Sustainability
Drives our future

METAIR
INVESTMENTS LIMITED
automotive | industrial | retail

INTEGRATED
ANNUAL REPORT
2021

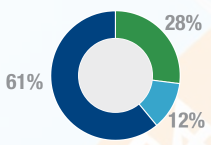
METAIR AT A GLANCE

METAIR INVESTMENTS LIMITED
(LISTED ON THE JOHANNESBURG STOCK EXCHANGE)

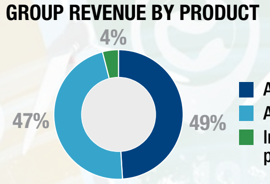
Metair Investments Limited (Metair, the company or the group) holds operations in South Africa, Turkey, Romania, the United Kingdom and Kenya that manufacture energy storage products and automotive components. These products are primarily used in the manufacture of motor vehicles by automotive original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



GROUP REVENUE BY PRODUCT



ENERGY STORAGE VERTICAL

Manufactures and trades energy storage products and solutions, primarily lead-acid and an increasing number of lithium-ion batteries.

In 2021 Metair produced more than

8 gigawatt HOURS

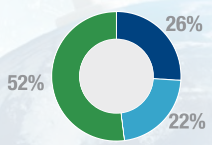
of energy storage capacity

Primary customers are original equipment manufacturers and aftermarket customers.

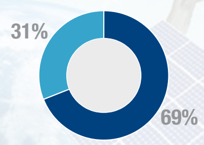
Products supplied to customers in:

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

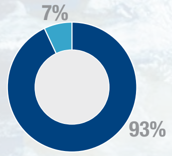
REVENUE BY GEOGRAPHY



REVENUE BY DESTINATION



REVENUE BY PRODUCT



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

503 000 VEHICLES

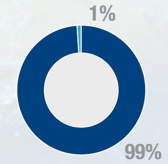
in 2021

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

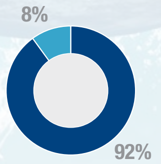
** Revenue splits for the Automotive Components Vertical include Hesto.*

REVENUE BY GEOGRAPHY

REVENUE BY DESTINATION



REVENUE BY PRODUCT



STRATEGIC PILLARS	Nurture the OE business	Response to disruptive technologies	Expand the OEM customer base	Custodianship	Focus intently on costs	Supply chain	Secure and grow the aftermarket product range	Leading technology	Grow our Africa footprint

CONTENTS

Financial capital	Manufactured capital	Human capital	Intellectual capital	Social and relationship capital	Natural capital

THE FOLLOWING ICONS WILL HELP YOU NAVIGATE THIS REPORT

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OUR SUSTAINABLE DEVELOPMENT GOALS

COVER IMAGE AND THEME

OF THE 2021 INTEGRATED ANNUAL REPORT

The cover image on Metair's integrated annual reports (IARs) provide the theme and contextualise the major events for the year.

2021 was a year of unprecedented complexity and instability in the context of the ongoing physical and emotional impact of the second, third and fourth waves of COVID-19. The threat of global warming moved front and centre into the global consciousness, challenging society, business and political leaders to respond to the existential threat it poses to the world. The extreme strain South African society is under from the many socio-economic challenges the country faces, poor service delivery, deteriorating infrastructure and COVID-19 fatigue manifested in riots, strikes and increasing insecurity.

Metair views sustainability as a key element of its commitment to custodianship and its strategy. The cover for this year's report reflects our 2021 theme: 'Sustainability drives our future'.

Concerns about global warming drove the tightening of emissions regulations that reshaped the trajectory of the global automotive industry towards increasingly efficient engines, hybrids and full new energy vehicles. Investors, OEM customers, consumers and funders are increasingly focusing on the full ESG performance of companies, not just their financial returns.

As participants in the global automotive industry, we believe that deepening our commitment to sustainability to embrace green manufacturing, shift to renewable energy sources, promote the circular economy and demonstrate environmental and social responsibility will increasingly become a competitive advantage as we look to grow our business.

Salient features

REVENUE increased 23% to ***R12.6 bn***

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

EBITDA increased 80% to ***R1.4 bn***

HEPS increased to ***354 cents*** per share (2020:148)

R2.10 bn as salaries, wages and other benefits (2020: R1.93 bn)

Water consumption per person hour worked ***decreased 28%***

LTIFR IMPROVED to 0.29 in 2021 (2020:0.61)

±(62 000) **TONNES** of lead recycled

GROUP SCOPE 1 AND 2 carbon emissions per person hour worked ***decreased to 10.5 kg CO_2e***

R36.8 m invested in training initiatives to further develop our human capital (2020:R33.5 m)

Sadly, ***21*** COVID-19 related fatalities as at 1 February 2022

50% of employees vaccinated by year-end

ABOUT THIS REPORT

The integrated annual report (report) primarily aims to meet the information needs of our current and prospective shareholders and providers of finance, as well as disclosures that are of interest to all of our stakeholders. It covers the company's activities for the period 1 January to 31 December 2021.

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

Metair's most material matters are shown at the bottom of this page, contextualised in the table on pages 41 to 46, 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 strategic review continued during 2021 and is scheduled to be concluded in 2022. 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 at the start of the COVID-19 pandemic.

Reporting guidelines and regulatory requirements

The structure of this 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 Value Reporting Foundation's Integrated Reporting <IR> Framework
- The King IV™ Report
- International Financial Reporting Standards (IFRS)
- The JSE Listings Requirements
- The Companies Act

The sustainability information included in the report is informed by the GRI Standards (Standards), although Metair does not report in accordance with the Standards.

Additional reporting of Metair's environmental disclosures to 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.

Metair's material matters	
Competitiveness	Strategic alignment
Business partnerships	Human capital
Supply chain disruption	Natural environment
COVID-19	Balanced business
Macro-economic and geopolitical factors	Technology and innovation

Report boundary

The financial information in this report includes all Metair subsidiaries and associates in accordance with IFRS. Non-financial sustainability information, such as human resources statistics and environmental performance, does not include information for Associated Battery Manufacturers (East Africa) Limited (ABM) 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.

Hesto is reported in the annual financial statements as a managed associate. However, Metair is responsible for the day-to-day management of Hesto and it is fully included in the non-financial reporting in the report. Transformation information provided on pages 51 and 52 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 2020 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 2021 were audited by PricewaterhouseCoopers Inc (PwC). Their report appears on page 118.
- Sustainability information was externally assured by Integrated Reporting & Assurance Services (IRAS) (refer to their report on page 102).
- 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 INTEGRATED REPORT

The Metair 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 10 786 0800

Email: sanet@metair.co.za

Throughout this report, 'short-term' means a one-year period, 'medium-term' indicates two to five years and 'long-term' refers to 5+ years.

WHO WE ARE

Our mission and vision

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

As at the end of 2021, 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.

Metair has operations in:

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

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

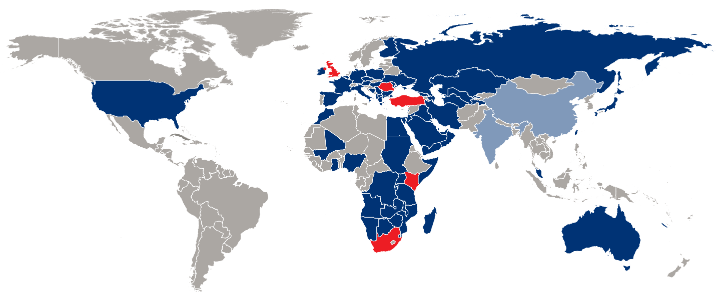
Manufactures batteries for use in mobility applications and in the telecoms, utility, mining, retail and materials/products handling sectors.

Automotive batteries are supplied to major automotive OEMs for installation in new vehicles in South Africa, Europe, Romania, Kenya, Turkey and Russia through subsidiaries in Romania (Rombat), Turkey (Mutlu Akü), the UK (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 prototype lithium-ion automotive starter batteries in Turkey since 2017. As we built our understanding of lithium-ion technologies, Prime Batteries in Romania acted 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 installed in Bucharest at the end of 2019. The facility is now being moved to Turkey as all of the Metair energy storage entities have developed in-house lithium-ion strategies and capabilities across multiple sales channels. The line will be commissioned in the second half of 2022.

Aftermarket batteries and automotive components are exported to approximately 46 destinations across Africa, Europe, the Middle East, Turkey and Russia. During 2021, Mutlu Akü started supplying batteries into the North American market. Non-automotive products are mainly sold into sub-Saharan Africa and Turkey.



- Countries of operation
- Countries supplied
- Request for technical transfer

KEY BUSINESSES

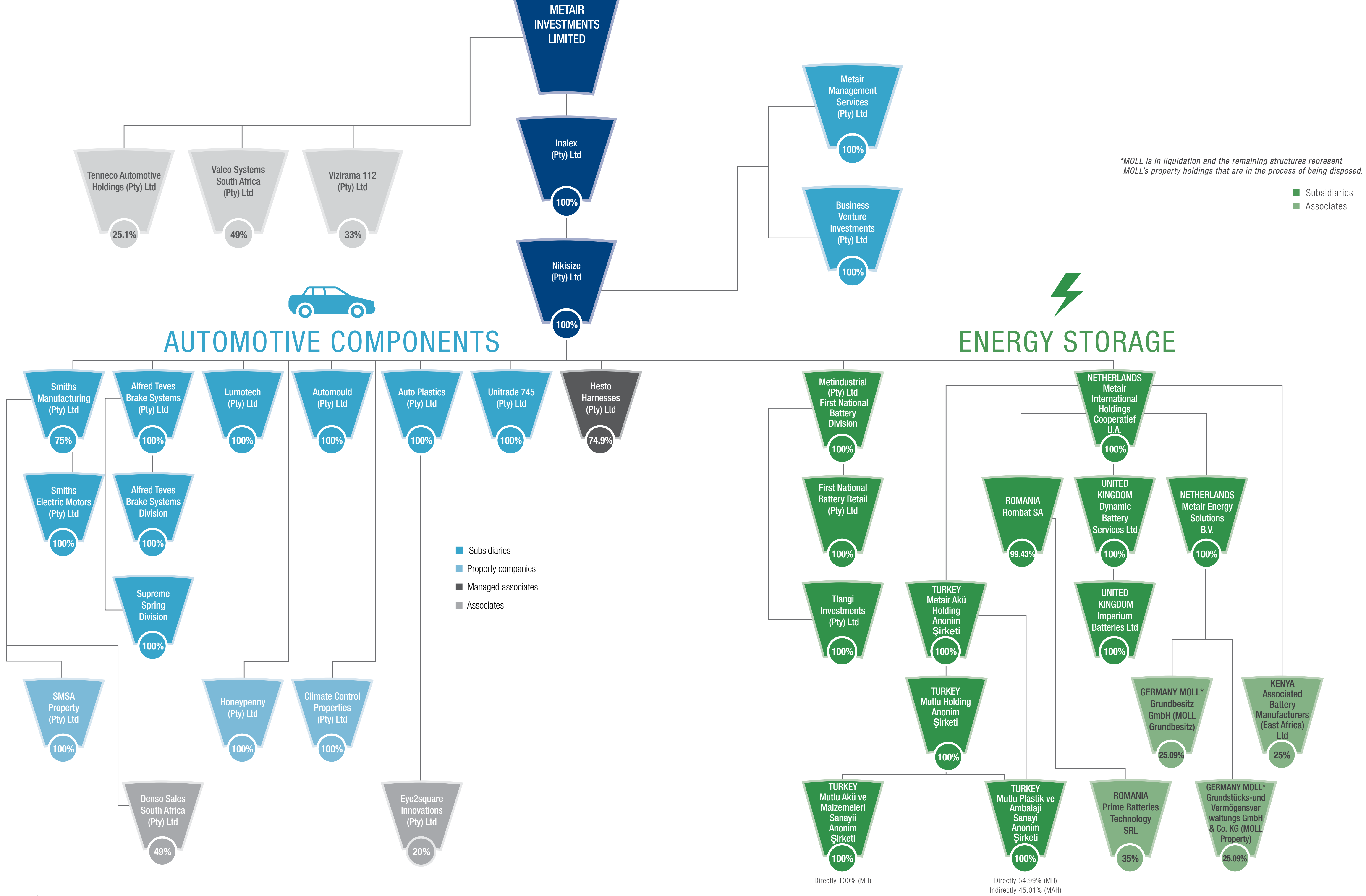
ENERGY STORAGE VERTICAL

COMPANY	OWNERSHIP	KEY BUSINESS AREA AND PRODUCTS	IP IN PRODUCT DEVELOPMENT	MANUFACTURING PARTNERSHIPS	KEY OE RELATIONSHIPS
Mutlu Akü	100%	Batteries, solar systems, backup systems, standby systems, charging systems	✓		FORD OTOSAN, ISUZU, TOYOTA, Otokar, KARSAN, HONDA
First National Battery	100%	Batteries, solar systems, backup systems, standby systems, charging systems, Battery Centre franchise	✓		TOYOTA, ISUZU
Rombat	99.4%	Batteries, solar systems, backup systems, standby systems	✓		
Dynamic Battery Services	100%	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%	Automotive and solar batteries		✓	ISUZU, TOYOTA, AVA, GM, CHEVROLET

AUTOMOTIVE COMPONENTS VERTICAL

COMPANY	OWNERSHIP	KEY BUSINESS AREA AND PRODUCTS	IP IN PRODUCT DEVELOPMENT	MANUFACTURING PARTNERSHIPS	KEY OE RELATIONSHIPS
Smiths Manufacturing	75%	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		✓	TOYOTA, ISUZU
Hesto Harnesses	74.9%	Wiring harnesses, instrument cluster/combination meters, moulded parts		✓	TOYOTA, ISUZU
Lumotech	100%	Headlights, tail lights, reflectors and plastic injection mouldings	✓	✓	TOYOTA
Supreme Spring Division	100%	Coil springs, leaf springs, stabiliser bars, torsion bars	✓		TOYOTA, ISUZU, Mahindra
Automould	100%	Plastic injection moulding, chrome plating, body colour painting and assembly		✓	TOYOTA
Unitrade	100%	Automotive wire, PVC insulated copper wire	✓		TOYOTA, ISUZU
ATE	100%	Brake pads, brake discs, brake shoes, hydraulics and other braking components	✓		
Valeo SA	49%	Front end modules		✓	
Tenneco Automotive	25.1%	Shock absorbers, struts		✓	TOYOTA, ISUZU

GROUP STRUCTURE



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.

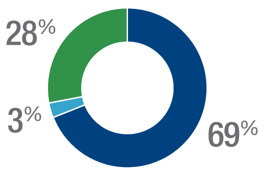
ENERGY STORAGE VERTICAL

Mutlu Akü

Products
Automotive and industrial batteries, solar systems, backup systems, standby systems and charging systems

Locations
Istanbul and Gediz, Turkey

REVENUE SPLIT BY PRODUCT AREA



LOCAL AUTOMOTIVE
LOCAL INDUSTRIAL
EXPORT

OWNERSHIP
100 %

GROUP REVENUE CONTRIBUTION
27 %

Mutlu Holdings

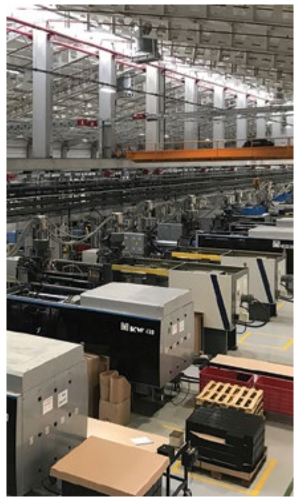
Products
Automotive and industrial batteries

Location
Istanbul, Turkey

Mutlu Plastic

Products
Plastic parts of batteries, covers and lids

Location
Istanbul, Turkey



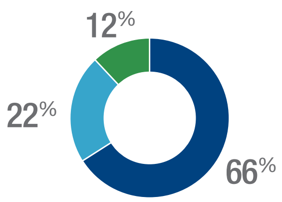
Metindustrial

First National Battery division

Products
Automotive and industrial batteries, solar systems, back-up systems, standby systems, charging systems, Battery Centre franchise

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

REVENUE SPLIT BY PRODUCT AREA



LOCAL AUTOMOTIVE
LOCAL INDUSTRIAL
EXPORT

OWNERSHIP
100 %

GROUP REVENUE CONTRIBUTION
14 %

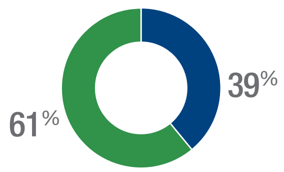
Rombat

Member of Metair Group

Products
Automotive batteries, battery distribution networks

Locations
Bistrita and Copsa Mica, Romania

REVENUE SPLIT BY PRODUCT AREA



LOCAL AUTOMOTIVE
EXPORT

OWNERSHIP
99.4 %

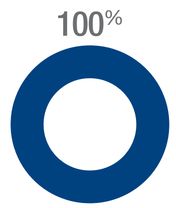
GROUP REVENUE CONTRIBUTION
11 %

Dynamic Battery

Products
Battery distribution networks

Locations
Lancashire, Wiltshire and Leicestershire, United Kingdom

REVENUE SPLIT BY PRODUCT AREA



LOCAL AUTOMOTIVE

OWNERSHIP
100 %

GROUP REVENUE CONTRIBUTION
1 %

Prime Batteries

Products
Lithium batteries, research and development and technology incubator

Location
Bucharest, Romania

OWNERSHIP
35 %

Associated Battery Manufacturers

(East Africa) Limited

Products
Automotive and solar batteries

Location
Kenya

OWNERSHIP
25 %

WHAT WE DO

MATERIAL OPERATIONS AND MARKET SEGMENTS CONTINUED

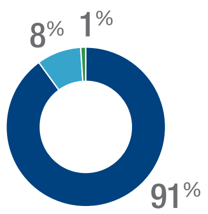
AUTOMOTIVE COMPONENTS VERTICAL

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

Location
New Germany, South Africa

REVENUE SPLIT BY PRODUCT AREA



LOCAL OE
LOCAL AFTERMARKET
EXPORT

OWNERSHIP 75%

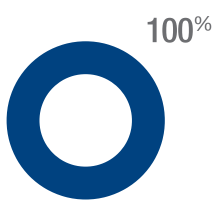
GROUP REVENUE CONTRIBUTION 14%

Hesto

Products
Wiring harnesses, instrument cluster/combination meters, moulded parts

Location
KwaDukuza, South Africa

REVENUE SPLIT BY PRODUCT AREA



LOCAL OE

OWNERSHIP 74.9%

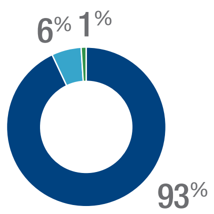
GROUP REVENUE CONTRIBUTION 11%

Lumotech

Products
Headlights, tail lights, reflectors and plastic injection mouldings

Location
Kariega, South Africa

REVENUE SPLIT BY PRODUCT AREA



LOCAL OE
LOCAL AFTERMARKET
EXPORT

OWNERSHIP 100%

GROUP REVENUE CONTRIBUTION 10%

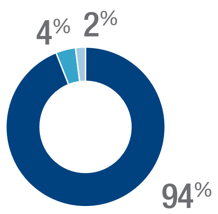
Automould

Includes Auto 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

Locations
New Germany, Westmead and East London, Pretoria, South Africa

REVENUE SPLIT BY PRODUCT AREA



LOCAL OE
LOCAL AFTERMARKET
NON AUTO

OWNERSHIP 100%

GROUP REVENUE CONTRIBUTION 4%

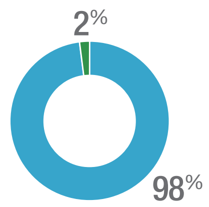
Alfred Teves Brake Systems

Including Supreme Spring

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

Locations
Boksburg and Nigel, South Africa

REVENUE SPLIT BY PRODUCT AREA



LOCAL AFTERMARKET
EXPORT

OWNERSHIP 100%

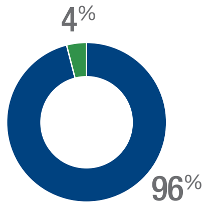
GROUP REVENUE CONTRIBUTION 1%

Supreme Spring

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

Locations
Boksburg and Nigel, South Africa

REVENUE SPLIT BY PRODUCT AREA



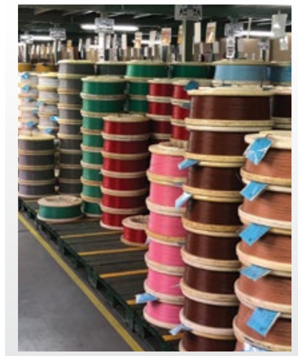
LOCAL OE
EXPORT

GROUP REVENUE CONTRIBUTION 5%

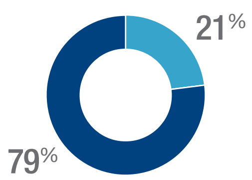
Unitrade

Products
Automotive wire, PVC insulated copper

Location
KwaDukuza, South Africa



REVENUE SPLIT BY PRODUCT AREA



LOCAL OE
LOCAL AFTERMARKET

OWNERSHIP 100%

GROUP REVENUE CONTRIBUTION 2%

Valeo SA

Products
Headlights, tail lights, reflectors and plastic injection mouldings

Location
Kariega, South Africa

OWNERSHIP 49%

Tenneco Automotive

Products
Shock absorbers, struts and track control arms

Location
Port Elizabeth, South Africa

OWNERSHIP 25.1%

OUR LEADERSHIP

BOARD OF DIRECTORS AND COMPANY SECRETARY

The Metair board (board) is the custodian of good corporate governance in the group. The board aims to remain relevant in the fast and dynamic environment in which the group operates. Metair's board comprises the appropriate balance of knowledge, skills, experience, diversity and independence to discharge its governance role and responsibilities objectively and effectively.

Detailed CVs of the Board are available at www.metair.co.za and the full governance section is available on page 63.

CMD Flemming (65)

Chairman, Independent non-executive director

Appointed to the Board: 2019
Appointed chair: May 2021
Qualification: B Comm, Bachelor of Law, B Prok, AMP Harvard
Other directorships: Medicover AB and True North Development (Pty) Limited

TN Mgoduso (65)

Lead independent non-executive director

Appointed to the Board: 2016
Qualification: MA (Clinical Psychology)
Other directorships: Zimplats, Jojose Investments

MH Muell (61)

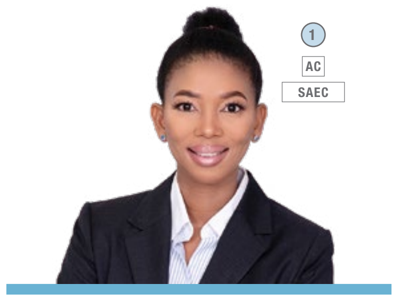
Independent non-executive director

Appointed to the Board: 2019
Qualification: Diplom-Betriebswirt (BA)
Other directorships: Mutlu Akü, Stracienta Africa (Pty) Limited, Scientrix Holdings Limited

B Mawasha (43)

Independent non-executive director

Appointed to the Board: 2018
Qualification: BSc (Eng) Electrical, GCC, PMD, ADP
Other directorships: Exxaro Resources and Murray and Roberts



A Sithebe (39)

Independent non-executive director

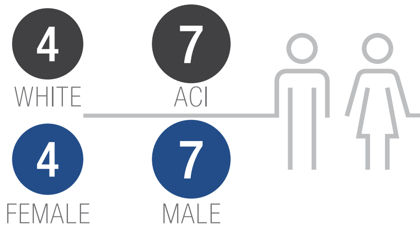
Appointed to the Board: 2021
Qualification: BCom Accounting, BCom Accounting Honours, CA(SA), MBA
Other directorships: Metindustrial (Pty) Limited, Dischem Pharmacies Limited, Altron Limited

N Mkhondo (38)

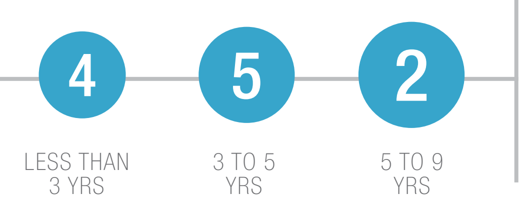
Independent non-executive director

Appointed to the Board: 2019
Qualification: BAcc, CA(SA), MBA
Other directorships: PPC Limited, Novus Holdings, Mkhongara (Pty) Limited, Value Capital Partners

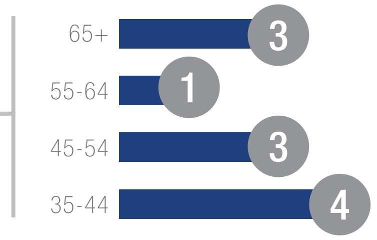
RACE AND GENDER



BOARD TENURE



AGE GROUP



S Sithole (49)

Independent non-executive director

Appointed to the Board: 2019
Qualification: BAcc (Hons), CA(SA), CA(Z) Programme for Leadership Development (Harvard Business School), Diploma in Banking (UJ)
Other directorships: Smiths Manufacturing (Pty) Limited, Value Capital Partners, Adcorp Holdings, Sun International Holdings, Altron Limited

B Mathews (53)

Independent non-executive director

Appointed to the Board: 2021
Qualification: BCom Accounting, BCom Accounting Honours, CA(SA), HDip Tax
Other directorships: PSG Group Limited, PSG Financial Services Limited, Redefine Properties Limited

PH Giliam (66)

Independent non-executive director

Appointed to the Board: 2021
Qualification: B Eng (Hons)
Other directorships: Hesto Harnesses (Pty) Limited and Supreme Spring (Pty) Limited

R Haffejee (51)

Chief executive officer

Appointed to the Board: 2021
Qualification: BSc, PGD, MBA

S Douwenga (42)

Chief financial officer

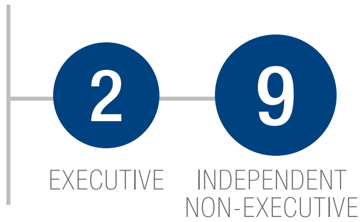
Appointed to the Board: 2014
Qualification: B Comm (Hons) CA(SA)

SM Vermaak (56)

Company secretary

Qualification: B Comm (Fin M) AIRMSA

INDEPENDENCE



KEY INDICATORS

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

CHAIRMAN'S REPORT

Michael Flemming
Chairman

"Metair's board brings together diverse skills and experience comprising unique perspectives unafraid to interrogate the status quo. We continue to review the strategy to unlock value to ensure it aligns with the current context."

GROUP B-BBEE
Level 1

DIVIDEND PER SHARE OF
90 cps
declared in 2022 in respect of the 2021 financial year

CSI investment
R20.6 million

It gives me great pleasure to present my first statement as chair of Metair.

Business conditions in 2021 were more challenging than ever and the significant projects currently underway have required a very high level of project execution. We must acknowledge the incredible contribution of Metair's employees in producing good progress on our strategic initiatives and a solid set of results for the year.

Board focus areas in 2021

- Ensuring the ongoing health, safety and welfare of our employees during COVID-19, including the promotion of vaccination
- Overseeing progress on implementing major projects to support OEM customer refreshes and launches
- Supporting new directors in their roles
- Providing input for the strategy review
- Monitoring supply chain disruptions

Metair regards governance and ethics as the foundations of the organisation's success through the framework they create to drive performance and incorporate the best interests of all stakeholders. Delivering on our commitments to manufacturing quality products for our customers and generating a return for our shareholders is only possible through an integrated and responsible approach that balances the concerns of all stakeholders.

Operating context

The South African economy returned to growth in 2021, but is still well below pre-pandemic levels. The forecast for growth in the next few years is too slow to meaningfully address the many socio-economic challenges facing the country.

The COVID-19 pandemic continues to overshadow business and society through its direct and indirect societal and individual impacts. Metair is encouraging employees to get vaccinated and I am pleased to report that 50% were fully vaccinated by the end of the year. The secondary impacts of the pandemic have been seen in global supply chain disruptions and escalating logistics costs.

The South African automotive industry also had to navigate electricity supply interruptions, ten days of civil unrest, a cyber attack on ports and a three-week strike in the steel industry. South African vehicle production grew 21% in 2021, but remains 18% below 2019 levels, while exports increased 9% year on year. In Turkey, production declined 2% and exports decreased 5% as vehicle sales in the Euro Region, the country's primary export destination, fell by 2.4%. Growth in Turkey bounced back strongly in 2021 and is forecast to persist, but inflation hit 37% in December and consumers remain under severe pressure.

Metair's approach to these challenges is to accept them as part of the new realities of doing business in the current context and to approach them with a positive and proactive mindset.

Delivering an improved performance

The financial performance of the Automotive Components Vertical was negatively affected by unusual costs incurred to ensure subsidiaries were resourced for upcoming projects and circumvent supply chain breakdowns.

The Energy Storage Vertical, which comprises Mutlu Akü, Rombat and First National Battery, delivered a very good result under the circumstances, driven mainly by robust aftermarket demand in Turkey, improved OEM volumes and strong exports.

Group revenue increased 23% to R12.62 billion in 2021 (2020: R10.23 billion). Revenue from the Automotive Components Vertical increased by R1.77 million (including Hesto) and revenue from the Energy Storage Vertical increased R1.13 million. Group operating profit (EBIT) increased by 107% to R1.16 billion (2020: R561 million) at an operating margin of 9.2% (2020: 5.5%).

Metair's strategy

Metair's board and management continued the strategic review to unlock value during the year to ensure it aligned with the current context. This work will continue into 2022 with a focus on finalising the opportunity in Energy Storage, supporting project delivery in Automotive Components and delivering operational excellence.

For each subsidiary, Metair has a five-year view ahead based on vertical, customer and regional strategies. These will be reviewed once again in 2022 taking into account any changes in our internal and external environment.

Refreshing the board

There has been considerable change on the Metair board, with seven new independent non-executive directors joining and four previous directors departing in the last three years. Metair's new CEO joined the company at the start of February 2021. A significant focus for the board was on settling in the new directors and supporting executive management to take over the reins of the business, embed their approach and oversee project implementation while navigating the many challenges of the year.

Non-executive directors have been appointed to the subsidiary boards to ensure that the board is in touch with the strategy execution and operating performance of each unit.

Understanding stakeholder priorities

The board engages directly with certain stakeholders and is kept informed of all material engagements and their outcomes as an agenda item at board meetings. The board met with the group's major shareholders, customers and business partners during the year.

The Metair exhibition in Durban in November brought together OEMs, suppliers, industry bodies, government and subsidiary management to showcase the company's current and future technologies, as well as its progress in localisation, transformation and innovation.

Environmental and social responsibility

Metair is committed to responsible and ethical business practices and our activities and initiatives are driven by our core values and principles. Global warming is increasingly regarded as an incipient crisis that requires urgent action by government and business leaders. Metair minimises its use of natural resources and mitigates its environmental impacts as essential aspects of manufacturing excellence.

Global warming concerns have shaped the long-term trajectory of the automotive industry and Metair's business through the regulations implemented to reduce carbon emissions from transport. We believe that environmental and social concerns will increasingly drive consumer purchase decisions. Demonstrating responsible ESG practices will become a competitive advantage in the global automotive supply chain and when raising funding.

We continue to refine our understanding of the effect of climate change on the company and the future of society, reporting our performance in our CDP submission and TCFD disclosure. The planned rollout of solar installations at our operations will reduce our reliance on energy derived from fossil fuel and reduce carbon emissions. We are pursuing carbon-neutral strategies with net-zero emissions being our long-term target.

Metair is equally committed to socio-economic development that makes a positive difference for communities and stakeholders. We support the 2030 Agenda for Sustainable Development as espoused in the UN Sustainable Development Goals. Metair's subsidiaries choose CSI projects to support in their local communities, which are described on page 61. A review of our manufacturing facilities is underway and material capital has been approved to support smarter, more efficient production and a cleaner and safer working environment for employees. We value diversity and support the principle of transformation, and I am pleased to report that Metair retained its Level 1 B-BBEE rating.

Dividend

Our policy is to declare a dividend covered two to four times by earnings. The board consequently approved a cash dividend of 90 cents per ordinary share in respect of the 2021 financial year.

Focus for the year ahead

We expect many of the challenges of the past year to persist in the year ahead. South Africa and Turkey are both experiencing significant socio-political issues that are further exacerbated by the ongoing impact of COVID-19. However, exposure to major developed markets through the export market and successful implementation of the current major projects in both verticals will support future growth. The Automotive Component Vertical will benefit from new model launches and vehicle face-lifts. The Energy Storage Vertical is well-placed for increased OEM volumes, strong demand in the aftermarket and increased exports into North America.

Risks to the positive outlook include further breakdowns in social order, labour unrest during the three-year wage negotiations that start in South Africa in June in the automotive vertical and future resurgences of COVID-19.

Acknowledgements and thanks

I would like to thank the board for their support during the year and acknowledge the new directors for the fresh and challenging perspectives they have introduced. We have a board with a high level of professionalism, preparation and willingness to question that add much to the oversight of the company.

We thank Metair's management and employees for their dedication in the interests of the company and their colleagues. I am extremely encouraged by the professionalism and technical competence across the organisation, as well as the ability to deal with diverse and unprecedented challenges.

Thank you to our customers for their confidence in our abilities and our partners for their technical knowledge and support to meet our shared objectives.

In closing, on behalf of the board I would like to recognise Metair's previous chair and CEO, Brand Pretorius and Theo Loock, for their respective roles in the incredible transformation of the group during their time on the board.

CMD Flemming
Chairman

CEO'S REPORT

OUR PLEDGE TO SAFETY

Safety is about presence of mind in ALL that we do.

Whether this is:
COVID-19 protocols, maintaining equipment, walking on the shop floor, clicking on a suspicious link...

Be SAFE in whatever you do

HEPS INCREASED **139%** to 354 cents per share

LTIFR IMPROVED TO **0.29%**

50% of employees were vaccinated by year end and increasing

Riaz Haffejee
CEO

After a year spent developing a deep understanding of our company, I have to say that I am in awe of what our employees do. Metair is a manufacturing expert taking basic raw materials and turning them into components and finished products for use across the world. This is done taking into account the cost, quality and on time delivery required by our customers while maintaining strict production standards and quality management systems. The Metair business model, which has been honed over the years, is robust and ready for growth.

Metair's priorities in 2021 were to support the successful launches of new models and facelifts, drive effective project management and improve operating efficiencies to maintain our current base while investing in the future. We also continued to explore the value unlock opportunity in the Energy Storage Vertical.

The safety and wellbeing of our employees through the second, third and fourth waves of COVID-19 remained at the forefront of everything we did. We recognise the significant impact on their wellbeing of illness, isolation and grief.

To date, we have sadly lost 21 employees to COVID-19 (as at 1 February 2022) related illnesses and our heartfelt condolences go out to their families and colleagues. Vaccination programmes in Europe, Turkey and South Africa are progressing well and the group vaccination rates continue to improve.

Metair's COVID-19 recovery plan was informed by our medium-term industry outlook at the time, called Vision 2022. The recovery has unfolded broadly as anticipated, with the Energy Storage Vertical recovering quickly in a V-shaped path, while the Automotive Components Vertical has followed a more extended project-based U-shaped recovery. The Energy Storage Vertical performed better than expected and the V-shaped recovery was sharply defined. However, unplanned supply chain costs negatively affected the performance of the Automotive Components Vertical. New projects have progressed well in both cost and delivery timetables. We also continued to explore ways in which to unlock value within the Energy Storage Vertical.

Challenges during the year included, the direct influence of COVID-19 on our employees with increased mental exhaustion, severe disruptions to global supply chains and the semi-conductor shortage not only adding to the component shortages but also compounding the supply chain challenges. In South Africa, a strike in the steel industry, 10 days of socio-political related civil unrest, electricity and water supply interruptions in various locations and disrupted port operations affected our operations and our customers. Additionally, as a result of COVID-19 related imbalances between demand and supply which have yet to settle, we experienced a marked increase in input costs, from raw materials to air- and seafreight, throughout our businesses and across the world.

Automotive Components Vertical

The Automotive Components Vertical supplies into the South African OEM market and is in a transition phase as our customers launch new models and facelifts. Metair subsidiaries are in a pre-production and prototype manufacturing phase, and incurring project costs as new projects are finalised and commissioned.

Agility has become an important asset in the automotive environment to respond to customers' changing needs. In addition to adapting to volume mix changes, at times we had to use premium air- and seafreight to get critical parts in time to meet customer demand.

All automotive component businesses performed well in the first half of the year, but struggled with volume in the second half. Turnover from the vertical increased by 36% to R6.7 billion (including Hesto) compared to the lockdown-affected 2020 year. This represents a 20% increase from 2019 and is lower than the previous estimate of 43% on 2019, mainly as a result of the impact of supply chain disruptions, civil unrest, strikes and chip shortages on industry volume production levels. OEM production volumes in South Africa increased by 21% for the year, supported by a 9% increase in exports of locally produced vehicles. Metair also benefitted from increased volumes from new model launches and facelifts.

EBIT contribution increased by 191% to R257 million, with margins increasing to 3.8%. Additional unusual costs were incurred due to manufacturing inefficiencies, premium logistics expenses and strategic project costs.

The outlook for the Automotive Component Vertical remains positive. Greater efforts will be made to localise more components given the challenges in the global supply chain that remain. This positive outlook is, however, at risk should South Africa's status as a viable investment destination be further eroded by social or labour unrest.

Energy Storage Vertical

The Energy Storage Vertical experienced strong local aftermarket, OEM and export demand in all regions. Overall automotive battery sales volumes increased by 18% to 8.8 million units (2020: 7.5 million units) due mainly to strong aftermarket demand and improved export volumes from Mutlu Akü in Turkey. Total revenue increased by 18% to R7.6 billion (2020: R6.4 billion). Operating margins increased from 9.2% to 11.7% due to increased activity levels and a higher proportion of export volumes, and operating profit increased to R887 million (2020: R588 million).

Mutlu Akü performed exceptionally well, growing local currency earnings before interest and taxation (EBIT) by 117%. This translates into ZAR EBIT of R643 million (2020: R409 million) despite the Turkish Lira average devaluation of approximately 28%. First National Battery's margins improved and operating profit increased, but margins at Rombat came under pressure due to the significant increase in energy prices in Europe and the delay in recovery from customers.

In the industrial segment, sales stayed stable and the operating loss increased to R46 million (2020: R33 million loss). The industrial battery manufacturing facility at First National Battery is being closed to focus on traded product that is more competitive with a wider range of technology.

International demand for lead acid batteries in all sales channels remains high and we continue to extend Metair's automotive battery product range.

Group performance

Group revenue increased 23% and operating profit increased by 107%, with the Automotive Components Vertical contributing 22% and the Energy Storage Vertical 78% to profit before interest and tax. Group margin increased to 9.2% (2020: 5.5%) and earnings before interest, tax, depreciation and amortisation (EBITDA) including equity earnings, increased by 80% to R1.4 billion. Headline earnings increased by 139% to 354 cents per share compared to 148 cents per share in 2020.

Cash generated from operations decreased to R649 million. The group's net debt increased to R1.3 billion and gearing ended the year at a net debt/equity ratio of 35% (2020: 20%).

Focusing on niche lithium-ion technology and meeting continued demand for lead acid

The automotive industry is at a historic point with the shift to New Energy Vehicles (NEVs) gathering pace, driven by increased awareness of the threat of global warming and its influence on emission regulations, consumer expectations and business strategies. We believe the move to NEVs will be relatively quick in the highly regulated European markets, facilitated by government subsidies. Other markets may take longer, however, all markets will likely move first to hybrid cars and then to battery electric vehicles (BEVs) over time.

Lithium-ion is currently the leading technology for BEVs. Metair's current lithium-ion manufacturing capability is mainly within automotive starter batteries and we are developing 12/24/48-volt applications for the automotive and industrial segments in line with customer requirements. This will ensure that Metair transitions to newer technologies without the need to invest in large scale capital expansion programs which are typically required for high voltage/ EV battery applications. We are creating a roadmap of technology to lithium-ion within the products we currently supply so that as the shift to BEV occurs, we can be relevant and competitive ahead of time.

Demand for lead acid batteries will grow and is likely to continue into the next decade based on forecast internal combustion engine growth and their applicability as auxiliary batteries in NEVs. We are developing smaller auxiliary lead acid AGM batteries for customers to power the non-starting functions of NEVs.

In response to changing market trends and future technology requirements from certain OEM and industrial partners, the lithium-ion production line currently at Rombat in Romania is being moved to Mutlu Akü in Turkey. The move aims to leverage Mutlu's brand strength, operational expertise, access and positioning within a growing market for lithium-ion products. It will also benefit from recently available incentives that will recover the initial investment. The production line will be located within Mutlu Akü's existing production facilities and the relocated production line is expected to be installed and commissioned in the second half of 2022.

Responsible business creates a competitive advantage

The world is becoming increasingly aware of the need for a coordinated response to the many challenges we face. These include climate change and the many social challenges underlying global initiatives such as the UN Sustainable Development Goals. Businesses that embrace their responsibilities as corporate citizens will benefit from increased access to their markets. Those that fail to do so will be left behind. The change in mindset is evident in increased interest in ESG considerations among consumers, OEM customers, investors and funders.

Metair is on a journey to deepen our commitment to sustainability and we are investigating initiatives to enhance our environmental stewardship and secure the group's positioning in the future of green manufacturing. We sponsor the Green Manufacturing chair at Toyota Wessels Institute for Manufacturing Studies (TWIMS) graduate business school to promote executive expertise in green manufacturing to actively combat climate change across industries in southern Africa. We are refining our measurement and reporting of ESG issues, including setting formal KPIs and targets, to drive iterative improvement and sustain our progress. Our goal is to raise sustainability from a governance reporting element into a key strategic element.

During 2022 we will begin rolling out solar power at our facilities to increase access to renewable energy as well as upgrading factories to improve working conditions and safety.

Lead is a substance of very high concern that can have serious negative health and environmental impacts. However, with responsible health and safety controls and monitoring, lead acid batteries can be manufactured safely. Lead acid batteries are also highly recyclable and almost all of the components of these batteries can be recycled to bring them back into a circular economy and as such approximately 62 000 tonnes of lead were recycled in the three largest smelters in 2021, as well as 5 005 tonnes of plastic.

Lithium-ion batteries are not without concerns, particularly regarding the ethical and responsible mining and sourcing of cobalt and rare earth commodities. Further work is required to make them recyclable on a commercial scale.

Metair is committed to ensuring that all components manufactured across the group have a positive lifecycle and end-of-life impact on the environment. All of our battery manufacturing facilities have lead refining capabilities and lead recycling is a core component of our business model for the energy storage businesses.

Outlook and prospects

We do not anticipate that the supply chain challenges and semi-conductor shortages will resolve in the first half of 2022. Given the Russian/Ukraine conflict, a prolonged impact to supply chain challenges could see these extend throughout the year. Impact to OEM and battery sales into the EMEA region is likely with alternate markets being sought. The Automotive Component Vertical will focus on putting in place the necessary resources to successfully support the launch of major new customer models in the second half of the year and ensuring the highest quality, best cost and on time delivery for all customers during the year.

The volume outlook for the Energy Storage Vertical is good with increased demand for AGM batteries from OEMs, the aftermarket and export markets. First National Battery will complete the change of its industrial battery business to a trading model, and installing and commissioning the lithium-ion manufacturing line will be a core project focus at Mutlu Akü.

Metair continues to actively work towards both short and long term value creation for shareholders. The board and management remain committed to building long term value creation in the Energy Storage and Automotive Components Verticals. Opportunities that deliver shareholder value in the short term will also be explored.

Taking into account the changes in environment, Metair will be looking this year to execute the final stage of Vision 2022, while positioning the company for future growth and diversifying the customer base in the Automotive Components Vertical. Continuous monitoring of the immediate environment and future forecasts will be essential to finding the right path for growth.

Given the challenges and opportunities in front of us and with the benefit of hindsight my policy statement for the 2022 year as shared at our MDs conference in November 2021 is:

"Exceptional leadership, ethics, governance and people focus – with a customer first attitude… along with a healthy dose of determination, care and lots of courage… will bring success for all stakeholders and expected returns for shareholders."

Our overriding priorities remain on supporting successful new model launches and facelifts and expanding automotive battery volumes, maintaining and increasing the momentum in operating activity throughout our factories and driving the value unlock opportunity within the Energy Storage Vertical.

In conclusion I wish to thank my colleagues in head office for their tireless work, our managing directors for their extraordinary efforts within our subsidiaries, our board for their guidance and all of the past Metair colleagues for the insights they have shared with me over the past year.

R Haffejee
CEO

CASE STUDY

METAIR EXHIBITION – NOVEMBER 2021

Metair held a two-day exhibition at Smiths Manufacturing in November 2021. All Metair subsidiaries had stalls to showcase their products to the multitude of stakeholders, primarily OEM customers, who attended the event. The group is committed to unlocking further opportunities and the exhibition was an opportunity to demonstrate our capabilities and technology to stakeholders and effectively position the group for further growth.

HOW METAIR CREATES VALUE

Metair manages and controls businesses in the mobility and energy sectors to deliver quality and cost-competitive products. Our strategy aims to create and preserve value, accepting the necessary trade-offs between risks and opportunities, stakeholder interests and the six capitals. Sustainability is an increasingly important part of what we do as we move to embrace green manufacturing, the circular economy and broad social benefit, in line with our commitment to custodianship.

Stakeholders

Shareholders, investors and funders | Suppliers | Employees, trade unions | Technology partners, leadership and employees | All stakeholders

Capital inputs

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.

Manufactured capital

The property, plant and equipment we own, including the facilities at which we manufacture our products, physical and IT infrastructure, and machinery and tooling at our 16 operations in five countries.

Human capital

How well we do business depends on the skills, experience, productivity, wellness and motivation of our 12 173 employees and contractors. Our leadership skills and culture of manufacturing excellence and custodianship

Intellectual capital

Metair's 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.

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.

Manufacturing inputs

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

AUTOMOTIVE COMPONENTS VERTICAL

Outputs

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

ISO 50001 | ISO 9001 | ISO 18001/ ISO 45001 | ISO/ IATF 16949 | ISO 14001

Value-adding business activities

ENERGY STORAGE VERTICAL

Outputs

- Lead-acid auto batteries
- Lithium-ion auto batteries
- Telecoms solutions
- Material handling solutions

Capital outcomes

Financial capital	• **R3.54 billion** in wealth created for stakeholders • **R2.10 billion** in remuneration paid to employees
Manufactured capital	• **R575 million** increase in manufacturing capital through capital expenditure • Wear and tear on manufacturing equipment
Human capital	• Sadly, we lost 21 employees due to COVID-19 since the start of the pandemic (as at 1 February 2022) • **50%** of staff vaccinated by year end • Group LTIFR improved to **0.29** • Absenteeism decreased to **3%** • Staff attrition improved to **5.7%** • **R36.8 million** invested in employee training • **93.2%** HDSA staff • **38.5%** female representation
Intellectual capital	• **R24.6 million** invested in research and development in 2021 • **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 **moving to Turkey**
Social and relationship capital	• **R20.6 million** invested in CSI projects • Consolidated group **B-BBEE Level 1 achieved** • Relationship with UWC to develop intellectual capital around **lithium-ion technology** • Relationship with TWIMS to develop **green manufacturing capabilities**
Natural capital	• 2021 carbon footprint **599 208 tCO_2e** • **10 142 tonnes** of non-hazardous waste recycled • **± 62 000 tonnes** of lead recycled

Material trade-offs made during 2021

Metair incurred significant premium freight costs (air- and seafreight) to secure necessary commodities and parts when their arrival was delayed by disruptions to the supply chain. This allowed us to meet our commitments to our OEM customers (building social and relationship capital), but increased unusual costs by R150 million.

