



LOGISTICS AFRICA REVIEW

MATERIAL SUSTAINABILITY ISSUES

Issue

MANAGING ECONOMIC PERFORMANCE IN CHALLENGING ENVIRONMENTS



Sub-issues for Logistics South Africa

- > Commodity prices
- > Competition



Sub-issues for Logistics African Regional Markets (ARM)

- > Achieving appropriate returns
- > Economic disruptors
- > Environmental factors
- > Disintermediation

MAINTAINING ETHICAL BUSINESS PRACTICES



- > Managing compliance
- > Training
- > Managing effective labour relations



- > Managing compliance
- > Mitigating corruption risk
- > Training

DRIVING CLIENT CENTRICITY



- > Building customer partnerships



- > Building customer partnerships
- > Customer health and safety

ENSURING EMPLOYEE HEALTH AND SAFETY



- > Driver health and safety



- > Health and safety in the distribution warehouses

DEVELOPING EFFECTIVE LEADERSHIP AND EMPOWERED PEOPLE



- > Talent management
- > Training and development



- > Talent management
- > Training and development

SUPPORTING LOCAL ECONOMIES



- > Accelerating transformation progress in South Africa



- > Local employment
- > Local procurement
- > Development of healthcare in Africa

MINIMISING THE ENVIRONMENTAL FOOTPRINT



- > Energy consumption
- > Fuel and emissions efficiency



- > Energy consumption in distribution warehouses
- > Fuel and emissions efficiency in transportation

Terms used in this section are Logistics Africa which includes all logistics operations on the continent, Logistics South Africa which refers to the South African operation only and Logistics African Regional Markets which refers to all operations beyond South Africa.

MANAGING ECONOMIC PERFORMANCE IN CHALLENGING ENVIRONMENTS

The decline in exported commodities has resulted in lower road transportation volumes for Logistics South Africa. In addition, the operation has also been impacted by uncertainties in bulk fuel logistics and sluggish economic activity in most sectors which has led to many clients restructuring their businesses to respond to declining consumer demand. As a result, revenue for Logistics South Africa was flat with operating profit declining by 21% year-on-year. Increasing competition from smaller and new entrants in South Africa, is placing pressure on margins and requires that the division offers more services and finds ways to assist its clients to reduce their logistics costs in a sustainable manner.

In the Rest of Africa, the collapse in commodity prices combined with declining capital flows to emerging economies, has resulted in slower

economic growths for some African countries. Currency volatility and unpredictability, with some currencies being overvalued and illiquid, have impacted the ability of local businesses to pay foreign suppliers. In addition, weather conditions have severely impacted sub-Saharan markets resulting in increased food prices as regional crop production decreased. Finally, tough economic climates increase the threat of disintermediation as multinationals look to buy local distributors and manufacture their goods locally. For Logistics Africa Regional Markets (ARM); volume growth, the contribution of its businesses in the pharmaceuticals sector and the inclusion of Imres for a full 12 months have contributed to an operating margin of 6,6% (2015: 6,4%) and operating profit of R780 million, which exceeded that of Logistics South Africa.



MAINTAINING ETHICAL BUSINESS PRACTICES

APPROACH

BOARD COMMITTEES, CODE OF ETHICS AND POLICIES, AND COMPLIANCE TRAINING



Operating ethically, compliance and respecting human rights are key considerations for the division given its partnerships with health ministries, donor organisations and the pharmaceutical industry. In addition, cross-border transportation of goods in Africa is susceptible to corruption, and compliance can in certain instances inhibit the division’s ability to compete in terms of price. However, principals are placing more emphasis on anti-corruption and anti-money laundering, and in countries where regulation is underdeveloped the division’s adherence to ethical business practices has provided an advantage and increased business volumes.

The responsibility for driving ethics rests with the management teams of individual operating companies. Compliance and ethical concerns are dealt with at operating company board meetings which are attended by representatives of the Logistics Africa executive team. The division operates a zero tolerance policy to non-compliance, and the Imperial code of ethics together with other policies provide a framework that guide expected behaviours.

Legal and tax issues are covered by the compliance programme and compliance audits are undertaken regularly across the division. Compliance and policy training is provided to employees and campaigns delivered through various platforms serve to drive ethics awareness.

