

IMPERIAL™

LEADERS IN MOBILITY

IMPERIAL

Developing
effective
leadership
and empowered
people

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Overview

We compete for success based on our ability to place the customer at the centre of our businesses, and continually improving how we do things by listening to customer feedback and responding quickly to their needs.

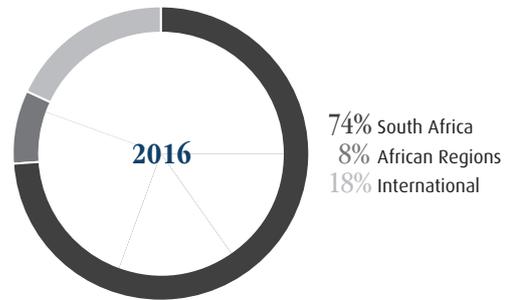
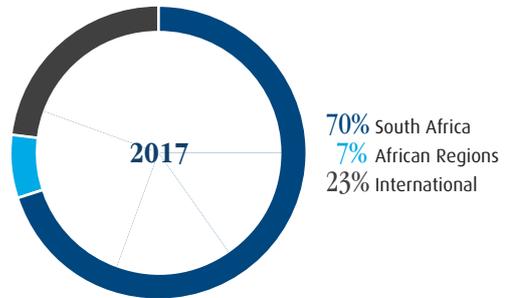
To achieve these key differentiators, our leadership team must be experienced and agile, and have the right skills to execute the group and divisional strategies, and to make effective decisions that impact our customers and processes, as well as motivate our employees.

Number of employees

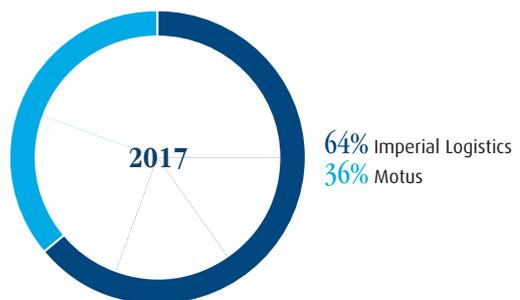
49 364
(2016: 50 291)

Our workforce

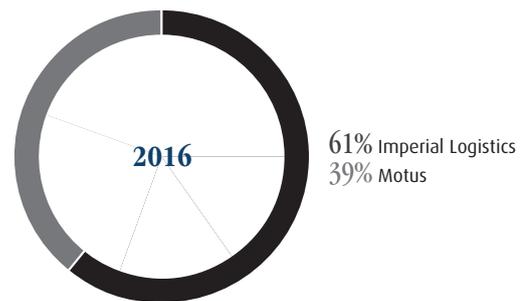
GEOGRAPHIC SPLIT



DIVISIONAL SPLIT



Note: 100 employees working at Imperial Holdings.



