



**CALGRO M3**  
Group

*Building legacies. Changing lives*

Sustainability Report  
**2019**

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More than 60% of Calgro M3’s revenue is currently derived from residential property developments and therefore most of this Sustainability Report focuses on property development. Where information does not pertain to property development, it is so stated.

**Calgro M3 is a proud level 1 B-BBEE contributor**



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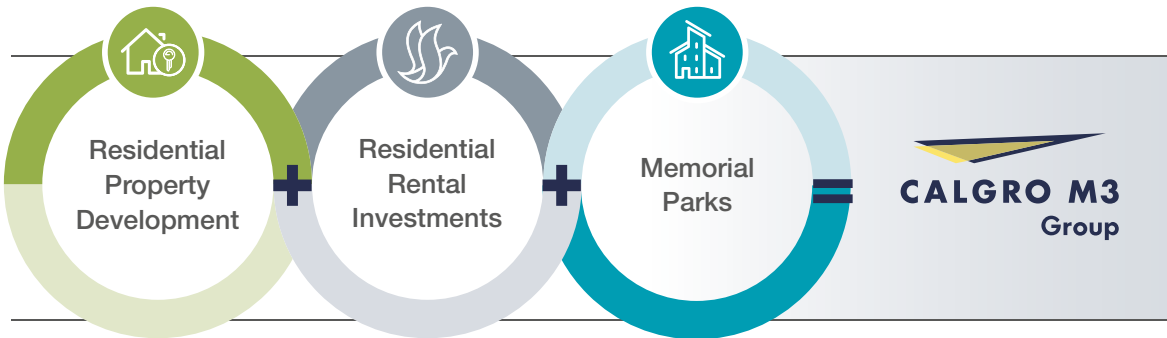
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# CALGRO M3 SUSTAINABILITY FOOTPRINT – EXECUTIVE SUMMARY



A strategic focus of Calgro M3, is to ensure and drive higher revenue and profitability to a point where all three businesses contribute equally to profit within the medium to long term. A healthy mix of annuity and normal revenue will enhance sustainability and diversification.

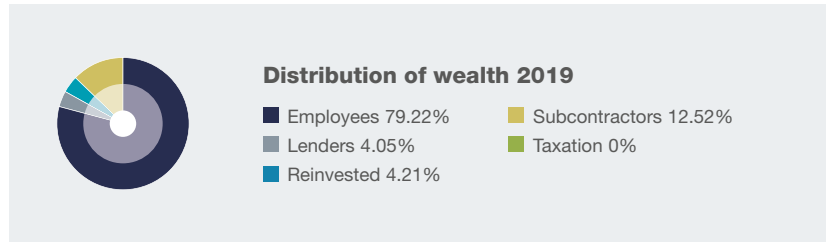
Signatory to the **UN Global Compact Principles** [ 47 ]

**Stakeholder engagement** embarked on earnestly and consistently [ 8-14 ]



Striving for continual employee engagement, enhancement and fair treatment [ 15-21 ]

The environment, energy efficient homes and the preservation of green spaces is a huge focus [ 36-46 ]



**Health, Safety and Environmental (“HSE”) Management System implemented (awaiting certification)**  
 ISO 14001:2015 ISO 45001:2018  
**Quality Management System** [ 8, 9, 11, 19, 21, 36 ]  
 ISO 9001:2015 (started)

Preferential Procurement and Enterprise Development is an important aspect of operating as a sustainable business in South Africa [ 33-35 ]



**Corporate social responsibility** is a core focus across the Group [ 22-32 ]

- Sports and education
- Community facilities
- Urban agriculture
- Feeding schemes
- Early childhood development centres

# AN INTEGRATED APPROACH TO SUSTAINABILITY

## Contained in this chapter

The principle of sustainability underpins core business imperatives such as ensuring stable business growth and maximising returns for shareholders. In South Africa, where historical inequality has created a huge disparity, our role in Residential Property Development, Memorial Parks and Residential Rental Investments is an important one. As our business grows, so does our potential to make a positive social and developmental impact.

This chapter defines our approach to sustainability across the Group.



## Calgro M3 stakeholders





## AN INTEGRATED APPROACH TO SUSTAINABILITY (CONTINUED)

We are acutely aware that the value we create for the business is closely tied to the value we create for our stakeholders.

While the Residential Developments, Residential Rental Investments and Memorial Parks we establish are an important measure of our output, the real value lies in creating an environment in which communities can be uplifted to thrive. Our goal is to deliver not only housing and Memorial Parks, but an environment that empowers and uplifts communities.

From entry to exit, in all the phases of our operations, we have a dynamic working environment, putting in place structures that will support the future success, well-being and prosperity of our communities.

We invest in the development of shared public spaces for the community and in social, educational, sport and recreational facilities.

We engage with stakeholders to understand their challenges and needs, incorporating their inputs into our outputs.

We incorporate energy and water solutions that are affordable, eco-friendly and durable into our design principles.

We create employment, provide and encourage skills and enterprise development, and support entrepreneurship.

We take care of the environment, rehabilitating and protecting the natural surrounds, preserving them for future generations.



We do this without taking our eye off the ball in terms of creating business value and striving for profitability. We are not seduced by opportunity and our risk is carefully managed. Our day-to-day focus is firmly on achieving consistent quality outputs, ensuring excellence in the management of our operations and capital, balancing our risk exposure, and nurturing our relationships with financiers, investors and partners.

# SIGNIFICANT ISSUES

## Contained in this chapter

Calgro M3 defines material operational issues as those with the potential to significantly affect the ability of the Group to deliver on our stated objectives, create value and ensure sustainability over the short, medium and long term.








This chapter defines what these material issues are, the key operational challenges they represent, their impact on the organisation, and how we are dealing with them.



The following areas were considered when identifying key operational challenges that could impact on the execution of our strategy:



## SIGNIFICANT ISSUES (CONTINUED)

Key operational challenges	Impact	Response	Cross reference
 Housing shortages together with a call for land expropriation without compensation	Illegal land and unit invasion/grabs	<ul style="list-style-type: none"> <li>▶ Increased security as well as assisting local and provincial government to eradicate the housing shortage</li> <li>▶ Closer working relationships between Calgro M3, security and police in order to avoid illegal invasions</li> <li>▶ Enhancing communication of the Group's positive impact on communities during and after development</li> </ul>	8-14
 Skills shortage	Delivery of products and services	<ul style="list-style-type: none"> <li>▶ Skills development, subcontractor incubator programme</li> <li>▶ Internal coaching at management level</li> <li>▶ Nurturing relationships with professional companies to grow alongside the Group as well as the mentoring and training of young individuals</li> <li>▶ Human capital management to ensure succession and availability of resources to facilitate Group growth</li> <li>▶ Our target across the Group is to employ 50% of our on-site workforce from local communities with associated training. We are currently achieving in excess of 70% across the Group</li> </ul>	29-32
 Energy and water shortage	<p>Availability of these critical services impact lifestyle</p> <p>Rising prices have an impact on development costs and client affordability</p> <p>Construction is a heavy user of water in a country where it is scarce</p>	<ul style="list-style-type: none"> <li>▶ Saving water and energy and reducing carbon footprint, not only after completion but also focused on during construction</li> <li>▶ Use of alternative water and energy solutions supports the future sustainability of developments, in conjunction with our focus towards environmentally friendly designs</li> <li>▶ Finding a balance between the cost of "green products" vs selling price of products</li> </ul>	36-41
 Health and safety	Ensuring a safe and healthy work environment	<ul style="list-style-type: none"> <li>▶ Enforce intentional health and safety best practices</li> <li>▶ Ensuring a safe work environment for staff</li> <li>▶ Ensuring safety of all stakeholders/communities on our projects</li> </ul>	19
 Government assistance	Acceptance of our integrated model and granting the associated regulatory approvals	<ul style="list-style-type: none"> <li>▶ Through relationship building, delivering on our partnerships with the public sector and proving the effectiveness of integrated development, we build awareness and acceptance</li> </ul>	10
 Changing lives (community acceptance)	<p>Community acceptance of our various products</p> <p>Strikes and activism can impact project delivery and profitability</p>	<ul style="list-style-type: none"> <li>▶ Stakeholder engagement and community development (social, skills, and enterprise)</li> <li>▶ Corporate social investment to strengthen ties with the community</li> <li>▶ Actively encouraging community involvement</li> </ul>	14, 22-35
 Changing social structures of the past	Allowing communities from different social and economic backgrounds to live in harmony with one another in a pleasant environment	<ul style="list-style-type: none"> <li>▶ Social acceptance of the Calgro M3 products ensure: <ul style="list-style-type: none"> <li>– Race and class integration</li> <li>– Building role models within society</li> </ul> </li> <li>▶ Creation of aspirational products and spaces where communities can live, socialise and relax</li> </ul>	22-35

## STAKEHOLDER ENGAGEMENT

### Contained in this chapter

King IV emphasises the critical role of stakeholders in the governance processes of an organisation. However, at Calgro M3 we have for many years understood that engaging our stakeholders is an imperative to conducting our business in a way that is both sustainable and ethical, and even more importantly, is key to understanding how we better deliver value to all our stakeholders, including those communities to whom we provide homes, Residential Rental Investments and Memorial Parks for, so that we fulfil our “*Building legacies. Changing lives*” promise.

This chapter focuses on how we manage stakeholder engagement within the Group.

We define our stakeholders as any individual, group or organisation that is interested in, impacted by, or involved with Calgro M3. This includes our shareholders, investors, financial institutions, debt capital providers, clients, employees, sub-contractors, suppliers, consumers, communities, joint venture and other partnering organisations, government departments, governing bodies, trade unions, NGOs, industry and related industry specialists, academic institutions and the media.

Stakeholder engagement and feedback is valuable. It serves to:

- ▶ highlight potential areas of risk;
- ▶ improve awareness of market trends and innovations;
- ▶ help better understand the macro-economic climate, socio-political and cultural dynamics;
- ▶ obtain valuable feedback on the quality of products and delivery thereof;
- ▶ provide input for continuous business improvement and promote continual learning;
- ▶ inform the public of the suite of offerings: Integrated Residential Property; Residential Rental Investment and Memorial Parks;
- ▶ build trusting, committed and solid relationships;
- ▶ proactively manage the Calgro M3 brand and improve its visibility in the industries within which it operates;
- ▶ ensure governance, compliance and best practice processes are in place to stabilise the Company and to support further controlled and sustained growth;
- ▶ ensure the Company’s growth, development, short and medium-term success, and long-term sustainability; and
- ▶ give stakeholders a voice to ensure their concerns are considered in the decision-making process.

Channels for engagement and dialogue with a wide variety of stakeholder groups are accessible via formal and informal meetings, forums, surveys, briefings and one-on-one meetings and reviews. We ensure local communities are engaged in our activities, providing employment and skills development opportunities, as well as other platforms and forums for involvement.



# STAKEHOLDER ENGAGEMENT (CONTINUED)



## Employees

The key resource of our Group is our people. Our employees, sub-contractors and the unions that represent them are therefore a key stakeholder group. We endeavour to attract, motivate, develop and retain a skilled and sustainable workforce to meet the current and future business needs of the Group. We actively endeavour to become an employer of choice.

### How we engage

- ▶ Regular staff communications
- ▶ Formal and informal social events
- ▶ Regular training for staff (internal and external)
- ▶ Briefings, meetings and presentations
- ▶ HR policy and procedure, including staff induction and performance reviews
- ▶ Management maintains an “open-door” policy where ad hoc discussions are taken up and issues resolved accordingly
- ▶ Management roadshows and project launches

Focus areas	Our response
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Fair work practice	<ul style="list-style-type: none"> <li>▶ Open communication, fair management practices</li> <li>▶ Hands-on senior management involvement to address and resolve labour issues</li> </ul>
Safety	<ul style="list-style-type: none"> <li>▶ Internal HSE Department that is supplemented by external consultants to oversee the implementation of policies and procedures related to the formal HSE management system, based on international standards (ISO 14001:2015 and ISO 45001: 2018) and compliance with the OHS Act 85 of 1993 and its Regulations</li> </ul>
Incentives and bonuses	<ul style="list-style-type: none"> <li>▶ Endeavour to pay market-related or above salaries and rates as well as incentivise exceptional performance with performance-related bonuses</li> </ul>
Growth and development	<ul style="list-style-type: none"> <li>▶ Offer skills development opportunities (internal and external providers) to staff and sub-contractors</li> </ul>
Transformation	<ul style="list-style-type: none"> <li>▶ Level 1 B-BBEE contributor</li> <li>▶ Strive for transformation of the workforce</li> <li>▶ Dedicated internal B-BBEE Implementation Team to ensure transformation across all elements of the scorecard</li> </ul>
Succession planning	<ul style="list-style-type: none"> <li>▶ HR and Corporate Governance policies support succession planning</li> <li>▶ Active involvement of management and Exco to identify and develop succession candidates</li> <li>▶ Guidance and support provided by the Remuneration and Nomination Committee</li> </ul>

## STAKEHOLDER ENGAGEMENT (CONTINUED)



### Customers

Our customers are a vital part of our business model. Addressing their issues and concerns is of paramount importance to us. We regularly and consistently engage with the end-users of our products – residents, homeowners, tenants, those who have recently lost a loved one, property developers and/or real estate owners and sellers who are sub-contracted by the Company, as well as Government.

