

# Corporate governance report

**Imperial’s approach to corporate governance is underpinned by an integrated governance model that extends beyond compliance. Good corporate governance supports business integrity, ethical behaviour and accountability for decisions with economic, social and environmental impacts in the short and long term.**

As an employer, supplier, client, taxpayer and investment, Imperial ranks among South Africa’s larger companies, with a direct or indirect impact on tens of thousands of lives in our operations around the world. Our performance and progress are founded on the provision of competitively priced products and services of high quality, conducted in accordance with all laws and regulations, and high ethical standards. There are, however, additional responsibilities attached to a corporation of Imperial’s size and reach. Among the most important of these is the demonstration of our societal relevance, not through redistribution as a charitable donor, but in the businesses we operate.

We are mindful of the potential effects of our commercial activities on broader society and, as fiduciaries, we strive at all times to exercise due care in our dealings with

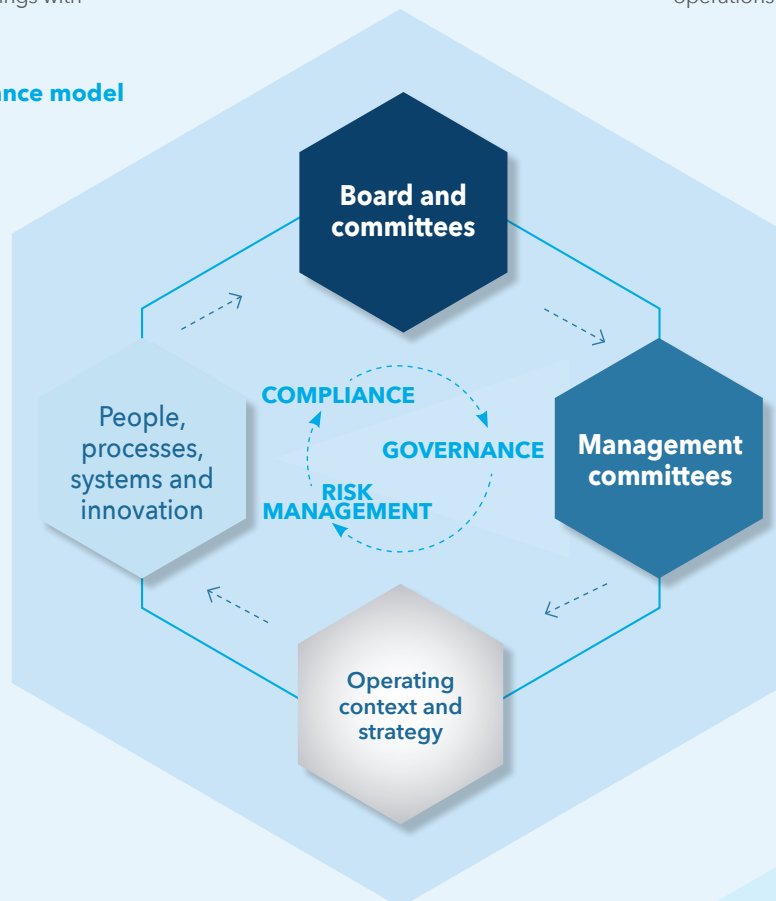
stakeholders. We understand that the creation of shareholder value is a necessary but an insufficient condition for sustainability, and therefore subscribe to the view that corporate sustainability is founded on accountability for decisions that have long-term economic, social and environmental impacts.

Corporate governance is the exercise of ethical and effective leadership by the board to achieve the governance outcomes of ethical culture, good performance, effective control and legitimacy. The group subscribes to and applies the principles of good governance contained in King IV™\* and the board is committed to the good corporate governance principles as set out in King IV. The board believes that these principles and recommended practices are integrated throughout the group,

supporting the achievement of King IV governance outcomes.

The group’s governance structure aims to position the group to create and sustain value in relation to the structural and systemic changes in the business environment. In essence, the group’s strategic development and related execution is an exercise in integrated thinking as it entails focused investment in the assets and enablers that underpin the group’s ability to create long-term value for stakeholders. We have continued to evolve our human capital management capabilities and are investing in technology as a foundation for organisational effectiveness. Our social and environmental initiatives respond to critical social concerns and continue to receive focus in line with their material importance to the group’s operations around the world.

## Our integrated governance model



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# Corporate governance report continued

## Operating context and strategy

Imperial's businesses operate across diverse geographies, industries and markets with different socioeconomic, political, regulatory and technological profiles. The complex interplay of opportunities and threats within these environments are closely monitored and addressed with strategies that ensure robust competitive positions. Formal and informal scanning of this environment is an everyday executive responsibility and the Imperial board is regularly appraised of developments that could impact group performance and sustainability. Similarly, executive management responds tactically

to everyday shifts in the operating context. The board annually approves the strategies necessary to remain competitive and create sustainable value for stakeholders over the long term.