OUR HUMAN CAPITAL RISKS AND CHALLENGES	OUR RESPONSES	WHAT SUCCESS LOOKS LIKE
<p>Loss of key talent due to the organisational changes taking place within Imperial amid fierce competition for skills at middle management and lower levels.</p>	<ul style="list-style-type: none"> > The restructuring of our business has provided new opportunities to promote talented individuals into key positions. In addition, there has been regular interaction between our executive, senior and middle management teams to address concerns around the changes to the divisions and reporting structures. 	<ul style="list-style-type: none"> > An engaged and highly competent workforce motivated by people-focused leaders who are agents of change. > Cohesive teams working towards a common purpose. > Increased capability for longer-term strategic thinking that sustains value creation.
<p>Insufficient depth of relevant skill sets and ways of thinking to meet future business needs.</p>	<ul style="list-style-type: none"> > Our talent management programme aims to enhance leadership capability and ensure that our human capital is strategically aligned to our future requirements. We are also building a foundation of core human capital data which will support the identification of talented individuals and provide accurate insight into where there may be skills gaps in the future, enabling us to deliver relevant and meaningful training interventions. 	<ul style="list-style-type: none"> > A pipeline of local talent in countries of operation contributing to our knowledge of local markets. > A skilled workforce that drives our competitive advantage.
<p>Slow transformation of our workforce in South Africa hampered by tough economic conditions that limit growth, slow attrition at senior management level and a limited pool of black (African, Coloured and Indian) leadership in the industry.</p>	<ul style="list-style-type: none"> > Employment equity plans for each division set out targets and initiatives to meet them. In addition, we place emphasis on fast-tracking talented black employees through our training and development programmes while ensuring that deep industry and institutional knowledge is not lost. 	<ul style="list-style-type: none"> > Diverse thinking that influences decision making and the long-term strategy. > A diverse workforce able to meet the needs of a diverse customer base. > Enhanced reputation and social relevance. > Improved ability to compete.
<p>Labour disruptions.</p>	<ul style="list-style-type: none"> > We actively participate in industrial labour councils and enter into medium-term labour agreements that provide some mitigation against labour disruptions. We also diversify our supply chain channels and regularly review our operational labour plans to ensure continuity of service to our customers. 	<ul style="list-style-type: none"> > Continuous service delivery during tough economic and socio-political times.

Employee insight

We engage with our employees in face-to-face interactions and through surveys and electronic platforms, and our bi-annual leadership conferences are used to share the group's strategy with our executives and senior managers. Some 85% of our employees in South Africa are covered by collective bargaining agreements and our performance against these agreements is reported regularly through our active engagement with labour representatives and shop stewards.

In Germany, we proactively engage with unions to negotiate wages that remain competitive and to discuss issues such as fair working conditions, and the health and safety of our employees.

Formal grievance mechanisms, which comply with local legislation, are in place across the organisation.

Over and above individual company-specific engagement surveys, in July 2016 we undertook the Imperial Group Climate Survey to acquire insight into the work-life experience of our employees in South Africa.

The survey was anonymous, allowing our employees to voice their concerns in a safe environment. It assessed employees' perceptions of their job, the workplace, the leadership climate and the effectiveness of communication and inclusion, as well as the level of employee engagement. These insights have identified areas of strength that can be enhanced and pinpointed areas for improvement. A total of 19 factors were measured and scores of 55% and lower are regarded as unsatisfactory.

A total of 3 604 employees at junior management level and higher, as well as professional specialists, were invited to participate and we achieved a 66% response rate. The biggest movements compared to our last groupwide survey undertaken in 2013 were a 7% increase in fair employment practices and a 6% decrease in terms of remuneration (market-related remuneration, parity of remuneration and clearer links between performance and pay). Imperial Logistics and Motus have been tasked with understanding the issues that have resulted in negative perceptions and implementing plans to address these.



SDW: group overview; full stakeholder engagement table at group level.

OVERALL INDEX SCORE BY DIVISION

Imperial Logistics:

63%

Vehicle businesses prior to consolidation:

65% (importers)

70% (retail, rental and aftermarket parts)

AREAS OF STRENGTH

The top three scores were fair employment practices (75%), customer service delivery (72%) and leadership climate (70%). A further 12 factors achieved average scores of 65% or higher.

OVERALL AVERAGE INDEX SCORE FOR IMPERIAL:

66% (2013: 65%)

AREAS OF IMPROVEMENT

The bottom three scores were effective and fair career management processes (61%), job stress and wellbeing (53%) and remuneration (48%).

TURNOVER INTENTION

40% of respondents indicated that they would consider leaving Imperial based on remuneration, better career prospects and other reasons not listed.

Our human capital priorities

Our history is that we have grown through the acquisition of independent businesses, fostering an entrepreneurial spirit but also giving these businesses substantial autonomy in managing their human capital practices.

