



GOVERNANCE

# Corporate governance summary

## Accounting to our stakeholders

Our intention is to continually improve our reporting, as a function of our accountability to our stakeholders, and in providing the assessments by leadership that stakeholders require to evaluate the group's ability to create sustainable value. The 2017 Integrated Annual Report (the report) includes, for the first time, a business model that sets out how the group creates value for its stakeholders through strategic clarity, organisational simplicity and disciplined capital management, and thereby enhancing the sustainable competitive position and growth potential of its subsidiaries.

## Scope and boundary

The report covers the group's subsidiaries over which it has operational control, including those outside South Africa. Leased facilities are treated as group-owned for reporting purposes. The report focuses on the group's continuing operations, unless otherwise specified. Entities that are not operationally controlled, including assets that are owned but not operated by the group, are not included in the scope of the report. However, more broadly, the risks, opportunities and outcomes associated with stakeholders outside the financial reporting boundary are dealt with in so far as they materially affect the group's ability to create value over time. The group's operating divisions, Imperial Logistics and Motus, are reported on as single entities.

Stakeholders are advised to read the Sustainable Development Report (SDR) (available online) with the report for a comprehensive view of the group's value creation story.

## Materiality determination

The group's material issues are the priorities and concerns most important to the leadership of Imperial Holdings Limited and its operating divisions. By successfully addressing these material issues, Imperial

will create value for its stakeholders. While the material issues reflect the progress that has been made in the renewal of Imperial in recent years, they are also forward looking and incorporate factors within and beyond leadership's control. The divisional reviews emphasise those issues that are critical to their respective operating contexts, stakeholders and strategies. The sustainable development priorities that relate to the material issues are discussed in detail in the SDR online. An overview of the material issues, how they were determined and the associated management priorities are set out on page 16.

The detailed material issues, which include strategic responses to the management priorities, are available online, allowing stakeholders to assess the materiality of information included in the report, and the supplementary reports available online (set out in our reporting inside the cover flap of the report).

## Integrated thinking at Imperial

As an employer, supplier, client, taxpayer and investment, Imperial ranks among South Africa's larger companies, with a direct or indirect impact on tens of thousands of lives in our operations around the world. Our performance and progress is founded on the provision of competitively priced products and services of high quality, conducted within all laws and regulations, and to high ethical standards. But there are additional responsibilities attached to a corporation of Imperial's size and reach. Among the most important of these is the demonstration of our societal relevance, not through redistribution as a charitable donor, but in the businesses we operate. We are mindful that the effects of our commercial activities on broader society are potentially significant and as fiduciaries we strive at all times to exercise due care in our dealings with stakeholders. We understand that the creation of shareholder value is a necessary but insufficient condition for sustainability, and we therefore subscribe to the view that corporate sustainability is

founded on accountability for decisions that have economic, social and environmental impacts in the long term.

The consolidation of our operating divisions into single entities, with each division having an operational board and single leadership team, is aimed at positioning the group for stronger growth, returns and sustainability in relation to the structural and systemic changes in the business environment. In essence, the renewal of the group is an exercise in integrated thinking as it is entailing focused investment in the assets and enablers that underpin the group's ability to create long-term value for its stakeholders. We have continued to evolve our human capital management capabilities and are investing in technology as the foundation for organisational effectiveness. Our social and environmental initiatives, which respond to critical social concerns, continue to receive focus in line with their material importance to the group's home base of South Africa and also to our respective operations around the world.

## Approval

The board acknowledges its responsibility to ensure the integrity of the report. The audit committee is responsible for the content of this report and recommended it to the board for its approval. In the board's opinion, the report addresses all material issues and matters, and fairly presents the group's integrated performance.



**SURESH P KANA**  
Chairman



**MARK J LAMBERTI**  
Chief executive officer

**Imperial's businesses operate in diverse geographies, industries and markets with different socioeconomic, political, regulatory and technological profiles. The complex interplay of opportunities and threats within these environments must be closely monitored and addressed with strategies that ensure robust competitive positions.**

Formal and informal scanning of the environment is an everyday executive responsibility, and the Imperial board is regularly apprised of developments that could have a bearing on the performance and sustainability of the group. Similarly, executive management responds tactically to everyday shifts in the operating context. The board annually approves the strategies necessary to remain competitive and create sustainable value for stakeholders over the long term.

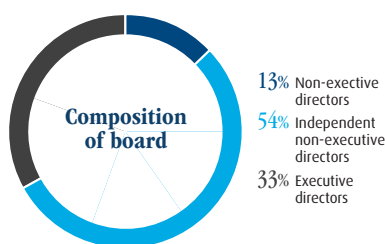
Authority, responsibility and accountability for the group's ethics, performance and sustainability is held at board level, which the board formally delegates to the CEO and in turn to his direct reports and sequentially throughout the organisation. The diversity of Imperial's operations necessitates differences in the nature, structure and processes of delegation, excepting financial expenditure for which authority limits are consistent across the group.

The leaders of Imperial are mindful that entrepreneurial creativity and responsiveness is a competitive advantage and every effort is made to integrate governance processes in the least bureaucratic way possible.



