

Investing in sustainable value creation

*Groups do not compete, subsidiaries do.
As the custodian of strategy, capital, succession and governance, the group exists to enhance the sustainable competitive position and growth potential of its subsidiaries.*

Besides the value-adding intervention in its operating divisions, which defines the group's business model, group leadership sets the policies, approval frameworks and related oversight processes that give effect to superior governance, transparency, disclosure and communication. In addition to a well-constituted group board and governance structures aligned to best practice, the divisions have strong operating boards that comprise group and operational executives and independent non-executive directors of the Imperial Holdings board, with a mix of relevant professional and industry expertise. The group creates value through three strategic pillars (reflected below), and the investment it is making in the primary enablers of growth, returns and sustainability – the 'capitals' on which sustainable value creation depends – is fundamental to the ability of its subsidiaries to create sustainable value.



Corporate governance summary from page 61.

Value creation pillars

STRATEGIC CLARITY	ORGANISATIONAL SIMPLICITY	DISCIPLINED CAPITAL MANAGEMENT
<ul style="list-style-type: none"> > Achieving the optimal portfolio of assets in each division, defined by complementary capabilities. > Deepening the value propositions of the divisions for competitive advantage, growth and returns, defined by clear market, product and customer focus. 	<ul style="list-style-type: none"> > Ensuring strong leadership and succession planning within divisional operating boards and executive teams. > Simplifying structures and removing complexity, duplication and cost within the divisions. > Devolving relevant functions and services provided by the group to the divisions when appropriate. > Rationalising legal entities and simplifying, separating and aligning local and international financial structures. 	<ul style="list-style-type: none"> > Assessing investments in acquisitions, organic growth or asset renewals according to targeted returns on invested capital. > Ensuring tight working capital management. > Achieving appropriately geared independent and self-sustaining balance sheets for each division. <div style="text-align: right; margin-top: 10px;">  <p><i>Our top risks (page 10) and corporate governance summary (page 61).</i></p> </div>



For more on strategy, refer to the CEO's report from page 21.



Material capital inputs

FINANCIAL AND MANUFACTURED CAPITAL

The group is the entry point for providers of equity and debt capital who wish to invest in the group's investment proposition. Broadly, this relates to the profound organisational renewal in progress to secure the competitiveness of the group's strategically distinct mobility businesses, and the optimal utilisation of their assets. Embedded governance structures and processes to ensure disciplined capital allocation and effective balance sheet management, for focused growth and targeted returns, underpin these objectives.

HUMAN AND INTELLECTUAL CAPITAL

A significant investment is being made in human capital management, and the supporting systems. This recognises that people and culture are the foundation for the delivery of differentiated customer value propositions, organisational effectiveness and reputational integrity. The divisions are also investing in systems and technology for competitive advantage and efficiencies, as well as in innovative responses to the disruptive threats in their industries.

SOCIAL AND RELATIONSHIP CAPITAL

Stakeholder expectations and priorities are integrated into strategic and operational decision-making to ensure strong commercial relationships and to protect the group's licences to operate, which depends on its societal relevance and legitimacy. Ethical practices and regulatory compliance, including diversity and inclusion, are increasingly important to clients, principals, suppliers and business partners of the divisions. This extends to managing their material environmental impacts, according to the nature of their operations. The group continues to invest in initiatives that respond to critical societal concerns.



Details of our stakeholders, their key concerns and our response can be found online.

Business activities

Imperial Logistics

Customised outsourced logistics solutions that ensure the relevance and competitiveness of its clients in the industry verticals and geographies in which it operates.



Divisional review:
Imperial Logistics from
page 40.

Value-add logistics

Evolves from point services to the integrated management of transportation, warehousing and delivery operations on behalf of clients – thus acting as the lead logistics provider managing multiple supply chain functions.

- > Warehousing management
- > Transportation management
- > International freight management
- > Distribution management
- > Value-add logistics solutions (lead logistics provider)

Supply chain management

Integrates clients' logistics functions into their end-to-end supply chain to reduce their time-to-market, improve their customer service and mitigate risk.

- > Supply chain advisory
- > Supply chain technology
- > Managed services
- > Contract manufacturing
- > Contract logistics
- > Supply chain management solutions

Routes-to-market

Provides access to end-consumers through taking ownership of product inventory and provides integrated logistics and sales services.

- > Demand activation
- > Merchandising
- > Sourcing and Procurement
- > Wholesaling
- > Distributorships
- > Route-to-market solutions

Motus

Importer, distributor, rental and retailer of vehicles and related products and services focused on creating value for customers across the vehicle value chain.



Divisional review:
Motus from page 52.

Distribution network

Distributor and retailer of vehicles and related products and services in Southern Africa and selected international markets.

- > Vehicle and parts import
- > Vehicle dealerships – independent and owned
- > Distributorships in African countries
- > Part distribution – resellers/specialised workshops
- > Car rental outlets (Europcar and Tempest)

Products and services

Provides services across all segments of the vehicle value chain for a range of the world's most respected vehicle brands, with an integrated offering that includes motor related financial products and services.

- > Passenger and commercial vehicles
- > Aftermarket parts, servicing and repairs
- > Car rental
- > Service and warranty plans
- > Fleet management services/VAPS
- > Roadside assistance
- > Value-added products

Outcomes in overview

- > The effective operation of the group's businesses contributes to efficient industry supply chains and affordable vehicle ownership, which support real economic activity and quality of life through the efficient movement of goods and people.
- > The separation of the group's portfolio into two increasingly self-sufficient businesses, and their ongoing internal restructuring, is aimed at maximising the group's ability to create value for

shareholders with a sustainable improvement in performance and returns expected from 2018.

- > The competitive strategies of the divisions aim to ensure sustainable profitable growth within the context of cyclical and structural shifts in their markets, and hence their ability to create value for all stakeholders.
- > An important outcome of the renewal of the group is to reinforce a culture of ethical corporate citizenship. This involves many aspects including fair

market practices, elimination of all forms of anti-competitive behaviour and corruption, appropriate remuneration practices that respond to income inequality in specific markets, diversity and inclusion including local hiring and skills development and training, as well as community development in chosen areas of contribution.

- > Environmental performance is fundamental to the divisions' proposition to clients, principals and strategic business partners.