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- Sustainable development
  - Demonstrate consistently ethical business conduct
  - Effective human capital management
  - Demonstrate defensible safety practices
  - Support relevant social imperatives within our operating regions
  - Environmental stewardship
- Full corporate governance report
- King IV application register
- Audited consolidated annual financial statements for the year ended 30 June 2019

For important information on forward looking statements in this report, refer to the inside back cover.

We urge our stakeholders to make use of our reporting website, which presents the full extent of our reporting for the year.

Stakeholders can access the group’s reports, and interim and annual financial results announcements and presentations at https://www.imperiallogistics.com/inv-reports.php or scan the QR code to be taken there directly.
Imperial Logistics Limited (the company or the group) specialises in providing outsourced and integrated freight management, contract logistics and distributorship services, mainly in Africa and the Eurozone.

 Ranked among the top 30 logistics providers in the world, Imperial Logistics employs over 27 000 people in 32 countries and is listed on the Johannesburg Stock Exchange (JSE) in South Africa. With a focus on five key industry verticals – automotive, chemicals, consumer, healthcare and industrial, our deep experience and ability to customise solutions ensure the relevance and competitiveness of our clients.

**South Africa**

- Consumer goods deliveries to **>50 000 points** annually.
- **>3,1 billion** litres of fuel and gas delivered.
- **1,6 million** tonnes of packaging moved.
- Manage **>1 million m²** of warehousing space.

**African Regions**

- Point of care and pharma retailer level deliveries to **>4 200 delivery points** in Kenya, **>1 300** in Ghana and **>52 000** across Nigeria.
- Own and operate **>200 000 m²** of warehousing in the healthcare and consumer industries.

**International**

- **23 automotive warehouses** in Europe deliver value-add logistics for the annual production of **>2,3 million cars**.
- Western Europe’s largest provider of express palletised distribution services – handling **10 million pallets per year**.
- **Significant player** in the European chemical industry.
We define value according to the aspirations associated with our strategy, which are to build a ONE Imperial group able to grow sustainable revenue and achieve targeted returns, by deepening our competitiveness and relevance – and that of our clients – and ensuring that we retain our industry and market legitimacy in all regions of operations.

Our integrated annual report (IAR) to stakeholders, which includes a summary printed report supplemented by full governance, financial and sustainable development reports online, provides a holistic account of the value we create and how we expect to continue doing so.

**Scope and boundary**
The IAR for the period 1 July 2018 to 30 June 2019 covers our governance, strategy and risk, and our financial, operational and sustainability performance and prospects, in relation to our material issues.

More broadly, the risks, opportunities and outcomes associated with stakeholders, outside of our financial reporting boundary, are dealt with insofar that these relationships materially affect our ability to create value in the short, medium and long term. The IAR discusses our dependence and impact on the six capitals of the <IR> Framework, specifically in our business model on page 06, and throughout the report using terms that are true to our strategy and definition of value.
Reporting frameworks and assurance

Our internal and external reporting processes comply with the South African Companies Act 71 of 2008, as amended (Companies Act), the King IV Report on Corporate Governance™* (King IV) and the Listings Requirements of the JSE (share code: IPL). In line with King IV recommendations, our integrated reporting adheres to the principles and requirements of the International Integrated Reporting Council’s (IIRC) International <IR> Framework. Our sustainable development reports have been prepared in accordance with the Global Reporting Initiative’s (GRI) Sustainability Reporting Standards.

Financial information is extracted from the audited consolidated annual financial statements for the year ended 30 June 2019 (AFS), which is prepared on an IFRS basis, unless otherwise specified. Our external assurance providers, Deloitte & Touche, have issued an unmodified audit opinion on the AFS, available in full online. Selected non-financial information included in this report and in the supplementary reports available online has been assured by Deloitte & Touche, and their independent limited assurance report is included on page 125.

Interviews with leadership, members of the board and other internal and external sources of information have been used to prepare our reports. Management reviews all of our reports, particularly the group executive committee, to ensure the integrity of the content. They also provide oversight over the controls applied to the information gathering process.

Materiality determination

Our material issues are the priorities and concerns most important to our leadership and our stakeholders which, if effectively managed, will enable us to achieve our strategic aspirations. The process followed to determine and approve our material issues, together with the key stakeholder concerns and associated management priorities, is set out on page 40. The sustainable development priorities that relate to the material issues are discussed in detail in the supplementary reports available online.

Board responsibility and approval statement

The board of Imperial Logistics Limited acknowledges its responsibility to ensure the integrity of the 2019 integrated annual report and related sustainable development disclosures. The group audit and risk committee, together with executive management, is responsible for the preparation and presentation of the integrated annual report and the group social, ethics and sustainability committee is responsible for the preparation and presentation of the sustainability content. They have both reviewed and recommended the reports to the board for approval.

In the board’s opinion, after applying its collective mind to the information provided, the reports address all material issues and matters that may impact the group’s ability to create value over time, and provide a balanced and appropriate overview of Imperial Logistics’ strategy, risks, performance and prospects. The board believes that the reports have been materially prepared in accordance with guidelines of the IIRC’s <IR> Framework.

On behalf of the board

Phumzile Langeni
Chairman

Mohammed Akoojee
Group chief executive officer

13 September 2019

Make contact: Feedback, questions or requests from stakeholders can be directed to: Esha Mansingh, investor relations and communications executive at Esha.Mansingh@imperiallogistics.com or Michelle Neilson, group head of strategic communication at Michelle.Neilson@imperiallogistics.com.

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Leveraging our regional positions, powerful competitive advantages and specialised capabilities, we are positioning the group as the “gateway to Africa”. We aim to be the strategic partner of choice for multinationals who seek access to the continent’s fast-growing markets. Our scope extends to other selected emerging and developed markets that are growing their trade flows with Africa.

**SOUTH AFRICA**

- Group revenue 27%
- Group operating profit 38%

**Offering**
- Leading end-to-end capabilities to provide outsourced services to extensive client base across industries.
- Integrated offerings evolving to enhance value for clients.

**AFRICAN REGIONS**

- Group revenue 24%
- Group operating profit 31%

**Offering**
- Leading distributor of pharmaceuticals and consumer goods in Southern, East and West Africa.
- Capabilities being expanded across the region.

Numbers exclude discontinued operations (Motus and CPG).
INTERNATIONAL

Group revenue
49%

Group operating profit
31%

Offering
- Transportation management (shipping/road).
- Leading capabilities in chemical and automotive industries.
- Specialised express distribution capabilities.

In-country operations
Countries serviced through partnership network
Pharmaceutical and consumer health distributors
Consumer goods distributors
Freight management
Sourcing and procurement
Our business model

The effective operation of our business supports efficient industry supply chains and the relevance and competitiveness of our clients, which in turn drives real economic activity and quality of life through the efficient movement of goods.

**Inputs**

**Financial capital**
- Provided by equity and debt investors, whose investment theses are guided by analysts and rating agencies and the strategic decisions of management.
- Our ability to generate cash.
- Optimal funding mix provides liquidity to fund working capital, tangible and intangible assets (specifically customer contracts, goodwill and IT) and long-term growth, balanced against our stated dividend pay-out policy.

**Human and intellectual capital**
- Provided by our over 27,000 employees whose level of engagement, relevant skills and diverse ideas determine the efficacy of our business plans, and their willingness to align with the desired culture.
- Our “ONE Imperial – one business, one brand” approach to drive a culture characterised by a delivery and client-driven mindset, ethics, collaboration, agility, inclusion and innovation.
- Management focus on accelerating race and gender diversity to transform our succession pipeline, and achieve a workforce that represents country demographics and aligns to our client’s requirements.
- IT and innovation strategy focused on leveraging standardised and customised digitalisation as an enabler and a disruptor to drive client-centricity and flawless execution, and the newly created USD20 million innovation fund to invest in disruptive innovation.
- Responsible management of organisational change and restructuring.

**Manufactured capital**
- The fixed and moveable assets owned by the group, and the transport assets of sub-contractors that provide flexibility in responding to client requirements.
- National transport infrastructure and utilities required to operate, particularly roads in Africa and waterways in Europe.

**Relationship capital**
- Provided by all stakeholders, including our clients and their customers and business partners who are a critical link in the group’s ability to deliver to clients’ expectations.
- Constructive relationships with regulators, governments and local communities in the 32 countries in which we operate, which determine our local relevance, and our reputation as a well-governed and ethical group, which multinational clients consider to be a competitive advantage.

**Natural capital**
- The management of which is influenced by the expectations of clients, regulators, non-profit organisations and civil society.
- Management of the impact of weather patterns that affect the flow and transportation of goods, which present both risks and opportunities for our businesses.

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**Our business activities and outputs**

Our customised solutions encompass freight management, contract logistics and distributorships.

---

**End-to-end value chain**

1a Raw materials
1b Packaging
2 Manufacturing
3 Warehousing
4 Distributors
5a Formal retail
5b Informal retail
6a Retail services demand generation
6b Retail services demand generation
7a Consumer
7b Consumer

---

Imperial Logistics Integrated Annual Report 2019
The group's legitimacy as a well-governed international group and ethical corporate citizen, in our industries and markets, is fundamental to our ability to secure the capitals we need to unlock value and to manage our impacts on these capitals, to derive the outcomes our stakeholders expect.

We collaboratively design and deliver solutions that give our clients access to growing markets, and ensure their ongoing relevance and competitiveness.

Managing our environmental impact
- Greenhouse gas emissions associated with our transportation activities are the biggest contributor to our carbon footprint and the most material impact of our business activities.
- Businesses that operate in the chemical and food industry are high users of water which is needed to meet stringent cleaning specifications and to refrigerate cold storage products.
- Waste management and guarding against environmental contamination are key priorities as we transport chemicals, liquids and gases and dispose of high quantities of hazardous and non-hazardous lubricants and hazardous waste materials from servicing vehicles, ships and equipment.

Our strategy centres on Africa, and is designed to achieve a unified group able to deliver sustainable growth and targeted returns, to deepen competitiveness and relevance, and to retain market and industry legitimacy.

Our embedded enterprise risk model identifies and assesses existing and emerging risk and associated opportunities where effective risk management can be turned into a competitive advantage.

Our strong, diverse and independent board, with the relevant expertise and experience, ensure good governance and control structures that enable and protect our value and legitimacy across our operations.

Our context

Read more on page 08.

Outcomes

Financial capital
- Continuing revenue of R49,7 billion, 74% foreign – up 6%.
- Continuing operating profit down 9% to R2,5 billion at a margin of 5,0%.
- Balance sheet management remains sound with sufficient headroom in terms of capacity to fund strategic organic and acquisitive growth plans.
- Continuing net debt to EBITDA of 1,6 times for the 12-month period.
- Generated good free cash flow; free cash conversion of 72%.
- Total F2019 dividend of 244 cents per share, 45% of continuing HEPS.
- Distributed R1,2 billion to providers of capital.

Human and intellectual capital
- Attracted industry experts across the group, indicating positive perception of strategy and value proposition.
- Robust controls to ensure safe working conditions for our employees underpins our aspiration to be an employer of choice in our markets.
- Two road fatalities reported, in South Africa only.
- Black representation in top and senior management in South Africa of 47% and 28% respectively.
- Women representation in top and senior management across the group improved by 1 basis point (bps) and 15 bps respectively.
- R192 million annual training spend (2018: R166 million).
- Created wealth per employee of R566.
- Voluntary employee turnover (excluding consumer packaged goods (CPG) business) of 21% in South Africa due to restructuring.

Manufactured capital
- Continued investment in specialised assets to ensure product responsibility, road safety and environmental benefit.
- Reinvested R471 million for future expansion.

Relationship capital
- Renewal rate on existing contracts in excess of 90%, indicating client satisfaction and our relevance.
- 2019 scorecard expected to improve to Level 3 rating against the Department of Trade and Industry’s broad-based black economic empowerment (B-BBEE) Codes of good practice (dti Codes) and a Level 2 rating against the Road Freight Sector Codes.
- Distributed R0,6 billion to governments.
- Included in the Vigeo Eiris’ top 100 Best Emerging Markets performers ranking, which assesses integration of social, environmental and governance factors with strategy, operations and management.
- Included in FTSE Russel Index Series which assesses environmental, social and governance performance, with an overall score of 3,7 out of five.
- No material instances of non-compliance with laws and regulations.

Natural capital
- Fuel usage down 12%.
- Total Scope 1 and 2 CO2 emissions down 11%.
- Water consumption in Africa down 17%.
The logistics industry serves the dynamic needs of a complex world, playing a pivotal role in the global economy, connecting manufacturers and consumers, and directing the flow of goods and services. The industry evolves continuously, lowering its cost to serve and enhancing its effectiveness, to remain resilient to disintermediation and disruption.

Trends in global logistics
Third-party logistics provide high reliability at low cost and remain a fundamental driver of growth in the global logistics industry. Over the next five years, logistics costs are projected to grow at a compound annual growth rate (CAGR) of 6.7% (2017 to 2022), with the highest growth areas expected in emerging markets including Africa (CAGR: 7.5%), India (CAGR: 10.1%), and China (CAGR: 10.6%).

Logistics costs are impacted by the quality of physical infrastructure, the sophistication of communication systems, the adoption of technology and the presence of bureaucratic hurdles. As a result, logistics costs as a percentage of gross domestic product (GDP) tend to be lower in advanced economies compared to emerging markets.

Driven largely by growing supply chains and increased consumption in emerging markets, along with the impact of next-generation technologies, current shifts in global trade mean that the costs and risks of international operations are also shifting. Inexpensive, instant communication has lowered transaction costs and increased trade flows. However, a growing reliance on leveraging new technologies and innovations for efficiencies makes for a highly fluid and competitive market space in which industry expertise and workforce skills are becoming increasingly important. End-to-end capabilities are growing in importance in a fast-digitalising industry, allowing technological benefits to be maximised across integrated supplier networks.

Global logistics providers will benefit from capturing value across multiple value chains, regionalising to increase speed and efficiencies, ensuring flexible and resilient operational and business models, building closer and more balanced relationships with suppliers and clients, and developing capabilities in emerging and growing regions.

Key drivers for projected robust growth of the logistics industry in emerging markets include:
- Significant infrastructure investments and economic development driven by changing demographics.
- Growing urbanisation.
- Increased consumption of fast-moving consumer goods (FMCG).
- The emergence of new distribution channels (e-commerce).
- Re-design of complex supply chains to reduce time-to-market.

A truly international business
With two-thirds of its operations positioned outside of South Africa, Imperial Logistics’ focus as an international group is on its vision to be the strategic partner of choice, specialising and enhancing its capabilities in distributorships, freight management and contract logistics in selected industry verticals, mainly in emerging markets.

Revenue* generated outside South Africa increased 9% to R36.6 billion (74% of group revenue) and operating profit generated outside South Africa decreased 11% to R1.6 billion (63% of group operating profit) in F2019. Prior to unbundling, Imperial Holdings’ operations outside of South Africa accounted for 45% of group revenue and 37% of operating profit.

While we remain the largest logistics provider in South Africa, our scale and footprint limits our opportunities to grow in this market. Therefore, our acquisitive growth strategy will remain focused on growing our business outside South Africa. The group will continue to invest in capabilities that support the growth of target industry verticals in Africa – mainly in healthcare, consumer, chemicals, industrial and automotive – and will invest in capabilities in select new emerging and developed markets. We will leverage expansion opportunities with multinational clients that recognise us as emerging market or specific industry specialists, and likewise leverage our proven capabilities to expand into new emerging markets such as the Middle East, Eastern Europe, India and Asia where trade growth with Africa continues to expand.

* Excluding businesses held for sale in Imperial Logistics.
Our regional context

South Africa
Material macroeconomic factors affecting our South African operations included persistently poor economic conditions, low consumer spending, and fuel price volatility – all of which translated into exceptionally low volumes across most sectors. Load shedding during the year impacted production activity in many sectors, which also negatively affected our volumes.

Government’s growth plan is unlikely to stimulate growth in the short term and high unemployment levels continue to plague the country. The impact of this lacklustre trading environment on operations has been reduced volumes and ongoing competitive and client pressures, particularly in the consumer-facing, healthcare and manufacturing client base. We continued to face margin pressures from clients.

The scale and specialisation of our end-to-end value chain offering, and our efficiency following extensive rationalisation, underpins the resilience and growth potential of our South African business in our core industry verticals.

Read more on page 64.

African Regions
Our primary positioning as a leading distributor in the healthcare and consumer space stood us in good stead in the rest of Africa despite subdued growth and lower consumer spending in certain countries.

Our businesses in Nigeria, Ghana, Kenya and Mozambique performed well during the year. Factors negatively impacting performance included a slower than expected economic recovery and parallel imports of pharmaceuticals in Kenya; the ongoing economic recession in Namibia; and the economic crisis in Zimbabwe which resulted in lower inbound consumer goods volumes and outbound commodities volumes that negatively impacted our managed solutions business.

Notwithstanding these mixed trading conditions across the continent, African Regions delivered a good performance, increasing revenue and operating profit for the financial year 2019.

The scale and specialised capabilities of our African Regions business is focused on highly defensive industry verticals, positioning us to benefit from the continent’s increasingly promising but complex trading environment. Specifically, we are leveraging our scope and expertise to provide simplified solutions to multinationals, giving them access to the continent’s potential without having to engage directly with the inherent challenges.

Read more on page 74.

International
Certain sectors in which we operate in Europe – such as steel, manufacturing and automotive – remain under pressure with the threat of US tariffs resulting in reduced exports. In our largest market, Germany, the lowest manufacturing data recorded in seven years, a decline in industrial production and declining business confidence have raised the risk of a recession. One of the main challenges resulting from the current low unemployment rates is finding highly skilled people to work in the logistics industry and the division felt the ongoing pressure of these labour market conditions – which drove higher wage growth in some areas during the year under review.

In F2019, changing weather patterns resulted in the lowest water levels on the River Rhine in Germany in recorded history, which in turn negatively impacted our shipping operation. While water levels have since recovered, we believe this to be a structural change and have accordingly implemented measures to mitigate this impact. The prolonged impact of the implementation of the worldwide harmonised light vehicle test procedure (WLTP) resulted in significantly lower vehicle production volumes in International’s automotive business during the year. In the UK, Brexit increased economic and political uncertainty, depressing consumer demand and activity, and consequently affecting the performance of the express palletised distribution business (Palletways).

A major streamlining of our International business, and ongoing investment in highly specialised capabilities and innovative technologies, will allow us to mitigate the impact of economic uncertainties, leverage our leading positions in key sectors, and prepare for structural shifts in our core industries.

Read more on page 84.
### Industry context

#### Market trends in our core industry verticals

<table>
<thead>
<tr>
<th>Industry</th>
<th>Trends</th>
</tr>
</thead>
</table>
| Healthcare | • Shifts to generics, biopharma and self-medication have maintained sector sustainability.  
• The South African sector is impacted by uncertainty over the implementation of National Health Insurance.  
• The industry in Africa is highly regulated with a shift to product serialisation and increased digitalisation at supply chain and patient-engagement levels.  
• Volume demands across the African Regions remain relatively stable.  
• Significant focus on compliance and governance raises barrier to entry.  

**Experience in quality assurance and providing simplified solutions in Africa increases sector competitiveness.** |

| Consumer goods | • Online platforms are changing consumer behaviour with e-commerce growth being driven by omni-channel solutions.  
• Seasonality, intense competition, low profit margins and price sensitivity characterise the mature South African industry.  
Low consumer confidence levels, high levels of indebtedness and constrained disposable incomes are impacting spending, with increased buying down into “private label” products.  
• Increasing urbanisation in Africa is driving the growth of a young, brand-conscious middle class with disposable income.  
• In Europe, global chains dominate developed urban areas, with local retailers focusing on outlying suburbs, and FMCG manufacturers are adopting collaborative logistics solutions.  

**This fluid and rapidly changing trading environment demands simplified, efficient and low-cost solutions with a focus on supply chain visibility, constructive client partnerships, and agile and flexible operations.** |

| Automotive | • Global production is expected to decelerate further to 1% growth in 2019 and to stabilise in 2020.  
• Innovations like autonomous driving and electrification are creating new opportunities, while threatening traditional industry supply chains.  
• As the country’s prominence as a manufacturing hub increases, major original equipment manufacturers (OEMs) are growing their presence in South Africa.  
• Increasing cost pressures are driven by competition from Asian manufacturers and cheap tyre imports from China and investment in modernising tyre manufacturers’ plants has the potential to create excess capacity.  
• Automotive OEMs are responsible for 8,5% of all the European Union’s (EU) manufacturing employment.  
• The introduction of a new emissions testing procedure in 2018 (WLTP) negatively impacted production levels which remain subdued. Concerns about further WLTP implementation remain, as does policy uncertainty around Brexit.  

**Providing robust, efficient and sustainable end-to-end solutions across the supply chain remain key to logistics operations.** |

| Chemicals | • Innovations in automotive, energy transformation, construction and electronics industries together with globalisation of supply chains, is expected to increase chemical industry growth.  
• The South African chemicals market remains traditional and conservative due to volatility of supply and demand. Subdued economic conditions have led to shrinking volumes.  
• An increasingly competitive landscape is driven by global multinationals considering an increased presence in South Africa and African markets. Demand for chemicals in Europe is expected to increase by 0,5% in 2019.  

**Shifts towards greater service-orientation provide opportunities for logistics businesses to operate as strategic and responsive partners offering supply chain management solutions. Strong client relationships and the ability to develop customised solutions are key drivers of performance.** |

| Industrial | • The integration of sophisticated IT systems, increased supply chain visibility and growing expertise in process flow management (end-to-end) are trends that will support e-commerce expansion, upstream consolidation, increased outsourcing and drive the need for fourth party logistics (4PL) services.  
• A steady decline in fixed investment activity in several sub-sectors in South Africa is due to insufficient domestic market demand, strong competition, rising operational costs and key skills shortages. Government policy and the proposed economic stimulus package is expected to drive future growth.  

**Holistic service portfolios (including value-added services) that are capable of meeting client demands across the supply chain will underpin relevance.** |
**Industry context continued**

### Market trends in other relevant industry verticals

**Energy**
- Increased activity in the biofuels industry can potentially generate significant employment, attract foreign investment and, over time, contribute towards local fuel production that will reduce imports into South Africa.
- Demand for liquid fuels and other alternative energy sources will result in a decrease in overall demand in the medium term.
- South Africa remains the primary supplier of fuels and an important channel into neighbouring and land-locked countries in sub-Saharan Africa.

*The industry has extremely high quality and safety standard requirements together with the appropriate B-BBEE transformation credentials. Certain fuel multinationals insource their transportation operations where specialised equipment is required.*

**Mining**
- South Africa’s mining sector continues to operate in challenging conditions and production levels are expected to remain under pressure despite rising global commodity demand and prices.
- Increasing policy certainty, particularly in respect of the sector charter for B-BBEE, has improved the outlook.

*The logistics segment of the sector in South Africa is characterised by large volume road freight alongside rail transportation provided by Transnet Freight Rail. Road transport presents opportunities for both asset-intensive and asset-light operations.*

### Competitive differentiation centred on agility and customisation

Our group strategy speaks directly to this increasingly promising but complex operational context. Our strategic focus on Africa, and connecting other relevant emerging and developed markets to Africa, within key industry verticals, aims to leverage our market positions, competitive advantages and growth opportunities where they are strongest.

Our specialised capabilities across the logistics value chain allow us to deliver customised and integrated solutions to our clients, with service offerings and operating models tailored to their requirements and market maturity. Our regional capabilities are well placed to meet growing logistics demands and are focused on freight management, the air freight market, ocean freight management, freight forwarding, distributorships and contract logistics.

<table>
<thead>
<tr>
<th>ABILITY TO PROVIDE LOCALLY RELEVANT, ASSET-FLEXIBLE SOLUTIONS PER CLIENT REQUIREMENTS</th>
<th>EVOLUTION OF CAPABILITIES TOWARDS GREATER SCOPE AND INTEGRATION OF OUTSOURCED SERVICES</th>
<th>PROVEN ABILITY TO APPLY RELEVANT AND EFFECTIVE STRATEGIC APPROACHES TO MARKET AND INDUSTRY EXPANSION</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Ability to customise offerings by geography, channel or product segment.</td>
<td>• Ability to execute value-add logistics activities on behalf of clients either as point solutions or integrated solutions, depending on their requirements, defends existing revenue streams.</td>
<td>• Opportunities to develop, transfer or strengthen specialised capabilities and integrated offerings in selected markets and industries.</td>
</tr>
<tr>
<td>• In-depth market knowledge, both in difficult but high-growth African markets and advanced markets in Europe, underpins ability to apply relevant and effective operating models per region that are customised to local market dynamics and available expertise.</td>
<td>• Focused on deepening partnerships with clients by optimising their supply chains, lowering their total logistics costs and strengthening their relevance and competitiveness, supporting contract retention and scope expansion, and countering commoditisation and price taking.</td>
<td>• Deep understanding of client needs, longstanding relationships and proven legitimacy can be leveraged to grow in chosen markets and industries.</td>
</tr>
<tr>
<td>• Ability to develop specialised capabilities and proven legitimacy (by complying with industry and national requirements and objectives) in highly competitive and demanding industries.</td>
<td>• Unique ability to provide access to end-consumers in challenging markets through route-to-market distribution solutions provides significant growth opportunity.</td>
<td>• Proprietary market aggregation model to provide access to smaller markets in the African Regions is a key competitive advantage.</td>
</tr>
<tr>
<td>• Significant progress made in aligning dedicated specialised assets to service longstanding contracts with clients in less cyclical industries.</td>
<td>• Acquisition and development of integrated freight management (IFM) capabilities will allow global coverage to support African trade flows and connect clients through up and downstream selling.</td>
<td>• Success in greenfield development of managed solutions operating model in the African Regions.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Track record in acquiring and integrating acquisitions to add specialised competencies or enter new markets.</td>
</tr>
</tbody>
</table>
Imperial Logistics delivered an unsatisfactory operating performance, growing revenue from continuing operations by 6% and decreasing operating profit by 9%. Results were supported by a good performance from African Regions, offset by weaker operational performances, certain once-off trading costs of c.€4 million or R65 million in International, and the once-off costs associated with our business rationalisation and restructuring in our South African and International operations of c.R170 million. Our balance sheet management remains sound with sufficient headroom in terms of capacity, together with good cash generation, for strategic growth.

**Our performance**

- **Continuing revenue**
  - $\uparrow$ 6% to R49.7 billion
- **Continuing operating profit**
  - $\downarrow$ 9% to R2.5 billion
- **Continuing HEPS**
  - $\downarrow$ 7% to 542 cents per share
- **Continuing EPS**
  - $\downarrow$ 105% to 26 cents loss per share
- **ROI of 10.4% versus WACC of 10.2%**
  - (2018: ROI of 12.2% versus WACC of 8.5%)
- **Net debt to EBITDA of 1.6 times**
  - (2018: 1.5 times)
- **Final dividend**
  - 109 cps
  - total F2019 dividend: 244 cps, 45% of continuing HEPS
- **Free cash conversion of 72%**
  - (2018: 87%)
- **Free cash inflow**
  - (post maintenance capex) of R1.4 billion
  - (2018: R1.3 billion)

**Note:**
- Figures are for continuing operations only.
- Return on invested capital (ROIC) and weighted average cost of capital (WACC) are calculated on a rolling 12-month basis.
- HEPS — headline earnings per share; EPS — earnings per share; EBITDA — earnings before interest, tax, depreciation and amortisation; cps — cents per share.

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Imperial Logistics Integrated Annual Report 2019
### Training spend

**R192 million**  
*(2018: R166 million)*

### Product safety

**No material incidents**  
of non-compliance with laws and regulations concerning the health and safety impacts of products and services  
*(2018: none)*

### Black representation in South Africa

47%  
top management against a 2019 target of 33%. 20% of top management are black women

28%  
senior management against a 2019 target of 20%, with 10% being black women

### Gender diversity

17%  
women representation at top management  
*(2018: 16%)*

27%  
women representation at senior management  
*(2018: 12%)*

### B-BBEE scorecard ratings

For our first Imperial Logistics Limited scorecard we expect to achieve:

- **Level 3 rating**  
  measured against the more stringent amended dti Codes

- **Level 2 rating**  
  against the Road Freight Sector Codes

### Safety: South Africa

50% reduction in avoidable fatalities

- **0,210 road accidents per million kilometres**  
  *(2018: 0,278)*

- **0,047 road injuries per million kilometres**  
  *(2018: 0,086)*

- **0,006 road fatalities per million kilometres**  
  *(2018: 0,006)*

### Safety: African Regions

0 road accidents per million kilometres  
as most transportation activities are outsourced to third parties

### Safety: International

0,423 road accidents per million kilometres  
*(2018: 0,253)*

0,172 road injuries per million kilometres  
*(2018: 0)*

0 road fatalities per million kilometres  
*(2018: none)*

### Scope 1 and Scope 2 emissions

**647 995 tCO2**  
*(2018: 727 057 tCO2)*

1 Tonnes of carbon dioxide.

### Fuel consumed

**214 139 231 litres of fuel consumed**  
*(2018: 243 936 788 litres)*

### Water consumed

**419 806 kilolitres of water purchased from municipalities in Africa, of which 95% is attributable to South Africa**  
*(2018: 504 029 kilolitres)*

### B-BBEE scorecard ratings

For our first Imperial Logistics Limited scorecard we expect to achieve:

- **Level 3 rating**  
  measured against the more stringent amended dti Codes

- **Level 2 rating**  
  against the Road Freight Sector Codes

### Safety: International

0,423 road accidents per million kilometres  
*(2018: 0,253)*

0,172 road injuries per million kilometres  
*(2018: 0)*

0 road fatalities per million kilometres  
*(2018: none)*

### Total CSI spend

**R22,2 million**  
*(2018: R17,0 million)*

2 Restated.

### Enterprise development spend

**R27 million**  
*(2018: R26 million)*
Chairman’s letter to stakeholders

Displaying courage and empathy, leadership has navigated an extraordinary amount of change, faced economic headwinds head on, made difficult and bold decisions, and achieved considerable strategic clarity and focus. The diverse composition of the board – and its resultant ability to demonstrate both foresight and insight – has been invaluable and I wish to thank my fellow board members for their ongoing support.

Stronger and better positioned to grow as an international business
With two-thirds of its operations positioned outside of South Africa, Imperial Logistics is now an international business and remains in the top 30 logistics providers in the world. It is capable of significant cash generation that allows it to pay a stable dividend, and it has headroom to grow. Over the past year, we re-centred our strategy on Africa, where our opportunities are greatest and our competitive advantages are strongest. Rigorous realignment of our business has created a group that is stronger and better positioned to withstand economic challenges and to capitalise on compelling opportunities for sustainable revenue growth and enhanced profitability.

Turning to the year, the material macroeconomic and socio-political factors affecting South Africa are well known, and covered elsewhere in our report. In this volatile environment, reduced volumes and competitive and client pressures took their toll on our operations. The socioeconomic backdrop of our African Regions business showed general improvement, but Africa is anything but homogenous and mixed trading conditions across the continent remained the reality. On balance, our unrivalled positions in key markets and defensive industries supported a good performance in the region. In the International business, certain sectors came under pressure with the threat of US tariffs resulting in reduced exports, and declining manufacturing, industrial production and business confidence. In the UK, Brexit increased economic and political uncertainty and continued to depress consumer demand and activity.

The 2019 financial year was undeniably a landmark year for Imperial Logistics as a listed company, and my first year as chairman saw significant changes and strategic progress across the group against a challenging trading backdrop. The year presented the board and management with both arduous circumstances and immense opportunity and I am pleased to report that, collectively, the business and its people have risen to the tough tasks at hand.

Phumzile Langeni – Chairman
The economic deterioration in South Africa and Europe made it clear that our businesses there would need to be pruned back to recover profitability and ensure new growth. The consequent business rationalisation and restructuring in both regions had an measurable impact on many of our people’s lives. As difficult as the decision to close the consumer packaged goods (CPG) business in South Africa has been, the management team is to be commended for acting decisively – as soon as it became clear that the business would not be able to generate sufficient future revenue to meet the cost of its capital demands, management sought the board’s approval to exit this business. The effort made to accommodate as many people as possible and minimise all but the unavoidable retrenchments, and to retain key clients under a sustainable commercial model, demonstrates the responsibility shown in this regard.

Importantly, these changes were achieved without compromising progress on our refocused strategy. We are already experiencing the benefits of simplifying and aligning our organisational structure to deliver on our strategy, with the reorganisation of the operating model to support growth and competitiveness through dedicated commercial and operational focus. As an indicator of the value proposition we offer to our employees, the board is pleased with the calibre of senior managers that have been appointed – both from within our businesses and industry experts from outside. As the new structure settles, we are seeing greater collaboration across the group within our chosen industries, underpinned by an emphasis on our “ONE Imperial – one business, one brand” approach.

The board is pleased to see the benefits of the restructuring already beginning to filter through our operations. This is evident in new contract gains and renewals across our regions. We expect the significant cost reductions and exit from unprofitable businesses and contracts already achieved and ongoing – and the disposal of businesses that are non-core to our strategy under consideration – to bear fruit in our next set of results and support an improving trend in the years ahead.

**Demonstrating real accountability**

A key premise of the unbundling rationale was that it would offer investors greater insight into Imperial Logistics’ business and provide an opportunity to participate directly in its growth story. We have simplified and deepened the disclosure of our financial performance, according to our core capabilities and industries per region. Over the past 12 months we believe we have demonstrated our commitment to transparency and the scrutiny and accountability it invites. Specifically, we have increased the board’s engagement with shareholders by way of a governance roadmap, and appreciated the comments, questions and counsel we received which has already resulted in key changes.

After less than 75% of our shareholders voted in favour of the implementation of our remuneration policy at the 2018 annual general meeting (AGM), our remuneration committee engaged with stakeholders and conducted a detailed review of the group’s remuneration policy and the implementation thereof. This process emphasised the importance of fair and transparent remuneration policies and practices at all levels of the organisation, based on the achievement of clear performance goals and consistent long-term strategic decision-making. We have since made a number of material changes to the group’s remuneration policy and the way we implement it.

The remuneration policy is now better aligned with the interests of shareholders and executives, and its implementation to current best practice, including enhanced remuneration disclosures. We have replaced the annual deferred bonus plan which had no performance conditions, with the conditional share plan which has performance conditions that incentivise long-term sustainable performance; amended all long-term incentive scheme rules to include the reduction or forfeiture of scheme benefits in certain conditions; revised executive short-term incentive conditions; and introduced minimum shareholding requirements for executives and prescribed officers to be phased in over five years.

The board insists that remuneration be linked to measurable results. We will therefore ensure implementation of management’s commitment to systematically develop and introduce relevant and robust key performance indicators (KPIs), to align management scorecards and incentives with delivery of strategic objectives. This is already the case with transformation in South Africa, with the group chief executive officer (CEO) and group chief financial officer’s (CFO’s) KPIs, where 10% of their incentive package is allocated to transformation progress for F2020 and the South Africa divisional CEO’s KPIs will include 30% for B-BBEE performance. KPIs under development will prioritise leveraging capabilities, cross-selling across regions.
and other commercial measures to drive increased competitiveness in all operations to deliver a “ONE Imperial” positioning in terms of our industry verticals, as well as relevant measures for employee engagement and return on investment in innovation.

Our commitment to transparency, a rigorous risk management mitigation approach and a detailed strategic assessment have also informed our decision to close our CPG business, in which deteriorating circumstances made viable turnaround strategies impossible to achieve. The board has further commissioned an independent analysis of the strategies, events and changing circumstances over the years since this business had started to show distress. This is not intended to be an inquisition but rather an opportunity to learn lessons that will be particularly valuable in an operating context where unexpected economic risks continue to threaten the structural stability of our markets.

Closing CPG has left us stronger and able to operate profitably in a very challenging market. It has served as a reminder that short-term remedies do not necessarily ensure long-term sustainability. The challenges Imperial Logistics faced in South Africa and in Europe in the past year indicate no significant recovery in the near future, making it essential that we anticipate the potential impacts more precisely and mitigate them more completely. As a board we will continue to support management in carefully assessing the performance and strategic relevance of both existing businesses and any future acquisitions, particularly in these challenging market conditions, to ensure that all businesses are value-accrative.

**Serving an emerging Africa**

South Africa’s economic weakness is somewhat atypical for Africa where many of our key markets still record healthy growth opportunities, particularly in our chosen industries. This confirms the credibility of our strategic emphasis on Africa, where we are accelerating our growth by adding new capabilities and entering new industry verticals in more regions. At its core, logistics link people with opportunities in the most efficient and cost-effective manner possible. Nowhere is logistics needed more than in Africa.

Our strategy and focus place Imperial Logistics at the centre of a socioeconomic movement for Africa’s advancement. Logistics services do not only create new value by providing essential services to clients, they are also key in unlocking inherent value. We offer our multinational clients a gateway to African consumers, no matter how remote, and also provide Africans with access to global products – helping to integrate Africa into the global economy. With that integration comes the economic opportunities that are already helping to relieve poverty and improving the quality of lives across the continent. Education, healthcare, gender equity – these all follow where economic development opens markets for social development. Here too, growth can create life-changing opportunities for those who are marginalised. We are proud to contribute to the distribution of opportunity, more equity and, hopefully, greater social justice in Africa.

Our African strategy does impact our ambitions for our businesses outside the continent. It requires that our international operations be aligned to effectively and efficiently complement the services we offer to clients within the continent and with its international trading partners. We will therefore invest in capabilities outside Africa that support the growth of our target industry verticals in Africa – mainly healthcare, consumer, chemicals, industrial and automotive. These investments will allow us to leverage expansion opportunities with multinational clients that recognise us as emerging market or specific industry specialists that are well-placed to support them in expanding into new emerging markets. Our International portfolio is accordingly under review which will result in further disposals of non-core business – some such as shipping are more urgent than others. These disposals will result in additional capital for us to invest in strategic acquisitions such as investment in international freight management capabilities, which will allow us to truly be the gateway to Africa.

**Deepening our legitimacy**

The group’s legitimacy as a well-governed multinational group and ethical corporate citizen, in our industries, markets and regions, is fundamental to our reputation among multinational clients, and our other stakeholders alike. It is therefore the premise for our intention to grow and unlock value, and as such it is an explicit strategic aspiration. Our progress in this regard was recognised in the year, with Imperial Logistics named as one of the top 100 Best Emerging Markets performers by international rating and research agency, Vigeo Eiris. Their evaluation assesses the integration of social, environmental and governance factors with strategy, operations and management – focusing on promoting economic performance, responsible investment and sustainable value creation.
Chairman’s letter to stakeholders continued

Legitimacy firstly demands that we maintain our credentials as an industry leader, by providing solutions to complex challenges for our clients that are delivered with consistent excellence. This guards our leading positions and reputation in each of our regions: as a leading logistics provider across the entire supply chain in South Africa; as a leading distributor of pharmaceuticals and consumer goods in Southern, East and West Africa; and as a service provider with a proven ability to meet the highest standards in exacting industry sectors, such as automotive and chemicals, in advanced and emerging markets. Imperial Logistics’ legitimacy is also underpinned by the immeasurable impact that the business has on the lives of thousands of people through its distribution of essential healthcare and food-related products, mainly in Africa. The group’s positions also depend on driving innovation as a critical enabler of our competitiveness, our relevance to our clients and our ability to continually improve and harness disruptive technologies and ways of doing things. Our new innovation fund will enable us to invest effectively in high-potential start-up projects within the supply chain and to commercialise leading logistics technologies.

Grounded in the highest standards of corporate and operational governance, our legitimacy extends to demonstrable corporate citizenship in all its many aspects – actively overseen by our vigorous social, ethics and sustainability committee, and covered in detail in our sustainable development reports. In summary, our responsible and sustainable business approach is rooted in what matters to our wide range of stakeholders. Our commitment to sustainability recognises the interconnected nature of our business, the economy, the environment and society. Over the past year, we continued to integrate environmental, social and governance considerations into our daily operations to ensure sustainable management with a long-term vision.

Furthermore our belief is that ethical conduct, which is at the core of corporate citizenship, is a value enabler as much as it is a protector. As a business that operates in multiple countries in Africa, Imperial Logistics unequivocally condemns the recent outbreaks of violence against foreign nationals, women and children across South Africa as acts that are contrary to the principles and ideals of African solidarity, and are completely against our business values as a responsible corporate citizen.

The board leads from the front in ensuring ethical conduct in all our operations and our stance is uncompromising: we choose to do ethical business even at the cost of competitiveness, especially given our exposure to markets where corruption is prevalent. Our processes are robust, starting with recruitment and due diligence, and including regular internal and client audits as well as a whistle-blowing hotline for the anonymous reporting of unethical incidents. We have zero tolerance for unethical behaviour and have the processes in place to discourage, identify and prosecute wrongdoing.

Besides the array of legislation with which we comply across many jurisdictions, as an international company we aim to apply consistently high standards across our operations that go beyond compliance. The primary policy mechanism that gives expression to this commitment is the group’s Code of Conduct, which takes into account the 10 principles of the United Nations Global Compact, the Universal Declaration of Human Rights, the eight core work standards of the International Labour Organization (ILO), the ILO’s declaration of principles about multinational enterprises and social policy (MNE Declaration), the OECD principles for multinational enterprises and the Responsible Care® Global Charter 4. The code covers conflicts of interest, anti-corruption, fair competition, anti-money laundering and anti-terrorism, the handling of company assets and data protection and security, among other imperatives. It also highlights the importance we place on the health and safety of our employees and managing our environmental impact.

