

Broadening the circle of our moral concern

This past year reminded all South Africans – individual and corporate citizens alike – that, in the words of Martin Luther King Jr, “the arc of the moral universe is long, but bends towards justice”. A quarter century after South Africa’s democratisation, voices from different sectors of society are calling for realignment to a moral compass fixed on the protection of dignity, equity and sustainability.

It would be tempting to think of the work of the social, ethics and sustainability (SES) committee as setting and enforcing codes of conduct. This would not only be an oversimplification, but an underappreciation of the role companies can play in bending the moral arc towards justice for all stakeholders – whether they live today or will inherit the world for generations to come. Legislation and international codes demand a commitment to ethical behaviour. Imperial Logistics’ commitment to good citizenship, however, demands that we go beyond these and broaden our circle of moral concern; that we are responsive in our interdependent relationships with individual stakeholders while still recognising our dependence and impact on the health of the entire ecosystem.

Creating value by embedding social conscience

Beyond its moral duty, the SES committee has a statutory mandate to ensure that citizenship and stewardship are intrinsic to our daily business conduct. It connects and contextualises all board guidance and oversight, bringing a social conscience to decisions, ensuring that these are faithfully implemented across a broad operating base. It is the guardian of the trust that our stakeholders have in the group and the protector of its reputation, which is both a licence to operate and a competitive advantage.

To ensure a balance between independence and practical implementation, the committee comprises a non-executive chairman, the non-executive chairman of the board, the group CEO, the group CFO and other management participants. Together, non-executive and executive members ensure that its broad mandate, which equates to being the group’s social conscience, is translated into practical policy instruments and approaches that frame board and management thinking. Vigorous monitoring through well-established reporting lines, and against relevant frameworks and indicators, ensures implementation of policies at group and divisional levels.

The Companies Act mandates the SES committee to oversee and report to the board on organisational ethics, responsible corporate citizenship, sustainable development and stakeholder relationships. King IV™’s principled approach demands even more, requiring this committee to go beyond compliance and to create value for both the organisation and society for current and future generations of stakeholders. The committee’s duties on behalf of the board include group and divisional reviews focused on corporate governance; human capital; transformation and employment equity; fair and responsible remuneration that takes into account the socioeconomic context, including pay parity and over time developing and linking relevant non-financial measures of performance to executive remuneration; health, safety, environment and sustainability, as well as corporate social investment.

Our responsible and sustainable business approach is rooted in what matters to our wide range of stakeholders. Corporate governance has developed significantly over the past thirty years and continues to evolve, in line with societal expectations. The committee ensures mindful adherence to the King IV Code, in substance as well as form, as well the group’s Code of Conduct and corporate values. It is responsible for triple bottom line reporting as described in the JSE’s Socially Responsible Investment Index and the FTSE Russel Index Series. To ensure that the group applies the highest international standards for ethical, socially responsible and sustainable business practices, the committee is also guided by several global frameworks, including the 10 principles set out in the United Nations Global Compact, as well as the Organisation for Economic Cooperation and Development’s (OECD) recommendations regarding corruption. Accountability to these frameworks is the litmus test for the group’s credibility as a well-governed and ethical corporate citizen. Its aspirations as an international player and strategic partner to multinational clients, whose own reputation can be enhanced or damaged by those they choose to do business with, is contingent on demonstrable progress against these recognised benchmarks.

The regular incidences of governance failure and widescale corruption, in both public and private institutions in South Africa, is of particular concern to the committee. Of course this is not a domestic phenomenon, with rampant corruption across the continent and high-profile corporate scandals in Europe and the UK.

Wholesale company failures precipitated by ethical transgressions and abuse have highlighted the critical importance of ethical governance to business viability and sustainability. King IV recognises that ethical governance needs to do more than prevent malfeasance. It must create value by proactively instilling stakeholder trust and guarding legitimacy.

The group's commitment to ethical conduct without exception, enables it to acquire business in countries where regulation is underdeveloped and governance standards are inconsistent. It ensures that the group secures and renews business with high-quality clients and attracts high-calibre leaders and employees. The group's commitment to acting with uncompromising integrity begins with its leaders who set the correct tone from the top, and extends into its business practices, not only as a moral imperative but also a commercial one. Annually, we conduct group-wide awareness training on ethics in general and anti-bribery in particular, via online platforms. Our independent and anonymous whistle-blowing hotline and reporting protocol are entrenched and well understood across the group.

Bringing policy frameworks to life in the organisation

In line with the group's aspiration to become an employer of choice across our markets, the committee ensures that people policies and practices protect employees and serve our business strategies in an ethical and sustainable manner. This is underpinned by the group's remuneration principles, which aim to attract and retain talent, motivate people to achieve business plans and to conduct themselves according to our desired culture and align the goals of our shareholders and executives to enhance the value of the company.

