– OUR APPROACH TO SUSTAINABLE DEVELOPMENT –

Imperial's corporate governance structures are aligned to the principles of the King Code of Governance Principles (King III). The introduction of King IV is expected later in 2016 and the group is in the process of reviewing its governance structures and processes to ensure the successful application of King IV.

Imperial Holdings is a multinational group comprising of many entrepreneurial units. Each division faces different risks and opportunities, and stakeholders in the different markets and countries in which we operate also have varying expectations and needs.

We are mindful that the effects of our commercial activities on broader society are potentially significant and as fiduciaries we strive at all times to exercise due care in our dealings with stakeholders. We subscribe to the view that corporate sustainability is founded on accountability for decisions that have economic, social and environmental impacts in the long term. Management is committed to deepening its understanding of the concept of shared value creation and demonstrating Imperial's social relevance by identifying viable new business activities that create concurrent economic and societal value.

Our strategy determines the sustainability initiatives we implement and our values guide the approach. Imperial's businesses operate in diverse geographies, industries and markets with different socioeconomic, political, regulatory and technological profiles. The complex interplay of opportunities and threats within these environments must be closely monitored and addressed with strategies that ensure robust competitive positions. Formal and informal scanning of the environment is an everyday executive responsibility, and the Imperial board is regularly apprised of developments that could have a bearing on the performance and sustainability of the group.

IMPERIAL'S INTEGRATED GOVERNANCE MODEL

MANAGEMENT *committees*

OPERATING CONTEXT *and* STRATEGY

GOVERNANCE

RISK MANAGEMENT

COMPLIANCE

PEOPLE, PROCESSES, REMUNERATION *and* TECHNOLOGY

BOARD *and committees*

GOVERNANCE OF SUSTAINABLE DEVELOPMENT

Talent management, broad-based black economic empowerment (BBBEE), road safety and environmental management are priorities on the agenda of the social, ethics and sustainability committee.

Authority, responsibility and accountability for the group's ethics, performance and sustainability is held at board level by the social, ethics and sustainability committee, a sub-committee of the board of directors. Responsibility is formally delegated by the board to the chief executive officer (CEO) and in turn to the CEO's direct reports and sequentially throughout the organisation.

The committee's chairman is an independent non-executive board member, and the committee is attended by non-executive and executive board members, as well as the group CEO, the chief financial officer, divisional CEOs, the group head of sustainability, and the group risk and talent management executives. The committee meets quarterly to review and monitor sustainability performance at group and divisional level, and all material sustainability risks are elevated to the risk management committee and the board.

The committee performs statutory duties, as set out in the Companies Act, No 71 of 2008, for the group and on behalf of subsidiary companies. In addition, it assists the group in discharging its social, ethics and sustainability responsibilities and implementing practices consistent with good corporate citizenship, with particular focus on talent management, BBBEE requirements, the group's transformation, environmental and socioeconomic development commitments, and the group's code of ethics and corporate values.

For the Logistics division, which accounts for the bigger portion of the group's impact on the environment, sustainability is overseen by sustainability executives in Logistics Africa and Logistics International.

OUR BOARD OF DIRECTORS

The group has a unitary board comprising of ten non-executive board directors. The chairman's role is to set the ethical tone of the board and to ensure that the board remains efficient, focused and operates as a unit. S P Kana is an independent non-executive chairman and his role is clearly defined and separated from that of the CEO.	10	INDEPENDENT NON-EXECUTIVE DIRECTORS.
	5	EXECUTIVE DIRECTORS.
	13%	OF THE BOARD ARE WOMEN.
	100%	OF THE BOARD ARE SOUTH AFRICAN.
	47%	OF THE BOARD ARE BLACK SOUTH AFRICANS.

[1]   Where black refers to African, Coloured and Indian.

During the year, the social, ethics and sustainability committee considered the following issues:

Our **socioeconomic development commitments**, including our standing in terms of the goals and purposes of the United Nations Global Compact Principles, the Organisation for Economic Cooperation and Development (OECD) recommendations regarding corruption, the Employment Equity Act and the BBBEE Act.

Good corporate citizenship, including our promotion of equality, prevention of unfair discrimination and reduction of corruption, as well as our contribution to the development of the communities in which we operate or within which our products or services are marketed, and where we undertake sponsorship, donations and charitable giving.

The **environment, health and public safety**, including the impact of our activities, and products or services.

Consumer relationships, including our advertising, public relations and compliance with consumer protection laws.

Labour and employment, including our standing in terms of the International Labour Organisation (ILO) Protocol on decent work and working conditions, as well as our employment relationships and contribution towards the development of our employees.