As a South African born group, a feature of our commitment to corporate citizenship is the moral and commercial imperative to accelerate our B-BBEE performance. We are pleased with the employment equity progress made over the past 12 months, specifically with the appointment of black and female executives and managers. Another highlight was the B-BBEE transaction concluded with the Afropulse Group – a wholly black women-owned business – to form Imperial Logistics Advance, which is well positioned to grow in the energy, mining and chemicals industries. We lead our industry as a transformed enterprise in South Africa and our 2019 B-BBEE scorecard is expected to achieve a Level 3 rating against the dti Codes and a Level 2 rating against the Road Freight Sector Codes. We will not rest on our laurels – we have a long way to go as an organisation and as a country to create an equitable and sustainable South Africa in which the black majority can participate meaningfully in the mainstream economy.
Ultimately what we do and how we do it, and the extent to which it deepens our legitimacy and advances our strategy to unlock value for all our stakeholders, rests with our over 27 000 employees. While the organisational effectiveness work of the past years has addressed some of the human resources needs of the group, more must be done to attract, develop and retain a diverse employee complement with the right skills and expertise needed to achieve our strategic aspirations. Our people strategy is being refined to position Imperial Logistics as an employer of choice in all our markets and we are working towards understanding what this means in each region. The board welcomed the appointment of a highly experienced group chief people officer, a member of the executive committee, who will drive the overarching people strategy and integration of world-class people policies and practices in the group.

More broadly, contributing to the wellbeing of the communities in the types of market in which we operate is equally imperative to corporate citizenship. Corporate social investment (CSI), including enterprise development, forms an integral part of our accountability and transformation programmes. Our new group-wide approach takes a more strategic approach to CSI and aims to deepen stakeholder trust, boost employee morale and attract talent.

**Board matters**
It is the board’s priority to demonstrate independence, effectiveness and accountability, and I trust that our stakeholders will agree that we have not been found wanting in a year of being thoroughly tested. We are mindful of the ongoing need to ensure that board composition and succession is in line with strategically relevant skills and experience, race and gender diversity, and unbowed independence. Though the board has been largely stable since the unbundling, we are pleased to welcome two highly accomplished members to our board.

Bridget Radebe and Dirk Reich were appointed as independent non-executive directors on 1 September 2019. Bridget, a qualified chartered accountant, is the CFO of African Rainbow Capital and also serves on the board of Alexander Forbes Group, A2X and Colourfield Liability Solutions. She previously served as a partner at Deloitte, in which capacity she serviced JSE-listed clients including Imperial Holdings Limited. Dirk, a global logistics industry expert, holds an MBA and serves on the boards of DFDS, Skycell, Instafreight, Log-hub and IPT. He previously served as the CEO of Cargolux Airlines International, on the management board of Kuehne & Nagel and as a non-executive director on the board of Panalpina. In 2016, he founded R&R International Aviation which offers strategic advice in the fields of aviation, logistics and e-commerce in China.

Thembisa Skweyiya will be resigning from the board on 31 December 2019. The board thanks Thembisa for her many years of counsel and guidance in her capacity as non-executive director, and wishes her well. As previously announced, Marius Swanepoel retired as CEO of Imperial Logistics on 1 February 2019 and Mohammed Akoojee succeeded him on the same date. Marius continued to serve as an executive director until his retirement on 30 June 2019, and we thank him for his invaluable contribution to the business over many years.

**Outlook and appreciation**
The year saw Imperial Logistics’ necessary alignment to a changing environment and was undertaken to ensure that the company not only survives but thrives in our new reality. We are already seeing the benefits of the changes we have made and our continued commitment to our strategic priorities will see this positive outlook extend over the years to come.

As I expressed at the outset, I owe tremendous gratitude to my fellow board members, and the incisive judgement and dedication they have shown throughout a momentous year. On behalf of the board I also extend my deep appreciation and gratitude to our shareholders, funders, clients and other key stakeholders for your patience and support. My thanks also to the management team and the people of Imperial Logistics around the world for their excellence, commitment and resilience. It was a year of extraordinary change leading up to the unbundling and thereafter, but you ensured that we ended far stronger than when we began.

**Phumzile Langeni**
Chairman
Our leadership

Race diversity

- Black women: 33%
- Black men: 11%
- White men: 56%

Board tenure

- < 3 years: 29%
- 3 – 9 years: 29%
- > 9 years: 29%

Non-executive directors

1. Phumzile Langeni (45)
   Chairman and non-executive director
   BCom (Acc), BCom (Hons), MCom
   A stockbroker by training, Phumzile is executive chairman of Afropulse Group Proprietary Limited, non-executive chairman of the Mineworkers Investment Company Proprietary Limited and Primedia Holdings. Phumzile also serves as an independent non-executive director on some companies listed on the JSE, including Massmart Holdings Limited and Redefine Properties Limited among others. Phumzile was appointed on 16 April 2018 by His Excellency Cyril Ramaphosa, the President of the Republic of South Africa as one of four Special Investment Envoys tasked with raising USD100 billion over a five-year period. Phumzile previously served as an economic adviser to the former Minister of Minerals and Energy, Ms BP Sonjica.

2. Roderick Sparks (60)
   Deputy chairman and lead independent non-executive director
   BCom (Hons), CA(SA), MBA
   Roddy is a former managing director of Old Mutual South Africa and Old Mutual Life Assurance Company (SA), and the former chairperson of Old Mutual Unit Trusts, Old Mutual Specialised Finance and Old Mutual Asset Managers (SA). He is a non-executive director of Truworths International, the lead independent director of Trencor and chairs the board of advisers of the UCT College of Accounting.

3. Peter Cooper (63)
   Independent non-executive director
   BCom (Hons), HDip Tax, CA(SA)
   Peter is the immediate past CEO of RMB Holdings Limited (RMH) and Rand Merchant Investment Holdings (RMI). His early career was in the financial services sector, first as a tax consultant and later specialising in corporate and structured finance with UAL Merchant Bank. He joined Rand Merchant Bank in 1992 as a structured finance specialist and transferred to RMB Holdings in 1997, where he was appointed to the board in 1999. He continues to serve as a non-executive director of RMH, RMI, OUTsurance and MMI.

4. Graham Dempster (64)
   Independent non-executive director
   BCom, CA(SA), Harvard Business School, INSEAD AMP
   Graham has over 30 years’ experience in the financial services industry both in South Africa and internationally. Graham serves as a non-executive director of listed companies AECI (resigned effective 30 September 2019), Long4Life, Motus, Sun International and Telkom SA SOC (resigned effective 30 November 2019).
5. Bridget Radebe (39)
Independent non-executive director
BCom (Hons), CA(SA)
Bridget, a qualified chartered accountant, is the CFO of African Rainbow Capital and non-executive director of African Rainbow Capital Investments Limited and also serves as a non-executive director on the boards of Alexander Forbes Group Holdings Limited, A2X Markets Proprietary Limited, where she is also the chairman of the audit, risk and compliance committee, and Colourfield Liability Solutions Proprietary Limited. Bridget previously served as a partner at Deloitte where she serviced JSE-listed clients including Imperial Holdings Limited as well as other audit clients in the logistics and retail sector.

6. Dirk Reich (56)
Independent non-executive director
MBA
Dirk, a global logistics industry expert, holds an MBA and serves on the boards of DFDS, Skycell, Instafreight, Log-hub and IPT. He previously served as the CEO of Cargolux Airlines International, on the management board of Kuehne & Nagel and as a non-executive director on the board of Panalpina. In 2016, he founded R&R International Aviation which offers strategic advice in the fields of aviation, logistics and e-commerce in China.

7. Thembisa Skweyiya (46)
Independent non-executive director
BProc, LLB (Natal), LLM (Harvard), HDip Tax (Wits)
Thembisa is an admitted attorney to the New York State Bar, USA. She is the past chairperson of Ukhamba Holdings, an empowerment shareholder in Imperial. She is an executive director of Theshka Proprietary Limited. She is currently a director of Liberty Holdings Limited, Woolworths Holdings Limited, Rothschild South Africa Proprietary Limited, and Sumitomo Rubber South Africa.

Executive directors

8. Mohammed Akoojee (40)
Chief executive officer
BCom Acc (Hons), CA(SA), CFA
Mohammed Akoojee was appointed CEO of Imperial Logistics on 1 February 2019. He joined the Imperial Group in 2009, and prior to his current role, served as the acting CEO of Imperial Holdings in addition to his role as group CFO. His previous roles at Imperial included CEO of the Logistics African Regions division and executive director responsible for mergers and acquisitions, strategy and investor relations for the group. Prior to joining Imperial in 2009, Mohammed worked within the corporate finance and investment banking team at Investec Bank and as an equity analyst for Nedbank Securities.

9. George de Beer (46)
Chief financial officer
BCompt (Hons), CA(SA)
George de Beer is the CFO of Imperial Logistics. George joined Imperial in 2005 and held various executive positions in the subsequent years. He was also closely involved with the creation of the African Regions division and his expertise in integrating acquisitions and establishing controls contributed to the evolution of the division from a collection of relatively small transport businesses to the significant business it is today.
Our executive committee

1. **Mohammed Akoojee** (40)
   Chief executive officer
   More information on page 21.

2. **George de Beer** (46)
   Chief financial officer
   More information on page 21.

3. **Hakan Bicil** (48)
   International CEO
   MBA (Logistics)
   Hakan Bicil manages the International business of Imperial Logistics as CEO of Imperial Logistics International BV & Co KG. Hakan was chief commercial officer at CEVA Logistics. Prior to this, he held senior management positions at Panalpina (executive vice-president strategic business development), at the TOLL Group (managing director Europe and Middle East) and at Kuehne & Nagel (senior vice-president global business development).

4. **Esha Mansingh** (33)
   Investor relations and communications executive
   BA (Communication Science), Financial Management (cert)
   Esha Mansingh is the executive responsible for investor relations, communications and sustainability at Imperial Logistics, ensuring that the messaging, marketing and communication with stakeholders is aligned with the strategic objectives and vision of the group. Prior to this role, Esha served as the group head of investor relations and media spokesperson for Imperial Holdings Limited. Esha’s previous roles include the head of investor relations at Kumba Iron Ore Limited, a subsidiary of the Anglo American plc group, and investor relations officer and media spokesperson for Harmony Gold Mining Company. She is also a founding member and director of the Investor Relations Society of South Africa.
5. Cobus Rossouw (50)
Chief strategy officer
BEng (Hons) (Industrial), BCom (Hons)
Logistics

Cobus Rossouw is the chief strategy officer for Imperial Logistics. As such, he is responsible for orchestrating the group’s strategic trajectory and the various strategic initiatives underpinning its execution. He is also responsible to co-ordinate innovation across the business and is the executive responsible for the innovation fund. Before joining Imperial Logistics in 2009, Cobus co-founded and lead Volition which now operates as part of Resolve. Prior to that, Cobus was logistics director of Cadbury South Africa.

6. Johan Truter (46)
African Regions CEO

Johan Truter is the CEO of the African Regions business having previously served as CEO of the Managed Solutions division, where the introduction of an asset-light business model saw the division disrupt the market. His extensive experience in navigating the complex African continent and proven success in developing and implementing route-to-market solutions and value-add logistics see him well placed as a strategic partner to multinational clients wanting to enter and grow in emerging economies. Johan joined the group with the acquisition of Broco in 2004, a business of which he was joint founder and managing director.

7. Nico van der Westhuizen (55)
South Africa CEO
BA (Hons), B Juris

Nico was appointed CEO of Imperial Logistics South Africa in February 2016. He joined Imperial Logistics in May 1994 and has held various leadership positions within the business since then. Prior to joining the group, Nico held various senior management roles at the International Transport Corporation, Langeberg Foods (Tiger Brands) and Sasol.

8. Steve Woodward (60)
Chief people officer
BA, MBA

Steve Woodward is the group’s chief people officer, responsible for driving people-related and human resource initiatives — and for developing and implementing integrated, world-class people policies and practices. An experienced global business leader, Steve has held numerous senior executive positions in large corporations in the US, Europe and Africa. He worked for SABMiller for 20 years in human resources, corporate strategy and senior general management. Prior to SAB, Steve worked in the mining industry for Anglo American and De Beers for 10 years in the fields of labour relations and human resources.
Our governance

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.

Our approach to corporate governance is underpinned by our integrated governance model, which extends beyond compliance. We believe that good corporate governance supports business integrity, ethical behaviour and accountability for decisions that have economic, social and environmental impacts in the short, medium and long term.

We subscribe to, and apply, the principles of good governance contained in King IV. The board believes that the principles and recommended practices are integrated throughout the group to support the achievement of the governance outcomes.

A register of our application of the principles of King IV together with our full corporate governance report is available online.
Our leaders 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 best governance practices, the board continually assesses the group’s governance practices and procedures, and makes adjustments where necessary.

Our board

Ultimate responsibility for governance rests with our board and its committees. The group has a unitary board comprising seven non-executive directors, six of whom are independent, and two executive directors.

The group has a well-constituted and diverse board, with expertise and experience relevant to the strategy and operating context within which the group operates, and the necessary independence and oversight underpinned by strong governance and control processes that support strategic delivery and corporate reputation. The board’s diverse background ensures a wide range of experience in commerce, finance, law and industry. The non-executive directors have the necessary skills and expertise to make judgements, independent of management, on areas such as strategy, performance, business development, transformation, diversity, ethics and environmental management.

The responsibilities of the board are clearly defined in a written charter. The board charter outlines a clear balance of power and authority within the board to ensure that no single director has unfettered powers of decision-making. The responsibilities of the board include guiding and approval 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 has adopted and regularly reviews a written policy governing the authority delegated to group management and matters reserved for decision by the board.

The group underwent material restructuring during the year, culminating in the unbundling of Motus in November 2018. As a consequence, the membership of the board and its committees were reviewed and changed significantly to be more appropriate for an international logistics and distribution business. The board and committees below and over the page reflect the current composition and memberships at publication.
GW Dempster will join the remuneration and nomination committees with effect 1 January 2020. NB Radebe joined the audit and risk committee from 1 September 2019 and D Reich joined the asset and liability committee from 1 September 2019.

A comprehensive record of attendance of current and past members can be found in the full corporate governance report online.

### Board highlights

<table>
<thead>
<tr>
<th>Percentage</th>
<th>Description</th>
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<tbody>
<tr>
<td>66%</td>
<td>of directors are independent</td>
</tr>
<tr>
<td>29%</td>
<td>non-executive directors are newly appointed</td>
</tr>
<tr>
<td>58%</td>
<td>of non-executive directors’ tenure below nine years and 42% nine years and over</td>
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<tr>
<td>33%</td>
<td>of board</td>
</tr>
<tr>
<td></td>
<td>Three female non-executive directors</td>
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<tr>
<td></td>
<td>Wide range of experience in commerce, finance, law and industry</td>
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<tr>
<td></td>
<td>Held SiX meetings, including the annual strategy meeting</td>
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### Committee membership

<table>
<thead>
<tr>
<th>Committee</th>
<th>Members</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audit and risk</td>
<td>GW Dempster, P Cooper, NB Radebe, RJA Sparks</td>
</tr>
<tr>
<td>Remuneration</td>
<td>RJA Sparks, P Langeni, T Skweyiya</td>
</tr>
<tr>
<td>Nomination</td>
<td>P Langeni, RJA Sparks, T Skweyiya</td>
</tr>
<tr>
<td>Asset and liability</td>
<td>P Cooper, GW Dempster, P Langeni, D Reich, M Akoojee, JG de Beer</td>
</tr>
<tr>
<td>Social, ethics and sustainability</td>
<td>T Skweyiya, P Langeni, M Akoojee, JG de Beer</td>
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</table>
Separation of roles and responsibilities
The role of the chairman of the board is clearly defined and separate from that of the CEO through the provisions of the board charter. 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 can have unrestricted powers and that appropriate balances of power and authority exist on the board.

<table>
<thead>
<tr>
<th>Chairman</th>
<th>Lead independent director</th>
<th>Group chief executive officer</th>
</tr>
</thead>
</table>
| • An experienced non-executive director.  
• Presides over the board.  
• Sets the ethical tone of the board.  
• Ensures that the board remains efficient, focused and operates as a unit.  
• Provides effective leadership of the board.  
• Ensures that all relevant information is placed before the board for decision.  
• Free of conflict at the time of his/her appointment.  
• No executive function or responsibility. | • Strengthens the independence of the board.  
• Leads in the absence of the chair.  
• Acts as an intermediary between the chair and other members of the board when necessary.  
• Serves as an additional channel to deal with shareholders' concerns where contact through normal channels has failed to resolve concerns or is inappropriate.  
• Chairs discussions and decision-making where the chairman has a conflict of interest.  
• Leads the performance appraisal of the chairman. | • Responsible for the executive management of the group’s operations.  
• Reports to the board on the group’s strategy and objectives.  
• Accountable to the board and consistently strives to achieve the group’s goals within the framework of delegated authority.  
• Recommends the business plan and budgets to the board for consideration and approval.  
• Has a role and function formalised in a mandate. |

Phumzile Langeni is the current non-executive chairman of the board. She is a shareholder in a B-BBEE partner of the group and is consequently not considered to be independent. The board has therefore established a formal protocol to govern potential conflicts of interest. In addition to the chairman recusing herself where matters in which she has an interest are discussed, in compliance with the Companies Act, any decisions in or regarding the B-BBEE venture that could benefit or be seen to benefit the chairman or her associates are deferred to the unconflicted members of the nomination committee in accordance with the formal protocol. This includes matters such as dividend payments and fundamental business decisions.

Board diversity
The board adopted a formal board diversity policy in 2017 governing 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 now has three black female non-executive directors, comprising 33% of the board.

Changes to the board
Ms P Langeni succeeded Mr SP Kana as chairman at the 2018 AGM. Messrs SP Kana, MV Moosa and A Tugendhaft retired at the 2018 AGM, upon the approval of the unbundling of Motus by shareholders. The board thanks them for their contribution to the company.

Mr OS Arbee retired as CEO and executive director to take up that position at Motus on its unbundling in November 2018 and was succeeded by Mr M Swanepoel. Mr M Swanepoel retired as CEO on 1 February 2019 and as an executive director on 30 June 2019 and was succeeded by Mr M Akoojee. The board thanks Messrs Arbee and Swanepoel for their invaluable contributions in shaping the business over the years.

Mr JG de Beer was appointed as an executive director and group CFO in November 2018.

Mrs NB Radebe and Mr D Reich have been appointed as independent non-executive directors, effective 1 September 2019. The board welcomes them.

Mrs T Skweyiya will be retiring from the board on 31 December 2019. She resigned as a member of the audit and risk committee on 1 September 2019.

Board 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.

The committees, their membership, and attendance in the tables on the following pages reflect the position as at 30 June 2019 since all committees were reconstituted, and the audit and risk committees combined, when the group was restructured and Motus unbundled in 2018.

More information, including details on the divisional boards, is provided in the full corporate governance report available online.
Our governance continued

Nomination committee

Responsibility
Provides advice and guidance on succession planning, director appointments and director induction and training.

Key activities for F2019
• Oversaw the unbundling of Motus.
• Reviewed and implemented post-unbundling board and governance structures, including divisional boards.
• Reviewed board composition, tenure and succession and appointed two new directors to the board.
• Reviewed executive succession plans and considered the appointment of the new CEO.
• Reviewed the group structure and strategy as a focused logistics and distribution business.

Total meetings

<table>
<thead>
<tr>
<th>Name</th>
<th>Total Meetings</th>
</tr>
</thead>
<tbody>
<tr>
<td>P Langeni (chairman)</td>
<td>4</td>
</tr>
<tr>
<td>RJA Sparks</td>
<td>4</td>
</tr>
<tr>
<td>T Skweyiya</td>
<td>2/2</td>
</tr>
</tbody>
</table>

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 nominations committee. New directors are formally inducted to facilitate their understanding of the group.

Board appointment process

Remuneration committee

Responsibility
Advises and guides the board on directors’ remuneration, setting and implementing the remuneration policy, approval of general composition of remuneration packages and criteria for executive bonus and incentive awards, and administration of share-based incentive schemes.

Key activities for F2019
• Stakeholder engagements and roadshows following less than 75% of shareholders voting at the 2018 AGM in favour of the implementation of the remuneration policy.
• Reviewed and approved amendments to the remuneration policy and its implementation.

Total meetings

<table>
<thead>
<tr>
<th>Name</th>
<th>Total Meetings</th>
</tr>
</thead>
<tbody>
<tr>
<td>RJA Sparks (chairman)</td>
<td>4</td>
</tr>
<tr>
<td>P Langeni</td>
<td>4</td>
</tr>
<tr>
<td>T Skweyiya</td>
<td>2/2</td>
</tr>
</tbody>
</table>

More information on the activities of the remuneration committee in the year can be found in the remuneration report on page 96.
Audit and risk committee

**Responsibility**
Assists the board in its responsibilities, covering the internal and external audit processes for the group taking into account significant risks, the adequacy and functioning of the group’s internal controls and the integrity of financial reporting.

Sets the group’s risk culture, framework, strategy and ensures that robust risk management processes are in place.

**Total meetings**

<table>
<thead>
<tr>
<th>Member</th>
<th>Meetings</th>
</tr>
</thead>
<tbody>
<tr>
<td>GW Dempster (chairman)</td>
<td>5</td>
</tr>
<tr>
<td>P Cooper</td>
<td>2/2</td>
</tr>
<tr>
<td>T Skweyiya</td>
<td>5</td>
</tr>
<tr>
<td>RJA Sparks</td>
<td>5</td>
</tr>
</tbody>
</table>

**Key activities for F2019**
The previous audit committee and risk committee were reconstituted as a single committee with combined responsibilities upon unbundling of Motus.

More information on the activities of the audit and risk committee in the year can be found below and in the full annual financial statements online.

**Governance in action**

The substance of statutory duty
The year demanded a high level of involvement from the audit and risk committee in support of Imperial Logistics’ commitment to accountability and transparency. This ensured timeous, accurate communication with stakeholders. Importantly, it also allowed the committee members to develop a far deeper insight into the health of individual operations within the group that now stands in the service of the stakeholders the committee represents.

The Companies Act requires that the audit and risk committee plays a key role in ensuring accountability and transparency. It has prescriptive power and is composed in a manner that ensures that it functions as an independent, objective body. It approves the group risk framework, strategy and appetite and monitors these, and guards the integrity of the financial statements and reporting, as an accurate reflection of the group’s health. It must ensure that robust internal controls are in place to do so.

Imperial Logistics’ audit and risk committee was very involved when it became clear that the decline in trading conditions had left the CPG business in South Africa no longer able to deliver a return above its WACC. The committee’s obligation to stakeholders was paramount when management informed the board that CPG faced insurmountable challenges to its business model. The committee endorsed and recommended that the board approve management’s strategy for dealing with the situation and advised them to communicate transparently and timeously with institutional investors and funders.

The committee took two additional steps. It commissioned an independent analysis of all decisions relating to CPG for the previous three years and provided oversight of management’s review of the group’s businesses that are generating a ROIC at, or below, WACC to reassess their sustainability. Members of the audit and risk committee with specific expertise attended all meetings of the divisional risk and finance committees where these reviews were discussed.
Our governance continued

Asset and liability committee (ALCO)

Responsibility
Responsible for implementing best practice asset and liability risk management policies. Its primary objective is to manage the liquidity, debt levels, interest rate and exchange rate risk of the group within an acceptable risk profile.

<table>
<thead>
<tr>
<th>Total meetings</th>
<th>4</th>
</tr>
</thead>
<tbody>
<tr>
<td>P Cooper (chairman)</td>
<td>2/2</td>
</tr>
<tr>
<td>GW Dempster</td>
<td>4</td>
</tr>
<tr>
<td>M Akoojee</td>
<td>4</td>
</tr>
<tr>
<td>JG de Beer</td>
<td>2/2</td>
</tr>
</tbody>
</table>

Key activities for F2019
More information on the activities of the ALCO in the year can be found below.

Governance in action

The governance of balancing interests
It is the duty of the group’s ALCO, a board sub-committee, to support management in implementing asset and liability risk and capital management best practices founded in an uncompromising commitment to ethics. The realities Imperial Logistics faced over the year tested this ability to balance the immediate needs of people in the group’s employ with the long-term interests of all current and future stakeholders. Finding that balance demanded maturity and realism that could never be codified in policies, practices or even ethical guidelines.

Imperial Logistics benefits from highly sophisticated and extensive asset and liability management systems and risk management practices across all its divisions. At this level, funding requirements are weighed against means, risks are analysed and contingencies are considered within the guidelines and policies determined by ALCO. The insights of these committees help divisional management to maximise opportunities and overcome challenges, contributing to both day-to-day operational planning and longer-term strategy development.

The role of group ALCO focuses on asset, liability and capital management on a group basis with its main objectives being the management of capital, liquidity, interest rate, price and foreign exchange risk. It meets every quarter and follows a comprehensive risk management process. It focuses on the rise and fall of opportunities and pressure points for the group as a whole. It develops and determines risk management strategies and policies as well as exposure limits and counsels management on goals, risk tolerance and measures that are appropriate to balance opportunity and risk. ALCO provides guidance to the group treasury who is responsible for implementing its directives. It also affirms and refines management strategies for acquisitions and disposals. It is, primarily, a highly specialised advisory as well as a risk management and monitoring committee – a sounding board for management – that draws on the deep expertise of its members.

In the last year, stark economic indicators exacerbated by perpetual socio-political ills, demanded that management face uncomfortable truths that demanded difficult decisions. As their counsel, it was the committee’s duty to interrogate, advise and support management when the ends of business viability and of protecting the livelihoods of many of their colleagues could no longer be met in the CPG business in South Africa.

That realisation crystallised, in particular, as CPG’s ability to contribute sustainable value to Imperial Logistics dissipated due to economic shock, rising risk, client pressure and disintermediation. Strategies that had been credible before rapidly failed the pressure test of an even harsher environment. A year before, duty to company and stakeholders demanded that management follow through on turnaround strategies anchored in realistic potential. This year, maturity demanded the courage to face the reality that a culmination of adverse events – a perfect storm of increasing pressure from existing customers and failures to win new contracts – had erased that potential for CPG.

Once management had reached the conclusion that CPG could not continue to operate without jeopardising the rest of the group, ALCO assessed the impact on the group’s capital structure and liquidity and took responsibility for ensuring that funders were formally, and timeously, informed of our decision to exit this business in South Africa. This proactive engagement allowed the group to confirm the expected impact with our lenders and to inform them that financial covenants would not be breached as a result of the decision. The committee also supported management in analysing the impact that impairments would have on Imperial’s long-term prospects. However, the analyses left management and ALCO optimistic that the company is now stronger and has significant headroom to grow.
Social, ethics and sustainability (SES) committee

**Responsibility**
Assists the group in discharging its social, ethics and sustainability responsibilities and implementing practices consistent with good corporate citizenship.

**Total meetings**

<table>
<thead>
<tr>
<th>Name</th>
<th>Meetings</th>
</tr>
</thead>
<tbody>
<tr>
<td>T Skweyiya (chairman)</td>
<td>4</td>
</tr>
<tr>
<td>P Langeni</td>
<td>2/2</td>
</tr>
<tr>
<td>M Akoojee</td>
<td>4</td>
</tr>
<tr>
<td>JG de Beer</td>
<td>2/2</td>
</tr>
</tbody>
</table>

**Key activities for F2019**
- Monitored activities relating to good corporate citizenship, the environment, health, safety, sustainability and CSI.
- Considered consumer relationships, including the group’s advertising, public relations and compliance with consumer protection laws.
- Monitored labour and employment with a focus on transformation.

More information on the activities of the SES committee in the year can be found below.

**Governance in action**
Creating value by driving an ethical, responsible and empathetic culture

The SES committee has a statutory mandate to ensure that citizenship and stewardship are intrinsic to the group’s daily business conduct. It connects and contextualises all board guidance and oversight, bringing a social conscience to decisions and it ensures that these are faithfully implemented across a broad operating base. It is the guardian of the trust that stakeholders have in the group and the protector of its reputation, which is both a licence to operate and a competitive advantage.

To ensure that the committee balances independence with practical implementation, it comprises a non-executive chairman, the non-executive chairman of the board, the group CEO, group CFO and other management participants. Together, non-executive and executive members of the committee ensure that its broad mandate, which equates to being the group’s social conscience, is translated into practical policy instruments and approaches that frame board and management thinking.

Vigorous monitoring through well-established reporting lines and against relevant frameworks and indicators, ensures implementation of policy at group and divisional levels. Accountability to these frameworks is the litmus test for the group’s credibility as a well-governed and ethical corporate citizen. Its aspirations as a global player and as a strategic partner to multinational clients, whose own reputation can be enhanced or damaged by those they choose to do business with, is contingent on demonstrable progress against these recognised international and local benchmarks.

In particular, the group’s commitment to ethical conduct, without exception, enables it to acquire business in countries where regulation is underdeveloped and governance standards are inconsistent. It ensures that the group secures and renews business with high-quality clients and attracts high-calibre leaders and employees. Acting with uncompromising integrity begins with the group’s leaders who set the correct tone from the top, and extends into its business practices, not only as a moral imperative but also a commercial one. The closure of the CPG business in South Africa was a significant event during the year, which exemplified the committee’s contextual role. While the decision was unavoidable in view of the financial and competitive unviability of CPG, it was a difficult decision for the board and management. Throughout the process, the SES committee joined other board committees in ensuring that the interests of stakeholders, specifically those of employees and clients, were kept front of mind both in managing the process and especially in finding the most viable and responsible outcome – balancing what needed to happen with how it was done.

We remain committed to applying best practice safety measures and advanced safety technology to ensure the safety of our drivers and other road users. However, given the nature of our business, certain road safety incidents are not always within our control and could result in volatility in our safety statistics going forward.

The guidance, oversight, policy direction and monitoring of a broad ambit of initiatives by the SES committee give substance to its moral mandate: to balance Imperial’s need to compete for limited resources in the interest of commercial success, with the need to sustain the health of the ecosystem in which the group operates, with its interconnected social, economic and natural elements. The committee accepts its duty to support stakeholders in reinforcing their own sustainability. Indeed, the challenge of the SES committee is not merely to fulfil its statutory duty to ensure that Imperial is on the prescribed track, but that the group contributes to achieving social, economic and environmental justice in its local and global spheres of influence.
Our strategy

ONE Imperial

Our vision

With two thirds of our operations positioned outside South Africa, our focus as an international company is single-mindedly on our new vision:
To be the strategic partner of choice, specialising in distributorships, freight management and contract logistics in selected industry verticals mainly in emerging markets, unlocking value for all stakeholders.

Our aspirations

Build

ONE Imperial group

Grow

sustainable revenue and achieve targeted returns

Deepen

competitiveness and relevance

Retain

our industry and market legitimacy

Our strategy is focused on delivering sustainable revenue growth, enhanced returns and improved competitiveness over the short, medium and long term.
Core strategic initiatives

— IN THE SHORT TERM

Grow in Africa
- Build on existing and expand into new capabilities.
- Focus on strategically aligned industries.
- Invest in existing and new geographies that complement our capabilities, industries and client base.
- Evolve client engagement by investing in technology enablement, industry and capability expertise.

Strategically align our International portfolio with our core competitive advantage, being Africa
- Review the Logistics International portfolio.
- Explore further disposals of non-core assets.
- Invest in new areas that support our African growth strategy.

— IN A PHASED APPROACH

Invest in international freight management (IFM)
- Acquire, partner or build IFM capability for international coverage to support African trade flows.
- Acquire, merge or partner with an existing IFM network that has a well-established presence in key markets.
- Leverage existing internal demands to add capability and connect clients through up and downstream selling.

Invest in capabilities in select new emerging and developed markets
- Develop specialised contract logistics and freight management capabilities.
- Enable supply into Africa; leveraging African networks.
- Expand into new emerging markets by partnering with multinational clients.
- Leverage proven capabilities and experiences as emerging markets specialist to expand into new markets.

Expand distributorships
- Access local experience and adequate scale through selective acquisitions.
- Focus initially on healthcare and consumer industries.
- Consider opportunities in new industries and geographies where relationships can be leveraged.
- Expand into additional emerging markets to meet multinational client requirements.
- Create cross- and up-selling opportunities over time through adding existing or new capabilities to the network.

Delivered by our regional operations

South Africa
- Reorganise operating model by target industries to support client-centricty.
- Accelerate transformation.
- Optmise core capabilities.
- Deliver organic growth, leveraging asset flexibility.
- Leverage investment in B-BBEE partnerships.

African Regions
- Expand the multi-market aggregation model that delivers simplified solutions in healthcare in Africa.
- Use targeted acquisitions and strategic partnerships with clients to enhance scope of services and expand geographical reach.
- Drive category optimisation in our distributor businesses to ensure a balanced portfolio to stay relevant in markets of operation.
- Expand capabilities and services to enhance service offering and drive revenue opportunities.
- Evolve client engagement to become best-in-class distributor and strategic partner.

International
- Align portfolio to group strategic positioning and competencies.
- Acquire IFM capability to offer end-to-end solutions in supporting trade flows in and out of Africa.
- Expand presence into select new emerging markets by acquiring new capabilities and geographies.

Measured by our strategic KPIs

- Returns: ROIC = WACC + 3% for the group
- Revenue and operating profit growth:
  - South Africa: 2 times GDP plus inflation
  - African Regions: low double digit
  - International: 2 times GDP plus inflation
- Gearing: net debt to EBITDA of <2.5 times through the cycle
- Free cash flow conversion: 70% – 75%
- Debt capacity: R3 billion – R5 billion (excluding cash from future disposals)
- Dividends: c.45% of continuing HEPS
- Embed ONE Imperial culture, based on “one business, one brand” thinking
- Leverage talent and growth opportunities for employees across the group
- Standardise people policies and practices across the group, aligned to global best practice
- Attract, develop and retain employees with the right management and technical skills to drive strategic delivery and propel future growth
- Improve transformation and diversity across the group
- New client and contract gains as a result of enhanced capabilities
- Increase share of business from existing clients

Supported by our key enablers

People		Processes	SYSTEMS	Innovation
Our risks

Imperial Logistics has an embedded enterprise risk model to identify and assess current and emerging risks where effective risk management can be turned into a competitive advantage.

**Risk management approach**

Risks are assessed against the group’s risk appetite and tolerance levels, which are updated on an annual basis and approved by the group’s audit and risk committee. The risk management process considers both the internal and external environment, and the potential effects of the risks on our business strategy, financial condition and operational performance, and reputation. Risks are assessed from both a quantitative and qualitative perspective.

The group risk profile is determined by:

- Reviewing the underlying divisional and operational risk registers.
- Discussing and assessing risk profiles with relevant managers.
- Reviewing the current and future business environment in which we operate to identify emerging risks.
- Reviewing and discussing identified risks with assurance providers (internal and external audit and compliance) to highlight key risk categories with a material inherent impact on the group and our operations.
- Detailed risk review and oversight at divisional financial and risk review committees (FRRC) as well as the group audit and risk committee.
- Reviewing of benchmarks and current topical global developments.
- Reviewing strategic and emerging risks themes.

Risks are assessed at strategic, business and operational levels using both a bottom-up (operational level) and top-down (group level) approach, to establish the impact and likelihood of the identified risks, together with actions required to mitigate and control these risks and to leverage any related opportunities.

*Read more in our full corporate governance report available online.*
Emerging risks

Emerging risk processes that identify, quantify and mitigate risks that affect, or are inherent to strategic objectives and execution, are being introduced to enhance our existing risk management approach. This process considers longer-term strategic risks relating to the industries and geographies in which we operate and the capabilities and service offerings we provide to our clients.

A summary of the emerging risks identified include:

<table>
<thead>
<tr>
<th>Strategic</th>
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</thead>
<tbody>
<tr>
<td>• Increased scrutiny and investor activism driven by corporate governance failures.</td>
</tr>
<tr>
<td>• Ability to effectively implement strategic initiatives and realign focus to deliver on our new vision.</td>
</tr>
<tr>
<td>• Managing reputation and maintaining customer loyalty in challenging operating conditions.</td>
</tr>
<tr>
<td>• Understanding and effectively mitigating cyber vulnerabilities.</td>
</tr>
<tr>
<td>• Assessing the impact of climate change on operations.</td>
</tr>
<tr>
<td>• Speed of disruptive innovation and the potential impact on business models and processes.</td>
</tr>
<tr>
<td>• Third-party reliance that may result in business disruption and compliance breaches.</td>
</tr>
<tr>
<td>• Managing possible business disruption during integration of acquired businesses.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Industry</th>
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</thead>
<tbody>
<tr>
<td>• Retail (and wholesale) supply chain consolidation reducing the influence of CPG brand owners (manufacturers and importers) on demand and supply chain management resulting in disintermediation of logistics service providers.</td>
</tr>
<tr>
<td>• Potential large-scale adoption of automated electric vehicles and its impact on the scale, process and locations of activities in the global automotive value chain.</td>
</tr>
<tr>
<td>• Market access and security of supply imperatives and their impact on the priorities of healthcare suppliers (multinational and local) and funders (donors and governments) impacting our distributor, and sourcing and procurement operations in Africa.</td>
</tr>
<tr>
<td>• Geopolitical uncertainty and possible changes to trade agreements and their impact on industrial manufacturing and flows of goods impacting our industrial and automotive operations in Germany.</td>
</tr>
<tr>
<td>• Changes in consumer behaviour shaping the channels of product supply in various industries (eg e-commerce) and our agility to anticipate and adapt our relevant business models.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Geography</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Regulatory changes impacting the productivity and cost-effectiveness of transportation management operations (eg working hours, payload, emissions).</td>
</tr>
<tr>
<td>• Changes to European inland water levels and the impact on the shipping businesses.</td>
</tr>
<tr>
<td>• Brand owners in-country product ownership preference and the impact on the exclusivity of distribution management or route-to-market service offerings.</td>
</tr>
<tr>
<td>• Business-to-business (B2B) digitalisation enabling new logistics outsourcing business models and its impact on our clients’ buying behaviour and the disintermediation of service providers.</td>
</tr>
<tr>
<td>• Our clients’ logistics management capabilities (people, processes and systems) and the impact on logistics outsourcing or effectiveness.</td>
</tr>
</tbody>
</table>
## Top business risks

<table>
<thead>
<tr>
<th>Risk exposure</th>
<th>Potential impact</th>
<th>Response</th>
</tr>
</thead>
</table>
| Exit the CPG business in South Africa             | • Delays to finalise exit may result in additional management oversight and effort being needed.  
• Ability to minimise the impact on employees and clients may be limited.  
• Impact on South African head office structure and ability to recover fixed costs.  
• Impairment and closure cost provisions may be incorrectly estimated.  
• Contagion risk due to the decision to exit CPG may impact the profitability of our other South African operations.                                                                                                                                                                                                                                                                                                                                          | • Appointed a business closure specialist to oversee the exit.  
• Ongoing monitoring of closure costs and provisions.  
• Viable dedicated contract clients are being reallocated to other South African operations that do not operate on a multi-principal warehouse basis.  
• Additional security measures implemented for safeguarding premises and inventories.  
• Ongoing engagement with employees, unions and clients.                                                                                                                                                                                                                                                                                                                                                             |
| Slow or negative growth in areas of operation     | • Exposure to a variety of domestic and global economic and market conditions may impact on business activity and therefore profitability.  
• Slow growth in markets, currency volatility and lower consumer demand with higher indebtedness increases pressure on volumes and margins.                                                                                                                                                                                                                                                                                                      | • Ongoing principal profitability reviews to assess growth potential.  
• Regular management review of volumes and margins and ongoing identification of financial and operational synergies to extract efficiencies and opportunities for further cost containment.  
• Embed new operating model to build a client-centric approach and the ability to adapt to market changes.  
• Implementation of new operating model under the recently appointed chief commercial officer to provide dedicated focus to business development and operational excellence, supporting competitiveness and growth.  
• Regular review of business development and sales capabilities.  
• Offering substitute products and pharmaceutical generics in distribution businesses to maintain market share and benefit from consumers buying lower-cost products.                                                                                                                                                                                                                   |
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<thead>
<tr>
<th>Risk exposure</th>
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<th>Response</th>
</tr>
</thead>
</table>
| **Access to skills and talent** | • Low unemployment rates in the EU are driving increasing wage costs and making it difficult to recruit required talent.  
• Shortage of truck drivers and shipping crews in the EU may result in existing operational capacity not being fully utilised.  
• Besides leadership skills, operations depend on specialised technical and client facing skills which are in scarce supply.  
• Limited pool of qualified skills in African markets and an ageing skilled working population in Europe pose a challenge to resourcing growth strategies. | • Implement best people practices to become an employer of choice in all regions.  
• Invest in new recruiting concepts to deepen our talent recruitment pool.  
• Reduce share of temporary employees by replacing them with permanent staff to retain skills and experience in the business.  
• Initiatives focused on staff retention and focusing on improving employee value proposition. |
| **Turnaround or exit**         | • Turnaround plans for underperforming operations may require significant management attention and effort to deliver.  
• Underperforming operations may not meet ROIC/WACC hurdle levels, and therefore miss budgeted returns and profits.  
• Inability to appropriately manage capital levels and contain costs may constrain growth.  
• Market factors including increased competition and the heightened risk of disintermediation by clients may also constrain profitability and business model viability.  
• Dependence on fewer profitable contracts or clients poses significant financial risk in case of non-renewal. | • Strict review of capital requirements and asset mix, overseen by ALCO.  
• Investigate opportunities to leverage buying power through centralised procurement processes to create operational efficiencies.  
• Strengthen management of underperforming operations.  
• Continued close oversight of operating performance by group management.  
• Negotiation with clients to implement pricing changes are under way.  
• Consider disinvestment of underperforming operations or those that are not strategically aligned, to release capital for growth. |
| **Climate change**            | • Low water levels result in less cargo being transported per trip, decreasing capacities and increasing short-term costs in our shipping business.  
• Extreme weather conditions have the potential to disrupt transport routes, while creating an opportunity to enter food import markets during droughts. | • Development of low water vessels in partnership with clients.  
• Fairer risk-sharing of the costs of low water levels with clients are being implemented with some compensation in F2019. |
<table>
<thead>
<tr>
<th>Risk exposure</th>
<th>Potential impact</th>
<th>Response</th>
</tr>
</thead>
</table>
| B-BBEE status of South African-based operations | • Failure to achieve set targets and accelerate transformation may impact competitiveness and sustainability as clients may not renew contracts.  
• Potential exclusion from participation in new tender and contracts may constrain future growth. | • Active monitoring and oversight of B-BBEE scorecards.  
• Clear initiatives in place to meet employment equity and skills development targets.  
• Leverage Imperial Logistics Advance B-BBEE ownership credentials to win work in the energy, mining and chemicals industries. |
| Volatility of currencies, particularly global currency instability and local currency devaluation | • Exchange rate fluctuations may impact the competitiveness and profitability of imported products through the inability to compete on price with local manufactured products. This could negatively impact our margins and resulting returns from operations.  
• Availability of hard currency to pay suppliers of imported products and ability to source foreign currency and hedges at competitive rates.  
• Uncertainty of the impact of Brexit on the British Pound. | • Active management of currency volatility through a hedging strategy (using forward contracts, buying hard currency and/or option strategies), supported by established policy and governance structures.  
• Foreign currency exposure is actively managed by treasury and management, including through restructuring payment terms and sourcing funding in-country.  
• Ongoing scenario analysis to understand potential impact.  
• Ability to re-price products to mitigate the impact of weakening currencies.  
• Preferential pricing and margin support from principals are negotiated to mitigate the impact of the cost of foreign exchange cover on margins. |
<table>
<thead>
<tr>
<th>Risk exposure</th>
<th>Potential impact</th>
<th>Response</th>
</tr>
</thead>
</table>
| **IT strategy and execution of architecture, systems and applications** | * Legacy of decentralised IT systems and infrastructure poses risk of IT system failure, potential loss and manipulation of data.  
* IT architecture may fail to appropriately address internal and external user requirements.  
* Inability to deliver new IT solutions may result in loss of competitive differentiation and operational effectiveness. | * Divisional executive committees (including the divisional chief information officers (CIO)) undertake regular IT strategy alignment reviews per division to ensure appropriate regional IT strategies.  
* Board oversight and monitoring of material IT projects.  
* ALCO approval of innovation fund budget, structure and investment thesis, and audit and risk committee reviews performance annually to ensure that the book value of the USD20 million for investment is recoverable.  
* Formal project governance in place consisting of relevant steering committees per project.  
* Ongoing management of disruption due to system implementation to improve IT architecture. |
| **Cyber risk** | * Increased cyber vulnerability exists due to higher data volumes, increased networking technology and dependency on IT.  
* Risks include threat of loss of company and client data; IT failures, manipulation of systems and data and increased risk of fraud. | * Regular workshops with IT, legal, quality management and insurance providers to identify and assess cyber risks.  
* Risk committee review initiatives implemented monthly to further minimise exposure to cyber risk.  
* Group cyber risk awareness campaign rolled out in certain areas of the business with the remainder to be rolled out in the third quarter.  
* Training of staff on the EU’s General Data Protection Regulation completed, and necessary steps are in place to comply.  
* Security policies are implemented across the group. Currently reviewing group security policies with completion by H2 F2020.  
* Network monitoring is ongoing by divisional CIOs and IT community.  
* Perform an independent third-party capability maturity assessment to assess readiness for cyber threats and attacks with for completion by H2 F2020. |
Our material issues

Defining materiality
Imperial Logistics defines material issues as those factors most likely to influence the conclusions of our stakeholders in assessing our ability to create, sustain and enhance value over time. In determining if an issue is material, its potential to impact strategy (including opportunity and risk), performance (financial and non-financial), prospects (in the short, medium and longer term) and ultimately value creation is considered. Material issues are primarily forward looking and incorporate factors within and beyond leadership’s control.

