



# LEADERS IN MOBILITY



SUSTAINABLE DEVELOPMENT REPORT 2015

**IMPERIAL** <sup>TM</sup>  
LEADERS IN MOBILITY

## ABOUT US

Founded in 1948 as a car dealership in Johannesburg, South Africa, Imperial Holdings has applied its capabilities to grow into new products, businesses and markets.

Today, Imperial serves numerous individual and corporate clients in:

**31 COUNTRIES** on  
**5 CONTINENTS** employing  
**51 000 PEOPLE**

and an extensive network of business partners, sub-contractors and suppliers.



Our business has five divisions in two major areas of mobility



### LOGISTICS

CONSUMER AND INDUSTRIAL FOCUS

#### AFRICA

Leading logistics provider across the entire supply chain in South Africa, and distributor of consumer goods and pharmaceuticals in East, West and Southern Africa.

#### INTERNATIONAL

Occupies leading positions in niche segments of the supply chain, specifically related to contract logistics, mainly in Europe.

Additional information on the Imperial Group can be found at [www.imperial.co.za](http://www.imperial.co.za)

# REPORTING ON SUSTAINABLE DEVELOPMENT

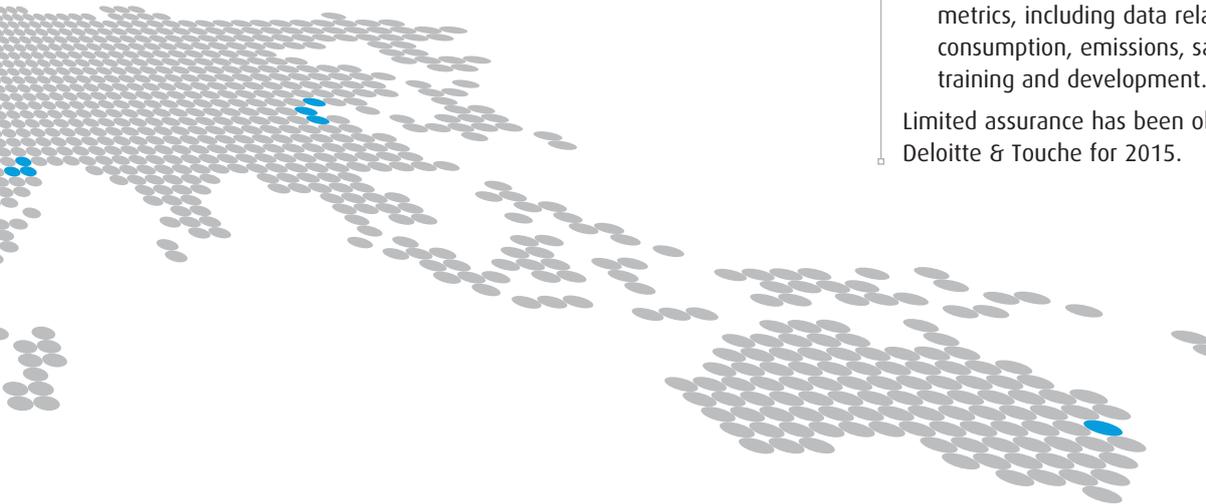
*Imperial has produced a separate Sustainable Development Report since 2011.*

In 2015, we are supplementing our disclosure on sustainable development by producing this summary report, designed to be easily accessible to a broad range of stakeholders and containing critical information relating to Imperial's sustainable development strategy and performance. Detailed disclosure on our sustainability performance is contained on our sustainable development website, at [www.imperial.co.za](http://www.imperial.co.za), together with the group's Integrated Annual Report.

Imperial took two further steps to improve its disclosure on non-financial issues during 2015:

- > Compliance with the G4 guidelines of the Global Reporting Initiative (GRI) on a core basis.
- > A readiness audit for future external assurance of certain material non-financial metrics, including data relating to energy consumption, emissions, safety and employee training and development.

Limited assurance has been obtained from Deloitte & Touche for 2015.



## VEHICLES

FULL AUTOMOTIVE VALUE CHAIN FOCUS, INCLUDING FINANCIAL SERVICES

### IMPORT, DISTRIBUTION AND DEALERSHIPS

Exclusive importer and distributor of 16 automotive and industrial brands, covering virtually all segments of the value chain. Vehicles are retailed through 126 owned dealerships in South Africa, six in Australia, and eight in sub-Saharan Africa.

### RETAIL, RENTAL AND AFTER-MARKET PARTS

Represents 16 passenger and 12 commercial vehicle brands and operates the largest network of franchised dealerships in South Africa. Retail commercial vehicles in the UK. Operates two car rental brands. Distributes parts and accessories.

### VEHICLE-RELATED FINANCIAL PRODUCTS AND SERVICES

Develops and distributes innovative vehicle-related financial products and services through dealer and vehicle finance channels, and a national call centre.

Two major areas of mobility

# IMPERIAL'S COMMITMENT

– to society



–Valli Moosa  
Chairman, Social, Ethics  
and Sustainability committee

*Valli Moosa*

As Chairman of the social, ethics and sustainability committee of the Imperial Holdings board, it is my responsibility to monitor the impact of our business operations on society and on the environment, and to ensure that we conduct our business in a way that retains the support of our stakeholders.

## WHAT DOES THIS MEAN FOR IMPERIAL?

Firstly, it implies that we need to engage with stakeholders with the objective of understanding what creates value in their eyes. Throughout this report we describe these stakeholder interactions and the solutions and services that we have developed.

One example is the engagement which takes place with clients of our logistics divisions to harness logistics efficiencies. Our highly-skilled employees deploy the latest processes and technology to optimise transport routes with clients, thereby increasing access to goods at a lower financial and environmental cost.

This concept is gaining internal momentum and is supported by robust systems for gathering and analysing data on environmental performance.

Overlaying such specific stakeholder interactions is a more general expectation of society from business – that we focus consciously on operating our business responsibly and sustainably. This means that we need to have the right values in place and act on them consistently every day, that we

implement controls to manage environmental, safety and health risks, that products are responsibly sourced, employees are trained and developed and that opportunities to support small business and job creation are pursued.

Safety is a material issue in our business. The number of fatal road accidents involving employees fell to six in 2015. Some of the many safety initiatives we have undertaken include regular mandatory maintenance of vehicles and the installation of cameras both inside and outside vehicles for use in analysing accident data. We ensure that our drivers hold valid professional driving permits and undergo regular health examinations and accident prevention training. As we undertake fleet upgrades, we hardwire safety features in our vehicles, including speed control, tracking devices and breathalysers.

We also take our responsibilities as the employer of over 51 000 people seriously. We want our communication with employees to be a two-way stream. We rely on employees to deliver superior services to clients and in return, we want them to be fairly rewarded and developed to their full potential.

The Ukhamba share scheme has allowed employees to share in the commercial success of the group.

Through recruitment, talent management and employee development, we strive to build an

employee profile that is truly representative of society. Not because we see transformation and employment equity as a matter of compliance, but because we want to build a business that is better able to serve society and meet its needs, sustainably.

“Our sustainability agenda **integrates our activities and shapes our thinking** in a way that allows us to go further and make the most of our efforts to do the right thing.”

This report reflects on our achievements and also outlines the challenges and risks we face and how we are addressing them. We see it as an important aspect of our interaction with society and encourage our stakeholders to read and respond to the information presented.

17 September 2015

Generated

**R110,5 BILLION**

in revenue

**R86,1 BILLION**

was paid to suppliers  
of goods and services

**R15,6 BILLION**

was paid in wages  
and salaries

**R3,0 BILLION**

was paid to providers  
of financial capital

**R295 MILLION**

was spent on training  
and development of  
employees

**R43 MILLION**

was allocated to  
enterprise development  
initiatives

**R27 MILLION**

was allocated to  
education, road safety  
and community projects

# INTEGRATED THINKING

– at Imperial



*Mark Lamberti*  
Chief Executive Officer

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*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.*

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We are mindful that the effects of our commercial activities on broader society are potentially significant and as fiduciaries we strive at all times to exercise due care in our dealings with stakeholders. We do so in an era when the legitimacy of business is at an all-time low and the creation of shareholder value is a necessary but insufficient condition for sustainability. We therefore subscribe to the view that corporate sustainability is founded on accountability for decisions that impact people, the planet and profits in the long term.

We know that the foundation of our performance and progress is the provision of competitively priced products and services of high quality, conducted within all laws and regulations, and to high ethical standards. But there are 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.

Management is committed to deepening its understanding of the concept of shared value creation – creating concurrent economic and societal value by identifying viable new business activities that address societal needs – and adopting it in the way Imperial does business.

**“A formal economic impact and stakeholder study is underway to form a clearer picture of how Imperial affects our direct and indirect stakeholders.”**

We anticipate that this analysis will not only inform the social and environmental initiatives we undertake in future and support improved reporting and communication to all stakeholders, but will also over time help to embed long-term integrated thinking and decision-making that serves shared value creation within the group.

In the interim, we have continued our efforts to minimise our environmental footprint and enhance the societal benefit created both through our philanthropic activities and, increasingly, through our core business.

During 2015, we made progress particularly on fuel efficiencies within our logistics divisions and on continuing the installation of water conservation and waste management measures at vehicle dealerships. In particular, I would like to highlight progress within the Africa Logistics division, where, despite revenue growth of 15% and an increase in the number of transport kilometres travelled of 2%, the division was able to achieve a decrease of 3% in fuel usage and a

reduction of Scope 1 emissions of 6%. These reductions not only reduce our environmental footprint, but also result in cost reductions for clients that have an impact on the cost of transport of goods to end consumers.

