



HOLDINGS LIMITED



SUSTAINABILITY REPORT

2023

Supplement to the Integrated Annual Report 2023



INTEGRATED ANNUAL REPORT

The Integrated Annual Report is our primary report to stakeholders. It shows the relationship between the interdependent elements of value creation at Ellies.



ANNUAL FINANCIAL STATEMENTS

The Annual Financial Statements provide a comprehensive overview of Ellies' financial position (consolidated and separate) and enable our stakeholders to understand our financial performance.



NOTICE OF ANNUAL GENERAL MEETING

The Notice of Annual General Meeting ("AGM") provides supporting information for shareholders to participate in the AGM and contains a Form of Proxy.



KING IV™ APPLICATION REGISTER

The King IV™ Application Register contains disclosure on Ellies' application of the King IV™ principles as well as the JSE Listings Requirements.



SUSTAINABILITY REPORT

Our Sustainability Report is a detailed account of our environmental, social and governance activities during the reporting period and also includes economic indicators related to sustainability together with alignment to the Ten Principles of the United Nations Global Compact.

The 2023 integrated reporting suite is available on the following link

<https://ellies.co.za/financial-reports>

For quick and easy access, scan the QR code on your smartphone



The following icons, relating to the Capitals, have been used throughout this report:



Financial



Human



Intellectual



Manufactured



Social and Relationship



Natural

Follow us online at www.ellies.co.za

- Direct access to all the above reports is available on release
- Our website has detailed investor, sustainability, governance and business information

How to navigate the Sustainability Report

For easy navigation and cross-referencing, we have included the following icons within this Sustainability Report:



Information available on our website



Information available elsewhere in the Sustainability Report

CONTENTS

Page

2 SUSTAINABILITY AT ELLIES – ENVIRONMENTAL, SOCIAL AND GOVERNANCE

- 2 United Nations Global Compact's Ten Principles
- 3 Data collation

4 ECONOMIC

- 4 Economic performance
- 4 Direct economic value generated and distributed
- 5 Procurement practices
- 5 Anti-corruption
- 5 Anti-competitive behaviour

6 ENVIRONMENTAL

- 6 Corporate Environmental Policy
- 6 Carbon footprint
- 7 Water and effluents
- 7 Waste
- 8 Precautionary approach
- 8 Environmental initiatives
- 8 Environmental compliance

Page

9 SOCIAL

- 9 Employment
- 10 Labour/management relations
- 10 Occupational health and safety
- 11 Training and skills development
- 13 Diversity and equal opportunity
- 15 Employment equity
- 16 Non-discrimination
- 17 Freedom of association and collective bargaining
- 17 Forced or compulsory labour
- 17 Child labour
- 17 Local communities
- 17 Public policy
- 18 Marketing and labelling
- 18 Customer privacy
- 18 Socio-economic compliance
- 18 Management approach: Grievances
- 18 Future focus

19 BROAD-BASED BLACK ECONOMIC EMPOWERMENT (B-BBEE)

- 19 Transformation strategy
- 20 Scorecard

22 GOVERNANCE

- 22 Corporate governance
- 22 Governance structure
- 23 Board of Directors
- 28 Risk management
- 29 Engaging our stakeholders
- 30 Corporate information

SUSTAINABILITY AT ELLIES – ENVIRONMENTAL, SOCIAL AND GOVERNANCE

The Board acknowledges that in addition to being responsible for corporate performance, it holds a responsibility for triple bottom line reporting and governance. The Group's corporate culture is one of integrity, transparency, competency and efficiency in decision making and the fair and equitable treatment of its Human and Natural Capital. From a moral point of view, the directors of the Group are expected to apply sound and reasonable judgement which can only be achieved through nurturing the Social and Relationship Capital element, mutual respect for cultural, social or other differences and to foster transparent communication which detracts from subjective viewpoints.

The directors understand that transparency not only relates to a principle of freely, and without prejudice or subjective interests, disclosing information to stakeholders, but also to acknowledge the individual shortcomings which could jeopardise stakeholders. This report emphasises the Group's commitment to integrity and the benefit of the greater good of all stakeholders.

The Sustainability Report has been prepared in alignment to the six Capitals (Financial, Manufactured, Intellectual, Human, Social and Relationship, Natural) and the Global Reporting Initiative ("GRI") Standards and incorporating disclosure on the United Nations Global Compact's Ten Principles, as set out below and indicated throughout this report.



UNITED NATIONS GLOBAL COMPACT'S TEN PRINCIPLES

The **UN Global Compact's ten principles** in the areas of human rights, labour, the environment and anti-corruption enjoy universal consensus and are derived from:

- The Universal Declaration of Human Rights;
- The International Labour Organisation's Declaration on Fundamental Principles and Rights at Work;
- The Rio Declaration on Environment and Development; and
- The United Nations Convention against Corruption.

Human Rights

Businesses should:

Principle 1: support and respect the protection of internationally proclaimed human rights; and

Principle 2: make sure that they are not complicit in human rights abuses.

Labour

Businesses should:

Principle 3: uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: eliminate all forms of forced and compulsory labour;

Principle 5: effectively abolish child labour; and

Principle 6: eliminate discrimination in respect of employment and occupation.

Environment

Businesses should:

Principle 7: support a precautionary approach to environmental challenges;

Principle 8: undertake initiatives to promote greater environmental responsibility; and

Principle 9: encourage the development and diffusion of environmentally-friendly technologies.

Anti-Corruption

Businesses should:

Principle 10: work against corruption in all its forms, including extortion and bribery.

Sustainability at Ellies – Environmental, Social and Governance continued

DATA COLLATION

Sustainability performance information was gathered and data collated for publication in the Sustainability Report, which forms part of the 2023 integrated reporting suite. Every effort has been made to ensure data accuracy and completeness. There is, however, the possibility of small inconsistencies due to human error in recording and collating, and differences in interpretation of definitions.

Data has mainly been collated for Ellies' subsidiary companies, unless specifically indicated otherwise, for the economic and social indicators for the period 1 May 2022 to 30 April 2023, and sustainability data collation coincides with Ellies' financial reporting cycle. Environmental data has been collated for waste (paper disposal) for the first time.



Financial data have been extracted from the consolidated Annual Financial Statements. Intergroup transactions have been eliminated.

The basis for reporting on the financial elements is in accordance with the Group's accounting policies, which are disclosed in the Annual Financial Statements.

Data is only reported where considered to be of sufficient accuracy and is reported according to the GRI Standards.

Ongoing efforts are being made to improve the data quality and to broaden the content in the range of material indicators.

ECONOMIC

ECONOMIC PERFORMANCE

During the reporting period, Ellies generated revenue of R993,0 million (2022: R1 076,4 million) of which R932,4 million (2022: R1 015,3 million) was generated in South Africa and R60,6 million (2022: R66,1 million) was generated outside South Africa.

The operating loss before interest amounted to R66,6 million (2022: loss of R56,2 million) with a gross margin in percentage terms of 25,0% (2022: 24,1%). The loss before tax was R87,0 million (2021: loss of R70,1 million). An attributable loss of R85,0 million (2022: loss of R43,7 million) was generated for the reporting period.

Total fees paid to auditors amounted to R2,5 million (2022: R2,6 million). Non-audit services of R11 583 were rendered by the auditors of the foreign subsidiaries during the reporting period. The non-audit fees during the prior reporting period, amounting to 17% of the total fees paid to auditors, were in respect of non-audit services rendered relating to the Group's businesses in Botswana, Namibia and Eswatini.

DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED

Value added statement

Value added is the measure of wealth created by the Group in its operations by `adding value` to the cost of raw materials, products and services purchased. The statement below summarises the total wealth created and shows how it was shared by employees and the stakeholders that contributed to its creation.

Also set out below is the amount retained and reinvested in the Group for the replacement of assets and the further development of operations.

	2023 R'000	%	2022 R'000	%
Revenue	993 000		1 076 351	
Cost of materials and other services	(883 832)		(946 419)	
Other income and interest	2 674		2 932	
Total wealth created	111 842		132 864	
<i>Employees and contractors</i>				
– Salaries, wages and related benefits	157 255	141	169 651	128
<i>Providers of capital</i>				
– Interest paid on borrowings and finance charges	21 298	19	14 743	11
<i>Government</i>				
– Company tax	(130)	–	(13 155)	(10)
<i>Retained for re-investment</i>	18 433	16	5 295	4
– Depreciation of property, plant and equipment	19 634	18	19 073	14
– Impairments and write-offs	672	1	288	–
– (Profit)/loss on loss of control	(1 873)	(2)	(14 066)	(11)
Total wealth distributed	196 856		176 534	
Retained loss	(85 014)	(76)	(43 670)	(33)

Exchanges with government, including amounts collected on their behalf

Further to this and in the furtherance of the economy and national development, the table below indicates exchanges between the Group and government, including amounts collected on their behalf:

	2023 R'000	2022 R'000
Employee taxes	30 624	41 796
Company taxes	–	997
Value added taxes and sales tax	36 337	28 265
	66 961	71 058

PROCUREMENT PRACTICES

Ellies' strategy is based on the supply of world-class local and international electronic and electrical products and services.

Where applicable, these products and services are sourced through local suppliers. Ellies recognises that the procurement of local products and services creates job opportunities in local communities. Such job opportunities should then lead to further growth and development in support of the South African economy.