The full governance report, which includes details of risk, compliance and technology, can be found online.

## 01 | Imperial Holdings board



Ultimate responsibility for governance rests with the Imperial board and its sub-committees, which are constituted with the requisite expertise and experience. The group has a unitary board comprising of ten non-executive directors, eight of whom are independent, and five executive directors.

The responsibilities of the board are clearly defined in a written charter. The board charter outlines a clear balance of power and authority within the board to ensure that no single director has unfettered powers of decision-making. The board has also adopted, and regularly reviews, a written policy governing the authority delegated to group management and matters reserved for decision by the board.

The responsibilities of the board include issues of strategic direction, business plans and annual budgets, major acquisitions and disposals, changes to the board and other matters that have a material effect on the group or are required by legislation.



Details of our board members and their CVs can be found on page 36.

### Skills and experience

The board's diverse backgrounds ensure a wide range of experience in commerce, finance, law, industry and engineering. The non-executive directors have the necessary skills and experience to make judgements, independent of management, on areas such as strategy, performance, business development, transformation, diversity, ethics and environmental management.

### KING IV

Given the non-static nature of governance and the application of best governance practices, the board continually assesses the group's governance practices and procedures and makes adjustments where necessary.

This is evident in this year where we have endeavoured to apply the recommended practices set out in the fourth King Report on Corporate Governance for South Africa (King IV).

Imperial subscribes to and applies the 16 principles of good governance contained in King IV and, where appropriate, King IV's recommended practices have been considered and implemented during the year.

A register of the group's application of the 16 principles of King IV is available online.



## Board succession and appointment

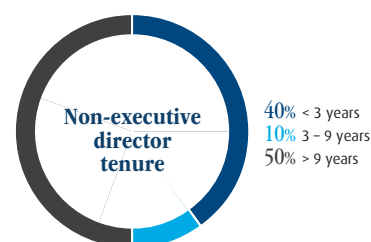
Directors are appointed based on their skills, experience and expected level of contribution to, and impact on, the activities of the group. The board decides on the appointment of directors based on recommendations from the nomination committee. New directors are formally inducted to facilitate their understanding of the group.

The role of the chairman is to set the ethical tone of the board and to ensure that the board remains efficient, focused and operates as a unit. The chairman is an independent non-executive chairman whose role is clearly defined and separate from that of the CEO through the provisions of the board charter.

The chairman provides overall leadership to the board without limiting the principle of collective responsibility for board decisions.

The responsibility for the executive management of the group's operations vests with the CEO, Mr MJ Lamberti, who reports to the board on the group's objectives and strategy. The CEO is accountable to the board and consistently strives to achieve the group's goals within the framework of delegated authority.

While the board may delegate authority to the CEO in terms of the board charter, the separation of responsibilities is designed to ensure that no single person or group can have unrestricted powers and that appropriate balances of power and authority exist on the board.



## Board and committee attendance

	Board meetings		Committee meetings							
	Meetings (including one special meeting)	Annual strategy meeting	Executive committee	Social, ethics and sustainability committee	Assets and liabilities committee	Nomination committee	Risk committee	Audit committee	Remuneration committee	Investment committee
<b>Total meetings:</b>	<b>4</b>	<b>1</b>	<b>14</b>	<b>4</b>	<b>4</b>	<b>3</b>	<b>4</b>	<b>4</b>	<b>3</b>	<b>3</b>
Non-executive directors										
SP Kana* (chairman)	4/4	1/1		3/3		3/3			3/3	3/3
P Cooper*	4/4	1/1								3/3
GW Dempster*	4/4	1/1			4/4			4/4		3/3
T Skweyiya* (Dingaana)	4/4	1/1						4/4		
RM Kgosana <sup>1</sup>	4/4	1/1					4/4	4/4		
P Langeni*	4/4	1/1				2/3		4/4	2/3	
MV Moosa	4/4	1/1		4/4						
RJA Sparks*	4/4	1/1				3/3		4/4	3/3	2/3
A Tugendhaft	4/4	1/1		4/4		3/3			3/3	
Y Waja*	4/4	1/1					4/4	4/4		
Executive directors										
MJ Lamberti	4/4	1/1	14/14	3/4	3/4		4/4			3/3
OS Arbee	4/4	1/1	14/14	4/4	4/4		4/4			3/3
M Akoojee <sup>2</sup>	1/1	1/1	4/4		1/1					1/1
MP de Canha	4/4	1/1	14/14							
PB Michaux <sup>3</sup>	4/4	1/1	13/14							
M Swanepoel	4/4	1/1	14/14		4/4					3/3

1. Resigned from the board on 8 September 2017.

2. Appointed during the year.

3. Resigned from the board on 21 August 2017.

\* Independent non-executive

## Changes to the board

Mr M Akoojee was appointed CFO and a member of the board with effect from 1 March 2017. His appointment will be tabled for confirmation at the AGM to be held on 31 October 2017.

Mr PB Michaux resigned from the board on 21 August 2017, in line with changes in his executive responsibilities. Mr MP de Canha will serve on the board until 31 October 2017 and will retire on 31 January 2018.

