



GOVERNANCE

Corporate governance summary

Accounting to our stakeholders

Our intention is to continually improve our reporting, as a function of our accountability to our stakeholders, and in providing the assessments by leadership that stakeholders require to evaluate the group's ability to create sustainable value. The 2017 Integrated Annual Report (the report) includes, for the first time, a business model that sets out how the group creates value for its stakeholders through strategic clarity, organisational simplicity and disciplined capital management, and thereby enhancing the sustainable competitive position and growth potential of its subsidiaries.

Scope and boundary

The report covers the group's subsidiaries over which it has operational control, including those outside South Africa. Leased facilities are treated as group-owned for reporting purposes. The report focuses on the group's continuing operations, unless otherwise specified. Entities that are not operationally controlled, including assets that are owned but not operated by the group, are not included in the scope of the report. However, more broadly, the risks, opportunities and outcomes associated with stakeholders outside the financial reporting boundary are dealt with in so far as they materially affect the group's ability to create value over time. The group's operating divisions, Imperial Logistics and Motus, are reported on as single entities.

Stakeholders are advised to read the Sustainable Development Report (SDR) (available online) with the report for a comprehensive view of the group's value creation story.

Materiality determination

The group's material issues are the priorities and concerns most important to the leadership of Imperial Holdings Limited and its operating divisions. By successfully addressing these material issues, Imperial

will create value for its stakeholders. While the material issues reflect the progress that has been made in the renewal of Imperial in recent years, they are also forward looking and incorporate factors within and beyond leadership's control. The divisional reviews emphasise those issues that are critical to their respective operating contexts, stakeholders and strategies. The sustainable development priorities that relate to the material issues are discussed in detail in the SDR online. An overview of the material issues, how they were determined and the associated management priorities are set out on page 16.

The detailed material issues, which include strategic responses to the management priorities, are available online, allowing stakeholders to assess the materiality of information included in the report, and the supplementary reports available online (set out in our reporting inside the cover flap of the report).

Integrated thinking at Imperial

As an employer, supplier, client, taxpayer and investment, Imperial ranks among South Africa's larger companies, with a direct or indirect impact on tens of thousands of lives in our operations around the world. Our performance and progress is founded on the provision of competitively priced products and services of high quality, conducted within all laws and regulations, and to high ethical standards. But there are additional responsibilities attached to a corporation of Imperial's size and reach. Among the most important of these is the demonstration of our societal relevance, not through redistribution as a charitable donor, but in the businesses we operate. 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 understand that the creation of shareholder value is a necessary but insufficient condition for sustainability, and we therefore subscribe to the view that corporate sustainability is

founded on accountability for decisions that have economic, social and environmental impacts in the long term.

The consolidation of our operating divisions into single entities, with each division having an operational board and single leadership team, is aimed at positioning the group for stronger growth, returns and sustainability in relation to the structural and systemic changes in the business environment. In essence, the renewal of the group is an exercise in integrated thinking as it is entailing focused investment in the assets and enablers that underpin the group's ability to create long-term value for its stakeholders. We have continued to evolve our human capital management capabilities and are investing in technology as the foundation for organisational effectiveness. Our social and environmental initiatives, which respond to critical social concerns, continue to receive focus in line with their material importance to the group's home base of South Africa and also to our respective operations around the world.

Approval

The board acknowledges its responsibility to ensure the integrity of the report. The audit committee is responsible for the content of this report and recommended it to the board for its approval. In the board's opinion, the report addresses all material issues and matters, and fairly presents the group's integrated performance.



SURESH P KANA
Chairman



MARK J LAMBERTI
Chief executive officer

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. Similarly, executive management responds tactically to everyday shifts in the operating context. The board annually approves the strategies necessary to remain competitive and create sustainable value for stakeholders over the long term.

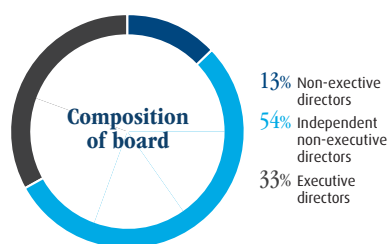
Authority, responsibility and accountability for the group's ethics, performance and sustainability is held at board level, which the board formally delegates to the CEO and in turn to his direct reports and sequentially throughout the organisation. The diversity of Imperial's operations necessitates differences in the nature, structure and processes of delegation, excepting financial expenditure for which authority limits are consistent across the group.

The leaders of Imperial are mindful that entrepreneurial creativity and responsiveness is a competitive advantage and every effort is made to integrate governance processes in the least bureaucratic way possible.



The full governance report, which includes details of risk, compliance and technology, can be found online.

01 | Imperial Holdings board



Ultimate responsibility for governance rests with the Imperial board and its sub-committees, which are constituted with the requisite expertise and experience. The group has a unitary board comprising of ten non-executive directors, eight of whom are independent, and five executive directors.

The responsibilities of the board are clearly defined in a written charter. The board charter outlines a clear balance of power and authority within the board to ensure that no single director has unfettered powers of decision-making. The board has also adopted, and regularly reviews, a written policy governing the authority delegated to group management and matters reserved for decision by the board.

The responsibilities of the board include issues of strategic direction, business plans and annual budgets, major acquisitions and disposals, changes to the board and other matters that have a material effect on the group or are required by legislation.



Details of our board members and their CVs can be found on page 36.

Skills and experience

The board's diverse backgrounds ensure a wide range of experience in commerce, finance, law, industry and engineering. The non-executive directors have the necessary skills and experience to make judgements, independent of management, on areas such as strategy, performance, business development, transformation, diversity, ethics and environmental management.

KING IV

Given the non-static nature of governance and the application of best governance practices, the board continually assesses the group's governance practices and procedures and makes adjustments where necessary.

This is evident in this year where we have endeavoured to apply the recommended practices set out in the fourth King Report on Corporate Governance for South Africa (King IV).

Imperial subscribes to and applies the 16 principles of good governance contained in King IV and, where appropriate, King IV's recommended practices have been considered and implemented during the year.

A register of the group's application of the 16 principles of King IV is available online.