## Governance framework

Authority, responsibility and accountability for the group's ethics, performance and sustainability is held at board level, which the board formally delegates to the chief executive officer (CEO) and in turn to his direct reports and sequentially throughout the organisation. The diversity of Imperial's operations necessitates differences in the

nature, structure and processes of delegation, excepting financial expenditure for which authority limits are consistent across the group. The leaders of Imperial are mindful that entrepreneurial creativity and responsiveness is a competitive advantage and every effort is made to integrate governance processes in the least bureaucratic way possible. Given the dynamic nature of governance and the application of recommended best governance practices, the board continually assesses the group's governance practices and procedures to make timeous adjustments where necessary.

## Board and committees Imperial board

Ultimate responsibility for governance rests with the Imperial board and its sub-committees, which are constituted with the requisite expertise and experience. The group has a unitary board comprising six non-executive directors, five of whom are independent, and two executive directors.

The responsibilities of the board are clearly defined in a written charter outlining a clear balance of power and authority within the board that ensures no single director has unfettered decision-making powers. The board charter governs its role, responsibilities and accountability relating to corporate governance. The board has also adopted, and regularly reviews, a written policy governing the authority delegated to group management and matters reserved for decision by the board. The board establishes strategic objectives and sets key policies to determine the direction of the group. Board meetings are held at least quarterly, with additional meetings called when necessary. The quorum for meetings is a majority of directors. In addition to directors, other senior executives are invited to attend meetings, as required, to ensure comprehensive reporting to the board.

The responsibilities of the board include issues of strategic direction, business plans and annual budgets, major acquisitions and disposals, changes to the board and other matters that have a material effect on

the group or are required by legislation. The board regularly conducts assessments of its performance and the performance of individual directors, including the chairman.

### Board succession and appointment

Directors are appointed based on their skills, experience and expected level of contribution to, and impact on, the activities of the group.

The board decides on the appointment of directors based on recommendations from the nomination committee. New directors are formally inducted to facilitate their understanding of the group.

### Board diversity

The board adopted a formal board diversity policy in 2017 to govern racial and gender diversity at board level. The board takes the policy into account when making board appointments. In accordance with the policy, the board resolved to increase female representation and has two black female non-executive directors, comprising 25% of the board, one being the board chairman.



**Strong governance, enterprise-wide risk management and compliance, underpinned by experienced, independent board of directors.**

The board's diverse backgrounds ensure a wide range of experience in commerce, finance, law and industry. The non-executive directors have the necessary skills and experience to make judgements, independent of management, on areas such as strategy, performance, business development, transformation, diversity, ethics and environmental management.

# Corporate governance report continued

## Changes to the board

**At least one-third of directors retire by rotation each year and may stand for re-election at the annual general meeting (AGM) in accordance with the memorandum of incorporation (Mol). Directors who retire are selected in accordance with a rotational register and are those who have been in office the longest based on the date of their appointment or re-election.**

- Ms NB Radebe and Mr D Reich were appointed as independent non-executive directors, effective 1 September 2019.
- Mrs T Skweyiya retired from the board on 31 December 2019. The board thanks her for the contribution to the company.
- Mr RJA Sparks retired as lead independent director on 30 October 2019. He remains an independent member of the board and was appointed as the chairman of the social and ethics committee on 1 January 2020. Mr GW Dempster was appointed as the lead independent director with effect from 30 October 2019.
- Ms NB Radebe has been appointed as chairman of the audit and risk committee from 25 August 2020, when Mr GW Dempster will step down as chairman, but will remain a committee member.

### The chairman

The chairman's role is to set the ethical tone of the board and to ensure that the board remains efficient, focused and operates as a unit. Phumzile Langeni is a non-executive director and her role as chairman is clearly defined and separate from that of the CEO through the provisions of the board charter. The chairman provides overall leadership to the board without limiting the principle of collective responsibility for board decisions.

Phumzile is a shareholder in a black economic empowerment (BEE) partner of the group and is consequently not regarded as independent. The board has also established a formal protocol governing potential conflicts of interest. In accordance with this protocol, in addition to the chairman recusing herself in compliance with the Companies Act where matters in which she has an interest are discussed, any decisions in or regarding the BEE venture that could benefit or be seen to benefit the chairman or her associates are deferred to the unconflicted members of the nominations committee. This includes matters such as dividend payments and fundamental business decisions.

