

IMPERIAL 
LEADERS IN MOBILITY



2017

Motus review

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

<p>REVENUE</p> <p>66 540</p> <p>(2016: 68 479)</p>	<p>OPERATING PROFIT</p> <p>3 310</p> <p>(2016: 3 402)</p>
<p>OPERATING MARGIN</p> <p>5,0%</p> <p>(2016: 5,0%)</p>	<p>RETURN ON INVESTED CAPITAL</p> <p>11,8%</p> <p>(2016: 12,2%)</p>

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 (CO₂)
2016: 161 992 tonnes of CO₂

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

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

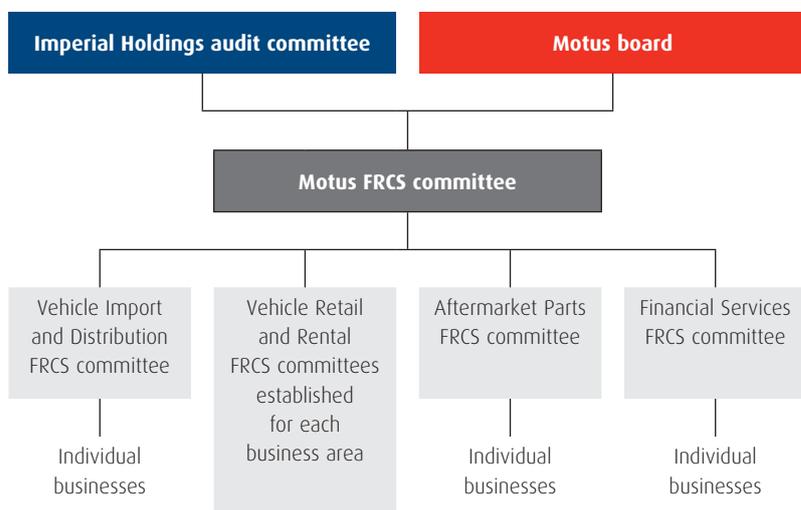
The Motus finance, risk, compliance and sustainability (FRCS) committee, a board committee, sets the risk framework for our business units and ensures robust risk processes are in place. It also establishes the sustainability guiding principles for the division.

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



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



WHY THIS IS A PRIORITY

The desirability of our brands, our ability to leverage our scale to create value for customers, the delivery of an excellent customer experience and quality products, as well as the development of innovative VAPS, are key factors in our ability to defend our market share, deepen customer loyalty and grow our sales and customer base. Our strong and longstanding relationships with OEMs, and our ability to negotiate preferential pricing with them, enables us to offer customers the products and services that they want at competitive prices.

To further differentiate Motus, our businesses must collaborate internally to offer customers an optimal experience across the full life cycle of vehicle ownership. A customer that is satisfied at point-of-sale is more likely to service their vehicle with one of our dealerships and purchase spare parts and financial products from our businesses, contributing to our annuity income.

OEMs are responsible for vehicle design, and they ensure that the products we sell to our customers are free of any defect that may threaten driver and passenger safety. Where we assemble or manufacture products, or provide vehicle servicing and maintenance, we pay careful attention to product responsibility and quality control measures, and adhere to relevant laws that require the due care to ensure products and services do not pose unintended hazards to health and safety. The quality of our products and services is critical to our brand reputation.

Finally, in a world that is characterised by technology advancements, we must focus on ways to differentiate ourselves from our competitors by delivering VAPS that meet customer needs. While digital platforms are not yet being used to buy cars, they are increasingly being used by buyers to investigate product options. Over the longer term, advances in automotive technology will give rise to electric, automated and connected cars, a shift in attitude to shared vehicle ownership and greater use of pay-per-ride services. Telematics are being applied to influence driver behaviour, drive proactive customer interaction and vehicle maintenance, and inform research and development.

RISKS AND CHALLENGES

- > **Slow economic growth in South Africa**, together with high unemployment and an uncertain political environment, impeding the growth of local businesses.
- > **Challenging consumer conditions** shifting demand towards entry-level offerings and used cars, and tighter credit approvals by banks.
- > **New entrants to the market and disruptors** that offer VAPS.
- > **Impact of technology and innovation** on the current dealership model.

Customer satisfaction

Financial Services applies its advanced information technology, data management capabilities and access to market intelligence to offer our customers innovative products and services. The consolidation of Motus will enable us to extend this strategic advantage across the importer, dealer and financial services businesses.

Customer feedback helps us to better understand what our customers' needs are or where we have failed to meet their expectations, and we use this insight to improve our customer interactions. Customer satisfaction is measured on an ongoing basis through various initiatives, including customer surveys which are conducted on vehicle sales, vehicle servicing and, in certain instances, the sale of used cars.

Our face-to-face sales and online representatives receive training that builds product knowledge and the skills to effectively engage with customers.

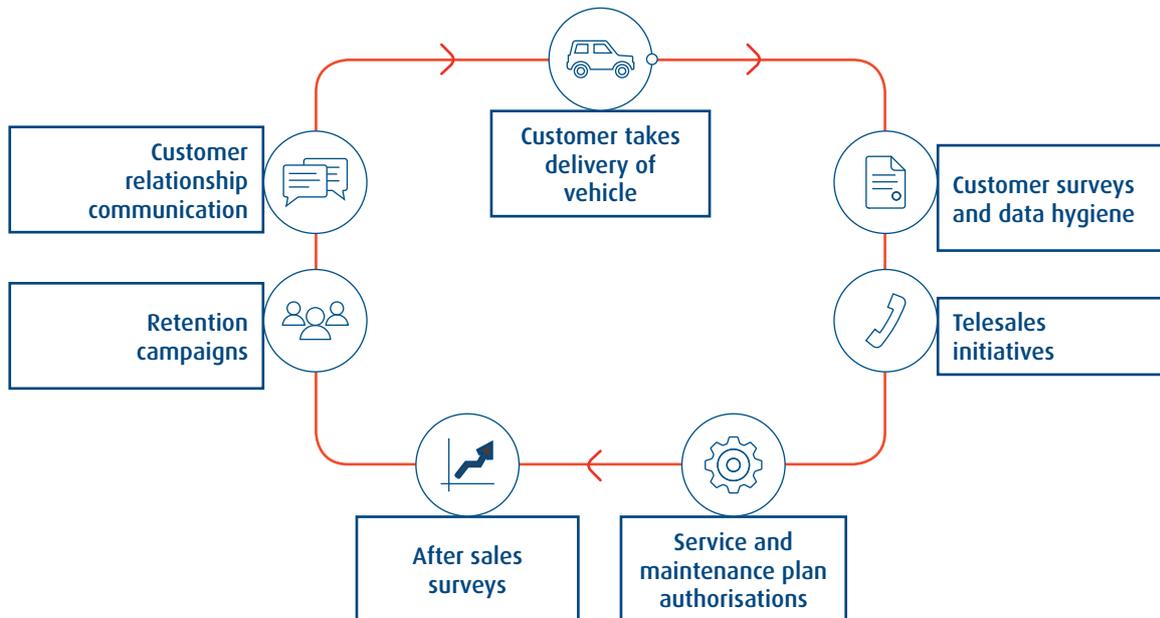
In line with the requirements of the Financial Advisory and Intermediary Services (FAIS) Act, we ensure that all our agents who sell regulated products have completed the relevant Regulatory Examinations, and have prior working experience and a retail insurance qualification.

We are meticulous in our approach to fulfilling OEM requirements on product presentation and customer interaction. We provide OEMs with monthly reports on customer satisfaction as part of our performance contract conditions.

Successfully dealing with complaints is another means with which we can build strong customer relationships and gain brand loyalty. All our distributor brands have dedicated customer care lines and complaints are tracked and reported monthly to aftersales executives and the distributor boards.

A collaborative customer engagement strategy is being developed and is aimed at deepening customer loyalty. Market insights enable us to offer the right product to the customer at the right time, enhancing their vehicle ownership experience.