A percentage of the incentives paid to all South African-based executives is determined by improvement in BBBEE performance at a group or divisional level. Performance and remuneration incentives are also linked to talent management for executive and senior management, and monetary incentives are in place for business unit managers, environmental and sustainability managers and equipment operators in terms of:

> emissions reduction, and
> reduction in energy consumption (both litres of fuel saved per kilometre and reduced electricity consumption).

CODES AND POLICIES

Code of ethics

Imperial is committed to acting with uncompromising honesty and integrity. The code of ethics provides guidance to all group and divisional employees on adhering to this commitment, while recognising that it does not address every situation an employee is likely to encounter. This code is therefore not a substitute for employees' responsibility and accountability to exercise good judgement and obtain guidance on appropriate business conduct. Ethics content is included in training and induction programmes.

More information on the online group compliance confirmation process introduced in 2016 can be found on page 4 of the demonstrating social value section of the Sustainable Development Report.

Supply chain social and environmental responsibility code of conduct

Within the framework of invitations to tender, we consider social, environmental and fair economic business principles as key elements in business award decisions, both for new and existing suppliers. Our supply chain code of conduct covers human rights, environmental impacts, labour practices, prevention of bribery and corruption, and fair business practices.

Group safety, environmental and incident reporting policy

The group safety, environmental and incident reporting policy sets out the procedures to be taken in the event of a health and safety, or environmental incident. It supports our goal to ensure the physical wellbeing of our employees across all divisions, and it covers sub-contractors working at Imperial sites. Our aim is to introduce safety measures which are appropriate, enforceable and consistent, and which comply with legislation.

Human rights policy

Imperial Holdings is committed to adhering 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. We encourage all entities with which we do business to:

> Observe laws and internationally recognised labour rights standards.
> Ensure training and education on labour rights for employees.
> Refrain from knowingly employing anyone who has contributed to the violation of labour rights.

We will not hesitate to terminate agreements and relationships with contractors or suppliers who contravene international human rights standards and, in particular, use forced labour or prohibited child labour.

No instances have been identified where freedom of association or collective bargaining have been found to be at material risk. Similarly, none of our operations have been identified as having a significant risk of child labour, or forced or compulsory labour.

DATA MEASUREMENT

In 2011, we invested in a sustainability management system to collate, process and track data globally across all business operating sites. Our focus now is on ensuring the completeness and quality of the data to inform business decisions and set achievable targets. Internal environmental targets are in place for a number of businesses and we are working towards consolidated targets for each division. For other non-financial aspects of the business, we continue to enhance our measurement systems. For example, to support our talent management strategy, we are implementing new human resources management systems to facilitate accurate and easily accessible people-related data.

GRIEVANCE MECHANISMS

Whistle-blowing hotlines are in place in all regions in which the group operates. This service, operated by independent service providers, enables all stakeholders to anonymously report concerns. Retaliation against whistle-blowers is not tolerated.

In the reporting period, 140 (2015: 133) tip-offs were registered through this system, with the majority of issues raised concerning human resources and fraud. A total of 45 tip-offs are still pending, with the balance having been resolved. All cases relating to discrimination were investigated and disciplinary hearings held if appropriate. Where allegations were substantiated and the circumstances warranted it, the offending employees were dismissed.

A total of five cases classified as relating to corruption were received through the hotline with all cases either under investigation or resolved (2015: five).

Whistle-blowing hotlines

Tip-offs
received
per division

Tip-offs
by
category
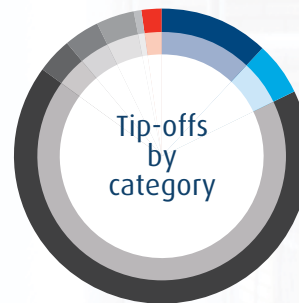
36% Logistics (2016: 50 tip-offs)
14% Vehicles Import, Distribution
and Dealerships (2016: 19 tip-offs)
49% Vehicles Retail, Rental and Aftermarket
Parts (2016: 69 tip-offs)
1% Financial Services (2016: 2 tip-offs)

12% Fraud (2016: 17 tip-offs)
6% Governance (2016: 8 tip-offs)
67% Human resources (2016: 93 tip-offs)
4% Enquiry (2016: 6 tip-offs)
4% Corruption (2016: 5 tip-offs)
4% Theft (2016: 6 tip-offs)
1% Violent crime (2016: 2 tip-offs)
2% Fleet management irregularities
(2016: 3 tip-offs)

GRI
G4
GRI G4-15, G4-34 to 36, G4-38, G4-39, G4-42, G4-45 to 47, G4-49, G4-51, G4-56,
G4-58, LA12, LA16, HR4 to HR6, SO5