### Non-executive directors

The group's non-executive directors are individuals of high calibre and credibility who contribute to the board's deliberations and decisions. Their diverse backgrounds ensure a wide range of experience in commerce, finance, law, industry and engineering. They have the necessary skills and experience to make judgements, independent of management, on areas such as strategy, performance, business development, transformation, diversity, ethics and environmental management.

Non-executive directors are required to devote sufficient time to the affairs of the group. While no limitations are imposed by the board charter, or otherwise, on the number of other appointments directors may accept, approval from the chairman must be obtained prior to acceptance of additional commitments which may affect the time directors can devote to the group.

The independence of all independent non-executive directors was considered and confirmed by the nomination committee in accordance with King IV's recommended guidelines. Mr RJA Sparks has served on the board for over nine years. A formal evaluation of his independence, character and judgement was performed and the assessment confirmed him to have remained independent.

The independence of directors who have served on the board for nine years or longer is assessed with reference to objective criteria, which include:

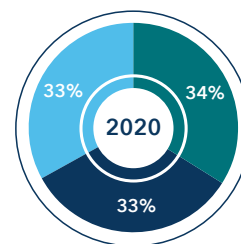
- Whether the director is perceived to be of independent of mind, character and judgement.
- If the director has a sufficiently independent voice, and is consistently ready to take constructive stands at meetings when necessary.
- If the director has, in the past year, appeared not to exercise independent judgement but rather accepted the views of management without question.
- If there are any other circumstances which are likely to, or appear to, affect the independence of the director.

### The lead independent director

Graham Dempster is the lead independent director and was appointed in this role with effect from 30 October 2019. His appointment is in accordance with King IV recommendations.

Mr RJA Sparks was the lead independent director up to 30 October 2019, and he remains a member of the board.

### Non-executive director tenure



- <3 years
- 3 to 9 years
- >9 years

# Corporate governance report continued

## Board evaluation

The board conducts a facilitated evaluation of the board, the chairman, board committees and individual director at least every two years. The chairman, assisted by the company secretary, conducts the evaluation process in the intervening years.

## The chief executive officer

The board defines the group's levels of authority, reserving specific powers for the board while delegating others to management. The collective responsibility for the executive management of the company's operations vests with the group CEO who reports to the board on the group's objectives and strategy. The CEO plays a critical role in the operations and success of the company. The CEO is accountable to the board and consistently strives to achieve the group's goals within the framework of delegated authority.

While the board may delegate authority to the CEO in terms of the board charter, the separation of responsibilities is designed to ensure that no single person or group has unrestricted powers and that appropriate balances of power and authority exist on the board.

## King IV principle demonstrated

<b>Principle 1:</b> Ethical leadership
<b>Principle 4:</b> Strategy, implementation and performance
<b>Principle 6:</b> Role of the governing body
<b>Principle 7:</b> Composition of the governing body
<b>Principle 8:</b> Committees of the governing body
<b>Principle 9:</b> Performance evaluations
<b>Principle 10:</b> Delegation to management

## The company secretary

The company secretary, Mr RA Venter, holds BCom, LLB and LLM degrees and is an admitted attorney.

Directors have unlimited access to the services of the company secretary, who is responsible to the board for ensuring that proper corporate governance principles are adhered to.

In terms of the JSE Listings Requirements, the board of directors must consider the competence, qualifications, and experience of the company secretary annually. King IV also recommends that the company secretary should maintain an arm's length relationship with the board and that he should ideally not be a director.

The board is of the opinion that there were no direct or indirect relationships between the company secretary and any of the board members which could comprise an arm's length relationship with the board of directors. The company secretary is not a director of the company. In addition, the competence and performance of the company secretary was reviewed based on interviews with all board members and the results were considered collectively by the board. The board confirmed that the company secretary is adequately qualified and experienced and has effectively performed and carried out his duties during the year.

A formal review of the company secretary will be undertaken as part of the board evaluation process.

# Corporate governance report continued

## Governance in action

During the year, the board held six meetings and the annual strategy meeting. The key focus areas for the year included:

- Transformation and strategic re-alignment of the group.
- Restructuring of the group’s portfolio of business and disposal of assets not aligned with the strategy.
- Response to Covid-19.