The committee reviews and monitors the status of the group's human capital initiatives, accounts for compliance with legislation promoting employment equity, including broad-based black economic empowerment (B-BBEE) requirements and the Employment Equity Act. It ensures that the group complies with the terms of the International Labour Organisation's protocol and promotes the educational development of employees. In line with our commitment to measuring progress, certain short-term incentive measures for executive management have been adjusted to include performance conditions related to employment equity, skills development, growth in black management and talent management.

As a company headquartered in South Africa, transformation is a vital component of our reputation and licence to operate. We recognise that transformation is not just a moral imperative, but a pragmatic growth strategy that aims to realise the country's full economic potential. Our focus, in terms of B-BBEE, is to make a meaningful difference. We understand the value of diversity and an inclusive approach to drive sustainable business results, and that our progress in contributing to transformation in the industry and the economy also creates significant

value for our stakeholders. Our transformation strategy aims to drive high-impact transformation initiatives that create business and societal value. We believe that innovation drives transformation and vice versa. We are therefore committed to remaining at the leading edge of transformation in our industry.

The closure of the consumer packaged goods (CPG) business in South Africa was a significant event during the year, which has been covered in detail elsewhere in our reporting. While this decision was, we believe, unavoidable given that CPG's business model had become unviable and uncompetitive, it was a difficult decision for the board and management. We feel a great responsibility towards all those involved and have been particularly cognisant of the impact of this decision on our people and clients. Throughout the process, the SES committee has joined other board committees in ensuring that the interests of our stakeholders were kept front of mind, both in managing the process and especially in finding the most viable and responsible outcome.

Safety is a standard requirement in client contracts, given the diversity of the products that the group manages. These range from fuel and chemicals (including hazardous substances) to food, alcohol and medication (including chronic medication like antiretrovirals). Transporting and warehousing these products requires robust safety controls to protect consumers and employees. The committee oversees that regulatory requirements, best practice and industry guidelines are followed in embedding product responsibility, safety practices and mindset in all group operations. Despite our best efforts, we are saddened to report two employee fatalities in South Africa during the year. We convey our sincere condolences to the families, friends and colleagues of Sibusiso Mhlongo and Patrick Ratyela. We remain committed to applying enhanced technological developments and the capabilities of our driver alert systems. However, the nature of our business means that road incidents are not always within our control, which can result in fluctuations in our safety metrics.

Occupational health and safety (OHS) management frameworks and systems align to relevant legislation in each country of operation. A network of safety committees and representatives, located at all operations, are tasked with ensuring that safety standards are implemented and areas for improvement are identified. OHS self-assessments are undertaken annually and conducted by internal safety specialists or external certified experts (with oversight from internal audit) to ensure that the group's policies, procedures and safety initiatives are relevant, adhere to legislation, and continue to meet client requirements and internal standards. All accidents and incidents are investigated whether or not they result in injury or occupational disease, to enable a clear understanding of unacceptable risk and the preventative measures needed. The findings of these audits and investigations are reported to the committee.

Tenders and stakeholder engagement are increasingly focused on Imperial Logistics' ability to understand and adapt to the climate change risks that impact the group's markets and the long-term interests of clients. The board is ultimately responsible for climate-related issues and delegates this responsibility to the SES committee. Separate environmental management frameworks are in place for the South African and International divisions, with work required within the African Regions where poor national infrastructure constrains opportunities to lower the division's carbon footprint. The development of group-wide environmental standards that support flexible procedures at operational level is a priority for the committee. Our specific strategy on the formulation of an updated policy outlining related risks in our business with regards to climate change is in the development phase and we will provide greater clarity in the coming year.

We continue to recognise that the industry in which we operate is not always welcoming or accommodative of women. We have established women's forums in all operating regions and are establishing a global Women's Forum in an effort to elevate the discussion and better understand the specific challenges faced by women in our organisation. While we have found the work done to date encouraging, we recognise that there is still much to be done to achieve the gender inclusivity we are committed to.

Imperial Logistics has a policy on social investment, which has informed a new group CSI strategy, approved by the committee. The strategy aims to deepen the group's legitimacy in the countries and communities in which it

operates by providing measurable solutions to communities in healthcare, education and skills development. A dedicated sub-committee has been constituted to approve all CSI projects and spend, ensure alignment to strategic objectives and provide progress reports to the SES committee.

The guidance, oversight, policy direction and monitoring of these initiatives by the SES committee give substance to its moral mandate to balance the group's need to compete for limited resources in the interest of commercial success, with the need to sustain the health of the ecosystem we live in, with its interconnected social, economic and natural elements. This means we accept that we have a duty to support our stakeholders in reinforcing their own sustainability. Indeed, the challenge of the SES committee is not merely to ensure that Imperial Logistics is on the prescribed track, but that we continue to contribute to bending the moral arc towards social, economic and environmental justice.

Thembisa Skweyiya

Chairman of the social, ethics and sustainability committee

Policies, management approaches, performance for the year and future commitments for the group's sustainable development priorities are reviewed in detail in the sustainable development reports that supplement the integrated report, available online.