

 **Intellectual capital**

Intellectual capital refers to our collective experience and know-how, with emphasis on operational, franchise, marketing, brand building, design, development and procurement skills, combined with our proprietary systems and licensed trademarks.

Creating value

Our business model relies on having the right people with the right skills in the right jobs to create value. It also depends on our franchise partners re-investing responsibly in their businesses and managing their operations efficiently to create value.

It is vital that our best-in-class brands instil confidence among our stakeholders, and that we protect those brands with the appropriate legal framework.

Input	Actions to enhance or mitigate outcomes	2020	2019	Outcome (value for stakeholders)	2020	2019
We have a skills development facilitator who monitors targets and progress against our committed plans, and reports to the Social and Ethics Working Group. Qualified training instructors Bespoke training courses for Group and franchised employees	TRAINING			Our training and development initiatives deliver a workforce that is fit for purpose, while the trained candidates benefit from improved skills and better career development opportunities.		
	Franchisees and franchise employees					
	– Franchise workshops	9 674	23 248			
	– Brand product training	5 179	8 415			
	– Fundamental restaurant management training	871	1 156			
	– Other <i>ad hoc</i> training	5 580	7 265			
	Group employees					
	Total training	226	543			
	Black employees	195	462			
	Black women	101	101			
	Managers’ Challenge*					
	– Candidates	20	17			
	– Graduates	18	17			
	Executive Development Programme (EDP)*					
– Candidates	4	2				
– Graduates	4	2				
International Executive Development Programme (IEDP)*						
– Candidates	2	0				
– Graduates	2	0				
Internship programme for new graduates	New graduate interns were placed in various departments across our regional centres to gain structured workplace experience and specialised training over a 12-month period. – Number of interns	57	45	Completed the programme Employed by the Group	49 32	27 14

Goal: create value through ENHANCING our Intellectual capital

Input	Actions to enhance or mitigate outcomes	2020	2019	Outcome (value for stakeholders)	2020	2019
Marketing fund	<p>The marketing fund is governed by the franchise agreement and is regulated by the Consumer Protection Act, No 68 of 2008, with which we comply. Contributions may only be employed to build and strengthen brands and may not be used to provide any benefit to the Group which is not also available to our franchise partners.</p> <p>Optimal allocation of funds enables partnerships with industry-leading experts to develop award-winning, brand-specific marketing and advertising campaigns which build brand profiles and drive sales growth.</p> <ul style="list-style-type: none"> – Contribution by franchise partners (R million) 583 – Leading brands' total media investment increased by (%)# 1 – Digital media spend increased by (%) 18 – Digital media investment as a % of total Leading brands' media spend 14 			<p><i>Operational review:</i></p> <p><i>Brands</i></p> <p>System-wide sales growth (%) 6.4</p> <p>Like-for-like sales growth (%) 2.9</p>		
Bespoke programmes	<p>Franchisee Information System</p> <p>Flow Centric Work Flow</p> <p>Online Ordering</p> <p>Business Intelligence</p> <p>Mobile Operations Management System</p>			<p>Houses all franchisee-related information and is the source of all income generated by franchisees</p> <p>Automates a multitude of previously manual processes, including purchasing and receipting processes</p> <p>Enables franchisees to order products electronically from the Group</p> <p>Consolidated data from various systems to facilitate analysis of activities within the business and consolidated reporting</p> <p>Provides franchise managers with electronic capability to access franchised store operational records</p>		
Trademarks, patents and registered designs	<p>Proprietary systems and licensed trademarks are managed on an ongoing basis by our Legal department and appropriate action is taken to defend infringements, as well as secure new trademarks as brands evolve.</p>	595	585	<p>All trademarks are regularly reviewed and renewed in order to ensure our brands retain their high-profile public presence. Their worth contributes substantially to the Group's goodwill valuation.</p> <p>New marks are developed, registered and defended on a strategic basis to build a valuable brand resource aligned with the Group's strategic growth objectives.</p>		

The information in this table pertains to our South African operation.

* Formal leadership development initiatives are implemented on an ongoing basis annually. The EDP and IEDP are conducted in conjunction with the Wits Business School and contribute to the business's overall succession planning measures.

In contrast to our Leading brands, media spend is not a key driver of Signature brands' marketing activity.

Trade-offs

Investment in business processes, new IT systems, trademarks, patents and designs impacts our Financial capital and reduces our financial flexibility in the short term, but has a significant impact on improving our Intellectual capital, and indirectly benefits our Human and Social and Relationship capitals.

Reducing investment in employee training to increase short-term profits will have long-term negative consequences on our employees' productivity and engagement, as well as our brand reputation. To manage this, we ensure our training and skills development initiatives are targeted and deliver the maximum ROI.

Investing in marketing, brand building and maintaining a best-in-class brand portfolio impacts on our Financial capital in the short term, but failure to do so would erode our competitive advantage, damage our leadership in the industry, as well as our investment proposition for stakeholders. By remaining top of mind among our consumers we create economic and social value for all stakeholders.