

Integrating ESG practices

As we transform Imperial to better meet the needs and requirements of our clients, we are also deeply committed to becoming a purpose-driven organisation that creates sustainable, long-term value for all stakeholders. We understand that to achieve this we must prioritise people, planet and profit. Our new business strategy integrates people and ESG practices as two fundamental enablers of growth and sets key objectives for each pillar.

We will continue to invest in our people as our greatest asset – paying particular attention to our talent pipeline and on leveraging skills and expertise across the group. Our strategy will ensure that the business is well-equipped with talented and skilled people and expertise, supported by optimal systems and processes, to drive strategic execution, competitive differentiation, operational efficiency and innovation.

As an underpin to our industry, market and country legitimacy and reputation as a trusted partner, and to prepare for a post-pandemic world, we are accelerating our investment in embedding ESG practices into daily business to ensure proactive management of our impacts beyond compliance requirements. This will ensure that Imperial has the relevant ESG policies and strategies to drive strategic group initiatives, develop key stakeholder relationships and continue to grow our impact and reach through various corporate social investment (CSI) initiatives. Performance against these objectives will be tracked and measured.

Strategic initiatives

People are our greatest asset

- Creating a 'One Imperial' culture.
- Transforming leadership diversity and mindset.
- Attracting and retaining the best talent and skills.

Integrating ESG practices

- Protecting our licence to operate and reputation.
- Proactively managing and investing in ESG as part of our daily course of business.
- We care about our communities, environment and countries of operation.
- Purpose-driven.
- People, planet and profit given priority.

Linking performance to remuneration

Key performance measures that will drive behaviours that deliver on our strategic objectives have been developed. To ensure long-term value is created for all stakeholders, our key measures are less short-term focused and balanced across financial and non-financial performance, including 'One Imperial' strategic initiatives. In F2021, these indicators will form the basis of the remuneration policy.

Governance of environmental and social practices

The governance structures below are tasked with ensuring that ESG is given the right level of attention and that responsible ESG practices extend across the organisation and into strategic and daily operational decision making and business practice. Through these structures, we aim to ensure that capital allocation decisions are considerate of national priorities and are socially relevant and environmentally responsible.

Imperial board	The board of directors is ultimately responsible for people management and ESG issues and it is kept abreast of all critical concerns and regulatory matters relating to these aspects. It delegates responsibility for people matters and ESG issues to the group SES committee and the executive management team.
Group SES committee	<p>The SES committee has a statutory mandate to ensure that citizenship and stewardship are intrinsic to our daily business conduct. The committee brings a social conscience to board and group decisions, ensuring balance between the group's need to compete for limited resources in the interest of commercial success, with the need to sustain the health of the ecosystem we live in, with its interconnected social, economic and natural elements.</p> <p>The committee has an approved annual work plan, complies with the requirements of the Companies Act, and follows the established guidelines of the King Report on Corporate Governance in South Africa 2016.</p> <p>The committee meets four times a year. To ensure a balance between independence and practical implementation, the committee is chaired by an independent non-executive director. It has four members – three non-executive directors, including the group chairman, and the group CEO. The chief corporate affairs and investor relations officer, the group head of sustainability, group risk executive, group chief people officer, transformation director, health and safety executive and the group legal executive attend as invitees.</p> <p>Vigorous monitoring through well-established reporting lines, and against relevant frameworks and indicators, ensures implementation of policies at group and divisional levels.</p>
ESG/CSI committee	A dedicated ESG/CSI committee, a sub-committee of the SES board committee, provides oversight and implements good corporate practices relating to CSI, enterprise development and ESG. The committee includes representatives at a group and divisional level and meets quarterly. The committee approves all CSI and enterprise development projects and spend to ensure they align with our strategic objectives and reviews safety and risk matters. The chief corporate affairs and investor relations officer, a member of the group executive committee and responsible for ESG, chairs the committee.

