As a multinational group, each Imperial division faces different challenges and thus has different priorities and perspectives.

We have again elected to publish only a summary of our sustainability report in our annual report, given the environmental impact of printing large reports and this full report is on www.imperial.co.za.
SUSTAINABILITY
CHIEF EXECUTIVE OFFICER’S MESSAGE

for more information please visit www.imperial.co.za/ar2010/sustainability/ceo_message.asp

Chief executive officer’s message

Key to our long-term success is building a business focused on meeting our responsibilities to all stakeholders. This starts with delivering sustainable returns to shareholders to retain their support and fuel our growth. A stable business, in turn, underpins all our activities with other stakeholders – from the training and personal development we offer our people to the community empowerment programmes and environmental initiatives we are undertaking to protect our planet.

Our strategy determines our sustainability initiatives while our values guide our approach. As a multinational group, each Imperial division faces different challenges, and thus has different priorities and perspectives. Equally, stakeholders in the different markets and countries in which we operate also have varying expectations and needs. Developing a group strategy from this diverse base requires close consultation to meet divisional objectives while fulfilling group targets.

Accordingly, a senior management conference on the subject was convened at which key issues affecting the group were identified. While these may overlap with other key issues in the various divisions, they are considered the most important drivers of the group sustainability strategy:

- Energy and climate impacts – carbon output
- Social issues – transformation and skills development
- Health and safety – road safety and HIV
- Waste produced by group operations – discharges to air, landfill and water.

Key issues for Imperial group 2010

In developing a group-wide sustainability strategy and programme integrated into the business of each division, we are initiating a process to identify the key sustainability drivers per division, assess systems or initiatives in place and aspects affecting the group were identified. While these issues are the subject was convened at which key issues

Due to its critical importance for the group and South African society, we significantly enhanced our people development programmes at all levels. From a strategic perspective, people development is driven at group level by the first of Imperial’s nine guiding principles:

- Imperial is committed to people development. Our people are our brand, and as such, our most important asset. We believe passionately in supporting their growth and continuous learning.
- Imperial Logistics has for many years recognised the effect of HIV/AIDS on the logistics industry and the need to combat the scourge. A decision was taken almost ten years ago that, to counter the pandemic most effectively, there should be a concerted national initiative where resources and effort could be pooled for maximum effect. Imperial Logistics was instrumental in launching this initiative for the logistics industry and continues to play a vital role by sponsoring wellness clinics along major transport routes. Further progress has also recently been made in treatment for infected employees through ARVs in partnership with transport industry bodies.

In South Africa, where transformation and empowerment are such important elements in the sustainability of most companies, we have made good progress in addressing areas we believe will have the greatest impact on transforming the wider group:

- People development – Our philosophy is that training and developing human talent is fundamental to ensuring sustainability and relevance in our industries in the long term. People development initiatives deliver the spectrum from technical training to supervisory functions up to executive level.
- Promotion and attraction – Imperial has established a number of programmes to fast-track individuals with potential and to position the group as an employer of choice in its chosen target markets.

Imperial has weathered a difficult time in its own history and its markets. It has made us stronger and even more determined to play our role in building a lasting future. We welcome your feedback on our approach and our progress (contact details below). Together, I believe we can make our world a better one.

Hubert Brody
Chief executive officer

24 August 2010

Key facts at a glance

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<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
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<tbody>
<tr>
<td>People employed</td>
<td>35 968</td>
<td>34 353</td>
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<tr>
<td>Salaries paid (Rm)</td>
<td>7 515</td>
<td>7 236</td>
</tr>
<tr>
<td>Training expenditure (Rm)</td>
<td>70</td>
<td>61</td>
</tr>
<tr>
<td>Donations to social responsibility causes (Rm)</td>
<td>16</td>
<td>12</td>
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<tr>
<td>Distance travelled by our road fleet excluding rental vehicles (million kilometres)</td>
<td>426</td>
<td>419</td>
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<tr>
<td>Fines paid for traffic offences (Rm)</td>
<td>5,0</td>
<td>3,0</td>
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<tr>
<td>Employee fatalities in road accidents</td>
<td>12</td>
<td>8</td>
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<tr>
<td>Road accidents involving our fleet</td>
<td>1 211</td>
<td>1 247</td>
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<tr>
<td>Environmental incidents</td>
<td>120</td>
<td>176</td>
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<tr>
<td>Electricity purchased (million kW/h)</td>
<td>160,3</td>
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<tr>
<td>Fuel consumed (million litres)</td>
<td>231,7</td>
<td>229,2</td>
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<tr>
<td>Biofuel consumed (million litres)</td>
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<td>1,7</td>
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<tr>
<td>CO2 emissions (tonnes)</td>
<td>938 838</td>
<td>946 286</td>
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</table>

Further information on the scale of the Imperial group appears in the ten-year review on page 32, the value-added statement on page 39, and the employment section on page 138 of the annual report.
ORGANISATIONAL PROFILE

Imperial is listed on the JSE with its head office in Johannesburg, South Africa. The operational structure, description of major divisions and markets served, and geographical areas of operation appear on pages 1 to 5 of the printed annual report.

REPORT PROFILE

This is the sixth report of this nature to be released by the group and the second using the latest Global Reporting Initiative (GRI) guidelines, known as G3.

The directors are responsible for the content of this report and although all reasonable steps have been taken to ensure its accuracy, they can only provide reasonable assurance that reporting systems are accurate. During the year, the group further enhanced systems to monitor the accuracy, completeness and reliability of financial, operational, safety, health and environmental management information. We will continue to refine and improve these processes over time. The report, with the exception of certain economic impacts, has not been externally verified.

Imperial now has five operating divisions. These are independently managed and operate within governance guidelines laid down by the board and the executive committee. The group does not have extensive policies regulating these divisions as they operate in different areas of transport and related fields and comply with governance standards appropriate to their industries.

Due to the decentralised management structure of the group and the diverse nature of its operating businesses, information is recorded and reported in different formats. The group has however used its best endeavours to ensure the sustainability report meets the material reporting needs of stakeholders. Our intention is to give readers a clearer understanding of our operations, the factors that drive them and the impact they have on the economic, social and physical environments in which we conduct our business.

Scope and boundary

The report was compiled for the financial year ended 30 June 2010 and encompasses all Imperial’s continuing businesses over which it has operational control. It excludes businesses that have been sold or discontinued as well as businesses that are held for sale. The most recent previous report was issued for the financial year ended 30 June 2009.

Imperial’s businesses in Africa, Europe, the United Kingdom and Australia are included in the report. Impacts related to entities not operationally controlled by the group have been excluded. Leased facilities are treated for reporting purposes as if the group owned them. Assets owned but not operated by the group have been excluded.

Imperial’s sustainable development policy recognises that the group consists of a number of diverse transport and mobility businesses, each with its own challenges, stakeholders and operating environments. In addition to functions controlled or initiated at group level, each business has its own sustainability initiatives, designed to address areas of importance in that business and the community in which it operates. This stems from the group’s philosophy to empower local and divisional management who are best placed to identify and engage stakeholders on virtually all levels and to ultimately make decisions within agreed guidelines, based on this understanding.

We believe this report represents a balanced and reasonable view of our organisation’s economic, environmental and social performance, covering all material topics and indicators. According to the GRI framework, we have elected to rate our report at a C level as we include a number of performance indicators with at least one from each section and a number of management disclosures on these indicators.

Materiality

In choosing the topics included in the report, we considered the requirements and expectations of external and internal stakeholders and prioritised material topics and indicators. Materiality was also determined on an operational basis to provide meaningful and transparent information to stakeholders. Where we have made assumptions on data reflected in the report, we deal with those assumptions and calculations in the particular area of reporting.

Governance structure and management systems

Structure and governance

We conduct our business according to the principles of integrity, reliability and trust. Our formal practices encompass systems, structures and a culture of governance to ensure the group acts responsibly to all its stakeholders – economically, environmentally and socially.

During the year we held a number of management training workshops that were externally facilitated and provided an avenue for employees to give inputs and recommendations to the executive management of the group.

Sustainability reporting in the group is comprehensively reviewed annually, while key performance areas are monitored quarterly by the board and monthly by the executive committee. Key performance areas include economic performance, black economic empowerment (BEE) and skills development, as well as safety, health and environmental performance.

The composition of the board, its committees and information on the governance and management structures of the group appear in the corporate governance report on pages 43 to 48 of the printed annual report. Information on remuneration policies and practices is in the remuneration report on pages 54 to 59.

Imperial’s nine unifying business principles:

► Commitment to people development
► A performance culture
► Social responsibility
► Transparency through good communication
► Excellent service
► Group business loyalty
► Financial responsibility and capital efficiency
► Nurturing of, and tolerance for, entrepreneurial initiatives
► Emphasis on our main brand

Our code of ethics

Our core value is to act with uncompromising honesty and integrity. Our code of ethics provides guidance to all staff, management and directors of Imperial and its subsidiaries on adhering to this core value, although we recognise that no single code can address every situation individuals are likely to encounter. As such, this code is not a substitute for employees’ responsibility and accountability to exercise good judgement and obtain guidance on appropriate business conduct.