Logistics ARM’s operating companies are responsible for keeping abreast of regulatory changes in their individual markets of operation. Compliance with regulations across markets is ensured through engagement with in-country regulators, memberships of local chambers of commerce and similar entities and SustainAbility Solutions, a consultant that keeps the division informed of relevant regulatory changes in the United States.

ADHERENCE TO THE FOREIGN CORRUPT PRACTICES ACT AND WHISTLE-BLOWING HOTLINES



Logistics ARM procures almost exclusively from international principals who comply with either the Foreign Corrupt Practices Act or a similar act. All suppliers to Imperial Health Sciences are required in their contracts to confirm their adherence to the Act. In addition, all executives of Logistics ARM have confirmed that they understand the Act and the related anti-corruption policy.

In Logistics ARM, induction training for new employees covers anti-corruption and where relevant, employees attend a programme offered by SustainAbility Solutions on the new rules and regulations pertaining to the United States Agency for International Development (USAID) and the Centre for Disease Control.

Whistle-blowing hotlines are in place in all regions in which the division operates.

ENGAGEMENT WITH TRADE UNIONS IN SOUTH AFRICA



Logistics Africa is a labour intensive business. While union membership beyond South Africa is fairly uncommon, the fragmentation of unions in South Africa and their political involvement can create difficult relationships that not only impact the division directly, but also indirectly through strike action in the industries within which its clients operate.

Logistics South Africa continuously works at building union relationships with executive and senior managers serving in strategically relevant positions on industry bodies. The chief executive officer of Logistics South Africa acts as chairman of the Road Freight Association and the human resources executive acts as chairman of the National Bargaining Council for the Road Freight and Logistics Industry (NBCRFLI). Three representatives from Logistics South Africa participate in the Road Freight Association’s labour relations committee, which is the largest employer party at the NBCRFLI. Employer parties and unions work together to direct the affairs of the bargaining council.

Performance

Across the division compliance risk is being dealt with through tools that provide better visibility on regulatory requirements and the strengthening of in-country compliance capability. During the year, compliance reviews in Mozambique, Namibia, Nigeria and Zambia were completed with no significant issues identified.

There were no instances of material non-compliance with legislation during the year for Logistics Africa.

During the year, whistle-blowing hotline awareness was undertaken in Botswana, Namibia, Nigeria and Mozambique to reinforce the understanding that reporting unethical behavior using the hotlines is anonymous.

Wage negotiations were successfully concluded for employees in Logistics South Africa with a three-year wage agreement in place from March 2016. This is the second successive three-year wage agreement.

 More information on our grievance mechanisms including whistle-blowing hotlines can be found on page 4 of the approach to sustainable development section.

DRIVING CLIENT CENTRICITY

APPROACH

IMPERIAL LOGISTICS C3 (CUSTOMER, CARE AND CHAMPION) PROGRAMME (ILC³ PROGRAMME)



Logistics Africa is placing renewed attention on client centricity. To retain clients requires engagement on the challenges they face and the reinforcement that Logistics Africa operates in a dynamic and efficient manner to ensure that its clients remain competitive. Client-facing employees are therefore critical in developing this deep understanding and appreciation of clients, and play a key role in building partnerships.

Our strategy to build client relationships rests on four objectives

| | | | |
|--------------------------------------|---|---|--|
| Deliver the best logistics execution | Expand client engagement across the value chain | Elevate client relationships to truly improve competitiveness | Leverage our capabilities across the business to benefit clients |
|--------------------------------------|---|---|--|

The ILC³ programme is designed to translate this strategy into workable and measurable practices. It facilitates learning through the sharing of experiences, drives innovation and recognises employees that have elevated client relationships to drive competitiveness. Entries to the programme are voluntary and open to all client-facing employees. Participants are rated on four measures covering client, management, improvement and learning perspectives.

CUSTOMER FEEDBACK SESSIONS



Customer feedback is obtained through a combination of direct engagement and surveys. All strategic clients are serviced through formal client relationship structures, with strategic meetings held quarterly between the division's and the client's senior management. At an operating company level, managing directors and key account managers proactively engage with clients on operational and tactical opportunities.