Linking materiality to stakeholders and capitals
More specifically, material issues are the factors most likely to influence the decisions of a respective stakeholder in relation to the capital inputs they provide to the group and the outcomes they derive in return. The group’s legitimacy as a well-governed multinational group and ethical corporate citizen, in our industries and markets, is fundamental to our ability to secure the capitals we require and to manage our impacts on these capitals.

These capitals and related stakeholders, include:

- **Financial capital** provided by equity and debt investors, whose investment theses are guided by analysts and rating agencies and the strategic decisions of management, used to fund working capital, tangible and intangible assets (specifically customer contracts, goodwill and IT) and long-term growth.
- **Human and intellectual capital** provided by engaged employees with relevant skills, which determines their effort, ideas and alignment with business plans and the desired culture, characterised by a delivery and client-driven mindset, ethics, collaboration, agility, inclusion and innovation.
- **Manufactured capital** which includes fixed and moveable assets owned by the group, and the transport assets of sub-contractors that provide flexibility in responding to client requirements, as well as the national transport infrastructure and utilities required to operate.
- **Relationship capital** provided by all stakeholders, including clients and their customers, business partners who are a critical link in the group’s ability to deliver on clients’ expectations, and regulators, governments and local communities in the diverse markets in which the group operates; the quality of these relationships determines our reputation, and protects our commercial and social licences to operate.
- **Natural capital** the management of which is influenced by the expectations of clients, regulators, non-governmental organisations and civil society, and includes weather patterns that affect the flow and transportation of goods.

Determining material issues
The following inputs informed the determination of the material issues for the group for the year:
- Imperial Logistics’ renewed vision and strategy.
- Interviews with key executives to distil the concerns, priorities and action plans of group leadership.
- Material matters raised by key stakeholder groups, including clients, business partners, employees, investment community and the media, elicited directly through engagement or indirectly from the relationship owners in each case.
- Top business risks.

The group’s executive committee and board approved the material issues, which informed the preparation of and are discussed throughout this report and supplementary sustainable development information.
Material issues structure
The diagram below provides an overview of the material issues grouped by theme and demonstrates how they relate to one another. The table that follows shows the sub-issues and related leadership priorities, which indicate how each material issue is being managed.
### Detailed material issues and related management priorities

<table>
<thead>
<tr>
<th>Material issue</th>
<th>Management priorities</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ACCELERATE STRATEGIC DELIVERY</strong></td>
<td>• Maintain the strong performance in African Regions and improve performances in South Africa and International.</td>
</tr>
<tr>
<td>• Continue to drive initiatives to enhance competitiveness and improve margins.</td>
<td>• Manage the impact of change on our people and clients, and therefore on operational performance and strategic delivery.</td>
</tr>
<tr>
<td>Deliver on short-term operational and financial targets, while advancing</td>
<td>• Exit unsustainable business model in CPG business in South Africa.</td>
</tr>
<tr>
<td>longer-term strategic initiatives</td>
<td>• Ensure operations are sufficiently aligned to the primary strategic focus on Africa and selected emerging and developed markets, and align the international portfolio accordingly.</td>
</tr>
<tr>
<td>Systematically align our portfolio of businesses to the refocused group</td>
<td>• Consider sale or closure of non-core businesses to release capital and improve return on effort.</td>
</tr>
<tr>
<td>strategy</td>
<td></td>
</tr>
<tr>
<td>Invest consistently in core strategic enablers notwithstanding short-term</td>
<td>• Drive fit-for-purpose digitalisation according to regional IT strategies.</td>
</tr>
<tr>
<td>constraints</td>
<td>• Implement new innovation strategy and funding model to enhance competitiveness and differentiation, and take advantage of disruptive trends.</td>
</tr>
<tr>
<td>Ensure agility in relation to structural market changes</td>
<td>• Continually assess longer-term risks and opportunities and adapt accordingly, despite short-term operational constraints.</td>
</tr>
<tr>
<td>Maintain capital management discipline for financial flexibility</td>
<td>• Understand and anticipate the potential impact of technological advances on business models in targeted industries.</td>
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<tr>
<td>• Ensure operational efficiency and cost control to improve operational</td>
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</tr>
<tr>
<td>resilience and cost competitiveness.</td>
<td>• Maintain optimal asset mix in line with client requirements, revenue commitments and targeted operating margins.</td>
</tr>
<tr>
<td>• Maintain disciplined working capital management.</td>
<td>• Maintain leverage ratio of net debt to EBITDA of &lt;2.5 times through the cycle.</td>
</tr>
<tr>
<td>• Proactively monitor and mitigate liquidity and currency risk across the</td>
<td>• Apply strict criteria to assess potential acquisitions and capital investments, to ensure they are strategically aligned, value accretive and meet investment hurdles.</td>
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<tr>
<td>group.</td>
<td></td>
</tr>
<tr>
<td><strong>ALIGN STRUCTURE TO SUPPORT STRATEGY</strong></td>
<td></td>
</tr>
<tr>
<td>Simplify and align organisational structures to deliver our strategy</td>
<td>• Bed down new commercial and operational operating model to support organic growth, competitiveness and efficiency.</td>
</tr>
<tr>
<td>• Leverage new management structure to drive cross-regional growth</td>
<td>• Achieve the appropriate balance between centralised and decentralised functions, for example in human resources, IT and procurement.</td>
</tr>
<tr>
<td>opportunities in targeted industry verticals.</td>
<td>• Enable knowledge sharing, skills transfer and best practice implementation across geographies, industries and capabilities.</td>
</tr>
<tr>
<td>Entrench group standards (for ethics, governance, social and environmental</td>
<td>• Further embed group-wide standards and oversight of local operating procedures, ensuring compliance with highest minimum international requirements and internal accountability frameworks.</td>
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<tr>
<td>management)</td>
<td>• Roll out training to build local awareness of and adherence to group requirements.</td>
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<tr>
<td>Material issue</td>
<td>Management priorities</td>
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<td>-------------------------------------------------------------------------------</td>
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<tr>
<td>Establish the foundations to drive the “ONE Imperial” approach</td>
<td>• Drive the overarching people strategy, enabling alignment and integration across the group.</td>
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<tr>
<td></td>
<td>• Provide the framework and tools to achieve the desired culture and the ONE Imperial – “one business, one brand” approach, as well as an empowering working environment based on trust and mutual respect.</td>
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<tr>
<td></td>
<td>• Improve communication at all levels of the organisation to promote inclusivity and support collaboration, knowledge sharing and encourage employee feedback.</td>
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<td></td>
<td>• Develop a clear employee value proposition incorporating the outcomes of an employee culture survey.</td>
</tr>
<tr>
<td>Attract, develop and retain employees with the right management and technical skills to drive strategic delivery and propel future growth</td>
<td>• Deliver training interventions that support business needs and customised client solutions, drive innovation and assist career progression.</td>
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<tr>
<td></td>
<td>• Drive intra-group talent mobility to provide development and succession opportunities across the group.</td>
</tr>
<tr>
<td></td>
<td>• Implement best people practices across the group.</td>
</tr>
<tr>
<td>Develop current and future leaders to drive the group’s strategy, the desired culture and the “ONE Imperial” approach</td>
<td>• Ensure appropriate board structure and membership to reflect an appropriate mix of skills and experience, including ongoing succession planning to fill any identified gaps.</td>
</tr>
<tr>
<td></td>
<td>• Implement effective talent identification and retention practices which enable informed succession planning for the CEO, direct reports and other levels of management for the immediate and longer term.</td>
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<tr>
<td></td>
<td>• Effectively manage succession to support the need for change and at the same time retain an intrinsic entrepreneurial flair.</td>
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<td></td>
<td>• Deliver leadership development programmes across the group to drive strategic objectives, enhance leadership and behavioural skills and model the desired shift to an ethical, collaborative, innovative and client and delivery-driven culture.</td>
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<td></td>
<td>• Develop appropriate integration and development plans for founder/owner/managers in acquired businesses.</td>
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<tr>
<td>Enhance transformation and diversity across the organisation</td>
<td>• Drive transformation and diversity in line with local requirements and across operations.</td>
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<tr>
<td></td>
<td>• Support sensitivity to diversity through the promotion of an inclusive culture.</td>
</tr>
<tr>
<td>Embed best people management practices across the group to underpin a competitive employee value proposition and position the group as an employer of choice</td>
<td>• Ensure effective human capital practices for leadership development, employee engagement, talent management, performance management and succession planning across all levels of the organisation and in line with the “ONE Imperial” approach.</td>
</tr>
<tr>
<td></td>
<td>• Limit the impact of rationalisation on our people to the greatest extent possible.</td>
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<tr>
<td></td>
<td>• Monitor and respond appropriately to global and local workforce trends.</td>
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<tr>
<td>Leverage partnerships to deliver growth</td>
<td>• Combine longstanding client relationships, specialised capabilities and geographical reach to strengthen our competitive positions in selected industries.</td>
</tr>
<tr>
<td></td>
<td>• Leverage partnerships with technology developers and clients to support operational excellence and innovation.</td>
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<tr>
<td></td>
<td>• Ensure business partners, specifically sub-contractors, align to operational, transformation and ethical performance requirements.</td>
</tr>
</tbody>
</table>
## Detailed material issues and related management priorities

<table>
<thead>
<tr>
<th>Material issue</th>
<th>Management priorities</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>OPTIMISE AND INTEGRATE PROCESSES</strong></td>
<td>• Formalise businesses processes across functions and regions.</td>
</tr>
<tr>
<td>• Continually improve process efficiency</td>
<td>• Pursue pragmatic and cost-effective approach to continuous improvement and internal efficiencies, supported by digitalisation.</td>
</tr>
<tr>
<td>• Demonstrate defensible safety practices, socioeconomic value creation and</td>
<td>• Deliver the appropriate mix of standardised and customised system solutions that are fit-for-purpose.</td>
</tr>
<tr>
<td>environmental stewardship</td>
<td>• Embed safety practices and mindsets in appropriate areas, such as driver safety and product responsibility.</td>
</tr>
<tr>
<td>• Ensure adherence to governance processes and other internal controls</td>
<td>• Broaden alignment to global safety and environmental standards across operations.</td>
</tr>
<tr>
<td>• Fair and responsible remuneration practices</td>
<td>• Support relevant socioeconomic development and environmental imperatives within each country of operation.</td>
</tr>
<tr>
<td>• Implement standardised KPIs to drive strategic execution within individual</td>
<td>• Ensure compliance to local regulation and governance standards.</td>
</tr>
<tr>
<td>businesses</td>
<td>• Continue to provide specialised workforce training and management, including health, safety and environment (HSE) training and management.</td>
</tr>
<tr>
<td>• Ensure fair and responsible remuneration practices</td>
<td>• Manage the complexity and cost impact of regulations and local policy.</td>
</tr>
<tr>
<td>• Adjust executive remuneration policy to conform to best practice including</td>
<td>• Maintain and enhance robust control systems through regular audits conducted by risk teams.</td>
</tr>
<tr>
<td>material non-financial KPIs over time.</td>
<td></td>
</tr>
<tr>
<td>• Continue active board engagement with shareholders on remuneration policy,</td>
<td></td>
</tr>
<tr>
<td>• Ensure quality of service and performance through defined KPIs, managed and</td>
<td>• Amend accordingly to align interests.</td>
</tr>
<tr>
<td>measured, for both employees and business partners.</td>
<td></td>
</tr>
<tr>
<td>Material issue</td>
<td>Management priorities</td>
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<td>-------------------------------------------------------------------------------</td>
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<tr>
<td><strong>DEEPEN LEGITIMACY</strong></td>
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</tr>
</tbody>
</table>
| Maintain credibility and reputation for ethical, effective and independent leadership at board level | • Demonstrate board independence and effectiveness.  
• Ensure board composition and succession is in line with strategically relevant skills and experience, race and gender diversity.  
• Continue to inculcate and monitor ethical practices and governance standards.  
• Maintain high standards of accountability, transparency and integrity in running the business and reporting to regulators, equity and debt investors, and other key stakeholders. |
| Maintain good governance standards at corporate and operational levels         | • Continue to meet stringent industry requirements to enhance reputation among multinational client base.  
• Continue to monitor and ensure ethical conduct in all local operations to minimise group reputational risk. |
| Maintain corporate citizenship credentials                                     | • Continue to improve B-BBEE performance in South Africa, as a moral and a commercial imperative.  
• Comply with laws and regulations across multiple jurisdictions, demonstrating consistently ethical business conduct.  
• Monitor and engage with regulators on implementation of upcoming legislation.  
• Maintain constructive relationships with organised labour, regulators and governments.  
• Promote an ethical and non-discriminatory culture, supported by the anti-bribery and corruption policy and related training initiatives.  
• In collaboration with selected partners, implement new community investment strategies capable of making a demonstrable difference in people’s lives. |
| Maintain and enhance industry leadership credentials                          | • Maintain our complex solution delivery credibility that commands the attention of global clients, originating from proven industry expertise and the ability to consistently add value.  
• Maintain our status in South Africa as a leading logistics provider across the entire supply chain.  
• Maintain our reputation as a leading distributor of pharmaceuticals and consumer goods in Southern, East and West Africa.  
• Internationally, maintain leading positions in exacting industries such as chemical and automotive. |
I took the helm of Imperial Logistics on 1 February 2019, during a particularly challenging period. The past months have seen unprecedented change in our business – Imperial Logistics became a separately listed entity; my predecessor, who had a deep connection to the group’s history, retired; a new leadership team was established; and we renewed the group’s strategy and refined its positioning. All of this took place against a backdrop of increasingly volatile and uncertain economic and socio-political conditions.

I spent my first few months as CEO critically evaluating the strategic relevance and competitive advantages of each of our businesses, with a focus on enhancing the strategic coherence of our portfolio. This led to tough decisions and significant changes – further strategic rationalisation of our portfolio since the unbundling of Motus Holdings Limited (Motus), restructuring and reducing costs. The tangible benefits of these actions will be realised from the 2020 financial year and measured accordingly, with the ultimate objective of unlocking value for our shareholders.

These challenges and the testing conditions in most of our markets have not subdued our energy or our ambition. With two-thirds of our operations positioned outside South Africa, our focus as an international company is single-mindedly on our new vision to be the strategic partner of choice, specialising and enhancing our capabilities in distributorship, freight management and contract logistics in selected industry verticals, mainly in emerging markets.

Mohammed Akoojee – Group chief executive officer

A year of amplified strategic focus, unprecedented change and tough decisions.

Delivering on the rationale for the unbundling

The strategic rationale for unbundling Motus in November 2018 was to focus each business on a clear, coherent strategy and growth path that would, in time, unlock value for its respective stakeholders.

With the scrutiny that comes with being a separately listed entity, we are well aware of our shareholders’ expectations: a strategically coherent portfolio of businesses that delivers on operational and financial targets while deepening sustainable competitiveness, growth and resilience, underpinned by focused capital allocation. I believe the leadership team has made significant progress in achieving strategic clarity, confronting and resolving longstanding impediments to delivery, and developing differentiated solutions in carefully selected industries across our regional businesses. While much has been achieved, there is still more to do,
particular in aligning the International portfolio to our strategic objectives and leveraging our expertise and capabilities across the regions in which we operate – as we highlighted prior to the unbundling – and we are continuing on this trajectory.

Overall, our performance since the unbundling has been excellent in the African Regions but unsatisfactory in South Africa and International. In these regions, focused restructuring, rationalisation and cost cutting to enhance competitiveness and improve margins and performance is ongoing. Certain businesses under pressure in their markets, and facing operational and strategic challenges, have required urgent management attention and the necessary actions are being implemented. Strategically aligning our International portfolio with our core competitive advantage, being Africa, is also under review. To ensure that we can deliver on our strategic objectives, we are equipping the business with the required resources – people, systems, practices – that are critical enablers of our strategy.

Simplifying our strategic positioning

We have defined our immediate and ongoing strategic priorities and focused the collective energy of the business on achieving them. We are confident that our renewed strategy will enable Imperial Logistics to grow revenue sustainably, achieve targeted returns, and deepen our long-term competitiveness and relevance.

The core strategic focus of Imperial Logistics is to grow our African business and align our International portfolio to position the group as the “gateway to Africa” in the medium term. Offering an integrated logistics and market access offering focused on Africa leverages our powerful competitive advantages and capabilities, which will be concentrated mainly on the healthcare, consumer, chemicals, industrial and automotive industry verticals. From this focal point, our scope will extend to other emerging and selected developed markets, based on the relevance of our capabilities, scale benefits and client relationships.

Our unique African Regions network and distributor capability makes us an attractive strategic partner to multinational clients. Leveraging this competitive advantage and refocusing our International portfolio will enable us to cross-sell our service offerings across our targeted regions.

Our strategic objectives in the short term are:
- **Continue to grow in Africa, adding new capabilities, entering new industry verticals and serving more countries/regions.** We are accelerating our growth in Africa by building on our existing competencies and expanding into new capabilities. We will focus on strategically aligned industries and invest in existing and new geographies that complement our capabilities, industries and client base. This will enable us to enhance our service offering and drive revenue growth opportunities. We will add impetus to our drive to position Imperial Logistics as a strategic partner that provides a “gateway to Africa” for companies seeking access to the continent’s fast-growing markets and we will further invest in strategic partnerships which will enable us to evolve and intensify our engagement with our clients.

In support of our clients’ growth aspirations, demand generation, light contract manufacturing and brand partnership are among the capabilities we will expand into the rest of Africa. Leveraging our extensive expertise in healthcare, we are also looking at adding sourcing and procurement to other industries. We are exploring new regions in which to leverage our distributor capabilities in pharmaceuticals and consumer goods, as well as opportunities to expand these competencies in our existing geographies.

- **Strategically align our International portfolio with our core competitive advantage, being Africa.** The Logistics International portfolio is under review and could result in further disposals of non-core assets and investment in new areas that support our Africa growth strategy.

Our strategic objectives, which will be executed through a phased approach, are:
- **Add IFM capabilities.** Acquisition, partnerships or building these ourselves will enable Imperial Logistics to offer global coverage to support African trade flows. This will likely entail the acquisition, merger or partnership with an existing IFM network that has a well-established presence in key markets.

- **Invest in capabilities outside Africa that support the growth of target industry verticals in Africa – mainly in healthcare, consumer, chemicals, industrial and automotive.** In growing our target industry verticals we will invest in capabilities in select new emerging and developed markets. We will leverage expansion opportunities with multinational clients that recognise us as emerging market or specific industry specialists and likewise leverage our proven capabilities to expand into new emerging markets such as the Middle East, Eastern Europe, India and Asia where trade growth with Africa continues to expand.

- **Expand our distributor capability geographically, augmenting our existing competencies and adding new capabilities will, over time, create cross-selling and up-selling opportunities.** Our plan is to access local experience and adequate scale through selective acquisition. We will initially focus on the healthcare and consumer industries but will consider opportunities in new industries and geographies where relationships can be leveraged and in order to meet the needs of our multinational clients.

Recording strategic progress

In South Africa, our efforts to rationalise, cut costs and unlock value have included exiting unprofitable contracts, consolidating operations and properties, and reducing fleets and overheads. Despite numerous turnaround and cost cutting initiatives, our CPG business continued to make losses. After a detailed strategic evaluation of the business, we concluded that future returns were unlikely to exceed the cost of capital due to structural changes in the CPG market.
With the business model having become uncompetitive and unsustainable, we decided to exit the business, which resulted in an impairment of assets including goodwill of c.R590 million and provisions for closure cost of c.R850 million post-tax. The board approved this decision on 30 May 2019.

This has been an extremely painful decision to make and I feel a great responsibility towards our people, clients and suppliers. During this process, we have therefore taken into account the interests of our staff, clients and other key stakeholders. Key contracts have been accommodated in other business units under a different commercial model. It is important to note that this decision does not represent our exit from the consumer industry vertical in South Africa, but only the exit of the multi-principal distribution capability in FMCG products that had become unviable. Excluding the CPG business, the South African business has grown operating profit by 5% per annum over the last three years, achieving an ROIC of 16% (excluding the invested capital of CPG). Its margins improved from 5,8% in F2018 to 7,1% this year. This demonstrates its resilience in a low-growth environment. Excluding CPG, and despite a challenging trading environment, our pipeline of new opportunities remains healthy. In South Africa, we have added R2,2 billion of annualised revenue in the past 12 months and retained 95% of client contracts that were up for renewal.

Significant deterioration in macroeconomic conditions in all three divisions, which include a depressed growth outlook, uncertainty and higher WACC rates has driven the decision to impair certain historic goodwill to the value of c.R1,1 billion (c.14% of total goodwill and intangible assets). These factors have resulted in the reduction in the value in use of certain of our cash-generating units, leading to the goodwill impairment. The affected businesses, however, are still cash generative and profitable. The remaining goodwill consists mainly of operations which are in growing markets and industries, are cash flow generating with low capital requirements, and which meet targeted hurdle rates.

We are reviewing our Logistics International portfolio to align it with our strategic direction and core competitive advantages. To this end, we are considering the disposal of our shipping business in Europe (including South America). While this business is profitable and meets our hurdle rates, it is non-core to our strategy. It cannot be scaled further in our target markets (centred on Africa) and the significant capital expenditure it requires each year would be better deployed elsewhere to facilitate our growth plans and strategy. Further disposals of non-core and low-return on effort businesses in the short to medium term will be considered in this region.

In terms of our acquisitive growth and capital allocation strategy, we will only consider buying businesses with strong organic growth potential and cash flow profiles which are strategically aligned, enhance our key competitive advantages and meet our financial hurdle rates. While we remain the leading logistics provider in South Africa, our scale and footprint limits our growth opportunities in this market. Therefore, our acquisitive growth strategy will continue to be focused on growing our business outside South Africa (74% of group revenue and 63% of group operating profit is currently generated outside of South Africa).

Strengthening the commercial mindset within the group, improving our people practices and systems, and accelerating strategic innovation are priorities. We recently appointed highly experienced industry experts as chief commercial officers in our South African and International divisions, and global heads for each of our targeted industry verticals. Our structures and processes are being designed to build a strong client-centric and collaborative culture that supports our ONE Imperial – “one business, one brand” approach.

We acknowledge the investment community’s concern that our business is difficult to assess. We have therefore simplified our market disclosure, and introduced secondary segmental disclosure in our 2019 annual results according to our three core capabilities per region, being distributorships, contract logistics and freight management. We continue to disclose revenue generated by industry per region.

Managing the factors that matter most

Imperial Logistics defines material issues as those factors most likely to influence the conclusions of all our stakeholders in assessing our ability to create, sustain and enhance value over time. Our process to determine these issues considers input from key stakeholder groups – including leadership, key executives, clients, business partners, employees, the investment community and the media – and informs our priorities and action plans.

Accelerating strategic delivery emerged as a material theme from this comprehensive process. As we undertake to demonstrate our credibility as a management team to our stakeholders, we will seek a careful balance between urgent delivery on short-term operational and financial targets, and the disciplined advancement of longer-term strategic initiatives. This balance will depend on aligning organisational structure to support our strategy; investing in people, partnerships and culture; optimising and integrating our processes; and ensuring fair and responsible remuneration and reward practices aligned to the right performance measures – all of which are necessary to unlock value.

Empowering our people and accelerating transformation remains top-of-mind. We have more than 27 000 employees whose level of engagement, relevant skills and diverse ideas determine the efficacy of our client-focused solutions, operational excellence, continuous improvement and success in delivering our strategy. We are committed to leveraging the talent we have and providing growth opportunities for employees across the group. To ensure that our people can work effectively, we will align people policies and practices across Imperial Logistics to best practice within the next two to three years.
Numerous strategic people priorities were initiated to establish a competitive people architecture, robust human capital practices and governance frameworks. While these initiatives are progressing well, significant and urgent time and attention has also been given to ensuring that we address the critical gaps in our people agenda. These include more effectively attracting, identifying and developing talent, addressing the issue of an aging workforce by developing and employing younger people with diverse backgrounds and industry know-how, and accelerating our employment equity performance as we continue to lag behind our competitors and clients.

We are accelerating race and gender diversity within the group to ensure that we transform our succession pipeline, that our workforce is representative of the demographics in our countries of operation, aligned to and have the required capabilities to deliver on our strategy, and to promote a culture of diversity and inclusivity. Significant progress has been made over the past 12 months with appointments of key executives in all three divisions. These appointments include black and female executives and managers in our South African business from diverse industry backgrounds and skills sets.

We have also appointed a global chief people officer, a member of the group’s executive committee, who will be responsible for driving our people-related and human resources initiatives and for developing and implementing integrated, world-class people policies and practices in our group.

All our key management appointments that have been made across the group include highly skilled individuals who bring with them significant international experience and expertise, all of which will be value-adding to our existing skills base and critical in the execution of our strategy.

**Deepening our legitimacy** in our industries by remaining relevant to our clients, and in the countries and communities in which we work by investing in their development, is fundamental not only to our success but also to our survival.

Our focus on optimising and integrating our systems is pragmatic and cost-effective, and we are applying appropriate digitalisation to drive continuous improvement and internal efficiencies through the right mix of standardised and customised system solutions. Driving innovation to ensure that we remain competitive, relevant to our clients and well-positioned to address industry disruptors from a technology perspective, is also key. We have established an innovation fund to enable us to invest in start-up projects in the supply chain and logistics technology that have high-growth potential.

The wellbeing of the communities in which we operate is imperative and we recognise that CSI, enterprise development and environmental management form an integral part of our responsibility to our stakeholders as a well-governed and accountable organisation. Our approach to CSI is aligned to our strategic objectives and we have identified healthcare, education and skills development as primary focus areas across the group. We believe strongly that the initiatives in which we invest and actively participate must provide tangible solutions to socioeconomic problems and sustainable benefits to our communities and countries.

**Confronting difficult market conditions**

For the financial year to 30 June 2019 excluding discontinued operations and business held for sale, Imperial Logistics delivered an unsatisfactory performance, growing revenue from continuing operations by 6% and decreasing operating profit by 9%. Results were supported by a good performance from African Regions, offset by weaker operational performances, certain once-off trading costs in International and the once-off costs associated with our business rationalisation and restructuring in our South African and International operations of c.R170 million. Excluding the once-off costs, operating profit for the group decreased by 1%. The rationalisation process, however, will result in significant removal of costs in the South Africa (excluding CPG) and International from F2020 of c.R385 million per annum. Logistics South Africa, excluding CPG and businesses held for sale, maintained revenue compared to the prior year and reduced operating profit by 4% in a difficult, low-growth and increasingly competitive trading environment. Performance was negatively impacted by depressed consumer demand and exceptionally low volumes across most industries – particularly in the consumer-facing, manufacturing and healthcare client base. Challenging market conditions have been further exacerbated by load shedding, lower consumer spending and higher unemployment. Results were supported by good performances from the supply chain management and consulting (Resolve), fuel and gas, and commodities businesses, which increased revenue and operating profit. All businesses were rationalised, resulting in improved efficiencies and significantly reduced costs, as we continued to face margin pressure from clients. Despite the challenging trading environment, this division added R2.2 billion of annualised revenue in the past 12 months through new contract gains and retained 95% of client contracts.

Logistics African Regions delivered a good performance with revenue and operating profit increasing by 16% and 8% respectively, supported by excellent results in our healthcare distributorship businesses in Nigeria, Ghana and Kenya. Our healthcare sourcing and procurement business, Imres, also increased revenue.
Looking ahead

I am confident that the decisions taken in the short term will have far-reaching benefits for our business and its stakeholders. Looking to the 2020 financial year and beyond, we will realise tangible bottom-line benefits of new contract gains, new acquisitions, restructuring, exit of non-core and unprofitable businesses, and reducing costs significantly in all our divisions. As a result, for the financial year to 30 June 2020 we expect Imperial Logistics to deliver high single digit revenue growth, and low double digit growth in operating profit growth and HEPS, subject to stable currencies and economies in which we operate, while maintaining a strong financial position, executing a disciplined capital allocation strategy and continuing to pay a dividend of 45% of continuing HEPS.

Giving thanks

I believe that my first few months in the business have been insightful and productive and have equipped me and my team with the clear strategic vision needed to take our business forward. While I am disappointed with our F2019 financial and operational performance, the bold and difficult strategic decisions that we have taken to refocus the business will reap real benefits from the next financial year. Delivery on our strategic, operational and financial objectives and targets going forward is non-negotiable.

I would like to thank our board, shareholders, funders, employees and other stakeholders for their ongoing support during the difficult times, and for sharing our journey towards a strategically focused and fully aligned “ONE Imperial”. Thank you for your patience, and your contribution to and confidence in the path we have taken to ensure that Imperial Logistics remains relevant, competitive and strategically positioned to unlock value. I believe we are well placed to deliver on our objectives and stated targets going forward.

I would also like to extend my thanks to Marius Swanepoel, whose vision, guidance and leadership have contributed to the success of Imperial Logistics over the last number of years.

We continue to have an incredible, resilient business driven by strong and dedicated people. Imperial Logistics is among the top 30 logistics providers in the world and every day we impact the lives of millions of people. With the support of our stakeholders, we will be a formidable business far into the future.

Mohammed Akoojee
Group chief executive officer
Group chief financial officer’s review

George de Beer – Group chief financial officer

My first months as CFO of the group since the unbundling of Motus in November 2018 have involved difficult and bold decisions, amplified focus and refinement of our financial control environment throughout the business. We are ensuring that strong financial positions and cash flow management is maintained in all three divisions, and that our financial processes and capital allocations are aligned to the group’s strategic priorities. Tough times call for swift and decisive action, and we have spent a significant amount of time assessing the performance and evaluating the relevance of existing businesses and have made difficult decisions to exit those that are underperforming, low return on effort and non-core to our strategy.

**Bold decisions with tangible benefits**
Further strategic rationalisation of the portfolio and restructuring post the Motus unbundling resulted in the following decisive actions taken – the tangible benefits of which will be realised from the 2020 financial year:

- The decision to exit the CPG business in South Africa due to an unviable and uncompetitive business model, which resulted in an impairment of assets including goodwill of c.R590 million and provisions for closure costs of c.R850 million post-tax. CPG is classified as a discontinued operation for the financial year ended 30 June 2019.


**Unsatisfactory operational results in challenging market conditions**
Difficult trading conditions persisted across the group, particularly in our South African and European operations, resulting in an unsatisfactory operating performance for the group. Revenue from continuing operations grew by 6% while continuing operating profit and HEPS declined by 9% and 7% respectively. Results were supported by a good performance from African Regions, offset by weaker operational performances, certain once-off trading costs of c.€4 million (around R65 million) in International, and the once-off costs associated with our business rationalisation and restructuring in our South African and International operations of c.R170 million. Excluding the once-off costs, operating profit for continuing operations decreased by 1%. Furthermore,
Imperial Logistics’ contract renewal rate across our divisions on existing contracts is in excess of 90%, with an encouraging pipeline of new opportunities and supported by an excellent new contract gain rate. New business revenue of approximately R5.6 billion was secured during the past year, which is a reflection that despite the challenging trading conditions, we still remain relevant and significant to our clients.

Key features of our 2019 financial year include:

- Continuing revenue* up 6% to R49.7 billion.
- Continuing operating profit* down 9% to R2.5 billion.
- Excluding once-off costs, operating profit down 1%.
- Continuing HEPS down 7% to 542 cents per share.
- Continuing EPS loss of 26 cents per share.
- Free cash inflow* (post-maintenance capex) of R1.4 billion (2018: R1.3 billion).
- Free cash conversion of 72% (2018: 87%).
- Continuing net debt:EBITDA of 1.6 times for the 12-month period (2018: 1.5 times net debt:EBITDA).
- ROIC of 10.4% against WACC of 10.2% (2018: ROIC of 12.2% against WACC of 8.5%).

* Excluding discontinued operations and businesses held for sale.

**Includes CPG and excludes Motus.

Note: ROIC and WACC are calculated on a rolling 12-month basis.

**Strong financial position, cash flow and dividend maintained**

I would like to emphasise that despite disappointing operational results in F2019, our balance sheet management remains sound with sufficient headroom in terms of capacity and we still generated good cash flows. These financial metrics, we believe, are key in determining the financial health of a business and the teams have worked hard in ensuring that these metrics were managed meticulously and achieved in line with our expectations throughout the year, despite significant changes and challenges that the business faced. Furthermore, we continued to pay a healthy dividend of 45% of continuing HEPS to our shareholders.

- Net working capital for continuing operations of R1 833 million improved by 3% (excluding CPG provisions for closure) compared to R1 881 million in June 2018, and was better than expected as the growth rate in working capital was lower than the growth in revenue.
- Net capital expenditure of R1.1 billion was in line with depreciation and increased from R517 million in F2018 and benefited from property disposals (R260 million).

**Impairment of certain historic goodwill**

The impairment of certain historic goodwill to the value of c. R1.1 billion (c.14% of total goodwill and intangible assets; excluding CPG) was driven by significant deterioration in macroeconomic conditions in all three divisions, which include a depressed growth outlook, uncertainty and higher WACC rates in certain territories. It is important to note that these factors have resulted in the reduction in the value in use of certain of our cash-generating units in the financial year, leading to the goodwill impairment. The affected businesses, however, are still cash generative and profitable. The remaining goodwill consists mainly of operations which are in growing markets and industries, are cash flow generating with low capital requirements, and which exceed targeted hurdle rates (including Eco Health, Surgipharm, Imres and Palletways).
**Group financial performance**

Operating profit from continuing operations, including businesses held for sale, decreased by 13%, negatively impacted by weaker trading performances and once-off effects relating to the significant business rationalisation and restructuring in the South African and International divisions, as well as the impact of WLTP on Logistics International.

The R265 million decrease in profit before tax to R1.7 billion (before exceptional items) is mostly attributable to the decrease in operating profit of 13% which was partly offset by a decrease in net finance costs of R154 million. The decrease in net finance cost was aided by the once-off gain of R63 million on the settlement of the preference shares and lower average debt levels that resulted from the capitalisation of Logistics prior to the unbundling of Motus.

Significant contributors to the lower effective tax rate were the non-taxable gains of R63 million on the redemption of the preference shares and the favourable remeasurement of put option liabilities of R51 million.

The profit on sale of businesses of R64 million related to the sale of an associate Gruber in Logistics International.

Following the introduction of the RTGS currency, hyperinflationary indicators and uncertainty surrounding the availability of foreign exchange in Zimbabwe, the group impaired its investments in its businesses by R59 million to nil.

The decrease in non-controlling interests mainly resulted from the increase in the share of losses by minorities in Pharmed.