<p>Executive committee</p>	<p>The group executive committee is tasked with monitoring the integration of ESG into daily business practices. ESG falls within the group corporate affairs and investor relations portfolio – the first time that accountability for ESG is held at executive management level.</p>
<p>Safety, health, environmental and quality (SHEQ) committee</p>	<p>The biannual SHEQ committee is attended by divisional safety champions, managing directors (by invitation) and occupational health and safety representatives in South Africa as well as a representative for Market Access. The committee is tasked with implementing SHEQ policies, managing environmental and safety compliance, addressing incidents and near misses, reviewing SHEQ audits, implementing action plans and raising environmental awareness.</p> <p>Logistics International’s SHEQ and Sustainability Department centralises the co-ordination and management of ESG issues in collaboration with representatives from the division’s operational units. The department provides assurance on the quality and sustainability of our initiatives and ensures that specialist knowledge and best practices are shared among group companies.</p>
<p>Policies</p>	<p>Group-wide ESG policies and guidelines, including for CSI and climate change, have been developed and approved by the group executive and SES board committees – a first for the group. These policies and guidelines are being implemented across all operations.</p>

Performance rankings

<p>EcoVadis Group Transportation and Logistics Silver status scoring 48 out of 100 points.</p> <p>Logistics International Chemical Gold status scoring 62 out of 100 points.</p> <p>Automotive Gold status scoring 66 out of 100 points.</p> <p>EcoVadis is an independent international rating agency that evaluates the sustainability performance of global supply chain companies in 150 sectors across 110 countries.</p>	<p>London Stock Exchange FTSE4Good Index Series A global sustainable investment index series.</p> <p>3,8 overall score out of five (2019: 3,7)</p> <p>3,2 environmental score (2019: 3,1)</p> <p>3,4 social score (2019: 3,2)</p> <p>5,0 governance score (2019: 5,0)</p>	<p>CDP (group) B+ rating</p> <p>This is higher than the global average (C) and the Africa regional average (B-). Our next submission is due in August 2020.</p> <p>United Nations (UN) Global Compact</p> <p>The group became a signatory to the UN Global Compact.</p> <p>Imres has been a signatory since 2016.</p> <p>The group’s code of conduct and the SES committee’s annual work plan have subscribed to the 10 principles of the UN Global Compact for over 10 years.</p>
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Looking forward

An immediate priority for Imperial is to initiate processes to help us understand the direct and indirect impacts of our business and ESG and community activities on our industry, society and stakeholders. A socioeconomic impact assessment study is scheduled for the second half of the 2020 calendar year. The initial study will encompass South Africa and Nigeria (two of our major markets). In addition, we will demonstrate our commitment to ESG practices by advancing our scores in global ESG indices and ratings.

Key performance measures

- Maintaining global ESG ratings.
- CSI spend of 1% of net profit after tax (NPAT) for businesses in addition to group initiatives.
- Branding and stakeholder perception assessment.
- No material reputational events.
- Complete socioeconomic impact study in Nigeria and South Africa.
- Execute on waste management objectives.

Letter from the SES committee chairman

The SES committee is the conscience of Imperial. Cornerstones to our approach are to define and outlaw unethical behaviour and encourage good corporate citizenship that seeks no reward for improving the communities in which we operate. We strive to ensure that every one of our people, in every decision and every action, understands that we share a destiny with our stakeholders.

The Covid-19 crisis has served as a timely reminder of our responsibilities not just as a business, but also as a corporate citizen across our 26 countries of operation. Among the foundational principles of our governance standards is that business draws its legitimacy from society and depends on sound and enduring relationships with stakeholders – an acknowledgement that we share a destiny. Ethical and inclusive decisions, therefore, are those that enhance the intangible common good of improving that destiny.

