

# Improving our transformation credentials in South Africa



Imperial Logistics is committed to accelerating our efforts to support the creation of an equitable and sustainable South Africa. Over the past year, we made good progress in improving our broad-based black economic empowerment (B-BBEE) credentials to maintain our market leader position as a transformed enterprise in South Africa.

B-BBEE is a national strategy that seeks to create an environment in which South Africa's black majority can meaningfully participate in the mainstream economy. Our B-BBEE rating influences our ability to compete in the South African market, particularly in the public sector and the mining, chemical and energy sectors which are under increasing pressure to achieve transformation objectives. As preferential procurement of logistics services provides a material scorecard opportunity for our clients in these sectors, they have minimum transformation criteria that must be met before they allow companies to tender for new contracts and contract renewals.

Being recognised as a corporate citizen that supports the economic inclusion of black people also strengthens our employer brand and ability to attract and retain talent.

Our B-BBEE strategy is aligned to the amended Department of Trade and Industry's Broad-based Black Economic Empowerment Codes of Good Practice (dti Codes), despite the revised Road Freight Sector Codes having not yet been gazetted. During the reporting year, we achieved a Level 2 rating against the Road Freight Sector Codes and achieved our aim to secure a minimum Level 4 rating against the more stringent revised dti Codes.

## Link to material issues

› Ensure legitimacy in demanding markets to underpin competitive advantage.

› Deepen leadership credibility.

› Establish corporate citizenship credentials.

## Opportunity

**Enhanced ability to compete for new business and retain existing clients.**

## Risks and challenges

- › Increased pressure to meet B-BBEE requirements, specifically 51% black ownership.
- › Increasing incidents of social unrest in South Africa.

## Boundary

**All Imperial Logistics South Africa entities.**

# Improving our transformation credentials in South Africa – continued



## Strategic objective

Maintain a Level 4 rating against the revised dti Codes

Areas of focus

Transformation governance	Ownership	Employment equity and skills development	Supplier and enterprise development	Socioeconomic development
<p><b>Priorities</b></p> <ul style="list-style-type: none"> <li>› Transformation progress monitored by the transformation department and regularly reported to the Imperial Logistics executive committee and board.</li> <li>› All chief executive officers and managing directors of Imperial Logistics companies accountable for B-BBEE performance in their areas of operation.</li> <li>› Annual independent verification of the B-BBEE scorecard.</li> <li>› Workshops and one-on-one information sharing sessions with transport service providers to help them improve their B-BBEE ratings.</li> </ul>	<p><b>Priorities</b></p> <ul style="list-style-type: none"> <li>› Complete a B-BBEE transaction to increase the effective black ownership of Imperial Logistics South Africa to 51%.</li> </ul>	<p><b>Priorities</b></p> <ul style="list-style-type: none"> <li>› Clear initiatives to meet employment equity targets and skills development (see <a href="#">drive diversity in line with local requirements</a>).</li> </ul>	<p><b>Priorities</b></p> <ul style="list-style-type: none"> <li>› Monitor the B-BBEE toolkit monthly to measure progress on our investments in enterprise and supplier development.</li> <li>› Supplier and enterprise development initiatives including grant contributions, interest-free loans or equity-related contributions, as well as training and mentoring. Initiatives aim to capacitate small businesses so that they can meet our procurement demands and be integrated into our supply chain.</li> <li>› Provide shorter payment terms to some smaller suppliers.</li> <li>› Manage our two flagship supplier and enterprise development programmes: the Sinawe Fund and the Unjani Clinics network.</li> </ul>	<p><b>Priorities</b></p> <ul style="list-style-type: none"> <li>› Corporate social investment (CSI) programmes that support education and healthcare.</li> <li>› Contribution from individual companies based on their capacity to support projects and the specific needs of their local communities.</li> </ul>

## Achieving 51% black ownership

We are steadily progressing our plans to dispose of 30% of Imperial Logistics South Africa to a B-BBEE partner. The transaction will increase the effective black ownership of this business to 51%. The screening process has been completed and negotiations are continuing. The partnership will also contribute to transforming the board and leadership of Imperial Logistics South Africa and identifying black talent and will strengthen our client relationships and provide sustainable competitiveness. We expect to announce the terms of the transaction in the first quarter of the 2019 financial year.

