

FAST MOVING
FORWARD THINKING



IMPERIALTM

LOGISTICS

B-BBEE Strategy

November 2010

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1. INTRODUCTION

Broad-Based Black Economic Empowerment (B-BBEE) aims at substantially increasing black participation at all levels in the economy. The goal of this strategic imperative is to address the imbalances of the past by transferring more ownership, management and control of South Africa's financial and economic resources to the majority of its citizens. It also focuses on broadening and improving meaningful black participation in the economy.

IMPERIAL Logistics views B-BBEE as a vital component of the broader transformation imperative in South Africa. We believe the foundation of sustainable business is to understand the current business environment, to recognise the forces that shape the behaviour of customers and to lead our employees in the effective utilisation of resources in the creation of sustainable value.

IMPERIAL Logistics' Transformation Team is committed to the transformation strategy. The team comprising of the following people ensures that our initiatives are implemented with integrity and enthusiasm at all levels throughout the organisation:

Marius Swanepoel – CEO
Greg Hocking – Financial Director
Nico van der Westhuizen – CEO Transport & Warehousing
Dougie Truter – CEO Consumer Products
Cobus Rossouw – CEO Integration Services
George de Beer – CEO Africa
Thinus Erasmus – CEO Special Projects
Abrie de Swardt – Marketing Director
Sibongile Zikalala – Transformation Director
Fred Meier – Human Resource Director

2. IMPERIAL LOGISTICS B-BBEE OVERVIEW

IMPERIAL Logistics' B-BBEE strategy and action plan is aligned with its business strategy and planning cycles. The progress of transformation is subject to annual reviews. IMPERIAL Logistics' B-BBEE scorecard is based on seven pillars:

- Equity / Ownership
- Management and Control
- Employment Equity
- Skills Development
- Preferential Procurement
- Enterprise Development
- Socio-economic Development

The scorecard is discussed in more detail in Section 3 of this document.

IMPERIAL Logistics recognises the importance of a multi-faceted, broad based and integrated approach to Black Economic Empowerment (BEE) in the transformation of the macro socio economic space where it is active, as well as for the long-term sustainability of South Africa. These are essential ingredients in ensuring continued stability and prosperity. In this context, IMPERIAL Logistics has developed its B-BBEE policy based on the following principles:

- IMPERIAL Logistics recognises its responsibility towards the shareholders, to continually deliver attractive returns on their investment and that any B-BBEE initiative must remain cognisant of the interests of shareholders as stakeholders in the business.
- An inclusive approach to BEE, which is broad-based and deliberately advances previously disadvantaged communities, ensuring that the benefits are spread as widely as possible. This, however will not stifle economic contribution by individual entrepreneurs.
- The empowerment of IMPERIAL Logistics’ own employees and their families remains a priority. However, being a responsible corporate citizen, the company has a role to play in the empowerment, economic development and social upliftment of the broader society.
- In advancing B-BBEE, IMPERIAL Logistics ensures at all times, that there is a positive net effect on its business interests.

Human resources, development and skills transfer remain critical components for sustainable B-BBEE and are perceived to be the key ingredients in the success of any B-BBEE programme.

3. ELEMENTS OF B-BBEE IN TERMS OF THE GENERIC SCORE CARD

- **Equity / Ownership**

The current black shareholding in IMPERIAL originates from two BEE transactions with Lereko Mobility and Ukhamba Holdings. Due to the complexity of the shareholding structure which resides with IMPERIAL Holdings, it was necessary to apply a number of rules as specified by the Codes when we measure our ownership status. These include requirements for BEE Trusts, the modified flow-through principle, and the exclusion of mandated investment shareholding and the exclusion of the value of international operations.

After applying the modified flow-through principle, the 2010 Scorecard result was voting rights in the hands of black people of 39% and by black woman of 5.26%. The result for economic interest differed slightly, with black people at 39% and black woman at 5.26%. A total of 23.13% was deemed to be held by black new entrants, while broad-based ownership scheme and employee share ownership schemes made up 14.75% of the shareholding.