CUSTOMER LIFE CYCLE



Quality control

We are responsible for the quality of vehicle services and maintenance. Quality control checks ensure that our technicians meet the quality and safety standards of all OEMs (both importer and retailer brands) when servicing and repairing vehicles in our dealership workshops. All service departments in our dealerships use only OEM parts to guarantee quality, and our technical competency levels are reviewed on an ongoing basis by OEMs.

We assist all OEMs to maintain their safety and brand standards in the event of a vehicle model recall. We ensure that customers' vehicles are promptly fixed and where the recall pertains to safety critical items, these investigations are prioritised.

All car rental vehicles undergo a 26-point check before every rental to ensure consistent quality and customer safety. These safety checks are noted in our ISO 14001 certification process and are frequently audited, with at least one external SABS ISO verification audit undertaken a year. In addition, vehicles are checked for minor dents, scratches and damages, applying the SAVRALA standards. SAVRALA is an independent industry body that sets acceptable industry norms for rental vehicles.

All vehicles are subjected to a quality control check before they are delivered to a dealership for sale. For example, certain imported vehicle models undergo additional inspections at our quality control operation in Durban and at Hyundai's assembly plant in South Africa, where quality and compliance is managed by a quality controller from Korea, over and above the independent quality department that manages all aspects of the assembly process.

AAAS provides imported replacement manufacturer parts which are used by our in-house panel shops to maintain and repair vehicles. All new products are assessed against manufacturing standards and related regulatory requirements prior to launch, and current products are reviewed regularly to ensure their continued adherence.

Further safety and quality measures, applicable to all imported parts, include:

- > **Products classified as safety critical:** require a letter of authority from the National Regulator for Compulsory Specifications (NRCS) approving their safety and technical standards and specifications before they are imported and sold in South Africa.
- > **All high-risk products:** must comply with ISO standards and SAE International, an engineering standards organisation which provides technical standards and recommended practices for passenger cars and other vehicles.
- > **Warranties:** are sold with all parts other than accessory and consumable products.
- > **Parts returned:** are assessed by technical teams and where products receive a substantial number of claims, they are discontinued. The early identification of unsatisfactory products is often facilitated by Financial Services, which then liaises with the importer or retail dealerships concerned.

The health and safety of our customers is of paramount importance and we use stringent quality and safety measures, as well as the latest technology, to ensure we deliver quality products.

In tough economic times, customers with older vehicles outside of their service and warranty periods, may opt to use servicing garages that use grey parts to maintain and repair vehicles. We use targeted marketing campaigns to make customers aware of the risks associated with not using certified genuine manufacturer parts.



Supplier assessment

The customer experience must work from end to end; from the purchase of a vehicle through to buying motor-related insurance cover. Our supplier base is diverse and ranges from glass fitters and suppliers of tyres to financial institutions and insurers. We hold our suppliers to strict service level agreements and where these agreements are continuously breached, suppliers are removed from the supply base.

For our replacement parts businesses, the purchasing of stock items from reputable suppliers is key. We assess all new suppliers and all product samples undergo stringent forensic testing prior to supplier selection. In addition, we require that all our suppliers are ISO/TS16949 accredited, a technical specification prepared by the International Automotive Task Force and the highest quality standard globally.

In line with the requirements of the Consumer Protection Act (CPA), all our suppliers of high-risk or safety critical parts must sign indemnity forms in which they guarantee that due care has been taken in the design of products and services, to ensure they are fit for their intended use and do not pose unintended health and safety risks.

When engaging with our suppliers, our focus is on quality and improving the cost of products and services to ultimately benefit our customers. We regularly monitor and audit our suppliers to assess product quality and safety, as well as their ability to sustainably meet our needs.

Enhancing customer service through digitisation

Financial Services is tasked with driving innovation to enhance the customer experience and respond to a changing consumer market. This innovation umbrella covers OEM and dealerships channels, as well as a digital channel that sells directly to customers. We have sophisticated data structures in place and are leveraging data analytics to provide new digital products and platforms to the market which also serve to lessen the dependence of the Financial Services business on vehicle sales through the dealerships.

We are hiring new and diverse skills and building the right strategic partnerships to look at new ways of doing things and to access the latest thinking so that we continually evolve the mobility experience. This includes solutions such as virtual showrooms, virtual finance and insurance products and loyalty programmes, which over time could be expanded into our international operations.

Current trends such as FinTech, digitisation and customer experience management are the basis for our future innovation initiatives. We apply an outside-in innovation framework to develop customer-led initiatives that align with our business strategy.

The open innovation approach ensures that an unbiased, independent supplier selection process is followed for each project. We have partnered with various experts, including FinTech start-ups, to position ourselves as a market leader. Our balanced innovation portfolio comprises incremental innovations applicable to business-as-usual processes and disruptive innovations for the business-of-tomorrow. Our innovation is adequately resourced and funded to ensure continuous rollout of new concepts, projects and businesses.

We are very aware that new developments in the way vehicles and motor-related products are sold could disrupt our business, and we are adapting to ensure that we are a contender for the growing number of customers who prefer to use digital platforms.

2017 PERFORMANCE

Providing our customers with a differentiated experience

Over the past eight years, we have grown the policies sold from direct marketing initiatives through enhanced data analytics, as well as innovative channels such as MotorHappy, our self-service customer portal launched in 2015. It enables customers to search, apply for and buy motor management services online, giving them complete control over their motoring plans. Through MotorHappy we have also launched a roadside assistance mobile application.

The finalisation of the Regent transaction has enabled us to retain the VAPS business, which offers motor-related insurance products and services. Together with LiquidCapital's offering, this provides us with the opportunity to build a single view of each customer and provide a stronger offering based on strategic product and service conversations that meet customers' needs across the life cycle of their vehicle. The closer alignment between the two businesses will also support research and the development of new products and services.

02 Developing effective leadership and empowered people



WHY THIS IS A PRIORITY

A strong employee value proposition is essential to be considered an employer of choice, and to attract and retain top talent.

To cultivate a culture that empowers our employees to drive growth and innovate, and to steer our business through challenging economic conditions, we need an effective leadership team of high quality managers. This is particularly relevant during the current restructuring of our business which can create uncertainty for employees. In addition to negatively impacting succession plans, the loss of key talent impacts our customer service levels and increases our costs as we need to train new employees.

Retaining talent is particularly material for Financial Services, as our employees that offer advice and sell regulated financial products must be accredited, therefore sourcing the right skills and qualifications can be difficult. In addition, the type of skill required by Financial Services is extensive, ranging from data science, actuarial, market analysis, product administration and claims management capabilities to procurement and risk management skills.

To deliver on our objectives requires a skilled workforce that is able to:

- > Access future growth opportunities through the expansion of our business into geographies outside of South Africa.
- > Use the collective knowledge and expertise of the Motus team to build customer retention.
- > Drive sales by articulating the customer value proposition in a knowledgeable and professional manner.
- > Maintain the technical and customer experience standards required by OEMs.
- > Develop new product offerings and innovative ways of doing business that offer customers greater value than that provided by our competitors.
- > Improve our utilisation of data to access further opportunities.
- > Enhance our operating processes and cost management.
- > Innovate and disrupt ourselves and our traditional business models in an industry that is facing profound change.

RISKS AND CHALLENGES

- > **Consolidation of the vehicles businesses** into one collaborative Motus team with strategically aligned objectives.
- > **Availability of successors**, particularly black candidates, for executive and other key positions.
- > **Transforming the workforce in South Africa** given the low growth environment which constrains our ability to hire new staff.
- > **Skills** required to maintain profitability in a low growth environment and changing consumer market.
- > **Fierce competition for skills** in the industry.

TOTAL NUMBER OF EMPLOYEES

17 523

2016: 19 436



87% South Africa (2016: 89%)
 1% African Regions (2016: 1%)
 12% United Kingdom and Australia (2016: 10%)

Strong, visible leadership and talent management

Our leaders and the future successors for each leadership role participate in strategic talent reviews, which assess leadership capability and provide feedback on where skills can be improved. Succession plans are in place for key roles and our market research makes sure that our salaries and incentive schemes are competitive.