---

Summary of financial results for the 12 months ended 30 June 2019

**Group profit or loss (extracts)**

<table>
<thead>
<tr>
<th></th>
<th>June 2019</th>
<th>June 2018</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CONTINUING OPERATIONS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td>49 720</td>
<td>48 565</td>
<td>2</td>
</tr>
<tr>
<td>EBITDA</td>
<td>3 556</td>
<td>3 883</td>
<td></td>
</tr>
<tr>
<td>Depreciation, amortisation, impairments and recoupments</td>
<td>(1 055)</td>
<td>(1 015)</td>
<td></td>
</tr>
<tr>
<td>Operating profit</td>
<td>2 501</td>
<td>2 868</td>
<td>(13)</td>
</tr>
<tr>
<td>Margin %</td>
<td>5,0</td>
<td>5,9</td>
<td></td>
</tr>
<tr>
<td>Recoupments from sale of properties, net of impairments</td>
<td>(6)</td>
<td>22</td>
<td></td>
</tr>
<tr>
<td>Amortisation of intangible assets arising on business combinations</td>
<td>(400)</td>
<td>(415)</td>
<td></td>
</tr>
<tr>
<td>Foreign exchange losses</td>
<td>(53)</td>
<td>(50)</td>
<td></td>
</tr>
<tr>
<td>Remeasurement of put option arising on business combinations</td>
<td>51</td>
<td>73</td>
<td></td>
</tr>
<tr>
<td>Business acquisition cost</td>
<td>(15)</td>
<td>(11)</td>
<td></td>
</tr>
<tr>
<td>Net finance cost</td>
<td>(415)</td>
<td>(569)</td>
<td>(27)</td>
</tr>
<tr>
<td>Share of results of associates and joint ventures</td>
<td>46</td>
<td>56</td>
<td></td>
</tr>
<tr>
<td>PBT (before exceptional items)</td>
<td>1 709</td>
<td>1 974</td>
<td>(13)</td>
</tr>
<tr>
<td>Goodwill impairments</td>
<td>(1 139)</td>
<td>(149)</td>
<td></td>
</tr>
<tr>
<td>Profit (loss) on sale of businesses</td>
<td>64</td>
<td>(149)</td>
<td></td>
</tr>
<tr>
<td>Impairment of investments in associates and loans advanced</td>
<td>(73)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit before tax</td>
<td>561</td>
<td>1 799</td>
<td></td>
</tr>
<tr>
<td>Income tax expense</td>
<td>(471)</td>
<td>(620)</td>
<td></td>
</tr>
<tr>
<td><strong>Profit for the year from continuing operations</strong></td>
<td>90</td>
<td>1 179</td>
<td>(92)</td>
</tr>
<tr>
<td><strong>DISCONTINUED OPERATIONS</strong></td>
<td>3 493</td>
<td>2 229</td>
<td>57</td>
</tr>
<tr>
<td>Consumer packaged goods (CPG)</td>
<td>(1 899)</td>
<td>(83)</td>
<td></td>
</tr>
<tr>
<td>Motus Holdings Limited</td>
<td>5 392</td>
<td>2 312</td>
<td></td>
</tr>
<tr>
<td><strong>Net profit for the year</strong></td>
<td>3 583</td>
<td>3 408</td>
<td></td>
</tr>
<tr>
<td><strong>Net profit attributable to:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Owners of Imperial</td>
<td>3 441</td>
<td>3 273</td>
<td></td>
</tr>
<tr>
<td>– Continuing operations</td>
<td>(51)</td>
<td>1 011</td>
<td></td>
</tr>
<tr>
<td>– Discontinued operations</td>
<td>3 492</td>
<td>2 262</td>
<td></td>
</tr>
<tr>
<td>Non-controlling interest</td>
<td>142</td>
<td>135</td>
<td></td>
</tr>
<tr>
<td>– Continuing operations</td>
<td>141</td>
<td>168</td>
<td></td>
</tr>
<tr>
<td>– Discontinued operations</td>
<td>1</td>
<td>(33)</td>
<td></td>
</tr>
</tbody>
</table>

~ Restated for discontinued operations (CPG).
## Reconciliation of continuing earnings to continuing headline earnings

<table>
<thead>
<tr>
<th></th>
<th>June 2019</th>
<th>June 2018</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>BASIC EARNING PER SHARE</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Earnings per share</td>
<td>1,775</td>
<td>1,681</td>
<td>6</td>
</tr>
<tr>
<td>Imperial Logistics</td>
<td>(1,006)</td>
<td>477</td>
<td></td>
</tr>
<tr>
<td>Continuing operations</td>
<td>(26)</td>
<td>519</td>
<td></td>
</tr>
<tr>
<td>Discontinued operations (CPG)</td>
<td>(980)</td>
<td>(42)</td>
<td></td>
</tr>
<tr>
<td>Motus</td>
<td>2,781</td>
<td>1,204</td>
<td>131</td>
</tr>
<tr>
<td><strong>Headline earnings per share</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Imperial Logistics</td>
<td>416</td>
<td>1,570</td>
<td>(74)</td>
</tr>
<tr>
<td>Continuing operations</td>
<td>542</td>
<td>585</td>
<td>(7)</td>
</tr>
<tr>
<td>Discontinued operations (CPG)</td>
<td>(669)</td>
<td>(42)</td>
<td></td>
</tr>
<tr>
<td>Motus</td>
<td>543</td>
<td>1,027</td>
<td>(47)</td>
</tr>
</tbody>
</table>

## Financial position

<table>
<thead>
<tr>
<th></th>
<th>June 2019</th>
<th>June 2018</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goodwill and intangible assets</td>
<td>6,719</td>
<td>8,300</td>
<td>(19)</td>
</tr>
<tr>
<td>Investment in associates and joint ventures</td>
<td>520</td>
<td>752</td>
<td>(31)</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>2,647</td>
<td>2,874</td>
<td>(8)</td>
</tr>
<tr>
<td>Transport fleet</td>
<td>5,452</td>
<td>5,201</td>
<td>5</td>
</tr>
<tr>
<td>Investments and other financial assets</td>
<td>183</td>
<td>205</td>
<td>(11)</td>
</tr>
<tr>
<td>Net working capital⁸</td>
<td>747</td>
<td>1,881</td>
<td>60</td>
</tr>
<tr>
<td>Assets of disposal groups</td>
<td>296</td>
<td>669</td>
<td></td>
</tr>
<tr>
<td>Retirement benefit obligation</td>
<td>(1,343)</td>
<td>(1,216)</td>
<td>10</td>
</tr>
<tr>
<td>Net debt</td>
<td>(5,766)</td>
<td>(5,721)</td>
<td>(1)</td>
</tr>
<tr>
<td>Other financial liabilities</td>
<td>(1,075)</td>
<td>(1,189)</td>
<td>(10)</td>
</tr>
<tr>
<td>Net current tax assets (liabilities)</td>
<td>267</td>
<td>(269)</td>
<td></td>
</tr>
<tr>
<td>Net assets held for distribution to owners of Imperial</td>
<td></td>
<td>11,683</td>
<td></td>
</tr>
<tr>
<td>Liabilities of disposal groups</td>
<td></td>
<td>(45)</td>
<td></td>
</tr>
<tr>
<td><strong>Total equity</strong></td>
<td>8,647</td>
<td>23,125</td>
<td>(63)</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>31,265</td>
<td>70,503</td>
<td>(56)</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>(22,618)</td>
<td>(47,378)</td>
<td>(52)</td>
</tr>
<tr>
<td>Net debt:equity %</td>
<td>66.7%</td>
<td>50.0%</td>
<td></td>
</tr>
<tr>
<td>Return on invested capital (ROIC)* (%)</td>
<td>10.4%</td>
<td>12.2%</td>
<td></td>
</tr>
<tr>
<td>Weighted average cost of capital (WACC)* (%)</td>
<td>10.2%</td>
<td>8.5%</td>
<td></td>
</tr>
<tr>
<td>Margin above WACC* (%)</td>
<td>0.2%</td>
<td>3.7%</td>
<td></td>
</tr>
</tbody>
</table>

---

* For ease of comparability, CPG’s assets and liabilities are reclassified to held for sale in the comparative periods. The group’s statutory accounts will not be restated.

⁸ Net working capital in the current period includes the net working capital related to CPG amounting to negative R1 086 million that will be recovered or settled through the ordinary course of business and not through sale.

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Imperial Logistics Integrated Annual Report 2019
Goodwill and intangible assets decreased 19% as a result of goodwill impairments of R1,1 billion and the amortisation of intangibles of R400 million.

Investment in associates and joint ventures declined mainly due to the disposal of Gruber and the impairment of the investments and loans advanced to the Zimbabwean business.

Property, plant and equipment, combined with the transport fleet, increased as a result of investment in the fleet to accommodate new contract gains and fleet replacement in the South Africa and International divisions, offset by depreciation.

Other financial liabilities decreased resulting mainly from the repayment of a non-controlling loan in Surgipharm and a decrease in put option liabilities due to favourable remeasurement. Net income tax liabilities increased as a result of the deconsolidation of tax assets of the remaining Imperial Group entities due to the unbundling of Motus.

The following details the changes in equity during the year:

<table>
<thead>
<tr>
<th>Rm</th>
<th>June 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Comprehensive income</strong></td>
<td></td>
</tr>
<tr>
<td>Net profit attributable to Imperial shareholders</td>
<td>3 441</td>
</tr>
<tr>
<td>Net profit attributable to non-controlling interests</td>
<td>142</td>
</tr>
<tr>
<td>Increase in the foreign currency translation reserve</td>
<td>211</td>
</tr>
<tr>
<td>Increase in the hedge accounting reserve</td>
<td>170</td>
</tr>
<tr>
<td>Revaluation of retirement benefit obligation, net of tax</td>
<td>(74)</td>
</tr>
<tr>
<td><strong>Movement in share-based reserve net of transfers to retained earnings</strong></td>
<td>32</td>
</tr>
<tr>
<td>Ordinary dividend paid</td>
<td>(1 030)</td>
</tr>
<tr>
<td>Unbundling dividend</td>
<td>(17 036)</td>
</tr>
<tr>
<td>Repurchase of Imperial Logistics shares</td>
<td>(262)</td>
</tr>
<tr>
<td>Non-controlling interest acquired, net of disposals and shares issued</td>
<td>28</td>
</tr>
<tr>
<td>Net decrease in non-controlling interests through buyout</td>
<td>97</td>
</tr>
<tr>
<td>Non-controlling share of dividends</td>
<td>(197)</td>
</tr>
<tr>
<td><strong>Total decrease</strong></td>
<td>(14 478)</td>
</tr>
</tbody>
</table>

**Movement in total equity for the year to 30 June 2019**

Total equity of R8 647 million decreased by R14 478 million largely due to ordinary dividends paid of R1 030 million and the special distribution in specie of Motus of R17 billion. The dividend outflows were offset by comprehensive income of R3 890 million including R200 million received from Afropulse in relation to the B-BBEE transaction.
Cash flow (excluding Motus and including CPG)

<table>
<thead>
<tr>
<th>Rm</th>
<th>June 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flows from operating activities</strong></td>
<td></td>
</tr>
<tr>
<td>Cash generated by operations before movements in net working capital</td>
<td>3 239</td>
</tr>
<tr>
<td>Movements in net working capital</td>
<td>(16)</td>
</tr>
<tr>
<td><strong>Cash generated by operations before interest and taxes paid</strong></td>
<td></td>
</tr>
<tr>
<td>Net interest paid</td>
<td>(578)</td>
</tr>
<tr>
<td>Tax paid</td>
<td>(580)</td>
</tr>
<tr>
<td><strong>Cash generated by operations</strong></td>
<td></td>
</tr>
<tr>
<td>Cash generated by operations before interest and taxes paid</td>
<td>3 223</td>
</tr>
<tr>
<td>Net interest paid</td>
<td>(578)</td>
</tr>
<tr>
<td>Tax paid</td>
<td>(580)</td>
</tr>
<tr>
<td><strong>Cash utilised in investing activities</strong></td>
<td></td>
</tr>
<tr>
<td>Net acquisition of businesses</td>
<td>(25)</td>
</tr>
<tr>
<td>Expansion capital</td>
<td>(471)</td>
</tr>
<tr>
<td>Net replacement capital expenditure</td>
<td>(623)</td>
</tr>
<tr>
<td>Net cash movement in other associates and joint ventures</td>
<td>286</td>
</tr>
<tr>
<td>Net cash movement in investments, loans and non-current financial instruments</td>
<td>(175)</td>
</tr>
<tr>
<td><strong>Cash utilised in investing activities</strong></td>
<td></td>
</tr>
<tr>
<td>Cash utilised in investing activities</td>
<td>(1 008)</td>
</tr>
<tr>
<td><strong>Cash flows from financing activities</strong></td>
<td></td>
</tr>
<tr>
<td>Hedge cost premium paid</td>
<td>(161)</td>
</tr>
<tr>
<td>Settlement of interest rate swaps</td>
<td>(13)</td>
</tr>
<tr>
<td>Repurchase of ordinary shares</td>
<td>(262)</td>
</tr>
<tr>
<td>Net dividends paid</td>
<td>(792)</td>
</tr>
<tr>
<td>Change in non-controlling interests</td>
<td>(137)</td>
</tr>
<tr>
<td>Capital raised from non-controlling interests</td>
<td>200</td>
</tr>
<tr>
<td>Settlement of non-redeemable, non-participating preference shares</td>
<td>63</td>
</tr>
<tr>
<td><strong>Cash utilised in financing activities</strong></td>
<td></td>
</tr>
<tr>
<td>Movement in net debt before currency adjustments</td>
<td>(45)</td>
</tr>
<tr>
<td>Free cash flow (including CPG and excluding Motus)</td>
<td>1 442</td>
</tr>
</tbody>
</table>

Note: Comparatives for 2018 have not been included in the above table. The statutory cash flow statement is included in the detailed financials available online.

Excluding Motus, cash generated by operations of R2,1 billion increased by 46% (2018: R1,4 billion). Net working capital was well managed, resulting in a net cash outflow of only R16 million while net capital expenditure increased to R1,1 billion from R517 million in F2018 mainly due to higher investment in fleet expansion to support new contract gains and fleet replacement in Logistics South Africa, and specialised new fleet acquired in Logistics International. Furthermore, the prior period benefited from property disposals of R260 million.

Interest of R578 million and tax of R580 million were paid during the year and dividends amounted to R792 million during the year.

Other significant cash flow items included the settlement of the preference shares which resulted in a cash outflow of R378 million and ordinary share buy-backs of R262 million and R200 million that was raised from the Afropulse B-BBEE transaction and proceeds of R226 million from the sale of Gruber.

Free cash flow, post-maintenance capex and including CPG, increased to R1,4 billion from R1,3 billion in F2018 resulting in continuing free cash flow to continuing headline earnings ratio of 1.40 times.

**Liquidity**

The group’s liquidity position is strong, with R11,8 billion of unutilised banking facilities. In total, 89% of the group debt is long term in nature and 55% of the debt is at fixed rates.

**Dividend**

A final cash dividend of 109 cents per ordinary share has been declared, bringing the F2019 dividend to 244 cents per ordinary share. The dividend is in line with our targeted pay-out ratio of 45% of continuing HEPS, subject to prevailing circumstances.

**Discontinued operations**

- **Motus**
  
The results of Motus have been consolidated up to 31 October 2018. On 22 November 2018 Imperial fair valued its interest in Motus at R17 058 million and distributed this value to its shareholders. The revaluation resulted in a post-tax gain of R4 339 million that, together with Motus’ trading results to 31 October 2018, is included in profit or loss under discontinued operations.

- **Consumer packaged goods in South Africa**

  CPG has been classified as a discontinued operation following the announcement on 3 June 2019 to exit the business due to the multi-principal
warehouse distribution model becoming unviable and uncompetitive.

Acquisitions and disposals
There were no material acquisitions or disposals concluded in the period under review. Two transactions in African Regions are nearing finalisation, pending the relevant regulatory approvals:

Geka Pharma (Namibia)
Imperial Logistics is acquiring a 65% stake in Geka Pharma, a distributor of pharmaceutical, medical, surgical and allied products in Namibia for approximately R80 million, subject to competition commission approval. This transaction is in line with Imperial Logistics’ strategy to expand into new verticals in existing markets of operation. The acquisition will create a footprint for Imperial Logistics in the healthcare industry in Namibia.

MDS Logistics (Nigeria)
Imperial Logistics is acquiring a further 8% equity stake in MDS Logistics, Nigeria’s leading provider of integrated supply chain solutions. The transaction will include Imperial Logistics transferring some existing profitable contracts to MDS Logistics, and paying a further USD2.4 million, subject to approval from regulatory authorities. The equity value of MDS in this transaction was c.USD40 million. This transaction will take our shareholding in the business from 49% to 57%. Securing majority control in MDS Logistics will drive integration with Imperial Logistics’ operations in Nigeria, facilitating the implementation of Imperial Logistics’ value-added logistics offering through an end-to-end solution including transport, warehousing, distribution and distributorships, and as such leveraging our capabilities in this market.

Capital allocation approach prioritises investment in strategic businesses
Our acquisitive growth strategy and capital allocation prioritises investment in strategically aligned businesses with strong organic growth and cash flow profiles that enhance our key competitive advantages and meet our financial hurdle rates.

Re-iterating our commitment to transformation and B-BBEE
Significant progress has been made in accelerating transformation and ensuring that we remain relevant to the needs of our clients in South Africa in terms of B-BBEE, which we approach from both a moral and commercial perspective. As highlighted elsewhere in this report, we are pleased with the B-BBEE transaction concluded with the Afropulse Group – a wholly black women-owned business – to form Imperial Logistics Advance, in December 2018. Imperial Logistics Advance is accordingly a 51% black-owned and more than 30% black women-owned enterprise, focusing on the energy, mining and chemicals industries. Afropulse acquired 25% of Imperial Logistics Advance for R200 million. Furthermore, our 2019 B-BBEE scorecard is expected to achieve a Level 3 rating against the dti Codes and a Level 2 rating against the Road Freight Sector Codes. As a responsible corporate citizen, we will continue to ensure that we record ongoing progress on this front to enhance our relevant and competitiveness.

Outlook
From the 2020 financial year we will realise tangible bottom-line benefits of new contract gains, new acquisitions, restructuring, exit of non-core and unprofitable businesses, and reducing costs significantly in all our businesses. As a result, for the financial year to 30 June 2020, subject to stable currencies and economies in which we operate, we expect Imperial Logistics’ continuing operations (excluding businesses held for sale) to deliver:

• High single digit revenue growth compared to F2019.
• Low double digit operating profit growth compared to F2019.
• Low double-digit growth in continuing HEPS compared to F2019.
• Ongoing strong free cash flow conversion of c.70%.

Beyond F2020, our medium-term guidance over the next three years includes:

• Returns: ROIC of WACC + 3% for the group.
• Revenue and operating profit growth (organic)
  – South Africa: 2 times GDP plus inflation
  – African Regions: low double digits
  – International: 2 times GDP plus inflation
• Free cash flow conversion: 70 – 75%.
• Gearing: net debt to EBITDA of <2.5 times through the cycle.
• Debt capacity: R3 billion to R5 billion (excluding cash from future disposals).
• Dividends: c.45% of continuing HEPS.

As mentioned at the outset, the financial position of Imperial Logistics remains strong, with sufficient headroom in terms of capacity and liquidity to facilitate our growth aspirations and the above targets. A strong focus on careful capital allocation, and debt, working capital, capex and forex risk management will continue and we remain positive that we will reap the benefits of the significant and strategic decisions taken going forward.

George de Beer
Group chief financial officer
## Five-year review

<table>
<thead>
<tr>
<th>Financial definitions</th>
<th>2019 (Rm)</th>
<th>2018 (Rm)</th>
<th>2017 (Rm)</th>
<th>2016 (Rm)</th>
<th>2015 (Rm)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PROFIT OR LOSS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td>49 720</td>
<td>48 565</td>
<td>118 567</td>
<td>118 849</td>
<td>110 487</td>
</tr>
<tr>
<td>Operating profit</td>
<td>2 501</td>
<td>2 868</td>
<td>6 538</td>
<td>6 382</td>
<td>6 235</td>
</tr>
<tr>
<td>Net financing costs</td>
<td>(415)</td>
<td>(569)</td>
<td>(1 680)</td>
<td>(1 440)</td>
<td>(1 194)</td>
</tr>
<tr>
<td>Share of results of associates and joint ventures</td>
<td>46</td>
<td>56</td>
<td>103</td>
<td>138</td>
<td>32</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>(471)</td>
<td>(620)</td>
<td>(1 060)</td>
<td>(1 221)</td>
<td>(1 213)</td>
</tr>
<tr>
<td>Tax rate (%)</td>
<td>91,5%</td>
<td>35,6%</td>
<td>30,1%</td>
<td>28,6%</td>
<td>26,6%</td>
</tr>
<tr>
<td>Net profit (loss) attributable to non-controlling interest</td>
<td>141</td>
<td>168</td>
<td>(36)</td>
<td>184</td>
<td>332</td>
</tr>
<tr>
<td>Headline earnings</td>
<td>1 051</td>
<td>1 139</td>
<td>2 700</td>
<td>2 994</td>
<td>3 135</td>
</tr>
<tr>
<td><strong>CASH FLOWS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash generated by operations (before capital expenditure on rental assets, net financing costs and tax paid)</td>
<td>3 656</td>
<td>3 336</td>
<td>9 076</td>
<td>8 143</td>
<td>9 058</td>
</tr>
<tr>
<td>Cash flow from investing activities (including capital expenditure on rental assets)</td>
<td>(918)</td>
<td>960</td>
<td>(3 648)</td>
<td>(3 199)</td>
<td>(6 482)</td>
</tr>
<tr>
<td>Net debt repaid (raised)</td>
<td>68</td>
<td>1 472</td>
<td>437</td>
<td>(1 657)</td>
<td>(1 902)</td>
</tr>
<tr>
<td>Free cash flow</td>
<td>1 989</td>
<td>1 420</td>
<td>4 296</td>
<td>2 536</td>
<td>4 573</td>
</tr>
<tr>
<td><strong>ASSETS AND LIABILITIES</strong>*</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total assets</td>
<td>30 969</td>
<td>33 866</td>
<td>68 853</td>
<td>69 835</td>
<td>65 712</td>
</tr>
<tr>
<td>Operating assets</td>
<td>2 27 807</td>
<td>29 483</td>
<td>61 025</td>
<td>58 783</td>
<td>56 944</td>
</tr>
<tr>
<td>Operating liabilities</td>
<td>3 13 195</td>
<td>11 497</td>
<td>26 000</td>
<td>24 777</td>
<td>23 774</td>
</tr>
<tr>
<td>Net working capital</td>
<td>4 747</td>
<td>1 881</td>
<td>8 956</td>
<td>9 804</td>
<td>9 267</td>
</tr>
<tr>
<td>Net interest-bearing debt</td>
<td>5 5 766</td>
<td>5 721</td>
<td>15 088</td>
<td>15 279</td>
<td>13 482</td>
</tr>
<tr>
<td>Imperial owners’ interest</td>
<td>8 243</td>
<td>11 104</td>
<td>20 742</td>
<td>20 173</td>
<td>18 868</td>
</tr>
<tr>
<td>Non-controlling interest</td>
<td>931</td>
<td>896</td>
<td>667</td>
<td>909</td>
<td>1 838</td>
</tr>
<tr>
<td>Contingent liabilities</td>
<td>674</td>
<td>958</td>
<td>649</td>
<td>770</td>
<td>405</td>
</tr>
<tr>
<td><strong>RATIOS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Efficiency</td>
<td>6 3,1</td>
<td>2,7</td>
<td>3,4</td>
<td>3,5</td>
<td>3,3</td>
</tr>
<tr>
<td>Revenue relating to sale of goods to average inventory (times)</td>
<td>7</td>
<td>4,8</td>
<td>4,2</td>
<td>4,0</td>
<td>4,4</td>
</tr>
<tr>
<td>Revenue to average net working capital (times)</td>
<td>37,8</td>
<td>25,8</td>
<td>12,6</td>
<td>12,5</td>
<td>12,8</td>
</tr>
<tr>
<td>Profitability</td>
<td>8 15,3</td>
<td>15,9</td>
<td>18,9</td>
<td>19,0</td>
<td>18,8</td>
</tr>
<tr>
<td>Operating profit to average gross operating assets (%)</td>
<td>8 8,7</td>
<td>9,7</td>
<td>10,9</td>
<td>11,0</td>
<td>11,0</td>
</tr>
<tr>
<td>Operating margin (%)</td>
<td>9 5,0</td>
<td>5,9</td>
<td>5,5</td>
<td>5,4</td>
<td>5,6</td>
</tr>
<tr>
<td>Return on average shareholders’ interest (%)</td>
<td>10</td>
<td>(0,5)</td>
<td>9,1</td>
<td>12,7</td>
<td>15,4</td>
</tr>
<tr>
<td>Return on invested capital (%)</td>
<td>11</td>
<td>10,4</td>
<td>12,4</td>
<td>12,4</td>
<td>12,8</td>
</tr>
<tr>
<td>Weighted average cost of capital (%)</td>
<td>12</td>
<td>10,2</td>
<td>8,5</td>
<td>9,0</td>
<td>9,5</td>
</tr>
<tr>
<td>Solvency</td>
<td>6 6,0</td>
<td>5,0</td>
<td>3,9</td>
<td>4,4</td>
<td>5,2</td>
</tr>
<tr>
<td>Interest cover by operating profit (times)</td>
<td>1,6</td>
<td>1,5</td>
<td>1,7</td>
<td>1,7</td>
<td>1,5</td>
</tr>
<tr>
<td>Total equity to total assets (%)</td>
<td>27,9</td>
<td>33,8</td>
<td>29,4</td>
<td>28,4</td>
<td>29,3</td>
</tr>
<tr>
<td>Net interest-bearing debt as a percentage of total equity (%)</td>
<td>66,7</td>
<td>50,0</td>
<td>74,5</td>
<td>77,2</td>
<td>70,1</td>
</tr>
<tr>
<td>Liquidity</td>
<td>22,10</td>
<td>1,20</td>
<td>1,67</td>
<td>0,80</td>
<td>1,35</td>
</tr>
<tr>
<td>Free cash flow to net profit for the year (times)</td>
<td>13</td>
<td>1,89</td>
<td>1,25</td>
<td>1,59</td>
<td>0,85</td>
</tr>
<tr>
<td>Free cash flow to headline earnings (times)</td>
<td>11 786</td>
<td>13 911</td>
<td>12 450</td>
<td>10 046</td>
<td>9 372</td>
</tr>
</tbody>
</table>

* Assets, liabilities and equity were calculated by excluding net assets of discontinued operations for 2019 and 2018.
<table>
<thead>
<tr>
<th>Continuing operations</th>
<th>Total operations</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Financial definitions</strong></td>
<td><strong>2019</strong></td>
</tr>
<tr>
<td>Total operations</td>
<td><strong>Rm</strong></td>
</tr>
<tr>
<td><strong>INVESTING IN THE FUTURE</strong></td>
<td></td>
</tr>
<tr>
<td>Cost of new acquisitions</td>
<td>22</td>
</tr>
<tr>
<td>Net capital expenditure</td>
<td>1,005</td>
</tr>
<tr>
<td>Capital commitments</td>
<td>212</td>
</tr>
<tr>
<td><strong>STATISTICS</strong></td>
<td></td>
</tr>
<tr>
<td>Number of transport fleet vehicles (owned)</td>
<td>6,622</td>
</tr>
<tr>
<td>Number of employees</td>
<td>24,982</td>
</tr>
<tr>
<td>Employee costs</td>
<td>10,575</td>
</tr>
<tr>
<td>Wealth created per employee</td>
<td>566</td>
</tr>
<tr>
<td>Total taxes and levies paid</td>
<td>14</td>
</tr>
<tr>
<td><strong>SHARE PERFORMANCE</strong></td>
<td></td>
</tr>
<tr>
<td>Basic headline earnings per share (cents)</td>
<td>542</td>
</tr>
<tr>
<td>Dividends per share (cents)</td>
<td>244</td>
</tr>
<tr>
<td>Earnings yield (%)</td>
<td>15</td>
</tr>
<tr>
<td>Price earnings ratio (times)</td>
<td>16</td>
</tr>
<tr>
<td>Net asset value per share (cents)</td>
<td>4,297</td>
</tr>
<tr>
<td>Market prices (cents)</td>
<td></td>
</tr>
<tr>
<td>– closing (30 June)*</td>
<td>5,143</td>
</tr>
<tr>
<td>Total market capitalisation at closing prices</td>
<td>10,350</td>
</tr>
<tr>
<td>Value of shares traded</td>
<td>30,675</td>
</tr>
<tr>
<td>Value traded as a percentage of average capitalisation (%)</td>
<td>123</td>
</tr>
<tr>
<td><strong>EXCHANGE RATES USED</strong></td>
<td></td>
</tr>
<tr>
<td>Rand to Euro</td>
<td></td>
</tr>
<tr>
<td>– average</td>
<td>16,18</td>
</tr>
<tr>
<td>– closing</td>
<td>16,06</td>
</tr>
<tr>
<td>Rand to US Dollar</td>
<td></td>
</tr>
<tr>
<td>– average</td>
<td>14,18</td>
</tr>
<tr>
<td>– closing</td>
<td>14,10</td>
</tr>
<tr>
<td>Rand to British Pound</td>
<td></td>
</tr>
<tr>
<td>– average</td>
<td>18,35</td>
</tr>
<tr>
<td>– closing</td>
<td>17,95</td>
</tr>
<tr>
<td>Rand to Nigerian Naira</td>
<td></td>
</tr>
<tr>
<td>– average</td>
<td>0,04</td>
</tr>
<tr>
<td>– closing</td>
<td>0,04</td>
</tr>
<tr>
<td>Rand to Botswana Pula</td>
<td></td>
</tr>
<tr>
<td>– average</td>
<td>1,33</td>
</tr>
<tr>
<td>– closing</td>
<td>1,33</td>
</tr>
<tr>
<td>Rand to Australian Dollar</td>
<td></td>
</tr>
<tr>
<td>– average</td>
<td>10,14</td>
</tr>
<tr>
<td>– closing</td>
<td>9,90</td>
</tr>
</tbody>
</table>

* 2015 to 2017 was for Imperial Holdings, prior to the unbundling of Motus.

See financial definitions on page 62.
Financial definitions:
1. Free cash flow — calculated by adjusting the cash flow from operating activities to exclude the expansion capital expenditure on rental assets and deducting replacement capital expenditure on other assets.
2. Operating assets — total assets less loans receivable, tax assets, cash resources and assets of disposal groups.
3. Operating liabilities — total liabilities less all interest-bearing borrowings, tax liabilities, put option liabilities and liabilities of disposal groups.
4. Net working capital — consists of inventories, trade and other receivables, contract assets, provisions for liabilities and other charges and trade and other payables.
5. Net interest-bearing debt — includes total interest-bearing borrowings plus non-redeemable preference shares (in prior years) less cash resources.
6. Revenue to average net operating assets (times) — revenue divided by average net operating assets.
7. Revenue relating to sale of goods to average inventory (times) — revenue relating to sale of goods divided by average inventory.
8. Operating profit to average net operating assets (%) — operating profit divided by average net operating assets.
9. Operating margin (%) — operating profit divided by revenue.
10. Return on average ordinary shareholders’ interest (%) — net profit attributable to owners of Imperial divided by average shareholders’ equity (calculated by using the opening and closing balances) attributable to Imperial shareholders.
11. Return on invested capital (ROIC) (%) — return divided by invested capital. Return is calculated by reducing the operating profit by a blended tax rate, which is an average of the actual tax rates applicable in the various jurisdictions in which Imperial operates, increased by the share of results of associates and joint ventures. Invested capital is a 12-month average of shareholders equity plus non-controlling interests, plus non-redeemable, non-participating preference shares (settled on 13 August 2018) plus net interest-bearing debt (interest-bearing borrowings long term and short term less long-term loans receivable less non-financial services cash resources).
12. Weighted average cost of capital (WACC) (%) — calculated by multiplying the cost of each capital component by its proportional weight, therefore: WACC = (after tax cost of debt % multiplied by average debt weighting) + (cost of equity multiplied by average equity weighting). The cost of equity is blended recognising the cost of equity in the different jurisdictions of the operations.
13. Free cash flow to headline earnings ratio — free cash flow divided by headline earnings.
14. Total taxes and levies paid — made up of South African normal tax, secondary tax on companies, foreign tax, rates and taxes, skills development and unemployment insurance fund levies.
15. Earnings yield (%) — the headline earnings per share divided by the closing price of a share.
16. Price earnings ratio (times) — the closing price of a share divided by the headline earnings per share.
17. Net asset value per share — equity attributable to owners of Imperial divided by total ordinary shares in issue net of shares repurchased (the deferred ordinary shares only participate to the extent of their par value of 0.04 cents).
18. Total market capitalisation at closing prices (Rm) — total ordinary shares in issue before treasury shares multiplied by the closing price per share.
## Value-added statement for the year ended 30 June 2019

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>%</th>
<th>2018</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td>49 720</td>
<td></td>
<td>48 565</td>
<td></td>
</tr>
<tr>
<td><strong>Paid to suppliers for materials and services</strong></td>
<td>(35 589)</td>
<td></td>
<td>(34 331)</td>
<td></td>
</tr>
<tr>
<td><strong>Total wealth created</strong></td>
<td>14 131</td>
<td></td>
<td>14 234</td>
<td></td>
</tr>
<tr>
<td><strong>Wealth distribution</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries, wages and other benefits (note 1)</td>
<td>10 575</td>
<td>75</td>
<td>10 351</td>
<td>73</td>
</tr>
<tr>
<td>Providers of capital</td>
<td>1 207</td>
<td>9</td>
<td>1 323</td>
<td>9</td>
</tr>
<tr>
<td>Providers of debt</td>
<td>415</td>
<td>3</td>
<td>569</td>
<td>4</td>
</tr>
<tr>
<td>Providers of equity</td>
<td>792</td>
<td>6</td>
<td>754</td>
<td>5</td>
</tr>
<tr>
<td>Government (note 2)</td>
<td>649</td>
<td>4</td>
<td>779</td>
<td>5</td>
</tr>
<tr>
<td>Reinvested in the group to maintain and develop operations</td>
<td>1 700</td>
<td>12</td>
<td>1 781</td>
<td>13</td>
</tr>
<tr>
<td>Depreciation, amortisation, impairments and recoupments</td>
<td>1 461</td>
<td></td>
<td>1 408</td>
<td></td>
</tr>
<tr>
<td>Future expansion</td>
<td>239</td>
<td></td>
<td>373</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>14 131</td>
<td>100</td>
<td>14 234</td>
<td>100</td>
</tr>
</tbody>
</table>

### Notes

1. **Salaries, wages and other benefits**
   - Salaries, wages, overtime, commissions, bonuses, allowances
     - 2019: 9 518
     - 2018: 8 812
   - Employer contributions
     - 2019: 1 057
     - 2018: 1 539

2. **Central and local governments**
   - Income tax
     - 2019: 432
     - 2018: 595
   - Withholding and secondary tax on companies
     - 2019: 39
     - 2018: 25
   - Rates and taxes
     - 2019: 77
     - 2018: 61
   - Skills development levy
     - 2019: 36
     - 2018: 33
   - Unemployment Insurance Fund
     - 2019: 65
     - 2018: 65

**Note:** 2018 and 2019 figures are for continuing operations only and exclude Motus and CPG.
Logistics South Africa

Market position
- Leading logistics provider in South Africa, with end-to-end capabilities
- Reach and scale make us resilient to economic weakness
- Efficiency, customisation and innovation support our growth potential

Our reach and scale support our resilience, and our end-to-end capabilities enable us to customise and integrate solutions for clients that support their competitiveness and relevance. Our efforts to unlock value have included renewing our client profitability models to improve our insight into and retention of clients, and a more competitive pricing strategy to drive growth in our chosen industries. To support greater efficiency, we have also exited unprofitable contracts, consolidated operations and properties, and reduced fleets and overheads. We are positioned to retain our market leadership and maximise our growth potential in our chosen industry verticals.

Revenue by industry¹

<table>
<thead>
<tr>
<th>Industry</th>
<th>2019 Revenue</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumer</td>
<td>39%</td>
<td></td>
</tr>
<tr>
<td>Industrial</td>
<td>13%</td>
<td></td>
</tr>
<tr>
<td>Chemical and energy</td>
<td>26%</td>
<td></td>
</tr>
<tr>
<td>Healthcare</td>
<td>8%</td>
<td></td>
</tr>
<tr>
<td>Automotive</td>
<td>20%</td>
<td></td>
</tr>
<tr>
<td>Other industries</td>
<td>3%</td>
<td></td>
</tr>
</tbody>
</table>

¹ Continuing operations, excluding businesses held for sale.
Material macroeconomic factors affecting our South African operations included persistently poor economic conditions and low consumer spending — translated into exceptionally low volumes across most sectors. Load shedding during the year impacted production activity in many sectors, which also negatively affected our volumes. Government’s growth plan is unlikely to stimulate growth in the short term and high unemployment continued to plague the country. We continued to face margin pressures from clients. The impact of this lacklustre trading environment has been reduced volumes, and ongoing competitive and client pressures, particularly in the consumer-facing, healthcare and manufacturing client base.

Performance highlights
- Excluding CPG and businesses held for sale, we maintained revenue and reduced operating profit by 4%.
- This was due primarily to depressed consumer demand and exceptionally low volumes across all industries, particularly in the consumer-facing, manufacturing and healthcare client base.
- New contract gains, a good performances from the supply chain management and consulting business (Resolve), fuel and gas, and commodities businesses. Ongoing improvements in efficiencies in the supply chain significantly reduced costs which further supported performance.
- Excluding the CPG business, the division has grown operating profit by 5% per annum over the last three years, achieving ROIC of 16%.
- New contract gains added R2,2 billion of annualised revenue.
- Client retention rates remained high at around 95%.
- Net capital expenditure increased to R569 million (2018: R388 million) due to the replacement of the transport fleet and fleet expansion to accommodate new contracts.
- The CPG business, classified as a discontinued operation, recorded a R503 million operating loss for the year.
- The ROIC of 13,0% reduced from 13,8% in the prior year mainly due to lower operating profit.

<table>
<thead>
<tr>
<th>Logistics South Africa — Continuing only</th>
<th>HY1 2019</th>
<th>HY1 2018* change on HY1</th>
<th>HY2 2019</th>
<th>HY2 2018% change on HY2</th>
<th>2019</th>
<th>2018 change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue (Rm)</td>
<td>6 737</td>
<td>6 790 (1)</td>
<td>6 637</td>
<td>6 394 (4)</td>
<td>13 374</td>
<td>13 376</td>
</tr>
<tr>
<td>EBITDA (Rm)</td>
<td>725</td>
<td>727</td>
<td>651</td>
<td>694 (6)</td>
<td>1 376</td>
<td>1 421 (3)</td>
</tr>
<tr>
<td>Operating profit (Rm)</td>
<td>505</td>
<td>507</td>
<td>445</td>
<td>480 (7)</td>
<td>950</td>
<td>987 (4)</td>
</tr>
<tr>
<td>Operating margin (%)</td>
<td>7,5</td>
<td>7,5</td>
<td>6,7</td>
<td>7,5</td>
<td>7,1</td>
<td>7,4</td>
</tr>
<tr>
<td>Return on invested capital (%)</td>
<td>12,2</td>
<td>13,4</td>
<td></td>
<td>13,0</td>
<td>13,8</td>
<td></td>
</tr>
<tr>
<td>Weighted average cost of capital (%)</td>
<td>10,9</td>
<td>11,1</td>
<td></td>
<td>10,8</td>
<td>11,0</td>
<td></td>
</tr>
<tr>
<td>Net debt (Rm)</td>
<td>2 058</td>
<td>2 280 (10)</td>
<td></td>
<td>1 491</td>
<td>2 241 (34)</td>
<td></td>
</tr>
<tr>
<td>Net working capital (Rm)</td>
<td>762</td>
<td>785 (3)</td>
<td></td>
<td>302</td>
<td>793</td>
<td>(62)</td>
</tr>
</tbody>
</table>

* Restated due to the reallocation of results relating to our infrastructure solutions business from Logistics South Africa to Logistics African Regions.

Note: Continuing operations; excluding businesses held for sale, head office and eliminations.
An unpredictable operating environment and increasingly pressured market made for a difficult 2019. Weak economic conditions, low consumer spending and volatile fuel prices significantly impacted our businesses and profitability.

In the CPG business, contract losses, volume and margin pressures deepened in line with the unexpected pace and extent of economic decline, which accelerated structural changes in the market—specifically as retailers centralised their distribution facilities and disintermediated supply chain providers to protect their margins. Despite numerous turnaround and cost cutting initiatives, the CPG business model (providing multi-principal distribution capability) had become uncompetitive and unsustainable, and a return to profitability was unlikely.

This made the decision to exit the business unavoidable, at which we immediately turned our focus to minimising the impact on our people, clients and suppliers. Roadshows were undertaken to communicate the decision to our employees and involved constructive, ongoing engagement with the relevant unions and other key stakeholders, facilitated by a commissioner appointed by the Commission for Conciliation, Mediation and Arbitration (CCMA). Key contracts are being accommodated in other business units under a different commercial model and CPG operations will be fully terminated by the end of calendar year 2019. It is important to note that this decision does not represent our exit from the consumer industry vertical in South Africa, but only the rationalisation of the multi-principal distribution capability that had become unviable.

Excluding CPG, the South African division has shown its resilience. It has lifted operating profit by 5% over the last three years and achieved an excellent ROIC of 16% in a market of no real economic growth. This has demonstrated our ability to adapt our asset utilisation models to the changes in specific industries and our progress in rationalising and consolidating businesses and facilities, and reducing costs. The South African division removed c.R140 million (excluding CPG) of fixed overhead costs per annum which resulted in a once-off cost impact of c.R25 million in this financial year.

More importantly, we have retained 95% of our client contracts and secured new contract revenue of R2,2 billion in the last year. This is testament to the dedication of our teams who have continued to deliver differentiated services to our clients, consolidating our position as their partner of choice. To drive growth, we will leverage the advantages to our clients of our depth of experience and industry insight through our renewed operating model—which will ensure a dedicated commercial sales focus supported by operational excellence within our chosen industry verticals.
This will be underpinned by our ONE Imperial – “one business, one brand” approach, which emphasises an ethical, collaborative, innovative, client and delivery-driven culture.

Our people are the critical enablers of our commitment to improve the delivery of our short-term financial and operational targets, without diluting our attention on our longer-term strategic objectives. We continue to invest significantly in the development of our people, with a specific emphasis on accelerating transformation both within our organisation and through our business partnerships. This is fundamental to deepening our competitive advantage and protecting our legitimacy in South Africa. During the year we appointed a number of black and female employees to key executive and management positions. We also concluded a B-BBEE transaction with the Afropulse Group, a wholly black women-owned business, to form Imperial Logistics Advance, a 51% black-owned and more than 30% black women-owned business that focuses on the energy, mining and chemicals industries.

Technology and innovation are important themes in protecting our market leadership position. Our short-term approach is to develop pockets of practical innovation that will add significant value in the short term while ongoing investment will provide a foundation for longer-term growth opportunities.

Our people had to deal with deep uncertainty in the last year, as an inevitable consequence of the difficult strategic decisions we made, quite besides the worrying economic and socio-political conditions in which we live and work. During the year, 3,014 of our employees in South Africa were impacted by organisational restructuring. This resulted in the transfer of 2,764 employment contracts and, regrettably, the retrenchment of 250 employees after due process. As we move forward, we will rely on the resilience and resourcefulness of our people to compete more effectively.

Without the drain on management time and divisional performance of a significant underperforming business, we are confident in our ability to deliver on our strategy, which is focused on protecting our market leadership and deepening our competitiveness and relevance to our clients in our chosen industries.

We also continue to invest in environmental initiatives that reduce our operating costs and reliance on unstable municipal supply, with particular focus on fuel, electricity and water. We continue to explore the business case for investing in specialised assets on behalf of our clients, for instance Euro 5 emissions standard trucks and gas-powered vehicles, where possible, and multipurpose vehicles able to transport multiple products at different temperatures. This is in addition to route optimisation software and vehicle management systems that also contribute to fuel efficiency. Pleasingly, we achieved an 18% reduction in water consumed due to the increased use of recycled water and obtaining water from alternative sources. Road fuel and electricity consumption decreased 9% and 4% respectively compared to prior year and is mostly due to reduced fleet utilisation and the consolidation of facilities.

As we replace our fleet we ensure that our vehicles are fitted with the latest safety specifications, to support the highest standards of driver health and safety. This is supported by annual driver training to support our focus on instilling a culture of health and safety in all of our operations. While road accidents and road injuries per million kilometres decreased 24% and 45% respectively for the year, we also recorded two employee fatalities. We convey our sincere condolences to the families, friends and colleagues of Sibusiso Mhlongo and Patrick Ratyela.