We laud the fact that the 'One Imperial' strategy puts purpose at the heart of our transformation and growth and is a galvanising vision for anyone who cares about progress and possibility. Similarly, 'One Imperial' speaks to the human desire for connection and belonging, to the sense of grand mission that a large organisation offers. Covid-19 has delivered a home truth: our resilience is built on strong relationships, on teams bound together by common cause, kindness and trust. This extends beyond the organisation to trusted relationships with individuals that are our employees, our clients, principals and customers, our communities and governments – each with specific interests and expectations – as well as members of the societies we serve.

Our new business strategy elevates our approach to ESG management, and we intend to be measured against the strategic objectives set under this pillar. The integration of ESG practices into our everyday business activities extends to investing in our employees, cultivating a diverse and inclusive work environment, serving our clients exceptionally and transparently, strengthening the communities in which we live and work and promoting environmental stewardship. Our robust governance systems, risk management and controls,

and regular monitoring of ESG trends ensure that ESG is effectively managed as a business fundamental. We seek continuous improvement in these areas to underpin our long-term success and ability to deliver value for our stakeholders.

To give weight to our commitment and to continue to meet and improve our responsibilities in terms of human rights, labour, environment and anti-corruption, the Imperial Group is now a formal signatory to the UN Global Compact. We will also engage in collaborative projects which advance the broader development goals, particularly the Sustainable Development Goals. An annual statement to this effect will be published going forward.

The committee is exceptionally proud of how our people responded to Covid-19, stepping up to ensure that our clients' supply chains remained uninterrupted and effective – that goods and services could flow to those we serve and those most in need. In particular, we acknowledge the contributions and sacrifices thousands of our people made to deliver essential health and safety supplies, while also meeting high standards of service delivery and ethical conduct. We remember with great sadness the 11 colleagues who succumbed to the virus and extend our heartfelt condolences to their families and colleagues.

This committee has tough, sometimes anguishing conversations that have a lasting effect on people's lives. For example, during this time of economic contraction, rightsizing is a reality for Imperial. The SES committee ensures that retrenchments are only ever a last resort, and that this has been properly determined and carried out not only lawfully, but also in a spirit of sensitivity.

The importance of health and safety has taken on a new criticality since the advent of Covid-19, however, for Imperial the safety of our drivers and public road users has always been a major focus area. In particular, we continue to leverage technology to reduce accidents. Sadly, towards the end of the financial year, we reported one employee fatality in an accident caused by a third-party vehicle. We regret the death of our colleague, Mr TJ Thupaemang, and again offer our

deepest sympathies to his family and friends. As we drive 'One Imperial' thinking and action, we will develop standardised approaches to safety to ensure that we are proactive in our actions and that we leverage the extensive experience and expertise in the group to deliver best safety practices.

To support our people during this unprecedented time, we prioritised their safety and paid salaries of approximately R160 million to operational employees whose services were not required during periods of lockdown between March 2020 and June 2020. Voluntary salary and fee cuts of 25% were taken by directors and executive management. In keeping with our commitment to develop and support our communities and countries in this time of critical need, Imperial sourced and delivered thousands of cubic metres of personal protective equipment and medical-grade sanitisers to the private and public sectors in South Africa and Europe, some on a cost recovery basis. In addition, our contribution to humanitarian causes in South Africa included R5 million to the Solidarity Fund, R5 million to the Giving for Hope Foundation in support of small, medium and micro-enterprises and R500 000 to Gift of the Givers. We also worked with charitable organisations, providing vehicles and resources to deliver food parcels and other basic needs to communities in South Africa most impacted by the crisis. One of our flagship CSI projects in South Africa, Unjani Clinics, assisted government as an additional Covid-19 screening measure, reaching 75 000 patients.

'Transformation' is a positive word for Imperial, as we transform the business in accordance with our strategy and with high expectations. Our government has prioritised its promise to redress past wrongs and we align ourselves with this intent, with inclusion and collaboration being the cornerstones of our culture journey. Efforts to create opportunities for local people, whether in Africa or elsewhere, have been emphasised and are part of our employee value proposition. Besides these efforts, which are critical to our legitimacy in our countries of operation, common decency demands that our management teams challenge barriers to culture, race and

gender, and that they actively seek and nurture talent in underrepresented groups.