During the reporting period, products and services procured locally in South Africa amounted to R569 million (2022: R455 million), whereas imported products amounted to R176 million (2022: R361 million), with imports constituting 24% (2022: 44%) of the Group's procurement spend.

ANTI-CORRUPTION

UNGC – Principle 10: Work against corruption in all its forms, including extortion and bribery

Experience and integrity guide the Board to confidently acknowledge that, despite lucrative and/or tangible benefits, there is never a requirement or justification to accept a dealing or transaction where bribery or corruption is evident.

The Board asserts its stance against partaking in any dealings of a corrupt nature or where undue payments are implied or required and further emphasises their commitment to absolute transparency.

ANTI-COMPETITIVE BEHAVIOUR

The Group supports and encourages free external and internal competition in all businesses.

No legal action was brought against Ellies or any of its subsidiary companies for anti-competitive behaviour, anti-trust and monopoly practices.

ENVIRONMENTAL

Ellies is mainly a distributor of finished goods and services with finished and semi-finished goods being procured from a variety of suppliers, both locally and internationally. No materials used in operations have a significant impact on the environment.



CORPORATE ENVIRONMENTAL POLICY

The Ellies Environmental Management System was developed in accordance with the ISO 14001 standard, with the support of senior management. Ellies is ISO 9001:2015 certified, and believes that businesses are responsible for achieving good environmental practice and operating in a sustainable manner.

The Group is, therefore, committed to reducing its environmental impact and continually improving its environmental performance as an integral and fundamental part of its business strategy and operating methods.

It is the Group's priority to encourage its customers, suppliers and all business associates to do the same. Not only is this sound commercial sense for all; it is also a matter of delivering on our duty of care towards future generations.

The Group's Environmental Policy extends to Ellies' ethos to be a responsible corporate citizen to:

- completely support and comply with the requirements of National Environmental Management Act;
- minimise the Group's waste and reuse or recycle, where practical;
- minimise energy and water usage in the Group's operations in order to conserve supplies, and minimise their consumption of natural resources;
- as far as reasonably practicable, purchase products and services that have the minimum impact on the environment and encourage the Group's stakeholders to do the same;
- research the environmental impact and conduct life cycle analysis of processes or products the Group wishes to introduce in its operations to ensure they have minimum environmental impact, whilst assuming a cautious move towards sustainability;
- continuously improve on energy and water usage, air and water emissions, noise and light pollution as a result of the Group's operations to ensure minimum impact to the environment and the local community;
- continuously research best practice in order to stay relevant in the Group's industry and ensure minimum environmental impact;
- continuously monitor the Group's environmental impact and publicly report on its performance, when required;
- conduct internal audits and annual review meetings to ensure that performance is measured and monitored, and set improvement targets and objectives; and
- provide appropriate resources to fulfil the objectives outlined above.

The Board demonstrates leadership commitment by leading and playing an active role in some environmental initiatives.

The Board has assigned the responsibility for governance of environmental management and monitoring to the Social and Ethics Committee.



CARBON FOOTPRINT

Being in the main a trading and distribution company, Ellies acknowledges the environmental impact, through consumption, its operations have on the environment. This includes electricity consumption, fuel consumption for transport by sales representatives, energy consumed in the operations, the effects of cooling the offices, the increased consumption of diesel in the operation of generators due to load shedding, the generation of waste as well as air travel.

As far as economically possible, Ellies attempts to apply energy and resource-saving business processes and technology, which in turn reduce the negative impact on the environment. The Board is committed to consistently improve business processes.

Ellies does not currently measure carbon emissions and specific criteria against performance targets, including impacts on climate change.

WATER AND EFFLUENTS

Water

According to the World Health Organization, sub-Saharan Africa remains vulnerable at a low 60% water coverage. Although sub-Saharan Africa has a plentiful supply of rainwater, it is seasonal and unevenly distributed, leading to frequent floods and droughts.

While Ellies is not a water-intensive user, the Group's aim is to reduce its consumption and support a sustainable earth.

Municipal water is used and any water leaks at the various premises of the Group are managed and attended to in a responsible and timeous manner.

Effluents

In order to minimise water pollution associated with stormwater run-off, and in line with ISO standards, all electricity generators at the various locations are fitted with the required protection mechanisms to prevent oil and diesel from entering the stormwater drainage systems.

WASTE

During the reporting period, Ellies engaged Iron Mountain South Africa for the utilisation of its secure shredding and recycling programme to recycle the paper used by the Group. The environmental statistics of this engagement were as follows:

Description	29 Jun 2022	12 Sep 2022	23 Jan 2023	22 Mar 2023	Total
Mass shredded (kg)	120	200	250	200	770
Trees – saved (number)	2	3	4	3	12
Oil – saved (litres)	310	517	646	517	1 990
Energy – saved (kW)	492	820	1 025	820	3 157
Water – saved (litres)	3 180	5 300	6 625	5 300	20 405
Air pollution – saved (kg)	14	23	28	23	88
Comparison: Trees saved					
How much CO ₂ the above trees would absorb from the atmosphere (kg)	0,80	1,33	1,67	1,33	5,13
How much CO ₂ would have been created if the paper were burnt (kg)	81,65	136,08	170,10	136,08	523,91

PRECAUTIONARY APPROACH

UNGC – Principle 7: Support a precautionary approach to environmental challenges.

As Ellies is mainly a trading and distribution organisation, its overall impact on the environment is considered to be largely immaterial. The Board has, however, adopted a precautionary approach to risk management, which facilitates the mitigation of risks in the context of uncertainty. As such, caution is practiced if the outcomes of actions, as they relate to the sustainability of the Group and its stakeholders, are uncertain.

ENVIRONMENTAL INITIATIVES

UNGC – Principle 8: Undertake initiatives to promote greater environmental responsibility.

UNGC – Principle 9: Encourage the development and diffusion of environmentally-friendly technologies.

The Group is committed to implementing environmentally-friendly technologies into its offerings, including renewable products such as:

- Solar panels;
- LED lighting;
- TV Brackets – metal;
- Shelving – metal; and
- All its cardboard packaging – boxes.

ENVIRONMENTAL COMPLIANCE

There were no material, monetary or other penalties brought against the Group or any of its subsidiaries for non-compliance with environmental laws and regulations during the reporting period.

SOCIAL

EMPLOYMENT

UNGC – Principle 6: The elimination of discrimination in respect of employment and occupation.

Ellies' employment strategy focuses on employee initiatives, social conditions and sustaining jobs in the supply base as well as occupational health and safety. Ellies' employees are the foundation of the business that enable the execution of the Group's business strategy to deliver sustainable profit growth. The Group's focus is on attracting, engaging and retaining the best talent to deliver on its strategic plan.

Ellies' employment brand is built on a combination of its culture, its leadership, its products and its reputation.

Ellies' vision of transformation is translated into strategies and specific targets and plans which are monitored and governed by the Board. Transformation plans and targets are reflected in the leadership and other relevant employees' performance goals.

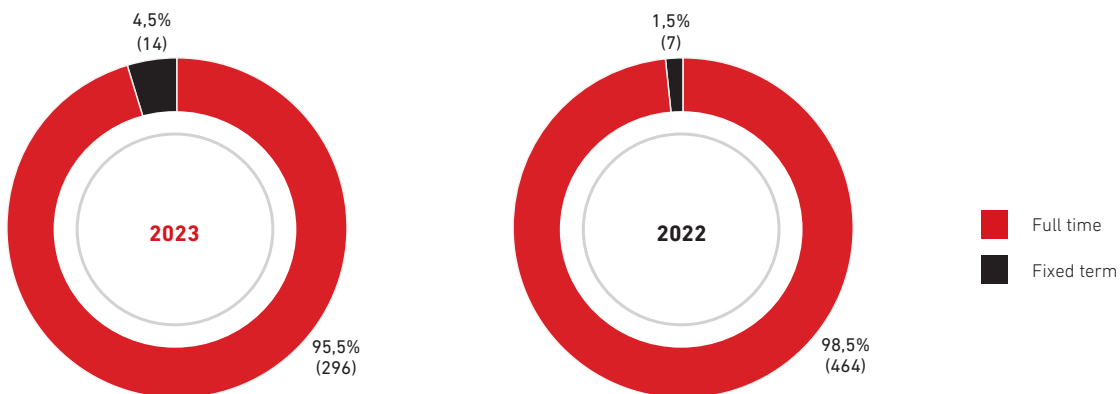
At the reporting date, the Group employed 310 (2022: 471) people, of whom 296 (2022: 464) were full-time employees and 14 (2022: 7) were fixed-term employees, translating into a fixed-term staff complement of 4,5% (2022: 1,5%).

There were no (2022: 2) disabled employees. The total number of employees in South Africa was 254 (2022: 424) and 42 (2022: 47) employees worked outside South Africa.

