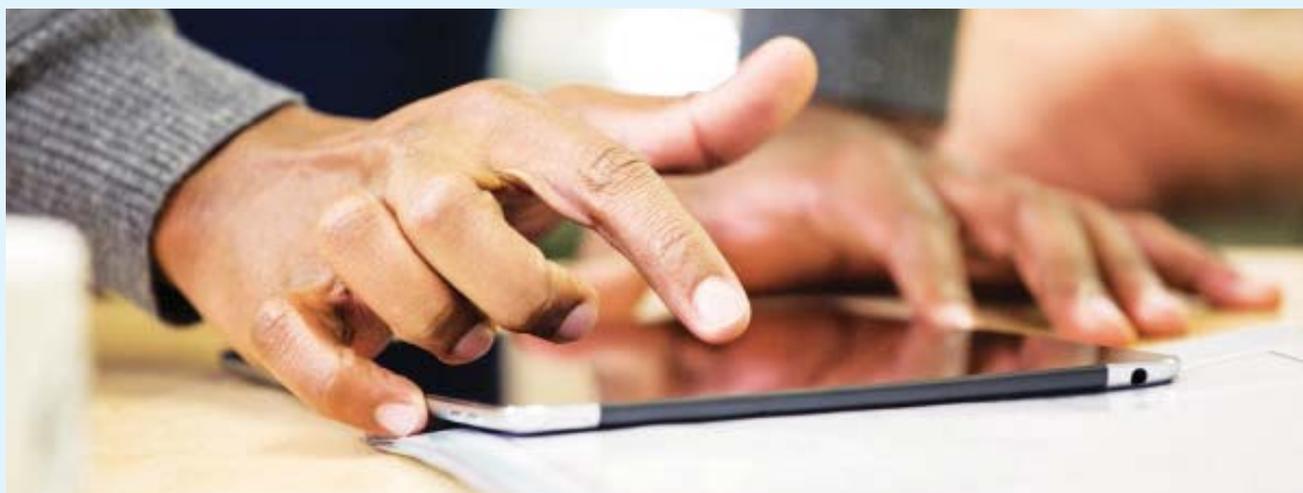


04

Maintaining ethical business practices



WHY THIS IS A PRIORITY

Ethics compliance, labour relations and respecting human rights are key considerations given that we:

- > Are a labour intensive business.
- > Have partnerships with health ministries, donor organisations and the pharmaceutical and petrochemical industries.
- > Operate in Africa where cross-border transportation of goods is susceptible to corruption.

Legislation that impacts our businesses relates to product responsibility, labour practice, health and safety, environment and the security of information management systems. Our compliance programmes and measures must be appropriate to effectively protect our operations, board members, directors and management from being held liable for compliance breaches. A material compliance breach could have an adverse reputational impact and result in the loss of trust among our stakeholders and business partners, as well as financial penalties.

The fair and responsible treatment of our employees is a key issue across all our operations. In South Africa, the fragmentation of unions and their political involvement can create difficult relationships which may impact us directly through route disruption, or indirectly when strike action occurs in the industries in which our clients operate. In addition, there have been incidents where industrial action has turned violent, placing individuals at risk and damaging property.

In Germany, IG Metall (the union for metal and steel workers) is extending its collective wage agreements with substantially higher wages, to include production-related logistics services in the steel, aviation and ship building industries, as well as the automotive sector which is a core focus for us.

In the African Regions, the long-term security and development of human rights is gaining recognition and to secure work from international aid donors and governments requires that we have relevant human rights policies and practices.

RISKS AND CHALLENGES

ALL REGIONS

- > Compliance with laws and regulations across multiple jurisdictions.
- > **Increased regulatory requirements** related to specific sectors and general social and environmental imperatives.

SOUTH AFRICA

- > **Industrial action** during wage negotiations.

AFRICAN REGIONS

- > **Human rights risks.**

INTERNATIONAL

- > Changes in **collective wage agreements.**

REGULATORY COMPLIANCE AND GUARDING AGAINST CORRUPTION

IMPERIAL LOGISTICS AFRICA

Company management teams are responsible for keeping abreast of regulatory changes in their individual markets of operation and driving ethical business practices. Ethical or compliance concerns are raised at company board meetings.

Our fully integrated governance, risk management, compliance and audit software tool mitigates compliance risk and provides visibility on regulatory requirements. Imperial Logistics African Regions uses a legal and tax compliance programme to further enhance and monitor compliance and regular tax health checks are undertaken. Compliance is also ensured through our engagement with in-country regulators and memberships in local chambers of commerce and similar entities. Where necessary, we use consultants to keep abreast of relevant regulatory changes in the United States.

In Africa, we procure almost exclusively from international principals who comply with either the Foreign Corrupt Practices Act or a similar legislation. The Act's requirements are covered in Imperial Health Sciences' induction training and our executives regularly confirm their understanding of the Act and compliance with the Imperial Holdings anti-bribery and corruption policy.

When acquiring a business, compliance to local laws and regulations is part of our due diligence process.

IMPERIAL LOGISTICS INTERNATIONAL

The centralised compliance department in Germany is responsible for implementing the systems and processes necessary to manage compliance across all jurisdictions, with a particular focus on anti-bribery and cartel regulation. It comprises auditing and legal expertise and reports directly to the Imperial Logistics International B.V. & Co. KG board.