True diversity, beyond achieving required measures of race and gender representation, is achieved through valuing, combining and leveraging different perspectives, life experiences and ways of doing things for the good of Imperial's stakeholders, specifically our clients, people and local communities. The committee intends to ensure that real progress is made in understanding, and systematically removing, barriers to inclusion. As we strive to meet ambitious race, gender and other local requirements, we also commit to the guiding spirit behind the requirements, one which envisages a country and a continent where all can aspire to leading dignified lives and being afforded equitable opportunities. The establishment of the Global Women's Forum – a first for the group – is one initiative that will drive our gender diversity objectives across all group operations. We are also pleased to have been acknowledged as the top transport and logistics company for students to work for in the recent South African Graduate Employers Association study.

Current projections show that we will drop from a Level 2 BBBEE ranking to Level 4 against the more stringent dti Codes¹. Although the Covid-19 crisis has been a factor in this deterioration, executives will forgo a portion of their short-term incentive for not meeting employment equity targets notwithstanding a number of key black and female management appointments during the year. This shows that accountability for BBBEE is held at the highest level of our business. It is also notable that even in the constrained circumstance of a lockdown, we nevertheless procured goods and services worth a little under R7 billion from 50% black-owned business, 30% female black-owned business and smaller qualifying businesses.

Throughout Africa there is a drive for advancement and development. Imperial welcomes the imperative of local beneficiation targets and the desire of African governments to see their people engaged in meaningful work. Further, Africa's economy will only thrive when more consumers earn more and disposable income levels rise.

Our business model and strategy, and our relevance as an organisation with deep roots in Africa, is based on this imperative. We are able to help our clients and our principals meet government policy on localisation; and we are able to find a way to boost jobs and local innovation, and to deliver quality goods to Africa's people as they become more affluent, and to take the goods produced on the continent to markets elsewhere in the world.

One example of a critical development area for Africa, where we can make a significant contribution, is access to quality and affordable healthcare. Imperial seeks to contribute to creating enabling environments, such that Africa begins to operate at levels of efficiency and delivery that wealthier nations take for granted.

In Africa, about 40% of medicine costs consist of supply chain, distribution and other non-core costs. For every percentage point we knock off that premium, millions of Africans benefit. Our business is dedicated to doing just that. We are the nexus of a logistics network that includes governments, multinational principals, regulators and donors; and we are relied upon to improve the pricing and the reliability of supply of quality medicine into Africa. Our 'One Imperial' drive to streamline and rationalise business contributes to lowering costs and improving supply. Similarly, our Market Access solution allows principals to introduce new products to underserved markets quickly. Our control towers have become part of the healthcare infrastructure in certain regions, enabling hospitals and other healthcare providers to collaborate and operate more efficiently.

We believe that the most powerful change agent for improving the lives of a burgeoning continent is innovation, bringing goods and services at lower cost to millions of people. Resolve, an Imperial business, has enjoyed industry recognition for rolling out 239 medical stores across Malawi in only six months; of which 117 are powered by off-grid solar photovoltaic systems. This is part of its In-a-Box™ innovation that delivers prefabricated modular units fitted out for healthcare infrastructure.

Stakeholders increasingly expect organisations to participate in a circular economy that limits environmental impact, contains the waste of resources and uses resources efficiently. Successfully delivering on our strategy, which prioritises people, profit and planet, will help us meet these expectations. There is still significant scope for improvement in our environmental performance and the newly developed group-wide climate change and environmental sustainability strategy framework, approved by the executive and SES committees, will drive the integration of sustainable environmental practices into our everyday operations.

Our CSI spend is helping Nigerians get their sight back, enabling opportunities for South African nurses, bringing libraries to school children, sharing road safety messages with children, and offering learnerships to deserving youth. Our projects are covered in the social report.