## Sustainably transforming our supply chain

In 2017, we embarked on a new approach to supplier development in partnership with the Awethu Project (Awethu), an investment company which manages equity funds to support the growth of small black businesses and the transformation of small white-owned businesses. Our intent is not only to transform our own supply chain in a sustainable manner, but to promote the Sinawe Fund to our clients to achieve transformation at scale in the transport and logistics sector.

Our part in this hybrid solution is to invest in the fund and provide specialist logistics mentorship for the participating small, micro and medium-sized enterprises (SMMEs). In addition, our companies are required to support the integration of the SMMEs in their procurement processes and supply chains, where feasible. Awethu provides pre- and post-investment support customised to a beneficiary's individual growth stages and development gaps.

Targeting fast-growing strategic suppliers with turnovers of less than R50 million, the fund has closed three deals with suppliers in our supply chain to date. Two suppliers are trucking businesses, one black women owned and the other white owned, and the third is a leading black women-owned supplier of tarpaulins that recently won a national tender with Imperial Logistics and requires capital to grow. The fund's investment in the white-owned business will increase black ownership of the business to 51% by supporting a young black entrepreneur with the potential to succeed the owner in time.

The fund transforms what was once an expense item into a return generator as SMMEs with improved capacity and capability will deliver real and measurable improvements in supply chain efficiencies. As they grow, the SMMEs will also contribute to job creation. In addition, the fund will drive a pipeline of sustainable black SMMEs, which will boost our preferential procurement score as well as the preferential procurement scores of our clients, who will have access to the SMMEs' service offerings. Together, these benefits will result in reasonable financial returns for Imperial Logistics, making the fund sustainable into the longer term.

Clients are also able to co-invest in the fund, supporting the development of their own SMME suppliers.

We monitor the progress of the funded SMMEs by reviewing their financial statements and tracking the number of jobs created. Where the SMME has acquired a new customer within Imperial Logistics, we evaluate performance and the benefits delivered through economies of scale.

### Sinawe Fund

**R20 million** invested in high-growth SMMEs at the core of Imperial Logistics' supply chain. The investment covers the period June 2017 to June 2019 and will be reviewed annually.

Feedback from the **three beneficiaries supported** has been very positive.

SMMEs receive black-owned capital, access to markets through our supply chain, technical and general management support and exposure to black talent to support their succession plans.

# Improving our transformation credentials in South Africa – continued



## Supporting micro-enterprises that provide primary healthcare services

### Recognition for the Unjani Clinics initiative

Unjani Clinics Non-Profit Company (NPC) received the Institute of Risk Management South Africa's 2017 Award for Healthcare. In addition, our valued multinational client Johnson & Johnson won Gold in the American Chamber of Commerce's 2017 Stars of Africa Award for its work with the Unjani Clinics initiative.

The Unjani Clinics initiative, founded by Imperial Holdings, empowers black women professional nurses to own their own primary healthcare container clinic in their township or rural community. The clinics offer an alternative 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 initiative relieves some of the pressure on government facilities which are stretched and under-resourced. The clinics provide access to essential medicines and primary healthcare at the point of need, reducing the vast amounts of time and travel costs patients incur to receive attention at a state facility.

The model shifts primary healthcare tasks to professional nurses and leverages the highly developed private sector distribution network to ensure that more people have access to medicines. The project also creates an entrepreneurial opportunity for professional nurses and further employment opportunities are created by way of administration support staff, as well as cleaners and other service providers. Each clinic creates between three and five sustainable jobs.

Unjani Clinics NPC operates 49 clinics funded through the enterprise development spend from Imperial Logistics (the first 25 clinics), Johnson & Johnson (seven clinics), Rand Mutual Assurance (two clinics), Tiso AEL Development Trust (four clinics) and Pfizer South Africa (two clinics). Working with National Treasury's Job Fund and our corporate partners, our interim goal is to increase the network of clinics to 70 by December 2019. To date, the Jobs Fund has funded nine clinics.

During the year, 21 clinics were opened and the network's reach now includes the Gauteng, Limpopo, Mpumalanga, Northern Cape and North West provinces. Two clinics were closed due to non-compliance by the nurses and the infrastructure used elsewhere. One of the original clinics 'graduated' to an independent nursing practice, operating outside the network and demonstrating the sustainability of the model. In the next financial year, 10 clinics will be opened in KwaZulu-Natal and seven in the Eastern Cape.