Board succession and appointment

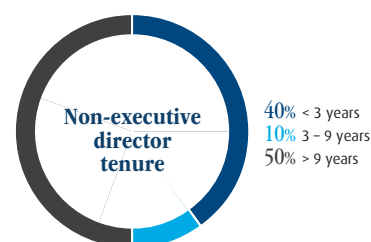
Directors are appointed based on their skills, experience and expected level of contribution to, and impact on, the activities of the group. The board decides on the appointment of directors based on recommendations from the nomination committee. New directors are formally inducted to facilitate their understanding of the group.

The role of the chairman is to set the ethical tone of the board and to ensure that the board remains efficient, focused and operates as a unit. The chairman is an independent non-executive chairman whose role is clearly defined and separate from that of the CEO through the provisions of the board charter.

The chairman provides overall leadership to the board without limiting the principle of collective responsibility for board decisions.

The responsibility for the executive management of the group's operations vests with the CEO, Mr MJ Lamberti, who reports to the board on the group's objectives and strategy. The CEO is accountable to the board and consistently strives to achieve the group's goals within the framework of delegated authority.

While the board may delegate authority to the CEO in terms of the board charter, the separation of responsibilities is designed to ensure that no single person or group can have unrestricted powers and that appropriate balances of power and authority exist on the board.



Board and committee attendance

	Board meetings		Committee meetings							
	Meetings (including one special meeting)	Annual strategy meeting	Executive committee	Social, ethics and sustainability committee	Assets and liabilities committee	Nomination committee	Risk committee	Audit committee	Remuneration committee	Investment committee
Total meetings:	4	1	14	4	4	3	4	4	3	3
Non-executive directors										
SP Kana* (chairman)	4/4	1/1		3/3		3/3			3/3	3/3
P Cooper*	4/4	1/1								3/3
GW Dempster*	4/4	1/1			4/4			4/4		3/3
T Skweyiya* (Dingaana)	4/4	1/1						4/4		
RM Kgosana ¹	4/4	1/1					4/4	4/4		
P Langeni*	4/4	1/1				2/3		4/4	2/3	
MV Moosa	4/4	1/1		4/4						
RJA Sparks*	4/4	1/1				3/3		4/4	3/3	2/3
A Tugendhaft	4/4	1/1		4/4		3/3			3/3	
Y Waja*	4/4	1/1					4/4	4/4		
Executive directors										
MJ Lamberti	4/4	1/1	14/14	3/4	3/4		4/4			3/3
OS Arbee	4/4	1/1	14/14	4/4	4/4		4/4			3/3
M Akoojee ²	1/1	1/1	4/4		1/1					1/1
MP de Canha	4/4	1/1	14/14							
PB Michaux ³	4/4	1/1	13/14							
M Swanepoel	4/4	1/1	14/14		4/4					3/3

1. Resigned from the board on 8 September 2017.

2. Appointed during the year.

3. Resigned from the board on 21 August 2017.

* Independent non-executive

Changes to the board

Mr M Akoojee was appointed CFO and a member of the board with effect from 1 March 2017. His appointment will be tabled for confirmation at the AGM to be held on 31 October 2017.

Mr PB Michaux resigned from the board on 21 August 2017, in line with changes in his executive responsibilities. Mr MP de Canha will serve on the board until 31 October 2017 and will retire on 31 January 2018.

Mr OS Arbee resigned as CFO with effect from 1 March 2017 and was appointed as the CEO of Motus. He remains a member of the Imperial board.

Mr RM Kgosana resigned as a member of the board and of the Logistics divisional board with effect from 8 September 2017.

This year, Messrs OS Arbee, GW Dempster, SP Kana, MV Moosa and Y Waja will retire by rotation and are standing for re-election at the AGM to be held on 31 October 2017. These directors have been appraised by the board and their re-election is recommended.




Governance in action

- > Adoption of a formal board diversity policy which embraces the benefits of a diverse board with differences in skills, regional and industry experience, background, race and gender.
- > Conducted an independently administered questionnaire-based review of the board and directors.
- > Set a voluntary target to increase the board female component by at least one member to improve gender diversity in the future.
- > Considered the independence of independent non-executive directors, which was confirmed by the nomination committee, in accordance with King IV.
- > Authority previously delegated to the group executive committee was formally delegated to the divisional operating boards. The group executive committee was disbanded effective 1 July 2017.
- > Oversaw the development and implementation of succession plans by the nomination committee.
- > Performed a formal review of the company secretary, concluding that there were no improper direct or indirect relationships with board directors and confirming his competence.
- > Reviewed the composition of board sub-committees, in accordance with King IV, and revised the membership of the risk committee, assets and liabilities committee and social, ethics and sustainability committee to comprise a majority of non-executive directors with independent non-executive chairmen.

Board sub-committees

The board has established a number of sub-committees, including statutory committees, all of which operate within written terms of reference. The performance of each committee is regularly assessed in accordance with their terms of reference. No instances of non-compliance were noted.

The following tables below outline the board committee responsibilities and memberships at the time of publication.

COMMITTEE	RESPONSIBILITY
Audit committee	Assists the board in its responsibilities, covering the internal and external audit processes for the group, taking into account the significant risks, the adequacy and functioning of the group's internal controls and the integrity of financial reporting.  AFS online.
Risk committee	Sets the group risk culture, framework and strategy and ensures that robust risk management processes are in place.
Remuneration committee	Advises and guides the board on director remuneration, setting and implementing remuneration policy, approval of general composition of remuneration packages and criteria for executive bonus and incentive awards and administration of share-based incentive schemes.  Remuneration report from page 67.
Social, ethics and sustainability committee	Assists the group in discharging its social, ethics and sustainability responsibilities and implementing practices consistent with good corporate citizenship.  SDR online.
Asset and liabilities committee	Responsible for implementing best practice asset and liability risk management policies. Its primary objective is to manage the liquidity, debt levels, interest rate and exchange rate risk of the group within an acceptable risk profile.
Investment committee	Responsible for reviewing significant transactions and matters of a strategic nature.
Nomination committee	Provides advice and guidance on succession planning, director appointments and director induction and training.
Divisional boards	Exercise oversight of assets and control performance within the bounds of Imperial's board-approved strategies and budgets through two operating divisions, Imperial Logistics and Motus.

