

Overview

Our legitimacy among stakeholders and ability to maintain high governance standards and is upheld through the leadership of an appropriately constituted and experienced board.

Our legitimacy extends to ensuring that we employ fair market practices in our day-to-day dealings and make meaningful contributions to society through our policy advocacy, transformation initiatives and corporate social investment (CSI) projects that respond to critical social concerns, as well as managing our impact on the environment.

| OUR SOCIAL AND ENVIRONMENTAL RISKS AND CHALLENGES | OUR RESPONSES | WHAT SUCCESS LOOKS LIKE |
|---|--|---|
| Inadequate pace of transformation in South Africa. | <ul style="list-style-type: none"> > How we manage talent, and our enterprise development, preferential procurement and socioeconomic activities, are geared towards ensuring the meaningful participation of black (African, Coloured and Indian) South Africans in our businesses, supply chains and communities. | <ul style="list-style-type: none"> > A valued corporate citizen that supports the economic inclusion of black people in South Africa. > Improved ability to compete in public sector tenders. > A strong employer brand that attracts and retains talent. |
| Compliance with a wide range of legislation. | <ul style="list-style-type: none"> > Our engagement with regulators helps us to understand what controls we need to put in place to ensure compliance and gives us the opportunity to provide input into regulatory developments. | <ul style="list-style-type: none"> > Competitive advantage gained from enhanced ability to meet new compliance requirements quickly in highly regulated industries. |
| Unethical business practices. | <ul style="list-style-type: none"> > Embedding an ethical culture is driven by our leadership teams and supported by a framework comprising of a code of ethics, ethics training and awareness initiatives and a formal process requiring senior leaders to confirm their ethical conduct. | <ul style="list-style-type: none"> > Strong brand that supports growth and expansion into new markets, and retains and attracts new customers and employees. > Enhanced ability to win business in countries where regulation is underdeveloped. |
| Social unrest impacting day-to-day operations. | <ul style="list-style-type: none"> > We create value for societies through our business activities, which support real economic growth; specifically, the safe distribution of food and pharmaceuticals into remote areas in Africa, as well as affordable lease and purchase options for entry-level car buyers and competitively priced insurance products that provide customers with protection against unforeseen events. Over and above our day-to-day business activities, our CSI initiatives support education, provide access to healthcare and promote road safety in South Africa. | <ul style="list-style-type: none"> > Creating shared value through our business activities. > Seen to be socially relevant and responding to the social concerns of communities. |

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| <p>The impact of climate change on our operations. This includes:</p> <ul style="list-style-type: none"> > Increasing environmental legislation and related energy costs. > Inability to operate shipping vessels due to low water levels, as well as floods. > Vehicle damage, detrimental traffic patterns and risk of road accidents due to severe weather conditions, impacting both road transportation and car rental. > Reduced crop production from flooding or drought, lowering trading volumes. > Increased use of air-conditioners and refrigerants as mean average temperatures increase (warehousing and distribution). > Damage to property. > Availability of fuel and rubber resources. | <p>We contribute to public policy on climate change through direct engagement with policymakers and indirectly through our memberships in trade associations. We also engage with our customers, suppliers and employees on environmental issues.</p> <p>When building new or upgrading existing facilities, we implement environmental considerations and in Imperial Logistics we use route planning, technology and driver and skipper training to conserve fuel. Where water consumption is high, we implement water harvesting tanks and wastewater recycling facilities where these are feasible.</p> <p>For environmental risks beyond our control, we look to diversify our product mix to mitigate against poor harvests and in South America our shipping fleet consists of boats able to operate in most weather conditions.</p> | <ul style="list-style-type: none"> > Competitive advantage from addressing customer expectations in terms of sustainability management and fuel conservation which is an increasingly decisive factor in determining logistics costs for clients. > Enhanced ability to provide clients with continued service despite extreme weather conditions. > Securing our reputation as a responsible corporate citizen that operates in an ethical manner. |
| <p>Environmental contamination from spillages of oil, fuel or other substances.</p> | <p>All spillages are investigated and monitored by management committees, and the social, ethics and sustainability committee. Internal assessments and independent audits are also undertaken.</p> | |



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.

