

SUSTAINABILITY REPORT

Sustainability performance information was gathered and data collated for publication in the integrated report and on DAWN's website. 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 have mainly been collated for DAWN's subsidiary companies, unless specifically indicated otherwise, for the economic, environmental and social indicators for the year 1 April 2017 to 31 March 2018, and sustainability data collation coincides with DAWN's financial reporting cycle.

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 throughout the annual financial statements.

Data are only reported where considered to be of sufficient accuracy and are reported according to the G4 GRI guidelines.

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

FINANCIAL CAPITAL

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 other 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.

	2018 R'000	Restated 2017 R'000
Revenue from goods and services	3 478 626	4 300 864
<i>Less: Cost of goods and services</i>	(3 218 173)	(4 090 321)
Value added from trading operations	260 453	210 543
<i>Add: Interest received on investments</i>	3 230	989
Total value added	263 683	211 532
Utilised as follows:		
Employees		
Salaries and benefits	605 356	702 146
Providers of capital		
Interest on borrowings	35 482	61 904
Government – company tax	7 864	51 272
Current	(41 006)	17 818
Deferred	48 870	33 454
	648 702	815 322
Retained for reinvestment		
Depreciation and amortisation	46 948	54 939
Income retained in the business	(431 967)	(658 729)
	(385 019)	(603 790)
Total utilisation of value added	263 683	211 532

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Exchanges with government, including amounts collected on their behalf

	2018 R'000	2017 R'000
Employee taxes	90 037	94 762
Company taxes	15 205	20 562
Value added tax and sales tax	45 608	59 872
Customs and excise duty	27 736	49 793
	178 586	224 989

HUMAN CAPITAL

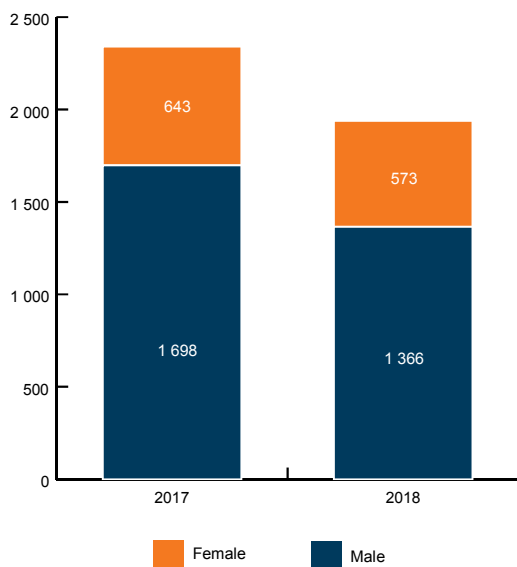
Employment

DAWN's employment strategy focuses on employee initiatives, social conditions and sustaining jobs in the supply base as well as occupational health and safety. DAWN's 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. The specific focus for F2018 was to attract and engage employees, specifically with skills to assist DAWN with its turnaround strategy. DAWN's employment brand is built on a combination of its culture, its leadership, its product brands and its reputation.

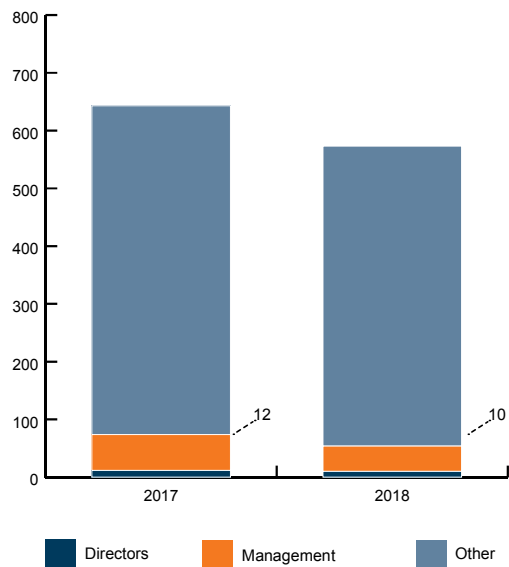
DAWN's vision of transformation is translated into strategies and specific targets and plans which are monitored and governed by the board. All business unit management have made transformation a key strategic imperative for F2018.