Board sub-committee membership is detailed below:

Audit committee	Risk committee	Remuneration committee	Social, ethics and sustainability committee	Assets and liabilities committee	Investment committee	Logistics divisional board	Motus divisional board
RJA Sparks (chairman) GW Dempster T Skweyiya (Dingaana) P Langeni Y Waja SP Kana* A Tugendhaft* MJ Lamberti* M Akoojee* G Nzalo* R Mumford* BJ Francis* G de Beer* O Janse van Rensburg*	Y Waja (chairman) M Akoojee SP Kana MJ Lamberti BJ Francis* G Nzalo* F Seedat* N Bell*	RJA Sparks (chairman) SP Kana P Langeni A Tugendhaft MJ Lamberti* M Akoojee* Nomination committee SP Kana (chairman) P Langeni RJA Sparks A Tugendhaft MJ Lamberti* M Akoojee*	MV Moosa (chairman) T Skweyiya (Dingaana) SP Kana MJ Lamberti A Tugendhaft BJ Francis* O Janse van Rensburg* R Levin* L Maluleke* MR Sharfuddin* RA Venter*	GW Dempster (chairman) MJ Lamberti M Akoojee OS Arbee R Mumford* WF Reitsma* C Shaw RJA Sparks M Swanepoel	P Cooper (chairman) MJ Lamberti M Akoojee OS Arbee GW Dempster SP Kana G Nakos* RJA Sparks C Shaw* M Swanepoel	MJ Lamberti (chairman) M Swanepoel (CEO) M Akoojee OS Arbee G de Beer (CFO) GW Dempster M Lutjann** G Nakos C Rossouw C Tauccke** N van der Westhuizen	MJ Lamberti (chairman) OS Arbee (CEO) M Akoojee K Cassel MP de Canha P Langeni O Janse van Rensburg (CFO) M Swanepoel Y Waja

* Invitees.

** German.



The CVs of the Imperial Holdings board can be found on page 36 and of the divisional leadership on pages 51 and 60 of the Imperial Logistics and Motus reviews respectively.





Remuneration report

1. INTRODUCTION

Imperial is acutely aware of the importance of fair and transparent remuneration policies and practices at all levels of the organisation.

The release of King IV on 1 November 2016 resulted in a review of the committee's charter and focus so as to align its activities with the principles contained in King IV. It has also resulted in us changing the structure of this report and the level of detail provided regarding the remuneration of executives. The report is divided into three sections:

- > an introductory section
- > remuneration policy
- > remuneration policy implementation.

With regard to executive compensation, Imperial will strive firstly, to ensure that our governance and disclosure is transparent, and secondly, that we do not compromise unduly on performance criteria when external factors outside our control stifle or enhance performance.

The remuneration decisions made by the committee were influenced by the performance of the group in challenging economic conditions, particularly in South Africa, considerations such as the gap between lowest and highest paid employees and a number of changes in executive responsibility. More detail on the economic conditions and performance of the group can be found throughout this report.

Throughout the group, we attempt to compensate individuals fairly for a specific role, with due regard to their skills and performance.

The compensation of most of our unionised employees is determined collectively or based on sector norms. We strive to maintain positive day-to-day working relationships with our unionised employees, and to balance their right to industrial action with the rights of the group to conduct its activities.

Remuneration policy and implementation

At the 2016 AGM, 98% of shareholders voted in favour of the group's remuneration policy, in line with the 99% in the previous year. Although a non-binding advisory vote, the board continues to take into account the views expressed by shareholders in its deliberations and remains deeply committed to responsible conduct, sound governance and transparency regarding executive compensation.

In keeping with the recommended practices contained in King IV, the committee has elected to table both the remuneration policy and the remuneration policy implementation of the group for approval by shareholders by separate non-binding advisory votes.

Committee chairman

The committee is chaired by RJA Sparks, who is the lead independent non-executive director.

Key focus areas

The group undertakes regular benchmarking of the remuneration packages of the CEO as well as executive directors and senior staff members with the assistance of PriceWaterhouseCoopers.

During the year we also conducted an extensive review of the level of compensation for the lowest paid employees in the group and have voluntarily introduced a minimum wage of R3 500 per month for South African operations.

The committee further considered and approved:

- > The general composition of executive remuneration packages.
- > The criteria for bonus and incentive awards.
- > Executive bonuses and incentive awards in accordance with set criteria.
- > Executive and general long-term incentive awards.
- > The CEO's remuneration.

Role of the committee

The committee advises and guides the board on:

- > Accurate and transparent disclosure of directors' remuneration.
- > The establishment and implementation of remuneration policies for non-executive directors, executive directors and other executives, to ensure that the company remunerates directors and executives fairly and responsibly.
- > Approval of the general composition of remuneration packages and the criteria for executive bonus and incentive awards.
- > Increases to non-executive directors' fees.
- > Material changes to the group pension and provident funds and medical aid schemes when appropriate.
- > The administration of share-based incentive schemes.

COMMITTEE MEMBERSHIP

At year end, the members of the remuneration committee were RJA Sparks (chairman), SP Kana, P Langeni and A Tugendhaft. All are independent non-executive directors, with the exception of Mr Tugendhaft who is a non-executive director.

The group CEO and CFO attend committee meetings by invitation and assist the committee in its deliberations, except when issues relating to their own remuneration and performance are discussed. No director is able to decide his or her own remuneration.

MEETING ATTENDANCE

Member	Regular meetings
RJA Sparks* (chairman)	3/3
SP Kana*	3/3
P Langeni*	3/3
A Tugendhaft	3/3

* Independent non-executive director

2. REMUNERATION POLICY

The group's remuneration policy was approved by shareholders at the AGM on 1 November 2016. In keeping with the recommended practices contained in King IV, both the remuneration policy and the remuneration policy implementation of the group will be tabled for approval by shareholders by separate non-binding advisory votes at the AGM on 31 October 2017.

DETERMINATION OF PERFORMANCE INCENTIVES

Imperial has various formal and informal frameworks for performance management that are directly linked to either increases in total cost to company or annual short-term incentive bonuses. Performance management and assessment sessions take place regularly throughout the group, where company performance, personal achievement of key performance indicators (KPIs), and delivery on key strategic imperatives are discussed.