Our divisions also include aspects of ethics in their induction programmes.

At all times the group and, where appropriate, our employees will:

1. Respect others and avoid any form of discrimination.
2. Abide by the laws of the country in which we operate and comply with the code of conduct of all professional and industry bodies to which we belong.
3. Avoid any waste, damage and private use of company assets and resources (including time).

4. Neither give nor receive bribes.

5. At the earliest opportunity, disclose in writing to the appropriate management all gifts received from clients or suppliers beyond a token value.

6. Not divulge any confidential information to any party, or improperly use company and client information.

7. Market our products and services accurately and charge the agreed fee or a fair fee where no fee was agreed.

8. Not seek to advance our personal interests at the expense of the company or its clients.

9. Not engage in any activity, directly or indirectly, which results or might result in a conflict of individual interests with the interests of the group.

10. Not participate, or involve the company in any way, in any scheme that would cause embarrassment to the company or harm its reputation. If we believe public disclosure of any action would be detrimental to the company, this action should be avoided.

**Commitments to external initiatives**

The group and its divisions subscribe to a number of charters, principles and other initiatives. These include applicable charters relating to black economic empowerment, the environment, good corporate governance and financial reporting.

**STAKEHOLDER ENGAGEMENT**

We value our people and recognise that successful businesses are built on loyal, motivated and fulfilled employees. Equally important are the requirements of investors, customers, suppliers and other stakeholders.

Stakeholders are defined by GRI as entities or individuals that can reasonably be expected to be significantly affected by the organisation’s activities, products, and/or services; and whose actions can reasonably be expected to affect the ability of the organisation to successfully implement its strategies and achieve its objectives.

The primary stakeholders expected to use this report include investors, suppliers, customers, employees and organs of state.

Our interaction with stakeholders reflects our unique culture and business model. We seek to maximise shareholder value over time through an intelligent regard for the interests of all other stakeholders, from the communities associated with our operations to our business partners. Our divisions are well-equipped and placed to communicate with stakeholders, reflected by examples of engagement activities throughout this report.

In recent years, we have enhanced our level of interaction with stakeholders, recognising that the survival of our business depends on our stakeholders, just as they depend on our business.

The group provides information to the public and its shareholders based on the guidelines of promptness, relevance, openness and substance, over form. We strive for balance by reporting both the positive and negative aspects of group performance. Regular presentations and meetings with investors and analysts are held to communicate group strategy and performance. Shareholders also have the opportunity to question the board at annual general meetings.

Stakeholders in the group include investors, potential investors, employees, trade unions, customers, contractors, suppliers, media and government departments. A list of our primary investors appears on page 36 of the annual report. Our customers span virtually every facet of society and include central, provincial and local government, large, medium and small business, various industries and individuals across the world. We select stakeholders to be engaged primarily on the basis of their impact on the group. The frequency of our engagements depends on the type of stakeholder. Investors are engaged at regular scheduled intervals including results announcements, general meetings, one-on-one meetings and investor days. Customers and staff are engaged on an ad hoc basis and at regular scheduled meetings.

Our approach to stakeholder engagement favours personal interaction but where this is not possible, particularly divisions with large individual customer bases such as car rental, insurance and motor retail, other methods such as surveys and call centres are used.

In preparing this sustainability report, the group engaged with selected stakeholders to better understand their information requirements.

**OVERARCHING POLICIES AND MANAGEMENT SYSTEMS**

In addition to the broad policies described in this report, further comment is included in the specific performance indicator sections of this report.

Group companies are members of a number of industry-specific and general associations, including:

- Business Against Crime
- The Southern African Vehicle Rental and Leasing Association (SAVRALA)
- Life Offices Association
- South African Intermediaries Association
- National Automobile Dealers Association
- Road Freight Association
- National Business Foundation

**ASSURANCE**

Imperial’s economic impacts have been externally assured to the extent that these form part of the annual financial statements of the group as published in the annual report. The extent of this assurance is detailed in the audit report on page 50 of the annual report.

Other areas of reporting are either reviewed internally through specific governance structures such as internal audit, or risk review processes.

Certain key health and safety aspects are externally assured, which includes third-party verification of key installations such as warehouses as well as ongoing audits of environmental spillages and facilities by third-party inspectors appointed by customers.

**ECONOMIC INDICATORS**

**Management approach**

Our economic impacts include direct and indirect impacts on employees, government, suppliers, customers and providers of capital. The direct impact of our business on stakeholders is, however, probably less significant than the indirect impact of our role as a synchroniser of commerce.

During the year, we did not benefit from, or rely on, any material government grants, tax relief or other types of financial benefits that did not represent a transaction of goods and services, other than the reimbursement of skills development levies and similar reimbursements.

The group is a significant contributor to commerce in general and recognises that sustainable development is built on sound economic performance. Our core business – the transport
of goods and people and related industries – is the backbone of economic growth, locally and internationally, without which development would be dramatically curtailed. We aim to run a continuously viable business that will enable us to positively impact our stakeholders.

The group encourages spending on local suppliers at significant locations of operation. This follows our decentralised management structure, giving local management the freedom to procure in its area. This is not always possible for divisions, such as those selling and distributing vehicles, which rely on particular suppliers for their products.

All significant operations are managed by local management rather than management seconded from elsewhere in the group.

The economic impacts of the group are detailed in the 2010 annual report and have been cross-referenced in the GRI content index on page 21.

**ENVIRONMENTAL PERFORMANCE INDICATORS**

**Management approach**

Group operations affect the environment in different ways, both directly through transport operations and indirectly through the products we distribute and sell.

We conduct our business in an environmentally responsible manner, ranging from the way we construct our facilities to the maintenance and operation of our transport fleets, and are committed to a safe and healthy environment.

Each business unit is responsible for its own environmental policy, taking full cognisance of group principles and local circumstances. At group level, the executive committee takes responsibility for environmental policy, reporting and monitoring and one executive is designated to drive this process. Environmental incidents, trends and related matters are reported to the executive committee and applicable divisional boards monthly and to the group board quarterly.

A number of divisions in the group have received ISO 14001 environmental certifications.

**Materials**

As the group does not operate any significant manufacturing concerns, it does not affect the environment directly through plants or facilities that consume significant amounts of raw materials. The primary materials consumed by the group are fuel and oil. The group does not use wastes (processed or unprocessed) from external sources.

**Energy**

The group consumes energy in various forms, directly and indirectly. The largest single source of direct energy consumption is fossil fuel for road, water and air transport. Fuel consumption in our fleets is carefully measured, enabling us to establish trends and benchmarks against which improvement targets can be set. Every effort is made to reduce fuel consumption by introducing new technology, regular maintenance and upgrading equipment. Tests continue on new technology aimed at reducing fuel consumption in certain fleets. If successful, this could reduce fuel use by 4% - 5% in these fleets. In addition, South African fleets will gradually be upgraded to Euro 5 standards.

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**Case study**

**The environmental value of an efficient supply chain**

*Excerpt: Full case study available on www.imperiallogistics.co.za/sol*

Cardiff University, Imperial Logistics and the CSIR recently partnered in a case study on the impact of ‘extra kilometres’ on the sustainable performance of a major South African FMCG company’s supply chain. The study analysed the causes of extra kilometres1 travelled to support better supply-chain decision-making, and the effect on both the environment and bottom line.

The analysis focused on the company’s secondary distribution network2 – three distribution centres servicing over 200 stores across the country (secondary distribution implies the transport link between distribution centre and store compared to primary distribution between supplier and distribution centre). The warehousing operation is managed by the client, while transport operations in this network are outsourced to Imperial Logistics.

Using just two secondary distribution centres in a typical week, extra kilometres accounted for over 6% of total distance covered, R170 000 in additional costs and 20 600kg more CO2 pollution.

The main causes of extra kilometres were found to be distribution-centre failures, volume increases from the client at short notice, client-planned volumes higher than actual, and vehicle size smaller than planned.

While the data generated for a week’s business does not seem that significant, extrapolated over 52 weeks the impact becomes much greater.

In one year, extra kilometres accounted for almost R9 million in additional costs and over 1 000 additional tons of CO2 pollution. Given the study’s finding that the two main sources of extra kilometres are distribution-centre failures and short-notice volume increases, the study recommended that the logistics service provider and client collaborate to find mechanisms for improving volume-demand planning and product-picking processes.

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1 Extra kilometres were defined as the difference between the number of kilometres vehicles actually run and the kilometres they would have travelled if transport planning included accurate and timely information on volumes to be moved, and no operational failures disrupting the delivery process. The economic impact of extra kilometres was described in terms of additional fuel needed to complete a delivery, and the environmental impact in terms of more CO2 produced.

2 Data was gathered from distance-based archival data and focused on major distribution centres in Johannesburg and Cape Town. A week in January 2009 was selected, representing a typical week and a fair sample of what happens over one year.
The largest indirect source of energy used by the group is electricity purchased from external suppliers. We are always conscious of energy use and will explore every possibility of saving energy and reducing CO₂ emissions related to our transport operations and from purchasing electricity. Imperial makes no significant use of renewable energy at present.