We thank all our colleagues and partners who make the work of the committee meaningful and indeed possible, and who are helping Imperial to improve the destiny we share with Africa and her people.



Roddy Sparks
Chairman of the SES committee

¹ Department of Trade and Industry's Broad-based Black Economic Empowerment (BBBEE) Codes of Good Practice.

Demonstrate consistently ethical business conduct

Adopting the highest standards of governance and ethics is a critical aspect of our client proposition and ability to secure and maintain partnerships with multinational clients and principals as well as attract high-calibre leaders and employees. Our commitment to acting with uncompromising honesty and integrity begins with our leaders, who set the correct tone from the top, and extends into our business practices, not only as a moral imperative but also a commercial one. Our business practices, reputation and commitment to ethics have enabled us to acquire business in countries where regulation is underdeveloped and governance standards are inconsistent.

We are subject to a vast array of legislation across multiple jurisdictions and sectors, including that pertaining to product responsibility, labour practice, health and safety, environmental management and information management. This requires an unwavering focus on regulatory compliance and strong governance practices.

Link to material themes and issues

Theme	Material issue
Deliver shared value as a purpose-driven organisation	<ul style="list-style-type: none"> Deepen legitimacy and enhance organisational visibility.

Our risks

- **Reputation:** loss of client, employee or stakeholder trust from failure to implement the policies, controls and culture to ensure ethical business conduct.
- **Compliance:** managing the complex regulatory environment and changes across multiple jurisdictions.

Management approach

We choose to do ethical and compliant business even at the cost of competitiveness. Our processes are robust, starting with due diligence and including regular internal and client audits as well as whistle-blowing hotlines 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 wrongdoings.

Our framework to manage ethics is set out below.

Group code of conduct

The Imperial group code of conduct applies to all employees and guides them in meeting our expectation that our business is always conducted in accordance with our values, the applicable law and professional standards.

The code of conduct considers the 10 principles of the UN 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. This ensures we align our strategies and operations with universal principals on human rights, labour, environmental performance and anti-corruption.

The code of conduct 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 employee health and safety and environmental conservation.

 **Code of conduct:** Imperial website.

Group anti-bribery and corruption policy

The group anti-bribery and corruption policy promotes the appropriate standards and behaviour to prevent bribery, corruption and anti-competitive collusive practices in the various jurisdictions in which we operate.

Regular internal audits, as well as client audits, confirm that we are implementing acceptable anti-bribery and corruption practices. No related material concerns were identified during the reporting year.

 **Anti-bribery and corruption policy:** Imperial website.

Human rights

We adhere to the principles embodied in the Universal Declaration of Human Rights, the South African Constitution and the ILO's Declaration on Fundamental Principles and Rights at Work. Our human capital policies and procedures protect against any discrimination and human rights abuse.

Our assessments indicate that there are no instances of material risks relating to freedom of association or collective bargaining, child labour, or forced or compulsory labour within Imperial.

Our supply chain

We will not hesitate to terminate agreements and relationships in our supply chain that contravene international human rights standards. In Market Access, our supplier contracts require adherence to ethical practices, but not all suppliers are audited as our supplier base largely consists of reputable and well-established multinational principals and logistics service providers. Imres operates a comprehensive set of measurements and guidelines for its suppliers and other partners in the supply chain to minimise the risk of human rights violations. In Europe, a supplier code of conduct holds service providers and sub-contractors to our values and policies. Suppliers and employees are screened to ensure the division complies with international anti-terrorist financing regulations.

Training

Training and awareness initiatives promote an ethical and non-discriminatory culture. Standardised training on the anti-bribery and corruption policy is delivered through an eLearning tool.

Employees also receive training on the Foreign Corrupt Practices Act, as many of our international clients are subject to the Act or similar legislation. For our employees in the healthcare businesses, refresher training is undertaken annually.