We are making a significant investment in new facilities and equipment to expand capacity to support major OEM customer model launches in the next two years. We are also employing more staff and investing in training to ensure that we have the necessary resources and skills to deliver on these projects. This investment in manufactured and human capital to support flawless launches will strengthen our relationship with customers and creates the base for future financial returns over the life of the models.

> "Metair is on a journey to deepen our commitment to sustainability and we are investigating initiatives to enhance our environmental stewardship and secure the group's positioning in the future of green manufacturing."

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.

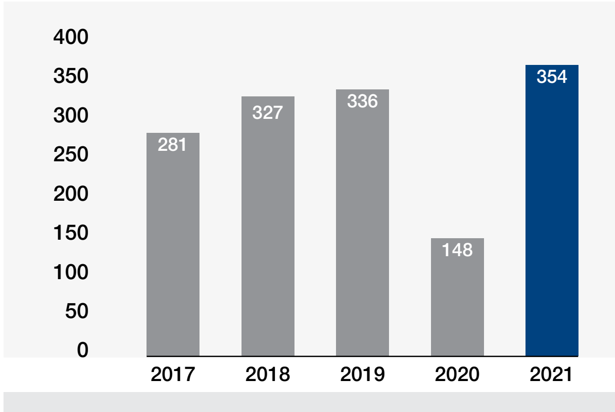
Metair is committed to the UN SDGs and ensures that we manage our social and environmental impacts responsibly.

FINANCIAL PERFORMANCE

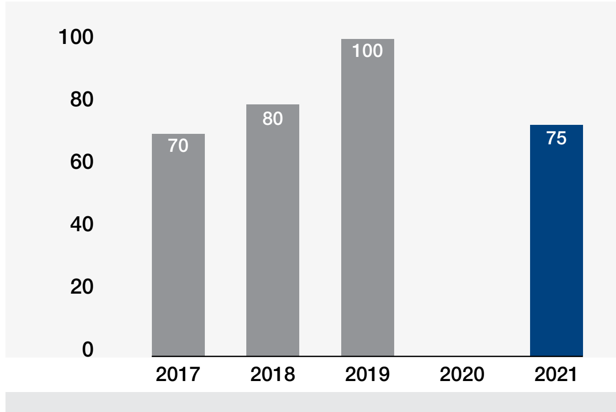
	2021 R'000	2020 R'000	2019 R'000	2018 R'000	2017 R'000
Revenue	**12 621 070**	10 234 706	11 237 995	10 276 966	9 516 657
Profit before taxation	**962 122**	296 768	871 369	899 329	775 814
Impairment charges	**10 903**	108 168	25 351	1 031	Nil
Interest paid	**177 464**	204 731	259 875	210 056	200 867
Preference dividend	**41 658**	46 919	60 532	59 206	92 107
Profit attributable to ordinary shareholders	**674 791**	174 184	624 186	667 377	556 182
Total equity	**3 874 354**	4 214 838	4 310 786	4 287 721	4 195 537
Interest-bearing debt	**2 289 422**	2 370 313	2 196 411	1 841 794	1 801 495
Property, plant and equipment	**2 636 978**	2 618 197	2 707 381	2 538 145	2 605 737
Current assets	**5 536 218**	5 538 675	4 906 321	4 493 253	4 071 600
Total assets	**9 075 419**	9 298 270	8 967 335	8 422 000	8 105 218
Number of shares in issue	**198 986**	198 986	198 986	198 986	198 986
Weighted average number of shares in issue	**192 715**	192 118	191 904	197 284	197 987
Net asset value per share (cents)*	**1 946**	2 133	2 186	2 167	2 059
Basic earnings per share (cents)	**350**	91	325	338	281
Headline earnings per share (cents)	**354**	148	336	327	281
Dividend per share (cents) declared and paid	**75**	Nil	100	80	70
Dividend cover (times) (calculated on headline earnings on prior year)	**2.0**	N/A	3.4	3.5	3.3
Return on investment capital after net profit as a % of average total shareholders' funds (ROIC)	**11.7**	6.4	13.0	13.0	11.8
Net profit as a % of average total shareholders' funds (ROE)	**17.1**	4.3	15.3	16.5	12.3
Total shareholders' funds as a % of total assets	**42.7**	45.3	48.1	50.9	51.8
Interest cover (times)	**7**	3	4	5	4
Staff complement**	**6 062**	5 920	6 166	6 089	5 968

Calculated on ordinary shareholders' equity and number of shares in issue excluding treasury shares.
**Excludes Hesto which is an associate.*

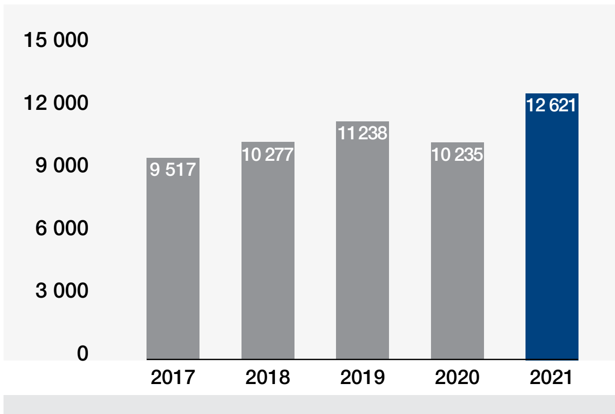
HEADLINE EARNINGS PER SHARE (CENTS)



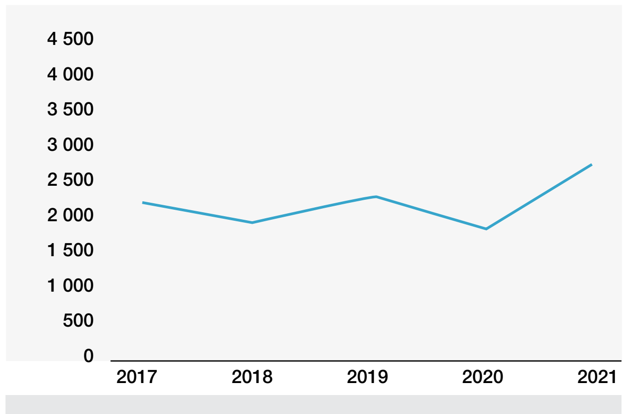
DIVIDENDS PER SHARE (CENTS)



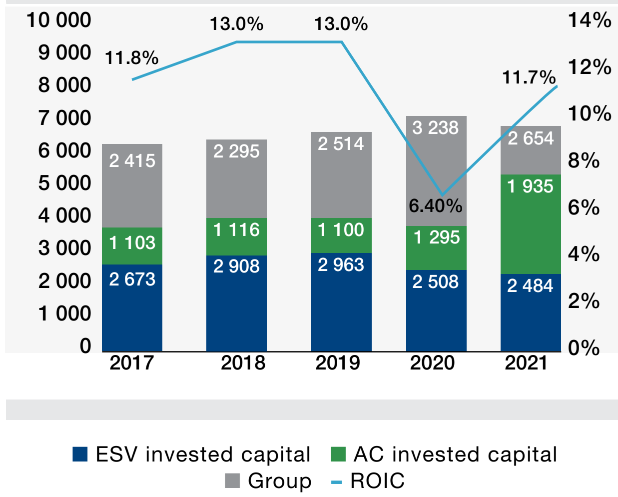
REVENUE (R MILLION)



SHARE PRICE AT 31 DECEMBER



METAIR INVESTED CAPITAL (R MILLION AND ADJUSTED ROIC (%))



AWARDS

LUMOTECH

IDC Job Creation Award – Merit Award – 2021

Eastern Cape Automotive Industry Forum – Contribution Award – 2021

AUTOMOULD

East London Industrial Development Zone – Contribution to the IDZ Award – 2021

SMITHS MANUFACTURING

Toyota/DENSO – Global Contribution Award – 2021

Toyota South Africa – SAM supplier awards 2021 – Recognition Programme to be announced in 2022

Smiths 2020 Achievement VA Award

Smiths 2020 Superior Parts and Accessories Award

Smiths 2020 Superior Stable Prod Award

STRATEGIC OVERVIEW

STRATEGIC EXECUTION IN 2021

How we derive our strategy

Management develops and refines Metair's strategy in collaboration with the board. The board reviews and approves the strategy, as well as 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, with ongoing oversight from the board.

The process we follow in developing our strategy considers:

- the needs of our customers
- the expectations of our shareholders and other key stakeholders
- the impact of COVID-19 on the industry, business and society
- major trends and developments in automotive markets
- technological developments
- its impact on the six capitals defined by the <IR> Framework
- the risks and opportunities facing the company
- how the strategy supports the principles of stewardship and sustainability.

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 long-term strategy is broken down into medium-term strategies and clear targets are set to provide focus and context for that period. At the annual managing director's conference, MDs report their progress on the prior year's KPIs and set short-term targets for the year ahead.

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 would unlock value for stakeholders. With the arrival of the COVID-19 pandemic, the strategy review was deferred to design and implement the COVID-19 response strategy and to incorporate the views of the new executive and independent non-executive directors appointed in 2020 and 2021. The strong performance and quick recovery in the Energy Storage business during the pandemic, combined with growth opportunities ahead for the Automotive Components Vertical, provided further impetus for Metair to refresh its strategic approach around the Energy Storage Vertical.

Strategic positioning – Automotive Components Vertical

The outlook for long-term growth in the South African automotive industry is positive, supported by the Automotive Production and Development Programme (APDP), global trade dynamics and OEM manufacturing decisions. Phase II of the APDP came into effect from July 2021 and provides support and certainty to OEM manufacturers to 2035. It incentivises B-BBEE and localisation (sourcing of components made in-country), which favour Metair's position. The disruptions since the start of COVID-19 have also increased OEMs' focus on simplifying supply chains by sourcing components close to their manufacturing bases.

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 NEV technology. The increasing complexity required in components also increases the technology requirements and their unit value.

More than 60% of motor vehicle production in South Africa is exported globally, largely to Europe and the UK. As OEMs focus on

Automotive Components Vertical

Strategic position	Strategic intent	Strategic enablers
Supplies a broad range of automotive components to all seven OEMs in South Africa. Local motor vehicle production is supported by increasing exports, favourable policy, global trade dynamics and OEM manufacturing decisions Aftermarket products comprise approximately 10% of the vertical's revenue and include brakes, filters, spark plugs and heat-exchange product spares	Nurture our automotive components business with participation in selected growth opportunities and to be the preferred parts supplier in the South African environment.	• 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 • Commitment to sustainability

STRATEGIC OVERVIEW

STRATEGIC EXECUTION IN 2021 CONTINUED

producing NEVs in their home countries, South Africa is becoming a favoured manufacturing base for particular models and variants. The South African OEMs will join the global move to NEV production in the years ahead with hybrid models already manufactured in South Africa. The export percentage is forecast to increase as some of the new launches planned will have a major export focus, reducing the link between local production and local demand.

The group's market share is also growing on the back of increased localisation and significant additional revenue has been secured on Ford business.

The majority of our automotive component and commodity-based products remain relevant in NEVs, particularly wiring harnesses (Hesto), lighting units (Lumotech), heating and cooling systems (Smiths Manufacturing) and springs (Supreme Springs). Metair's deepening commitment to sustainability will provide us a competitive advantage for future EU export potential.

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 make 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.

Our diversification strategy provided us with a great opportunity which will come to fruition at the end of 2022, providing Metair with increased volumes in the following years.

Strategic Positioning – Energy Storage Vertical

Metair's expansion into Romania and Turkey improved the company's sustainability by diversifying our client base, product lines and the geographies in which we operate. These investments moved us closer to the home markets of some of our biggest customers, accessed leading technologies and provided exposure to the latest developments in the rapidly evolving automotive industry. This strategy has created value and provided Metair with opportunities to unlock this value that are currently being investigated.

Energy Storage Vertical

Strategic position	Strategic intent	Strategic enablers
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, the Middle East and North America. Non-automotive energy storage solutions are sold into industries including telecommunications, utilities, mines, retail and materials/products handling sectors.	Drive lead acid growth in all markets and ensure lithium-ion technology readiness and product diversification Focus on commissioning the lithium-ion line in Turkey 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 expertise • Commitment to sustainability

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 expected to continue 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 for the rest of their useful lives and Start/Stop battery storage solutions have an important role in reducing emissions from ICEs during the shift to full NEV technology. We are responding to demand for smaller lead acid AGM batteries to power the auxiliary functions of NEVs and hybrids.

Since 2018, Metair has been developing significant in-house lithium-ion expertise and capabilities to meet customer demands for traded, assembled and manufactured lithium-ion cells. Metair has therefore commenced the process of diluting its shareholding in Prime Batteries and securing required manufacturing, technology and chemistry intellectual property. 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.

Lithium-ion batteries are a key enabler of current BEV technology and 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. Our strategic focus for lithium-ion technology favours niche applications, primarily automotive starter batteries, and we are developing 12, 24 and 48-volt applications for the automotive and industrial segments in line with customer requirements. Opportunities are increasing to work with technology partners through technical aid agreements, using the model we have in a number of our current operations.

Metair's lithium-ion production line is being moved from Rombat in Romania to Mutlu Akü in Turkey to leverage Mutlu's brand strength, operational expertise, access and positioning within a growing market for lithium-ion products, and benefit from incentives. Completion of the installation and commissioning of the line is scheduled for the second half of 2022.

Metair's nine strategic focus points from 2020 were refined in 2021 to:

Nurture the original equipment (OE) business in South Africa

Technical cooperation with OEMs enhances our manufacturing expertise and the long OE product lifecycles create relatively predictable production volumes and revenue outlooks.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

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. We believe that responsible ESG practices will increasingly become a competitive advantage creating future growth opportunities.

Expand the original equipment manufacturer (OEM) customer base

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.

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.

8 DECENT WORK AND ECONOMIC GROWTH

Focus intently on cost

Cost competitiveness is the primary consideration in tendering for contracts with OEM 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.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

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.

Supply chain efficiencies

Constantly work on finding opportunities in supply chain activities to consolidate freight, freight forwarders and freight spending across the South African subsidiaries. Metair has established a supply chain working group to respond to the supply chain challenges and assess how a group wide consolidation of shipping companies can be achieved.

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 OVERVIEW

STRATEGIC EXECUTION IN 2021 CONTINUED

COVID-19 recovery plan and Vision 2022

At the start of the COVID-19 pandemic early in 2020, Metair's leadership created a well-structured six-pillar response strategy called Vision 2022 to address the immediate priorities precipitated by the crisis as well as the longer-term actions required to position the company for the recovery. The strategy was fine-tuned for each region and vertical for their specific challenges to promote the agility of the business. The plan emphasised the importance of leading and setting an example from the front while maintaining high standards of corporate governance.

Employee health, safety, welfare and communication	Solvency and liquidity	Government interaction	Lockdown exit plan	Governance and leadership	COVID-19 recovery plan
Ongoing (Refer page 50)	Achieved	Achieved	Achieved	Ongoing	Ongoing

We expected the Energy Storage Vertical to rebound fairly quickly after lockdown in 2020 in a V-shaped recovery, while the Automotive Component Vertical would be affected for a longer period, leading to a U-shaped project-based recovery.

Volumes recovered faster than expected in the second half of 2020 for both verticals and the Energy Storage Vertical surprised on the upside again in 2021. The South African automotive industry performed well in the first half of 2021. Production contracted for five months of the second half due to the effects of the riots in July, a strike in the steel industry and container terminal inefficiencies. The shortage of semi-conductors and supply chain related disruptions were ongoing throughout the year.

Volumes produced by the Automotive Components Vertical continue to be supported by Metair's participation in new model launches and face lifts, as well as increased export demand from Europe. Customer projects in the pipeline and developing trends in the South African automotive sector suggest a full recovery could be achieved by 2022/2023.

New model launch projects currently in process can deliver between R40 billion and R47 billion of turnover to the group over a 10-year period from the middle of 2022, more than 90% of which is new or incremental revenue. Some of the planned customer projects have been delayed by the challenges in the industry during the year and a portion of Metair's planned 2021 capital expenditure has been deferred to 2022.

Delivery on our strategic priorities in 2021

Metair's progress against the short-term KPIs set at the beginning of the year is shown below.

- **Conclude commission of lithium-ion line, Grade A cells by Q3**
  Metair reassessed its lithium-ion strategy during the year and the lithium-ion line is being moved from Romania to Turkey, with commissioning at Mutlu Akü scheduled for the second half of 2022.
- **Formalised integration and development programme for the Energy Storage Vertical, split by category and technology. Introduction by Q3**
  Successfully concluded in line with the move of the lithium-ion line to Mutlu Akü and redefining the scope of technology within Rombat and First National Battery.
- **Assess the organisational culture and make recommendations to the board on how to improve this by Q3**
  A Group Human Resources (HR) executive has been appointed to oversee and coordinate human capital development and culture in the organisation.
- **Refinance of the group's borrowings facilities to long-term funding facilities by Q3**
  Achieved. The group refinanced its revolving credit facilities to 2026 and extended its preference share funding to 2024.
- **Secure funding for new projects by Q3**
  Achieved. The group secured the required lending facilities to support operations and fund current and future expansion plans.
- **Support the development of the new Mutlu Akü and Rombat CEOs and identify other functional requirements within these entities during H1**
  Both CEOs made a strong effort to deliver on their 100-day plans and followed through on the priorities identified by the Metair CEO.
- **Co-ordinate and secure US export business for the Energy Storage Vertical in H1**
  Achieved. Exports to the US in the second half supported volume growth and capacity utilisation at Mutlu Akü.
- **Consider Metair and subsidiary structure relative to vertical strategic direction (including customer facing organisation) during H1**
  Full strategic review delayed. Planned for H2 2022.
- **Strategy review and recommendation to the board on the way forward on potentially unlocking shareholder value, including lithium-ion strategy during H2**
  The strategy review continued in the second half of 2021 to incorporate industry developments and will continue in Q1 2022.
- **Successful management of the Ford and Toyota Hilux projects**
  Ongoing. Metair continues to invest in the required skills and resources to ensure successful management of customer projects and support flawless launches.
- **Finalise group insurance claim for the COVID-19 pandemic during the year**
  Achieved. The South African business interruption insurance claims related to COVID-19 were settled.
- **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**
  On hold pending strategic review.

2022 KPIs	
1.	Reach a conclusion on the opportunities to unlock value by H2.
2	Complete the strategy proposal and consideration by Q3.
3	Develop a sustainability workplan for Metair in the context of climate change and green manufacturing by the end of the year.
4	Establish the baseline and gap analysis for development of the future HR framework and people strategy in Metair.
5	Lithium-ion commissioning at Mutlu Akü by the end of Q3.
6	Successful OEM project launches for 2022.
7	Develop a solar power plan for South Africa and implement in 2022.
8	Implement supply chain management changes for freight forwarding and shipping contracts across South African companies in 2022.
9	Ensure all costs and borrowing facilities for all projects are in line with plan and successfully concluded.
10	Review and update the IT strategy including cyber security by the end of Q3.
11	Business Intelligence implementation by the end of H1.
12	Ensure appropriate subsidiary reporting and cash management in the context of new projects.

PERFORMANCE REVIEW

Operating context

The Automotive Components Vertical and First National Battery in the Energy Storage Vertical supply components and batteries to OEMs manufacturing in South Africa. 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.

Metair's energy storage operations in Turkey and Romania supply batteries to OEMs for vehicles exported into Western and Eastern Europe. Mutlu Akü, Rombat and First National Battery also have retail distribution networks in their domestic markets and export batteries primarily into other countries in the surrounding regions.

Sales volumes for both verticals are therefore linked to demand for vehicles in domestic and export markets, as well as aftermarket demand for the current vehicle parc. Vehicle sales generally track economic growth.

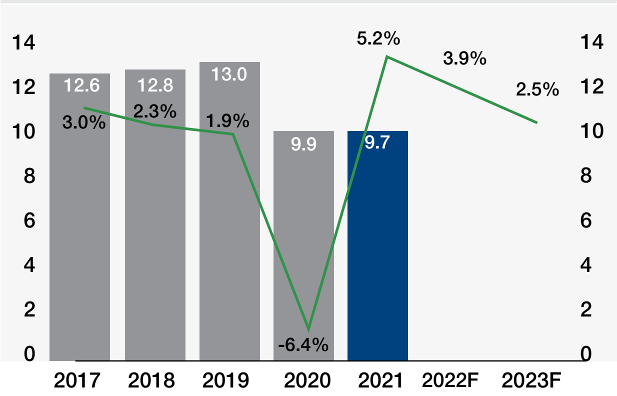
Economic growth in Metair's main countries of operation and the Euro area recovered strongly in 2021 and continued growth is forecast, albeit at low rates in South Africa.

GDP growth	2019	2020	2021e	2022F	2023F
South Africa	+0.1%	(6.4%)	+4.6%	+1.9%	+1.4%
Turkey	+0.9%	+1.8%	+11.0%	+3.3%	+3.3%
Romania	+4.1%	(3.9%)	+7.0%	+4.8%	+3.8%
Euro area	+1.9%	(6.4%)	+5.2%	+3.9%	+2.5%

Source: IMF World Economic Outlook January 2022

Despite the rebound in economic growth in the Euro area in 2021, the impact of the semi-conductor shortage reduced availability of cars and car sales decreased a further 2% after falling 24% in 2020.

NEW CAR REGISTRATIONS AND GDP – EU



■ New car registrations (m) – GDP growth (%)

Sources: IMF, ACEA

After starting 2021 well, total South African motor vehicle production increased 21%, but remained 18% below pre-pandemic levels. Production in the second half of the year was negatively affected by social and labour unrest, as well as logistics challenges. Local sales increased 22% and exports increased 9% after both fell 30% in 2020. The South African Automotive Masterplan (SAAM) 2035 sets an ambitious vehicle production goal of 1.4 million vehicles in 2035, and we are forecasting local vehicle production of around 600 000 units per year in the short-term, growing to above 750 000 in the medium-term.

Passenger car production in Turkey decreased 0.3% in 2021 and exports fell 5%. Passenger car production in Romania fell 4% in 2021.

The poor and deteriorating state of electricity and water infrastructure are prevailing risks in the South African manufacturing environment and 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. The increasing socio-economic strain on South African society and breakdown in the rule of law manifested in rioting and looting in July, theft and destruction of rail and electrical infrastructure, and increasing levels of violence. Wage negotiations are scheduled for the middle of 2022 in South Africa and Turkey, following the strike in the steel industry in 2021.

Global trade and geopolitical developments

Ongoing uncertainty regarding global trade dynamics as well as the impacts of Brexit and COVID-19 have led to OEMs increasing their focus on localising supply. Political developments in Turkey and the country's high interest rates, inflation rate and currency volatility remain concerns. High energy prices in Europe linked to geopolitical developments affected margins during the year, particularly at Rombat.

Vehicles in use (vehicle parc)

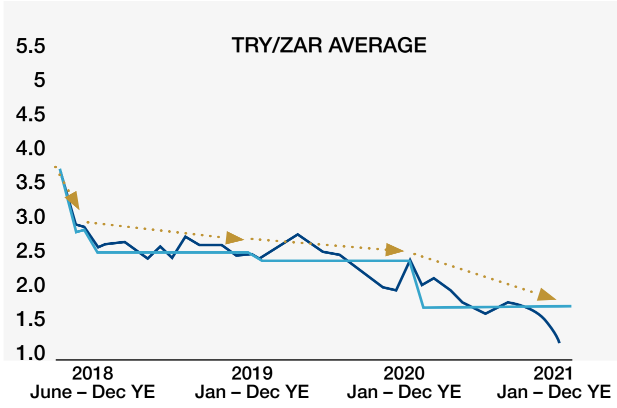
Demand for aftermarket automotive batteries and spares is a function of the total number of vehicles on the road. There are more than 246 million passenger cars on the roads in the EU, with an average life of 11.8 years, representing a significant market for our operations in Turkey and Romania. Export contracts secured by Mutlu Akü to supply the North American market supported a strong increase in exports from the Energy Storage Vertical.

Currency volatility

The input cost of imported materials and commodities denominated in hard currencies are affected by devaluation of the local currencies in our countries of operation – Rand, Turkish Lira and Romanian Lei. Operations can generally recover rising input costs from customers by increasing prices, but in the short-term margins may be affected.

Prolonged currency weakness is positive for exports and reduces the local attractiveness of competing imported product. 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 35.

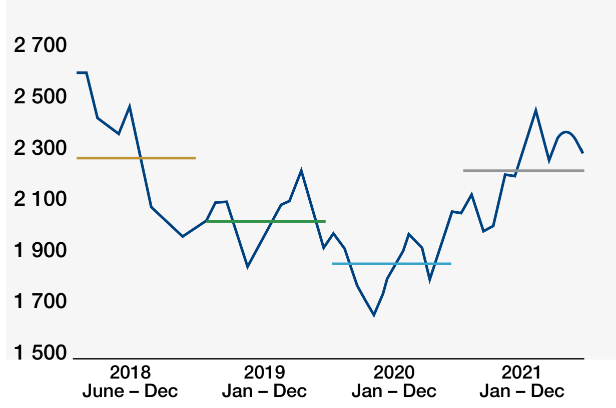
TURKISH LIRA/RAND



Raw material costs

Lead is a key input in our Energy Storage Vertical and during the year the lead price fluctuated significantly, trading between US$1 900 and US$2 400.

AVERAGE LEAD PRICE $ (USD)



– Average lead price
– Year average 2018 – US$2 247
– Year average 2019 – US$1 998
– Year average 2020 – US$1 824
– Year average 2021 – US$2 203

2021 Sustainability targets, goals and achievements

2021 Sustainability Goals and achievements	2022 Sustainability Goals
All companies to target achievement of ISO 50001 accreditation by the end of 2021. *All subsidiaries except Automould are ISO 50001 accredited. Accreditation is planned for 2022.*	All companies to target achievement of ISO 50001 accreditation by the end of 2022.
Zero fatalities and maintain LTIFR below 1 across all companies. *Zero fatalities. Group LTIFR improved to 0.29 and all companies achieved an LTIFR below 1.*	Zero fatalities and maintain LTIFR below 1 across all companies.
Group absenteeism rate to average below 3.0% (excluding contractors and the impact of COVID-19) across all companies. *Group absenteeism was 3%. ATE, Rombat, Mutlu Akü and Automould recorded absenteeism above 3.0% mainly driven by COVID-19.*	Group absenteeism rate to average below 3.0% (excluding contractors and the impact of COVID-19) across all companies.
Target at least a Level 2 B-BBEE score going forward. *Achieved Level 1.*	Target at least a Level 2 B-BBEE score going forward.
Maintain group training spend at a minimum R40 million. *Group training spend for the year was R36.8 million.*	Maintain group training spend at a minimum R40 million.
At least 250 learnerships across the group *263 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. *3% of net profit for the year was spent on CSI projects.*	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 increased from 47 in 2020 to 64 in 2021.*	Target zero new cases of blood lead levels above 30µg per 100ml (early warning cases).
1% improvement on site-specific production scrap percentages across all companies. *Only ATE was able to achieve 1% improvement in scrap percentages. 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% a year until they reach their theoretical ceiling yield. *Mutlu Akü has been achieving their maximum yield since 2019. First National Battery met the target and Rombat improved slightly in 2021 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 improved 28%, with all companies well above a 2% improvement.*	Improve water consumption per PHW by 2% across all companies.
Reduce total energy consumption by reducing electricity consumption per PHW by 2% by December 2021. *Group electricity consumption per PHW improved 6% and all companies except First National Battery, Mutlu Akü and Automould achieved reductions greater than 2%.*	Reduce total energy consumption by reducing electricity consumption per PHW by 2% by December 2022.
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 10.5 kgs CO_2e/PHW.*	Reduction of carbon emissions by 2% by volume unit across Metair.

CASE STUDY

FOOD HAMPERS DURING DURBAN UNREST

Civil unrest in July 2021, primarily in Durban, KwaZulu-Natal and surrounding areas saw rioting and looting of shopping malls, businesses and warehouses in the area. Access to Durban was temporarily halted due to the closure of the N3, numerous production plants could not operate and food warehouses were damaged. This effectively left residents without access to basic food and needs.

Employees at the group's Durban-based subsidiaries – Automould, Smiths Manufacturing, Hesto and Unitrade – were most impacted. Metair responded promptly, arranging grocery hampers and care packages for employees affected by the unrest.

Metair also prioritised their health, safety and wellbeing during this time. HR departments actively sought to establish contact with all employees to provide support.

CFO'S REPORT

"Metair balances the need to generate financial returns with the longer-term and sustainable interests of the group, which includes a responsible approach to social and environmental issues. The financial results for 2021 reflect the good overall performance of the group despite the numerous challenges we faced within the automotive components vertical."

Sjoerd Douwenga
CFO

OPERATING PROFIT INCREASED 107% to R1.2 bn

REVENUE INCREASED 23% to R12.6 bn

GROUP NET DEBT INCREASED R522 m to R1.3 bn

The Metair COVID-19 recovery plan for the long-term progressed largely in line with expectations with the strong recovery in the Energy Storage Vertical following a V-shaped path and the Automotive Components Vertical a U-shaped and project-driven trajectory. The financial results reflect the good performance of the group overall, despite the numerous challenges we faced within the automotive components vertical.

This CFO report should be read with the financial statements and the integrated report as a whole. It provides commentary on Metair's financial position and performance for 2021, 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, we place a high priority on the legitimate interests of all stakeholders. The need to generate financial returns is balanced with the longer-term and sustainable interests of the group, which include 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 38.

Results

Group revenue increased by 23% to R12.62 billion (2020: R10.23 billion), reflecting a strong rebound following the lockdown restrictions in 2020. Group operating profit (EBIT) increased by 107% to R1.16 billion (2020: R0.56 billion), while the operating margin rose to 9.2% (2020: 5.5%). Operating margins were negatively impacted by increased supply chain costs (both air- and seafreight), manufacturing volatility and volume declines, production disruptions due to the July civil unrest and a steel industry strike in South Africa, as well as project costs related to the investment in future growth.

The Automotive Components Vertical (including Hesto) contributed R6.7 billion in revenue, a 36% improvement compared with the 2020 reporting period. OEM customer volumes grew strongly in the first half of the year, but momentum slowed in the second half due to supply chain related disruptions to OEM production in South Africa. The Energy Storage Vertical delivered an 18% increase in revenue to R7.6 billion, benefitting from strong export demand as well as sustained local aftermarket and OEM demand.

Group EBITDA (including equity earnings and impairments) increased 80% to R1.4 billion (2020: R0.8 billion) and the EBITDA margin improved to 11% (2020: 8%).

As a result of supply chain instability and increased air- and seafreight the Group invested in additional inventory holding. This in combination with capital expenditure related to new projects resulted in the Group net debt increasing to R1.3 billion (2020: R0.8 billion) while net finance expenses decreased to R145 million (2020: R164 million) due to the reduction in interest rates.

Headline earnings per share increased by 139% to 354 cps (2020: 148 cps) and the weighted average number of shares increased to 193 million shares from 192 million shares in 2020. Group adjusted return on invested capital (ROIC) increased to 11.7% (2020: 6.4%).

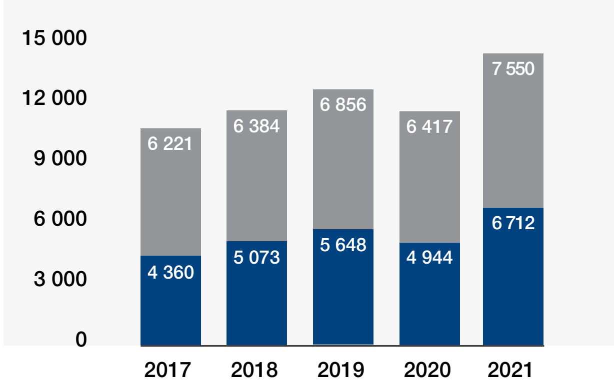
Segmental review

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 129.

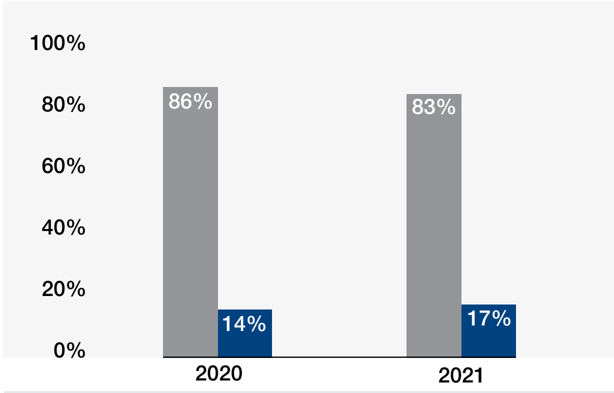
Metair's two business verticals – Automotive Components and Energy Storage – supply products to their local markets in South Africa, Romania and Turkey. They also export to customers, mainly in Europe, the Middle East, sub-Saharan Africa, Russia and, from the second half of 2021, North America.

The Automotive Component Vertical contributed 47% to group segment turnover in 2021, with the Energy Storage Vertical contributing 53% (2020: 44% Automotive Component Vertical and 56% Energy Storage Vertical).

REVENUE (R million)



GROUP LOCAL AND EXPORT SALES (%)



Energy Storage Vertical

Turnover increased by 18% to R7.6 billion (2020: R6.4 billion) with sales of automotive battery units totalling 8.8 million units, an increase of 18%. Strong aftermarket demand and exports from Mutlu Akü resulted in volumes ending the year at 9 million units, 18% up on 2020 and 5% on 2019.

EBIT improved by 51% to R887 million, with operating profit in local currency down at Rombat, up at First National Battery and more than doubling at Mutlu Akü. High energy costs in Europe and Turkey in the second half of the year affected operating margins due to the lag in recovery from customers. Operating margins in the Energy Storage Vertical increased from 9.2% to 11.7%.

Mutlu Akü performed exceptionally well again with EBIT in local currency 117% higher than the year ended 31 December 2020. In Rand, this translated to a 57% increase to R643 million due to the devaluation of the Turkish Lira (TL).

First National Battery in South Africa is moving to a trade-focused model in its industrial manufacturing business and R40 million in costs related to the closure of the facility were incurred. Despite this, margins improved to 8.0% (2020: 4.0%) and operating profit increased to R156 million due to a good automotive trading performance.

Rombat in Romania reported a decline in operating profit of 20% to R84 million although overall volumes improved by 17%. Operating margin decreased to 4.8% due to high energy and material costs.

Sales of industrial batteries in the vertical were consistent at R530 million (2020: R530 million), impacted by the change in strategy at First National Battery.

The vertical delivered operating profit of R887 million (2020: R588 million) and OEM volume proportions increased to 28% from 26%.

Return on invested capital for the segment increased to 25.5% (2020: 15.8%).

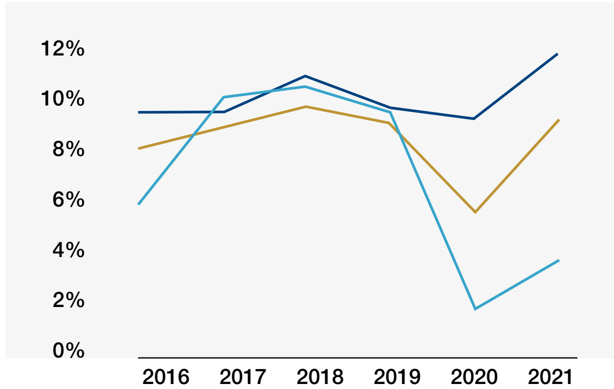
Automotive Components Vertical

Revenue in the Automotive Components Vertical increased by R1.8 billion to R6.71 billion (2020: R4.94 billion). South Africa's OEM production ended the year at 503 000 which is 21% up on 2020, but still below 2019 levels and well below expectation. This was a result of supply chain disruptions and component shortages, including semi-conductor chips.

Operating profit improved to R257 million (2020: R88 million) and the operating margin recovered from 1.8% to 3.8% despite the effect of the many disruptions to manufacturing. ROIC for the automotive component segment was 10.7% (2020: 4.8%).

Metair subsidiaries are in a pre-production and prototype manufacturing phase to support customer new model launches, leading to project costs being incurred ahead of the launches. Management is implementing interventions to curb the impact of these short-term operational pressures.

EBIT MARGIN



Currency impacts

Percentage change	Average for the year	Rate at year-end
Turkish Lira	28%	40%
Romanian Lei	8%	1%

Metair's four international investments operate in their local currencies – Turkish Lira (Mutlu Akü), Romanian Lei (Rombat), British Pound (Dynamic) and Kenyan Shilling (ABM). Exchange rate movements affect the contribution of these operations reported in Rand. Mutlu Akü and Rombat together contributed 45% of group

CFO'S REPORT CONTINUED

revenue and 63% of EBIT in 2021 and significant exchange rate fluctuations have a marked impact on group results. Stringent currency risk management processes are in place to protect against short-term volatility.

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

Both the Turkish Lira (TL) and the Romanian Lei weakened against the Rand during the year. Earnings of our foreign operations are translated into Rand at the average rate for the period. Mutlu Akü's 117% increase in operating profit in TL translated into a 57% increase in Rand and Rombat's 13% decline in operating profit translated into a 20% decrease in Rand.

The net asset values of foreign subsidiaries are included in financial reports in Rand at the ruling exchange rate at year end. The devaluation of foreign currency spot rates (mainly the TL) resulted in net foreign exchange translation losses of R897 million (2020: R278 million loss) being recognised in other comprehensive losses in 2021. Although a weaker currency reduces an investment's contribution to the group, it also creates opportunities as it improves the price competitiveness of exports from that location. Approximately 40% (2020: 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.

Imported raw materials and components 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. Metair subsidiaries recover foreign exchange movements on these input costs through various contractual arrangements with customers.

Financial position

Group net asset value per share decreased to 1 946 cents (2020: 2 133 cps) and net working capital increased by 18% to R2.2 billion due to increased inventory holdings as a result of increased activity and to offset shipping delays and airfreight costs. Cash generated from operations decreased to R0.6 billion (2020: R1.1 billion), representing a cash conversion ratio to EBITDA of 44%.

Cash and cash equivalents decreased to R962 million from R1.6 billion in the prior period, while net debt (borrowings less cash and cash equivalents) increased to R1.3 billion at year-end (2020: R805 million).

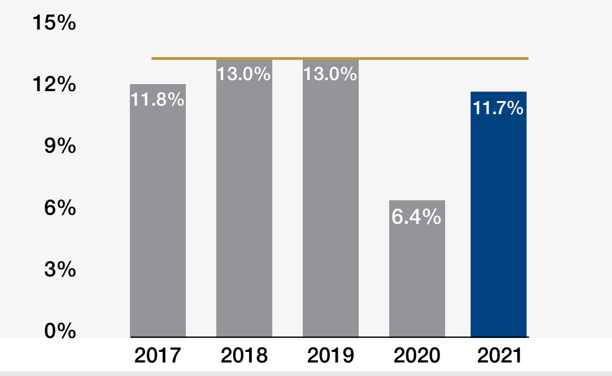
The group's net debt/equity ratio increased to 35% (2020: 20%) and Metair remained in compliance with all lenders' covenants during the year. Net debt to EBITDA was 0.9 times (2020: 1.0 times), and 1.5 times (2020: 1.4 times) for covenant measurement purposes.

As at 31 December 2021, Metair had access to unutilised facilities of approximately R676 million, US$40 million, TL137 million, €13 million and revolving credit facilities of R544 million. Metair has successfully negotiated the refinancing of R750 million in revolving credit facilities (RCF 1) maturing on 19 August 2021. The new maturity date for this facility is 19 August 2026. In addition, R840 million in existing preference shares funding maturing in December 2021 was also extended by three years. 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

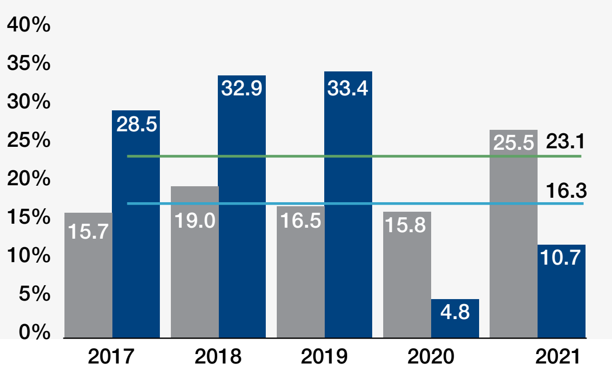
Metair's return on invested capital improved to 11.7% due to the overall recovery in profits.

RETURN ON INVESTED CAPITAL (ROIC) vs COST OF CAPITAL



Group ROIC – Cost of capital

VERTICAL ROIC AND THRESHOLDS



Energy Storage ROIC ■ Automotive Components ROIC
– Energy Storage ROIC threshold
– Automotive Components ROIC threshold

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: 13.4%
Energy Storage Vertical ROIC threshold: 16.6%
Automotive Components Vertical ROIC threshold: 23.1%

Return on invested capital (ROIC) is the primary financial return criteria used when allocating capital to operating assets (maintenance and new business) and strategic investments (acquisitions), 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.

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 2021 was R575 million (2020: R247 million). For 2022, including Hesto, R165 million has been allocated to maintenance, R882 million to expansion capex and R29 million in health and safety, improving the group's competitive position and efficiency.

This mainly comprised new business expansion for the Automotive Components Vertical in facilities, tooling and machinery required to support planned new model launches and facelifts.

The capital investment programme was impacted by global supply chain shortages and shipping delays, and a portion of planned capital expenditure for 2021 was delayed into 2022. Capital expenditure for 2022 will increase for the Automotive Components Vertical to invest in facilities, tooling and machinery required to support planned 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.

2022 CAPITAL COMMITMENTS (INCLUDING HESTO)

(R million)	Maintenance and general	Efficiency and expansion efficiency	Health, safety and environment	Total
Automotive Components Vertical	108	714	21	843
Energy Storage Vertical	90	182	44	316
Total commitments	**198**	**896**	**65**	**1 159**

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 R284 million in 2021 (2020: R504 million) mainly due to the foreign exchange translation effects on 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 AFS). During 2021, the group expensed R13.6 million in research and capitalised R11 million of development costs. Development costs capitalised relate to various new product and technology development projects at Mutlu Akü.

Insurance claims

South African business interruption insurance claims related to COVID-19 were concluded during the year. Although COVID-19 related business interruption was significantly higher than the claims, the insured value was capped at R50 million (before costs) and has now been settled.

Dividend

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.

Metair's dividend policy is to pay dividends that are covered by earnings (dividend cover) between two and four times. The board has declared a dividend of 90 cps for the 2021 financial year (2020: 75 cps).

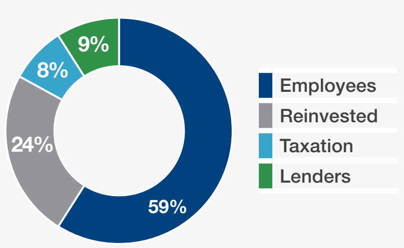
S Douwenga
CFO

VALUE ADDED STATEMENT

	Group 2021 R'000	%	Group 2020 R'000	%
Wealth created				
Revenue	12 621 070		10 234 706	
Less: Net cost of production and services	(9 059 473)		(7 420 637)	
Value added	3 561 597		2 814 069	
Add: Loss from investments	(19 453)		(59 163)	
Total wealth created	3 542 144		2 754 906	
Wealth distribution				
Employees – salaries, wages and other (note 1)	2 100 562	59.0	1 931 067	70
Providers of capital	321 984	9.0	204 731	7
Interest on borrowings	177 464	5.0	204 731	7
Dividends to shareholders	144 520	4.0	–	–
Government taxation (note 4)	269 324	8.0	111 491	4
Retained in the group	850 274	24.0	507 617	19
To provide for the maintenance of capital (depreciation and amortisation)	301 996	9.0	322 340	12
To provide for expansion	548 278	15.0	185 277	7
Total wealth distributed and reinvested	3 542 144	100.0	2 754 906	100.0
Notes:				
1. Salaries, wages and other benefits	2 100 562		1 931 067	
Wages and salaries	1 832 061		1 644 922	
Share-based payment expenses	18 610		31 780	
Termination benefits	13 238		25 081	
Social security costs	136 242		131 618	
Pension costs – defined contribution plans	92 747		90 005	
Defined benefit plans	4 276		3 795	
Post-employment medical benefits	3 388		3 866	
2. Value added ratios				
Total number of employees at year end*	6 062		5 920	
Hourly	3 845		3 766	
Monthly	2 217		2 154	
Revenue per employee	2 082		1 729	
Value added per employee	588		475	
Wealth created per employee	584		465	
3. Monetary exchanges with governments				
SA normal tax/income tax	269 324		111 491	
South Africa	125 303		39 404	
The Netherlands	996		2 028	
Romania	10 616		14 088	
Turkey	132 409		55 971	

** Excludes Hesto which is an associate*

DISTRIBUTION OF VALUE ADDED %



KEY STAKEHOLDER RELATIONSHIPS

Metair's stakeholders are defined 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. We recognise 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. The Metair stakeholder engagement policy applies to all group companies and, together with Metair's code of ethics, emphasises equitable treatment of all stakeholders.

Engagements take place at various levels in the company according to the nature of the stakeholder and engagement, 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.

Clear communication with our stakeholders provides input into strategy, helps to determine and prioritise material matters, key risks and opportunities to refine company policies and governance structures.

Key stakeholder engagements during 2021

Key engagements with our stakeholders during the year included the following:

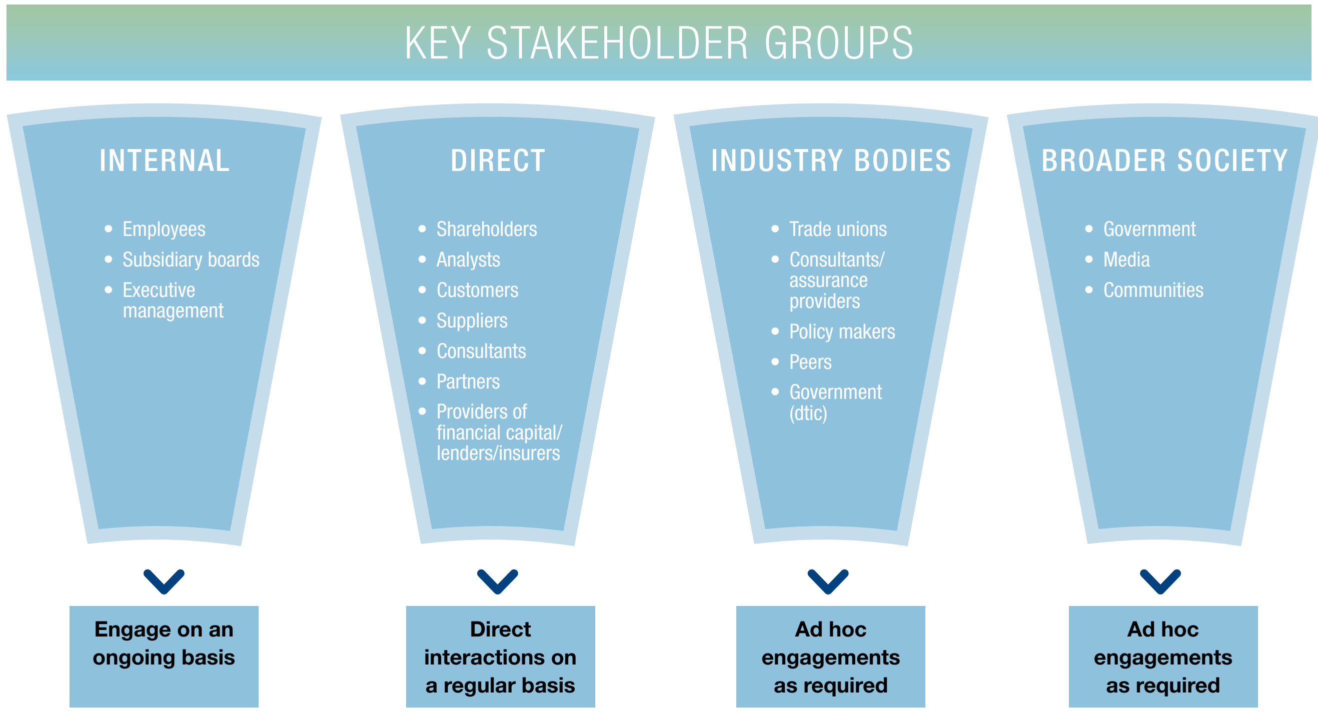
- We worked closely with customers to align with their requirements for increased flexibility and agility, overcome supply chain challenges and to prepare for planned model facelifts and new model launches.
- During the riots in July, we communicated with affected employees to provide support where we could, and with customers to ensure the speedy resumption of production.
- Consistent and transparent communication with employees regarding the need to stay vigilant regarding COVID-19, provide support for mental health and encourage and facilitate vaccination.
- The board and executive met regularly with our business partners and technical partners regarding operational developments and upcoming model launches.
- The board engaged with shareholders regarding executive remuneration structures and long-term incentives.