Energy consumption is detailed in the table on page 10.

**Water**
The group consumes water from external sources for ancillary operations including offices, washing facilities and limited other uses. Total water consumption is tabulated on page 10.

According to the CSIR, the extra-kilometre assessment applied can be used as a diagnostic tool in other transport operations to assess the efficiency of the transport function in distribution networks in terms of extra kilometres, or unnecessary vehicle use. It can help determine the causes of unnecessary kilometres and estimate the risk these represent – in this way, a more explicit link can be made between supply-chain uncertainty and deviations in transport execution/performance.

As transport is a substantial contributor to greenhouse gas emissions, supply chains can have a significant effect on sustainability by analysing the causes of uncertainty and measuring the impact of variables (such as extra kilometres) that influence resource use (eg fuel) and emissions. The aim is to inform better supply-chain decision-making.

The study noted that the drive towards green supply chains does not need to be a financial burden, since the principles of optimally managed resources, energy and waste reduction have decreasing cost implications. Not only do green strategies flow directly to the bottom line, they can also provide a competitive advantage as consumers and regulation start demanding greener products and manufacturing practices.

This case study aptly illustrates that opportunities to increase value and save money by reducing energy consumption and waste, improving efficiencies and performance, in turn generating a return on green investment.

**Case study**

**Europcar Water Recycling Project**

Europcar has installed patented eWasha water recycling plants at their depots situated at Durban La Mercy Airport, Port Elizabeth and George, with future plants already being planned for depots country wide.

eWasha carwash water recycling plants collect the used carwash water and pump it through a series of bioreactors which use a completely natural, biological process to clean the water of impurities such as soap, grease and dirt. No chemicals or complicated filters are used.

Once the treatment process has been completed, the water is returned to the wash bay ready for re-use in the washing of the vehicles. Analytical tests performed on the quality of the recycled water conform to international standards formulated specifically for carwash water.

Any loss in used water, due to factors such as evaporation or spray mist, is replenished using stored rainwater from special storage containers before using the municipal water supply. Water usage using this system has been reduced by up to 90% with a commensurate reduction in the amount of wash bay runoff being discharged.

There are no water sources or related ecosystems/habitats significantly affected by our use of water. The group is, however, an indirect user of water resources through its inland waterway shipping operations in Europe, where it applies best practice to ensure its impact on water resources is limited.
An additional benefit of the system is that the technology used utilises hundreds of discarded plastic soft drink and water bottles which are collected (waste harvesting) and strung together to form a colony which hosts the bacteria which breaks down the soap and grease in the used wash bay water. Unemployed local labour is paid to collect these discarded bottles - providing them with an income while cleaning up the environment.

Europcar are leaders in tackling their responsibility to the water crisis in South Africa.

Biodiversity
With the exception of logistics operations on road and on inland waterways in Europe that cross biodiversity-rich habitats, none of our primary operations or facilities that could have an adverse impact are situated in such habitats.

Impacts associated with the use of internal combustion engines in ships and automobiles as well as the use of aircraft are not measured. The group is aware of the potential impact of spillages of products carried for reward and takes appropriate measures to minimise related risks. These include compliance with local environmental and related legislation as well as internal systems of control appropriate to the materials transported.

Case study
Green Light for Green Rail Logistics in Europe

The neska intermodal container terminals have extended their ‘green’ services portfolio. Since the beginning of the year, the Duisburg and Krefeld terminals have been handling intermodal trailers, taking European surface freight off the road and onto the more environmentally friendly alternative of rail.

Intermodal concepts are the core aspect of sustainable and therefore green logistics. These concepts attempt to maximise the ecological compatibility and resource efficiency of the value chain. Neska’s intermodal terminals are making an important contribution to green logistics now by handling more continental shipments in addition to the classic overseas hinterland services on inland vessels and railways. These continental services are already established in Cologne and are currently being extended towards Italy. Moving freight by rail reduces the level of traffic on the roads, providing both environmental and financial benefits. This is clearly demonstrated by another of Neska’s initiatives:

“Rail is a far more cost-effective and environmentally friendly alternative to truck,” confirmed Kai-Norman Knötsch, managing director of ThyssenKrupp MinEnergy GmbH.

Neska developed an innovative concept for the transportation of foundry coke from Poland to meet this company’s special requirements. The coke is transported to Duisburg by complete train and then loaded onto trucks at the Rhein-Ruhr Terminal. 70 000 tons of coke are transported in this way every year, saving 5.6 million truck-driven kilometres. The neska intermodal terminals will remain committed to the development of sustainable concepts in the future.
Emissions, effluents and waste

Climate change and Imperial’s carbon footprint

Transport operations generate harmful gases and particulates through the emissions of internal combustion engines and turbines used in automobiles, ships and aircraft. Imperial does, however, renew its transport fleets regularly where viable, achieving lower emission levels associated with newer technology.

Imperial contributes to indirect emissions through electricity purchased, the largest indirect source of CO₂ emissions by the group.

Imperial recognises the effect of global warming on the environment and continues submitting data to the Carbon Disclosure Project. We are aware that managing fuel consumption and greenhouse gas emissions presents both opportunities and risks with potential consequences for our operations, suppliers and customers in the environments in which we operate.

The carbon footprint of the group was measured again this year. An environmental consultancy with global presence and experience was engaged to assist in measuring our carbon footprint and a customised calculation tool developed using the World Business Council on Sustainable Development’s greenhouse gas (GHG) reporting protocol. Data was collected from all companies over which we have operational control by means of a GHG data-collection template. The data was verified at company and divisional level and consolidated into a group-wide GHG data matrix. The results of the exercise are summarised below.

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<tr>
<td><strong>Total CO₂e emissions</strong> (Tons)</td>
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<tr>
<td>938 838</td>
<td>946 286</td>
<td>783 525</td>
<td>758 395</td>
<td>154 313</td>
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<td><strong>Scope1 CO₂e emissions</strong> (Tons)</td>
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<td>2010</td>
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<td><strong>Scope2 CO₂e emissions</strong> (Tons)</td>
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* Equivalent solid weight of carbon output

Various measurements and benchmarks were considered. Given the diverse nature of businesses in the group, the most meaningful measurements between divisions were tons of carbon output per head and tons of carbon output per million Rand turnover. These measurements are being used to develop divisional and group targets. The graph below illustrates the group’s carbon output/turnover intensity, which has decreased over the past year.

**Case study**

Greening transportation in the supply chain – supporting ‘the good business journey’

Delivering innovative ‘green’ transportation leadership

Fast’n Fresh is a flagship ‘green’ Imperial Logistics company. When it comes to greening transportation in the supply chain, Fast’n Fresh believes that doing nothing is not an option. In a South African logistics and supply chain management industry that, according to the 5th State of Logistics™ Survey, emits 75% of companies’ carbon footprints (substantially higher than 61% for the US), Fast’n Fresh has made groundbreaking strides in innovative, effective green logistics.

Through its partnership with Woolworths, a brand renowned for its focus on environmental sustainability, Fast’n Fresh has demonstrated that focusing on best practice across supply-chain transport activities not only results in operational and economic benefits, but simultaneously limits carbon footprint and waste, thereby reducing environmental impact.

The company is a pioneer of practical, new approaches and technologies as it aims to move business and industry through sustainability-driven innovation, inspiration and foresight.

Taking practical steps to greening transportation

At first glance, Fast’n Fresh is just like any other transport company. In 2009, the company had up to 230 trucks in operation daily, some of which travelled an average of 28 000km monthly. This fleet cumulatively made its way to over 300 destinations every day, carrying 81% in perishables that required strict temperature control.

Yet, the company differentiates itself in an industry where business-as-usual revolves around trucks, tyres, diesel, workshops and wash-bays. In delivering process efficiency and effectiveness, people capability and alignment, and technology enablement, Fast’n Fresh focuses on green logistics. The environmental impact of transportation is unquestionably high, so for this company, every truck off the road and every trip avoided counts for greater environmental sustainability.
Furthermore, capital investment in sustainability, whether related to equipment upgrades or fleet replacement, is a priority. Across both its own and the Imperial Logistics global footprint, award-winning initiatives – from transportation solutions to infrastructure requirements – that reduce both customers’ and our own carbon footprint, are implemented. Previously, the Extra Miles study (page 4), undertaken by Imperial Logistics/Fast ’n Fresh in collaboration with Woolworths, Cardiff University (UK) and the CSIR, resulted in a pilot initiative that addressed wasteful fuel consumption as a result of extra distance travelled caused by uncertainty. A second phase began in August 2010 with an international expert validating these results and auditing the resulting improvements. This is a further investment by Imperial Logistics and Fast ’n Fresh to drive waste out of the supply chain through process optimisation initiatives.

The focus is on achieving responsible business growth in collaboration with customers. Through analysis and planning, Fast ’n Fresh has shortened distances travelled by redesigning distribution networks, optimising routes and consolidating consignments. By leveraging mode changes, it uses rail instead of road where possible. The company regularly redesigns products with suppliers and customers to reduce fuel consumption, CO₂ emissions and waste. Zero-emission refrigeration equipment plays a critical role in its green logistics mix.