In South Africa, senior managers receive training on the Competition Act and a guideline on competition law is available in Europe.

Whistle-blowing hotlines

We encourage our employees to express their concerns in an open and direct manner, and they are required to point out any circumstances that might indicate an infringement of laws and internal directives. An independent whistle-blowing hotline, managed by Deloitte, services most of our operating countries, including Europe and China, enabling stakeholders to report concerns anonymously. Stakeholders can report concerns in a language local to their country. Retaliation against whistle-blowers is not tolerated. The group's SES committee is mandated to oversee the management of the hotline and the actions taken.

Regulatory compliance

Group company management teams are responsible for keeping abreast of regulatory changes and governance standards that pertain to their markets and businesses to ensure our licences are maintained. Regular compliance audits are conducted across all operations and compliance training is delivered to employees. Various tax-related tools and local tax specialists ensure that we adhere to tax legislation across multiple African countries.

When acquiring a business, compliance with local and international laws and regulations is included in the due diligence process. All acquisitions are measured against our compliance standards and are subjected to compliance risk assessments.

Our engagements with regulators and memberships in local chambers of commerce and similar entities help us identify and prepare for upcoming legislation and enable us to contribute to policy development. This is key in our healthcare businesses where constructive relationships with regulators and governments ensure the sustainable supply of quality medicines.

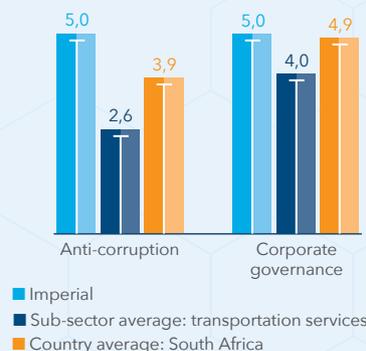
The role of head office is to share compliance learnings and new processes across jurisdictions.

2020 review Group

- Of the 41 whistle-blowing reports, five tip-offs concerned Market Access and 34 concerned Logistics Africa. One tip-off was received for Logistics International and one was a miscellaneous report. Of the three alleged corruption reports, one was confirmed and the individual concerned dismissed. At the time of reporting, all reports had been investigated and closed.
- 1 359 employees in our African operations successfully completed the anti-bribery and corruption training using the eLearning tool. Logistics International successfully delivered compliance training in F2019 with no additional training required in F2020.
- No public legal cases regarding corruption were brought against Imperial or its employees during the reporting period.
- No legal actions are pending or were completed during the reporting period regarding anti-competitive behaviour and violations of anti-trust and monopoly legislation.

- Compliance audits have not identified any material concerns and Imperial did not incur any significant fines or non-monetary sanctions for regulatory non-compliance.
- There were no substantiated complaints or loss of client data.

FTSE4Good Index Series



Looking forward

- Launch eLearning training on the group's code of conduct in F2021. In Europe, we will improve our compliance training by rolling out online training for white and blue-collar workers accessible on mobile devices and personal computers.
- Extend the online anti-bribery and corruption training to a broader audience, including employees at all levels and potentially suppliers as part of the onboarding process.
- Potential future regulatory changes in Africa could arise to protect the local manufacture of pharmaceuticals, particularly given the Covid-19 pandemic. We will keep abreast of this developing trend.

Key data

	2020	2019	2018
Whistle-blowing hotline			
Total number of tip-offs registered	41	62	75
By category:			
Fraud	5	6	9
Governance	3	2	6
Human resources ¹	26	31	46
Enquiry	1	2	1
Other crime	–	–	1
Corruption	3	11	7
Theft	3	6	3
Fleet management irregularities	–	2	1
Procurement irregularities	–	2	1

¹ Includes no incidents of alleged discrimination.

GRI indicators

General: 102-12, 102-15, 102-16, 102-17

Economic: 205-3, 206-1

Social: 406-1, 407-1, 408-1, 409-1, 418-1, 419-1