Our talent management programme identifies individuals with the potential to progress into more senior leadership roles. By understanding who these individuals are, we can make sure that we deliver the right development interventions to support their progress, and ensure that they are recognised and rewarded for their contributions. In certain parts of the division, mentoring programmes ensure that our investment in development interventions deliver the expected returns by exposing talented individuals to management and providing on-the-job learning.



SDW: developing effective leadership and empowered people; more information on talent management at group level (page 06).

The structural changes we are making in Motus aim to create clear accountabilities for our employees. More specifically, we are focused on creating stimulating careers, a dynamic and collaborative workplace and a culture that supports high-performance, continual self-improvement and innovation, and embraces the benefits of diversity and the need to accelerate transformation.

Shifting our leadership approach towards a more people-focused culture

Hyundai introduced its Care and Growth Leadership Intervention to encourage a more people-focused culture within the business and lower a high employee turnover. All our Hyundai executives, and senior and middle managers were required to participate in the programme which was driven by a steering committee that included Hyundai's CEO. When the programme ended in May 2017, over 200 leaders had participated.

Adopting a holistic approach, the programme assessed each participant's strengths and weaknesses and gathered insight from their direct reports. The findings were fed back to participants, who then attended six application modules. During each module, participants shared their exercises with their peers and reflected on how they applied the principles taught.

The programme has delivered pleasing results – our staff at Hyundai are more engaged and empowered and our staff turnover has reduced. To have sustained results, Hyundai will undertake follow-up interventions.

2017 PERFORMANCE

A strong leadership team that is driving change

The management changes that we have made within Motus over the past year have resulted in a younger leadership team with an average age of 46 years. The team is enthusiastic about the Motus strategy and the changes we are making to consolidate the division, and feel more empowered to make decisions.

We understand that the extensive organisational changes underway can cause disruption and uncertainty for our employees, therefore our leaders have been tasked with transparently and regularly communicating with their employees to address their concerns and motivate their support in reaching our strategic objectives. This includes taking specific feedback on any obstacles that employees feel may be hindering their ability to fulfil their roles effectively.

366 talent conversations

HELD WITH EXECUTIVES AND SENIOR MANAGERS. BASED ON THEIR ASSESSMENT OUTCOMES, DEVELOPMENT AND GROWTH OPPORTUNITIES WILL BE CREATED FOR THESE LEADERS, ENSURING THAT WE CONTINUE TO HAVE THE RIGHT SKILLS AND COMPETENCIES THAT WILL SUSTAIN MOTUS INTO THE FUTURE.

Seventeen executives

ATTENDED THE EXECUTIVE DEVELOPMENT PROGRAMME AT THE UNIVERSITY OF CAPE TOWN'S BUSINESS SCHOOL.



Transformation at management level and promoting workforce diversity

We are fully committed to the ideals set out by the Employment Equity Act, Skills Development Act and BBBEE, and we aim to go beyond mere compliance with minimum requirements. Our objective is to build a diverse and representative workforce based on the understanding that diversity matters and that equitable representation at all levels promotes innovation through a diversity of views, fosters a high aptitude for operating in diverse markets and engaging with diverse distributors and suppliers, and more broadly contributes to social cohesion.

Employment equity is a standing agenda item at monthly executive committees, and employment equity and the progression of black people into senior roles determines a portion of the incentives paid to senior managers.

The consolidation of Motus has provided the opportunity to develop a new standardised transformation philosophy and strategy for the division. Employment equity targets are in place across all our businesses in South Africa with timeframes varying between three and five years, however, consolidated targets for the division are not yet in place given the recent restructure. We are developing a comprehensive employment equity plan for the division which will be submitted to the Department of Labour. The plan will set out our employment equity targets to June 2018, as well as our new employment equity governance structures with dedicated committees to measure progress.

A shortage of required skills in South Africa and a high staff turnover at junior management levels challenges our transformation progress. We use employee engagement surveys, management insight and conversations with employees to better understand the barriers to employment equity.

Our external partnerships with transformation recruitment agencies help us to attract more black candidates into the division. We work hard to uphold appointment ratios that promote the progression of black people, and aim for 50% of internal promotions and 70% of external appointments being awarded to black candidates.

Our apprenticeships, learnerships for unemployed black youth and graduate development programmes contribute to a pipeline of skilled black employees.

Our engagement with the Department of Labour is ongoing to establish achievable employment equity targets.

All proposed white senior management appointments are reviewed to ensure that a robust process has been undertaken to first source suitable black candidates.

Building an inclusive culture

To achieve a standard philosophy that drives transformation, a project to review best practices in employment equity and to understand the barriers to employment equity is underway. We are also revising our recruitment policies and plans to focus on sourcing skilled and experienced black candidates. A black woman executive was appointed in Vehicle Retail and Rental, improving our employment equity performance at top management level in this business unit.

During the reporting year, Vehicle Import and Distribution and Financial Services were reviewed by the Department of Labour and achieved clean employment equity audits.

We continued to deliver diversity training workshops for employees at all levels. The workshops are facilitated by an external service provider and aim to build an inclusive culture where employees are sensitive to diversity issues. In Vehicle Retail and Rental a transformation action plan session was held which allowed employees to have robust conversations and develop a shared understanding of key transformation priorities.

A concerted effort was made during the year to transform our technical skills pool by vigorously recruiting and training 27 black female apprentices.

Developing young sales cadets who are work ready

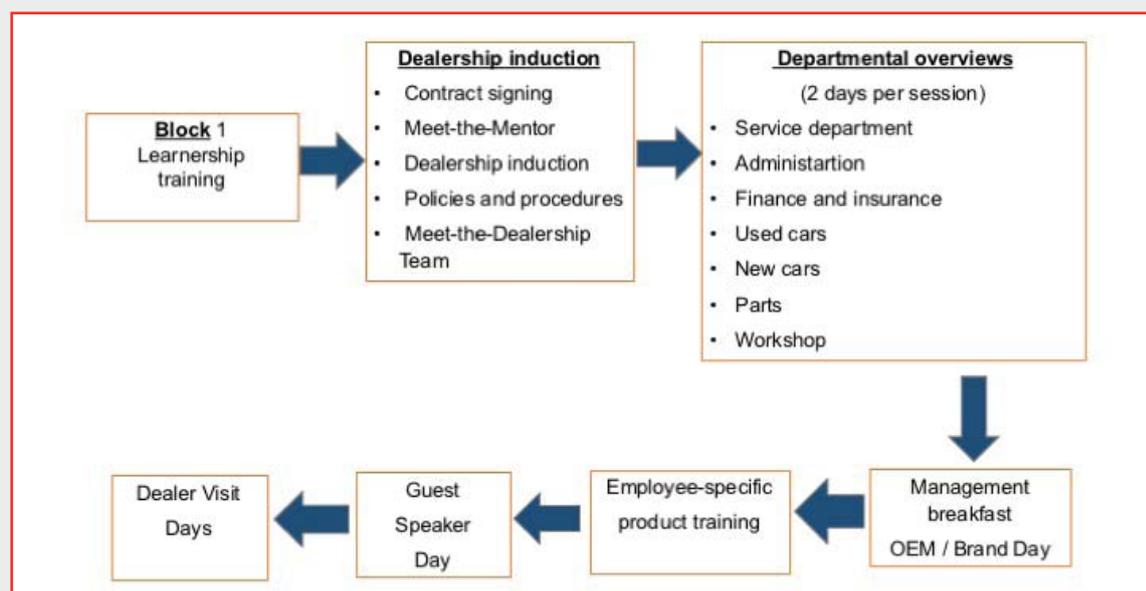
110 young people participated in the Cadet programme, of whom 97% are black.

In partnership with EOH's learning and development division, Vehicle Retail and Rental has launched a flagship learnership, the Cadet programme. On successful completion, participants receive a National Qualification Framework (NQF) level 4 (NQF4) in sales and marketing. This entry-level qualification provides them with the opportunity to enter dealerships in an industry that contributes around 7% to South Africa's GDP. We co-fund the 12-month programme with the Services Skills Education Training Authority (SETA).