## Board and committee membership and attendance

### BOARD

	Meetings (including special meetings)	Annual strategy meeting	Independent director	Appointment
<b>Total meetings</b>	6	1		
<b>Chairman</b>				
P Langeni	6/6	1/1	No	June 2004, appointed chairman November 2018
<b>Lead independent director</b>				
GW Dempster	5/6	1/1	Yes	February 2015, appointed lead independent director October 2019
<b>Non-executive directors</b>				
P Cooper	6/6	1/1	Yes	February 2015
NB Radebe	6/6	1/1	Yes	September 2019
D Reich	6/6	1/1	Yes	September 2019
T Skweyiya	1/1	-	Yes	November 2009, retired on 31 December 2019
RJA Sparks	6/6	1/1	Yes	August 2006, retired as lead independent director October 2019
<b>Executive directors</b>				
M Akoojee	6/6	1/1		March 2017
JG de Beer	6/6	1/1		November 2018

## Board sub-committees

The board has established a number of sub-committees, including statutory committees, all of which operate within written terms of reference. The performance of each committee is regularly assessed in accordance with their terms of reference. No instances of non-compliance were noted.

Each committee has a formal charter, approved by the board, detailing its duties and responsibilities. Each committee has a minimum of three members and sufficient capability and capacity to function effectively. Any member of the board is entitled to attend any committee meeting as an observer and may allow management to attend by standing or ad hoc invitation.

**King IV principle demonstrated**

**Principle 8:** Committees of the governing body

# Corporate governance report continued

The tables that follow outline the board sub-committee responsibilities and memberships as at 30 June 2020.

## AUDIT AND RISK COMMITTEE

Responsibility	TOTAL MEETINGS	4
<ul style="list-style-type: none"> <li>Assists the board in discharging its responsibilities, covering internal and external audit processes for the group, and considering the significant risks, the adequacy and functioning of the group's internal controls and the integrity of financial reporting.</li> <li>Sets the group risk culture, framework and strategy, ensuring that robust risk management processes are in place.</li> </ul>	<b>Chairman:</b> GW Dempster <sup>1</sup> <b>Members:</b> P Cooper NB Radebe <sup>2</sup> T Skweyiya <sup>3</sup> RJA Sparks	4/4 4/4 4/4 1/1 4/4
<b>Composition</b> The group audit and risk committee consist of independent non-executive directors, one of whom is appointed as chairman.  The membership of the committee will be tabled at the AGM for approval by shareholders.  The committee meets at least four times a year.  More information about the committee activities during the year can be found in the audit and risk committee report in the annual financial statements.	<b>Invitees:</b> M Akoojee JG de Beer P Langeni R Engelbrecht E Brand S Chetty T Schulz F Seedat	

<sup>1</sup> Resigned as chairman with effect 25 August 2020 and remains a member.

<sup>2</sup> Appointed as member from 1 September 2019 and as chairman from 25 August 2020.

<sup>3</sup> Resigned as a member of the audit and risk committee on 1 September 2019.

### King IV principle demonstrated

Principle 5: Reports and disclosure

## REMUNERATION COMMITTEE

Responsibility	TOTAL MEETINGS	4
The committee: <ul style="list-style-type: none"> <li>Advises and guides the board on director remuneration, setting and implementing remuneration policy.</li> <li>Approval of general composition of remuneration packages and criteria for executive bonus and incentive awards.</li> <li>Administration of share-based incentive schemes.</li> </ul>	<b>Chairman:</b> RJA Sparks <b>Members:</b> P Langeni T Skweyiya <sup>1</sup> GW Dempster <sup>2</sup>	4/4 4/4 1/1 3/3
<b>Composition</b> The role of the remuneration committee, its membership and meeting attendance are discussed in more detail in the comprehensive remuneration report in the integrated report.	<b>Invitees:</b> M Akoojee JG de Beer S Woodward	

<sup>1</sup> Resigned as a member of the committee on 31 December 2019.

<sup>2</sup> Appointed from 1 January 2020.

### King IV principle demonstrated

Principle 14: Remuneration governance

# Corporate governance report continued

## NOMINATION COMMITTEE

<b>Responsibility</b>	<b>TOTAL MEETINGS</b> <b>4</b>
Provides the board with advice and guidance regarding: <ul style="list-style-type: none"> <li>• Formal succession plans for the board, CEO and senior management.</li> <li>• Formal processes and policies for the appointment of directors, the identification of suitable members for the board and gender diversity of the board.</li> <li>• Induction and ongoing training and development of directors.</li> </ul>	<b>Chairman:</b> P Langeni 4/4
<b>Composition</b>	<b>Members:</b> T Skweyiya <sup>1</sup> 1/1
	RJA Sparks 4/4
The nomination committee is chaired by the group chairman and is comprised of independent non-executive directors.	GW Dempster <sup>2</sup> 3/3
	<b>Invitees:</b> M Akoojee
	JG de Beer
	S Woodward

<sup>1</sup> Resigned as a member of the committee on 31 December 2019.

<sup>2</sup> Appointed from 1 January 2020.