Qualitative research is undertaken with strategic clients at group, divisional and company level. The most recent undertaking was designed to determine brand perceptions and understanding of Logistics Africa's service offering. Key issues raised included cost, service delivery and differentiators such as continuous improvement. Insights gained from these research exercises are used to address operational concerns and build a more robust client engagement strategy. Research is largely conducted telephonically however clients have the option to request face-to-face interviews. Questionnaires are designed together with the leadership team and the exercises are repeated within 12 to 18 months to determine progress.

CONTROL PROCESSES TO ENSURE CUSTOMER HEALTH AND SAFETY



Logistics Africa distributes several consumer goods including food, and over-the-counter medical products, which requires that it manages the risks associated with the distribution of these goods. Goods are only procured directly from principals and the division is contractually bound to inform principals of any potential risks to customer health and safety. All goods are barcoded to enable traceability.

Control processes at Imperial Health Sciences ensure that medicines entering African countries through its channels are genuine. It also assists companies to serialise their products, so that from the point of production to the point of usage, there is a chip, barcode or traceability measure to verify that the product is not counterfeit. Imperial Health Sciences is ISO 9001: 2008 certified ensuring the safe receipt, storage and distribution of pharmaceuticals.

Performance

In South Africa, the division has maintained its lead market position, with a client retention rate of around 88%.

A total of 83 entries from employees were reviewed in the ILC³ programme, with the majority originating out of the consumer, and industrial transport and warehousing areas. Of this, a total of 14 entries originated out of Logistics ARM.

ENSURING THE HEALTH AND SAFETY OF EMPLOYEES

APPROACH

OCCUPATIONAL HEALTH AND SAFETY (OHS) COMMITTEES, AND HEALTH AND SAFETY INITIATIVES



South Africa

As most transport in South Africa takes place by road, driver safety is a key priority for Logistics South Africa. To reinforce a strong safety culture, the Logistics Africa Safety Rules are attached to vehicle sun-visors and key rings. The division manages driver behaviour through advanced vehicle tracking and monitoring systems on its trucks. The monitoring systems score driving behaviour and ensure that drivers apply the optimal driving techniques taught to them as part of the division’s driver training. Other safety measures include breathalyser tests and speed control mechanisms in vehicles, and regular mandatory maintenance of vehicles. The division ensures that its drivers have valid professional driving permits and undergo regular health examinations.

Logistics South Africa participates in the Trucking Wellness programme, an initiative of the NBCRFLI. This primary healthcare programme operates roadside and mobile wellness centres situated along major South African routes. The centres operate mostly at night, which is the most convenient and accessible time for long-distance truck drivers. They are staffed by registered nurses and counsellors, and provide medical and other support to drivers, their partners and commercial sex workers. NBCRFLI’s Wellness Fund Health Plan is available to all its members and contributions are made through the wage bill. The fund entitles members and up to two eligible spouses to certain medical benefits, and drivers testing positive for HIV are immediately referred into the fund’s HIV treatment programme.

African Regional Markets

Only 20% of Logistics ARM’s revenue is derived from transportation, of which the majority is outsourced to service providers, therefore driver safety is not under Logistics ARM’s direct control.

For Imperial Health Sciences Africa, the warehousing and distribution of pharmaceuticals can potentially impact the health and safety of employees. The business is subject to various OHS legislative requirements depending on countries of operation. A network of OHS committees is in place at operational level across all country operations and are responsible for OHS management with executive oversight at head office level. Where necessary Imperial Health Sciences Africa uses external consultants to drive OHS compliance and best practice.

SERVICE PROVIDER ASSESSMENTS



In the absence of relevant local legislation, Logistics Africa applies best practice compliance in areas such as environmental protection, and vehicle quality and safety across all its markets. The division works with around 600 third parties that undertake services on the division’s behalf. Service providers are held to the same quality, and health and safety standards as Imperial’s drivers, and are audited to ensure their compliance.

DRIVER TRAINING



In South Africa, most operating companies have training facilities managed by accredited in-house driver trainers. Where this is not the case due to the size of the business, the function is outsourced to training service providers that meet the division’s standards.

ACCIDENT REVIEWS



Audit protocols on driver safety aim to standardise procedures and processes across Logistics Africa, and accidents are independently reviewed to provide better insight into the root causes. On-board cameras also assist with accident analysis, helping drivers understand near misses and what they can do to prevent these.

