



# Report from the chairman

of the social, ethics and  
sustainability committee

*Valli Moosa*

*We are living in a time of increasing concern about the poor ethical climate in South Africa and elsewhere in the world.*

In this context we understand that we have the responsibility as a corporate citizen and as the social, ethics and sustainability committee to put in extra effort to guard against unethical breaches. We operate within a strong

ethics framework, enforce our zero tolerance stance by decisively dealing with corruption and collusion, and continuously reinforce how we expect our employees to behave. Our goal is to ensure that we leave no room for corrupt and unethical conduct within our commercial and social activities.

In a multinational of Imperial's size and with our geographic footprint, protecting and enhancing our reputation as a responsible corporate citizen through the consistent application of our values is a complex task. We drive this through a demonstrable commitment to ethics by our leaders and managers at every level of the organisation. Imperial has a proud tradition of ethical leadership that sets the correct tone from the top, supported by our code of ethics and policies that ensure the highest standards of operation wherever we are in the world.

We have finalised a group code of conduct that will act as an overarching reference, and serve to align the various codes across the group with best practice ethics management. We continued to provide our employees with related training and over 2 000 executives and senior employees formally confirmed that they have read our anti-bribery and corruption policy, have not been involved in any corrupt activity or anti-competitive behaviour and are not aware of any specific activity of this nature.

In Logistics International, we delivered training to our employees on our anti-bribery policy and on laws relating to competition. We are also introducing a supplier code of conduct to ensure that our service providers adhere to our values and policies, and we are developing a set of guidelines on competition law and a sponsoring and donations policy.

In addition to our code of ethics, we also adhere to the principles embodied in the Universal Declaration of Human Rights, the South African Constitution and the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work.

The social, ethics and sustainability committee is satisfied that there is a strong ethical culture within the group. This is supported by the fact that only one material ethical breach was reported during the year and the offender has been dismissed following an investigation and disciplinary hearing.



*SDW: strengthening legitimacy; more information on ethics management.*

The fourth King Code of Governance Principles (King IV) provides greater clarity on the role of social and ethics committees, and requires them to set strategies and objectives for organisational ethics, responsible corporate citizenship, sustainable development and stakeholder inclusiveness. We have re-constituted Imperial's social, ethics and sustainability committee to comprise a majority of non-executive directors, including Dr Kana, the chairman of the Imperial board. This has resulted in fresh ideas and new perspectives, with the collective capabilities of the committee focussed on providing greater value for Imperial and its stakeholders. The committee's terms of reference have been revised to align to King IV and we have adopted a diversity policy for the board that embraces the benefits of differences in skill, regional and industry experience, background, race and gender. We have also set a voluntary target to increase the representation of women on the board by at least one member and will give preference

to a female candidate when a vacancy arises.

A large portion of Imperial's business operates on South Africa's roads, which continue to be ranked among the most dangerous in the world. Unlike other sectors, there is no clear definition or standard in South Africa for what constitutes a fatality in the logistics industry. Our internal classification categorises accidents into those where our drivers are at fault, and the much larger category where the incident is ruled the fault of a third party.

Our responsibility to our drivers, passengers and other road users is to ensure that our drivers are taught optimal, safe driving behaviour and that our trucks meet the highest standards of roadworthiness. Ongoing driver training that meets strict training standards is delivered in all our logistics businesses and our trucks are fitted with systems that monitor driving behaviour, breathalyser testing kits, speed control mechanisms and cameras to promote a strong safety culture.

In pursuit of our goal to achieve zero harm in all our businesses, much of the committee's time is spent managing and monitoring safety performance and road accidents. Fatalities are interrogated and all accidents are investigated internally and by independent external specialists. This provides a clear understanding of what constitutes unacceptable risk and better insight into root causes so that we can implement effective preventative measures. Despite our best efforts, we are sad to report that four of our employees lost their lives in accidents during the year. We convey our sincere condolences to the families, friends and colleagues of Sebeleka Zebulon Mahlatji, Siyabonga Mtetwa, Lesima Samson Mokoena and Sello Nelson Dube.



*SDW: Imperial Logistics review; more information on road safety (page 22).*

More broadly, we use our insights and experience to inform transport policy in South Africa and to raise public road safety awareness. Over the past five years, our Imperial Road Safety programme has taught children how to walk safely along our roads,

educated parents on the necessity of using car seats to secure children in cars, sponsored cars that patrol highways during holiday seasons and tackled the issue of non-roadworthy trucks. We share our road safety information with Arrive Alive and, in return, it covers our safety events in its publications, enabling us to reach large audiences.