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 111.

Value created for our stakeholders

Metair created R3.54 billion in value in 2021 (2020: R2.75 billion). Employees received R2.10 billion as salaries, wages and other benefits (2020: R1.93 billion) and R36.8 million was invested in training initiatives to further develop our human capital (2020: R33.5 million).

R322 million was distributed to providers of finance (2020: R205 million) and R270 million was paid to governments as tax (2020: R111 million). R850 million was retained in the group for maintenance and expansion (2020: R508 million). R20.6 million was invested in local communities through our CSI initiatives (2020: R13.8 million).



OUR MOST MATERIAL MATTERS

Metair's material matters are those factors that have the highest potential impact on the company's ability to create and preserve value, or that could contribute to value erosion. Managing these matters ensures the long-term sustainability of the group and its ability to provide value to stakeholders.

Metair's material matters determine what we disclose in our internal and external reporting, and inform our deliberations on strategy and its implementation.

IDENTIFY

We determine our material matters by reviewing issues identified from a range of internal and external sources, including:

- Risks and opportunities identified in Metair's risk assessment process, which includes a review of economic, environmental and social impacts, risks and opportunities.
- The lasting impact of COVID-19 on the business and the automotive industry.
- 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.

PRIORITISE

Matters are ranked according to their impact on sustainability, value creation, preservation or erosion in line with Metair's value principles.

RESPOND

Material matters are assessed in the context of Metair's strategy, business model and risk management framework. Metair aims to ensure that risks are mitigated within the group risk appetite and opportunities are evaluated and responded to accordingly.

The material matters are also reviewed against our combined assurance model to ensure that they are subject to an appropriate level of assurance.

REPORT

Key performance indicators (KPIs) relating to the most material matters are reported and monitored as required on a monthly basis at subsidiary and group levels, and quarterly to the board and its subcommittees.

The annual integrated report provides shareholders and other stakeholders with information regarding the most material matters during the year.

The 2021 materiality review indicated that the majority of last year's matters remain relevant. COVID-19 has been retained as a standalone matter to reflect the pandemic's ongoing impact on all aspects of our business, although this moved down the ranking. Supply chain disruption was added as a material matter to recognise the ongoing impact of supply chain challenges on all aspects of the business.

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 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

The automotive industry is evolving rapidly and remains highly competitive. The global supply chain allows OEMs to source from suppliers anywhere in the world, which includes countries with 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 continued participation in the industry 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, social and labour environments, 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 compete and attract long-term OEM investment. To remain competitive in the face of these challenges, manufacturers must be flexible and adaptable.

Rapid technological change and evolving OEM technical needs require highly specialised technical skills and a substantial investment in research and development as well as product design resources.

Production planning, stability and efficiencies are continually challenged by the current supply challenges, increased variability in product mix and changing customer requirements. This requires increased agility and responsiveness to meet customers' changing needs.

The increased resources and intensity required to support the OEMs' planned new model launches and facelifts over the next two years are considerable.

Increased competition in the aftermarket sector will require a focus on continued brand development and positioning.

Opportunities

- Ensuring that we stay competitive, responsive to customer requirements, deliver manufacturing excellence and support flawless launches of new models can strengthen Metair's position to secure future model launches.
- Grow market share in automotive batteries in the Energy Storage Vertical.
- This supports the attractiveness of our countries of operation for future OEM production decisions.
- Metair's ability to work closely with OEM customers and partners through Technical Agreements helps us to advance our technical expertise and intellectual property in emerging technologies, and better meet the needs of our customers.

Read more CEO's report (page 16), Performance review (page 30), Human capital (page 49).

Governance and combined assurance: The board and executive committee develop and execute strategies to respond to local and international developments, and monitor delivery on Metair's strategy, project implementation and efficiencies. Combined assurance through policies and procedures, internal controls, risk management function, regular management reviews, internal audit, OE supplier quality reviews and external accreditation.

GRI Standards:
GRI 201: Economic Performance

OUR MOST MATERIAL MATTERS CONTINUED

2 Business partnerships

- International business partners
- Customer relationships
- Government relationships
- Shareholder relationships
- Supply chain relationships
- Governance

Stakeholders primarily affected

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

Metair depends on technology partners in some of its subsidiaries to meet OEM customers' specifications. Maintaining long-standing relationships with these partners, OEMs and our dealer networks are essential to our business.

Government is providing significant support to the South African 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 the African Growth and Opportunity Act and the Africa Continental Free Trade Agreement secure access to potential export markets and form part of government's business platform staging.

Shareholder interests and inputs are key considerations that inform the company's strategic direction.

Opportunities

- The APDP is very supportive of future growth in the South African automotive industry and incentivises OEMs to increase localisation and transformation. Metair's B-BBEE score and good relationships with our stakeholders position us well to benefit from future industry growth.
- Our vast experience with automotive technical partnerships is an asset that can obtain more partnerships in energy storage and automotive technology.
- Supply chain relationships by consolidating supply chain.
- Find new technical partnerships that can aid in further localisation using Metair's extensive understanding and knowledge of the industry.

Read more: Chairman's statement (page 14), Stakeholder relations (page 39), Corporate governance report (page 63).

Governance and combined assurance: The board and executive committee oversee stakeholder engagement and interact directly with key stakeholders. Combined assurance through policies and procedures, internal controls, risk management function and regular management reviews.

GRI Standards:
GRI 201: Economic Performance

3 Supply chain disruption

- Impact on customers
- Impact on customer supply
- Impact on cost
- Impact on competitiveness
- Impact on business partnerships
- Impact on raw material suppliers
- Impact on staff and operations

Stakeholders primarily affected

All stakeholders

Global supply chains have been significantly disrupted by COVID-19, affecting air- and seafreight leading to global shortages of semi-conductors and several other manufacturing inputs. Further supply chain disruption could also result from the Russia/Ukraine conflict.

Metair had to supplement the existing supply chain with emergency action from supply chain experts within our subsidiaries and this allowed us to remain reliable for our customers and minimise stoppages. Many material matters relate to supply chain, this on its own will require great effort in the future.

The impact of charges on imported raw materials and components are typically covered by customers. However, premium air freight is not recoverable from our customers.

The difficult supply chain conditions increased the intensity of managing staff.

Opportunities

- Structural correction in the business and opportunity for improved process efficiencies.
- Engineering and supply chain stability.
- More localisation opportunities.
- Consolidate freight forwarding and shipping arrangements to provide greater coordination among subsidiaries for importing raw materials.
- Allowing greater customer transparency and visibility for our customer

Read more: Chairman's statement (page 14), CEO's report (page 16), Human capital (page 49).

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 204: Procurement Practices

4 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 further waves

Stakeholders primarily affected

All stakeholders

With the COVID-19 pandemic entering its third year, its significant impact on society, government and business is well known and clearly evident. While Metair operations' health and safety protocols were effective in keeping employees safe, reducing the spread of COVID-19 and sustaining operations, the ongoing impact is seen in deteriorating mental health and absenteeism. Supply chain disruptions and breakdown of logistics networks had a marked impact on production stability and our financial results. The broader societal effects of the pandemic and lockdowns is likely to be a contributor to the increased strain on South Africa's social fabric. There are hopeful signs that the latest Omicron strain could be the start of the end of the pandemic. Increasing vaccination rates are starting to diminish the effects of COVID-19, but it remains high on our material matters due to the impact it has on the larger ecosystem.

Opportunities

- Implementing an effective response to COVID-19 supports the health and welfare of our workforce, sustains our operations and demonstrates custodianship. This can strengthen Metair's brands, reputation and relationships with stakeholders.
- Promoting vaccination against COVID-19 protects our workforce and contributes to ending the pandemic.
- Going above and beyond to support our OEM customers despite the extremely challenging operating environment shows our commitment to 'customer first' and improves our positioning for future business.
- Disrupted supply has prompted OEMs to simplify supply chains, favouring localisation.

Read more: Chairman's statement (page 14), CEO's report (page 16), Human capital (page 49).

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

5 Macro-economic and geopolitical factors

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

Stakeholders primarily affected

All stakeholders

Global trade is affected by international economic and political trends that influence OEM investment and purchase decisions. As a result of volatile global trade dynamics, changing technology and COVID-19, OEMs have reassessed supply chain risks and moved the manufacture of strategic components closer to their home markets to secure supply, particularly for electric vehicle components. Manufacturing facilities further away have been allocated current models and variants, and are benefitting from increased volumes.

Exchange rate volatility affects our business in a number of ways, including delays in 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 concerns 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 14), CEO's report (page 16), Chief financial officer's report (page 34), Operating context (page 30) and Group risk management (page 74).

Governance and combined assurance: The board and executive committee develop and execute strategies to respond to local and international developments, and oversee Metair's risk management processes. Combined assurance through policies and procedures, internal controls, risk management function, regular management reviews, internal audit, OE supplier quality reviews and external accreditation.

GRI Standards:
GRI 201: Economic Performance

OUR MOST MATERIAL MATTERS CONTINUED

6 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 strategy and growth opportunities.

Read more: Chairman's statement (page 14), CEO's report (page 16).

Governance and combined assurance: The board assists management to develop and refine the strategy, and oversees delivery. Combined assurance through policies and procedures, internal controls, risk management function and regular management reviews.

GRI Standards:
GRI 201: Economic Performance

7 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. We operate in highly technical and rapidly evolving industries. The skills and experience of our leadership, management and employees are critical to our success. Attracting, developing and retaining the required technical skills are essential to delivering on our strategy and particularly the current and planned projects in the Automotive Components Vertical. The rapid changes and increasing volatility in customer needs requires that management is agile and resilient.

Labour costs and productivity materially impact 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

- Good 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.
- Improved employee engagement across the group and leveraging our combined manufacturing excellence across all of our subsidiaries could provide us with greater depth in human development and cross functionality to prepare competent technical leaders for the future.

Read more: CEO's report (page 16), Corporate governance report (page 63), Human capital (page 49).

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 KPIs and targets. Employment equity and transformation committees develop strategies and measure progress against 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 45001) 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

8 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

Emissions regulations to address global warming have shaped the strategic direction of the automotive industry, including the trend towards new energy vehicles. The resulting changes in our OE customers' strategies and products affects the products we make, OE production profiles and Metair's strategy.

Metair's commitment to 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 energy back-up solutions and components for new energy vehicles.

Metair is implementing green manufacturing principles and deepening its commitment to sustainability across the group.

Opportunities

- Innovation and partnerships that create more environmentally friendly technology provides new revenue streams.
- The rollout of renewable energy solutions at our operations will significantly reduce energy costs and carbon emissions.
- Responsible business practices will increasingly become a competitive advantage in dealings with customers and business partners.

Read more: CEO's report (page 16), Chairman's statement (page 14), The natural environment (page 57).

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: Waste
GRI 307: Environmental Compliance

9 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 has diversified its 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. Our customers' needs must be balanced against our need to earn a sustainable economic return. Metair's 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 new energy vehicles.

Opportunities

- Balance across the business supports the group's sustainability.

Read more: Chairman's statement (page 14), CEO's report (page 16), Chief financial officer's report (page 34), Performance review (page 30) and Group risk management (page 74).

Governance and combined assurance: The board and executive committee develop and execute strategies to respond to international developments and ensure that Metair's business is diversified and sustainable. Combined assurance through regular management review, risk management function, internal audit, policies and procedures.

GRI Standards:
GRI 201: Economic Performance

10 Technology and innovation

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

Stakeholders primarily affected

All stakeholders

Future trends affecting the energy storage and automotive industries include the shift to new energy 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 and automotive component requirements of our international customer base. We continue to build our capacity and business 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 and to secure incremental technical partnerships.

Read more: CEO's report (page 16), Chairman's statement (page 14).

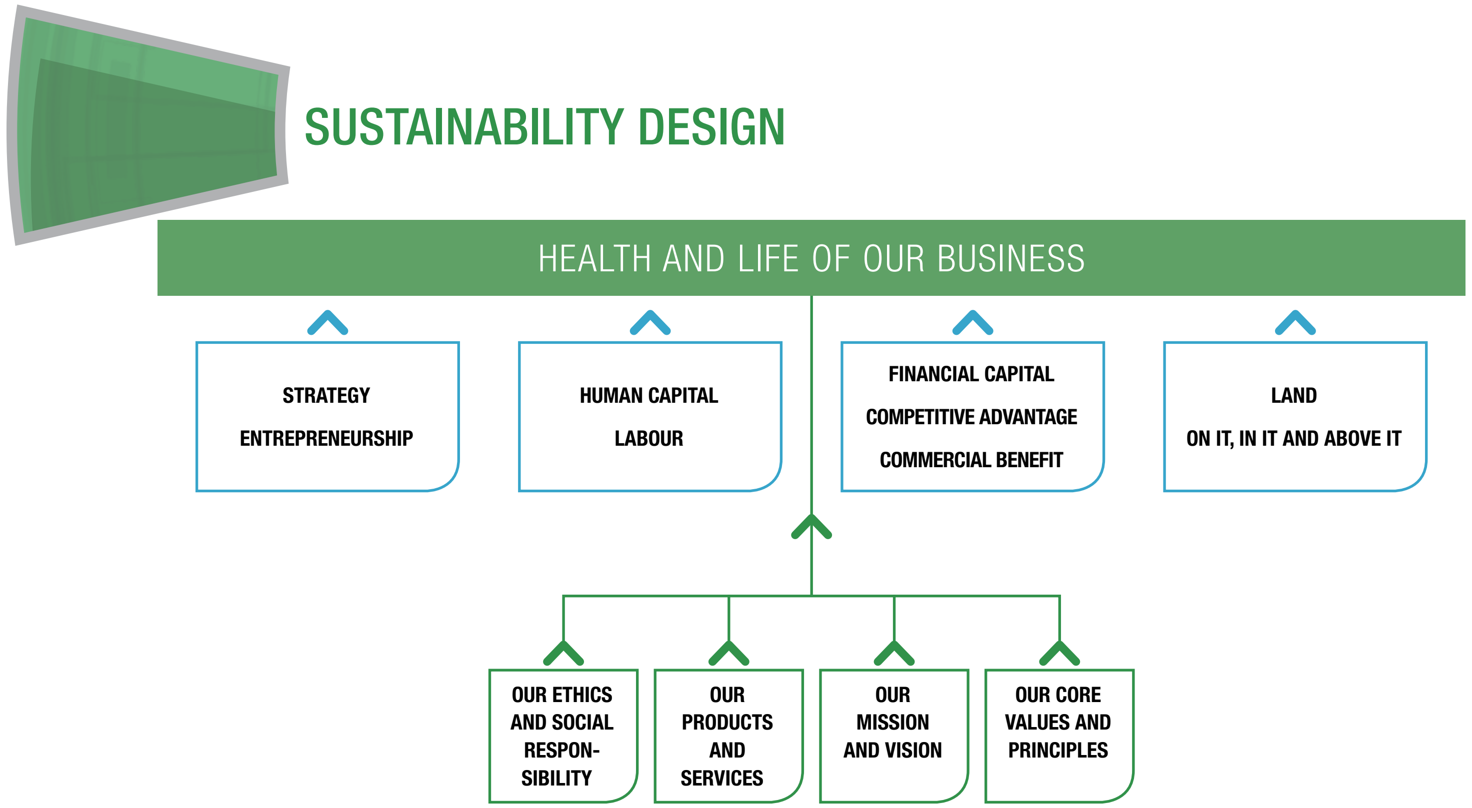
Governance and combined assurance: The board and the executive committee develop the technology and innovation strategy and monitor progress against targets. Combined assurance through regular management review, risk management function, internal audit, policies and procedures.

GRI Standards:
GRI 201: Economic Performance

SUSTAINABILITY

Integrated thinking

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. As custodians, we aim to manage our business in an ethical way and consider our environmental and social impacts with the wellbeing of future generations in mind. We take a precautionary approach when considering these issues and regard sustainable business practices as an indicator of the health, resilience and longevity of the company.



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

As participants in the global automotive supply chain, high standards of quality, governance, environmental, social and ethical practices become a competitive advantage. This advantage will only strengthen as trends such as Green Manufacturing, Industry 4.0 and the move to the circular economy gather pace.

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 are overseen by the audit and risk committee and include social, ethical and environmental risks.

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

- King IV
- The JSE Listings Requirements
- The Value Reporting Foundation's 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

Management monitors sustainability performance and progress against targets and a social and ethics risk dashboard is in place to improve reporting and performance assessment. The social and ethics committee reviews operational sustainability performance every quarter, and social responsibility and ethics matters at least twice a year.

The social and ethics committee sets environmental, social and governance (ESG) targets for operations and issues yellow cards to operations that do not meet the targets. Subsidiaries are required to contextualise the root cause of the underperformance and provide a corrective action plan.

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
Incidents of non-compliance, disciplinary action status, corporate social investment initiatives, and risks and opportunities are reported in a social and ethics register. Ethics performance and progress on ethics initiatives are monitored through quarterly ethics questionnaires completed by the subsidiaries.

External assurance
The non-financial sustainability information disclosed in this report has been assured, which included site visits to various operations and an assessment of data collection techniques and controls. The report of the independent external assurance provider is available on page 102. 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

Assurance visits	2017	2018	2019	2020	2021
ATE					■
First National Battery		■		■	
Hesto Harnesses			■		
Lumotech		■		■	
Mutlu Akü	■				
Rombat	■				
Smiths Manufacturing			■		
Smiths Plastics/ Automould	`		■		
Supreme Spring		■		■	
Unitrade					■

HUMAN CAPITAL

Manufacturing automotive components and energy storage solutions require high levels of technical skills and experience. Successful delivery on Metair's strategy and projects requires that we continue to attract, develop and retain the necessary skills and sustain a culture of manufacturing excellence.

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
Metair believes that talent is central to the ongoing success of the group. To enhance the human capital across the group, Metair appointed a group HR executive in November 2021. Metair's group HR executive oversees our HR functions and drives collaboration regarding ideas, policy and governance across operations, reducing risks related to industrial relations and supporting HR best practices. The annual HR conference provides an opportunity to share learnings, further professionalise the HR function across the group and encourage the standardisation of HR policies and procedures where appropriate. Going forward, the Group HR executive will also review the human capital target operating model and benchmark our people practices to advance Metair's human capital management.

Our goal is to be the employer of choice in our industry to our employees of choice, 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 HR strategy addresses organisational transformation, future leadership and the intent to increase the use of technology while promoting diversity, equality and inclusion. Identified leadership competencies inform individual development plans to create career paths and succession for our future leaders and technical experts.

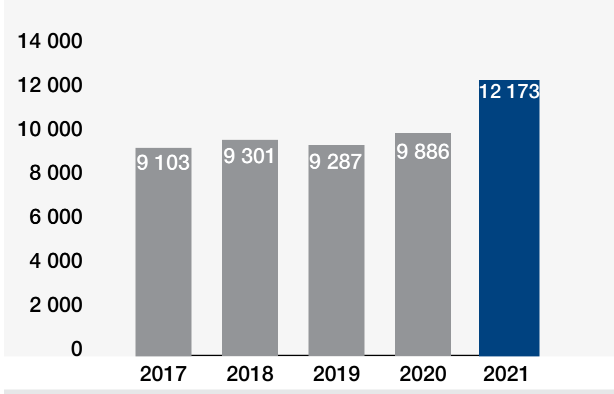
A standardised performance management model is in place at subsidiaries to monitor and improve performance.

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

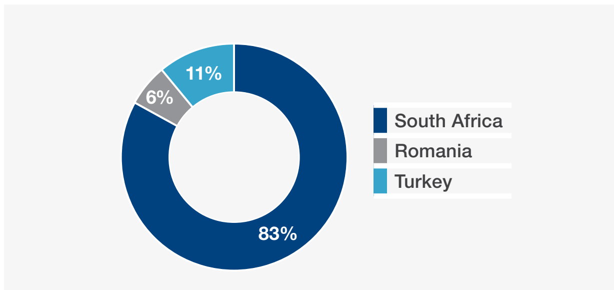
Total staff complement (including contractors) increased to 12 173 at year end (2020: 9 886) – 83% in South Africa, 11% in Turkey and 6% in Romania. The increase is mainly due to recruitments at Hesto and Lumotech in preparation for the upcoming model launches.

Permanent employees make up 85% of the workforce and contractors 15%. (2020: 87% permanent staff). Employment numbers may vary during the course of the year linked to model changes, seasonal volume adjustments and strikes. Hesto accounts for 36% of the group workforce, Lumotech 16%, First National Battery 13%, Mutlu Akü 11%, Smiths Manufacturing 7% and Rombat 6%. Historically Disadvantaged South Africans (HDSA) comprise 93% of South African employees (2020: 92%) and women comprise 39% of group employees (2020: 34%).

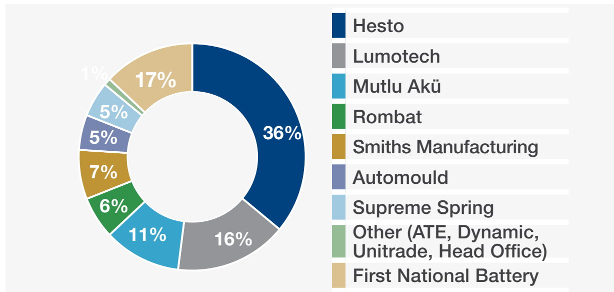
STAFF COMPLEMENT (INCLUDING HESTO)



STAFF BY REGION

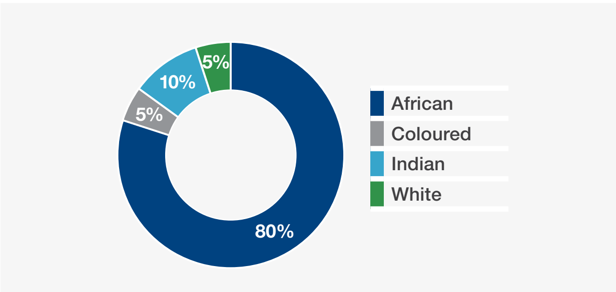


STAFF BY OPERATION



HUMAN CAPITAL CONTINUED

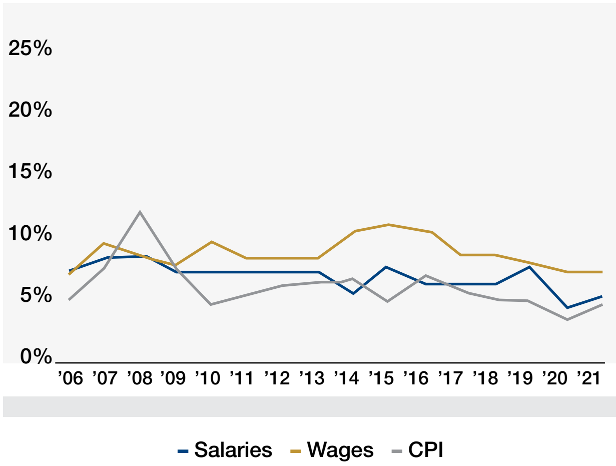
STAFF COMPOSITION (SOUTH AFRICA ONLY)



Permanent staff turnover decreased to 5.7% in 2021 (2020: 8.6%) and absenteeism decreased to 3% (2020: 4.2%). There were 16 retrenchments in the group, with 11 at Automould following a strike in March which resulted in voluntary severance packages being offered. A section 189 retrenchment consultation process started at First National Battery in the third quarter that will affect 68 employees in the first quarter of 2022.

Metair is committed to fair and competitive remuneration and regularly benchmarks remuneration to ensure that we are kept informed of current levels. Our lowest earning workers are paid well above the national minimum wage and we have 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 %

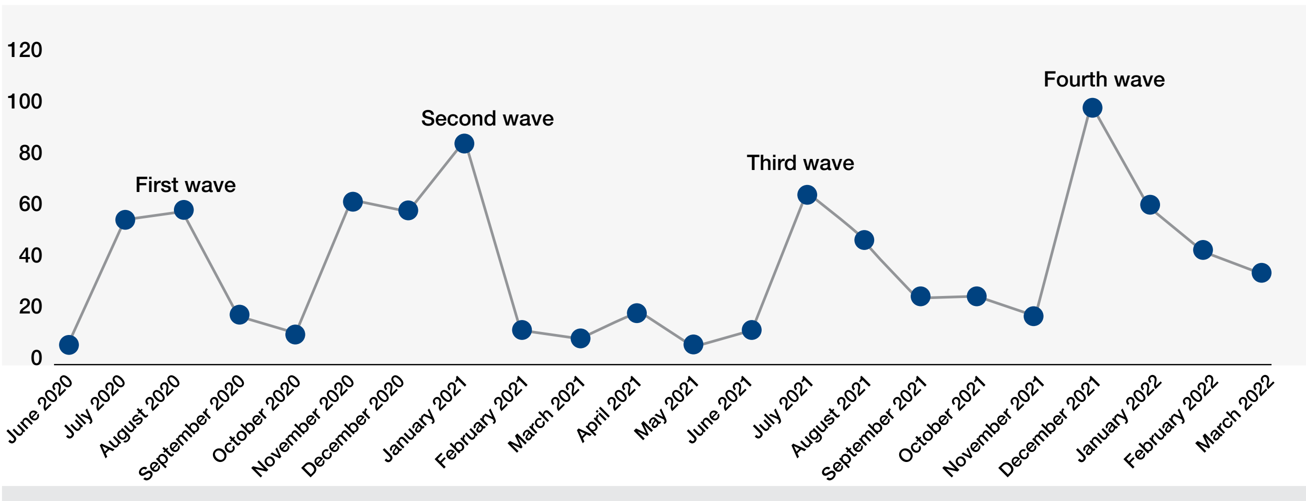


Employee wellness during COVID-19

Metair values the welfare, health and safety of its employees and contractors. All subsidiaries have embedded policies 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 the relevant regulations in each jurisdiction.

Employees who show symptoms for COVID-19 during on-site screening can use on-site isolation facilities and transport available to transfer employees suspected of having the virus to designated healthcare facilities for further testing. All Metair companies maintain a detailed dashboard to track and report all COVID-19 statistics.

NUMBER OF ACTIVE COVID-19 CASES



As at 1 February 2022, Metair has unfortunately recorded 21 COVID-19 related fatalities (26 February 2021: 11) since the start of the pandemic, and our heartfelt condolences are extended to the families and colleagues of those we lost. To date, 2 073 Metair employees have tested positive for the virus and 3 863 Metair employees have had to self-quarantine.

THE COST OF COVID-19

21
DEATHS

10 591
DAYS LOST TO ABSENTEEISM

R150 m
COST OF SUPPLY CHAIN, LOGISTICS AND THE ASSOCIATED AIR- AND SEAFREIGHT COSTS

Overtime increased substantially in some subsidiaries as healthy employees had to work longer shifts to cover for colleagues who had COVID-19 or were isolating. Production time was also lost to give employees time off to get vaccinated.

Psychological support is available through the employee assistance programmes to help employees to cope with the high levels of stress and mental fatigue many people are experiencing.

Metair is actively encouraging employees to get vaccinated as an effective means of protecting their health and the broader society.

Skills development

The operations have training programmes 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 partners with the Durban Automotive Cluster to send selected candidates, identified as part of its succession and talent management efforts, for a management development programme. Training in 2021 was mainly conducted virtually due to COVID-19.

Across the Group, development opportunities available to employees include:

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

The group invests in various practical learning programmes for qualifying candidates that build a skills pipeline for future employment. Hesto 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.

Practical learning programmes include:

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

There were 263 learners in non-artisan learnerships in the group in 2021 (2020: 317), 62% of whom are women, as well as 62 new recruits in Metair's artisan apprenticeship programmes (19 women). 426 bursaries were provided to promising students studying in the engineering, finance and technical fields (2020: 1 290) at a cost of R6.3 million.

The group invested R22.9 million in skills development programmes for employees in 2021 (2020: R19.4 million) which represents 3.3% of net profit after tax (2020: 10.2%). R36.8 million was invested into training, which includes induction training, awareness programmes and other non-skills training. Training spend per permanent employee decreased slightly to R4 071 (2020: R4 528), across 15 454 training interventions. 34% of training spend in South Africa was directed to HDSA candidates in 2021. A total of 10 578 employees were trained during the year, this includes training of temporary and seasonal employees that may not be included in the headcount at year-end.

Diversity and transformation

Metair is committed to the principles of transformation and values diversity. 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 strong transformation performance is a potential source of competitive advantage when bidding for new OEM business. At our offshore operations, the main diversity focus is on improving gender representation.

Metair's HR policies emphasise the importance of diverse thinking in key decision-making forums to effect better outcomes and transformation targets are in place at all South African subsidiaries. Metair's group transformation policy and equal opportunity policy define our approach to transformation in the workforce. Progress is monitored by the employment equity and transformation committees, which report to the board. 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. Metair is monitoring the amendments to the Employment Equity Act and the possible effect they could have on the employment equity plans.

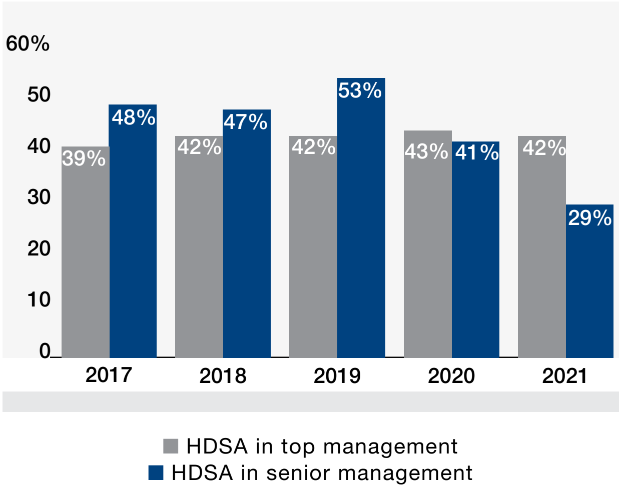
Transformation at management level is a core focus of our talent management and succession planning programmes. Development opportunities for promising candidates identified in the subsidiary companies include accelerated skills development programmes, learnerships and targeted internal and external training programmes. Subsidiaries are required to identify at least two

HUMAN CAPITAL CONTINUED

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 2021, historically disadvantaged South Africans (HDSAs) comprised 93% of the total permanent workforce at the South African subsidiaries. HDSAs in top management decreased to 42% (2020: 43%) and HDSAs in senior management decreased to 29% (2020: 41%) due to resignations and the appointment of expatriates at some of our subsidiaries in order to facilitate new projects. Women comprise 20% of top and senior management.

HDSA IN MANAGEMENT (SA OPERATIONS ONLY)



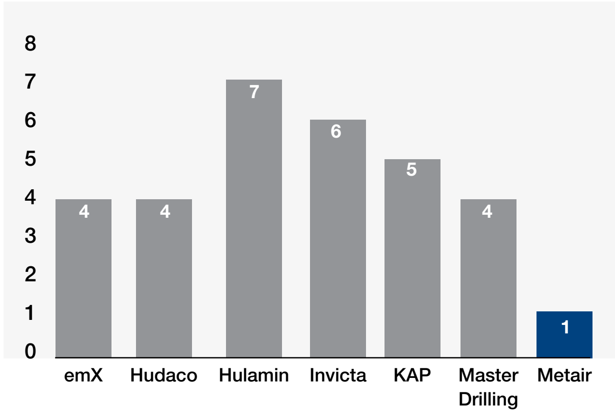
Group and subsidiary B-BBEE performance

Group and subsidiary transformation progress is measured using the Department of Trade, Industry and Competition B-BBEE Codes of Good Practice (dtic CoGP). In 2021, 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 better, with one operation at Level 3 – Unitrade, four at Level 2 – Hesto, Lumotech, Smiths Manufacturing and Supreme.

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

Element	Target	Score 2021	Score 2020	
Ownership	25	23.0	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	14.43	13.75	Metair's management transformation and skills development initiatives are discussed in the previous section.
Skills development	25	16.87	16.55	Skills development is discussed on page 51.
Enterprise and supplier development	44	40.78	45.00	Enterprise and supplier development is discussed on page 54.
Socio-economic development	5	4.96	5.00	Metair's CSI initiatives are discussed on page 61.
Overall score	**118**	**100.04**	**103.30**	
BEE contributor level		1	1	

LATEST REPORTED B-BBEE STATUS LEVEL – PEER COMPARISON



Health and safety

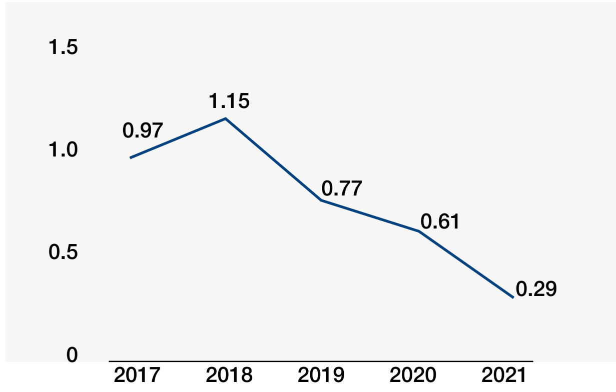
The machines and certain materials at Metair's manufacturing facilities can be potentially dangerous if safety policies and practices are not in place and adhered to. The most common workplace injuries in the group operations include cuts, bruises, back and muscle strains and burns. The Metair group safety, health and environmental (SHE) policy sets guiding principles that are implemented at the subsidiaries through detailed policies that align their specific situation with the group policy.

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

During 2021, the CEO has reinforced Metair's commitment to the 'safety first' culture and keeping out of harm's way. Subsidiaries submit incident reports for any incidents which take place in their workplaces and head office is in the process of issuing a standard operating procedure for near misses.

The social and ethics committee sets benchmark lost-time injury frequency rates (LTIFR) for each subsidiary 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 2021 and lost time injuries reduced to 37 (2020: 51). The LTIFR improved to 0.29 (2020: 0.61), below our benchmark of 1.0 and our lowest ever LTIFR. All operations achieved an LTIFR below the benchmark.

HIV/Aids

- Employees and contractors receiving HIV/Aids counselling: 135 (2020: 666)
- Employees and contractors tests for HIV/Aids: 331 (2020: 502)

HIV/Aids awareness campaigns at our South African operations include competitions, promotions, banners, speeches on wellness days and World Aids Awareness Day activities. In many cases, group awareness sessions were suspended due to COVID-19.

Estimated HIV/Aids prevalence rates at our South African operations has declined to 2%. Company clinics at Metair's major South African operations offer voluntary counselling and testing (VCT) for HIV/Aids to employees. Some of these clinics distribute anti-retrovirals (ARVs) to HIV-positive employees, while others have relationships with local community clinics that provide ARVs.

Nutritional supplementation and vitamins are provided to HIV positive employees at some of our operations. Employees who participate in the group's medical aid programmes have access to Aids management programmes.

HUMAN CAPITAL CONTINUED

Hazardous substances

Standard health and safety procedures are in place at facilities that use potentially dangerous substances. These 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.

Controls in place 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 regularly monitor blood lead levels against baseline tests done when the employee joined the company and against 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 2021.

At the start of 2021, there were 2 existing cases of employees with blood lead levels of above 40 µg/100ml and 64 new cases were identified during the year. 64 cases were returned to below 40 µg/100ml and there were 2 employees with blood lead levels of 40 µg/100ml or above at year-end.

Employees with blood lead levels >40 µg/100ml	2021	2020	2019
As at 1 January	2	10	13
New cases	64	47	71
Cases returned below 40 µg	(64)	(55)	(74)
As at 31 December	2	2	10

Human rights

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

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 2021, 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 local communities and/or wider society directly due to our products.

Labour relations

Metair regards trade unions as important stakeholders in the group and respects the rights of our employees and those of our suppliers to freedom of association. 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, although First National Battery is covered at plant level. At year-end, 53% of employees across the group belonged to a union (2020: 63%).

We aim to maintain constructive relationships with unions that appropriately balance the needs and interests of all parties. 366 days were lost to strike action at Automould in 2021 (2020: 2 547 person days).

Enterprise and supplier development

Enterprise and supplier development (ESD) initiatives provide an opportunity to support transformation of the automotive supply chain, stimulate entrepreneurism and job creation, and provide 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 includes guidance regarding preferential procurement and ESD. Learnings and best practices are shared at the group procurement forum. Performance incentives for senior executives include preferential procurement targets.

Total group preferential procurement spend in the South African operations was R1 959 million in 2021 (2020: R1 677 million), which represents 58% of total discretionary procurement spend. Enterprise and supplier development initiatives that provide support to black-owned and black women-owned businesses during 2021 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 187 people.	Supports a recruitment and assessment company, and a training and development company that has employed three more employees since the programme started.	Unitrade's enterprise development beneficiary, Manotho Projects, was recognised by the dtic 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
Participates in and donates to the Business Accelerator programme coordinated by the Durban Automotive Cluster that supports emerging entrepreneurs in the industry. Provides rent free space at the plant for a trading company and workshop space, tools, equipment and subsidised steel to a steel fabricator. Subsidises fabric/textiles for an emerging entrepreneur who supplies uniforms to Hesto.

First National Battery	ATE	Automould	Supreme Spring
Provides discounts to support two black-owned Battery Centres that together provide jobs for 41 employees.	Supports a small garage by providing a fully-equipped facility on site with three vehicle lifts and all tooling. 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 and a security company to assist with running costs. Extended an interest-free loan to a corporate clothing company to assist with cashflow during COVID-19.	Supports a wood working company, metal fabrications company and a plumbing and cleaning company.

Metair group
As 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.

2021 Human capital targets and progress	2022 targets
Zero fatalities and reduce LTIFR to 1 or below across all companies. *Zero fatalities and LTIFR below 1 across all companies.*	Zero fatalities and reduce LTIFR to 1 or below across all companies.
Group absenteeism to average below 3.0% (excluding contractors and COVID-19 impact) across all companies. *Group absenteeism was 3.0%. ATE, Mutlu Akü, Rombat and Automould recorded absenteeism above 3.0%.*	Group absenteeism to average below 3.0% (excluding contractors) across all companies.
Maintain group training spend at a minimum of R40 million. *Training spend totalled R36.8 million in 2021.*	Maintain group training spend at a minimum of R40 million.
At least 250 learnerships across the group. *263 non-artisan learnerships.*	At least 250 learnerships across the group.
Target at least a Level 2 B-BBEE score going forward. *Achieved 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). *64 new cases >40µg were detected during the year.*	*Blood lead levels to be kept below 30µg per 100ml*

HUMAN CAPITAL CONTINUED

HR focus for 2022

There is no doubt that we live in a new world. What used to be called "normal" is gone forever. The onset of COVID-19, together with ongoing technological disruption, has caused this dramatic and irrevocable shift, potentially for the better. The People agenda has been elevated within the group. Our HR teams are being challenged by a new mandate that puts people centre stage. We are excited by the opportunity to bring to life top-notch people practices that will create an integrated human-centred system. As the new group HR executive reviews current HR priorities, the intent is to place renewed emphasis on:

- Developing and implementing a leadership development framework and learning interventions that target MDs and subsidiary executive teams (around 70 leaders) over a 12- to 18-month time frame. This will ensure Metair has a cadre of leaders that can influence, inspire and align the workforce to achieve the group's strategic intent.
- Transforming and professionalising HR by conducting an external gap analysis and internal benchmarking of all people practices to determine the short-, medium- and long-term focus areas for HR. This will enable the HR community to enhance their capabilities and offer the group modern, fit-for-purpose HR practices.
- Conducting replacement planning for all subsidiaries' top two tiers of leadership and succession planning for leaders three years away from retirement.
- Creating a talent marketplace or talent pools for critical and scarce skills.
- Enhancing and simplifying the performance management process and related remuneration practices to ensure all outputs deliver on the strategic objectives of the group and are aligned to financial rewards.
- Developing a structured employee communications and engagement plan for Metair to disseminate key messages, to solicit insights and feedback and to educate employees on both subsidiary and group initiatives.

THE NATURAL ENVIRONMENT

Protecting the environment is one of Metair's core values and it aligns with our commitment to custodianship. In striving to achieve manufacturing excellence, we focus not only on quality, but also on maximising the efficient use of inputs including scarce natural resources, minimising waste and increasing recycling.

Environmental priorities:

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

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.

Our OEM customers are subject to high levels of regulatory oversight regarding their environmental impact and the impact of their suppliers. Environmentally responsible business practices and a commitment to iteratively improving our sustainability performance ensure that Metair remains a favoured supplier in the global automotive supply chain.

How we manage natural capital

The board, supported by the social and ethics committee, oversees the group's 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 all but Automould are accredited in terms of 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. We recognise that the consequences of climate change could have a significant impact on the group's activities. We monitor our 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 directly affecting our activities, and affecting households and workers in the area;
- 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;
- the shift to electric vehicles driving increased demand for lithium-ion battery technology and reduced demand for lead acid batteries; and
- rising costs due to carbon tax.

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

Metair participated in the 2021 CDP Climate Change project and achieved a B CDP score (2020: B-), 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

South Africa's Carbon Tax Act is being implemented in a phased approach after coming into effect in June 2019. It represents an important step towards shifting the economy to low-carbon growth by using a market-based carbon pricing mechanism to target the most carbon- and energy-intensive companies.

Metair's production facilities are below the threshold emission levels in the legislation, apart from ATE and Supreme Spring. Metair's raw material suppliers may be affected by the tax and could pass through cost increases, but to date this has not been material. The second phase of the Carbon Tax, which comes into effect in 2022, increases the tax rate to start aligning with global rates that could result in increased impact.

Carbon footprint

Metair's total carbon footprint increased by 21% to 599 208 tCO_2e in 2021 (2020: 496 554 tCO_2e) due to the full year of production in 2021 compared to 2020. Scope 3 emissions increased 25% on 2020 as a result of decreased purchases of goods and services in 2020, and their associated transportation, primarily in the Energy Storage Vertical.

	2021	2020	2019	2018	2017
Scope 1 (direct emissions)	**50 467**	43 944	47 032	44 800	44 603
Scope 2 (indirect emissions from electricity)	**166 687**	146 062	173 311	153 767	138 134
Scope 3	**382 054**	306 549	421 099	423 946	455 455
Total	**599 208**	**496 554**	**641 441**	**622 513**	**638 192**

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 Scope 1 carbon footprint calculations from 2018 onwards use emission factors from the Intergovernmental Panel on Climate Change (IPCC). Scope 2 emissions since 2019 used the grid emission factor specific to the country of operation. Scope 3 emissions were calculated using the relevant DEFRA emission factors.

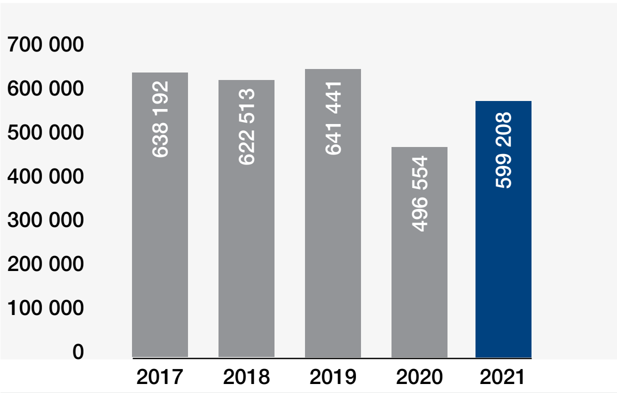
THE NATURAL ENVIRONMENT CONTINUED

Energy storage solutions include carbon-dense materials and their production requires significant quantities of energy and water. The three operations in the Energy Storage Vertical – First National Battery, Rombat and Mutlu Akü – together contribute 76% to the group's total carbon footprint.

58% of the group's carbon footprint comprises consumption of raw materials, 28% electricity consumption and 6% stationary fuels. Reducing our carbon emissions aligns with our focus on manufacturing efficiencies, which aims to optimise energy consumption, the use of raw materials and waste in the production process. Scope 1 and 2 emissions per person hour worked decreased 8% to 10.5 kg CO_2e in 2021 (2020: 11.35 $kgCO_2e$).

Metair is planning to roll out solar panels at our facilities, which will decrease our reliance on electricity generated from fossil fuel, reduce our carbon emissions and create ongoing savings in the context of significant forecast increases in electricity from Eskom.

TOTAL CARBON EMISSIONS (tCO_2e)



Upstream Scope 3 emissions include:	Downstream Scope 3 emissions include:
• Extracting, producing and transporting raw materials	• Transporting products to distributors, retailers and customers
• Extracting, refining and transporting raw fuel	
• Transporting raw materials from the manufacturers to our facilities	
• Disposing and treating waste generated	
• Business travel	
• Employee commuting	

Energy consumption

Electricity is the primary source of energy used at our operations, as well as various fuels, including petrol, diesel and gases. The operations consumed 1.6 million litres of petrol and diesel in 2021 (2020: 0.8 million litres), 2.6 million tonnes of coal (2020: 2.1 million tonnes) and 16 279 tonnes of gases (2020: 14 887) – mainly oxygen, nitrogen, liquified petroleum gas and liquified natural gas. In addition, 2.8 million m^3 of methane was consumed (2020: 14.9 million m^3).

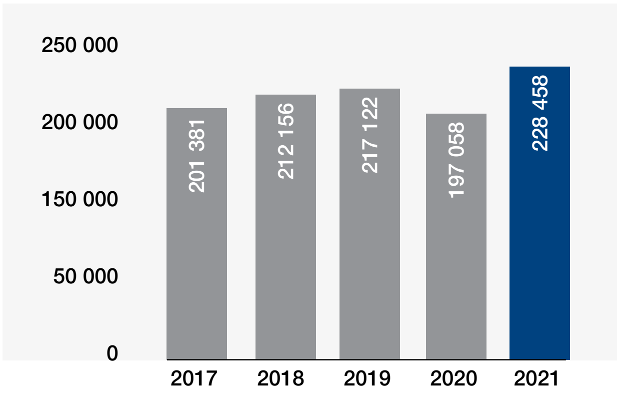
We monitor electricity use as a key input in our manufacturing processes and an expense. All operations have either implemented or are in the process of implementing the ISO 50001 energy management system, which requires that companies demonstrate improved energy efficiency.

Energy efficiency initiatives include ongoing training and awareness, increasing natural light and switching to energy efficient lighting, switching off equipment and lights when not in use, insulating equipment, energy monitoring to identify areas for improvement, reducing scrap, decommissioning underused machinery or facilities, installing variable speed drives and replacing pumps, fans and motors with more energy efficient alternatives. New machinery replacing old machines in the maintenance cycle is generally more energy efficient.

