



THE Bidvest GROUP LIMITED

BIDVEST FOOD SERVICES SOUTH AFRICA

Sustainability report for the web

--Brent Varcoe (CEO) (PA: Vicki Jones) 0115539605, brent.varcoe@caterplus.co.za
-- Jane Russil (Quality Risk Manager; environment and food safety) 0115539622, jane.russil@caterplus.co.za
--Abner Bischoff (finance), and Zoliswa Tshetshe (HR training and development)

SUSTAINABLE DEVELOPMENT AT BIDVEST FOODSERVICE SA

Bidvest Foodservice South Africa is committed to providing safe, affordable and nutritious food products to the foodservice and hospitality industry. Priorities include maintaining the highest standards of food quality and safety, providing a safe working environment and offering training and development opportunities to staff. There is an on-going drive to reduce Bidvest Foodservice's environmental impact by reducing energy usage and promoting recycling activities within our business units.

MATERIAL SUSTAINABLE DEVELOPMENT ISSUES

- Food safety, product integrity (managing the cold chain) and compliant product labelling
- Sustainability of seafood species through responsible seafood procurement
- Management of credit risk as tough economic conditions increase business failures in our industry
- Reducing energy consumption, waste and the impact of business activities on the environment
- Employee engagement
- Staff skills development, retention of management and succession planning
- Impact of crime on stock shrinkage
- Broad-based black economic empowerment through employment equity and procurement
- Occupational health and safety compliance
- Customer service

INTRODUCTION

Bidvest Foodservice SA continues to grow and our brand visibility continues to improve, thanks in part to the lead we give by rigorous compliance with industry standards. Managing food safety, credit risk, carbon footprint reduction and employee development are our top sustainability challenges. We are restructuring our branches as more efficient multi-temperature facilities that are better positioned to meet our customers' current and future needs. We merged two branches in KwaZulu-Natal, consolidated two businesses in Polokwane and are merging four branches in the Western Cape. We intend to retain permanent employees and minimise the impact on them.

PEOPLE, TRAINING AND SKILLS

Employee engagement

During the Bidvest South Africa divisional restructure, we retained most of our permanent staff. For a period, we employed no new permanent staff, only taking on casual or contract workers. Our employee numbers remained constant, at 3539 (2010: 3540). We experienced limited industrial action in the form of unprotected strikes in KwaZulu-Natal.

Bidvest Foodservice SA has a decentralised system of employee engagement and responds to issues through the most direct communication channels possible. Most employees are represented through unions and negotiate independently with each business unit. Employment equity and skills development committees, health and safety committees and 'green areas' are important forums for staff engagement, allowing teams to communicate and share best practice in an effort to drive continual improvement.

Skills development

Skills development continues to be a critical challenge. Our investment in training enables us to promote talent from within, address succession planning and improve employment equity. We have on-going functional programmes to develop staff at all levels.

A supervisory development programme in Gauteng in partnership with Durban University of Technology has been rolled out to KwaZulu-Natal and the Western Cape and has begun its second phase in Gauteng. We also encourage employee development through our educational assistance program.

We have continued with our staff induction programme and the business game we developed last year. This programme helps employees understand how our business works and explains the economic consequences of our actions in an easy-to-understand manner.

Employment equity and preferential procurement

By making significant advances in preferential procurement, enterprise development and socio-economic development, we moved from Level 5 to Level 4 contributor status for the dti's CoGP for BEE. We face continuing challenges in the areas of employment equity and management control, primarily as a result of low management turnover at higher levels. Business consolidation and a proportional increase in the number of managers have aggravated the situation. This is likely to slow the rate of managerial turnover even more.

We continue to support a number of socio-economic development initiatives, including McCarthy's Rally to Read and Reach for a Dream programmes and various orphanages and homes for the elderly and infirm. Total CSI spend amounted to R2,7 million.

We completed last year's enterprise development programme, assisting 14 black entrepreneurs with the development of their catering businesses. In the current programme we will take another 14 previously disadvantaged individuals through a six-month training programme in partnership with the South African Chefs Association Centre for Culinary Excellence at the University of Johannesburg. Half the course teaches cooking skills and half concentrates on business skills. Our marketing team

helps learners market their businesses and develop a business plan. Course graduates are likely to become new customers who we can then help with food costing, marketing advice and favourable payment terms.