The group's subsidiaries employ 1 939 (F2017: 2 341) people and the segmental breakdown of employees as well as the employment by race, gender, age group and region are graphically depicted below:

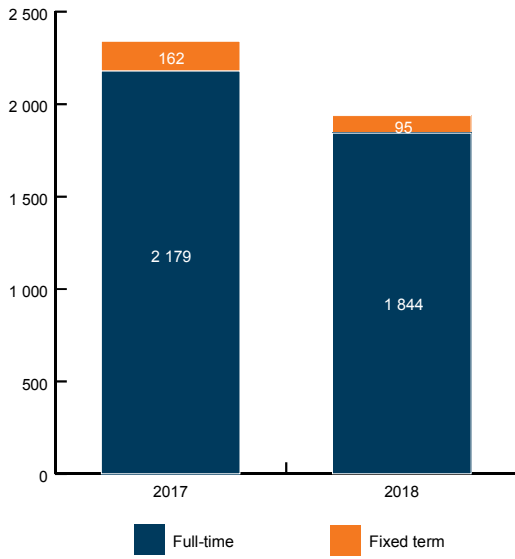
Employment by gender profile



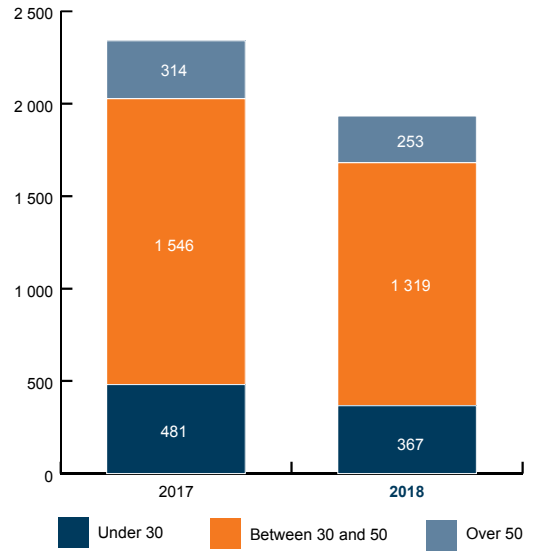
Levels of female employment



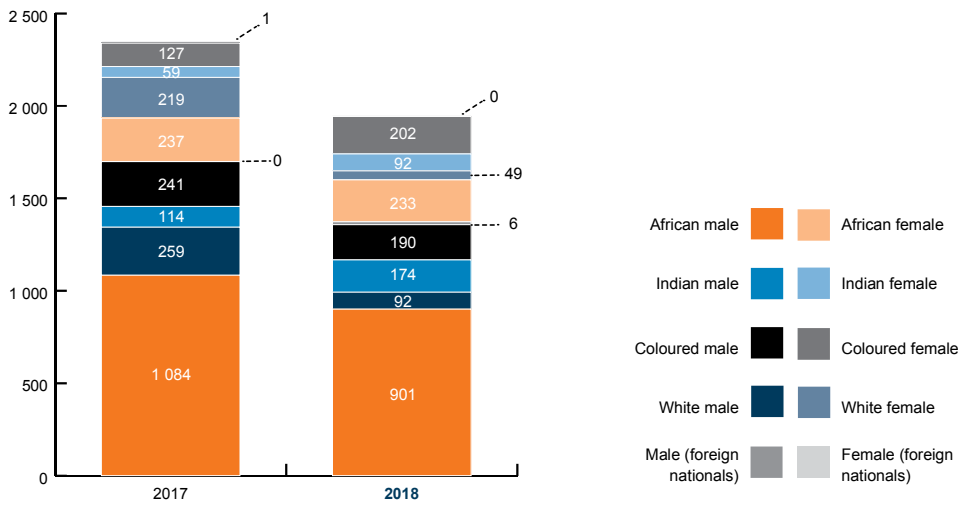
Employment (full-time and fixed term)