Through the Cadet programme we aim to build a sustainable pipeline of black skills within the sales and dealership network, providing the next generation of dealer principles, service managers and portfolio managers and assisting us to meet our transformation objectives and build talent internally.

As part of the programme, cadets are exposed to various functions within a dealership, including marketing and promotions, basic finance and costing, the vehicle sales process, back office administration, parts sales and administration, servicing and the workshop environment.

CADET PATHWAY



The CEO of Vehicle Retail and Rental hosts bi-monthly mentoring breakfast sessions with the cadets and has committed the business unit to employing a large pool of these candidates.

The Cadet programme has been recognised by the Gauteng Automotive Development Agency and Retail Motor Industry Organisation, and has featured on 702 Talk Radio.

2017 PERFORMANCE

Overall black representation: 68,0%

Up 0,8% compared to June 2016, with increases across all occupational levels with the exception of a marginal decrease of 0,7% in the unskilled occupational level. African women and men remain underrepresented when compared to the economic active population of South Africa. Of the 206 employees with disabilities, 56% are black.

BLACK REPRESENTATION AT TOP MANAGEMENT

17%

up 1% compared to 2016.

BLACK REPRESENTATION AT SENIOR MANAGEMENT

24%

up 2% compared to 2016.

BLACK REPRESENTATION AT MIDDLE MANAGEMENT

36%

up 1% compared to 2016.

BLACK REPRESENTATION AT JUNIOR MANAGEMENT

56%

up 2% compared to 2016.

Note: the consolidation of Motus during the year means that there are no divisional employment equity targets at this time, however these are being established as part of the division's new employment equity plan.

Training and development

We help our employees build focused career paths as vehicle retail professionals through programmes such as our in-house three-year Bachelor of Business Administration degree through the Southern Business School. The degree is tailored to our particular needs and has an annual intake of 40 participants who are selected based on assessments and interviews. In its tenth consecutive year, the degree is offered in Cape Town, Durban and Johannesburg.

The Southern Business School also runs a 12-month Management Development Programme for employees at supervisory level and below. The programme serves as a bridging opportunity for the university level Bachelor of Business Administration degree. It is designed for employees who require development but do not meet the degree's entry requirements. Some 70% of the intake to this programme is targeted at black candidates.

OEMs provide ongoing product and technical training through various interventions such as the Kia Sales Academy and a dedicated training facility at the new Renault parts distribution centre.

In addition, our Imperial Technical Training Academy provides training on workshop servicing and is recognised as the largest and leading premier provider of automotive technical trades training in South Africa. We hire and train new apprentices annually in line with employment equity targets. The technician to apprentice ratio is strictly monitored at 1:2 to ensure that we have a pipeline of suitably qualified technicians.

Tempest and Europcar also provide accredited training programmes to enhance business acumen and management skills. The programmes range from a generic management programme for junior managers and a business administration programme (both NQF4) to a programme for middle managers that enhances their ability to implement strategic organisational objectives (NQF5).

Our employees across all levels of the division are also provided with soft skills training, training on technology changes and coaching and mentoring, where required. In Financial Services, there is ongoing training on digitisation.

Our employees are regularly assessed to determine their competency levels and identify where they may have knowledge and skills gaps. Training and development needs and personal development plans are informed by these assessments.

2017 PERFORMANCE

85% of training spend

ALLOCATED TO BLACK EMPLOYEES.

MANAGERIAL PROGRAMMES

406 employees

PARTICIPATED IN A MANAGERIAL PROGRAMME, OF WHICH 178 WERE ENROLLED ON THE BACHELOR OF BUSINESS ADMINISTRATION DEGREE.

70% of participants are black with 106 being black women.

IMPERIAL TECHNICAL TRAINING ACADEMY

1 103 apprentices

ENROLLED AT THE ACADEMY (2016: 1 135).

70% of apprentices

ARE BLACK.

378 apprentices

QUALIFIED AS TECHNICIANS.

EMPLOYEE TRAINING

	2017	% change	2016 ¹	2015 ¹
Training and development spend (R million)	205,4✓	11%	185,6	159,8
Training and development spend per employee (R'000)	11 724✓	23%	9 555	7 544
Training hours per employee	71✓	na ²	19	18,5

1. 2015 and 2016 numbers have been restated to reflect the consolidation of the division.

2. Not comparable as 2017 numbers include apprentice training hours.

✓ Satisfied with performance.

Area for improvement.



Streamline human resources policies, procedures and practices

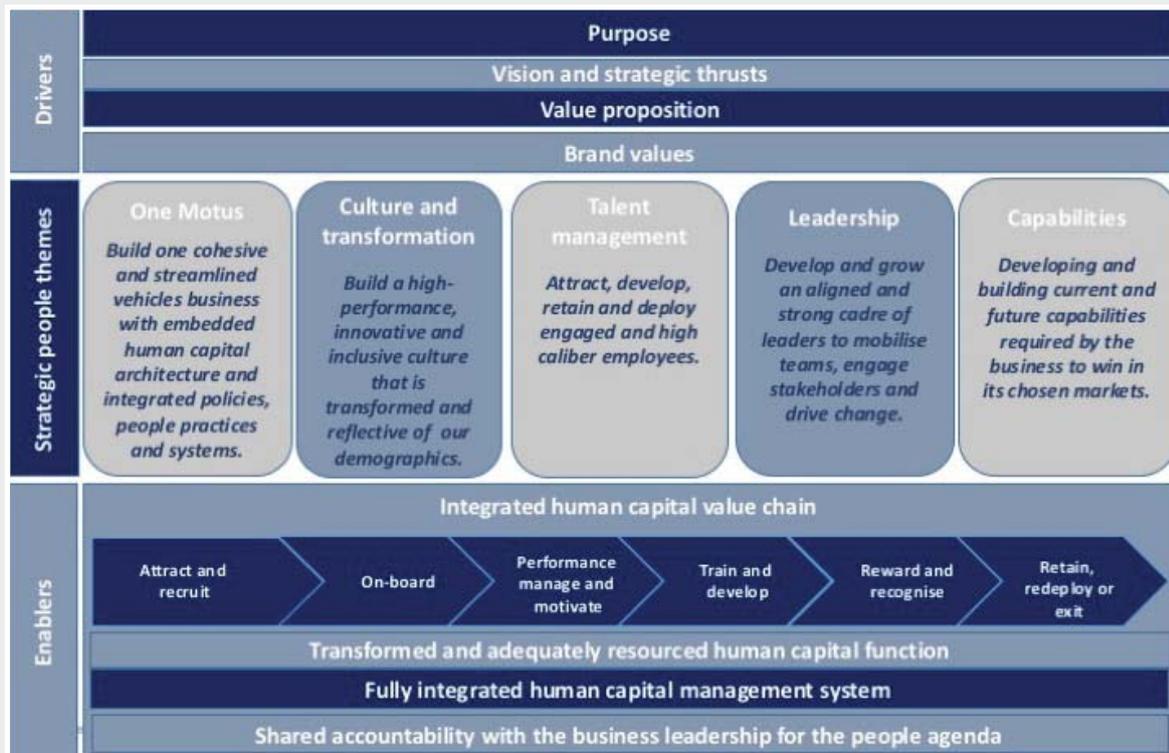
We are developing a job grid which reflects the infrastructure and hierarchy of roles within the division. The grid clearly sets out lines of accountability and will support a more robust performance management process in the future. Over 700 generic role profiles have been identified and mapped to the division's organisational structure. These profiles clearly set out the outputs and competencies associated with each role.

We use job profiling to identify the top and middle management positions that are critical to our operation and sustainability.