## ASSET AND LIABILITY COMMITTEE (ALCO)

<b>Responsibility</b>	<b>TOTAL MEETINGS</b> <b>4</b>
ALCO is responsible for implementing best practice asset and liability risk management policies.	<b>Chairman:</b> P Cooper 4/4
Its primary objective is to manage the liquidity, debt levels, interest rate and exchange rate risk of the group within an acceptable risk profile.	<b>Members:</b> GW Dempster 4/4
	P Langeni 4/4
<b>Composition</b>	D Reich <sup>1</sup> 3/3
	M Akoojee 4/4
The committee is chaired by a non-executive director.	JG de Beer 4/4
	<b>Invitee:</b> WF Reitsma

<sup>1</sup> Appointed as a member from September 2019.

# Corporate governance report continued

## SOCIAL, ETHICS AND SUSTAINABILITY COMMITTEE

### Responsibility

The role of the social, ethics and sustainability committee encompasses all aspects of sustainability. The committee performs statutory duties, as set out in the Companies Act 71 of 2008 (the Companies Act), for the group and on behalf of subsidiary companies.

In addition to its statutory duties, it assists the group in discharging its social, ethics and sustainability responsibilities and implementing practices consistent with good corporate citizenship, with particular focus on:

- King IV.
- Imperial's sustainability commitments.
- Broad-based black economic empowerment (BBBEE) requirements, as described in the Department of Trade and Industry's Combined Generic Scorecard (excluding ownership targets) and associated Codes of Good Practice.
- Group transformation commitments, as described in the group's transformation strategy and divisional BBBEE plans.
- Environmental commitments, as described in Imperial's environmental policy framework.
- Socioeconomic development (SED) commitments, as described in Imperial's SED policy.

Transformation remains a key focus area and the committee will continue to guide Imperial in its goal of increasingly reflecting the local population demographics of South Africa.

During the year, the committee discharged its statutory duties to monitor activities relating to the following:

- SED, including the group's standing in terms of the goals and purposes of the 10 United Nations Global Compact principles, the Organisation for Economic Cooperation and Development recommendations regarding corruption, the Employment Equity Act and the BBBEE Act.
- Good corporate citizenship, including the group's promotion of equality, prevention of unfair discrimination and corruption, and contribution to the development of the communities in which it operates or within which its products or services are marketed and where it undertakes sponsorship, donations and charitable giving.
- The environment, health and public safety, including the impact of the group's activities, products and services.
- Consumer relationships, including the group's advertising, public relations and compliance with consumer protection laws.
- Labour and employment, including the group's standing in terms of the International Labour Organisation Protocol on decent work and working conditions, as well as its employment relationships and contribution towards the training and development of its employees.

### Composition

The committee comprises non-executive directors, executive directors and other members of management, and is chaired by a non-executive director.

<sup>1</sup> Appointed as chairman on 31 December 2019.

<sup>2</sup> Resigned as chairman and a member of the committee on 31 December 2019.

<sup>3</sup> Appointed as member on 1 May 2020.

### TOTAL MEETINGS

4

**Chairman:** RJA Sparks<sup>1</sup> 2/2

**Members:** P Langeni 4/4

T Skweyiya<sup>2</sup> 1/1

M Akoojee 4/4

B Radebe<sup>3</sup> 1/1

**Invitees:** S Chetty

L Maluleke

E Mansingh

J Ravjee

MR Sharfuddin

S Woodward

S Zikalala

**King IV principle demonstrated**

**Principle 3:** Responsible corporate citizenship

**King IV principle demonstrated**

**Principle 16:** Stakeholders



**Read more** about the activities of our committees in the integrated report.



# Corporate governance report continued

## DIVISIONAL BOARDS

### Responsibility

The group has three primary operating divisions. Each division is governed by a divisional board. Within these operating divisions, all significant entities are managed through their own entity boards and executive committees.

While the Imperial board delegates authority through the group CEO to his direct reports and they in turn to theirs, the divisional boards and entity boards exercise oversight of assets and control performance within the bounds of Imperial’s board-approved strategies and budgets.

Various divisional executive committees control day-to-day operating performance within the parameters set by the group delegation of authority policy, delegated from the Imperial board to the divisional boards.

### Composition

The divisional boards consist of group and operational executives. Operational management attend these meetings as invitees.

## People, processes, systems and innovation

### People

The successful implementation of the group’s corporate governance initiatives relies on competent and ethical people at many levels of the organisation.

Industry, technical and subject matter expertise are required to translate general principles into everyday actions that ensure the protection of stakeholder interests. To this end, Imperial employs and invests in the development of suitably qualified and experienced individuals to implement and sustain the requisite levels of governance throughout the group.