Specifically, Fast ’n Fresh has implemented several efficiency-enhancing green transportation initiatives:
- All fuel consumed contains 5% biodiesel.
- The distribution fleet has technically advanced Euro 3 engines to ensure minimum emission standards are achieved (Euro 1 and 2 is still the most prominent technology used in South Africa).
- Nitrogen tyre inflation is used, causing tyres to run for cooler, and substantially extending the useful life of the tyres.
- Used tyres and oils are disposed of responsibly, using reputable agencies.
- All trailer fridges use green-rated refrigerant gas.
- Bio-degradable detergents and borehole water are used to wash vehicles and all wash-water is recycled.
- Stormwater is separated to ensure solid waste is removed before entering the water reticulation system.

Fast ’n Fresh has further demonstrated its commitment to greening the Woolworths supply chain by investing in ‘green’ assets for this dedicated fleet. In 2010, the company introduced South Africa’s first vehicles equipped to Euro 5 emission standards. The fleet therefore runs on low-sulphur diesel, with additives to further reduce toxic emissions.

The company has also partnered with ecoFridge, investing over R3,5 million to acquire three ecoFridge trailers, while one rigid unit is also equipped. Fundamentally different from mechanical refrigeration systems, ecoFridge is nitrogen-powered and completely harmless to the environment. It uses no HFCs or HCFCs and is already Montreal (2010) and Kyoto (2015) compliant on emissions, plus the product is 30% more cost effective to operate. The objective is to expand this trial and roll it out to the larger fleet.

In other instances Thermo King’s SL range for trailer refrigeration is used as it offers exceptional performance and reliability as well as a wealth of cost-saving benefits. Fast ’n Fresh is now replacing SL units with the new Thermo King SLX units as part of its continuous improvement approach. By minimising fuel consumption, engine emissions and operating noise, the SLX provides Fast ’n Fresh and Woolworths with the ideal temperature-control solution for an environmentally-responsible operation, and is almost 90% recyclable.

**Achieving impressive business results via green transportation**

Fast ’n Fresh expects some 596 tons of CO₂ per annum to be eliminated due to its investments in the ecoFridge alone, with fuel consumption decreasing up to 9% through load optimisation and new 30-pallet trailers.

Collectively, these initiatives are in line with principles of good governance, driver safety, and protect both its own and the Woolworths brands. In addition, excellent results have been achieved from its investment in driver training.

These combined fuel and emission savings translate into the equivalent of 10 cars less on the road, per truck, and a net projected saving of R3,6 million per year, based on current volumes, for Woolworths. Most importantly, the results are sustainable.

**Effluents and waste**

The primary physical waste products generated by the group are tyres, batteries and used oil.

Tyres are retreaded when safe to do so or, where this is no longer feasible, disposed of through recycling channels operated by tyre manufacturers or by third-party recycling organisations that dispose of tyres responsibly. Uses for waste tyres include agricultural and marine applications as well as the production of compounds used in asphalt. Batteries are disposed of according to local regulations on the disposal of lead and similar products.

Used oil is sent to recycling agencies such as Oilkol that collect used oil and recycle it for further use. Used oil and related products are not dumped or released into municipal sewage systems.

The only significant source of effluent in the group is wash-bay runoff caused by washing operational transport fleets. Hazardous effluent may result from substances carried on behalf of customers, particularly in the tanker services business of the logistics division. Stringent policies are in place and appropriate steps taken to ensure this effluent is disposed of responsibly. In addition, a number of initiatives have been launched in the past year to recycle wash-bay runoff, limiting the amount of effluent generated and reducing the amount of water that would ultimately have to be purchased. The group does not generate any other industrial
IMPERIAL HOLDINGS LIMITED
Sustainability Report 2010

waste. Quantities of waste generated through normal office operations are not measured.

Given our belief that recycling should be an integral part of the lifecycle of all materials, other waste management initiatives in the group include:

- Print cartridges are recycled, in some instances by individuals who make a living from this form of recycling.
- Used lubrication oil, fluorescent tubes, vehicles, batteries, tyres and other waste generated by group operations are recycled or responsibly disposed of.
- Recycling water used at washing facilities for trucks and cars (Page 5).

The table on page 10 contains details of other emissions and discharges by group operations.

Environmental incidents
No significant environmental incidents occurred during the year.

There has been an encouraging improvement in the number of incidents during the year. In line with stringent and detailed procedures, all spills were immediately cleaned and corrective action taken to minimise the environmental impact. Where the group did not have the required equipment available to fully rehabilitate the spill area, external services were used. Steps are also taken to prevent repeat incidents where possible through refresher training and sharing lessons learned.

The 120 incidents for the year, with an environmental impact, and a total volume of 181 000 litres, all emanated from the Logistics division. This division transports cargo on behalf of customers and although all reasonable steps are taken to ensure that cargo, hazardous or otherwise, is not spilt, accidents are an inherent and particular feature of road travel. Effective systems are in place to limit and, if possible, eliminate harmful effects resulting from spillages.

The trend in reported environmental incidents is illustrated below:

Compliance and fines
Imperial is not aware of any pending environmental litigation and no fines or penalties were imposed in the 2010 financial year for non-compliance with environmental regulations and permits. Any infringement of regulations, permit or licence conditions is reported to the relevant regulators and corrective action taken as soon as practical in all circumstances.
Products and services

Businesses in the group sell a variety of transport-related products including motor vehicles, trucks and aircraft, related spares and accessories. Although vehicle manufacturers continually strive to increase the percentage of products that can be recycled, certain parts are not recyclable and contribute directly or indirectly to pollution.

Services rendered by the group contribute to pollution in various ways. Pollution caused by the use of group assets by third parties is not measured and has not been included in the environmental data schedule. This includes the car rental fleets.

Environmental management requirements are addressed in conjunction with suppliers and customers whose products fall into high environmental risk categories.

SOCIAL PERFORMANCE INDICATORS

Management approach

The growth of the group from a small service station could not have been accomplished without nurturing harmonious labour relations and our social responsibilities as a responsible corporate citizen.

Labour practices and decent work

Employment

Imperial employs close to 36 000 people and relies on these individuals to sustain its growth and contribution to society. Without their loyal support and the support of their families in turn, this group would have looked very different today. Over the years, we have steadily created work opportunities, reflected in our workforce growing from 1 720 in 1987 to 35 968 in 2010.

The geographical breakdown of Imperial's workforce is shown below.

<table>
<thead>
<tr>
<th>Geographical breakdown</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>South Africa</td>
<td>30 528</td>
<td>28 835</td>
</tr>
<tr>
<td>Rest of world</td>
<td>5 440</td>
<td>5 518</td>
</tr>
<tr>
<td>Total</td>
<td>35 968</td>
<td>34 353</td>
</tr>
</tbody>
</table>

Further details on employment are included in annexure E to the financial statements on page 138 of the annual report.

Employee relations

Management approach and employee relations policy

The group recognises its employees as important stakeholders in its businesses. We believe a relationship of trust and respect fosters an environment where employees share responsibility for the performance and reputation of the group. We also believe no business can thrive without nurturing harmonious labour relations and a sound relationship with employees, backed by fair, equal and consistent policies.

We recognise the basic rights of employees to freedom of association, collective negotiation of agreements of service, the lawful withholding of labour as a result of disputes and protection against victimisation.

The rights of employees as individuals are protected while structures are in place to maintain discipline in the workplace and fairly resolve grievances.

Employees have the right to associate with employee organisations of their choice and to expect recognition of these organisations as largely representing the interests of a particular group of employees.

Maintaining healthy relationships with trade unions, particularly those recognised as representing a particular segment of the group’s workforce, is very important to us. In line with our philosophy of decentralised management, our policy stipulates that responsibility for sound labour relations rests with each business and substantive negotiations are decentralised as far as practical.

Procedures exist in group companies for negotiation and consultation on changes to conditions of employment or the structure of the organisation.

We expect our contractors and suppliers to subscribe to the same principles as Imperial.

Percentage of employees represented by unions or collective bargaining agreements

A large number of employees in the group are represented by trade unions and covered by collective bargaining agreements. The coverage is however not the same in each division or even in the underlying operating businesses. Most of the larger industry-representative unions have membership in the operating divisions but a comprehensive list is not provided due to the number of different unions in the diverse industries represented by our operating divisions.

Minimum notice periods

Notice periods relating to structural operational changes are governed by legislation and by collective agreements at operational level.
Occupational health and safety

Practices on recording and notifying occupational diseases and accidents

Imperial employs almost 36,000 people, many of whom work under challenging conditions in the transport industry. It is our responsibility to ensure that risks to our employees’ health and safety from work activities are properly controlled, as we want all our employees to return safely home at the end of the working day. Thus, our vision is zero fatalities and no injuries in our workplaces, and we try at all times to take every possible measure to secure the health and safety of our employees.