Imperial Logistics International's code of conduct applies to all our employees and businesses in that operation. It goes beyond merely defining compliance guidelines, and aims to create a corporate culture where open dialogue is encouraged among our clients and employees. It sets out general rules of ethical and social conduct, and communicates our understanding of mutual respect, honesty and integrity. A section of the code deals with anti-competitive behaviour, describing the principles of fair business policy. The handling of confidential information and company property is also covered, as are our policies relating to the environment, security and taxes. Our anti-bribery policy covers payments to government officials, facilitation payments, gifts and entertainment, and political and charitable contributions.

Our adherence to ethical business practices has provided an advantage in attracting business volumes in African countries where regulation is underdeveloped.

We conduct regular compliance audits across Imperial Logistics Africa, and compliance and policy training is provided to our employees.

Training covers taxation and new rules and regulations pertaining to the United States Agency for International Development (USAID) and the Centre for Disease Control.

Whistle-blowing hotlines are available to employees to report unethical conduct.



2017 PERFORMANCE

Strengthening our compliance programme in Africa

We are implementing a compliance tool which has been rolled out to Namibia, Swaziland and Zambia, with the balance of the roll out scheduled for 2018. The implementation is supported with the relevant training.

One fine relating to an environmental issue was incurred during the reporting period for the unlawful commencement of a listed activity in terms of the provisions of Section 24G of the National Environmental Management: Waste Act. Tax health checks were undertaken in Imperial Health Sciences Nigeria, Kenya and Ghana; and compliance audit reviews were performed in our Mozambique and Botswana operations. Whistle-blowing awareness was undertaken in Botswana, Mozambique, Namibia, Nigeria and Swaziland.

Supporting the delivery of ethical business practices

A number of initiatives were undertaken in the international operation to support ethical business practices during the year. We delivered compliance training to our employees, with a particular focus on the anti-bribery policy, and in the Imperial Shipping business on competition laws. We have developed a supplier code of conduct to ensure that our service providers adhere to our values and policies, and we published an internal sponsoring and donations policy and are developing a guideline on competition law. In addition, we have reached agreement with our internal worker councils on implementing an electronic system to screen our employees and business partners going forward.



SDW: strengthening legitimacy; more information on Imperial group regulatory compliance.



IAR full corporate governance report online for more information on ethics and regulatory compliance.



MANAGING EFFECTIVE LABOUR RELATIONS

IMPERIAL LOGISTICS AFRICA

We continuously work to build union relationships, and four of our senior executives in South Africa serve in strategically relevant positions on industry bodies such as the NBCRFLI, which represents the majority of our South African workforce. Our executives are actively involved in labour relations and have contributed to the negotiation of two consecutive medium-term wage settlements of three years each, implemented across the industry. During this period, no substantive issues may be negotiated at company level which to date has successfully mitigated the risk of strike action. The current agreement ends in February 2019.

In the few companies where unionised staff do not fall under the jurisdiction of the NBCRFLI, measures are in place to manage labour relations, including some recognition agreements. Regular shop floor meetings are held with all representative unions.

Union membership on the continent beyond South Africa is fairly uncommon.

IMPERIAL LOGISTICS INTERNATIONAL

Germany's minimum wage requirements include foreign companies located in Germany and covers transit traffic. For example, the minimum wage applies to a Polish driver who transports goods from Poland to the Netherlands through Germany. The requirement relating to transit traffic is being challenged by the European Commission which argues that the law contradicts European freedom of services and trade. In addition, the administration time and effort required to comply with the regulation is onerous for transport companies. There is still no resolution on this issue and while proceedings are in progress, the minimum wage law is not applied to transit traffic. In the interim, we have amended our truck driver remuneration models with a shift to regular pay to meet minimum wage legislation.

As IG Metall starts to represent more of our employees in our production-related logistics businesses, we have introduced clauses into our client service contracts to mitigate the risk of labour cost increases as a result of these changes and we are ring-fencing our production-related operations. Collective wage agreements are now in place for some sites in the automotive and steel sectors.

In South Africa, we are a member of the Road Freight Association which provides us with the opportunity to contribute to solving road freight industry concerns and social issues, as well as the development of road legislation.

In Germany, we proactively engage with unions to negotiate wages that remain competitive. Other topics discussed include fair working conditions, and the health and safety of employees.

Listening to our employees

For Itumele Bus Lines, we identified labour relations as a major risk to business success. Following research, we implemented a new, advanced labour relations model that follows the principles of Germany's co-determination model. Based on trust, respect and accountability, the model is contributing to a more engaged workforce, sound employee relations, improved productivity and industrial stability. More broadly, it has resulted in a safe and reliable passenger transport service. Our success was tested in the April 2017 transport industry strike during which Itumele Bus Lines' employees undertook a secret ballot per the co-determination agreement with 83% voting against strike action. The model requires a high level of engagement with our employees on their contribution to business processes. We are working hard to establish trust between management and employees, and the exceptional results achieved in the employee engagement survey undertaken in April 2017, and which compare favourably to world-class organisations, bears testimony to our efforts.

PROTECTING HUMAN RIGHTS IN THE AFRICAN REGIONS

Our line and human resource managers in Imperial Logistics African Regions are responsible for ensuring that any human rights abuses are mitigated. This is overseen by company managing directors, as well as the CEO and human resources executive of Imperial Logistics African Regions. Policies and procedures govern human rights and ensure that local legislation is adhered to. Where required, we consult local labour attorneys for guidance on labour matters.

Formal grievance processes are in place in Imperial Logistics African Regions, enabling our employees to report alleged human rights abuses.

2017 PERFORMANCE

No strike action occurred in South Africa

DURING THE REPORTING PERIOD AND A NEW MINIMUM WAGE WAS SET, BENEFITTING 8,5% OF IMPERIAL LOGISTICS SOUTH AFRICA'S EMPLOYEES.