In addition, the majority of businesses acquired were white-owned and run by long-serving white men, thereby making our employment equity performance largely dependent on the rate of employee attrition. Our growth into a complex and multinational organisation based in South Africa requires a more mature and standardised approach to people-related practices, including structured career development for executives and a strong drive to increase black representation at management level. In addition, we need to resolve the fragmented approach to human capital management by building strong capable human resources teams within our divisions and developing systems that provide accurate and integrated core data to inform strategic people-related decisions.

Based on these needs, the Imperial Group Climate Survey and our human capital risks and challenges, the following human capital priorities have been identified. The table below sets out where accountability for managing these priorities lie.

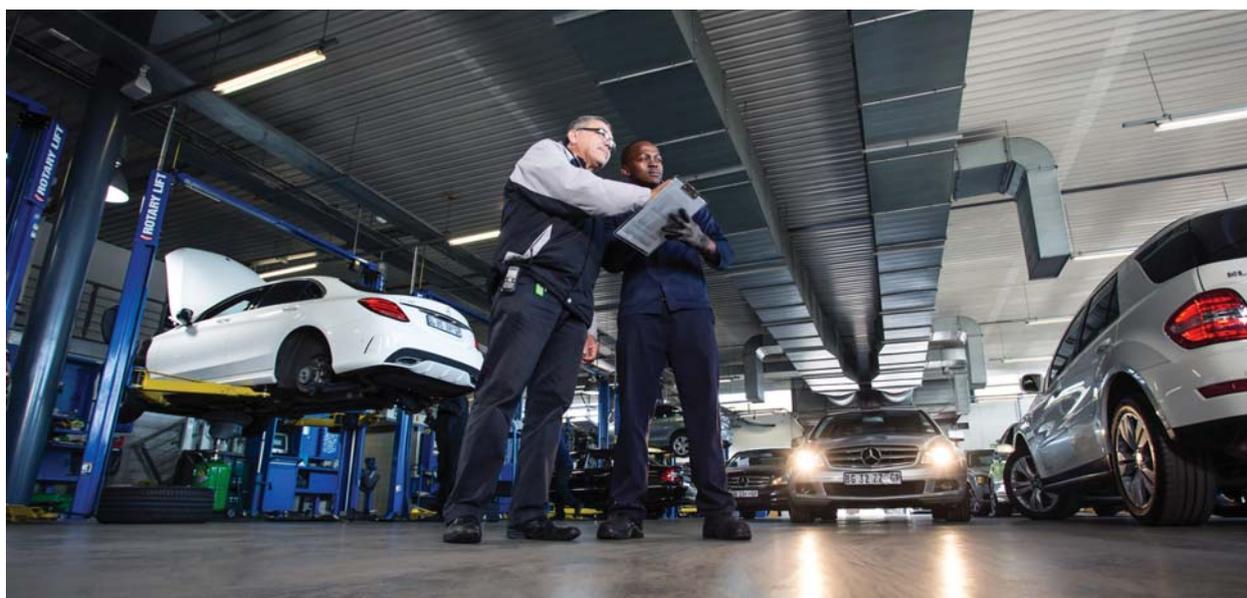
01 | Employ and develop executives who can lead the continual change necessary for progress and performance

GROUP	IMPERIAL LOGISTICS	MOTUS
Ensure executive compensation systems for long-term performance and retention.	<ul style="list-style-type: none"> > Ensure appropriate remuneration for divisional executives, benchmarked relative to organisational size, level and complexity. 	
Ensure succession depth at group and divisional leadership level.	<ul style="list-style-type: none"> > Prioritise leadership development and succession planning. > Accelerate the transformation of divisional leadership. 	