2017 PERFORMANCE

Strengthening how we manage our people

Now that we have bedded down the new management structure, our focus has shifted to improving our people management practices. The consolidation of the division has necessitated a re-focused people strategy driven by Motus' vision and mission, and is set out in the diagram below:



The people strategy will unfold over the next three years, with the initial focus being on strengthening the core of the human capital function and practices. During the year, we appointed a chief people officer for the division and we are investing in technology to improve our human capital data which will support better human capital processes going forward. We have evaluated and selected a new human capital and payroll technology system for the division which will be implemented in phases over the next 18 to 24 months, and our approach to performance management has been standardised and formalised across the division.

The second year of strategy implementation will be geared towards developing a high performing organisation and the third year will move us onto an industry-leading trajectory.

Building a strong employee value proposition within financial services

Financial Services has launched a new set of values that align with Motus' brand values and which are being entrenched into all areas of the business, starting with the on-boarding process and also included as part of our staff recognition programmes.



A number of development interventions, over and above the division's Bachelor of Business Administration degree, Management Development Programme and Cadet programme, are in place to help our employees to reach their career aspirations and meet our strategic objectives.

In partnership with Legitimate Leadership, we are developing a leadership programme that will harness and develop the strengths of our leaders in all areas of the business, providing a cutting edge advantage in terms of leading with a purpose. A tailored leadership programme for LiquidCapital, follows the Bachelor degree by including a practical aspect that allows participants to tackle a real business problem.

We assist our telesales agents to achieve their industry critical qualification, Regulatory Examinations (RE) 5, through months of rigorous workshops and numerous exam practice sessions. Our assistance has resulted in 82% of our employees being declared 'fit and proper' within the regulated deadlines. As part of the FAIS 'fit and proper' requirements, we also assist our employees to obtain their NQF4 retail insurance qualification. In addition, selected employees attended a two-day workshop on RE1 training for key individuals, a compulsory requirement of the Financial Services Board. The workshop is facilitated by a qualified instructor.

We also run a financial skills learnership which has assisted selected administration staff to obtain a NQF4 qualification in financial services management.

eLearning helps new and existing employees to learn about our products in a fast, creative way. In addition to convenience, eLearning enables us to quickly update sales agents on minor product changes without requiring them to take time away from their desks.

We also undertake onsite wellness programmes on a regular basis, helping employees to understand their health statuses in terms of their cholesterol, blood pressure and stress levels. Regular blood drives are also undertaken, as well as voluntary annual tuberculosis testing.

During the year, we provided employees with a half-day self-defence and anti-hijacking awareness session facilitated by a qualified self-defence instructor.

03 Accelerating transformation progress in South Africa



WHY THIS IS A PRIORITY

Transformation is an integral part of any South African business, and protects Imperial's reputation as a responsible corporate citizen.

Having joint ventures with strategic BBBEE partners enables us to achieve BBBEE ratings and procurement requirements which, in turn, help to secure tenders and access business from the public sector.

The amended dti Codes place heavy focus on procuring from black-owned businesses, setting a minimum requirement of 40% for the enterprise and supplier development pillar which includes preferential procurement. Failure to meet this minimum requirement results in the overall BBBEE score being discounted by one level. This is particularly demanding for our businesses that procure imported products. In addition, most of our products must meet certain specifications and undergo accreditation, which makes it difficult to change suppliers in the short term as not all preferential suppliers have the capacity to meet these accreditation requirements and to support our national geographic spread of dealerships.

RISKS AND CHALLENGES

- > **Achieving acceptable BBBEE scorecard ratings.**

Broad-based black economic empowerment

All CEOs and managing directors based in South Africa are responsible for overall transformation performance within their areas of operation. A quarterly dashboard outlining transformation performance is distributed to the Motus board, and all BBBEE scorecards pertaining to individual businesses are independently verified every year.

In addition to employment equity (discussed on page 16), we are actively assessing and responding to the impact of the revised dti Codes, particularly in terms of:

- > Joint ventures with strategic BBBEE partners
- > Enterprise and supplier development; and
- > Socioeconomic development.



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

We have developed a business case for transformation with input from the leadership team to ensure that relevant internal and external stakeholders understand their deliverables.

Where feasible, we engage external consultants to assist us in obtaining the best possible BBBEE scores.

Securing a new strategic partnership

Early in the 2018 financial year, we launched 58 Fleet (Pty) Ltd, which will be a 51% black-owned fleet management business. Using advanced technology, the business will monitor the location, movement, status and driver style of a vehicle within the fleets it manages. We expect good growth for the business based on its innovative management system and funding model. The strategic BBBEE partnership will assist in driving sustainable growth through the capitalisation of the new business, and it will supply black talent, provide expertise on BBBEE structures and ratings, and better position Motus to access business from the corporate sector and government.

Empowering local black businesses

R37 million

SPENT ON ENTERPRISE DEVELOPMENT
(2016: R32 million).

Our enterprise development projects are diverse and the nature of the support provided differs according to the initiative and is not always financial. For example, a number of our dealerships outsource the wash bays on their premises to black-owned small enterprises that operate without paying rental, water or electricity costs. In another initiative, Gage Car Hire trained, mentored and assisted the start-up of a 100% black-owned micro courier business in 2010. To date, over R1 million has been invested in the business to purchase a vehicle, and pay for fuel and vehicle insurance. The business is a preferred supplier for Gage Car Hire.

How we are contributing to inclusive socioeconomic growth

R7,9 million spent on CSI projects.

Advancing education in public schools

Our flagship CSI programme is the Imperial and Ukhamba Community Development Trust which dedicates its resources to advancing education in public schools primarily in under-privileged communities south of Johannesburg. To date, the programme has touched the lives of around 29 000 learners and assisted over 1 000 teachers through 27 school libraries, which employ 70 people who previously did not have work. The libraries are open daily until 4 o'clock, as well as on three Saturdays of every month. Each child from Grade 1 to Grade 3 must attend two compulsory reading periods every week. We test reading levels every two years and results show that the programme and related activities such as book clubs, book quizzes and general knowledge competitions are contributing to better than average reading, comprehension and numeracy scores.

How we are contributing to inclusive socioeconomic growth – continued

Investing in black accounting students

We support the South African Institute of Chartered Accountants' (SAICA) Thuthuka Bursary Fund which aims to place between 250 and 300 black university students on special undergraduate BCom Accounting education programmes.

We have invested R7 million

IN THE FUND OVER FIVE YEARS, BENEFITTING 60 STUDENTS.

Supporting Madibatlou Middle School

Since 2004, Africa Automotive Aftermarket Solutions has supported the Madibatlou Middle School in Tembisa. Support is provided in line with a 'wish list' supplied by the school every year and has ranged from developing playgrounds to the buying of school equipment. Every year, Africa Automotive Aftermarket Solutions gives bursaries to the two top performing students in Grade 9, providing them with financial assistance towards their Grade 10, 11 and 12 tuition.

Providing highway assistance during holiday seasons

Our Highway Patrol programme assists Road Incident Management Services (RIMS) attend to and report on incidents along the N1/N4 toll route, one of the busiest toll roads in South Africa during the Easter and December holiday seasons. In 2017, Hyundai and Europcar provided RIMS with six patrol vehicles each to assist the concessionaire with 24-hour route surveillance and emergency support, including post-crash care and breakdown assistance.

Driving awareness around car seats for children

Our Car Seat for Kids campaign creates stronger awareness around the importance of buckling up and ensuring children are placed in the correct car seats for their height and weight. It educates the public on how to choose, install and strap young passengers into car seats. The campaign also encourages people to collect and donate used car seats to Wheel Well, a non-profit organisation that focuses exclusively on road safety for children. Wheel Well restores, cleans and safety checks donated car seats before they are distributed to less privileged families. Hyundai, Kia and Renault support the initiative and a Renault Kangoo has been donated to Wheel Well to help it collect used car seats. The vehicle is branded with impactful images and messaging to create further awareness.

Assisting the development of children in a small low-income community

Europcar supports early childhood development (ECD) in a small low-income community situated in the Kromvlei area south of Johannesburg. The ECD programme, in partnership with Cotlands, targets two to six-year old toddlers and prepares them for the school environment. The youth programme, in partnership with Active Education, targets seven to 18-year olds and uses sport to encourage self-confidence and discipline.