Performance

A fatigue management policy was developed and rolled out to operating companies based in South Africa during the year. The policy guides the management of risks relating to fatigue, and ensures that regulations relating to working hours and rest periods are complied with. In 2016, driver training minimum standards were implemented supported by a detailed driver training manual. Induction training on the manual will be delivered to trainers and compliance to the training standards will be audited internally on an annual basis.

The Road Transport Management System is an industry-led, voluntary self-regulation scheme that promotes a number of initiatives including the preservation of road infrastructure and improvement in road safety. Some 90% of the division’s operating companies selected for Road Transport Management System accreditation, have successfully passed the process.

Logistics Africa sponsors seven wellness centres under the Trucking Wellness programme in South Africa, four of which are situated at company premises. The division contributes R805 000 a year to the centres.

| ROAD SAFETY | 2016 | 2015 | 2014 |
|--------------------------------|------------------|------|------|
| Kilometres travelled (million) | 443 | 473 | 464 |
| Road accidents | 181 ¹ | 78 | 106 |
| Road injuries | 70 ¹ | 28 | 46 |
| Road fatalities | 1 | 5 | 7 |

¹ Increase is due to more stringent safety reporting criteria introduced during the reporting year.

DEVELOPING EFFECTIVE LEADERSHIP AND EMPOWERED PEOPLE

APPROACH

SUCCESSION PLANNING AND TALENT MANAGEMENT



Succession planning and talent management is covered by the group-wide Organisational Effectiveness Framework.



More information on this framework can be found on page 4 of the our people section.

TRAINING FACILITIES AND DEVELOPMENT PROGRAMMES



The Imperial Logistics Academy supports the learning and career development needs of the division's employees. It also serves to promote a learning culture and developmental ethos within the division, and supports the division's ability to meet current and future talent requirements. The Academy is supported by a wide network of associate facilitators, assessors, moderators and curriculum designers, and focuses on the four key pillars explained below.

Pillar 1: Continuous professional development

Continuous development of employees is provided through various short programmes and training delivered face-to-face, online or through distance learning. Investment in new curriculum that meets business needs is ongoing.

Pillar 2: Education

Formal education is delivered through study assistance schemes, bursary schemes, tertiary education delivered through distance learning, and learnership programmes. Interventions provide National Qualifications (NQF levels 1 to 7) and require one or more years of study.

The tertiary education distance learning programmes are delivered through the Open Learning Group and include:

- > A Bachelor of Business Administration degree in Logistics and Supply Chain Management (NQF7).
- > A diploma in Logistics and Supply Chain Management (NQF6).
- > A higher certificate in Logistics Management (NQF5).

Learnership programmes (ranging from NQF level 1 to 5) cover subjects such as generic management, warehousing, road transportation operation, business administration, and transport and logistics.

Pillar 3: Workplace experience programmes

These interventions are delivered through graduate programmes, learnerships and apprenticeships.

A key priority for the Academy is building a pipeline of graduates to feed into the division's bursary and internship programmes. These structured programmes provide young graduates with the opportunity to gain hands-on experience throughout all areas of the logistics and supply chain management industry. Participants are further supported through mentorship.