- **Management & Control**

Participation of black people at board level is measured at an IMPERIAL Holdings level, where operational and governance authority resides. IMPERIAL Logistics’ executive team (EXCO) forms part of the Senior Top and Other Top Management sub-measurement. The following Executive Management team (EXCO) is responsible for the Logistics business:

Top Manager	Position	Senior Top Management / Other Top Management	Race	Gender (M/F)
Marius Swanepoel	Chief Executive Officer	Senior	W	M
Greg Hocking	Financial Director	Senior	W	M
Sibongile Zikalala	Transformation Director	Senior	A	F
Nico van der Westhuizen	CEO Transport & Warehousing	Other	W	M
Dougie Truter	CEO Consumer Services	Other	W	M
Cobus Rossouw	CEO Integration Services	Other	W	M
George de Beer	CEO Africa Division	Other	W	M
Thinus Erasmus	Special Projects Director	Other	W	M
Gerald Rudman	Support Services Director	Other	W	M
Abrie de Swardt	Marketing Director	Other	W	M
Francois Ehlers	Technical Director	Other	W	M

IMPERIAL Logistics continues with the planned sourcing and staffing of the organisation at director level, utilising capabilities both from within, and in instances where we do not have internal resources, from outside the organisation.

- Employment Equity**

Current state: IMPERIAL Logistics believes that empowerment should not only take place at shareholder level. One of the company’s transformation objectives is to ensure diverse representation at all levels of the business and to ensure that, as an organisation, we comply with the requirements of the Employment Equity Act at all times.

We have built the concept of a Talent Pipeline, as a core business driver in support of our transformation strategy. We believe that our value drivers are attained as a result of our most valuable asset, our talented staff.

The Talent Pipeline thus aims to ensure that people within the organisation are always provided with the right skills to ensure that IMPERIAL Logistics remains a market leader in its field. This is supported by appropriate training initiatives through which we empower our employees and equip them with required tools to contribute to the growth of the business.

Our Employment Equity drive is evident through the strong Employment Equity profile, as described below. Currently 83% of our staff compliment, across all levels within the organisation belongs to designated groups. This will increase to 85% in the next financial year, in accordance with our need for additional resources.

The following table indicates occupational levels of permanent employees as at 30 September 2010:

IMPERIAL LOGISTICS CONSOLIDATED EMPLOYMENT EQUITY														
EMPLOYMENT EQUITY STATS AS AT THE END OF JUNE 2010														
Occupational Levels	MALE				FEMALE				FOREIGN		TOTALS	BLACK %	Adj %	BEE SCORE
	A	C	I	W	A	C	I	W	M	F				
Top Management	0	0	0	8	1	0	0	0	0	0	9	11%		
Senior Management	6	4	6	134	1	0	0	21	5	1	172	10%	5.50%	0.00
Middle Management	49	51	74	419	14	9	17	222	12	3	855	25%	17.20%	0.00
Junior Management	540	211	168	530	63	65	51	274	25	7	1902	58%	38.30%	2.25
Semi-skilled	5462	971	252	338	364	260	119	611	141	12	8377	89%	53.20%	
Unskilled	2553	350	24	16	175	30	0	5	26	0	3153	99%	56.20%	
Disabled	15	5	12	14	40	0	2	11			99	74%	0.47%	0.00
TOTAL PERMANENT	8610	1587	524	1445	618	364	187	1133	194	22	14468	82%		
Temporary Staff	181	43	10	44	25	10	2	34	15	1	349			
GRAND TOTAL	8791	1603	534	1490	643	374	189	1167	209	23	14818			

The company has projected the current statistics of Employment Equity into 2010. This information is available on request.

- Skills Development**

Current state: IMPERIAL Logistics believes that providing training and furthering the education of its employees is one of the most powerful mechanisms of assisting in the transformation process. IMPERIAL Logistics aims to build and retain a team of highly skilled staff with a focus on black staff.

IMPERIAL Logistics falls under the Transport Education and Training Authority (TETA) SETA. Our Workplace Skills plan is completed and submitted, and is supported by a comprehensive Human Resources plan, with an appointed Skills Development Facilitator.

Training for employees: R36 295 019 was spent on various skills developments programmes for staff during 2009/10 financial year, 74% of the total spend was directed black employees only.