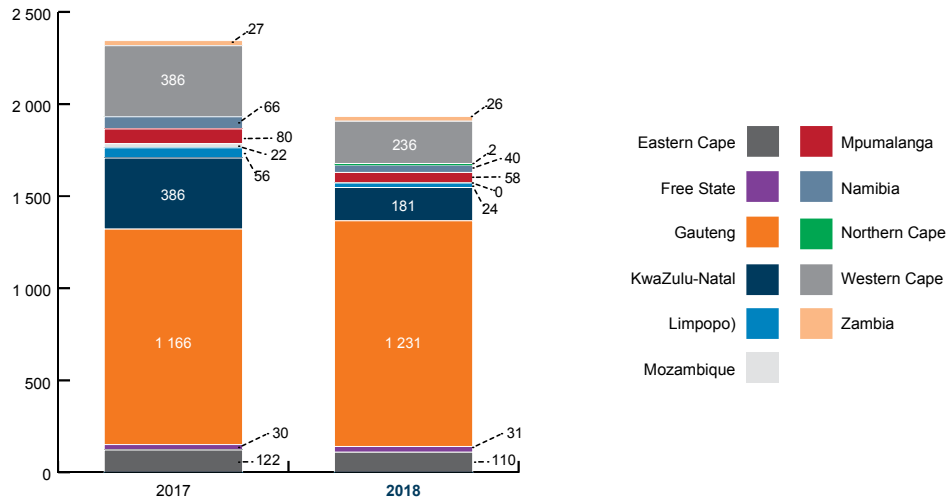
Employment by age group



Employment by race and gender



Employment by region



SUSTAINABILITY REPORT continued

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.

$$\frac{\text{Number of employees leaving during period}}{\text{Average number employed during period}} \times 100$$

The absenteeism issues are most prevalent in the manufacturing businesses, due to the nature of the industry and operating environment. The HR strategies approved for the manufacturing businesses have elements aimed at improving the causes of absenteeism.

The staff turnover rate for DAWN and its subsidiaries, based on the above calculations, has been 22% (F2017: 31%) for the 2018 financial year with an absenteeism rate of 1,85% (F2017: 2,87%).

Labour/Management relations

The number of unionised employees is listed below and constitutes 34,3% (F2017: 39,8%) of the group's workforce.

Trade unionisation	DAWN Kitchen Fittings	Pro-Max Welding Consu- mables	Hamilton's Brushware SA	Incedon	DPI Plastics	Ubuntu Plastics	DAWN logistics	TOTAL
SATAWU	2	0	0	1	0	0	5	8
NUMSA	9	3	0	0	174	50	85	271
CEPPAWU	0	0	3	0	14	0	0	17
GIWUSA	0	0	0	0	17	0	0	17
SACCAWU	0	32	0	31	0	0	238	301
SOLIDARITY	0	0	0	0	1	0	0	1
UCIMESHAWU	0	0	0	1	0	0	0	1
Number of unionised employees	11	35	3	33	206	50	328	666

Definitions:

SATAWU – South African Transport and Allied Workers Union

NUMSA – National Union of Metalworkers of South Africa

CEPPAWU – Chemical, Energy, Paper, Printing, Wood and Allied Workers Union

GIWUSA – General Industries Workers' Union of South Africa

SACCAWU – South African Commercial, Catering and Allied Workers Union

UCIMESHAWU – United Chemical Industries Mining Electrical State Health and Aligned Workers Union

Occupational health and safety

Workplace injuries

Health and safety remain a priority to DAWN. A health and safety consultant has been appointed, responsible for auditing every DAWN subsidiary and presenting monthly reports to internal audit, who ensures that the information is reported to the board. All appointments and legislative processes are in place. Reports are presented to all management in each subsidiary, which includes action items in their respective businesses. Priority is given to manufacturing entities, Hamilton's Brushware and DPI Plastics, as their safety risk is higher.

There were (F2017: 24) disabling injuries, which resulted in a Disabling Injury Frequency Rate (DIFR), calculated on 200 000 hours work, of 1,42% (F2017: 1,10%). The group is working towards zero incidents through training and awareness programmes, improved housekeeping practices and manager-employee relationships.

