

# Contents

01	<i>About Motus</i>
03	<i>2017 performance overview</i>
06	<i>Stakeholder insight</i>
08	<i>Sustainable development priorities</i>
09	<i>Governance of sustainable development</i>
10	<i>Delivering quality products and services to support a full customer value proposition</i>
14	<i>Developing effective leadership and empowered people</i>
22	<i>Accelerating transformation progress in South Africa</i>
25	<i>Ensuring regulatory compliance</i>
29	<i>Minimising the environmental footprint</i>
32	<i>Looking forward</i>
33	<i>Contacts</i>

## REFERENCES

Abbreviations used to reference information elsewhere in Imperial's reporting suite include:

- > **IAR:** Integrated Annual Report
- > **SDW:** Sustainable Development website
- > **CSI:** Corporate Social Investment Brochure
- > **CDP:** Carbon Disclosure Project

# About Motus

*Motus is a highly competitive and profitable vehicle group, focused on creating value for customers across the vehicle value chain.*

Motus, a distributor and retailer of vehicles and related products and services in Southern Africa and selected international markets, provides an integrated offering of services across all segments of the vehicle value chain for a broad range of the world's most respected vehicle brands.





### Vehicle Import and Distribution

- > Exclusive South African importer of Hyundai, Kia, Renault, Mitsubishi and five smaller automotive brands.
- > Distributorships in six African countries, mainly Nissan.



### Vehicle Retail and Rental

South Africa

- > Represents 22 original equipment manufacturers (OEMs) through 358 vehicle dealerships (including 94 pre-owned), 245 franchised dealerships and 19 commercial vehicle dealerships.
- > 113 car rental outlets (Europcar and Tempest).

Southern Africa

- > 16 car rental outlets (Europcar and Tempest).

United Kingdom (UK)

- > 58 commercial vehicle dealerships.

Australia

- > 18 vehicle dealerships.



### Aftermarket Parts

- > Distributor, wholesaler and retailer of accessories and parts for older vehicles, through 700 AAAS (previously Midas) and Alert Engine Parts and Turbo Exchange owned and franchised stores.



### Motor-related Financial Services

- > Manager and administrator of service and warranty plans for around 480 000 vehicles.
- > Developer and distributor of innovative vehicle-related financial products and services through dealer and vehicle finance channels, and a national call centre.
- > Fleet management services.

## CONTRIBUTION TO GROUP PERFORMANCE

6% GROUP REVENUE

12% GROUP OPERATING PROFIT

45% GROUP REVENUE

24% GROUP OPERATING PROFIT

5% GROUP REVENUE

6% GROUP OPERATING PROFIT

1% GROUP REVENUE

13% GROUP OPERATING PROFIT

Note: based on external revenue from the sub-division.



# 2017 performance overview

## Financial performance



*Note: minor adjustments have been made to the sub-divisions of Motus, resulting in the restatement of the 2016 revenue and operating profit.*