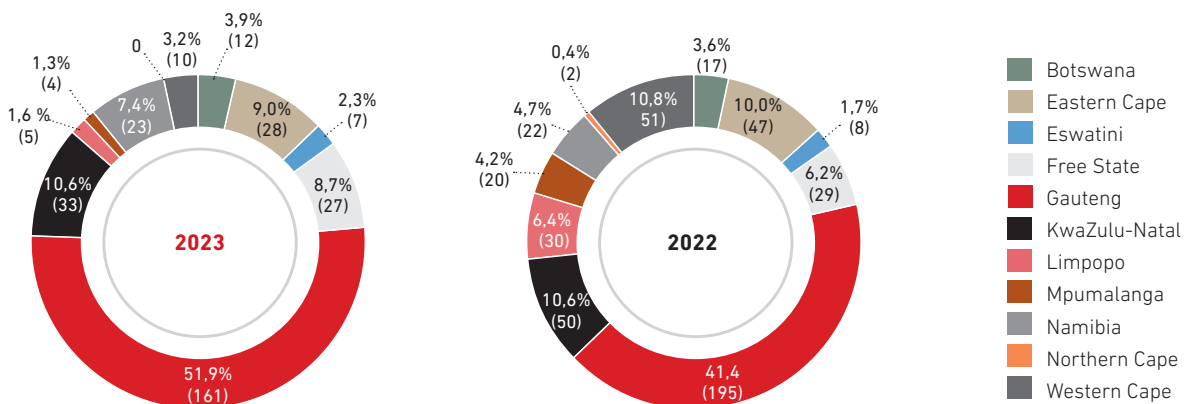
Employee remuneration during the reporting period amounted to R157,3 million (2022: R169,7 million).

The Group's employment by nature and region are graphically depicted below:

Employment profile by nature



Employment profile by region



Staff turnover

The internationally recognised way of calculating labour turnover is as follows: employees who resign, are retrenched, retire, leave due to mutually agreed settlements and long-term contracts that are ended.

The staff turnover rate for the reporting period, based on the above calculations, was 23,1% (2022: 12,6%), mainly attributable to the Section 189A restructuring process and some voluntary resignations.



LABOUR/MANAGEMENT RELATIONS

UNGC – Principle 3: Uphold the freedom of association and the effective recognition of the right to collective bargaining

The number of unionised employees is listed below and constitutes 25,8% (2022: 34,8%) of the Group's workforce.

	2023 R'000	2022 R'000
Unionised members	80	164
SACCAWU	76	143
NUMSA	4	21
Non-unionised members	230	307
Total	310	471

SACCAWU – South African Commercial, Catering and Allied Workers Union

NUMSA – National Union of Metalworkers of South Africa

Ellies adheres to all statutory minimum Basic Conditions of Employment Act requirements, including notice periods, changes to conditions of employment, notices of possible restructuring or cases of termination of contracts. These notice periods are determined by collective agreements, industry bargaining agreements or employment contracts, in line with the industries in which the Group has business operations.



OCCUPATIONAL HEALTH AND SAFETY

The Group assigns high priority to employee health and safety through the application of best practice-based safety, health, environment and quality ("**SHEQ**") policies, which continue to be reviewed and updated, where required.

Health and safety consultants are regularly appointed to evaluate and report on areas deemed to be high-risk areas by the Board and also to evaluate and report on risk areas not identified by the Board, which need to be added and prioritised into the SHEQ policies.

Quarterly meetings of the SHEQ Committee take place and incident and review outcome reports are reviewed at management and Executive Committee meetings.

Over and above the fact that employees are an important resource in ensuring the sustainability of the Group, Ellies also has a statutory responsibility to ensure that occupational injuries, diseases and environmental incidents are prevented and, where they occur, they are formally recorded. Ellies is also committed to ensuring that investigations or enquiries are conducted, and that immediate action is implemented to prevent future incidents from recurring. The Group complies with the requirements of local, national and international laws, regulations and standards. Thus, various measures and safe work procedures have been implemented in order to measure and utilise incident data and associated trends. This serves as the basis for a proactive and focused approach to reduce the severity and frequency of safety, health and environmental incidents. Incidents also impact negatively on productive hours, staff motivation and internal efficiencies.

There was one (2022: 4) recordable injury, which resulted in a Total Recordable Injury Frequency Rate ("**TRIFR**"), calculated on 200 000 hours work, of 0,19% (2022: 0,77%). The Group is striving towards zero incidents through training and awareness programmes, improved housekeeping practices and manager-employee relationships.

HIV/AIDS

During the reporting period, there were no HIV/AIDS awareness training activities that took place.

Employee Wellness Programme

Ellies implemented ICAS, an Employee Wellness Programme, during 2019. ICAS has more than 20 years' experience in providing the most comprehensive range of preventative care and counselling services. The Employee Health and Wellness Programmes empower employees to take control of their wellbeing, reducing problems at home and work, thereby facilitating higher levels of productivity. Ellies made this free service available to all employees and their families. The cost to Ellies for this service amounts to R259 174 (2022: R216 387) per year.

This option offers a number of bespoke services such as:

- Stress management;
- Financial advice;
- Relationship guidance;
- Substance abuse counselling;
- Work guidance;
- Trauma counselling;
- HIV/AIDS counselling;
- Legal advice;
- Family matters counselling; and
- Change management.



TRAINING AND SKILLS DEVELOPMENT

During the reporting period, total training spend amounted to R8,40 million (2022: R9,47 million), of which internal training spend was R0,47 million (2022: R0,57 million), the balance being external training spend, with 120 (2022: 148) trainees, all of whom were based in South Africa. The training spend per trainee was R40 122 (2022: R52 905).

Mentorship programme

During 2021, a mentorship programme was initiated to assist the Group in its transformation strategy and to fast-track the skills and management levels of female employees to enhance the gender diversity of the Group at a senior level. To this end, ten black females were identified to participate in a formalised mentorship programme and all the members of the Executive Committee were appointed as mentors. Since inception, one candidate from this programme was appointed to the Ellies Management Committee, two candidates have been promoted to more senior roles, one candidate was promoted to a managerial position and another promoted to a supervisory role within her department. During the reporting period, two more candidates have been promoted to managerial positions. The mentorship programme is an ongoing development initiative.

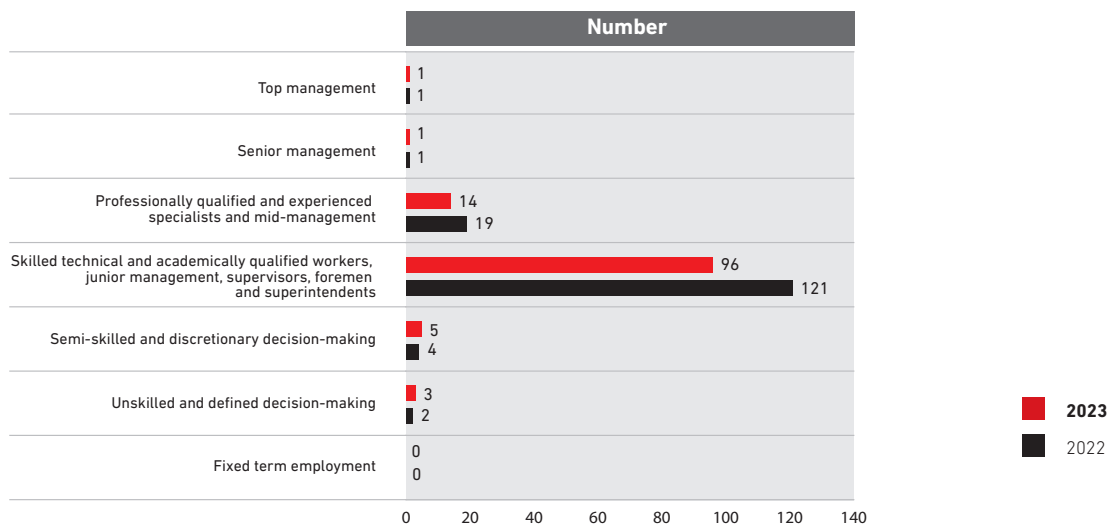
Training initiatives

Training initiatives implemented during the reporting period included:

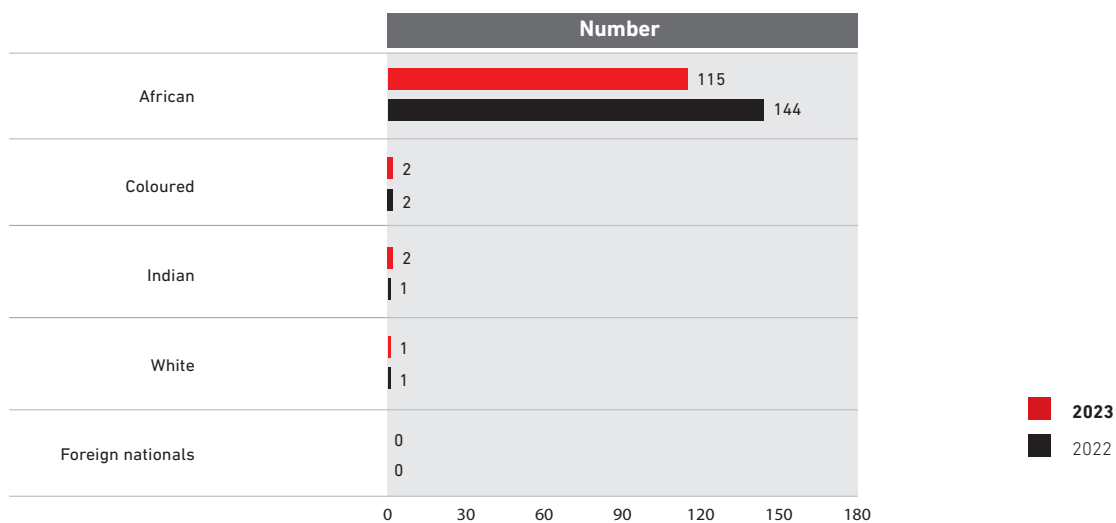
- Off-site learnerships (Informal Small Business (NQF level 3));
- Off-site learnerships (General Management (NQF level 5));
- Youth Employment Programme (YES) (Business Administrator and Facilitator (Job title));
- Maharishi student bursaries (National Certificate: Business Advising Operations (NQF level 6));
- Maharishi student bursaries (National Certificate: Financial Markets and Instruments (NQF level 6)); and
- Internal staff bursaries (Various NQF level courses).