The people of Imperial Logistics South Africa are smart, passionate and tenacious. I have every confidence that we have what it takes to meet our performance targets and progress our strategic objectives in a market that will remain difficult for the foreseeable future. We firmly believe that we have more opportunity in tough times to demonstrate the benefits to our clients of the scale and reach of our specialist capabilities, and the competitive pricing that our high efficiency enables.
Operational review – South Africa continued

Strategic objectives

Support client centricity
Simplifying our operating model will support our client-centric approach and remove duplication. Re-organising our business by priority industry will improve engagement, giving our clients a single point of contact through which to access the industry teams. Their specialist expertise in these industries will improve the development of customised solutions, deepening client dependence on our services. Our priority industries are those in which we believe we can compete most effectively and generate targeted returns. They include consumer, healthcare, mining and manufacturing, chemicals and energy. We will continue to participate in automotive, public sector, hospitality and tourism.

Effects

- Improved customised solution development and solution orientation will drive sustainable organic growth.
- Deeper industry insight, capabilities and solutions will enhance competitiveness and relevance.
- Value-added solutions at higher margins and reduction in the cost to serve will support higher profitability.

Evaluation
Past performance has been measured mainly by financial indicators. While this was also the case for the year under review, we are developing measures appropriate to our strategy and culture, and the behaviours we want to encourage. We will continue to develop and embed the relevant measures for disclosure in the medium term, including:

- Revenue growth per industry.
- Client satisfaction, based on net promoter score.
- Client-focused solutions and innovation.

Progress
We are implementing a new operating model, where centralised commercial teams will take responsibility for business development and sales, and operations teams will be responsible for the delivery of capabilities and solutions to clients. This will reduce internal competition for contracts, duplication of effort and simplify how we engage with clients, without centralising the accountability for operational growth within our business units.

Work to consolidate relevant functions into the structure and appoint the right people with the appropriate skills, and to migrate clients to industry teams, is ongoing.

A new chief commercial officer has been appointed, along with senior executives to head up each key industry team, and business plans are being developed in each case. Reward and recognition practices will be aligned to the relevant responsibilities in the new structure.

Longstanding strategic relationships, competitive cost structures after further rationalisation and our ability to customise solutions saw the division retain 95% of its contracts. A strong pipeline of new business – of R2.2 billion – was likewise forged on the back of these differentiators.
**Leverage asset flexibility to deliver organic growth**

To drive growth, we need to remain flexible in the way we apply traditional (in which we own specialised assets) and non-traditional (in which we manage third-party assets) models to deliver services to clients that make the most commercial sense to them. Asset intensive growth opportunities are carefully assessed using measures that include target market share and acceptable returns with new and existing clients and in new industries and capabilities. Our objective here is to entrench our client relationships and mitigate the risk of disintermediation. In combination, we are expanding our asset light services and solutions to diversify our business and entrench our services with clients. These solutions depend more on people, processes and technology and less on asset ownership to add value to clients. Establishing these new services still requires investment in team set-up, systems implementation, technology and business development.

<table>
<thead>
<tr>
<th>Effects</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asset-flexible client solutions will drive organic growth in existing and new markets.</td>
</tr>
<tr>
<td>Ability to deliver comprehensive solutions to clients irrespective of their requirements increases competitiveness and relevance.</td>
</tr>
<tr>
<td>Asset flexibility dilutes overheads and provides higher returns, improving profitability.</td>
</tr>
</tbody>
</table>

**Evaluation**

Measures for success include:

- Revenue and operating profit growth.
- ROIC of 3% above WACC.
- Client-focused solutions and innovation.

**Progress**

During the year, net capital expenditure increased from R388 million to R569 million, primarily due to the replacement of the transport fleet and fleet expansion to accommodate new clients. We continually assess our asset flexibility to ensure that we have the right balance of assets to deliver competitive services to our clients.

Our focus on expanding our range of services and capabilities included designing specialised high cube capacity trailers to improve our offering to clients in the packaging industry. We will continue to assess our asset needs to be able to grow our existing client base in South Africa, focusing on expanding our service offering and to enter new market sectors. We will balance asset investments with other opportunities to deliver organic growth in the longer term, including investing in strategic partnerships, technology and innovation, and other business development opportunities.
Accelerate transformation
Transformation is fundamental to deepening our competitiveness, relevance and legitimacy in South Africa. As a moral and commercial imperative, we strive to continually improve our B-BBEE performance. Our approach to transformation is collaborative and we work with our clients, partners, suppliers and the public sector to drive progress. Our clients demand that we meet minimum transformation criteria to participate in tenders. These include black ownership of over 50%, black women ownership greater than 30% and a minimum B-BBEE rating of Level 3. Achieving this is fundamental to winning new business and retaining existing clients.

Evaluation
Measures for success include:
• Progress from Level 3 to Level 2 B-BBEE rating according to the revised dti Codes by 2022.
• Achieve employment equity targets.
• Growth and client retention, particularly in the energy and mining sectors.

Progress
Our 2019 B-BBEE scorecard is expected to achieve a Level 3 rating against the dti Codes and a Level 2 rating against the Road Freight Sector Codes. It will be available at the end of September 2019. Black representation at top management level was 47% (target: 33%), senior management at 28% (target: 20%), middle management at 43% (target 39%) and junior management at 76% (target 77%). Some 89% of appointments made in the year went to black candidates and 92% of our training spend was directed at the development of black employees. Meeting our employment equity targets in an environment in which we had to reduce headcount and with low staff turnover at all management levels is a challenge. However, we have done an analysis of staff close to retirement to identify positions for the accelerated succession of black talent. Through facilitated job-shadowing, this initiative will enable institutional knowledge and skills transfer, and smooth transitions into these roles for the identified successors.

Diversity workshops and climate surveys are regularly conducted to foster an organisational climate that values diversity and encourages inclusion. In addition, 98 leaders attended change management training to help them embed employment equity practices and policies. We also launched the Imperial Logistics Women’s Forum, comprising representatives across all employment levels, to identify and address issues encountered by women in the workplace.

Looking forward we will focus on building an external talent pipeline for business critical positions, focusing on African male and female candidates to supplement the internal talent pool. We will also look for opportunities to centralise certain procurement categories to increase our spend with black companies and develop structured engagement interventions to assist our sub-suppliers and suppliers improve their B-BBEE ratings.

<table>
<thead>
<tr>
<th>Effects</th>
<th>Enables client retention and growth by increasing the availability of tender opportunities.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>High B-BBEE ratings are critical to competitiveness in energy, mining and manufacturing industries, and diversity increases relevance to employees.</td>
</tr>
<tr>
<td></td>
<td>Sustainable organic growth and improved returns.</td>
</tr>
</tbody>
</table>
Sinawe Fund

The Sinawe Fund — an enterprise and supplier development intervention — has provided black-owned equity to three small, medium and micro-sized enterprises (SMMEs), as well as ongoing technical and general management support customised to each SMME’s growth stages and development gaps. All businesses have grown their revenues significantly over the year, however, increased operating costs have resulted in lower than expected earnings. Cost management plans have been put in place and are being monitored. One business has employed an additional 16 people and moved to bigger premises to accommodate the growing demand for its products. The outlook for all SMMEs remains positive and we expect to see improvements in the coming year along with the first set of dividends from the portfolio.

Unjani Clinics

The Unjani Clinics initiative empowers black women professional nurses to operate and ultimately own primary healthcare container clinics in their communities. Unjani Clinics NPC operates 63 clinics in total with 25 funded exclusively through the enterprise development spend from Imperial Logistics. The clinics have facilitated one million consultations since 2013, and offer an affordable, quality healthcare service to the employed but uninsured population (estimated between 10 and 12 million people), who are able to pay a small fee towards their healthcare needs. The model shifts primary healthcare services to professional nurses and away from government facilities, which are stretched and underresourced. The clinics provide access to essential medicines and primary healthcare at the point of need, reducing the vast amount of time and travel costs patients incur to receive attention at a state facility.

Leveraging opportunities through Imperial Logistics Advance

The disposal of 30% of Imperial Logistics South Africa to a B-BBEE partner was substantially more complex than we had originally anticipated. As a result, we concluded a smaller transaction in December 2018 with strategic B-BBEE partner, Afropulse Group Proprietary Limited – a wholly black women-owned business. The newly incorporated entity – Imperial Logistics Advance – incorporates the tanker services food and chemicals business unit, the tanker services fuel and gas business unit and Imperial KWS Logistics Proprietary Limited, with an annual turnover of approximately R3,5 billion. Afropulse acquired 25% of Imperial Logistics Advance for R200 million. The business is 51% black-owned and more than 30% black women-owned and has a Level 4 B-BBEE rating, which we aim to improve to a Level 2. The core capability of Imperial Logistics Advance is the bulk road transportation management of liquids, gases, powders, ores and grains, which requires specialised assets and skills.

More information is available online: support relevant social imperatives within our operating regions.
Optimise core capabilities
Optimising our core capabilities includes assessing the strategic alignment of business units, possibilities for further consolidation of our businesses and the development of industry specific capabilities. As we continue to enhance the depth of our capabilities in core industries, we will leverage our networks to become a leading distributor in both formal and informal markets. We will maintain market relevance through our ability to offer highly specialised services to clients that are unmatched by competitors in the South African market.

Effects

- Optimisation and consolidation facilitate our ability to win new business through increased cost competitiveness and increase access to incremental revenue streams.
- Our ability to offer integrated solutions to clients, which combine existing and new capabilities, differentiate our service offering.
- Leveraging the benefits of scale and scope lowers our costs.

Evaluation
Success will be assessed through:
- Reduced operational complexity.
- Improved returns, cost reductions and revenue growth.

Progress
During the year, we continued to assess our capabilities and to identify areas for optimisation.

Examples of this include:
- Optimising our control tower capabilities.
- Being the only accredited cyanide transporter in South Africa and having the only accredited phenyl wash bay in the country.
- Developing performance-based vehicles capable of carrying heavier loads of larger volumes.

We are investigating the opportunity to leverage our existing networks and capabilities to distribute specific products to remote and informal markets. We are currently investigating the feasibility of participating in the fast growing e-commerce market and are subsequently identifying strategic partners with fulfilment capability.

Acquisitions to align capabilities

- Commenced the acquisition of Lowveld Bus Services.

Initiatives to optimise capabilities

- Develop industry-specific capabilities to improve competitiveness.
- Integrate capabilities, focusing on distribution and route-to-market.
- Implement solutions sales process to improve our service offering.
- Consolidate linehaul, IMS and technical services to simplify the business.

Initiatives to rationalise capabilities

- Exit the CPG business.
- Integrate distribution and route-to-market capability in offering.
- Increase internal collaboration to replicate and roll out best-in-class solutions.
- Removed c.R140 million of fixed overhead costs per annum (excluding CPG).
People, processes and systems

Human capital
In line with the strategic decisions taken during the year, our people priorities were to limit the impact of the CPG closure on our employees in the business and the implementation of the new operating model, including aligning reward and recognition structures to support the new model and a client-centric approach. Pleasingly, the progress made in core data and the talent management process assisted the redeployment of people impacted by the organisational restructuring.

To support the group’s people strategy to embed best people management practices and position Imperial Logistics as an employer of choice, we are focused on transforming the workforce (as discussed above), improving our talent and performance management processes, and progressing the implementation of a human capital management system.

Progress
• Enhanced the talent management process, enabling us to identify the appropriate talent for each job profile and understand where we can potentially promote employees in the talent pipeline. This has enhanced transparency around career paths for the operational levels (unskilled and semi-skilled). Going forward, our focus will be to develop clear career paths for roles beyond these levels and equip line managers to hold effective talent conversations with their teams.
• Launched the Executive Development and Women’s Development programmes, which develop leadership capability and resilience in the face of change.
• Our Graduate programme builds our talent pipeline for specialist and management roles. 63% of this year’s 38 graduates are black and in 2020 we will increase our intake, with 67% of graduates being women.
• In total, R5 million was invested in the Thabang Fund since 2017 to develop black semi-skilled and unskilled employees in various fields.
• Training spend amounted to R160 million (2018: R135 million).
• Rebuilt and rebranded the talent recruitment strategy in line with being an employer of choice. This included the launch of a LinkedIn profile, helping us to reach more black candidates, and increased engagement at universities to support the intake to the Graduate programme.
• Developing a framework to standardised talent acquisition, which will include the necessary expertise to manage talent sourcing.
• Aligned our people processes, policies and practices across group companies to support the implementation of a people management and payroll system. Implementation will take place over the next two years.
• Started implementing the new performance management practice, with a balanced scorecard of KPIs to ensure employee effort aligns to strategic objectives.
• Successfully concluded industry wage negotiations, securing a three-year wage settlement with the National Bargaining Council for the Road and Freight Logistics Industry (NBCRFLI).

Going forward, we will continue to enhance transparency around career paths at all levels and equip line managers to hold effective talent conversations with their teams.

More information is available online: Effective human capital management.

Information technology and innovation
We have developed a South African IT roadmap which details specific priorities and requirements to support our existing operations and future business development plans, which includes client-focused innovation.

This year, our IT strategy focused on:
• Streamlining our IT operating model by adopting a fit-for-service delivery model.
• Ensuring the appropriate blend of IT architecture and business skills needed to offer contemporary, innovative business solutions.
• Standardising and consolidating decentralised legacy systems into stable and robust fit-for-purpose solutions built on reliable platforms, thereby reducing the risks related to running these systems.
• Upgrading our IT architecture to cloud-based platforms, strengthening our data recovery and availability and reducing our current server footprint.
• Proactively supporting our ability to deliver innovative, value-added and differentiating technology solutions, including the use of blockchain for smart contracts, serialisation and digital freight exchange.
• Providing a data repository for quality information that can be used for predictive analytics to enhance decision making.

More information on the group approach to innovation is available on page 92 in the innovation report.
Logistics African Regions

Market position

• Significant reach and track record in distributorships focused on resilient and growing industries
• Managed solutions leverage South African expertise to penetrate underdeveloped and fragmented 3PL markets

Our unique distributorship offerings in growing and resilient sectors, specifically healthcare and consumer goods, underpin our strong market positions in key African markets, despite their challenges. Our managed solutions operating model, which leverages South African expertise in underdeveloped and fragmented 3PL markets, supports and optimises our distribution networks. This enables an asset-flexible approach that allows us to adapt quickly to meet client and market demand.

Revenue by industry¹

<table>
<thead>
<tr>
<th>Industry</th>
<th>2019 Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumer</td>
<td>41%</td>
</tr>
<tr>
<td>Industrial</td>
<td>52%</td>
</tr>
<tr>
<td>Chemical and energy</td>
<td>2%</td>
</tr>
<tr>
<td>Healthcare</td>
<td>1%</td>
</tr>
<tr>
<td>Automotive</td>
<td>1%</td>
</tr>
</tbody>
</table>

Revenue by capability¹

<table>
<thead>
<tr>
<th>Capability</th>
<th>2019 Revenue (Rm)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Freight management</td>
<td>10.0</td>
</tr>
<tr>
<td>Contract logistics</td>
<td>1.2</td>
</tr>
<tr>
<td>Distributorship</td>
<td>0.9</td>
</tr>
</tbody>
</table>

¹ Continuing operations, excluding businesses held for sale.
<table>
<thead>
<tr>
<th>Logistics African Regions</th>
<th>HY1 2019</th>
<th>HY1 2018*</th>
<th>% change on HY1</th>
<th>HY2 2019</th>
<th>HY2 2018</th>
<th>% change on HY2</th>
<th>2019</th>
<th>2018</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue (Rm)</td>
<td>6 339</td>
<td>5 385</td>
<td>18</td>
<td>5 766</td>
<td>5 076</td>
<td>14</td>
<td>12 105</td>
<td>10 461</td>
<td>16</td>
</tr>
<tr>
<td>EBITDA (Rm)</td>
<td>511</td>
<td>469</td>
<td>9</td>
<td>373</td>
<td>403</td>
<td>(7)</td>
<td>884</td>
<td>872</td>
<td>1</td>
</tr>
<tr>
<td>Operating profit (Rm)</td>
<td>465</td>
<td>401</td>
<td>16</td>
<td>322</td>
<td>325</td>
<td>(1)</td>
<td>787</td>
<td>726</td>
<td>8</td>
</tr>
<tr>
<td>Operating margin (%)</td>
<td>7,3</td>
<td>7,4</td>
<td>5,6</td>
<td>6,4</td>
<td>6,5</td>
<td>6,9</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Return on invested capital (%)</td>
<td>17,8</td>
<td>20,8</td>
<td></td>
<td>16,2</td>
<td>17,5</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Weighted average cost of capital (%)</td>
<td>14,2</td>
<td>8,2</td>
<td></td>
<td>15,4</td>
<td>11,1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net debt (Rm)</td>
<td>1 161</td>
<td>1 896</td>
<td>(39)</td>
<td>836</td>
<td>635</td>
<td>32</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net working capital (Rm)</td>
<td>1 564</td>
<td>1 004</td>
<td>56</td>
<td>1 182</td>
<td>1 206</td>
<td>(2)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Restated due to the reallocation of results relating to our infrastructure solutions business from Logistics South Africa to Logistics African Regions.

Note: Continuing operations; excluding businesses held for sale.

### Operating context
- Economic prospects improved in most African countries due to firming commodity prices, strengthening currencies, gradually improving domestic demand and policy reforms.
- Trading conditions were, however, mixed with lower growth and increased parallel imports of pharmaceuticals in Kenya, the recession in Namibia and the ongoing economic crisis in Zimbabwe resulting in lower consumer goods and commodities volumes.
- Our significant positions in the defensive healthcare and consumer industries allowed us to benefit from the improving conditions despite subdued growth in some African economies.

### Performance highlights
- We delivered a good performance, increasing revenue and operating profit by 16% and 8% respectively.
- The healthcare distributorship segment delivered excellent results, supported by a strong performance from our businesses in West Africa and market share gains in Ghana.
- Surgipharm in Kenya contributed positively despite market-related constraints.
- Significant new contract gains (c.R1,3 billion annualised revenue), including the first pharmaceutical client for our multi-market aggregator model, secured.
- Healthcare sourcing and procurement business, Imres, increased revenue and operating profit by benefiting from a strong order book and long-term contract gains.
- Our consumer business performed well, supported by good performances in Mozambique and Namibia, despite the ongoing recessionary conditions in Namibia.
- The managed solutions business was impacted by lower chrome volumes, challenging economic conditions in Zimbabwe which led to lower cross-border activity and lost volumes from global aid organisations (loss of a large public health contract reported on previously).
- Net capital expenditure of R16 million was incurred during the year.
- ROIC remained healthy at 16,2% but declined from 17,5% due to normalisation of average working capital and higher inventory levels.
In only nine years, the division has grown into a business that delivers close to USD1 billion (c.R12 billion) in revenue. Our ability to acquire or establish businesses and to grow them in challenging markets, demonstrated by our leading positions as a skilled distributor in the healthcare and consumer industries, is a key differentiator for both our clients and investors. Our unique competitive advantages are now reflected in the group’s strategic intention to position Imperial Logistics as the “gateway to Africa” – to give multinational clients access to fast-growing African markets, as their trusted partner of choice.

Positive long-term growth expectations for the continent, and the demands of its burgeoning middle class, inform the division’s strategic priorities. We aim to grow our service offering, product basket and extend our distribution reach in the defensive healthcare and consumer industries, expanding into new geographies. Africa’s economic fundamentals also underpin our pursuit of new opportunities in other attractive industries, such as automotive, chemicals and industrial products. Without diluting our core industry focus, we remain flexible enough to include relevant opportunities to apply our capabilities in specific markets with high potential.

We continue to expand our reach through our on-the-ground presence in larger markets, while also providing access to smaller markets through our multi-market aggregation model. This model rests on building relationships with local distribution partners that provide us with local market intelligence and access, and to whom we add value through demand planning, inventory management and sharing of best practices. Ensuring supply chain visibility and meeting the high standards of service expected is critical to serving our multinational principals. Despite the difficulty and volatility inherent in some of these markets, this model provides a simplified and highly competitive solution to clients.

Another feature of our growth story is to enhance the effectiveness of our distribution networks with supply chain services. In each major market, our blueprint will be to establish or acquire distribution networks in the relevant industries, supported by a supply chain management capability that is focused on optimising these networks and maximising efficiencies. This intent is reflected in the acquisitions of Geka Pharma, a distributor of pharmaceutical, medical, surgical and allied products in Namibia and acquiring a controlling stake in MDS Logistics, Nigeria’s leading provider of integrated supply chain solutions – both acquisitions are subject to regulatory approval. We favour acquisitions to accelerate our growth strategy, based on our track record of identifying, acquiring and consolidating businesses that are strategically aligned and have strong organic growth potential, especially as they are integrated with and linked in to our existing networks.
In terms of new capabilities, a key focus for us is light contract manufacturing. This capability is attractive as it lowers our cost to serve and supports higher profitability by attracting lower import duties, while also fulfilling the local beneficiation and skills development agendas of many African countries. Another focus is to add to our global sourcing and procurement capability (currently only in healthcare), to facilitate growing trade flows between Africa and Asia or other emerging regions. As our regional expansion and capability development plans come to fruition, we will be positioned to source, procure, quality control, manage the supply chain and deliver products anywhere in Africa, seamlessly.

Our people are central to delivering on these ambitious growth plans and we are intensifying our efforts to align our human capital management with best in class practices. We recognise we have work to do in this respect, and we have strategies in place to enhance levels of training investment. We are excited about the potential of the Imperial Logistics e-Learning platform and the new performance management practice we have introduced to improve our training and development impact. A related priority is to develop local management teams with succession depth, particularly as the founders of the businesses exit in due time. Our initial approach is to retain and develop the management teams of acquired businesses, to preserve client-centric agility, and we encourage them to employ local talent.

Our credibility as a well-governed listed group is fundamental to our competitive advantage, given our multinational client base. It is non-negotiable that we protect our legitimacy, which at its most basic level is a function of having well-developed systems and processes in place that enable us to manage the risks pertinent to the countries in which we operate. This spans socio-political uncertainty, the availability of skills and foreign exchange, through to meeting exacting industry requirements for product responsibility and employee safety. Multiple accolades attest to this, with our healthcare business in Nigeria being recognised by the London Stock Exchange Group as one of the “Companies to Inspire Africa” and for being the most responsible importer of pharmaceutical products in the country.

Equally important, and top-of-mind for many of our clients, is ethical conduct without exception, given the prevalence of corruption across the continent. We have zero tolerance for unethical behaviour, and have the processes in place to discourage, identify and prosecute wrongdoing. This includes internal audits and audits by our principals, regular training and awareness campaigns on anti-bribery and corruption topics as well as an anonymous tip-off line available to staff. Plans to strengthen our ethical culture include an e-Learning tool to deliver ethics training across the group. We are also implementing processes to ensure our suppliers commit to the ethical business practices specified in our anti-bribery and corruption policy. A dedicated resource has been appointed to focus on risk and governance matters and our legal team also monitors regulatory developments specific to the division.

Beyond these considerations, our relevance is circumscribed by our social impact. As Africa’s leading healthcare and consumer distributor partner, we play a key role in providing access to affordable quality medicines and consumer goods through our distribution reach, efficient service delivery and strong governance practices. During the year, we rolled out modular medicine stores for the Ministries of Health in Malawi and Zambia, and repaired 10 regional pharmaceutical warehouses for the Ministry of Health in Ethiopia. We also tested and launched a new Passive Storage/Dispensary-in-a-Box™ solution, primarily for rural health centres, we are deploying four Warehouse-in-a-Box™ facilities in Mali and constructing a 2 630 m² regional medical store for the Ministry of Health in Mozambique.

Our CSI programme extends the benefit of our core business, with a flagship example being our USD1 million investment in the Tulsi Chanrai Foundation’s new world-class eye hospital in Abuja, Nigeria, over a four year period which also provides free eye surgeries for underprivileged patients.

These imperatives are deeply embedded in the way we do business – we hold ourselves not only as ambassadors for the “one business, one brand” that is Imperial Logistics, but also for the remarkable opportunities that Africa presents. We demonstrate what can be achieved in Africa – our ability to design and deliver effective and innovative solutions, which turn the challenges of attractive yet unpredictable marketplaces into opportunities to grow our clients’ businesses, is at the heart of staying ahead of the competition and achieving our potential on the continent.

Although African economies are seeing slower growth, and are susceptible to expectations of deteriorating global growth prospects, we believe our Africa growth story is as unique as it is compelling.
## Strategic objectives

<table>
<thead>
<tr>
<th>Expand the multi-market aggregation model</th>
<th>Use targeted acquisitions and strategic partnerships with clients to enhance scope of services and expand geographical reach</th>
<th>Drive category optimisation in our distributor businesses to ensure a balanced portfolio to stay relevant in markets of operation</th>
<th>Expand capabilities and services to enhance service offering and drive revenue opportunities</th>
<th>Evolve client engagement to become best-in-class distributors and strategic partners</th>
</tr>
</thead>
<tbody>
<tr>
<td>Combining our specialist distributorship skills with our managed solutions freight management capability, and establishing value-adding relationships with downstream distribution partners, we provide multinational clients with a multi-market aggregation distributor solution for the small to mid-sized markets of sub-Saharan Africa. This offers them tailored and simplified solutions, and a single point of contact to our services, that minimise the risks and eliminate the hassle of expanding into complex markets.</td>
<td></td>
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</tbody>
</table>

### Effects

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<table>
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<tr>
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</tr>
</thead>
<tbody>
<tr>
<td><img src="image" alt="Brain" /></td>
<td>Stronger partnerships with clients and increased revenue growth with minimal capital investment.</td>
</tr>
<tr>
<td><img src="image" alt="People" /></td>
<td>Demonstrates our client-centric and adaptive solutions, with rapid deployment and demand generation offering additional benefits to clients, positioning us as the strategic partner of choice in Africa.</td>
</tr>
<tr>
<td><img src="image" alt="Currency" /></td>
<td>Greater market reach increases volumes through our distribution network, enabling greater scale benefits and at higher margins.</td>
</tr>
</tbody>
</table>

### Evaluation

Appropriate measures that are in place as implementation of the model gains momentum include:

- Revenue pipeline.
- Contract retentions.
- Client satisfaction, through net promoter score.

### Progress

- Signed our first client, MSD, one of the world’s largest pharmaceutical companies, for the distribution and promotion of their products in selected African markets.
- Developed and implemented an operating model for sub-Saharan Africa, and a simplified client interface in line with our “ONE Imperial” approach.
- Identified and established appropriate strategic partnerships to meet distributor contracting requirements.
- Assessed resourcing requirements to effectively deploy our people to meet demand generation and client relationship gaps. Entered into a partnership with a specialised demand generation business.
- Designed a consumer goods multi-market aggregation strategy to leverage our current model and capabilities in that industry.
Enhanced scope of services and geographical expansion

We are accelerating our growth in Africa through an appropriate balance of investment in targeted acquisitions and strategic partnerships to enhance our scope of services and geographic reach. We will continue to develop our healthcare footprint across the continent, expanding our reach into Francophone Africa and the Middle East through selective acquisitions. We will expand our consumer capabilities into West Africa through strategic acquisitions. We will also leverage our proven capabilities to expand into new emerging markets such as Eastern Europe and India where trade with Africa continues to grow.

<table>
<thead>
<tr>
<th>Effects</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Expanding our African footprint and extending our client solutions into the Middle East will drive growth, among existing and attract new clients.</td>
<td></td>
</tr>
<tr>
<td>Enhancing our services and reach to become a total solutions provider builds sustainable partnerships with multinational clients.</td>
<td></td>
</tr>
<tr>
<td>Offering specific capabilities in industries with high returns enhances profitability.</td>
<td></td>
</tr>
</tbody>
</table>

Evaluation

- Growing our footprint by entering new markets through either leading or following our principals into strategic territories.
- Expanding our capabilities in markets where it makes sense to do so.

Progress

We have developed a clear strategy for expansion of priority capabilities and countries. During the year, there were no material acquisitions or disposals. Two transactions are nearing finalisation, pending relevant regulatory approvals.

<table>
<thead>
<tr>
<th>Geka Pharma (Namibia)</th>
<th>MDS Logistics (Nigeria)</th>
</tr>
</thead>
<tbody>
<tr>
<td>We are acquiring a 65% stake in Geka Pharma, a distributor of pharmaceutical, medical, surgical and allied products in Namibia for approximately R80 million, subject to competition commission approval.</td>
<td>We are acquiring a further 8% equity stake in MDS Logistics, Nigeria’s leading provider of integrated supply chain solutions for approximately USD2.4 million and additional contract work, subject to approval from regulatory authorities. The equity value of the business is around USD40 million. This transaction will take our shareholding in the business from 49% to 57%.</td>
</tr>
<tr>
<td>The transaction supports our strategy to expand into new verticals in existing markets of operation.</td>
<td>Securing majority control of MDS Logistics drives integration with our other operations in Nigeria, enabling us to offer an end-to-end solutions and leveraging our capabilities in this important market.</td>
</tr>
<tr>
<td>The acquisition will expand our product portfolio and establish a footprint in the Namibian healthcare industry.</td>
<td></td>
</tr>
</tbody>
</table>
Category optimisation

We are broadening our category offering to grow the distributor businesses, and to facilitate a balanced portfolio of products that diversifies our exposure to risk and growth. We are expanding into new categories of products in our healthcare and consumer businesses (for example personal care, consumer health, and a larger generic pharma portfolio).

Effects

- Focused growth into complementary categories diversifies our portfolio and requires minimal investment.
- A broader offering deepens our relevance to clients and improves efficiencies.
- Category expansion leverages existing infrastructure, improving returns and margin mix.

Evaluation

Appropriate measures will include:
- Organic revenue growth and increasing market share.
- Achieving ROIC targets.
- Diversification of the business.

Progress

- Conducted market research to evaluate opportunities to supply generic medicines in Nigeria and subsequently added a number of generic medication principals in the country.
- Evaluated existing CPG distributor business to identify key opportunities for category expansion.
- Diversified existing CPG distributor businesses into healthcare.
- Initiated target strategies, including the development and placement of category experts and preliminary engagements with clients.
Evaluation
Appropriate measures will include:
- Organic revenue growth and increasing market share.
- Achieving ROIC targets.
- Diversification of the business.

Progress
- Identified areas in which to offer contract manufacturing, focusing on the development of a commercial model for capability development and expansion of existing capabilities.
- Piloting a brand partnership business model in Kenya.
- Partnering with a demand generation (sales and marketing) company.
- Equity joint venture with Vitalliance which offers a unique combination of innovative network technology and supply chain expertise, gained on the ground in Africa, along with experience transforming operations and coaching local teams to proficiency.
- Investigating expansion into e-commerce, focusing on the feasibility of B2B solutions.

Effects

<table>
<thead>
<tr>
<th>Effects</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>New revenue streams generated from existing clients, and new client engagement and acquisition.</td>
<td></td>
</tr>
<tr>
<td>More comprehensive solution design enhances competitiveness, increases the ability to provide integrated and optimised solutions and reduces the risk of disintermediation.</td>
<td></td>
</tr>
<tr>
<td>Increased profitability and returns from higher margin solutions.</td>
<td></td>
</tr>
</tbody>
</table>
Evolve client engagement
We will invest in transitioning from transactional relationships with clients towards collaborative and strategic partnerships that allow us to provide differentiated solutions that deepen their competitiveness and relevance, growing our client base and reducing the risk of disintermediation. This will be achieved through our investment in enabling technology, and accessing market intelligence in our target industries and capabilities to inform the continual evolution of our scope of services and client engagement models.

To be the leading route-to-market distribution partner

Business intelligence, data insight as enablers

Foundation in place – people, process, facilities, scale, technology

Effects

| Mutually beneficial partnerships with clients drive synergistic growth. |
| Deep understanding of client needs and improved client engagement will enable differentiated solutions that increase client stickiness and position us as the strategic partner of choice in Africa. |
| Enhanced growth and higher returns through greater share of wallet and better efficiencies. |

Evaluation
Appropriate measures will include:

* Revenue growth and pipeline.

Progress

* Developed a clear client engagement model relating to strategic account management, focusing on appropriate market insights to enable client access and engagement.
* Developed best practice sales training and incorporated this into the e-learning platform.
* Investigated data sources and requirements to develop a centralised database that enables data analysis and dashboard automation.
* Evaluated current technology platforms used for business intelligence and reporting to understand gaps, establish internal and external user needs and identify areas for future development.
People, processes, systems and innovation

Human capital
The group’s intention to position Imperial Logistics as an employer of choice, will strengthen our ability to attract and retain local talent to drive strategic delivery and propel future growth in Africa. This is critical given the increasing cost to attract and retain people with the right skills and experience.

Progress
- Invested approximately R1,2 million in development interventions to build a pipeline of competent leaders.
- Started the core data project with job profiling completed to date.
- Improved engagement between human resources teams at head office and group companies to drive the standardisation of people practices and ensure best practice people measures are implemented. This included coaching and mentoring on the human resources business partner model.
- Standardised the performance management practice across group companies and trained company human resources managers in preparation for the new practice, which will be implemented in the 2020 financial year.
- Made good progress in identifying skills gaps, some of which will be addressed using the new e-Learning platform.
- Started conducting formal salary benchmarks for selected jobs.
- Ensured that all group companies comply with any new legislation relating to minimum wage.

Looking forward, we will focus on linking job profiles to learning and development interventions and develop standardised career paths. This will facilitate better workforce planning in the division. We will also investigate the feasibility of implementing a remote human capital management system and consider graduate training programmes and employee/student exchange programmes in the medium term.

More information is available online:
Effective human capital management.

Information technology and innovation
Our regional IT and innovation strategy focuses on improving our internal operations and our offerings to clients. By enabling greater interconnectivity between our systems and our clients’ systems, we offer them greater ease of access and are able to improve on internal efficiencies.

During the year we focused on:
- Protecting our IT ecosystem by deploying critical protection and environment monitoring tools and improving our service provider management.
- Driving the digitalisation strategy, focusing on automating processes to reduce paper use and creating visibility via mobile applications to improve productivity and efficiencies and reduce costs.
- Implementing best practice group IT governance and security policies and practices.

Our priorities going forward will be to develop our IT capability to support the development of innovative commercial and operational solutions that drive growth, differentiation and process efficiencies. We will continue to focus on identifying cost-efficient procurement initiatives and evaluating our IT architecture to maintain cost-effective hosting and connectivity opportunities.

More information on the group approach to innovation is available on page 92 in the innovation report.
Operational review – International

Logistics International

Market position

- Established international contract logistics platform with specialised capabilities and leading positions in automotive and chemicals industries
- Market leader in express palletised distribution services in the UK
- Leading market share in inland waterways

Our holistic, industry-wide logistics solutions offering for our European clients supports our leading position in niche markets and our significant contribution to Germany’s manufacturing and export industries. Our differentiation is based on leveraging specialised capabilities in specific market sectors, which allow us to offer customised solutions that compete effectively with competitors and strengthen client relationships. Our recent restructuring has delivered a more focused, streamlined and efficient operation with strengthened commercial and business development focus.

Revenue by industry

- Consumer 23%
- Industrial 26%
- Chemical and energy 16%
- Automotive 20%
- Other industries 6%

Revenue by capability

- Freight management 24%
- Contract logistics 29%

1 Continuing operations, excluding businesses held for sale.
<table>
<thead>
<tr>
<th>Logistics International</th>
<th>HY1 2019</th>
<th>HY1 change on HY1</th>
<th>HY2 2019</th>
<th>HY2 change on HY2</th>
<th>2019</th>
<th>2018 change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue (€m)</td>
<td>760</td>
<td>733 4</td>
<td>757</td>
<td>780 (3)</td>
<td>1,517</td>
<td>1,513</td>
</tr>
<tr>
<td>EBITDA (€m)</td>
<td>40</td>
<td>44 (9)</td>
<td>40</td>
<td>61 (34)</td>
<td>80</td>
<td>105 (24)</td>
</tr>
<tr>
<td>Operating profit (€m)</td>
<td>24</td>
<td>27 (11)</td>
<td>24</td>
<td>44 (45)</td>
<td>48</td>
<td>71 (32)</td>
</tr>
<tr>
<td>Operating margin (%)</td>
<td>3.2</td>
<td>3.7 (11)</td>
<td>3.1</td>
<td>5.6 (34)</td>
<td>3.2</td>
<td>4.7</td>
</tr>
<tr>
<td>Revenue (Rm)</td>
<td>12,412</td>
<td>11,592 7</td>
<td>12,128</td>
<td>11,608 5</td>
<td>24,540</td>
<td>23,200 6</td>
</tr>
<tr>
<td>EBITDA (Rm)</td>
<td>650</td>
<td>705 (8)</td>
<td>647</td>
<td>909 (29)</td>
<td>1,297</td>
<td>1,614 (20)</td>
</tr>
<tr>
<td>Operating profit (Rm)</td>
<td>402</td>
<td>434 (7)</td>
<td>373</td>
<td>650 (43)</td>
<td>775</td>
<td>1,084 (29)</td>
</tr>
<tr>
<td>Operating margin (%)</td>
<td>3.2</td>
<td>3.7 (7)</td>
<td>3.1</td>
<td>5.6 (34)</td>
<td>3.2</td>
<td>4.7</td>
</tr>
<tr>
<td>Return on invested capital (%)</td>
<td>9.8</td>
<td>8.3</td>
<td>7.1</td>
<td>9.6</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Weighted average cost of capital (%)</td>
<td>7.3</td>
<td>5.4</td>
<td>7.6</td>
<td>6.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net debt (€m)</td>
<td>200</td>
<td>384 (48)</td>
<td>226</td>
<td>195 16</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net working capital (€m)</td>
<td>31</td>
<td>21 (48)</td>
<td>34</td>
<td>14 143</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: Continuing operations; excluding businesses held for sale.

**Operating context**

- Economic activity in Europe continued to slow in the second half of F2019.
- Improvement in unemployment rates made skilled employees difficult to recruit and retain.
- Uncertainty in UK operations due to Brexit.
- Volumes in key sectors of automotive, chemicals and steel remained under pressure.
- Normalising water levels for the Rhine river since January 2019 will have a positive effect on the inland waterways business.
- Major costs incurred as a result of portfolio rationalisation and elimination of fixed overheads.

**Performance**

- Unsatisfactory performance for the financial year largely due to significant once-off costs associated with material business restructuring (c.€9 million) and the prolonged impact of the implementation of WLTP (c.€4 million) that resulted in lower production volumes in the automotive business.
- Results were supported by contract renewals and new business gains (c.R2,1 billion annualised revenue) mainly in the automotive segment.
- Palletways continues to contribute positively and good progress has been made in appointing additional members and changing our pricing model to address the increased costs caused by network imbalances. Despite lower operating profit in F2019, the business’ cash generation remains higher than its pre-acquisition performance.
- Slowing economic activity impacted performance.
- Shipping performed well, supported by international shipping operations in South America and in Europe inland shipping. The low water levels in Europe were partially mitigated by increased freight rates.
- Net capital expenditure increased to R413 million (2018: R373 million) and included the replacement of the specialised chemicals and gas fleet.
- The weaker trading performance and impact of once-off costs resulted in ROIC declining to 7.1% from 9.6%.
The last year has been one of major change for the division in the context of an uncertain and slowing European market. These changes have been made to secure the long-term profitability, growth and sustainability of the business and to ensure that we remain a major contributor to the group’s achievements.

Uncertainty around the implications of Brexit, and the trade war between the US and other global powers, have weighed on the Eurozone economy, subduing volumes. Following the election of the European parliament, increasing political polarisation and the heightened risk of more fragmented decision-making on key economic matters is exacerbating consumer and business nervousness and dampening investment. Recession is looking more likely for the German economy.

Against this backdrop, we continue to rightsize and futureproof our business. We are reviewing all our businesses against our criteria for strategic alignment and growth potential. Whereas most of our businesses are well managed, profitable and stable, our focus has been on turning around the underperformers, which has included revising our pricing models. Negotiations with clients are under way in this regard. We incurred once-off costs of around €9 million in the year to facilitate a restructurating that will take out around €15 million a year of fixed overhead costs, supporting mid and long-term profitability. We have also changed our operating model, resulting in a more focused business delineated by dedicated commercial and operational competencies. Our operations unit will continue to design and deliver differentiated client solutions, with our commercial unit concentrating on sustaining and growing valuable client partnerships in our target industry verticals.

Our strategy is to grow market share in the industries where we have leading positions and clear competitive advantages, specifically automotive and chemicals, to offset the impact of the expected cyclical downturn. We are also looking at diversifying into more counter-cyclical industries and segments, for instance automotive spare parts which are more resilient. In certain segments of the steel industry, which are experiencing structural decline and where we have little competitive edge, we will seek to reduce our exposure over time. To anticipate shifts in the automotive industry, we have enlisted the help of our innovation team to investigate potential future developments and their impact on us. We are also staying close to our clients, which enables us to assess developments in collaboration with them and be proactive in designing solutions. The commercialisation of the division is supporting this approach, with our teams engaging with senior client teams to understand, anticipate and support their strategies as they change. We are also looking to leverage our trusted relationships with clients to enter new emerging markets in automotive, and are evaluating opportunities in Eastern Europe and Asia, as well as in Africa in combination with the other group divisions.
In chemicals, our leadership position is based on a highly advanced offering to clients and deep legitimacy in meeting the exacting requirements of this industry. Although we have a strong pipeline of opportunities, our growth in Germany is constrained by securing licences for warehousing, which is difficult due to concerns around hazardous goods. However, we believe we can leverage our position to grow in other markets beyond Germany.

In our UK operation, Palletways, we believe the impact of Brexit uncertainty has already been felt and we are not expecting further adverse implications, given that the business is more heavily exposed to the UK economy than European markets. The changes we have already made, including a more robust pricing model, has positioned the business to improve its performance in the year ahead. However, as a situation like Brexit has no precedent, the element of risk remains.