It has been my rare privilege to have visited the Antarctic continent on two occasions, once with a team of climate change scientists. In that environment, and with the insights of leading edge science, it is clear that our current experience of global warming is more than just a feature of another long-term global weather cycle. Amid strident debate around the causes of global warming, we must acknowledge that carbon emissions are at very least a contributory factor. With this knowledge, and for the sake of our children, we must assume responsibility for the reduction of our personal and corporate carbon footprints.

**“We must gain a better understanding of the profound changes that are taking place in our environment and their causes, as well as the actions that we, as business, need to take in response.”**

In our main market of South Africa, fuel quality does not unfortunately permit us to use commercial vehicles that are Euro 4, 5 or 6 compliant, which would help us improve our footprint further. The majority of our vehicles are, however, Euro 3 compliant. In addition, there is not yet the infrastructure in place to support a strong market for electric and hybrid vehicles. We anticipate, however, that these conditions will change in time – I have personally made the transition to a hybrid vehicle and have found the driving experience rewarding.

In our detailed study of stakeholder requirements, we are laying the foundation for a future business that is able to take a leadership role in our chosen sectors, recognising the need for a broader approach to leadership and value creation and putting in place the processes and partnerships that are necessary to achieve this.

17 September 2015

### Feedback

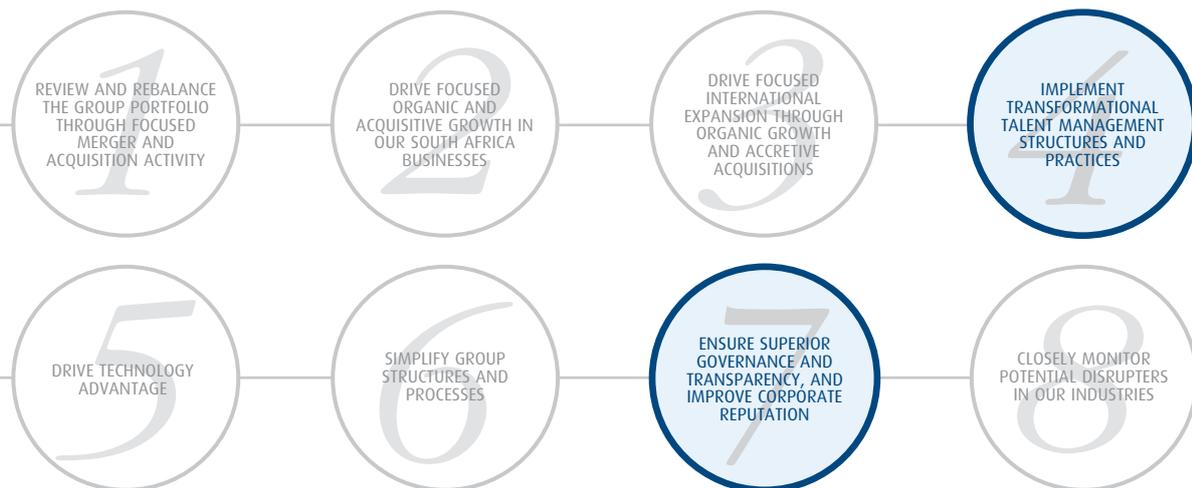
We welcome feedback from our stakeholders to improve our reporting. Any questions relating to our Sustainable Development Report can be directed to:

**M. R. Sharfuddin,**  
**Group Head Sustainability**  
**Email: [sustainabledevelopment@imperial.co.za](mailto:sustainabledevelopment@imperial.co.za)**

# OUR STRATEGY

Imperial's strategy seeks to drive capability-based growth and focused value creation through greater strategic clarity and financial discipline at group and divisional level.

## Our strategic thrusts



The major initiatives that will drive our strategic progress are encapsulated in eight strategic thrusts, which provide a precisely worded set of objectives and guidelines against which management can act and report to the board.

Our sustainable development strategy supports our business strategy and in particular **our two strategic thrusts related to sustainability, as highlighted above.**

- ④ Implement transformational talent management structures and practices
- ⑦ Ensure superior governance and transparency, and improve corporate reputation

Within this framework and reflecting the diverse nature of the group's business activities and geographies, sustainable development priorities and strategies are identified and implemented at a divisional level.

**i** Additional information on the group's strategy can be found in the Integrated Annual Report, **pages 12 to 19.**



STRATEGIC THRUST

**4 IMPLEMENT TRANSFORMATIONAL TALENT MANAGEMENT STRUCTURES AND PRACTICES**

**INTENT AND OBJECTIVES:**

*Implement leading-edge talent management processes to drive performance, succession and transformation, specifically focused on the Imperial Executive Forum (the most senior leaders within the group). Specific objectives include:*

- > Define three- to five-year talent requirements (capabilities, growth, succession);
- > Address imminent succession challenges;
- > Calibrate internal talent with external stars;
- > Define and invest in targeted leadership development initiatives;
- > Inculcate an executive succession and developmental ethos; and
- > Review compensation structures.

**PERFORMANCE AGAINST STRATEGIC THRUST:**

It is critical to achieve this thrust as it forms the basis for achieving the group's other strategic thrusts. Three major initiatives are underway to establish a focused platform for leadership development, and assist the divisional CEOs to implement performance-enhancing people management practices. They will also drive a shift from a culture focused on operational and financial performance, particularly over short-term time horizons, to developing increased capability for strategic thinking that sustains long-term value creation.

To be achieved over the next 18 months, these initiatives are:

- > The **Imperial Executive Forum**, which brings together approximately 150 of the group's most senior leaders. It provides a forum for communication on important group issues and drives customised capability and leadership development focused on performance, succession and transformation. A key focus of the initiative includes identifying individual successors and measuring the desired leadership capabilities. To ensure it achieves its objectives, the group will invest an initial R30 million a year in the initiative.
- > A robust **Talent Management Strategy and Framework** is being implemented to identify the talent that meets the group's requirements, and determine metrics to assess the three- to five-year talent pool. The focus of this initiative extends to reviewing our remuneration structures as part of defining the employee value proposition per segment. PwC has been engaged to review the group's reward and recognition philosophy and to align it to world-class practice.
- > A new **HR Architecture** will be implemented to support these initiatives by providing a foundation for effective people practices and processes through:
  - Ensuring compliance with relevant people-related regulations;
  - Achieving greater alignment of people management practices across the group;
  - Enabling line managers to make better decisions that will be based on accurate, easily accessible people-related data; and
  - Empowering employees to manage their own careers across the group.

## STRATEGIC THRUST

## 7 ENSURE SUPERIOR GOVERNANCE, TRANSPARENCY AND IMPROVE CORPORATE REPUTATION

### INTENT AND OBJECTIVES:

*Practice superior governance, transparency, disclosure and communication to ensure credibility among all stakeholders.*

The following key management structures, systems, and governance processes are being reviewed to ensure effectiveness:

- > Levels of authority;
- > Risk structures and processes;
- > Social, ethics and sustainability structures and processes;
- > Stakeholder mapping and analysis;
- > The group's Guiding Principles;
- > Corporate social investment initiatives;
- > Industry memberships and supported organisations; and
- > All group advertising.

### PERFORMANCE AGAINST STRATEGIC THRUST:

- > We are currently undertaking a detailed stakeholder survey, to understand the perceptions of key stakeholders and identify potential areas of risk in our relationships with them. We anticipate that this analysis will enable us to sharpen our approach to stakeholder engagement at all levels, further enhancing our ability to make a positive impact on society through our business activities.
- > As part of its commitment to enhance its reputation as an active corporate citizen, the group continues to focus on education, road safety, healthcare and reducing its environmental impact.
  - **Education of employees' dependants**, through the Next Generation Scholarships programme which was established in 2015. The programme awards scholarships for the second year of tertiary study onwards, to the children of employees with at least five years' service and whose total compensation is less than R600 000 a year. The awards made in 2015 will enable 57 students to fund their degrees, subject to them passing all subsequent years of required study.
  - **Education, through the Imperial and Ukhamba Community Development Trust**, which supports learning by providing libraries and training assistant librarians to achieve the improvement of literacy and numeracy outcomes at underprivileged Gauteng schools. At the end of 2015, 16 Imperial and Ukhamba libraries had been established with a further ten planned for the next two years, with a staff complement of about 90. The initiative touches the lives of some 20 000 learners.
  - **Road safety, through national road safety initiatives**, undertaken in partnership with national and provincial government. By the end of June 2015, scholar patrol programmes had been implemented in 660 schools nationwide, reaching over a quarter of a million learners, and more than 5 013 car seats had been collected in partnership with Wheel Well and redistributed to needy families. Through the I-Pledge campaign, over 584 900 South Africans have pledged their commitment to follow road safety rules in South Africa. The group spent approximately R3,6 million on these initiatives in 2015.
  - **Healthcare provision through the Unjani Clinics**, operated by the Africa Logistics business. The clinics provide affordable primary healthcare services to over 32 000 patients annually through a low-cost, sustainable model which creates community employment and empowers owner-operators based in communities. During the financial year, ten clinics were opened bringing the total to 16 and resulting in the creation of an additional 23 jobs. During 2015, R15 million was invested in Unjani, and similar funding has been committed for the 2016 and 2017 financial years.
  - **Reducing the group's fuel consumption**, to around 257 million litres of road fuel over a distance of over 747 million kilometres, a decrease of 1% on the previous year. In 2015, the group recorded a 2% increase in emissions from 2014, with 82% of our Scope 1 emissions resulting from fuel usage and 18% from Scope 2 emissions.
  - **Numerous ongoing initiatives are focused on reducing environmental impact** in electricity and water consumption and waste management at divisional level. Due to the scale of our business and the numerous facilities we manage, this is an important way of ensuring that we reduce our collective impact on the environment. During the year, the group's businesses reduced electricity costs by 2% to under R334 million. It also grew its community-based waste management business, Pandae Green.