Detailed below is a summary of training initiatives undertaken during the reporting period, categorised by employment category, race and gender.

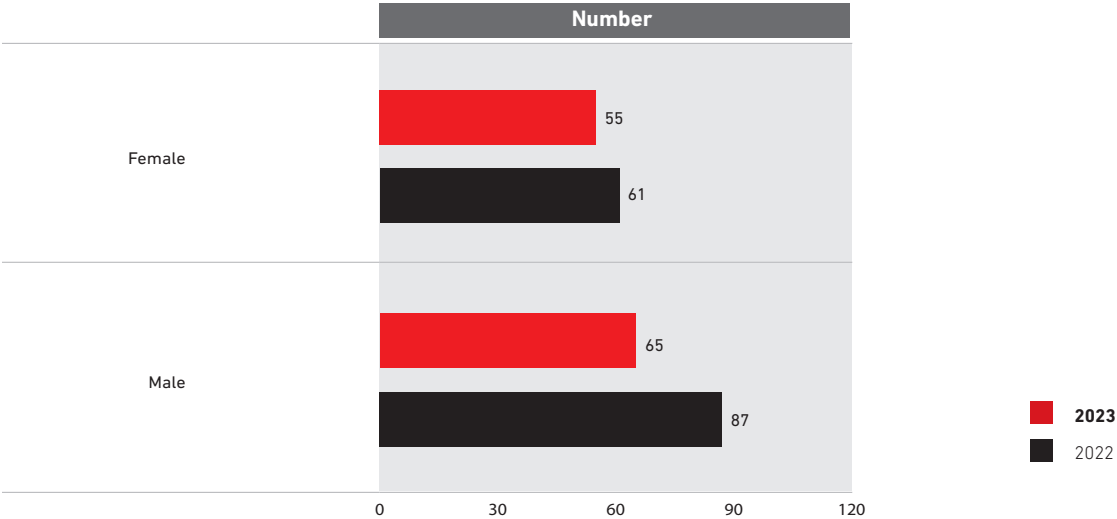
Employees trained by employment category



Employees trained by race



Employees trained by gender



Succession planning

Ellies views succession planning as an ongoing process that identifies the necessary competencies and then works to assess, develop and retain a talent pool of employees in order to ensure continuity of leadership for all critical positions.

Employees in the Group are viewed as critical assets and key to meeting Ellies' business objectives and delivering on its vision.

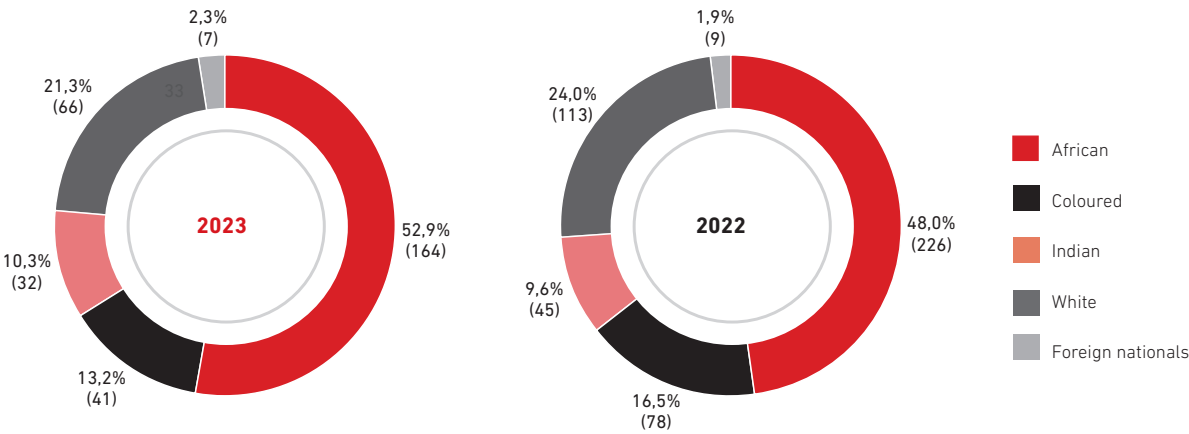


DIVERSITY AND EQUAL OPPORTUNITY

UNGC – Principle 6: Eliminate discrimination in respect of employment and occupation

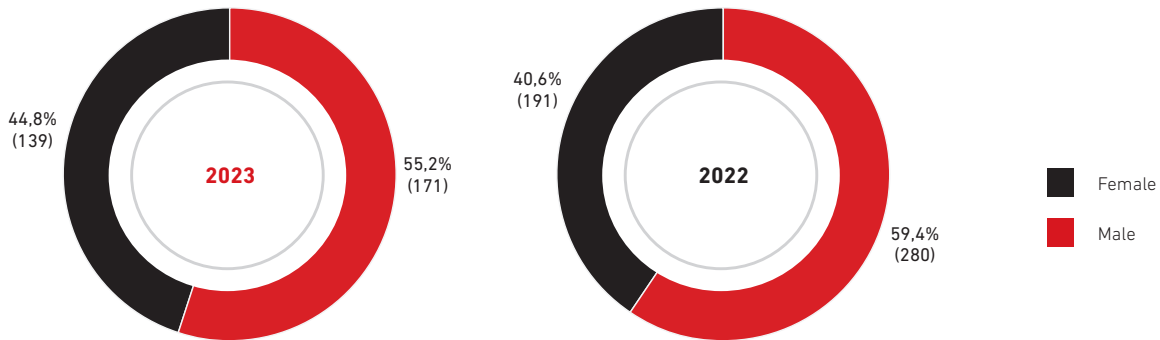
Race diversity

During the reporting period, 76,4% of the staff complement was black (African, Indian and Coloured), compared to 74,1% in 2022. The Group's aim is to align the race composition of employees to the demographics of the country as well as to achieve its employment equity targets.



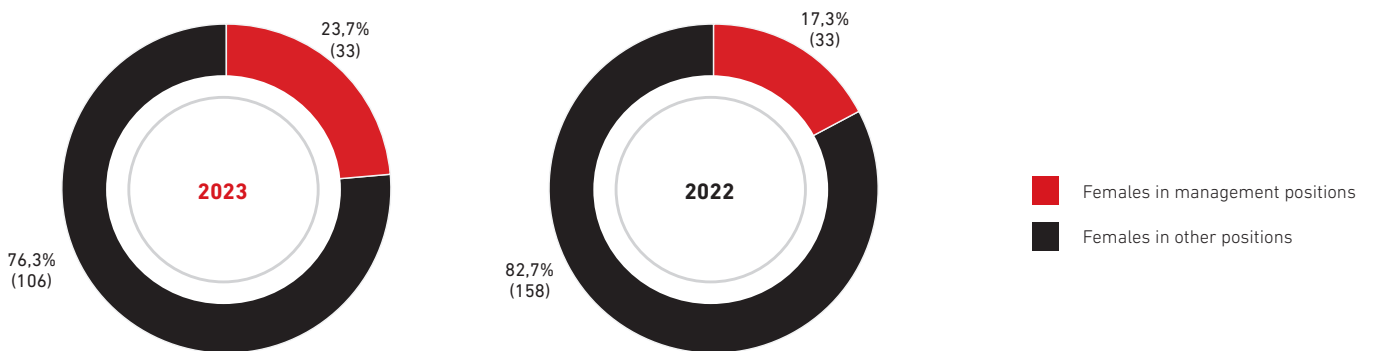
Gender diversity

Female employment decreased by 2,7% (2022: decreased by 2,1%) during the reporting period, with female employment comprising 44,8% (2022: 40,6%) of the Group's staff complement.