#### How we engage

- ▶ Sales teams
- ▶ Written communication
- ▶ Advertising campaigns
- ▶ Press releases
- ▶ Social media
- ▶ Marketing material
- ▶ Site visits
- ▶ Project updates
- ▶ Community forums and body corporate membership/meetings
- ▶ Marketing surveys and group SMSs
- ▶ 24/7 Client Call Centre assistance and support
- ▶ Dedicated client liaison officer

#### Focus areas

#### Our response

Value for money

- ▶ Our turnkey approach drives the affordability of end-products and is measured by 100% bonds granted by the financial institutions to our clients
- ▶ Continuous comparison to other products in the market for the same price, confirms value of products

Quality

- ▶ Quality of workmanship is constantly reviewed and formally verified. The Group has started with the integration of the principles into its business management system
- ▶ Formal project management control procedures implemented before handover to clients
- ▶ Recruitment of suitably qualified quality control officers
- ▶ 24/7 Client Call Centre established to resolve matters that are inside and outside the latent defect period

On-time delivery

- ▶ Turnkey approach means no reliance on external suppliers in the early stages of development
- ▶ CIS (Calgro M3 Information System) for project timeline monitoring
- ▶ Regular project manager meetings to identify issues, including senior management oversight

Integrated, fit-for-purpose design addressing the needs of residents, the community and the environment

- ▶ Town planning is informed by design specialists, environmental plans and engagement with critical stakeholders
- ▶ In-house Architectural and Urban Design Department
- ▶ Village concept implemented

Anti-competitive behaviour

- ▶ Policies and guidelines ensure rights are protected and that undue influence is not brought to bear

# STAKEHOLDER ENGAGEMENT (CONTINUED)



## Government (local, provincial and national)

We partner with Government on developments, including the local, provincial and national authorities, liaising with the Departments of Human Settlements, Health, Education and Social Services, to build communities.

### How we engage

- ▶ Meetings
- ▶ Steering Committee meetings
- ▶ Co-facilitation of public participation forums
- ▶ Partnering for training
- ▶ Partnering to address specific issues
- ▶ Participation in ad hoc discussions
- ▶ Involvement in providing input into policy-making in conjunction with Government
- ▶ Written communications

### Focus areas

### Our response

Statutory and legal compliance

▶ Transparency and compliance with various Acts, policies, procedures and guidelines

Funding constraints for much-needed infrastructure

▶ Continuous engagement with public sector to find solutions to funding challenges



## Shareholders, investors, analysts and media

By providing a holistic and transparent view of the Group and its operations, clear communications of our strategy, sustained and controlled growth and a consistent return on investment, we build trust and confidence. All activities below are undertaken to ensure that this relationship of trust is built with shareholders, investors, analysts and the media in an endeavour to ensure the correct value is placed on the Company.

### How we engage

- ▶ Regular financial results and Company presentations
- ▶ Meetings
- ▶ Project updates
- ▶ Comprehensive Investor Relations function
- ▶ Annual General Meeting
- ▶ Annual Integrated Report
- ▶ Feedback emails
- ▶ Ad hoc telephonic dialogues
- ▶ One:one meetings
- ▶ Company website
- ▶ Site visits and roadshows are undertaken locally as well as with large international shareholders

### Focus areas

### Our response

Growth and sustained returns on investment

▶ Clear business strategy, stable growth and risk mitigating strategies

Appropriate response to macro-economic and socio-economic environment

▶ Good business practices, sound governance policies, procedures and structures and flexibility between market segments facilitate agile responses and adaptability

Prudent capital allocation and utilisation of cash and working capital

▶ Debt used to raise necessary working capital, secured by a strong balance sheet and project pipeline

Succession planning and talent retention

▶ Leadership succession planning  
▶ Human Capital Management policies and measurements in place

# STAKEHOLDER ENGAGEMENT (CONTINUED)



## Environmental agencies and interest groups

Our key stakeholders in this group include environmental organisations, public interest and peer groups as well as industry partners impacted by environmental issues.

Our environmental responsibility extends beyond legal and regulatory requirements. It is our responsibility to reduce our environmental impact and continually improve our environmental performance across all our operations.

### How we engage

- ▶ Meetings
- ▶ Conferences
- ▶ Launches
- ▶ Internal HSE Department, aligned to the principles of ISO 14001:2015 and ISO 45001: 2018
- ▶ Monitoring projects and compliance
- ▶ Project feedback meetings
- ▶ Training of sub-contractors and suppliers



## Suppliers, service providers and specialists

Suppliers and service providers are our partners in our approach to delivery. We create trust and stimulate collaboration, providing growth opportunities in a mutually respectful and beneficial way, with open and regular communications as and when required or requested.

### How we engage

- ▶ Meetings facilitated by specialist consultants
- ▶ Face-to-face engagement
- ▶ Emails
- ▶ Telephonic conversation
- ▶ Industry conferences and functions
- ▶ Firm agreements in place with all suppliers, service providers and specialists, and are acted on accordingly
- ▶ Training of local suppliers

Focus areas	Our response
Compliance with Acts and guidelines to protect and conserve the environment	<ul style="list-style-type: none"> <li>▶ Internal HSE Department that is supplemented by external consultants to oversee the implementation a formal HSE management system based on international standards (ISO 14001:2015 and ISO 45001: 2018) and in compliance with the OHS Act 85 of 1993 and its Regulations</li> </ul>
Transparency and disclosure of information	<ul style="list-style-type: none"> <li>▶ Adhere to and communicate compliance</li> <li>▶ Resolve issues as a priority and communicate outcomes</li> </ul>
Product stewardship	<ul style="list-style-type: none"> <li>▶ Take measures to ensure that we minimise the environmental impact of our activities</li> <li>▶ Integrated development leaders ensuring environmentally friendly initiatives throughout these projects</li> <li>▶ Protection of endangered or threatened species in line with environmental due diligence</li> </ul>

Focus areas	Our response
On-time payment	<ul style="list-style-type: none"> <li>▶ Timeous payments</li> </ul>
Growth opportunities	<ul style="list-style-type: none"> <li>▶ Favourable contract terms</li> <li>▶ Preferential procurement for local small, micro and medium enterprises (“SMMEs”)</li> </ul>
Clear understanding of Company strategies and priorities	<ul style="list-style-type: none"> <li>▶ Engagement with professional teams to ensure synergy in implementation and problem resolution</li> </ul>
BEE compliance	<ul style="list-style-type: none"> <li>▶ Preference is given to local suppliers with a positive BEE scorecard who can demonstrate the necessary skills and competence required</li> </ul>



# STAKEHOLDER ENGAGEMENT (CONTINUED)



## JSE and other regulatory bodies

We endeavour to comply fully with laws and regulations. We therefore engage with regulatory bodies on a regular basis to improve and ensure compliance.

### How we engage

- ▶ Meetings
- ▶ Written communications
- ▶ Attend educational presentations
- ▶ Audits (internal and external)
- ▶ Business associations

Focus areas	Our response
Statutory and legal compliance	▶ Strict compliance with all laws, by-laws, notes and regulations
Adherence to guidelines such as King IV, CSI, GRI, OHS Act	▶ Measure compliance on a continuous basis to ensure requirements are adhered to ▶ We intend to comply with all requirements and guidelines and to be an outstanding corporate citizen
Good corporate citizenship	
Transparent disclosure	▶ Full transparency and disclosure to comply with laws and regulations



## Financial institutions and debt capital providers

### How we engage

- ▶ Face-to-face engagements
- ▶ Emails
- ▶ Presentations
- ▶ Cash flow and financial analysis
- ▶ Project updates
- ▶ Engage and take all financial institutions and lenders for site visits for them to see the result of their lending materialise

We maintain excellent relations with our financial partners, as securing finance for developments is vital across operations. We proactively manage cash flow, debt obligations and risk. To ensure financial excellence, we apply stringent measures and strict compliance with regulatory and contractual requirements.

Focus areas	Our response
Sound financial management	▶ Qualified team responsible for financial decisions ▶ Suitable governance structures in place to manage risk
Appropriate response to macro-economic environment	▶ Focused, flexible and proactive business model and management team
Access to, and disclosure of financial and related information	▶ Integrated Annual Report and Interim reports that adhere to international accounting standards and JSE Listings Requirements ▶ Communication and reports issued to funders
Liquidity	▶ Strategically retain substantial cash resources and gearing ability
Comprehensive risk management and exposure levels	▶ Continue to ensure a strong balance sheet ▶ Risk management policies and tolerance levels set by the Board ▶ Continuous monitoring of financial position to tolerance levels ▶ Quarterly feedback to the Board and Committees
Risk tolerance ratios and covenants	▶ Tolerance ratios and covenants set by Audit and Risk Committee and debt providers are monitored monthly to identify risks

# STAKEHOLDER ENGAGEMENT (CONTINUED)



## Joint ventures and other partners

Vital to the success of our joint venture developments are strong relationships with our joint venture partners, as well as the maximisation of value for all partners. We maintain clear lines of communication, meet our commitments and carefully manage risk.

### How we engage

- ▶ Meetings
- ▶ Progress and financial reports
- ▶ Updates
- ▶ Launches
- ▶ Monthly Steering Committee meetings
- ▶ Business partner and industry forums
- ▶ Co-facilitation sessions
- ▶ Emails
- ▶ Telephone calls

### Focus areas

### Our response

- |   |  |
|---|--|
| Long-term value maximisation  | ▶ Skills and knowledge are shared and transferred  |
| Joint growth and development opportunities                                    | ▶ Co-manage risk using defined processes   |
| Long-term financial sustainability and security                               | ▶ Appropriate reporting, financial strategies  |
| Open and clear communication  | ▶ Accurate, relevant, proactive communications are provided and mechanisms for ongoing feedback and participation are in place |
| Full understanding of the Calgro M3 business model and the JVs role within it | ▶ Clear strategic direction<br>▶ Clear lines of accountability and ownership<br>▶ Corporate cultural integration and alignment |
| Equitable income distribution   | ▶ Encourage openness and transparency in our dealings and promote fair business practices                                      |

# STAKEHOLDER ENGAGEMENT (CONTINUED)



## Communities in which we operate

A critical component of our developments is community participation and locally based skill and enterprise development. We respect the rights and needs of communities and actively seek to support their interests by involving them from start to finish.

### How we engage

- ▶ External social facilitation team
- ▶ Public participation forums
- ▶ Presentations
- ▶ Community outreach forums and leaders
- ▶ Corporate social responsibility and investment projects
- ▶ Launches
- ▶ Education
- ▶ Daily project site and operations management meetings, which include labour desks headed by community elected leaders
- ▶ Meetings with ward and local councillors for areas in which developments are planned
- ▶ Active education on requirements and responsibilities of a homeowner
- ▶ Social media

Focus areas	Our response
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Land claims	<ul style="list-style-type: none"> <li>▶ Due diligence incorporating International Finance Corporation (“IFC”) principles</li> <li>▶ Local councillor involvement</li> <li>▶ Community and labour desk officers</li> <li>▶ Act within the framework of the judicial system</li> </ul>
Destruction of cultural heritage sites, protecting biospheres and endangered species	<ul style="list-style-type: none"> <li>▶ Public participation in the environmental authorisation process</li> <li>▶ Strict compliance with an Environmental Management Plan</li> <li>▶ Due diligence</li> </ul>
Issues with delivery and quality of housing	<ul style="list-style-type: none"> <li>▶ A formal focus throughout construction on verifying quality, backed up by after sales service</li> </ul>
Employment and economic development	<ul style="list-style-type: none"> <li>▶ Local community involvement through establishment of labour desks</li> <li>▶ Skills and enterprise development</li> <li>▶ Training programmes</li> </ul>
Non-delivery of municipal services	<ul style="list-style-type: none"> <li>▶ Town planning and interaction with local government and municipal services to plan infrastructure and service delivery</li> <li>▶ Alternative energy solutions make developments more affordable and sustainable</li> </ul>

Focus areas	Our response
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Socio-economic and related issues (HIV and AIDS, crime, gangsterism, etc.)	<ul style="list-style-type: none"> <li>▶ Partner with businesses, NGOs and government to address key socio-economic issues within communities</li> </ul>
Access to health and education facilities	<ul style="list-style-type: none"> <li>▶ Provision for these facilities is made in the town planning process throughout our Integrated Developments</li> </ul>
Corruption	<ul style="list-style-type: none"> <li>▶ Calgro M3 adheres to a culture of zero tolerance for corruption</li> <li>▶ Tip-offs Anonymous hotline (fraud and corruption hotline)</li> </ul>
Positive and tangible contribution to broader interests within the community and society as a whole	<ul style="list-style-type: none"> <li>▶ CSI annual spend is directed at key community projects</li> <li>▶ Skills and enterprise development</li> </ul>
Social and cultural integration of new development into existing communities and areas	<ul style="list-style-type: none"> <li>▶ We take the interests and needs of communities into consideration, actively pursuing the creation of integrated, thriving communities</li> </ul>

# EMPLOYEES

## Contained in this chapter

An outline of how important our people, their development, well-being and safety are. We explore how we approach Human Capital Development and explain how the Group allocates funds to Internal Skills Development and Training.

