



THE Bidvest GROUP LIMITED

Bidvest Rental and Products: online sustainability report

Material issues

- Reducing our consumption of water and electricity
- Improving employment equity and skills development
- Offering improved adult basic education and training (Abet) to staff
- Ensuring the safety of our drivers
- Operating successfully in difficult economic conditions
- Maintaining our reputation as an industry leader

Business context

Bidvest Rental and Products division is a product of this year's restructuring of Bidvest South Africa. The division is a lean business with numerous synergies as our smaller base fosters networking. The close fit between G. Fox & Company and Steiner was one positive outcome, while bringing water, laundry, hygiene and plants under one banner created a variety of opportunities to broaden services to similar customers, offering significant efficiencies to a commercial sector in need of savings and smart solutions.

A fundamental risk for any business is that the validity of its business model will be undermined by new business trends. For us, this risk has ceased to be a concern. Twenty years ago many businesses were wedded to the use of in-house resources and outright purchase of all assets, often at considerable capital outlay. They had to be convinced of the benefit of outsourcing and the cost savings and efficiencies that could be achieved by rental. Today, the business case for rental and outsourcing is well accepted. A specific service or product may have to be marketed in the face of competitor activity, but there is no longer a need to sell the basic concept.

Our businesses tend to be industry leaders, making reputational risk a key issue. Rigorous governance and audit processes mitigate this. Our businesses also address reputational risk by exercising hands-on control through operational managers with significant experience in their industries.

Utility costs are also a risk area as charges by public suppliers are not contained by competitive pressure. Our response is a sustained effort to achieve ongoing energy efficiencies that reduce our use of water and electricity.

Trading conditions and new investments

Business conditions were mixed. The division achieved double-digit growth overall, but results at business unit level varied.

Retailing faced challenging conditions, but our exposure is less extensive in this area than in hospitality, where trading continued to be depressed, with little upward movement as the year progressed. In response to this long-term hospitality sector trend we have diversified our customer base. For example, we have expanded our hotel amenities offering into Mauritius and other countries

in Africa. We have also concentrated on the smaller bed-and-breakfast market which has proven more resilient than the traditional hotel sector. Similarly, we have shifted the focus of some of our laundry business by offering services to the healthcare sector, which is less volatile than tourism.

The economic downturn highlighted the advantages of diversification. The mining industry stabilised after a difficult start to the year and our volumes in the commercial and industrial sectors showed good improvement.

Capital expenditure rose to R159,9 million from last year's R168,6 million. One major initiative was the relocation of the Puréau water purification plant to a new site at Longmeadow, Edenvale. This installation is the most modern drinking water purification and re-mineralisation plant of its kind in South Africa. Another development was G. Fox & Co's investment of R5 million in a new garment manufacturing plant in Swaziland.

Performance

Our businesses put in a pleasing performance. Revenue rose 9,7% to R1,7 billion (2010: R1,6 billion), with trading profit moving 16,3% higher to R325,9 million (2010: R280,2 million). ROFE improved to 54,4% and trading margins rose to 18,8% (2010: 16,7%).

Divisional performance was underpinned by strong results at our two largest businesses, the hygiene solution-providers at Steiner and the industrial supplies company, G. Fox & Company.

Sometimes it is difficult to ensure the desired level of control in a non-core area where senior management has limited experience. This created a challenge at Steiner in its SteinMed business (a company focused on the management and safe disposal of medical waste, areas under intense public scrutiny). The business has now been sold.

In difficult economic conditions, we applied stringent expense management, but did so without a cost to our people.

Credit management remained stringent.

Our businesses entrenched their positioning as industry leaders. Steiner's Western Cape business won a PMR Diamond Award as top performer in hygiene services and Bidvest Execuflores received recognition at the Next Awards for innovative and creative indoor displays.

People, training and skills

Employee engagement

Divisional staff numbers rose from 5 414 to 5 981 despite difficult economic conditions. Headcount increased at G. Fox & Company in particular. Our laundry business employs by far the largest number of workers, in a sector that is fully unionised. Our second largest employer, G. Fox & Company, is also fully unionised, with the result that about 50% of the division's staff are union members. Union membership is minimal at Steiner, Puréau, Bidvest Execuflores and our smaller businesses.

We maintain positive working relationships with all the unions with which we interact. Wage negotiations, which usually take place in July, were with few exceptions already settled by August. Negotiations took place without serious disruptions.