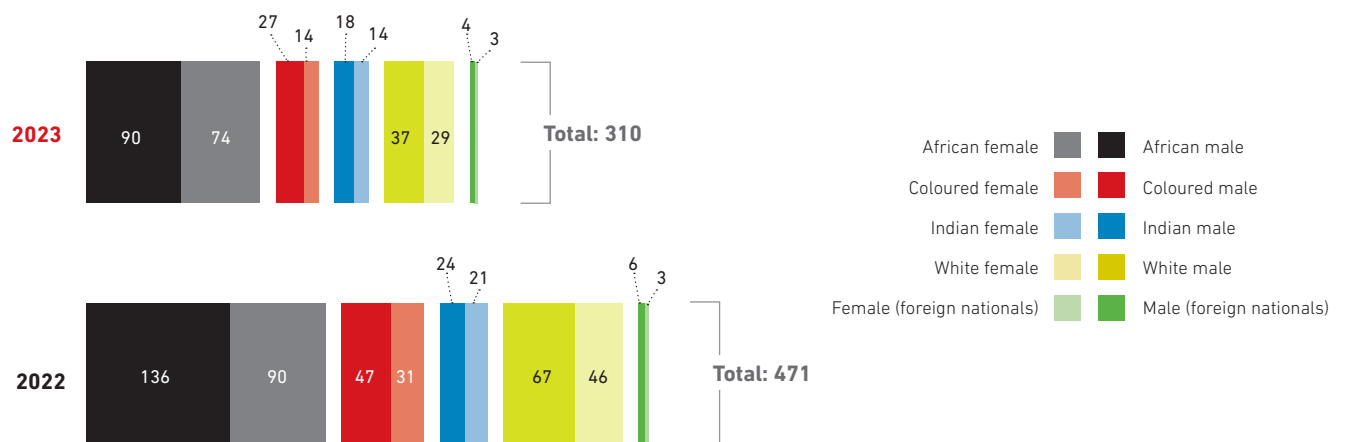
Female employment

During the reporting period, female employment in management positions was as follows:



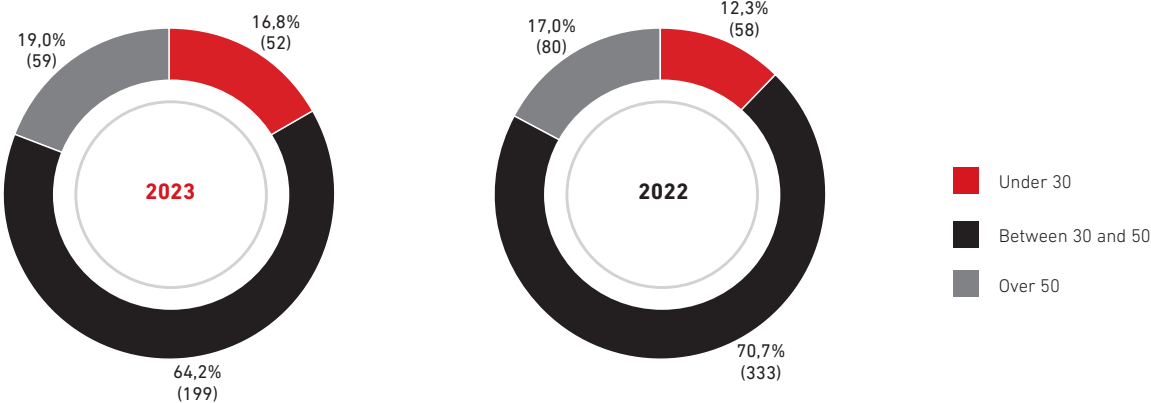
Race and gender diversity

At the reporting date, African females constituted 21,3% (2022: 19,1%) and African males 29,0% (2022: 43,9%) of the workforce.



Age group

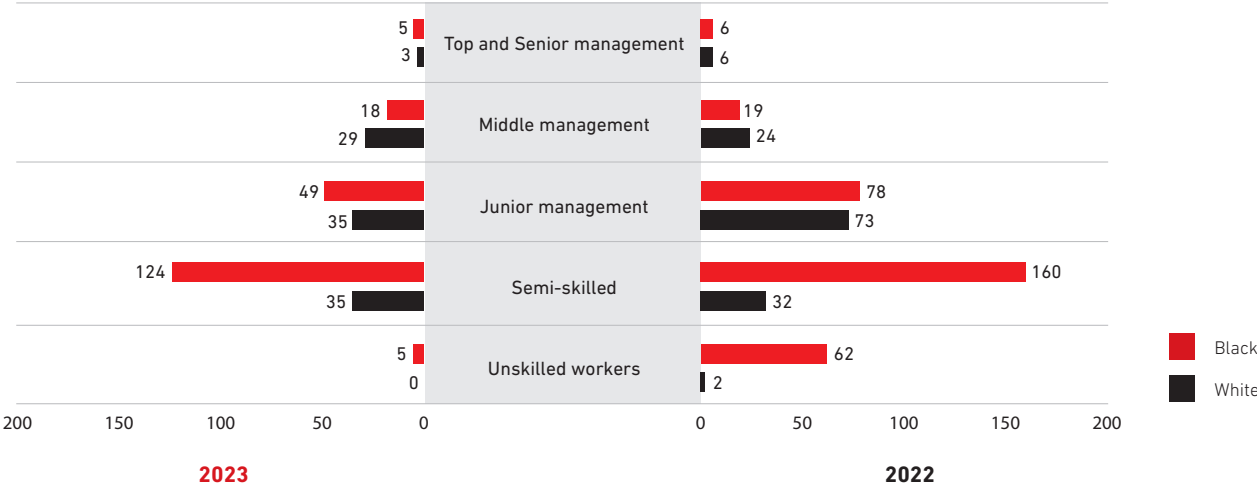
The spread of employment by age group showed that 16,8% (2022: 12,3%) young employees, under the age of 30, are in a developmental phase, with 64,2% (2022: 70,7%) of employees between the ages of 30 and 50 on a career path where succession training and planning occurs, and 19,0% (2022: 17,0%) of employees over 50 with the experience and expertise to impart on the younger generations.



EMPLOYMENT EQUITY

Ellies has developed an employment equity plan, as required by the Employment Equity Act and Skills Development Act. This plan, aimed at creating diversity in the workplace, is monitored on an ongoing basis. Employment equity is only applicable to operations in South Africa.

Group employment equity profile (permanent employees, excluding foreign nationals)



Group employment equity by occupational levels

The total number of employees in each of the following occupational levels are shown in the table below.

Occupational levels	MALE				FEMALE				FOREIGN NATIONALS		TOTAL
	A	C	I	W	A	C	I	W	Male	Female	
2023											
Top management	0	0	2	2	0	0	0	0	0	0	4
Senior management	1	0	1	1	0	0	1	0	0	0	4
Professionally qualified and experienced specialists and mid-management	6	2	4	15	5	1	3	11	0	0	47
Skilled technical and academically qualified workers, junior management, foremen and superintendents	27	17	5	13	15	6	4	14	0	0	101
Semi-skilled and discretionary decision-making	41	8	6	6	44	7	6	4	1	1	124
Unskilled and defined decision-making	5	0	0	0	6	0	0	0	3	2	16
Total permanent employees	80	27	18	37	70	14	14	29	4	3	296
Total fixed-term employees	10	0	0	0	4	0	0	0	0	0	14
GRAND TOTAL	90	27	18	37	74	14	14	29	4	3	310



NON-DISCRIMINATION

UNGC – Principle 1: Support and respect the protection of internationally proclaimed human rights.

UNGC – Principle 2: Make sure that they are not complicit in human rights abuses.

The Group and the Board strive to eliminate all forms of discrimination through leading by example.

Experience and psychology prove that discrimination tends to be driven by one of three elements being hatred, fear derived from the unknown or the threat of being inferior.

The Board supports a multi-cultural and multi-racial work environment, which respects people for who they are, where they come from and their unique insights that each employee is able to offer to the Group. No opinion or point of departure is discriminated against or dismissed without due consideration being granted. Human Resources is under strict mandate from the Board to actively and diligently search across all levels of employment for suitable candidates as vacancies arise without any preconceived or mandated agendas other than to find the right person for the vacancy, taking into account the employment equity targets for the Group.

Management is not aware of any material incidents of discrimination reported during the reporting period.

FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING

UNGC – Principle 3: Uphold the freedom of association and the effective recognition of the right to collective bargaining.

Employees have the right to belong to collective bargaining associations, which are recognised according to clearly defined criteria, and recognised when they are sufficiently representative or represent the majority of the workforce. Several workplace forums have been established within the Group to enhance communication and develop relationships between both management and labour representatives. Regular consultation with representatives takes place on relevant issues that affect the majority of the workforce.

No operations were identified in which the right to exercise freedom of association and collective bargaining may be a significant risk.



FORCED OR COMPULSORY LABOUR

UNGC – Principle 4: The elimination of all forms of forced and compulsory labour.



CHILD LABOUR

UNGC – Principle 5: The effective abolition of child labour.

The Group does not condone or tolerate any underaged and forced or compulsory labour practices within the Group. The Board will summarily reject and refuse further business endeavours with any supplier or business partner if it were to be discovered that such labour practices are employed within their respective businesses.

The Group strictly supports labour practices which are aligned with all relevant legislation and best practices, including the Labour Relations Act, the Employment Equity Act, the Skills Development Act and the Basic Conditions of Employment Act.



LOCAL COMMUNITIES

Ellies sees its employees as key stakeholders and strives to create a safe, humane, ethical work environment. As employees are recruited from the local communities where Ellies' operations are based, this approach extends to the communities in which the Group operates. The Group's environmental and social responsibility principles guide its daily decision-making and govern how it enters, operates in and exits a community.

With the dearth of skills in South Africa, Ellies' initiatives focus on skills development with a view to enabling individuals to enter the workplace, particularly in the industry in which the Group operates.

Data has not been compiled on the percentage of operations with implemented local community engagement, impact assessments and development programmes and may be addressed in the future.

None of the operations in the Group has significant potential or actual negative impacts on local communities.

PUBLIC POLICY

During the reporting period the Group did not participate in public policy development and lobbying. The Group does not contribute to any political parties and no such contributions were made in the reporting period.



MARKETING AND LABELLING

The Consumer Protection Act promotes a fair, accessible and sustainable marketplace for consumer products and services.

The Act entrenches national norms and standards on consumer protection and provides for improved standards of consumer information. The Act prohibits certain unfair marketing and business practices and promotes responsible consumer behaviour.

Warranty policies are in place for Ellies' products, either directly provided by Ellies or by the third-party supplier. The terms of the trading agreements are reviewed and aligned with the requirements of the Act. As far as imported products are concerned, the Group ensures that controls around quality exist at both the source and in South Africa.

