



THE Bidvest GROUP LIMITED

Sustainable development at 3663

Introduction

3663 leads the industry in running its operations from an embedded platform of sustainable development values and attracts high quality employees and wins new business as a result of practices that anticipate demand for responsible and sustainable products. While many consumers in the current economic downturn are making buying decisions based on price, 3663 has invested to save money by adopting more environmentally efficient processes, bringing down transport costs and reducing consumption of energy and resources.

The food industry has a major impact on the world's resources and both institutional customers and end consumers increasingly demand that the foodservice industry serve healthy and sustainably produced food. 3663 is committed to leading the industry in the responsible stewardship of resources. Sustainability as competitive advantage is a key element in strategy.

The approach adopted by 3663 focuses on sustainability across four pillars: people, products, environment and communities.

Material sustainable development issues

- demand for a reduction of environmental impacts, particularly carbon performance impacted by food miles, fuel and energy use and packaging and water use
- demand for healthier and more sustainable foods
- demand for accurate and robust information on food labelling, including nutritional and calorific data, and food origin
- demand for local and seasonal produce

Risks

- managing and minimising environmental impacts, including resource consumption, water and energy usage
- compliance with tightening environmental legislation, regulations and risk management
- compliance with health and safety legislation, regulations and associated requirements

Opportunities

- reduction in CO₂ output ahead of potential legislation
- exploiting the company's sustainability leadership in the catering industry

Economic performance

Opportunities and risks due to climate change

Our markets may be impacted by major fluctuations in weather patterns which can result in stock outages and increase the health risks related to food spoilage from unseasonal weather between source and supermarket.

3663's role as food distributors places us in a key position in the food supply network. Sourcing products and maintaining product integrity (eg. the cold chain) are central to the service we offer. These and other market-leading practices present 3663 with opportunities to serve our customers more reliably than our competitors.

Fair economic practices in local markets

3663 observes minimum wage levels in the countries in which we operate and we hire from local labour markets as a priority. Similarly, we procure goods and services from local suppliers, as society becomes more conscious of the societal and environmental costs of sourcing food from limited resource stocks, out of season or processed by exploited labour. We do not have a consistent measure of the proportion of spending with locally based suppliers, but offer a broad range of locally sourced products. For more information about local sourcing, see the *Environmental performance* section below.

Public benefit services

3663 is at the forefront of industry efforts to create healthier eating alternatives. We provide nutritional information on the products we sell and the ingredients used in our own-label products.

3663 responded long ago to consumer demands for healthier options by establishing our healthier eating campaign 'Positive Steps'. The initial focus was on salt content reductions in more than 300 products without compromising taste or quality. Since then, the campaign has reformulated recipes to cut fat, saturates, sugar, artificial colours and additives across many products in our private-label range. Concurrently, 3663 was closely involved with the movement for healthier school meals and supported the Schools Food Trust initiative to instil healthy eating habits among Britain's schoolchildren. After a number of years of research, testing and development, guidelines and recipes were introduced by the School Foods Trust for the serving of balanced, nutritious meals at junior and senior schools. 3663's reputation has benefited from its contribution to this initiative. The business continues to play a role, producing guidelines for school caterers on how to meet government's nutrition-based standards for lunch and break-times.

Environmental performance

Environmental responsibility tops the public and political agenda in Europe and strong pressure is applied to the food industry, particularly in the form of tender specifications for institutional and government food catering contracts. While there are regional differences, customers generally demand fresh, seasonal products of known provenance. Marine resources in particular receive close scrutiny.

While we continue to provide a substantial range of locally sourced products, 3663 this year focused additional resources on local sourcing. This included a trial in the south of England to identify the product categories that are of relevant to customers from a local perspective while addressing any operational issues that the provision of these lines might entail.

Following the trial it was evident that the need of our customers for fresh local produce can be limited in certain sectors. Their needs may also extend to a broader spectrum of products, including those of British origin and those providing confirmation of provenance.