To assess employee satisfaction, we carry out a number of surveys, such as a recent survey at Steiner of over 200 sales and service employees. All survey results go directly to the division chief

Shaun Swingler 11/10/20 3:48 PM

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executive. Preliminary results show high rates of staff satisfaction and indicate a strong relationship between business climate, perceived job security and satisfaction, particularly in the tourist-related businesses. We also measure staff turnover and absenteeism as indicators of employee satisfaction.

Skills development and training

Training spend rose 72% to R4,47 million (2010: R2,6 million). Training days were also up, from 1 749 (2010) to 1 823.

Abet is a major focus area and further investment was channeled into sales training, computer skills and general upskilling. Management training was also stepped up, emphasising a key message from our restructuring: we are committed to developing tomorrow's managers and supervisors from within. No senior post in the revamped division was filled by an external candidate. In our smaller structure, committed employees experience earlier exposure to decision-making at higher levels. This change helped motivate a strong second-half performance. Our staff understand they will get the chance to develop as their businesses grow.

Safety

We are pleased to report an excellent safety performance, with no incidents. We run on-going safety awareness programmes in all our businesses. Our biggest concern is the safety of our drivers. To this end, we use tracking devices to monitor braking and speed. This enables management to monitor and encourage safer driving.

HIV/Aids awareness

Improving HIV/Aids awareness continues to be a major focus area, particularly in Laundry and Steiner where there are larger numbers of employees. Reticence is still an issue, with few people coming forward in response to our ongoing sensitisation programmes and voluntary testing and counselling service. While there has been no increase in known cases, we plan to strengthen our campaign.

Transformation

All our businesses improved their B-BBEE scores. As a division, we improved from last year's Level 4 contributor status to Level 3. All of our businesses achieved Level 3, except for G. Fox which is at a high Level 4. Each business conducts a self-assessment against the dti scorecard. The assessment is subsequently verified by an external verification agency.

Employment equity is still our biggest challenge, although we saw an improvement last year.

Our key focus is skills development, which we see as a prerequisite for improved employment equity scores. Our policy is to promote from within. Every company has regional or branch skills development committees to identify skills needs. Interested employees are identified, interviewed and put on relevant courses during which we monitor and support them.

We are developing indicators to gauge skills development progress. The initial stage entails the identification of employee qualifications. This process has been completed at Steiner and Laundry and will be rolled out to other subdivisions. The information will form a baseline from which we can measure progress.

As part of our enterprise development efforts, Steiner has engaged a company called Back to Basics that trains teachers to be more effective, particularly in how they convey information to learners. One focus area is how to teach maths effectively. We are helping this small company to establish itself. This includes help with financial management. The initiative addresses both our enterprise development and social development objectives. After a three-year contract, we will review the programme for sustainability.

Human rights

Human rights such as freedom of association and the proscription of child labour, forced or compulsory labour are well legislated in South Africa and other countries in which we operate. In addition, our codes of conduct emphasise the fair treatment of all employees. Incidents of discrimination are monitored. There were no significant incidents.

Communities

Our corporate social investment efforts are decentralised and projects tend to be aligned with the core business activities of our companies. For example, Hotel Amenities employees visit the homes of people with disabilities and donate bottles of shampoo and personal hygiene products. Steiner provides free hygiene services to schools whose teachers receive training from Back to Basics.

Education is a major theme. The Steiner HyGienie educational roadshow continues to fill a big need by demonstrating to school children the importance of hand-washing, personal hygiene and water conservation.

In addition, every branch in each business adopts at least two schools in areas in which they conduct business. Sponsorship helps fill skills gaps. Programmes initiated last year at Steiner and Laundry now reach out to more than 50 schools. Some branches adopt three schools or more. One branch covers about ten. These relationships build community involvement in education while creating favourable awareness of our brands.

Eliminating fraud, corruption and anti-competitive behaviour

Our companies tend to avoid industry-level interactions with competitors level in view of the risks of collusion and anti-competitive behaviour. However, we are developing specific agendas through which we can safely work with competitors and other industry players without risk of collusion.

We have a policy of zero tolerance to fraud at any level in our organisation. The issue is reported on every year. There were no significant incidents.

Stock is well controlled to minimise the risk of pilfering. Our quarterly stock reports show no negative trends. We assist the police and push hard to prosecute any offenders.

Environment

Our businesses measure their carbon footprints independently. Figures are aggregated for the division.