The start of a breakdown in governance is very often a relatively minor ethical infraction which occurs long before laws are broken, or regulations transgressed. In recognising that successful governance relies on matters of character as much as structure and process, Imperial strives to establish and inculcate high ethical standards by means of its code of conduct and code of ethics.

### Conduct and ethics

The Imperial code of conduct reflects our commitment to personal integrity and honesty, which we believe are important values that set the foundation for a successful company. We strive to build and maintain mutually beneficial relationships with our customers, investors and all employees. The group’s growth and development will occur through constant adherence to our high ethical standards and values.

The group is committed to acting with uncompromising honesty and integrity. The group adopted a formal code of conduct, that serves as an overarching reference for

aligning the various codes of ethics and conducts across the group.

The code of conduct provides ethical guidance to all staff, management and directors across all operations. We recognise that no single code can address every situation, therefore the codes are not a substitute for an employee’s responsibility to exercise good judgement and to obtain guidance on appropriate business conduct. Ethics content is included in training and induction programmes.

Our commitment to uncompromising honesty and integrity requires that we:

1. Respect others and avoid any form of discrimination.
2. Abide by the laws of the country in which we operate and comply with the codes of conduct of all professional and industry bodies to which the group belongs.
3. Avoid any waste, damage and private use of company assets and resources (including time).
4. Neither give nor receive bribes.
5. At the earliest opportunity, disclose in writing, to the appropriate management, all gifts received from customers or suppliers beyond a token value.
6. Not divulge any confidential information to any party, or improperly use company and customer information.
7. Market the group’s products and services accurately and charge the agreed fee or a fair fee where no fee was agreed.
8. Not seek to advance personal interests at the expense of the group or its customers.

9. Not engage in any activity, directly or indirectly, which results or might result in a conflict of individual interests with the interests of the group.
10. Not participate, or involve the group in any way, in any scheme that would cause embarrassment to the group or harm its reputation.

### King IV principle demonstrated:

**Principle 1:** Ethical leadership

**Principle 2:** Organisational values, ethics and culture

### Processes

Processes are integrated at all levels to ensure that governance strategy is aligned with implementation in the group. These encompass governance and risk oversight policies and procedures, reporting and measurement, as well as decision-making processes. Based on the decentralised nature of the group, it does not regulate operational processes in divisions, although minimum standards are set.

### Systems and innovation

Most aspects of governance rely on underlying management information systems and information technology (IT). The investments and risks associated with information systems require dedicated oversight and judgement.

The group’s chief information officer (CIO) forum meets regularly and involves CIOs from operations. The forum aims to assess and agree on group IT standards and enhance co-operation and knowledge sharing across divisions. The forum provides feedback to the group audit and risk committee.

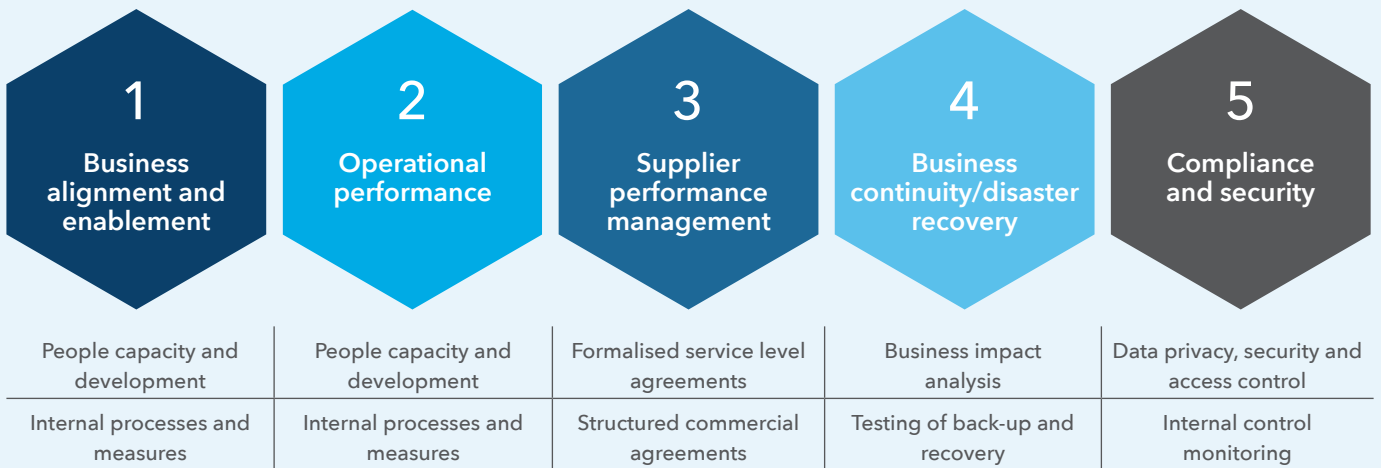
# Corporate governance report continued

Given the group’s decentralised management model, Imperial has developed an overarching, standardised IT governance framework, which has been adopted by the divisions with key components and requirements aligned to current best practice benchmarks. Each operation is therefore measured against the group minimum standard.