02 | Implement human capital policies and practices to enhance productivity, diversity and succession

GROUP	IMPERIAL LOGISTICS	MOTUS
<p>Devolve people management to the divisions to enable alignment with business specific needs and different market realities.</p>	<ul style="list-style-type: none"> > Ongoing implementation of a common framework for leading people management practices and processes based on reliable core data. > Implement a people and payroll solution designed to deliver improved business analytics and reporting capabilities to support talent management and succession planning. 	<ul style="list-style-type: none"> > Following the bedding down of the new management structure, focus has shifted to improving people management practices and processes. > Key human capital initiatives underway include talent management, core data, human capital and payroll technology, and business re-engineering.
<p>Oversight of fair and responsible people policies and practices, including those related to transformation, diversity and reward and remuneration.</p>	<ul style="list-style-type: none"> > Formalise processes and policies that support change management, transformation and diversity, and enhance organisational engagement. 	
	<ul style="list-style-type: none"> > Implement talent management at all levels to drive productivity, and build a robust succession pipeline for transformation and diversity. 	
	<ul style="list-style-type: none"> > Accelerate employment equity in South Africa and, for Imperial Logistics, gender diversity in Germany. 	
	<ul style="list-style-type: none"> > Ensure that training and development initiatives support a skilled workforce as well as employment equity and diversity plans. 	

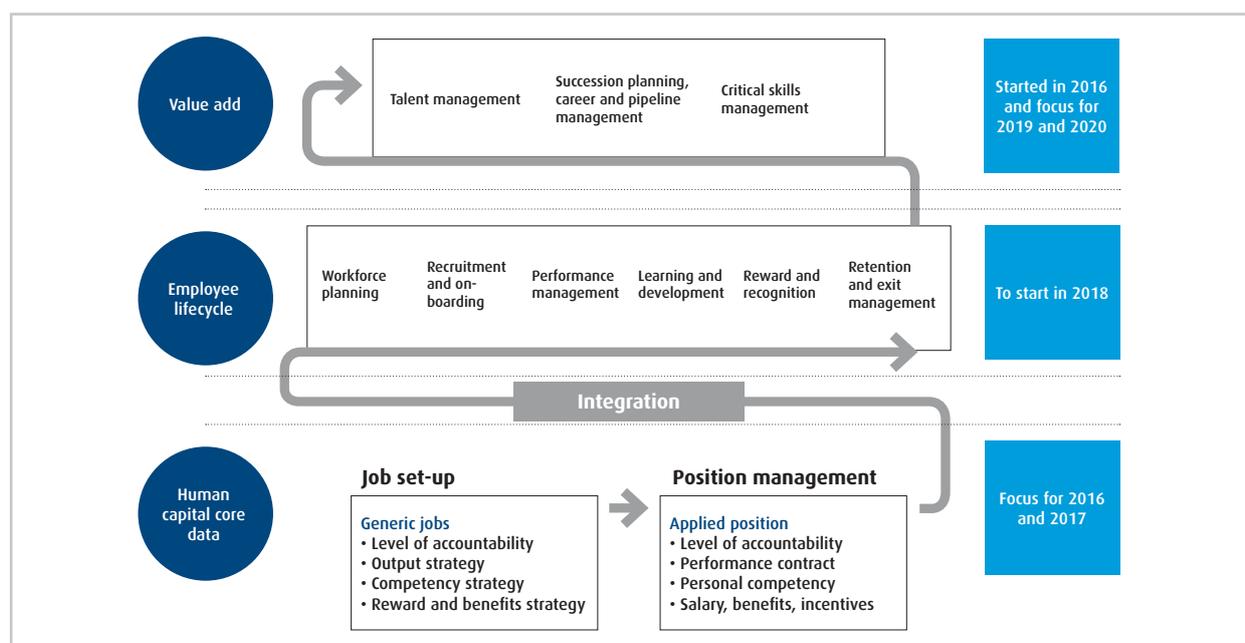


Our approach

Our success relies heavily on our people. The enhancement of our human capital practices will reduce people-related risk and optimise our potential to deliver on our strategic objectives.

Our focus is to rebuild our human capital foundation through a baseline of employee data. This will give us the ability to integrate transactional people elements such as workforce planning, recruitment, development and performance management, in turn, underpinning the integrity and quality of value-adding people processes such as talent management and succession planning.