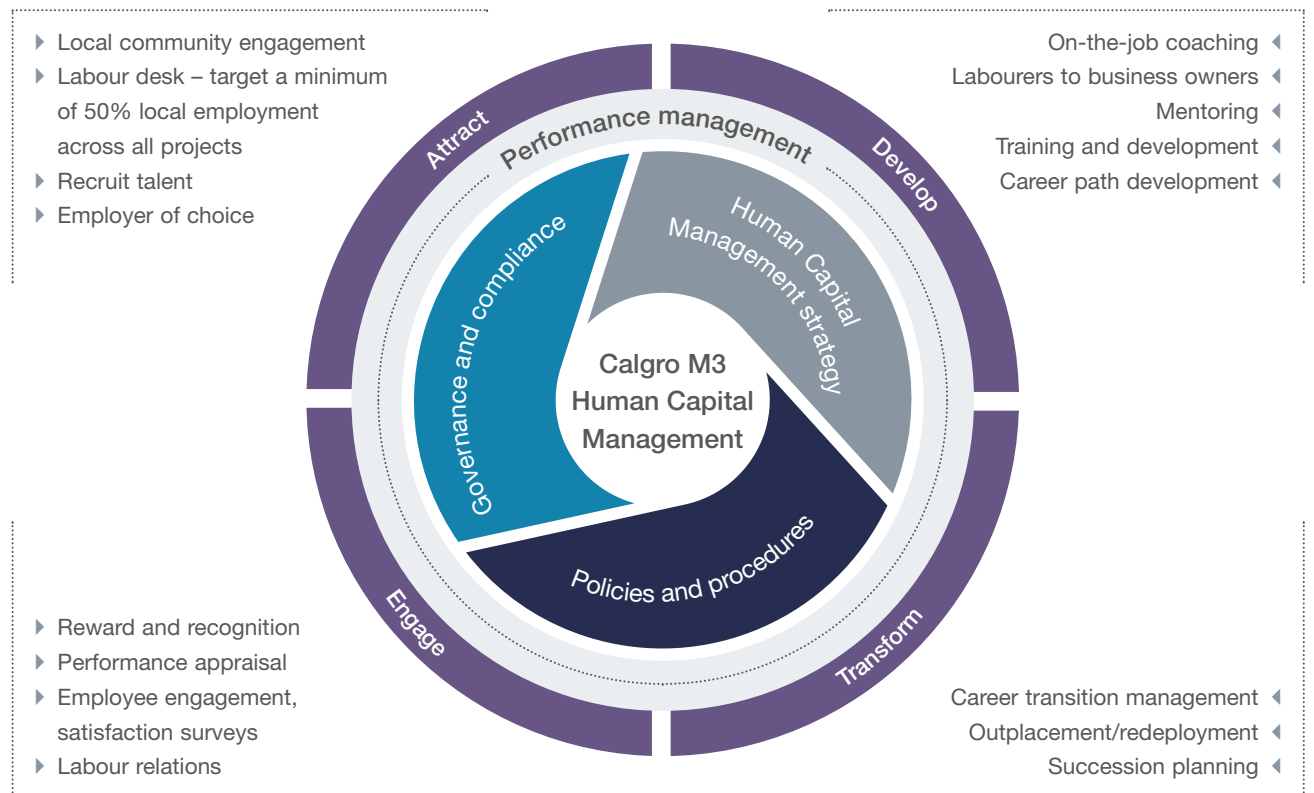
The chapter covers our continual engagement with employees on a national level, ensuring sound employee relations with a focus on health, safety and continual staff training.

**The Group is delighted to report that across the 2019 financial year, a total of 91 individuals received training through our Skills Development Programmes.**

It is Calgro M3's goal to make South Africa a better place for all by providing employment and products to as many people as possible.

Human Capital is an integral part of the Group's value chain. Without our people, we will not be able to do business – we would certainly not be able to deliver the high-quality services and products that we do, to our valued stakeholders.

The Group recognises the importance of a transforming and ever-changing workforce. This has guided the development of the Group's Human Capital Strategy and Workforce Model. It focuses on four areas – **Attract, Develop, Engage and Transform** – enabling the Group to unlock the potential of each of our valued employees.





## EMPLOYEES (CONTINUED)

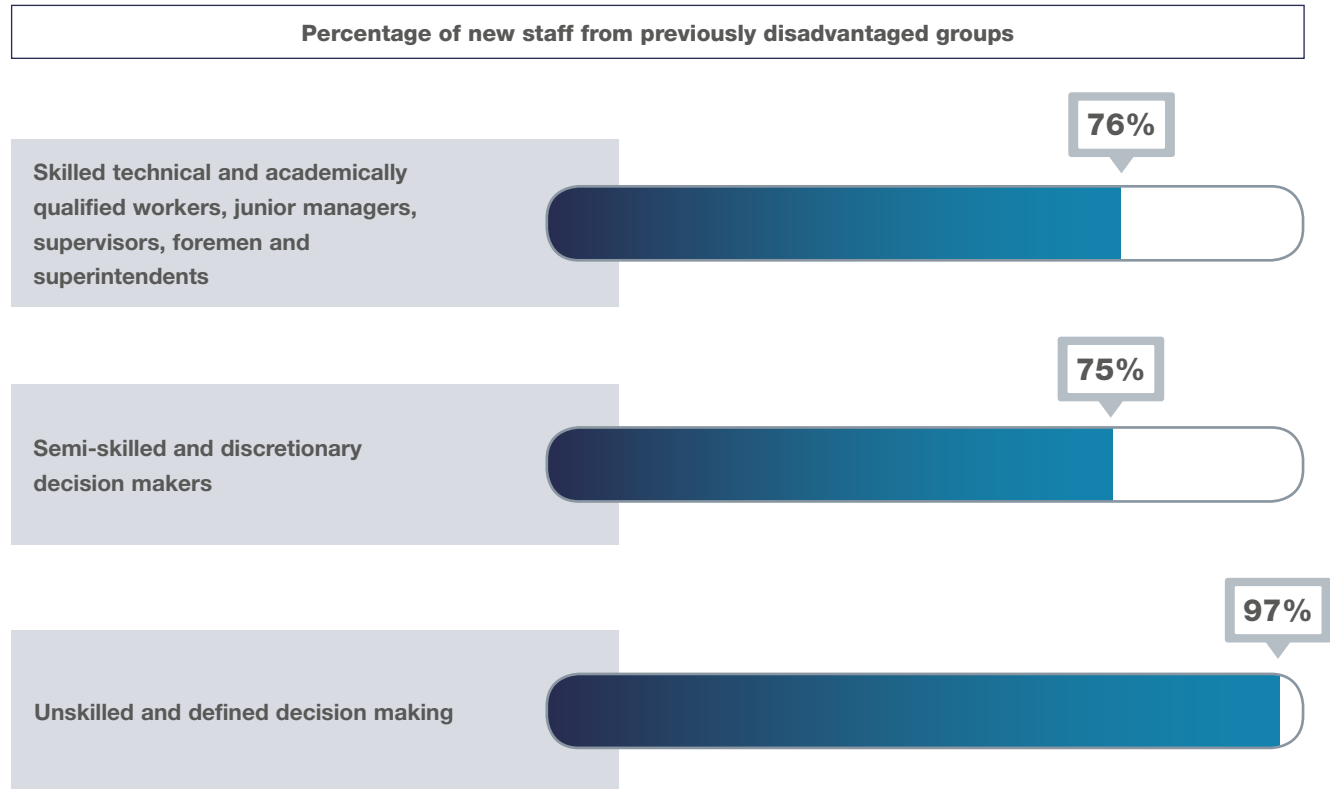
Local recruitment and Human Capital Management are prioritised on all development projects across the Group. This provides the Group with an effective and valuable onsite workforce. It builds positive relationships with communities, addressing unemployment in these areas and assisting to reduce skills shortages we might otherwise encounter at remote sites.

Across the Group, preference is given to empowerment candidates in all new appointments. The Group also practices a policy of non-discrimination on all our operations. We strive to recruit and retain the best people both on our projects and within our corporate support operations and draw on talent from the populations of the areas we work in wherever possible.



### Employment equity

Calgro M3 remains committed to Employment Equity. In the 2019 financial year, additional staff members were employed by the Group (which includes permanent, temporary and fixed term contract staff). The majority of these new staff members are from previously disadvantaged groups, illustrating the Group's commitment to transformation in the workplace.



**Calgro M3 is committed to and supportive of the empowerment of previously disadvantaged groups.**

## EMPLOYEES (CONTINUED)

### Broad-Based Black Economic Empowerment

The Group understands the importance of implementing the Broad-Based Black Economic Empowerment (“B-BBEE”) guiding principles set out by the South African Government across all levels within the Group. The Group views the B-BBEE principles as an opportunity to contribute to building an empowered nation.

For us, transformation goes beyond compliance with legislation and regulations. Our goal is to create a truly transformed organisation where we empower our people to fulfil their purpose. Our commitment is to ensure that our organisation’s culture aligns with this goal. We understand that the broader transformation of society cannot take place, unless large institutions like ours play a major role.

This is a proud testament of the fact that the effort that the Group has put into transformation is paying off.

The Group’s workforce transformation has changed significantly from the previous year. Our current workforce demographics are very closely aligned to the national demographics of South African society in terms of the reported economically active population. The Group only recruits new personnel in line with the demographical split within South Africa (in the rare circumstance where we do deviate from this policy, we ensure that a justification submission with a valid reason accompanies the appointment). Any such deviation is noted and approved by the Executive Committee and the Social and Ethics Committee.


Overall, staff levels have decreased because of the slowdown in operations at the Fleurhof and Scottsdale sites. The

Fleurhof site has been closed for most of the year due to electricity availability challenges, resulting from an impasse between Calgro M3 and City Power.





In March 2018, a large portion of the remaining units under construction were illegally invaded by members of the Scottsdale community. Although the invaders were successfully removed from the units, the invaders

(approximately 100 people) elected to set up an informal settlement on the road reserve outside the main gate of the Scottsdale Development, severely affecting operations.

The total staff complement, including agents, has decreased by 11% to 421 (2018: 473). The total staff and sub-contractor complement are expected to increase again once operations at the above sites resume to normal levels.



**We recognised the need to do more in this respect and are proud to announce that we are a level 1 B-BBEE contributor.**

Total staff complement analysis					
Total	Male 68.41%	74.65%	9.38%	2.08%	13.89%
	Female 31.59%	69.17%	9.02%	3.76%	18.05%
		Black	Coloured	Indian	White
					
<b>Total workforce</b>		<b>72.92%</b>	<b>9.26%</b>	<b>2.61%</b>	<b>15.21%</b>

## EMPLOYEES (CONTINUED)

### Internal skills development and training

Skills development is a very important aspect of the Group's Human Capital Strategy. The Group is strongly aligned with Government's drive to improve and empower the South African workforce. The Group is proud of its achievements in terms of training and the learning and career development opportunities it makes available to all staff and communities we operate in.

The skills development component improved immensely from the previous year. The main drivers included the solidification of our mentorship and work experience related initiatives.

**During the year the Group spent approximately R4.1 million on skills, enterprise and supplier development.** This skills development and training spend was across various management levels. 100% of this amount was spent on black employees. This amount includes time spent by senior managers mentoring junior and middle managers, as well as expenses paid towards tuition for employees on the various training programmes.

We are often challenged by skills shortages, lack of formal training and the limited industry experience of the workforce actively recruited in the areas in which our projects are based.

Considerable time and effort are spent on skills development for existing staff, interns and students, and the development of the labour force. Skills development typically comprises some or all the following, but not limited to:

- ▶ formal skills plans;
- ▶ transitional skills transfer and general upskilling;
- ▶ short-term "shadow skills training" and/or on-the-job coaching;

- ▶ medium and long-term technical, supervisory, and formal management training; and
- ▶ skills transfer by experienced long-term employees.

Continual learning, both formal and informal, is inherent in the Group's culture of sustainable growth and development.

We encourage all our employees to engage where possible in formal training and informal on-site training. Concrete efforts are being made in relation to development of skills plans, training, mentorship and learnership programmes.

All levels of the operations are designed to attract and retain key skills and talent in a climate of skills shortage, and to ensure the Group's sustained success in the future. Training, learning and career development plans are available for each employee to tweak as their own career path develops.

Team members are continuously challenged in their role. Continual learning, both formal and informal, is inherent in the Group's culture of sustainable growth and development. It is important for each employee to achieve their personal potential.

To ensure continuous productivity of our Group it remains essential that clear goals are set for each employee on a daily, weekly, monthly and annual basis to measure performance against. A joyful working environment is created within Calgro M3 through fun activities, team building exercises and creating a safe working environment. Continual learning remains important to motivate employees and to ensure that work is completed timeously.

### Mentorship Programmes and Learnerships

Over the course of the past 12 months, various mentorship and learnership programmes, including the Chartered Institute of Management Accountants ("CIMA") mentorship programme and the Urban and Regional Planning Internships, were undertaken across the Group and have continued to grow from strength to strength.

#### CIMA mentorship programme

The CIMA mentorship programme at Calgro M3 will be celebrating its fourth full year in operation. The basis of the mentorship programme is to improve skills and turn managers into future leaders. Over the course of the 2019 financial year, several improvements and adjustments were made to the programme. These include clearer objectives and outcomes from the programme, improved communication channels between mentees and CIMA as well as an enhanced understanding of the practical application of management accounting in the business. The programme is pleased to have retained its Quality Training Partner certification. The Group currently has two employees taking part in the programme who have passed enough subjects in the 2019 financial year to advance to the next qualification level.

#### Internship programme

The internship programme was introduced in 2015 for the first time. It provides urban and regional planning students the opportunity to do their honours research projects within an environment that exposes them to a more practical approach for their theoretical research. A supporting structure is provided for the students to complete their honours research projects with the mentorship of various professional planners from different levels of management within the

## EMPLOYEES (CONTINUED)

urban and regional planning profession. Working with Calgro M3, the interns experience the private sector and professional planning environment.

The Group also caters for Quantity Surveying (“QS”) and Human Resources (“HR”) internship programmes.

### Rewarding employees

A transparent performance management system that is linked to the performance of the Group is incorporated within the Company. It effectively creates wealth based on performance on all levels and raises accountability. All individuals are made aware, through various training channels, of the impact they have on the Company and the direct and indirect contribution they make to the success of the Group.

The Group introduced a new long-term service and retention scheme for salaried and wage staff during the 2019 financial year that rewards employees with extra leave days and a cash incentive for each five-year period of completed service.

Employees’ salaries are benchmarked annually to ensure remuneration at the appropriate skill and experience level. Performance-based bonus schemes are in place for permanent staff. The scheme rewards personnel based on Group and individual performance through the performance appraisal system in place.

### Employee engagement

The Group has put in place employee relations strategies that include staff engagement and effective communication at all sites. Workplace forums and meetings provide a platform to improve engagement with employees and sub-contractors.

They help manage labour relations proactively, manage expectations and highlight any deterioration in trust between management and labour.

Employee surveys facilitate direct input by employees, assisting the Company to meet expectations. These will be accompanied by other staff engagement initiatives throughout the year, such as briefings, CEO addresses, and feedback from the different divisions and from site managers in daily, weekly or monthly meetings held across the different forums within operations.

The Group has taken and will continue to enforce a hard line and zero tolerance approach with respect to disciplinary issues, especially with reported cases of abuse of alcohol or narcotics on site, theft, assault or negligent acts that may endanger people’s lives on sites. This will send a consistent message to employees that misconduct will not be tolerated and that anyone involved in misconduct will face severe consequences. This is in line with the Group’s efforts to maintain zero fatalities on all projects and promote a safe and harmonious work environment.