The objectives of the standardised IT governance framework are to:

- Provide guidance to divisional and operational IT functions.
- Set a standard measure of IT maturity within the group.
- Align with King IV.

The five principles of the Imperial IT governance framework are:



**King IV principle demonstrated**

**Principle 12: Technology and information governance**

**Compliance**  
**Legal compliance**

As a multinational group, Imperial is subject to a wide range of legislation. It monitors legislative developments on an ongoing basis and has a legal compliance programme to increase awareness of, and enhance compliance with, applicable legislation. Legal compliance is regularly reported to divisional boards and risk committees and is also reported to the group audit and risk committees quarterly. Each division employs legal officers and dedicated compliance officers who regularly conduct assessments to highlight the impact of legislation on their businesses and ensure that operational controls are implemented.

To maximise synergies and co-operation, the legal and compliance officers meet in a quarterly forum where the key objectives are to:

- Monitor and report on emerging and key legislative and compliance matters.
- Ensure completeness of compliance with the legislative universe.
- Formulate group plans to facilitate the implementation of new legislation.

- Co-ordinate group responses to draft legislation requiring comments, where applicable.

**Contract compliance**

Divisions have dedicated legal functions to review contract terms and conditions and monitor contract compliance on an ongoing basis. Existing contracts are monitored to ensure they are up to date and in line with legislative and commercial changes.

**Conflicts of interest**

The group has a formal conflicts of interest policy that guides directors on acting in the best interests of the group, with due care and diligence in discharging their responsibilities as directors. The policy requires directors to declare and avoid conflicts of interest in accordance with the Companies Act, and to account to the group for any advantages gained in discharging their duties on behalf of Imperial.

**Insider trading**

No group director or employee with inside information about the group may deal, directly or indirectly, in Imperial securities;

this includes allocations of, and dealings in, the group’s share incentive schemes. Imperial’s closed periods are from 1 January to the interim results reporting date, and 1 July to the full-year results reporting date. The group has also adopted a policy requiring directors, executives, the company secretary and directors of major subsidiaries to obtain permission from designated individuals before trading in the group’s securities.

No infringements were reported during the year.

**Corruption**

The group’s detailed anti-bribery and corruption policy promotes standards and behaviour needed to prevent bribery, corruption, and anti-competitive collusive practices in the various jurisdictions in which the group operates. We recognise the legal importance of complying with all anti-bribery, anti-corruption and anti-competitive collusive laws, regulations and/or policies. The policy applies to all employees and covers all operating businesses in the group.

# Corporate governance report continued

The group's policy is to conduct all its business with transparency and integrity, enforcing a zero-tolerance approach to bribery and corruption. The group is committed to performing with honesty and acting professionally in all business dealings and relationships. Furthermore, it is dedicated to operating, implementing, and enforcing effective systems that counter bribery and corruption. The nature of the group's business requires interaction with persons within various levels of governments, multinational client companies and third-party service providers throughout Africa and the world. Imperial is committed to upholding all laws in all countries in which it does business. This includes South African and international anti-bribery laws, as well as the group's own code of conduct, code of ethics and anti-bribery policy.

## Whistle-blowing hotlines and tip-offs

Whistle-blowing hotlines are in place in all regions in which the group operates. This service, operated by independent service providers, enables all stakeholders to report concerns anonymously.

It is the responsibility of all employees and stakeholders to report known or suspected unethical or illegal conduct. Retaliation against whistle-blowers is not tolerated.

Internal audit co-ordinates all reported matters. Tip-offs are also sent to the CEOs of the respective divisions and investigated accordingly. Detailed feedback is given at the respective financial and risk review committees and group audit committee.

### King IV principle demonstrated:

**Principle 13:** Compliance governance

## Risk management Risk management model

In line with its policy of aligning group corporate governance with international best practice to safeguard the interests of stakeholders, Imperial has implemented an enterprise risk model to identify and assess relevant risks facing the group at strategic, business and operational levels. The group's risk model is based on ISO 31000: 2009 – Risk Management Principles and Guidelines.

The risk assessment process also identifies areas of opportunity, for example: where effective risk management can be turned into a competitive advantage, or where taking certain risks could result in reward for the group. Any risk taken is considered within the group's risk appetite and tolerance levels, which are updated annually. The group's divisions have different market, operating and financial characteristics. Risk management responsibility and accountability, therefore, vests largely with divisional management structures. They report to the divisional finance and risk review committees, which are overseen by the group audit and risk committee. The group audit and risk committee formalises, standardises and monitors this process, guiding management and assessing their effectiveness in implementing the approved risk management framework.