	2017	2016
Total number of employees	49 346	51 256
Total compensation paid to employees (Rm)	16 623	16 528
Total compensation as a % of revenue	14	14

REMUNERATION BREAKDOWN

The group's employees are key determinants of its success. Employee remuneration, particularly guaranteed pay, is a significant component of the group's total operating costs. The group's remuneration policy seeks to attract and retain quality employees at all levels. Remuneration is structured to be competitive and relevant in the sectors in which the group operates, and divisions review their remuneration policies regularly.

Salaried employees

Cost to company	Short-term incentives	Long-term incentives	Other benefits
<ul style="list-style-type: none"> > Total cost to company (TTC) is monitored and benchmarked on an ongoing basis. > Remuneration levels take into account industries, sectors and geographies from which skills are acquired or to which skills are likely to be lost, the general market and the market in which each business operates. > TTC and the mix of fixed and variable pay are designed to meet each business' industry, operational needs and strategic objectives, based on stretch targets that are verifiable and relevant. > The structure of remuneration for unionised employees is driven by collective bargaining and sectoral determinations. > General adjustments to guaranteed pay levels are effective from 1 July each year. In unionised environments, collective bargaining arrangements may come into operation at other agreed times. > Annual increase parameters are set using guidance from group budgeting processes, market movements, individual performance, the performance of the division and/or company and other relevant factors. > Increases above inflation depend on divisional or departmental and individual performance. 	<p>Divisions pay short-term bonuses aligned to industry best practice and in some cases include a guaranteed bonus equal to one month's salary. However, in the majority of cases bonuses depend on the performance of the individual and business in which they are employed.</p>	<p>Only salaried employees at senior management level qualify for long-term incentives.</p>	<p>Pension and provident fund, medical aid (Includes both regular and budget options).</p>

Employees paid by the hour

Cost to company	Short-term incentives	Long-term incentives	Other benefits
<ul style="list-style-type: none"> > Annual increases in remuneration and bonuses generally determined at industry level through collective bargaining and negotiations between the industry and trade unions. > The group aims to remunerate employees fairly and in line with sound business and remuneration principles, beyond minimum wage. Increases for deserving employees are determined based on merit. > Where appropriate, employees receive ongoing training and promotions, with concomitant rate increases. These promotions are discussed and authorised by both supervisors and line management. 	<p>Bonuses are determined annually in line with agreements signed with various unions. Where appropriate, certain individuals are awarded additional bonuses in line with their individual performance. These bonuses are reviewed and approved by divisional management.</p>	<p>No long-term incentives.</p>	<p>Pension and provident fund (compulsory) and medical aid (includes both regular and budget options). Some hourly paid employees belong to bargaining council medical schemes and pension funds).</p>

During the year, the group embarked on an extensive review of remuneration paid at all levels with a view to determining:

- > The Gini coefficient for the group.
- > Determining the viability of introducing a minimum wage for all South African operations.

As a result the group introduced a policy in terms of which a minimum wage of R3 500 per month is paid in all South African businesses in the group.

Executive directors and prescribed officers

POLICY

Executives are responsible for leading others and taking significant decisions about the short- and long-term operation of the business, its assets, funders and employees. They require specific skills and experience and are held to a higher level of accountability.

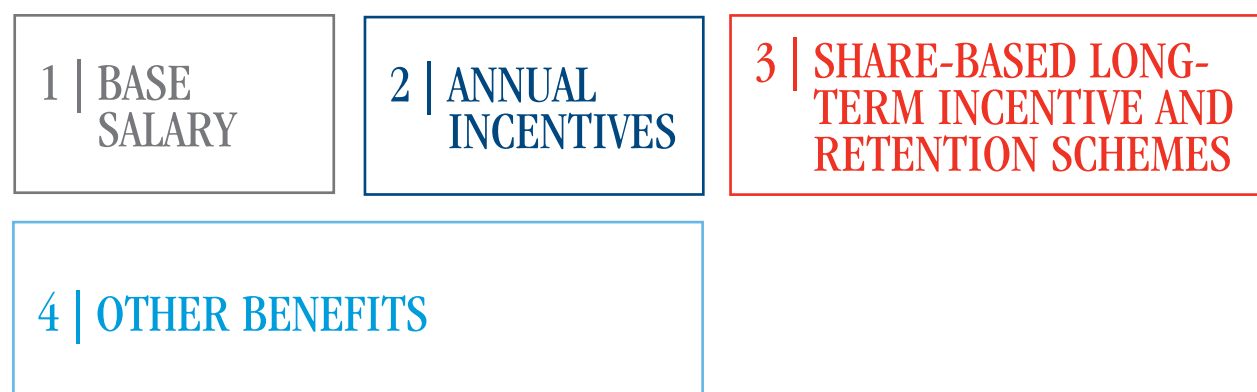
Imperial's remuneration policy is formulated to attract and retain high-calibre executives and motivate them to develop and implement the group's strategy to optimise long-term shareholder value. The group's remuneration policy also aims to align the entrepreneurial ethos and long-term interests of senior managers and executives with those of shareholders.

The remuneration policy is intended to conform to best practice. It is structured around the following key principles:

<p>Total rewards are set at levels that are responsible and competitive within the relevant market.</p>	<p>Incentive-based rewards are capped and earned through the achievement of demanding growth and return targets consistent with shareholder interests over the short, medium and long term.</p>	<p>Incentive plans, performance measures and targets are structured to operate soundly throughout the business cycle.</p>	<p>The design and implementation of long-term incentive schemes are prudent and do not expose shareholders to unreasonable financial risk.</p>
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ELEMENTS OF EXECUTIVE REMUNERATION

Executive remuneration comprises the following key elements:



The remuneration committee seeks to ensure an appropriate balance between the fixed and performance-related elements of executive remuneration and between those aspects of the package linked to short-term performance and those linked to longer-term shareholder value creation.

The group's general philosophy for executive remuneration is that the performance-based pay of executive directors and senior managers should form a significant portion of their expected total compensation. There should also be an appropriate balance between rewarding operational performance (through annual incentive bonuses) and rewarding long-term sustainable performance (through long-term and/or share-based incentives).

1 | BASE SALARY is the TCTC before short-term incentives. The fixed remuneration of each executive is based on roles in similar companies, which are comparable in terms of size, market sector, business complexity and international scope. When determining annual base salaries, factors taken into account include inflation and salary trends, group and divisional performance, individual performance and changes in responsibilities.