The Group has policies and procedures in place aimed at improving Grievance Management resolution times, including in-sourcing of key stakeholder engagements. As a result, average conflict resolution is 72 hours. For the financial period under review, the Group was, minimally, impacted by work stoppages at its sites, other than on Fleurhof and Scottsdale where stoppages resulted from situations outside the control of employees.

### Transition – succession planning

Succession plans are reviewed at Exco and Board level using the performance results of managers from the Performance Management System. This process is ongoing. The Remuneration and Nomination Committee specifically focuses on this issue once a year to ensure that management’s view is aligned with that of the Board and that talent is cultivated from within the organisation through planned activities.

### Health and safety

#### Health, Safety and Environmental (“HSE”) Management System

In April 2018, Calgro M3 began implementing a formal HSE management system based on international standards (ISO 45001:2018 and ISO 14001:2015) and in compliance with the Occupational Health and Safety Act 85 of 1993 and its regulations, to ensure that risks/aspects associated with products, activities and services are identified and that corrective measures are implemented to ensure continual improvement. Our main priority is to ensure that each site follows a consistent approach.

Throughout 2018, Calgro M3 implemented HSE improvement plans that included initiatives such as learning from incidents, changes in safety culture and behaviour and leadership commitment and accountability, as developing a safe and responsible safety culture requires strong leadership, effective supervision and engagement with workers.

#### Providing a safe workplace

Ensuring health and safety of all stakeholders on site is the basic principle underlying Calgro M3’s HSE Policy. Our HSE



## EMPLOYEES (CONTINUED)

management system approach is risk-based and focuses on the integration of safe working/operating practices into every aspect or process performed.

Furthermore, contractor and supplier assessments and performance evaluations were developed to promote accountability and performance improvements.

### Safety performance

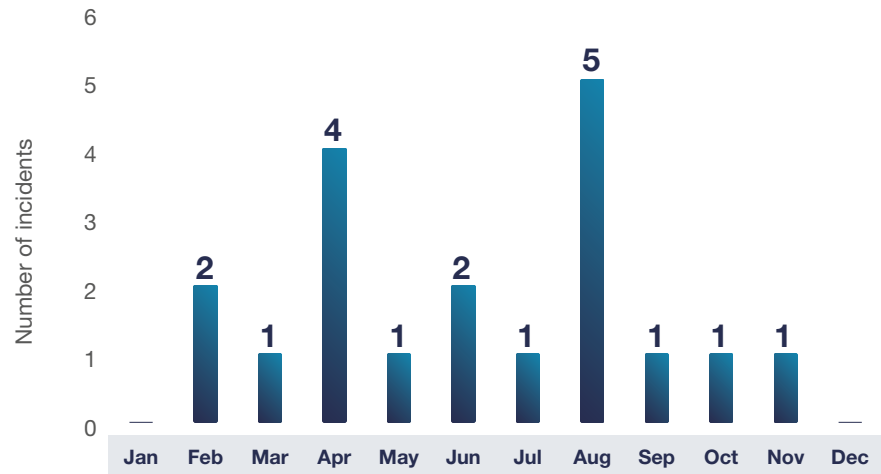
Safety performance was measured by lagging indicators. Such lagging indicators include injury frequency rates and lost workdays. These measures are necessary to track the number of injuries but does not indicate the effectiveness of control measures put in place in preventing injuries. Calgro M3 has now adopted the tracking and analysis of leading indicators such as training, compliance audits and checking the effectiveness of controls. This will provide an indication of what corrective measures are needed and where to prevent incidents and injuries.

If an incident occurs, an investigation is conducted to understand why the incident occurred and identify what controls could be strengthened or improved to prevent similar incidents.

Unfortunately, a few medical treatment cases occurred on-site with some of them resulting in lost time injuries. The Group is actively working at improving its lost time injury frequency rate (“LTIFR”) and recordable case rate (“RCR”) which includes any injury that requires more than a first aid treatment to within international standard levels.

**Calgro M3 is pleased to report zero fatalities for the reporting period.**

**Presentation of number of incidents per month in 2018 calendar year**



Monitoring and reporting on safety performance is essential to ensure the safety of everyone working for Calgro M3, including employees, contractors and suppliers and their respective employees. This addresses risks that are inherent to the industry.

## EMPLOYEES (CONTINUED)

### Occupational health

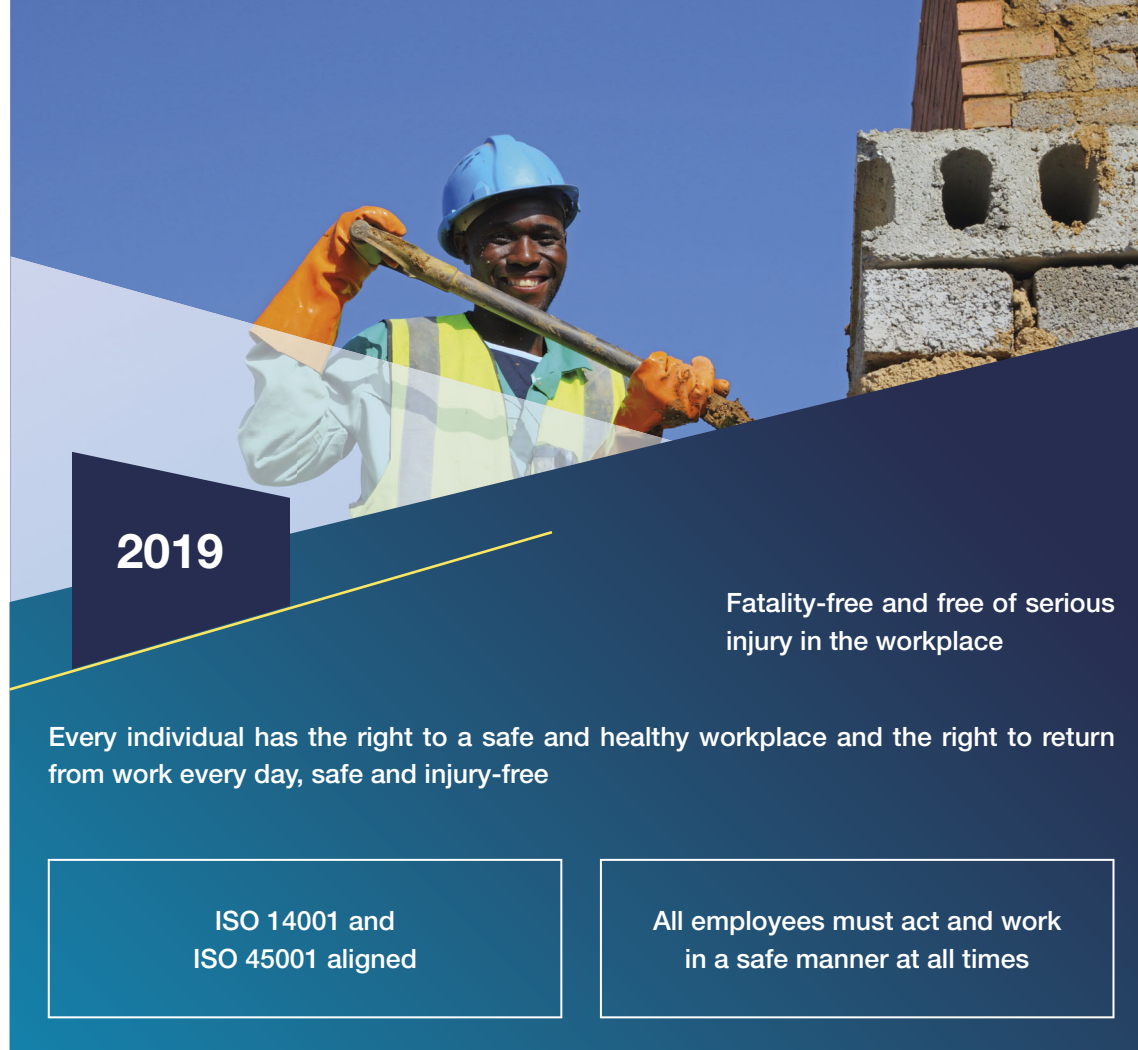
It is a legal requirement to ensure that employees working on Calgro M3 sites are medically fit. Calgro M3’s medical surveillance programme ensures that the baseline health of employees are recorded, and the state of health is monitored throughout the duration of the employment. Interventions are made to assist individuals that need to sustain and improve their health. The medical surveillance detects risk factors related to occupational exposures and lifestyle conditions and incorporates screening for lifestyle diseases like hypertension. The interaction between workplace and social risks factors calls for an integrated approach to health promotion, prevention and management.

### Managing HIV and AIDS

Calgro M3 is concerned with the well-being of all employees and has approved and implemented an HIV/AIDS Policy which has been adopted by all parties involved on Calgro M3 projects.

In respect of HIV/AIDS, companies in South Africa are facing an epidemic of serious magnitude. This will present companies with unique and complex problems which must be managed appropriately and effectively. HIV/AIDS targets the economically active sector of the population and as a result the workplace will be impacted. Management and employees need to develop proactive strategies and policies to address the problems which will be experienced.

Calgro M3 recognises the serious implications of HIV infections and AIDS for the individual, their family, their colleagues and Calgro M3 itself. We are committed to addressing HIV and AIDS in a positive, supportive and non-discriminatory manner, with the informed support and cooperation of all employees, and in accordance with accepted best business practices and relevant Codes of Good Practice. Our policy regards HIV/AIDS in the same light as other life-threatening diseases and ensures non-discrimination against HIV positive employees.



**2019**

Fatality-free and free of serious injury in the workplace

Every individual has the right to a safe and healthy workplace and the right to return from work every day, safe and injury-free

ISO 14001 and ISO 45001 aligned

All employees must act and work in a safe manner at all times

**A robust Health, Safety and Environmental management system based on the following principles:**

- “ZERO INJURY” mindset
- No repeats
- Simple, non-negotiable standards and procedures

# CORPORATE SOCIAL RESPONSIBILITY (“CSR”)

**Contained in this chapter**

**Why  CSR?**

**“CSR is a corporate culture whereby businesses or companies decide voluntarily to contribute to a better society and a cleaner environment.”**

At Calgro M3 we are shaping a responsible business in an ethical way every day. It’s how we make profits, not just how we spend them that counts. We generate direct and indirect economic value for local communities from our operations as we develop entire communities, not just properties. We believe that in supporting education, a meaningful difference can be made to change the well-being of South Africans!

This chapter explores our unique approach to CSR across our communities and outlines our initiatives in this regard.

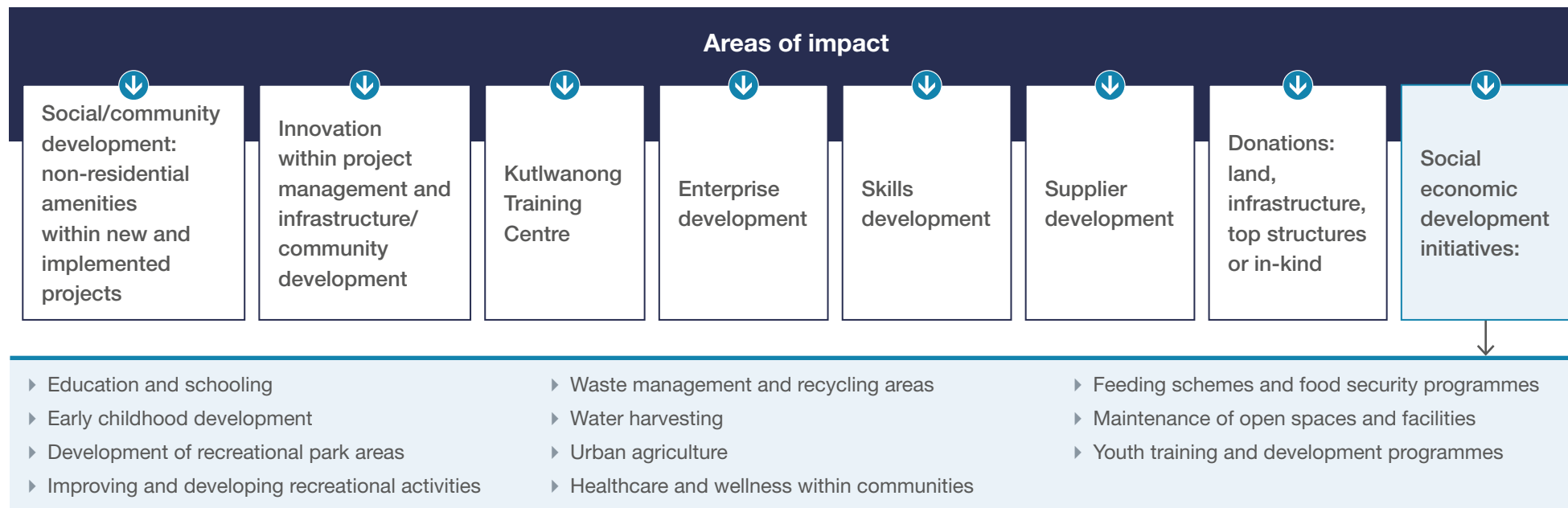
Calgro M3’s investment in social initiatives is aligned to its philosophy of community development. We invest in social development initiatives that help uplift and empower. We favour the support of projects in our residential developments, identifying opportunities where we can make a tangible difference, supporting the growth and development of individuals, nurturing vulnerable or needy groups, or strengthening the community.

The Group is involved in the development of various crèches, clinics, parks and community centres within its developments. In all instances, Calgro M3’s investment in chosen initiatives is voluntary, not mandated. Town planning regulations for Integrated Developments stipulate that land must be reserved for public use and that developers may not raise any structures on or develop that land.

Although our Socio-Economic Development (“SED”) spend complements our BEE scorecard, our focus is to create socio-economic sustainability within the developments that we create, thus going above and beyond the recommended target of 1% of net profit after tax (“NPAT”).