While the talent process at the top three levels of the organisation continues to be managed at an Imperial Holdings level, we have devolved talent management and succession planning for lower management levels and other critical positions into the divisions, which have clearer insight into their specific talent needs. Our efforts over the past two years to enhance our human capital management capabilities have improved our understanding of the kind of talent we currently have and where skills gaps may develop in future. Our drive for organisational effectiveness across the group, has led to the appointment of new leaders and provided talented employees with the opportunity to take on more responsibility and progress their development through training and on-the-job mentoring. The human capital systems being implemented in each division will further support effective strategic workforce planning through more accurate people data and are expected to be fully operational by 2019. While our initiatives will provide benefits for Imperial, they will also create value for our employees who will be able to manage their careers through clear progression pathways and development plans.



*SDW: developing effective leadership and empowered people; more information on talent management (page 06).*

We fully support South Africa's national policies on employment equity and transformation, and acknowledge that we are behind in the transformation of our executive and senior management. The talent programmes in our South African businesses, emphasise our need to accelerate the progress of black candidates into senior roles. Similarly, we are implementing initiatives in Europe to increase the number of women in senior

positions. We believe that diversity is directly linked to Imperial's strength, durability and sustainability, and we go beyond just meeting diversity targets and strive to achieve real cultural change within our businesses. To drive transformation as a long-term integrated business process, we introduced a diversity programme during the year to sensitise our leaders and provide them with a safe environment in which to have honest conversations about how transformation can and should be implemented in Imperial. In addition, Imperial's chief executive officer (CEO) is encouraging collaboration with other companies that have made substantial progress in transforming their workforces, to learn from their experiences.

The social, ethics and sustainability committee monitors progress against transformation targets and it takes a firm stance with management on increasing the rate of change. However, it is also cognisant that there are no easy solutions, particularly when skill and experience is required to drive performance during tough economic conditions and to respond to strategic challenges. Pleasingly, a number of initiatives have been implemented during the year to accelerate Imperial's transformation progress, including a transaction that will increase Imperial Logistics South Africa's black ownership to 51% and the publication of our first full broad-based black economic empowerment (BBBEE) scorecard, which will be available to stakeholders from October 2017.

Our ability to contain our environmental impact contributes to our competitiveness by lowering our output costs, and given that environmental considerations are a growing feature of tender requirements, particularly in logistics. Consolidated targets for the

group or the divisions are not set given the decentralised nature of Imperial, and the difficulty of forecasting the carbon footprint in some of our logistics businesses as this is influenced by client trading volumes. Our focus therefore is on ensuring the accuracy of our data and the implementation of efficiency initiatives. During the year, Imperial Logistics Africa launched five environmental performance standards to further support its environmental management framework and a target to recycle 80% of Imperial Logistics South Africa's general waste was set for the medium term. We were very pleased to accept an Enviro Award in the 2016 Logistics Achiever Awards for our energy monitoring initiatives in Imperial Logistics South Africa.

Our corporate social investment programmes continue to do good work and deepen our relationships with societies. In addition to the road safety programme, we support access to primary healthcare through the Unjani clinics located in townships and local communities in South Africa. This is also an enterprise development programme that empowers black women professional nurses and the clinics relieve some of the pressure on over-burdened government health facilities. During the year, our contribution supported the operation of the 25 Imperial clinics and funding from other corporates supported the expansion of the network to 31 clinics employing over 90 people. Since its inception in 2013, the project has helped over 250 000 patients.

Our contribution to skills development in South Africa ranges from the training of apprentices through our training academies and the monetary support provided to education-related projects, to the sponsoring of bursaries and our investment in the Imperial and Ukhamba Community

Development Trust (the Ukhamba Trust). Of the learners registered for a learnership during the year, 90% are black and 68% of our skills spend in South Africa supported the development of our black employees. The Ukhamba Trust's 27 fully resourced libraries at public schools in primarily under-privileged communities south of Johannesburg, touch the lives of approximately 29 000 learners, assisting over 1 000 teachers and employing 70 people who were previously unemployed. A total of R3,7 million was provided to 86 children of our employees to assist them with their university studies.



*SDW: strengthening legitimacy; more information on our transformation efforts, environmental performance and corporate social investment.*

Imperial remains deeply committed to strengthening its legitimacy among all its stakeholders and will continue to focus on maintaining high governance standards through appropriate governance structures, ensuring ethical leadership, prioritising its local relevance in all operations and responding to critical social and environmental concerns.

**VALLI MOOSA**

*Chairman of the social, ethics and sustainability committee*

**GRI G4 index**  
GRI G4-1 to 2