2 | ANNUAL INCENTIVES

all executives are eligible to receive a performance-related annual bonus. The bonus is non-contractual and not pensionable. The committee reviews bonuses annually and determines the level of each bonus based on performance criteria set at the beginning of the performance period.

The criteria differ depending on the position of each executive and the division in which they operate. Criteria for F 2017 include:

Group ROIC

The base target for ROIC is achievement of WACC and the measurement pays on the gap between ROIC and WACC.

Group HEPS growth

The measurement starts to pay out above a base target for core EPS growth.

Divisional operating profit after interest

The measurement starts to pay out above a base target for divisional operating profit after interest growth.

EMPLOYMENT EQUITY ACHIEVEMENT:

Measurement of the executive committee members with group responsibility

This measurement is based on sub-measurements for the organisation as a whole and at divisional level:

- > Management control.
- > Employment equity.
- > Skills development.
- > Growth in black top, senior and middle management.

Talent management

This measurement is based on the creation of a talent management strategy and framework. It includes the implementation of a strategic talent management plan and the development of a three to five year succession plan for key staff members.

Project-based and discretionary

Project-based and discretionary bonuses allow flexibility to nominate particular projects and allow for performance on non-quantitative aspects during the year to be taken into consideration. The remuneration committee has further discretion to authorise special bonuses for projects successfully completed during the year, which are awarded in exceptional cases. This component allows the committee to make adjustments in circumstances which could not be foreseen at the start of the period or are not in the control of a particular executive, such as a general market downturn or the demise of a significant competitor, which could affect divisional performance downwards or upwards beyond the control of the executive in question.

Annual short-term incentive bonus (STI)

	STI as % of TCTC for on-target performance (maximum)
Executive management	150%
Senior management	60% – 100%
First-line operational management	50%

The committee sets the minimum performance levels required for any annual incentive bonus to be paid. The on-target annual incentive bonus is payable on achieving agreed targets. The committee awards additional performance incentives in exceptional circumstances.

3 | SHARE-BASED LONG-TERM INCENTIVE AND RETENTION SCHEMES

Executive participation in long-term incentive and retention schemes is based on criteria such as seniority, performance during the year and retention drivers. Any senior employee with significant managerial or other responsibility, including any director holding salaried employment or office in the group, is eligible to participate in long-term incentive schemes. Non-executive directors may not be awarded rights in any of the incentive schemes.

The group has three long-term incentive plans:

- > Share appreciation rights (SARs).
- > Deferred bonus plan (DBP).
- > Conditional share plan (CSP).

SHARE APPRECIATION RIGHTS (SAR)

Selected participants receive annual grants of SARs, which are conditional rights to receive Imperial shares equal to the difference between the exercise price and the grant price. Vesting of rights is subject to performance conditions being met and participants remaining employed with the group for the vesting period. The performance conditions and the performance period are determined by the board annually in respect of each new grant of rights.

The SARs allocated since F 2016 vest after three years and lapse two years after vesting and core EPS performance measure was changed to HEPS since F 2017. The current performance targets employed in the SARs are the achievement of specified targets set by the committee. These include:

	Percentage of SAR awards
Growth in core EPS or HEPS since F 2017, relative to the growth in core EPS or headline earnings per share (HEPS) of a selected peer group of JSE-listed companies	50%
ROIC compared to WACC, over a three-year period	50%

An extensive review of the peer group of companies was conducted during the year with the assistance of PricewaterhouseCoopers.

The extent to which each performance condition has been met is determined on the vesting date as follows:

HEPS GROWTH

If the HEPS growth of the company is below the lower quartile of the selected peer group:

0% OF SARs VEST

If the HEPS of the company is in the lower quartile of the selected peer group:

30% OF SARs VEST

If the HEPS of the company is in the upper quartile of the selected peer group:

100% OF SARs VEST

Linear vesting occurs between 30% and 100%, depending on the company's performance relative to the peer group if HEPS growth falls in the second or third quartile.

ROIC

If the average ROIC for the company over the performance period is lower than the average WACC of the company over the performance period:

0% OF SARs VEST

If the average ROIC over the performance period is equal to the average WACC over the performance period:

30% OF SARs VEST

If the average ROIC over the performance period is equal to or above a pre-determined target percentage:

100% OF SARs VEST

Linear vesting occurs between 30% and 100%, depending on the company's performance if ROIC is between WACC and the target percentage.

In addition to performance of the group, the minimum HEPS growth and ROIC target threshold level takes into account the important objective of retention of key employees during times when business conditions are challenging.

The targets and measures relating to each issue are detailed in a letter of grant. After vesting, the rights may be exercised by a participant within four years after vesting; this has been changed to two years from 1 July 2016. Upon exercise by a participant, the difference between the exercise price and the grant price is paid by:

- > Delivering Imperial shares that will be purchased on the open market; or
- > As a fall-back provision only, by the issue of new shares; or
- > Settling the value in cash.

DEFERRED BONUS PLAN (DBP)

Qualifying senior employees are required to purchase Imperial shares which are held in escrow by the company. On the condition that the participant remains in the employ of the group and retains the shares over a three-year period, a matching award of Imperial shares is made on vesting. A participant remains the owner of the shares for the duration of the three-year period and enjoys all shareholder rights in respect of the shares. Although shares can be sold by the participant at any stage, the matching award is forfeited in line with the level of sales of the shares.

Allocation of SARs and DBPs

Allocations under SARs and DBPs are made annually based on the following criteria:

Performance of the participant	The job grading of the participant	Key retention considerations regarding participants
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The quantum of allocations of SARs and DBPs is calculated using a model developed by PriceWaterhouseCoopers and is determined on the expected value of an allocation expressed as a percentage of TCTC (fixed remuneration). The percentage allocated is determined based on retention considerations and the job grading of the participant, which also determines whether a participant receives both SARs and DBPs or only SARs or only DBPs.

Benchmark awards for SARs and DBPs:

	Expected values as % of total guaranteed package
Executive directors	100%
Senior management	50% – 70%
First-line operational management	20% – 40%

The value of long-term share-based incentives is determined in the financial year of allocation using the Binomial tree valuation methodology. This is based on a number of assumptions, which include the original award price, the expected rate of share price growth and the expected fulfilment of related performance conditions. The eventual gains from long-term share-based incentives will vary from year to year depending on vesting and exercise patterns, as well as the impact on share price performance and external factors such as market sentiment, interest rates, commodity prices and exchange rates.