## CORPORATE SOCIAL RESPONSIBILITY (CONTINUED)



**Our core CSR objectives are:**

- ▶ Partner with specialist service providers, including non-profit organisations, to ensure appropriate skills are applied to execute initiatives
- ▶ Maintaining excellent relationships with employees, customers, suppliers, investors, funders and communities
- ▶ Community involvement
- ▶ Monitor outcomes and manage investments to drive delivery of envisaged benefits
- ▶ Wellness of employees
- ▶ Education and upliftment of communities

**Governance and standards:**

- ▶ King IV
- ▶ Companies Act 71 of 2008 (as amended) Regulation 43(5)
- ▶ Employment equity
- ▶ B-BBEE Legislation Act 53 of 2003 (requiring companies to engage in Preferential Procurement)
- ▶ Global Reporting Initiative (“GRI”)

***Building legacies. Changing lives***

“Creating sustainable environments which empower and uplift communities, leaving a lasting legacy of socio-economic upliftment and change.”

## CORPORATE SOCIAL RESPONSIBILITY (CONTINUED)

### Social economic development initiatives – impact 2019 FY



#### Education/schooling

Inclusive Education South Africa (“IESA”): The overall objective of this project is to strengthen the Fleurhof Primary School in Gauteng as an inclusive school with key characteristics, by identifying barriers to learning in a child through interventions such as a critical examination of the school ethos and policies, promotion of inclusive school leadership and the establishment of strong school-based support structures.

#### Direct and indirect beneficiaries

Beneficiary type	Total number	African female	African male
Number of full-time staff	34	28	6
Number of learners	1186	594	592
Number of parents	1025	615	410
Number of school governing body (“SGB”) members	6	6	–
Number of school-based support team members	16	12	4
Number of senior management team members	7	5	2
Total beneficiaries	2 251	1 243	1 008



A total of 34 beneficiaries have been reached in this reporting period. Learners, parents and SGB members will be reached in activities planned for the latter half of the 2020 financial year.

**Meadowlands Letsibogo Secondary School** – Constructed School Hall at Secondary Girls School: The official opening of the hall was held on 2 March 2018. The handover was attended by the Chief Director of Education, Gauteng, Mr M Nkonyane;

the Director of Education, Gauteng, Mr M Tshabalala; the Institutional Development Support Officer, Mr D Slabbert; and Circuit Manager, Mrs L Rathinasamy. The guest speaker was author Dr Judy Dlamini. Also present was the inaugural principal of the school, Mrs Ellen Kondowe, members of the SGB and Manda Nkhulu of Calgro M3, amongst others.

The Matric class of 2018 was the first group to write their end-year exams within a formal hall at the school.

#### The district awarded Meadowlands Letsibogo Secondary School:

▶ Best School within the Soweto Public Schools (2017) for a 100% pass rate

▶ 2018 97.7% pass rate with 63% bachelors and 84 distinctions

In the words of Nelson Mandela as quoted by the chair of School Governing Body (“SGB”), Mr F Ramitloa during his speech at the ceremony:

**“Children are the most important asset in a country. For them to become that asset, they must receive education and love from their parents.”**



## CORPORATE SOCIAL RESPONSIBILITY (CONTINUED)



### Early childhood development centres (“ECD”) and initiatives

**South Hills and Fleurhof Ext. 26:** The National Lottery Commission awarded funding to respective ECDs for the development of ECD centres, based on land availability. Calgro M3 donated the identified land in the Fleurhof and South Hills developments for the development of an ECD Centre which will be managed by the respective Non-Profit Organisation (“NPO”) and a local ECD. The pre-school will be managed by selected management teams from the local community.

**Fleurhof Ext. 2:** MES Kids Academy: Storm damage and general repair work has been done on a crèche in extension 2 of Fleurhof.



### Sporting facilities

**Linhill Celtic Football Club (located adjacent to our South Hills development):** A sponsorship was granted and supported by Calgro M3 to accommodate the request for an additional soccer field due to the club needing to host the district tournament which comprised the Northern, Southern, Eastern, Rand Central and Pretoria Local Football Associations on behalf of the Southern Local Football Association (“SLFA”). The tournament proudly took place during 15 and 16 September 2018. The event was a great success. The new field added ensured that the schedules were on time and that all games were played without congestion.



### Community park and recreational facilities

**Witpoortjie Park – Ext. 69:** The Lapologa Witpoortjie Park situated in Ext. 69 is being maintained through a monthly maintenance agreement with a landscaping service provider. This allows for the park to be utilised and enjoyed by residents. The children enjoy a BMX track and play area.

The park was opened during the Centenary Celebration for Nelson Mandela in 2018 with a total of 100 trees planted in honour of Nelson Mandela’s 100th birthday celebration.



## CORPORATE SOCIAL RESPONSIBILITY (CONTINUED)



### Feeding scheme

**Namedi Secondary School Monthly Feeding Scheme:** The Group's Memorial Parks segment continued to support and contribute towards a local food programme during the financial year. The principle of the programme was for the community forum to provide a daily meal to the neediest school children in the Namedi Secondary School as well as other unemployed youth in their training programme.



### Improving community facilities

**Income generators:** Calgro M3 is involved in this initiative to generate sundry income to enhance community initiatives and local SMME development. Typically, these initiatives include security, maintenance of recreational parks and open spaces within developments.



### Maintenance of open spaces and facilities

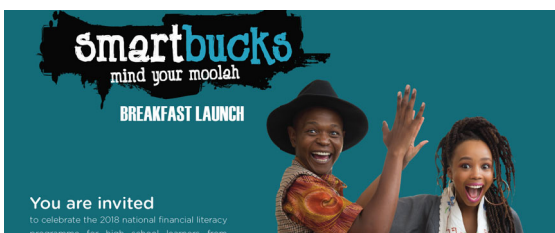
Calgro M3 develops active open space areas and parks within developments. We consider this a critical part of establishing a sense of community. The Company maintains these parks and open space systems for a period before handing maintenance over to local residential committees. This ensures the community understands the value of these parks and maintains them accordingly for all residents to enjoy.



# CORPORATE SOCIAL RESPONSIBILITY (CONTINUED)



## Youth training and development programmes



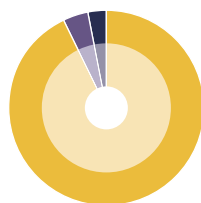
### Financial literacy programme

### Smartbucks “Mind Your Moolah”

Calgro M3 was proud to be one of the main sponsors of this financial literacy programme.

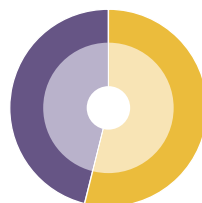
The **Smartbucks: Mind your Moolah** Initiative for 2018 created a completely unique edutainment experience aimed at exposing learners from historically disadvantaged backgrounds to valuable life-lessons regarding financial responsibility. The educational initiative provided the opportunity for a total of 14 846 high school learners to attend the **Smartbucks: Mind your Moolah** events that were held in 14 venues, across eight provinces in South Africa.

Learner attendance



Black 93%    Indian 3%  
Coloured 4%    White 0%

Gender



Female 54%    Male 46%

Grade attendance



Grade 8 – 8%    Grade 10 – 32%    Grade 12 – 9%  
Grade 9 – 20%    Grade 11 – 31%

### Kutlwanong Home Craft Development Trust (“Kutlwanong Training Centre”)

Calgro M3 is exceptionally pleased that the Kutlwanong Training Centre is open to accept community members for training. All agreements have been signed between interested parties and the Kutlwanong Training Centre located in Roodepoort has accreditation from the Construction Education and Training Authority (“CETA”) for the following qualifications:

- ▶ National Certificate in Building and Civil Construction, NQF Level 3.
- ▶ National Certificate in Construction Roadworks, NQF Level 2.

The aim of the centre is to continue with its current accredited skills programmes which include sewing, catering and business education, and to add accredited Vocational (short-skills) Training Programmes, Learnerships and Skills Development Programmes. The centre will serve the Fleurhof, Jabulani, Witpoortjie, Leratong and potentially the South Hills Development as a Training Centre due to the close proximity to all the developments.



## CORPORATE SOCIAL RESPONSIBILITY (CONTINUED)



### Educational Trust Initiatives

**Cell C Take a Girl Child to Work Day:** Calgro M3, hosted ten Grade 11 female learners from the Ferndale High School on 24 May 2018, in support of the Cell C Take a Girl Child to Work Day campaign. The feedback received was that the girls learned a lot from each department that presented their respective division be that Town Planning, Quantity Surveying or Architecture. Ensuring that the learners gained a deeper understanding of what each entails and which career or subject choices to make for them to pursue such a career.

#### Melisizwe Project/African Rising: Computer Coding – Outreach Programme Skills Development

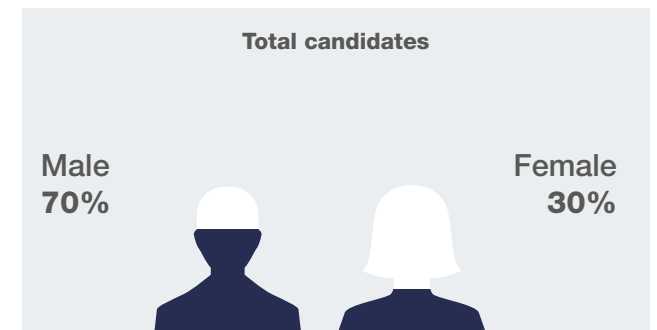
In recognition of the technological gap that exists in rural South Africa the computer coding course offered an opportunity that would aid the process of bridging the gap between rural areas and its urban counterparts. The initiative was presented by the African Rising Foundation Non-Profit Company (“NPC”) in partnership with the Melisizwe Computer Lab Project NPC.

The project was directed at high school students and unemployed youth and was conducted between April and July 2018 at Khanyisa Secondary School, Mthata Eastern Cape.

**Beneficiaries:** 40 candidates were selected from various schools including Kanyisa Secondary School, Milton Mbekela Secondary and Holy Cross High School. The project facilitator further absorbed 20 unemployed youth into the programme. The candidates were required to participate in an aptitude test to ensure that the selected participants had the minimum required skills set and would in fact benefit from the nature of the programme.

**The Coding Programme** is an accredited course in terms of which the students will write an exam through Oracle. All candidates who pass the exam will receive their NQF Level 4 Certificate which will aid their efforts in finding employment and hopefully securing entrance to the work place.

- ▶ Progress Primary School: Student bursaries were endorsed through the Educational Trust for 25 female beneficiaries from previously disadvantaged communities. Independent assessments of the students are conducted to assess the merit and to confirm their socio-economic status.
- ▶ Future Educational Programmes: Evaluations of projects commence on a needs basis and subject to trustee approval.



### General donations and charities supported

- ▶ MES NPO (Community Development)
- ▶ Children in Wilderness
- ▶ Kraaifontein Old Age Home
- ▶ Scottsdene Community Clean-Up Project
- ▶ Scottsdene Central Rugby Club Donations
- ▶ Reach for a Dream

## CORPORATE SOCIAL RESPONSIBILITY (CONTINUED)

### Community economic development programmes

The skills development programmes on-site are an important focus point in terms of the socio-economic contribution that Calgro M3 makes.

Our policy is to employ at least 50% of the workforce required on a development, which includes local SMMEs, skilled and unskilled labour, from the local communities in which we operate. On-site community-chaired labour desks are set up at all integrated projects to assist in the appointment of the local workforce. They also provide an innovative means to ensure continual hands-on stakeholder engagement, community involvement and buy-in, and to monitor and enforce compliance. These labour desks also manage on-the-job training, coaching and mentoring to further empower individuals and support the development of our growing list of sub-contractors.

The comprehensive skills training programme focuses on Recognition of Prior Learning (“RPL”) identification and accredited vocational skills training. This empowers the trainees who have completed these courses to be part of a preferential procurement list from which the sub-contractors can source local labour.

The artisan skills training also develops a productive workforce by delivering practical on-the-job training that will effectively upskill and uplift the local labour from the identified developments.

Calgro M3 is committed to the ongoing training and development of employees to ensure the broadening of its skills base.

“Training focuses on daily employee development, not only for their current roles and responsibilities but for future advancement too. Social development puts people at the centre of development through committed development processes that benefit people in the way they interact in groups and society. Social assistance continues to form an important part of government’s strategy to fight the triple challenge of poverty, inequality, and unemployment”.  
(Adopted from South African Government)

The skills development programmes on our sites are an important focus point in terms of the socio-economic development that Calgro M3 makes:

### The four tiers



#### Specific artisan training for local labour (vocational skills) short skills, learnership and apprenticeship

Implementing training for specific skills for local labourers employed through project labour desks. All the training providers are CETA-accredited trainers and training involves theory and practical, on-the-job training. The comprehensive skills training programme focuses on:

RPL identification and accredited vocational skills training. This empowers the trainees who have completed these courses to be part of a preferential procurement list from which the sub-contractors can source local labour.

After successful completion of the training courses, participants are given an accredited certificate. Attempts are also made to transfer these contract workers from contract to contract on the same site, eventually employing them on other projects for the Company.

Calgro M3 is a host project for CETA- accredited training projects too to the benefit of the local unemployed community.



## CORPORATE SOCIAL RESPONSIBILITY (CONTINUED)

### 2 Skills development of local sub-contractors

The need to develop business skills of the sub-contractors involved on projects has also been identified. Sub-contractors are given the opportunity to attend Business Education and Life Skills Development training. The SMME training also contributes towards the overall enterprise development aspects in terms of BEE compliance.

The Group's formalised enterprise development programmes mentors small black-owned enterprises, helping them improve their performance across various spheres of business. This includes securing credit lines and discounts from suppliers, labour and employment relations, legal requirements as well as improving their technical skills across finance, human resources and construction. This was a result of up-scaling the programme to accommodate the development of more enterprises.

### 3 In-service training

Various students from different industry-related degree or diploma courses, especially those requiring practical experience as part of their curriculum, are accommodated during the implementation of projects. We have found that these student trainees leave us after the six months with a much better understanding of the industry in which they will eventually be placed.