Due to the nature of Imperial’s business, most accidents and fatalities reported in the group result from road accidents. For this reason, accidents and fatalities are not always within the control of the group and although a number of steps have been taken and are taken continuously, road accidents do occur. Our efforts are concentrated on what we view as preventable accidents and fatalities that result from factors we do control such as driver training, adequate rest periods for drivers and proactive route planning.

All accidents, injuries and fatalities in the group are reported at every board meeting of Imperial Holdings and monthly at every executive committee meeting. Any employee fatality is immediately reported to the board and the executive committee.

Although several divisions operate in white-collar environments where risks are limited, health and safety is a priority in more industrial operations, such as our logistics, aviation and motor workshops.

Primary safety measurements include lost-time injuries and vehicle accident rates in the transport operations. Training is the cornerstone of safety and, where appropriate, extensive health and safety training is provided, for example handling hazardous products and advanced driver training.

To assess risks and take necessary corrective steps, Imperial’s operations (in co-operation with workers and unions) report and investigate:

- Accidents and other incidents, whether or not they cause bodily injury;
- Suspected and confirmed cases of occupational disease; and
- Any other situation in which there may be an unacceptable risk.

Appropriate procedures have been implemented in our various divisions for reporting and analysing health and safety incidents. This information is dealt with at executive and risk committee level in our various divisions to continually improve in this area. All accidents require investigation and results are used to devise measures to reduce the probability of recurrence.

In high-risk operations, such as transporting hazardous products, health and safety is managed by professionally staffed loss control departments and specific procedures have been implemented to protect employees and the public from exposure to hazardous substances.

A number of measures have been introduced in our transport operations to improve health safety. Truck stops for drivers have been established on the Durban/Johannesburg route. Imperial also supports, financially and otherwise, roadside wellness clinics established by stakeholders in the road freight industry on main transport routes throughout South Africa. Imperial has sponsored three of these clinics. Imperial has an occupational health clinic for employees in Wadeville, where our transport workforce is largely concentrated.

HIV/AIDS

Imperial acknowledges the gravity of HIV/AIDS as a medical, social and economic reality and fully recognises the tragic implications associated with this pandemic, as well as the potential scale of its socio-economic and business implications. The group works with all stakeholders to comprehensively manage the HIV/AIDS threat and to:

- Support efforts to prevent the further spread of the disease;
- Reduce fears and dispel myths;
- Protect the rights of employees with HIV/AIDS; and
- Work with stakeholders in informing and supporting efforts to arrest the pandemic.

Due to the impact the pandemic could have on the group, Imperial has formulated group-wide policy guidelines to:

- Ensure fair and consistent treatment of all employees who have contracted HIV/AIDS;
- Ensure the protection and rights of employees who may have contracted HIV/AIDS and, in particular, to ensure they are not discriminated against and that their need for confidentiality and job security is protected;
- Provide a framework for educating employees and management of HIV/AIDS. The aim is to motivate employees to participate in confidential testing and treatment, and direct them to facilities and programmes for treatment. Management education programmes are aimed at dealing with employees affected with HIV/AIDS in the workplace;
- Provide guidelines on actions to reduce the impact of HIV/AIDS in the workplace;
- Establish procedures to facilitate voluntary confidential testing and counselling to allow employees to establish their status and access counselling services; and
- Establish procedures to facilitate the treatment and further counselling of employees living with HIV/AIDS.

Given the nature of the transport industry and the vulnerability of its employees to HIV/AIDS, an industry-wide programme was implemented to control the disease. Imperial played a leading role in the development and implementation of this programme. This programme’s aims include:

- Extensive education and awareness throughout the road freight sector; and
- Establishing a national provider network for confidential HIV testing, treatment and counselling as well as after-care services for employees in the road freight sector living with HIV/AIDS.
CASE STUDY

Imperial Logistics and HIV/AIDS/Wellness

Imperial Logistics has for many years recognised the effect of HIV/AIDS on the logistics industry and the need to combat the scourge.

A decision was taken in principle that to counter the pandemic most effectively, there should be a concerted national initiative where resources and effort could be pooled for maximum effect. Employers and unions used the National Bargaining Council as the forum to jointly address the problem. Imperial Logistics was instrumental in driving this initiative for the industry, which by its nature is a high-risk area for the spread of the pandemic.

Two initiatives are in place for the industry, each with a slightly different focus:

The first initiative, Trucking against AIDS (now called Trucking Wellness) began more than ten years ago in 1999 to tackle the problem, initially by AIDS awareness training and voluntary counselling and testing (VCT) as well as dealing with sexually transmitted infections (STIs) which were assisting the spread of the HIV virus.

With 80% of the country’s goods being transported by road and the road being the workplace for most of our employees, participants believed it expedient to develop roadside wellness clinics on major road routes in South Africa. The concept rolled out with huge success and there are now 25 roadside clinics with 38 staff members including registered nurses and counsellors covering 98% of the national road network. There are also four fully-staffed mobile clinics offering the same services as the roadside clinics and these move to various company premises. The focus of these clinics ranges from prevention to an integrated sexual and reproductive health programme, wellness and wellbeing.

The roadside and mobile clinics offer free services including primary healthcare, voluntary counselling and HIV testing, advice on antiretroviral treatment (ARV) and how to enrol on the Greater Wellness Fund treatment programme. All services have guaranteed confidentiality (for more information, go to www.truckingwellness.co.za).

Trucking Wellness is financed primarily by the Swedish International Donor Agency (SIDA) and certain key industry donors. Imperial Logistics finances three clinics at some R30 000 per month and contributes much management time.

The second and newer project, the Greater Wellness Initiative of the National Bargaining Council, is also driven by employers and employees of the roadfreight industry. It revolves around a campaign of actually treating industry employees who have contracted HIV, AIDS or other STIs. The parties have contracted Careworks to run a confidential and sophisticated campaign to deal with HIV/AIDS/wellness and the treatment of infected people in our industry with ARVs.

By calling a confidential toll-free number, 0800 212 768, employees have access to a full support programme that begins with finding a GP close by to examine and assist the employee with counselling, testing, further GP visits, ongoing counselling, follow-ups and ARV prescriptions if required. Once ARVs have been prescribed, employees are monitored and medication confidentially delivered to their homes.

Employers contribute 1% and employees 0.5% of basic wages to this fund monthly. This has resulted in significant funds for the campaign which has a scope of 70 000 employees in the industry with an estimated 25% HIV prevalence. Currently only around 400 active HIV-infected members are registered with Careworks, of whom 154 have sufficient CD counts to warrant antiretroviral therapy.

Between the two initiatives, the HIV/AIDS/wellness needs of Imperial Logistics employees are well taken care of. The division does have an HIV/AIDS policy and procedures, and anyone falling outside this net is covered by the provisions of Imperialmed, the group’s medical scheme, and its HIV/AIDS protocol.

Statistics:

Trucking Wellness

| Awareness education (truck drivers and women at risk) | 356 955 |
| Patients visiting clinics (truck drivers and women at risk) | 130 650 |
| Number of STI treatments (truck drivers and women at risk) | 47 547 |
Safety committees
In a number of our divisions, health and safety committees staffed by management and employee representatives have been established. These committees deal with workplace health and safety issues and make recommendations to management for continual improvements to the working environment.

Road accidents
By far the majority of accidents, injuries and fatalities result from road accidents, unfortunately an inherent risk in many of the group’s operations. The frequency of these events is to some extent due to pressures on our roads. In addition, greater use of the Imperial transport fleet results in a corresponding increase in accidents.

The group measures accident and fatality frequency per million kilometres travelled as we believe this is the most appropriate measure for our operations. During the year, the operated fleet travelled 426 million kilometres (2009: 418 million), translating to a fatality rate of 0.03 (2009: 0.02) per million kilometres travelled, which compares favourably with similar developing economies and even some developed economies.

Benchmarking
A benchmarking exercise was undertaken as part of the accident and fatality-reporting programme to compare our performance with other companies.

Road accident and fatality statistics for South Africa were obtained from Arrive Alive, which operates under the wing of the Department of Transport. Fatalities for South Africa are reported by Arrive Alive per 100 million vehicle kilometres travelled per category of vehicle and in total. The numbers differ substantially from those in the USA and Europe due to factors such as differences in roads, vehicle populations and the attitude of drivers.

Although Imperial compares well to national statistics for truck accident fatalities (0.03 fatalities compared to 0.08 respectively), we are investigating whether a more meaningful benchmark can be created by comparing the performance of similar divisions in the group. This would allow us to use the statistics of the best-performing divisions as a benchmark when assessing other divisions operating in the same sphere of business such as long-distance transport or short-distance urban delivery. Such internal benchmarking would provide a powerful management tool to reduce overall fatality and accident rates.

Trend analysis
Since 2006, the number of fatalities per million vehicle kilometres travelled has trended slightly downward. It is also reassuring to note that this trend is continuing.
The “Sicher mit System” quality seal documents the fact that these sites satisfy the requirements of systematic and effective health and safety protection. The Steel Logistics Centre Bochum, the Electrical Steel Logistics Centre in Bochum and the locations in Krefeld, Siegen and Wolfsburg all received “Sicher mit System” certification, valid until 2012.