Both programmes centre on uplifting and empowering the community's children so that they can make a positive contribution to society in the future. The project is closely monitored to understand the needs of the community, the sustainability of the project and its impact. Both Cotlands and Active Education are supported through monetary funding and the use of a Europcar vehicle. Europcar's long-term vision is to grow participation in the programmes and eventually set up a container-styled facility where the children have a safe place to play and learn.



SDW: strengthening legitimacy; more information on Imperial's flagship CSI programmes.



CSI: more information on Imperial's CSI projects.

04 Ensuring regulatory compliance



WHY THIS IS A PRIORITY

An important driver of our reputation is our ability to ensure compliance within an increasingly complex regulatory environment and to manage the associated costs. We are impacted by legislation that covers a wide array of spheres, including consumer protection, competition law, second-hand goods, data privacy, money laundering, market access, treating customers fairly, customer health and safety (discussed on page 12), employment equity and transformation. In addition, the retention of our importer licences depend on compliance with all customs and excise legislation.

Our businesses that offer financial services operate as authorised financial service providers and are impacted by an increasingly complex financial services regulatory framework.

Material compliance breaches may have adverse reputational consequences for any of our businesses and result in financial penalties or loss of operating licences. In addition, given that we are embedding a customer-centric strategy, even minor breaches in the compliance framework can have significant consequences on our operations and our relationships with various stakeholders, including banks, OEMs, regulators and the public.

RISKS AND CHALLENGES

- > **Compliance** in a highly regulated industry.
- > **Increasing regulation** adding cost and complexity to the customer value proposition.
- > **Operational and policy uncertainty** that requires regular amendments to processes, adding cost and complexity to how we conduct our business.

Managing, monitoring and auditing compliance

Regulatory compliance is a standing agenda item at strategy meetings and the Motus and business unit FRCS committee meetings. We continuously monitor the regulatory universe and our compliance function keeps management well-informed of all applicable legislation that impacts the sub-divisions. Policies and procedures are established by each sub-division's management and then filtered down into our various businesses. Selected specialist areas are centralised where the compliance risk is high.

We ensure that critical compliance processes and controls are managed and overseen by competent and qualified staff. These processes and controls are regularly assessed by the sub-divisions themselves and independently by the Imperial Holdings internal audit function. Where required, we appoint external advisors to assist the assessment process and ensure that all our regulated products and services comply with applicable legislation.

New or emerging legislation, as well as regulatory changes, are assessed at Motus head office and new controls to comply with these changes are then filtered into the relevant sub-divisions and businesses. We provide employees with training to ensure that new processes are effectively embedded.

Incidents of non-compliance are escalated to senior managers and the FRCS committee, and where relevant, employees that fail to adhere to compliance processes and controls are disciplined.

Imperial Holdings is updated quarterly on current and new legislation that is relevant to Motus' operations, as well as on all government interaction. We also assist Imperial Holdings in the drafting of certain policies and procedures, and we ensure that our activities align to the group's regulatory interpretations and requirements.

Motus' risk executive attends the quarterly Imperial Holdings risk and compliance forum at which new and emerging laws are discussed together with their potential impact on our business. This allows for the early detection of compliance risk and the timely introduction of processes to mitigate against non-compliance.

Compliance training

The Imperial Holdings e-Learning platform provides compliance training for employees and is currently delivering training on know your customer and the requirements of the Financial Intelligence Centre Act.

Compliance training helps our employees to understand their regulatory obligations and guard against non-compliance.



Contribution to new and emerging legislation

We believe that being a good corporate citizen is not merely about tick-box compliance, but goes beyond to actively contributing to the shaping of policy, where possible, and adopting the spirit and letter of the law in our business operations.

We are active in a number of industry associations, participating as members in many of their executive committees or councils. Most notably, Motus staff members hold the following positions:

- > Deputy president of NAAMSA.
- > Office bearer of the Motor Parts and Equipment Association (MPEA).
- > Several office bearers of NADA's national executive committee.
- > Chair of the NAAMSA CPA forum.
- > Coordinator of the NAAMSA task team concerned with the Competition Commission's Automotive Aftermarket Advocacy Programme.

Through our involvement in task teams, representation on working committees and membership in industry bodies, we are directly contributing to the following policy developments:

- > The Financial Services Board's 'fit and proper' policy and related educational and examination criteria for representatives operating in financial services.

- > NAAMSA's engagements on the National Consumer Commission's Codes of Good Practice in terms of section 93 of the Consumer Protection Act.

- > NAAMSA and NADA's engagements with the Department of Trade and Industry on an effective and aligned transformation strategy for the automotive industry.

- > NADA's engagements with the South African Revenue Service on its fringe benefit tax for company motor vehicles.

- > NADA's negotiations with the Financial Intelligence Centre on the implementation of its amended framework and new risk-based model of compliance for governing both motor dealers and financial services.

- > NADA's engagements with National Treasury on the revised market conduct model for the governance of financial services in South Africa.

As a member of the Competition Commission's standing committee on the Automotive Aftermarket Advocacy Programme we are playing a key role in the development of a voluntary code of conduct for aftermarket servicing, maintenance and repair of vehicles in line with the approach adopted by the European Union and Russia. The code aims to allay various anti-competitive concerns identified in the automotive aftermarket industry and to provide consumers with the option to have their vehicles serviced, maintained and repaired through the franchise dealership or at independent workshops. While this could potentially impact our aftersales service operations within the dealer franchise, most out of warranty work is generally undertaken outside of the franchise network and the impact on parts and panel supply is likely to be minimal. The code may offer Motus opportunities which will become clearer once the draft is published for comment. The Competition Commission has agreed to a phased-in approach; however, the length of the phase-in is yet to be determined.

The mark of our being a compliant business, is one where consumers of our products and services are protected and have redress.

2017 PERFORMANCE

There were no instances of material non-compliance

with laws and regulations, including those related to the provision and use of our products and services, or environmental concerns.

One of Motus' financial service provider businesses that sells insurance products on behalf of certain dealerships, was audited by the Financial Services Board and achieved a clean audit result with two minor findings that relate to administration. These findings have subsequently been rectified.

Ensuring the protection of personal information

Given that data and information privacy touches on every aspect of a vehicle transaction, from the vehicle itself to VAPS, financing, OEMs, warranties and NaTIS registration, the POPI Act will require division-wide cooperation to implement compliant procedures and ensure a continued business flow.