# SCOPE OF THIS REPORT

*This report outlines our actions and performance in five key areas linked to our strategic intent*

*Stakeholders and partnerships*

	<b>GOVERNANCE AND KEY RELATIONSHIPS</b>	<b>i Page 10</b>
	<b>PEOPLE</b>	<b>i Page 14</b>
	<b>ENVIRONMENTAL PERFORMANCE</b>	<b>i Page 20</b>
	<b>ROAD SAFETY</b>	<b>i Page 28</b>
	<b>SOCIAL IMPACT</b>	<b>i Page 32</b>

The issues covered in this report are material to our future business performance and to our stakeholders. Navigating these issues successfully will enhance our reputation and performance. The failure to do so will erode our societal legitimacy and credibility among stakeholders.

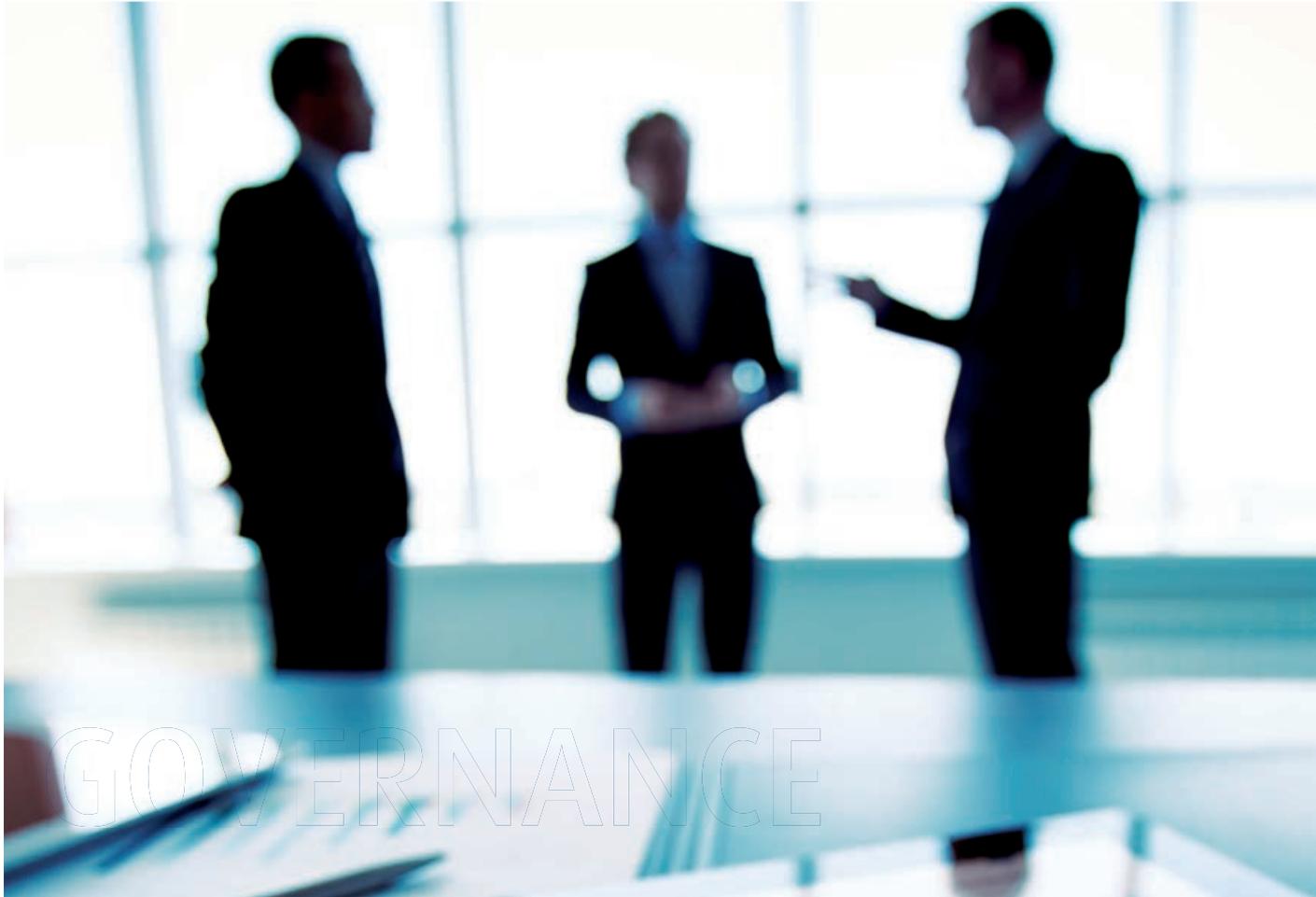
A key task we are undertaking during the forthcoming period is a detailed evaluation of the direct and indirect impacts of our business on stakeholders, to inform future decision-making. In parallel, we are continuing to enhance the systems and processes in place to measure and report on non-financial aspects of business performance, establishing a basis for setting performance targets in these areas.

Some of the key developments we are monitoring, given their potential impact on the group's businesses are:

- > The proposed carbon tax regime for South Africa and the potential conversion to Euro 6 fuel specifications.
- > The shift in logistics from a supply chain orientation (activities related to sourcing, producing and delivering a final product) to an integrated value chain orientation (integration and enhancement of all internal and external processes to increase the perceived value of a product or service to end users). This will require increasingly specialised and sophisticated skills and information systems.
- > The shift in consumer requirements to cheaper, more fuel-efficient and

technologically-enabled vehicles and a digitally-enhanced buying experience.

- > The availability of technical and management skills, particularly as we grow our Africa operations, which may require the development of an expatriate policy to support greater mobility of people across the group.
- > The exponential rate of change in business and social systems with the increasing convergence of information and communications technology (for example, customers investigating their buying options online).



Imperial subscribes to the principles of good governance as defined by King III, and complies with all relevant laws and regulations.

Ultimate responsibility for governance rests with the Imperial board, which comprises a majority of independent non-executive directors, and its sub-committees, which are constituted with the requisite expertise and experience.

Authority, responsibility and accountability for the group's ethics, performance and sustainability is held at board level, which the board formally delegates to the CEO and in turn to his

direct reports and sequentially throughout the organisation.

The role of the social, ethics and sustainability committee encompasses all aspects of sustainability. The committee performs statutory duties, as set out in the 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 the following:

- > King III.
- > 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.

- > Imperial's transformation commitments, as described in the group's transformation strategy and division-specific broad-based black economic empowerment (BBBEE) plans.
- > Environmental commitments, as described in Imperial's environmental policy framework.
- > Socio-economic development (SED) commitments, as described in Imperial's SED policy.
- > Imperial's code of ethics and corporate values.

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

**i** Additional information on the group's governance model and processes is contained in the Integrated Annual Report, pages 82 to 99.



## REGULATORY COMPLIANCE

Business operations are affected by a wide range of legislation and regulations. All operations are subject to audit checks to ensure compliance. Our internal audit team plays a key role in assessing the processes and controls in our businesses. Where required, compliance assessments are undertaken externally.

There were no instances of non-compliance with legislation in 2015.

Whistle-blowing hotlines are in place in all regions in which the group operates. 133 tip-offs were registered through this system, with the largest categories of complaints including human resources, governance and fraud. Of these cases, 43 are still pending, the balance have been resolved.

## PRODUCT RESPONSIBILITY

When servicing and repairing vehicles we assume responsibility for ensuring that the stringent quality and safety requirements of clients and OEMs are met. In our manufacturing plants, we also ensure that products conform to our

manufacturing standards and quality control checks before they can be released. If products are defective, we not only run the risk of costly legal claims and reputational damage, we may also put our clients at risk.

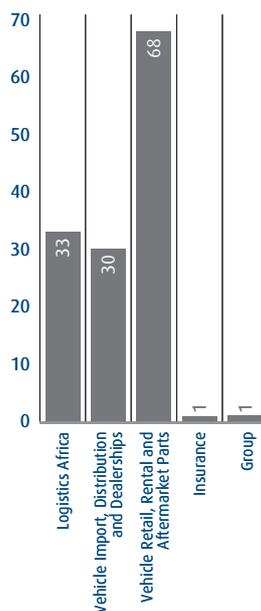
We ensure that product and service quality is maintained in our operations through technical training and ongoing reviews of our operations by OEMs.

Quality control checks are undertaken before products are released from our operations into retail outlets.

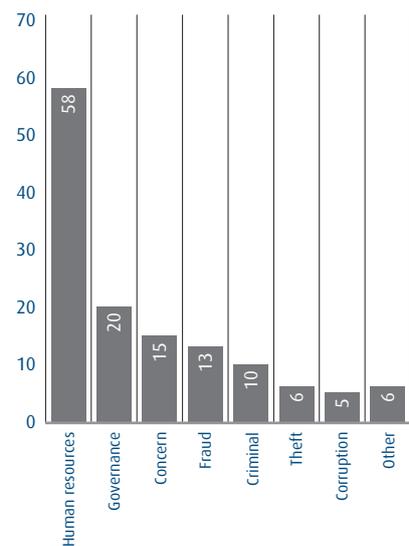
Our products are required to conform to both regulatory and OEM industry standards. Quality control is undertaken to ensure that these standards are met. Purchasing of stock items from reputable suppliers is essential. Technical teams are in place to assess the quality of any parts returned.

