



SOUTHEY HOLDINGS

INVESTORS IN EXCELLENCE



**SUSTAINABILITY
REPORT FOR THE
YEAR ENDED**

30 JUNE 2016

SOUTHEY GROUP

About the Southey Group

Since 1939, Southey Holdings has taken a series of key strategic steps towards become the driving force behind a diverse network of businesses within a variety of industries and now represents one of the largest and most respected privately owned groups in Southern Africa.

Our expertise spans an array of products and services including: industrial painting; blast cleaning and contracting services; major industrial process installations; petrochemical and mining operations; ship repair and marine services; as well as the diversified manufacture of polystyrene products; refrigeration units; prefabricated buildings and units; pocket and cane knives, agricultural hand tools and pressure vessels.

The Southey Group is collectively owned by Management, a Broad Based Black Economic Empowerment Group, and minority of Private Equity Investors.

Our culture manifests an ethos of good corporate citizenship with all our stakeholders in mind. We believe in being reputable, responsive, engaging and committed to excellence in every aspect.

“Southey Holdings is proud to produce its first sustainability report. Given the unacceptably high unemployment rate in the country, particularly amongst the youth, and the need to improve the country’s basic education system, Southey is committed to running an active and effective social development programme geared towards social upliftment of the previously disadvantaged members of the population.

The Group is also actively engaging with many NGO’s to reduce its carbon footprint and will continue to invest within its means to drive further innovative programmes. Southey has adopted environmentally and socially responsible policies without sacrificing shareholder wealth, better positioning the company for success in the future.”

**Barry Wickins –
Chief Executive Officer**



EMPLOYMENT

Total workforce of
4806 people

R200 000

Dividends declared to Southey employees by the Southey Employee Share Trust

Over 2500

Jobs & employment opportunities created in 2016

16%

Females at management level

85%

Black employees

SOUTHEY GROUP

Sustainable Economic Value

Financial Performance & Stability

In the light of adverse economic conditions, both locally and internationally, Southey Holdings and its subsidiaries have managed to remain competitive and achieve pleasing financial results in the 2016 financial year.

The Group's business model is focused on achieving sustainable annual revenues, managing direct and indirect costs effectively and generating cash to be reinvested in the business and in identified growth opportunities.

This includes capital expansions and technological advancements, enabling the Group to achieve sustainable economic value.





SOUTH AFRICAN ECONOMY

How we have contributed to building a stronger economy

R213.27m
Spent on statutory taxes

4806 EAPs
Economically active people

R1.40bn
Spent on local procurement

R8.15m
Spent on training & skills development

SOUTHEY GROUP

Social, Ethical & Environmental Governance

The Social, Ethical & Environmental direction of the group is governed by the Social & Ethics Committee and the Shareholders Agreement.

The Social & Ethics Committee is comprised of a majority of non-executive directors.

Each division has established significant and innovative training, social and environmental initiatives that are beneficial not only to the local communities, but have also achieved national recognition in South Africa.

Every initiative is identified and pursued based on the Southey management team's passion for social upliftment of communities and skills development of the local workforce.

Objective

The objective of the Social & Ethics Committee is to perform an oversight and monitoring role to embed a culture of ethical behaviour within the Southey Holdings Group of companies and is responsible for:

- Monitoring activities with respect to legislation, other legal requirements and codes of best practice;
- Drawing relevant matters to the attention of the Board;
- Reporting to the shareholders;
- Focusing on the Group's strategy with regards to social and economic developments; good corporate citizenship; environmental, health and public safety; ethics; and labour and employment;
- Ensuring that the Group uses reasonable commercial endeavours to guarantee that its operations and investments comply with all relevant social, governance and environmental health and safety ("E&S") requirements; and
- Using reasonable commercial endeavours to develop and implement adequate E&S Systems.

SOCIAL & ENVIRONMENTAL INITIATIVES

Uplifting, supporting and investing in our people and our communities are at the heart of our business. The Southey Group focuses on a number of core social and environmental initiatives where we can add value through our various business units.



**Skills Training
& Development**



**Economic
Empowerment**



Education



**Enterprise
Development**



**Low Carbon
Footprint**



**Non-Profit
Organisations**



Dormac Marine & Engineering

Dormac, one of the largest division of Southey Holdings, is a market leader in marine engineering and ship repairs.

The division is passionate about training with a vision of providing individuals from disadvantaged backgrounds with the necessary skills to enter the engineering field.

Today Dormac is renowned for its specialised Accelerated Artisan Training programme. Together with the Department of Higher Education and MerSeta, Dormac pioneered a 3 year engineering training programme for unemployed and unskilled matriculants and condensed it into 18 months. Dormac has qualified more than 800 artisans to date.

Dormac has also launched in-house training courses to teach unemployed individuals both professional and practical engineering skills, such as: welding; fitting; and boiler making skills.

14 Years ago Dormac also embedded the principles of enterprise development ("ED"), by establishing a separate business operation, Camrod, led by the dedicated steel foreman and his specialised team to provide structural engineering work related to steel fabrication on an exclusive basis. Today Dormac has empowered 3 ED Partners, namely: Camrod; Macdor; and Damcor.



Dormac Dock 1

It has always been Dormac's intention to own and operate a Floating Dock. Finally, this dream came to fruition when the new multi-million Rand composite Floating Dock left the Ukraine based Pallada shipyard and made its way to the Port of Durban.

