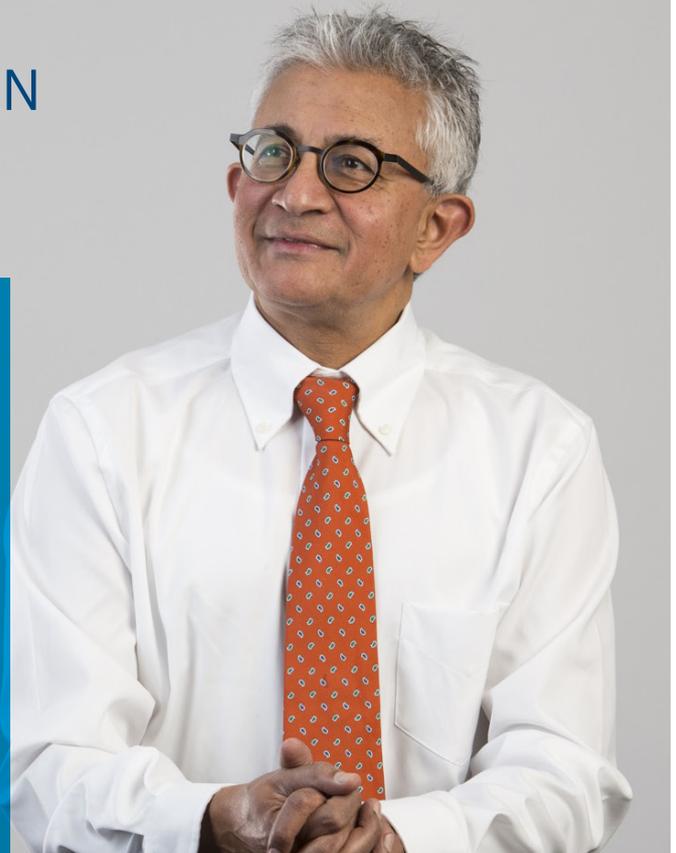


REPORT FROM THE CHAIRMAN OF THE SOCIAL, ETHICS AND SUSTAINABILITY COMMITTEE

The wide-reaching organisational renewal of Imperial, aimed at positioning the group for growth, returns and sustainability in an environment of profound structural and systemic change, is requiring focused investment in the assets and enablers that underpin the group's ability to create long-term value for its stakeholders.

Valli Moosa

Chairman of the social, ethics and sustainability committee



Most notable in this regard has been the accelerated investment in our human capital management capabilities and the related elevation of talent management and diversity on the social, ethics and sustainability committee's agenda. The focus on organisational effectiveness and empowering our people to deliver on our strategy has been in evidence throughout the organisation. It has extended from ensuring the relevance of the board's collective skills in relation to the group's growth strategy, succession planning and appointment of new leaders across the group, to implementing best practices and systems.

The Imperial talent management function has completed strategic talent reviews for all Executive Forum members and in the coming year the talent management process will shift to encompass the next level of leadership, with an emphasis on accelerating the progress of black candidates into senior roles. Generic job profiling for around 40% of the group's employees has been done, which together with the implementation of systems that provide accurate people data, will enable more effective strategic workforce planning. For our people, these initiatives will support

clear career paths and development plans for them to achieve their career aspirations within the group.

Importantly, the organisational renewal is providing the opportunity to deepen the diversity of our workforce and develop a truly inclusive culture across the group. Accelerating broad-based black economic empowerment in the group's domestic operations is a priority, as we are not where we should be in terms of the transformation of our South African workforce. Fresh thinking applied to the renewal of the organisation is enabling the integration of diversity initiatives into our human capital plans and processes, which will advance our transformation progress. Similarly, we are implementing initiatives in Europe to increase the number of women in senior positions and to manage the challenges of an aging workforce, which are imperatives in that region.

Talent management, diversity and performance against the revised Department of Trade and Industry's Broad-based Black Economic Empowerment Codes of Good Practice are linked to executive and senior management's performance and

remuneration incentives, to ensure sustained impetus in achieving our people management and transformation objectives.

 *The Organisational Effectiveness Framework is discussed in further detail on page 4 of the our people section.*

As the group expands its international operating base, and especially as new operations are acquired and integrated into the group, it becomes more complex to ensure that its reputation as a responsible corporate citizen is protected and enhanced. The consistent application of the values that inform our behaviour and that of our business partners, as well as of the policies that ensure the highest standards of operation wherever we are in the world, are fundamental in this regard. Ultimately, these depend on a demonstrable commitment to ethics by leaders and managers at every level of the organisation. Imperial has a proud tradition of ethical leadership, and the social, ethics and sustainability committee is satisfied that there is a strong ethical culture within the group, enacted and instilled by our leaders.