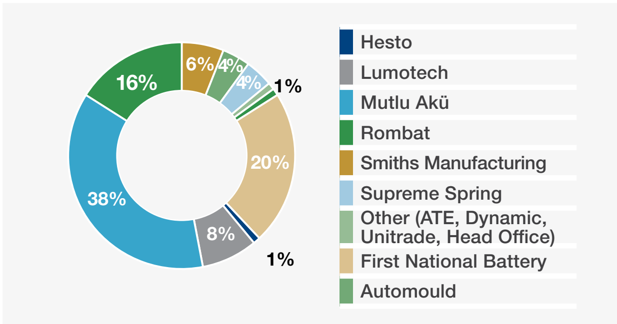
Metair is also investigating opportunities for energy storage solutions for alternative power generation, including solar support energy systems.

Total electricity consumed by the group increased by 16% to 228 458 MWh or 822 448 Gigajoules (2020: 197 058 MWh or 709 410 GJ). Electricity consumption per person hour worked decreased by 6% to 11.01 kWh/PHW (2020: 11.77 kWh/PHW).

ELECTRICITY CONSUMPTION (MWh)



ELECTRICITY CONSUMPTION BY OPERATION



74% 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 38% of total consumption, followed by First National Battery (20%) and Rombat (16%).

Water

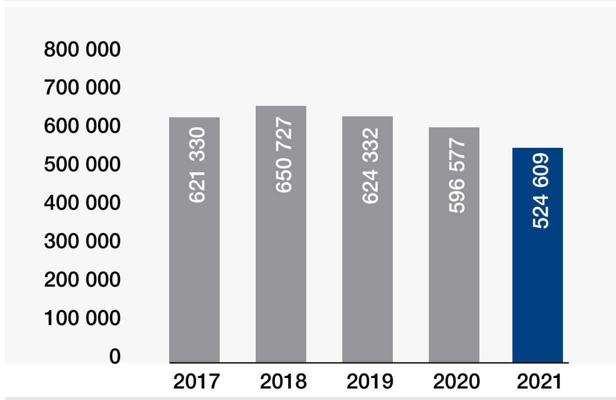
South Africa faces significant water challenges including deteriorating water infrastructure, pollution risks, and increasing water scarcity and droughts that are likely to be exacerbated by climate change. Turkey is experiencing its worst drought in a decade with water reserves around Istanbul at critically low levels.

We recognise that water is a precious resource and our focus on improving manufacturing efficiencies includes an emphasis on reducing water consumption, increasing water efficiencies and recycling process water where possible. 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.

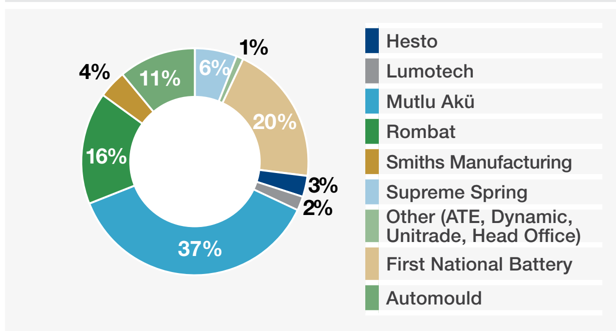
Water saving initiatives include training and awareness, water use monitoring, leak identification and repair, switching off underused cooling equipment, installing water saving taps, rainwater harvesting and reverse osmosis water purification plants at Smiths Manufacturing and Lumotech to recycle and recover process water.

The battery formation process uses large quantities of water and the businesses in the Energy Storage Vertical account for 73% of total group withdrawal. Group water withdrawal decreased by 12% to 524 608 m^3 (2020: 596 557 m^3) and water consumption per person hour worked decreased by 28% to 25.3 litres (2020: 35.3 litres). This decrease is attributable both to the decrease in total water withdrawn as well as the increase in workers at Hesto and Lumotech, which together account for only 5% of group water use.

WATER WITHDRAWAL (m^3)



WATER WITHDRAWAL BY OPERATION



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

Waste management

We reuse or recycle wherever possible. Waste separation programmes and ongoing training and awareness initiatives emphasise the importance of proper waste segregation at source. 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.

Scrap reduction targets are set at each subsidiary for primary and secondary materials to minimise waste from production processes to improve manufacturing efficiency. These targets are supported by dedicated scrap programmes, close analysis and regular interrogation of the root causes of excess scrap, as well as switching to efficient machinery and equipment.

Initiatives to reduce waste to landfill include:

- First National Battery recycles pallets into combustible material for the furnace and uses reusable plastic crates and reusable packaging to reduce cardboard waste and realise savings in packaging.
- Supreme Spring recycles steel waste, plastic containers and used oil, and re-uses shot peen dust. Old pallets are used to manufacture benches and tables.
- ATE's waste recycling programme earned enough to cover the rest of its waste management expenses.
- Lumotech granulates regrind material from scrap components for reuse in production and for sale to local and international buyers. The income generated through these sales covers the cost of the initiative and other waste management projects.
- Other operations are engaging with suppliers and customers to reduce the amount of packaging received and shipped with our products.

62% of total non-hazardous waste (10 192 tonnes) was recycled in 2021 (2020: 64% and 8 391 tonnes). Recycled waste was mainly plastic, metal, wooden and cardboard. We also recycled 54 037 litres of used oil during the year. Total non-hazardous waste sent to landfill increased 28% to 6 135 tonnes and hazardous waste disposed increased 17% to 20 607 tonnes.

Batteries and recycling

Lead is included in the list of substance banned in Europe by EU directive 2000/53/EC. OEMs are required to limit these substances in new vehicles and ensure that they are responsibly managed throughout the vehicle lifecycle. Our goal is to reduce the amount of lead used in our batteries without affecting performance.

Lead-acid batteries are nearly 100% recyclable and all of our battery manufacturing facilities have recycling plants on site. Recycled lead uses around a third of the energy needed to produce virgin lead and is cheaper to access. Lead recycling helps to manage costs, secures supply of a critical input and also ensures that lead is managed responsibly through the battery lifecycle.

The recycling plants extract lead from battery grids and terminals, refine and blend it 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 2021, the group recycled around 62 000 tonnes of lead (2020: 65 700).

Lithium ion batteries are not currently recyclable on a commercial scale.

Environmental compliance and impact

Metair's aims to comply with or exceed the requirements of current environmental legislation and codes of practice in all countries of operation. The 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.

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, which include regulations to reduce waste arising from end-of-life vehicles.

Metair aims to ensure that all components manufactured across the group have a positive life-cycle and end-of-life impact on the environment. Retail customers buying new automotive batteries are incentivised to return old batteries to bring the lead back into the recycling process. However, our ability to reclaim products or packaging from end users in our automotive components business is limited given that these end up as components in vehicles that may be manufactured in, or exported to, other countries. 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 submit full material declarations for all the components we manufacture in line with the International Material Data System.

Environmental protection expenditure increased to R6.6 million in 2021 (2020: R6.4 million).

	2021	2020	2019	2018	2017
Waste disposal, emissions treatment and remediation costs	**R3.1m**	R2.7m	R2.6m	R5.6m	R4.4m
Prevention and environment management costs	**R3.5m**	R3.7m	R1.6m	R1.0m	R2.2m

2021 Environmental targets and progress		2022 Environmental targets
All companies to target achievement of ISO 50001 accreditation by the end of 2021. *Automould will undergo certification early in 2022. All other companies are accredited.*		All companies to target achievement of ISO 50001 accreditation by the end of 2022.
Target a 2% improvement in the consumption of water per person hour worked (PHW) across all companies. *Group water consumption per PHW improved 28%, with all companies achieving well above a 2% improvement.*		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 2021. *Group electricity consumption per PHW improved 6% and all companies except First National Battery, Mutlu Akü and Automould achieved reductions greater than 2%.*	7	Reduce total energy consumption by reducing electricity consumption per PHW by 2% by December 2022.
Target 1% improvement on site-specific production scrap percentages across all companies. *Only ATE was able to achieve 1% improvement in scrap percentages. 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 lead recycling yield by 2% a year until they reach their theoretical ceiling yield. *Mutlu Akü has been achieving their maximum yield since 2019. First National Battery met the target and Rombat improved slightly in 2021 but did not improve by 2%.*	7	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 below 11.5 kgs CO_2e/PHW. *Group Scope 1 and 2 emissions per PHW were 10.5 kgs CO_2e/PHW.*		Reduction of carbon emission by 2% by volume unit across Metair.

CORPORATE SOCIAL INVESTMENT

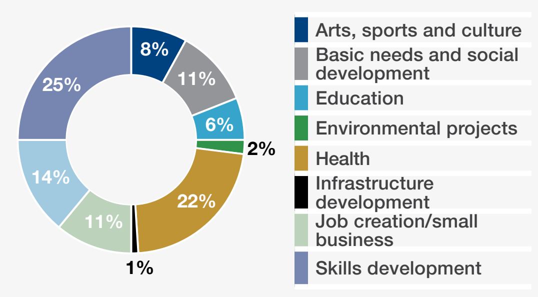
Metair invests in socio-economic development in underprivileged areas through our corporate social investment programme to improve the lives and futures of the people around us. Each operating company allocates 1% of net profit after tax to various initiatives to improve the lives of those around them and strengthen their relationships with their host communities.

We prioritise 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. Employees are encouraged to identify initiatives for support through the CSI programme.

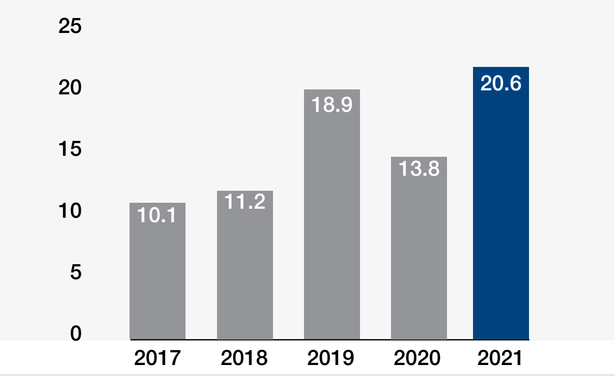
The group allocates a further 1% of group net profit after tax to community projects.

Corporate social investment increased to R20.6 million in 2021.

2021 CSI SPEND



CORPORATE SOCIAL INVESTMENT SPEND (R MILLION)



Initiatives supported during the year included:

ATE	Automould	Supreme Spring	Hesto
Supported Oliver's House in Daveyton, which prepares underprivileged pre-schoolers for primary school and has a feeding and gardening scheme that feeds the elderly.	Sponsored a reading and education programme in a creche in Inchanga to support early childhood development in an underprivileged area. On Mandela Day, staff painted the classrooms in bright colours and provided puzzles and reading material.	Supported a feeding scheme in the local community and local schools and sports clubs.	Donated a computer lab to the local school. Distributed food parcels and sanitary products to orphanages and schools for children with special needs. Hesto's onsite clinic is available to the community to support community health.

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 contributed substantially to reversing the learning losses sustained by children as a result of the COVID-19 pandemic by providing WhatsApp courses to improve teacher understanding of children's literacy needs, offering block loans of reading material to schools, and by facilitating book clubs for children when COVID protocols allowed.

First National Battery also supported:

- Oliver's House
- Action for the Blind SA
- Donated industrial sewing machines to the Daveyton Association for the Physically Disabled
- A children's library
- Masithethe Counselling Services to provide emotional support for distressed and traumatised adults and children
- Sikhulule High School with their matric camp and tutoring support
- Provided educational material to the Read Educational Trust
- Contributed towards a computer centre to Fezeka Secondary School
- Donated batteries to four local non-profit organisations

Lumotech	Mutlu Akü	Rombat	Unitrade
Supports We Care, which runs a feeding scheme and provides leadership skills to grade 7 learners. Also supports IGEMS, which run maths and science development for learners from disadvantaged communities. Lumotech annually host three or four learners who have graduated from grade 12 to provide industry experience before they start their tertiary studies. We enhance their skills and experience by placing them on a learnership programme. Where possible, we source promotional items from affiliates of a charity foundation.	Built a library at a local elementary school.	In partnership with Hope for Children Romania, contributed to the construction of a social house for 12 orphans. The house was completed in 2021 and the children and support staff will move in 2022. Participating in the Via Transilvanica project to develop a trail through areas of high cultural, natural and historical interest to promote Romania as a tourist destination. Donated medical equipment to the local hospital to manage COVID-19 and helped to organise concerts to thank the staff in the local hospital for their efforts in fighting COVID-19.	Supported five schools chosen by staff with refurbishment and new equipment.

Smiths Manufacturing	Metair head office
Promoted green environmental management and waste management in public schools. Supported the Fulton School for the Deaf and the Corner Library. Contributed to a computer lab, maths classes, and social development of people living with disabilities and the disadvantaged. Improved maths and science results for grades 10 to 12 at Sithokozile High School. Provided teacher workshops to teach learners in early development grades how to read, write and improve their numerical skills. Provided project management for Mbaliyesizwe Creche and monitored the installation of solar panels and pumps at the creche.	Metair 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 programme 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.

2021 Corporate Social Investment target and progress	2022 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. 3% of net profit invested in CSI projects. Projects supported by the operations include support for people living with disabilities. Metair sponsors the TWIMS green manufacturing chair.	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 REPORT

Metair defines governance as the system used to direct, grow and control its business in a sustainable manner. We continuously challenge our approach, design and application in this area. In deepening our commitment to sustainability, the importance of the earth, health, competitive advantage, and being commercially beneficial will contribute to Metair being sustainable into the future. This requires a balanced focus on performance and conformance, bearing all stakeholder interests in mind.

Our policy statement for the year to come is: exceptional leadership, ethics, governance and people focus – with a customer first attitude, along with a healthy dose of determination, care and lots of courage which will find us success.

Metair governance philosophy

The 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 Relationships section on page 39.

Board composition

As at 31 December 2021, the board comprised eleven directors. In terms of the Memorandum of Incorporation (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.

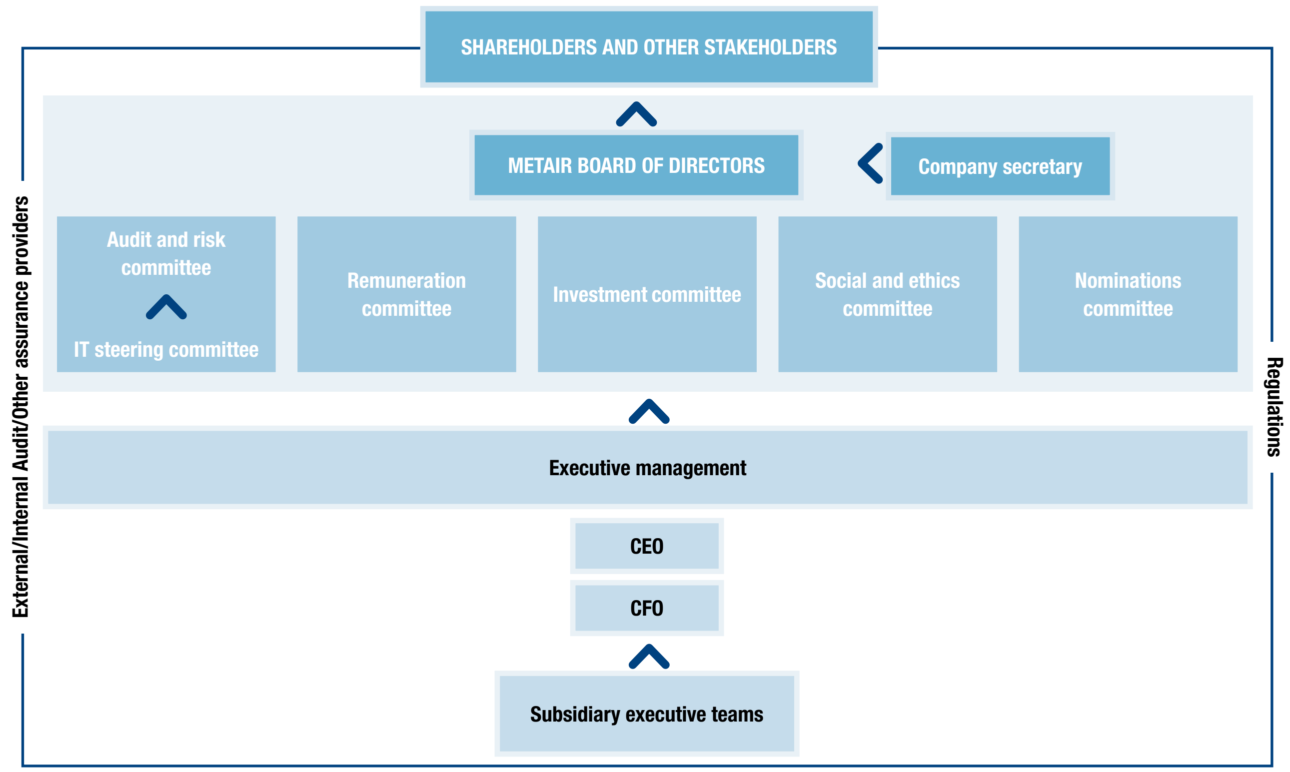
King IV application

The board aims to achieve the governance outcomes defined by King IV: ethical culture, good performance, effective control and legitimacy. The Metair board is committed to applying the principles of King IV™. The board ensures that effective governance processes are embedded and 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 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.

DELEGATION OF AUTHORITY AND GOVERNANCE FRAMEWORK



The board approved delegation of authority framework outlines the authority levels of the board, committees and executive management.

The delegation of authority framework enables the board to retain effective control and well-informed oversight of the company. The framework was reviewed in 2021 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 as well as Metair's materiality determination processes. These processes influence Metair's strategic direction and the implementation thereof.

Metair's executive leadership is 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 the 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. Metair 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 strives to embed an ethical culture which all Metair board members, employees, contractors and suppliers embrace and abide by. Metair's ethical culture cultivates a value-driven environment where all stakeholders are dedicated to conducting business honestly, fairly, legally and transparently.

The Metair values are built on the principle of custodianship. Being a custodian has the built-in notion that Metair has an important role to play in a bigger long-term sustainable plan and that it is not the size of the role that matters but rather how well all stakeholders perform their role. Metair's code of ethics (the code) is available on www.metair.co.za. The code guides Metair to operate with unity, harmony, equality and respect for human dignity.

In 2021, a declaration of interest process review was conducted by the outsourced internal audit function performed by KPMG. The outcome of the audit resulted in an overall good rating assigned by the auditors as per the reporting framework and represents the independent conclusion of internal audit based on the results of the review.

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 ethics	• The code aims to guide all stakeholders to act and conduct themselves with integrity. This assists to mitigate 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 a social and ethics conference were held during the year to enhance the company's ethics management. • The code is available on https://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 programme managed through Deloitte & Touche's fraud tip-off line that operates 24 hours a day, 365 days a year. Whistleblowing awareness training was conducted in the beginning of 2022 for all directors and management throughout the group to amplify and instil the principle and importance of whistleblowing, the process it should follow and to avoid victimisation. All employees across the group 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. No issues of fraud and/or corruption were identified during the year.

	Reports received	2021	2020
	Tip-offs	30	51
Fair and responsible remuneration	Refer to the remuneration report on page 85.		
Conflicts of interest	Board members are required to: • Regularly declare any shareholding and any interest they might have in transactions with the group. No conflicts of interest were identified during the year. • Declare any conflict of interest in respect of any matters on the agenda at board or committee meetings. No board members were identified as politically exposed persons.		
Dealing in securities and insider trading	• Metair discloses all director dealings in securities in accordance with the JSE Listings Requirements. • 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 the 1st of January and 1st of July 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 ethics also refers to gifts and must be read in conjunction with this policy. • Human resource departments across the group 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	• The oversight of human rights forms 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 Companies 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 2021, the board continued to monitor the compliance of occupational health and safety regulations, to ensure safe working environments and to prevent the spread of COVID-19 and started investigating the legitimacy of a mandatory vaccination policy.

In 2021 the key compliance risks were identified as:

- Occupational health and safety, with specific attention to the COVID-19 dashboard, psychological support to our employees especially during the pandemic and educating employees on the benefits of vaccination.
- Compliance with local and global business and competition regulations such as anti-competitive practices and increased focus on ESG aspects.
- Emission regulations to address global warming have shaped the strategic direction of the automotive industry, including the trend towards new energy vehicles. Metair businesses are working towards reducing the use of scarce resources, including

energy, water and raw materials, and limit emissions and waste production. A specific target to reduce carbon emissions was included as KPIs in the Metair short-term incentive in 2022 for all management throughout the group.

- Protection of Personal Information Act (POPIA) compliance in line with the constitutional right to privacy against competing rights and interests, particularly the right of access to information. Metair initiated a compliance project throughout the group to ensure compliance, starting with meeting the minimum requirements required by the Act and information officer training.

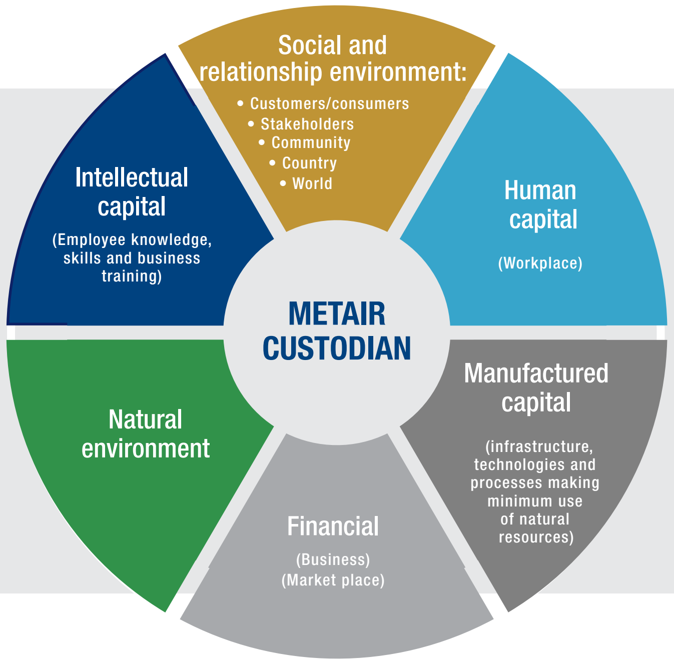
Metair is not aware of any material or repeated regulatory penalties, sanctions or fines for contraventions, or non-compliance with environmental laws or criminal sanctions and prosecutions imposed against any of its directors during 2021.

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 six capitals to build a sustainable legacy as 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.

Refer to the social and ethics committee section on page 73 for more information.

The board is committed to responsible corporate citizenship. The group contributes to the attainment of the UN Sustainable Development Goals (SDGs). Metair's alignment with the SDGs, where relevant, is shown in the material matters section of the report on page 40. 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 61.

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 38.

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

In 2021, the board's key decisions and resolutions were:

- Approval to continue investigating value unlock opportunities.
- Approved the additional capital expenditure for the Ford project of R168 million in Unitrade.
- Approval of Mutlu Akü's AGM capacity expansion and internal lithium-ion manufacturing line transfer from Rombat in Romania to Mutlu Akü in Turkey, totalling R485 million.
- First National Battery strategic capital investment of R48 million to enhance competitiveness.
- Approval of the R840 million preference share extension.
- Approved the extension of the group's R750 million revolving credit facility by five years.
- Approved a parental guarantee as part of Hesto financing of R850 million.
- Approval of the group's lithium-ion approach and strategy, and diluting Metair's shareholding in Prime Batteries to 10%.
- Declaration of a dividend of 90 cps to be paid to shareholders on 19 April 2022.

Board and committee changes

- Mr Pretorius resigned from the Metair board, nominations committee and social and ethics committee with effect from 5 May 2021.
- Mr Flemming was appointed as chairman of the board following the conclusion of the 2021 AGM on 5 May 2021 and stepped down from the audit and risk committee on the same date and was appointed to the social and ethics committee on 29 January 2021.
- Ms Mathews was appointed as an independent non-executive director and member of the audit and risk committee of Metair on 1 January 2021 and was subsequently appointed as chair of the audit and risk committee with effect from 5 May 2021.
- Ms Sithebe was appointed as an independent non-executive director and member of the audit and risk committee with effect from 1 January 2021. She was appointed to the social and ethics committee on 29 January 2021.
- Mr Giliam was appointed as an independent non-executive director and member of the investment committee with effect from 1 May 2021.
- Mr Haffejee was appointed as the CEO of Metair with effect from 1 February 2021 and appointed to the social and ethics committee on 21 May 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	**8**	**8**	**5**	**8**	**3**	**10**	**4**	
CMD Flemming[1] (Chairman)	8	1†	5		3			100%
S Sithole	8			8	3			100%
MH Muell	8		5	8				100%
B Mathews[2]	8	8						100%
NL Mkhondo	8					10		100%
TN Mgoduso	8			8	3			100%
B Mawasha	8	8			3	10		100%
A Sithebe[3]	8	8	5					100%
P Giliam[4]	6†					8†		100%
R Haffejee[5]	8		3†*					95%
S Douwenga	8					10	4	100%
P Govind[#]							4	100%
J Smith[#]							4	100%
U Reddy[#]							4	100%
D Seker[#]							3†	100%
SG Pretorius (Chairman)[6]	2†		1†		2†			100%
Overall director attendance†	**100%**	**100%**	**95%**	**100%**	**100%**	**100%**	**100%**	

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

† % of meetings attended for which the director was eligible to attend.

** Apologies tendered.*

1 Appointed to the social and ethics committee on 29 January 2021. Appointed as chairman of the board on 5 May 2021 and stepped down from the audit and risk committee at that date.

2 Appointed as an independent non-executive director and member of the audit and risk committee on 1 January 2021. Appointed as chairman of the audit and risk committee with effect from 5 May 2021.

3 Appointed as an independent non-executive director and member of the audit and risk committee with effect from 1 January 2021. Appointed to the social and ethics committee on 29 January 2021.

4 Appointed as an independent non-executive director and member of the board and investment committee on 1 May 2020.

5 Appointed as the CEO of Metair with effect from 1 February 2021. Appointed to the social and ethics committee on 21 May 2021.

6 Resigned from the Metair board, nominations committee and social and ethics committee with effect from 5 May 2021.

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 a curriculum vitae, 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.

The MoI requires one-third of the existing non-executive directors, which includes all new directors appointed to the board since the previous AGM, to retire before the next AGM, but allows them to 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 AGM on page 200.

Diversity

Metair has a formally approved policy to encourage broader diversity at board level. The policy addresses the historical gender and racial imbalances at board level when appointing new directors. The policy prescribes that the board should comprise one-third female board members and one-third black (as defined in the Broad-Based Black Economic Empowerment Act, No. 53 of 2003) board members, wherever possible.

The diversity of age, gender, knowledge, skills, experience, education and independence of the board ensures that the board is appropriately equipped to navigate Metair's operating context. Metair achieved its diversity targets in 2021. The board considered the composition of its gender and racial diversity targets when new directors were appointed during the year and is satisfied that the composition is aligned to the broader diversity policy.

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 and 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. 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 Metair board chairman together with all the committee chairs reviewed the 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 during the year. The board expressed their sincere appreciation and support for the hard work delivered by the 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 appointments shown at the bottom of the page were approved by the board during the year.

Succession planning

The nominations committee oversees the Metair board's succession plan and aims to achieve an optimal balance between independence and continuity on the board and committees. The remuneration committee oversees succession planning for the rest of the group. To assist the remuneration and nomination committees to have a clear view of the leadership bench strength in the group, various executive assessments were done on the group managing directors and development plans were put in place.

The appointment of the new group human resource executive creates an opportunity to pause, reflect and reassess the future people agenda for Metair and its subsidiaries. Through collaboration she intends to build a case for change and put a people strategy in place for Metair that aims to be transformational, aspirational and inspirational for all employees. The key to organisational transformation is a thorough and consistent process that recognises both the organisational and personal aspects of change management.

The approach to succession planning for the chief executive officer and the chief financial officer is to recruit or identify individuals at subsidiary level or source externally.

Professional advice

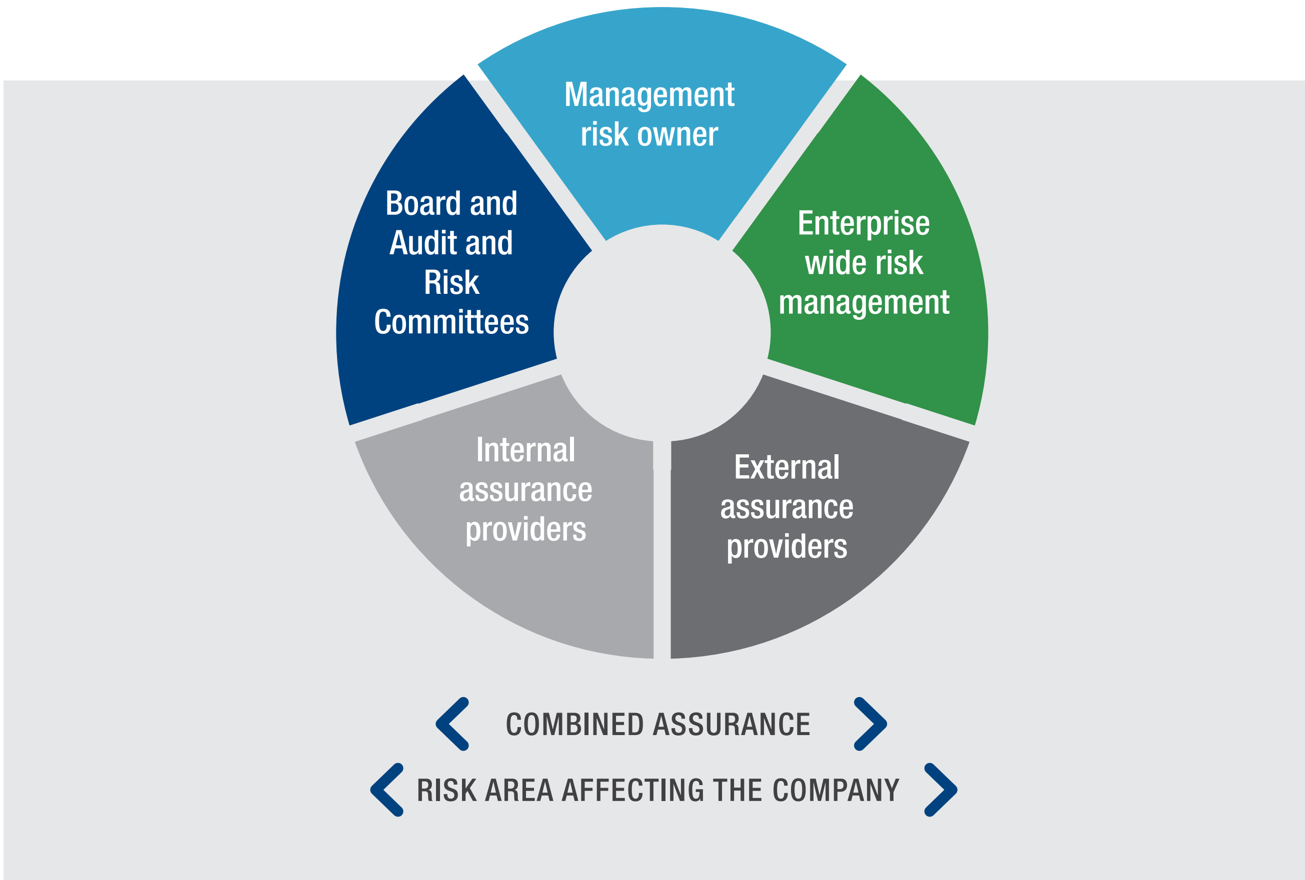
Metair has mechanisms in place to obtain independent professional advice on matters within the scope of any director's duties at the company's cost.

CEO board appointments and membership to other governing bodies outside of Metair

Company and registration number	Registered address	Present capacity	Appointment date to the Board
Coral Cotswold 2020/802171/07	20-22 Broadway Road, Westville, Durban. 3630	Director	Oct-20
The RAMS Haffejee Family Trust IT000763/2019(D)	20-22 Broadway Road, Westville, Durban. 3630	Trustee	Aug-19
NAACAM		Vice President	
Durban Auto Cluster		Executive member	
Durban Chapter Young Presidents' Organisation (YPO)		Member/Gold Chapter Chair	

Combined assurance

Metair's combined assurance framework is based on five lines of defence



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 2021, Metair's combined assurance framework was reviewed externally to ensure accuracy, coverage and completeness.

In 2021, the audit and risk committee confirmed that all risks are adequately covered by either/or external audit, internal audit, management, specialist consultants, government or insurance.

Internal audit introduced an automated control self-assessment during 2021. All subsidiaries complete a control self-assessment questionnaire annually to declare that assurance has taken place. 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.

GOVERNANCE CONTINUED

Board performance

Board evaluations	The board conducts an annual self-evaluation. The summarised results were noted at the meeting held in December 2021. The results indicate that the board is functioning well with some areas that require improvement. Areas of improvement will be included in the work plan going forward. A peer evaluation of non-executive directors and 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.
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 discussion with the Metair chief executive officer (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 chief finance director (CFO) and company secretary. • A visit to major subsidiaries with the Metair CEO and/or CFO. • Provision of a copy of Metair documents including charters, policies and procedures, other company documents and relevant additional information as required. • 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 2021: • Global automotive industry update. • SA Macro-economic and foreign exchange outlook. • Decisioning through facts – trends impacting society. • NAAMSA footprint and automotive industry outlook. • Automotive industry innovation revolution. • COVID-19 implications on financial reporting and observed changes in the internal control environment for the audit and risk committee. • Cyber security awareness. • Home office expenditure and claim process. • Protection of Personal Information Act (POPIA). The following training will be scheduled in 2022: • Whistleblowing and anonymity. • 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.

Committees

All committees function according to their board-approved terms of reference or charters which are available on the company's website at 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 2021. 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 CEO is a member and the investment committee where the CFO 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.

Investment committee

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

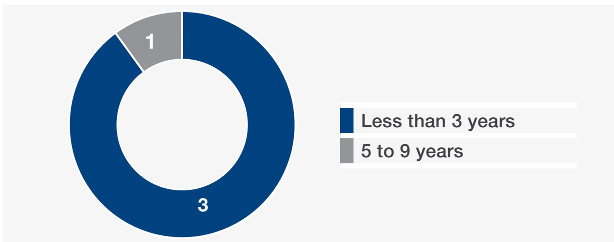
The committee aims to optimise capital allocation in a manner which sustainably creates and optimises stakeholder value. The committee weighs and evaluates capital proposals required for operational capital, strategic capital and shareholder capital, and includes the review of overall capital levels, 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, No. 71 of 2008, as amended (Companies Act) and directors' personal financial interests as set out in section 75 of the Act.

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

INVESTMENT COMMITTEE TENURE – NUMBER OF DIRECTORS



Members	Mr B Mawasha (chairman) Mr P Giliam Ms NL Mkhondo Mr S. Douwenga
Attendees by invitation	Mr R Haffejee
Changes	Mr P Giliam joined the committee on 1 May 2021
Risks	• Customer production stability, market demand visibility and overall volatility due to market, model and technology trends. These are combined with model launch complexity and flexibility leading to an increase in capital and capacity requirements together with project execution capability. • Metair strategy review, finalisation and execution in line with partners' and shareholders' expectations within the current operating environment. • Disruptive technology developments relating to our products and services, especially the introduction of NEVs.
2021 focus area feedback	• Execution of strategic outcome requirements – the strategic review will continue in the first half of 2022. • Preparation of new model launch projects – the required lending facilities to support the operations and fund current and future expansion plans were secured.
2022 Focus areas	• Execute strategic outcome requirements. • Review the authority levels matrix. • Ensure costs and borrowing facilities for all projects are in line with plan and successfully concluded.

Audit and risk committee

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.

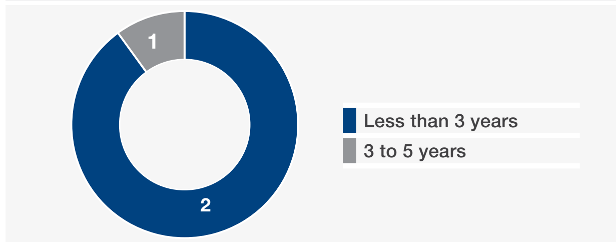
During the year, the committee updated and approved various policies which were recommended to the board for final approval. These policy changes were all based on refinements and continuous improvements as well as new International Financial Reporting Standards (IFRS).

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

Disclosure of Metair's risk management is available on page 74. The audit and risk committee report, as required in terms of section 94(7)(f) of the Companies Act, is set out on pages 82 - 83.

The committee comprises three independent non-executive directors.

AUDIT AND RISK COMMITTEE TENURE – NUMBER OF DIRECTORS



Members	Ms B Mathews (Chair) Ms A Sithebe Mr B Mawasha
Attendees by invitation	Mr R Haffejee; Mr S Douwenga; Mr A Jogia; External audit – PwC Representatives Internal audit – KPMG Representatives
Changes	Ms B Mathews and Ms A Sithebe joined the committee on 1 January 2021. Mr Flemming was appointed chairman of the board on 5 May 2021 and stepped down from the committee on that date.
Risks	The committee provides oversight on all the companies risks. Refer to page 76.
2021 focus area feedback	• Audit firm rotation – Provided oversight on the external auditor rotation process and recommended the appointment of Ernst & Young as new auditors for presentation to shareholders at the AGM in May 2022. • Non-audit fees constituted 22% of the group's annual audit fee. • Recall insurance plans to be put in place for all subsidiaries – Product recall plans have been done for all subsidiaries. • Non-audit work service providers – A non-audit services policy and procedure was put in place.
2022 Focus areas	• Cyber security • Risk appetite • BI implementation

GOVERNANCE CONTINUED

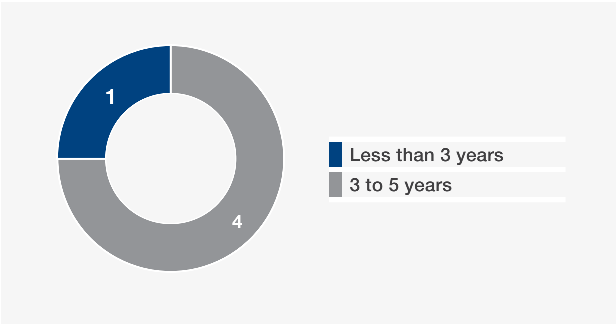
Technology and information steering committee

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 risks 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.

The committee comprises one executive and four subsidiary representatives.

IT STEERING COMMITTEE – NUMBER OF DIRECTORS



Members	Mr S Douwenga (chairman) Mr U Reddy (Metair) Ms P Govind (Smiths Manufacturing) Ms J Smith (Supreme Springs) Mr D Seker (Mutlu Akü)
Attendees by invitation	Mr A Jogia Ms M Mail Mr R Lane Mr R Haffejee
Changes	Mr Seker replaced Mr Tulgar as Mutlu representative in June 2021
Risks	• Cyber threats • Disaster recovery
2021 focus area feedback	• EU General Data Protection Regulation (GDPR) implementation and training – GDPR compliance has been fully embedded at Rombat. Mutlu Akü faced a few challenges which will be resolved once the SAP implementation has been finalised. • Protection of Personal Information Act (POPIA) implementation – A compliance project was launched during the year. POPIA implementation training was done and information officers appointed at all subsidiaries. • Continued focus on cyber security - Promoted awareness of cyber security across the group by implementing mandatory training for all employees.
2022 Focus areas	• Continued focus on cyber security • IT strategy update • BI implementation

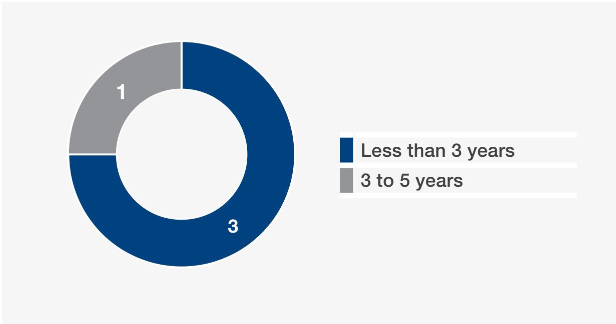
Nominations committee

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.

The committee comprises four independent non-executive directors.

NOMINATIONS COMMITTEE TENURE – NUMBER OF DIRECTORS



The committee comprises four independent non-executive directors.	
Members	Mr CMD Flemming (chairman) Ms TN Mgoduso Mr B Mawasha Mr S Sithole
Attendees by invitation	None
Changes	Mr Flemming was appointed as chairman of the board and the nominations committee on 5 May 2021
Risks	• Board succession for executive and non-executive directors. • Metair strategy review, finalisation and execution in line with partners' and shareholders' expectations within the current operating environment.
2021 focus area feedback	• Board succession planning and bench-strength exercise – Executive assessments were done on the group managing directors and the Metair CFO and development plans put in place to assist the committee to have a clear view of the leadership bench strength in the group.
2022 Focus areas	• Formalise from ad hoc to standard meetings and prepare a work plan.

Social and ethics committee

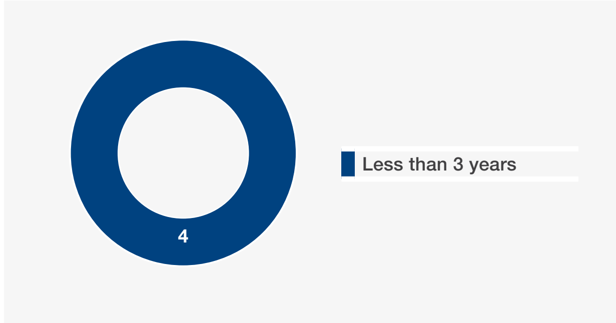
The social and ethics committee is a statutory committee which is constituted in terms of its duties set out in section 72(4) and (5) of the Companies Act and its associated regulations. The committee ensures that Metair operates as a responsible citizen and conducts its business in an ethical and properly 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 2021, the committee updated and approved various policies which were recommended to the board for final approval.

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

SOCIAL AND ETHICS COMMITTEE – NUMBER OF DIRECTORS



Members	Mr MH Muell (chairman) Mr R Haffejee Mr CMD Flemming Ms A Sithebe
Attendees by invitation	Mr MC Mahlanu (First National Battery) Ms B Yagmur Erol (Mutlu Akü)
Changes	Mr CMD Flemming joined the committee on 29 January 2021 Ms A Sithebe joined the committee on 29 January 2021 Mr R Haffejee joined the committee on 21 May 2021
Risks	• Risk of supply challenges across all subsidiaries. • Metair strategy review, finalisation and execution in line with partners' and shareholders' expectations within the current operating environment. • Total macro-economic, 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 and social and relationship) as we execute a planned recovery from L-shaped to U-shaped, subject to government regulations, actions and support. • Natural disasters and climate change events, explosions and conflagrations. • Turkey geopolitical and world trade position. • Compliance with local and global business and competition regulations such as anti-competitive practices and increased focus on ESG aspects. • South African political, social and economic stability • High inflationary wage demands from labour due to political and economic pressures resulting in strike action.
2021 focus area feedback	• Continuous awareness on health and safety due to COVID-19 – Ensured continued adherence to COVID-19 protocols across the group. • Focus on fire risk – Incident Reports were implemented to ensure that subsidiary MDs are aware of LTIs and fires that occur in their operations. These incident reports to be submitted to the Metair CEO within 24 hours of the incident followed by a detailed report within 72 hours.
2022 Focus areas	•Review Metair's sustainability strategy. • Develop a sustainability workplan incorporating climate change and green manufacturing. • Policy review and consolidation.

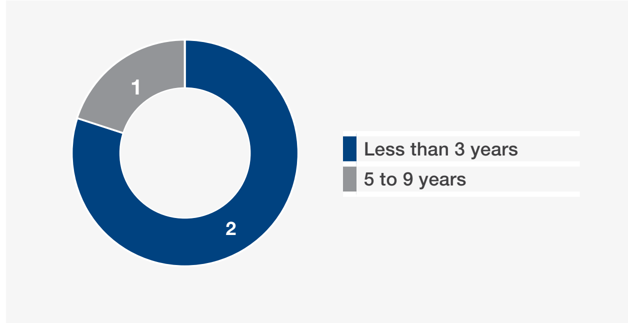
Remuneration Committee

The remuneration committee operates and reports in accordance with principle 14 of King IV and includes reporting on executive and non-executive director compensation.

For more details refer to the remuneration report on page 85. The report includes a background statement, remuneration policy and implementation report.

The committee comprises three independent non-executive directors.

REMUNERATION COMMITTEE TENURE – NUMBER OF DIRECTORS



Members	Ms TN Mgoduso (Chair) Mr S Sithole Mr MH Muell
Attendees by invitation	Mr R Haffejee Mr S Douwenga
Changes	None
Risks	• Metair strategy review, finalisation and execution in line with partners' and shareholders' expectations within the current operating environment. • Total macro-economic, 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 and social and relationship) as we execute a planned recovery from L-shaped to U-shaped, subject to government regulations, actions and support. • High inflationary wage demands from labour due to political and economic pressures resulting in strike action. • Succession for subsidiary managing directors, finance directors and exco members.
2021 focus area feedback	• Enhance the group-wide succession plan and bench strength and develop career path plans – Various executive assessments were done on the group managing directors and development plans were put in place. • Market median gap closure policy – To be reviewed by the newly appointed group HR executive.
2022 Focus areas	• Develop and implement a leadership development framework. • Conduct replacement planning for the top two tiers of leadership as well as succession planning for leaders three years away from retirement. • Talent management to create talent pools for critical and scarce skills. • Enhance and simplify the performance management process and remuneration practices to ensure outputs deliver on the strategic objectives of the group and are aligned to financial rewards. • Develop a structured employee communications and engagement plan for Metair.

GOVERNANCE CONTINUED

Employment equity and transformation

The group, through each of its subsidiaries has submitted the relevant employment equity reports (in October 2021), 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. 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 51 of this report.

Broad-Based Black Economic Empowerment

Metair maintains a consolidated Broad-Based Black Economic Empowerment (B-BBEE) scorecard to monitor subsidiary performance. The group remains committed to improving the management control element and will be addressing its ownership element in conjunction with the strategy review in 2022. Metair scored 23 (2021: 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 four of our subsidiaries achieved a Level 2.

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, No. 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 2021 evaluation, the board is satisfied that the company secretary has the appropriate level of competence, qualifications, experience and knowledge 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 CEO and/or CFO. 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.

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
  - Backup 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 among the group.

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.

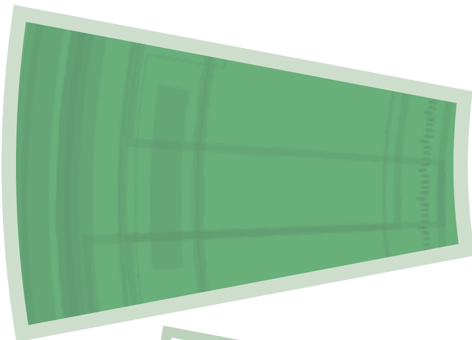
Risk reporting structure

The risk reporting structure is illustrated on the next page.

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



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.

GOVERNANCE CONTINUED

Risk appetite and tolerance

Our risk appetite approach considers the nature of the automotive components industry and the commercial substance of our relationship with customers.