Professional nurses and clinic assistants receive an operating manual, three days of training on basic business management and ongoing mentoring guidance to ensure their success. We apply strict criteria to the selection of nurses who must comply with our five-year enterprise development agreement which covers patient confidentiality, compliance with health regulations and legislation, and the responsible use of products.

Compliance is monitored through operational and financial audits. A patient management system across the network facilitates administrative reporting, patient data tracking and measurement of healthcare outcomes. The real-time dashboards help Unjani Clinics NPC manage the clinics from a central point and deal with operational issues more effectively.

### Unjani Clinics objective

**A network of 100 clinics nationally by the end of 2020.**

### Progress

**R3,0 million invested by Imperial Logistics** in the current year

(2017: R2,8 million). Since the initiative's inception in 2013, the Imperial Holdings group has invested around R28 million in the initiative.

**49 women empowered** and over 150 jobs created.

(2017: 31 women and over 90 jobs)

**Over 540 000 patients assisted** with quality, affordable primary healthcare between January 2013 and June 2018, with over 260 000 consultations taking place in this reporting year alone.



# Improving our transformation credentials in South Africa – continued

## Advancing the service offering of the Unjani Clinics

During the past year, we gathered funding momentum in terms of the Unjani Clinics initiative with a number of corporates supporting the expansion of the services offered to patients.

The Pfizer Foundation and Pfizer South Africa funded basic ultra sound equipment for 38 clinics and provided training to the nurses. An average of 600 ultra sounds are performed monthly by these clinics. In the next financial year, the service will be extended to the remaining clinics in the network.

The Johnson's baby healthy skin programme provided nurses with skin care training and provided free consultation vouchers to mothers unable to afford an Unjani Clinic visit. Approximately 2 000 vouchers have been redeemed to date.

Since 2016, Unjani Clinics NPC has partnered with local Departments of Health in the Extended Programme for Immunisation (EPI) to reduce childhood diseases. To ensure that the efficacy of vaccines and medicines is maintained, Unjani Clinics has partnered with Zero Medical (medical refrigerator supplier) and Johnson & Johnson (funder) to provide all clinics with new Sure Chill fridges equipped with World Health Organisation (WHO) approved cold chain technology. The fridges maintain a temperature of between two and eight degrees for up to five days, requiring just a few hours of power per day and reducing their reliance on electricity. The fridges installed in the clinics in Hammanskraal, Kathu and Musina where there is no electricity supply, operate with solar power even at low light intensity and require no batteries for energy storage.

Up to now, the project's main contribution to the fight against HIV/Aids has been providing screening and pre- and post-test counselling followed by a referral to a state facility for treatment. We believe that the Unjani Clinics network has the potential to make a more powerful impact on the HIV/Aids crisis. We are engaging with government to extend our role to providing free antiretroviral treatment for state patients. This would mean that we could test a patient and initiate treatment immediately and act as a pick-up point for future medication.

Together with global donors and aid organisations, the Unjani Clinics outreach campaigns set up temporary HIV/Aids testing stations in the communities and have tested more than 25 000 people to date.

## Supporting our communities

Our community initiatives deepen our relationships with societies and address national priorities. In South Africa, a number of protests have been witnessed over the past year with demands for socioeconomic development, better living conditions and better service delivery. Our socioeconomic development programmes focus on education and healthcare and recipients must meet the following minimum requirements:

- › Be a registered non-profit or non-governmental organisation.
- › Have a beneficiary base that is at least 75% black.
- › Be able to provide a Section 18A receipt for donations received.

## Trucking wellness programme

The trucking wellness programme is a primary healthcare initiative run by the National Bargaining Council for the Road Freight and Logistics Industry (NBCRFLI). It operates 21 permanent roadside wellness centres along major routes, as well as a fleet of 15 mobile wellness centres that travel across the country to visit road freight companies. Visitors can access basic medical assistance and other support from registered nurses and counsellors. The centres are helping to diminish the impact of HIV/Aids on individuals, families and communities in the road freight industry.

In addition to the R7 million employer contribution to the NBCRFLI's Wellness Fund Health Plan, we sponsor two permanent roadside centres (2017: four). The centres operate mostly at night, which is the most convenient and accessible time for long-distance truck drivers, and wellness services are available to truck drivers, their partners, commercial sex workers and the broader community.