Mr OS Arbee resigned as CFO with effect from 1 March 2017 and was appointed as the CEO of Motus. He remains a member of the Imperial board.

Mr RM Kgosana resigned as a member of the board and of the Logistics divisional board with effect from 8 September 2017.

This year, Messrs OS Arbee, GW Dempster, SP Kana, MV Moosa and Y Waja will retire by rotation and are standing for re-election at the AGM to be held on 31 October 2017. These directors have been appraised by the board and their re-election is recommended.




### Governance in action

- > Adoption of a formal board diversity policy which embraces the benefits of a diverse board with differences in skills, regional and industry experience, background, race and gender.
- > Conducted an independently administered questionnaire-based review of the board and directors.
- > Set a voluntary target to increase the board female component by at least one member to improve gender diversity in the future.
- > Considered the independence of independent non-executive directors, which was confirmed by the nomination committee, in accordance with King IV.
- > Authority previously delegated to the group executive committee was formally delegated to the divisional operating boards. The group executive committee was disbanded effective 1 July 2017.
- > Oversaw the development and implementation of succession plans by the nomination committee.
- > Performed a formal review of the company secretary, concluding that there were no improper direct or indirect relationships with board directors and confirming his competence.
- > Reviewed the composition of board sub-committees, in accordance with King IV, and revised the membership of the risk committee, assets and liabilities committee and social, ethics and sustainability committee to comprise a majority of non-executive directors with independent non-executive chairmen.

## Board sub-committees

The board has established a number of sub-committees, including statutory committees, all of which operate within written terms of reference. The performance of each committee is regularly assessed in accordance with their terms of reference. No instances of non-compliance were noted.

The following tables below outline the board committee responsibilities and memberships at the time of publication.

COMMITTEE	RESPONSIBILITY
Audit committee	Assists the board in its responsibilities, covering the internal and external audit processes for the group, taking into account the significant risks, the adequacy and functioning of the group's internal controls and the integrity of financial reporting.  AFS online.
Risk committee	Sets the group risk culture, framework and strategy and ensures that robust risk management processes are in place.
Remuneration committee	Advises and guides the board on director remuneration, setting and implementing remuneration policy, approval of general composition of remuneration packages and criteria for executive bonus and incentive awards and administration of share-based incentive schemes.  Remuneration report from page 67.
Social, ethics and sustainability committee	Assists the group in discharging its social, ethics and sustainability responsibilities and implementing practices consistent with good corporate citizenship.  SDR online.
Asset and liabilities committee	Responsible for implementing best practice asset and liability risk management policies. Its primary objective is to manage the liquidity, debt levels, interest rate and exchange rate risk of the group within an acceptable risk profile.
Investment committee	Responsible for reviewing significant transactions and matters of a strategic nature.
Nomination committee	Provides advice and guidance on succession planning, director appointments and director induction and training.
Divisional boards	Exercise oversight of assets and control performance within the bounds of Imperial's board-approved strategies and budgets through two operating divisions, Imperial Logistics and Motus.

Board sub-committee membership is detailed below:

Audit committee	Risk committee	Remuneration committee	Social, ethics and sustainability committee	Assets and liabilities committee	Investment committee	Logistics divisional board	Motus divisional board
RJA Sparks (chairman) GW Dempster T Skweyiya (Dingaana) P Langeni Y Waja SP Kana* A Tugendhaft* MJ Lamberti* M Akoojee* G Nzalo* R Mumford* BJ Francis* G de Beer* O Janse van Rensburg*	Y Waja (chairman) M Akoojee SP Kana MJ Lamberti BJ Francis* G Nzalo* F Seedat* N Bell*	RJA Sparks (chairman) SP Kana P Langeni A Tugendhaft MJ Lamberti* M Akoojee* <b>Nomination committee</b> SP Kana (chairman) P Langeni RJA Sparks A Tugendhaft MJ Lamberti* M Akoojee*	MV Moosa (chairman) T Skweyiya (Dingaana) SP Kana MJ Lamberti A Tugendhaft BJ Francis* O Janse van Rensburg* R Levin* L Maluleke* MR Sharfuddin* RA Venter*	GW Dempster (chairman) MJ Lamberti M Akoojee OS Arbee R Mumford* WF Reitsma* C Shaw RJA Sparks M Swanepoel	P Cooper (chairman) MJ Lamberti M Akoojee OS Arbee GW Dempster SP Kana G Nakos* RJA Sparks C Shaw* M Swanepoel	MJ Lamberti (chairman) M Swanepoel (CEO) M Akoojee OS Arbee G de Beer (CFO) GW Dempster M Lutjann** G Nakos C Rossouw C Taucke** N van der Westhuizen	MJ Lamberti (chairman) OS Arbee (CEO) M Akoojee K Cassel MP de Canha P Langeni O Janse van Rensburg (CFO) M Swanepoel Y Waja

\* Invitees.

\*\* German.



The CVs of the Imperial Holdings board can be found on page 36 and of the divisional leadership on pages 51 and 60 of the Imperial Logistics and Motus reviews respectively.