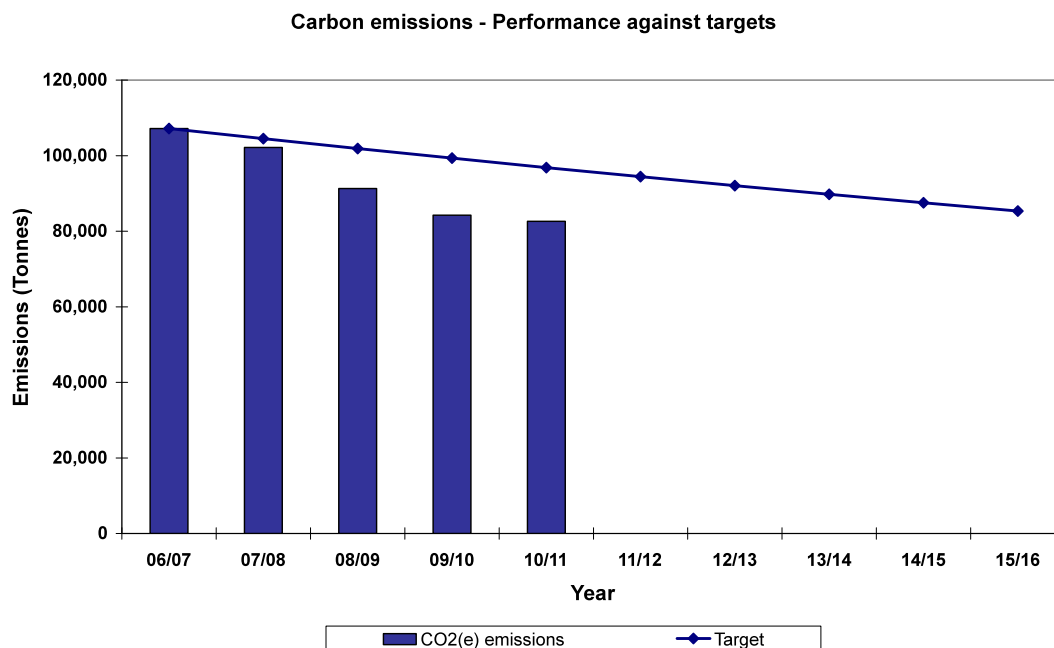
We plan to establish a definition of 'local' and assess customer demand by sector. This will enable us to develop the best solution for our customers. We look forward to sharing the results of this work in our next sustainability report.

This year, 3663 increased its range of British produce to 120 products.

As market leaders, 3663 possesses strong sustainability credentials through compliance with the highest environmental standards, having successfully retained ISO14001 certification at all sites since 2003. To maintain and improve market share, further innovations in branding standards for product lines and improvements in environmentally sound processes are becoming a business priority.

Each depot implements and monitors companywide standards of environmental management and practice. This effort is supported at local and regional level by over 65 sustainability coordinators.

Systems are in place to monitor environmental performance, measuring packaging waste, recycled packaging and energy and fuel usage. This has enabled us to realise our goal of submitting carbon footprint data to the Carbon Disclosure Project supply chain initiative. This year, we submitted data for the third year in succession. Year-on-year reductions in 3663's carbon footprint are shown in the graph below.



For the third year running, our sustainability report was drafted in line with the Global Reporting Initiative and externally audited. We achieved a C+ rating.

3663 achieved ISO 14064 assurance for its work in reducing greenhouse gases and its innovative waste oil recycling scheme.

Transport – environmental impact and performance

As transport is the biggest user of energy at 3663, we strive to minimise our fuel usage, both diesel and petrol. In addition to legislative pressure, there is a general understanding within the business that reduced CO₂ emissions translate directly into cash savings. Consequently, we monitor our emissions.

Significant initiatives to reduce diesel consumption

Reducing total distance travelled – in recent years, 3663 has worked to reduce total distance travelled. Improved routing systems ensure that trucks are deployed as efficiently as possible. Total distance travelled in 2012 was similar to the prior period. Figures for the last two years are more than 9% lower than any of the preceding three years

Good driving – 3663 has begun a programme to train drivers in fuel-efficient driving techniques. We see potential for dramatic fuel savings by influencing driver behaviour. We plan to extend the programme to all companies in the division. It is already being rolled out at Deli XL Belgium. In 2011, we began trialling advanced telematics to help manage and monitor driving behaviour. Initial results show a 6% improvement in kilometres per litre of fuel.