There were no instances of non-compliance with laws and regulations concerning the provision and use of products and services. There have been only minimal recalls on products manufactured by us, and in all instances faults were easily corrected.

**TOTAL TIP-OFFS RECEIVED**  
PER DIVISION



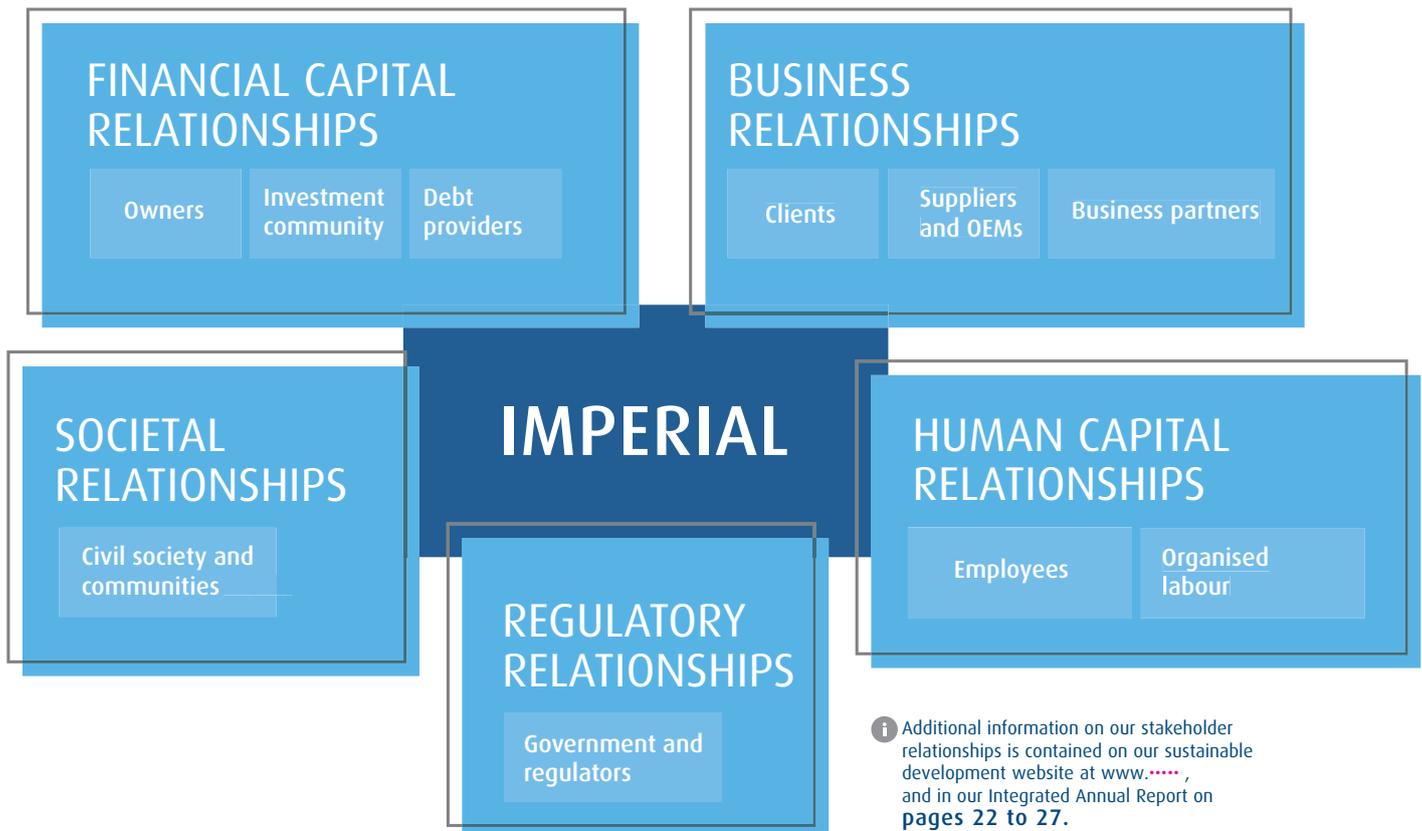
PER CATEGORY



# OUR KEY RELATIONSHIPS

Our stakeholder universe is defined as entities or individuals that may be affected by the organisation's activities, products and/or services, as well as those whose actions can be expected to affect the ability of the group to successfully implement its strategies and achieve its objectives.

Our stakeholders include a wide range of groups and individuals, with varying levels of involvement with the business, and diverse and sometimes conflicting interests and concerns that we need to balance. In 2015, we commissioned a detailed stakeholder study, to better understand the perceptions of key stakeholders and identify potential areas of risk in our relationships with them. This study is scheduled for completion during the 2016 financial year.





**CASE STUDY**

**BROAD-BASED BLACK ECONOMIC BUSINESS PARTNERSHIPS IN SOUTH AFRICA**

During the year, Imperial concluded numerous enterprise development initiatives, investing R43 million in supplier and enterprise development. In addition, two significant transactions, one in the Vehicles segment and one in the Logistics Africa division were undertaken. Both of these partnerships have the ability to enhance broad-based black economic empowerment and participation in their respective sectors.

**LEREKO MOTORS**

In July 2015, Imperial sold two large-scale commercial vehicle dealerships to Lereko Motors to establish Lereko Motors' first black-owned truck dealerships. The dealerships, located in the Free State and in the Western Cape, sell Isuzu and Hino trucks as well as parts and accessories. They also provide vehicle service and maintenance in modern workshop facilities through highly-qualified and skilled staff.

Lereko Motors is a wholly-owned subsidiary of Lereko Mobility, which is 51% owned by the Lereko Broad-based Consortium. The Consortium is a 100% black-owned company, held by black women and a range of broad-based empowerment entities. Imperial holds the remaining 49%.

As the Truck industry is a specialised field, Imperial will continue to provide day-to-day management of these dealerships in conjunction with Lereko management for a period of up to two years. During this period, a systematic transfer of skills will take place, with Lereko assuming full control of all aspects of the business after this initial period.

Our intention is to support our partner, Lereko, in expanding its business in the commercial dealership sector. Cedric Mumpuru has been appointed as CEO of Lereko Motors.

**ZAKUSA**

During the year under review, Resolve, a business in the Logistics Africa division, concluded a cooperation agreement with an emerging black-owned supply chain advisory business in South Africa, Zakusa.

Zakusa provides advisory and professional services in the supply chain arena. The company qualifies as an empowering supplier in terms of the new broad-based black economic empowerment (BBBEE) codes. Zakusa will be a level 2 business under the new BBBEE codes, with structures and plans in place to move to level 1.

The partnership with Zakusa provides an opportunity for the Logistics Africa division to benefit from the energy and talent in Zakusa's business and for Zakusa to take advantage of larger-scale industry opportunities offered by the partnership with Imperial to grow its exposure to new business networks.



## STAFFING FOR **PERFORMANCE** AND **SUCCESSION**

Imperial is engaged in the sale of goods and services. Our employees are critical to building, maintaining and deepening the client relationships on which we depend.



*Benjamin Englebrecht, from the Logistics Africa division, was the winner of the 2015 Imperial Innovation Awards, proposing a simple mechanism to prevent the electrical loom bands in trailer plugs from falling out.*

## IT IS IMPERIAL'S EMPLOYEES WHO MAKE US LEADERS IN MOBILITY

To maintain a leadership position in our sector, we need to:

- > Identify, select, develop and reward exceptional executive leaders.
- > Implement structures to ensure that leadership becomes a major determinant of strategic progress and sustainable performance.
- > Inculcate a high-performance culture that balances entrepreneurial creativity with the best professional management practices.

As 37 000 of our employees (64% of our workforce), are located in South Africa, transformation remains a key focus area and Imperial's goal is that its workforce increasingly reflects the diversity of South Africa. This means that a key imperative for the group is to ensure that historically-disadvantaged South Africans are represented at all levels of the business in South Africa and that these employees are adequately supported in their development. Currently, 34% of junior management in South Africa is black and these employees form a key part of our talent pipeline.



PEOPLE ARE  
**THE KEY**  
**DIFFERENTIATOR**  
IN TODAY'S KNOWLEDGE-BASED  
ECONOMY

We have formulated and are implementing a strategy for equipping our leaders for the future and ensuring we have the right people ready to succeed them, supported by a process to help us identify and develop the right people for the right roles across our group.

To build a pipeline of talent for the group, we developed and began implementation of a group-wide talent management framework during the year. We established the top 150 Leaders' Forum, through which our senior leaders will embark on a journey to develop their leadership capacity. Leadership interventions undertaken through the Forum are designed to shift business culture and develop a better awareness of the qualities required from leaders in our business context.

We have redesigned our human resource architecture to ensure that we can access objective and consistent data on all employees, to enhance the decisions taken on how they can be developed and deployed, and to enable them to be accurately benchmarked against candidates from outside our business and our industry.