Customer satisfaction, through reliability of supply and dependable quality levels, drives the sales strategy of the Group. The electrical products that are distributed by Ellies have been certified and accredited by the National Regulator for Compulsory Specifications and the Group is also accredited by the Independent Communications Authority of South Africa. Ellies is a member of the Consumer Goods and Services Ombud and upholds the Consumer Goods and Services Code.

Ellies Electronics (Pty) Ltd (Johannesburg) is ISO 9001:2015 – Quality Management Systems certified.



CUSTOMER PRIVACY

A Protection of Personal Information Policy has been developed. All the required measures have been implemented, thereby rendering the Group compliant with the Protection of Personal Information Act, no 4 of 2013.

There were no complaints regarding breaches of customer privacy and losses of customer data during the reporting period.



SOCIO-ECONOMIC COMPLIANCE

No fines or non-monetary sanction for non-compliance with laws and regulations brought against Ellies or any of its subsidiaries during the reporting period, including significant fines relating to non-compliance matters concerning the provision and use of products and services provided by the Group.



MANAGEMENT APPROACH: GRIEVANCES

The Group has formal grievance mechanisms, consisting of procedures, roles and rules for receiving complaints and providing remedies.

No material grievances concerning the Group's labour practices or any negative impacts on human rights and society have been filed through formal grievance mechanisms.



FUTURE FOCUS

Ellies will, in the future, endeavour to incorporate the Group's contribution, as far as is appropriate to Ellies and in the corporate environment, towards the Sustainable Development Goals to achieve a better and more sustainable future for all.

BROAD-BASED BLACK ECONOMIC EMPOWERMENT (“B-BBEE”)

The Board recognises the critical role it has to play in the transformation process in South Africa. Through its governance and oversight role, the Social and Ethics Committee ensures that an appropriate transformation strategy aligns with the B-BBEE Act and the associated codes of good practice.

The Committee’s role is to achieve sustainable empowerment, and it has an ongoing responsibility to govern and oversee all aspects of the Group’s B-BBEE and employment equity strategy and implementation. The Committee receives feedback detailing matters relevant to each of the functional areas within its transformation mandate annually.

TRANSFORMATION STRATEGY

Each year the transformation strategy is reviewed, and clear guidelines are defined for each of the five pillars of the B-BBEE scorecard. By delivering shared value through empowerment initiatives, Ellies is making a meaningful contribution to many of its stakeholders while ensuring its business’ long-term stability and profitability.

During the 2021 reporting period, the Board adopted a three-year rolling B-BBEE strategy. The strategy was fast-tracked towards the end of 2021, when Ellies concluded a B-BBEE transaction with Imvula Education Empowerment Fund Trust (“**Imvula**”), valued at R18,5 million, resulting in Imvula having a 23% shareholding in Ellies. Imvula was established in 2009 by the Maharishi Invincibility Institute, an organisation whose purpose is to provide talented but historically marginalised black youth access to quality education and employment opportunities, thereby contributing to the economy in a meaningful and sustainable way over the longer term. The beneficiaries of Imvula are 100% black South Africans. The youth are selected by the Maharishi Invincibility Institute based on genuine financial needs, amongst other considerations.

General Meeting held on 8 September 2021

At the General Meeting held on 8 September 2021, shareholders authorised, for the duration of the 10-year lock-in period committed to by Imvula:

- to allocate Ellies’ necessary and Board-approved annual budgeted spend to Imvula, which shall be capped at/limited to an aggregate amount of no more than R8,5 million (plus inflationary increase) per financial year, that would enable a minimum B-BBEE score of Level 2;
- to allocate the B-BBEE spend as follows:
 - Skills Development Expenditure;
 - Enterprise and Supplier Development Contributions;
 - Socio-Economic Development Contributions,being the elements of the scorecard as provided for in the Codes; and
- to enable the Company generally to achieve the B-BBEE Level target.

The B-BBEE spend is subject to an annual inflationary-related increase equal to the percentage increase as per the Consumer Price Index for the financial year in question, with the first such inflationary-related increase applicable in relation to the 2022 financial year.

The Company sought a once-off authority from shareholders to make payments in relation to the B-BBEE spend to Imvula for the duration of the 10-year lock-in period to achieve the B-BBEE Level target, bearing in mind that post implementation of the B-BBEE transaction, Imvula became a related party to the Company.

In the interest of both efficiency and cost effectiveness, the Company wished to avoid the necessity of complying with the related party transaction requirements, including obtaining a fairness opinion and/or the issuing of separate circulars, each time payment is made to Imvula pursuant to the B-BBEE spend.

B-BBEE continued

Based on the fact that the B-BBEE spend will not be paid by Ellies to Imvula in relation to the procurement of commercial goods and services, but rather in relation to the achievement of socio-economic transformation objectives, as envisaged in relevant B-BBEE legislation and the Codes of Good Practice, and the limitation/cap in relation to such spend, the Company sought and obtained a ruling from the JSE to that effect.

In the event that the B-BBEE spend exceeds the cap as proposed, then the Company will comply with the JSE Listings Requirements insofar as they may relate to the related party transaction at that time.

During the reporting period Ellies entered into the following related party transactions with Imvula:

- Skills development spend – R7,0 million (2022: R7,3 million)
- Supplier development spend – R0,4 million (2022: R0,6 million)
- Enterprise development spend – R0,2 million (2022: R0,3 million)
- Socio-economic development spend – Rnil (2022: R0,2 million)

The above transactions resulted in a total B-BBEE spend with Imvula of R7,6 million (2022: R8,4 million) during the reporting period.



Details of the related party transactions with Imvula during the reporting period have been disclosed in note 34 of the Annual Financial Statements.

SCORECARD (based on 2022 Annual Financial Statements)

In October 2022, Ellies Holdings Limited (consolidated) was recognised as a Level 2 contributor in accordance with the generic B-BBEE Codes, following an independent verification by VOS Quantum Solutions CC. The Group scored 91,09 points with a procurement recognition level of 125% and classification as an empowering supplier.



Ownership

Black equity ownership in the Ellies Group accumulated 25,00 points (weighting: 25,00), with black ownership at 27,84%; black women-owned of 17,29%; new black entrants at 23,00%; and black designated group-owned (black youth) at 22,31%.



Management control

Management control comprises Board representation and other executive management as well as employment equity in senior, middle and junior management and people living with disabilities as a percentage of all employees. Ellies prioritises the advancement of historically disadvantaged groups and promotes the achievement of employment equity objectives in its recruitment and employee development policies. The status of employment equity targets is reported to the Department of Labour on an annual basis. Career advancement and skills development programmes are aligned with each business' employment equity targets.

The Group achieved a score of 9,73 points (weighting: 19,00) and is indicated at 10,27 points for the upcoming B-BBEE verification.

Black employees in senior, middle and junior management constituted 17,41% of Ellies' employee base with black female representation at those management levels constituting 6,45%.



Skills development

The South African companies in the Group have established skills development forums, which are combined with the employment equity forums, and consultation regarding workplace skills plans and progress reports is channelled through these forums.

The Group's latest skills development plan was submitted to the Wholesale & Retail SETA. Skills development spend amounted to R9,47 million, with 99,7% being in respect of black staff skills development spend. The number of points awarded in respect of skills development on the scorecard was 18,56 points (weighting: 20,00) and is indicated at 19,3 points for the upcoming B-BBEE verification.



Enterprise and supplier development

During the 2022 reporting period, the Group's preferential procurement spend amounted to R0,9 million.

Supplier development seeks to promote the development, sustainability and financial and operational independence of Exempted Micro Enterprise ("**EME**") and Qualifying Small Enterprise ("**QSE**") beneficiaries. Contributions were made in the form of stock.

Enterprise development seeks to promote the development of black-owned EMEs and QSEs through contributions that add to the further development, sustainability and financial and operational independence of these beneficiaries. Contributions were made in the form of stock.

The Group's B-BBEE scorecard reflected 32,80 points (weighting: 42,00) in respect of enterprise and supplier development and is indicated at a similar level for the upcoming B-BBEE verification.



Socio-economic development

The socio-economic development initiatives are managed by each subsidiary business individually, under the umbrella of a Group framework of responsible investment. The Group's approach to its socio-economic development initiatives has as its main objective to assist and grow Small, Micro and Medium Enterprises ("**SMMES**") and QSEs.

Socio-economic development spend of R215 000 as a percentage of net loss after tax was at a verified level of 1%, resulting in 5,00 points (weighting: 5,00) on the scorecard and is indicated at 5,00 points for the upcoming B-BBEE verification.