Dormac Dock 1 is a brand new Floating Dock, unique to any other in operation in South Africa and is equipped with the latest state of the art technologies.

The Dock has a reinforced pontoon with steel sides and, having paid particular attention to the design of the dock and quay, green energy-efficient technology will be adopted for all floating dock operations.

The Dock will provide for additional docking capacity and allow Dormac to maximise ship repair opportunities. It is envisaged that the Dormac shipyard will be the center of excellence for ship repair business and a huge stimulus to the Durban and extended South African market.

In addition, based on regular through-put of foreseeable dockings, the Floating Dock is expected to create an additional 80 new direct jobs. The spin offs to Dormac's ED business partners will ensure that those contractors and suppliers will also create additional jobs.

Dormac is also proud to announce that the award winning Accelerated Artisan Training programme will be extended to include dry docking skills and have already begun recruiting apprentices.

R4.2m

Spent on the artisan training programme in 2016

800

Artisans qualified to date

R844k

Spent on skills training

R26.7m

Invested in ED partners in 2016



SOUTHEY CONTRACTING

Southey Contracting

Southey Contracting offers a comprehensive range of engineering services and has now evolved into the largest contracting business in the industrial painting and thermal insulation industry in South Africa.

In addition to training current employees, the division has established training initiatives that target social upliftment in communities vulnerable to social unrest. The initiatives entail teaching unemployed and previously disadvantaged individuals sheet metal, boiler making and managerial skills over a 3 week period, in order to equip them sufficiently to enter the job market.

These training courses comprise of approximately 50% females of whom the majority are young, single mothers. The course allows learners to receive 53 credit points towards a full trade qualification.



Southey Contracting has also launched a 12 month managerial training programme, that targets 6 promising young individuals every year.

The course is highly credible and can be recognised as the equivalent of the first year of a university degree.



R5m

On training and upskilling unemployed individuals and employees

84

Learners qualified through training programmes

4

Learners promoted to management to date

KEY INITIATIVES

LEAP School

This school focuses on teaching mathematics and science to grade 8 to 12 learners with the aim of providing under-privileged scholars with a sound secondary education to help them in applying for tertiary education at universities and colleges. The school network comprises of 6 schools and does not receive any government funding.

Despite the less-than-perfect circumstances, the students are extremely dedicated. The school achieved a 96% pass rate in 2016. Southey Contracting makes annual sponsorships to the schools in support of their dedication to education towards a full trade qualification.

Learn to Earn

The Contracting division established a school that teaches disadvantaged scholars the skills necessary to enter the job market. The skills offered include a holistic approach that focuses on business, entrepreneurial, marketing and practical engineering aspects.

Out of 442 registrations, a total of 394 completed training at LTE during 2016. This represents an 89% completion rate and 80% of the graduates were able to become economically active or are in further education as a result of the impact of the LTE training initiatives. Of this 80%, 15% have started their own business.

Southey Contracting spent R30 000 on this initiative in 2016.

The Contracting division has given dedicated and purposeful attention to causes that support education, skills training and entrepreneurship, with the hope of improving education and alleviating poverty in the communities in which it operates.

SOUTHEY MANUFACTURING

SOUTHEY Manufacturing

Southey Holdings has established a diverse and resilient manufacturing base with the potential to compete globally. Southey manufacturing consists of 6 divisions, each with its own niche markets and areas of expertise.

The Southey Holdings' network of manufacturing entities adds stimulus to the marine, oil & gas and contracting divisions and also fabricates products that complement other divisions within the group, such as: polystyrene; panels; scaffolding; refrigeration units; pressure vessels; and agricultural knives. Each manufacturing division also participates in learnerships, skills development and training initiatives for the enhancement of its workforce and their relevant areas of expertise.



In excess of R1 million invested in Training and Developing our People in 2016.

ISO MOULDERS

Preserving the Environment

ISO Moulders is an Expanded Polystyrene ("EPS") converter and producer of EPS products which are 100% recyclable. ISO Moulders is, in fact, nett negative in EPS waste, meaning that all recycled EPS and any residual scrap material is reused in the system or reprocessed in another value stream. EPS is chemically inert and no CFC's are produced in its production.

EPS features heavily in green design and sustainable packaging solutions:

- EPS is near peerless as a light-weight packaging material, offering shock-resistance in transport and fuel savings versus alternative solutions. In packaging, the equivalent specification in cardboard would consume twice the energy to produce and be 6.5 times heavier which in turn adds more to transport emissions.
- It reduces energy usage in heating and cooling applications for buildings and therefore creates savings in fossil fuels in particular. Just 80mm of EPS in a homes outer double-brick wall cavity can increase the thermal insulation by more the 5 times.

ISO Moulders is an innovative entity that is committed to the local community. They division is continually seeking out new technologies to lower its carbon footprint, increase recyclability and to seek a responsible and sustainable solution for all its customers.



ISO Moulders

Comprising of 98% air, EPS is one of the most resource efficient materials on the planet.

CAUSES THAT WE CARE ABOUT

Over R700,000 has been donated to non-profit organisations and charitable bodies in support of the below causes.

**National
Sea Rescue**

**St Luke's
Hospice Care**

**Autism
South Africa**

**Children
with disabilities**

**Sporting sponsorships
for under-privileged
children**

**Counselling & social
services for abused
individuals**

**Children's homes,
orphanages & child
welfare causes**

**Community upliftment
& environmental
conservation**

**School & university
scholarships, bursaries
& sponsorships**





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