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Being locally relevant in markets of operation



WHY THIS IS A PRIORITY

We create value for society through our business activities and the way in which we conduct them. However, to retain our commercial and social licenses to operate, we must continually work to enhance our local relevance in each unique country of operation by responding to critical national priorities.

In South Africa, transformation is a moral and commercial imperative that takes up a good deal of management's time. Black ownership is a significant criterion for tenders and contract renewals, particularly in the public sector.

In the African Regions, the perception is sometimes that South African-owned businesses do not contribute to the local societies within which they operate. However, our success in expanding our operations on the continent depends on our local knowledge, which informs how we need to customise our service offerings to market-specific client requirements. To this end, we seek to retain and develop local management and hire local people, contributing to the socioeconomic wellbeing of those markets.

Our relevance among the communities in which we operate is strengthened further by the support we provide through our CSI activities.

RISKS AND CHALLENGES

SOUTH AFRICA

- > **Increased pressure to meet BBBEE requirements**, specifically black ownership.

AFRICAN REGIONS

- > **Negative sentiment** towards South African-owned businesses.

ACCELERATING TRANSFORMATION PROGRESS IN SOUTH AFRICA

Our relevance in the South African market requires a focus on all elements of the BBBEE scorecard, which is independently verified every year. Progress is monitored by the transformation department and reported to the divisional board.

This section of our report covers black ownership, enterprise and supplier development and socioeconomic development. Employment equity and skills development are discussed on pages 20 and 17 respectively.

Our enterprise development strategy aims to create value for black-owned and black women-owned small, micro and medium-sized enterprises (SMMEs) by:

- > Empowering and supporting them at different stages of their growth to develop and expand, ensuring their sustainability.
- > Capacitating them to fully integrate into our supplier base, positively impacting our preferential procurement and BBBEE scorecard targets.

Around 97% of our enterprise development contributions are either cash or asset based, with the remainder being time spent to train and mentor SMMEs. We enable increased revenue for start-ups by giving them access to markets and our clients, which in turn contributes to sustainable job creation and increased household income. More broadly, our contributions support the development of black-owned transport enterprises in the industry and improved healthcare through the Unjani Clinics network.

Within our supply chain, we support the sustainability and development of selected suppliers by providing them with medium- to long-term capital funding through interest-free, unsecured loans. The funding helps these businesses to increase their capacity and capability to meet our procurement demands. Shorter payment terms are also granted to some smaller suppliers. Where feasible, we give preference to BBBEE-compliant suppliers.

Our CSI spend aligns to the target set by the dti Codes of 1% of net profit after tax and recipients must meet the following minimum requirements:

- > Be a registered non-profit or non-governmental organisation.
- > Have a beneficiary base that is at least 75% black.
- > Be able to provide a Section 18A receipt for donations received.

In South Africa, we are a founding member of the Public Health Enhancement Fund and the Social Compact Forum, a collaboration between the Department of Health and private health sector organisations. The fund provides a vehicle through which private sector contributions aid government to address healthcare priorities, and the forum provides an engagement platform to tackle healthcare challenges. One project is a R20 million initiative to fund the education of 100 medical students from rural areas in response to South Africa's chronic shortage of doctors and to increase the profession's racial demographics.



SDW: strengthening legitimacy; more information on transformation in South Africa.

Our enterprise development initiatives centre on helping people to establish, expand or improve their businesses, leading to long-term economic growth for themselves, their families and their communities.



Making a sustainable contribution to transformation

During the year, we launched a new enterprise and supplier development initiative, giving impetus to our transformation programme. The Sinawe Fund – meaning ‘we are together’ – will transform our current enterprise development strategy from a pure cost centre to a profit centre, and will provide deserving suppliers within our value chain with access to growth opportunities. We will manage the fund together with The Awethu Project (Awethu), an SMME investment company with specialist skills as an enterprise and development service provider focused on growing black businesses and start-ups.

This best practice model is a ‘hybrid’ solution which combines our experience and expertise in supply chain and transportation management with Awethu’s ability to develop entrepreneurs on business issues such as human resources, finance and governance. As part of this solution we commit to provide specialist logistics mentorship for the participating SMMEs and Awethu will provide pre- and post-investment support customised to the SMMEs individual growth stages and development gaps.

In addition to supporting a pipeline of sustainable black businesses, the initiative will create value for both Imperial Logistics and our clients. The successful integration of SMMEs into our procurement processes and supply chain will boost our preferential procurement scores and clients will have access to competent suppliers that provide real and measurable improvements in supply chain efficiencies. Clients are also able to co-invest in the fund, supporting the development of their own SMME suppliers and improving their preferential procurement scores.