Recycled bio-diesel – 3663 runs a successful waste oil recycling scheme in which our customers' used cooking oil is collected and converted to bio-diesel to fuel our refrigerated vehicles. The scheme offers our customers a unique opportunity to join a 'virtuous circle', reducing the impact of their business on the environment through reduced CO₂ emissions within their supply chain. 3663 used 2,7 million litres of recycled bio-diesel in 2012, reducing fleet CO₂ emissions from fossil fuels by over 6 000 tonnes (9%). Over four years, this project has realised over 9,7 million litres of bio-diesel, reducing 3663's fleet-related fossil CO₂ emissions by over 24 000 tonnes. This pioneering programme has won the company various awards and reinforced its brand reputation, factors that undoubtedly contribute to 3663's success in winning new contracts.

Cleaner vehicles – 3663 has invested in 1 022 environmentally friendly transport refrigeration units. As the electric units are powered by the truck engines, there is no need for an additional auxiliary diesel engine to power the refrigeration system. The units save about 115 000 litres of diesel a week. This equates to 6 million litres of diesel annually and reduced emissions by approximately 15 800 tonnes of CO₂.

Green travel at 3663 – to foster environmental management we have introduced a sustainable travel initiative. Locations undertake sustainable travel surveys and share the results with colleagues, encouraging them to try alternative travel arrangements such as car share, cycle-to-work schemes and public transport. The reduced road miles are recorded and promoted on site.

Other forms of energy

Legislation is tightening across all our markets. The UK government has introduced power consumption legislation whereby every organisation that crosses a power-usage threshold must compete in an energy efficiency league table.

In 2011, 3663 made significant strides in energy efficiency, as outlined below.

Our major initiative was the installation of voltage optimisation equipment at most depots. This technology minimises electricity losses and has helped us reach or exceed our target of an 8% saving in electricity use. We expect the equipment to reduce emissions of CO₂e by 2 000 tonnes in 2012. Replacement of fluorescent tube lights with LED lighting has been trialled at one depot and is expected to cut energy consumption by 15%.

Green building – energy-saving technologies are specified for all newly built warehouses. Measures include energy-efficient lighting and voltage optimisation equipment and photovoltaic systems for battery charging.

Warehouse refrigeration – 3663 has implemented ammonia-based refrigeration in its newest sites. None of the major refrigeration systems at our depots contain CFCs. Seven depots have heat-recovery components to capture waste heat that is a by-product of the refrigeration system. This is then used to heat the glycol mats that prevent the ground under the floors from freezing.

Electricity from renewable resources – since July 2008, over 97% of 3663's electricity has been from renewable sources via sustainable suppliers to the national grid. Electricity consumption was cut by 10% in 2011, though some savings were the result of depot closures. The company intends to improve its energy efficiency on an ongoing basis where cost-effective.

Packaging

3663 is committed to increasing the amount of recyclable packaging across its private-label ranges and providing accompanying eco-labels to communicate this.

3663 tracks packaging material used in its business and meets its producer obligations under packaging waste regulations. Packaging of own-label products differentiates our efforts to reduce packing mass. This campaign has resulted in packaging weights that cannot be reduced further without compromising product quality.

A survey of 90 own-brand suppliers was carried out to establish opportunities for packaging reduction and the use of recycled/recyclable materials and biodegradable packaging. A response rate of 72% was achieved, with 23% of respondents working on reductions.

Opportunities for packaging reduction include:

1. removal of shrink film from the boxes that package cling film rolls, resulting in a saving of 40g per box
2. altering the packaging of washing powder, changing from a 7kg / 70-wash liner and box to a 7,2kg / 90-wash printed box, creating a reduction from 5,22g to 3,92g of packaging per wash
3. change from polystyrene to recycled PET which can be further recycled
4. move from glass to PET bottles, which are lighter and recyclable

The use of biodegradable liners was not feasible owing to their high cost, unproven performance and risk of contamination of recycling streams.