OUR PEOPLE PRACTICES FRAMEWORK



Imperial Holdings, at a group level, oversees the governance aspects of human capital management and together with divisional leadership, manages the talent and succession processes at the top three leadership levels of the organisation. As our strategies become clearer, we have refined our organisational effectiveness framework and 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. Talent management is linked to performance and remuneration incentives for the chief executive officers (CEOs) of Imperial Holdings, Imperial Logistics and Motus. Learning and development remain key to supporting transformation and the specialised skills required by each division.

The focus of our talent management programme, started in 2016, is twofold: firstly, to develop our leaders and secondly, to identify potential successors. At this point in time the process is more subjective in nature given the lack of objective data relating to performance and potential, the two core criteria for talent management. However, as we gain better insight into our workforce profile, the shift towards a more objective approach is improving. In its first phase, the talent management programme focused on our executives and senior managers, with annual strategic talent reviews and regular performance reviews tracking their development against customised personal development plans. Close to 30% of our executives and senior managers will retire in the next eight years and targeted activities are in place to identify and develop potential successors, as well as mentoring programmes to ensure a transfer of institutional knowledge.

We intend to use a balanced scorecard and goal-cascading approach to align the performance of our employees to organisational performance. The rate at which face-to-face performance reviews are undertaken varies across our businesses and roles, for example sales representatives undergo more frequent reviews. Consistently poor performance is managed in line with legislation and labour agreements in each country of operation.

We believe in a fair and equitable approach to remuneration devoid of discriminatory elements. As our people practices framework matures, we will implement a clearly defined remuneration and reward framework, with improved links between bonus pay and performance that goes beyond what is expected. During the year, we implemented a new minimum wage for our South African businesses which is above the South African prescribed minimum.



IAR page 67; more information on our remuneration structures.

Our people philosophy must promote equality, grow an inclusive culture and create greater opportunities for all our employees. We face clear transformation challenges in South Africa and our transformation agenda must include cultural readiness initiatives, accelerated talent development, strategic sourcing and targeted attraction and retention initiatives. This will be a key focus for the next three to five years. Based on the demographics of a particular skill set in the South African market, we give preference to black candidates when recruiting externally.

Performance against annual employment equity targets is monitored at group level by the social, ethics and sustainability committee. Growth in black representation at senior and middle management level is linked to the performance and remuneration incentives of our South African-based executives and senior managers.



SDW: strengthening legitimacy, Imperial Logistics review (page 20) and Motus review (page 16); more information on transformation in South Africa.

We encourage our employees to access opportunities to grow and take accountability for their own performance and career development. We offer on-the-job learning, coaching, technical training and management development programmes to optimise current performance and focus on further career development. We operate the following three academies: Imperial Logistics Academy, Imperial Health Sciences Supply Chain Academy and Imperial Technical Training Academy.



SDW: Imperial Logistics review (page 17) and Motus review (page 18); more information on training and development.

Our new human capital technology will require change management initiatives and we have designed a change management approach.

Retrenchments are viewed as a last resort, however, where downsizing is required fair practice is followed, underpinned by retaining the best person for the job based on education, experience and past performance; and in line with labour agreements.