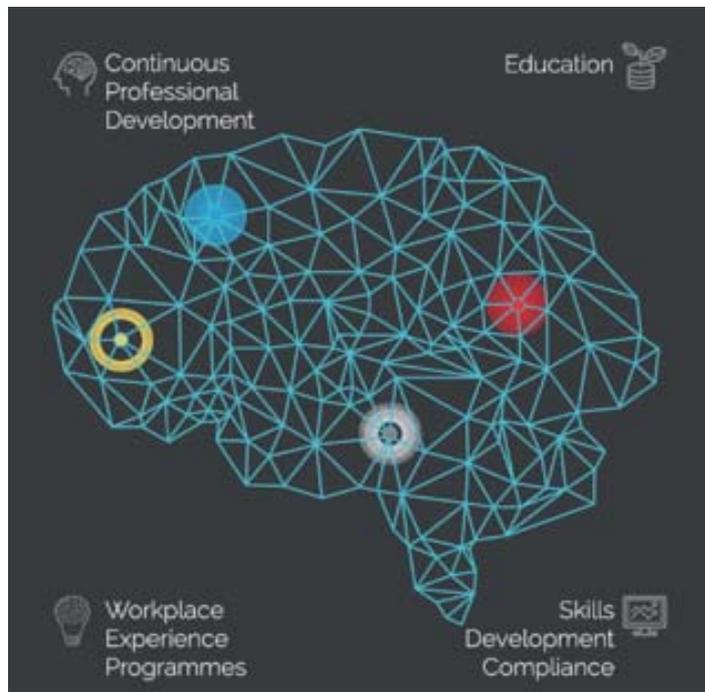
APPROACH

TRAINING FACILITIES AND DEVELOPMENT PROGRAMMES CONTINUED



Pillar 4: Skills development

Skills development compliance through statutory reporting and participation in grant schemes.



The division uses a mix of traditional learning and digital platforms for learning and communication as this provides easy access to learning opportunities, and accelerates the learning process for employees across the division’s geographies. Induction training is delivered to new employees through an online platform which is regularly reviewed and updated with new topics.

The Academy has established partnerships with Skills Education Training Authorities (SETAs) in South Africa, local government and education institutions.

TRAINING TARGETS



An annual target is in place to appoint unemployed learners into the organisation either through graduate, internship or learnership programmes. This target is 2,5% of the South African headcount.

Performance

Talent management

Over 200 senior managers within Logistics Africa participated in a comprehensive assessment process during the financial year. This included psychometric and behavioural assessments, comprehensive coaching feedback and talent conversations with line managers. The process will culminate in a personal development plan for each individual.

Strategic talent reviews were also conducted where divisional chief executives presented their strategically critical positions and potential successors. Quarterly reviews have been scheduled to track progress against talent management objectives.

Training and development

During 2016, the following new programmes were added to the Academy’s continuous professional development offering:

- > Supervisory Development programme, with 257 learners enrolled.
- > High Performance Manager programme, with 129 learners enrolled.
- > Industrial Relations Development programme.
- > Selling Skills 101.
- > Driver Trainer toolkit.
- > e-Learning module for merchandisers.

R109 million

SPENT ON TRAINING AND DEVELOPMENT, DELIVERING 19 HOURS OF TRAINING PER EMPLOYEE (2015: R109 MILLION AND 21 HOURS PER EMPLOYEE).

207

EMPLOYEES WERE REGISTERED FOR TERTIARY QUALIFICATIONS THROUGH THE IMPERIAL LOGISTICS ACADEMY.

R1,9 million

AWARDED AS BURSARIES TO THE CHILDREN OF EMPLOYEES WORKING FOR THE DIVISION.

589

LEARNERS WERE REGISTERED FOR LEARNERSHIP PROGRAMMES THROUGH THE IMPERIAL LOGISTICS ACADEMY.

504

UNEMPLOYED LEARNERS WERE APPOINTED INTO THE ORGANISATION EITHER THROUGH GRADUATE, INTERNSHIP OR LEARNERSHIP PROGRAMMES, MEETING THE TARGET TO APPOINT THE EQUIVALENT OF 2,5% OF THE HEADCOUNT IN SOUTH AFRICA. ALL APPOINTMENTS WERE BLACK LEARNERS.



SUPPORTING LOCAL ECONOMIES

Up to 40% of the total delivered cost of medicines in Africa is made up of supply chain, distribution and other non-core costs. As a conduit for healthcare products between manufacturers, distributors and end users, Logistics Africa plays a key role in delivering affordable medicine to African communities through efficient service delivery that lowers costs.

APPROACH

BOARD AND MANAGEMENT COMMITTEES, AND ENTERPRISE DEVELOPMENT PROGRAMMES IN SOUTH AFRICA



Logistics South Africa goes beyond just meeting targets and works to ensure that its black economic empowerment (BEE) policies and implementation plans genuinely make progress towards transforming the operation. Employment equity is reported at operating company management meetings, and where issues arise these are escalated to the executive board member responsible for overseeing employment equity. As per a decision taken by the Logistics Africa executive, operating companies in South Africa are required to spend 2% of their annual payroll on skills development initiatives for black employees.

Supplier development initiatives are aimed at assisting selected suppliers with capital funding through interest-free, unsecured loans. The funding aims to assist suppliers within the Logistics South Africa value chain to increase their capacity and capability to meet the commercial procurement demands of the division’s operating companies. Shorter payment terms are also facilitated for some smaller suppliers.