Other possibilities include moving to larger pack sizes and making use of concentrates, options that we will be investigating for commercial acceptability.

Recycling

3663 has effective recycling policies in place at all sites, resulting in a steady increase in the level of recycling of key materials. Various recycling indicators are closely monitored, including the total weight of cardboard and plastic recycled compared with the total volume of packaging handled. Many depots now have machines to bale cardboard and plastic pallet wrap. All other waste streams are segregated and where possible recycled. These include plastic cups and bottles, aluminium cans, stamps, printer cartridges and paper.

Non-recyclable waste streams are segregated and disposed of in accordance with legislation (such as that relating to hazardous waste and animal by-products).

Supplier environmental improvement

3663 aims to work with suppliers to continuously improve the environmental performance of the supply chain. As the programme develops, the provenance of food products can be improved and more accurately described on brand labels, ensuring that our products lead the drive towards responsible environmental stewardship. To take performance levels above legislative requirements, we aim to measure the percentage of products from sustainable sources.

3663 works with own-brand suppliers, providing support and guidance to help them improve their environmental performance.

The supplier environmental performance improvement scheme, introduced in 2005, supports 3663's own-brand suppliers in their efforts to achieve ISO 14001 or EMAS environmental standards. In 2011, we implemented a review to gather a wider range of environmental performance information and move towards sharing best practice. Feedback has been positive. Several suppliers are keen to share experiences at workshops in the coming year.

People

Employee numbers rose by 1.5%.

3663 continues to attract and retain talented and motivated employees who share the company's values. Our training spend and the number of training hours per employee have decreased.

Employee engagement

A national consultation forum is held annually by 3663, utilising voluntary 'communication champions' to gather questions and issues from the business for discussion with the board during break-away sessions. In addition, listening groups generate qualitative feedback and explore issues in depth. In June 2010, a listening group gained important feedback from the communications champions to help shape the company's vision, mission and values. This feedback loop remains in place and will ensure the vision becomes fully embedded in the business.

76% of employees voluntarily and anonymously completed our new employee engagement survey, providing feedback on key aspects of working life at 3663. Aspects surveyed include recognition, personal development, leadership, teamwork, communication, customer focus and sustainability. Results are communicated throughout the organisation and insights translated into key action plans at all levels, with accountability at senior management level.

By working with an employee engagement research company, we benchmarked ourselves against other companies; in particular, against a specially selected group of similar companies. One of the most encouraging results versus the prior period was that our employees believe our company is more socially and environmentally responsible than the comparison companies. Our employees also reported that they are offered the opportunity to give their views on matters affecting their jobs, placing us 10% above other companies in the benchmark group.

A network of over 65 sustainability coordinators helps employees drive sustainability and environmental initiatives at all locations. Under the guidance of the Environmental Services Department, the coordinators communicate on sustainability issues, participate in environmental audits at company sites and collate employee ideas for further improvements in areas such as waste recycling and energy efficiency. Regional workshops further develop the environmental management system and provide training on legislation updates. An annual sustainability conference highlights significant achievements and rewards and recognises best practice.

Performance, policies and benefits

Particular focus is devoted to working practice and policies that ensure working environments are healthy and safe and that employees receive fair pay and benefits. Opportunities for employee development include formal and informal recognition and all staff go through annual appraisals. Employee benefits include a pension scheme, childcare vouchers, healthcare and discounts for health and family-oriented activities.

To minimise employee travel time and mileage, arrangements may include flexible working such as home-based or part-time work, where appropriate.

Learning and development

Over £750 000 was spent on people development, covering more than 10 000 person days of training. This equates to approximately £150 and 2,2 days of training per person. Over 520 person days of training focused on the environment.

Health and safety

BS OHSAS 18001:2007

3663 is pioneering the adoption of an externally accredited occupational health and safety management system, BS OHSAS 18001, to reduce the company's exposure to health and safety risks.