During the year, the project delivered training to its employees and introduced an electronic patient management system to enhance its service delivery.

For more information on employee wellbeing, see [ensuring the wellbeing of our employees](#).

## Trucking wellness programme

**R416 000** invested in the centres.

(2017: R823 000)

**3 801** people received healthcare education.

(2017: 4 921)

**5 322** people received treatment.

(2017: 4 959)

Across all 21 wellness centres, 26 933 (2017: 21 161) people received healthcare education and 26 323 (2017: 23 912) received treatment.

# Improving our transformation credentials in South Africa – continued



## Next generation scholarship programme

**41 students supported** during the year at a cost of R1,8 million.

**68% of the students are black and 66% are women.**

## Next generation scholarship programme

The next generation scholarship programme invests in the training and development of our employees' children or legal dependants. The programme applies to employees who have worked for Imperial Logistics South Africa for more than five years and who earn less than R600 000 a year. We award bursaries to applicants in their second year of study and upwards at a South African university registered with the Department of Higher Education. Bursaries cover the student's full tuition costs as well as an annual stipend of R12 000 for books and sundry expenses.

We also run a family bursary scheme in which 105 students were granted bursaries in January 2018 to the value of R1,5 million.

## Assisting government to address healthcare priorities

We are a founding member of the Public Health Enhancement Fund, the social compact forum collaboration between the Department of Health and private health sector organisations. The fund provides a vehicle through which private sector contributions help government to address healthcare priorities. The forum also provides an engagement platform to tackle healthcare challenges. One project is a R20 million initiative to fund the education of 100 medical students from rural areas in response to South Africa's chronic shortage of doctors and to increase the profession's racial demographics.

For information on our contribution to making medicine accessible to communities across Africa, see [delivering modular healthcare infrastructures across Africa](#) and [using education and technology to drive access to affordable, quality-assured medicines](#).

## Key data

	2018	2017	2016
<b>Imperial Logistics board</b>			
Black women (%)	20 <sup>✓</sup>	13	Not applicable
Black men (%)	30	37	
White women (%)	0	0	
White men (%)	50	50	
<b>Black representation</b>			
Top management (%)	63 <sup>✓</sup>	55	43
Senior management (%)	31 <sup>✓</sup>	24	18
<b>Enterprise development</b>			
Enterprise development spend (Rm)	26 <sup>1✓</sup>	23 <sup>2</sup>	10
<b>Composition</b>			
Sinawe Fund (%)	77	Not applicable	
Unjani Clinics (%)	12	7	
Other (%)	11	93	
<b>Sinawe Fund</b>			
Investment in the fund (Rm)	20	Not applicable	
Number of SMMEs in the Imperial Logistics supply chain supported by the fund	3		
Number of people employed by the SMME beneficiaries	138		
<b>Unjani Clinics</b>			
Investment in Unjani Clinics (Rm)	3,0	2,8	
Number of clinics	49	31	
Number of people employed	Over 150	Over 90	
Number of patients assisted to date (cumulative)	540 000	250 000	
<b>Preferential procurement<sup>3</sup></b>			
Procurement spend with 50% black-owned businesses (Rm)	3 424 <sup>✓</sup>	3 014 <sup>2</sup>	2 927
As a percentage of the 40% targeted spend (%)	23	21	
Procurement spend with 30% black women-owned businesses (Rm)	1 165 <sup>✓</sup>	1 013 <sup>2</sup>	652
As a percentage of the 12% targeted spend (%)	8	8	
<b>Socioeconomic development</b>			
Qualifying socioeconomic spend on the B-BBEE scorecard (Rm)	9,8 <sup>4✓</sup>	8,2	6,2
Total CSI spend (Rm)	11,5	16,3	

<sup>1</sup> Achieved the scorecard target of 3% of net profit after tax (actual 3,58%), scoring all 15 points.

<sup>2</sup> Restated to reflect verified B-BBEE numbers.

<sup>3</sup> Procurement spend is also influenced by the compliance status of our suppliers which may change between years. These numbers are provisional as the B-BBEE verification process was underway at the time of publication.

<sup>4</sup> Achieved the scorecard target of 1% of net profit after tax, scoring all five points.

<sup>✓</sup> Satisfied with performance.

<sup>\*</sup> Assured (see the independent limited assurance report in the 2018 integrated annual report).