Occupational and healthcare clinics and initiatives

On-site occupational clinics are operational at the following manufacturing plants:

DPI Plastics – Roodekop and Bellville

The focuses at these clinics are primary health care and medical examinations for occupational purposes, for matters such as lifting equipment operator medical examinations, vision and lung screening, injury on duty cases and other occupational work-related cases such as noise-induced hearing loss.

Where no on-site clinic is available, such as warehousing and distribution outlets, employees are referred to outsourced occupational health services, for matters such as lifting equipment operator medical examinations.

A wellness day was held on 21 February 2018, where employees were offered the following assistance and services:

- » HIV testing, counselling and long-term assistance;
- » General health testing e.g. blood pressure, cholesterol, weight management; and
- » General health improvement e.g. nutrition and fitness advice.

286 of the group's employees took part in all the above activities and participated in all health testing voluntarily. Many were assisted by the healthcare service provider with general healthcare advice. Wellness days are planned across the country during F2019.

DAWN Academy (training and development)

DAWN focused on the following key initiatives developed in the Dawn Academy.

The IMPI ("young warrior") programme was implemented with NQF level 2 to develop young leaders and to rotate them around the trading business to give them product, sales and warehousing exposure.

The ASSEGAI ("the spear") programme was implemented with NQF level 4 to develop junior and middle leaders within the business. The programme was accredited on the level of a university MDP.

The THENGISA ("to sell") programme was not implemented this year due to different needs on the sales function. Another programme was implemented with the sales teams at Wholesale Housing Supplies that involved performance and development assessments and a training programme aimed specifically at the needs of each sales team.

SUSTAINABILITY REPORT continued

Skills development

The employment equity and skills development forums are in place to provide quality assurance in terms of training and development as well as transformation across all companies. The workplace skills plans, derived from the training plans and annual training reports, have been submitted as per the Skills Development Act requirements.

DPI Plastics has focused specifically on the development of technical skills due to the shortage of these skills in South Africa viz. electricians, fitters, millwrights, extruder operators and machine setters. All businesses have done learnerships in stores and warehousing in the trading businesses and production technology in the manufacturing businesses. These learnerships include permanent employees and unemployed learners recruited as fixed term employees. These interventions form part of the transformation strategy.

DPI Plastics also embarked on a Master Product Maker training programme to reskill extruder operators, machine-setters and die-fitters on all levels of machinery. Employees who pass their theoretical test and practical assessment are qualified on different expert levels and get their six-sigma belt on that level. This will be rolled out to every job function in DPI Plastics.

Incedon re-embarked on a focused programme to develop sales teams on technical product training, as that was their greatest business need.

