

Summarised sustainability report

triple bottom-line reporting

Sustainable development is an integral part of Bidvest doing business. Sustainability for Bidvest is about sound business practices, risk management, good governance, taking account of stakeholder needs, stewardship of natural resources, BEE and developing employees, an ongoing process of learning and a source of innovation and new business opportunities.

- ▶ Bidvest's empowerment rating has been reaffirmed to be "A", with improvements noted all round
- ▶ A number of business units have obtained improved and first-time empowerment ratings
- ▶ Increasing acceptance of Bidvest's BEE credentials in the market
- ▶ An electronic system is being launched to vet supplier empowerment credentials
- ▶ Bidvest is one of only four South African companies listed in the Dow Jones Sustainability World Index 2007 and the JSE has reaffirmed Bidvest as a founding constituent of the SRI Index
- ▶ Total training spend R101,9 million (R83,0 million in South Africa)
- ▶ Women employees – 42,4% (women employees in South Africa – 46,6%)
- ▶ Corporate social investment spend increased to R28,7 million, equating to 0,8% of pre-taxation profit (R25,7 million and 1,1% of profit before taxation in South Africa)

Introduction

This is the third year that Bidvest is reporting on its sustainability performance. A comprehensive account of the Group's non-financial performance is provided in the 2006 sustainability report. 

The Group has made good progress in promoting sustainable development. As an international company firmly rooted in South Africa, the advancement of BEE and skills development of HDIs in the South African operations is a principal focus in the journey towards achieving sustainability. Southern African businesses are taking the HIV/Aids challenge seriously and continue to expand and improve their response programmes. A Group-wide prevalence study and an assessment of HIV/Aids programmes are being undertaken.

Sustainability for Bidvest is about sound business practices, risk management, good governance, taking account of stakeholder opinions, stewardship of natural resources, black economic

empowerment and developing employees; it is about "doing the right thing" and is an integral part of business.

The sustainability report follows the Global Reporting Initiative's (GRI) recently released G3 guidelines.

SUSTAINABILITY PERFORMANCE OVERVIEW

Disappointments

- ▶ Twelve work-related fatalities

Challenges

- ▶ In South Africa, a lack of clarity in the definition of supplier empowerment status criteria is resulting in inconsistent assessment criteria being used in the market place
- ▶ Developing a comprehensive sustainability strategy and management framework
- ▶ Establishing more effective programmes for managing HIV/Aids in the workplace



The award-winning Rally to Read

The Rally to Read is a reading development programme organised nationally by McCarthy with advertising and educator skills support from the Financial Mail and the Read Educational Trust respectively.

Bulk Connection – managing runoff and dust

Significant capital investment has been made to modernise the facilities and address contaminated water runoff and dust problems.



- ▶ Ensuring continued compliance with intensifying environmental regulations
- ▶ Attracting and retaining senior-level HDIs
- ▶ Addressing general skills shortages
- ▶ Managing exposure of several business units to strike action

MANAGING SUSTAINABLE DEVELOPMENT

Bidvest is a geographically diverse and multi-faceted business. Operations function independently, autonomously managing their sustainability objectives and priorities according to their material issues, yet derive the benefits of being part of a larger group. Bidvest provides guidance with financial management, corporate governance and transformation.

At divisional and corporate level, sustainability is largely managed as part of the risk management process, for which the individual boards and corporate and divisional audit committees take responsibility. Business units monitor and manage day-to-day performance across the triple bottom-line.

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Bidvest continues to evaluate what sustainable development means for the Group and seeks to develop systems to more effectively coordinate an approach which integrates sustainable development across the Group. The Group intranet, "the Village", is an important tool for sharing knowledge and ideas.

Management systems

Formal management systems are implemented in business units where deemed material. Operations where health, environmental or quality issues are of particular concern, often have certified quality (ISO 9000) and environmental (ISO 14000) management systems in place.

In-house systems are used to manage quality standards, including health and safety and environmental practices.

Informing the course of sustainable development

Identifying the interests and concerns of the Group's stakeholders is an essential part of the process of understanding how to shape the course of sustainable development at Bidvest.