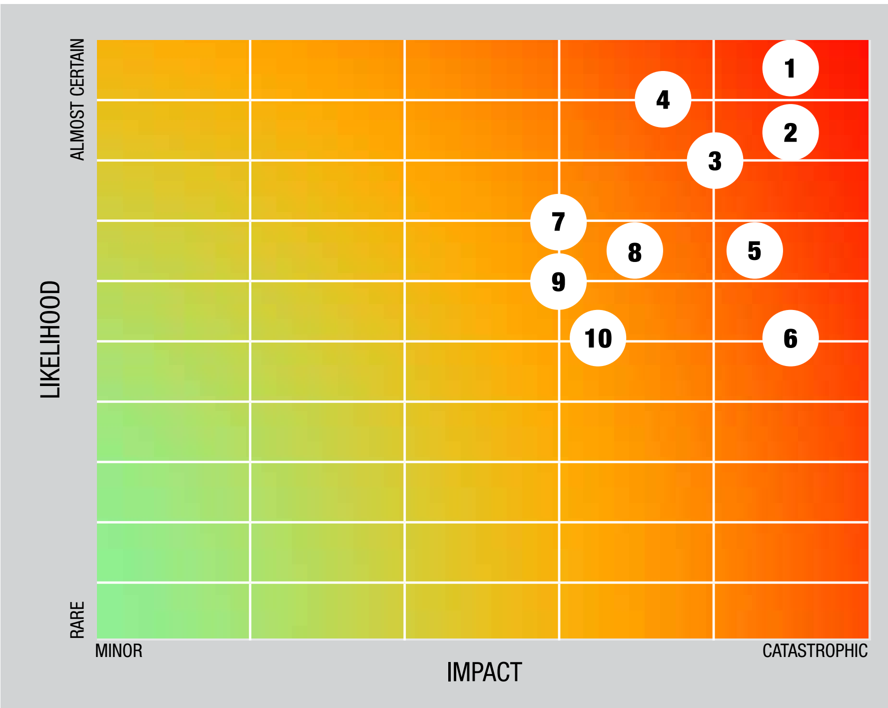
Metair's risk appetite approach guides the nature of the risks which Metair will tolerate or not.

Metair's tolerance level is currently set a residual risk exposure level of 70 (critical) and which equates to R170 million in 2021. The rand value is assessed annually in the context of the prevailing economic environment and the state of the business. Adjustment factors are applied to each company's risks based on their respective materiality to the group's consolidated performance.

The audit and risk committee reviews the group's risk appetite annually.

Group top residual 10 risks

1.	Risk of supply challenges across all subsidiaries.
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.
3.	Metair strategy review, finalisation and execution in line with partners' and shareholders' expectations within the current operating environment.
4.	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.
5.	Natural disasters and climate change events, explosions and conflagrations.
6.	Turkey geopolitical and world trade position.
7.	Compliance with local and global business and competition regulations such as anti-competitive practices and increased focus on ESG aspects.
8.	South Africa political, socio and economic stability.
9.	Disruptive technology developments relating to our products and services, especially introduction of EVs.
10.	High inflationary wage demands from labour due to political and economic pressures resulting in strike action.



Risks*

1 (2020: 2)	Risk of supply challenges across all subsidiaries	Residual vs Inherent risk exposure	Link to strategy

Shortages of containers and shipping vessels is resulting in significant increases in logistical charges (both air- and seafreight) which are not recoverable from customers. Longer lead times are resulting in inventory volatility. Increased technical complexity combined with variable customer derivative volumes impacted subsidiaries' ability to execute normal product launch processes especially in COVID-19 environment. Supply disruptions to customer and impact on the group will hamper short- and medium-term financial performance as well as economic recovery from the COVID-19 pandemic.

Action plans	Committee oversight
• More regular marketing committee meetings • Consolidation of shipping lines and freight forwarders across the group • Exploring opportunities for temporary bulk warehousing and orders	• Audit and Risk • Social and Ethics • Board • Supply Chain Steerco

Material matters affected	Outcome
• Competitiveness • Balanced business • Human capital • Natural environment • Supply chain disruption	Increased customer satisfaction and more business opportunities.

Opportunity

Structural correction in the business. Engineering and supply chain stability. More localisation opportunities.

2 (2020: 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	Residual vs Inherent risk exposure	Link to strategy

World trade and economic adjustments in response to customer, market, technology shifts and component availability. High volatility in customer production volumes, product values and required variability. These conditions are challenging Metair's confidence levels in OEM forecasts challenged.

Action plans	Committee oversight
• Product, market and technology trend monitoring and adjustment due to volume variation requirements by customers • Capital allocation focus to be adjusted to ensure optimal utilisation and opportunity possibility	• Investment • Audit and Risk • Board • Marketing Committee

Material matters affected	Outcome
• Competitiveness • Macro-economic and geopolitical factors • Technology and innovation • Strategic alignment	Metair's ability to deal with volatility and market changes will effectively result in Metair becoming and remaining the OEM supplier of choice despite changing markets and technologies.

Opportunity

Opportunity to cement long-term relationships with customers, licensors and employees and increased product offering.

* *Comparisons from current year to prior year of the top 10 risks is based on our full risk register.*

GOVERNANCE CONTINUED

3 (2020: 11)	Metair strategy review, finalisation and execution in line with partners' and shareholders' expectations within the current operating environment	Residual vs Inherent risk exposure	Link to strategy

Increase in shareholder engagement and influence on company strategy and value. Wider board stakeholder engagement that needs to consider a multitude of increased requirements across all aspects of the business particularly short-term performance and shareholder value creation with stricter capital allocation requirements.

Action plans	Committee oversight
• Capital allocation • Budgets/HEPS • Shareholder engagement	• Board • All committees
Material matters affected	**Outcome**
• Competitiveness • Macro-economic and geopolitical factors • Technology and innovation • Strategic alignment	Stable and supportive shareholder and partner base supporting company and management actions. Stable platform to launch strategic execution from. Rigorous capital allocation process.

Opportunity

Shorter term unlocking of value for shareholders and partners.

4 (2020: 1)	Total macro-economic, 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 and social and relationship) as we execute a planned recovery from L to U-shape, subject to government regulations, actions and support	Residual vs Inherent risk exposure	Link to strategy

COVID-19 pandemic causing health threat and measures to curb the spread - control, track and trace infections. Hard lock down, partial opening, back to work measures, recovery protocols and strategies. Disruption in continuity and stability in operations and supply chain.

Action plans	Committee oversight
• Implementation of COVID-19 recovery strategy (read more on page 28)	• Board • Audit and Risk • Social and Ethics • Remuneration
Material matters affected	**Outcome**
• Competitiveness • Macro-economic and geopolitical factors • Business partnerships • Strategic alignment • Human capital • Natural environment • Balanced business • Technology and Innovation • COVID-19	Increase probabilities to be sustainable. Improve fundamentals of quality, cost and delivery (QCD) and ESG.

Opportunity

Shows value of being in structurally u shape recovery. Shortening of supply chain routes. Local opportunities. Export opportunity to Europe.

5 (2020: 3)	Natural disasters, climate change events, explosions and conflagrations	Residual vs Inherent risk exposure	Link to strategy

The nature of the manufacturing environment and the high usage of energy, increases the risk of conflagrations, explosions and manufacturing failures. Global warming is affecting the natural environment constantly and the occurrence of natural disasters. Metair is therefore exposed to production stoppages as well as damage to buildings, equipment and employee safety risks. The interruptions caused by manufacturing failures and equipment failures have an considerable impact on the operations.

Action plans	Committee oversight
• Risk monitoring plan • Adequate insurance cover for natural disasters	• Social and Ethics • Audit and Risk • Board
Material matters affected	**Outcome**
• Competitiveness • Balanced business • Natural environment	Continued focus on new areas of risk and improvement of current risks. Implement a risk identification and management plan with external assurance providers. Overall improvement in contingency plans.

Opportunity

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.

6 (2020: 9)	Turkey geopolitical and world trade position	Residual vs Inherent risk exposure	Link to strategy

Challenging political views and policies affecting global relationship. General negative emerging market sentiment. Threat of US sanctions imposed on entities in Turkey and critical market access restrictions.

Action plans	Committee oversight
• Proactive monitoring of changing government policies and Macro-economic indicators • Maintain economic, social and political relevance • Focus on export contracts and opportunities • Monitor management and general employee satisfaction and resilience • Improved consultation with local non-executive members on Mutlu Akü board	• Audit and Risk • Social and Ethics • Board
Material matters affected	**Outcome**
• Competitiveness • Macro-economic and geopolitical factors • Human capital • Strategic alignment	Continued improved performance from Mutlu Akü that challenges the devaluation of the TL on a continual basis and adaption to changing operating environment.

Opportunity

Review Mutlu Akü business design using competitive market position to improve market share. Improved management structure and style to overcome challenges.

GOVERNANCE CONTINUED

7 (2020: 10)	Compliance with local and global business and competition regulations such as anti-competitive practices and increased focus on ESG aspects	Residual vs Inherent risk exposure	Link to strategy

Increased global and international focus by competition authorities within the automotive sector. More regulated global carbon environment.

Action plans	Committee oversight
• External consultant reviews of current market practices • Dawn raid readiness training • Continuous review of training programmes • Hesto training • Group Competition Compliance liaison officer	• Social and Ethics • Audit and Risk • Board
Material matters affected	**Outcome**
• Competitiveness • Business partnerships • Human capital	Ongoing training of management and staff, issuing of specific internal manual containing information and regulations to guide behaviour in such a way not to be breach any competition regulations. Co-operation with all relevant authorities relating to all aspects that might be investigated from time to time. Initiation of green manufacturing infrastructure to reduce carbon footprint.

Opportunity

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. Adopt green manufacturing practices. Report on ESG elements to mitigate risk further.

8 (2020: 16)	South Africa political, socio and economic stability	Residual vs Inherent risk exposure	Link to strategy

Dysfunctional political landscape. Political and social instability including revolution demonstrations and strikes.

Action plans	Committee oversight
• Proactive monitoring of changing government policies and Macro-economic indicators • Maintain economic, social and political relevance • Review of Metair strategy in H2 2022	• Audit and Risk • Social and Ethics • Board
Material matters affected	**Outcome**
• Competitiveness • Business partnerships • Human capital	Proactive monitoring of changing government policies and macro-economic indicators. Maintain economic, social and political relevance.

Opportunity

Metair's strategy of developing balance in the business through international expansion, broadening our client base and participating in the development of new technologies helps to ensure the group's continued relevance and explore other industries and markets. Maintain our commitment to job creation.

9 (2020: 8)	Disruptive technology developments relating to our products and services, especially the introduction of new energy vehicles (NEVs)	Residual vs Inherent risk exposure	Link to strategy

Climate change. Increased consumer pressure. Government regulations. Shift in consumer buying patterns and manufacturing volumes by type of technology.

Action plans	Committee oversight
• Develop integrated EV strategy • Production of first lithium-ion cells in progress in South Africa, Romania and Turkey • Invest in first lithium-ion coating and assembly line	• Board • Investment • Solar project committee • Lithium-ion project committee
Material matters affected	**Outcome**
• Competitiveness • Technology and innovation	Shift into production of components related to NEV vehicles.

Opportunity

Automotive components segment – increased relevance between all Metair product lines. Energy storage segment – 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 R&D and training opportunity.

10 (2020: 12)	High inflationary wage demands from labour due to political and economic pressures resulting in strike action	Residual vs Inherent risk exposure	Link to strategy

Increased inflationary environment in emerging markets as economic growth decline, interest rate and living cost rise and exchange rates weaken.

Action plans	Committee oversight
• Improvement and overall employee engagement structure • Monthly and quarterly employee feedback • Managing directors' direct engagement with employees	• Social and Ethics • Remuneration • Board
Material matters affected	**Outcome**
• Competitiveness • Technology and innovation • Human capital	Cost effective and liveable wage reward to a very important stakeholder in overall business with improved social and corporate responsibility focus.

Opportunity

Industry wide focus on improved working conditions and overall stable labour environment. Partnering with labour as real stakeholder in business to focus on ESG quality and delivery, competitiveness and overall trading position.

Risk watch list

Metair's management approach includes a 'watch list' which contains risk 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.

- Losing human capital focus and human capital fatigue.
- Stability and quality of reliable Eskom power supply.
- General insurance business risk cover in the current operating environment across all risk areas, including business interruption dread disease, warranty and recall risk cover.
- Policies aimed at managing and controlling currency volatility, including alignment with customer requirements and views.
- Cyber risk monitoring.
- Ukraine/Russia war impact on the business.

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 2021 financial year.

Names and qualifications of committee members

B Mathews (Chair)	BCom Accounting, BCom Accounting Honours, CA(SA), HDip Tax
B Mawasha	BSc (Eng) Electrical, GCC, PMD, ADP
A Sithebe	BCom Accounting, BCom Accounting Honours, CA(SA), MBA

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, https://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 Sithebe and Ms Mathews were appointed to the committee effective 1 January 2021. Ms Mathews replaced Mr Flemming as chairman of the committee on 5 May 2021.

Meetings

Eight meetings were held during the year. All members attended all meetings.

Statutory duties

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

- Nominated and recommended that Ernst & Young Inc. (EY) be appointed as external auditors and Mr D Venter as the designated individual audit partner, after confirming their independence (which proposed appointment was endorsed by the Board) for the financial year commencing 1 January 2022, subject to shareholder approval at the AGM on 5 May 2022.
- The committee confirmed that PwC, EY and the respective designated individual auditors 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 reporting back on proactive monitoring of financial statements in 2021 (2021 report) and documents set out in Annexure 3 of the 2021 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 include 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. Refer to note 3 of the annual financial statements for audit fees paid. All non-audit services have been reviewed and approved by the committee and the independence of the auditors confirmed.

In line with best practice in governance and regulations to enhance the independence of the external audit function and following the early adoption of the mandatory audit firm rotation rule issued by the Independent Regulatory Board for Auditors, the audit committee concluded a comprehensive tender process and the board will be recommending, and has endorsed the proposed appointment of EY as the new external auditor and Mr D Venter as the designated individual audit partner, for approval by shareholders at the AGM on 5 May 2022. PwC, the incumbent external auditors, will continue to act in this role for the financial year ending 31 December 2021.

The audit and risk committee has reviewed and assessed EY and Mr D Venter in terms of the JSE Listings Requirements and confirms their suitability for appointment at the upcoming AGM.

The committee has ensured that the appointment of EY as the external auditor, and Mr D Venter as the designated individual audit partner, is presented and included as a resolution at the AGM of Metair pursuant to section 61(8) of the Companies Act.

The board offers its thanks to PwC for their significant contribution over the years.

Key audit matters considered and addressed by the committee are as follows:

- Impairment assessment of Mutlu Akü and Rombat goodwill and intangibles.

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 has 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 programme and risk compliance programme 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 2021, 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 and risk 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.
- 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 2021 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.

Ms B Mathews
Audit and risk committee chair

16 March 2022

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 2021 financial year.

Names and qualifications of committee members

MH Muell (chairman)	Diplom-Betriebswirt (BA) from Berufsakademie Stuttgart, Germany, equivalent to a Bachelor of Commerce
R Haffejee	BSc, PGD, MBA
Mr CMD Flemming	B Com, Bachelor of Law, B Prok, AMP Harvard
Ms A Sithebe	BCom Accounting, BCom Accounting Honours, CA(SA), MBA

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, https://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.
- Ensure good and responsible corporate citizenship in terms of:
  - 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 AGM 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 2021, the committee comprised three independent non-executive directors, namely Mr MH Muell (chairman), Mr CMD Flemming and Ms A Sithebe as well as one executive director, Mr R Haffejee.

Meetings

Five 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.

MH Muell
Social and ethics committee chairman

16 March 2022

REMUNERATION REPORT

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 Willis 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 pay-lines, job-creating and executive salary surveys were done during the year and aged to January 2022.

The committee is satisfied that Willis 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 2022. 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 AGM held on 5 May 2021, 87.82% (2020: 83.81%) of shareholders voted in favour of the 2020 remuneration policy and 97.10% (2020: 83.37%) were in support of the implementation report.

The results of the non-binding advisory voting on the 2021 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 2022 integrated annual report.

A copy of the AGM minutes is available on the company's website.

	Shares voted	For	Against
Ordinary resolution number 8(a): Endorsement of the company's remuneration policy	88.16%	87.82%	12.18%
Ordinary resolution number 8(b): Endorsement of the company's implementation report	88.16%	97.10%	2.90%
Special resolution number 1: Approval of non-executive directors' remuneration	88.16%	99.99%	0.01%

Shareholder feedback	Metair response
Expand on achievement of B-BBEE targets for incentive schemes	Performance shares include ESG targets at 10%. ESG targets have also been included in the short-term incentive scheme. Specific B-BBEE elements included relate to the achievement of an improvement target for management control as well as a procurement target to procure from enterprise developed businesses/ black-owned businesses.
HEPS calculation and focus for the incentive schemes	The STIP policy changed to focus more on HEPS and increased by 15% from 2021. The LTIP HEPS growth target was adjusted to CPI + 4% over a rolling three-to-five-year period.

REMUNERATION REPORT CONTINUED

Main areas of responsibility

The 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.

Eight meetings were held during the year and were attended by all members of the committee. Please refer to page 67 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:

- Metair equal opportunity policy.
- Transformation policy.
- Metair board gender diversity 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 were made to the 2021 remuneration policy 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 changed to focus more on HEPS. The LTIP HEPS target was adjusted – previously growth was set at 6% plus over performance. As requested by shareholders, HEPS changed to be set at CPI + 4% over a rolling three-to-five-year period.
- ESG targets were included in the LTIP as well as the STIP.

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,
https://www.metair.co.za/sustainability/policies-and-reports

The committee also performs an annual self-evaluation of its effectiveness. The results of the 2021 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 areas for improvement, however, much improved from the previous year.

Key decisions and focus areas in 2021

The key decisions taken by, and focus areas for the committee were as follows:

- Review the remuneration policy and implementation report annually for presentation at the AGM 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. The performance appraisal process was changed during the year to include the board chair and chairs of all committees to participate in the evaluation of the CEO.

For more information and other roles and responsibilities, refer to the committee charter on the company's website,
https://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 in possible vacancies.

With the appointment of the new group HR executive the opportunity to pause, reflect and reassess the future people agenda for Metair, its subsidiaries and its employees was presented. Through collaboration she intends to start working towards building a case for change and put a people strategy in place for Metair that is transformational, aspirational, pragmatic and inspirational for all employees. The key to organisational transformation is a thorough and consistent process, which recognises both the organisational and personal aspects of change management.

Focus areas for 2022 will include:

- People practices health check – risks and recommendations.
- Development and implementation of a leadership development framework.
- Conduct replacement planning for the top two tiers of leadership as well as succession planning for leaders three years away from retirement.
- Talent management to create talent pools for critical and scarce skills.

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.

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 considered 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 always 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 of 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 as well as subsidiary management. The process of reviewing the CEO and CFO performance appraisals changed during the year to include the board chair and chairs of all committees for the CEO appraisal and the audit and risk committee chair for the CFO appraisal. Going forward the investment committee chair will also form part of the CFO appraisal. The committee was part of the appraisal process for 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.
- Alignment to Metair objectives.

The results of the performance appraisals are moderated by Metair, the committee and all chairs and are considered when salary increases are determined. These results also impact incentive participation.

Going forward, the performance management process and remuneration practices will be enhanced and simplified to ensure outputs deliver on the strategic objectives of the group and are aligned to financial rewards.

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.

Junior executive development plans currently focus more on formal education. Going forward, the focus will change to a systemic approach for rounded education in terms of business development and what competencies are required for people moving from specialist roles to junior executives to round them beyond their specialist fields.

Management control on the B-BBEE scorecard remains 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 improved slightly with 0.7% from the previous year.

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 been linked to the short and long-term incentive plans as one of the parameters to stress its importance.

Human capital

During 2021, the group HR co-ordinator and the chairman of the remuneration committee continued to assist HR professionals at the subsidiaries with professionalising the HR function across the group.

The main role of the new HR executive, going forward, is to provide an effective HR service for the group, promoting and supporting a harmonious work environment through teamwork within and between subsidiaries, to ensure consistency and compliance with modern and up to date HR practices and adhering to current legislation. An HR health check will form the basis for developing an HR framework for the group.

Occupational health and safety with specific attention to the COVID-19 dashboard, psychological support to our employees, especially during the pandemic and educating employees on the benefits of vaccination remained a high priority during the year.

Remuneration policy 2021

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 sustainable 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 achieve 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.
- 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 at least 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).

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 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 a 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 and the LTIP.

Total annual remuneration in the group consists of three pay elements:

- Guaranteed pay
- Capped short-term incentive
- Capped long-term incentive

Guaranteed pay

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

The design architecture for the STIP is based on a below market comparative position.

Specific elements	Maximum capped theoretical % CTC+ participation 2021		Maximum capped theoretical % CTC participation 2022#	
	CEO	CFO	CEO	CFO
Actual HEPS* vs budgeted HEPS and target	35	30	35	30
Annual specific and strategic performance KPIs**	35	20	45	25
ROIC*** vs returns to/above WACC	15	10	15	10
Group cash conversion target	15	10	5	5
Total maximum theoretical participation	100	70	100	70
Comparable market position	100 – 150	80 – 100	100 – 150	80 – 100

* *HEPS – Headline earnings per share*
** *KPIs – Key performance indicators*
*** *ROIC – Return on invested capital*
\# *Weighting for the CEO and CFO STIP change for 2022 to focus more on strategic execution*
\+ *Cost to company*

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

- ROIC upper target = weighted average cost of capital (WACC) + 3%.
- ROIC lower threshold = 100% of WACC.

ESG targets included in the 2022 STIP at 5% include among others the following:

- Reduction of carbon emissions by 2% volume unit across Metair.
- Health and safety targets – targeting LTIFR <1, zero fatalities, absenteeism rate below 3% excluding contractors and blood lead <30µg per 100ml for battery businesses.
- Procurement – targeting 10% from black owned businesses or local communities for international subsidiaries.
- B-BBEE focusing on a two-point improvement for management control.

Long-term incentive

Metair's LTIP 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.

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. Share appreciation rights will therefore (due to the related vesting periods) run out in 2024.

Performance share participation levels:

Description	Performance share award % (rounded)
Group CEO	60%
Group CFO	50%
Metair management	25%
Subsidiary CEO	45%
Subsidiary senior executives	30%
Subsidiary junior executives	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.

Performance shares

Metair's return measurements for vesting are based on return on invested capital (ROIC), specific HEPS growth targets as well as cash conversion rates and ESG targets. 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 70% and 100% – 0.5 – 2.0 times.
3. Above target cash conversion – limited to 2 times.

d. ESG targets

- Health and safety – measuring LTIFR at <1 as well as a blood lead target of average <30µg 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 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 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 target 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, Willis Towers Watson and LMO 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. Grading for the top positions at Metair resulted in the CEO position graded 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 LMO EXSYS job and evaluation system to determine the ranking across the 21 graded positions in the group.

The 2021 generalised outcome on the Willis Towers Watson and EXSYS system is summarised in the table on the next page:

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	Company level MDs, directors, senior managers, specialised professionals at group and company level	Small company MDs, directors, senior exco members, senior specialists, Metair group HR executive, finance executive and Metair company secretary
14, 13, 12, 11, 10	Junior managers, engineers, accountants	Junior exco members, managers, engineers, accountants, Metair group finance manager and Metair executive business 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

The income gap analysis depicts employee/band ratios relative to each other. In 2021, the average guaranteed package for top management (global grades 15 and above) was 7.77 times higher (2019: 8.45 times) than the average guaranteed package for clerical/administration and semi-skilled employees (global grades 4 – 7).

Due to COVID-19 an income gap analysis was not compiled for 2020.

Employee category	2015	2016	2017	2018	2019	2021
Ratio of top management (GG 15+) to clerical/administration/semi-skilled (GG 4 – 7)		8.93	8.78	8.74	8.45	7.77
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	3.90
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	2.16
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	1.81

The Metair income gap analysis depicting the employee category/band ratios relative to the CEO's salary indicated a significant drop in 2021 with the CEO earning 2.82 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	2016	2017	2018	2019	2021
CEO (GG 21) to CFO (GG18)	1.63	1.63	1.63	1.70	1.27
CEO (GG 21) to top management (GG 15 and above, excluding CEO and CFO)	3.88	3.80	3.73	3.81	2.82
CEO (GG21) to professionally qualified and subject matter experts/middle management (GG 12 – 14)	7.45	7.42	7.26	7.29	5.62
CEO (GG21) to skilled technical and academically qualified and junior management (GG 8 – 11)	16.31	16.21	15.83	16.01	12.10
CEO (GG21) to clerical/administration and semi-skilled workers (GG 4 – 7)	31.68	30.30	29.63	29.25	21.90

Metair has noted the inclusion of a recommendation within the recent draft changes to the Companies Act for companies to publicly report a calculated wage gap ratio. Metair has undertaken an exercise to provide the wage gap ratio (WGR) for all employees who were employed for the entire year (i.e., excluding persons who either joined or left the company during the year). Among the "current employees" within South Africa, the overall WGR was 11.93, indicating that the average total cost to company (TCC) or the sum of all wages, benefits and bonuses for the top 5% earners in our workforce was 11.93 times higher than for those within the bottom 5%.

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 aged to January 2022 was used for measurement. The pay scale below depicts the competitiveness of employee salaries relative to the graded salary scales. On average, employees were paid at 86% of the median (2019: 88%).

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.

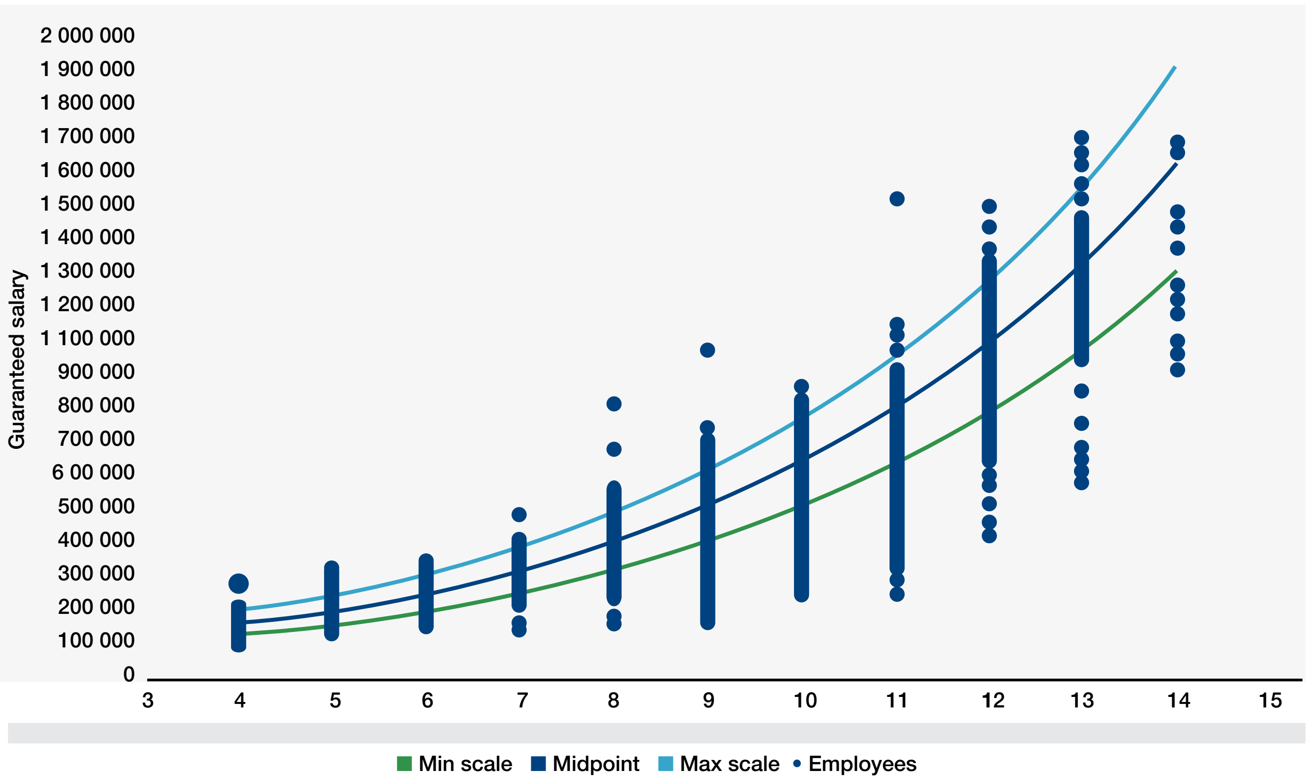
Metair uses the global median as the targeted remuneration level to ensure sustainability. The median level is at 50% of the market, meaning that 50% of the market is still above the level of remuneration set at Metair.

A past decision by the committee to award a higher increase to blue collar workers than to white collar workers over several years is now resulting in a problem being experienced among all subsidiaries where lower end white collar workers earn less than the higher end blue collar workers. In addition to this, union increases over the periods were between 5% and 8% versus increases awarded to white collar workers and management being between 4% and 6%. Metair intentionally limited the increases of management and white collar workers to be 2% to 3% lower to close the gap between wage and salaried employees for the last six to seven years.

Another issue is where lower end white collar salaried workers are starting to be presented by the unions. Base level skills in the group will have to be rectified as is evident in the below graph.

Analysing the equity and fairness of remuneration paid will form part of the HR agenda for 2022.

METAIR GROUP (ALL RSA BUSINESS UNITS) SALARIES VS PAY-SCALE (OCTOBER2021)



3. Pay structure

The following tables represent the CEO and CFO guaranteed, short-term incentive and total earnings positions relative to the market in terms of the lower quartile, median and upper quartile based on their guaranteed packages. Market data has been aged to January 2022 using an annual incremental rate of 5%.

Guaranteed pay

The related market surveys and published reports on remuneration for 2021 indicated a 6% increase for executive remuneration for 2021 and 5% for 2022. The committee decided to recommend a 5% salary increase for 2022 (2021: 4%).

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 50 for more information.

Annual performance assessments are used to adjust recommended base increases up or down.

The table on the next page (Guaranteed pay) shows group CEO and CFO remuneration. It shows that the group CEO earnings were at 75% and the CFO at 117% of the global median in 2021.

2021

Guaranteed pay

		Market Data January 2022			Actual earnings as % of market level		
Position	Current Earnings (R)	Lower quartile (R)	Median (R)	Upper quartile (R)	Lower quartile	Median	Upper quartile
CEO	6 010 103	6 769 268	7 963 845	9 158 421	89%	75%	66%
CFO	5 341 363	3 873 054	4 556 534	5 240 014	138%	117%	102%

Notes: *The CFO acted as CEO for one month in January 2021 and received an acting allowance of 15% of CTC amounting to an additional R59 253. The new CEO was appointed on 1 February 2021 and his remuneration thus includes only 11 months.*

2020

Guaranteed pay

		Actual earnings as % of market level			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 more than market median.*

Short-term incentive

The table below (Short-term incentive) compares the CEO and CFO short-term incentive participation for 2021 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 2020 financials and key performance indicator (KPI). However, the short-term incentives reflected in the table below are based on performance and KPIs delivered in 2021 but accrued in the annual financial statements of 2021 to be paid in 2022.

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 2021 was at 50% for the CEO and 45% for the CFO.

2021

Short-term incentive programme (incentive based on 2021 results to be paid in 2022)

			Market Data January 2022			Actual earnings as %		
Position	Actual % of CTC	Short-term incentive (R)	Lower quartile (R)	Median (R)	Upper quartile (R)	Lower quartile	Median	Upper quartile
CEO	54%	3 270 000	3 003 565	3 533 606	4 063 646	109%	93%	80%
CFO	44%	2 376 103	1 276 401	1 501 649	1 726 896	186%	158%	138%

2020

Short-term incentive programme (incentive based on 2020 results that was paid in 2021)

			Market Data January 2020			Actual earnings as %		
Position	Actual % of CTC	Short-term incentive (R)	Lower quartile (R)	Median (R)	Upper quartile (R)	Lower quartile	Median	Upper quartile
CEO	0%	0	3 480 185	4 094 335	4 708 485	0%	0%	0%
CFO	37%	1 823 166	1 524 949	1 794 057	2 063 166	120%	102%	88%

Note: *The current CEO was appointed in February 2021 and did not participate in the short-term incentive based on 2020 results. The previous CEO retired on 31 December 2020 and his incentive was paid in December 2020.*

The table below shows the actual performance elements for the 2021 STIP structure.

2021 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	**35.0%**	**30.0%**	**35.0%**	**30.0%**
Annual specific performance KPIs:				
Conclude commission of li-ion grade A cells by August 2021	5.0%	5.0%		
Formalised integration and development programme for the Energy Storage Vertical, split by category and technology. Introduction by July 2021	5.0%			
Refinance of the group borrowings facilities to long-term funding facilities		2.50%		2.5%
Consider Metair and subsidiary structure relative to vertical strategic direction (including customer facing organisation) by June 2021	5.0%			
Successful management of the Ford and Hilux projects	5.0%			
Finalise group insurance claim for the COVID-19 pandemic		2.50%		2.50%
Secure funding for new projects		2.50%		2.50%
Review of all the business units and recommend/confirm strategy for each business (including potential for M&A opportunities). To be presented at the MD's conference	10.0%	5.00%		
Total	**30.0%**	**17.5%**	**0%**	**7.5%**
ROIC vs target				
Incentive will be earned on a straight-line basis between an ROIC of 13.4% and 16.4% for 2021	15.0%	10.0%		
HEPS and cash conversion target				
HEPS target between HEPS of 300 to 330 cps	10.0%	5.0%	10.0%	5.0%
Consolidated group cash conversion* target between 67% to 77%	5.0%	5.0%		
Total	**15.0%**	**10.0%**	**10.0%**	**5.0%**
Board specific KPIs: Performance against strategic execution targets				
Support the development of the new Mutlu and Rombat CEOs and identify other functional requirements within these entities	5.0%	2.5%	5.0%	2.5%
Total	**5.0%**	**2.5%**	**5.0%**	**2.5%**
Maximum potential on budget	**100.0%**	**70.0%**	**50.0%**	**45.0%**

Conversion = Cash generated from operations/EBITDA (excluding equity accounted earnings).

HEPS history (cents per share)

	2021	2020	2019	2018	2017
Target	**Additional incentive paid on a straight-line basis between 300 – 330**	**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**
Actual	354	148	336	327	281

Total – Guaranteed pay and short-term incentive

2021

		Market data January 2022			Actual earnings as % of market level		
Position	**Current Earnings (R)**	**Lower quartile (R)**	**Median (R)**	**Upper quartile (R)**	**Lower quartile**	**Median**	**Upper quartile**
CEO	9 280 103	9 772 833	11 497 451	13 222 067	95%	81%	70%
CFO	7 717 466	5 149 455	6 058 183	6 966 910	150%	127%	111%

2020

		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	9 925 124	11 676 616	13 428 109	80%	68%	59%
CFO	6 787 009	5 346 274	6 289 733	7 233 194	127%	108%	94%

The total guaranteed pay and short-term incentive for the CEO has been changed from the 2020 integrated annual report and reflects the newly appointed CEO's remuneration.

***Note:** The CEO total guaranteed pay and short-term incentive is distorted because of the retirement of the previous CEO in December 2020 and his incentive paid in December 2020.*

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.

Retention and capped LTIP

The table below indicates the percentage of CTC that is used to calculate the number of performance shares that were awarded in 2021 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	60%	3 600 009	187 990	19.15
CFO	44%	2 370 119	123 766	19.15

Details of awards for 2021	
Performance shares	
Metair CEO	187 990
Metair CFO	123 766
Allocation date	1 April 2021
Vesting date	3 April 2024

The executives did not hold any personal holdings as at 31 December 2021. The new CEO was only appointed on 1 February 2021 and his first vesting will be in April 2024.

Vesting in 2021

The table below contains details of vesting in 2021:

	Performance shares				Share appreciation rights			
Position	% 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
CFO	13%	784 711	40 913	19.18	0.4%	23 645	812	29.12
CFO					22%	1 193 152	41 030	29.08

Individual details on vesting

Performance shares	
Metair CFO	40 913
Allocation date	3 April 2018
Vesting price	R19.18
Deemed value for CFO	R784 711
Vesting date	6 April 2021
Performance criteria: ROIC at 50% and TSR at 50%	50% participation achieved for achievement of TSR target

Share appreciation rights	
Metair CFO	812 and 41 030 = 41 842
Date of award	26 November 2015, 25 November 2016, 27 November 2017 and 27 November 2018
Vesting price	R29.12 + R29.08
Deemed value for CFO	R23 645 + R1 193 152 = R1 216 798
Vesting date	26 November 2021, 29 November 2021
Clawback right – 20% on ESG elements	5% clawed back on 2016, 2017, 2018 awards relating to the blood lead target not achieved

Refer to the remuneration policy on page 89 for more details of the performance criteria applicable to the vesting.

Awards not yet vested

Details of awards that have not yet vested including awards made in 2021 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 2021	Fair value as at 31 December 2021
CEO	Performance shares	01-Apr-21	01-Apr-24	R0.00	187 990	R20.49	R5 169 725	R5 169 725
TOTAL					**187 990**		**5 169 725**	**5 169 725**
CFO	Performance shares	03-Apr-19	03-Apr-22	R0.00	29 247	R32.61	R804 293	R953 745
		03-Apr-20	03-Apr-23	R0.00	158 812	R12.15	R4 367 330	R4 367 330
		01-Apr-21	01-Apr-24	R0.00	123 766	R20.49	R3 403 565	R3 403 565
	Share appreciation rights	27-Nov-17	27-Nov-22	R19.12	21 866	R5.85	R183 237	R601 315
		27-Nov-18	27-Nov-23	R17.70	50 073	R6.21	R490 715	R1 377 008
		27-Nov-19	27-Nov-24	R24.02	57 296	R7.37	R199 677	R422 272
TOTAL					**441 060**		**9 448 817**	**11 125 235**

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 R27.50 on 31 December 2021 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 reconciled to the annual financial statements is shown in the table below. The only difference between the below disclosure and the annual financial statements is only the STIP that was paid in the current year versus accrued as per IFRS requirements as well as subsistence allowance.

2021

Position	Guaranteed (R)	Sign-on bonus	Short-term incentive prior year (R)	Long-term incentive (R)	Total	Recon to AFS disclosure* STIP 2021 accrued	Recon to AFS disclosure* STIP 2020 paid in 2021	Total as per AFS
CEO	6 010 103	900 000	3 270 000		10 180 103	(3 270 000)		6 910 103
CFO	5 341 363		2 376 103	2 001 509	9 718 975	(2 376 103)	1 823 166	9 166 038

A sign-on bonus was paid to the incoming CEO.

2020

Position	Guaranteed (R)	Retirement payments (R)	Short-term incentive prior year (R)	Long-term incentive (R)	Total	Recon to AFS disclosure* STIP 2020 accrued	Recon to AFS disclosure* STIP 2019 paid in 2020	Subsistence allowance (R)	Total as per AFS (R)
CEO	7 949 681	14 643 341		4 727 702	27 320 724	0.00	5 771 133	24 116	33 115 973
CFO	4 963 843		1 823 166	3 019 178	9 806 187	(1 823 166)	2 734 031	9 878	10 726 930

Retirement payments include the short-term incentive payment for 2020 for the retired CEO.

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	Executive 2 R	Executive 3 R
Salaries and allowances	2 853 000	2 688 000	2 542 000
Performance bonuses	1 312 000	226 000	384 000
Pension and provident fund contributions	338 000	371 000	351 000
Company contributions	145 000	82 000	61 000
Gain on exercise of share options	701 000	851 000	630 000
Total	**5 349 000**	**4 218 000**	**3 968 000**

Non-executive directors' remuneration

An increase of 5% was recommended for non-executive directors' fees and will be presented for approval by shareholders at the AGM scheduled for 5 May 2022. Directors' fees proposed for 2022 are exclusive of VAT and are as follows:

Board chairman	R750 072.96	per annum
Non-executive directors	R375 036.48	per annum
Audit and risk committee chairman	R44 990.40	per meeting
Audit and risk committee member	R27 496.56	per meeting
Remuneration committee chairman	R33 371.52	per meeting
Remuneration committee member	R20 868.12	per meeting
Nominations committee chairman	R33 371.52	per meeting
Nominations committee member	R20 868.12	per meeting
Social and ethics committee chairperson	R29 243.76	per meeting
Social and ethics committee member	R15 004.08	per meeting
Investment committee chairman	R29 243.76	per meeting
Investment committee member	R15 004.08	per meeting

Subsidiary board fees 1 January 2022 to 31 December 2022:

Chairman	R250 024.32	per annum
Board member	R125 012.16	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 2021
Issued Share Capital: 198 985 886

Shareholder spread	No of Shareholdings	No of Shares	%
1 - 1 000 shares	3 345	554 466	0.28
1 001 - 10 000 shares	982	3 597 416	1.81
10 001 - 100 000 shares	433	14 342 323	7.21
100 001 - 1 000 000 shares	155	45 267 522	22.75
1 000 001 shares and over	42	135 224 159	67.96
Totals	**4 957**	**198 985 886**	**100.00**

Distribution of shareholders	No of Shareholdings	No of Shares	%
Banks/Brokers	53	12 718 306	6.39
Close Corporations	34	280 285	0.14
Endowment Funds	39	1 224 072	0.62
Government	2	6 763	0.00
Individuals	3 773	6 855 626	3.45
Insurance Companies	49	9 704 665	4.88
Investment Companies	3	3 131 018	1.57
Medical Schemes	12	1 338 038	0.67
Mutual Funds	189	85 015 272	42.72
Other Corporations	17	24 051	0.01
Private Companies	94	2 556 902	1.28
Public Companies	3	4 600	0.00
Retirement Funds	464	68 531 672	34.44
Sovereign Wealth Fund	1	16 297	0.01
Treasury Stock	1	5 878 273	2.95
Trusts	223	1 700 046	0.85
Totals	**4 957**	**198 985 886**	**100.00**

Public/non-public shareholders	No of Shareholdings	No of Shares	%
Non-Public Shareholders	3	38 682 004	19.44
Directors and Associates of the Company	2	32 803 731	16.49
Treasury Stock	1	5 878 273	2.95
Public Shareholders	**4 954**	**160 303 882**	**80.56**
Totals	**4 957**	**198 985 886**	**100.00**

Beneficial shareholders holding 3% or more	No of Shares	%
Government Employees Pension Fund	20 420 910	10.26
Value Capital Partners H4 QI Hedge Fund	16 183 161	8.13
Coronation Fund Managers	13 172 503	6.62
Old Mutual	13 156 358	6.61
Ninety One	12 021 795	6.04
Eskom Pension & Provident Fund	10 051 007	5.05
Foord	9 318 334	4.68
Alexander Forbes Investments	8 192 542	4.12
Mines Pension Fund	6 154 274	3.09
Kagiso Group	6 013 043	3.02
Totals	**114 683 927**	**57.63**

Institutional shareholding 3% or more	No of Shares	%
Value Capital Partners	32 803 731	16.49
Coronation Fund Managers	25 198 205	12.66
Kagiso Asset Management	23 541 494	11.83
Ninety One	15 943 886	8.01
Public Investment Corporation	15 858 322	7.97
Foord Asset Management	12 667 458	6.37
Old Mutual Investment Group	12 636 484	6.35
Truffle Asset Management	9 765 922	4.91
Totals	**148 415 502**	**74.59**

Breakdown of non-public holdings		
Directors	**No of Shares**	**%**
Sithole S & Mkhondo N	32 803 731	16.49
VCP Portfolio	32 803 731	16.49
Totals	**32 803 731**	**16.49**

Treasury Stock	No of Shares	%
Business Venture Investments No.1217	5 878 273	2.95
Totals	**5 878 273**	**2.95**

Holdings of more than 10%	No of Shares	%
Totals	**0**	**0.00**

BREAKDOWN OF BENEFICIAL SHAREHOLDERS HOLDING 3% OR MORE		
Beneficial Shareholders Holding 3% or more	**No of Shares**	**%**
Government Employees Pension Fund	**20 420 910**	**10.26**
Government Employees Pension Fund - Public Investment Corporation	14 873 599	7.47
Government Employees Pension Fund – Coronation Fund Managers	3 237 046	1.63
Government Employees Pension Fund – Sentio Capital Management	2 310 265	1.16
Value Capital Partners	**16 183 161**	**8.13**
Value Active PFP H4 QI Hedge Fund	16 183 161	8.13
Coronation Fund Managers	**13 172 503**	**6.62**
Coronation Balanced Plus Fund	5 364 145	2.70
Corolife Special Opportunities Portfolio	3 244 535	1.63
Coronation Aggressive Equity 2	1 185 145	0.60
Coronation Equity Fund	858 235	0.43
Coronation Industrial Fund	639 119	0.32
Coronation Smaller Companies Fund	473 816	0.24
Coronation Life – Aggressive Equity	356 938	0.18
Corolife Houseview Equity Portfolio	341 379	0.17
Coronation SA Equity Fund	271 627	0.14
Coronation Market Plus Fund	262 158	0.13
Corolife Houseview Portfolio	152 518	0.08
Corolife Active Equity Portfolio	15 359	0.01
Coronation Domestic Houseview Portfolio	7 529	0.00

SHAREHOLDER ANALYSIS CONTINUED

BREAKDOWN OF BENEFICIAL SHAREHOLDERS HOLDING 3% OR MORE		
Beneficial Shareholders Holding 3% or more	**No of Shares**	**%**
Old Mutual	**13 156 358**	**6.61**
Old Mutual Life Assurance Company SA	4 894 979	2.46
Old Mutual Albaraka Equity Fund	2 583 706	1.30
Old Mutual Albaraka Balanced Fund	2 079 721	1.05
Old Mutual Life Assurance Company SA	1 734 313	0.87
Old Mutual Multi-Managers Satellite Equity Fund No.2	731 784	0.37
Old Mutual Albaraka Income Fund	371 429	0.19
Old Mutual Multi-Managers Satellite Equity Fund	346 477	
Old Mutual Investment Group (Namibia)	133 596	
Old Mutual Life Assurance Company SA	82 596	
Old Mutual Namibia Growth Fund	42 228	
Old Mutual Life Assurance Company SA	35 461	
Old Mutual Managed Alpha Equity Fund	30 967	0.02
Old Mutual Dynamic Floor Fund	27 230	0.01
Old Mutual Life Assurance Company SA	24 749	0.01
Old Mutual Capped Swix Index Fund	24 467	0.01
Old Mutual Core Balanced Fund	5 752	0.00
Old Mutual Life Assurance Company SA	2 442	0.00
Old Mutual Life Assurance Company SA	2 270	0.00
Old Mutual Core Moderate Fund	1 808	0.00
Old Mutual Core Conservative Fund	383	0.00
Ninety One	**12 021 795**	**6.04**
Ninety One Emerging Companies Fund	4 592 646	2.31
Ninety One Value Fund	4 129 140	2.08
Investec Special Focus Fund	3 300 009	1.66
Eskom Pension & Provident Fund	10 051 007	5.05
Eskom Pension & Provident Fund - Value Capital Partners	5 676 671	2.85
Eskom Pension & Provident Fund - Kagiso Asset Management	2 320 707	1.17
Eskom Pension & Provident Fund - Coronation Fund Managers	1 516 774	0.76
Eskom Pension & Provident Fund - Sanlam Investment Management	163 134	0.08
Eskom Pension & Provident Fund - Old Mutual Investment Group	103 845	0.05
Eskom Pension & Provident Fund - Excelsia Capital	103 274	0.05
Eskom Pension & Provident Fund - Mianzo Asset Management	93 126	0.05
Eskom Pension & Provident Fund - Old Mutual Investment Group	73 476	0.04
Foord	**9 318 334**	**4.68**
Foord Balanced Fund	6 378 475	3.21
Foord Equity Fund	2 787 813	1.40
Foord Domestic Balanced Fund	152 046	0.08

BREAKDOWN OF BENEFICIAL SHAREHOLDERS HOLDING 3% OR MORE		
Beneficial Shareholders Holding 3% or more	**No of Shares**	**%**
Alexander Forbes Investments	**8 192 542**	**4.12**
Alexander Forbes Investments Transition Account	2 721 764	1.37
Alexander Forbes Investments Funds	2 542 720	1.28
Alexander Forbes Investments Funds	768 258	0.39
Alexander Forbes Investments Funds	449 664	0.23
Alexander Forbes Investments - Balanced	388 181	0.20
Alexander Forbes Investments Funds	285 319	0.14
Alexander Forbes Investments Funds - Low Equity Conserver	184 109	0.09
Alexander Forbes Investments Funds - Local Balanced	151 869	0.08
Alexander Forbes Investments - Shariah Equity	149 014	0.07
Alexander Forbes Investments Funds	114 679	0.06
Alexander Forbes Investments Funds	88 279	0.04
Alexander Forbes Investments Funds - Capped SWIX Tracker	63 058	0.03
Alexander Forbes Investments Funds - Equity	40 417	0.02
Alexander Forbes Investments Funds - Equity	38 943	0.02
Alexander Forbes Investments Transition Account	36 012	0.02
Alexander Forbes Investments Funds	32 156	0.02
Alexander Forbes Investments Funds - Multi-Factor	27 922	0.01
Alexander Forbes Investments Fully Discretionary Local	19 214	0.01
Alexander Forbes Investments - Aggressive Equity	18 050	0.01
Alexander Forbes Investments Funds	17 295	0.01
Alexander Forbes Investments - Aggressive Equity	15 194	0.01
Alexander Forbes Investments Fully Discretionary Global Balanced Fund	12 984	0.01
Alexander Forbes Investments Fully Discretionary Local	11 768	0.01
Alexander Forbes Investments Funds	6 822	0.00
Alexander Forbes Investments Funds	4 491	0.00
Alexander Forbes Investments Funds - Multi-Factor	4 360	0.00
Mines Pension Fund	**6 154 274**	**3.09**
Sentinel Mining Industry Retirement Fund - Value Capital Partners	4 583 408	2.30
Sentinel Mining Industry Retirement Fund - Kagiso Asset Management	1 231 325	0.62
Sentinel Mining Industry Retirement Fund - Excelsia Capital	189 592	0.10
Sentinel Mining Industry Retirement Fund - All Weather Capital	149 949	0.08
Kagiso Group	**6 013 043**	**3.02**
Kagiso Balanced Fund	1 654 344	0.83
Kagiso Islamic Balanced Fund	1 390 179	0.70
Kagiso Islamic Equity Fund	1 353 616	0.68
Kagiso Equity Alpha Fund	1 297 997	0.65
Kagiso Stable Fund	244 614	0.12
Kagiso Protector Fund	72 293	0.04
Totals	**94 263 017**	**47.21**

INDEPENDENT ASSURANCE STATEMENT

TO THE BOARD AND STAKEHOLDERS OF METAIR INVESTMENTS LIMITED

Integrated Reporting & Assurance Services (IRAS) was commissioned by Metair to provide independent third-party assurance (ITPA) over the sustainability content within Metair's 2021 Integrated Annual Report (hereafter, referred to as "the Report"), covering the period 01 January to 31 December 2021. For the purposes of this statement, the Report refers to content within the IAR, as well as the standalone TCFD Report in both the printed and downloadable/online forms, as well as all relevant supplemental information made available via the web at www.metair.co.za

Assurance Standard Applied

To the best of our ability, this assurance engagement has been aligned with an IRAS specific combination of AccountAbility's AA1000AS v3 assurance standard, structured to meet the AA1000AS Type 2 (Moderate) requirements and guidance taken from experience gained over a more than 20-year period, inclusive of testing key sustainability performance data at its source.