# OUR TALENT MANAGEMENT FRAMEWORK



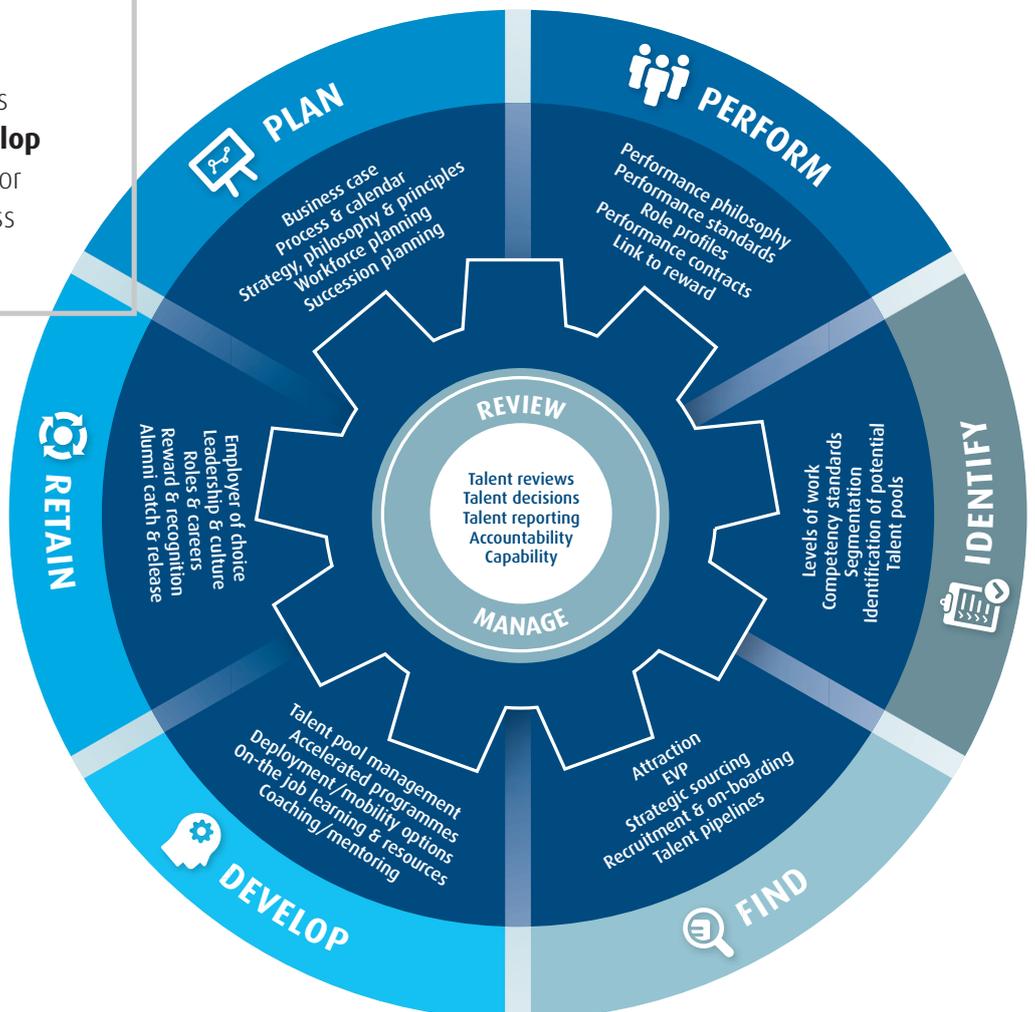
**1** A plan for equipping our **leaders for the future** and ensuring we have the right **people ready to succeed** them.



**2** A process to help us **identify and develop the right people** for the right roles across our group.

## THE POTENTIAL OUTCOMES

of our talent management process – having the right people in the right roles, with the right capabilities, at the right time and the right cost – can add significantly to the bottom line. The group’s leadership is instrumental in making the right strategic decisions that impact customers, processes, people and profit, engaging employees for greater energy, growth and performance and unleashing potential and creativity. Achieving these objectives has the potential to boost profitability and performance and reduce employee turnover and absenteeism. The failure to manage people strategically can give rise to costs and risk. Key risks include insufficient depth of key talent to fill the talent pipeline, key talent leaving the organisation when they could have been retained and transformation that is too slow.





# PEOPLE DEVELOPMENT

OUR EMPLOYEES  
RECEIVED AN  
AVERAGE OF  
**16 HOURS** OF  
TRAINING DURING  
2015, COSTING  
**R5 753 PER  
EMPLOYEE**

**R295  
MILLION**  
WAS SPENT ON  
TRAINING AND  
DEVELOPMENT  
INITIATIVES  
THROUGHOUT  
THE GROUP

We maintain a strong focus on training and developing employees at all levels.

A blended-learning approach is used to deliver integrated training and development programmes aimed at personal growth and skills development.

Some of the many training initiatives undertaken include management development programmes, which support the progression and development of employees and are a critical aspect of our transformation strategy. For the first time in 2015, these programmes also feed into a BBA degree offered through the Southern Business School.

Artisan training is a significant area of focus, with seven automotive industry trades covered by courses at the Imperial Technical Training Academies operated by the vehicle divisions.

During the year, over 350 apprentices were registered on programmes at the Academies, 63% of whom were black.

The Imperial Logistics Academy was established in 2013 by the Africa Logistics division to support employees in achieving their learning and development goals and to facilitate improved business performance and individual career mobility. It offers a broad range of learning and development programmes, customised to reflect best practice in the division. Subject matter experts from within the group contribute to training programmes by way of content development, guest lecturing and mentorship, allowing for skills transfer internally.

As in other business divisions operating in South Africa, training and development programmes support employment equity strategies. In the Logistics Africa division, close to 1 500 equity candidates participated in 2015 in internships, in-service training and skills programmes. Over 1 000 black males and over 300 black females undertook learnership programmes and 51 black learners participated in apprenticeship programmes.



**CASE STUDY**

**THE LOGISTICS INTERNATIONAL DIVISION**

*has put in place a flagship programme, 'Develop Yourself' to address a changing organisational context. In an environment where the various business streams within the division are starting to operate more cohesively, this development programme has been a critical factor in*

*enabling employees to interact and experience different aspects of the division's business at first hand, in support of the division's strategy of bringing business streams working together to realise synergies for common clients.*



91% of Imperial’s fuel usage and Scope 1 emissions is accounted for by the two logistics divisions

Transport and distribution are becoming increasingly complex and costly.

Regulatory factors, cost pressure, increased service levels and flexibility are all factors that challenge the traditional approach to transport, and environmental considerations are increasingly critical.

2015 TOTAL FUEL USAGE  
(ROAD AND NON-ROAD)

**328 000 kL**

2015 SCOPE 1 EMISSIONS

**906 700 tCO<sub>2</sub>**

SCOPE 1 EMISSIONS ACCOUNT FOR 82% OF TOTAL EMISSIONS OF 1.1 MILLION TONNES CO<sub>2</sub>

FUEL AND  
**EMISSIONS  
EFFICIENCY**

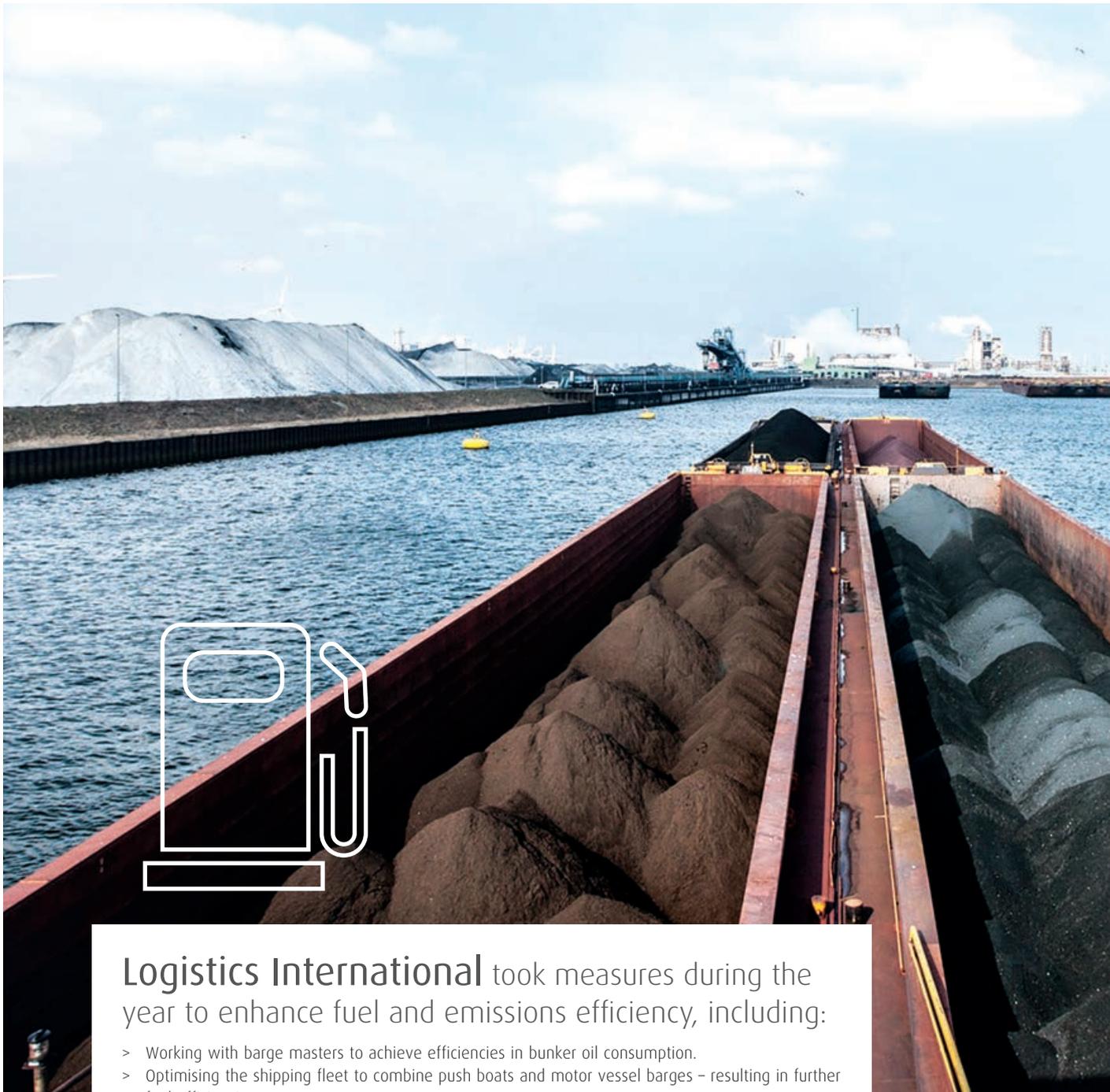


Logistics Africa pursues fuel and emissions savings by seeking out logistics efficiencies through the intelligent convergence of people, processes and technology.