The British Standard for Health and Safety is in its second year at 3663 and Bidvest Logistics and continues to drive health and safety improvements across the business. Where we do not conform to the standard, the matter is raised and addressed within the designated timescale. This is communicated to all sites to ensure the issue is not raised at future audits.

All sites are internally audited using the Health and Safety and Legal Compliance check. Average scores increased from 65% to 80%. New procedures require sites to submit evidence that enables the Safety and Sustainability team to verify that non-conformance has been addressed.

Accident statistics

There was a 4,5% decrease in the number of over-three-day accidents and a 3,1% decrease in major accidents. Incident rates per 1 000 employees for over-three-day accidents fell from 41,1 to 39,0. For major accidents the rate fell from 5,74 to 5,71.

All sites are required to achieve an annual 5% reduction on total accidents. Where sites fail to meet this target, they must put into place local plans to achieve accident reductions.

Risk assessments and safe systems of work

Our health and safety management system continues to improve. New risk assessments are issued to all sites annually. Our Safe Systems of Work are subject to continual improvement, responding to the needs of auditors, accident investigations, insurers and local authority enforcing officers.

Tool-box talks – employee communication

To improve employee engagement, we introduced tool-box talks to our sites. These talks brief employees on a health and safety topic and enable local teams to focus on specific issues relevant to them.

Near miss recording and monitoring

In 2012, the safety and sustainability team will use a recently established 'near miss incident' database to monitor near-miss trends, target resources effectively and integrate this approach into the health and safety management system.

Human rights

We monitor the percentage of female employees at management level. Figures remained stable at 38% for the second consecutive year. Line managers continue to receive diversity training. This will be further extended for leaders and senior managers in 2012.

Business ethics

3663 has a comprehensive set of controls and assurance mechanisms to manage the risk of fraud, corruption and anti-competitive behaviour.

In response to the 2011 introduction of the Bribery Act, we completed a risk assessment in line with guidance from the act and sought external legal advice to help the business create a bribery policy and manual. There were no reported cases of corruption in the last 12 months. We have already completed specific training for high-risk areas of the business. Once the bribery risk analysis is complete, we will communicate and roll out the process.

A formal code of ethics and business conduct emphasises the need for employees to behave with honesty, openness and integrity in their dealings with colleagues, customers, suppliers and all other parties. This includes governmental, statutory and regulatory authorities.

Employees are encouraged to report to senior management any activity they believe to be in breach of the code of ethics or use whistle-blowing mechanisms, which incorporate an anonymous hotline.

3663 policy prohibits the acceptance of high value cash payments from customers, whether in a single transaction or in several instalments.

Although reported corruption levels in the UK have increased, there have not been any reported cases within 3663. The business has introduced a competition policy written with the help of our legal advisers. The policy covers all types of anti-corruption and anti-competitive agreements, including price fixing, collusive tendering, joint dealing and abuse of dominance. Key departments within the business have been identified and specific training completed by perceived high-risk employees.

Responsibility for monitoring management adherence to these corporate policies rests with the internal audit department, which conducts testing designed to detect material instances of fraud. Responsibility for investigating suspected fraud and theft is shared between the internal audit department and the security department. All losses from fraud and theft – both internal and external – are reported to the quarterly audit committee, with a description of the circumstances of individual losses over £4 000.

Product responsibility

Customer health and safety are paramount. Dedicated quality assurance and HACCP-trained employees ensure food quality and safety standards are met. Key customers conduct periodic food quality audits. Customer complaints declined by 18% to 73 per million cases sold.

Responsible health claims

European regulations have been introduced to ensure that nutrition and health claims are more easily understood by consumers and caterers. 3663 has been working closely with industry bodies on these issues. 3663's advice centre provides customers and consumers with help across a broad range of catering issues and has produced numerous fact sheets in response to enquiries on subjects such as healthy catering practices for schools, care homes and restaurants.

IT security

We made a significant investment to improve the security of IT systems and comply with our internal auditing standards. Every year the IT department will be externally audited and assessed on IT standards and business activity. Though our operations are not customer-facing in the main, these standards cover the security of customer data and customer privacy.