Independence, responsibility and limitations

IRAS was not responsible for the preparation of any part of the Report and has not undertaken any commissions for Metair in the reporting period that would interfere with our independence.

The preparation of this Report is solely the responsibility of Metair, where input from IRAS is limited to providing ongoing guidance of where early drafts of the report may appear to fall short of reasonable reporting expectations.

IRAS's responsibility in performing its assurance activities is to the Board and management of Metair alone and in accordance with the terms of reference agreed with them.

Competence

The assurance team included Michael H. Rea, a Lead Sustainability Assurance Practitioner with 23 years' experience in environmental and social performance measurement, including sustainability reporting and assurance, with support from junior associates within the IRAS team. Michael has completed more than 100 assurance engagements for 41 different companies and has completed 156 assurance site visits in 20 countries to test data at source.

Assurance objectives

The objectives of the assurance process were to:

- Assess the extent to which Metair's ESG/Sustainability reporting adheres to AccountAbility's AA1000APS Assurance Principles Standard principles of Inclusivity, Materiality, Responsiveness and Impact, as well as the additional principles of Neutrality/Balance and Comparability.
- Assess the extent to which Group collection, collation and reporting of key sustainability data from Metair's subsidiaries meets reasonable expectations for accuracy, consistency, completeness and reliability, as tested at the desktop/off-site level.
- Assess Metair's ability to provide transparent disclosure of quantitative comparable sustainability data (also referred to as "Environmental, Social and Governance", or "ESG" data).
- Assess the extent to which the Report adheres to reasonable local and international expectations for effective reporting, including guidance provided by the Value Reporting Foundation's recommendations for integrated reporting (the <IR> Framework).

Scope of work performed

The process used in arriving at this assurance statement is based primarily on IRAS's own ESG/Sustainability data criteria, as well as guidance from AccountAbility's AA1000AS v3 and other best practices in reporting and assurance. Our approach to assurance included the following:

- Meetings with key Metair personnel responsible for the preparation of the Report to assess adherence to the principles of Inclusivity, Materiality, Responsiveness, Impact, Neutrality and Comparability.
- A review of sustainability measurement and reporting procedures – inclusive of reviews of the Group's ESG/Sustainability data consolidation process – at Metair's head offices, via management interviews with the reporting team, as well as through desktop research.
- A review of data collection, collation and reporting procedures at the Group level, with specific reference to all of the ESG/Sustainability data points detailed in the Comprehensive ESG/Sustainability Data Table presented on pages 108 to 109.
- Site visits to two subsidiaries – ATE and Unitrade – to test not only the quality of data gathered at source, but also the effectiveness and reliability of Group-developed policies, procedures, systems and controls for the collection, collation and reporting of ESG/Sustainability data at the subsidiary level.
- Reviews of drafts of the Report for any significant errors and/or anomalies, inclusive of any lapses in the reporting of material issues identified during our internal and external materiality assessments, as well as the potential inclusion of any assertions that are not supported by the ESG/Sustainability data reported by the subsidiaries to the Group.
- Reviews of drafts of the Report to test for adherence to reasonable reporting expectations.
- A series of interviews with the individuals responsible for collating and writing the Sustainability Report in order to ensure sustainability performance assertions could be duly substantiated.

Although IRAS reviews all 203 ESG data indicators within our Sustainability Data Transparency Index (SDTI) during our Draft Report Reviews, specific attention was paid to the following 18 ESG/Sustainability data points during the site visits to ATE and Unitrade, and when comparing site-confirmed data to the information contained within the Report:

1	Total Employees	Total number of permanent, temporary, and fixed-term contract employees.	
2.	Employee Turnover	Percentage of employees –at final day of reporting period – that left the company's employ for all reasons (e.g., End of Contract, Dismissal, Death, Retirement, Permanent Disability/Medical Boarding, End of Contract, etc.).	
3.	Wage Gap	As per amendments to the Companies Act, the ratio of Average Income (Total Cost to Company) for the Top 5% of all employees and directors to the Average Income for the Bottom 5%.	
4.	Person Hours Worked	Total number of PHW for all employees and contractors.	
5.	FIFR	Fatal Injury Frequency Rate (FIFR), calculated as the total number of fatal injuries (FIs) per 200 000 PHW – for employees and contractors.	
6.	LTIFR	Lost Time Injury Frequency Rate (LTIFR), calculated as the total number of lost time injuries (LTIs) per 200 000 PHW – for employees and contractors.	
7.	TIFR	Total Injury Frequency Rate (TIFR), calculated as the total number of injuries – inclusive of FIs, LTIs, Medical Treatment Cases (MTCs) and First Aid Cases (FACs) per 200 000 PHW – for employees and contractors.	
8.	Days Lost Due to Injury	Total number of person days lost due to LTIs	
9.	Injury Severity Rate	Average number of days lost per LTI	
10.	Absenteeism	Total number of person days lost due to all forms of absenteeism, inclusive of:	
		Scheduled	Annual Leave, Maternity/Paternity, Study, etc.
		Non-Scheduled	Abscond, Sick, etc.
11.	Absenteeism Rate	Total days lost relative to the number of days worked (i.e., PHW ÷ 8).	
12.	# of Persons Trained	Total Rand value of expenditures on training initiatives, inclusive of:	
		Awareness Training	Inductions, safety briefings, etc.
		Mandatory Re-Certifications	Renewing of licenses for forklift drivers, etc.
		Skills Development	Formal training programmes leading to new transferable skills, inclusive of certifications, diplomas and/or degrees.
13.	CSI/SED Spend	Total Rand value of expenditures – inclusive of in-kind contributions and other forms of assistance – on Corporate Social Investment (CSI)/Socioeconomic Development (SED) projects.	
14.	Electricity Consumption	Total direct and indirect consumption of electricity for primary purposes.	
15.	Petrol Consumption	Total direct and indirect consumption of petrol for primary purposes.	
16.	Diesel Consumption	Total direct and indirect consumption of diesel for primary purposes.	
17.	Water Consumption	Total volume of water consumed – from all sources (i.e., municipal services, boreholes, etc.) – for primary purposes.	
18.	Waste to Landfill	Total volume of generated that is sent to landfill.	
19.	Waste Recycled	Total volume of waste generated that is sent for recycling.	

Findings & Recommendations

Based on our analysis of Metair's ESG/Sustainability reporting, it is our belief that the company's ESG/Sustainability data collection, collation and reporting processes facilitate the effective consolidation of subsidiary performance data at the Group level for the purposes of annual disclosure to stakeholder. However, some opportunities exist with respect to the adequacy of pre-FYE controls relating to ensuring that data is updated if/when new information is obtained prior to finalisation of quarterly data submissions to the Group. Nonetheless, the current Report reasonably reflects an accurate accounting of Metair's performance, including the review of data collected, collated and reported by the various subsidiaries.

Reporting against the assurance principles:

- As per a review of management assertions, inclusive of discussions at the Group level and reviews of the stakeholder engagement content within the IAR, Metair reasonably identifies, prioritises and engages key stakeholders, thus meeting the requirements of Inclusivity.
- The content of the Report does not differ, in any significant way, from an analysis of the material issues discussed within Metair, or within its sphere of influence, as per our desktop materiality scan process. Adequate systems and controls appear to be in place to identify and prioritise the company's "most material issues", thereby meeting reasonable Materiality expectations.
- As per a review of management assertions, inclusive of discussions at the Group level and reviews of the stakeholder engagement content within the IAR, Metair reasonably addresses stakeholder concerns through engagement, inclusive of, but not limited to, the content within its IAR, thereby meeting reasonable Responsiveness expectations.
- As per a review of management assertions, inclusive of discussions at the Group level and reviews of the stakeholder engagement content within the IAR, it is reasonable to assert that Metair addresses its most material impacts on stakeholders and the natural environment in which

it operates through risk management policies and procedures at both the Group and Subsidiary levels. However, we believe that more can be done to improve its ability to demonstrate how actions affect their broader ecosystems, and what is being done to mitigate these impacts. At a moderate level, we believe Metair's activities, inclusive of, but not limited to, the content discussed within its Report, meets basic Impact expectations, but require further improvement, particularly with respect to additional disclosure to stakeholders within the Report.
- As per a review of management assertions, inclusive of discussions at the Group level and reviews of the IAR, the presentation of performance information by Metair reasonably includes a fair and balanced reporting of the company's successes and challenges during the reporting period, thereby meeting reasonable Neutrality expectations.
- As per a review of management assertions, inclusive of discussions at the Group level and reviews of the IAR, particularly with respect to the presentation of quantitative/numerical performance information, and alignment of the Report to leading guidance materials (e.g., the Value Reporting Foundation's Integrated Reporting <IR> Framework). Metair provides an exceptional level of performance transparency in a manner that allows for comprehensive comparability against peer companies, thereby meeting reasonable Comparability expectations.

Sustainability Data Performance

- Metair's systems for data collection, collation and reporting, at both the Group and Subsidiary level, are well established and used effectively to allow for the ongoing (quarterly) monitoring and management of the Group's ESG/Sustainability performance, inclusive of annual reporting to stakeholders.
- With respect to the data reported by the subsidiaries to the Group, inclusive of the data reviewed at ATE and Unitrade during the site visits, no significant errors and/or inconsistencies were identified to the extent of requiring any sort of qualification. While data errors were identified – primarily transcription errors from site to Group data management systems – these were identified, addressed and corrected during the year end consolidation and reporting process. However, it was noted that some subsidiaries may require a re-review of Group ESG/Sustainability definitions to ensure consistency of reported data, particularly those where COVID-19 related staffing and/or personnel limits due to the size of the company issues impacted control procedures.
- With the exception of the 'Number of Persons Trained', where at least one operation reported training 20% more persons than employed (primarily due to a misinterpretation of the Metair Group Sustainability Definition for this indicator), no significant errors and/or inconsistencies were identified to the extent of requiring any sort of qualification.
- Based on the depth of reporting of ESG data within the IAR, including the comprehensive consolidated ESG/Sustainability data table, we believe that Metair demonstrates leadership relative to public disclosure of the ESG/Sustainability data. As per our SDTI analysis of Metair's current reporting, their ESG/Sustainability data transparency falls within the Top 1% of all JSE-listed companies.

Conclusions

Based on the information reviewed, IRAS is confident that Metair's Report provides a comprehensive and balanced account of the sustainability performance of the company during the period under review. The data presented is based on a systematic process and we are satisfied that, aside from the exceptions stated above, the reported performance data accurately represents the current performance of Metair, while meeting the reporting principles of Inclusivity, Materiality, Responsiveness, Impact, Neutrality and Comparability. Moreover, we firmly believe that the Report demonstrates leadership with respect to ESG data transparency.

Integrated Reporting & Assurance Services (IRAS)

Johannesburg

4 March 2022

SUPPLEMENTARY SCHEDULES

GLOSSARY

ABM	Associated Battery Manufacturers (East Africa) Limited
ACEA	European Automobile Manufacturer's Association
ACI	African, Coloured and Indian
AET	Adult education and training
AFS	Annual financial statements
AGM	Annual general meeting
AGM batteries	Absorbent glass matt batteries
APDP	Automotive Production and Development Programme. A government support programme for the South African automotive industry
B-BBEE	Broad-Based Black Economic Empowerment
BEV	Battery electric vehicle
BI	Business intelligence
BV	Book value
CDP	Carbon Disclosure Project
CEO	Chief executive officer
CFO	Chief financial officer
CGU	Cash generating unit
CPI	Consumer price index
CSI	Corporate social investment
CTC	Cost to company
EBIT	Earnings before interest and tax
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
FEC	Forward exchange contracts
FNB	First National Battery
FVOCI	Fair value through other comprehensive income
FVTPL	Fair value through profit or loss
GDP	Gross domestic product
GDPR	EU General Data Protection Regulation
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
HVAC	Heating, ventilation and air conditioning
IATF	International Automotive Task Force
IAR	Integrated annual report
IAS	International Accounting Standards
IBC	Inside back cover
ICE	Internal combustion engine
IFC	Inside front cover
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
IP	Intellectual property

GLOSSARY CONTINUED

ISO	The International Organisation for Standardization
IT	Information Technology
JIBAR	Johannesburg Interbank Average Rate
JSE	Johannesburg Stock Exchange
KPI	Key Performance Indicator
kWh	Kilowatt hours
LCV	Light commercial vehicle
LME	London Metal Exchange
LTI	Lost time injury
LTIFR	Lost time injury frequency rate
LTIP	Long-term incentive plan
MD	Managing director
MERSETA	Manufacturing, Engineering and Related Services SETA
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
NCI	Non-controlling interest
NEV	New energy vehicle
OE	Original Equipment
OEM	Original Equipment Manufacturer
OHSAS	Occupational Health and Safety Assessment Series
OSD	Turkish Automotive Manufacturers Association
PBIT	Profit before interest and tax
PHW	Person-hours worked
POPIA	Protection of Personal Information Act
PPE (COVID-19)	Personal protective equipment
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
SED	Socio-economic development
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
TWIMS	Toyota Wessels Institute for Manufacturing Studies
UWC	University of the Western Cape
VCA	Vehicle Certification Agency
VCT	Voluntary counselling and testing
WACC	Weighted average cost of capital

APPENDIX I – ACCREDITATION

	Environ-mental	Health and Safety	Quality (non-auto)	Quality (auto)	Energy Management	Quality (OEM)	Quality (OEM)	Quality (OEM)	Quality (EU)	
Subsidiaries	ISO 14001	OHSAS 18001/ ISO 45001	ISO 9001	ISO/IATF 16949	ISO 50001	Q1 Ford	QSB Isuzu	Formal Q	VCA	MASC PERMIT
First National Battery Division	✓	✓	✓	Delayed and planned for 2022	✓	✗	✓	✓	N/A	✓
Smiths Manufacturing	✓	✓	✓	✓	✓	N/A	✓	N/A	N/A	N/A
Hesto Harnesses	✓	✓	N/A	✓	✓	N/A	✓	N/A	N/A	N/A
Automould	✓	✓	✓	✓	2022	2023	N/A	N/A	N/A	N/A
Supreme Spring Division	✓	✓	✓	✓	✓		✓	N/A	N/A	N/A
Alfred Teves Brake Systems	✓	✓	✓	N/A	✓	N/A	N/A	N/A	N/A	N/A
Lumotech	✓	✓	✓	✓	✓	✓	✓	✓	✓	N/A
Tenneco Automotive Holdings	✓	✓	✓	✓	✓	✓	✓	✓	N/A	N/A
Valeo Systems South Africa	✓	✓	✓	✓	✓	✓	N/A	✓	N/A	N/A
Unitrade 745	✓	✓	✓	✓	✓	N/A	N/A	N/A	N/A	N/A
Rombat	✓	✓	✓	✓	✓	✓	N/A	N/A	N/A	N/A
Mutlu Akü	✓	✓	✓	✓	✓	✓	N/A	N/A	N/A	N/A
ABM	✓	N/A	✓	Delayed and planned for 2022	✓	N/A	N/A	N/A	✓	N/A

APPENDIX II – SUSTAINABILITY DATA TABLE

		FY2021	FY2020	FY2019	FY2018	FY2017
Labour						
Total number of permanent employees	Number	9 039	7 399	7 645	7 439	7 432
Total number of temporary employees	Number	1 275	1 198	644	788	810
Total number of contractors	Number	1 859	1 289	998	1 074	861
Total employees (including contractors)	Number	12 173	9 886	9 287	9 301	9 103
Percentage of employees who are deemed 'HDSA' (South Africa only)	%	93.2%	91.0%	92.0%	90.7%	90.3%
Percentage of employees who are women	%	38.5%	34.4%	33.5%	32.4%	32.3%
Total number of disabled employees	Number	155	155	177		
Percentage of employees who are permanent	%	87.6%	86.1%	92.2%	90.4%	81.6%
Percentage of employees who belong to a trade union	%	53.4%	62.7%	71.7%	70.4%	69.7%
Total number of employee terminations	Number	1 251	1 275	1 810	2 059	1 875
Employee turnover rate	%	12.1%	8.6%	9.7%	8.9%	11.5%
Total number of person hours worked – all employees and contractors	Number	20 744 873	16 745 357	18 890 351	18 572 407	17 721 822
Total number of person days lost due to absenteeism	Number	73 585	79 723	71 134	76 074	61 797
Absenteeism rate	%	3.0%	4.2%	3.2%	3.6%	3.0%
Total number of person days lost due to industrial action	Number	366	2 547	52	36 502	9 601
Industrial action rate	%	0.01%	0.10%	0.00%	1.70%	0.40%
Total number of employees trained	Number	10 578	8 951	10 630	8 867	7 593
Total number of training interventions	Number	15 454	14 333	26 807	26 632	15 288
Rand value of employee training spend	R (million)	36.8	33.5	34.7	28.2	27.3
Rand value of research and development spend	R (million)	25	26	28	35	38.6
Health and Safety (all employees and contractors)						
Total number of lost time injuries	Number	30	51	73	107	86
Total number of medical treatment cases	Number	57	74	89	156	87
Total number of first aid cases	Number	545	547	549	771	875
Total number of recordable injuries	Number	87	125	162	263	173
Fatal injury frequency rate	Rate	0	0	0	0	0
Lost time injury frequency rate	Rate	0.29	0.61	0.77	1.15	0.97
Total recordable injury frequency rate	Rate	0.86	1.49	1.01	2.83	1.95
Total injury frequency rate	Rate	6.11	8.03	7.53	11.13	11.83
Total number of employees and contractors receiving Voluntary Counselling and Testing (VCT) for HIV/Aids (i.e. counselled)	Number	135	666	670	540	408
Total number of employees and contractors tested for HIV/Aids	Number	331	502	1 119	882	809
Environmental						
Number of environmental incidents	Number	0	N/R*	N/R	N/R	N/R
Carbon footprint:						
– Scope 1	tCO_2e	50 467	43 944	47 031	44 800	44 603
– Scope 2	tCO_2e	166 687	146 062	173 311	153 767	138 134
– Scope 3	tCO_2e	382 054	306 549	421 099	423 946	455 455
Total	**tCO_2e**	**599 208**	**496 554**	**641 441**	**622 513**	**638 192**
Total electricity consumption – non-renewable	MWh	228 458	197 058	217 121	212 156	201 381
Total electricity consumption – renewable	MWh	0	0	0	0	0
Total petrol consumption	litres	455 767	202 303	279 185	270 015	288 285
Total diesel consumption	litres	1 101 329	594 736	726 353	757 849	1 430 114
Total direct energy consumption from non-renewable fuels burned	Gj	58 396	N/R	N/R	N/R	N/R
Total direct energy consumption from renewable fuels burned	Gj	0	0	0	0	0

N/R – Not reported in prior years

		FY2021	FY2020	FY2019	FY2018	FY2017
Water						
Total water consumption	m^3	524 608	596 577	624 332	650 727	621 330
Total volume of water discharged	m^3	202 764	192 097	262 253	194 061	192 909
Non-hazardous waste						
Total volume of non-hazardous waste sent to landfill	kgs	6 138 703	4 780 679	6 203 292	6 254 820	3 359 479
Total volume of paper recycled	kgs	60 185	62 738	73 100	386 865	802 564
Total volume of cardboard recycled	kgs	1 667 924	1 185 750	1 707 760	1 552 227	902 285
Total volume of plastic recycled (internal and external)	kgs	5 005 089	4 096 3231	4 748 610	3 780 586	3 647 220
Total volume of glass recycled	kgs	218	1 580	105	870	450
Total volume of metal recycled (including tin cans) (internal and external)	kgs	1 432 558	1 480 843	2 663 296	1 572 258	1 752 462
Total volume of biodegradable wet waste recycled	kgs	775 890	545 500	720 928	525 110	423 458
Total volume of other waste recycled (e-waste, wood, polystyrene, packaging foil etc.)	kgs	60 746	978 716	1 117 875	1 177 002	1 106 516
Total volume of non-hazardous waste recycled	kgs	10 142 440	8 391 147	11 031 674	8 994 897	8 634 955
Hazardous waste						
Total volume of hazardous waste sent to appropriate disposal sites	kgs	20 603 795	17 640 107	22 086 842	20 362 268	22 187 270
Total volume of lead recycled	Tonnes	±62 100	±65 700	±67 300	±64 400	±67 000
Total volume of oils recycled	kgs	52 837	36 487	27 847	52 424	37 276
CSI/SED Expenditures						
Rand Value of Corporate Social Investment (CSI)/ Socioeconomic Development (SED) expenditures	R (million)	20.6	13.8	18.9	11.2	10.1
Rand Value of CSI/SED spend on education	R (million)	1.1	1.5	2.8	1.6	1.9
Rand Value of CSI/SED spend on skills development, including Adult Education & Training (AET)	R (million)	2.8	0.9	1.6	1.0	0.9
Rand Value of CSI/SED spend on health, including HIV/AIDS	R (million)	4.6	4.5	4.0	3.8	2.5
Rand Value of CSI/SED spend on basic needs and social development, including nutrition and/or feeding programmes	R (million)	2.3	2.9	2.3	2.0	1.3
Rand Value of CSI/SED spend on infrastructure development	R (million)	0.3	0.4	0.0	0.1	0.8
Rand Value of CSI/SED spend on arts, sports and culture	R (million)	1.6	1.0	2.2	1.2	1.2
Rand Value of CSI/SED spend on other	R (million)	5.1	2.4	1.3	1.1	1.0
Rand Value of CSI/SED spend on environmental projects	R (million)	0.5	0.0	1.7	0.0	0.3
Rand Value of CSI/SED spend on job creation/small business support	R (million)	2.3	0.2	1.3	0.3	0.2
Enterprise development (support for small business development)						
Rand Value of enterprise development spend	R (million)	13.5	17.0	16.6	14.2	20.9
Preferential procurement (South African operations only)						
Rand Value of total discretionary procurement spend	R (million)	3 355	2 665	2 786.4	2 498.90	2 231.50
Rand Value of HDSA procurement spend	R (million)	1 959	1 677	1 694	1 213.30	886
Preferential procurement spend rate	%	58.4%	62.90%	65.40%	48.60%	39.70%

APPENDIX III – HUMAN CAPITAL

Total headcount	Male	Female	Total
South Africa			
Permanent	4 288	3 011	7 299
Temporary	574	398	972
Contractors	1 498	361	1 859
Total	**6 360**	**3 770**	**10 130**
Romania			
Permanent	576	88	664
Temporary	60	19	79
Contractors			
Total	**636**	**107**	**743**
Turkey			
Permanent	975	92	1 067
Temporary	224		224
Contractors			
Total	**1199**	**92**	**1 291**
UK			
Permanent	8	1	9
Temporary			0
Contractors			0
Total	**8**	**1**	**9**
Group (excluding contractors)	**6 898**	**3 416**	**10 314**
Group including independent contractors	**8 200**	**3 973**	**12 173**
Metair subsidiaries do not make use of labour brokers			

APPENDIX IV – STAKEHOLDER ENGAGEMENT

Primary concerns	How we address these concerns	Engagement channels include
Shareholder		
Acceptable return on invested capital, capital allocation, COVID-19 recovery strategy, 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. • Regular communication with the market to communicate progress on our COVID-19 recovery strategy.	• 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 recovery strategy, 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. • Regular communication with the market to communicate progress on our COVID-19 recovery strategy.	• 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, riots and supply chain disruptions, 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. • Focus on addressing the various challenges to timeous supply during the year, including supply chain disruptions, riots and COVID-19. • 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 • The annual Metair Exhibition • 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, riots and supply chain disruptions, 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. • Focus on supply chain management to address the various challenges during the year, including supply chain disruptions, riots and COVID-19. • Participation in industry forums to better understand the concerns of suppliers.	• Contract negotiations • Ongoing interactions in the ordinary course of business • The annual Metair Exhibition • Supplier audits • Service level agreement negotiations • Industry forums • Trade shows and exhibits • Annual meetings

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 • The annual Metair Exhibition
Government regulators		
Responsible operation during COVID-19, transformation, health and safety, environmental responsibility, regulatory compliance, sustainable employment, corporate social responsibility.	• Metair's COVID-19 protocols comply with all 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.	• Metair's COVID-19 protocols aim to ensure the safety and health of all employees and contractors at our operations. • Salaried employees received a lesser increase than waged employees to narrow the remuneration gap. • 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 • Operational performance reviews • Feedback sessions • CEO site visits • Electronic communication • Anonymous Tip Offs hotline • Company website • Induction programmes
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

16 March 2022

CERTIFICATE BY 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 2021, 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
16 March 2022

APPROVAL OF FINANCIAL STATEMENTS

The group financial statements and the financial statements of the company for the year ended 31 December 2021, set out on pages 116 to 199, were approved by the board of directors and signed on its behalf by:

CMD Flemming
Chairman

R Haffejee
CEO

Johannesburg
16 March 2022

DIRECTORS' RESPONSIBILITY

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 2021 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 118.

DIRECTORS' RESPONSIBILITY ON FINANCIAL CONTROLS

The directors, whose names are stated below, hereby confirm that –
(a) the annual financial statements set out on pages 117 to 199, 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 and Risk 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
CEO

S Douwenga
CFO

Johannesburg
16 March 2022

DIRECTORS' REPORT

The directors have pleasure in submitting their report for the year ended 31 December 2021.

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 123 to 199 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 R675 million (2020: R174.2 million).

The directors are satisfied that the group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the directors continue to adapt the going concern basis in preparing the financial statements.

DIVIDENDS

The following dividends were declared for ordinary shares:

31 December 2020
A dividend of 75 cents per share, declared on 17 March 2021 in respect of the year ended 31 December 2020.

31 December 2021
A dividend of 90 cents per share is declared on 16 March 2022 in respect of the year ended 31 December 2021.

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 (note 7)	588 123

The main changes to the intangible assets of the group were as follows:

	R'000
Additions (note 8)	10 958

DIRECTORS

The composition of the board of directors is set out on pages 12 to 13 of the integrated annual report.

R Haffejee (appointed February 2021)
S Douwenga (appointed March 2014)
TN Mgoduso (appointed March 2016)
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 May 2021)

SECRETARY

SM Vermaak

Business address
Oxford and Glenhove Building, 114 Oxford Road, Suite 7, Houghton Estate, Johannesburg, 2198

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 198 and note 9 to the financial statements.

HOLDING COMPANY

The company has no holding company.

AUDITORS AND AUDIT FIRM ROTATION

PricewaterhouseCoopers Inc. was the group auditor in accordance with section 90 of the Companies Act for the 2021 financial year.

The board of directors of the company has approved the appointment of Ernst & Young Inc. ('EY') as the new external auditor of the company and group for the financial year commencing 1 January 2022, subject to shareholder approval at the upcoming annual general meeting.

SPECIAL RESOLUTIONS AND ANNUAL GENERAL MEETING ('AGM')

Special resolutions were passed at the previous AGM held on 5 May 2021 in regard to:
- Approval of non-executive directors' remuneration for the period 1 January 2021 to 31 December 2021;
- General authority to provide direct or indirect financial assistance to all related and inter-related entities in terms of section 44 and 45 of the Companies Act; and
- General authority to acquire (repurchase) shares.

An AGM will be held on Thursday, 5 May 2022. Refer to the notice of the AGM when issued for further details of the ordinary and special resolutions for consideration at the meeting.

POST-BALANCE SHEET EVENTS

The shareholders of Hesto Harnesses (Pty) Ltd have resolved to inject R250 million of additional funding into the business. The group's proportionate share, for R187.5 million, will be advanced in the form of subordinated debt.

There were no other significant post-balance sheet events.

APPROVAL OF FINANCIAL STATEMENTS

The directors have approved the financial statements on pages 123 to 199 which are signed on their behalf by:

CMD Flemming
Chairman

R Haffejee
CEO

Johannesburg
16 March 2022

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OR 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 2021, 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 123 to 199 comprise:

- the consolidated and separate balance sheets as at 31 December 2021;
- 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: R113,589,630 which represents 0.90 % of consolidated revenue.

Group audit scope

- We performed full scope audits over 10 components and review procedures over 1 component due to their financial significance, risk associated with the component and to obtain sufficient coverage across the Group.
- 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	R113,589,630
How we determined it	0.90% 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 of the consolidated financial statements, as it is the key driver of the Group's business. We chose 0.90% based on our professional judgement, after consideration of the range of quantitative materiality thresholds that we would typically apply when using revenue as a benchmark in calculating materiality.

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.

The Group's consolidated financial statements comprise of 23 components. 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 their financial significance, the risk associated with the component and to obtain coverage across the Group. In order to obtain audit evidence in respect of other components not subject to Group reporting ,the group engagement team performed analytical review procedures on the 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 judgment, 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.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OR METAIR INVESTMENTS LIMITED

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. Refer to the following accounting policies and notes to the consolidated financial statement for details: • Note 8: Intangible Assets; and • Note 24B: Critical Accounting Estimates & Judgements - Assumptions and estimation uncertainties; As at 31 December 2021, the Group's total goodwill and indefinite life intangible asset balance amounted to R177 million, of which R96 million relates to the Mutlu group and Rombat SA, and R81 million which relates to the Mutlu group brand classified as an indefinite life intangible asset. 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 assessment for goodwill and the indefinite life intangible asset is performed for the group of cash-generating units to which these assets have been allocated. 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 on 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. 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 asset balance to the consolidated financial statements.	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. We assessed the appropriateness of the valuation models applied by management with reference to market practice and the requirements of IAS 36. Management's cash flow forecasts were agreed to board approved budgets, noting no exceptions. We assessed the reasonableness of the budgeting process by comparing actual results to budgeted results from 2017 to 2021. No material exceptions were noted. 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: • We held discussions with management and obtained an understanding of the rationale for the discount rate applied. We also 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. Whilst our range is, in itself subjective, the discount rate adopted by management fell within our internally developed range; • Assessed the reasonability of management's forecasted compound annual volume growth rate by corroborating it with expected planned volumes per customer contracts, assessing the reasonability of the volume growth in comparison to available capacity to assess whether this growth can be achieved in the future and inspected historical customer profiles in place in order to assess customer retention and growth in revenue; and • Performed a sensitivity analysis on management's assumptions by using our own independent model, taking into account 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.

Separate financial statements

We determined that there are no key audit matters with regard to the audit of the separate financial statements of the Company for the current period to communicate in our audit report.

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 2021", which includes the Directors' Report, the Audit and Risk Committee's Report and the Certificate by Company 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.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OR METAIR INVESTMENTS LIMITED

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 24 years.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: N Ndiweni
Registered Auditor
Johannesburg, South Africa
16 March 2022

BALANCE SHEETS

AS AT 31 DECEMBER 2021

		GROUP		COMPANY	
		2021	2020	2021	2020
	Notes	R'000	R'000	R'000	R'000
ASSETS					
Non-current assets		3 539 201	3 759 995	2 232 431	573 685
Property, plant and equipment	7	2 636 978	2 618 197		
Intangible assets	8	283 793	503 801		
Interest in subsidiaries	9			576 383	570 892
Loans - subsidiaries	9			1 608 784	
Investment in associates	10	613 056	624 185	47 264	2 793
Deferred taxation	15	5 374	13 812		
Current assets		5 536 218	5 538 675	3 516	1 526 287
Inventory	11	1 959 253	1 695 429		
Trade and other receivables	12	1 978 447	1 819 377		
Contract assets	1.2	511 199	382 278		
Taxation		2 552	17 653		
Short-term loans - subsidiaries	9				1 523 467
Derivative financial assets	19.5	6 693	242		
Cash and cash equivalents	13	1 078 074	1 623 696	3 516	2 820
Total assets		9 075 419	9 298 670	2 235 947	2 099 972
EQUITY AND LIABILITIES					
Capital and reserves					
Stated capital	26	1 497 931	1 497 931	1 497 931	1 497 931
Treasury shares	26	(118 153)	(128 126)		
Share-based payment reserve	27.1	202 464	178 087	82 688	77 198
Foreign currency translation reserve	27.2	(2 966 589)	(2 069 461)		
Equity accounted earnings	27.3	404 886	463 323		
Changes in ownership reserve	27.4	(21 197)	(21 197)		
Retained earnings	27.5	4 759 200	4 185 418	350 245	301 375
Ordinary shareholders equity		3 758 542	4 105 975	1 930 864	1 876 504
Non-controlling interests	27.6	115 812	108 863		
Total equity		3 874 354	4 214 838	1 930 864	1 876 504
Non-current liabilities		2 241 629	1 028 096	27 546	
Borrowings and financial liabilities	14	1 849 263	519 311	27 546	
Post-employment benefits	22	73 263	91 327		
Deferred taxation	15	173 614	251 155		
Deferred grant income	16	104 681	124 626		
Provisions for liabilities and charges	17	40 808	41 677		
Current liabilities		2 959 436	4 055 736	277 537	223 468
Trade and other payables (including deferred grant income)	16	2 155 753	1 873 269	822	837
Contract liabilities	1.2	49 952	118 496		
Borrowings and financial liabilities	14	477 642	1 851 002	9 937	
Taxation		60 574	53 364		
Provisions for liabilities and charges	17	98 205	83 175		
Short-term loans - subsidiaries	9			266 778	222 631
Derivative financial liabilities	19.5	1 131	17 857		
Bank overdrafts	13	116 179	58 573		
Total liabilities		5 201 065	5 083 832	305 083	223 468
Total equity and liabilities		9 075 419	9 298 670	2 235 947	2 099 972

INCOME STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

		GROUP		COMPANY	
		2021	2020	2021	2020
	Notes	R'000	R'000	R'000	R'000
Revenue	1	12 621 070	10 234 706		
Cost of sales		(10 421 551)	(8 642 047)		
Gross profit		2 199 519	1 592 659		
Other operating income and dividend revenue	3	204 463	117 943	158 874	
Distribution expenses		(395 694)	(382 932)		
Administrative and other operating expenses		(826 028)	(751 282)	(5 979)	(5 143)
Impairment (loss)/gain on financial assets	12	(23 221)	(15 726)	47 861	(6 478)
Operating profit/(loss)	3	1 159 039	560 662	200 756	(11 621)
Interest income	2	32 425	40 873		
Interest expense	2	(177 464)	(204 731)		
Share of results of associates	10	(51 878)	8 132		
Impairment of associates	10		(108 168)		
Profit/(loss) before taxation		962 122	296 768	200 756	(11 621)
Taxation	4	(269 324)	(111 491)		
Profit/(loss) for the year		692 798	185 277	200 756	(11 621)
Attributable to:					
Equity holders of the company		674 791	174 184	200 756	(11 621)
Non-controlling interests		18 007	11 093		
		692 798	185 277	200 756	(11 621)
Earnings per share					
Basic earnings per share (cents)	5	350	91		
Diluted earnings per share (cents)	5	346	91		

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

		GROUP		COMPANY	
		2021	2020	2021	2020
	Notes	R'000	R'000	R'000	R'000
Profit/(loss) for the year		692 798	185 277	200 756	(11 621)
Other comprehensive income:					
Items that will not be reclassified to profit or loss:					
- Actuarial losses recognised	22	(4 760)	(9 552)		
- Taxation effect	15	950	2 056		
		(3 810)	(7 496)		
Items that may be reclassified to profit or loss:					
- Net exchange losses arising on translation of foreign operations*		(897 191)	(277 768)		
Other comprehensive loss for the year net of taxation		(901 001)	(285 264)		
Attributable to:					
Equity holders of the company		(900 783)	(285 462)		
- Actuarial losses recognised		(3 655)	(7 228)		
- Net exchange losses arising on translation of foreign operations		(897 128)	(278 234)		
Non-controlling interests	27.6	(218)	198		
- Actuarial losses recognised		(155)	(268)		
- Exchange (losses)/gains arising on translation of foreign operations		(63)	466		
Total comprehensive (loss)/income for the year		(208 203)	(99 987)	200 756	(11 621)
Attributable to:					
Equity holders of the company		(225 992)	(111 278)	200 756	(11 621)
Non-controlling interests	27.6	17 789	11 291		

* Foreign currency exchange losses consist predominantly of translation losses arising from Mutlu. The Turkish Lira spot rate devalued from TL2 to TL1.19 against the ZAR in the year under review.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

		GROUP						
	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
Year ended 31 December 2021								
Balance as at 1 January 2021	26, 27	**1 497 931**	**(128 126)**	**(1 449 248)**	**4 185 418**	**4 105 975**	**108 863**	**4 214 838**
Net profit for the year	27				**674 791**	**674 791**	**18 007**	**692 798**
Other comprehensive loss	27			**(897 128)**	**(3 655)**	**(900 783)**	**(218)**	**(901 001)**
Total comprehensive loss for the year	27			**(897 128)**	**671 136**	**(225 992)**	**17 789**	**(208 203)**
Employee share option scheme	27.1			**24 377**		**24 377**		**24 377**
Vesting of share-based payment obligation	26, 27.1		**9 973**	**(11 271)**		**(1 298)**		**(1 298)**
Transfer of net vesting impact to retained earnings	27.1, 27.5			**11 271**	**(11 271)**			
Transfer of associate loss and dividend	27.3			**(58 437)**	**58 437**			
Dividend*	27.5				**(144 520)**	**(144 520)**	**(10 840)**	**(155 360)**
Balance as at 31 December 2021		**1 497 931**	**(118 153)**	**(2 380 436)**	**4 759 200**	**3 758 542**	**115 812**	**3 874 354**
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

* An ordinary dividend of R0.75 per share declared (by the company) in respect of the year ended 31 December 2020.
R10.8 million refers to Smiths Manufacturing (Pty) Ltd (Smiths Manufacturing) and Rombat SA dividends paid to outside shareholders.

** 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.

		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 2021							
Balance as at 1 January 2021	26, 27	**1 497 931**		**77 198**	**301 375**	**1 876 504**	**1 876 504**
Net profit for the year	27.5				**200 756**	**200 756**	**200 756**
Total comprehensive income for the year					**200 756**	**200 756**	**200 756**
Employee share option scheme	27.1			**18 610**		**18 610**	**18 610**
Utilisation of treasury shares from BVI	26		**(15 767)**			**(15 767)**	**(15 767)**
Settlement of share options	27.1		**15 767**	**(13 120)**	**(2 647)**		
Dividend*	27.5				**(149 239)**	**(149 239)**	**(149 239)**
Balance as at 31 December 2021		**1 497 931**		**82 688**	**350 245**	**1 930 864**	**1 930 864**
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	27				(11 621)	(11 621)	(11 621)
Employee share option scheme	27.1			31 780		31 780	31 780
Utilisation of treasury shares from BVI	26		(22 853)			(22 853)	(22 853)
Settlement of share options	27.1		22 853	(22 853)			
Balance as at 31 December 2020		1 497 931		77 198	301 375	1 876 504	1 876 504

* An ordinary dividend of R0.75 per share declared in respect of the year ended 31 December 2020.
The ordinary dividend of R1.20 per share declared in respect of the year ended 31 December 2019, was cancelled.

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	GROUP 2021 R'000	GROUP 2020 R'000	COMPANY 2021 R'000	COMPANY 2020 R'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash generated from/(utilised in) operations	18.1	648 930	1 057 418	143 245	(5 083)
Interest paid	18.4	(183 389)	(200 086)		
Taxation paid	18.2	(251 357)	(91 513)		
Dividends paid	18.3	(155 360)	(25 161)	(149 239)	
Dividends from associates	10	6 724	14 920		
Net cash inflow/(outflow) from operating activities		65 548	755 578	(5 994)	(5 083)
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of property, plant and equipment (excludes leased assets)	7	(439 685)	(225 031)		
Acquisition of intangible assets	8	(10 958)	(20 858)		
Increase in investments in associate	10		(9 559)		
Advances made to subsidiaries				(149 240)	(5 455)
Advances received from subsidiaries				111 783	
Interest received	2	32 425	40 873		
Proceeds on disposal of property, plant and equipment	3, 7	2 601	1 985		
Net cash (outflow)/inflow from investing activities		(415 617)	(212 590)	(37 457)	(5 455)
CASH FLOWS FROM FINANCING ACTIVITIES					
Revolving credit facility drawdown	18.5	65 000	150 000		
Revolving credit facility repaid	18.5	(264 100)			
Mutlu and Rombat borrowings repaid	18.5	(177 631)	(114 212)		
Mutlu and Rombat borrowings raised	18.5	410 806	223 731		
Lease payments	18.5	(43 096)	(48 916)		
Advances received from subsidiaries				44 147	12 887
Utilisation of treasury shares - CGT (gain)/loss	27.1	(1 298)	160		
Net cash (outflow)/inflow from financing activities		(10 319)	210 763	44 147	12 887
Net (decrease)/increase in cash and cash equivalents		(360 388)	753 751	696	2 349
Cash and cash equivalents at the beginning of the year		1 565 123	878 605	2 820	471
Exchange loss on cash and cash equivalents		(242 840)	(67 233)		
Cash and cash equivalents at end of the year	13	961 895	1 565 123	3 516	2 820

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

1. SEGMENT REPORT AND REVENUE	GROUP 2021 Segment revenue R'000	GROUP 2021 % of total segment revenue	GROUP 2021 Segment PBIT R'000	GROUP 2020 Segment revenue R'000	GROUP 2020 % of total segment revenue	GROUP 2020 Segment PBIT R'000
1.1 SEGMENT REVIEW						
Energy storage						
Automotive						
Local	4 701 913	33	593 487	4 370 104	38	460 032
Direct exports	2 318 071	16	339 871	1 517 024	13	161 034
	7 019 984	49	933 358	5 887 128	51	621 066
Industrial						
Local	511 021	4	(44 150)	511 658	5	(31 716)
Direct exports	19 382		(2 145)	18 268		(937)
	530 403	4	(46 295)	529 926	5	(32 653)
Total energy storage	7 550 387	53	887 063	6 417 054	56	588 413
Automotive components						
Local						
Original equipment	6 174 325	43	183 971	4 410 129	39	45 556
Aftermarket	470 610	3	66 284	466 509	4	47 747
Non-auto	10 263		(358)	25 523		(2 125)
	6 655 198	46	249 897	4 902 161	43	91 178
Direct exports						
Original equipment	3 203		1 133			
Aftermarket	54 009		6 367	42 247		(2 867)
	57 212	1	7 500	42 247	1	(2 867)
Total automotive components	6 712 410	47	257 397	4 944 408	44	88 311
Total segment results	14 262 797		1 144 460	11 361 462		676 724
Managed associate*	(1 641 727)		95 277	(1 126 756)		27 736
Amortisation and depreciation on fair value uplift of assets arising from businesses acquired			(17 084)			(22 216)
Other reconciling items**			(63 614)			(121 582)
Total group results	12 621 070		1 159 039	10 234 706		560 662
Share of results of associates and impairment			(51 878)			(100 036)
Profit before interest and taxation			1 107 161			460 626
Net finance costs			(145 039)			(163 858)
Profit before taxation			962 122			296 768
Included in the above:						
Depreciation and amortisation			(301 996)			(322 340)
- Energy storage***			(197 361)			(224 589)
- Automotive components****			(104 635)			(97 751)
Impairment charges*****						
- Energy storage			(10 903)			

* The results of Hesto Harnesses Pty (Ltd) ('Hesto') have been included in the segment review at 100%. Metair has a 74.9% equity interest but is responsible for the operational management of this associate.

** Other reconciling items relate to Metair head office companies.

*** Allocated to automotive R183.5 million (2020: R206.0 million) and industrial R13.9 million (2020: R18.6 million).

**** Allocated to original equipment R96.3 million (2020: R87.2 million) and aftermarket and non-auto R8.3 million (2020: R10.6 million).

***** The industrial division of First National Battery is currently in the process of migrating towards a trading business model, offering a greater portfolio of products and solutions to its customers. FNBs industrial division will gradually stop manufacturing activities. R10.9 million of plant and machinery was impaired.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

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. 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. First National Battery (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.

1. SEGMENT REPORT AND REVENUE (continued)

1.1 SEGMENT REVIEW (continued)

Entity-wide information

Major customers

33% (2020: 30%) 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 R8 664 million (2020: R6 737 million) and from Europe and the Middle East ('EME'), R5 599 million (2020: R4 625 million). EME domiciled operations predominantly consists of Romania and Turkey.