Among other initiatives, the combination of route optimisation software, teams to implement and operate technology and a well-substantiated business case to sustain the use and momentum of the solution has proved highly successful.

In the context of a 15% increase in revenue growth in 2015, and a 2% increase in kilometres travelled, the division was able to reduce usage of road fuel (primarily diesel) by 3%. This translated to a 6% reduction in Scope 1 emissions.

*The fitment of solar panels to trailers (shown in the picture alongside) is an innovative approach to achieving energy savings which is currently being piloted by the division. The solar panels power internal load body LED lights, refrigeration units and the tail lift via independent batteries. If successful, this technology will bring a number of benefits, including reductions in fuel consumption, CO<sub>2</sub> emissions and noise levels and a longer lifecycle for component parts.*



## Logistics International

took measures during the year to enhance fuel and emissions efficiency, including:

- > Working with barge masters to achieve efficiencies in bunker oil consumption.
- > Optimising the shipping fleet to combine push boats and motor vessel barges – resulting in further fuel efficiencies.
- > Continuing its programme of investment in Euro 6 trucks – 33% of its fleet now meets Euro 6 standards.

The division benefits from a lower emissions profile than the Logistics Africa division, as it has a far smaller dependence on road-based transportation. It accounts for approximately 30% of the group's fuel usage and Scope 1 emissions.

The division is implementing an energy management system in line with ISO 50001 standards. This process involves recording, analysing and evaluating all energy flows in the company, giving transparency into energy consumption to enable opportunities for further energy savings to be identified.

Inland water transport remains the most fuel and emissions efficient mode of transport in Europe as well as being considered one of the safest.

Using the same quantity of fuel, one metric tonne of goods can be transported:



CO<sub>2</sub> emissions relating to inland water shipments are 70% lower than for road transport.

## ENERGY USE AND EMISSIONS REDUCTIONS

have also been achieved through two enhancements to the division's IT infrastructure undertaken during the year – improvements in capacity utilisation and the use of flash storage. The use of flash storage has enabled a 50% reduction of power consumption, amounting to energy savings of 11,2 kWh, and a reduction in emissions of 6,4 tCO<sub>2</sub>.

**CASE STUDY**

# MINIMISING THE ENVIRONMENTAL FOOTPRINT OF OUR BUSINESS



Taking into consideration the nature of our business, the most significant opportunities for minimising our environmental and business footprint include:

- > Reducing the consumption of water, particularly in water scarce areas such as South Africa.
- > Reducing electricity consumption.
- > The safe disposal of hazardous and non-hazardous waste, which is recycled or re-used where possible.

The group operates a large number of facilities. Initiatives in all divisions target the conservation of electricity and water and the reduction of waste.

Despite revenue growth of 7%, the group was able to contain electricity usage to an increase of under 4%. Scope 2 emissions decreased by 8% to 199 237 tCO<sub>2</sub>. Water usage increased by 11%, due to acquisitions and the opening of new dealerships.



*The new Imperial Health Sciences building in Cape Town (pictured above) uses resource-efficient principles in every aspect of the building's lifecycle – from siting to design, construction, operation and maintenance. The roof, also equipped with solar water panels, is painted with a Thermo-Shield coating. Thermo-Shield is a ceramic, waterproof, radiant heat barrier which virtually eliminates UV penetration and improves solar reflectance by up to 80%. The use of Thermo-Shield has enabled air-conditioning and refrigeration costs to be cut by 40%.*

TOTAL ELECTRICITY  
PURCHASED DURING 2015

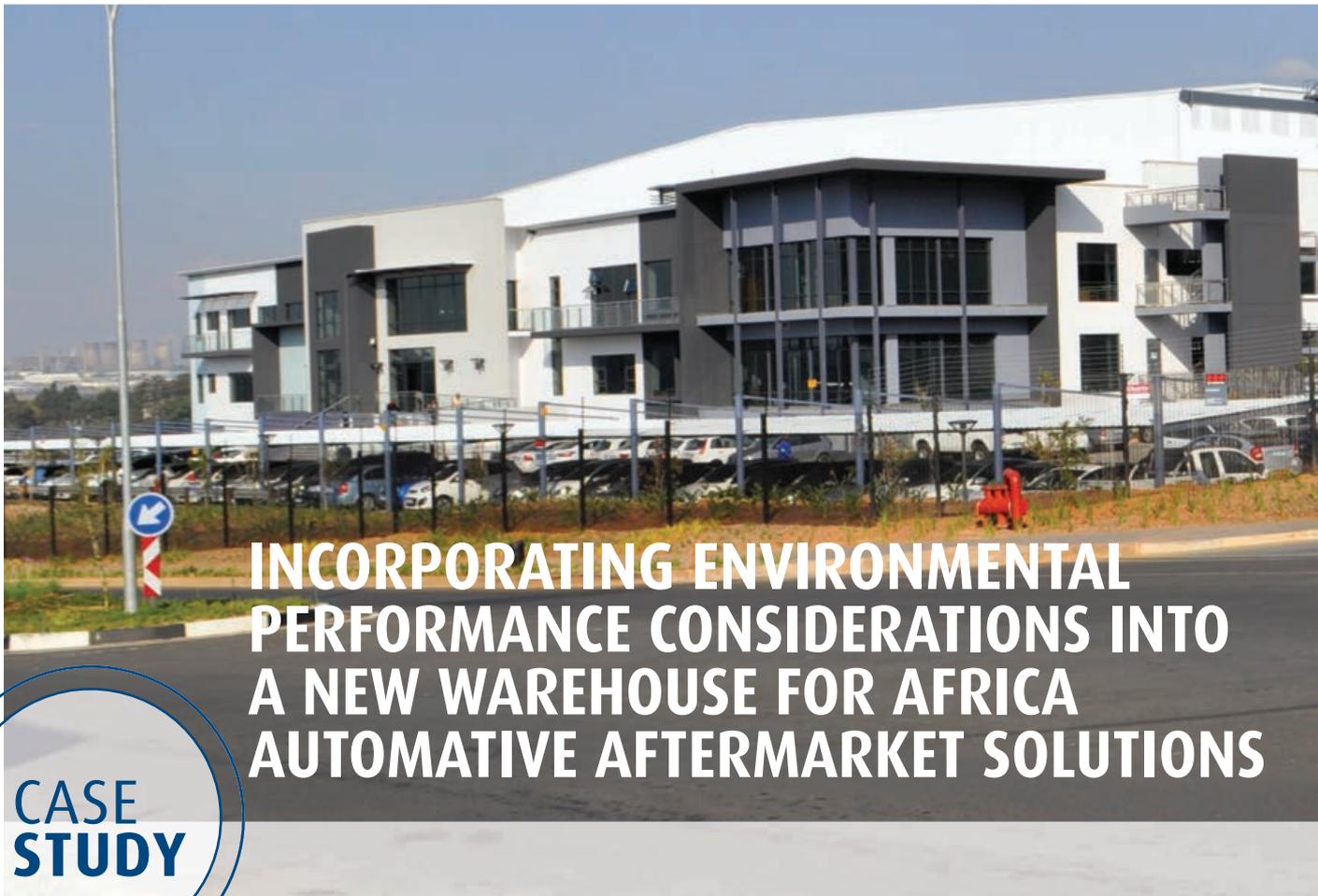
**232 840 Mwh**

TOTAL SCOPE 2 EMISSIONS

**199 237  
TONNES CO<sub>2</sub>**

TOTAL WATER USAGE

**1 805 470 kL**



## INCORPORATING ENVIRONMENTAL PERFORMANCE CONSIDERATIONS INTO A NEW WAREHOUSE FOR AFRICA AUTOMOTIVE AFTERMARKET SOLUTIONS

### CASE STUDY

Incorporating environmental performance considerations into facility upgrades can have a significant impact, particularly when scaled across the large number of warehouses and buildings utilised by the group. In the Logistics businesses alone, for example, the group operates approximately 3,5 million m<sup>2</sup> of warehouse space.

During 2015, a new warehouse facility was completed by Africa Automotive Aftermarket Solutions, part of the group's Vehicle Retail, Rental and Aftermarket Parts

division. The division is the largest distributor of aftermarket parts in South Africa, with 764 owned and franchised outlets.