Conditional share plan (CSP)

The CSP is utilised in exceptional circumstances only. Employees receive grants of conditional awards and the vesting is subject to performance conditions. The performance conditions for the CSP will be based on individual targets set by the board.

Termination of employment

RESIGNATION OR DISMISSAL

If a participant's employment terminates due to resignation or dismissal on grounds of misconduct, poor performance or proven dishonest or fraudulent conduct (whether such cessation occurs as a result of notice given by the employee or otherwise or if he/she resigns to avoid dismissal on grounds of misconduct, poor performance or proven dishonest or fraudulent conduct) before the vesting date, all share appreciation rights, conditional awards and all matching awards will lapse, unless the board determines otherwise.

RETIREMENT, RETRENCHMENT, DEATH, ILL HEALTH, DISABILITY OR OTHER REASONS FOR CESSATION OF EMPLOYMENT

If a participant ceases to be an employee due to retrenchment, death, ill health, disability or reasons other than resignation or dismissal, the board will permit a pro-rata portion of the unvested SARs and/or unvested conditional awards and/or matching awards to vest on the date of cessation of employment.

The pro-rata portion of the rights that vest will, unless the board determines otherwise, reflect the number of months served since the date of grant and the extent to which the performance conditions have been satisfied.

HEDGE

The group hedges its exposure to deliver shares in terms of share-based long-term incentive schemes by taking out hedges or buying back shares. All SARs awards have been fully hedged through a combination of shares purchased and the purchase of call options, after allowing for attrition over the vesting period. All DBPs and CSPs have been hedged in full via a share buyback, assuming no attrition.

4 | OTHER BENEFITS

Executive directors are entitled to vehicle benefits, pension or provident fund membership, medical aid membership and death and disability insurance. Providing these benefits is considered to be market competitive for executive positions.

Retirement schemes

Executives participate in contributory retirement schemes which include pension and provident funds established by the group. Executive retirement is governed by their retirement scheme rules, subject to the ability of the company to enter into fixed-term contracts to extend the services of any executive within certain prescribed limits.

Succession policy and plans

The committee considers succession plans for executives and regularly reviews identified successors for key positions in the group. This process includes:

- > The identification of current incumbents in key positions.
- > An assessment of how long the current incumbent is expected to remain in the position.
- > Identification of candidates vulnerable due to age, health or attractiveness to competitors.
- > Identification of potential short-term successors, both internally and externally.
- > Identification of potential long-term successors, both internally and externally.
- > Positioning and development of potential successors.

In line with its strategic objective of implementing leading-edge talent management processes, the group has embarked on a process to measure and develop the executive talent pool. The Imperial executive forum, which comprises the Imperial executive directors, their direct reports, and their direct reports, is the focal

point of this initiative and will strengthen the group's internal succession capability.

External appointments

Executives are not permitted to hold external directorships or offices without the approval of the board.

Directors' service contracts

Directors' contracts can all be terminated by giving them between one and six months' notice.

Directors' appointments are made in terms of the company's MOI and are initially confirmed at the first annual general meeting of shareholders following their appointment, and thereafter by rotation.

Non-executive directors' fees

The remuneration committee reviews and recommends to the board fees payable to non-executive directors. The board in turn makes recommendations to shareholders after considering the fees paid by comparable companies, responsibilities of the non-executive directors and considerations relating to the retention and attraction of high-calibre individuals. The group has decided to maintain a structure where directors' fees are not split between membership and attendance fees, as the efforts and contribution of non-executive directors goes well beyond their attendance at formal board or sub-committee meetings, and the group has not had significant instances of non-attendance of meetings.

3. IMPLEMENTATION OF REMUNERATION POLICY

TOTAL SHARE SCHEME ALLOCATIONS

A total of 20 069 986 SARs remain unexercised in terms of the SAR scheme at an average price of R159,18 per share. A total of 1 460 997 DBPs have been taken up and remain unvested. A total of 268 379 CSPs have been taken up and remain unvested.

NON-EXECUTIVE DIRECTORS' FEES

At the AGM to be held on 31 October 2017, shareholders will be requested to approve the following increases in non-executive directors' remuneration by special resolution in terms of section 66(9) of the Companies Act, granting authority to pay fees for services as directors, which will be valid with effect from 1 July 2018 until 30 June 2019. The proposed increase in fees is 6% for all boards and committees as follows:

	Fee from 1 July 2018 to 30 June 2019	Current fee from 1 July 2017 to 30 June 2018
Chairman*	R993 000	R937 000
Deputy chairman and lead independent director*	R496 500	R468 500
Board member	R284 000	R268 000
Assets and liabilities committee chairman*	R181 000	R170 500
Assets and liabilities committee member	R120 500	R113 500
Audit committee chairman*	R375 000	R354 000
Audit committee member	R187 500	R176 500
Divisional board member: Motus division	R140 500	R132 500
Divisional board member: Logistics division	R168 500	R159 000
Divisional Finance and Risk committee member: Motus	R56 000	R53 000
Divisional Finance and Risk committee member: Logistics	R67 500	R63 600
Investment committee chairman*	R375 000	R354 000
Investment committee member	R187 000	R176 500
Risk committee chairman*	R181 500	R170 500
Risk committee member	R120 500	R113 500
Remuneration committee chairman*	R135 500	R128 000
Remuneration committee member	R90 000	R84 500
Nomination committee chairman*	R135 500	R128 000
Nomination committee member	R90 000	R84 500
Social, ethics and sustainability committee chairman*	R181 500	R170 500
Social, ethics and sustainability committee member	R120 500	R113 500

* Fee paid in addition to a member's fee.

In determining the proposed fees, cognisance was taken of market trends and the additional responsibilities of non-executive directors in terms of increased legal and governance requirements.

Executive directors receive no fees for their services as directors in addition to their normal remuneration as employees.

Non-executive fees for 2017

The table below provides an analysis of the emoluments paid to non-executive directors for the year ended 30 June 2017.