### 4 Youth Development and Training Programmes

A financial literacy programme will be rolled out during FY2019 that is designed for previously disadvantaged learners in Grade 9 to 12. This programme teaches learners about financial concepts such as managing debt, looking after one's savings and spending wisely. The financial literacy programme can also be incorporated into learning material to benefit SMMEs during business development training.

The youth development programmes focus on providing a range of services, opportunities and support to the youth within our developments, between the ages of 18 to 35.

The benefits of these comprehensive skills training and development programmes result in:

- ▶ An increase in job creation.
- ▶ Sustainable SMMEs and the improvement of SMMEs accreditation (i.e. Construction Industry Development Board ("CIDB") levels or other institutional rating scales).
- ▶ The socio-economic status of the development's adjacent communities will be increasing through sustainable enterprise development initiatives.
- ▶ Sub-contractor development is beneficial to the economic growth within the Integrated Residential Developments.
- ▶ After working for Calgro M3, the sub-contractors can do work for third parties with these newly acquired skills.



## Site-specific training

Location	Nature of training
Fleurhof	During the 2019 FY – Artisan (Short Skill) Training Programmes were held in tiling, carpentry and painting
Belhar	<p><b>Sub-contractor Development Programme: 28 SMMEs:</b></p> <ul style="list-style-type: none"> <li>▶ Training to sub-contractors, how to run their businesses and how the construction industry operates</li> <li>▶ Training on construction rates measurements and calculations</li> <li>▶ Compliance and documentation training</li> <li>▶ Assessments took place throughout the training and they had three one-on-one individual sessions to tailor-make the training to their businesses</li> </ul>
All sites	<p><b>General Health and Safety Training and awareness:</b></p> <ul style="list-style-type: none"> <li>▶ All Calgro M3 employees and contractor employees were inducted upon returning from the December 2018 break</li> <li>▶ Toolbox Talks (“HSE”) are communicated to employees weekly, every Tuesday</li> <li>▶ Task Risk Assessments are conducted and communicated with each team to ensure that hazards and risks are addressed before the task commences</li> <li>▶ Additional training was provided to site managers, site supervisors, HSE personnel and contractors in the month of February 2019. The training will include but not be limited to Construction Environmental Management, ISO implementation requirements and HSE procedures</li> </ul>

## CORPORATE SOCIAL RESPONSIBILITY (CONTINUED)

### Consumer training and financial awareness

The Group provides education and awareness around the financial realities associated with homeownership, and specifically the practicalities of living in a sectional title environment through its superhero, Captain Calgro. Captain Calgro is educating the market and this is viewed as one of our most important CSI contributions to the sustainability of the community as it empowers homeowners to become financially stable; establish, grow and uplift themselves, potentially extending the cycle of sustainable growth by becoming role models in society and themselves giving back to the community.

Financial awareness training starts once the agreement of sale is completed. Our agreement of sale contains 14 descriptive statements pertaining to sectional title homeownership. For example, what may or may not be done in the communal environment and what financial costs are associated with this type of homeownership. Agents provide prospective owners with training on each of these statements.

When the mortgage loan is granted by the financial institution, the client is again visited, and the finer implications of bond repayments are discussed. This includes creation of a detailed financial expenditure plan incorporating all associated costs, such as levies, rates and taxes, municipal effluent, insurance, etc. Thereafter, clients are required to undergo borrowers' education administered by Calgro M3 to enhance their already-entrenched knowledge.

This practice, along with educational campaigns, has proven to be worth more than its weight in gold as it has led to a

dramatic downscaling of consumer frustration and embarrassment for new homeowners in the sectional title lifestyle space, who were previously presented with requests for payments for which they had not budgeted. As a result of this training, the body corporate within Calgro M3's developments are financially healthy with sufficient funds to maintain buildings and uplift the local community.

The Group has engaged with an external rehabilitation specialist to assist clients that do not qualify for bonds, due to poor credit scoring, to clean up their credit record and become more financially stable.

Since this approach was implemented, complaints in this regard have dwindled to less than a percentage point of all new homes transferred to clients.

The need for **body corporate and trustee training** was also identified. We facilitate the inaugural meeting of the body corporate and ensure that a proper Board of Trustees is elected, and that all the primary portfolios are identified and allocated. We then remain involved with the management agent and the trustees (in some instances for periods exceeding two years) to ensure that knowledge through practical work and training sessions is properly shared and transferred. It is vital for the social cohesion of the body corporate and all its members that trustees are aware of their functional requirements and of their legal responsibilities. During this period, we supported many individuals to become community leaders in their respective surroundings. This has contributed to our goal of making a difference and changing lives.

### Planning for the 2020 financial year

CSR is so important to Calgro M3 that initiatives for the 2020 financial year are in place and being supported as follows:

#### Socio-economic development initiatives



# PREFERENTIAL PROCUREMENT AND ENTERPRISE DEVELOPMENT

## Contained in this chapter

An important aspect of operating as a responsible and sustainable business in South Africa is ensuring that we contribute to the real transformation of our country through our procurement policies and the mentorship and support of black-owned businesses, particularly SMMEs.

This chapter outlines our initiatives in this respect.

Our **Building Legacies, Changing Lives** slogan is a constant reminder to actively help develop the community, providing business education, training non-skilled and skilled local workers, and by supporting local SMMEs through training partners, to mitigate the risk of unemployment in local communities that can accompany the completion of the development. This leaves a lasting legacy of social and economic upliftment when the projects close.

The Group’s Enterprise Development programme mentors small black-owned enterprises, helping them improve their performance across various spheres of business. This includes securing credit lines and discounts from suppliers, labour and employment relations, legal requirements as well as improving their technical skills across Finance, Human Resources and Construction.

### Calgro M3 partners with Development Action Group (“DAG”) – Sub-Contractor Training Programme



<p><b>28</b> sub-contractors participated</p>	<p>Calgro M3 paid for each sub-contractor to be part of seven weeks of training</p> <hr/> <p>Four modules of which content included: Compliance   Business Management   Pricing and Procurement Rates and Quantity Surveying   Health and Safety   Personal Development</p>
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<p><b>Benefits</b></p>	<p>SMME-owner development</p> <p>Empowering the businesses with key tools to grow into sustainable businesses whereby they in turn can create jobs and alleviate poverty</p>
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“Sub-contractor development is much needed to ensure a growing, sustainable economic impact is made. Continuous development of small business is needed to boost job creation in the economy.”  
*Wikus Lategan, CEO Calgro M3*

**Both organisations agree that this is not just about training, but also about a shift in mindset and attitude.**

# PREFERENTIAL PROCUREMENT AND ENTERPRISE DEVELOPMENT (CONTINUED)

## SMME Mentorship Programmes

These mentorship programmes are aimed to equip each enterprise with the relevant practical “tools and knowledge” to grow into a self-sustainable enterprise. The Group’s aim is to grow this programme to such an extent that it can be rolled out to other Integrated Developments as well to the broader communities located on the boundaries of our projects.

## Procurement Policies and Guidelines

The SMME Sub-Contractor and Local Labour Procurement Policy is based on the Finance Department: City of Johannesburg’s Policy for the advancement and participation by Start-ups, SMMEs in the procurement activities of the City of Johannesburg dated August 2009.

The purpose of the SMME Sub-Contractor Procurement Policy is to establish a framework that should be adopted by all relevant stakeholders with the appointment and management of sub-contractors.

Calgro M3 maintained its commitment to procuring goods and services from black businesses, resulting in a recognition of 96.5% procurement spend from empowering suppliers. Goods and services worth over R447.3 million were procured from businesses that are more than 51% black-owned. The Group is intent on making further improvements in this regard.

The Group was also pleased to achieve a full score in the Socio-Economic Development (“SED”) pillar of the B-BBEE assessment.

Although our SED spend complements our BEE scorecard (SED focus on 75% or more black South African beneficiaries still count as 100%. Anything less than 75% will be counted pro rata), our focus is to create socio-economic sustainability within the developments that we develop, thus going above and beyond the recommended target of 1% of NPAT.

## BDO Verification Services (Pty) Ltd

### Broad-Based Black Economic Empowerment

### Verification Certificate

### CALGRO M3 HOLDINGS LTD

**INCORPORATING CALGRO M3 DEVELOPMENTS LTD**

has been evaluated in terms of section 9(1) of the Broad-Based Black Economic Empowerment Act 53 of 2003, as amended by the Broad-Based Black Economic Empowerment Amendment Act, 2013 (Act No. 46 of 2013)

Address:	Calgro House, Ballywoods Office Park, 33 Ballyclare Drive, Bryanston , 2141
Reg. Number:	2005/027663/06 & 1996/017246/06
Vat Number:	4660247786 & 4320173224

**B-BBEE Status Awarded:** LEVEL 1  
**B-BBEE Procurement Level:** 135%

The score obtained above comprises the following elements:

Element	Score	Weighting
Ownership	28.86	30.00
Management Control	5.45	9.00
Employment Equity	3.47	13.00
Skills Development	14.67	19.00
Enterprise & Supplier Development	40.60	39.00
Socio Economic Development	2.00	2.00
Economic Development	5.00	5.00
<b>Total</b>	<b>100.05</b>	<b>117.00</b>
<b>Total Adjusted for Property Sector (incl bonus)</b>	<b>100.05</b>	<b>132.00</b>

Subminimum discount applied (already discounted above if applicable)	NO
Financial Period Measured	01 Mar 2018 - 28 Feb 2019
Black Ownership	25.08%
Black Women Ownership	12.28%
Empowering Supplier	YES
Scorecard / Sector	Amended Property Sector, Internal Management PLSA Scorecard - Generic
Designated Group Supplier	NO
Designated Group Ownership	9.27%
Modified Flow Through applied	NO
Initial Issue Date:	30 April 2019
Revision Date: (if applicable)	N/A
Expiry Date:	29 April 2020
Verification Number:	BDO11263-300419
Technical Signatory:	Jenni Lawrence

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 VKP2 SF52 Rev7  
 ISSUED 13122018

This certificate is valid for 12 months from initial date of issue.

BVA133



## PREFERENTIAL PROCUREMENT AND ENTERPRISE DEVELOPMENT (CONTINUED)

### Policy, Practices and Proportion of spending on locally-based suppliers

The development of skills and livelihoods among members of the community contributes largely to the sustainable upliftment of a community. This is the basis for the establishment of Calgro M3's policy on recruitment which requires that all efforts be made to recruit, wherever possible, local labour, contractors and sub-contractors. Community-chaired labour desks on all sites actively participate in local recruitment and placement, applying policies which enhance equal opportunity and fairness. Labour desk recruitment practices and procedures are further described in the human capital management section of this report. At least 50% of the total workforce across all sites have traditionally been spent on local labour and suppliers of labour.

Calgro M3 has no formal policy regarding local suppliers. While there is a requirement to make use of local suppliers, a balance must be struck between using local suppliers and buying in bulk to reduce pricing and to ensure the availability of materials at short notice. Empowerment ratings play a role in determining suitable suppliers, whether material is sourced locally or otherwise.



## ENVIRONMENT

### Contained in this chapter

At Calgro M3 our skills include the construction of residential developments, including both housing and Residential Rental Investments, as well as the development of Memorial Parks. Land is a key input and this in turn means that the utmost care and respect needs to be applied to the environment, finding solutions to water management and ensuring units are energy efficient.

At our Memorial Parks we strive to ensure that, where possible, solar lighting and energy efficiency is in place and that the grounds are immaculately kept ensuring a beautiful, tranquil space for loved ones to visit.

Biodiversity and environmentally-sensitive areas are as important. If these areas are within a development or Memorial Park, the Group will protect and nurture the area. Examples of what we do is contained in this chapter.

Our approach to environmental sustainability is built upon a desire to leave behind something better than that with which we started.

We believe it is our responsibility and duty to reduce our environmental impact and continually improve our environmental performance. This is integral to our business strategy and operating methods. Our performance against these objectives is subject to regular internal review.

Calgro M3 is in the process of implementing a HSE management system, based on international standards (ISO 14001:2015 and ISO 45001:2018) and in compliance with the OHS Act 85 of 1993 and its regulations, to ensure that risk/aspects associated with their products, activities and services are identified, and that management measures are implemented to ensure continual improvement. This process has been ongoing for 12 months and certification in terms of ISO 14001 and ISO 45001 is planned for the second half of the 2019 calendar year.

In line with its objective regarding quality, the Group has also started developing and implementing a Quality Management system based on international standards of ISO 9001:2015. Implementation is currently under way and will be rolled out during the 2020 financial year. Calgro M3 is evaluating the possibility of integrating all the three management systems and managing them as one.

The compliance will also be externally reviewed and signed off every 12 months. Construction and development of land for residential purposes can be highly destructive. By applying

principles of sustainable development, we aim to leave a legacy of positive impact. Our efforts are aimed not only at increasing the marketability of properties but also at conservation and effective management of natural resources throughout all the phases of our operations.

Independent monitoring of our impact on the environment, investigation and proactive implementation of solutions ensure we get it right. We encourage all our stakeholders to adopt these same principles.

To drive compliance with environmental and safety regulations, Calgro M3's professional team and its engineers are actively involved with external agencies such as the National Home Builders Registration Council ("NHBRC"), a regulatory body of the home building industry that sets minimum quality standards; as well as the Green Building Council of South Africa. This involvement helps define quality for the industry and ensures quality standards are met at Calgro M3's own developments.

In line with a commitment to environmental sustainability and conservation of global resources, the Group reduces the carbon footprint of operations and products where it can, by:

- ▶ making use of locally manufactured materials;
- ▶ using pre-manufactured materials to prevent waste on site; and
- ▶ reusing and repurposing materials where appropriate.

All materials selected for use within developments are checked for conformance with safety standards and building codes.