GOVERNANCE

CORPORATE GOVERNANCE

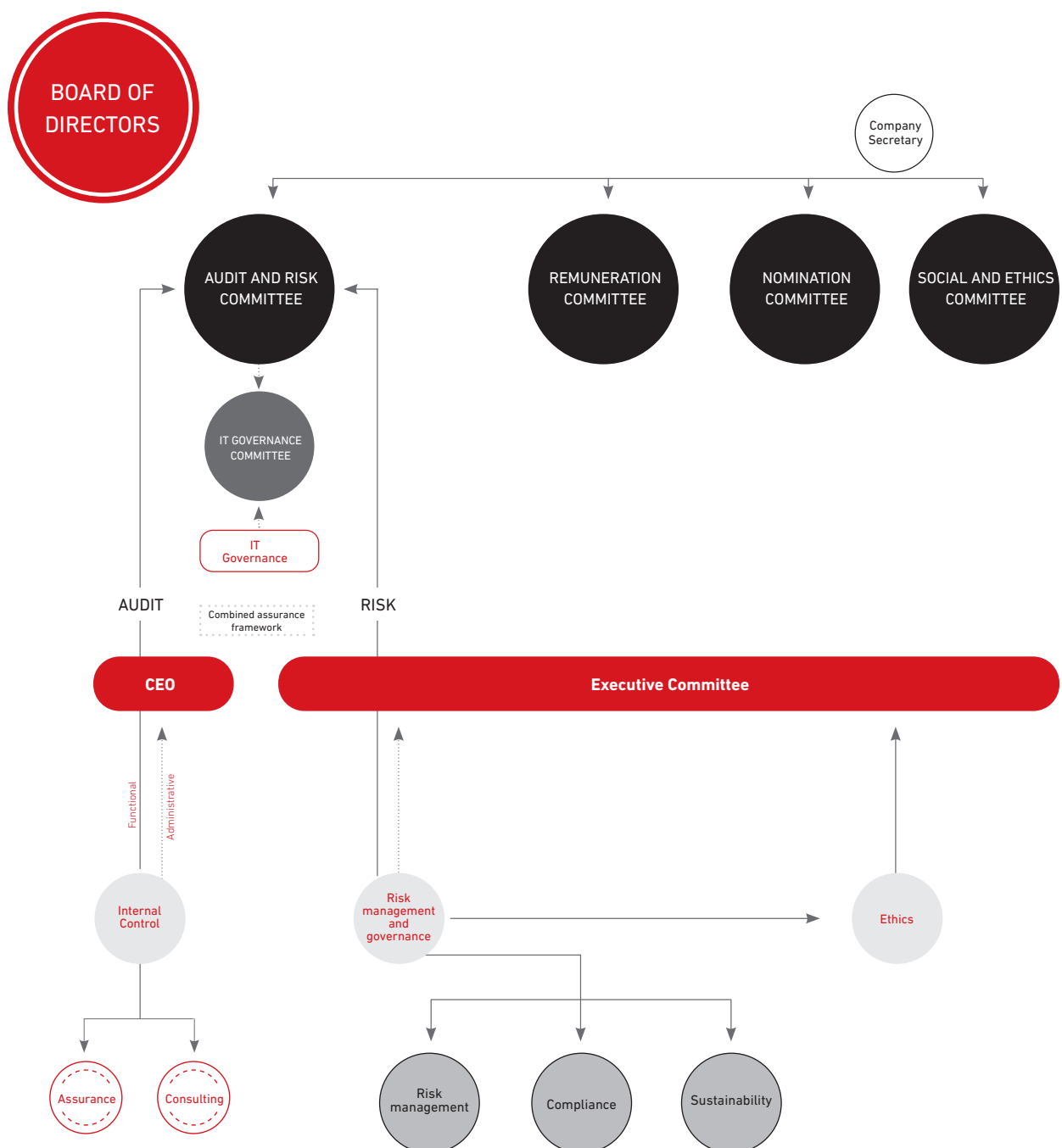
The Board and individual directors are committed to the principles of transparency, integrity and accountability and accept their duty and responsibility to ensure that the principles and underlying recommended practices, outlined in King IV™, are observed with the resultant governance outcomes of an ethical culture, good performance, effective control and legitimacy.

The Board is committed to sound governance practices and to ensuring that Ellies complies with the JSE Listings Requirements and applies the King IV™ principles and recommended practices, as applicable to the Group.



As part of the evolving integrated reporting disclosure, a summary of Ellies' application of the principles is disclosed in the Integrated Annual Report, and the complete King IV™ Application Register is available on Ellies' website.

GOVERNANCE STRUCTURE



BOARD OF DIRECTORS

INDEPENDENT NON-EXECUTIVE DIRECTORS



TIMOTHY FEARNHEAD (75)

Qualifications: CTA (WITS); Advanced Diploma in Banking Law

Independent Non-Executive Chairperson

Date appointed: 4 April 2019

Board sub-Committees:

- Chairperson of the Nomination Committee (30 April 2019)



DARREN KRAMER (60)

Qualifications: BA (Law); MBA

Independent Non-Executive Director

Date appointed: 19 October 2021

Board sub-Committees:

- Member of the Nomination Committee (19 October 2021)



MARTIN KUSCUS (67)

Qualifications: BA Cur, Dip EDP

Independent Non-Executive Director

Date appointed: 1 June 2015

Board sub-Committees:

- Chairperson of the Social and Ethics Committee (30 April 2019)
- Member of the Remuneration Committee (30 April 2019)

BOARD OF DIRECTORS (continued)

INDEPENDENT NON-EXECUTIVE DIRECTORS (continued)



EDICK LEHAPA (70)

Qualifications: CA(SA); Diploma Insolvency Law (UP)

Independent Non-Executive Chairperson

Date appointed: 2 April 2020

Board sub-Committees:

- Chairperson of the Audit and Risk Committee (3 December 2020)
- Member of the Social and Ethics Committee (27 August 2020)



MAYA MAKANJEE (61)

Qualifications: BFA; BComm; MBL (cum laude)

Independent Non-Executive Director

Date appointed: 1 July 2022

Board sub-Committees:

- Member of the Remuneration Committee (1 July 2022)
- Member of the Nomination Committee (1 July 2022)



SEDZANI MUDAU (40)

Qualifications: CA(SA); MBA

Independent Non-Executive Director

Date appointed: 1 July 2022

Board sub-Committees:

- Member of the Audit and Risk Committee (1 July 2022)
- Member of the Social and Ethics Committee (1 July 2022)

BOARD OF DIRECTORS (continued)

INDEPENDENT NON-EXECUTIVE DIRECTORS (continued)



FRANCOIS OLIVIER (52)

Qualifications: CA(SA); CFA Charter Holder

Independent Non-Executive Chairperson

Date appointed: 4 April 2019

Board sub-Committees:

- Chairperson of the Remuneration Committee (30 April 2019)
- Member of the Nomination Committee (30 April 2019)
- Member of the Audit and Risk Committee (23 April 2019)



EDWARD RAFF (45)

Qualifications: BComm; BSc Honours in Advanced Mathematics of Finance; H Dip Tax; H Dip Man; Completed all three CFA levels

Independent Non-Executive Director

Date appointed: 4 April 2019

Date resigned: 15 August 2023

Board sub-Committees:

- Chairperson of the IT Governance Committee (1 March 2020)
- Member of the Audit and Risk Committee (23 April 2019)
- Member of the Remuneration Committee (30 April 2019)

BOARD OF DIRECTORS (continued)

EXECUTIVE DIRECTORS



DR SHAUN PRITHIVIRAJH (53)

Qualifications: *PhD Business Management; MBA; Diploma in Business Management; BA*

Chief Executive Officer

Date appointed: 4 April 2019

Board sub-Committees:

- Member of the Social and Ethics Committee (30 April 2019)



GUY MORETTI (49)

Qualifications: *BCompt Hons; CA(SA)*

Chief Financial Officer

Date appointed: 5 January 2022

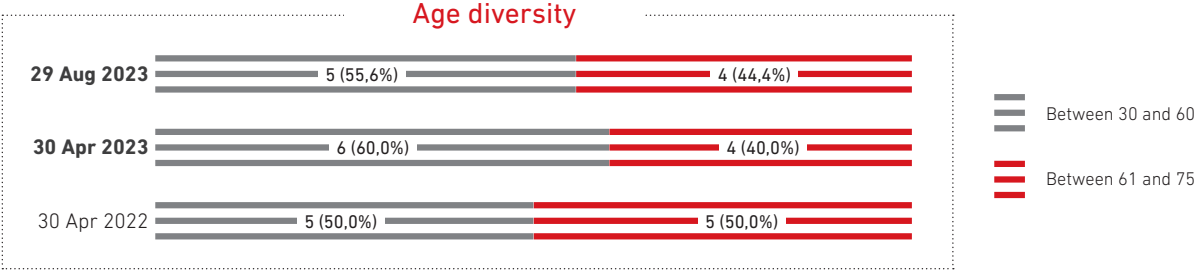
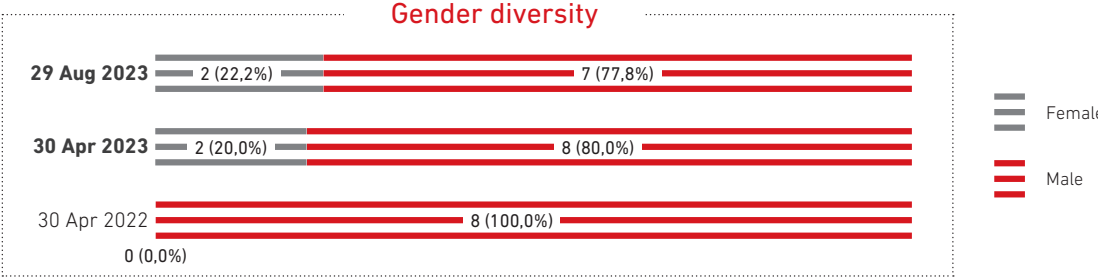
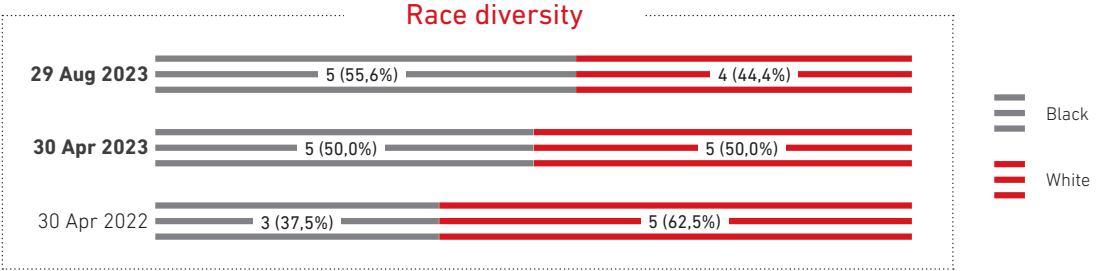
Board sub-Committees:

- None

Ages as at 21 August 2023

Board diversity

At the reporting date, the Ellies Board of Directors comprised ten directors with eight independent non-executive directors and two executive directors, with five of the directors being black. Mr Edward Raff resigned with effect from 15 August 2023. Mr Raff has joined a listed entity on a full-time basis and is, thus, precluded from retaining his directorship on the Board. The composition of the Board, therefore, changes to seven independent non-executive directors and two executive directors, with five of the directors being black on the date of approval of the Integrated Annual Report, being 30 August 2023.