Compliance
During the year, lines of R$ 024 203 (2009: R$ 019 000) were paid for non-compliance with traffic legislation.

Employment equity
Equity and practices
Because our employment equity strategy is not just a legal requirement but an integral part of our business strategy, we are actively pursuing employment equity targets and continuously improving our position. The group is committed to providing equal opportunities for all employees, regardless of ethnic origin or sex.

Equally, we believe employee participation is in the best interests of a business. The group’s diverse nature and policy of decentralisation mean each business unit executes this approach according to its own circumstances. All business units in South Africa have formalised their employment equity policies and submitted plans to the Department of Labour. Each South African company in the group compiles and submits its own progress reports to the department in terms of the Employment Equity Act.

Imperial’s employment equity programme includes:
- Recruitment programmes to employ talented employees from historically disadvantaged groups at all levels;
- Implementing human resource development programmes aimed at enhancing the skills of employees from historically disadvantaged groups;
- Accelerating the advancement of historically disadvantaged employees to all levels in the organisation; and
- Compliance with applicable legislation and targets.

Historically disadvantaged South Africans’ (HDSAs) career paths and skills development plans
In tandem with our commitment to the principles of equal opportunities for all, we continually strive to make the best use of our human resources by building on existing strengths and developing employee potential. Given the group’s need for skilled human resources, our approach is based on the following principles:

> Advancement of HDSAs through group-wide employment equity initiatives and skills development programmes;
> Economic empowerment of HDSAs with emphasis on Imperial’s own employees but also the broader community;
> Social upliftment of HDSAs; and
> Elimination of workplace discrimination based on race, colour, sex, pregnancy, marital status, sexual orientation, age, disability, religion, belief, HIV/Aids, political affiliation, language and birth.

The group’s programmes are particularly aimed at:
- Selecting, employing, advancing and promoting all employees on the basis of merit and experience;
- Rewarding equally for work of equal value, taking into account merit and experience; and
- Providing training programmes and facilities for improving the productivity and skills of employees who demonstrate the required aptitude to enable them to advance in the trades and in technical, administrative and managerial positions.

Reporting
In compliance with Section 22 of the South African Employment Equity Act, annexure E to the annual financial statements summarises our progress reports as submitted to the Department of Labour.

Investing in people
Developing people for our future and that of the country
At Imperial, we recognise the value of training and developing our people. It is fundamental to ensuring our ongoing sustainability and relevance to the many industries in which we operate. Human resource development is therefore a core element of Imperial’s human resources and transformation strategies. It includes technical and artisan training for junior and semi-skilled staff, training for middle management and leadership, and equity skills attraction and development, across all brands in the Imperial Holdings group.
Our approach to people development is not limited to an internal focus on initiatives that develop our own skills pipeline. In a national context of critical skills shortages, unemployment and poverty, we own skills pipeline. In a national context of critical to an internal focus on initiatives that develop our own skills pipeline.

Case study
Imperial technical training academies – a benchmark for the best artisans in the industry

For South Africa to meet its economic growth targets, it will need to step up artisan training significantly. The Presidency’s Joint Initiative for Priority Skills Acquisition (JIPSA) is targeting the training of 12 500 new artisans per year, but it is clear that, with only 5 000 currently qualifying each year, government will not achieve this alone.

Our business relies on the skills of qualified people and we have invested heavily in artisan training. It is a national priority and one to which we believe corporate South Africa should contribute, but it is also very much a business imperative.

In keeping with a strong commitment to people development and excellence in all its operations, Imperial opened technical training centres in Cape Town in 2008 and Germiston in 2009 as part of a 50/50 joint venture with Associated Motor Holdings (AMH).

While artisan training is available through other centres, Imperial wanted to ensure that the artisans employed into its business are trained to the highest standards and have received the best theoretical knowledge and on-the-job experience available. The Imperial technical training academies are geared to meeting these exacting standards.

Offering MERSETA (Manufacturing, Engineering and Related Services SETA) accredited courses, they use a competence-based modular training approach that sees learners receiving theoretical, classroom-based education and being employed by Imperial dealerships as apprentices.

Our business development purposes and externally for the benefit of the country – is captured in a people development report published with this sustainability report and is available on our website at www.imperial.co.za (A summary has also been included in our Annual report on pages 10 to 11). It stands as testament to our unwavering commitment to sustainable business practice and our belief that our people are the heart of our operation.

Hubert Brody
Web-based, online learning framework

Imperial also offers an online academy to learners on supervisory and leadership development. It is a web-based framework that provides comprehensive learning programmes and content. Through this website, we aim to create a blended learning experience in which the benefits of both the e-learning process and human trainer are combined. The online academy is accessible through the people development link on the Imperial website at http://www.imperial.co.za.

Online careers

An online (web-based) career section has been created and linked to the Imperial website. The objective is to attract quality staff and give prospective job applicants an opportunity to apply directly to Imperial. The HRD unit scans and assesses applications continuously.

The group invested R70 million (2009: R61 million) in training over the past financial year. The total amount invested in people development including skills development levies and infrastructure was close to R109 million in 2010.

<table>
<thead>
<tr>
<th>Annual training</th>
<th>Hours 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senior management</td>
<td>19 324</td>
</tr>
<tr>
<td>Middle management</td>
<td>111 378</td>
</tr>
<tr>
<td>Professional, production and technical staff</td>
<td>623 292</td>
</tr>
<tr>
<td>Administrative staff</td>
<td>170 420</td>
</tr>
<tr>
<td>Maintenance</td>
<td>11 531</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>935 945</strong></td>
</tr>
</tbody>
</table>

Imperial’s black economic empowerment policy

Imperial’s transformation initiatives are not concentrated solely on equity but extend to all other areas of the business, from enhancing representation at board level to preferential procurement and skills development, which was prioritised during the year. The group is committed to transformation and empowerment and will continue to pursue and enhance all facets of empowerment in its businesses.

Imperial views black economic empowerment as a multifaceted and integrated process underpinning broader transformation. In line with government policy, this includes aspects such as human resources development, employment equity, enterprise development, preferential procurement as well as investment, ownership and control of enterprises and economic assets.

Our policy is based on the following principles:

- Imperial accepts the economic contribution of individual entrepreneurship, given the socio-economic make-up of South African society,
and believes black economic empowerment should be broad-based and as inclusive as possible to ensure previously disadvantaged communities benefit as widely as possible from these initiatives.

 Imperial prioritises the empowerment of its own HDSA employees and their families and accepts its role in the empowerment and social upliftment of the broader community as a responsible corporate citizen.

 Imperial accepts that real empowerment can only be achieved through increased economic growth, and the continued growth of its business therefore remains a priority.

 Human resource development and skills transfer is a critical component of black economic empowerment and underpins the successful implementation of any empowerment programme.

 Imperial recognises its responsibility to its shareholders to continually provide an attractive return on their investment and empowerment initiatives must consider the interests of shareholders as stakeholders in the business.

 Imperial supports the system of industry charters developed by government. Group companies strive to achieve charter targets where these have been developed for their industries.

Black economic empowerment is a strategic imperative in the group, managed and co-ordinated at executive board level. The primary components of Imperial's black economic empowerment programme are set out below:

Transformation
We believe corporate sustainability in South Africa largely depends on a successful transformation programme. Societies with entrenched racially or ethnically defined disparities are unlikely to be politically and socially stable, and economic growth and stability is unlikely in such an environment. It is therefore critical that the process of economic transformation be accelerated to bring the majority of black South Africans into the mainstream economy, not only by providing employment but also to give them meaningful economic participation and to share increasingly in wealth creation from economic activities.

The objective of the group's transformation initiatives is to ensure the sustainability and relevance of the group over the long term in its industries and to positively contribute to the development of the South African economy and society as a whole.

Imperial is characterised by entrepreneurial energy focused through a federal system with nine unifying principles. Social responsibility is entrenched as one of the nine principles.

We have focused our efforts to attain sustainable transformation by addressing two business processes as the main thrust of our initiative:

 People development - training and development of human resources across the group with emphasis on identifying and advancing black talent. Initiatives cover the spectrum from technical training, through supervisory functions up to executive levels; and

 Promotion and attraction - ensuring employment equity by appointing black people to management positions throughout the group via recruitment and promotion.

The success of these processes has to be anchored by organisational readiness at all levels to empower our people and embrace diversity.

Ancillary to the primary objective is achieving an acceptable empowerment rating in each of our divisions to assure their competitive position in each industry and accurate reporting of our broad-based black economic empowerment and employment equity statistics to relevant bodies. The DTI scorecard deals with broad-based empowerment allowing for the inclusion of the previously disenfranchised both within the organisation and the communities in which we operate and, as such, is receiving attention through a variety of business processes.

This transformation strategy, including its governance and monitoring, is depicted on the opposite page.
**IMPERIAL’S TRANSFORMATION STRATEGY**

**Vision:** Ensuring the social and economic sustainability of Imperial Holdings in the South African context through black economic empowerment.