The new warehouse, located in Meadowview, Johannesburg is just over 20 000 m<sup>2</sup> and cost R230 million. It consolidated four previously-existing warehouses into one operation, simplifying administration in the business and making delivery processes more efficient. It was built with the aim of reducing the environmental impact of the activities of the business both now and into the future.



Rainwater harvesting is undertaken from a portion of the roof and collected into a 7 000 litre sump, from where it is pumped into 60 000 litre tanks and used for bathroom facilities and for irrigation.

Energy savings are an integral part of the design and construction of the building. The structure of the roof was built and designed to take solar panels which can be installed in the future to reduce reliance on grid electricity. Motion sensors have been installed to switch lights off when presence is not detected and

reduce the consumption of electricity. Energy efficient LED lamps and air-conditioning have been installed in the administration building and the warehouse.

Another important aspect of the design is the number and type of windows that are used in the building. For example, the administration building is designed using large windows that allow the use of natural light into the building and reduce dependency on artificial lighting.



At our vehicle retail outlets and car rental depots, a significant amount of water is used to wash cars each day, so water recycling and rainwater capture have been introduced to achieve sustained water savings over time.

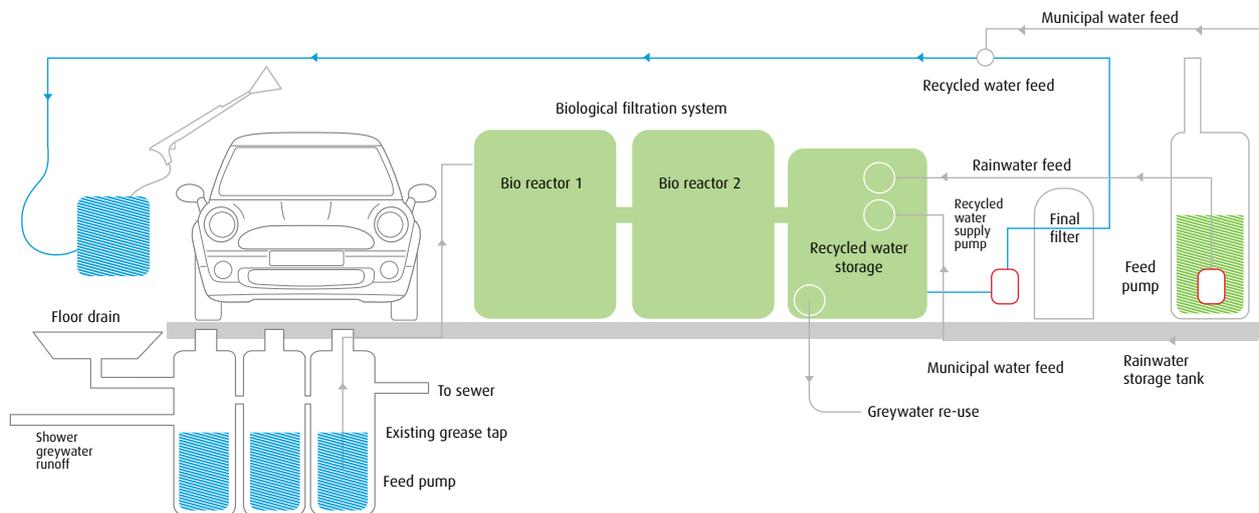
Currently, the systems we use for measuring water usage across our many facilities are being monitored for accuracy. We target putting in place more robust systems for measuring water consumption in future, including the metering of municipal water as a priority.

Several dealerships have introduced wash bays which recycle and retreat water – see the schematic diagram alongside. As an example, at the Namibian dealerships, the system integrates rainwater harvesting and the re-use of used water and is operated using solar energy. When water has been used in the wash bay, it flows into an underground tank containing non-hazardous chemicals which purify used water and pump it back to tanks for future use. Approximately 15 000 litres of water per month are being saved as a result of the system's use.

Many dealerships have also introduced waterless car washing systems, which enable dealers to wash cars using only one litre of water, in comparison to traditional car washing methods which use up to 200 litres per car.



## SCHEMATIC OF A TYPICAL WASH BAY USING WATER RETREATMENT



CASE  
STUDYCOMMUNITY-BASED  
WASTE MANAGEMENT  
ENTERPRISE

Pandae Green was established by the Vehicle Import, Retail and Distribution division in 2014, as a community-based waste disposal business.

Pandae Green's services are used at many of our sites to reduce waste streams and increase the volume of waste recycled.

The enterprise now covers 56 sites, ranging from large multi-national logistics companies to smaller, independently-owned motor dealerships.

Used motor oil, K4 cardboard, metal, paper and plastic are the five largest waste streams recycled by Pandae Green and the volumes of waste recovered across all of these streams is growing at a fast pace.



## VOLUMES OF WASTE RECYCLED BY PANDAE GREEN IN 2015

No of sites  
12 to 56

↑ 367%

Paper (all grades)  
(t) 3,5 to 13,2

↑ 277%

Used motor oil (l)  
19 300 to 94 556

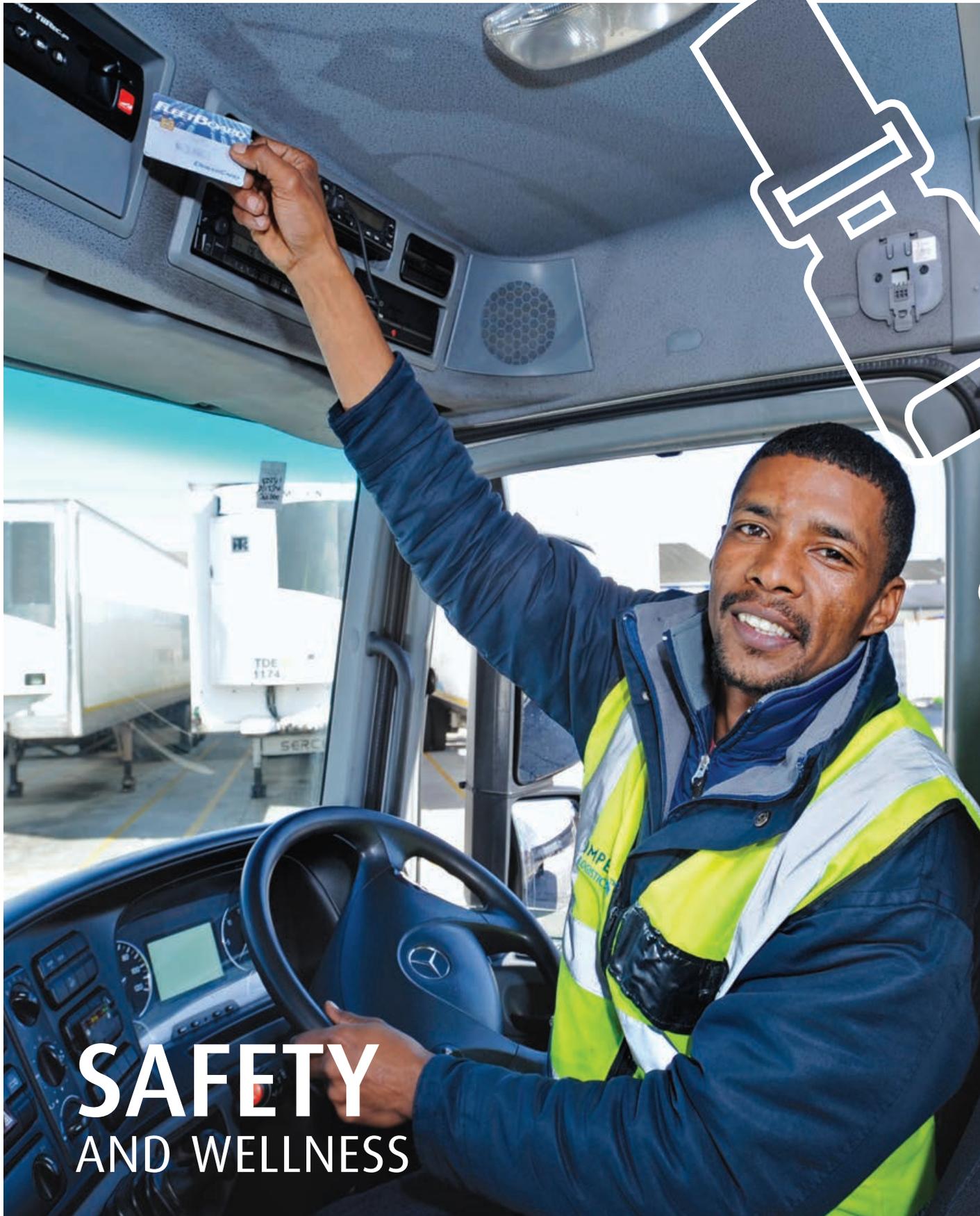
↑ 390%



Cardboard K4 (kg)  
31 280 to 72 990  
⬆️ **133%**

Steel (all grades)  
(t) 8,5 to 35,7  
⬆️ **320%**

Plastic (all grades) (t)  
3,3 to 11  
⬆️ **233%**



**SAFETY**  
AND WELLNESS



All divisions continually seek to improve safety outcomes through initiatives targeting road safety and employee wellness.

Centralised data systems, such as the Imperial Sustainability Management System (ISMS), have become an important management platform for these efforts, as they provide the group with the ability to analyse and respond to performance trends.