	Directors' fees R'000	Subsidiary/ associate and sub-committee fees R'000	2017 Total R'000	2016 Total R'000
Non-executive directors				
P Cooper	253	500	753	711
GW Dempster	253	565	818	614
TS Gcabashe				479
ST Skweyiya	253	273	526	471
SP Kana	1 137	386	1 523	1 059
RM Kgosana	253	883	1 136	737
P Langeni	253	430	683	546
MJ Leeming				164
V Moosa	253	268	521	492
RJA Sparks	549	1 090	1 639	1 129
A Tugendhaft	695	266	961	907
Y Waja	253	697	950	938
Total	4 152	5 358	9 510	8 246

Executive remuneration

The group remunerated its executive directors during the year as further explained below.

MJ (Mark) Lamberti – Group CEO

2017 REMUNERATION

R'000

Basic salary	Retirement and medical contributions	Other benefits	Short-term incentive bonus	Total cash remuneration	Gains on exercise of LTI awards	2017 Total taxable remuneration realised	2016 Total taxable remuneration realised
1 600	nil	nil	nil	1 600	nil	1 600	nil

FIXED COMPENSATION AND BENEFITS

Mark's fixed compensation as CEO of Imperial was R7 265 000, of which R1 600 000 was received in cash and R5 665 000 was paid in the form of DBP rights. These shares vest on 15 September 2018 in line with Mark's initial five year commitment to the group.

The board has resolved that the company will make R3 000 000 available on an annual basis, that would otherwise have been payable to the CEO of Imperial, for the provision of university education from the second year onwards to the direct descendants of individuals who earn less than R600 000 per annum and have been employed for more than five years.

ANNUAL INCENTIVE

The following short-term incentive performance criteria and weightings, as determined by the board, were used to calculate Mark's annual bonus to the amount of R11 200 000 and in addition he received a further R1 800 000 in acknowledgement of the significant role he has played to date in restructuring and transforming Imperial (2016: R9 600 000). Mark did not receive the maximum possible bonus primarily due to the group HEPS target not being achieved. In lieu of this annual bonus he received 69 123 DBP rights, which vest on 15 September 2018, in line with his initial five year commitment to the group.

2017 MEASURE	2017 Weighting	Performance Against target
Group HEPS growth	30%	Not achieved
Group achievement of ROIC target over WACC	30%	Partially achieved
Group growth in black senior and middle management, BEE scorecard, succession and talent management	20%	Partially achieved
Strategy execution	20%	Achieved
Discretionary	50%	Achieved
Maximum as percentage of deemed fixed compensation	150%	Partially achieved

LONG-TERM INCENTIVE

Mark was awarded 72 060 CSPs in line with LTI award benchmarks for executive directors. These shares will also vest on 15 September 2018, in line with his initial five year commitment to the group subject to achieving the same criteria and weightings used in 2017. The value of this award is R9 663 000 (2016: R9 059 138).

M (Mohammed) Akoojee – CEO: Logistics African Regions to 28 February 2017 and Group CFO from 1 March 2017

2017 REMUNERATION

R'000

Basic salary	Retirement and medical contributions	Other benefits	Short-term incentive bonus	Total cash remuneration	Gains on exercise of LTI awards	2017 Total taxable remuneration realised	2016 Total taxable remuneration realised
4 102	411	120	6 650	11 283	536	11 819	2 629*

* Remuneration for three months while a director during 2016.

FIXED COMPENSATION AND BENEFITS

Mohammed's fixed compensation and benefits increased by 10% to R4 633 000 (2016: R4 200 000) as a result of changes in his responsibilities for part of the year following his appointment as the group CFO.

ANNUAL INCENTIVE BONUS

Mohammed received an incentive bonus of R6 650 000, which took into account a number of criteria including the 2017 group CFO measure for a period of four months. Mohammed received the maximum target incentive for his performance while CEO of Logistics – African Regions. He received a further incentive for the smooth transition in assuming the role as group CFO, earlier than planned while he was fulfilling a dual role as CEO of Logistics – African Regions and group CFO designate from January 2017.

2017 GROUP CFO MEASURE	2017 Weighting	Performance Against target
Group HEPS growth	30%	Not achieved
Group achievement of ROIC target over WACC	30%	Partially achieved
Group growth in black senior and middle management, BEE scorecard, succession and talent management	20%	Partially achieved
Strategy execution	20%	Achieved
Discretionary	50%	Achieved
Maximum as percentage of fixed compensation	150%	Partially achieved

LONG-TERM INCENTIVE AND RETENTION PAYMENTS

Mohammed was awarded 49 132 DBPs in line with LTI award benchmarks for executive directors. These shares are to be held in escrow and will vest on 15 September 2020. The value of this award is R6 588 000.

OS (Osman) Arbee – Group CFO to 31 March 2017 and CEO: MOTUS from 1 January 2017**2017 REMUNERATION**

R'000

Basic salary	Retirement and medical contributions	Other benefits	Short-term incentive bonus	Total cash remuneration	Gains on exercise of LTI awards	2017 Total taxable remuneration realised	2016 Total taxable remuneration realised
6 666	418	360	8 200	15 644	4 511	20 155	15 124

FIXED COMPENSATION AND BENEFITS

Osman's fixed compensation and benefits increased by 17% to R7 444 000 (2016: R6 360 000) commensurate with his appointment as Motus CEO, effective January 2017. The remuneration for this position was externally benchmarked against companies with a similar size, complexity and geographic spread.

ANNUAL INCENTIVE BONUS

Osman received an incentive bonus of R8 200 000 (2016: R7 200 000). Osman's incentive was based on performance measures applicable to the group CFO position for the first nine months of the year and performance measures applicable to the position of CEO: Motus for the remainder of the year. He received a further incentive for his contribution to a smooth handover to the new CFO while assuming additional responsibilities as Motus CEO.