**Underlying requirement to succeed and achieve the vision:** Organisational readiness to leverage and embrace diversity

### CORE INITIATIVES

1. **To develop our staff and prepare them for promotion whilst also ensuring cultural readiness for the change throughout the group.**

2. **To attract and promote talented black staff into suitable positions.**

#### 1. PEOPLE DEVELOPMENT AND CULTURAL READINESS

- Technical Training Academies – Cape Town & Germiston
- Middle Management leadership programmes
- Imperial Leadership Academy including the Peak and Edge leadership courses
- Branding and unifying factors

#### 2. PROMOTION AND ATTRACTION

- Target black appointments for group Exco and divisional boards
- Divisional employment equity targets
- Executive oversight and veto over all senior appointments
- Attention to board profiles at Group and Divisional levels
- 20% weighting in senior incentive structures

### SUPPORT FUNCTIONS

**GROUP EXECUTIVE AND PEOPLE DEVELOPMENT FUNCTION**

**DIVISIONAL BEE FUNCTIONS AND APPOINTEES/CHAMPIONS**

### GOVERNANCE, MONITORING, REVIEW & ASSURANCE

**SUSTAINABILITY COMMITTEE (GROUP LEVEL) AND DIVISIONAL EMPLOYMENT EQUITY/TRANSFORMATION**

**SCORECARDS & INDEPENDENT VERIFICATION BY AGENCIES**

**TRAINING QUALITY ASSURANCE**

**CULTURE SURVEY**
**SUSTAINABILITY REPORT CONTINUED...**

**Equity ownership**
The South African government has set certain targets for equity ownership by black people through industry charters as well as the empowerment Scorecard Issued by the Department of Trade and Industry. Imperial recognises that a substantial increase in the number of black people with ownership and control of enterprises is a critical factor in the successful implementation of black economic empowerment.

In March 2004 Imperial concluded a transaction with Ukhamba Holdings, a black-owned company established by Imperial some years ago, through which Ukhamba acquired a stake of 10,1% in Imperial. Ukhamba has appointed a representative to the Imperial board of directors.

In June 2005 Imperial concluded a transaction with Lereko Mobility (Pty) Limited. Lereko has appointed a representative to the Imperial board of directors.

Including the direct black ownership of 16,6% held by Ukhamba and Lereko, Imperial’s aggregate direct and indirect BEE shareholdings meet the requirements of government charters.

Third-party debt for the Lereko BEE transaction of R856 million is due for settlement on 1 October 2010. The feasibility of refinancing this debt was examined and it was concluded by the stakeholders that, under the current circumstances, this could not be achieved at feasible economic levels. Lereko Mobility decided to sell sufficient Imperial and Eqstra shares to settle this debt leaving some 6 million Imperial and Eqstra shares in Lereko until 2015 or a year earlier, at the discretion of Imperial and Eqstra. These shares will then be delivered to Imperial and Eqstra in part settlement of the vendor finance. Dividends will be generated from the debt settlement date to the vendor finance settlement date, benefiting Lereko shareholders.

**Enterprise development**

**UKHAMBA**

**Ukhamba Holdings**

Ukhamba Holdings was formed in 1998 by the Imperial group to support and create financial security for Imperial’s African, Indian and coloured employees and to encourage them to participate in business and benefit economically from the group’s operations. Imperial owns 46,9% of Ukhamba and provided R15 million as seed capital to help Ukhamba make meaningful investments.

The Ukhamba Trust, which owns 47,1% of Ukhamba Holdings, benefits 15 000 African, Indian and coloured employees of the group and 6% of Ukhamba Holdings benefits previously disadvantaged communities through the Imperial and Ukhamba Community Development Trust.

In the interests of African, Indian and coloured employees working in the Imperial group, two financial schemes were developed to empower them financially for the future.

In 2004, Ukhamba Holdings acquired 22 million deferred ordinary shares representing 10,1% of the Imperial group. The scheme is earnings based and these shares will convert to ordinary shares over an extended period.

In March 2004, units in the scheme were allocated to 15 000 African, Indian and coloured employees then employed by the Imperial group. All scheme holders automatically became beneficiaries of the Ukhamba Trust. These units were awarded according to length of service with the Imperial group.

Four tranches, representing nearly 6,8 million deferred ordinary shares, have already converted to ordinary shares in Imperial Holdings Limited. This represents tangible wealth enhancement for Ukhamba and its shareholders. The converted ordinary shares are listed on the JSE and no amount is due against it. Ukhamba is valued at more than R800 million. This is a unique achievement in creating real wealth for more than 15 000 historically disadvantaged individuals who also receive their share of dividend payouts from the converted shares.

For all the Ukhamba deferred ordinary shares to convert, Imperial had to meet pre-determined performance targets. The unexpected market slump and severe economic downturn dramatically affected trading conditions and prevented Imperial from achieving set targets. This, in turn, impacted on the rate at which the deferred ordinary shares convert. However, if all deferred ordinary shares have not converted to ordinary shares by 2011, the conversion period will be extended for as long as it takes for all the shares to convert.

The emphasis in Ukhamba’s various business ventures is on skills transfer and black economic empowerment. Senior employees in its subsidiaries are appointed from previously disadvantaged groups. These employees can rely on the support of experienced Imperial management, enabling them to acquire the necessary skills to run their businesses.

Ukhamba has investments in more than 20 entities, some as co-shareholder with Imperial and others on its own. During the year, Ukhamba continued to grow its investment portfolio and, in addition to its shareholding in Imperial, acquired a number of other investments.

**BEE procurement**

Imperial has an active programme to increase procurement from BEE providers, and good progress is being made with accreditation at divisional level. In some businesses, procurement from BEE enterprises has grown significantly over the past years to exceed 50% of their total procurement expenditure.

Companies in the Imperial group also use Ukhamba Holdings and its subsidiaries as empowerment partners where possible.

**SMME development and job creation**

Through the establishment of Ukhamba and its subsidiaries, a significant number of jobs have been created.
The growth record of the Imperial group is well established and while some of this growth was through acquisition, a significant number of new positions were created by organic growth in its divisions. Imperial now employs close to 36,000 people.

Divisions contribute to small, medium and micro-enterprise development through dedicated programmes to establish and foster these businesses.

**Corporate social investment**

Imperial’s operating divisions and underlying businesses have their own corporate social investment programmes and initiatives that range from providing internships for learners studying travel and tourism to sponsoring vehicles for worthy causes and Aids initiatives. Programmes are managed at business-unit level and are appropriate to the circumstances of each business and the community in which it operates. In addition to these programmes, all divisions contribute a portion of the CSI budget to a central fund, the Imperial and Ukhamba Community Development Trust.

In 2007 another two schools were adopted, Finetown Primary in Grasmere and Tshepana Primary in Orange Farm, with the assistance of the Gauteng Department of Education. With the enthusiastic support of the new schools, the benefits of the programme have emerged relatively quickly. All new educators have attended motivational workshops and a curriculum-development workshop, to ensure all material donated is used effectively, and that everyone understands the expectations of the trust.

The trust is presently concentrating on primary education. The trustees believe that if a culture of learning is established in the foundation years, grade 12 results will automatically improve.

Once trustees are confident sufficient sustainable progress has been made at a school, the school is placed on a maintenance budget and a new school adopted.

**Donations**

Imperial’s donations to social responsibility programmes during the year were as follows:

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
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</thead>
<tbody>
<tr>
<td>Cash and in-kind donations</td>
<td>R16,105</td>
<td>R12,533</td>
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</table>

**Human rights**

The group subscribes to the principles embodied in the Universal Declaration of Human Rights, and in the constitution of the Republic of South Africa. The group also supports the four key groupings fundamental to the rights of human beings at work, identified by the International Labour Organisation:

- Freedom of association
- The abolition of forced labour
- Equality
- The elimination of child labour.

The group:

- Recognises that business enterprises are also obliged to respect, ensure respect of, prevent abuses of and promote fundamental human rights;
- Acknowledges that its operations have economic, social, cultural and environmental consequences;
- Recognises that all human beings are entitled to fundamental human rights, and
- Recognises its rights and complies with its duties in terms of the constitution of the Republic of South Africa and all other relevant local legislation in the various countries in which the group conducts its operations.

Accordingly, the group is committed to:

- Adhere to sound corporate governance principles and ethical and fair business practices;
- Respect the fundamental human dignity of its employees;
- Ensure equality of all its employees and ensure safe and healthy working conditions;
- Ensure the right of freedom of association and freedom of expression of its employees and prevent any form of discrimination;
- Prohibit the use of all forms of slave labour, child labour and forced labour;
- Respect the civil, cultural, economic, political and social rights of its employees and observe fair labour practices; and
- Adhere to national legislation and policies to ensure the preservation of the environment in the countries in which it operates.

The group will not hesitate to terminate agreements and relationships with contractors or suppliers that contravene international human rights standards and, in particular, use forced labour or prohibited child labour.

All cases involving discrimination complaints that were received during the year were investigated, disciplinary hearings held and, where allegations were substantiated and the circumstances warranted it, the offending employees were dismissed.

No instances have been identified where freedom of association or collective bargaining have been found to be at material risk.

No operations employ child labour or forced or compulsory labour.