In 2005 a range of external Bidvest stakeholders was interviewed to obtain their opinions on the Group's sustainability performance and feedback on these opinions is provided in the 2006 sustainability report.

While no formal stakeholder engagement was conducted this year, KPMG was asked in addition to their assurance report to conduct a high-level sustainability gap analysis against best practices.

The KPMG findings are described in the 2006 sustainability report and are being debated to agree how best to address the identified sustainability gaps.

ECONOMIC VITALITY

Bidvest is one of South Africa's largest and most diverse industrial groups and has produced consistent returns for shareholders for the last 18 years.

Bidvest achieved revenues of R77,3 billion (2005: R62,9 billion) and operating profit of R3,7 billion (2005: R3,0 billion) and headline earnings reached R2,4 billion (2005: R2,0 billion). R13,9 billion of wealth was created, while R8,3 billion (59,7%) was distributed to employees and R915,5 million (6,6%) to the government. Total exchanges with government including amounts collected on their behalf amounted to R14,7 billion. Foreign operations contributed 37,7% to Group revenue and 23,9% to trading profit.

SOCIO-ECONOMIC TRANSFORMATION

Promoting black economic empowerment

Bidvest, with 78 029 employees in South Africa, is one of the largest employers in the country, where the issues of value creation, wealth distribution and the role of business are increasingly seen in the context of BEE policies. A commitment to leveraging a significant opportunity, by virtue of the Group's size and diversification across numerous industries, to make a far-reaching contribution towards socio-economic transformation and black economic empowerment, has been the thrust of the Group's sustainability drive.

Bidvest's empowerment rating has been reaffirmed to be "A", with improvements noted all round. Where scores decreased, this was as a result of changes in the new BEE codes. The organisation is emerging as a leading catalyst for positive change across many industries. The Group's empowerment partners in the Dinatla consortium play an important role in assisting the Group to achieve transformation objectives and strive for "AAA" empowerment credentials.

Effective empowerment holdings

Economic BEE ownership, calculated in terms of the BEE codes of good practice, is 41,4% with a 29,2% effective BEE control. The Dinatla BEE consortium effectively owns 15,0%, the Public Investment Corporation 13,4% and a further 16,6% is controlled by BEE asset managers. The Dinatla transaction completed in 2003 was at the holding company level, including both the local and offshore operations of Bidvest. If Dinatla had bought into the South African operations only, at the same transaction value, the total percentage BEE direct and indirect ownership, at the time of the transaction, would have been in excess of 50%.

The Dinatla consortium of BEE partners enables a broad-based and representative empowerment grouping to share and influence the future of Bidvest, in South Africa and abroad. The partnership has proven to be a highly effective model, creating opportunities and delivering value for all parties, while generating a pool of capital creators with production capacity who will in turn contribute to the growth of the economy. The refinancing of the Dinatla transaction within the originally envisaged timeframe has been announced.

Managing transformation

The Group's transformation committee is responsible for driving socio-economic transformation within the Group. The committee receives strategic input from the commercial directors' forum which comprises the Group's commercial directors. The commercial directors are responsible for driving transformation and business development across their respective divisions. The commercial directors excel in their roles, providing strategic guidance to divisional chief executives. There is greater appreciation at executive level that BEE presents an opportunity, though there remains a need for BEE to be embraced more widely across the Group.

The Group's transformation strategy focuses on progressing skills development and employment equity at all levels, increasing levels of procurement of goods and services from HDIs and promoting the development of small; micro- and medium-sized black-owned enterprises. The strategy is guided by the Bidvest Charter, which all business units subscribe to, as systems to measure and monitor BEE performance. Bidvest is developing an electronic reporting tool which will greatly enhance the process of collating scorecard data to ensure the highest standards.

The government's draft BEE codes of good practice are expected to be finalised and made law before the end of 2006 and will bring welcome certainty to the BEE regulatory framework. In the new regulatory environment, BEE performance will be assessed on a broader basis, looking beyond equity ownership at a number of areas of performance providing a level playing field for business. The Group's transformation strategy will be diligently aligned with the new regulatory requirements.

An increasing number of businesses are in the process of obtaining or strengthening empowerment ratings. BEE credentials have enabled the business units to retain business and gain new contracts.