EMPLOYING LOCALLY



Logistics Africa intends to expand into West Africa and East Africa. To take advantage of these opportunities requires a good understanding of the local markets which is facilitated through hiring locally. Key individuals are retained in acquired businesses and the division works to create a pipeline of local talent through its training and development programmes.

PROCURING LOCALLY



In addition to supporting local development, procuring goods and services locally also provides benefits in terms of customs, excise and taxation, as well as decreased exposure to foreign exchange fluctuations. It also assists Logistics ARM to access specific African markets. For Eco Health, 75% and 50% of healthcare products are manufactured locally in Nigeria and Ghana respectively.

In South Africa, preference is given to BEE-compliant suppliers with Imperial Holdings providing guidance to operating companies on supplier development and procuring from small, medium and micro enterprises (SMMEs) that are black-owned and black women-owned.

IMPERIAL HEALTH SCIENCES SUPPLY CHAIN ACADEMY



Poor pharmaceutical warehouse management, including cold chain management, can result in medicinal product and vaccine decay, and subsequent loss of product. The Imperial Health Sciences Supply Chain Academy provides programmes that build supply chain management skills and knowledge, particularly around warehousing best practice. Training is offered to the division’s employees and to health and logistics practitioners in public health facilities, government health departments and private logistics companies. The internationally recognised Warehouse Management Operations course is hosted in South Africa and provides delegates with the opportunity to learn from local subject matter experts, gain on-the-job warehouse experience and visit world-class, ISO:9001 certified warehousing facilities. The programme is offered in English, French and Portuguese.

STRATEGIC PARTNERSHIPS AND MEMBERSHIPS



Membership in the Road Freight Association in South Africa provides the division with the opportunity to contribute to solving road freight industry concerns, social issues and the development of road legislation.

Logistics South Africa is also a founding member of the Public Health Enhancement Fund and the Social Compact Forum, a collaboration between South Africa’s Department of Health and private health sector organisations. The fund provides a vehicle through which private sector contributions support government in addressing healthcare priorities, and the forum provides an engagement platform to tackle healthcare challenges. One of the forum’s projects 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.

Imperial Health Sciences is a board member of the People that Deliver initiative which strives to improve the health supply chain workforce in developing countries. This initiative serves to ensure that strong supply chains with trained professionals facilitate the distribution of drugs and other health supplies to the patients who need them.

Logistics Africa also works with national governments to deliver innovative solutions that secure a sustainable supply of quality medicines. In Rwanda, the division together with other stakeholders assisted the Department of Health with the implementation of an electronic logistics management information system, improving the delivery of critical medical supplies. In Malawi, Imperial Health Sciences worked with the United States USAID-Deliver project to develop a logistics solution that ensures the efficient delivery of medicines and other commodities to over 640 healthcare facilities each month.

Performance

BEE performance in South Africa

Training and development is an important element of meeting the division’s employment equity targets. Around 79% (2015: 64%) of the division’s 2016 training spend in South Africa was allocated to black employees, meeting Logistic South Africa’s target of 2% of annual payroll. A total of R478 800 was invested in training for employees with disabilities.

Logistics South Africa’s most recent BEE certification was issued in November 2015, with renewal scheduled for November 2016. The division retained its Level 3 BEE rating and value-adding status which benefit its clients in terms of their own procurement scorecards. Full points were achieved for preferential procurement, enterprise development and socioeconomic development, with preferential procurement spend with 50% black and 30% black women-owned businesses almost double the target percentage.

For employment equity, Logistics South Africa achieved 54% of the target points and plans will be presented to the Logistics Africa board in July 2016 setting out what the division needs to do differently to improve this score. Areas of improvement remain black representation at middle and senior management levels, with a good pipeline of black managers at junior management level. The division’s training and development programmes will assist the fast-tracking of black employees into more senior positions. At June 2016, Logistics South Africa had 2 858 black managers in its employ, more than

triple the number working for the group in 2008. In addition, women representation is growing in managerial positions that were previously male-dominated.

During the year, Logistics South Africa spent over R10 million on enterprise and supplier development with 25 black-owned businesses receiving contributions.

