

Looking forward

Imperial Logistics is a diverse business that has grown through acquisition. The consolidation of the division challenges us to retain what has made us successful, particularly our passionate people, while unlocking the benefits of an integrated business.

A slow growth environment, together with lack of job creation, are expected to continue to place pressure on the South African operation into 2018. The devaluation of the Pound as a result of Brexit is expected to impact regional competitiveness in the international operation. However, for the year to June 2018, we expect to grow revenue and operating profit from our continuing operations.

We will continue to look for opportunities to expand in Africa and Europe, diversify our revenue streams and drive the 'asset right' approach by understanding where it makes sense to sub-contract work (mostly in cyclical industries) or run a fleet on more profitable routes. Where the market permits, we will focus on niche areas to achieve higher-than-market returns. Our focus on cost containment will continue to ensure that we are competitive in our markets and able to increase our market share. We will also continue to look for new service offerings, for example, in South Africa we are developing new multi-temperature distribution capabilities which will enable us to offer additional cost-effective routes-to-market, including for convenience and liquor stores, pharmacies, the hospitality and food service industries and the informal market.

Our transformation initiatives in South Africa will be accelerated with key initiatives being the completion of the black ownership transaction, driving the implementation of the Sinawe enterprise development fund

and continuing to develop our pipeline of black talent for future leadership. Black senior management is targeted to grow to 22% and black women in senior management to 11% by 2020. We expect to continue achieving maximum points for skills development, which requires that around 500 black people participate in our learnerships, apprenticeships and internships each year.

In the African Regions, we will continue to invest in local talent to ensure that our companies remain sustainable and relevant. Where our employees are not local to the country in which they are working, we will formally train them on labour laws to ensure that the rights of all our employees are respected. We will expand our succession planning process into our lower management structures and in the medium term, performance evaluations will increase to twice a year. Over the longer term, we will implement a formal salary band structure per country to ensure a uniform and consistent salary structure.

The new human capital management technology being implemented for the international operation will standardise the appraisal and employee assessment processes, as well as succession planning and job profiling which will inform training and development needs. An alternative personnel sourcing model is being designed to counteract the specific staffing challenges in the market and a new approach to training and development will drive



improved individual and team performance and will be supported by skills assessment and targeted development programmes. An employee engagement survey will be conducted in 2018.

The new payroll and human capital management system being implemented in Imperial Logistics Africa will enable proactive management of labour relations through a more centralised approach to reporting and data availability. Labour relations executives will continue to work on building relationships with senior union leaders and the NBCRFLI management in South Africa to ensure stability in the industry and the negotiation of future medium-term agreements.

In 2018, we will deliver training on Imperial Logistics International's competition regulations, supplier code of conduct and sponsoring and donations policy. We will also implement new compliance software to facilitate the future screening of employees and business partners in the international operation.

During 2018, we will conduct feasibility studies on photovoltaic installations at selected depots in South Africa and the implementation of the environmental performance standards will be monitored using internal audits. We expect to realise benefits from our new resource efficient Imperial Health Sciences facility in Centurion from the third quarter of 2018 and, in the medium term, Goldfields Logistics expects to invest a further R2 million in energy saving initiatives in its building network. For IRL, battery bays are large consumers of energy,

and a pilot study has indicated potential cost savings from a new initiative. However, the roll out will require capital and IRL is investigating the feasibility of continuing with this project. In the rest of Africa, we hope to formalise energy targets in 2018.

Imperial Logistics International is working towards a uniform and centrally managed environmental management system. The QEHS policy under development will include key performance indicators for energy, emissions, safety and other sustainability matters. The policy and management review will be launched in phases starting from the end of 2017. We will also investigate the feasibility of introducing electric trucks to our international fleet.

Many of our clients in Europe use EcoVadis to evaluate our performance in relation to the environment, working conditions, social responsibility, fair business practices and sustainable procurement. Selected companies will perform new assessments with the aim of improving our EcoVadis rating by the end of 2017.



IAR page 40: more information on Imperial Logistics' strategy and guidance for the division.

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