting	May

Reports and profit statements

Interim report	August
Annual report and financial statements	March

Ordinary dividends

Declared	March
Payment	April

Shareholders are reminded to notify the transfer secretaries of any change in address.

FORM OF PROXY

METAIR INVESTMENTS LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 1948/031013/06)
JSE share code: MTA
ISIN: ZAE000090692
("Metair" or "company")

Important note concerning this form of proxy

This form of proxy is only for the use by those shareholders of Metair who have not yet dematerialised their shares in Metair or who have dematerialised their shares in Metair and such dematerialised shares are recorded in the electronic sub-register of Metair Investments Limited in the shareholder's own name (entitled shareholders).

If either of the above situations is not applicable to you, you must not use this form. In such event, you must notify your duly appointed Central Securities Depository Participant (CSDP) or broker, as the case may be, in the manner stipulated in the agreement governing your relationship with your CSDP or broker, of your instructions with regard to voting your shares at the annual general meeting.

A shareholder may be entitled to electronically attend, participate in and vote at the annual general meeting and/or may appoint one or more proxies of his/her own choice to electronically attend, speak, and, on a poll, vote in his/her stead at the annual general meeting of the company to be held remotely through an electronic interactive platform at 14h00 on Wednesday, 5 May 2021. A proxy need not be a shareholder of the company.

I, ____
(name in block letters)
of (address) ____

____

being holder/s of ____________________ ordinary shares in the company, do hereby appoint:

1. ______________________________ or failing him/her

2. ______________________________ or failing him/her,

3. the chairman of the annual general meeting as my/our proxy to attend, speak and, on a poll, vote on my/our behalf at the annual general meeting which will be held for the purpose of considering and, if deemed fit, passing, with or without modification, the ordinary and special resolutions to be proposed thereat and at any adjournment thereof, and to vote for or against the resolutions or abstain from voting, in accordance with the following instructions:

Voting instruction:

Please indicate with an "X" in the appropriate spaces how votes are to be cast	In favour	Against	Abstain
Presentation of financial statements	NON-VOTING AGENDA ITEM		
Social and ethics committee report	NON-VOTING AGENDA ITEM		
1. Re-election of Ms TN Mgoduso as a director	☐	☐	☐
2. Re-election of Mr B Mawasha as a director	☐	☐	☐
3. Election of Ms A Sithebe as a director	☐	☐	☐
4. Election of Mr P Giliam as a director	☐	☐	☐
5. Election of Ms B Mathews as a director	☐	☐	☐
6. Re-appointment of auditors	☐	☐	☐
7. Election and/or re-election of audit and risk committee members			
i) Election of Ms B Mathews as chairman of the audit and risk committee	☐	☐	☐
ii) Election of Ms A Sithebe as member of the audit and risk committee	☐	☐	☐
iii) Re-election of Mr B Mawasha as member of the audit and risk committee	☐	☐	☐
8. a. Endorsement of the company's remuneration policy	☐	☐	☐
b. Endorsement of the company's remuneration implementation report	☐	☐	☐
Special business:			
Special resolution number 1: Approval of non-executive directors' remuneration	☐	☐	☐
Special resolution number 2: Provision of financial assistance in terms of Section 45 of the Companies Act	☐	☐	☐
Special resolution number 3: Provision of financial assistance in terms of Section 44 of the Companies Act	☐	☐	☐
Special resolution number 4: General authority to repurchase the company's securities	☐	☐	☐

Signed at ____________________ on ______________________________ 2021.

Signature: ____

Assisted by me (where applicable) ______________________________

This form of proxy should be posted or emailed to The Meeting Specialist (Pty) Ltd JSE Building, One Exchange Square, Gwen Lane, Sandown, 2196 or at PO Box 62043, Marshalltown, 2107 or proxy@tmsmeetings.co.za, respectively, by no later than Monday, 3 May 2021 at 14h00 or submitted to the chairperson of the annual general meeting before the appointed proxy exercises any of the relevant shareholder rights at the annual general meeting, electronically, as set out in this notice.

Please read the notes on the reverse side hereof

NOTES TO THE FORM OF PROXY

An entitled shareholder may insert the name of a proxy or the names of two alternative proxies of the entitled shareholder's choice in the space(s) provided, with or without deleting "the chairman of the general meeting" but any such deletion must be initialled by the entitled shareholder. The person whose name stands first on the form of proxy and who is present at the general meeting will be entitled to act as proxy to the exclusion of those whose names follow.

Please insert an "x" in the relevant spaces according to how you wish your votes to be cast. However, if you wish to cast your votes in respect of a lesser number of shares than you own in the company, insert the number of ordinary shares held in respect of which you desire to vote. Failure to comply with the above will be deemed to authorise the proxy to vote or to abstain from voting at the annual general meeting as he/she deems fit in respect of all the entitled shareholder's votes exercisable thereat. An entitled shareholder or his/her proxy is not obliged to use all the votes exercisable by the entitled shareholder or by his/her proxy, but the total of the votes cast and in respect whereof abstention is recorded may not exceed the total of the votes exercisable by the entitled shareholder or by his/her proxy.

The completion and lodging of this form of proxy will not preclude the relevant entitled shareholder from electronically attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof.

Documentary evidence establishing the authority of a person signing this 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 waived by the chairman of the annual general meeting.

Any alteration or correction made to this form of proxy must be initialled by the signatory(ies).

A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the Transfer Secretaries of the company.

The chairman of the annual general meeting may reject or accept a form of proxy which is completed and/or received, other than in accordance with these instructions and notes, provided that he/she is satisfied as to the manner in which the entitled shareholder concerned wishes to vote.

Summary of rights contained in Section 58 of the Companies Act, No 71 of 2008, as amended (Companies Act)

In terms of section 58 of the Companies Act:

- a shareholder of a company 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;
- 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 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;
- if a company issues an invitation to its shareholders to appoint 1 (one) or more persons named by the company as a proxy, or supplies a form of proxy instrument:
  – the invitation must be sent to every shareholder entitled to notice of the meeting at which the proxy is intended to be exercised;
  – the invitation or form of proxy instrument supplied by the company must:
    ◦ bear a reasonably prominent summary of the rights established in section 58 of the Companies Act;
    ◦ contain adequate blank space, immediately preceding the name(s) of any person(s) named in it, to enable a shareholder to write the name and, if desired, an alternative name of a proxy chosen by the shareholder; and
    ◦ provide adequate space for the shareholder to indicate whether the appointed proxy is to vote in favour of or against any resolution(s) to be put at the meeting, or is to abstain from voting;
  – the company must not require that the proxy appointment be made irrevocable; and
  – the proxy appointment remains valid only until the end of the meeting at which it was intended to be used.

CORPORATE INFORMATION

Metair Investments Limited
JSE Share Code: MTA
ISIN: ZAE000090692
Registration Number: 1948/031013/06
LEI No: 378900C0933C7C909172

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Wesco House
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Group company secretary
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Telephone: +27 11 646 3011

Website www.metair.co.za

Sponsor
One Capital

Auditors
PriceWaterhouseCoopers Inc

Share transfer secretaries

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Further information on this report and its contents can be obtained from the company secretary www.metair.co.za