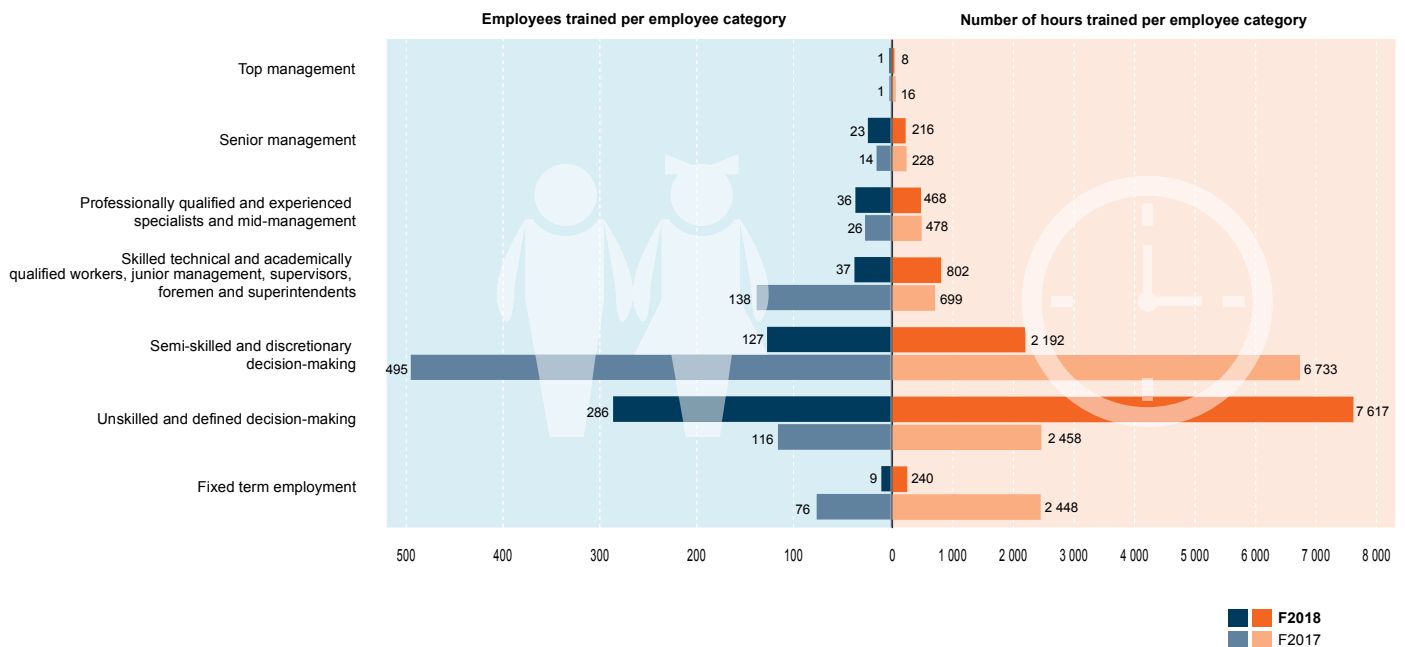
Training hours

During F2018 a total of 11 543 hours (F2017: 13 060 hours) were spent on internal and external training of employees. The number of employees trained was 519 (F2017: 866).

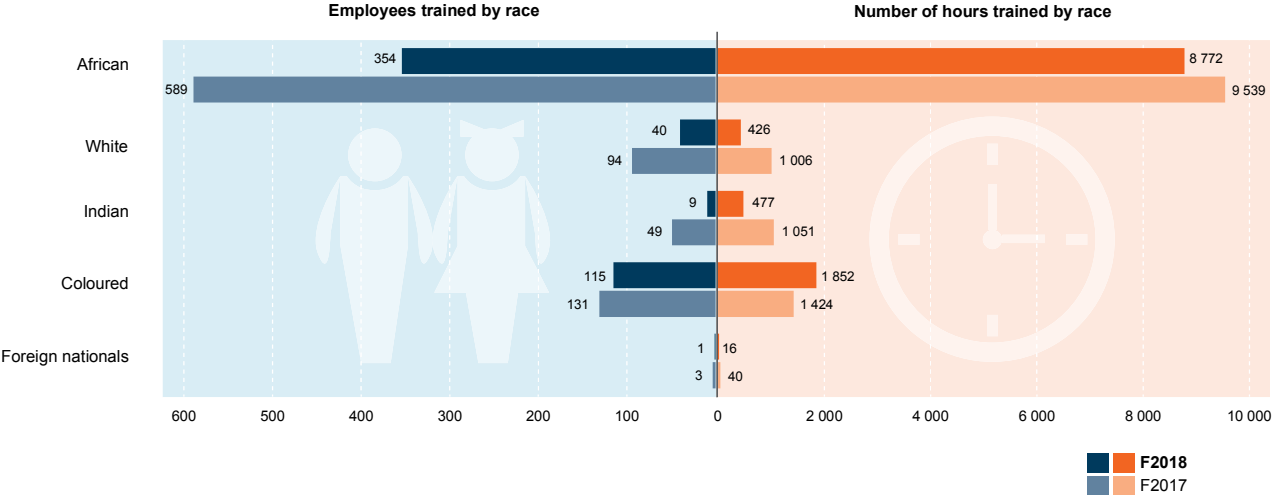
Statistics

Data has been collated by employee category as well as by gender and race and are depicted below.