During 2015, just over 100 injuries and six fatalities were recorded among employees. The number of fatal accidents in our Logistics Africa division decreased from seven to five. Putting this data into perspective, almost 500 million kilometres were covered by the 5 300-strong Logistics Africa fleet by road during the year – equivalent to driving around the world over 11 500 times.

Logistics Africa participates in the Trucking Wellness Programme, which was launched in 1999 and is an initiative of the National Bargaining Council for the Road Freight and Logistics Industry (NBCRLFI). It is a primary healthcare delivery programme devoted to the wellness of those employed in the sector. The aim is to create awareness of HIV/AIDS and sexually-transmitted illnesses (STIs)

among long-distance truck drivers and commercial sex workers. The division has also put in place ‘safety rules’ for the division, which are laminated onto drivers’ key rings.

In the International Logistics division, a project to enhance occupational health and safety in the barge and pushboat fleet was implemented during the year. The project aimed to reduce the total number of accidents and lost days due to accidents, two key safety metrics for the business. Focus areas were the prevention of accidents and the improvement of a metrics relating to work-related and non-work-related illnesses.

Actions under the project included:

- > Crew education, which took place both shoreside and on board.
- > On board tool box talks, in particular relating to tasks identified as carrying a high risk.
- > Analysis of occupational accidents on all barges.
- > Improved communication with the barge’s crews to maintain awareness of key risks.

*Where possible, safety systems are hardwired into operations and enabled by tracking technology such as Fleetboard (pictured alongside). Safety measures include breathalyser tests and speed controls in our vehicles, regular mandatory maintenance of vehicles and ensuring that our drivers have valid professional driving permits, regular health examinations and undertake continuous training in accident prevention.*

Imperial has undertaken a number of road safety initiatives which have intensified over the last four-year period, with the intention of effecting a positive change in the attitudes of all citizens to safe road usage and best practices.

Road safety projects focus on the upliftment and well-being of road users at a grass-roots level and rely on consumers actively adjusting their behaviour on the roads.

National road safety campaigns include:

- > The Car Seats for Kids Campaign.
- > The Scholar Patrol Improvement Project.
- > The Highway Patrol and Brake and Tyre Watch projects.

By the end of June 2015, scholar patrol programmes had been implemented in 660 schools nationwide, reaching over a quarter of a million learners, and more than 5 013 car seats had been collected, and, in partnership with Wheel Well, redistributed to less privileged families. Through the I-Pledge campaign, over 584 900 South Africans have pledged their commitment to follow road safety rules in South Africa.

# THE FACTS



The impact to your body in a crash is called crash force. **Crash force is equal to your body weight multiplied by the speed of the vehicle.** E.g. 60kg body weight multiplied by 60km/h represents a crash force of 3600Kg

**A child weighing 10kg exerts a crash force of 400kg in a 40km/h collision**

A baby of 4.5kg involved in a 50km/h vehicle collision **will have the same impact as an object with a mass of 255kg.**

A child's head is big in proportion to its body, and is likely to be flung forward head first

**A CHILD BUCKLED IN ON AN ADULT'S LAP WILL BE CRUSHED BY THE ADULT'S WEIGHT IN A COLLISION.**

*An excerpt from one of the many communications brochures on road safety produced by the group, emphasising the importance of child seats.*

**561 000**  
learners taught

**16,5km**  
of zebra crossings  
painted



# NATIONAL ROAD SAFETY INITIATIVES IN SOUTH AFRICA

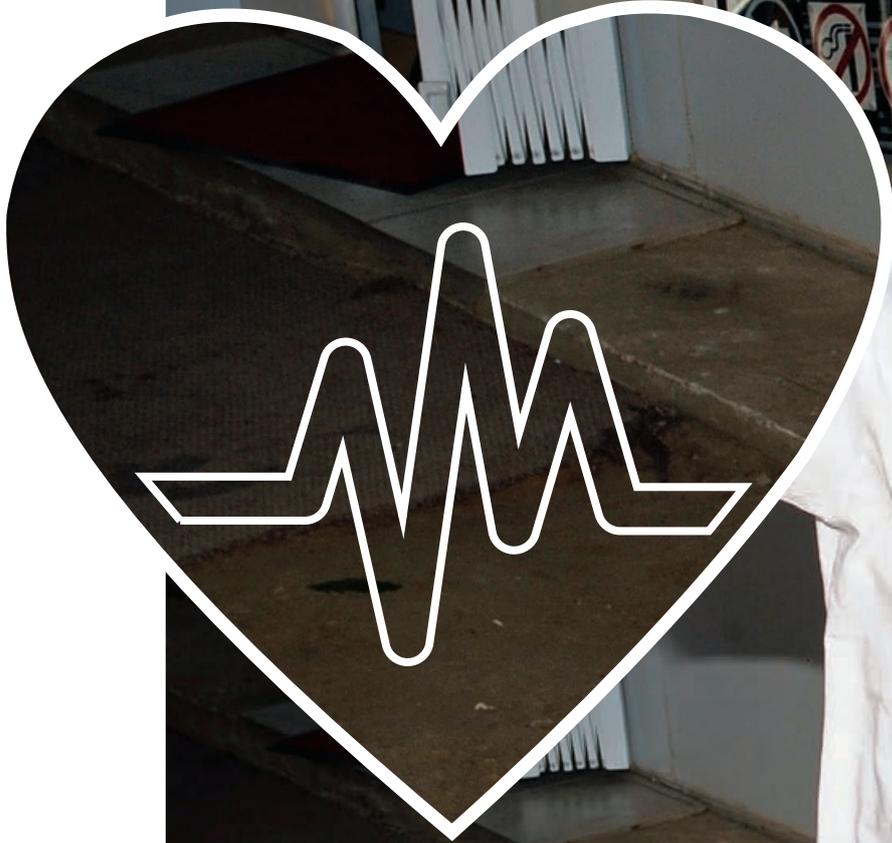
R3,6 MILLION WAS INVESTED IN ROAD SAFETY PROGRAMMES DURING THE FINANCIAL YEAR

**3 900**  
reflective bibs  
handed over  
to learners

**2 600**  
teachers trained

**1 320**  
stops signs  
provided

**1 320**  
'Scholar patrol  
ahead' signs  
provided



# ENHANCING HEALTHCARE PROVISION IN AFRICA

Imperial takes a responsible approach to community engagement and social development, and delivers social benefits to communities both through community investment projects and, increasingly, through commercially-structured projects which deliver both financial and social value.





Our core Logistics business in Africa has a significant social and developmental impact through its provision of goods, particularly pharmaceuticals, to communities in Africa on a commercial basis.

During the year, the division strengthened its network capabilities and customer base through the acquisition of a 70% shareholding in Imres, a Netherlands-based wholesaler of medical supplies with a diversified client base in the

international medical relief industry and a strong presence in Africa.

The provision of cost-effective primary healthcare to communities is strengthened through commercially-sustainable concepts such as 'Clinic in a box' and the Unjani Clinics initiative. The Unjani Clinics are operated by the Logistics Africa division and provide affordable healthcare to communities through a low-cost, sustainable model which also creates much-needed community employment and empowers

owner-operators based in communities. Over the last three years, approximately R35 million has been invested in the initiative. The Logistics Africa division also participates in the Public Health Enhancement Fund – the Social Compact Forum, a collaborative project with the Department of Health of South Africa to address pressing healthcare priorities. During the year, the Social Compact Forum initiated its first project R20-million programme to train 100 medical students from rural communities.

Imperial undertakes numerous community development initiatives, designed to deepen our relationship with society and address pressing social and community needs.

We regularly assess community-based initiatives to evaluate how we can make a positive impact on communities, contribute to job creation initiatives and engage on shared interests and concerns.

An important area of sustained social investment in South Africa has been education. By the end of the 2015 calendar year, the Imperial and Ukhamba Community Development Trust will have provided 16 libraries to schools, touching the lives of some 20 000 disadvantaged learners.

The Imperial and Ukhamba Community Development Trust aims to support learning through the provision of libraries and the improvement of literacy outcomes at Gauteng schools.

Our commitment to improving literacy outcomes dovetails with national and provincial education goals, the vision set out in the National Development Programme (NDP), and the philosophies of lobby groups such as Equal Education

(EE), which advocates the provision of a library in every school.

The NDP speaks of “a local library filled with a wealth of knowledge... creating the type of society... where all will have... libraries... (and)... good schools”.

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*The NDP suggests that government alone cannot build that type of society, and that the current levels of competencies that learners achieve in mathematics and literacy have to be vastly improved, as they will be critical for South Africa's future development.*

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Our libraries have become much more than the trustees envisioned, not only are they places for reading, but they have become safe havens for children to enter early in the morning or to stay quite late in the afternoons, on Saturdays and during school holidays.

During the 2015 financial year, the Imperial group invested a total of **R11,5 million** in the Imperial and Ukhamba Community Development Trust and **R12,2 million** in various other community investment programmes, primarily projects driven through the business divisions.





# COMMUNITY DEVELOPMENT



THE  
ROAD  
AHEAD



Moving forward, we will continue to focus on enhancing our social impact and legitimacy among all stakeholders, at all operations globally, by continuing to respond to stakeholder issues and concerns.

A formal economic impact and stakeholder study is underway to form a clearer picture of the impact that Imperial has on our direct and indirect stakeholders.

We anticipate that this analysis will not only inform the social and environmental initiatives we undertake in future and support improved reporting and communication to all stakeholders, but will also over time help to embed long-term integrated thinking and decision-making that serves shared value creation within the group.

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