Non-current assets

Non-current assets (excluding deferred tax assets) amounted to R3 534 million (2020: R3 746 million) of which foreign operations amounted to R1 767 million (2020: R2 214 million). Goodwill of R 96 million (2020: R 202 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.

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	
	2021 R'000	2020 R'000
Revenue from contracts with customers	12 621 070	10 234 706

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					
	2021			2020		
	Revenue as reported R'000	Managed associate exclusion R'000	Total segment revenue R'000	Revenue as reported R'000	Managed associate exclusion R'000	Total segment revenue R'000
Primary geographical markets						
South Africa	7 022 371	(1 641 727)	8 664 098	5 609 981	(1 126 756)	6 736 737
Turkey and UK	3 934 430		3 934 430	3 201 392		3 201 392
Romania	1 664 269		1 664 269	1 423 333		1 423 333
	12 621 070	(1 641 727)	14 262 797	10 234 706	(1 126 756)	11 361 462
Major product and service lines						
Automotive batteries	7 019 984		7 019 984	5 887 128		5 887 128
Automotive components and car parts	4 761 451	(1 641 727)	6 403 178	3 478 789	(1 126 756)	4 605 545
Automotive customer tooling	298 970		298 970	313 340		313 340
Industrial and non-automotive products	540 665		540 665	555 449		555 449
	12 621 070	(1 641 727)	14 262 797	10 234 706	(1 126 756)	11 361 462
Timing of revenue recognition						
Products transferred at a point in time	7 757 053	(7 546)	7 764 599	6 677 958	(60 573)	6 738 531
Products and services transferred over time	4 864 017	(1 634 181)	6 498 198	3 556 748	(1 066 183)	4 622 931
	12 621 070	(1 641 727)	14 262 797	10 234 706	(1 126 756)	11 361 462

1. SEGMENT REPORT AND REVENUE (continued)

1.2 REVENUE (continued)

B. Disaggregation of revenue from contracts with customers (continued)

		Reportable segments			
		Automotive		Industrial	
	Total revenue	Local	Direct export	Local	Direct export
ENERGY STORAGE	R'000	R'000	R'000	R'000	R'000
2021					
Primary geographical markets					
South Africa	1 951 688	1 294 629	215 671	422 006	19 382
Turkey and UK	3 934 430	2 762 853	1 082 562	89 015	
Romania	1 664 269	644 431	1 019 838		
	7 550 387	4 701 913	2 318 071	511 021	19 382
Major product and service lines					
Automotive batteries	7 019 984	4 701 913	2 318 071		
Industrial batteries	530 403			511 021	19 382
	7 550 387	4 701 913	2 318 071	511 021	19 382
Timing of revenue recognition					
Products transferred at a point in time	7 550 387	4 701 913	2 318 071	511 021	19 382
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

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
2021					
Primary geographical markets					
South Africa	5 070 683	4 540 144	473 327	3 203	54 009
	5 070 683	4 540 144	473 327	3 203	54 009
Major product and service lines					
Automotive components and parts	4 761 451	4 241 175	463 064	3 203	54 009
Customer tooling services	298 968	298 968			
Non-automotive products	10 263		10 263		
	5 070 682	4 540 143	473 327	3 203	54 009
Timing of revenue recognition					
Products transferred at a point in time	206 665	9 267	181 988		15 410
Products and services transferred over time	4 864 017	4 530 876	291 339	3 203	38 599
	5 070 682	4 540 143	473 327	3 203	54 009
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

C. Contract balances

The following section provides information about receivables, contract assets and contract liabilities:

	GROUP	
	31 Dec 2021 R'000	31 Dec 2020 R'000
Receivables, which are included in 'trade and other receivables' (note 12)	1 481 195	1 530 544
Contract assets*	511 199	382 278
Contract liabilities	49 952	118 496

* 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

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. 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 R14 million (2020: R19.7 million), as well as refund liabilities for R12.7 million (2020: R18 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			
	2021		2020	
	Contract assets R'000	Contract liabilities R'000	Contract assets R'000	Contract liabilities R'000
Opening balances at 1 January	382 278	(118 496)	303 725	(161 133)
Tooling activities concluded	(640)	73 115	(5 331)	153 654
Increases due to cash received excluding amounts recognised as revenue during the period	2 970	(4 571)	4 390	(111 017)
Transfers from contract assets to receivables (manufactured goods now invoiced)	(381 638)		(298 394)	
Work completed but not yet invoiced during the year	508 229		377 888	
Closing balances at 31 December	511 199	(49 952)	382 278	(118 496)

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.

C.2 Revenue recognised in relation to previous periods

Revenue of R12.1 million (2020: R12.6 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.

As a result of the battery distributor arrangement (refer C.2 above), revenue of R12.7 million (2020: R12.1 million) has been deferred or constrained until 2022.

C.4 Contract costs

Incremental costs incurred to satisfy new contracts or obligation are assessed for capitalisation under IFRS 15. The group also incurs training costs from time to time. Although they represent fulfilment costs to satisfy a customer contract, is recoverable and specific, these costs are not allowed to be capitalised per IFRS. Costs to fulfil contracts in progress form part of inventory. The group did not incur any nomination fee expenses 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 customer's 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.

		GROUP 2021 R'000	GROUP 2020 R'000	COMPANY 2021 R'000	COMPANY 2020 R'000
2.	**NET FINANCE COSTS**				
	Interest income				
	On bank deposits	32 166	40 843		
	Other	259	30		
		32 425	40 873		
	Interest expense				
	Bank borrowings and overdraft	(115 683)	(139 920)		
	Leases and hire purchase	(10 113)	(9 864)		
	Dividend on redeemable preference shares	(41 658)	(46 919)		
	Defined employee benefits and other	(10 010)	(8 028)		
		(177 464)	(204 731)		
	Net finance expense	(145 039)	(163 858)		
3.	**OPERATING PROFIT/(LOSS)**				
	Operating profit is stated after taking into account the following:				
	Other operating income and dividend revenue				
	Dividends revenue from subsidiaries			149 239	
	Distribution revenue from subsidiaries			2 647	
	Management fees received - external	7 760	7 635		
	Government grants	104 081	92 807		
	Bad debts recovered	561	46		
	Rent received	266	353		
	Derivatives at fair value through profit or loss:				
	- Fair value profit - FECs	17 741	2 241		
	- Amortisation of financial guarantee	6 988		6 988	
	Insurance proceeds	50 882	1 006		
	Sundry income	16 184	13 855		
		204 463	117 943	158 874	
	Expenses by nature				
	Auditors' remuneration:				
	- Audit fees and disbursements	9 952	10 794	1 120	861
	- Non-audit assurance services	1 028	1 103		
	- Non-audit non-assurance services	1 158	423		
	Depreciation and amortisation (notes 7 and 8)	301 996	322 340		
	Impairment of property, plant and equipment	10 903			
	(Profit)/loss on disposal of property, plant and equipment	(210)	1 833		
	Lease charges (note 7)	22 828	15 099		
	Impairment loss/(gain) on financial assets (notes 12 and 9)	23 221	15 726	(47 861)	6 478
	MOLL deposit write-off		31 555		
	Managerial, technical service and professional fees	59 347	63 811		
	Foreign exchange losses/(gains)	71 410	(6 993)		
	Sales and marketing*	57 513	66 169		
	Transport and distribution costs*	293 154	242 964		
	Raw materials, consumables used and production overheads*	8 604 187	6 994 374		
	Insurance premiums*	20 978	18 279		
	Research and development expenses*	13 583	14 150		
	Employee benefit expense	2 100 562	1 931 067	3 916	3 335
	Administrative and other expenses*	74 882	69 293	943	947
	Total cost of sales, distribution expenses, administrative and other operating expenses	11 666 492	9 791 987	(41 882)	11 621

** Certain expenses have been expanded in the current year. Comparative information has also been adjusted for consistency. Total expenses have not been changed.*

	GROUP 2021 R'000	GROUP 2020 R'000	COMPANY 2021 R'000	COMPANY 2020 R'000
3. OPERATING PROFIT/(LOSS) (continued)				
Employee benefit expense				
Wages and salaries	1 832 061	1 644 922	3 916	3 335
Share-based payment expenses	18 610	31 780		
Termination benefits	13 238	25 081		
Social security costs	136 242	131 618		
Pension costs - defined contribution plans (note 22.3)	92 747	90 005		
Post-employment medical aid benefits (note 22.1)	4 276	3 795		
Other post-employment benefits (note 22.2)	3 388	3 866		
	2 100 562	1 931 067	3 916	3 335
Number of persons employed by the group at the end of the year				
Hourly	3 845	3 766		
Monthly	2 217	2 154		
	6 062	5 920		
Directors' emoluments				
Executive directors				
Salaries and allowances	13 435	35 412	13 435	35 412
Other benefits	2 642	8 431	2 642	8 431
	16 077	43 843	16 077	43 843
Paid by subsidiary companies	(16 077)	(43 843)	(16 077)	(43 843)
Non-executive directors	3 573	2 988	3 573	2 988
Fees	7 594	7 187	7 594	7 187
Paid by subsidiary company	(4 021)	(4 199)	(4 021)	(4 199)

3. OPERATING PROFIT/(LOSS) (continued)
Directors' emoluments (continued)

	COMPANY 2021 R Haffejee R'000	COMPANY 2021 S Douwenga R'000	COMPANY 2020 CT Loock R'000	COMPANY 2020 S Douwenga R'000
Executive directors				
Salaries and allowances	5 688	5 024	14 726	4 681
Restraint of trade			7 500	
Performance bonuses		1 823	5 771	2 734
Sign-on bonus	900			
Pension and provident fund contributions	273	237	351	225
Company contributions	49	81	40	68
Gain on the exercise of share options		2 002	4 728	3 019
	6 910	9 167	33 116	10 727
Paid by subsidiary companies	(6 910)	(9 167)	(33 116)	(10 727)

	COMPANY 2021 Net R'000	COMPANY 2021 Fees R'000	COMPANY 2021 Paid by subsidiary company R'000	COMPANY 2020 Net R'000	COMPANY 2020 Fees R'000	COMPANY 2020 Paid by subsidiary company R'000
Non-executive directors						
SG Pretorius	238	335	(97)	658	1 194	(536)
CMD Flemming	595	769	(174)	329	1 031	(702)
TN Mgoduso	358	885	(527)	329	1 128	(799)
B Mawasha	358	1 201	(843)	329	1 063	(734)
S Sithole	358	704	(346)	329	768	(439)
MN Muell	357	1 095	(738)	329	970	(641)
NL Mkhondo	357	632	(275)	329	507	(178)
B Mathews	357	755	(398)			
P Giliam	238	471	(233)			
AK Sithebe	357	747	(390)			
PPJ Derby				27	45	(18)
HG Motau				329	481	(152)
	3 573	7 594	(4 021)	2 988	7 187	(4 199)

Information regarding share awards/share options granted to executive directors of Metair can be found in note 26.1.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

		GROUP		COMPANY	
		2021 R'000	2020 R'000	2021 R'000	2020 R'000
4.	**TAXATION**				
	Normal taxation				
	Current:				
	- Current year	283 912	122 245		
	- Prior years	1 877	3 508		
	Deferred:				
	- Current year	(9 434)	(11 833)		
	- Prior years	(2 536)	(1 820)		
	- Rate change	(5 489)	(2 637)		
	Dividend withholding taxes	994	2 028		
		269 324	111 491		
		%	%	%	%
	Reconciliation of taxation rate:				
	Standard rate - South Africa	28.0	28.0	28.0	28.0
	Effect of change in taxation rate*	(0.6)	(0.8)		
	Associates' results net of taxation	1.5	(0.8)		
	Associates' impairment		10.2		
	Prior year adjustment	(0.1)	0.6		
	- Current	0.2	1.2		
	- Deferred	(0.3)	(0.6)		
	Non-deductible expenses	3.2	15.4	0.9	(28.0)
	- Non-deductible expenses for preference dividends	1.2	4.4		
	- Non-deductible expenses for interest and fees	0.6	2.9		
	- Non-deductible expenses on corporate and legal costs	0.6	2.5	0.9	(28.0)
	- Non-deductible expenses on MOLL		3.0		
	- Non-deductible expenses	0.8	2.6		
	Dividend withholding/other taxes	0.1	0.7	(7.3)	
	Taxation losses for which no deferred taxation asset was recognised	0.2	3.0		
	Utilisation of previously unrecognised tax losses	(0.1)	(0.8)		
	Exempt income		(0.2)	(21.6)	
	Research and development tax credits	(0.4)	(1.2)		
	Learnership allowances	(0.4)	(0.6)		
	Investment tax credit - Turkey (Mutlu)	(0.8)	(5.3)		
	Foreign tax rate difference*	(2.6)	(10.6)		
	Effective rate	28.0	37.6		

* Mutlu and Rombat corporate income tax ('CIT') rates are 25% (2020: 22%) and 16% (2020: 16%) respectively. Mutlu CIT rate increased to 25% in April 2021, the rate was expected to reduce to 20% from January 2021.

In South Africa, the CIT rate applicable is 28%. It was announced in the February National Budget that this rate would be 27% with effect for tax years commencing on or after 1 April 2022.

The tax effects relating to items of other comprehensive income are disclosed in notes 15 and 27. The group did not recognise deferred income taxation assets of R41.6 million (2020: R60.4 million) in respect of estimated taxation losses amounting to R254.6 million (2020: R297.7 million) that can be carried forward against future taxable income.

In the SA budget speech during 2021, the finance minister announced that the utilisation of assessed losses will be limited to 80% of taxable income. The amendment has not yet been promulgated and is therefore not applicable to the 2021 financial year. This does not affect the recoverability of the assessed losses and unutilised amounts will be carried over.

Dividend withholding tax is payable at a rate of 20% (2021: 20%) on dividends distributed to individual shareholders and is paid over to authorities on behalf of shareholders of the company.

		GROUP	
		2021	2020
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.	350	91
	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 1/2021, divided by the weighted average number of shares in issue during the year excluding treasury shares.	354	148
	Diluted earnings per share		
	Diluted earnings per share (cents)	346	91
	Diluted headline earnings per share (cents)	350	148

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	
Reconciliation between basic and headline earnings	2021 R'000	2021 cents	2020 R'000	2020 cents
Net profit attributable to ordinary shareholders	674 791	350.1	174 184	90.7
(Profit)/loss on disposal of property, plant and equipment	(144)	(0.1)	1 520	0.8
Gross amount	(210)		1 833	
Taxation effect	66		(313)	
Impairment of property, plant and equipment	7 850	4.1		
Gross amount	10 903			
Taxation effect	(3 053)			
Impairment of associate			108 168	56.3
Gross amount			108 168	
Headline earnings	682 497	354.1	283 872	147.8
Weighted average number of shares in issue ('000)	192 715		192 118	
Diluted earnings per share				
Net profit attributable to ordinary shareholders	674 791	346.2	174 184	90.5
Number of shares used for diluted earnings calculation ('000)	194 889		192 365	
Diluted headline earnings per share				
Headline earnings	682 497	350.2	283 872	147.6
Number of shares used for diluted earnings per share calculation ('000)	194 889		192 365	
Weighted average number of shares in issue ('000)	(192 715)		(192 118)	
Adjustment for dilutive share options ('000)	2 174		247	

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

		GROUP		COMPANY	
		2021 R'000	2020 R'000	2021 R'000	2020 R'000
6.	**DIVIDENDS** A dividend of 75 cents per share was declared on 17 March 2021 in respect of the 2020 financial year and paid on 19 April 2021 (2020: the dividend of 120 cents per share declared in respect of the 2019 financial year was cancelled).	144 520		149 239	

	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					
2021					
At cost	**804 791**	**3 553 672**	**181 554**	**152 228**	**4 692 245**
Less: Accumulated depreciation and impairment	**(148 946)**	**(1 710 402)**	**(111 915)**	**(84 004)**	**(2 055 267)**
	655 845	**1 843 270**	**69 639**	**68 224**	**2 636 978**
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
Reconciliation of movement:					
Year ended 31 December 2021					
Opening net book value	**810 843**	**1 653 731**	**74 513**	**79 110**	**2 618 197**
Transfers*	**14 349**	**(21 004)**	**7 183**	**(528)**	
Additions	**1 574**	**531 106**	**31 008**	**24 435**	**588 123**
Disposals	**(879)**	**(656)**	**(800)**	**(56)**	**(2 391)**
Depreciation	**(15 472)**	**(207 539)**	**(19 141)**	**(32 861)**	**(275 013)**
Impairment		**(10 903)**			**(10 903)**
Currency adjustment	**(154 570)**	**(101 465)**	**(23 124)**	**(1 876)**	**(281 035)**
Closing net book value	**655 845**	**1 843 270**	**69 639**	**68 224**	**2 636 978**
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

* 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 R98.3 million (2020: R108.5 million) are encumbered as security by Rombat for bank overdraft facilities provided to Rombat.

Capital expenditure of R588 million (2020: R237 million), consists of instalment sale liabilities and leases for R148 million (2020: R12 million).

Depreciation expenses are included within cost of sales of R225.5 million (2020: R237.3 million); distribution costs of R8.4 million (2020: R9.4 million); and administrative expenses of R41.1 million (2020: R46 million) in the income statement.

7. **PROPERTY, PLANT AND EQUIPMENT (continued)**

Assets under construction are included as follows:

	GROUP	
	2021 R'000	2020 R'000
Land and buildings	20 101	4 498
Plant and equipment	584 416	336 614

Work in progress assets include R207 million relating to Lithium-Ion ('Li-ion') investments to be fully commissioned.

Right of use assets are included as follows:

	GROUP	
	31 Dec 2021 R'000	31 Dec 2020 R'000
Land and buildings (Property)	39 955	43 913
Machinery, forklifts and factory equipment	20 952	23 824
Vehicles	7 317	11 374

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 R68.2 million (2020: R79.1 million) at balance sheet date.

Lease liabilities are included within borrowings (refer to note 14). The group also acquires assets under instalment sale agreements ('HPs'). The net book values of these assets amounted to R157.3 million (2020: R46.0 million) at balance sheet date.

Lease rentals amounting to R6.5 million (2020: R5.9 million) relating to property and R16.3 million (2020: R9.2 million) relating to equipment are included in the income statement. These leases are short term and/or leases of low value items and are not capitalised. Equipment comprise mainly of IT and administrative equipment.

The amounts recognised in profit and loss in respect of the group's leases are as follows:

	GROUP	
	2021 R'000	2020 R'000
Interest on lease liabilities (included in finance costs)	6 107	7 277
Expenses relating to short term leases	19 085	10 814
Expenses relating to leases of low value assets that are not short term leases	3 743	4 285
Depreciation charges on right of use assets:		
- Property	15 358	14 858
- Machinery, forklifts and equipment	10 810	14 474
- Vehicles	6 693	7 351

The total cash outflow for leases was R65.9 million (2020: R64.1 million).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

7. **PROPERTY, PLANT AND EQUIPMENT (continued)**

Summary of the group's leasing activities:

The group leases forklifts, vehicles, equipment and machinery for operational requirements. Rental or lease contracts range from 1 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 amounted to R8 290 380 (2020: 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 (2020: 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 (capital obligation) and finance costs.

8. **INTANGIBLE ASSETS**

	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
2021							
At cost	**113 948**	**49 489**	**41 597**	**111 126**	**58 639**	**72 314**	**447 113**
Less: Accumulated amortisation and impairment	**(17 797)**	**(30 413)**	**(28 473)**	**(15 903)**	**(34 274)**	**(36 460)**	**(163 320)**
	96 151	**19 076**	**13 124**	**95 223**	**24 365**	**35 854**	**283 793**
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
Reconciliation of movement:							
Year ended 31 December 2021							
Opening net book value	**201 695**	**24 628**	**18 209**	**157 676**	**46 511**	**55 082**	**503 801**
Additions			**314**			**10 644**	**10 958**
Amortisation		**(2 923)**	**(3 219)**	**(2 151)**	**(5 061)**	**(13 629)**	**(26 983)**
Currency adjustments	**(105 544)**	**(2 629)**	**(2 180)**	**(60 302)**	**(17 085)**	**(16 243)**	**(203 983)**
Closing net book value	**96 151**	**19 076**	**13 124**	**95 223**	**24 365**	**35 854**	**283 793**
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

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.

Brands are classified as indefinite useful life 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 is classified as indefinite useful life and is not amortised. The 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 R12.7 million (2020: R14.7 million) is included within cost of sales and R14.3 million (2020: R14.9 million) within administration expenses in the income statement. 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
2021			
Goodwill			
- Rombat SA	**49 835**	**(528)**	**49 307**
- Mutlu group	**151 860**	**(105 016)**	**46 844**
Brands			
- Mutlu group	**136 455**	**(54 641)**	**81 814**
	338 150	**(160 185)**	**177 965**
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

Additions to intangible assets comprise predominantly of capitalised development costs within the Energy storage vertical, licences and software.

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 using discounted cash flow models ('DCF').

DCF models 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 estimated growth rates consistent with long-term industry growth forecasts (terminal value). The estimated future cash flows used are pre-tax.

The discount rate reflects specific risks relating to the CGU. No impairments were 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 %
2021		
Compound annual volume growth rate*	**3.1**	**6.8**
Long-term growth rate**	**3.1**	**3.4**
Discount rate (WACC)***	**14.0**	**30.8**
Period (years)	**5.0**	**5.0**
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

* 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. USD2 200 USD/tonne (2020: USD1 900 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 5.4% (2020: 5.6%) 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:		
2021		
Discount rate % - applied	**14.0**	**30.8**
Discount rate % - threshold	**16.8**	**41.2**
Percentage points change (headroom)	**+2.8**	**+10.4**
Long-term growth rate %	**3.1**	**3.4**
Percentage points change (headroom)	**-6.8**	**-28.4**
2020		
Discount rate % - applied	11.2	28.0
Discount rate % - threshold	15.2	38.0
Percentage points change (headroom)	+4.0	+10.0
Long-term growth rate %	3.8	3.3
Percentage points change (headroom)	-6.1	-20.0

Changes to the compound annual volume growth rates are not significantly sensitive to recoverable amounts.

	COMPANY 2021 R'000	2020 R'000
9. INTEREST IN SUBSIDIARIES		
Unlisted		
Investments at cost	**493 695**	493 695
Share-based payment costs	**82 688**	77 197
	576 383	570 892
Advances to subsidiary companies, net of impairments	**1 608 784**	1 523 467
Current advances from subsidiary companies	**(266 778)**	(222 631)
	1 342 006	1 300 836
Total net investment interest	**1 918 389**	1 871 728

Advances to subsidiary companies are interest-free, unsecured, repayable on demand, to be settled in cash and presented net of impairment allowances. The gross carrying amount of loans advanced, which represent the maximum exposure to loss, is R1 802 997 219 (2020: R1 765 540 309). A listing of amounts due to/(from) subsidiary companies can be found on page 199.

The total expected credit loss provision amounted to R194 212 831 (2020: R242 073 684) (refer to note 19.2 B financial instruments - credit risk). 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 classified at amortised cost.

The interest of Metair in the aggregate after tax income/(loss) of the subsidiaries was as follows:

	GROUP 2021 R'000	2020 R'000
Net income	**1 110 447**	754 087
Net losses	**(18 350)**	(89 764)

Details of subsidiaries of the group are disclosed on page 198. The group structure is available on page 6 of the integrated annual report.

All subsidiary undertakings are included in the consolidation. Total non-controlling interest is R115.8 million (2020: R108.9 million) of which R111.1 million (2020: R104.2 million) relates to 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 a non-controlling interest material to the group. The amounts disclosed are based on those included in the consolidated financial statements before inter-company eliminations.

	2021 R'000	2020 R'000
Summarised balance sheet		
Non-controlling interest %	25	25
Current		
Assets	638 596	531 337
Liabilities	(401 119)	(304 021)
Total net current assets	237 477	227 316
Non-current		
Assets	286 452	268 752
Liabilities	(90 647)	(92 540)
Total net non-current assets	195 805	176 212
Net assets	433 282	403 528
Summarised results		
Revenue	1 982 580	1 578 407
Other comprehensive loss	(620)	(1 071)
Profit attributable to non-controlling interest	17 668	10 609
Total comprehensive income allocated to non-controlling interest	17 513	10 341
Dividends paid to non-controlling interest	10 609	24 969
Accumulated non-controlling interest	111 094	104 190
Summarised cash flow		
Net cash (outflow)/inflow from operating activities	(128 844)	12 315
Net cash outflow from investing activities	(39 810)	(24 686)
Net cash outflow from financing activities	(2 577)	(1 885)

	GROUP		COMPANY	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
10. INVESTMENT IN ASSOCIATES				
Unlisted				
Investments at cost less impairment	194 706	150 400	47 264	2 793
Share of post-acquisition reserves included in equity accounted earnings	418 350	473 785		
Total carrying value	613 056	624 185	47 264	2 793
Reconciliation of movements:				
Balance at the beginning of the year	624 185	733 440	2 793	2 793
Increase investment in associate		9 559		
Impairment of associate		(108 168)		
Share of equity accounted earnings	(51 878)	8 132		
Dividends received	(6 724)	(14 920)		
Investment arising from initial recognition of financial guarantee liability	44 471		44 471	
Foreign currency translation	3 002	(3 858)		
Investment in associates	613 056	624 185	47 264	2 793

Associates have share capital consisting of ordinary shares and subscribed capital held by group. Valeo Systems SA and Tenneco Automotive Holdings SA are held directly by the company.

The principal place of business are identical to the country of their incorporation and the proportion of ownership is the same as voting rights held. The group's associates are private entities and operate in the automotive component industry, manufacturing automotive parts and batteries.

The company issued a guarantee to Standard Bank of South Africa in respect of credit facilities for R850 million granted to Hesto. The maximum amount the company is exposed to is R636 million. The increase in investments of R44 million results from the initial recognition of the liability arising from the financial guarantee provided to Hesto. A limited letter of support for R3.6 million (2020: R3.6 million) was issued to Valeo for general overdraft facilities. Risk of defaults are considered remote.

10. INVESTMENT IN ASSOCIATES (continued)

Set out in the table below is a summary of associates which are included in group results using the equity accounting method.

Nature of investment in associates	Percentage holding (effective) %	Place of business/ country of incorporation	Group carrying amount R'000
2021			
Unlisted			
Hesto Harnesses (Pty) Ltd	74.9	South Africa	250 028
Valeo Systems SA (Pty) Ltd	49.0	South Africa	53 435
Tenneco Automotive Holdings SA (Pty) Ltd	25.1	South Africa	90 159
Associated Battery Manufacturers (East Africa) Limited ('ABM')	25.0	Kenya	200 178
Prime Motors Industry Srl ('Prime')	35.0	Romania	18 394
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	862
			613 056
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	25.0	Kenya	182 089
Prime Motors Industry Srl	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

Although the group owns 74.9% of the majority voting rights in Hesto, the Shareholder's Agreement stipulates that unanimous consent is required for all decisions relating to the relevant activities of Hesto. In addition, the minority shareholder also has the ability, via a currently exercisable and substantive call option, to call the majority shareholding. Therefore, the group accounts for Hesto under the equity accounting method. Hesto's results are included within the group's automotive business vertical (segment report).

Hesto manufactures and sells automotive wiring harnesses and related components in South Africa. Hesto is a specialist automotive component manufacturer which provides the group with additional OE product offerings as well being a local product differentiator. Hesto incurred a R78 million (2020: R21 million) loss after tax mainly due to the impact of global supply chain disruptions on the business, including significant air-freight and shipping charges to support customers, as well as project costs incurred on planned new customer models for the future. The investment carrying value (R250 million) was assessed and no impairments were necessary. The investment is supported by the underlying 5-year business plans, including South Africa OEM customer volume outlook.

The group's 35% investment in Romanian Li-ion battery maker, Prime, establishes an incubation, research and development centre for Li-ion development to accelerate production of Li-ion batteries for the European market.

In the previous year, the group fully impaired the investment in the MOLL group amounting to R108 million.

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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

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:

	2021 Hesto R'000	2021 ABM R'000	2021 Other associates R'000
Summarised income statements			
Revenue	1 641 727	1 400 143	1 076 755
(Loss)/profit after taxation	(77 734)	86 364	(5 265)
Total comprehensive (loss)/income	(77 734)	86 364	(6 733)
Attributable to group	(58 222)	21 591	(15 247)
Dividends received from associates		(6 724)	
Post foreign earnings currency translation		3 222	(220)
Summarised balance sheets			
Current			
Assets	637 535	539 616	1 173 311
Liabilities	(587 171)	(89 633)	(614 547)
Non-current			
Assets	862 559	305 775	340 705
Liabilities	(638 481)	(127 190)	(289 696)
Net assets	274 442	628 568	609 773

	2020 Hesto R'000	2020 ABM R'000	2020 Other associates R'000
Summarised income statements			
Revenue	1 126 756	1 405 666	764 248
Profit after taxation	(20 616)	121 561	(5 144)
(Loss)/profit after taxation	(20 616)	121 561	(2 316)
Total comprehensive (loss)/income	(15 441)	30 391	(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

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 March, however, the results presented are at 31 December and equity accounted up to this date.

10. INVESTMENT IN ASSOCIATES (continued)

Reconciliation of summarised financial information

Reconciliation of summarised financial information of associates is presented in the table below:

	2021 Hesto R'000	2021 ABM R'000	2021 Other associates R'000
Opening net assets 1 January	352 176	540 264	616 506
(Loss)/profit for the year	(77 734)	86 364	(5 265)
Dividends paid		(26 895)	
Foreign currency translation and other movements		28 835	(1 468)
Closing net assets	274 442	628 568	609 773
Shareholding	74.9%	25.0%	Varying
Acquisition cost less accumulated impairment	1	121 821	28 413
Investment arising from initial recognition of financial guarantee liability	44 471		
Post equity accounted profits	205 556	78 357	134 437
Carrying amount	250 028	200 178	162 850

	2020 Hesto R'000	2020 ABM R'000	2020 Other associates R'000
Opening net assets 1 January	372 792	506 954	587 776
Profit for the year	(20 616)	121 561	(5 144)
Dividends paid		(59 679)	
Foreign currency translation		(28 572)	33 874
Closing net assets	352 176	540 264	616 506
Shareholding	74.9%	25.0%	Varying
Acquisition cost less accumulated impairment	1	121 986	28 413
Post equity accounted profits	263 780	60 103	149 902
Carrying amount	263 781	182 089	178 315

	GROUP 2021 R'000	GROUP 2020 R'000	COMPANY 2021 R'000	COMPANY 2020 R'000
11. INVENTORY				
Raw material	940 185	789 940		
Work in progress	423 582	345 192		
Finished goods	588 048	552 428		
Right to recover returned goods	7 438	7 869		
	1 959 253	1 695 429		
Write-downs of inventories to net realisable value	54 963	52 215		
The cost of inventories expensed and included in cost of sales	9 067 378	7 201 153		
Inventory pledged by Rombat for bank overdrafts	6 208	4 303		

Inventory and work in progress, related to automotive components, are recognised as revenue over time and contract assets are created. An asset for the right to recover returned goods is recognised for batteries sold under certain distributor arrangements.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

		GROUP		COMPANY	
		2021	**2020**	**2021**	**2020**
		R'000	**R'000**	**R'000**	**R'000**
12.	**TRADE AND OTHER RECEIVABLES**				
	Trade receivables	**1 556 522**	1 587 227		
	Less: Provision for impairment of trade receivables	**(75 327)**	(56 683)		
		1 481 195	1 530 544		
	Prepayments and deposits	**88 936**	45 896		
	Tooling receivables	**160 448**	49 671		
	Grant claim receivable	**4 566**	4 403		
	VAT and customs receivable	**74 395**	12 031		
	Rebates and discounts receivable	**79 450**	112 547		
	Other receivables	**89 457**	64 285		
		1 978 447	1 819 377		
	Gross trade receivables are analysed as follows:				
	Original equipment	**550 421**	595 684		
	Exports	**339 216**	224 183		
	Aftermarket	**610 099**	700 017		
	Non-automotive	**56 786**	67 343		
		1 556 522	1 587 227		

Total trade receivables remained relatively consistent, however export and aftermarket sales increased significantly and contributed to a higher expected credit loss balance.

The quality of the group's debtors book and cash recovery has remained strong during the year. Actual bad debts were insignificant.

The carrying amounts of the group's trade and other receivables are denominated in the following currencies:

	GROUP	
	2021	**2020**
	R'000	**R'000**
Rand	**1 008 334**	841 886
British Pound	**35 191**	31 465
Euro	**140 579**	157 467
US Dollar	**194 265**	93 639
Australian Dollar		133
Romanian Lei	**109 454**	154 578
Turkish Lira	**490 624**	539 800
Singapore Dollar		409
	1 978 447	1 819 377

12. TRADE AND OTHER RECEIVABLES (continued)

The provision for impairment (loss allowance) can be reconciled as follows:

	Total R'000	Original equip-ment R'000	Export R'000	After-market R'000	Non-auto-motive R'000
2021					
At 1 January	**56 683**	**838**	**32 336**	**20 404**	**3 105**
Net remeasurement of loss allowance	**23 221**	**6 327**	**8 536**	**9 299**	**(941)**
Amounts written off	**(3 878)**			**(3 515)**	**(363)**
Currency adjustments	**(699)**		**(327)**	**(372)**	
As at 31 December	**75 327**	**7 165**	**40 545**	**25 816**	**1 801**
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

We applied an overlay factor and increased the loss rates 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 low credit risk. 87% (2020: 89%) 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 equip-ment R'000	Export R'000	After-market R'000	Non-auto-motive R'000
2021					
Up to 3 months	**1 469 761**	**539 573**	**303 545**	**571 055**	**55 588**
3 to 6 months	**25 963**	**3 696**	**7 081**	**15 160**	**26**
Over 6 months	**60 798**	**7 151**	**28 591**	**23 884**	**1 172**
	1 556 522	**550 420**	**339 217**	**610 099**	**56 786**
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

The other classes within trade and other receivables do not contain impaired assets 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 is R458 million (2020: R549 million), which represents approximately 66% (2020: 79%) of total Mutlu debtors outstanding at year end. Mutlu has a 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 R134.6 million (2020: R141.1 million), relating to Rombat, have been pledged as security for bank overdraft facilities granted to Rombat.

		GROUP		COMPANY	
		2021 R'000	2020 R'000	2021 R'000	2020 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	1 078 074	1 623 696	3 516	2 820
	Bank overdrafts	(116 179)	(58 573)		
		961 895	1 565 123	3 516	2 820
	The following bank rates applied at year-end:				
	Interest rate on South African short-term bank deposits	4.3%	5.2%		
	Interest rate on Turkish short-term bank deposits	21.2%	17.1%		
	Interest rate on European short-term bank deposits	0.8%	0.1%		
	Interest rate on South African bank overdrafts	8.2%	6.3%		
	Interest rate on European bank overdrafts	1.8%	1.2%		

Rombat has pledged property, plant and equipment of R98.3 million (2020: R108.5 million), inventory of R6.2 million (2020: R4.3 million) and trade receivables of R134.6 million (2020: R141.1 million) as security for bank overdraft facilities granted to Rombat.

		GROUP		COMPANY	
		2021 R'000	2020 R'000	2021 R'000	2020 R'000
14.	**BORROWINGS AND FINANCIAL LIABILITIES**				
	Redeemable preference shares	840 000	840 000		
	Bank borrowings	1 243 011	1 427 833		
	Instalment sale liabilities	136 461	24 362		
	Lease liabilities	69 950	78 118		
	Total borrowings	2 289 422	2 370 313		
	Financial liabilities	37 483		37 483	
	Current portion included in current liabilities	(477 642)	(1 851 002)	(9 937)	
	Non-current portion of borrowings and financial liabilities	1 849 263	519 311	27 546	

Redeemable preference shares
Preference shares funding consists of cumulative mandatorily redeemable no par value preference shares issued in 2014 for R1.4 billion. The remaining R840 million was refinanced upon maturity in December 2021 and extended for 3 years until 13 December 2024. The preference shares funding is unsecured.

Dividends (interest) are paid on a semi-annual basis on 30 April and 31 October of each year. The facility carries a dividend rate of 72% of 3 month JIBAR plus 2.04% (margin), equating to 68% of prime at December 2021 (2020: 70% of the ruling South African prime rate), calculated on a nominal annual rate, compounded monthly.

The preference shares are subject to covenant requirements (refer to note 19.3) and have been complied with.

Bank borrowings
Bank borrowings consists of revolving credit facilities ('RCFs') of R731 million (2020: R930 million) and term, call and other loans of R512 million (2020: R498 million)

South African Revolving Credit Facilities
Unsecured RCF facilities for R750 million (RCF 1) and R525 million (RCF 2) are provided by Absa Bank Limited, Investec Bank and Standard Bank of South Africa Limited. Drawdowns at balance sheet date amounted to R486 million (2020: R750 million) and R245 million (2020: R180 million) on RCF1 and RCF2 respectively.

RCF1 was re-financed at maturity and the tenure was extended by 5 years until August 2026. Interest is charged at 2.25% over the ruling JIBAR rate, determined either on a one, three or six-month basis, as selected by the group (Interest period). RCF 2 has a tenure of five years with a final maturity date of 23 August 2023. Interest is charged at 2.35% over JIBAR.

14. **BORROWINGS (continued)**
Bank borrowings (continued)
Interest on RCFs accrue 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. Drawdowns are classified as non-current at balance sheet date because of the rolling mechanism and expected to be fully settled at maturity. RCF funding is guaranteed by certain subsidiaries of the group and subject to covenant requirements (note 19.3). Covenant compliance has been met.

Term and call loans arise in Mutlu for R388 million (2020: R354 million) and Rombat for R124 million (2020: R144 million).

Mutlu - Turkish Lira (TL) borrowings:
Consists of various unsecured term, call and revolver loans totaling TL330 million (2020: TL179 million) and maturing at varying dates between May 2022 and March 2023. TL322 million (R378 million) is short term while TL8 million (R10 million) is due in 2023. Interest comprises of a mixture of fixed and floating rates. TL249 million (R293 million) relates to short term call and revolver loans at floating rates ranging from 17% to 29%. TL81 million (R95 million) relates to various term loans at fixed interest rates ranging from 8.5% to 10.4% per annum (2020: TL179 million at interest fixed interest rates averaging 9.93%).

Rombat - Euro borrowings:
Approximately EUR6.9 million (2020: EUR8 million) fixed interest rate loan maturing in June 2026. Interest is charged at 1.4% per annum. The loan is secured over property, plant and equipment, amounting to EUR11.5 million (2020: EUR11.5 million). Capital repayments approximating EUR0.4 million (R6.9 million) per quarter (EUR1.5 million (R27.5 million) per annum).

	GROUP		COMPANY	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Maturity of bank borrowings and preference shares				
Within 1 year	406 054	1 809 040		
Later than 1 year and not later than 2 years	166 268	166 394		
Later than 2 year and not later than 5 years	1 510 689	292 399		
	2 083 011	2 267 833		
The carrying amount of total borrowings and financial liabilities are denominated in the following currencies:				
Rand	1 761 807	1 848 869	37 483	
Euro	137 516	162 716		
Turkish Lira	390 099	358 728		
	2 289 422	2 370 313	37 483	

The group had the following undrawn and available borrowing (including overdraft) facilities at year-end:
- RCF 1 of R264 (2020: fully utilised)
- RCF 2 of R280 million (2020: R345 million)
- Other South African facilities of R676 million (2020: R880 million)
- USD denominated facilities of USD40 million (2020: USD41 million)
- Turkish Lira denominated facilities of TL137 million (2020: TL75 million)
- Euro denominated facilities of EUR13 million (2020: EUR16 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 R157.3 million (2020: R46 million).

Financial liabilities
Financial liabilities arise due to the long term guarantee provided by the Company on behalf of Hesto, an associate of the group (refer to note 10), for funding facilities advanced by Standard Bank. At initial recognition a financial guarantee is measured at fair value, using an interest rate differential method as set out in the accounting policies. A discount rate was applied taking time value of money, risk premium, and own credit risk into account and will amortise over the length of the guarantee period. The facilities provided to Hesto includes a 5-year term loan with a maturity date of June 2026 and a 3 year revolving credit facility with a maturity date of June 2024

	GROUP		COMPANY	
	2021 R'000	**2020 R'000**	**2021 R'000**	**2020 R'000**
14. BORROWINGS (continued)				
Instalment sale liabilities - minimum payments:				
Within 1 year	**40 814**	13 101		
Later than 1 year and not later than 5 years	**123 207**	13 340		
Minimum instalments	**164 021**	26 441		
Future finance charges	**(27 560)**	(2 079)		
Present value of liabilities	**136 461**	24 362		
The present value of all instalment sale liabilities may be analysed as follows:				
Within 1 year	**31 520**	11 903		
Later than 1 years and not later than 2 years	**30 298**	6 749		
Later than 2 years and not later than 5 years	**74 643**	5 710		
Present value of liabilities	**136 461**	24 362		
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	**36 128**	32 829		
Later than 1 year and not later than 5 years	**42 270**	54 591		
Minimum lease payments	**78 398**	87 420		
Future finance charges on leases	**(8 448)**	(9 302)		
Present value of lease liabilities	**69 950**	78 118		
The present value of all lease liabilities may be analysed as follows:				
Within 1 year	**30 132**	30 059		
Later than 1 years and not later than 2 years	**27 817**	30 139		
Later than 2 years and not later than 5 years	**12 001**	17 920		
	69 950	78 118		
All borrowings are interest-bearing and the approximate annual interest rates at year-end are as follows:	**%**	**%**		
Preference shares	**4.7**	7.1		
Bank borrowings				
- RCF 1	***JIBAR+2.25**	*JIBAR+2.05		
- RCF 2	***JIBAR+2.35**	*JIBAR+2.35		
- Call and term loans (TL borrowings)	**8.5 - 10.4**	8.5 - 10.4		
- Revolvers (TL borrowings)	**17 - 29**			
- Term loan (Euro borrowings)	**1.4**	1.4		
Instalment sale liabilities	**5.9 - 7.0**	5.9 - 7.0		
Lease liabilities	**1.4 - 10.0**	1.4 - 10.0		

* Johannesburg inter-bank agreed rate. As a result of global rate benchmark reforms, the South African Reserve Bank ('SARB') has indicated their intention to move away from JIBAR. The reform is still in progress and a suitable alternative for South Africa is only expected in a few years' time.

	GROUP		COMPANY	
	2021 R'000	**2020 R'000**	**2021 R'000**	**2020 R'000**
15. DEFERRED TAXATION				
Deferred taxation is calculated on all temporary differences under the liability method using a principal taxation rate of 28% (2020: 28%) for South Africa, 16% (2020: 16%) for Romania, 25% (2020: 22%) for Turkey and 19% (2020: 19%) for the United Kingdom.				
The following amounts are shown in the consolidated balance sheet:				
Deferred taxation assets	**(5 374)**	(13 812)		
Deferred taxation liabilities	**173 614**	251 155		
	168 240	237 343		
The movement is as follows:				
At the beginning of the year	**237 343**	269 593		
Income statement (credit)/charge:				
- Current year	**(9 434)**	(11 833)		
- Prior year	**(2 536)**	(1 820)		
- Rate change	**(5 489)**	(2 637)		
Taxation credited to other comprehensive income:				
- Actuarial losses	**(950)**	(2 056)		
Taxation charged to equity:				
- Share-based payments	**(5 767)**	2 740		
Currency adjustments	**(44 927)**	(16 644)		
At the end of the year	**168 240**	237 343		
Deferred taxation assets:				
Deferred taxation asset to be recovered after more than 12 months	**(105 143)**	(65 211)		
Deferred taxation asset to be recovered within 12 months	**(78 689)**	(84 458)		
	(183 832)	(149 669)		
Deferred taxation liabilities:				
Deferred taxation liability to be recovered after more than 12 months	**271 187**	303 552		
Deferred taxation liability to be recovered within 12 months	**80 885**	83 460		
	352 072	387 012		
Amounts aggregated:				
Deferred taxation assets	**(183 832)**	(149 669)		
Deferred taxation liabilities	**352 072**	387 012		
Net deferred taxation liability	**168 240**	237 343		

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

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
2021				
Opening balance	291 080	35 382	60 550	387 012
Reallocations			12 206	12 206
(Credited)/charged to the income statement - Current	(9 483)	(5 005)	25 113	10 625
Credited to the income statement - Prior year	(243)		(1 442)	(1 685)
Rate change	(1 855)	2 130	(3 060)	(2 785)
Credited to other comprehensive income			(31)	(31)
Currency adjustments	(29 727)	(11 672)	(11 871)	(53 270)
Closing balance	249 772	20 835	81 465	352 072
2020				
Opening balance	311 456	47 729	44 132	403 317
(Credited)/charged to the income statement - Current	(7 321)	(8 281)	18 426	2 824
Charged to the income statement - Prior year	1 221		276	1 497
Rate change	(2 134)	1 493	(640)	(1 281)
(Credited)/charged 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

Deferred taxation assets

	GROUP						
	Share-based payments R'000	Post-employment 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
2021							
Opening balance	(3 790)	(25 820)	(15 327)	(10 880)	(13 307)	(80 545)	(149 669)
Reallocations						(12 206)	(12 206)
(Credited)/charged to the income statement:							
- Current year	(1 308)	1 961	(7 541)	(4 780)	(892)	(7 499)	(20 059)
- Prior year		(30)		110		(931)	(851)
Rate change		(1 963)			(282)	(459)	(2 704)
Credited to other comprehensive income		(919)					(919)
Deferred taxation on share-based payment reserve*	(5 767)						(5 767)
Currency adjustments	5	5 542	(362)	39	1 279	1 840	8 343
Closing balance	(10 860)	(21 229)	(23 230)	(15 511)	(13 202)	(99 800)	(183 832)
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)/charged 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)

* 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. Recognition is limited 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		COMPANY	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
16. TRADE AND OTHER PAYABLES				
Trade creditors	1 468 584	1 407 434		
Accrual for leave pay	30 136	26 261		
Trade accruals, including utilities, technical and license fees	214 616	105 448	822	837
Tool-maker payables	196 398	75 500		
Deferred income on government grants	157 951	168 654		
Payroll and statutory accruals	101 560	75 425		
Royalties payable	27 471	29 874		
VAT and other indirect taxes	20 978	39 089		
Rebates and discounts payable	14 031	19 667		
Refund liabilities	12 706	18 011		
Audit fee accrual	7 427	6 127		
Sundry creditors		11 904		
Preference shares and interest accruals	8 576	14 501		
	2 260 434	1 997 895	822	837
Non-current portion of deferred income on government grants included in non-current liabilities	(104 681)	(124 626)		
Current portion included in current liabilities	2 155 753	1 873 269	822	837
The carrying amounts of the group's trade and other payables are denominated in the following currencies:				
Rand	934 395	708 009	822	837
Yen	87 226	68 577		
US Dollar	609 205	591 922		
Euro	200 474	190 067		
British Pound	5 958	12 002		
Thai Baht	21 001	95 041		
Romanian Lei	174 596	103 512		
Turkish Lira	227 192	228 514		
Singapore Dollar	247			
Indian Rupee	140	251		
	2 260 434	1 997 895	822	837

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) and long service awards, amounting to R8.3 million (2020: R6.4 million) and R23.3 million (2020: R26.2 million), respectively. The balance of R15.5 million (2020: R14.3 million) consists of legal and other provisions.