### The reporting year to June 2017

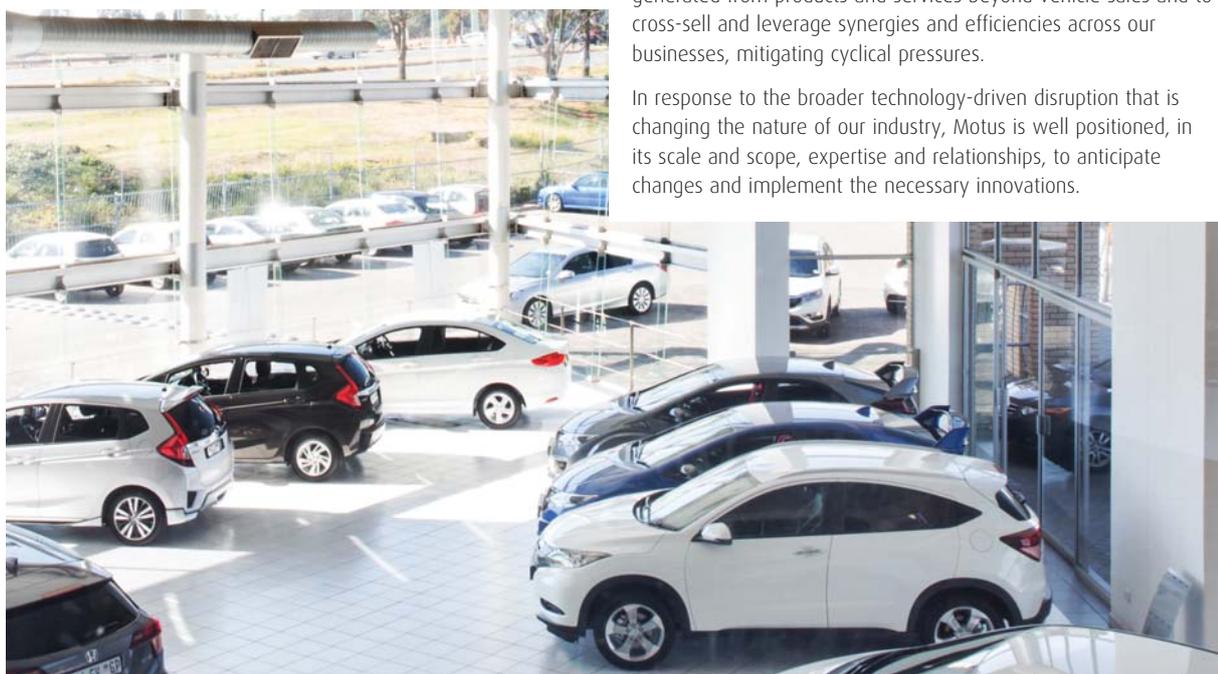
The current economic climate in South Africa does not favour growth in the motor industry and new vehicle sales contracted by 7% during the year. Negative consumer sentiment and constrained spending, together with tighter credit approvals by banks, have shifted demand to entry-level and pre-owned vehicles.

Aggressive competition for market share among major automotive retailers is curbing the division's ability to implement price increases, putting pressure on margins. In addition, there are new competitors entering the market, including non-franchise disruptors who are not held to the same standards as Motus, and financial service providers seek to capture new income streams by providing value-added products and services (VAPS) in addition to their traditional vehicle finance offerings. Other trends in the operating environment that have had a direct bearing on Motus' strategic development and performance during the year include currency volatility, increasing regulation and Brexit uncertainty which is curbing growth expectations in the UK.

### HOW MOTUS WILL COMPETE AND WIN IN THE NEXT THREE YEARS

Motus is well positioned to defend its market share in South Africa and grow in selected segments of the vehicle value chain. We participate in all aspects of vehicle ownership, use and maintenance. This provides the opportunity to grow the revenue generated from products and services beyond vehicle sales and to cross-sell and leverage synergies and efficiencies across our businesses, mitigating cyclical pressures.

In response to the broader technology-driven disruption that is changing the nature of our industry, Motus is well positioned, in its scale and scope, expertise and relationships, to anticipate changes and implement the necessary innovations.



**OUR STRATEGIC OBJECTIVES**

Secure growth and returns through deep direct relationships with leading OEMs, optimal distribution techniques, creative marketing, new dealership and client interface models, shared support facilities and loyalty engendering financial services.

Continually enhance Motus' asset portfolio by disposing of or rationalising underperforming businesses dealerships and brands, and by acquiring and rapidly integrating like businesses and assets that can be enhanced by Motus' capabilities and resources.

Seek greater alignment with our customer base in South Africa by investing in the development of black (African, Indian and Coloured) managers and entrepreneurs in our vehicle distribution, rental, retailing and aftermarket parts franchising businesses.

Drive competitive advantage, operational excellence and sustainability through improved people management, systems renewal and standardisation.

**HOW WE PERFORMED**

Revenue and operating profit for the division declined by 3% due to a slowing vehicle market and higher cost of inventory in Vehicle Import and Distribution in the first half of the year, partly offset by a strong performance from Financial Services. The passenger and light commercial vehicle businesses, including the UK and Australia, retailed 113 074 new (2016: 118 787) and 70 158 pre-owned (2016: 69 637) vehicles during the year.

Excluding acquisitions and disposals in the current and prior year, revenue and operating profit increased by 2% and 3% respectively. A foreign exchange loss of R388 million was realised as a result of the unwinding of uneconomical and excessive forward cover, mainly in Renault. We have reviewed Imperial's foreign exchange controls and policies and while they remain unchanged and appropriate, we have strengthened the group's oversight of their application.

During the year, we refined our dealership footprint in South Africa and continued to dispose of non-strategic businesses, contributing to a smaller headcount. We also concluded the Regent transaction, acquiring the VAPS business, and after year end we acquired 75% of SWT Group in Australia and 100% of Pentagon Motor Holdings in the UK.