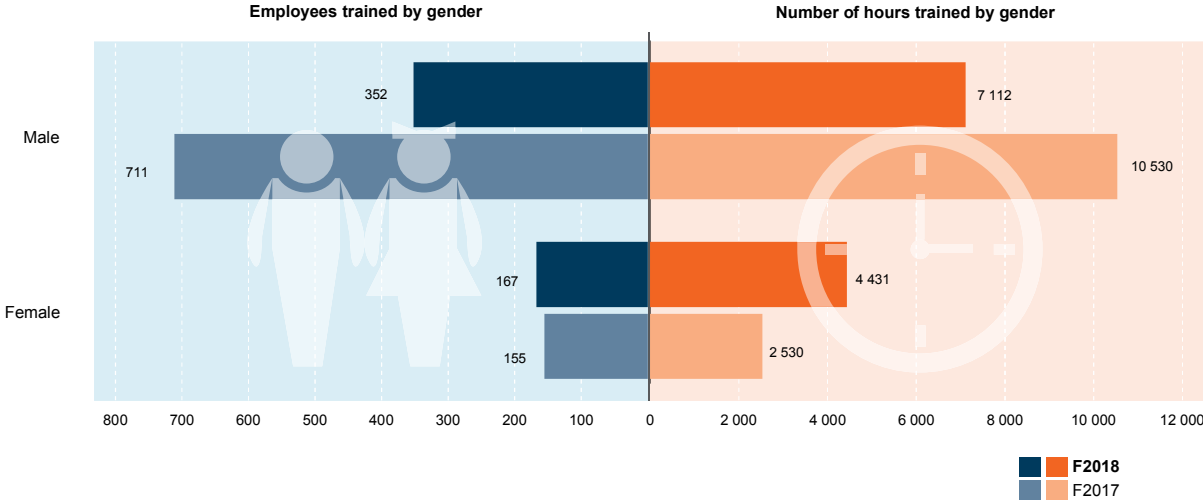
Number of employees and number of hours trained by employment category



Number of employees and number of hours trained by race



Number of employees and number of hours trained by gender



SUSTAINABILITY REPORT continued

Going forward

The organisational culture focus for this year has been on the turnaround of DAWN and creating a culture of excellence and world-class practices.

The human capital function has gone back to basics of assisting line management to assess employees for performance and development purposes, managing performance and retaining key employees. Recruitment has also been a key focus to ensure that the group replaces employees and ensures good skills to assist in the turnaround process.

Onboarding for retention and quicker integration of new staff into the business and skills development have remained key focus areas. The focus for Q1 and Q2 of F2019 remains the same.

NATURAL CAPITAL

Carbon footprint

For the year ended 31 March 2018, activities of DAWN's subsidiaries generated a carbon footprint of 23 359 CO₂e tonnes (F2017: 47 529 CO₂e tonnes). This includes all activities under Scope 1 and Scope 2 as well as business travel under Scope 3.

Scope 1

Diesel and petrol jointly are the second most important energy carriers in the DAWN group with 0,77 million litres of diesel (F2017: 2,92 million litres) and 0,91 million litres of petrol (F2017: 1,51 million litres) being used – resulting in 4 186 CO₂e tonnes from transport and distribution (F2017: 11 226 CO₂e tonnes). Diesel is primarily used in the transportation component of the distribution model to get manufactured goods to wholesale locations as well as to deliver wholesale goods to retail customers. Petrol is primarily used by sales personnel to promote and sell products. A small amount of diesel is being used in factories and warehouses by forklifts. Based on low materiality (<1%) and insignificant changes in the installed equipment that cause fugitive emissions from previous periods (refrigeration and air-conditioning) – a weighted average from the last three periods resulted in an estimate of 604 CO₂e tonnes for F2017. During F2018, consumption of 21 422 litres of LPG gas resulted in increasing the carbon footprint by 32 CO₂e tonnes.

Scope 2

The primary contributor to the carbon footprint emanated from Scope 2 emissions in the form of electricity consumption of 23 997 MWh (F2017: 35 152 MWh). Electricity is used at all of the 31 locations across the group with large consumption being recorded at particularly the pipe manufacturing locations. Reporting is based on the eight subsidiary businesses.