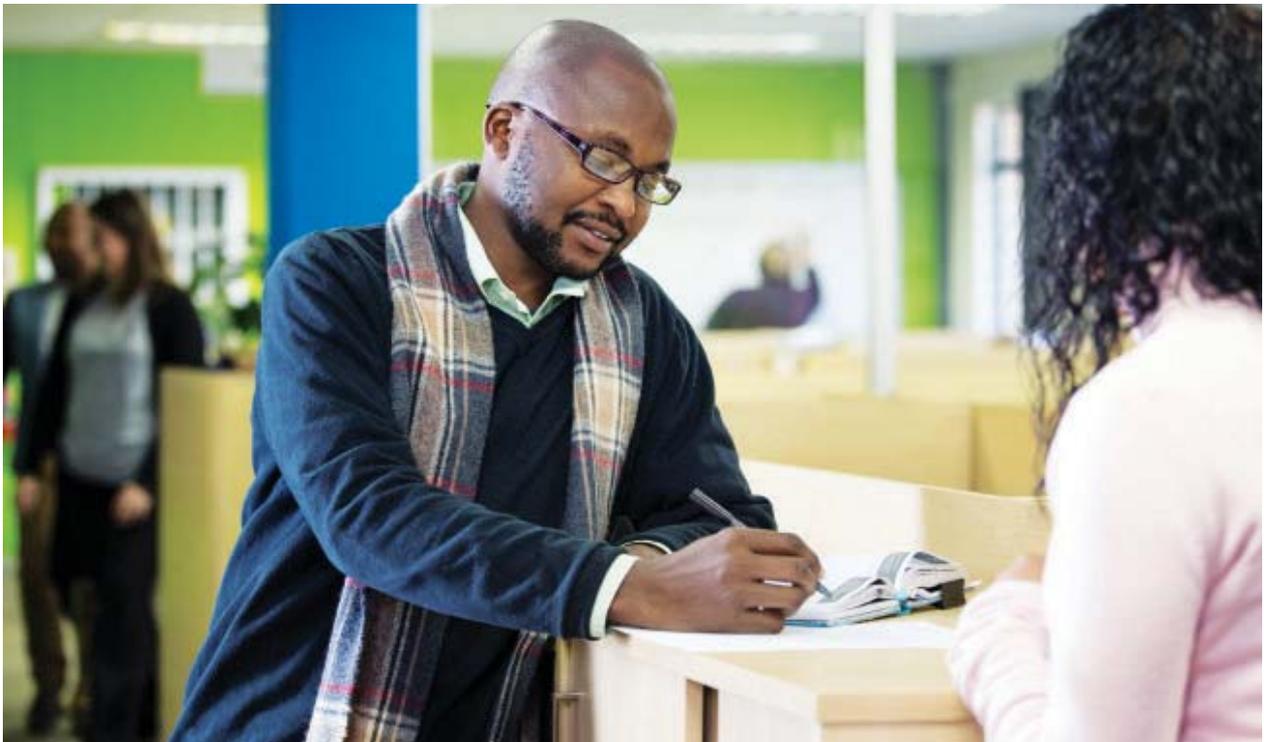
The POPI Act will take effect one year after it is gazetted. Despite the lack of an implementation date, we have started drafting internal and external policies to ensure that the ways in which we treat personal information adhere to the Act's requirements. We have also proactively included POPI provisions, as far as possible, in new contact negotiations, system and platform developments and documentation, and as a basis for all new projects. This is further supported by our careful management of cyber risk through a number of initiatives, including dedicated access levels for employees and information management controls.



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



IAR: full corporate governance report; more information on ethics and regulatory compliance respectively.



05 Minimising the environmental footprint



WHY THIS IS A PRIORITY

Our most material impact on the environment is our water consumption. We consume water in our manufacturing plants and to wash cars at our dealerships and car rental depots. Europcar and Tempest alone wash on average 70 000 vehicles a month which, using traditional methods, can use up to 200 litres per car. Reducing our demand on municipal water sources, particularly given the recent drought experienced in South Africa, enables our businesses to continue operating despite water restrictions, reduces operational cost and also frees up water supply for our surrounding communities.

Our operational footprint comprises manufacturing plants and over 500 sites, making us a fairly large consumer of electricity. And the nature of our industry, means that we also consume fuel, mostly petrol and diesel, which is a material cost for the division.

RISKS AND CHALLENGES

- > **Water shortages and restrictions** due to drought and scarcity of water which impacts immediate business needs.
- > **Costs** associated with energy consumption, particularly given the introduction of a potential carbon tax in South Africa.

Water consumption and recycling

In our wash bays, we use one of two specially-designed systems:

- > **Eco Wash:** a virtually waterless car washing system that uses one litre of water.
- > **Wastewater recycling plants:** where wash bays collect used car wash water in tanks installed under the wash bay. The water is treated with non-hazardous chemicals and then pumped back into water tanks for future use.

We have been implementing these types of projects since 2012 and our objective is to use the cost savings achieved to reinvest in additional installations. However, while the conversion projects are realising cost savings, a wash bay conversion costs on average between R250 000 and R300 000 which in the current economic climate has constrained the rate at which we can undertake these projects, delaying our conversion timelines.

To limit the amount of municipal water we consume, we invest in water recycling plants at our manufacturing sites and the conversion of wash bays at our dealerships and car rental depots.

Using water recycling plants to reduce our dependence on municipal water

Early in 2017, we started piloting a new water recycling plant at the Toyota Kempton Park dealership which is expected to provide more sustainable results, particularly in terms of sludge and oil build up which can block outlets. A water meter will be installed as part of the project to measure how much recycled water is used. The success of the pilot will determine the further roll out of this recycling system across the dealership network.

Similarly, we have continued to pilot the waterless car wash system at OR Tambo International Airport and this will determine the feasibility of rolling this initiative out in all rental depots at major airports, including in Swaziland. Over the medium term our objective is to convert wash bays at all our medium-sized airports and branch locations.

Electricity consumption and emissions efficiency

Our energy efficient measures include a project to retrofit all our sites to energy saving light bulbs, solar power and light sensors to switch off lights if an area remains unoccupied for a length of time. Reduction in fuel usage is also a focus from both an energy consumption and cost perspective.

In car rental, we focus on reducing the carbon emissions of our fleet through responsible procurement practices that consider the principles of Euro 5 vehicle specifications and the technological improvements achieved by vehicle manufacturers to increase fuel efficiency. This will hold the car rental business in good stead in terms of future carbon tax requirements. We also provide customers with the option to rent vehicles that consume less fuel and emit fewer carbon emissions.

Our investment in a methane gas-powered Mercedes-Benz is a new pilot study that may offer a future opportunity for the car retail and rental businesses.

To monitor and measure environmental performance, as well as support management's drive to reduce operational costs, we have introduced annual targets for fuel and electricity usage in certain parts of the division.

Converting to cleaner liquefied petroleum gas (LPG)

In May 2016, the panels shops embarked on a project to convert their operations from diesel to LPG. The move to this faster and cleaner burning fuel will improve productivity and reduce costs and CO₂ emissions. All branches have made the shift barring one which is scheduled for conversion in August 2017. Fire department approval was received for all sites prior to the installation of new gas burners and gas piping, and health and safety requirements were enhanced. Pleasingly, productivity has improved by approximately 20%, positively impacting customer satisfaction, and costs have decreased between 40% to 50%. The reduction in CO₂ is yet to be evaluated.

2017 PERFORMANCE

19% reduction in water consumed**FROM MUNICIPAL SOURCES COMPARED TO PRIOR YEAR.**

While our water initiatives have contributed in part to this decrease, the bigger impact is due to the closure of 15 dealerships during the year, a smaller vehicle fleet and less cars having been serviced in workshops.

11% reduction in electricity purchased**COMPARED TO PRIOR YEAR, DUE TO THE CLOSURE OF DEALERSHIPS AND THE RETROFITTING OF OUR LIGHTING SYSTEMS.**

Another contributor to this result is the action taken in response to the findings of the infrared audit undertaken at some of our owned sites in 2016 and which highlighted causes of high electrical surges.

ENVIRONMENTAL FOOTPRINT	2017	% change	2016 ¹	2015 ¹
Scope 1 emissions (tonnes of CO ₂)	66 691✓	(3%)	68 998	78 612
Scope 2 emissions (tonnes of CO ₂)	81 002✓	(13%)	92 994	93 169
Total Scope 1 and Scope 2 emissions (tonnes of CO ₂)	147 693✓	(9%)	161 992	171 781
Road fuel usage (kilolitres)	26 169✓	(2%)	26 703	30 412
Non-road fuel usage (kilolitres)	67#	16%	58	na
Number of environmental incidents	0	(100%)	6	0
Fines or penalties for environmental incidents	0	0	0	0

✓ Satisfied with performance.

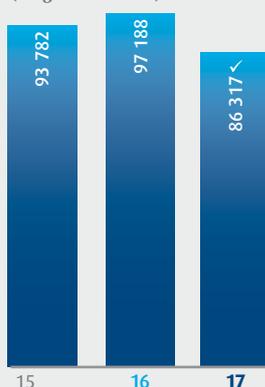
Area for improvement.

1. 2015 and 2016 numbers have been restated to reflect the consolidation of the division.

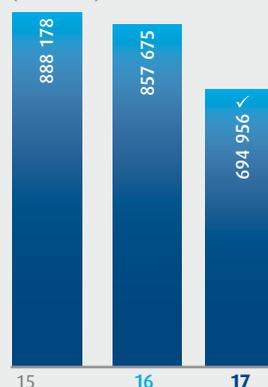
na: not available.