**CONSOLIDATING MOTUS**

In January 2017, Motus was consolidated as a single division under one collaborative leadership team and the restructure of its enterprise architecture is aimed at achieving:

- > Cohesive teams with the same vision and focus for the future.
- > Improved collaboration across the vehicle value chain for the benefit of customers.
- > Agile organisational structures that enable growth opportunities.
- > Simplified reporting structures and decision-making, as well as clear accountabilities.
- > Combined head office functions to optimise support to businesses.



IAR page 52; more information on Motus' strategy and financial performance..

## Our people

LEADERSHIP CHANGES HAVE RESULTED IN A YOUNGER LEADERSHIP TEAM THAT IS ENTHUSIASTIC ABOUT CHANGE AND FEELS MORE EMPOWERED TO MAKE DECISIONS.

BLACK REPRESENTATION IMPROVED AT ALL MANAGEMENT LEVELS, HOWEVER WE STILL HAVE A LOT OF WORK TO DO TO ACCELERATE OUR EMPLOYMENT EQUITY PROGRESS.

**85% of training spend** WAS ALLOCATED TO BLACK EMPLOYEES AND OF THE 406 EMPLOYEES THAT PARTICIPATED IN A MANAGEMENT DEVELOPMENT PROGRAMME, 70% ARE BLACK.

### TRAINING SPEND

**R205,4 million**  
2016: R185,6 million

### TRAINING HOURS PER EMPLOYEE

**71 hours**  
*Including apprentice training hours.*

## Our contribution to society

LAUNCHED 58 FLEET (PTY) LTD AFTER YEAR END, WHICH WILL BE A 51% BLACK-OWNED FLEET MANAGEMENT BUSINESS. THE STRATEGIC BBBEE PARTNERSHIP WILL DRIVE SUSTAINABLE GROWTH THROUGH THE CAPITALISATION OF THE NEW BUSINESS AND THE SUPPLY OF BLACK TALENT.

### ENTERPRISE AND SUPPLIER DEVELOPMENT SPEND

**R37 million**  
2016: R32 million

### CORPORATE SOCIAL INVESTMENT (CSI) SPEND

**R7,9 million**  
WITH A PRIMARY FOCUS ON EDUCATION AND SKILLS DEVELOPMENT, AND ROAD SAFETY.

## Our environmental performance

### WATER CONSUMPTION

**694 956 kilolitres**  
2016: 857 675 kilolitres

### ELECTRICITY PURCHASED

**86 317 megawatt hours**  
2016: 97 188 megawatt hours

### TOTAL SCOPE 1 AND SCOPE 2 EMISSIONS

**147 693 tonnes of carbon dioxide (CO<sub>2</sub>)**  
2016: 161 992 tonnes of CO<sub>2</sub>

### ROAD FUEL

**26 169 kilolitres**  
2016: 26 703 kilolitres

### ENVIRONMENTAL INCIDENTS

**0**  
2016: six

# Stakeholder insight

Imperial group's stakeholder universe is defined as entities or individuals that may be affected by the organisation's activities, products and/or services, as well as those whose actions can be expected to affect the ability of the group to successfully implement its strategies and achieve its objectives. Key stakeholder issues are considered when formulating the group's material issues and divisional sustainable development priorities.

The table below sets out key sustainability concerns raised by Motus' stakeholders during the year. Concerns arising from our financial capital and business relationships that relate to strategy and financial performance are discussed in the full stakeholder engagement table online.