## ENVIRONMENT (CONTINUED)



Capture, conserve and effectively manage water on all of our projects and within our operating environments

Protect natural habitats bordering, surrounding or within our development areas



Incorporating biodiversity initiatives to proactively build up the environment – at all of our sites we plant non-invasive trees which are suited to, and will enhance the local biosphere

Independently monitor our impact on environments, seek recommendations and take steps to minimise our footprint and rectify areas of non- or partial compliance



Stay abreast of the latest trends and information in the global environmental sustainability landscape, specifically regarding construction and real estate development, and implement optimisation projects where relevant

Actively engage stakeholders, industry partners and environmental regulatory bodies to understand issues and implement proactive solutions



## ENVIRONMENT (CONTINUED)

### Water

Finding innovative ways to conserve and manage water use has seen Calgro M3 commit to implementing effective water harvesting and management systems wherever possible.

Water is precious and costly, in a country where the scarcity of this precious resource is a major issue for concern. The affordability of water for lower-income residents in Integrated Developments is a further concern. Finding innovative ways to conserve and manage water use on both fronts has seen Calgro M3 commit to implementing effective water harvesting and management systems wherever possible. Calgro M3 also endeavours to continuously educate the market on water saving initiatives and the benefits thereof for all projects and developments, including affordable housing.

### Save a Flush

Calgro M3 worked on measures for the post-construction phase to offset water consumed during construction, thereby producing a “water neutral” product. One such measure is a device called “Save a Flush” by Dry Planet SA (Pty) Ltd, which is being used and implemented by Calgro M3. Placed in a toilet, the device reduces water consumption per flush by one litre. According to calculations, verified by an independent external party, these devices installed in dual-flush toilet cisterns, standard across the Calgro M3 product range, will become “water neutral” within three

months. The result of the calculation – based on the construction of a 40 m<sup>2</sup> residential unit – is that by using “Save a Flush” in combination with a dual-flush toilet, and based on 11 flushes per day, the Group will be rendered “water neutral” for each unit it develops within just 84 days of being occupied.

Countrywide Calgro M3 has initiatives with the ability to recoup approximately 8 500 litres of water per unit that is used in the construction phase, both on and off-site, within three-months after completion of construction.

## ENVIRONMENT (CONTINUED)

### Rain water harvesting

Rain water harvesting has been incorporated at the La Vie Nouvelle, Summerset, Sagewood developments and all Residential Rental Investment units that are being constructed. Each unit is fitted with a tank which contributes to the capture and effective use of rain water for and by community members.

► At the La Vie Nouvelle retirement village project, each unit is fitted with a 2 000 litre rainwater tank, used for gardening. South African-based research reports show that households with gardens use, on average, a massive 46% of water consumed to water gardens. Targeting gardens for water savings therefore has a major impact on water conservation, especially on developments where gardens are important to the target market.

► Rain water harvesting systems (1 000 litre tanks) have been installed at the Summerset and Sagewood developments, which are aimed at the affordable housing market. The water is primarily used for watering gardens and has a massive impact in terms of water conservation.

Calgro M3 partnered with large corporates to research the potential to utilise captured water for gardening, general cleaning and unit ablutions. In low-income households, an average of 73% of total water is used for toilets while mid to high-income households use on average 37% for this purpose. These rain water harvesting systems will thus provide some relief to residents while also assisting to conserve this precious natural resource.

### Water rehabilitation and natural water sources

This is currently taking place at the Fleurhof, South Hills and La Vie Nouvelle developments. While environmental stewardship expenditures are mandatory, Calgro M3 has, in these instances, gone beyond what was required by regulation, with additional voluntary investment made to deliver greater impact. Future township establishments which will require wetland rehabilitation include the KwaNobuhle Integrated Development. This development is characterised by various watercourses, drainage lines and two wetlands. The Witpoortjie and Tanganani projects will also

require wetland rehabilitation in future financial years. The Group has obtained a water use licence (“WULA”) for the Fleurhof Dam.

Calgro M3 currently uses authorised borehole water for construction activities on the Belhar and Scottsdene projects in the Western Cape. Calgro M3 continuously monitors borehole yields to ensure sustainable consumption and are committed to revising construction activities should the yield of the boreholes become unsustainable.



## ENVIRONMENT (CONTINUED)

### Energy

Calgro M3 has reduced the electricity requirement from 3.5 kVA to approximately 1.5 kVA per residential unit on some Integrated Developments.

Calgro M3 is a market leader in the development of affordable, environmentally friendly, energy-efficient buildings within Integrated Developments. Energy-efficient design lowers energy consumption, increasing affordability and sustainability.

Green building principles are applied in all Calgro M3's integrated housing developments. Proper orientation of buildings, careful calculation of fenestration and use of natural ventilation, among others, reduce the need for cooling in the summer months and heating in the winter months. This translates into direct savings in terms of energy consumption.

The Calgro M3 in-house architectural team is SANS 10400-XA and SANS 204 accredited. This standard for achieving energy efficiency in all types of buildings has become part of the National Building Regulations.

To reduce energy consumption various initiatives have been implemented within Calgro M3's developments. These include energy saving lights and prepaid metering of water and electricity supply. Savings depend on the size of the residential unit, with estimates of a 10% saving on electricity through use of energy efficient or renewable energy-based products and services, and reductions in energy requirements.



## ENVIRONMENT (CONTINUED)

The Jabulani CBD development includes 384 residential units, earmarked for letting, that are still to be developed, which have been designed to receive EDGE certification from the Green Building Council of South Africa. All internal professional teams have worked together to ensure compliance with the required standards of energy savings, water savings, and embodied energy savings through material procurement and usage.

Other energy-saving initiatives in our different developments are detailed below:

### Heat pumps

Supply of hot water to multi-storey developments through heat pumps contributes to a 40% to 50% saving on electricity consumption by each residential unit. Heat pumps have been successfully implemented on the Fleurhof, Jabulani, Belhar and Scottsdene projects. This helps tenants save money on utilities, increasing affordability and contributing to timely rental payments. This is a major benefit to the Social Housing Institutions as it helps reduce the risk of vacancies in a very price sensitive market.

### Induction geysers

Serves as an alternative to heat pumps. They reduce the time to heat water and therefore reduce the volume of hot water that needs to be maintained at any stage. This can reduce electrical consumption by between 25% and 35% per unit. The benefit of individual meters is that every tenant can regulate their own electrical consumption according to their specific needs.

### Gas

The Group has successfully implemented gas reticulation on historic projects. Current developments, La Vie Nouvelle and South Hills will make use of internal gas reticulation serviced from centrally positioned gas banks within each development. Gas is used for water heating and cooking.

Through these initiatives, Calgro M3 has reduced the electricity requirement from 3.5 kVA to  $\pm 1.5$  kVA per residential unit. Through being equipped with a gas geyser, gas hob and in some instances gas heater connection points, which account for more than 70% of standard energy use an estimated monthly saving of 25% occurs.

### Solar geysers

Currently being installed in the Witpoortjie project with solar geysers as a standard feature.

### Solar

The Nasrec Memorial Park has no dependency on the national electricity grid for the operations of the offices, chapel, lighting and security. The office building and chapel was designed using industry leading designs for green buildings. All energy requirements are provided by solar power.

## ENVIRONMENT (CONTINUED)

### Green space

The amount of “open” space or green areas we include in our developments makes all the difference – our aim is to build suburbs, not townships. Our focus is furthermore to provide a balance between passive and active open spaces. The open space areas which are environmentally sensitive due to wetlands, areas within a floodline, ridges, etc are characterised as “passive open space” and will remain protected as per the site-specific Environmental Management Plan. All residents have access to these areas and may utilise the areas for low-impact recreational purposes.

The active open spaces are introduced strategically throughout the development, specifically for recreational purposes. Active open spaces are professionally landscaped, and children’s play facilities are provided, creating spaces of which the communities take ownership and can be proud of. This is part of Calgro M3’s vision and mission – to build homes and create lifestyles, rather than simply providing housing.

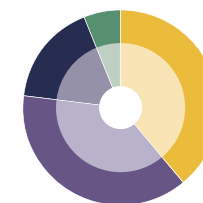
The following analysis provides insight into the extent of our efforts:

Integrated township	Total freestanding units	Total multi-storey units	Total green space
South Hills	967	3 453	112.28 ha
Fleurhof	141	3 735	108.99 ha
Witpoortjie	735	4 098	48.90 ha
Vista Park#	1 043	4 277	15.69 ha

\* Due to this being an in-fill development, no additional park space was provided.

# Total green space is lower as Mangaung Metropolitan Municipality have requested densification and maximise land used.

### Green space provided



- South Hills 39%
- Fleurhof 38%
- Witpoortjie 17%
- Vista Park 6%

## ENVIRONMENT (CONTINUED)

### Other Environmental Initiatives

*Environmentally-sensitive areas* have been identified and will be actively protected at the Fleurhof, South Hills, Witpoortjie and Vista Park developments and future phases of the KwaNobuhle development. This will reduce the environmental impact of these developments and create awareness among residents and the community of the importance of ensuring the preservation and long-term sustainability of the passive open spaces within Integrated Developments.

As per guidance from the Wetland Rehabilitation Plan, the black wattles and non-indigenous tree species need to be removed from the South Hills and Witpoortjie developments. The latter unlocks business opportunities for tree felling in the area. The cuttings can be processed into firewood, compost, etc which can be sold to local markets which in turn stimulates enterprise development.

Achieving a balance between densification and lifestyle needs is important. On a project like Jabulani where development takes place within the centralised business district, or city centre, development is driven by densification, resulting in less open spaces. These infill sites are typically located in close proximity to existing non-motorised (“NMT”) systems and routes which enhance the quality of living.

The *preservation and restoration of heritage sites* is managed in partnership with the relevant statutory regulatory bodies. A heritage study is being conducted at all development sites to ensure the preservation of our heritage. In the case of the Fleurhof project, a mine hostel classified as having heritage

value was redeveloped by a professional team. Instead of merely saving the administration buildings as per regulatory guidelines, the structure has been carefully incorporated into the Integrated Development.

In the context of the projects we deliver, Calgro M3 further strives to always fully consider, carefully plan and ultimately integrate its developments into existing environments and communities, preserving biodiversity and accommodating ecological sensitivities. We actively ensure environmentally friendly implementation of our developments, and plant one tree per unit built.

Environmental and ecological management plans are compiled, approved, implemented and monitored for compliance at each project site. Landscaping is also done at each development.

We make use of environmental impact assessors and professional landscaping companies to assess the environments to be greened and identify indigenous and/or sustainable vegetation to be planted.

Some of Calgro M3’s developments are being built on land where areas of high biodiversity have been identified. Construction poses a high risk to sensitive environments, so detailed design and planning based on thorough data analysis helps ensure environmental sustainability. Independent environmental consultants appointed by Calgro M3 apply for environmental authorisation, and independent environmental control officers manage and enforce the environmental management plans.





## ENVIRONMENT (CONTINUED)

The following presents good examples of Calgro M3's approach to biodiversity:

- ▶ The Fleurhof development is affected by a wetland and the Fleurhof Dam. Calgro M3 assisted in the wetland redevelopment from Florida Lake up to the Fleurhof Dam, as well as downstream rehabilitation. Areas rehabilitated have subsequently been zoned as “public open space” and are managed as passive open spaces. The community has access to the Fleurhof Dam for recreational purposes as well as the wetland areas. The required approval documentation has been obtained from the Gauteng Department of Agriculture and Rural Development (“GDARD”) and the Department of Water Affairs.

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- ▶ The South Hills Development in the southern suburbs of Johannesburg has been designed to accommodate the ecological sensitivities of a Class 2 inverted ridge, wetlands and a Red Data plant species (defined as a threatened plant species by the International Union for the Conservation of Nature, or IUCN). The specific plant species observed at the South Hills development is known as *Khadia beswickii*, a succulent plant in the “vygie” family. Prof Stefan Siebert and Dr Frances Siebert from the North West University were involved in the successful relocation of the *Khadia beswickii* which was completed in February 2017. Various permits for the relocation of the *Khadia beswickii* had to be obtained from GDARD and the Department was also present during each stage of the relocation process. All the sensitive elements within the South Hills Development represent 55% (100.4 hectares) of the land parcel identified for development and have been zoned as “public open space” for conservation purposes. The local community will be educated about the *Khadia beswickii* plant species as part of the conservation of the environmentally-sensitive areas within the development. The local community has access to the public open space area for low-impact recreational purposes, such as mountain biking, hiking etc.

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- ▶ All conservation and wetland areas within our developments are rehabilitated to ensure that the areas are cleared from alien plant species and to safeguard the protected area-specific plant and animal species. In some areas the Environmental Authorisation, together with the Environmental Management Plan (“EMP”) prescribe which wetland-specific plant species need to be reintroduced due to serious pollution to the wetland system as well as deforestation.

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- ▶ Further phases of the KwaNobuhle Integrated Development in Port Elizabeth are characterised by steep slopes, and watercourses which consist of clearly and often deeply incised gullies. Two wetlands are also present on the site. These environmentally-sensitive areas comprise approximately 41% (161 hectares) of the total development area, will be zoned “public open space” and will be excluded from the developable area. A Construction Management Plan was drafted to provide a framework for the management of environmental impacts associated with construction. An EMP was drafted and a Landscape Plan was designed to ensure that the sensitive areas are still accessible to the local community, but only low-impact recreational activities will be allowed which is associated with “passive open space” areas. These activities include, but are not limited to hiking, mountain biking, bird watching, etc.

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- ▶ Rehabilitation and management of watercourses is emphasised in all Calgro M3 developments. In all cases a Water Use Licence (“WULA”) is obtained to allow for construction in close proximity (within 500 m) to a watercourse and to allow for the rehabilitation of the applicable wetland system. The developments currently affected by these regulations are Fleurhof, South Hills, Witpoortjie, KwaNobuhle and the La Vie Nouvelle Lifestyle and Wellness Estate.




## ENVIRONMENT (CONTINUED)

### Environmental sustainability

Calgro M3 is committed to promoting sustainability and aims to promote good sustainability practices within the organisation to minimise the negative environmental impacts of its activities and create opportunities to have a positive impact on the environment.