An important growth driver for us is to develop capabilities that facilitate our entry into new markets and geographies. Our strategy to acquire a meaningful IFM capability will allow us to build a truly global network that supports a synergistic relationship with our African counterparts. This will make Imperial Logistics not only a provider of choice within the continent but also in servicing the routes into and out of Africa, further differentiating us from our competitors. We are currently investigating opportunities that will give us the global capability we need to complement our existing capabilities and markets. Given the appetite for consolidation in the IFM space and high asset prices expected, we are having to think differently about how to achieve this strategic imperative and believe that our regional positions, and specifically our African reach, make us an attractive partner/buyer for the right business.

As part of our portfolio review, the disposal of our shipping business in Europe and South America is under consideration. Although this business is profitable and meets our hurdle rates, it is non-core to our strategy as it cannot be scaled further in our target markets centred on Africa, and the capital expenditure required could be better deployed to fund our strategy.

From a human capital perspective, we are carefully managing the impact on our people of the substantive change to the business, especially following the necessity of retrenchments which affected 100 employees in the year. We are concentrating on investing in our human resources function, including bedding down our systems and improving talent management, to stabilise the organisation following a significant period of restructuring. We are committed to offering our people a competitive value proposition so that they are fully engaged and equipped to deliver on our growth strategy, and we have been successful in attracting industry specialists to drive our growth plans. Our culture of providing service excellence to our clients is a powerful advantage that we are consolidating and deepening in tandem with becoming a more commercially minded organisation, in line with the group’s “ONE Imperial – one business, one brand” approach.

Innovation and effectiveness remain key to our strategic ambitions in highly competitive and fast-changing markets. Our new CIO and IT team has developed a clear roadmap for investment, to ensure we have the right IT architecture in place and the competencies to achieve value-added innovation for our clients in line with the group’s strategy.

Our primary performance indicators are financial, however, we are building a more holistic approach to performance measurement. We are working to develop a broader set of KPIs that include non-financial measures of our progress in the core enablers of both our profitability and sustainability. In this regard, we continue to invest in environmental management and specifically in offsetting the carbon footprint of our business, and are also developing our social investment strategy.

We remain steadfast in our commitment to follow through on the objectives of the restructure and to embrace the changes that will have positive long-term benefits for our business. We have a strong and energetic management team in place, and believe that the organisation is fit to grow. We will continue to find ways to improve efficiency and futureproof our strategies to ensure long-term resilience.

We look forward to seeing the benefits of our efforts in the coming financial year.
Strategic objectives

| Align portfolio to group strategic positioning and competencies | Acquire IFM capability to offer end-to-end solutions in supporting trade flows in and out of Africa | Expand presence into selected new emerging and developed markets by acquiring new capabilities and geographies |

Aligning portfolio to group strategy

In line with our aim of becoming a leading global logistics provider, we are positioning ourselves for long-term organic growth in key verticals and capabilities by simplifying our platform, reviewing our businesses, and the strategic coherence of our portfolio, in line with the group’s primary objective to become the “gateway to Africa”. Our intention is to expand our global capabilities through complementary acquisitions and to divest of or exit non-core and low-return businesses.

Effects

- Acquiring strategically aligned capabilities, extension of new geographies and disposing of non-aligned units will boost organic growth by allowing the group to cross-sell capabilities and provide end-to-end service offerings.
- A focus on facilitating trade flows into and out of Africa through our service offering and large volume capabilities will support our competitiveness and differentiation.
- Lower overhead costs, achieving a more flexible asset model and releasing capital for our strategic growth plans will enhance returns.

Evaluation

Success will be measured by our ability to close targeted acquisitions and integrate them effectively, and to achieve adequate value for divestments.

Progress

- Undertook a significant rationalisation and cost reduction process, focusing on the consolidation of head office and support functions.
- Reviewed our portfolio to align it to our strategic direction and competitive advantages, which includes considering the feasibility of disposing of our non-core shipping business.
- Continued to identify and investigate acquisition targets of key capabilities in emerging markets.
- Advanced the delivery of turnaround strategies for underperforming businesses.
- Changed the pricing model in Palletways to address the increased costs caused by network imbalances.
- Continued to implement a commercial operating model, focusing on developing a dedicated commercial team equipped to deliver focused growth strategies.
**Acquisition of IFM capability**

Investing in IFM capabilities is critical to our strategy and will enable us to offer global coverage to our clients and to support trade flows between Africa and other emerging and developed markets. We aim to achieve this through partnerships or, more likely, by acquiring an existing IFM network with a well-established presence in key markets. This will allow us to integrate IFM with contract logistics and route-to-market solutions to provide up and downstream services to existing clients, and to attract new clients.

<table>
<thead>
<tr>
<th>Effects</th>
</tr>
</thead>
<tbody>
<tr>
<td>End-to-end solutions and global coverage will drive organic growth and enable us to build organically by integrating teams and clients.</td>
</tr>
<tr>
<td>End-to-end solutions and global coverage will increase our competitiveness.</td>
</tr>
<tr>
<td>IFM capabilities facilitate cross-selling, enhancing potential returns.</td>
</tr>
</tbody>
</table>

**Evaluation**

Success will be indicated by:

- Revenue growth.
- Cross-selling and increased share of business from existing customers.
- New client gains as a result of enhanced service portfolio.

**Progress**

- Investigating the acquisition of an existing global IFM network with a presence in key markets like Asia, Europe and Americas, to connect these to Africa through up and downstream selling to existing clients.
- Identifying opportunities to build IFM capability organically, including by leveraging existing capability in airfreight as an add-on capability for existing clients.
- Investigating opportunities in global food growth by investing in perishable IFM capabilities, to connect the Americas and Oceania to relevant African markets like Kenya.
Enhanced capabilities and geographical expansion

Through strategic acquisitions we will develop IFM and supply chain capabilities, expand our regional presence and build competencies in the e-commerce sector for high-value products. To ensure adequate returns, we will target companies that offer secure and high-quality services, increasing our ability to attract clients with differentiated service offerings.

<table>
<thead>
<tr>
<th>Effects</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enhanced capabilities are central to the group’s ability to provide end-to-end services to clients that will support our African operations and boost organic growth.</td>
</tr>
<tr>
<td>Integration of strategically aligned acquisitions facilitates synergies and enables cross-selling.</td>
</tr>
<tr>
<td>Being able to offer a full range of services alongside the capability to manage large volumes at a global level will deepen our competitiveness.</td>
</tr>
</tbody>
</table>

Evaluation

- Cross selling and increased share of business from existing customers.
- Gain new clients through enlarged service portfolio.

Progress

We are advancing our plans to:

- Extend our service portfolio to offer end-to-end services to global blue chip and mid-size companies.
- Leverage route-to-market expertise with IFM and contract logistics capability to cross-sell to existing multinational clients in Africa, focusing initially on growing our capability into Eastern Europe, Middle East in the medium term and eventually into Asia.
- Develop a distribution network in targeted regions, focusing on the acquisition of smaller distributor companies, to grow emerging market footprint.
- Advanced plans to diversify current contract logistic capabilities into new industries, including communication, high tech, retail and FMCG.
- Invest in capability development to provide end-to-end transparency and visibility to complex supply chains, connecting existing solutions to new capabilities.
- Invest in innovative future logistics trends in line with our innovation approach.
People, processes and systems

Human capital
Our people are the fundamental enablers of culture and are central to our ability to perform and we continue to implement our people strategy to position us as an employer of choice in the industry and to embed the “ONE Imperial — one business, one brand” thinking.

During the year we:
• Started work to develop a “ONE Imperial” culture to support the new operating model.
• Completed the integration of core people data and began the roll out of our new human capital management (HCM) system. The initial focus is to use the system to maintain people and position data (based on job profiles). Once completed, we will investigate the feasibility of using the HCM system to support the performance management process.
• Redesigned the onboarding process to enhance engagement with new employees. In total, 21.9% of new hires (2018: 22.4%) for the year were women, meeting our target of 20%.
• Launched the future collaboration project, in which more than 130 employees participated in developing a collaboration charter to support the new operating model and drive growth activities.
• Invested R30 million in development interventions, which included basic and advanced training for team leaders and shift supervisors to develop managerial and leadership skills. Participants in the Develop Yourself programme made excellent proposals on how to improve top-down communication with employees and new ways to recruit young apprentices and trainees.
• Started developing a people analytics database to measure and manage key people indicators.
• Standardised employment contracts as far as possible and within the agreed terms with unions and workers councils.

Looking forward we will develop revised leadership guidelines on what we expect of our leaders, standardise our talent management processes and continue to work with our peers in Germany to develop a framework that supports more standardised collective bargaining agreements and offers industry workers similar working conditions.

More information is available online: Effective human capital management.

Information technology
Our priority is to invest in technology that improves operational efficiency, commercial productivity and client experiences, while leveraging innovation to develop and expand client value-added services.

We will continue to implement new technology to support a modern workplace, improving the efficiency of our IT architecture and life cycle management, and reduce time and costs through process standardisation and automation technology.

IT projects that are currently under way include:
• Implementation planning for the Solo Plan automotive software solution is being reviewed, with a project launch to stabilise the platform under way.
• The replacement of legacy systems is being prioritised to be completed by the end of the 2020 financial year.

More information on the group approach to innovation is available on page 92 in the innovation report.
The ultimate objective of innovation at Imperial Logistics is to position the group as a leading provider of integrated freight management, contract logistics and distributorship services in challenging markets. Our innovation strategy takes a pragmatic approach to innovation to enable client-centricity and flawless execution, and also aims to leverage digitalisation as a disruptor to drive long-term sustainability.

### Our approach to innovation

Our revised approach to innovation extends beyond digitalisation to three focus areas: operational innovation, commercial innovation and disruptive innovation. Past innovation efforts were confined to particular businesses or regions, but now we are focused on taking an integrated approach to these three types of innovation.

<table>
<thead>
<tr>
<th>Operational innovation</th>
<th>Commercial innovation</th>
<th>Disruptive innovation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improves collaboration and interdependence between our businesses and clients, reducing the cost to serve, building client confidence and fostering loyal partnerships.</td>
<td>Delivers client-focused solutions that demonstrate our industry expertise and build credibility among multinational clients.</td>
<td>Creates long-term sustainability by identifying and leveraging emerging technologies and business models to position us as an innovator, able to compete effectively against new industry players.</td>
</tr>
</tbody>
</table>
Our approach to information technology

Digitalisation is a key component of innovation for Imperial. IT is a critical enabler of strategy for the group and our regional operations. Our primary objective is to replace legacy systems, introduce standard processes, and standardise our application lifecycle management.

It has become clear that limited synergies exist to effectively implement regional IT strategies through a centralised IT organisation. As such, IT has been devolved into the regional operations. Each business unit has agreed to a specific IT roadmap, with upgrades and conversions scheduled over the next two to three years according to business priorities and requirements. The roadmaps will be implemented and administered by regional IT units. This approach caters to our heterogeneous application landscape and allows business units to accord with the group strategy while still accommodating the complex operational contexts of regional business units.

IT security will remain a centralised IT function under the direction of the risk organisation in the office of the group CFO.

Regional IT initiatives are outlined in the respective operating reviews on pages 73, 83 and 91.

Primed to win business and reduce cost, commercial and operational innovation remain vital to maintaining and creating new opportunities for individual business units and therefore require a pragmatic regional and segmental focus. The aim is to provide the building blocks for highly effective and efficient regional and business unit practices, ensuring a strong foundation for driving client-focused future growth.

Co-ordination of these activities is fundamental to the success of innovation-focused initiatives. Regional innovation champions ensure co-ordination across regions and innovation teams, creating and maintaining networks for sharing ideas, refining existing initiatives and aligning regional initiatives to other areas of the group where appropriate. Not only does this provide support for businesses, it also protects against the compartmentalisation of valuable innovation initiatives with the potential to effect positive change in other regions and business units, and prevents isolated activities that may not be aligned with the regional and group strategy.

Operational and commercial innovation in action

The OneLink Delivery Management Solution (DMS) allows stakeholders to manage and track the end-to-end delivery process, from the point of central distribution, all the way to the delivery end point. Innovative solution functionality includes:

- Comprehensive vehicle inspection and damage reporting management.
- Status updates and delivery notifications to the customer including estimated time of arrival, driver information and delivery vehicle information, for additional security.
- Driver behaviour management and health and safety procedures and adherence.
- Customer satisfaction surveys and electronic proof of delivery (ePOD) with sign-on-glass.
- Reverse logistics and tracking for assets, equipment and returns.
- Business intelligence dashboards enabling real-time decision-making.
- Mobile integration across processes.

The benefits of implementing OneLink DMS include real-time visibility on driver performance and adherence to plan. Customer satisfaction is increased due to accurate deliveries and timely communication. On the back-end, latency caused by unnecessary manual processes is decreased due to integrated mobile technology. Another significant benefit is improved accountability and utilisation of resources thanks to the availability of accurate, real-time information and end-to-end visibility. On-time in-full (OTIF) deliveries increase, while redeliveries and returns decrease, resulting in increased cost and time savings.

OneLink has been implemented for various clients within the retail and FMCG industries, with additional go-lives imminent for a number of major FMCG clients.
Disruptive innovation
Disruptive innovation is managed centrally as it focuses on global developments spurred by exponential technological change with the potential to disrupt our clients and our industry. The potential for disruptive innovation to modularise and break up formerly integrated systems presents risks and opportunities; the latter because the industry tends to be a late adopter of technological innovation. Investing wisely in innovation heightens our responsiveness to a rapidly changing technological context and enables us to move in step with or ahead of industry shifts. As technological development can fundamentally change our industry by improving speed, time, cost, accuracy and reliability of services, it remains central to our ability to deepen our competitiveness, and ultimately to secure our survival.

Innovation fund
To position Imperial Logistics as a leader in the pragmatic application of disruptive innovation and new technologies, we have established a USD20 million innovation fund in partnership with Newtown Partners. The fund will provide a mechanism for effective responses to current and future developments in our industry. It will invest in high-potential start-ups in relevant supply chain and logistics technology areas. Besides its strategic mandate, the fund will aim to generate attractive financial returns over its lifetime.

The fund’s investment thesis places technology at its core. A historical view of technological progress over a number of economic cycles shows that new technologies invariably accrete over older technologies; a process generally only interrupted by fundamental technological shifts. Start-ups are therefore ideally positioned to harness mature and emerging technologies in new ways, delivering highly focused solutions within specific areas of the logistics value chain. Brought to commercial scale, these solutions have the potential to significantly disrupt the market and could either enhance or depreciate the competitiveness of our value propositions to clients, depending on our ability to anticipate and adapt to these changes. Placing technological innovation that is relevant to our business at its centre, the fund will mitigate the risk of disruption and position the group at the forefront of developments, allowing us to capitalise on technological evolution.

The fund considers a mix of factors to determine the investment potential and alignment to Imperial Logistics’ strategic objectives of potential start-ups.

This includes three overlapping areas of capabilities (business models, existing and emerging technologies, and potentially disruptive services). Together with geographical and industry-related considerations, these factors act as investment filters – with the key objectives set out below.

### Challenging markets

- Start-ups operating in challenging markets, aligned with the group’s core strategic focus on Africa, and other selected emerging markets including Eastern Europe and Asia.
- Building stronger capabilities in these markets to provide access into and between emerging markets, or between emerging and developed markets.
- Finding opportunities for technological leapfrogging in these markets.
- Solutions that mitigate the shortage of local skills, enhance diversity across the supply chain and process governance.
- Attractive opportunities aligned to the fund’s investment thesis will be considered in developed markets.

### Priority industries

- Start-ups in our chosen industries: healthcare, consumer, automotive, chemicals, industrial.
- Capturing the substantial scope for growth in healthcare and pharmaceuticals, particularly across Africa.
- Expanding in scope within target industries – electronics and apparel in the consumer industry for example.

### Business models with high disruptive potential

- Preventing disintermediation through platforms and aggregators directly connecting suppliers and consumers.
- Targeting shared economy players with low asset utilisation rates, structured to fulfil shifting consumer expectations (bringing warehouses closer to consumers to speed up delivery times), and which connect storage capacity more closely to demand (through big data and artificial intelligence).
- Monitoring supply chain adjustments to respond to potential shifts that could make logistics capabilities redundant, for example onsite 3D printing.
Existing and emerging technologies

- Technologies with the potential to either disrupt existing or dominate new high-growth markets.
- E-commerce fulfillment: positioning for shifts in consumer online shopping expectations.
- Big data: leveraging datasets to provide real-time information for better decision-making.
- Artificial intelligence and machine learning: leveraging data to optimise business automation.
- Automated retail: identity management authentication capabilities.
- Blockchain technologies: enabling visibility by allowing transparent item tracking through the supply chain via distributed secure ledger.

Emerging services

- Services with the highest potential to significantly improve (or disrupt) our existing competencies.
- These may include digital freight shipping, supply chain and logistics analytics, e-commerce logistics and last-mile autonomous vehicles and drones.

Start-ups identified as potential candidates are assessed first in terms of their disruptive potential and time to impact (or time to value) and plotted along an ignore-watch-invest-acquire (IWIA) matrix, shown below.

---

**Acquire**

<table>
<thead>
<tr>
<th>High disruptive potential</th>
<th>Short time to value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reasoning: immediate impact.</td>
<td></td>
</tr>
</tbody>
</table>

**Invest**

<table>
<thead>
<tr>
<th>High disruptive potential</th>
<th>Long time to value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reasoning: likelihood of significant impact in the next five to 10 years, representing an early opportunity to invest in technologies not yet fully realised.</td>
<td></td>
</tr>
</tbody>
</table>

**Ignore**

<table>
<thead>
<tr>
<th>Low disruptive potential</th>
<th>Short time to value and high disruptive potential</th>
<th>Time to value &gt;10 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reasoning: outside of current planning period.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Watch**

<table>
<thead>
<tr>
<th>High disruptive potential</th>
<th>Long time to value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reasoning: full disruptive potential may not yet be known or realised and may become an investment opportunity.</td>
<td></td>
</tr>
</tbody>
</table>

Potential investment opportunities will be further interrogated using a critical factors investment framework which considers future technological innovations in terms of their likelihood of being adopted, their current stage of development, their protectability, level of customer engagement, route-to-market options, market potential, experience and expertise, and financial model. The framework produces categorisations for opportunities ranging from promising, to unlikely, to weak, and fatally flawed.

If an opportunity is identified as investable by the IWIA matrix and “promising” by the critical factors framework, its strategic fit is tested against the fund investment thesis.

The group’s businesses will be appraised of the fund’s disruptive innovation initiatives according to an investment roadmap via the innovation and marketing teams. This will build internal capacity, leverage expertise across different teams and enable knowledge sharing.

Innovation fund performance and governance

In addition to the investment filters above, the fund will identify well-priced investment opportunities and use various models to effectively allocate capital. Although global industry players are investing heavily in innovation, there appears to be little differentiation in terms of innovation or technology focus areas. Thus, the fund will aim to differentiate itself by sourcing mispriced and overlooked investments with the potential for significant returns.

Fund performance will be measured qualitatively against the group’s strategic objectives and quantitatively against a targeted rate of return of 25% to 30% before tax. The audit and risk committee will review performance annually to ensure that the USD20 million investment is recoverable at book value. The fund manager will report monthly to the chief strategy officer, who in turn reports to the executive committee. The external auditors of the company will value the fund’s underlying investments twice a year. The fund and fund manager will comply with the reporting and fund valuation requirements of the audit and risk committee and auditors.
1. Message from the Remuneration committee chairman

During the past year, two significant events have shaped the work of the remuneration committee (the committee): the listing and unbundling of Motus and less than 75% of shareholders voted in favour of Imperial’s remuneration policy (51,84%) at the AGM held on 30 October 2018. In response, the committee has engaged with relevant stakeholders and conducted a detailed review of the group’s remuneration policy and implementation ahead of the 2019 AGM.

Details are included in section 2, on page 98.

This process emphasised the importance of fair and transparent remuneration policies and practices at all levels of the organisation that are based on the achievement of clear performance goals and also consistent for the long-term strategic decision-making, which will lead to sustainable value creation.

Focus areas during the year

Following the work performed by the committee during the year, we believe that Imperial’s core remuneration policy is still appropriate, but that it requires better alignment with the interests of shareholders and current best practice, including enhancing remuneration disclosures. We have thus made a number of material changes to the group’s remuneration policy and the way we implement it, which are summarised below.

Long-term incentives (LTI)

- We replaced the annual deferred bonus plan (DBP), which was not linked to performance conditions, with the conditional share plan (CSP), which is subject to performance conditions. These conditions incentivise long-term sustainable performance.
- Performance conditions applicable to all LTI are now being disclosed and annual allocations for executives are capped at 100% of total guaranteed pay (TGP).
- All LTI scheme rules were amended to provide for the reduction, forfeiture or clawback of scheme benefits in certain defined circumstances.
- The number of participants in share schemes has also been reduced by more than 50%.

Short-term incentives (STI)

- We revised executive STI performance conditions to clearly link executive STI with the group’s strategy and to disclose these performance conditions for each executive, capped at a maximum of 150% of TGP for executive directors and 100% of TGP for prescribed officers.
- The discretionary component of STI performance conditions for executives was reduced to 10% and the factors considered in exercising this discretion will be disclosed. The committee, however, retains the discretion to make downward adjustments to STIs where application of the STI formula results in outcomes which are not aligned to the actual performance of the company or where the outcome is clearly not in line with shareholder expectations.
- Targets that focus on transformation now comprise 10% of the STI incentive for executive directors.

Executive minimum shareholding requirements (MSR)

- We introduced MSR for executives and prescribed officers, effective 1 July 2019 with a phasing in period of five years.

More detail is provided on page 104.

The group undertakes regular benchmarking of the remuneration packages of the executive directors and senior staff members with the assistance of PricewaterhouseCoopers.

During the year, the committee further considered and approved:

- The general composition of executive remuneration packages.
- Executive STIs for the year.
- Executive STI awards capped at 100% of TGP.
- The new CEO and CFO’s remuneration given the change in their roles in the group.

On page 98 of this report, we provide more detail of the shareholder engagements that were conducted after the 2018 AGM, including the matters raised by such shareholders, and the resultant changes made to our remuneration policy and its implementation.

In keeping with the recommended practices contained in King IV, the committee will again table both the remuneration policy and the remuneration policy implementation of the group for approval by shareholders by separate non-binding advisory votes at the AGM on 30 October 2019.

It is our aim to ensure that our governance and disclosure relating to executive remuneration is transparent and that we do not compromise on performance criteria when external factors outside of our control stifle or enhance performance. Throughout the group, we attempt to compensate individuals fairly for a specific role, with due regard to their skills and performance.

The compensation of most of our unionised employees is determined collectively or based on sector norms. We strive to maintain positive day-to-day working relationships with our unionised employees, and to balance their right to industrial action with the rights of the group to conduct its activities.

Remuneration of the CEO and CFO

The group has only two executive directors, the CEO, Mohammed Akoojee, and the CFO, George de Beer.

Mohammed succeeded Marius Swanepoel as CEO with effect from 1 February 2019. He had been acting in the position of CEO of Imperial Holdings in addition to his role as CFO of Imperial Holdings from June 2018 until the unbundling of Motus in November 2018 and had been CEO designate of Imperial Logistics from the unbundling until his appointment as CEO of Imperial Logistics on 1 February 2019. His annual remuneration was benchmarked and adjusted to R10 000 000 with effect from 1 February 2019, which is in line with the previous CEO’s remuneration after an inflationary adjustment. The adjustment also took into account his experience both within the group and before joining Imperial as well as contribution to value creation.

His remuneration for the coming year will again be benchmarked against similar companies and adjusted accordingly.

Mohammed’s STI for the 2019 financial year is capped at 150% of his TGP and is assessed against a combination of short-term financial performance, long-term strategic and other non-financial performance conditions.
During the year under review, Mohammed received an STI of R5 100 000 (51% of his TGP), which is significantly lower than last year as a percentage of his TGP due largely to the financial performance of the group during the year. Details of the extent to which each of the performance measures determining his STI were met is included in the remuneration policy implementation section of this report. In determining the strategy execution and discretionary portion of his STI, the committee considered Mohammed’s performance in a difficult trading environment and swift action taken to address unsustainable businesses that are being discontinued, the strategic coherence of the business going forward and the various roles fulfilled during the year.

George de Beer was appointed as CFO with effect from the unbundling of Motus in November 2018. He had previously been the divisional CFO of Logistics. His remuneration was benchmarked prior to unbundling and adjusted to R5 080 000. His remuneration in the coming year will again be benchmarked against similar companies and adjusted accordingly.

George’s STI for the 2019 financial year is capped at 150% of his TGP and is assessed against a combination of short-term financial performance, long-term strategic and other non-financial performance conditions.

In the year under review, George received an STI of R1 750 000 (35% of his TGP), which is largely a reflection of the financial performance of the group during the year. Details of the extent to which each of the performance measures determining his STI were met is included in the remuneration policy implementation section of this report. In determining discretionary portion of his STI, the committee considered George’s rapid adjustment to the role of CFO of a listed company and role in the identification of and accounting for unsustainable businesses that are being discontinued.

The F2020 STI performance measures for the CFO are the same as those applicable to the CEO set out in the table above.

Non-executive director’s fees
Fees are benchmarked regularly, and the current fees are considered to be in line with those paid by peer companies of a similar size and complexity to Imperial. Shareholders approved the fees for the year from 1 July 2019 to 30 June 2020 at the AGM of 30 October 2018 and no change is proposed to those fees except those relating to divisional finance and risk committees. An inflationary increase of 5% is proposed in respect of fees for the period from 1 July 2020 to 30 June 2021. In light of the increasing expansion of the group outside of South Africa and the consequent appointment of directors based outside of South Africa, a conversion factor of fees for foreign directors is also proposed.

Summary
The committee has made material changes to Imperial’s remuneration policies and the way we implement these during the year. We are of the view that the resulting policy represents a healthy balance between the interests of shareholders and the company on one hand, and the executives on the other, and supports long-term sustainable value creation in the group aligned with its strategy. We value the views of shareholders and welcome any comments and suggestions which would assist us in further improving our policies and frameworks in future.

Roddy Sparks
Remuneration committee chairman
13 September 2019
2. Remuneration policy and implementation engagement

Introduction
At the 2018 AGM, 84.24% of shareholders voted in favour of the group’s remuneration policy, down on the 93.67% in the previous year. However, only 51.84% of shareholders voted for the implementation of the remuneration policy, which was a significant concern.

Although a non-binding advisory vote, the board continues to take account of the views expressed by shareholders in its deliberations and remains deeply committed to responsible conduct, sound governance and transparency regarding executive compensation.

In line with its stated policy and King IV, that if 25% or more of the votes exercised at the AGM are against the remuneration policy and/or its implementation, the board embarked on a programme of engagement with shareholders to ascertain the reasons for the dissenting vote. The board deliberately extended this process beyond just the implementation of our remuneration policy and included the policy itself.

As a result, we implemented measures, detailed in the chairman’s letter and elsewhere in this report, aimed at addressing valid objections and concerns raised during our engagement with shareholders.

Process
Shareholders and other interested parties were advised in a SENS announcement published on 30 October 2018, that Imperial had commenced a process to engage with concerned shareholders, who were invited to connect with the group in writing by submitting questions or comments. No written submissions were, however, received through this process other than from shareholders and interested parties with whom the board had engaged prior to the AGM.

The board, through its chairman and the chairman of the remuneration committee, pro-actively contacted and engaged with its top 10 shareholders (with the exception of only one shareholder who declined an engagement), as well as with a few shareholders with smaller shareholdings. Meetings were held with these shareholders, either in person at their offices, or via teleconference. The board also noted the recommendations of Institutional Shareholder Services (ISS), a proxy advisory service based in the UK, recommending a vote against the implementation of the group’s remuneration policy, and engaged with ISS via teleconference.

Concerns raised and actions implemented
Although engagement focused primarily on the implementation of the group’s remuneration policy, broader policy issues were also raised and considered. Concerns raised by shareholders and corrective action implemented are summarised in the table below:

<table>
<thead>
<tr>
<th>Shareholder concern</th>
<th>Comment</th>
<th>Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>The vesting of share instruments on resignation of a previous CEO, Mr MU Lamberti,</td>
<td>The vesting had been a result of the application of the scheme rules and most of the awards related to an agreed remuneration structure in which the CEO received little or no cash remuneration over a period of four years, but rather share instruments that vested in the future.</td>
<td>• CEO remuneration is now structured in line with current policy. Accordingly, except for LTI, the CEO is paid in the year to which the remuneration relates.</td>
</tr>
<tr>
<td>should have been reduced given an adverse court judgement against him.</td>
<td></td>
<td>• Share scheme rules were amended to provide for reduction, forfeiture of shares and clawback in certain circumstances.</td>
</tr>
<tr>
<td>The CSP allocated on unbundling did not disclose related performance conditions.</td>
<td>CSP were awarded as a once-off measure to incentivise management to achieve stretch performance targets in the five years post the unbundling of Motus.</td>
<td>• Performance targets were disclosed in detail on SENS and again later in this report on page 103.</td>
</tr>
<tr>
<td>Furthermore, these awards were for large amounts.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Imperial Logistics Integrated Annual Report 2019

Remuneration report continued
<table>
<thead>
<tr>
<th>Shareholder concern</th>
<th>Comment</th>
<th>Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>DBP awards are not subject to performance conditions and shareholders are of a view that all LTI awards should be performance linked.</td>
<td>• The remuneration committee considered shareholder feedback that all LTIs should be subject to performance conditions</td>
<td>• No further DBP awards will be made. • Annual benchmark LTI allocations will all be performance-based SAR or CSP or a combination thereof. • Related performance conditions are disclosed in this report on page 103.</td>
</tr>
<tr>
<td>Shares held by executives should not be matched but a minimum shareholding requirement (MSR) should be introduced.</td>
<td>• MSR is not commonly applied in South Africa but is emerging as best practice.</td>
<td>• MSR have been introduced for executive directors and prescribed officers, with a phasing-in period of five years.</td>
</tr>
<tr>
<td>Short-term incentives as disclosed in the unbundling circular and paid on unbundling are not supported.</td>
<td>• The incentives were related to the very exceptional nature of the unbundling.</td>
<td>• All future incentives will be linked to disclosed performance conditions.</td>
</tr>
<tr>
<td>Remuneration policy and implementation should be clear and transparent.</td>
<td></td>
<td>• Disclosure in this report has been significantly enhanced. • STI is linked to performance and strategy. • The discretionary element of STI has been significantly reduced and related disclosure improved.</td>
</tr>
<tr>
<td>STI and LTI should be aimed at enhancing long-term value creation without sacrificing short-term performance.</td>
<td>• Engagement with shareholders emphasised the importance of long-term strategy execution.</td>
<td>STI performance conditions have been revised to include short-term performance measures, longer-term strategic measures and non-financial measures while all LTI are now subject to long-term performance conditions. Revised performance conditions were formulated after considering these factors, bearing in mind that more than 70% of the group’s revenue is earned from operations outside South Africa.</td>
</tr>
<tr>
<td>The social context in South Africa should be considered in formulating policy including pay gap, B-BBEE and safety.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

3. Governance
Committee chairman
The committee is chaired by RJA Sparks, who is also the lead independent non-executive director.

Role of the committee
The committee advises and guides the board on:
• Accurate and transparent disclosure of directors and prescribed officers’ remuneration.
• The establishment and implementation of remuneration policies for non-executive directors, executive directors, prescribed officers and other executives, to ensure that the company remunerates directors and executives fairly and responsibly.
• Approval of the general composition of remuneration packages and the criteria for executive bonus and incentive awards.

Committee membership
At year-end, the members of the remuneration committee were RJA Sparks (chairman), P Langeni and T Skweyiya. All are independent non-executive directors, except for Ms P Langeni who is a non-executive director. Mr A Tugendhaft who was a member during the year resigned as a director and as a member of the committee on the unbundling of Motus. Mr GW Dempster will join the committee as a member from 1 January 2020 and Mrs T Skweyiya will step down as a member on 31 December 2019.

Meeting attendance

<table>
<thead>
<tr>
<th>Member</th>
<th>Regular meetings</th>
</tr>
</thead>
<tbody>
<tr>
<td>RJA Sparks* (chairman)</td>
<td>4/4</td>
</tr>
<tr>
<td>SP Kana^</td>
<td>2/2</td>
</tr>
<tr>
<td>P Langeni</td>
<td>4/4</td>
</tr>
<tr>
<td>A Tugendhaft^</td>
<td>2/2</td>
</tr>
<tr>
<td>T Skweyiya*</td>
<td>2/2</td>
</tr>
</tbody>
</table>

* Independent non-executive director.
^ Resigned after the 2018 AGM.
* Joined the committee in November 2018.
2019 AGM

In keeping with the recommended practices contained in King IV, both the remuneration policy and the remuneration policy implementation of the group will be tabled for approval by shareholders by separate non-binding advisory votes at the AGM on 30 October 2019.

Should 25% or more of the voting rights exercised at the AGM be voted against the remuneration policy and/or the implementation the board will in good faith start:

- An engagement with dissenting shareholders to ascertain the reasons for the dissenting votes.
- Taking steps to address valid objections and concerns raised, which steps may include amending the remuneration policy or clarifying or adjusting remuneration governance and/or processes.

The board will also disclose:

- The manner and form of engagement to ascertain the reasons for dissenting votes.
- The issues raised by such shareholders.
- The steps taken to address valid objections and concerns.

4. Remuneration policy

Determination of performance incentives

Imperial has various formal frameworks for performance management that are directly linked to either increases in total guaranteed pay or annual short-term incentive bonuses. Performance management and assessment sessions take place regularly throughout the group, where company performance, personal achievement of KPIs and delivery on key strategic imperatives are discussed.

Remuneration breakdown

The group’s employees are key determinants of its success. Employee remuneration, particularly guaranteed pay, is a significant component of the group’s total operating costs. The group’s remuneration policy seeks to attract and retain quality employees at all levels. Remuneration is structured to be competitive and relevant in the sectors in which the group operates, and divisions review their remuneration policies regularly.

<table>
<thead>
<tr>
<th>Remuneration information – continuing operations only</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total number of employees</td>
<td>24 982</td>
<td>24 252</td>
</tr>
<tr>
<td>Total compensation paid to employees (Rm)</td>
<td>10 575</td>
<td>10 351</td>
</tr>
<tr>
<td>Total compensation as a % of revenue</td>
<td>21</td>
<td>21</td>
</tr>
</tbody>
</table>

Salaried employees

<table>
<thead>
<tr>
<th>Cost to company</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Total guaranteed package (TGP) is monitored and benchmarked on an ongoing basis.</td>
</tr>
<tr>
<td>• Remuneration levels consider industries, sectors and geographies from which skills are acquired or to which skills are likely to be lost, the general market and the market in which each business operates.</td>
</tr>
<tr>
<td>• TGP and the mix of fixed and variable pay are designed to meet each business’ industry, operational needs and strategic objectives, based on stretch targets that are verifiable and relevant.</td>
</tr>
<tr>
<td>• The structure of remuneration for unionised employees is driven by collective bargaining and sectoral determinations.</td>
</tr>
<tr>
<td>• General adjustments to guaranteed pay levels are effective from 1 July each year. In unionised environments, collective bargaining arrangements may come into operation at other agreed times.</td>
</tr>
<tr>
<td>• Annual increase parameters are set using guidance from group budgeting processes, market movements, individual performance, the performance of the division and/or company and other relevant factors.</td>
</tr>
<tr>
<td>• Increases above inflation depend on divisional or departmental and individual performance.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>STIs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Divisions pay short-term bonuses aligned to industry best practice and in some cases include a guaranteed bonus. However, in most cases bonuses depend on the performance of the individual and business in which they are employed. Performance criteria are set for each individual depending on the requirements of the job.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LTIs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Only salaried employees at senior management level qualify for long-term incentives.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Other benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company car (where applicable), travel allowances, pension and provident fund, medical aid (includes both regular and budget options).</td>
</tr>
</tbody>
</table>
Employees paid by the hour

<table>
<thead>
<tr>
<th>Cost to company</th>
<th>STIs</th>
<th>LTIs</th>
<th>Other benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Annual increases in remuneration and bonuses generally determined at industry level through collective bargaining and negotiations between the industry and trade unions.</td>
<td>Bonuses are determined annually in line with agreements signed with various unions. Where appropriate, certain individuals are awarded additional bonuses in line with their individual performance. These bonuses are reviewed and approved by divisional management.</td>
<td>No LTIs.</td>
<td>Pension and provident fund (compulsory), and medical aid (includes both regular, budget options and some hourly paid employees belong to bargaining council medical schemes and pension funds).</td>
</tr>
<tr>
<td>• The group aims to remunerate employees fairly and in line with sound business and remuneration principles, beyond the minimum wage. Increases for deserving employees are determined based on merit.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Where appropriate, employees receive ongoing training and promotion, with concomitant rate increases. These promotions are discussed and authorised by both supervisors and line management.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Executive directors and prescribed officers

Policy

Executives are responsible for leading others and making significant decisions about the short and long-term operation of the business, its assets, funders and employees. They require specific skills and experience and are held to a higher level of accountability.

Imperial’s remuneration policy is formulated to attract and retain high-calibre executives and motivate them to develop and implement the group’s strategy to optimise long-term shareholder value. The group’s remuneration policy also aims to align the entrepreneurial ethos and long-term interests of senior managers and executives with those of shareholders.

The remuneration policy is intended to conform to best practice. It is structured around the following key principles:

<table>
<thead>
<tr>
<th>Total rewards</th>
<th>Incentive-based rewards</th>
<th>Incentive plans, performance measures and targets</th>
<th>The design and implementation of long-term incentive schemes</th>
</tr>
</thead>
<tbody>
<tr>
<td>are set at levels that are responsible and competitive within the relevant market.</td>
<td>are capped and earned through the achievement of demanding growth and return targets consistent with shareholder interests over the short, medium and long term.</td>
<td>are structured to operate soundly throughout the business cycle.</td>
<td>are prudent and do not expose shareholders to unreasonable financial risk.</td>
</tr>
</tbody>
</table>

Elements of executive remuneration

Executive remuneration comprises the following key elements:

1. Fixed remuneration.
3. Share-based long-term incentive and retention schemes.
4. Other benefits may include vehicle benefits, pension or provident fund contributions, medical insurance, death and disability insurance.

The remuneration committee seeks to ensure an appropriate balance between the fixed and performance-related elements of executive remuneration and between those aspects of the package linked to short-term performance and those linked to longer-term shareholder value creation.

The group’s general philosophy for executives’ remuneration is that the performance-based pay of executive directors and senior managers should form a significant portion of their expected total compensation. There should also be an appropriate balance between rewarding operational performance (through annual incentive bonuses) and rewarding long-term sustainable performance (through long-term and/or share-based incentives).
## 1. FIXED REMUNERATION

Fixed remuneration is the TGP before STIs. The fixed remuneration of each executive is based on roles in similar companies, which are comparable in terms of size, market sector, business complexity and international scope. TGP is benchmarked against the median of the group.

When determining fixed remuneration, factors taken into account include inflation and salary trends, group and divisional performance, individual performance and changes in responsibilities.

Executive directors are entitled to vehicle benefits, pension or provident fund contributions, medical insurance and death and disability insurance. Providing these benefits is considered to be market competitive for executive positions and included in fixed remuneration.

## 2. ANNUAL INCENTIVE

All executives are eligible to receive a performance-related STI. The incentive is non-contractual and not pensionable. The committee reviews incentives annually and determines the level of each incentive payment based on performance criteria set at the beginning of the performance period.

The criteria differ depending on the position of each executive and the division in which they operate. Criteria include:

<table>
<thead>
<tr>
<th>Group return on invested capital (ROIC)</th>
<th>Group normalised headline earnings per share (HEPS) growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>The base target for ROIC is achievement of 1% above the weighted average cost of capital (WACC) and the measurement pays on the gap between ROIC and WACC +1%.</td>
<td>The measurement starts to pay out above a base target for HEPS growth.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Divisional ROIC</th>
<th>Divisional operating profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>The base target for ROIC is achievement of 1% above WACC and the measurement pays on the gap between ROIC and WACC +1%.</td>
<td>The measurement starts to pay out above a base target for profit before interest and tax (PBIT) growth.</td>
</tr>
</tbody>
</table>

### Transformation:

**Measurement of the executive committee members with group responsibility**

This measurement is based on sub-measurements for the organisation as a whole and at divisional level:

- Management control.
- Employment equity.
- Skills development.
- Growth in black top, senior and middle management.
- Implementation of a strategic talent management plan and the development of a three to five-year succession plan for key staff members.

### Project based

Project-based incentives allow flexibility to nominate particular projects and allow for performance on non-quantitative aspects during the year to be taken into consideration. In the 2019 financial year, this included the unbundling of Motus. The remuneration committee has further discretion to authorise incentives for projects successfully completed during the year, which are awarded in exceptional cases. This will be based on performance conditions set before commencement of any projects. No such conditions have been set for executive directors.

### Discretionary

This component allows the committee to make adjustments in circumstances which could not be foreseen at the start of the period or are not in the control of a particular executive. This component of STI has been reduced to a maximum of 10% out of 150% and the factors taken into account will be disclosed going forward.

### Annual STI

The committee sets the minimum performance targets at which annual STIs become payable and the targets at which the maximum incentive is paid. STIs are capped at maximum levels as a percentage of TGP. The committee has a discretion to make adjustments to payments in exceptional circumstances where application of the formula will result in payments which are not aligned with shareholder expectations or fair remuneration practice.