2017 performance

STRATEGIC FOCUS	PROGRESS MADE TO DATE	OBJECTIVES
<p>Core data: relevant, objective people data to easily identify the right incumbents for key roles.</p>	<p>Imperial Holdings</p> <ul style="list-style-type: none"> > Assessed the group's human capital capability. > Audited the group's people practices. > A performance management practice framework has been recommended. > Analysed all human capital policies and agreements to inform the new human capital system and standardised practices. <p>Imperial Logistics South Africa and Motus</p> <ul style="list-style-type: none"> > Developed generic job profile grids mapped to organisational structures and which clearly define the outputs and competencies associated with each role. > Linked people to generic job profiles with clear reporting lines mapped on documented organograms. 	<ul style="list-style-type: none"> > Fair and standardised people practices that have the flexibility to cater for specific business needs, and are free of race and gender bias. > Consistent and relevant information that supports human capital processes, including succession and talent management. > Empowered employees able to better navigate potential career paths.
<p>Talent: the right people with the right skills in the right roles to deliver on our strategic objectives.</p>	<ul style="list-style-type: none"> > Developed talent strategies for Imperial Holdings, Imperial Logistics and Motus. > Determined the succession status of strategically critical roles in Imperial Logistics and Motus. > Held strategic talent reviews with executives and senior managers across the group to assess their cognitive and behavioural leadership skills. The results inform talent discussions and personal development plans. A total of 570 talent conversations undertaken. > Developing an executive development framework. > Formulating strategies to respond to talent risk, covering the employee value proposition, talent sourcing and retention strategies. > Implemented change management initiatives across the group. > Strengthened human capital capability at Imperial Holdings level and within Motus. 	<ul style="list-style-type: none"> > An executive succession and self-developmental ethos across the group. > A clear view of internal talent capable of moving into strategically critical positions in the next three to five years, and where succession challenges exist. > Progression of black employees into senior management.
<p>Human capital technology and payroll solution</p>	<ul style="list-style-type: none"> > Started to design a simpler groupwide payroll system. > Identified gaps in technical infrastructure and started identifying potential solutions. 	<ul style="list-style-type: none"> > Better human capital decisions based on accurate and easily accessible data.

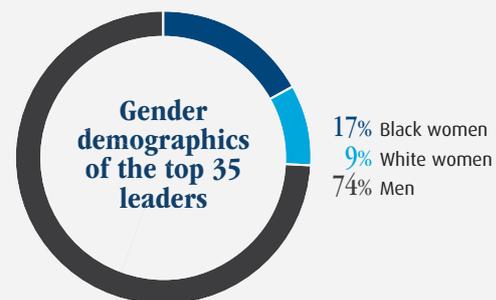
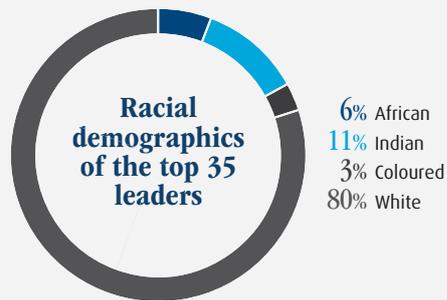
A strong leadership team to drive change

Over the past year, a lot of work has gone into consolidating Imperial into two clear divisions. This included a review of management positions and functions, and has resulted in a number of new appointments into the new structures in each division. Several individuals have been promoted into key positions from within the group, demonstrating the strength of our talent management programme and deliberate succession planning. At year-end, 23 of the 35 most senior executives in the group were new to their roles. Our leadership teams are younger and excited about introducing new ways of working. We have engaged with these leaders and are working to remove obstacles that may hinder their ability to achieve their strategies and we have given them more accountability for creating value for the group and its stakeholders. At group level we appointed a new chief financial officer (CFO), as well as executives for both organisational effectiveness and strategy. CEOs were appointed for Motus, Logistics African Regions, Hyundai, Kia, Renault and Financial Services. Imperial Logistics appointed a new CFO, chief information officer and a chief strategy and business development officer, and Motus appointed a CFO.

R371 million, the groupwide capital expenditure on human capital development and information systems.

Diversity

Workforce in South Africa



99% of senior managers are South African citizens

(2016: 99%).

Our employment equity performance in South Africa

Imperial Logistics made good progress against its employment equity targets, and looking forward the focus will be on increasing black female representation, especially at the top and senior management levels. Overall black representation in Motus improved by 0,8% to 68,0%, with increases across all occupational levels with the exception of a marginal decrease of 0,7% in the unskilled occupational level. The division's focus is to develop consolidated employment equity targets to June 2018, after which a new five-year employment equity plan will be implemented. At the group head office, where our workforce is very small, preference is given to black candidates and we look for opportunities to grow the careers of head office employees through transfers to Imperial Logistics or Motus. Within this part of our business, overall black representation decreased by 3,4%, however targets were met for top and junior management levels, as well as the semi-skilled occupational level.