The table below sets out the key social and environmental concerns raised by business, regulatory and societal relationships during the year.

Stakeholder concerns

| CONCERN | STRATEGIC INITIATIVES | SUSTAINABLE DEVELOPMENT PRIORITY | DETAILED INFORMATION |
|---|--|----------------------------------|--|
| Business relationships: compliance with anti-corruption and anti-money laundering legislation, and the ethical conduct of employees. | <ul style="list-style-type: none"> > Enhanced ethics and anti-fraud framework, including a groupwide code of conduct. > Policies relating to supplier conduct, health and safety, and human rights. | 01 |  Page 06. |
| Department of Trade and Industry (dti): report a group broad-based black economic empowerment (BBBEE) scorecard according to the dti's revised BBBEE Codes of Good Practice (dti Codes). | <ul style="list-style-type: none"> > Standardised BBBEE reporting process to enable the reporting of a full BBBEE scorecard from October 2017. > Verification agency engaged to provide independent external assurance. | 03 |  Page 08. |
| Ukhamba shareholders: enhanced communication on the Ukhamba Holdings (Ukhamba) share scheme. | <ul style="list-style-type: none"> > Hosted three Ukhamba roadshows (Cape Town, Durban and Lesotho) and will host one in Johannesburg during September 2017. Approximately 80 shareholders attended each session. > Quarterly SMS campaigns to keep shareholders abreast of key highlights or changes to the scheme. | 03 |  Page 08. |
| Regulators: general compliance and contribution to policy development. | <ul style="list-style-type: none"> > Imperial legal compliance programme. > Ongoing engagement with industry associations and the working committees of the Financial Services Board. | 04 |  Page 21. Page 25 of the Motus review. |
| Communities: Imperial's contribution to skills development, job creation and the socioeconomic development of communities. | <ul style="list-style-type: none"> > Investment in Imperial's commercially structured projects and community investment programmes. | 02 |  Page 15. |
| Communities: ensuring road safety measures are in place and raising public road safety awareness. | <ul style="list-style-type: none"> > Driver training in Imperial Logistics. > The Imperial Road Safety Programme to raise road safety awareness. | 04 |  Page 18. Page 22 of the Imperial Logistics review. |

Our sustainable development priorities

The table below sets out our priorities that relate to our legitimacy as a responsible and relevant corporate citizen. This section of our report covers the group level aspects and the Imperial Logistics and Motus reviews provide more detail on the divisional approaches and performance for 2017.

01 Ensure exemplary ethical practices and governance standards

GROUP

- > Maintain an appropriately constituted group board and governance structures that align with best practice.
- > Committee membership and the terms of reference for the social, ethics and sustainability committee are aligned to King IV requirements.
- > Protect the group's reputation as an ethical corporate citizen through: fair market practices and competitive pricing; executive compensation that is fair, defensible and transparent; a new minimum wage for the South African businesses (above the South African prescribed minimum) and consideration of all alternatives before implementing retrenchments.
- > Reinforce an ethical culture through the ethics framework and deal decisively with corruption and collusion.
- > Ensure responsiveness to the legitimate concerns of all stakeholders.
- > Consciously consider shareholder feedback.



IAR online: full corporate governance report.

02 Measure, develop and publicise the economic footprint and societal value of Imperial Logistics and Motus

GROUP

- > A responsible corporate citizen which employs over 49 000 people in 33 countries.
- > Significant contributor to local and foreign governments in countries of operation.
- > Reputable, well-established businesses that facilitate real economic growth.
- > Investment in critical social and environmental concerns that align to national priorities.
- > The Imperial Road Safety programme supports road safety awareness in South Africa



SDW: group overview; our contribution to wealth creation (page 09).

03 Ensure local relevance, including black economic empowerment in South Africa and diversity and inclusiveness requirements in other markets

GROUP

- > Communicate wealth enhancement potential to Ukhamba shareholders who are either current or previous employees of the group.
- > Report a group BBBEE scorecard.
- > Ensure local relevance in each national operation.

04 Maintain regulatory compliance and policy advocacy

GROUP

- > Set and manage an effective compliance framework.
- > Maintain advocacy role in South Africa through leadership's involvement in various, relevant business associations.