Specific initiatives in the year included a review of the group's code of conduct to

ensure that it is relevant and upholds the highest ethical standards, and the implementation of a revised code of conduct and a new anti-bribery policy in Logistics International. Ethics awareness campaigns were also undertaken in four African countries.

Our social and environmental initiatives, which respond to critical social concerns including road safety, education and access to primary healthcare, continue to receive focus in line with their material importance to the group's home base of South Africa and also to our various operations. In our Logistics business, for instance, our employees and sub-contractors are exposed to the risks associated with road use. As leaders in mobility and a responsible employer, road safety is therefore of great concern to us. Our focus is twofold, firstly to ensure the safety of our drivers and their potential impact on other road users throughout our countries of operation, and secondly on raising public awareness of road safety in South Africa given that it has one of the highest per capita road death rates in the world.

We aim to achieve zero harm in all our business activities and continual improvement in our safety performance. We are deeply saddened by the fatality recorded during the year under review. We extend our sympathy to the family of Mr Lerato Phillip Matlakala, a driver assistant in our Logistics Africa division who was involved in an accident in October 2015, in which an Imperial vehicle collided with an articulated vehicle towing a trailer.

Every accident that involves one of our vehicles is investigated, not only internally but also by independent external service providers. These investigations are followed up by management reports on remedial actions, which are implemented in day-to-day operations on an ongoing basis. These include safety measures such as breathalysers and on-board cameras that monitor driver behaviour. Continual feedback is provided to drivers on areas for improvement, which not only contributes to road safety but also to optimal driving behaviour that conserves fuel, and wear and tear on our vehicles.

We share our insights and experiences in respect of road safety with the South African Government to assist in developing transport

policy, and provide vehicles that patrol highways during holiday periods. More broadly, our Car Seats for Kids campaign collects and donates car seats to under-privileged families, and our school road safety programmes focus on communicating key road safety messages, assist with scholar road safety messages, assist with scholar patrol equipment and the distribution of reflective vests to pedestrian school children.

In our support for healthcare, through the Unjani Clinics network qualified nurses are given the opportunity to own clinics in townships and rural communities in South Africa. The initiative supports enterprise development and job creation, and relieves some of the pressure on over-burdened government healthcare facilities in these areas. In addition to establishing the clinics, Imperial provides financial and management support to ensure that the facilities become self-sustaining. Since 2013, the Unjani Clinics network has served over 141 000 patients.

In addition, Logistics Africa sponsors events aimed at tackling the issues facing the development of the pharmaceutical industry on the continent as well as other healthcare initiatives. Two events sponsored over the past year were the Africa Pharmaceutical Summit, which brought together a number of industry leaders and other stakeholders, and the 21st International AIDS Conference (AIDS 2016), which was aimed at reinvigorating the response to HIV and AIDS.

In South Africa, our contribution to broader skills development includes training vehicle technicians at the Imperial Technical Training Academy beyond our own requirements. The facility trains unemployed school leavers as part of Imperial's learnership programmes which also provide on-the-job experience. Furthermore, our support of libraries in under-privileged schools contributes to better literacy outcomes. Our experience has taught us that enhancing reading ability from an early age provides a solid base for subjects such as mathematics and science, which are relevant in our industry. During the financial year, six additional libraries were added to the portfolio, bringing the total to 21 and touching the lives of approximately 23 000 learners. The library project also contributes to job creation as Imperial provides the training

and salaries of the librarians, who come from local communities.

 *Our road safety initiatives and socioeconomic development programmes are discussed on pages 9 and 7 of the demonstrating social value section.*

The implementation of our sustainability management system, and ongoing improvements in data collection, is enabling individual businesses to set environmental targets. Our approach to environmental sustainability is to achieve efficiencies in terms of resource conservation, cost reduction and optimal waste management. For example, in the Vehicles division the use of rain water harvesting tanks and wastewater recycling facilities at wash bays conserves the water drawn from municipal sources. In addition, four of our car rental operations in South Africa have implemented a virtually waterless car washing system that uses one litre of water as opposed to the 200 litres used by traditional car washes. While savings achieved at an individual company level may be small, across the group they add up to a meaningful reduction in environmental footprint. There is still significant scope for improvement in our environmental performance and this will continue to be a focus going forward.

 *The section on minimising our environmental footprint sets out our environmental performance for the reporting period.*

Besides the contribution we make through the initiatives I have outlined, it is important to acknowledge the efforts of Imperial's leadership during the past year to advocate for the necessary enabling conditions to realise higher and more inclusive economic growth. This reflects the group's willingness to collaborate with government and other stakeholders to find solutions to the difficult socio-political and economic pressures facing South Africa at this time, beyond the remit of our operations.

The sustainable development report provides comprehensive detail on these and other sustainability efforts across the group, which reflect the group's commitment to deepening its legitimacy among all its stakeholders through the contribution it makes to the societies we serve.