TOP MANAGEMENT

Black representation: 19,5%
(2016: 19,4%)

Women representation: 14,3%
(2016: 16,5%)

SENIOR MANAGEMENT

Black representation: 29,1%
(2016: 24,3%)

Women representation: 30,3%
(2016: 20,8%)

MIDDLE MANAGEMENT

Black representation: 37,1%
(2016: 35,5%)

Women representation: 38,2%
(2016: 37,6%)

JUNIOR MANAGEMENT

Black representation: 62,9%
(2016: 60,6%)

Women representation: 29,2%
(2016: 31,5%)

OCCUPATIONAL LEVELS	MALE				FEMALE				FOREIGN NATIONALS		TOTAL	
	A	C	I	W	A	C	I	W	MALE	FEMALE	2017	2016
PERMANENT EMPLOYEES												
TOP ¹	4	1	4	55	3	2	1	4	2	1	77	103
SENIOR ¹	25	9	38	276	12	5	57	77	2	1	502	514
PROFESSIONAL SPECIALIST AND MIDDLE ¹	228	178	288	1 183	188	100	149	720	8	10	3 052	3 316
SKILLED JUNIOR ¹	2 331	920	735	2 091	864	354	239	1 056	54	14	8 658	9 641
SEMI-SKILLED	9 643	1 667	520	527	2 708	874	293	882	42	13	17 169	18 151
UNSKILLED	3 369	431	66	48	877	107	2	8	17	7	4 932	5 679
TOTAL PERMANENT EMPLOYEES	15 600	3 206	1 651	4 180	4 652	1 442	741	2 747	125	46	34 390	37 404
NON-PERMANENT EMPLOYEES	156	22	15	41	73	13	6	17			343	346
TOTAL	15 756	3 228	1 666	4 221	4 725	1 455	747	2 764	125	46	34 733	37 750

¹ Management levels.

Where A = African, C = Coloured, I = Indian and W = White.

Note: given the restructuring of the group in the past year, the work profiling project in terms of occupational levels and divisional work structures is work in progress.

Understanding what transformation means for Imperial

Our group CEO, Mark Lamberti, has voiced concern that the group must understand transformation better and develop a coordinated transformation philosophy that is accepted as an integrated and long-term business process. We have therefore engaged with external companies that have made substantial progress in transforming their workforces to learn from their experiences. We also held workshops towards the end of 2016 to give our leaders a new perspective on transformation and to create a safe environment in which to have honest conversations on how transformation can and should be implemented within Imperial.

Workshops covered:

- > The historical context for transformation in South Africa.
- > Transformation as a personal journey that requires all leaders to take ownership.
- > Change at a head and heart level.
- > Transformation as a business imperative.

Training and development

30 executives

ATTENDED DEVELOPMENT PROGRAMMES DELIVERED THROUGH THE UNIVERSITY OF CAPE TOWN'S BUSINESS SCHOOL (2016: 27).

7% increase in training spend

from R319 million in 2016.

R6 901 training spend per employee

(2016: R6 345).

1 705 development assessments

UNDERTAKEN BY THE IMPERIAL PSYCHOMETRIC ASSESSMENT CENTRE (2016: 628).

