



STAKEHOLDER ENGAGEMENT

The DAWN board has identified ten key stakeholder groups with whom it engages in a structured and inclusive manner aimed at establishing and maintaining open and transparent, mutually beneficial relationships. Stakeholder engagement processes align to DAWN's business model, thereby enhancing communication channels. Part of this process includes the identification of clear feedback mechanisms for each stakeholder group.

REGULATORY

Shareholders and the investment community

DAWN engages with shareholders and the investment community to create an informed perception of the DAWN group, whereby more accurate expectations and a positive investment environment are created to ensure that DAWN's image and the trust placed in it by shareholders continue to improve, thereby minimising the potential for reputational risk. Matters covered by engagements include the performance of the group; business strategy and expectations; economic, social and environmental risks and opportunities; and progress against the group's key performance indicators. Engagements are measured through feedback received on presentations and interactions with shareholders, analysts and the investment community, feedback on the group's published financial information, voting on resolutions at the annual general meeting and DAWN's share price.

Activities during F2018 and feedback we received:

- » The group concluded a renounceable rights offer on 12 April 2017, raising R358 million and increasing the company's issued share capital to 600 372 480 shares.
- » The board presented the interim results formally to the Investment Analyst Society.
- » Board members embarked on a roadshow as well as scheduled meetings with major shareholders and institutional investors, after the required SENS announcements, to keep them abreast of developments at DAWN.

Banks, funders and insurance companies

DAWN engages with banks, funders and insurance companies to gain support and leverage on issues of common interest in the financial arena. Matters covered by engagements include group funding requirements, ensuring the smooth running of day-to-day operational activities with banks and ad hoc funding requirements. Engagements are measured through access to liquidity, interest rates and bank charges.

Activities during F2018 and feedback we received:

- » The remaining general banking facility/overdraft remains in place with the same securities of accounts receivable ceded and a general notarial bond registered over inventory.
- » On 19 April 2018, Absa Bank Limited restructured the group's term debt into a more suitable invoice discounting facility of R140 million.
- » Relationships and communication with banks and funders are maintained on an ongoing basis.

Regulators

DAWN engages with regulators to maintain open, honest and transparent relationships as well as compliance with legal and regulatory requirements, thereby minimising DAWN's operational risks. Issues of mutual concern are discussed with a view to anticipating and assessing potential policy and regulatory impact. DAWN is regulated by several stakeholders including the JSE Limited, Department of Trade & Industry, Department of Water Affairs and Forestry, South African Revenue Service, South African Reserve Bank, the Competition Commission, the Department of Labour and SETAs. The compliance function guides business units before and during submissions to and meetings with regulators. Engagements are measured by monitoring the log of interactions with regulators, the outcomes of which are reported to the audit and risk committee, to determine perceived risks and opportunities.

STAKEHOLDER ENGAGEMENT continued

Activities during F2018 and feedback we received:

- » Management considered the 'Reporting back on proactive monitoring of financial statements in 2017'.
- » DAWN appealed the Competition Tribunal's decision handed down in respect of a market allocation agreement including DPI Plastics and Sangio Pipe, which appeal the Competition Appeal Court upheld. The Competition Commission has, however, applied to the Constitutional Court for leave to appeal against this decision. Further information is contained in note 31 on page 164.
- » An income tax liability manifested in F2017 as a result of the incorrect Employee's Tax Incentive. DAWN used the Voluntary Disclosure Programme to disclose this to the South African Revenue Service.

SPECIFIC CONTRACTS

Customers

DAWN engages with customers to communicate a value product offering with comprehensive after-sales service and to gain a better understanding of the needs of the DAWN group's customers and their perceptions, thereby becoming a more customer-centric business, ensuring that the service level expectations are met. Matters covered by engagements include commercial arrangements, product choice and availability, effective and timeous resolution of customers' queries, concerns and problems and order tracking through e-commerce. Engagements are measured, amongst others, by the evaluation of customer satisfaction through customer surveys, analysis of credit notes, order fill rates, revenue, gross profit and market share.

Activities during F2018 and feedback we received:

- » Numerous surveys were conducted with customers to determine their needs, perceptions and expectations.
- » Executive management embarked on a roadshow to address the needs and issues raised by customers and to establish actions going forward. This process continues on an ongoing basis.

Suppliers

DAWN engages with suppliers to maintain mutually beneficial relationships resulting in value product offerings to customers, to seek products or services required for conducting DAWN's business through formal and informal processes and to encourage responsible practices across DAWN's supply-chain. Matters covered by engagements include discussion of commercial arrangements, product failures and quality measures. Meetings are measured through the analysis of visit reports, which contain outcomes of the meetings, and results are tracked through the Customer Relationship Management programme.