Providing SMME suppliers with business development support

Two interest-free, unsecured loans have been provided to SMME suppliers operating within our Tanker Services value chain. One loan has been used to purchase a truck in a 100% black-owned and 30% black women-owned business. The business has also been provided with back-office operational assistance in terms of finance, OHS and quality compliance. Following the loan, the business has hired one full-time driver and three part-time operations personnel. The second loan was used to purchase two trucks, enabling our supplier to invest in new capital at preferential rates and terms. Four jobs have been created through this financial assistance.

We provided a R1 million interest free loan and general business support, contract assistance and advice to a black-owned transport business, employing several people who were previously without work. This has enabled the business to purchase a suitable fleet of trucks to service our milling operation. Regular meetings take place to ensure that finance commitments are met.

Our enterprise development initiatives extend to outsourcing the waste management and cleaning services at our wash bays and yards to black-owned enterprises. We have provided mentoring support on financial processes and our aim is to help these businesses to grow and hire more people through marketing initiatives and the sourcing of contracts beyond those provided by Imperial Logistics.

2017 PERFORMANCE

Retained a Level 3 BBBEE rating

Our BBBEE strategy is aligned to the new dti Codes, despite the Road Freight Sector Codes having not yet been gazetted. Our leadership position in the industry will be maintained through a focus on all elements of the BBBEE scorecard.

We aim to accelerate our transformation strategy through the inclusion of a strategic partner for Imperial Logistics South Africa, which will increase its black ownership to 51%. This will give Imperial Logistics sustainable competitive advantage in the South African market through enhanced transformation beyond just ownership. We are confident that we will identify the appropriate business partner able to contribute towards the transformation of our leadership, enhance the availability of executive talent and support our drive towards diversity and the strengthening of our client relationships.

We have also increased our focus on preferential procurement across all spend categories. Our procurement spend with 51% black-owned businesses was R2,9 billion, 21% of the 40% targeted spend, and with 30% black women-owned businesses we spent R1 billion, equating to 8% of the targeted 12%.

R21 million spent on enterprise and supplier development in South Africa,
2,3% OF THE ANNUAL TARGET OF 3% OF NET PROFIT AFTER TAX. TO DATE, OUR ENTERPRISE DEVELOPMENT INITIATIVES
ARE ESTIMATED TO HAVE CREATED BETWEEN 30 TO 35 JOBS.
(2016: R10 million)

Some 7% of our enterprise development spend was invested as a grant in the operational expenditure requirements of the Unjani Clinics network. The Unjani Clinics project gives black women professional nurses the opportunity to own a primary healthcare clinic and to provide quality affordable primary healthcare services to the people in their communities that are employed but do not have medical aid. In addition to monetary support, Pharmed sells certain products to the network at a discounted rate.



SDW: strengthening legitimacy; more information on the Unjani Clinics network.

R16,3 million spent on CSI projects

Assisting our employees' children to access tertiary education

Our Next Generation Scholarship Programme acknowledges the loyal service of our employees by providing them with financial assistance towards their children's tertiary education.

R1,6 million awarded as bursaries

WHICH COVER FULL TUITION COSTS AND AN ANNUAL STIPEND OF R10 000 FOR BOOKS AND STATIONARY
(2016: R1,9 million).

Investing in education

Our contribution to inclusive growth includes investments in the following education initiatives:

- > **Imperial and Ukhamba Community Development Trust:** dedicated to advancing education in public schools primarily in under-privileged communities south of Johannesburg. We contribute to the Trust's Saturday sports and holiday programmes, and invest in upgrading one Grade R play area annually as part of our Mandela Day initiative.
- > **Bursaries for pharmaceutical students:** supporting the development of this scarce skill and helping to secure a pipeline of talent for Imperial Logistics.
- > **Making a Difference:** an initiative that provides scholars with leadership development opportunities.
- > **Ligstraal School:** a special needs school for black learners with a mental disability and living in poor socioeconomic circumstances and whose parents are dependent on social grants.

Ensuring access to affordable, quality medicines

Providing medicine to people living in remote areas has proven to be one of the most difficult and enduring challenges in global health. In developing countries, pharmacies play an important role in healthcare for these communities as often they are the first point of contact with the health sector and the primary point of access to medicines and other day-to-day goods. However, inadequate business skills, poor systems and lack of access to working capital prevents pharmacies in local communities from stocking sufficient high quality and affordable medicines.