TRAINING

2017	IMPERIAL LOGISTICS		MOTUS	GROUP TOTAL
	AFRICA	INTERNATIONAL		
NUMBER OF EMPLOYEES	22 555	9 186	17 523	49 364 ¹
TRAINING SPEND (R000)	99 818	35 383	205 448	340 649 [✓]
TRAINING SPEND PER EMPLOYEE (R)	4 426	3 852	11 724	6 901 [✓]
NUMBER OF TRAINING HOURS	537 884	11 106	1 251 714	1 800 704 [✓]
NUMBER OF TRAINING HOURS PER EMPLOYEE	24	na ³	71	36 ^{2✓}
2016	IMPERIAL LOGISTICS		MOTUS ⁴	GROUP TOTAL
	AFRICA	INTERNATIONAL		
NUMBER OF EMPLOYEES	23 241	7 437	19 436	50 291 ^{1,5}
TRAINING SPEND (R000)	109 299	24 068	185 709	319 076
TRAINING SPEND PER EMPLOYEE (R)	4 703	3 236	9 555	6 345 ⁵
NUMBER OF TRAINING HOURS	441 848	4 960	365 551	812 359
NUMBER OF TRAINING HOURS PER EMPLOYEE	19	na ³	19	16

¹ Includes 100 employees based at head office.

² Includes apprentice training hours.

³ Imperial Logistics International tracks the number of hours for managers and young professionals only. During 2017, 10 952 hours of training were delivered to these employees (2016: 4 960).

⁴ 2016 numbers have been restated to reflect the consolidation of Motus.

⁵ 2016 restated.

[✓] Satisfied with performance.

[°] Area for improvement.

2017 performance
DRIVER SAFETY

2017	IMPERIAL LOGISTICS		MOTUS	GROUP TOTAL
	AFRICA	INTERNATIONAL		
ROAD KILOMETRES TRAVELLED (MILLION)	422	85	225	732
ROAD ACCIDENTS (COMPANY)	105	209	110	424✓
ROAD ACCIDENTS PER MILLION KILOMETRES	0,249	2,459	0,489	0,579✓
ROAD INJURIES (COMPANY)	43	9	96	148°
ROAD INJURIES PER MILLION KILOMETRES	0,102	0,106	0,427	0,202°
ROAD FATALITIES (COMPANY)	4	0	0	4°
ROAD FATALITIES PER MILLION KILOMETRES	0,009	0	0	0,005°
2016	IMPERIAL LOGISTICS		MOTUS ¹	GROUP TOTAL
	AFRICA	INTERNATIONAL		
ROAD KILOMETRES TRAVELLED (MILLION)	443	79	215	737
ROAD ACCIDENTS (COMPANY)	181	133	364	678
ROAD ACCIDENTS PER MILLION KILOMETRES	0,409	1,684	1,693	0,920
ROAD INJURIES (COMPANY)	70	8	67	145
ROAD INJURIES PER MILLION KILOMETRES	0,158	0,101	0,312	0,197
ROAD FATALITIES (COMPANY)	1	0	0	1
ROAD FATALITIES PER MILLION KILOMETRES	0,002	0	0	0,001

¹ 2016 numbers have been restated to reflect the consolidation of Motus.
✓ Satisfied with performance.
° Area for improvement.

Looking
forward

The implementation of effective integrated people practices will require upfront expenditure but is expected to realise staff cost and efficiencies savings over the next three to five years. Our people data reporting capability is expected to improve, facilitating strategic workforce planning and talent decisions, as well as the ability to track, manage and report employee-related cost and investment. For example, accurate data will provide a better understanding of what training is required to progress an employee's career or our productivity and, in turn, enable us to measure our return on training investment.

Our human capital teams across the group will work in unison to deliver the people practices framework with appropriate nuances between Imperial Logistics and Motus, although implementations will take place at differing times. The first pilot of the new technology solutions will go live early in 2018 with full implementation expected in 2019.

Our goal is to have a workforce that is constantly improving and adding greater value to our businesses, as well as empowered employees who are able to advance their career prospects and personal development ambitions. Not only will this help us to build skills internally, but it will enhance our position as a multinational organisation that offers developmental opportunities, contributing to our attractiveness as an employer of choice to our employee of choice.

GRI G4 index:

GRI G4-2, G4-10, G4-11, G4-26 to 27, G4-51, EC6, LA6, LA9, LA10, LA12