	GROUP			
	Executive bonus R'000	Warranty claims R'000	Other R'000	Total R'000
2021				
Balance at the beginning of the year	**20 602**	**57 367**	**46 883**	**124 852**
- Additional provision	**34 090**	**45 909**	**22 516**	**102 515**
- Unused amounts reversed		**(144)**	**(781)**	**(925)**
Utilised during the year	**(17 344)**	**(41 302)**	**(16 752)**	**(75 398)**
Currency adjustments	**(1 576)**	**(5 727)**	**(4 728)**	**(12 031)**
Balance at the end of the year	**35 772**	**56 103**	**47 138**	**139 013**
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

	2021 R'000	2020 R'000
Analysis of total provisions:		
Non-current	**40 808**	41 677
Current	**98 205**	83 175
	139 013	124 852

		GROUP		COMPANY	
		2021 R'000	2020 R'000	2021 R'000	2020 R'000
18.	**NOTES TO CASH FLOW STATEMENTS**				
18.1	**RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS**				
	Profit/(loss) before taxation	**962 122**	296 768	**200 756**	(11 621)
	Adjustment for:				
	Depreciation and amortisation	**301 996**	322 340		
	Impairment charge/(reversal)	**10 903**	108 168	**(47 861)**	6 478
	MOLL deposit write-off		31 555		
	(Profit)/loss on disposal of property, plant and equipment	**(210)**	1 833		
	Amortisation of financial guarantee	**(6 988)**		**(6 988)**	
	Financial assets at fair value through profit or loss	**(17 741)**	(2 241)		
	Foreign exchange losses/(gains) on operating activities	**71 410**	(6 993)		
	Share-based payment expenses	**18 610**	31 780	**(2 647)**	
	Post-employment benefit - charge	**13 256**	12 872		
	Post-employment benefits - contributions paid	**(14 328)**	(5 470)		
	Equity accounted losses/(income) from investments	**51 878**	(8 132)		
	Interest income	**(32 425)**	(40 873)		
	Interest expense	**177 464**	204 731		
	Decrease in provisions and derivatives	**(15 997)**	(16 377)		
	Operating cash generated/(utilised) before working capital changes	**1 519 950**	929 961	**143 260**	(5 143)
	Working capital changes (excluding the effect of foreign exchange differences on consolidation):	**(871 020)**	127 457	**(15)**	60
	Changes in contract assets and liabilities	**(197 464)**	(121 191)		
	Increase in inventory	**(677 848)**	(88 554)		
	Increase in trade and other receivables	**(582 812)**	(286 240)		
	Increase/(decrease) in trade and other payables	**587 104**	623 442	**(15)**	60
	Cash generated from/(utilised in) operations	**648 930**	1 057 418	**143 245**	(5 083)
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	**(35 712)**	(3 040)		
	Income statement charge (note 4)	**(286 783)**	(127 780)		
	Currency adjustment	**13 116**	3 595		
	Amounts unpaid at the end of the year	**58 022**	35 712		
		(251 357)	(91 513)		
18.3	**DIVIDENDS PAID**				
	To shareholders	**(144 520)**		**(149 239)**	
	To non-controlling interests	**(10 840)**	(25 161)		
		(155 360)	(25 161)	**(149 239)**	
18.4	**INTEREST PAID**				
	Interest expense (note 2)	**(177 464)**	(204 731)		
	Preference shares and interest accruals at the beginning of the year	**(14 501)**	(9 856)		
	Preference shares and interest accruals at the end of the year	**8 576**	14 501		
		(183 389)	(200 086)		
18.5	**ADVANCES RECEIVED FROM/(MADE TO) SUBSIDIARIES**				
	Advances received from subsidiaries			**7 477**	11 627
	Advances made to subsidiaries			**(787)**	(17 082)
				6 690	(5 455)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

18. NOTES TO CASH FLOW STATEMENTS (continued)

18.6 RECONCILIATION OF MOVEMENTS IN BORROWINGS (REFER TO NOTE 14) TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES

	GROUP			
	Redeemable preference shares R'000	Bank borrowings R'000	Instalment sale and lease liabilities R'000	Total R'000
2021				
Balance at the beginning of the year	**840 000**	**1 427 833**	**102 480**	**2 370 313**
Changes from financing cash flows:		**34 075**	**(43 096)**	**(9 021)**
Proceeds from RCF drawdowns		**65 000**		**65 000**
RCF repayments		**(264 100)**		**(264 100)**
Mutlu borrowings repaid		**(177 631)**		**(177 631)**
Mutlu and Rombat borrowings raised		**410 806**		**410 806**
Lease repayments			**(43 096)**	**(43 096)**
New leases			**148 438**	**148 438**
Foreign exchange rate adjustments		**(218 897)**	**(1 411)**	**(220 308)**
Balance at the end of the year	**840 000**	**1 243 011**	**206 411**	**2 289 422**
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
Preference shares redeemed/repaid				
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

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
2021			
Derivative financial instruments		**6 693**	**6 693**
Trade and other receivables*	**1 696 638**		**1 696 638**
Cash and cash equivalents	**1 078 074**		**1 078 074**
Total	**2 774 712**	**6 693**	**2 781 405**
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

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
2021			
Borrowings and other financial liabilities		**2 289 422**	**2 289 422**
Derivative financial instruments	**1 131**		**1 131**
Bank overdraft		**116 179**	**116 179**
Trade and other payables**		**2 029 942**	**2 029 942**
Total	**1 131**	**4 435 543**	**4 436 674**
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

* 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
2021			
Short-term loans to subsidiaries	**1 608 784**		**1 608 784**
Cash and cash equivalents	**3 516**		**3 516**
Short-term loans from subsidiaries		**(266 778)**	**(266 778)**
Trade and other payables		**(822)**	**(822)**
Other financial liabilities		**(37 483)**	**(37 483)**
Total	**1 612 300**	**(305 083)**	**1 307 217**
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

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.

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 (i.e. receiving hard currency) 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			
	2021		2020		2021		2020	
	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	**3 786**	**59 602**	9 798	142 337	**16 154**	**263 054**	7 437	109 994
Euros	**12 454**	**225 636**	10 389	187 309	**5 375**	**100 039**	2 055	36 983
Japanese Yen	**310 010**	**43 087**	127 646	16 143	**658 407**	**90 962**	404 857	57 718
Great British Pound	**4**	**25**	(140)	3 276	**135**	**2 908**		
Thai Baht	**17 795**	**8 918**			**44 477**	**21 330**	40 646	19 936
Singapore Dollars	**655**	**142**	3 222	2 216	**2 411**	**516**	1 363	274
Indian Rupee	**21**	**247**					1	12
Total		**337 657**		351 281		**478 809**		224 917

	Profit higher/lower	
Foreign exchange sensitivity analysis	**2021 R'000**	**2020 R'000**
At 31 December 2021, 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	**31 176**	39 080
Euros	**4 778**	2 946
Japanese Yen	**456**	5 056
Great British Pound	**6 237**	71
Thai Baht	**1 480**	6 888

The following significant exchange rates against the Rand applied at year-end:

	Spot rate		Average rate	
	2021	**2020**	**2021**	**2020**
US Dollar	**15.9**	14.8	**14.8**	16.6
Euros	**18.1**	18.0	**17.5**	18.8
Japanese Yen (at inverted rate)	**7.2**	6.7	**7.4**	6.4
Great British Pound	**21.5**	20.0	**20.3**	21.1
Turkish Lira	**1.2**	2.0	**1.7**	2.4
Romanian Lei	**3.6**	3.7	**3.6**	3.9

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 bank 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 (refer to note 14).

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. Currently the group has not entered into any interest rate swaps or similar contracts, but will monitor the effectiveness of such derivatives as the need or risk requirements evolve.

Interest rates on bank overdrafts are disclosed in note 13. Bank overdraft facilities are reviewed annually and the terms are normally market-related. Interest rates and pricing profiles on borrowings, including maturity dates are disclosed in note 14.

At 31 December 2021, 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 R9.6 million (2020: R8.3 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 consists 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 35% (2020: 38%) 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, there are a greater proportion of amounts receivable from small and medium-sized customers including the independent distributor networks, wholesale and retail customers within our energy storage business. The aftermarket profile mitigates against concentration risk to OEM customers.

Net trade receivables comprises of R1 120 million (2020: R1 155 million) from the energy storage business and R361 million (2020: R376 million) from the automotive component business. Further analysis of trade receivables by business vertical, including currency exposures, customer and market mix and management's ageing profiles can be found in note 12.

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.

95% (2020: 96%) 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.

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 or credit impairment.

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 included the state of the automotive industry and outlook, GDP forecasts, the geography and industry in which our customers operate, period overdue and time taken to settle debts, past default experiences in certain segments and collection experiences post COVID-19.

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. Actual bad debts for the year amounted to R3.9 million (2020: R3.8 million).

The expected credit loss allowance has increased from 3.6% to 4.8% taking into consideration the factors discussed above. There has been no material change in the estimation techniques applied in determining the ECLs from the prior year

The following granular approach is applied in arriving at the loss rates in the table below:

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, in particular supply chain disruptions experienced in the industry.
- We looked at past customer default history, specifically the 2008 global financial crisis and impact on the automotive industry and a 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 (ECL).

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19. FINANCIAL INSTRUMENTS (continued)

19.2 FINANCIAL RISK MANAGEMENT (continued)

B. Credit risk (continued)

From a group point of view our ECL matrix and provision can be summarised as follows:

	GROUP					
	2021			2020		
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	**550 420**	**1.30%**	**7 165**	**595 684**	**0.14%**	**837**
Up to 3 months	539 573	0.00%	142	593 754	0.00%	59
3 to 6 months	3 696	11.88%	439	1 179	35.79%	422
Over 6 months	7 151	92.07%	6 584	751	47.40%	356
Export	**339 217**	**11.95%**	**40 545**	**224 183**	**14.42%**	**32 336**
Up to 3 months	303 545	1.67%	5 066	191 899	0.21%	396
3 to 6 months	7 081	97.27%	6 888	1 154	70.19%	810
Over 6 months	28 591	100.00%	28 591	31 130	100.00%	31 130
Aftermarket	**610 099**	**4.23%**	**25 816**	**700 017**	**2.91%**	**20 404**
Up to 3 months	571 055	0.05%	293	661 884	0.04%	268
3 to 6 months	15 160	10.81%	1 639	16 963	2.02%	342
Over 6 months	23 884	100.00%	23 884	21 170	93.50%	19 794
Non-Auto	**56 786**	**3.17%**	**1 801**	**67 343**	**4.61%**	**3 106**
Up to 3 months	55 588	1.08%	603	61 449	0.54%	332
3 to 6 months	26	100.00%	26	3 657	14.68%	537
Over 6 months	1 172	100.00%	1 172	2 237	100.00%	2 237
IFRS 9 lifetime ECL: Y/E	**1 556 522**	**4.84%**	**75 327**	**1 587 227**	**3.57%**	**56 683**

The following table provides information about the exposure to credit risk for trade receivables from individual customers as at 31 December:

	Gross carrying amount R'000	Loss allowance R'000	Credit impaired
31 December 2021			
Current (not past due)	1 353 080	(331)	No
1 - 30 past due	111 045	(691)	No
31 - 60 days past due	19 056	(964)	No
61 - 90 days past due	4 882	(4 882)	Yes
More than 90 days past	68 459	(68 459)	Yes
Total debtors book	**1 556 522**	**(75 327)**	
31 December 2020			
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)**	

Approximately R42 million (2020: R34 million) of trade receivables are over 12 months on hand. 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 43% (2020: 35%). 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, tooling and other receivables have 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 R181.3 million (2020: R354.1 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

Derivatives (predominantly FECs) are entered into with various banks and financial counterparties of strong investment grades.

Guarantees

Certain group subsidiaries have provided cross guarantees for the RCF funding available to the group. These guarantees eliminate on consolidation. The company has issued a guarantee to Standard Bank in respect of funding facilities granted to Hesto (refer to note 10).

The credit quality of financial assets is based on historical counterparty default rates:

	GROUP	
Analysis of credit quality	**2021 R'000**	**2020 R'000**
Trade receivables		
Counterparties are:		
Group 1 - new customers (less than 6 months) with no defaults	**97 508**	30 395
Group 2 - existing customers (more than 6 months) with no defaults in the past	**1 383 687**	1 500 149
Group 3 - existing customers (more than 6 months) with some defaults	**75 327**	56 683
	1 556 522	1 587 227
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 (refer to note 12).		
Cash and cash equivalents		
Bank balances were held as follows:		
South African banks	**436 757**	748 034
European banks	**165 619**	266 916
Turkish banks	**475 698**	608 746
	1 078 074	1 623 696
Derivative financial instruments		
Forward exchange contracts were held as follows:		
South African banks - net ZAR forward cover notional outflow	**(425 129)**	(451 502)

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, Fitch and Moody's Investor services. Fitch reaffirmed its BB- rating with a stable outlook for South Africa and BB- for Turkey. Romania was Baa3 per Moody's.

19. FINANCIAL INSTRUMENTS (continued)
19.2 Financial risk management (continued)
B. Credit risk (continued)

	COMPANY	
	2021	**2020**
Credit quality - Company	**R'000**	**R'000**
Current advances to subsidiaries		
- with no defaults in the past not credit impaired/low credit risk ('Inalex')	1 608 784	1 467 576
- with no defaults in the past but with raised default risk ('MMS')		55 891
Bank balances with South African banks - fully performing	3 516	2 820

Credit risk for the company arises from loans and guarantees advanced to subsidiaries and associates. These are subject to the expected credit loss model. The company applies the general approach for assessing impairments 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.

The company applied a probability weighted methodology for calculating expected credit losses under IFRS 9 (ECL=PD*LGD*EAD). A weighted average PD rate was computed based on a probability weighted outcomes approach.

The qualitative factors considered when assessing whether or not there has been a SICR included:
- 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;
- 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; and
- changes in the enterprise values of the underlying operations and indicators of decline in values.

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, forward-looking information needs to be considered and loans are expected to be recovered over time:

External information:
- publicly available default rate studies analysed by industry, corporate grading, emerging market and in country default ratings; and
- SA government bond yields – five-year credit default swaps (implied PD).

Internal information:
- specific factors impacting on the longer term operating results of operations;
- compliance with lenders covenants;
- ability to service preference shares funding and dividends;
- South African automotive outlook and OEM volume recovery;
- South African government support of the local automotive industry and certainty of the APDP plan until 2035; and
- underlying impairment testing (refer to note 8) and support for asset carrying values in the group. The group's most significant subsidiary, Mutlu Akü, is supported by the under-lying cash flows.

19. FINANCIAL INSTRUMENTS (continued)
19.2 FINANCIAL RISK MANAGEMENT (continued)
B. Credit risk (continued)
Credit risk – company (continued)

The company adopts a 'repayment over time' strategy for loans advanced which could be recovered in a number of ways:
- adjusting dividends declared upstream;
- refinancing or extensions of funding facilities;
- 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.

The company has specifically impaired loans advanced to Automould (Pty) Ltd for R167 451 000 (2020: R167 451 000). Automould suffered financial losses in the past and the company subordinated claims in favour of the other creditors of Automould.

Guarantees issued by the company results in the recognition of a financial guarantee liability (refer to note 14), recognised as an ECL balance to the extent that the underlying defaults, or is expected to default, on their obligations to funders. These are financial instruments as there is a contractual obligation to pay cash should a default occur. An associate or subsidiary is considered to have defaulted when they have not met their contractual obligations for payment due. In determining expected default, the forward-looking factors under the expected credit loss model are applied.

The reconciliation for loss allowances (impairments) at 31 December are as follows:

	COMPANY	
	2021 Loans to subsidiaries at amortised cost R'000	**2020 Loans to subsidiaries at amortised cost R'000**
Opening loss allowance as at 1 January	(242 074)	(235 596)
Loss allowance measured at:		
Lifetime ECL - decrease/(increase) in credit risk since initial recognition	47 861	(6 478)
Loss allowance as at 31 December	(194 213)	(242 074)

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 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 liquidity. The preference shares funding and RCF 1 facility was refinanced, upon maturity, during the year under review.

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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

19. FINANCIAL INSTRUMENTS (continued)

19.2 FINANCIAL RISK MANAGEMENT (continued)

C. Liquidity risk (continued)

	Balance sheet carrying value R'000	Total Contractual cash flows R'000	Maturities 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 2021						
Bank borrowings (excluding lease liabilities)	**2 219 472**	**2 569 547**	**534 923**	**333 242**	**1 701 382**	
Lease liabilities	**69 950**	**78 398**	**36 128**	**34 783**	**7 487**	
Derivative financial liabilities	**1 131**	**1 131**	**1 131**			
Overdraft	**116 179**	**79 909**	**79 909**			
Trade and other payables	**2 029 942**	**2 029 942**	**2 029 942**			
As at 31 December 2020						
Bank 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			

Analysis of financial liabilities - maturities (company)

Financial liabilities of R267 million (2020: R223 million) relates mainly to amounts due to Business Investments No 1217 (Pty) Ltd (BVI) and is classified as current liabilities. BVI holds equity shares in the company (treasury shares). Recoveries of advances from other subsidiaries as well as dividends received by the company provides adequate liquidity to repay BVI, if required. The contractual cash flows approximate the carrying values.

The company issued a guarantee on behalf of Hesto, for funding facilities provided by Standard Bank. Non-performance by Hesto may result in contractual cash flows to be made and therefore included in the maturity analysis below:

Maturity profile of financial guarantee contract as at December 2021	GROUP AND COMPANY Balance sheet carrying value (Fair value)	Contractual cash flow (nominal value undiscounted)	Less than 1 year
Financial guarantee issued on behalf of Hesto	37 483	636 650	636 650

The maximum amount of the guarantee (notional amount of R637 million) is allocated to the earliest period in which the guarantee could be called. There are no expected credit losses raised as there is no history of credit losses arising at Hesto and ECL assessments indicates that no additional ECL allowance is necessary. The carrying value of the financial guarantee instrument is determined in accordance with IFRS 9. The total funding facility granted to Hesto is R850 million, of which R600 million was drawn-down at balance sheet date.

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 R962 million (2020: R297 million), excluding net interest expense of R145 million (2020: R164 million) and excluding depreciation and amortisation of R302 million (2020: R322 million), amounting to R1 409 million (2020: R783 million).

The ratios at 31 December were as follows:

	GROUP 2021 R'000	2020 R'000
Total borrowings including bank overdraft (notes 13 and 14)	**2 405 601**	2 428 886
Less: Cash and cash equivalents (note 13)	**(1 078 074)**	(1 623 696)
Net debt	**1 327 527**	805 190
Ordinary shareholders' equity	**3 758 542**	4 105 975
Total capital employed	**5 086 069**	4 911 165
Net debt/equity ratio %	**35.3**	19.6
Net debt:EBITDA ('times')	**0.9**	1.0
Net debt/Capital ratio %	**26.1**	16.4

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 1.0 times (achieved 0.43 times)
- Interest cover ratio not less than 3.0 times (achieved 8.83 times)
- Net borrowings to adjusted EBITDA ratio (on a covenant testing basis) shall not exceed 2.5 times (achieved 1.48 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 approximates carrying values.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

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			
		2021 R'000		2020 R'000	
At 31 December	**Level**	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Forward exchange contracts and similar instruments - Mandatorily at fair value through profit/(loss)	2	**6 693**	**1 131**	242	17 857

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 R17.7 million (2020: gain of R2.2 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	132 779	8 629	14.54 - 15.93	4 643	4 January 2022 - 30 June 2022
Euro	45 976	2 579	17.32 - 18.09	684	27 January 2022 - 29 March 2022
Japanese Yen	23 631	175 620	7.13 - 7.79	855	14 January 2022 - 31 August 2022
Great British Pound	642	30	21.40	5	31 January 2022
Thai Baht	11 606	25 000	2.08 - 2.25	449	31 January 2022 - 28 February 2022
	214 634			6 636	
Exports*					
US Dollar	2 024	125	16.04 - 16.27	22	14 January 2022 - 24 January 2022
Euro	602	33	18.37	6	31 January 2022
Great British Pound	5 052	233	21.68	29	31 January 2022
Australian Dollar	19	2	11.88		31 January 2022
	7 697			57	
Total derivative financial assets				**6 693**	
Derivative financial liabilities					
Imports*					
US Dollar	156 475	9 726	15.97 - 16.48	(316)	10 January 2022 - 26 April 2022
Euro	41 458	2 237	18.09 - 18.83	(457)	21 January 2022 - 28 June 2022
Great British Pound	1 984	90	22.04	(6)	27 June 2022
Japanese Yen	24 957	177 772	6.91 - 7.20	(260)	4 January 2022 - 31 March 2022
	224 874			(1 039)	
Exports*					
Euro	5 445	302	17.65 - 18.15	(64)	14 January 2022 - 28 February 2022
Great British Pound	461	22	21.16	(9)	31 January 2022
Australian Dollar	776	68	1.14	(19)	22 February 2022 - 28 February 2022
	6 682			(92)	
Total derivative financial liabilities				**(1 131)**	

* 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	
		2021 R'000	2020 R'000	2021 R'000	2020 R'000
20.	**CONTINGENT LIABILITIES**				
	Limited guarantee in respect of Valeo overdraft facility	**3 675**	3 675	**3 675**	3 675
	Performance and related guarantees	**203 958**	191 554		
		207 633	195 229	**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.				
21.	**COMMITMENTS**				
	Capital commitments	**670 300**	766 938		
	Contracted:				
	- Plant, machinery and equipment	**79 946**	341 388		
	Authorised by the directors, but not yet contracted:				
	- Plant, machinery and equipment	**590 354**	425 550		

Commitments will be financed from a combination of internal cash resources, unutilised funding facilities and future specific project financing facilities, if required. Hesto's approved capital expenditure at balance sheet date amounted to R377 million (2020: R569 million). The maturity profile for lease obligations can be found in notes 14 and 19.2 C.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

22. POST-EMPLOYMENT BENEFITS

The group provides post-employment benefits for its employees.
Amounts included in the financial statements comprise of:

	GROUP 2021 R'000	GROUP 2020 R'000
Balance sheet obligation for:		
Post-employment medical aid benefits (note 22.1)	40 712	38 774
Other post-employment benefits (note 22.2)	32 551	52 553
Liability in the balance sheet	73 263	91 327
Income statement charge:		
Post-employment medical aid benefits (note 22.1)	4 276	3 795
Other post-employment benefits (note 22.2)	8 980	9 076
	13 256	12 871
Remeasurements included in other comprehensive income for:		
Post-employment medical aid benefits (note 22.1) - (gain)/loss	(273)	1 026
Other post-employment benefits (note 22.2) - loss	4 780	7 729
Long service award - loss	253	797
	4 760	9 552

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 2021 R'000	GROUP 2020 R'000
Current service costs	587	544
Interest costs	3 689	3 252
	4 276	3 796
Movement in the liability recognised in the balance sheet		
At the beginning of the year	38 774	35 206
Total expense per income statement	4 276	3 795
Contributions paid	(2 065)	(1 253)
Actuarial (gain)/loss recognised in other comprehensive income	(273)	1 026
At the end of the year	40 712	38 774
The amounts recognised in equity are as follows:		
Recognised actuarial (gain)/loss	(273)	1 026

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	(3 581)	4 589
Revised defined benefit obligation - net	39 533	42 092

Assumptions	2021	2020
The principal actuarial assumptions used were:		
- Discount rate for obligation	11.0%	10.0%
- Healthcare cost inflation	7.0%	6.2%
- Continuation of membership on retirement	100%	100%
- CPI inflation	6.0%	5.7%
- 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 TL8 285 (2020: TL7 117) per year for each year of employment at the rate of pay applicable at the date of retirement/termination.

The group reflects a liability calculated using the projected unit credit method, based upon factors derived using 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 2021 R'000	GROUP 2020 R'000
Current service costs	3 388	3 866
Interest costs	5 592	5 210
	8 980	9 076
Movement in the liability recognised in the balance sheet		
At the beginning of the year	52 553	50 111
Total expense per income statement	8 980	9 076
Contributions paid	(12 263)	(4 216)
Actuarial loss recognised in other comprehensive income	4 780	7 729
Currency adjustment	(21 499)	(10 147)
At the end of the year	32 551	52 553
The amounts recognised in equity are as follows:		
Recognised actuarial loss	4 780	7 729
The principal actuarial assumptions used at balance sheet date are as follows (based on Turkish statistics):	2021	2020
Annual discount rate*	13%	13%
Salary inflation rate*	8.5%	8.5%
Average monthly earnings (Turkish Lira)	7 794	6 983
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.
* Local rates are disclosed. ZAR based translated rates were shown in the prior year.

22.3 PENSION SCHEMES

The group operates defined contribution pension schemes and contributions are charged against the income statement. The group contributed R92.7 million (2020: R90.0 million) to the defined contribution schemes.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

		GROUP		COMPANY	
		2021 R'000	2020 R'000	2021 R'000	2020 R'000
23.	**SUBORDINATION AGREEMENTS**				
	The company has subordinated a portion of loans receivable from the following subsidiaries or has provided a letter of support 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
				167 451	279 233

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.

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 2021 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

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, including loan advances are 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 R2.8 million (2020: R10.7 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 98 to 101.

	GROUP 2021 R'000	GROUP 2020 R'000
The group entered into the following transactions with its associates:		
Hesto		
Purchases from group companies	243 919	125 510
Sales to group companies	15 123	10 284
Management fees paid to group companies	5 549	5 185
Management fees received from group companies	423	406
Outstanding balance to group companies	16 262	10 158
Outstanding balance from group companies	499	603
Valeo		
Purchases from group companies	46 997	44 143
Sales to group companies	127	
Management fees paid to group companies		324
Outstanding balance to group companies	862	8 227

The company provided a letter of support to Metair Management Services (Pty) Ltd and has subordinated claims against Automould (Pty) Ltd (refer to note 23). The company also guaranteed funding provided to Hesto (refer to note 10). The RCF facilities available to SA subsidiaries (refer to note 14) is guaranteed by certain group subsidiaries ('cross-guarantees').

26. STATED CAPITAL AND TREASURY SHARES

	GROUP 2021 R'000	GROUP 2020 R'000	COMPANY 2021 R'000	COMPANY 2020 R'000
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	(128 126)	(142 176)		
Shares disposed by Business Venture Investments No 1217 (Pty) Ltd (vesting utilisation)	9 973	14 050		
Balance at the end of the year	(118 153)	(128 126)		
Number of treasury shares are held as follows				
Business Venture Investments No 1217 (Pty) Ltd	5 878 273	6 504 167		

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 previous share buyback program.

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 approved by shareholders on 4 December 2009. Under the plan, executives, senior managers and/or key employees of the group will annually be offered performance shares.

Annual allocations of awards 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 vesting or exercise the awards available to vest and/or be exercised, shall be deemed to have vested, 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
No new awards have been granted.

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.

NOTES TO THE ANNUAL 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:

	2021 Number of rights	2021 Weighted average strike rights price R	2020 Number of rights	2020 Weighted average strike rights price R
Balance at the beginning of the year	3 063 853	20.91	4 562 524	23.74
Granted				
Lapsed	(233 715)	(20.92)	(154 751)	(21.21)
Vested with appreciation	(367 362)	(21.41)	(8 770)	(17.7)
Vested with no appreciation	(1 123 584)	(16.83)	(1 335 150)	(30.57)
Balance at the end of the year	1 339 192	20.81	3 063 853	20.91
IFRS 2 share-based payment charge		R1 979 349		R5 728 654

Rights outstanding at the end of the year vest in the following years (performance period), subject to the fulfilment of performance conditions.

	2021 Number of rights	2020 Number of rights
Year ending 31 December:		
2021		1 505 244
2022	666 696	775 585
2023	467 326	543 244
2024	205 170	239 780
	1 339 192	3 063 853

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 performance criteria for each award includes return on assets, cash generation and compounded annual growth in headline earnings per share.

The performance conditions applied to the performance shares awarded in 2021 are as follows:
- Metair executives performance criteria will be the group's return on invested capital ('ROIC') (40%), HEPS growth targets (30%) as well as cash conversion rates (20%) and ESG targets (10%).

The performance conditions applied to the performance shares awarded in 2020 are as follows:
- Metair executives performance criteria will be the group's 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:

	2021 Number shares	2020 Number shares
Balance at the beginning of the year	3 102 891	1 434 344
Granted	2 156 414	2 650 159
Additional increase based on performance criteria	21 698	294 218
Lapsed	(685 935)	(414 744)
Vested	(258 532)	(861 086)
Balance at the end of the year	4 336 536	3 102 891
Share awards outstanding vest in the following financial years, subject to the fulfilment of performance conditions.		
2021		368 364
2022	414 682	480 253
2023	1 862 637	2 254 274
2024	2 059 217	
	4 336 536	3 102 891
IFRS 2 share-based payment charge	R16 630 940	R20 861 043

c) Valuation of share incentive grants

The performance shares granted 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 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:

	Performance shares
2021	
Spot price	R22.12
Strike price (grant price)	Nil
Volatility	N/A
Dividend yield	2.55%
Valuation (IFRS 2)	R55 937 991
Fair value per share at grant date	R20.49
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

The total IFRS 2 employee share-based payment expense for the year was R18.6 million (2020: R31.8 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 2021 was R27.50 (2020: R18.75).

26. STATED CAPITAL AND TREASURY SHARES (continued)

26.1 THE METAIR INVESTMENTS LIMITED 2009 SHARE PLAN (EQUITY-SETTLED SHARE-BASED PAYMENT SCHEME) (continued)

d) 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):				
2021				
R Haffejee		**187 990**		**187 990**
S Douwenga		**123 766**		**123 766**
2020				
CT Loock		324 251		324 251
S Douwenga		158 812		158 812
Lapsed (number of shares):				
2021				
S Douwenga	**(113 875)**			**(113 875)**
2020				
CT Loock*	(641 110)	(274 749)		(915 859)
S Douwenga	(295 730)		(250 000)	(545 730)
Additional increase based on performance criteria (number of shares):				
2021				
S Douwenga		**13 638**		**13 638**
2020				
CT Loock		51 110		51 110
S Douwenga		24 980		24 980
Exercise (number of shares):				
2021				
S Douwenga	**(41 842)**	**(40 913)**		**(82 755)**
2020				
CT Loock*	(8 549)	(266 798)		(275 347)
S Douwenga		(48 326)		(48 326)
Cumulative (number of shares):				
2021				
R Haffejee		**187 990**		**187 990**
S Douwenga	**129 235**	**311 825**		**441 060**
2020				
CT Loock				
S Douwenga	284 952	215 334		500 286

* Includes 442 671 shares exercised and 614 915 shares lapsed on retirement.

26.2 INTEREST OF DIRECTORS

The aggregate direct beneficial holdings of executive directors and their immediate families (none of whom hold over 1%) in the issued ordinary shares of the company are detailed below.

	Number of shares as at 31 December 2021	%	Number of shares as at 31 December 2020	%
Executive directors				
CT Loock*			732 414	0.37
S Douwenga			48	0.00
Non-executive directors				
S Sithole & N Mkhondo indirect non-beneficial through Value Capital Partners	**32 803 731**	**16.49**	37 698 710	18.95
Total	**32 803 731**	**16.49**	38 431 172	19.32

* Retired 31 December 2020

There has been no change to these interests between the end of the financial year and the date of approval of the annual financial statements.

	GROUP		COMPANY	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
27. RESERVES				
Reserves comprises the following:				
27.1 SHARE-BASED PAYMENT RESERVE				
Balance at the beginning of the year	**178 087**	149 047	**77 198**	68 271
Value of service provided	**18 610**	31 780	**18 610**	31 780
Deferred taxation	**5 767**	(2 740)		
Utilisation of treasury shares to settle obligation*	**(9 973)**	(14 050)	**(13 120)**	(22 853)
Estimated taxation effect of utilisation of treasury shares	**(1 298)**	160		
Transfer of net vesting impact to retained earnings	**11 271**	13 890		
Balance at the end of the year	**202 464**	178 087	**82 688**	77 198
* The market value of shares utilised to settle the obligation amounted to R15.8 million (2020: R13.3 million).				
27.2 FOREIGN CURRENCY TRANSLATION RESERVE				
Balance at beginning of the year	**(2 069 461)**	(1 791 227)		
Net exchange loss arising from translation of foreign operations	**(897 128)**	(278 234)		
Balance at end of the year	**(2 966 589)**	(2 069 461)		
27.3 EQUITY ACCOUNTED RESERVES				
Balance at the beginning of the year	**463 323**	470 111		
Transfers from retained earnings	**(58 437)**	(6 788)		
Balance at the end of the year	**404 886**	463 323		
Transfer from retained earnings consists of:				
- Share of results of associates	**(51 878)**	8 132		
- Dividends received	**(6 559)**	(14 920)		
	(58 437)	(6 788)		
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	**(2 380 436)**	(1 449 248)	**82 688**	77 198
27.5 RETAINED EARNINGS				
Balance at the beginning of the year	**4 185 418**	4 025 564	**301 375**	312 996
Net profit/(loss) for the year	**674 791**	174 184	**200 756**	(11 621)
Other comprehensive loss	**(3 655)**	(7 228)		
Dividends paid	**(144 520)**		**(149 239)**	
Transfers to equity accounted reserves	**58 437**	6 788		
Transfer of net vesting impact to retained earnings	**(11 271)**	(13 890)	**(2 647)**	
Balance at the end of the year	**4 759 200**	4 185 418	**350 245**	301 375
27.6 NON-CONTROLLING INTERESTS				
Balance at the beginning of the year	**108 863**	122 733		
Net profit for the year - attributable to non-controlling interests	**18 007**	11 093		
Other comprehensive income/(loss) - attributable to non-controlling interests	**(218)**	198		
Dividend	**(10 840)**	(25 161)		
Balance at the end of the year	**115 812**	108 863		

28. COVID-19 IMPACT AND ASSESSMENTS

Operational impact

COVID-19 pandemic caused unprecedented disruptions to businesses globally in 2020 and was extensively discussed in the prior year annual financial statements. The impact was taken very seriously from the onset 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.

Since then, energy storage recovered strongly and operating results out-performed pre-crisis levels. Vehicle demand recovered in our key markets during 2021, buoyed by strong EU demand, but OEM customers were only able to sell whatever cars they could build because of the ongoing semi-conductor chip shortages. As a result, and combined with the global supply chain disruptions, automotive components results was impacted. The chip shortage and labour disruptions caused by ongoing waves are still impacting the automotive industry in 2022, though this problem is expected to improve as the year goes on.

Automotive Components recovery is a project-based stepped U-shaped recovery, focused on new model launch projects, customers, models, and markets with anticipated increase in export demand from Europe as we commit to meet our OEM customer's expectations. However ongoing supply chain disruptions and availability of raw materials contributed to rising costs (sea and airfreight) which impacted full year results. SA vehicle production volumes of 471 184 units is estimated to be achieved, 77% of 2019 (pre-COVID) levels. Hesto was severely impacted by the ongoing supply chain disruptions.

Energy vertical's V-shape recovery was based on aftermarket demand, market share, brand positioning, economic range expansion and OEM projects. Aftermarket and export demand returned strongly, and results exceeded expectations driven by an excellent performance from Mutlu Aku in Turkey. Total automotive sales volumes were 8.8 million pieces, 5% ahead of 2019 levels. Exports achieved 3.8 million units, up 17% from 2019 and this segment earns revenue in hard currency (Euro and USD).

Metair's results recovery

Group revenue of R12.6 billion (2019: R11.2 billion and 2020: R10.2 billion) was generated for the year under review. The group achieved full year operating profit of R1.16 billion (2019: R1 billion and 2020: R561 million) at 9.2% margin (2020: 5.5%). Net profit for the year amounted to R693 million (2019: R658 million and 2020: R185m). Further details on the group's financial results and position as well as segmental performances can be found in the annual financial statements.

Dividends resumed and a pay-out of 75 cents per share was declared and paid in 2021 related to 2020 profit.

Liquidity and solvency

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. The group held cash and cash equivalents of R962 million (2020: R1.6 billion) at year-end. Cash was utilised on expansion projects, working capital investments, supply chain costs and dividends.

Unutilised and available finance facilities were R676 million in South Africa and R1 billion combined equivalent at Rombat and Mutlu. In addition, R544 million is still available through the South African RCF facilities. RCF 1 and the preference shares funding were refinanced upon maturity during 2021 (refer to note 14). All covenant requirements were complied with (refer to note 19.3).

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. We are increasing inventory supply levels to maintain production, despite the supply challenges and short-term material shortages.

Going concern

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 considered the uncertainties following the outbreak of COVID-19 as well as latest market and customer requirement intelligence. There are no indications that the group will not be a going concern. The group has a strong balance sheet, healthy cash flow generation and access to bank funding.

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. Our five-year forecasts support the carrying values of assets (Refer to note 8 for further information).

Financial assets (incl. trade and other receivables)

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 bad debts. (Refer to note 12 for further information).

Insurance recovery for dreaded disease (business interruption claims)

South African business interruption insurance claims related to COVID-19 was settled. Although the cost of business interruption was significantly higher than the claim, the insured value was capped at R50 million (before R2.5 million in costs) and has been received.

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 2021 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

New standards and amendments adopted by the group:

The group has applied the following amendments for the first time for the annual reporting period commencing 1 January 2021:

- COVID-19-Related Rent Concessions – amendments to IFRS 16; and
- Interest Rate Benchmark Reform – Phase 2 – amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.

The group also elected to adopt the following amendments early:

- Annual Improvements to IFRS Standards 2018–2020; and
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – amendments to IAS 12.

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(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 2021 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.

ACCOUNTING POLICIES CONTINUED

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.

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, however equity accounting is applied under both basis.

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.

ACCOUNTING POLICIES CONTINUED

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; and
- 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.

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.

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; and
- 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 original equipment manufacturers ('OEMs') 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.

ACCOUNTING POLICIES CONTINUED

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 customer's 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 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.

ACCOUNTING POLICIES CONTINUED

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', 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 ('FECs'). 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; and
- 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 FECs 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 measured at amortised cost, as well as on the financial liability recognised for financial guarantee contracts. Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs, using the simplified approach. 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. For financial guarantee contracts, the date that the group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contract, the group considers the changes in the risk that the specified debtor will default on the contract

(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 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.

Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- the amount determined in accordance with the expected credit loss model under IFRS 9 Financial Instruments; and
- the amount initially recognised less cumulative amortisation recognised in profit and loss.

ACCOUNTING POLICIES CONTINUED

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates are provided for no compensation the fair values are accounted for as contributions and recognised as part of the cost of the investment. The nominal contractual values of financial guarantees are not recorded in the balance sheet. The nominal value together with any ECL considerations are disclosed in Note 19.2 financial risk management (credit and liquidity risk).

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.

INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

AS AT 31 DECEMBER 2021

	Type	Issued share capital 2021 R'000	2020 R'000	Direct/ (indirect) interest 2021 %	2020 %	Direct/ (indirect) cost of shares less impairment 2021 R'000	2020 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	3 205 494	3 371 154	(100.0)	(100.0)	(3 161 631)	(3 327 291)
Metair Energy Solutions B.V*	ordinary			(100.0)	(100.0)		
Metair Akü Holding Anonim Şirketi***	ordinary	2 494 422	2 494 422	(100.0)	(100.0)	(2 514 065)	(2 514 065)
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						(6 281 822)	(6 447 482)

	Type	Issued share capital 2021 R'000	2020 R'000	Direct/ (indirect) interest 2021 %	2020 %	Direct/ (indirect) cost of shares less impairment 2021 R'000	2020 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)	(121 821)	(121 986)
Akkumulatorenfabrik MOLL GmbH + Co.KG``	fixed capital			(25.1)	(25.1)		
MOLL Grundstücks- und Vermogensverwaltungs GmbH + Co. KG``	fixed capital			(25.1)	(25.1)		
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	47 264	2 793
Prime Motors Industry Srl```	ordinary			(35.0)	(35.0)	(25 620)	(25 620)
Vizirama 112 (Pty) Ltd	ordinary			33.0	33.0		
Eye2square Innovations (Pty) Ltd	ordinary			(20.0)	(20.0)		
Denso Sales South Africa (Pty) Ltd	ordinary			(49.0)	(49.0)		
Direct interest						47 264	2 793
Indirect interest						(147 442)	(147 607)

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

| Amounts owing by/(to) subsidiaries before impairment: | 2021 R'000 | 2020 R'000 |
|---|---|---|
| Metair Management Services (Pty) Ltd | (24 833) | 111 782 |
| Inalex (Pty) Ltd | 1 635 546 | 1 486 307 |
| Automould (Pty) Ltd | 167 451 | 167 451 |
| Business Venture Investments 1217 (Pty) Ltd | (241 945) | (222 631) |
| | 1 536 219 | 1 542 909 |
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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" or the "group")

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 Thursday, 5 May 2022, 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 report, for the year ended 31 December 2021, 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. Re-election of directors

3.1 Ordinary resolution number 1

Resolved that Mr CMD Flemming, who retires in terms of the provisions of the company's MoI, but being eligible and has offered himself for re-election, be and is hereby re-elected as a director of the company.

CMD Flemming
Chairman, Independent non-executive director
Age: 65
Qualification: B Comm, Bachelor of Law, B Prok, AMP Harvard
Nationality: South African

Mr Flemming joined African Oxygen Limited (Afrox) 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 Afrox 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 was appointed chairman on 5 May 2021.

3.2 Ordinary resolution number 2

Resolved that Mr S Sithole, who retires in terms of the provisions of the company's MoI, but being eligible and has offered himself for re-election, be and is hereby re-elected as a director of the company.

S Sithole
Independent non-executive director
Age: 49
Qualification: BAcc (Hons), CA(SA), CA(Z) Programme for Leadership Development (Harvard Business School), Diploma in Banking (UJ)
Nationality: Zimbabwean

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.

3.3 Ordinary resolution number 3

Resolved that Mr MH Muell, who retires in terms of the provisions of the company's MoI, but, being eligible and has offered himself for re-election, be and is hereby re-elected as a director of the company.

MH Muell
Independent non-executive director
Age: 61
Qualification: Diplom-Betriebswirt (BA)
Nationality: German

Mr Muell holds a Diplom-Betriebswirt (BA) 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.

4. Appointment of independent auditors

4.1 Ordinary resolution number 4

Resolved that Ernst & Young Inc., with the designated audit partner being Mr D. Venter, be appointed as the company's independent external auditors for the ensuing year until the next annual general meeting of the company as recommended by the audit and risk committee.

The audit and risk committee and the board are satisfied that Ernst & Young Inc. (and Mr D Venter) meet the provisions of the Companies Act and comply with the requirements set out in the JSE Listings Requirements.

5. Re-election of audit and risk committee members

5.1 Ordinary resolution number 5

Resolved that the members of the audit and risk committee as set out below be and are hereby re-elected in accordance with the provisions of section 94 of the Companies Act for the period commencing on the date of their re-election and enduring until the next annual general meeting of the company.

Resolved that the nominees (each of whom are independent non-executive directors of the company) to the audit and risk committee, as proposed by the board, be and are hereby re-elected:

(i) Ms Mathews, as chair of the audit and risk committee;

B Mathews
Independent non-executive director
Age: 53
Qualification: BCom Accounting, BCom Accounting Honours, CA(SA), HDip Tax
Nationality: South African

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) (now University of Johannesburg (UJ)). 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. She replaced Mr Flemming as chairman of the audit and risk committee with effect from the conclusion of the AGM held on Wednesday, 5 May 2021.

(ii) Ms Sithebe, as a member of the audit and risk committee;

AK Sithebe
Independent non-executive director
Age: 39
Qualification: BCom Accounting, BCom Accounting Honours, CA(SA), MBA
Nationality: South African

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 businesses 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, a mid-market focused private equity investment firm. Ms Sithebe is currently 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 boards of Altron Limited and Dis-Chem Pharmacies Limited. 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.

(iii) Mr Mawasha, as a member of the audit and risk committee.

B Mawasha
Independent non-executive director
Age: 43
Qualification: BSc (Eng) Electrical, GCC AMP, PMD, ADP
Nationality: South African

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 Richard Bay Minerals. He previously held leadership, operational and technical roles at Anglo American (Kumba Iron Ore), the De Beers Group and AngloGold Ashanti. He currently serves on the boards of Murray and Roberts and Exxaro Resources. 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.

6. Ordinary resolution number 6

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 87 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 90 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 a separate non-binding advisory vote is because of it being recommended practice 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 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 votes 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 dissenting 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 and/or the board of

SHAREHOLDER INFORMATION CONTINUED

directors of any of its subsidiaries with effect from 1 January 2022 to 31 December 2022 (refer to page 97 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 2022 and ending 31 December 2022.

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 special resolution 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 2021 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 special resolution 3 and the reason therefor 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 JSE Listings Requirements, 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 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 special resolution 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 98 of the integrated annual report.

Share capital – refer to page 181 of the integrated annual report.

Directors' responsibility statement

The directors, whose names are given on pages 117 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.

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, 11 March 2022, 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 attend and vote at the annual general meeting is Friday, 22 April 2022, being the voting record date used to determine which shareholders are entitled to attend and vote at the annual general meeting. The last day to trade in order to be entitled to attend and vote at the annual general meeting will therefore be Tuesday, 19 April 2022.

In terms of section 63(1) of the Companies Act, any person attending or participating in the annual general meeting must present reasonably satisfactory identification and the person presiding at the meeting must be reasonably satisfied that the right of any person to 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 the company at its registered office or by The Meeting Specialist (Pty) Ltd (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 Tuesday, 3 May 2022 at 14h00. Any forms of proxy not lodged at this time must be handed to the chairman of the annual general meeting immediately prior to the annual general meeting. A shareholder is entitled to attend and vote at the AGM or may appoint one or more proxies (who need not be a shareholder(s) of the company) of his/her own choice to attend, speak, and, on a poll, vote in his/her stead at the AGM.

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 company's 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 on +27 520 7950/1/2 as soon as possible, in any event by no later than 14h00 on Tuesday, 3 May 2022. Shareholdings 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 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 Tuesday, 3 May 2022 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
16 March 2022

Registered office

Metair Investments Limited
Oxford and Glenhove Building
114 Oxford Road
Suite 7
Houghton Estate
Johannesburg
Gauteng
2198

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 the "group" or the "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 as regards voting your shares at the annual general meeting.

A shareholder may be entitled to attend and vote at the meeting or may appoint one or more proxies of his/her own choice to attend, speak, and, on a poll, vote in his/her stead at the annual general meeting of the company to be held at 14h00 on Thursday, 5 May 2022 at the JSE Limited, 1 Exchange Square, Gwen Lane, Sandown, Johannesburg. 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 Mr CMD Flemming as a director	☐	☐	☐
2. Re-election of Mr S Sithole as a director	☐	☐	☐
3. Re-election of Mr MH Muell as a director	☐	☐	☐
4. Appointment of auditors	☐	☐	☐
5. Re-election of audit and risk committee members			
i) Re-election of Ms B Mathews as chairman of the audit and risk committee	☐	☐	☐
ii) Re-election of Ms AK Sithebe as member of the audit and risk committee	☐	☐	☐
iii) Re-election of Mr B Mawasha as member of the audit and risk committee	☐	☐	☐
6. a. Endorsement of the company's remuneration policy	☐	☐	☐
b. Endorsement of the company's 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 ______________________ 2022.

Signature: ____

Assisted by me (where applicable) ______________________

This form of proxy should be lodged with or posted to the registered office of the company (Postnet Suite 231, Private Bag X31, Saxonwold, Gauteng, 2132 or lodged with, 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 via email at proxy@tmsmeetings.co.za) by no later than Tuesday, 3 May 2022 at 14h00 or handed to the chairperson of the annual general meeting before the appointed proxy exercises any of the relevant shareholder rights at the annual general meeting.

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 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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Group company secretary

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Further information on this report and its contents can be obtained from the company secretary

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