The top three subsidiaries, in order of magnitude, are DPI Plastics (19 627 MWh), DAWN Distribution Centre (2 503 MWh) and Namibia Plastic Convertors (1 088 MWh).

Scope 3

A selected category under scope 3 has been taken under review, with the support of a third-party. This process assured the gathering of reliable data and verification of data provided. Business travel and flights accounted for 424 CO₂e tonnes (F2016: 440 CO₂e tonnes).

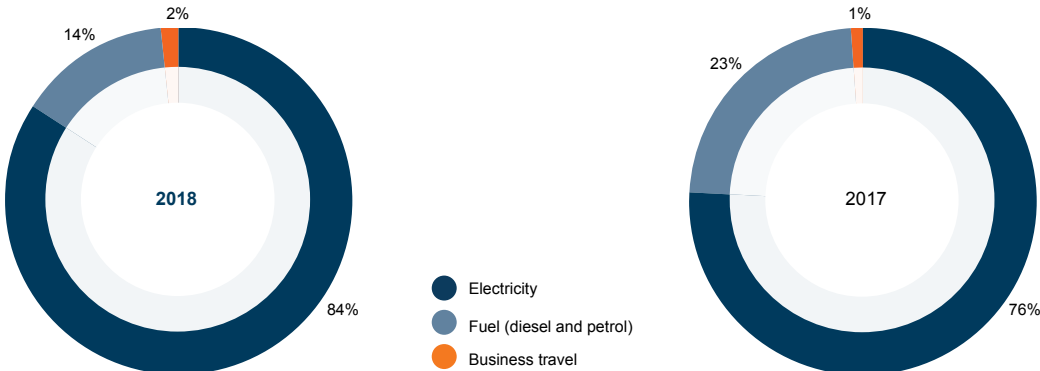
Summary

In summary during F2018, energy in the form of electricity, diesel, petrol and LPG gas accounted for 28 936 CO₂e tonnes (F2016: 47 529 CO₂e tonnes) of carbon emissions which amounted to 98,6% (F2017: 99,1%) of the total carbon footprint of the group. Fugitive emissions from the refill of air-conditioners and refrigeration plants, together with business travel, made up the remainder of the emissions.

Verification

The carbon footprint data is based on Scope 1 and Scope 2 emissions as well as business travel which is a Scope 3 emission. Risk-based assurance was provided by internal audit in this regard.

Graphical representation of DAWN's carbon footprint



Materials

The Material Safety Data Sheets specifications govern the purchase of all materials and the operational practices applied utilising them. Environmentally safe purchases and practices are enforced by extensive data audit and training.

Materials used by DAWN's subsidiaries consisted of polymer and HDPE totalling 22 932 tonnes (F2017: 49 110 tonnes) of which 182 tonnes (F2017: 5 974 tonnes) were recycled input materials, translating into 0,79% (F2017: 1,08%) recycled input materials.

ADDITIONAL INFORMATION

The following additional information is available on DAWN's website www.dawnltd.co.za.

- » Sustainability performance data;
- » Supply-chain; and
- » Accreditations.

ANNUAL FINANCIAL STATEMENTS

LEVEL OF ASSURANCE

These annual financial statements have been audited in compliance with the applicable requirements of the Companies Act of South Africa.

AUDITORS

PricewaterhouseCoopers Inc.

Registered Auditors

PREPARER

Prepared by Tintswalo Mohlakoana (CA(SA)), group financial accountant, under the supervision of Hanré Bester (CA(SA)), group financial manager and Chris Booyens (CA(SA)), chief financial officer and financial director.

PUBLISHED

31 July 2018

CERTIFICATION BY COMPANY SECRETARY

In terms of Section 88(2)(e) of the Companies Act 71 of 2008, as amended, I certify that, to the best of my knowledge and belief, the company has, in respect of the financial year reported upon, lodged with the Companies and Intellectual Property Commission the returns required of a public company in terms of the Act and that all such returns are true, correct and up to date.



Claire Middlemiss

On behalf of: iThemba Governance and Statutory Solutions Proprietary Limited

Company secretary

31 March 2018