Some 76% of the division’s enterprise development spend was allocated to the capital and operational expenditure requirements of the Unjani Clinics network, discussed in the demonstrating social value section on page 12. In addition, Logistics South Africa hosted 10 SMMEs at the annual Enterprise Development Expo in September 2015, enabling these businesses to showcase their products and services to potential customers.

Capital funding was provided to two SMME suppliers operating within the Tanker Services

value chain during the year. An interest-free, unsecured loan to purchase a truck was provided to Retsohile Ma Afrika Trading (RMAT), a 100% black-owned and 30% black women-owned business in the petroleum wholesale and distribution industry. Tanker Services: Fuel & Gas also provides the business with back-office operational support ranging from finance and administration support to driver training, and health, safety, environmental and quality compliance. Following the loan, RMAT has created two full-time jobs.

Mario Koeberg & Sons also received an interest-free, unsecured loan for the purchase of two trucks which enabled the business to invest in new capital at preferential rates and terms. In operation since 2005, Mario Koeberg & Sons operates a fleet of 15 trucks and employs 23 people. Four jobs have been created through the financial assistance provided by Tanker Services: Food & Chemicals.

 More information on our transformation progress in South Africa can be found on page 5 of the demonstrating social value section.



Addressing healthcare concerns in Africa

The Imperial Health Sciences Supply Chain Academy trained 364 people during the 2016 financial year.

For the second consecutive year, Imperial Health Sciences was a main sponsor of the Africa Pharmaceutical Summit, a strategic industry event that brought together industry leaders, policymakers, regulators, academics, investors, scientists and patient representatives to tackle the most pressing

issues facing the development of the pharmaceutical industry in Africa. Logistics Africa, which delivers life-saving medicine to HIV/AIDS programmes in 30 African countries, was also a major sponsor of AIDS 2016. The international AIDS conference held in Durban, South Africa, provided a platform to advance efforts to treat and prevent HIV, share best practices, and develop new strategies and collaborations.

Looking ahead

It is anticipated that the Road Freight Sector Code, aligned to the Department of Trade and Industry's generic broad-based BEE Codes of Good Practice (dti Codes), will be gazetted in

early 2016. The tougher requirements will impact the division's preferential procurement status, and a drop in BEE rating to Level 5 is expected. Logistics South Africa aims to achieve a competitive Level 4 BEE recognition level under the new codes in 2017 and will actively target a Level 3 status by 2020. Black senior management is targeted to grow from 9% to 22% by 2020 and black women in senior management from 4% to 11%. The division expects to continue achieving maximum points for skills development, which requires that around 500 black people participate in learnerships, apprenticeships and internships each year.

MINIMISING THE ENVIRONMENTAL FOOTPRINT

APPROACH

| | |
|---|---|
| <p>ENVIRONMENTAL POLICY</p>  | <p>Environmental considerations are a growing feature of tender requirements. The division's environmental policy sets out its commitments to reducing its environmental impact and reinforces its obligations in terms of compliance with environmental legislation. For operating companies where environmental impact is a key focus, environmental performance is the responsibility of the managing director.</p> |
| <p>CARBON DIOXIDE (CO₂) EMISSIONS</p>  | <p>To remain competitive, the division must look for ways to reduce fuel consumption as this is a major driver of logistics costs and contributor to potential emissions tax. Logistics Africa focuses on vehicle utilisation, vehicle specification and driver ability as three components that can reduce fuel usage and emissions. Logistics Africa purchases the highest Euro-rated vehicles available, and all new vehicles are tested for their suitability and fuel consumption. Vehicle service schedules and replacement policies are also in place.</p> <p>Route optimisation software enables efficient fleet planning and optimal travelling distances, reducing fuel usage and delivery times. It also eases road congestion and reduces the potential for road traffic accidents. The execution of route planning is tightly managed to ensure that the ideal route plans are carried out as precisely as possible.</p> |
| <p>ENERGY</p>  | <p>Increasing electricity costs in South Africa, have necessitated in-house electricity metering at top energy consuming sites. This allows for more accurate data on energy usage than that provided by municipal estimates, and quicker responses in the way of savings initiatives. Meters identify usage patterns and highlight areas with higher than expected energy consumption levels. Energy saving initiatives range across the different operating companies and include energy saving lighting systems, motion sensors and photovoltaic (solar) plants.</p> |
| <p>WASTE MANAGEMENT</p>  | <p>Waste management is also a focus area, particularly in terms of spillages that can contaminate water and soil.</p> |
| <p>ENVIRONMENTAL TRAINING</p>  | <p>The division works with its drivers to produce optimum fuel efficiency from vehicles with regular driver training programmes providing further support. Communication campaigns raise awareness and promote behavioural change relating to other aspects such as electricity and water saving, and waste management. Training on the environmental policy as part of site level toolbox talks is being considered.</p> |