Employment equity and skills development

A high value is placed on leadership development and on increasing the representation of blacks and females across management, technical and professional categories, recognising this as critical for meeting long-term objectives.

The Group's workforce in South Africa grew by over 2 000. Divisions budget a minimum of 1% gross total payroll for skills development programmes. Training spend in South Africa has increased to R83,0 million. Integrated employment equity and skills development programmes

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with targets for black representation at all levels are rolled out across all divisions and at each business unit. Succession-planning strategies are implemented to ensure the movement of black candidates into management positions and there are retention strategies and mentorship programmes for black employees.

The majority of businesses are making steady progress in meeting employment equity and skills development targets. Improving representation at senior and executive management levels is an ongoing challenge in view of the industry-wide skills shortages in South Africa. The Group will focus on developing core skills to enhance current efforts to develop and advance entrepreneurial individuals to senior levels.

Indirect empowerment: preferential procurement and enterprise development

Business units pursue policies that promote the use of black-owned and empowered enterprises. Maintaining supplier relationships often depends on solid empowerment credentials.

Divisions are increasingly implementing initiatives to develop levels of BEE understanding among suppliers and encourage suppliers to obtain and strengthen empowerment ratings.

A challenge industry-wide in South Africa, is a lack of clarity in the definition of BEE. There is variation in the assessment criteria used by suppliers and businesses which results in differing interpretations and problematic inconsistency in the market.

The commercial directors are responsible for spearheading enterprise development and CSI projects which are co-ordinated as division-wide initiatives and, therefore, have

more impact than the current fragmented approach pursued by business units. CSI continues to increase and now approaches 1% of operating profit.

Bidvest's commitment to promoting enterprise development involves engaging with financial institutions to negotiate favourable financing terms for small BEE suppliers, providing BEE suppliers with favourable credit and payment terms, and offering mentorship and advice to small BEE suppliers to ensure effective skills transfer and sustainability. The advanced Bidvest BEE supplier database will assist suppliers with marketing their goods and services.

WORKFORCE

Bidvest employs 78 029 in South Africa and 93 325 people in total. Businesses comply with statutory requirements: the South African Labour Relations, the Basic Conditions of Employment, the Skills Development, the Employment Equity, the Broad-based Black Economic Empowerment, Unemployment Insurance and the Occupational Health and Safety Acts, or their equivalents in other countries. Business codes, policies and procedures typically cover recruitment and selection, business conduct, non-discrimination, industrial relations, employment equity, grievance and dispute settlement, HIV/Aids and other life-threatening diseases, employee conduct, freedom of association, ethics and sexual harassment. Many of these were negotiated and agreed with unions. Companies tend to have formal grievance procedures in place, which, in South Africa, are in accordance with Schedule 8 of the Labour Relations Act.

Many businesses have structured employee development programmes and related performance appraisal systems in place and a growing number of businesses conduct formal employee satisfaction surveys.



The Bidvest Academy continuing to change people's lives

The Bidvest Academy, now in its fourth year, provides a platform for developing young executive talent within the Group. Since March 2003, 368 young managers have participated in the Academy's six-month programme, which provides exposure to Bidvest's executive management, Group operating methodologies and divisional business strategies.



Communication

Communication and interaction with employees at business unit level and as part of the Group is an important part of ensuring that employees are informed of diverse developments and encouraged to contribute towards further developments. Communication takes place using a variety of channels, including a quarterly internal magazine, an employee report, corporate videos, an intranet and business-specific magazines. Bidvest's intranet, the Village, is developing as a powerful tool for enhancing internal communications, encouraging a growing sense of a Bidvest community and assisting in developing business synergies.

Health and safety

Bidvest is concerned about the well-being of employees and is committed to pursuing best practice safety practices in all work-related activities. Business units have designated personnel and systems in place to monitor and manage health and safety standards. Operations are compliant with relevant occupational health and safety legislation and

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regulations. Business units which involve a hazardous working environment have formal systems to ensure that the strictest health and safety standards are enforced. Business units are required to identify health and safety risks in the workplace and take steps to eliminate or mitigate risks by implementing the necessary controls. Training and maintaining an awareness of risks and precautions are an important part of this process.