## Stakeholder concerns

CONCERN	STRATEGIC INITIATIVES	SUSTAINABLE DEVELOPMENT PRIORITY	DETAILED INFORMATION
<p><b>Owners, investment community and debt providers:</b> the impact of disruptive change and how the division is responding.</p> <p><b>Customers:</b> providing a differentiated customer experience.</p>	<ul style="list-style-type: none"> <li>&gt; A customer-centric strategy that drives a full customer value proposition.</li> <li>&gt; Investment in technology to develop new customer channels and drive strategic conversations with customers.</li> <li>&gt; The innovation hub in Financial Services employs data scientists who monitor disruptors in the vehicle industry.</li> </ul>	01	 Page 10. IAR: page 54.
<p><b>Owners, investment community and debt providers:</b> management structures and how management is incentivised.</p>	<ul style="list-style-type: none"> <li>&gt; Consolidation into one division with one leadership team.</li> <li>&gt; Fair remuneration with due regard for skills and performance.</li> </ul>	02	 Page 15. IAR: page 58.
<p><b>OEMs:</b> ensuring service delivery and product quality.</p>	<ul style="list-style-type: none"> <li>&gt; Training interventions for customer-facing staff and technicians.</li> <li>&gt; Stringent quality and safety measures.</li> <li>&gt; Strict service level agreements for suppliers.</li> </ul>	01 02	 Page 12 and 18.
<p><b>Customers:</b> difficulty in accessing vehicle financing.</p>	<ul style="list-style-type: none"> <li>&gt; Strong relationships with OEMs that provide access to preferential pricing.</li> </ul>	01	 Page 10.
<p><b>Employees:</b> slow improvement in the transformation of executive and senior management.</p>	<ul style="list-style-type: none"> <li>&gt; Employment equity plan and targets.</li> <li>&gt; Training and development initiatives.</li> </ul>	02	 Page 16.

CONCERN	STRATEGIC INITIATIVES	SUSTAINABLE DEVELOPMENT PRIORITY	DETAILED INFORMATION
<p><b>Business partners and regulators:</b> regulatory compliance, including regulation pertaining to financial service providers.</p>	<ul style="list-style-type: none"> <li>&gt; Robust regulatory compliance framework.</li> <li>&gt; Contribution to regulatory development through industry bodies such as the National Association of Automobile Manufacturers of South Africa (NAAMSA) and National Automobile Dealers Association (NADA).</li> </ul>	04	 Page 25.
<p><b>Regulators:</b> participation in the revised Department of Trade and Industry's Automotive Production and Development Programme.</p>	<ul style="list-style-type: none"> <li>&gt; Engagement with the Department of Trade and Industry on transformation and Motus' contribution to the fiscus, employment and enterprise development.</li> <li>&gt; Investigating solutions to improve the preferential procurement scores for the vehicle importer businesses.</li> </ul>	02 03	 Page 16 and 22.
<p><b>Regulators:</b> participation in the Competition Commission's Automotive Aftermarket Advocacy Programme.</p>	<ul style="list-style-type: none"> <li>&gt; Contributing to the development of a code of conduct to allay various anti-competitive concerns identified in the automotive aftermarket industry.</li> </ul>	04	 Page 27.



# Sustainable development priorities



## 01

### Delivering quality products and services to support a full customer value proposition

- > Customer satisfaction
- > Quality control
- > Supplier assessment
- > Enhancing customer service through digitisation

## 02

### Developing effective leadership and empowered people

- > Strong, visible leadership and talent management
- > Transformation at management level and promoting workforce diversity
- > Training and development
- > Streamline human resources policies, procedures and practices

## 03

### Accelerating transformation progress in South Africa

- > Broad-based black economic empowerment (BBBEE), including black ownership, enterprise development and inclusive socioeconomic growth



## 04

### Ensuring regulatory compliance

- > Managing, monitoring and auditing compliance
- > Compliance training
- > Contribution to new and emerging legislation

## 05

### Minimising the environmental footprint

- > Water consumption and recycling
- > Electricity consumption and emissions efficiency

# Governance of sustainable development

*The Motus finance, risk, compliance and sustainability (FRCS) committee, a board committee, sets the risk framework for our business units and ensures robust risk processes are in place. It also establishes the sustainability guiding principles for the division.*

The committee meets quarterly and is chaired by Younaid Waja, a non-executive board director of Imperial Holdings. It is attended by Imperial Holdings' chief financial officer (CFO), risk executive and general manager of group finance, and Motus' chief executive officer (CEO), CFO and risk manager, as well as internal audit and external auditors. Responsibility is delegated from Motus' CEO to the CEOs of each sub-division who delegate responsibility to the CEOs of individual businesses.

The top issues considered by the committee during the year included governance, the deployment of funds, exchange rate volatility, the current economic climate, financial performance for 2017, the restructuring of Motus, the risk register and strategies to mitigate against risks, and a review of the internal control environment. Compliance and regulatory risk were also considered, particularly in terms of treating customers fairly, the Protection of Personal Information (POPI) Act and the Retail Distribution Review (RDR).

FRCS committees have been established in all our business units and they report any material issues that arise to the Motus FRCS committee.

SUSTAINABILITY REPORTING GOVERNANCE STRUCTURE