Performance

South Africa

Imperial Fast 'n Fresh has piloted cryo-fridge units in the transportation of produce for Woolworths, one the largest retail chains in South Africa. Cryo-fridge units use liquid nitrogen as the primary coolant source instead of the conventional diesel operated unit. The technology also makes use of solar panels located on the roofs of trailers to charge the fridge batteries. The pilot was successful, reducing fuel consumption and noise levels. The division has one cryo-fridge unit currently in operation and plans are in place to roll out three more units.

 See the online case study titled 'reducing carbon emissions and noise pollution by utilising alternate transport refrigeration technology' for more information.

During the year, Goldfields Logistics implemented energy meters, a water recycling unit at the head office wash bay and an initiative where nitrogen is used to inflate tyres so that they operate at lower temperatures which enhances longevity. The business also replaced 25 obsolete vehicles with new fuel efficient vehicles, providing a 15% reduction in fuel usage across the fleet. Video conferencing facilities have also been introduced as an alternative to business travel.

In the reporting year, a number of operating companies invested in wastewater recycling units to facilitate the water requirements of their wash bays. This reduces the demand on municipal water supplies and the amount of effluent being discharged into sewers.

African regional markets

In Kenya, Imperial Health Sciences consolidated four separate warehouses into a newly built facility during the year. The facility has a number of resource-efficient implementations including light emitting diodes (LED) lighting systems, solar heating, thermo-shield coating on the roof, energy efficient air-conditioning systems and a photovoltaic solar system.

Imres is a Netherlands-based wholesaler of medical supplies with a strong presence in Africa. It is investigating the feasibility of building a warehouse in Dubai to facilitate the delivery of orders from a supplier in India to clients in Africa. This will negate the need to route shipments through the Netherlands, reducing freight and fuel costs, as well as emissions through reduced shipping kilometres. In addition, clients in Africa will receive their orders earlier, and medicines and aid will be delivered sooner to locations where they are needed.

ENVIRONMENTAL PERFORMANCE

| | 2016 | 2015 | 2014 |
|--|---------|---------|---------|
| ENERGY | | | |
| Road fuel usage (kilolitres) | 177 722 | 200 514 | 207 677 |
| Non-road fuel usage (kilolitres) | 1 145 | 1 252 | 1 345 |
| Purchased electricity (megawatt hours) | 79 989 | 79 644 | 77 268 |
| WATER | | | |
| Water purchased from municipalities (kilolitres) | 679 727 | 680 215 | 672 926 |
| EMISSIONS | | | |
| Scope 1 emissions (tonnes of CO ₂) | 482 125 | 546 415 | 578 765 |
| Scope 2 emissions (tonnes of CO ₂) | 79 272 | 77 611 | 81 842 |
| ENVIRONMENTAL INCIDENTS | | | |
| Number of environmental incidents | 57 | 80 | 104 |





ONLINE CASE STUDIES

PRESERVING FAST-MOVING CONSUMER GOODS WHILE REDUCING ELECTRICITY REQUIRED FOR REFRIGERATION

Imperial Cold Logistics uses dry air climate control systems in five facilities to reduce electricity consumption and other overhead costs, as well as limit produce damage and waste.

USING ELECTRICITY METERS TO IDENTIFY PEAK ELECTRICITY LOADS

Imperial Retail Logistics installed an electricity meter in the Cape Town depot's battery bay which highlighted that the day-to-day process of recharging batteries could be changed to achieve electricity and cost savings.

REDUCING CARBON EMISSIONS AND NOISE POLLUTION BY UTILISING ALTERNATE TRANSPORT REFRIGERATION TECHNOLOGY

Since November 2014, Imperial Fast 'n Fresh has been testing cryo-fridge units in the transportation of produce for Woolworths, with successful results.