It is with deep regret that Bidvest has to report twelve work-related fatalities. This is unacceptably high and efforts are being made by Bidvest businesses to continually improve health and safety management processes.

HIV/Aids

The impact of HIV/Aids in the workplace is increasingly felt across the South African operations. Businesses are to varying degrees proactively implementing HIV/Aids awareness and prevention measures. While some have made progress in managing the disease and several have outstanding HIV/Aids programmes, many businesses must improve their response strategies.

A Group HIV/Aids policy, which serves to guide businesses in developing appropriate programmes, has been finalised and is awaiting formal adoption.

A South Africa-wide HIV actuarial prevalence study and an assessment of programmes are being conducted and will be used to more effectively manage the HIV/Aids at Bidvest. While the studies are not yet complete, preliminary findings indicate that the HIV prevalence rate in the South African businesses is around 17,3%, which is an average and, given Bidvest's diversity, cannot be applied to any one business unit in isolation.

Bidvest has become a member of SABCOHA, the South African Business Coalition on HIV/Aids.

Training

The sustained success of the business is dependent on maintaining a motivated and competent, quality workforce. The provision of relevant and diverse training for the development of employees is essential to attract and retain talented, quality individuals, especially given South Africa's skills shortage. The development and promotion of HDIs is an essential process to improve the Group's employment equity profile.

Internal and external training programmes are structured to develop individual competencies in line with business needs. Education and training encompass: adult basic education and training (ABET), learnership programmes, specific technical and industry-related skills, and leadership and management development.

The Group's training investment has increased by 19,0% to R101,9 million, of which R83,0 million was spent in South Africa. This equates to R1 092 being spent on training per employee Group-wide (R1 064 in South Africa).

COMMUNITY

Customers

Bidvest interacts with a broad range of corporate and private customers. While some businesses conduct formal customer-satisfaction surveys, most interact with their predominantly corporate clients on a regular basis and feedback is used to enhance service delivery. A number of businesses formally log all customer feedback and subsequent actions, often as part of a quality management system such as ISO 9000.

Community activities

Bidvest invested R28,7 million (0,8% of profit before taxation) in CSI activities (R25,7 million and 1,1% of profit before taxation in South Africa).



Master chefs in the making

Bidfood is a proud sponsor of a bursary programme aimed at talented students from historically disadvantaged backgrounds who wish to train as chefs. Elias Kafi, a young man from Khayelitsha, was talent-spotted by master chefs, Garth Stroebe and Paul Hartmann, of the South African Chefs' Academy.



Getting serious about HIV/Aids

Following the approval of IVS's HIV/Aids policy last year, a comprehensive support programme has been launched at the Durban site.

Anonymous VCT and treatment is provided via the company's on-site clinic, which is staffed by a full-time nurse and a stand-by doctor. The nurse conducts regular site visits to help generate awareness and provide general wellness training. To date, four staff members have come forward for VCT and one staff member is already receiving ART. The programme will be rolled out to other IVS sites and will form part of the formal wellness programme.

Bidvest CSI activities cover: education and training, health and HIV/Aids, community development, sports, arts and culture, environmental initiatives, economic empowerment and job creation, safety and security, and welfare.

ENVIRONMENTAL PERFORMANCE

Bidvest consists of services, trading and distribution businesses which have varying degrees of environmental impact. The JSE SRI Index in 2005 has classified Bidvest as a business with a "medium" environmental impact.

A Group environmental policy, which encourages businesses to take a more proactive approach to the environment as a sustainability issue, has been finalised and is awaiting formal adoption.

Business units are responsible for their environmental performance and comply with relevant environmental legislation. Business units which work with toxic products maintain strict standards to avoid hazardous incidents and practise responsible waste management. Most businesses have recycling initiatives.

Some business units proactively identify and introduce measures to improve their environmental performance. UK-based 3663 First for Foodservice is a leading example in the Group and has been used as a case study in the sustainability report.

While improvements have been made to the data collation process, data collation and ensuring business management takes information ownership remain an ongoing challenge in a group as diverse and decentralised as Bidvest.