<table>
<thead>
<tr>
<th>Executive directors</th>
<th>Maximum STI as % of TGP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senior management</td>
<td>150%</td>
</tr>
<tr>
<td>Other senior staff</td>
<td>50% to 100%</td>
</tr>
<tr>
<td></td>
<td>20% to 35%</td>
</tr>
</tbody>
</table>
3. SHARE-BASED LTI AND RETENTION SCHEMES

Executive participation in LTI and retention schemes is based on criteria such as seniority, performance during the year and retention drivers. Any senior employee with significant managerial or other responsibility, including any director holding salaried employment or office in the group, is eligible to participate in LTI schemes. Non-executive directors may not be awarded rights in any of the incentive schemes.

The group has three LTI plans:
- Share appreciation rights (SAR) scheme.
- Deferred bonus plan (DBP).
- Conditional share plan (CSP).

Share appreciation rights
Selected participants receive annual grants of SAR, which are conditional rights to receive Imperial shares equal to the difference between the exercise price and the grant price. Vesting of all rights is subject to performance conditions set at the date of award being met and participants remaining employed with the group for the vesting period. The performance conditions and the period are determined by the board annually in respect of each new grant of rights.

The targets and measures relating to each issue are detailed in a letter of grant. After vesting, the rights may be exercised by a participant within four years after vesting; this was changed to two years. Upon exercise by a participant, the difference between the exercise price and the grant price is paid by:
- Delivering Imperial shares that will be purchased on the open market, or
- Delivering Imperial shares that will be purchased through call options (hedges), or
- As a fall-back provision only, by the issue of new shares, or
- Settling the value in cash.

Deferred bonus plan
Qualifying senior employees are required to purchase Imperial shares which are held in escrow by the company. On the condition that the participant remains in the employ of the group and retains the shares over a three-year period, a matching award of Imperial shares is made on vesting. A participant remains the owner of the shares for the duration of the three-year period and enjoys all shareholder rights in respect of the shares. Although shares can be sold by the participant at any stage, the matching award is forfeited in line with the level of sales of the shares.

In light of a general market move away from incentive instruments that are not performance linked, the board decided to make no further allocations of DBP and to replace the DBP with performance linked CSP allocations of equal value. Unvested DBP allocated in previous years will continue to vest in accordance with the rules of the DBP scheme with the last allocation made in 2018 vesting in 2021. A portion of matching shares will be applied to the MSR.

Conditional share plan
Employees receive grants of conditional awards and the vesting is subject to performance conditions. The performance conditions for the CSP are based on performance targets set by the board. The conditional awards entitle a participant to be settled in Imperial Logistics shares to the extent performance conditions have been met.

The current performance conditions applicable to annual CSP allocations are as follows:
- ROIC between 1% and 3% in excess of WACC: 50%
- HEPS versus peer group between 50th percentile and upper quartile: 50%

CSPs are only awarded to the most senior employees and will replace annual DBP performance awards for allocations from 1 July 2019.

Allocation of SAR and CSP
Allocations of SAR and CSP are made annually based on the following criteria:
- Performance of the participant.
- The job grading of the participant.
- Long-term contribution of participants.

The quantum of allocations of SAR and CSP are calculated using a model developed by PricewaterhouseCoopers and is determined using the expected value of an allocation expressed as a percentage of TGP. The percentage allocated is determined based on the level of seniority of the participant, which also determines whether a participant receives both SAR and CSP or only SAR or only CSP.

The expected value of CSP is determined in the financial year of allocation based on a valuation methodology taking into account the average VWAP of the two days before the date of award, and the estimated achievement of related performance conditions. The expected value of SAR is determined in the financial year of allocation using a valuation methodology based on a valuation methodology taking into account the average VWAP of the two days before the date of award, the life of the instrument, the expected rate of share price growth and the estimated achievement of related performance conditions.

The eventual gains from long-term share-based incentives will vary from year to year depending on vesting and exercise patterns, as well as the impact on share price performance and external factors such as market sentiment, interest rates, commodity prices and exchange rates. On award, both the expected value and the face value are disclosed. The face value is based on the VWAP for the two days before the award date.
Benchmark awards for SAR and CSP

Executive directors and prescribed officers
Senior management
Other senior staff

Reduction, forfeiture and clawback of share scheme awards
Share scheme awards are subject to reduction or forfeiture (in whole or in part) if:
- There is reasonable evidence of misbehaviour or material error by a participant, or
- The financial performance of the group or the relevant business unit for any financial years in respect on which an award is based has subsequently appeared to be materially inaccurate, or
- The group or the relevant business unit suffers a material downturn in its financial performance, for which the participant can be seen to have some culpability, or
- The group or the relevant business unit suffers a material failure of risk management, for which the participant can be seen to have some responsibility, or in any other circumstances if the committee determines that it is reasonable to subject the awards of one or more participants to reduction or forfeiture.

Vesting of any awards may be postponed while there is an ongoing investigation or other procedure being carried out to determine whether the forfeiture provisions apply in respect of a participant, or if further investigation is warranted.

Termination of employment

Resignation or dismissal
If a participant’s employment terminates due to resignation or dismissal on grounds of misconduct, poor performance or proven dishonest or fraudulent conduct (whether such cessation occurs as a result of notice given by the employee or otherwise or if he/she resigns to avoid dismissal on grounds of misconduct, poor performance or proven dishonest or fraudulent conduct) before the vesting date, all SAR, CSP and DBP awards will lapse, unless the board determines otherwise.

Retrenchment, death, ill health, disability or other reasons for cessation of employment
If a participant ceases to be an employee due to retrenchment, death, ill health, disability or reasons other than resignation or dismissal, a pro rata portion of the unvested SAR and/or unvested CSP and/or DBP to vest on the date of cessation of employment.

The pro rata portion of the SAR, DBP and CSP that vest reflect the number of months served since the date of grant and the extent to which the performance conditions have been satisfied. The balance of the unvested SAR, DBP and CSP will lapse.

Retirement
In the event of retirement at the normal age, SAR, CSP and DBP vest on the dates originally set, subject to fulfilment of performance conditions as if the participant continued to be employed.

Share buy-backs and hedges
The group buys back shares or purchases hedges to limit its exposure to deliver shares in terms of share-based LTI schemes. The group’s liability for SAR awards is hedged through a combination of shares purchased and the purchase of call options, after allowing for attrition over the vesting period. DBP and CSP obligtor are hedged by the group with shares held in treasury for that purpose.

Minimum shareholding requirements
The group adopted a minimum shareholding requirement (MSR) for executive directors and prescribed officers in line with best practice developing in the market.

Each executive’s MSR target is determined using the executive’s fixed remuneration. The target must be achieved within five years from 1 July 2019 (or from joining in the case of new appointees), unless otherwise determined by the committee after considering market conditions and related factors. It is not the intention of the scheme to compel executives to incur debt to acquire Imperial shares but rather that executives should retain shares acquired through the share incentive schemes up to the MSR target.

Compliance with the MSR will be measured annually and executives subject to MSR will have to declare the extent of their personal shareholdings in the company at each year-end or as and when directed by the company. The committee will assess compliance with the MSR before making future discretionary LTI awards.

MSR targets are set as follows

<table>
<thead>
<tr>
<th>Role</th>
<th>MSR Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>CEO</td>
<td>1.75 times fixed remuneration</td>
</tr>
<tr>
<td>CFO</td>
<td>1.50 times fixed remuneration</td>
</tr>
<tr>
<td>Prescribed officers</td>
<td>1.00 times fixed remuneration</td>
</tr>
</tbody>
</table>
Retirement schemes
Executives participate in contributory retirement schemes which include pension and provident funds established by the group. Executive retirement is governed by their retirement scheme rules, subject to the ability of the company to enter into fixed-term contracts to extend the services of any executive within certain prescribed limits.

Non-executive directors’ fees
The remuneration committee reviews and recommends to the board fees payable to non-executive directors. The board in turn makes recommendations to shareholders after considering the fees paid by comparable companies, responsibilities of the non-executive directors and considerations relating to the retention and attraction of high-calibre individuals. The group has decided to maintain a structure where directors’ fees are not split between membership and attendance fees, as the efforts and contribution of non-executive directors goes well beyond their attendance at formal board or sub-committee meetings, and the group has not had significant instances of non-attendance of meetings.

5. Implementation of remuneration policy

Historical Imperial share schemes
Motus employees who had been awarded rights in Imperial’s share schemes prior to the unbundling and separate listing of Motus continue to participate in those schemes. Upon exercise, their SARs will be settled by Motus in Motus shares and their DBP will be settled by Motus in Imperial and Motus shares. A total of 7,004,824 of such SAR remain unexercised at an average combined price of R152.64 per SAR. A total of 373,584 DBP remain unvested in the Imperial DBP scheme.

Total share scheme allocations
A total of 13,565,206 SAR allocated to Imperial employees before and after the unbundling of Motus remain unexercised in terms of the SAR scheme at an average combined price of R106.05 per SAR. A total of 677,194 DBP allocated to Imperial employees before and after the unbundling of Motus remain unvested. A total of 1,858,964 CSP remain unvested.

The SAR allocated since F2016 lapse two years after vesting. The core EPS performance measure was replaced by HEPS from the F2017 allocation.

Annual share scheme allocations
The group will be making annual F2019 allocations of SAR and CSP during September 2019 according to the allocation benchmarks in the remuneration policy.

The current performance conditions set for the F2019 allocations of SAR and CSP are the achievement of the following targets set by the committee:

<table>
<thead>
<tr>
<th>Performance condition</th>
<th>Percentage of award subject to condition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth in HEPS relative to the growth in HEPS of a peer group of sixteen JSE-listed companies ROIC exceeding WACC by 3%, over the performance period</td>
<td>50%</td>
</tr>
<tr>
<td></td>
<td>50%</td>
</tr>
</tbody>
</table>

An extensive review of the peer group of companies was conducted during the year with the assistance of PricewaterhouseCoopers and the peer group has been determined based on their independent advice, based on comparative metrics including revenue, number of employees, industry and complexity.

Current peer group

Consumer goods
- AVI Limited
- Barloworld Limited
- Bidvest Limited
- Clicks Group Limited
- Grindrod Limited
- Kap Industrial Holdings Limited
- Massmart Holdings Limited
- Mr Price Group Limited
- Pick n Pay Stores Limited
- RCL Foods Limited
- Steinhoff African Retail Limited
- Super Group Limited
- The Spar Group Limited
- Tiger Brands Limited
- Truworths International Limited
- Woolworths Holdings Limited

Consumer services
- Consumer services
- Consumer services
- Consumer services
- Consumer services
- Consumer services
- Consumer services
- Consumer services

Industrial
- Consumer goods
- Industrial
- Industrial
- Industrial
- Industrial
- Industrial
- Industrial
- Industrial
The extent to which each performance condition has been met is determined on the vesting date as follows:

### HEPS growth over the performance period

<table>
<thead>
<tr>
<th>Condition</th>
<th>Target</th>
<th>% vest</th>
</tr>
</thead>
<tbody>
<tr>
<td>If the HEPS growth of the company is below the lower quartile of the peer group</td>
<td>0% of SAR vest</td>
<td></td>
</tr>
<tr>
<td>If the HEPS growth of the company is below the 50th percentile of the peer group</td>
<td>0% of CSP vest</td>
<td></td>
</tr>
<tr>
<td>If the HEPS of the company is equal to the lower quartile of the peer group</td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td>If the HEPS of the company is equal to the 50th percentile of the peer group</td>
<td>30% of SAR vest</td>
<td></td>
</tr>
<tr>
<td>If the HEPS of the company is equal to or above the upper quartile of the peer group</td>
<td>100% of SAR and CSP vest</td>
<td></td>
</tr>
</tbody>
</table>

Linear vesting occurs between 30% and 100%, depending on the company’s performance relative to the peer group. Executive directors receive CSP only, which start to vest at the 50th percentile.

### ROIC

<table>
<thead>
<tr>
<th>Condition</th>
<th>Target</th>
<th>% vest</th>
</tr>
</thead>
<tbody>
<tr>
<td>If the average ROIC for the company over the performance period is less than 1% more than the average WACC of the company over the performance period</td>
<td>0% of SAR or CSP vest</td>
<td></td>
</tr>
<tr>
<td>If the average ROIC over the performance period is equal to WACC plus 1% over the performance period</td>
<td>30% of SAR or CSP vest</td>
<td></td>
</tr>
<tr>
<td>If the average ROIC over the performance period is equal to or above the WACC plus 3% target</td>
<td>100% of SAR or CSP vest</td>
<td></td>
</tr>
</tbody>
</table>

Linear vesting occurs between 30% and 100%, depending on the company’s performance if ROIC is between WACC plus 1% and WACC plus 3% the target of ROIC minus WACC has been adjusted upwards by 1% to take account of the increase in ROIC versus WACC following the impairment of goodwill in the F2019 year.

In addition to performance of the group, the minimum core EPS/HEPS and ROIC target threshold level takes into account the important objective of incentivising key employees during times when business conditions are challenging.

### Exceptional CSP allocations

As previously disclosed, on the unbundling and separate listing of Motus, the group made exceptional CSP allocations to certain members of management who were viewed as essential to the continued success of Imperial in the future. The CSP is subject to performance criteria set out below. The awards were considered exceptional but warranted in the circumstances to serve both as a retention tool and an incentive aligned to the interests of shareholders. The awards were detailed in a SENS announcement published on 5 December 2018.

The cumulative performance conditions applicable to the exceptional CSP award are set out below:

<table>
<thead>
<tr>
<th>Condition</th>
<th>Target</th>
<th>Weighting</th>
</tr>
</thead>
<tbody>
<tr>
<td>HEPS</td>
<td>Compared to peer group with 30% vesting if performance is above the lower quartile and 100% vesting if performance is in the upper quartile of the peer group.</td>
<td>35%</td>
</tr>
<tr>
<td>ROIC</td>
<td>2% over weighted average cost of capital. 0% vests if performance is below target.</td>
<td>20%</td>
</tr>
<tr>
<td>Operating profit growth</td>
<td>Inflation plus twice GDP growth in primary territories, weighted for the operating profit contribution of each territory. 0% vests if performance is below target.</td>
<td>20%</td>
</tr>
<tr>
<td>Succession planning</td>
<td>Must be in place at each vesting date. The board must approve the adequacy of succession.</td>
<td>15%</td>
</tr>
<tr>
<td>Discretionary</td>
<td>To assess non-quantifiable performance over the vesting period.</td>
<td>10%</td>
</tr>
</tbody>
</table>
**Proposed non-executive directors’ fees**

At the AGM to be held on 30 October 2019, shareholders will be requested to approve the following increases in non-executive directors’ remuneration by special resolution in terms of section 66(9) of the Companies Act, granting authority to pay fees for services as directors, which will be valid with effect from 1 July 2020 until 30 June 2021.

Shareholders approved the fees for the year from 1 July 2019 to 30 June 2020 at the AGM of 30 October 2018 and no change is proposed to those fees except those relating to divisional finance and risk committees. An inflationary increase of 5% is proposed in respect of fees for the period from 1 July 2020 to 30 June 2021.

In light of the increasing expansion of the group outside of South Africa and the resultant appointment of directors who are not South African, fees for foreign directors who are not South African and are based outside of South Africa are proposed in Euro, appropriate for directors based there to ensure the competitiveness of Imperial Logistics when considering the appointment of foreign directors with international expertise.

<table>
<thead>
<tr>
<th>Fees from 1 July 2019 to 30 June 2020</th>
<th>Fees from 1 July 2020 to 30 June 2021</th>
<th>Euro fee from 1 July 2019 to 30 June 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chairman*</td>
<td>R1 052 500</td>
<td>€300 000</td>
</tr>
<tr>
<td>Deputy chairman and lead independent director*</td>
<td>R1 100 000</td>
<td>€150 000</td>
</tr>
<tr>
<td>Board member</td>
<td>R526 000</td>
<td>€150 000</td>
</tr>
<tr>
<td>Assets and liabilities committee chairman*</td>
<td>R301 000</td>
<td>€86 500</td>
</tr>
<tr>
<td>Assets and liabilities committee member</td>
<td>R192 000</td>
<td>€55 000</td>
</tr>
<tr>
<td>Audit and risk committee chairman*</td>
<td>R128 000</td>
<td>€36 500</td>
</tr>
<tr>
<td>Audit and risk committee member</td>
<td>R397 500</td>
<td>€114 000</td>
</tr>
<tr>
<td>Divisional board chairman*</td>
<td>R198 000</td>
<td>€56 500</td>
</tr>
<tr>
<td>Divisional board member</td>
<td>R179 000</td>
<td>€51 000</td>
</tr>
<tr>
<td>Divisional finance and risk committee chairman*</td>
<td>R123 000</td>
<td>€35 000</td>
</tr>
<tr>
<td>Divisional finance and risk committee member</td>
<td>R148 500</td>
<td>€42 500</td>
</tr>
<tr>
<td>Remuneration committee chairman*</td>
<td>R99 000</td>
<td>€28 500</td>
</tr>
<tr>
<td>Remuneration committee member</td>
<td>R143 500</td>
<td>€41 000</td>
</tr>
<tr>
<td>Nomination committee chairman*</td>
<td>R95 500</td>
<td>€27 000</td>
</tr>
<tr>
<td>Nomination committee member</td>
<td>R143 500</td>
<td>€41 000</td>
</tr>
<tr>
<td>Social, ethics and sustainability committee chairman*</td>
<td>R95 500</td>
<td>€27 000</td>
</tr>
<tr>
<td>Social, ethics and sustainability committee member</td>
<td>R192 000</td>
<td>€55 000</td>
</tr>
<tr>
<td></td>
<td>R128 000</td>
<td>€36 500</td>
</tr>
</tbody>
</table>

* Fee paid in addition to a member’s fee.

In determining the proposed fees, cognisance was taken of market trends and the additional responsibilities of non-executive directors in terms of increased legal and governance requirements.

Executive directors receive no director or committee fees for their services as directors in addition to their normal remuneration as employees.
Non-executive remuneration
The table below provides an analysis of the emoluments paid to non-executive directors for the year ended 30 June 2019.

<table>
<thead>
<tr>
<th>Non-executive directors</th>
<th>Directors’ fees R000</th>
<th>Subsidiary and sub-committee fee R000</th>
<th>2019 Total R000</th>
<th>2018 Total R000</th>
</tr>
</thead>
<tbody>
<tr>
<td>P Cooper</td>
<td>284</td>
<td>632</td>
<td>916</td>
<td>878</td>
</tr>
<tr>
<td>GW Dempster</td>
<td>284</td>
<td>1 015</td>
<td>1 299</td>
<td>1 180</td>
</tr>
<tr>
<td>SP Kana1</td>
<td>426</td>
<td>452</td>
<td>878</td>
<td>1 714</td>
</tr>
<tr>
<td>RM Kgosana2</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>236</td>
</tr>
<tr>
<td>P Langeni</td>
<td>946</td>
<td>1 002</td>
<td>1 948</td>
<td>975</td>
</tr>
<tr>
<td>MV Moosa1</td>
<td>95</td>
<td>234</td>
<td>329</td>
<td>552</td>
</tr>
<tr>
<td>ST Skweyiya</td>
<td>284</td>
<td>697</td>
<td>981</td>
<td>634</td>
</tr>
<tr>
<td>RJA Sparks</td>
<td>781</td>
<td>1 266</td>
<td>2 047</td>
<td>1 835</td>
</tr>
<tr>
<td>A Tugendhaft1</td>
<td>260</td>
<td>517</td>
<td>777</td>
<td>1 019</td>
</tr>
<tr>
<td>Y Waja2</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>290</td>
</tr>
<tr>
<td>Total</td>
<td>3 360</td>
<td>5 815</td>
<td>9 175</td>
<td>9 313</td>
</tr>
</tbody>
</table>

1 Resigned at the 2018 AGM.
2 Resigned on 7 September 2017.
3 Resigned on 13 October 2017.

Remuneration paid to executive directors who retired or resigned during the year

M (Marius) Swanepoel – CEO: Logistics to 22 November 2018 and Imperial Logistics Group CEO to 1 February 2019
M Swanepoel retired as CEO of Imperial Logistics on 1 February 2019 and retired as executive director and from the board on 30 June 2019. His 2019 compensation relates to the role he played until his retirement in ensuring a smooth handover and continuity post his retirement.

2019 REMUNERATION (to 30 June 2019)

<table>
<thead>
<tr>
<th>Basic salary</th>
<th>Retirement and medical contributions</th>
<th>Other benefits</th>
<th>Unbundling incentive</th>
<th>STI</th>
<th>Total cash remuneration</th>
<th>Gains on exercise of LTI awards</th>
<th>2019 Total taxable remuneration</th>
<th>2018 Total taxable remuneration</th>
</tr>
</thead>
<tbody>
<tr>
<td>9 035</td>
<td>460</td>
<td>180</td>
<td>5 000</td>
<td>–</td>
<td>14 675</td>
<td>5 769</td>
<td>20 444</td>
<td>27 204</td>
</tr>
</tbody>
</table>

OS (Osman) Arbee – Imperial Holdings Group CEO from 1 May 2018 and divisional CEO: Motus
OS Arbee resigned as a director on 22 November 2018 upon the unbundling of Motus to take up the position of CEO of Motus.

2019 REMUNERATION (to 22 November 2018)

<table>
<thead>
<tr>
<th>Basic salary</th>
<th>Retirement and medical contributions</th>
<th>Other benefits</th>
<th>Unbundling incentive</th>
<th>STI</th>
<th>Total cash remuneration</th>
<th>Gains on exercise of LTI awards</th>
<th>2019 Total taxable remuneration</th>
<th>2018 Total taxable remuneration</th>
</tr>
</thead>
<tbody>
<tr>
<td>3 260</td>
<td>153</td>
<td>120</td>
<td>3 000</td>
<td>–</td>
<td>6 533</td>
<td>6 494</td>
<td>13 027</td>
<td>30 268</td>
</tr>
</tbody>
</table>
Executive remuneration
The group remunerated its executive directors during the year as further explained below.

M (Mohammed) Akoojee – Group CEO

<table>
<thead>
<tr>
<th>2019 REMUNERATION</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>R000</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Basic salary</th>
<th>Retirement and medical contributions</th>
<th>Other benefits</th>
<th>Unbundling incentive</th>
<th>STI</th>
<th>Total cash remuneration</th>
<th>Gains on exercise of LTI awards</th>
<th>2019 Total taxable remuneration</th>
<th>2018 Total taxable remuneration</th>
</tr>
</thead>
<tbody>
<tr>
<td>8 954</td>
<td>466</td>
<td>120</td>
<td>6 000</td>
<td>5 100</td>
<td>20 640</td>
<td>3 085</td>
<td>23 725</td>
<td>22 787</td>
</tr>
</tbody>
</table>

Fixed compensation and benefits
Mohammed's annual fixed compensation and benefits increased a number of times during the year as a result of his appointment as acting CEO of Imperial Holdings then as CEO designate of Imperial Logistics and finally to R10 000 000 upon his appointment as CEO of Imperial Logistics, effective 1 February 2019. He received total fixed compensation and benefits during the year of R9 540 000 (2018: R7 500 000). His remuneration will be externally benchmarked against companies with a similar size, complexity and geographic spread in the coming year.

STI
Mohammed received an incentive bonus of R5 100 000 (2018: R11 250 000), based on performance measures applicable to the group CEO.

<table>
<thead>
<tr>
<th>2019 measure</th>
<th>Performance against target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group HEPS growth above 6%</td>
<td>30% 0%</td>
</tr>
<tr>
<td>Group achievement of ROIC from 3% over WACC</td>
<td>30% 0%</td>
</tr>
<tr>
<td>Operating profit growth above 6%</td>
<td>20% 0%</td>
</tr>
<tr>
<td>Strategy execution</td>
<td>30% 70%</td>
</tr>
<tr>
<td>Discretionary</td>
<td>40% 75%</td>
</tr>
<tr>
<td>Maximum as percentage of fixed compensation</td>
<td>150% 51%</td>
</tr>
</tbody>
</table>

In determining the strategy execution and discretionary portion of his STI, the committee considered Mohammed’s performance in a difficult trading environment and swift action taken to address unsustainable businesses that are being discontinued, the strategic coherence of the business going forward and the various roles fulfilled during the year in Imperial Holdings and Imperial Logistics.

LTI
Mohammed received an annual 2019 allocation of 373 982 Imperial CSP in line with LTI award benchmarks for executive directors with an expected value of R10 700 000.

The CSP are subject to performance criteria set out below and will vest in September 2022.

CSP performance conditions

<table>
<thead>
<tr>
<th>Condition</th>
<th>Weighting</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROIC between 1% and 3% in excess of WACC</td>
<td>50%</td>
</tr>
<tr>
<td>HEPS versus peer group between 50th percentile and upper quartile</td>
<td>50%</td>
</tr>
</tbody>
</table>

Mohammed received a once-off allocation of 460 900 CSP with an expected value of R30 000 000 upon unbundling of Motus. The CSP are subject to performance criteria detailed in the beginning of this section of the report and 25% will vest in November 2021, 25% in November 2022 and 50% in November 2023. This allocation was also disclosed in the 2018 remuneration report.
JG (George) de Beer – Group CFO

2019 REMUNERATION
R’000

<table>
<thead>
<tr>
<th>Basic salary</th>
<th>Retirement and medical contributions</th>
<th>Other benefits</th>
<th>Unbundling incentive</th>
<th>STI</th>
<th>Total cash remuneration</th>
<th>Gains on exercise of LTI awards</th>
<th>2019 Total taxable remuneration</th>
</tr>
</thead>
<tbody>
<tr>
<td>4 409</td>
<td>492</td>
<td>179</td>
<td>2 000</td>
<td>1 750</td>
<td>8 830</td>
<td>–</td>
<td>8 830</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2018 Total taxable remuneration</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>7 786</td>
<td></td>
</tr>
</tbody>
</table>

Fixed compensation and benefits
George was appointed as group CFO and executive director effective 22 November 2018 and received fixed compensation and benefits of R5 080 000 for the year. His remuneration will be externally benchmarked against companies with a similar size, complexity and geographic spread in the coming year.

STI
George received a STI of R1 750 000 (2018: R3 253 242), based on performance measures applicable to the group CFO.

<table>
<thead>
<tr>
<th>2019 measure</th>
<th>Weighting</th>
<th>Performance against target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group HEPS growth above 6%</td>
<td>30%</td>
<td>0%</td>
</tr>
<tr>
<td>Group achievement of ROIC from 1% over WACC</td>
<td>30%</td>
<td>0%</td>
</tr>
<tr>
<td>Operating profit growth above 6%</td>
<td>20%</td>
<td>0%</td>
</tr>
<tr>
<td>Strategy execution</td>
<td>30%</td>
<td>50%</td>
</tr>
<tr>
<td>Discretionary</td>
<td>40%</td>
<td>50%</td>
</tr>
<tr>
<td>Maximum as percentage of fixed compensation</td>
<td>150%</td>
<td>35%</td>
</tr>
</tbody>
</table>

In determining the strategy execution portion of his STI, the committee considered George’s role as CFO of Logistics: South Africa. In determining discretionary portion of his STI, the committee considered George’s rapid adjustment to the role of CFO of a listed company and role in the identification of and accounting for unsustainable businesses that are being discontinued.

LTI and retention payments
George received an annual 2019 allocation of 202 719 Imperial CSP in line with LTI award benchmarks for executive directors with an expected value of R5 800 000.

The CSP are subject to performance criteria set out below and will vest in September 2022.

CSP performance conditions:

<table>
<thead>
<tr>
<th>Condition</th>
<th>Weighting</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROIC between 1% and 3% in excess of WACC</td>
<td>50%</td>
</tr>
<tr>
<td>HEPS versus peer group between 50th percentile and upper quartile</td>
<td>50%</td>
</tr>
</tbody>
</table>

In addition, George received a once off allocation of 307 267 CSP with an expected value of R20 000 000 upon the unbundling of Motus. The CSP are subject to performance criteria detailed in the beginning of this section of the report and 25% will vest in November 2021, 25% in November 2022 and 50% in November 2023.

Prescribed officers’ remuneration
Prescribed officers are persons, not being directors, who either alone or with others exercise executive control and management of the whole or a significant portion of the business of the company.
N (Nico) van der Westhuizen – CEO: South Africa

2019 REMUNERATION

<table>
<thead>
<tr>
<th>Basic salary</th>
<th>Retirement and medical contributions</th>
<th>Other benefits</th>
<th>STI</th>
<th>Total cash remuneration</th>
<th>Gains on exercise of LTI awards</th>
<th>2019 Total taxable remuneration</th>
</tr>
</thead>
<tbody>
<tr>
<td>4 401</td>
<td>70</td>
<td>1 094</td>
<td>668</td>
<td>6 233</td>
<td>–</td>
<td>6 233</td>
</tr>
</tbody>
</table>

2018 Total taxable remuneration: 10 033

Fixed compensation and benefits
Nico’s fixed compensation and benefits for 2019 was R5 565 000, which included a long-service award of R795 000 included in other benefits in the table above.

STI
Nico received a STI of R668 000 (2018: R4 080 119).

<table>
<thead>
<tr>
<th>2019 measure</th>
<th>Weighting</th>
<th>Performance against target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group HEPS growth 6% and above</td>
<td>10%</td>
<td>0%</td>
</tr>
<tr>
<td>Group achievement of ROIC from 3% over WACC</td>
<td>10%</td>
<td>0%</td>
</tr>
<tr>
<td>Growth in black senior and middle management, BEE scorecard, succession and talent management</td>
<td>20%</td>
<td>20%</td>
</tr>
<tr>
<td>Divisional operating profit growth 6% and above</td>
<td>20%</td>
<td>0%</td>
</tr>
<tr>
<td>Divisional ROIC in excess of 3% over WACC</td>
<td>20%</td>
<td>0%</td>
</tr>
<tr>
<td>Strategy execution*</td>
<td>10%</td>
<td>0%</td>
</tr>
<tr>
<td>Discretionary#</td>
<td>10%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Maximum as percentage of fixed compensation: 100% 14%

* In light of the ongoing concerns regarding CPG and the financial impact of the related exit this condition was not met.
# The discretionary portion took into account performance on the implementation of the closure of CPG ahead of schedule.

LTI
Nico received an annual 2019 allocation of 175 055 Imperial CSP in line with LTI award benchmarks for executive committee members with an expected value of R5 008 500.

The CSP are subject to performance criteria set out below and will vest in September 2022.

CSP performance conditions:

<table>
<thead>
<tr>
<th>Condition</th>
<th>Weighting</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROIC between 1% and 3% in excess of WACC</td>
<td>50%</td>
</tr>
<tr>
<td>HEPS versus peer group between 50th percentile and upper quartile</td>
<td>50%</td>
</tr>
</tbody>
</table>

As noted in respect of other executives above, Nico received a once-off allocation of 238 132 CSP with an expected value of R15 500 000 upon unbundling of Motus. The CSP are subject to performance criteria detailed in the beginning of this section of the report and 35% will vest in November 2021 and 65% in November 2022, linked to Nico’s planned retirement date.
J (Johan) Truter – CEO: African Regions

2019 REMUNERATION

<table>
<thead>
<tr>
<th>Basic salary</th>
<th>Retirement and medical contributions</th>
<th>Other benefits</th>
<th>STI</th>
<th>Total cash remuneration</th>
<th>Gains on exercise of LTI awards</th>
<th>2019 Total taxable remuneration</th>
<th>2018 Total taxable remuneration</th>
</tr>
</thead>
<tbody>
<tr>
<td>2 643</td>
<td>558</td>
<td>299</td>
<td>1 400</td>
<td>4 900</td>
<td>–</td>
<td>4 900</td>
<td>5 772</td>
</tr>
</tbody>
</table>

Fixed compensation and benefits
Johan’s fixed compensation and benefits for 2019 was R3 500 000. The remuneration for this position will be externally benchmarked against companies with a similar size, complexity and geographic spread commensurate in the forthcoming year.

STI
Johan received a STI of R1 400 000 (2018: R2 765 112).

<table>
<thead>
<tr>
<th>2019 measure</th>
<th>Weighting</th>
<th>Performance against target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group HEPS growth 6% and above</td>
<td>10%</td>
<td>0%</td>
</tr>
<tr>
<td>Group achievement of ROIC from 3% over WACC</td>
<td>10%</td>
<td>0%</td>
</tr>
<tr>
<td>Growth in black senior and middle management, BEE scorecard, succession and talent</td>
<td>20%</td>
<td>100%</td>
</tr>
<tr>
<td>management</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Divisional operating profit growth 10% and above</td>
<td>20%</td>
<td>0%</td>
</tr>
<tr>
<td>Divisional ROIC in excess of 3% over WACC</td>
<td>20%</td>
<td>0%</td>
</tr>
<tr>
<td>Strategy execution</td>
<td>10%</td>
<td>100%</td>
</tr>
<tr>
<td>Discretionary*</td>
<td>10%</td>
<td>100%</td>
</tr>
<tr>
<td><strong>Maximum as percentage of fixed compensation</strong></td>
<td>100%</td>
<td>40%</td>
</tr>
</tbody>
</table>

* The discretionary portion took into account the successful closure of key M&A transactions and the further consolidation of the key business areas of this division in challenging markets

LTI
Johan received an annual 2019 allocation of 164 272 Imperial CSP in line with LTI award benchmarks for executive committee members with an expected value of R4 700 000.

The CSP are subject to performance criteria set out below and will vest in September 2022.

CSP performance conditions:

<table>
<thead>
<tr>
<th>Condition</th>
<th>Weighting</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROIC between 1% and 3% in excess of WACC</td>
<td>50%</td>
</tr>
<tr>
<td>HEPS versus peer group between 50th percentile and upper quartile</td>
<td>50%</td>
</tr>
</tbody>
</table>

In addition, Johan received a once-off allocation of 238 132 CSP with an expected value of R15 500 000 upon unbundling of Motus. The CSP are subject to performance criteria detailed in the beginning of this section of the report and 25% will vest in November 2021, 25% in November 2022 and 50% in November 2023.
Hakan Bicil – CEO: International

2019 REMUNERATION

<table>
<thead>
<tr>
<th>Basic salary</th>
<th>Retirement and medical contributions</th>
<th>Other benefits</th>
<th>STI</th>
<th>Total cash remuneration</th>
<th>Gains on exercise of LTI awards</th>
<th>2019 Total taxable remuneration</th>
<th>2018 Total taxable remuneration</th>
</tr>
</thead>
<tbody>
<tr>
<td>434</td>
<td>78</td>
<td>9</td>
<td>434</td>
<td>955</td>
<td>–</td>
<td>955</td>
<td>–</td>
</tr>
</tbody>
</table>

Fixed compensation and benefits

Hakan was appointed during the year and received fixed compensation and benefits of CHF521,225 for the 10 months of his employment, equalling an annual fixed compensation and benefits of CHF625,470. The remuneration for this position was externally benchmarked against similar positions in Europe, where he is based.

STI

Hakan received a guaranteed STI of CHF434,350, in terms of his employment agreement and in future, he is entitled to a guaranteed minimum short term incentive of 30% of his basic salary with the remainder of his STI linked to performance conditions.

LTI

Hakan received an annual 2019 allocation of 279,167 Imperial CSP in line with LTI award benchmarks for executive committee members with an expected value of CHF521,225.

The CSP are subject to performance criteria set out below and will vest in September 2022.

CSP performance conditions:

<table>
<thead>
<tr>
<th>Condition</th>
<th>Weighting</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROIC between 1% and 3% in excess of WACC</td>
<td>50%</td>
</tr>
<tr>
<td>HEPS versus peer group between 50th percentile and upper quartile</td>
<td>50%</td>
</tr>
</tbody>
</table>

In addition, Hakan received a once-off allocation of 253,495 CSP with an expected value of R16,500,000 upon the unbundling of Motus. The CSP are subject to performance criteria detailed in the beginning of this section of the report and 25% will vest in November 2021, 25% in November 2022 and 50% in November 2023.
## Shareholder analysis

### Top 10 shareholders

<table>
<thead>
<tr>
<th>Share class</th>
<th>Number of shares ('000)</th>
<th>% of issued voting capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ordinary</td>
<td>22 185</td>
<td>10,84</td>
</tr>
<tr>
<td>Ordinary</td>
<td>21 178</td>
<td>10,35</td>
</tr>
<tr>
<td>Ordinary</td>
<td>15 887</td>
<td>7,77</td>
</tr>
<tr>
<td>Deferred ordinary</td>
<td>6 838</td>
<td>3,34</td>
</tr>
<tr>
<td>Ordinary</td>
<td>13 944</td>
<td>6,82</td>
</tr>
<tr>
<td>Ordinary</td>
<td>8 036</td>
<td>3,93</td>
</tr>
<tr>
<td>Ordinary</td>
<td>7 962</td>
<td>3,89</td>
</tr>
<tr>
<td>Ordinary</td>
<td>7 692</td>
<td>3,76</td>
</tr>
<tr>
<td>Ordinary</td>
<td>7 327</td>
<td>3,58</td>
</tr>
<tr>
<td>Ordinary</td>
<td>7 088</td>
<td>3,46</td>
</tr>
<tr>
<td>Ordinary</td>
<td>7 074</td>
<td>3,46</td>
</tr>
</tbody>
</table>

### Stock exchange performance

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of shares in issue (million)</td>
<td>201</td>
<td>202</td>
</tr>
<tr>
<td>Number of shares traded (million)</td>
<td>301</td>
<td>209</td>
</tr>
<tr>
<td>Value of shares traded (Rand million)</td>
<td>30 675</td>
<td>45 495</td>
</tr>
<tr>
<td>Market price (cents per share)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Closing price</td>
<td>5 143</td>
<td>19 589</td>
</tr>
<tr>
<td>- High</td>
<td>8 000</td>
<td>28 400</td>
</tr>
<tr>
<td>- Low</td>
<td>5 143</td>
<td>15 926</td>
</tr>
<tr>
<td>Earnings yield %^</td>
<td>8,1</td>
<td>8,0</td>
</tr>
<tr>
<td>Price: earnings ratio^</td>
<td>12,4</td>
<td>12,5</td>
</tr>
</tbody>
</table>

^ Calculated using headline earnings per share.

Note: 2019 share data is for Imperial Logistics Limited. 2018 share data is for Imperial Holdings Limited, prior to the unbundling of Motus.

### Distribution of shareholders (listed ordinary shares)

<table>
<thead>
<tr>
<th>Shareholders</th>
<th>Number of shareholders</th>
<th>Number of shares ('000)</th>
<th>% of ordinary shares listed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public shareholders</td>
<td>5 460</td>
<td>152 640</td>
<td>75,85</td>
</tr>
<tr>
<td>Non-public shareholders</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Shareholder holding more than 10%</td>
<td>2</td>
<td>43 363</td>
<td>21,55</td>
</tr>
<tr>
<td>- Directors, their associates and employees</td>
<td>31</td>
<td>1 753</td>
<td>0,87</td>
</tr>
<tr>
<td>- Treasury shares</td>
<td>1</td>
<td>3 487</td>
<td>1,73</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>5 494</td>
<td>201 243</td>
<td>100,00</td>
</tr>
</tbody>
</table>
### Spread of listed holdings

<table>
<thead>
<tr>
<th>Number of shareholders</th>
<th>%</th>
<th>Number of shares ('000)</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 – 1 000</td>
<td>3 933</td>
<td>71,59</td>
<td>1 161</td>
</tr>
<tr>
<td>1 001 – 10 000</td>
<td>990</td>
<td>18,02</td>
<td>3 231</td>
</tr>
<tr>
<td>10 001 – 100 000</td>
<td>406</td>
<td>7,39</td>
<td>13 186</td>
</tr>
<tr>
<td>Over 100 000</td>
<td>165</td>
<td>3,00</td>
<td>183 665</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>5 494</td>
<td>100,00</td>
<td>201 243</td>
</tr>
</tbody>
</table>

### Shareholder type

<table>
<thead>
<tr>
<th>Number of shares ('000)</th>
<th>% of voting shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial institutions, pension and provident funds</td>
<td>65 447</td>
</tr>
<tr>
<td>Unit trusts</td>
<td>95 659</td>
</tr>
<tr>
<td>Individuals</td>
<td>16 927</td>
</tr>
<tr>
<td>Directors and employees</td>
<td>1 753</td>
</tr>
<tr>
<td>Corporate holdings</td>
<td>16 543</td>
</tr>
<tr>
<td>Listed ordinary shares (net of treasury shares)</td>
<td>196 329</td>
</tr>
<tr>
<td>Unlisted deferred ordinary shares</td>
<td>6 868</td>
</tr>
<tr>
<td><strong>Total voting shares in issue net of treasury shares</strong></td>
<td>203 197</td>
</tr>
<tr>
<td>Treasury shares</td>
<td>4 914</td>
</tr>
<tr>
<td>Non-redeemable preference shares</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total shares in issue</strong></td>
<td>208 111</td>
</tr>
</tbody>
</table>

### Directors’ interests in shares

<table>
<thead>
<tr>
<th>Directors’ interests in shares</th>
<th>Beneficial</th>
<th>Non-beneficial</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Beneficial</strong></td>
<td>Non-beneficial</td>
<td></td>
</tr>
<tr>
<td>Non-executive</td>
<td></td>
<td></td>
</tr>
<tr>
<td>GW Dempster</td>
<td>99</td>
<td>99</td>
</tr>
<tr>
<td>SP Kana¹</td>
<td>–</td>
<td>9 417</td>
</tr>
<tr>
<td>RJA Sparks</td>
<td>40 000</td>
<td>40 000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>40 099</td>
<td>49 516</td>
</tr>
<tr>
<td>Executive</td>
<td></td>
<td></td>
</tr>
<tr>
<td>M Akoojee</td>
<td>221 454</td>
<td>72 365</td>
</tr>
<tr>
<td>OS Arbee²</td>
<td>–</td>
<td>161 476</td>
</tr>
<tr>
<td>JG de Beer³</td>
<td>76 817</td>
<td>–</td>
</tr>
<tr>
<td>M Swanepoel⁴</td>
<td>144 147</td>
<td>144 147</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>442 418</td>
<td>377 988</td>
</tr>
</tbody>
</table>

| **Total**                     | 482 517     | 427 504       |

¹ Resigned as director of Imperial Holdings at the 2018 AGM.
² Resigned as CEO of Imperial Holdings and became CEO of Motus on its unbundling.
³ Appointed as CFO of Imperial Logistics on 22 November 2018.
⁴ Retired as CEO of Imperial Logistics on 1 February 2019.
Notice of annual general meeting

Imperial Logistics Limited
(Incorporated in the Republic of South Africa)
(Registration number: 1946/021048/06)
ISIN: ZAE000067211
JSE share code: IPL
(Imperial or the company)

Notice is hereby given that the 29th annual general meeting (AGM) of shareholders will be held on Wednesday, 30 October 2019 at 09:00 in the boardroom of Imperial Logistics Limited, Imperial Place, Jeppe Quondam, 79 Boeing Road East, Bedfordview, Gauteng, or any adjournment or postponement thereof, to transact the following business and resolutions with or without amendments approved at the meeting.