2017 GROUP CFO MEASURE	2017 Weighting	Performance Against target
Group HEPS growth	30%	Not achieved
Group achievement of ROIC target over WACC	30%	Partially achieved
Group growth in black senior and middle management, BEE scorecard, succession and talent management	20%	Partially achieved
Strategy execution	20%	Achieved
MOTUS restructure	50%	Achieved
Maximum as percentage of fixed compensation	150%	Partially achieved

2017 CEO MOTUS MEASURE	2017 Weighting	Performance Against target
Group HEPS growth	20%	Not achieved
Group achievement of ROIC target over WACC	20%	Partially achieved
Group growth in black senior and middle management, BEE scorecard, succession and talent management	30%	Partially achieved
Divisional operating profit after interest growth	30%	Not achieved
Divisional achievement of ROIC target over WACC	30%	Not achieved
Discretionary	20%	Achieved
Maximum as percentage of fixed compensation	150%	Partially achieved

LONG-TERM INCENTIVE AND RETENTION PAYMENTS

Osman was awarded 62 234 DBPs in line with LTI award benchmarks for executive directors. These shares are to be held in escrow and will vest on 15 September 2020. The value of this award is R8 345 000.

M (Marius) Swanepoel – CEO: Logistics

2017 REMUNERATION

R'000

Basic salary	Retirement and medical contributions	Other benefits	Short-term incentive bonus	Total cash remuneration	Gains on exercise of LTI awards	2017 Total taxable remuneration realised	2016 Total taxable remuneration realised
7 484	413	180	9 000	17 077	839	17 916	12 116

FIXED COMPENSATION AND BENEFITS

Marius' fixed compensation and benefits increased by 43% to R8 077 000 (2016: R5 651 000) due to the significant increase in his responsibilities as CEO of the entire Logistics division effective 1 July 2016. The remuneration for this position was externally benchmarked against companies of a similar size, complexity and geographic spread.

ANNUAL INCENTIVE BONUS

With reference to the criteria below and the successful transition to CEO of the entire Logistics division, Marius received an incentive bonus of R9 000 000 (2016: R5 000 000). Marius' incentive recognized his significantly increased area of responsibility with a wide geographical reach, successful restructure of the division, and the Logistics division exceeding targeted ROIC.

2017 MEASURE	2017 Weighting	Performance Against target
Group HEPS growth	10%	Not achieved
Group achievement of ROIC target over WACC	10%	Partially achieved
Group growth in black senior and middle management, BEE scorecard, succession and talent management	30%	Partially achieved
Logistics divisional restructure	20%	Achieved
Divisional operating profit after interest growth	25%	Partially achieved
Divisional achievement of ROIC target over WACC	25%	Achieved
Discretionary	20%	Achieved
Maximum as percentage of fixed compensation	150%	Partially achieved

LONG-TERM INCENTIVE AND RETENTION PAYMENTS

Marius was awarded 60 924 DBPs in line with LTI award benchmarks for executive directors. These shares are to be held in escrow and will vest on 15 September 2019. The value of this award is R8 169 000.

MP (Manny) de Canha – CEO: Vehicle Import, Distribution and Dealerships**2017 REMUNERATION**

R'000

Basic salary	Retirement and medical contributions	Other benefits	Short-term incentive bonus	Total cash remuneration	Gains on exercise of LTI awards	2017 Total taxable remuneration realised	2016 Total taxable remuneration realised
5 114	377	159	2 100	7 750	1 019	8 769	12 073

FIXED COMPENSATION AND BENEFITS

Manny's fixed compensation and benefits was in line with the prior year at R5 650 000 (2016: R5 650 000). He relinquished his executive responsibilities on 30 June 2017 and will retire from the group on 31 January 2018. He will continue to serve as a non-executive director on the Imperial Holdings board until 31 October 2017.

ANNUAL INCENTIVE BONUS

With reference to the criteria below, Manny received an incentive bonus of R2 100 000 (2016: R4 600 000). The decrease compared to the prior year is largely due to the divisional operating profit after interest growth and ROIC targets not being achieved.

2017 MEASURE	2017 Weighting	Performance Against target
Group HEPS growth	20%	Not achieved
Group achievement of ROIC target over WACC	20%	Partially achieved
Group growth in black senior and middle management, BEE scorecard, succession and talent management	30%	Partially achieved
Divisional operating profit after interest growth	30%	Not achieved
Divisional achievement of ROIC target over WACC	30%	Not achieved
Discretionary	20%	Partially achieved
Maximum as percentage of fixed compensation	150%	Partially achieved

LONG-TERM INCENTIVE AND RETENTION PAYMENTS

Manny received no LTI awards as he is due to retire in January 2018.

PB (Philip) Michaux – CEO: Vehicle Retail, Rental and Aftermarket Parts (resigned as director 21 August 2017)

2017 REMUNERATION

R'000

Basic salary	Retirement and medical contributions	Other benefits	Short-term incentive bonus	Total cash remuneration	Gains on exercise of LTI awards	2017 Total taxable remuneration realised	2016 Total taxable remuneration realised
4 830	430	240	5 050	10 550	753	11 303	10 708

FIXED COMPENSATION AND BENEFITS

Philip's fixed compensation and benefits increased by 10% to R5 500 000 (2016: R5 000 000) which takes into account the increase in his area of responsibility, which now includes all retail dealerships including those previously reporting to then vehicle importer, distribution and dealerships division, including those in the United Kingdom and Australia.

ANNUAL INCENTIVE BONUS

With reference to the criteria below, Philip received an incentive bonus of R5 050 000 (2016: R4 600 000), which included an additional amount in recognition of the transition to his new areas of responsibility, contribution to the Motus restructure and to his role in executing the acquisitions in the United Kingdom and Australia.

2017 MEASURE	2017 Weighting	Performance Against target
Group HEPS growth	20%	Not achieved
Group achievement of ROIC target over WACC	20%	Partially achieved
Group growth in black senior and middle management, BEE scorecard, succession and talent management	30%	Partially achieved
Divisional operating profit after interest growth	30%	Not achieved
Divisional achievement of ROIC target over WACC	30%	Partially achieved
Discretionary	20%	Achieved
Maximum as percentage of fixed compensation	150%	Partially achieved

LONG-TERM INCENTIVE AND RETENTION PAYMENTS

Philip was awarded 38 126 DBPs in line with LTI award benchmarks for executive directors. These shares are to be held in escrow and will vest on 15 September 2020. The value of this award is R5 112 000.

PRESCRIBED OFFICERS' REMUNERATION

The group had no prescribed officers for the financial year. Prescribed officers are persons, not being directors, who either alone or with others exercise executive control and management of the whole or a significant portion of the business of the company.