Lulama, a pharmacy development programme, is a financing partnership between the public and private sectors that aims to strengthen independent, community pharmacies in under-served areas, and enable access to quality, life-saving medicines. The programme combines the skills, systems and processes of the private sector with the development support of the public sector. A total of 30 pharmacies have been selected to participate in the pilot project and will benefit from working capital and access to an affordable product bundle of high quality medicines and consumer goods, as well as training in business and logistics management. We provide support services in stock management and financial advice.

Supporting communities in need

To help our communities in South Africa, some of our more material projects supported during the year include:

- > **Robin Hood Foundation:** mobilises resources from businesses and individuals to support those in impoverished and Aids-affected communities.
- > **Meals on Wheels:** a welfare service that cares for the elderly by providing old-age homes, frail-care centres, service centres for senior citizens and a meal delivery service. We supported the organisation's programme to empower the elderly by teaching them how to prepare low-cost and nutritious meals, plant vegetable gardens and sell homemade produce.
- > **Smile Foundation:** provides surgical intervention for children with cleft lips and palates and other facial anomalies. The foundation also provides pre- and post-operative care for beneficiaries, as well as invests in the public healthcare system through the purchase of medical equipment, upgrading of plastic and reconstructive surgery facilities and the sponsorship of academic skills.
- > **Thembalitsha Foundation:** equips individuals with skills through its nine community-based healthcare, education and training projects.
- > **Shalom Orphanage:** provides a home for street and destitute children in Heidelberg, feeding between 55 and 60 children.
- > **Abused and Abandoned Kids Educational Excursions:** supports six homes and youth care centres for abused and neglected children in Gauteng.

Partnering with clients to protect rhinos

For the fourth consecutive year and together with some of our principals, 666 family hampers and 1 638 hampers for children were donated to the SANPARK Rangers, as well as a cash donation to purchase ranger equipment. In total the initiative raised R1,6 million in recognition of the rangers in the Kruger National Park who are fighting against rhino poaching.



SDW: strengthening legitimacy; more information on Imperial's social performance.



CSI: more information on Imperial's CSI projects.

ENSURING LOCAL RELEVANCE

IMPERIAL LOGISTICS AFRICA

Imperial Logistics developed by acquiring entrepreneurial businesses with specialised capabilities in new regions. When acquiring a business, we retain and develop key individuals in management positions and hire local people to promote a cohesive work environment and to leverage their local knowledge. Expatriates are only used to assist with technical issues such as aligning financial reporting requirements to group processes. We provide training and development programmes to create a pipeline of local talent and our remuneration levels exceed local minimum wage requirements which helps to retain local employees. Through these practices, we aim to achieve a more engaged and aligned workforce in the African Regions.

In Namibia, we are engaging with industry bodies on the draft New Equitable Economic Empowerment Framework which is under revision following public consultation. The framework will supersede all other local transformation and empowerment policies.

Where we can, we procure goods and services locally to support local development, access specific African markets and gain customs, excise and taxation benefits, as well as decreased exposure to foreign exchange fluctuations. Some 70% of Worldwide Healthcare's products in Nigeria are sourced locally.

We work with national governments to deliver innovative solutions that secure a sustainable supply of quality medicines. Initiatives range from an electronic logistics management information system in Rwanda to logistics solutions that ensure the efficient delivery of medicines to healthcare facilities in Malawi. Imperial Health Sciences is a board member of the People that Deliver initiative which strives to ensure strong supply chains with trained professionals to facilitate the distribution of drugs and other health supplies in developing countries.

IMPERIAL LOGISTICS INTERNATIONAL

In Germany, we make donations to charitable organisations; schools; university, hospital and soccer associations and we support local non-profit organisations and industry association sponsorships. We also encourage employee initiatives which contribute to team building and employee motivation.

Hiring locally and procuring from within our countries of operation, not only supports the economic growth of these countries but also provides us with benefits in terms of local knowledge and mitigation against currency risk.

Our Imperial Health Sciences Supply Chain Academy

277 people trained

BY THE IMPERIAL HEALTH SCIENCES SUPPLY CHAIN ACADEMY

(2016: 364 people).

The Imperial Health Sciences Supply Chain Academy contributes to health-related supply chain management skills and knowledge, particularly in terms of warehousing best practice. Our employees are trained at the Academy, as well as health and logistics practitioners in public health facilities, government health departments and private logistics companies. The internationally recognised Warehouse Management Operations course is hosted in South Africa and provides delegates with the opportunity to learn from local subject matter experts, gain on-the-job warehouse experience and visit world-class ISO:9001 certified warehousing facilities. The programme is offered in English, French and Portuguese.