The minutes of the meeting held on 30 October 2018 will be available for inspection at the registered office of the company until 17:00 on Tuesday, 29 October 2019 and up to 30 minutes immediately preceding the meeting.

This document is important and requires your immediate attention
If you are in any doubt about what action you should take, consult your broker, central securities depository participant (CSDP), banker, financial adviser, accountant or other professional adviser immediately.

If you have disposed of all or some of your shares in Imperial, please forward this document together with the enclosed form of proxy to the purchaser of such shares or the broker, banker or other agent through whom you disposed of such shares.

This notice of AGM is only available in English. Copies may be obtained from the registered office of the company and the transfer secretaries, Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg, 2001.

Registered and corporate office
Imperial Place, Jeppe Quondam, 79 Boeing Road East, Bedfordview, Gauteng (PO Box 3013, Edenvale, 1610), South Africa.

Included in this document are the following:
• The notice of AGM setting out the resolutions to be proposed at the meeting, together with explanatory notes. There are also guidance notes if you wish to attend the meeting or to vote by proxy.
• A form of proxy for completion, signature and submission to the share registrars by shareholders holding Imperial ordinary shares in certificated form or recorded in sub-registered electronic form in “own name”.

Reference in this notice of AGM to the term “MOI”, including references to a provision in the company’s MOI, in this notice of AGM (including all of the relevant ordinary and special resolutions contained herein) is used throughout to refer to the company’s memorandum of incorporation.

Record date
The record date for the purpose of determining which shareholders of the company are entitled to receive notice of the AGM is Friday, 20 September 2019.

The record date for purposes of determining which shareholders of the company are entitled to participate in and vote at the AGM is Friday, 25 October 2019.

Accordingly, only shareholders who are registered in the register of members of the company on 25 October 2019 will be entitled to attend, speak and vote at the AGM. Therefore the last day to trade in order to be eligible to participate and vote at the meeting is Tuesday, 22 October 2019.

Electronic participation in the AGM
Shareholders or their proxies may participate in the meeting by way of a teleconference call and, if they wish to do so:
• Must contact the company secretary (by email at the address rohan.venter@imperiallogistics.com) no later than 16:00 on Tuesday, 29 October 2019 in order to obtain a pin number and dial-in details for that conference call.
• Will be required to provide reasonably satisfactory identification.
• Will be billed separately by their own telephone service providers for their telephone call to participate in the meeting.

1. Ordinary resolution number 1 – adoption of the financial statements
“Resolved that the audited consolidated company annual financial statements of Imperial for the year ended 30 June 2019, including the directors’ report, the audit committee report and the auditors’ report, be adopted.”

Percentage voting rights
The minimum percentage of voting rights that is required for this resolution to be adopted is 50% (fifty percent) of the voting rights plus 1 (one) vote to be cast on the resolution.
2. **Ordinary resolution 2 – appointment of the auditors**

“Resolved that Deloitte & Touche be appointed as auditors of the company and Mr MLE Tshabalala as the designated partner until the date of the next AGM.”

The audit committee has recommended the reappointment of Deloitte & Touche as external auditors of the company from this AGM until the conclusion of the next AGM of the company with Mr MLE Tshabalala (IRBA No 500769) as the designated partner.

**Percentage voting rights**

The minimum percentage of voting rights that is required for this resolution to be adopted is 50% (fifty percent) of the voting rights plus 1 (one) vote to be cast on the resolution.

3. **Ordinary resolution number 3 – appointment of the members of the audit and risk committee**

“Resolved that the following independent non-executive directors, be elected as members of the company’s audit and risk committee in terms of section 94(2) of the Companies Act of 2008 (Act 71 of 2008), as amended (the Companies Act) by a separate vote in respect of each member:

3.1 Mr P Cooper.
3.2 Mr GW Dempster.
3.3 Mrs NB Radebe.
3.4 Mr RJA Sparks.”

A brief curriculum vitae of each of the directors being submitted for confirmation in terms of resolution 3 is contained on page 20 of the integrated annual report.

The board has reviewed the expertise, qualification and relevant experience of the appointed audit committee members and recommends that each of these directors be appointed.

**Percentage voting rights**

The minimum percentage of voting rights that is required for each of resolutions to be adopted is 50% (fifty percent) of the voting rights plus 1 (one) vote to be cast on each resolution.

4. **Ordinary resolution 4 – confirmation of directors**

“Resolved that the appointment of the following directors, who were appointed since the previous AGM be confirmed by a separate vote with respect to each director:

4.1 Mr JG de Beer.
4.2 Mr D Reich.
4.3 Mrs NB Radebe.”

A brief curriculum vitae of each of the directors being submitted for confirmation in terms of resolution 4 is contained on page 20 of the integrated annual report.

**Percentage voting rights**

The minimum percentage of voting rights that is required for each of resolutions in 4 to be adopted is 50% (fifty percent) of the voting rights plus 1 (one) vote to be cast on each resolution.

5. **Ordinary resolution 5 – re-appointment of retiring directors**

“Resolved that the re-election of the following directors, who retire by rotation in terms of the MOI but, being eligible and offering themselves for re-election, be authorised and confirmed by a separate vote with respect to each re-election:

5.1 Mr GW Dempster.
5.2 Mr RJA Sparks.”

A brief curriculum vitae of each of the directors being submitted for re-election in terms of resolution 5 is contained on page 20 of the integrated annual report.

The performance and contribution of each of the above directors offering themselves for re-election has been reviewed by the board and the board recommends that each of these directors be re-elected.

**Percentage voting rights**

The minimum percentage of voting rights that is required for each of resolutions in 5 to be adopted is 50% (fifty percent) of the voting rights plus 1 (one) vote to be cast on each resolution.
6. **Ordinary resolution 6 – confirmation of the group’s remuneration policy**

“Resolved that, as a non-binding advisory vote, as recommended in the King Code of Governance for South Africa 2016, commonly referred to as King IV, the group’s remuneration policy as set out in the remuneration report on pages 96 to 112 of the integrated annual report be hereby confirmed.”

7. **Ordinary resolution 7 – confirmation of the implementation group’s remuneration policy**

“Resolved that, as a non-binding advisory vote, as recommended in the King Code of Governance for South Africa 2016, commonly referred to as King IV, the implementation group’s remuneration policy as set out in the remuneration report on pages 96 to 113 of the integrated annual report be hereby confirmed.”

**Reason and effect**

King IV and paragraph 3.84 (k) of the JSE Listings Requirements, requires the board (with the assistance of the remuneration committee) to put forward a remuneration policy and an implementation report related to the remuneration policy to the shareholders each for a non-binding advisory vote. In accordance with the recommendations of King IV, the company should give shareholders the right to express their views on the remuneration policy by casting an advisory vote in the manner set out below.

In terms of principle 14 of the King IV, the company’s remuneration policy and implementation report should be tabled to the shareholders to endorse the non-binding advisory vote in the same manner as any other ordinary resolution tabled at the AGM. However, failure to endorse the non-binding advisory votes will not have any legal consequences for existing arrangements.

The percentage of voting rights required for ordinary resolutions numbers 6 and 7 to be endorsed. The minimum percentage of voting rights to adopt these resolutions as non-binding advisory votes is 50% plus one vote of the voting rights exercised by shareholders present at the AGM or represented by proxy and entitled to exercise their voting rights. In the event that 25% (twenty-five percent) or more of the votes are cast against ordinary resolutions numbers 6 and/or 7, the company undertakes to engage with dissenting shareholders in a manner stipulated in the remuneration report.

8. **Special resolution number 1 – Directors’ fees**

“Resolved that in terms of section 66(9) of the Companies Act of 2008 (Act 71 of 2008), as amended (the Companies Act), the company be and is hereby authorised, by a separate vote in respect of each item, to remunerate its directors for their services as directors and/or pay any fees related thereto and on any other basis as may be recommended by the remuneration committee and approved by the board of directors for the period from 1 July 2020 to 30 June 2021 as follows:

<table>
<thead>
<tr>
<th>Fees from 1 July 2019 to 30 June 2020</th>
<th>Fees from 1 July 2020 to 30 June 2021</th>
<th>Euro fee from 1 July 2019 to 30 June 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>R1 052 500</td>
<td>R1 100 000</td>
<td>€300 000</td>
</tr>
<tr>
<td>R526 000</td>
<td>R552 000</td>
<td>€150 000</td>
</tr>
<tr>
<td>R301 000</td>
<td>R316 000</td>
<td>€86 500</td>
</tr>
<tr>
<td>R192 000</td>
<td>R202 000</td>
<td>€55 000</td>
</tr>
<tr>
<td>R128 000</td>
<td>R135 000</td>
<td>€36 500</td>
</tr>
<tr>
<td>R397 500</td>
<td>R417 000</td>
<td>€114 000</td>
</tr>
<tr>
<td>R198 000</td>
<td>R208 000</td>
<td>€56 500</td>
</tr>
<tr>
<td>R179 000</td>
<td>R195 000</td>
<td>€51 000</td>
</tr>
<tr>
<td>R123 000</td>
<td>R130 000</td>
<td>€35 000</td>
</tr>
<tr>
<td>R148 500</td>
<td>R156 000</td>
<td>€42 500</td>
</tr>
<tr>
<td>R99 000</td>
<td>R104 000</td>
<td>€28 500</td>
</tr>
<tr>
<td>R143 500</td>
<td>R151 000</td>
<td>€41 000</td>
</tr>
<tr>
<td>R95 500</td>
<td>R100 000</td>
<td>€27 000</td>
</tr>
<tr>
<td>R143 500</td>
<td>R151 000</td>
<td>€41 000</td>
</tr>
<tr>
<td>R95 500</td>
<td>R100 000</td>
<td>€27 000</td>
</tr>
<tr>
<td>R192 000</td>
<td>R202 000</td>
<td>€55 000</td>
</tr>
<tr>
<td>R128 000</td>
<td>R135 000</td>
<td>€36 500</td>
</tr>
</tbody>
</table>

* Chairman’s fee paid in addition to a member’s fee.

Executive directors do not receive directors’ fees.

Fees are stated excluding value added tax.

**Reason and effect**

The reason for special resolution number 1 is for the company to obtain the approval of shareholders by way of special resolution for the payment of remuneration to its non-executive directors in accordance with the requirements of the Companies Act.
Shareholders approved the fees for the year from 1 July 2019 to 30 June 2020 at the AGM of 30 October 2018 and no change is proposed to those fees except those relating to divisional finance and risk committees. An inflationary increase of 5% (rounded to the nearest 0.00%) is proposed in respect of fees for the period from 1 July 2020 to 30 June 2021.

In light of the increasing expansion of the group outside of South Africa and the resultant appointment of directors who are not South African, fees for foreign directors who are not South African and are based outside of South Africa are proposed in Euro appropriate for directors based there to ensure the competitiveness of Imperial when considering the appointment of foreign directors with international expertise.

The effect of special resolution number 1 is that the company will be able to pay its non-executive directors for the services they render to the company as directors without requiring further shareholder approval until the next AGM.

**Percentage voting rights**
The minimum percentage of voting rights that is required for this resolution to be adopted is 75% (seventy-five percent) of the voting rights to be cast on the resolution.

**9. Special resolution number 2 - general authority to repurchase company securities**

Resolved that, the company, or a subsidiary of the company, be and is hereby authorised, by way of a general authority, to acquire securities issued by the company, in terms of the provisions of sections 46 and 48 of the Companies Act and in terms of the Listings Requirements of the JSE Limited (the JSE), (the Listings Requirements), it being recorded that the Listings Requirements currently require, inter alia, that the company may make a general repurchase of securities only if:

- Any such repurchase of securities is effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and the counterparty (reported trades are prohibited).
- Authorised by the company's MOI.
- The general authority shall be valid until the next AGM of the company, provided that it shall not extend beyond 15 months from the date of this special resolution number 2.
- When the company has cumulatively repurchased 3% of the number of securities in issue on the date of passing of special resolution number 2, and for each 3% thereof, in aggregate acquired thereafter, an announcement is published as soon as possible and not later than 08:30 on the second business day following the day on which the relevant threshold is reached or exceeded, and the announcement complies with the requirements of the Listings Requirements.
- At any time, only one agent is appointed to effect any repurchase on the company's behalf.
- The company or its subsidiary does not repurchase securities during a prohibited period unless the company has a repurchase programme in place where the dates and quantities of securities to be traded during the relevant period are fixed (not subject to any variation) and full details of the programme have been submitted in writing to the JSE prior to the commencement of the prohibited period.
- Any general repurchase by the company of its own ordinary shares shall not, in aggregate acquired thereafter, exceed 5% of the company's issued ordinary shares as at the date of passing this special resolution number 2.
- In determining the price at which the securities are repurchased by the company or its subsidiary in terms of this general authority, the maximum price at which such securities may be repurchased will not be greater than 10% above the weighted average of the market value for such securities for the five business days immediately preceding the date of repurchase of securities.

The directors of the company confirm that no repurchase will be implemented in terms of this authority unless, after each such repurchase:

- The company and the group will be able to pay its debts as they become due in the ordinary course of business for a period of 12 months after the date of the notice of the AGM.
- The consolidated assets of the company and the group, fairly valued in accordance with the accounting policies used in the latest audited annual group financial statements, will exceed its consolidated liabilities for a period of 12 months after the date of the notice of the AGM.
- The share capital and reserves of the company and the group will be adequate for ordinary business purposes for a period of 12 months after the date of the notice of the AGM.
- The working capital of the company and the group will be adequate for ordinary business purposes for a period of 12 months after the date of the notice of the AGM.

and the directors have passed a resolution authorising the repurchase, resolving that the company and its subsidiary(ies), as the case may be, have satisfied the solvency and liquidity test as defined in the Companies Act and since the solvency and liquidity test had been applied, there have been no material changes to the financial position of the group.

Pursuant to and in terms of paragraphs 11.23 and 11.26 of the Listings Requirements, the directors of the company hereby state that:

- The intention of the company and its subsidiaries is to utilise the general authority to repurchase, if at some future date the cash resources of the company are in excess of its requirements.
- The method by which the company and any of its subsidiaries intend to repurchase its securities and the date on which such repurchase will take place, has not yet been determined.

The Listings Requirements require the following disclosures with respect to general repurchases, some of which appear elsewhere in the annual report of which this notice forms part:

- Major shareholders page 114.
- Share capital of the company page 114.
**Directors’ responsibility statement**
The directors, whose names are given on page 20 of the integrated annual report, collectively and individually accept full responsibility for the accuracy of the information pertaining to the general repurchase resolution and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the aforementioned resolution contain all information required by law and the Listings Requirements.

**No material changes to report**
Other than the facts and developments reported on in the integrated annual report, there are no material changes in the affairs or financial position of the company and its subsidiaries that have occurred subsequent to the 30 June 2019 year end until the date of the notice of AGM.

**Reason and effect**
The reason for and effect of special resolution 2 is to authorise the company and/or its subsidiaries by way of a general authority to acquire their own securities on such terms, conditions and in such amounts as determined from time to time by the directors of the company subject to the limitations set out above and in compliance with section 48 of the Companies Act.

**Statement of board’s intention**
The board has considered the impact of a repurchase of up to 5% (five percent) of the company’s securities, under a general authority in terms of the Listings Requirements. Should the opportunity arise and should the directors deem it in all respects to be advantageous to the company to repurchase such securities, it is deemed appropriate that the company or a subsidiary be authorised to repurchase the company’s securities.

**Percentage voting rights**
The minimum percentage of voting rights that is required for this resolution to be adopted is 75% (seventy-five percent) of the voting rights to be cast on the resolution.

**10. Ordinary resolution 8 – authority to issue ordinary shares**
“Resolved that, in terms of the Listings Requirements, the MOI and the Companies Act, the authorised but unissued ordinary shares be and are hereby placed under the control of the directors by way of a general authority that shall remain valid until the next AGM and the directors authorised to allot and issue those shares at their discretion, which authority shall include the authority to issue any option/convertible securities that are convertible into ordinary shares, provided that the aggregate number of ordinary shares able to be allotted and issued in terms of this resolution, shall be limited to 5% (five percent) of the issued share capital at 30 June 2019.”

**Percentage voting rights**
The minimum percentage of voting rights that is required for this resolution to be adopted is 50% (fifty percent) of the voting rights plus 1 (one) vote to be cast on the resolution.

**11. Ordinary resolution 9 – authority to issue shares for cash**
“Resolved that, the directors of the company be and are hereby authorised by way of a general authority, to allot and issue any of the company’s unissued shares placed under their control for cash, as they in their discretion may deem fit, without restriction, subject to the provisions of the Listings Requirements, and subject to the provision that the aggregate number of ordinary shares able to be allotted and issued in terms of this resolution, shall be limited to 5% (five percent) of the issued share capital at 13 September 2019, provided that being 201 242 919 ordinary shares:

• The approval shall be valid until the date of the next AGM of the company, provided it shall not extend beyond 15 months from the date of this resolution.

• An announcement giving full details, including the impact on net asset value and earnings per share in the case of convertible securities, will be published after any issue representing, on a cumulative basis within any one financial year, 5% or more of the number of shares in issue prior to such issue.

• The company’s securities which are the subject of the general issue of shares for cash, in the aggregate in any one financial year may not exceed 5% (five percent) (10 062 146 shares) of the applicant’s issued ordinary share capital.

• In determining the price at which an issue of shares will be made in terms of this authority the maximum discount permitted will be 10% of the weighted average traded price of such shares, as determined over the 30 trading days prior to the date that the price of the issue is agreed between the issuer and the party subscribing for the securities. The JSE should be consulted for a ruling if the securities have not traded in such 30 business day period.

• Any such issue will only be made to public shareholders as defined in paragraphs 4.25 to 4.27 of the Listings Requirements of the JSE and not to related parties.

• Any such issue will only be securities of a class already in issue or, if this is not the case, will be limited to such securities or rights that are convertible into a class already in issue.”

For listed entities wishing to issue shares for cash, it is necessary for the board not only to obtain the prior authority of the shareholders as may be required in terms of the MOI, but it is also necessary to obtain the prior authority of shareholders in accordance with the Listings Requirements. The reason for this resolution is accordingly to obtain a general authority from shareholders to issue shares for cash in compliance with the Listings Requirements.

**Percentage voting rights**
In terms of the Listings Requirements, the minimum percentage of voting rights that is required for this resolution to be adopted is 75% (seventy-five percent) of the voting rights to be cast on the resolution.
12. **Special resolution number 3 - authority to provide financial assistance in terms of S44**

“Resolved that in terms of section 44 of the Companies Act, as a general approval, the board of the company may from time to time authorise the company to provide any direct or indirect financial assistance, as defined in section 44 of the Companies Act, to any group company for such amounts and on such terms and conditions as the board of the company may determine for the purpose of or in connection with the subscription for securities to be issued by that company or any related and inter-related companies or for the purchase of securities of the company or related and inter-related companies, provided that the aforementioned approval shall be valid until the date of the next AGM of the company.”

**Reason**
Imperial is from time to time, as an essential part of conducting its business, required to provide direct or indirect financial assistance in the form of loans, guarantees, the provision of security or otherwise as contemplated in section 44 of the Companies Act for the purpose of or in connection with the subscription for securities to be issued by the company or related and inter-related companies or for the purchase of securities of the company or related and inter-related companies. The financial assistance is generally provided in the form of guarantees to capital market investors who invest in bonds and other financial instruments issued by subsidiaries of the company.

In terms of the Companies Act, companies are required to obtain the approval of their shareholders by way of special resolution in order to provide financial assistance to subscribe for such securities and Imperial seeks approval for the board of the company until the next AGM to authorise the provision by the company of financial assistance to investors in securities to be issued by the company or related and inter-related companies as contemplated in section 44 of the Companies Act. The financial assistance will be provided as part of the day-to-day operations of the company in the normal course of its business and in accordance with its MOI and the provisions of the Companies Act.

Approval is not sought for loans to directors and no such financial assistance will be provided under this authority.

**Effect**
Special resolution 3 will grant the directors of the company the authority until the next AGM to authorise the provision by the company of financial assistance as contemplated in section 44 of the Companies Act.

**Compliance with section 44(3)(b)**
The directors of Imperial will, in accordance with the Companies Act, ensure that financial assistance is only provided if the requirements of that section are satisfied, inter alia, that immediately after providing the financial assistance, the company would satisfy the solvency and liquidity test set out in section 4(1) of the Companies Act.

**Percentage voting rights**
The minimum percentage of voting rights that is required for this resolution to be adopted is 75% (seventy-five percent) of the voting rights to be cast on the resolution.

13. **Special resolution number 4 - authority to provide financial assistance in terms of S45**

“Resolved that in terms of section 45 of the Companies Act, as a general approval, the board of the company may from time to time authorise the company to provide any direct or indirect financial assistance, as defined in section 45 of the Companies Act, to any related or inter-related company or corporation for such amounts and on such terms and conditions as the board of the company may determine, provided that the aforementioned approval shall be valid until the date of the next AGM of the company.”

**Reason**
Imperial is a listed holding company with a large number of subsidiary companies which together comprise the Imperial group of companies. Imperial is not an operating company and all operations in the Imperial group are conducted by subsidiary companies of Imperial.

Imperial is from time to time, as an essential part of conducting its business, required to provide financial assistance to its subsidiary and associate companies including related and inter-related companies in the form of operational loan funding, credit guarantees and general financial assistance as contemplated in section 45 of the Companies Act.

In terms of the Companies Act, companies are required to obtain the approval of their shareholders by way of special resolution in order to provide financial assistance to subsidiaries and Imperial seeks approval for the board of the company until the next AGM to authorise the provision by the company of financial assistance to any related or inter-related company as contemplated in section 45 of the Companies Act. This means that the company is authorised to grant loans to its subsidiaries and to guarantee the debts of its subsidiaries. The financial assistance will be provided as part of the day-to-day operations of the company in the normal course of its business and in accordance with its MOI and the provisions of the Companies Act.

**Effect**
Special resolution 4 will grant the directors of the company the authority until the next AGM to authorise the provision by the company of financial assistance to any related or inter-related company as contemplated in section 45 of the Companies Act.

**Compliance with section 45(3)(b)**
The directors of Imperial will, in accordance with the Companies Act, ensure that financial assistance is only provided if the requirements of that section are satisfied, inter alia, that immediately after providing the financial assistance, the company would satisfy the solvency and liquidity test set out in section 4(1) of the Companies Act.
Percentage voting rights
The minimum percentage of voting rights that is required for this resolution to be adopted is 75% (seventy-five percent) of the voting rights to be cast on the resolution.

14. To transact such other business as may be transacted at an AGM of shareholders
Voting and proxies
A shareholder entitled to attend and vote at the AGM may appoint one or more persons as its proxy to attend, speak and vote (or abstain from voting) in its stead. A proxy need not be a shareholder of the company.

A form of proxy is attached for the convenience of certificated shareholders and (own name) dematerialised shareholders who are unable to attend the AGM but who wish to be represented thereat. In order to be valid, duly completed forms of proxy must be received by the company’s transfer secretaries, Computershare Investor Services Proprietary Limited, 1st Floor, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 (PO Box 61051 Marshalltown 2107) or by fax to +27 11 688 5238 by no later than 09:00 on Tuesday, 29 October 2019 for administrative purposes. Alternatively, a duly completed form of proxy may be handed to the chairperson of the AGM prior to the commencement of the AGM. Any shareholder who completes and lodges a form of proxy will nevertheless be entitled to attend and vote in person at the AGM should the shareholder decide to do so.

Dematerialised shareholders, other than with own name registration, who have not been contacted by their CSDP or broker with regard to how they wish to cast their votes should contact their CSDP or broker and instructed their CSDP or broker as to how they wish to cast their votes at the AGM in order for their CSDP or broker to vote in accordance with such instructions. If such dematerialised shareholders wish to attend the AGM in person, they must request their CSDP or broker to issue the necessary letter of representation to them. This must be done in terms of the custody agreement entered into between such dematerialised shareholders and their CSDP or broker.

By order of the board

RA Venter
Company secretary

13 September 2019
Form of proxy

Imperial Logistics Limited
(Incorporated in the Republic of South Africa)
(Registration number: 1946/021048/06)
Share code: IPL
ISIN: ZAE000067211
(Imperial or the company)

For use only by Imperial ordinary shareholders who:
• Hold their shares in certificated form (certificated ordinary shareholders)
• Have dematerialised their shares with “own name” registration (dematerialised ordinary shareholders)
at the AGM of shareholders to be held at 09:00 on Wednesday, 30 October 2019, in the boardroom of Imperial, Imperial Place, Jeppe Quondam, 79 Boeing Road East, Bedfordview, Gauteng, or at any other adjourned or postponed date and time determined in accordance with the provisions of the Companies Act as read with the Listings Requirements.

Dematerialised ordinary shareholders who do not have own name registration who wish to attend or send a proxy to represent them at the AGM must inform their central securities depository participant (CSDP) or broker of their intention to attend or be represented at the AGM and vote. If they do not wish to attend or be represented at the AGM, they must provide their CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker. In the absence of such instructions, the CSDP or broker will be obliged to vote in accordance with the instructions contained in the custody agreement mandate between them and their CSDP or broker. These shareholders must not use this form of proxy.

I/We (please print name in full)
Of (address)
Telephone number Cellphone number
Email address
being an ordinary shareholder(s) of the company holding ordinary shares in the company do hereby appoint

1. or failing him/her
2. or failing him/her
3. the chairman of the AGM
as my/our proxy to vote for me/our behalf at the AGM (and any adjournment thereof) for the purpose of considering and, if deemed fit, passing with or without modifications, the following resolution to be considered at the AGM.

<table>
<thead>
<tr>
<th>Number of votes (one per share)</th>
</tr>
</thead>
<tbody>
<tr>
<td>In favour of</td>
</tr>
</tbody>
</table>

1. Ordinary resolution 1 - Adoption of financial statements
2. Ordinary resolution 2 - Appointment of auditors
3. Ordinary resolution 3 - Appointment of the members of the audit and risk committee
   - Ordinary resolution 3.1 - P Cooper
   - Ordinary resolution 3.2 - GW Dempster
   - Ordinary resolution 3.3 - NB Radebe
   - Ordinary resolution 3.4 - RJA Sparks
4. Ordinary resolution 4 - Confirmation of directors
   - Ordinary resolution 4.1 - JG de Beer
   - Ordinary resolution 4.2 - D Reich
   - Ordinary resolution 4.3 - NB Radebe
5. Ordinary resolution 5 - Re-appointment of retiring directors
   - Ordinary resolution 5.1 - GW Dempster
   - Ordinary resolution 5.2 - RJA Sparks
6. Ordinary resolution 6 - Confirmation of remuneration policy
7. Ordinary resolution 7 - Implementation of remuneration policy
8. Special resolution 1 - Directors’ fees
   - Fees from 1 July 2019 to 30 June 2020
   - Fees from 1 July 2020 to 30 June 2021
   - Euro fees from 1 July 2019 to 30 June 2020
   - 8.1 Chairman*
     - R1 052 500
     - R1 100 000
     - €300 000
   - 8.2 Deputy chairman and lead independent director*
     - R526 000
     - R552 000
     - €150 000
   - 8.3 Board member
     - R301 000
     - R316 000
     - €86 500
   - 8.4 Assets and liabilities committee chairman*
     - R192 000
     - R202 000
     - €55 000
   - 8.5 Assets and liabilities committee member
     - R128 000
     - R135 000
     - €36 500
   - 8.6 Audit and risk committee chairman*
     - R397 500
     - R417 000
     - €114 000
   - 8.7 Audit and risk committee member
     - R198 000
     - R208 000
     - €56 500
   - 8.8 Divisional board chairman*
     - R133 000
     - R135 000
     - €35 000
   - 8.9 Divisional board member
     - R123 000
     - R130 000
     - €35 000
   - 8.10 Divisional finance and risk committee chairman*
     - R148 500
     - R156 000
     - €42 500
   - 8.11 Divisional finance and risk committee member
     - R99 000
     - R104 000
     - €28 500
   - 8.12 Remuneration committee chairman
     - R143 500
     - R151 000
     - €41 000
   - 8.13 Remuneration committee member
     - R95 500
     - R100 000
     - €27 000
   - 8.14 Nomination committee chairman
     - R143 500
     - R151 000
     - €41 000
   - 8.15 Nomination committee member
     - R95 500
     - R100 000
     - €27 000
   - 8.16 Social, ethics and sustainability committee chairman*
     - R192 000
     - R202 000
     - €55 000
   - 8.17 Social, ethics and sustainability committee member
     - R128 000
     - R135 000
     - €36 500
9. Special resolution 2 - General authority to repurchase company securities
10. Ordinary resolution 8 - Authority over unissued ordinary shares
11. Ordinary resolution 9 - Authority to issue shares for cash
12. Special resolution 3 - Authority to provide financial assistance - s44
13. Special resolution 4 - Authority to provide financial assistance - s45

Insert an X in the appropriate block. If no indications are given, the proxy will vote as he/she deems fit. Each shareholder entitled to attend and vote at the meeting may appoint one or more proxies (who need not be a shareholder of the company) to attend, speak and vote in his/her stead.

Signed at on 2019
Signature
Assisted by (where applicable)
Notes and summary of salient rights in terms of section 58 of the Companies Act

1. A shareholder entitled to attend and vote at the AGM may insert the name of a proxy or the names of two alternative proxies of his/her/its choice in the space provided, with or without deleting “the chairperson of the AGM”. A proxy need not be a shareholder of the company. The person whose name stands first on this form of proxy and who is present at the AGM will be entitled to act as proxy to the exclusion of those whose names follow.

2. A shareholder is entitled to one vote on a show of hands and, on a poll, one vote in respect of each ordinary share. A shareholder’s instructions to the proxy must be indicated by inserting the relevant number of shares represented by the shareholder in the appropriate box. Failure to comply with this will be deemed to authorise the proxy to vote or abstain from voting at the AGM as he deems fit in respect of all the shareholder’s votes.

3. If a shareholder does not indicate on this form that his proxy is to vote in favour of or against any ordinary resolution or to abstain from voting, or gives contradictory instructions, or should any further resolution(s) or any amendment(s) which may properly be put before the AGM be proposed, the proxy shall be entitled to vote as he things fit.

4. The chairperson of the AGM may reject or accept any form of proxy which is completed and/or received, other than in compliance with these notes.

5. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the AGM and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so.

6. Documentary evidence establishing the authority of a person signing the form of proxy in a representative capacity must be attached to this form of proxy, unless previously recorded by the company or unless the chairperson of the AGM waives this requirement.

7. A minor or any other person under legal incapacity must be assisted by his/her parent or guardian, as applicable, unless the relevant documents establishing his/her capacity are produced or have been registered by the company.

8. Where there are joint holders of shares, any one of such shareholders may sign the form of proxy provided that if more than one of such holders is present or represented at the AGM, the holder whose name stands first in the register of the company in respect of such shares, or his proxy, as the case may be, shall alone be entitled to vote in respect thereof.

9. Where this form of proxy is signed under power of attorney, such power of attorney must accompany this form of proxy, unless it has previously been registered with the company or the transfer secretaries.

10. A proxy may delegate his/her authority to act on behalf of a shareholder to another person subject to any restriction therefore set out in this instrument of proxy.

11. The proxy appointment made herein shall remain valid for a period of one year from the date of signature unless revoked by the shareholder by cancelling it in writing or making a later inconsistent appointment of proxy and delivering a copy of the revocation instrument to the proxy and the company.

12. A vote given in accordance with the terms of this form of proxy shall be valid notwithstanding the death or mental disorder of the principal or revocation of the proxy of the authority under which the proxy is given, provided that no intimation in writing of such death, insanity, revocation or transfer as aforesaid shall have been received by the company before the commencement of the AGM (or any adjournment thereof).

13. Completed forms of proxy and the authority (if any) under which they are signed must be lodged with or mailed to the company’s transfer secretaries, Computershare Investor Services Proprietary Limited, 1st Floor, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 (PO Box 61051 Marshalltown 2107), to be received no later than 09:00 on Tuesday, 29 October 2019 for administrative purposes, or handed to the chairperson of the AGM before that meeting is due to commence.

14. Any alteration or correction made to this form of proxy, other than the deletion of alternatives, must be initialled by the signatory(ies).
INDEPENDENT LIMITED ASSURANCE REPORT TO THE DIRECTORS OF IMPERIAL LOGISTICS LIMITED

We have performed our limited assurance engagement in respect of the selected non-financial key performance indicators (subject matter) to be published in the Imperial Logistics Limited integrated annual report for the year ended 30 June 2019.

Subject matter
The subject matter comprises the selected key performance indicators conducted in accordance with the management's basis of preparation, as supported by the Global Reporting Initiative Standards (GRI Standards), as prepared by the responsible party, during the year ended 30 June 2019.

The terms of management's basis of preparation comprise the criteria by which the company’s compliance is to be evaluated for purposes of our limited assurance engagement. The key performance indicators include:

<table>
<thead>
<tr>
<th>Category</th>
<th>Indicators</th>
<th>Metric</th>
</tr>
</thead>
<tbody>
<tr>
<td>Safety</td>
<td>Kilometres travelled</td>
<td>Kilometres</td>
</tr>
<tr>
<td></td>
<td>Road accidents</td>
<td>Absolute</td>
</tr>
<tr>
<td></td>
<td>Accidents per million kilometres</td>
<td>Ratio</td>
</tr>
<tr>
<td></td>
<td>Road fatalities (company)</td>
<td>Absolute</td>
</tr>
<tr>
<td></td>
<td>Fatalities per million kilometres</td>
<td>Ratio</td>
</tr>
<tr>
<td>Environmental</td>
<td>Diesel consumed – normal engine</td>
<td>Litres</td>
</tr>
<tr>
<td></td>
<td>Petrol consumed – normal engine</td>
<td>Litres</td>
</tr>
<tr>
<td></td>
<td>Electricity consumed</td>
<td>Kilowatt hours</td>
</tr>
<tr>
<td></td>
<td>Scope 1 emissions</td>
<td>Carbon emission tonnes (tCO₂e)</td>
</tr>
<tr>
<td></td>
<td>Scope 2 emissions</td>
<td>Carbon emission tonnes (tCO₂e)</td>
</tr>
<tr>
<td></td>
<td>Scope 3 emissions – air travel</td>
<td>Carbon emission tonnes (tCO₂e)</td>
</tr>
<tr>
<td></td>
<td>Municipal water consumed</td>
<td>Litres</td>
</tr>
<tr>
<td>Social</td>
<td>Training hours</td>
<td>Hours</td>
</tr>
<tr>
<td></td>
<td>Training spend</td>
<td>Rand</td>
</tr>
<tr>
<td></td>
<td>CSI spend</td>
<td>Rand</td>
</tr>
</tbody>
</table>

Directors’ responsibility
The directors being the responsible party, and where appropriate, those charged with governance are responsible for the key performance indicators information, in accordance with management’s basis of preparation.

The responsible party is responsible for:
- Ensuring that the key performance indicators are properly prepared and presented in accordance with management’s basis of preparation.
- Confirming the measurement or evaluation of the underlying subject matter against the applicable criteria, including that all relevant matters are reflected in the subject matter information.
- Designing, establishing and maintaining internal controls to ensure that the key performance indicators are properly prepared and presented in accordance with management’s basis of preparation.

Assurance practitioner’s responsibility
We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historic Financial Information. This standard requires us to comply with ethical requirements and to plan and perform our limited assurance engagement with the aim of obtaining limited assurance regarding the subject matter of the engagement.

We shall not be responsible for reporting on any non-financial key performance indicator transactions beyond the period covered by our limited assurance engagement.
Independent limited assurance report continued

Our independence and quality control
We have complied with the independence and other ethical requirements of the Independent Regulatory Board for Auditors’ Code of Professional Conduct for Registered Auditors (IRBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants’ International Code of Ethics for Professional Accountants (including International Independence Standards).

The firm applies the International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Summary of work performed
We have performed our procedures on the subject matter, the non-financial key performance indicators of Imperial Logistics Limited, as prepared by management in accordance with management’s basis of preparation for the year ended 30 June 2019.

Our evaluation included performing such procedures as we considered necessary which included:
• Interviewing management and senior executives to obtain an understanding of the internal control environment, risk assessment process and information systems relevant to the sustainability reporting process for the selected subject matter.
• Testing the systems and processes to generate, collate, aggregate, validate and monitor the source data used to prepare the selected subject matter for disclosure in the report.
• Inspecting supporting documentation and performed analytical review procedures.
• Evaluating whether the selected key performance indicator disclosures are consistent with our overall knowledge and experience of sustainability processes at Imperial Logistics Limited.

Our assurance engagement does not constitute an audit or review of any of the underlying information conducted in accordance with International Standards on Auditing or International Standards on Review Engagements and accordingly, we do not express an audit opinion or review conclusion.

We believe that our evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusion.

In a limited assurance engagement, the procedures performed vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance opinion about whether the non-financial key performance indicator information has been presented, in all material respects, in accordance with management’s basis of preparation.

Conclusion
Based on our work described in this report, nothing has come to our attention that causes us to believe that the selected non-financial key performance indicators as set out in the subject matter paragraph (of our report) for the year ended 30 June 2019, is not prepared, in all material respects, in accordance with management’s basis of preparation.

Restriction on use and distribution
Our report is made solely to the directors of Imperial Logistics Limited in accordance with our engagement letter dated 12 April 2019 for the purpose of providing limited assurance over the subject matter disclosed in the Imperial Logistics Limited integrated annual report for the year ended 30 June 2019.

Deloitte & Touche
MLE Tshabalala
Partner
Registered auditor
11 September 2019

Imperial Logistics Integrated Annual Report 2019
CERTIFICATE OF MEMBERSHIP

This is to certify that

Imperial Logistics Ltd

is a constituent company in the FTSE4Good Index Series

June 2019

The FTSE4Good Index Series is designed to identify companies that demonstrate strong environmental, social and governance practices measured against globally recognised standards.
Corporate information

IMPERIAL LOGISTICS LIMITED
Registration number: 1946/021048/06
Ordinary share code: IPL
ISIN: ZAE000067211

Directors
P Langeni* (Chairman)
RJA Sparks** (Lead independent director)
M Akoojee*(Chief executive officer)
JG de Beer*(Chief financial officer)
P Cooper**
GW Dempster**
NB Radebe**
D Reich**
T Skweyiya**
* Non-executive director  ** Independent non-executive director
* Executive director  1 Swiss

Executive committee
M Akoojee (CEO)
JG de Beer (CFO)
H Bicil
E Mansingh
JWV Rossouw
JA Truter
N van der Westhuizen
S Woodward

Company Secretary
RA Venter

Investor Relations and Communications Executive
E Mansingh

Business address and registered office
Imperial Logistics Limited
Jeppe Quondam
79 Boeing Road East
Bedfordview, 2007

Postal address
PO Box 3013
Edenvale
1610
South Africa

Share transfer secretaries
Computershare Investor Services (Proprietary) Limited
1st Floor, Rosebank Towers
15 Biermann Avenue
Rosebank, 2196

Auditors
Deloitte & Touche
20 Woodlands Drive
The Woodlands
Woodmead, 2052

Sponsor
Merrill Lynch SA (Proprietary) Limited
The Place, 1 Sandton Drive
Sandton, 2196

www.imperiallogistics.com
Forward looking statements

Certain statements made in this report constitute forward-looking statements. Forward-looking statements are typically identified by the use of forward-looking terminology such as “believes”, “expects”, “may”, “will”, “could”, “should”, “intends”, “estimates”, “plans”, “assumes” or “anticipates” or the negative thereof or other variations thereon or comparable terminology, or by discussions of, eg future plans, present or future events, or strategy that involve risks and uncertainties. Such forward-looking statements are subject to a number of risks and uncertainties, many of which are beyond the company’s control and all of which are based on the company’s current beliefs and expectations about future events. Such statements are based on current expectations and, by their nature, are subject to a number of risks and uncertainties that could cause actual results and performance to differ materially from any expected future results or performance, expressed or implied, by the forward looking statement. No assurance can be given that such future results will be achieved; actual events or results may differ materially as a result of risks and uncertainties facing the company and its subsidiaries. The forward looking statements contained in this report speak only as of the date of this report. The company undertakes no duty to, and will not necessarily, update any of them in light of new information or future events, except to the extent required by applicable law or regulation. Furthermore, the forecast financial information herein has not been reviewed or reported on by Imperial Logistics’ auditors.