Note: the closure of 15 dealerships has contributed to a reduced environmental footprint.

Purchased electricity
(megawatt hours)



Municipal water consumption
(kilolitres)



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



CDP; more information on how Imperial is managing its environmental impact.

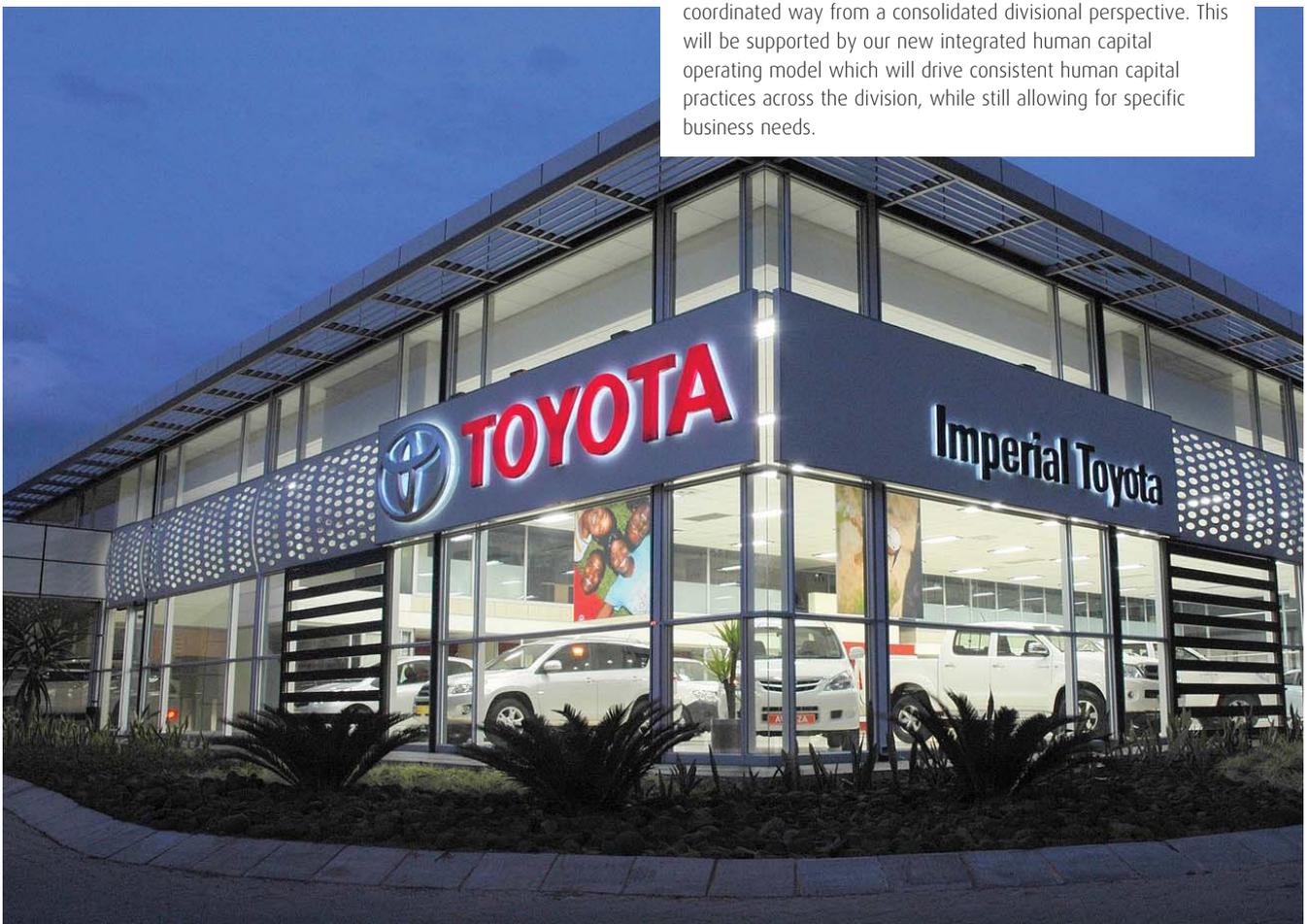
Looking forward

The consolidation of Motus into a single division will allow us to take advantage of certain synergies that will support future growth prospects in uncertain economic conditions.

In South Africa, slow or stagnant growth, high unemployment and low business and consumer confidence are expected to continue into the next financial year. In the UK, although the impact of Brexit remains uncertain, growth expectations have been lowered. The short- to medium-term outlook for the Australian economy, on the other hand, is positive. We expect to grow revenues and operating profit from continuing operations in the year to June 2018.

We will continue to develop a collaborative customer engagement strategy that supports a coherent customer experience across the financial services, dealer and importer pillars to build customer loyalty and improve customer retention. This will require that all our sub-divisions manage, analyse and share data within strict data management rules. Financial Services will continue to focus on ensuring the right skill set to facilitate data management and analysis, and drive innovation. This includes finding local human capital resources in the geographies within which we want to expand our financial service offering, as this will enhance our ability to launch financial products that fit the local market.

For most of the past financial year, human capital aspects such as talent management, employment equity and training and development, were driven within our legacy enterprise structure. From 2018, we will manage these aspects in a more coordinated way from a consolidated divisional perspective. This will be supported by our new integrated human capital operating model which will drive consistent human capital practices across the division, while still allowing for specific business needs.



Once we have bedded down the organisational job profile, we will leverage this to improve our recruitment processes, succession plans and transfers across the division. Our investment in IT will also improve human capital practices through more robust data. In South Africa, a new five-year employment equity plan will be developed post June 2018 that is better aligned to the division's long-term business strategy. Ultimately, we are working towards transparent and regular employee communication, and a shift to a more people-focused culture.

Financial Services plans to introduce a new complaints management process to meet the requirements of treating customers fairly. The process will provide valuable information on how to improve our customer experience and will assist us to identify and mitigate against market conduct risks.

We are also implementing a new IT governance and compliance programme to ensure compliance with regulations such as the fourth King Report on Corporate Governance for South Africa (King IV), the Electronic Communications and Transactions Act and the Cyber Security Bill. Compliance with the upcoming POPI Act will continue to be a focus as it will impact data processing, management, security and dissemination; which will require wide-scale integration of systems, personnel and resources to ensure compliance. However, the upside is that consumers will have a high level of comfort that their personal information is managed securely and responsibly.

We expect scrutiny from regulators to become tougher in the years ahead. There will be a marked shift in the structure and governance of financial services as the multi-year project to merge all regulators overseeing various aspects of financial services into two key regulators (the Prudential Authority and the Financial Services Conduct Authority) reaches finalisation. The new Twin Peaks model proposes significant changes to how financial products are distributed to retail consumers and the remuneration of financial services advisers. If introduced correctly, the model should ultimately be positive for Motus as it aims to streamline legislation and reporting, and moves away from a rigid structure that is not conducive to the automotive industry towards a flexible business-based risk structure.

In addition to these changes, stricter environmental regulations such as a carbon emissions tax may impact our cost of bringing vehicles to market. We engage with regulatory authorities on these issues through our memberships in industry associations.

The roll out of meters to monitor recycled water will begin in 2018 and will provide us with more accurate data on how much recycled water we are using. The accuracy of this data will be supported by increased awareness around the reporting of water usage. Targets for purchased electricity and fuel usage will be set in certain areas of the division for the 2018 financial year, and we will continue with the electric retrofit exercise across all sites.



IAR: page 52; more information on Motus' strategy and guidance for the division.

GRI G4 index

GRI G4-2, G4-4, G4-8, G4-9, G4-12, G4-19, G4-26 to 27, G4-51, LA9, LA10, LA12, EN3, EN8, EN15 to 16, EN24, EN27, EN29, S08, PR2, PR9



Contact

Motus

Altaaf Osman

aosman@motuscorp.co.za

Imperial Holdings

Rafiek Sharfuddin

Sharfuddinsustainabledevelopment@imperial.co.za