Activities during F2018 and feedback we received:

- » Top management visited all significant suppliers to reinforce relationships.
- » Terms of trade with suppliers have been renegotiated.

Employees

DAWN engages with employees to create a fulfilling work environment with challenging work and development opportunities as well as to gain an understanding and respond to the needs and concerns of DAWN's employees as well as maintaining constructive relationships with trade unions. Matters covered by engagements include providing employees with the strategic direction and relevant information regarding group activities as well as executive interaction on pertinent topics.

Engagements are measured by conducting surveys and analysing the results thereof, training outcomes and the number and nature of calls to the ethics hotline.

Activities during F2018 and feedback we received:

- » An electronic newsletter, DAWN in Touch, was distributed to employees monthly to keep them abreast of developments in the group.
- » A retention bonus was paid to key staff and share options were awarded under the long-term incentive plan (LTIP).
- » Salary increases were awarded in July 2017 and the remuneration committee recommended to award increases only if affordable or regulated by collective agreement with the trade unions.
- » The owner-driver scheme continued and around 40% of vehicles are now owned by the drivers.

Trade unions

DAWN engages with trade unions to maintain good working relationships, discuss collective employment issues and communicate potential changes affecting labour and to obtain approval, or consensus, on any decisions or projects that may result in changes in working conditions or in DAWN's operational requirements. Union representatives are elected to liaise with management on matters affecting union members and HR managers are responsible for managing the relationship with the employee unions and relevant industrial labour organisations. Meetings are held with the bargaining councils, as required. Engagements are measured by labour action and labour attitude.

Activities during F2018 and feedback we received:

- » Plant level union relations are generally healthy and regular in-depth consultations and negotiations take place. The unions were involved, as prescribed, in all restructuring consultations over the period.

RESPONSIBILITIES TO SOCIETY

Media

The group has an emergency communication protocol. The imperative of this protocol is to successfully navigate through crises situations, retaining a sustainable competitive advantage and minimising or negating reputational damage. A member of the DAWN executive management is designated as media spokesperson, depending on the topic/matter at hand.

In general, DAWN engages with the media to obtain leverage for communicating with relevant stakeholders and the broader public, to proactively position the DAWN group as a trading and distribution business in its markets, to influence stakeholder perceptions and to build the DAWN brand as well as the product brands and market the business and its products. Matters covered by engagements include, amongst others, financial results and corporate finance activities, business and consumer issues, macro-economic issues that affect the building and construction industries and product information. Engagements are measured by the level of press coverage obtained.

Activities during F2018 and feedback we received:

- » During the year, the group engaged with the media, as and when required. Going forward a proactive communications approach will be implemented.

Communities

DAWN engages with communities to create partnerships that best facilitate DAWN's integrated sustainability activities and to obtain input from communities and representative non-governmental organisations regarding key focus areas. DAWN strives to provide viable and sustainable solutions in response to local and national priorities and invests in socio-economic development. Matters covered by engagements include corporate social investment, particularly in the education sector, skills development, job creation and health and other general welfare. Engagements are measured by the informal feedback provided to DAWN's businesses in the respective communities.

STAKEHOLDER ENGAGEMENT continued

Activities during F2018 and feedback we received:

- » Corporate social investment (CSI) strategy guidelines were developed with a focus on beneficiaries with a 75% black majority, initiatives that have a sustainable and perpetual life, with initiatives that would make it easier to measure the impact of the CSI spend being prioritised.
- » DAWN took a decision to partner with a non-profit organisation to enhance the upliftment of South African communities.
- » Ad hoc CSI donations were made.

CO-OPERATIVE ENGAGEMENT

Government – national, provincial and local

DAWN engages with government (national, provincial and local) to strengthen its relationships in this arena in the development of the country's infrastructure as well as to provide input into legislative development processes that will affect DAWN's activities and operations. DAWN reaffirms its commitment to infrastructure development, most notably on water- and sewer-related projects, through proactive interaction with government to discuss issues of mutual concern, optimise opportunities and minimise the risks associated with infrastructure development. Manufacturing businesses engage with local government on matters such as energy consumption and constructive strategies on the management of power outages/load shedding. Trading businesses conduct business with local and national government and engage on relevant commercial and service matters on an ongoing basis. Engagements are measured by the outcomes thereof, such as energy consumption and the management of power outages/load shedding, compliance statuses and regular inspections with no material findings.

Activities during F2018 and feedback we received:

- » Government and municipal spending on water infrastructure plunged, with a severe lag in tenders being awarded.
- » DAWN's liquidity deteriorated further due in part to acute delays in payments from government on work completed.