Disabled Employees: R1.6million was spent on the training of black female and male disabled employees.

Learnerships: Skills development and learnerships form part of IMPERIAL Logistics' Skills Development Policy. IMPERIAL Logistics undertook the following SETA-registered Learnerships in 2009/10 financial year:

- National Certificate in Road Transport Supervision
- National Certificate in Administration – this learnership specifically targets disabled learners. 3 Disabled learners have been employed for the pilot programme
- National Certificate in Generic Management
- Skills Programme in Transport & Logistics, aimed at elementary occupations
- Skills Programme in the Fundamentals of Management
- Learnerships / Skills Programmes in Professional Driving (Driver Academy)
- Diesel Mechanic Apprenticeships

- **Preferential Procurement**

Current state: IMPERIAL Logistics believes that the entire supply chain needs to have a common understanding and buy-in of the transformation imperative. Our current total measure spend with preferred suppliers is 70%.

IMPERIAL Logistics is in the process of developing robust Preferential Procurement processes that influence both the purchasing behaviour of the company, as well as the understanding of our suppliers from a transformation perspective. The following principles underpin our Preferential Procurement Policy:

- Affirmative procurement in IMPERIAL Logistics is based on a plan to facilitate B-BBEE. Implementation and progress is monitored by IMPERIAL Logistics' EXCO
- The objective is to enhance long-term economic sustainability and viability of all parties
- The inter company support system is not impacted by this policy
- Despite the high priority and focus on B-BBEE, all transactions adhere to acceptable business practices and industry standards such as quality, timeous delivery and controls
- Special internal arrangements are however made with respect to payment of B-BBEE companies, particularly QSEs and EMEs (such as weekly payments, payments not later than 7 or 15 days after date of invoice or delivery, etc.)

- **Enterprise Development**

Current state: IMPERIAL Logistics endeavours to assist in the establishment of new businesses as part of the company's transformation initiative. The focus is sustainability and IMPERIAL Logistics develops and ensures a stable foundation for such companies within its market.

IMPERIAL focuses on Enterprise Development as a way of developing and equipping our supplier base and business partners by:

- Actively seeking out SMEs who can be part of our supplier base and/or those seeking to grow via business alliances or joint ventures
- Providing support for the emerging SMEs via skills transfer, coaching and mentoring
- Accessing them for opportunities for bulk purchases of, for instance fuel and tyres
- Setting aside areas where these QSEs and EMEs can enjoy preferential treatment as suppliers
- Mentoring and coaching the current QSEs and EMEs who are already in the system so that they succeed

A particularly notable Enterprise Development initiative is the R10 million interest free loan afforded to Ukhamba Holdings, a 100% black owned business.

- **Socio-Economic Development**

Current state: IMPERIAL Logistics is aware of the wider socio-economic environment within which it operates, and believes that corporate social investment exceeds financial support only. It is about contributing to changing the environment that IMPERIAL Logistics operates in and building future employees, clients and suppliers.

Sustainability of the projects as well as the impact analysis is performed on an ongoing basis to ensure value is derived from these investments. Furthermore, the areas of HIV/AIDS and poverty alleviation (in the form of support for certain educational projects in the previously disadvantaged areas) have been identified.

In the last year, IMPERIAL Logistics has spent more than 1% of its Net Profit after Tax on various corporate social investment and initiatives.

- HIV/AIDS awareness campaigns
- Community upliftment programmes
- Support of education programmes (bursaries and scholarships)
- Contributions in the form of human resource capacity

4. CONCLUSION

IMPERIAL Logistics is committed to transformation and empowerment, and will continue to pursue and enhance all facets of empowerment. It is important that the process of economic transformation is accelerated in order to bring the majority of black South Africans into the mainstream economy, not only by providing employment but also to provide meaningful economic participation and to share increasingly in the wealth creation resulting from economic activities.

Contribution level: Our scorecard based on **2009/10** figures gives us an audited scoring of **71.23**, classifying IMPERIAL Logistics as a **Level 4 contributor** to B-BBEE with a Procurement Recognition of **125%** based on the fact that IMPERIAL Logistics qualifies as a Valued Add Supplier.