Efforts to reduce our carbon footprint are ongoing. Some of the division's fleet vehicles now run on biodiesel, while new software is developing optimum distribution routes in a bid to cut exhaust emissions and contain fuel costs. Low-energy lighting is being fitted in certain warehouses.

Laundries invested a further R6 million in heat exchangers as part of an ongoing drive to improve energy efficiency and reduce coal consumption. Heat exchangers retain the heat from used hot water and transfer it to incoming water to significantly save on heating costs. Incoming water that would otherwise be at 18 degrees Celsius is warmed to above 40 degrees before entering the laundry system. Heat exchange reduces energy input for water heating by at least 12% and helps reduce the

consumption of coal, which is still a necessary energy source for the laundries. The programme is in its second year. Heat exchangers are fully operational at our main plants and all big laundries.

Bidvest Execuflora, which runs small boilers to generate heat for its nurseries, is developing technology to enable it to move away from the use of coal.

Saving water has become one of our highest priorities. Our laundry facilities consume large quantities of water, which is very costly. This provides strong motivation for our efforts to minimise consumption. On average, our larger Gauteng laundries obtain 42% of their water from their own boreholes and recycle a large proportion of this. This cuts our use of expensive municipal water.

Laundries is starting a project with an international company to install technology that will enable an operation to recycle 80% of its water. This programme requires significant investment. The first installation will be at our biggest laundry in Johannesburg. We will report statistics on water savings in next year's report.

Puréau has sunk boreholes at the locations of its biggest plants and is testing the water to determine whether it is potable.

All our companies recycle wastepaper from their offices. Steiner has embarked on a major rental assets refurbishment programme. Items such as plastic soap dispensers and rubbish bins are extensively refurbished rather than simply replaced. The R10 million initiative has had such an impact that suppliers have commented on our reduced purchases. In 2012, we will expand the programme by using recycled plastics and installing recycled hand-dryers.

Safely disposing of liquid waste is an expensive aspect of our Puréau and laundry operations. We are developing methods to measure and monitor our effluent. Neutralisation of laundry effluent's high pH is critical. Puréau is conducting tests to determine the best ways to improve effluent disposal. Bidvest Rental and Products experienced an increase in petrol and diesel usage of 16,8% and 20,8% respectively.

Product responsibility

Most of our operations have been relatively unaffected by the new Consumer Protection Act, in view of our already high standards and the nature of our industries.

Processes to ensure consistent quality were stepped up at our garment and chemical manufacturing businesses ahead of applications for SABS accreditation.

Increasing societal awareness of the health risks of certain plastics is taken seriously at Puréau. In partnership with Nestlé, the business is moving towards the latest technology while using plastics for water containers that are less likely to leach contaminants.

Looking forward

Our businesses have noted a gradual improvement in recent trading conditions. There are also grounds for believing the hospitality sector has bottomed out, while we are seeing signs that the retail sector is starting to pick up.

Growing public sector awareness of the benefits of outsourcing is another encouraging development. Government agencies are increasingly investigating the possibility of driving service delivery in

partnership with specialist service providers. This may create growth opportunities for various arms of our business; for example, the provision of laundry services to hospitals and other institutions.

We will therefore seek continued growth and have set a target of a 12% revenue increase and an 18% increase in trading profit. Expense management remains a focus area. Further ROFE improvements have also been targeted.

We are developing new service offerings to help us maintain momentum and will also seek acquisitive growth.

Company updates

Steiner exceeded expectations in all areas of its business. Market-leading products, well-controlled costs and procurement efficiencies helped ensure good progress off the previous strong base. Competitive pricing led to continued market-share gains.

G. Fox & Company had another good year. Product innovation helped the business secure growth. Increased volumes were evident in safety and protective clothing, while the Swazi factory achieved efficiency improvements. Rigorous expense management assured growing sales for lower cost.

Laundries had a difficult year, with performance below expectation, largely a result of low hotel occupancy and substantial increases in utility costs.

Bidvest Execuflora achieved good growth from a relatively low base through product innovation, such as the imaginative use of larger trees in creative displays, and contemporary pot design. New plant varieties were introduced at the nursery, widening customer choice, and teams add value by advising clients on optimum utilisation of light and water.

Higher volumes underpinned an excellent overall performance at Puréau. The relationship with Nestlé was further strengthened via our joint venture. Puréau heightened its brand visibility by investing in its own distribution fleet.

For Hotel Amenities, low occupancies were the key factor in a disappointing year. Succession planning came to fruition, with a new generation taking charge at management level. New product introductions are planned.