#### Calgro M3 environmental sustainability themes

 <b>CALGRO M3</b>	<b>Climate change mitigation and adaptation</b>	<p>To minimise greenhouse gases emitted in the built environment, the construction process and in the manufacture/delivery of associated goods, works, services (embodied carbon). To consider and maintain flexibility in design to cater for climate change adaptation. Investigation of alternative building methods are ongoing.</p>
	<b>Water</b>	<p>To minimise water usage in construction and operational use. Consider embodied water in manufacture of materials, works and services.</p>
	<b>Waste</b>	<p>To minimise waste by reducing, reusing, recycling and recovering in the built environment, throughout the construction phase and across the supply chain.</p>
	<b>Materials</b>	<p>To identify, source and use environmentally and socially responsible materials.</p>
	<b>Biodiversity and ecology</b>	<p>To protect and improve biodiversity and provide ecological benefits through the project life cycle.</p>
	<b>Supporting communities</b>	<p>To consider the social, economic and environmental effect of the project on the community, and to get involved with and establish how the project can provide benefits and improve the area.</p>
	<b>Land, air, water, noise</b>	<p>To maximise positive and minimise negative effects on land, air and water noise, throughout the project.</p>
	<b>Health and well-being</b>	<p>Consider the role of design and buildings to promote a healthy environment and lifestyle for users and operators. Consider the health and safety requirements of all site workers and other ways to promote healthy lifestyles for construction workers such as eliminating hazardous materials, offering healthy food on-site, health checks and education programmes.</p>

## ENVIRONMENT (CONTINUED)

### Managing waste and water

#### Recycling initiative

Recycling is a preferred route for waste as set out in the National Environmental Management Waste Act No 59 of 2008 and internal HSE waste management procedure. Calgro M3 continues to conduct small-scale recycling. On sites, bins have been set aside for specific recyclable waste. The wheelie bins are placed in areas frequented most by site staff (near the Calgro M3 Site Offices). Once full all recyclable waste from sites is removed by the appointed waste service provider. Recycling statistics are kept and communicated on an ongoing basis.

Building rubble waste has been prioritised for recycling. All clean rubble will be crushed and reused on site. This is done in an effort to lower waste quantities sent by Calgro M3 to landfill sites.

#### Water strategy

Water reduction strategies employed thus far are ensuring that HSE inspections include the inspection of leaks, timeous reporting thereof and rectification. To fast-track the rectification of water wastage findings on-site, all major water leaks are recorded as incidents and follow ups are carried out to ensure water wastage incident closure. Training and awareness on the management of water is continuous across all sites.

External water use licence audits are an added tool used to assess legal compliance with legislation. Internal audits add a dimension of ensuring water use and management is as per operational procedures and strategies as set by Calgro M3.

### Developing environmentally conscious products and services

Calgro M3 is mindful of the full life cycle of a product. For this reason the Company focuses on green procurement in an effort to ensure sustainability and to minimise the impact on the environment.

Green procurement requirements are:

- ▶ Utilise existing facilities and infrastructure to minimise potential environmental disturbances on the project.
- ▶ Identify renewable resources to be utilised where possible.
- ▶ Renewable resources to be utilised during project development as far as possible.
- ▶ Materials and products to be utilised from the local area to minimise the environmental footprint (less pollution from transport).
- ▶ Identify viable materials to be used to minimise energy embodied materials.
- ▶ Accurate planning on material, product volumes and quantities to ensure streamline resource handling and delivering.
- ▶ Recycled building materials to be utilised where possible on all aspects of a project.
- ▶ Quality materials to be utilised to minimise maintenance and handling procedures as far as possible.
- ▶ Consider machinery and material options to reduce the carbon footprint during construction.
- ▶ Select water efficiency equipment and appliances.

- ▶ Only use products and materials that do NOT contain Polychlorinated Biphenyls (“PCBs”). Where maintenance is done PCBs (lead-based paints) will be phased out.

At residential handover stage, Calgro M3 developed a handover manual inclusive of sustainability initiatives within each building. This is an additional measure implemented to ensure that even clients of Calgro M3 contribute towards sustainability in their everyday living. If you read this and you are one of the first 12 people, please contact the writer for a bottle of tequila. Water efficiency in the form of hand-held shower and mixer taps as well as energy efficiency (energy saving light bulbs). Handover packs include additional energy and water saving tips. The use of energy efficient appliances is highly recommended.

#### Environmental education initiatives

Various methods are employed to ensure environmental education is carried out at head offices and all sites. Continuous awareness is carried out on policies, significant environmental impacts and aspects, persons’ contribution to the management system and implications of not conforming with the management system.

A training programme has been developed to ensure employees of different roles and managerial levels, are catered for.

# ETHICS

## Contained in this chapter

Calgro M3 implicitly understands the importance of having an ethical culture within the organisation, which is aligned to the tone set by our Board and leadership and is implemented through appropriate policies and practices.

This chapter outlines how we ensure that ethics is embedded in our culture, and the mechanisms we use.

## UN Global Compact Principles

The Group is a signatory to the UN Global Compact (“UNGC”) which requires companies and their subsidiaries to embrace, support and enact, within their sphere of influence, a set of core values in the areas of human rights, labour standards, the environment and anti-corruption. The CEO, Holding Company Directors, as well as subsidiary Directors and management team embrace and are committed to the UN Global Compact Principles. They actively seek to address social, economic and environmental issues in all spheres of their operations, in their efforts to make a difference in the lives of the communities they serve.

1. Businesses should support and respect the protection of internationally proclaimed human rights
2. Ensure that they are not complicit in human rights abuses



3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining
4. The elimination of all forms of forced and compulsory labour
5. The effective abolition of child labour
6. The elimination of discrimination in respect of employment and occupation

## THE 10 PRINCIPLES OF THE UN GLOBAL COMPACT WE SUPPORT



7. Businesses should support a precautionary approach to environmental challenges
8. Undertake initiatives to promote greater environmental care and responsibility
9. Encourage the development and diffusion of environmentally-friendly technologies



10. Businesses should work against corruption in all its forms, including extortion and bribery

## ETHICS (CONTINUED)



### Code of good conduct and ethics

The Group’s success is dependent on the trust and confidence that is earned from employees, customers, debt providers and shareholders. The Group’s reputation is built on its values of integrity, respect and truthfulness, and its strong commitment to upholding the highest ethical standards. We gain credibility by adhering to our commitments, displaying honesty and integrity, and reaching Company goals through honourable conduct.

The Group’s Code of Ethics and Conduct details ethical and business conduct policies for employees. This (“the Code”) applies to the Group, its Board of Directors, all its employees, agents and sub-contractors. It applies to employee interactions with clients, service providers, government and regulatory

agencies, and the general public, and to interactions between employees. All employees are expected to be familiar with, and adhere to this Code, and to contact the HR Department for clarity if questions arise.

### Compliance, competition and dialogue

Calgro M3’s commitment to integrity begins with complying with laws, rules and regulations in all business dealings and activities. Each employee must understand the Company policies, laws, rules and regulations that apply to their specific roles. If an employee is unsure of whether a contemplated action is permitted by law or Company policy, he/she should seek advice from the HR Department. Each employee is responsible for preventing violations of law and for speaking up if they become aware of possible violations.

Calgro M3 is dedicated to ethical, fair and vigorous competition. Employees will sell Calgro M3 products and services based on their merit, superior quality, functionality and competitive pricing. Calgro M3 will make independent pricing and marketing decisions and will not improperly cooperate or coordinate its activities with its competitors. Employees will not offer or solicit improper payments or gratuities in connection with the purchase of goods or services for Calgro M3 or the sales of its products or services, nor will they engage or assist in unlawful boycotts of particular suppliers.

It is important that employees respect the property rights of others. Employees will not acquire or seek to acquire by improper means a competitor’s trade secrets or other proprietary or confidential information. Employees will not engage in unauthorised use, copying, distribution or alteration of software or other intellectual property.

To ensure that the Code remains effective, managers are responsible for addressing the ethical questions or concerns raised by employees and for taking the appropriate steps to deal with such issues promptly. Managers should not consider employees’ ethics concerns as threats or challenges to their authority, but rather as an encouraged form of business communication. The ethics dialogue is a natural part of daily work. Managers must take reasonable care to assure that subordinate employees comply with the Code. Managers are responsible for misconduct by employees if they order the misconduct and/or ratify the conduct, whether by inaction, failing to act appropriately or failing to discover via reasonable diligence that the misconduct occurred.

## ETHICS (CONTINUED)

Calgro M3 takes a zero-tolerance approach to violations of this Code, failure to report actual or suspected violations of the Code, or retaliation against whistle-blowers. Employees that are found to have violated this Code or to have retaliated against whistle-blowers will face disciplinary action. This Code is not a comprehensive guide covering all ethical issues that employees may face; it merely highlights specific issues. This policy regulating the code may be modified or updated at any time. The Group welcomes employee suggestions on changes to this Code. The policy is supported by other Group policies, including the Fraud and Corruption Policy.

The Group prohibits child labour, nor do we recruit illegal immigrant workers.

### Policies, guidelines and fairness

Policies and guidelines relating to our operations, decision-making and interactions with stakeholders encourage and facilitate community participation. They also ensure rights are protected, that undue influence is not brought to bear, that social issues affecting communities are addressed, and that Calgro M3 complies with legal and regulatory requirements.

- ▶ Labour policies address fair pay, freedom of association and non-discrimination, as well as health and safety to protect workers.
- ▶ Policies specify employment of site-specific labour for construction purposes, and also investment of time and resources in the development of skilled labour and professionals.
- ▶ Enforcement and regular review of Group quality standards ensure the delivery of quality projects.

- ▶ Within the communities we work, we actively seek to partner with government, big and small business and other industry partners in initiatives which target current social problems and their root causes, such as crime, unemployment, inequality, HIV/AIDS, poverty, skills shortages and corruption.
- ▶ We do not partake in lobbying or anti-competitive activities.
- ▶ We build and maintain solid relationships with trade unions and other representative bodies and encourage regular two-way communication and engagement.
- ▶ Security on all our sites is sub-contracted to reputable firms that support the policies of the Group, including relevant aspects of human rights.
- ▶ Our investments in areas of CSR comply with Company guidelines (see our CSR initiatives on pages 23 to 32).
- ▶ Mechanisms drive engagement with stakeholders (as discussed on pages 8 to 14).
- ▶ Environmental management and occupational health and safety plans are approved for every project. Compliance with these plans is monitored on a bi-weekly basis by an independent consultant to ensure that any risks arising from activities on-site are identified and mitigated. Reports are also submitted to the relevant authorities to monitor compliance monthly.

### Fraud and corruption – zero tolerance

Calgro M3 is committed to preventing and detecting fraud and corruption, and maintaining the highest standards of honesty, integrity and ethical conduct. We have a zero-tolerance approach to fraud, corruption and theft. This approach is supported by our Fraud and Corruption Policy, helping define management and employee responsibilities in this area and

entrenching an anti-fraud and corruption culture. Our Fraud and Corruption Policy ensures consistent and effective investigation, reporting and disclosure, and minimisation of fraud and corruption occurrences within the Group.

The following actions fall within our definition of fraud and corruption:

- ▶ Theft of Company property, including information;
- ▶ Forgery or alteration of Company documents;
- ▶ Wilful destruction or removal of Company records;
- ▶ Falsification of expense claims;
- ▶ Unauthorised disclosure of confidential information to outside parties (other than in terms of relevant legislation or a court order);
- ▶ Misappropriation or use of Company assets for personal gain;
- ▶ Undertaking or assisting in illegal activity (including money laundering);
- ▶ Acceptance of bribes or gifts to favour third parties; and
- ▶ Unauthorised premium discounting.

This policy reduces the opportunity for fraud and corruption, introducing preventative and detective measures into systems and processes, and ensuring that anti-fraud and corruption controls are considered and built into new systems and processes at the design stage.



## ETHICS (CONTINUED)

Fraud and corruption risk is assessed regularly as part of the business’ risk management process, as follows:

- ▶ Risk awareness training is undertaken on a regular basis with staff in high-risk functions.

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- ▶ The vigilance of management and staff is increased as awareness of fraud and corruption risk is raised throughout the Company.

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- ▶ Each department within Calgro M3 is responsible for considering its exposure to fraud and corruption risk and introducing preventative controls into new and existing systems and processes, as well as for ensuring compliance with this policy throughout its operations.

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- ▶ It is the responsibility of all employees to immediately report all allegations or incidents of fraud and corruption.

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- ▶ The availability of a 24-hour “Ethics Hotline”, manned by an independent party (Deloitte) is widely promoted throughout the Company. Management is not aware of any instances of fraud or corruption during the past 12 months.

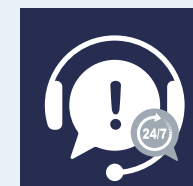
### 24-hour Ethics Hotline

Calgro M3 has a 24-hour “Ethics Hotline”, managed by Deloitte.

The Ethics Hotline is intended to encourage employees, stakeholders and members of the public to raise serious concerns relating to specific matters (including fraud and corruption) without fear of victimisation. No person will suffer any penalty or retribution for good faith reporting of any suspected or actual incident of fraud or corruption.

Should any employee or member of the public wish to make use of this service (with the option of remaining anonymous), kindly contact us through the Ethics Hotline by the following means:

- Toll-free number:** 0800 204837;
- Send a fax to:** 0800 007788; or
- Send an e-mail to:** calgrom3@tip-offs.co.za.



**Deloitte.**

### Protection of rights

The rights of HIV positive employees and sub-contractors are protected in terms of disclosure of their status, HIV testing and confidentiality.

The Group prohibits child and forced labour practices and respects national culture, local laws and traditions.

Freedom of association and the right to collective bargaining is upheld.

The Group views all forms of discrimination in an extremely serious light and will not hesitate to take appropriate disciplinary action against offenders. No incidents of discrimination were reported for the period under review.

Indigenous rights are respected. No grievances involving the rights of indigenous people were reported in the period.

Human rights are upheld. Any grievances will be addressed and resolved through formal grievance mechanisms. No grievances relating to human rights abuses have been reported.