The board determines the level of acceptable risk and requires operations to manage and report on risk accordingly. Issues and circumstances that could materially affect the group's reputation constitute unacceptable risk.

A system of internal control is implemented in all key operations and is tailored to each business's characteristics. It provides reasonable, rather than absolute, assurance that the group's business objectives will be achieved within prescribed risk tolerance levels. The associated risk areas and control processes are monitored and reported on across the group. Internal audit aligns its procedures with the risks identified. Formal feedback is provided to both divisional finance and risk review committees, as well as at quarterly risk committee meetings.

The group also maintains a comprehensive insurance programme to ensure that material financial consequences relating to risk events do not result in undue financial impact on group businesses.

In reviewing risk management reports and internal controls, the board has:

- Considered what the group's risks are and how they have been identified, evaluated and controlled.
- Assessed the effectiveness of the related risk management process, particularly reports of significant process failures or weaknesses.

- Considered if the necessary action is being taken timeously to rectify any significant failures or weaknesses.
- Considered whether results from the review process indicate the need for more extensive monitoring.

## Key group risks

Imperial has identified key group-level risk categories in addition to business and industry-specific risks identified by the operating divisions.

The group strives to realise opportunities through the manner in which it addresses each risk. The risk categories are discussed in the integrated report, together with key mitigating actions and are linked to the group's material issues.

## Internal controls

The board is:

- Accountable for the process of risk management and the systems of internal control which are reviewed regularly for effectiveness.
- Accountable for establishing appropriate risk and control policies and communicating these throughout the group.
- Satisfied that there is an effective process in place for identifying, evaluating and managing the group's significant risks.
- Satisfied that the system of internal control is effective and that group-wide strategies are in place to mitigate the consequences and impact of the group's significant risks to an acceptable level.

## Internal financial controls and financial reporting

The board acknowledges its responsibility for instituting internal control systems that provide reasonable assurance that:

- Assets are safeguarded against material loss.
- Transactions are properly authorised and recorded.
- Proper accounting records are maintained to ensure reasonable reliability and integrity of financial and operational information, including the annual financial statements.

Internal controls also provide assurance that the group's resources are utilised efficiently and that the activities of the group comply with applicable laws and regulations.

# Corporate governance report continued

Financial results are reported monthly to the divisional executive committees and quarterly to the divisional boards and the Imperial board. Each division prepares detailed monthly management accounts, as well as budgets and a three-year plan, which are approved by the board. Performance against budgets is monitored and variances analysed. Profit and cash flow forecasts are reviewed, and material changes analysed. A comprehensive system enables management to monitor trends and measure the productive use of capital. Accounting policies are disseminated throughout the group and monitored to ensure compliance.

## Internal audit

The internal audit department's responsibilities are set out in a written charter approved by the board. Internal audit is an independent, objective assurance and consulting activity established to support and improve the group's operations. It follows a systematic, disciplined approach to evaluate and improve the adequacy and effectiveness of risk management, control and governance processes.

The group internal audit executive, based at the group's corporate head office, co-ordinates internal audit activities and reports administratively to the CFO and functionally to the chairman of the audit committee, and has unrestricted access to the group CEO and audit committee chairman.

The group internal audit executive reports formally at all audit committee meetings during the year. The audit plan for the group and its divisions uses a risk-based approach and is approved by the group audit committee. The group internal audit executive also attends and co-ordinates the activities of all quarterly divisional finance and risk review committees and attends all group risk committee meetings.

Internal audit has confirmed that nothing has come to its attention to indicate that there was any material breakdown in the system of internal or financial control in the group during the year. This conclusion is based on the internal audit work it performed in terms of the approved combined internal audit plan for the year, the scope of work, the results of evaluations and the overall audit opinion ratings for the audited areas, together with feedback on follow-up audits.

The risk management maturity self-assessment conducted during the year at divisional and group level confirmed the sound implementation of risk management across the group, as well as the high degree to which management had embraced risk management.

## Combined assurance

The group's combined assurance model ensures:

- The completeness of the group-wide inherent risk profile.
- That key mitigation factors and processes are documented and aligned to the group's risk management model.
- An adequate level of assessment of the control environment by assurance providers, both internal and external.

The combined assurance model aligns with the group's integrated governance model, with key assurance provider roles overlapped, which strengthens the robustness of assurance across key elements.

### King IV principle demonstrated:

**Principle 11:** Risk and opportunity governance

**Principle 15:** Assurance