**Society**

* Bribery and corruption

Imperial is uncompromisingly opposed to corruption: Imperial does not offer, pay or accept bribes in our dealings in the marketplace and does not tolerate any such activity by our employees.

All businesses in the group are continually assessed for corruption related risks.

All instances of fraud are investigated and where appropriate the perpetrators are prosecuted.
In addition, employees should not accept or solicit any significant gifts, hospitality or other favours from suppliers of goods or services.

The group has instituted a secure and accessible channel through which ‘whistle-blowing’ can take place in confidence and without risk of reprisal.

Employee training includes awareness of the group’s anti-corruption policy.

**Political contributions**

It is the policy of the group not to make contributions to political parties and no such contributions were made during the year.

**Competition and pricing**

The group believes in free competition and encourages both external and internal competition in all business units.

**Product responsibility**

**Customer health and safety**

The health and safety of customers are of paramount importance to Imperial. Individual businesses in the group that deal directly with customers have policies to preserve customer health and safety. Due to the decentralised nature of the group’s business, each unit is responsible for formulating and applying a policy appropriate to the environment in which it operates. Certain business units do not have customer health and safety policies, primarily those whose operations do not involve direct interaction with customers. Where appropriate, customer health and safety policies and procedures are communicated to customers.

In addition, customers are advised of legal safety and health requirements in accordance with applicable legislation.

**Products and service labelling**

The group does not manufacture products of any significance and therefore relies on product manufacturers to provide labelling and product information. Where such labelling or information is found to be inadequate from a marketing, safety or regulatory perspective, appropriate measures are introduced to ensure that labelling or information is upgraded and complies with local regulations.

Regular customer satisfaction reviews are conducted in various businesses. Reviews are conducted informally and formally, independently and in conjunction with the manufacturers of products sold and distributed by the group.

**Marketing communications**

Advertising is conducted in a variety of mediums by individual business units targeting markets and customers appropriate to these businesses. The company has no record of any charges having been laid by competitors or the public regarding unfair or misleading advertisements or practices.

**Customer privacy**

Businesses in the group dealing with retail customers generally have policies and procedures to maintain customer privacy.

**Contact details and further information**

For further information, please refer to the Imperial website: http://www.imperial.co.za.

Contact person for sustainability: Rohan Venter, tel: +27 (0)11 372 6500.

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**GRI application levels**

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<th>B</th>
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<table>
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<tr>
<th>Report application level</th>
<th>G3 profile disclosures</th>
<th>G3 management approach disclosures</th>
<th>G3 performance indicators and sector supplement performance indicators</th>
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<td>Report on all criteria listed for Level C plus:</td>
<td>Management approach disclosures for each indicator category</td>
<td>Report on a minimum of 20 performance indicators, including one from each of economic, environment, human rights, labour, society, product responsibility</td>
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<td>Management approach disclosures for each indicator category</td>
<td>Respond on each core G3 and sector supplement* indicator with due regard to the principal of materiality by either: a) reporting on the indicator or b) explaining the reason for its omission</td>
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* G3 and sector supplement indicators
GRI Index

Status
√ fully reported
- partially reported
x not reported
n/a not applicable

1. Strategy and analysis
1.1 Statement from the CEO and chair √
1.2 Description of key risks and opportunities √

2. Organisational profile
2.1 Name of the reporting organisation √
2.2 Major brands, products and services √
2.3 Operational structure √
2.4 Location of organisation's headquarters √
2.5 Countries of operations √
2.6 Nature of ownership and legal form √
2.7 Markets served √
2.8 Scale of the reporting organisation √
2.9 Major decisions √

3. Report parameters
3.1 Reporting period √
3.2 Date of most recent previous report √
3.3 Reporting cycle √
3.4 Contact point for questions √
3.5 Report content and stakeholders √
3.6 Boundary of the report √
3.7 Specific limitations on the scope of the report √
3.8 Joint ventures, subsidiaries, leased facilities √
3.9 Data measurement techniques √
3.10 Restatements of information √
3.11 Significant changes since previous report √
3.12 GRI Content index √
3.13 Independent assurance for the report x

Disclosure items and performance indicators
4. Governance, commitments and engagement
4.1 Governance structure √
4.2 Indicate if Chair of the highest governance body is also an executive officer √
4.3 Independent members of the highest governance body √
4.4 Recommendations to highest governance body √
4.5 Linkage between compensation and the organisation's performance √
4.6 Avoidance of conflicts of interest √
4.7 Qualifications of highest governance body √
4.8 Internal values, codes of conduct and principles √
4.9 Management of economic, environmental and social performance √
4.10 Evaluation of the highest governance body √
4.11 Precautionary approach x
4.12 Voluntary initiatives √
4.13 Memberships √
4.14 Stakeholder groups √
4.15 Selection of stakeholders √
4.16 Stakeholder engagement √
4.17 Key issues of stakeholder engagement √

Economic performance indicators
Disclosure of management approach
EC1 Economic value generated and distributed √
EC2 Financial implications of climate change √
EC3 Benefit pension plan obligations √
EC4 Financial assistance from government √
EC6 Spending on locally based suppliers √
EC7 Local hiring in senior management √
EC8 Infrastructure investments for public benefit √
EC9 Indirect economic impacts √

Environmental Performance Indicators
Disclosure of management approach
EN1 Materials used by weight or volume √
EN2 Percentage of materials used that are recycled input materials √
EN3 Direct energy consumption by primary energy source √
EN4 Indirect energy consumption by primary energy source √
EN5 Energy saved due to conservation and efficiency improvements (Add) x
EN6 Initiatives to provide energy-efficient or renewable energy based products and services and reductions in energy requirements as a result (Add) x

Disclosure items and performance indicators
EN7 Initiatives to reduce indirect energy consumption (Add) √
EN8 Total water withdrawal by source √
EN9 Water sources significantly affected by water withdrawal (Add) √
EN10 Percentage and total volume of water recycled and reused (Add) √
EN11 Protected areas √
EN12 Impacts of activities on protected areas √
EN13 Habitats protected or restored (Add) n/a
EN14 Strategies, current actions and future plans for managing biodiversity impacts x
EN15 IUCN Red List species (Add) x
EN16 Greenhouse gas emissions √
EN17 Other relevant indirect greenhouse gas emissions x
EN18 Initiatives to reduce greenhouse gas emissions and reductions achieved √
EN19 Emissions of ozone-depleting substances x
EN20 NOx, SOx and other air emissions by weight x
EN21 Total water discharge by quality and destination x
EN22 Total waste by type and disposal method x
EN23 Total number and volume of significant spills ✓
EN24 Hazardous waste (Add) ✓
EN25 Water sources and habitats affected by water discharges (Add) ✓
EN26 Environmental impacts of products/services –
EN27 Percentage of products sold and their packaging that are reclaimed x
EN28 Non-compliance with environmental regulations ✓
EN29 Environmental impacts of transportation (Add) ✓
EN30 Environmental protection expenditures (Add) –

Social Performance Indicators – labour practices and decent work

Disclosure on management approach ✓
LA1 Workforce by employment type, employment contract, region ✓
LA2 Employee turnover by age group, gender and region x
LA3 Minimum benefits (Add) x
LA4 Employees covered by collective bargaining agreements ✓
LA5 Notice period, consultation and negotiation on operational changes –
LA6 Joint health and safety committees –
LA7 Injury, occupational diseases, lost days, etc –
LA8 Training on HIV/AIDS etc ✓

Disclosure items and performance indicators

LA9 Health and safety agreements with trade unions (Add) x
LA10 Training per year per employee ✓
LA11 Lifelong learning (Add) x
LA12 Performance and career development review (Add) –
LA13 Diversity –
LA14 Male/female remuneration (Add) x

Social Performance Indicators – human rights

Disclosure on management approach ✓
HR1 Investment agreements –
HR2 Suppliers and contractors –
HR3 Employee training on human rights (Add) x
HR4 Discrimination –
HR5 Freedom of association, collective bargaining –
HR6 Child labour ✓
HR7 Forced labour ✓
HR8 Security personnel trained on human rights (Add) x
HR9 Incidents involving rights of indigenous people (Add) x

Social Performance Indicators – society

SO1 Impact assessment of operations on communities x
SO2 Percentage and total number of business units analysed for risks related to corruption ✓
SO3 Percentage of employees trained in organisation’s anti-corruption policies and procedures ✓
SO4 Action taken in response to incidents of corruption –
SO5 Public policy development and lobbying x
SO6 Contributions to political parties (Add) ✓
SO7 Anti-competitive behaviour (Add) ✓
SO8 Non-compliance with laws and regulations ✓

Social Performance Indicators – product responsibility

PR1 Health and safety of products –
PR2 Non-compliance with health and safety regulations (Add) x
PR3 Labelling of products and services –
PR4 Non-compliance with product and service labelling regulations (Add) x
PR5 Customer satisfaction (Add) –
PR6 Marketing communications x
PR7 Non-compliance with marketing communications regulations (Add) x
PR8 Complaints regarding breaches of customer privacy and losses of customer data x
PR9 Value of significant fines for non-compliance relating to provision and use of products and services ✓