Tenure

None of the non-executive directors on the Board have served terms exceeding nine years. The Board reviewed the independence of all the independent non-executive directors and, after due consideration, concluded that their association with the Company has not impaired their integrity, impartiality and objectivity, and that they have retained their ability to act independently.

RISK MANAGEMENT

Risk management is regarded as the culture, processes and structures that are directed towards the effective management of potential opportunities and adverse effects within Ellies. In the broadest sense, effective risk management ensures continuity of operations, service delivery and protection of the Group's interests.

Ellies recognises the importance of managing risk and is committed to best practices in terms of risk management. The Board monitors risk management performance in a structured way and strives to have an unwavering commitment to these practices with the intent being to maintain a system of risk management excellence.

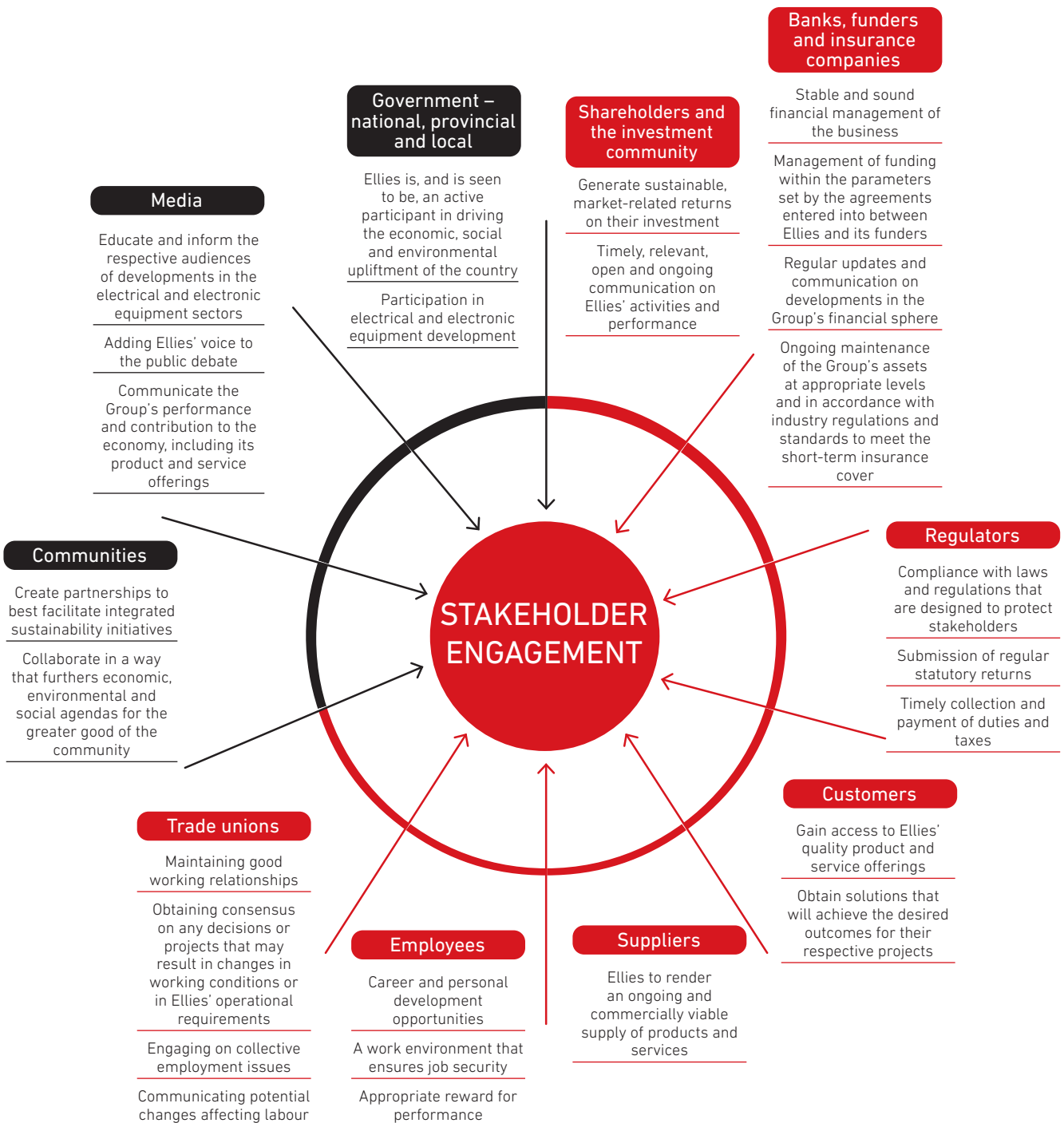


Key risks identified during the reporting period are listed below, with full disclosure on risk responses appearing on pages 38 to 43 of the Integrated Annual Report on Ellies' website.

- 1 **Finance Risk:** The risk of the Company's inability to raise adequate funding for future growth opportunities.
- 2 **Strategy Risk:** The risk of new competitors entering and disrupting the local market.
- 3 **Human Resources Risk:** The risk of losing skilled employees affects the execution of the turnaround plan.
- 4 **Reputational Risk:** The risk of failing to meet customer expectations.
- 5 **Strategy Risk:** The risk of not proactively understanding the impact of changed market demand.
- 6 **Strategy Risk:** The risk of losing corporate reputation in the market sector.
- 7 **Operational Risk:** The risk of customers' influence on the Company (dictated by large retail organisations).
- 8 **Operational Risk:** The risk of dependence on only a limited number of suppliers.
- 9 **Finance Risk:** The risk of loss of/curtailed banking facilities due to not meeting covenants.
- 10 **Strategy Risk:** The risk of not staying relevant and repositioning Ellies into a winning market sector.
- 11 **Finance Risk:** The risk of not restructuring legacy debt successfully.
- 12 **Strategy Risk:** The risk of reliance on a single part of the business (concentration risk: e.g., satellite equipment and installation).
- 13 **Operational Risk:** The risk of monetary losses due to stock obsolescence.
- 14 **Operational Risk:** The risk of missing sales opportunities due to stock availability (Black Friday and festive season).
- 15 **Finance Risk:** The risk of exchange rates impacting negatively on profitability (weakening rand affecting imports and landed pricing).
- 16 **Compliance Risk:** The risk of failing to adequately apply good corporate governance principles.

ENGAGING OUR STAKEHOLDERS

Stakeholders are those individuals, groups of individuals or organisations that impact and/or could be impacted by Ellies' activities, product or services and associated performance. The Board has identified the following key stakeholder groups with whom the Group engages in a structured and inclusive manner aimed at addressing material issues (outlined below) and establishing and maintaining open and transparent, mutually beneficial relationships:



CORPORATE INFORMATION

Ellies Holdings Limited

(Incorporated in the Republic of South Africa)

Registration number: 2007/007084/06

JSE share code: ELI

ISIN: ZAE000103081

("Ellies" or "the Company" or "the Group")

SPONSOR

Java Capital

6th Floor

1 Park Lane

Wierda Valley, 2196

REGISTERED OFFICE

Brooklyn Place

3 Centex Close

Kramerville

Sandton, 2090

PO Box 57076, Springfield, 2137

AUDITORS

BDO South Africa Incorporated

Wanderers Office Park

52 Corlett Drive

Illovo, 2196

COMPANY SECRETARY

Acorim Proprietary Limited

13th Floor, Illovo Point, 68 Melville Road

Illovo, 2196

TRANSFER SECRETARIES

Computershare Investor Services Proprietary Limited

1st Floor, Rosebank Towers

15 Biermann Avenue

Rosebank, 2196

BOARD OF DIRECTORS AS AT 29 AUGUST 2023

Mr Timothy Fearnhead (Chairperson) *

Dr Shaun Prithvirajh (Chief Executive Officer)

Mr Guy Moretti (Chief Financial Officer)

Mr Darren Kramer *

Mr Martin Kuscus *

Mr Edick Lehapa *

Ms Maya Makanjee *

Ms Sedzani Mudau *

Mr Francois Olivier *

* Independent Non-Executive Director



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