Occupational health and safety

We standardised our occupational health and safety policy across all branches and created a standardised manual. To ensure compliance with Department of Labour requirements, we are presently conducting health and safety training based on the manual.

ENVIRONMENT

We are moving toward a more integrated approach to the management of our environmental impact. We are developing an environmental management policy, a draft of which has been circulated for exco for comment. Approval is expected in October 2011.

This policy proposes environmental targets for July 2013. These include reducing emissions of carbon dioxide equivalent by 5%, cutting energy use by 5% and reducing water consumption by 5%. We aim to recycle 90% of all waste.

Performance indicators relating to these targets will be included in our internal audits and reported on quarterly by branch managers. Such measurements have already produced a year of baseline data, enabling us to target specific improvements for the coming year.

Other initiatives address climate change concerns. First, all new refrigeration and freezer installations use ammonia as a more environmentally friendly cooling agent than the freon previously used. Second, only Toyota vehicles are purchased when replacing and upgrading our distribution fleet, owing to their lower CO₂ emissions. All vehicles lighter than six tonnes are replaced after 350 000km and heavier vehicles after 600 000km.

Diesel consumption remained consistent and petrol consumption fell by 10,5% in 2011. We installed onsite fuel bowsers at another four of our businesses to foster fuel management efficiency and reduce waste.

We recycle about 60% of our waste, though Johannesburg facilities come closer to 80%. As we only handle products just prior to distribution, it is necessary to engage with our suppliers if we are to significantly reduce packaging waste. We hope to monitor the quantity and type of packaging materials and the extent to which they are recyclable.

The South African Sustainable Seafood Initiative

Last year we participated in the South African Sustainable Seafood Initiative (SASSI), which aims to help reverse over-exploitation of fish stocks by promoting voluntary compliance with laws governing the seafood trade while encouraging consumers to shift demand away from over-exploited seafood species towards more sustainable options.

While we regard this initiative as a vital link in the chain of responsibility between the marine resource and the customer's plate, we realise a more formalised approach would be to certify sustainably harvested products with an eco-label such as Marine Stewardship Council (MSC) certification – a point of differentiation we are considering for the future. MSC certification is

specific to particular species caught in particular fisheries and ensures a traceable chain of custody for the product from source to consumer. We are researching customer demand and which standards are most appropriate while educating our customers and sales representatives in the sustainability issues pertaining to seafood.

A company policy document makes a formal commitment to support sustainable seafood procurement and promotion.

HUMAN RIGHTS

Human rights such as freedom of association and the proscription of child labour and forced or compulsory labour are enshrined in South Africa's constitution and well legislated through various acts. Incidents of discrimination are monitored in accordance with legislation. There were no significant incidents.

Outside South Africa, we deal largely with well-known brands and have increased our formalised screening of suppliers against a standard set of requirements. We do not approve any new suppliers unless they are of some stature and have systems in place to protect workers' rights. We are consolidating our international supply chain and setting up a buying office in Hong Kong to facilitate more effective international trade and enhance the policing of our standards.

BUSINESS ETHICS

Anti-competitive behaviour is an agenda item at all board and management meetings. Market-facing staff are made aware of the risks and educated to avoid discussions that could lead to any collusion in the market. No significant issues arose this year.

Stock theft remains a significant risk. We are investigating ways to embed a value system of honesty and boost behavioural ethics. The company reinforces ethical business behaviour with consistent and fair responses to any incidents. One case reported to the audit committee concerned employee fraud in Durban involving a net loss of R250 000. The employee was dismissed and charges laid.

Conflict of interest is managed and a gift register is in place. We minimise our risk of corruption by avoiding interaction with political parties. We do not tender directly for government business.

PRODUCT RESPONSIBILITY

Food safety and product integrity

The new Consumer Protection Act (CPA) is the latest manifestation of a trend toward more stringent regulation of food safety in South Africa. As a high quality supplier of reputable brands, Bidvest Foodservice SA is well positioned for the new legislation.

The CPA places greater demands on us in areas such as labelling standards, choice of suppliers and supply chain integrity. We are liable as a responsible player in the supply chain. A fundamental step in the implementation of our food safety and quality standards is the assessment of our suppliers' food safety and labelling compliance. This evaluation resulted in the rationalisation of our supplier-base.

We continue to liaise with the Consumer Goods Council, whose role is to channel industry opinion on food products to the dti and Department of Health.

We improved our auditing standard, partnering with an independent audit body for our annual audits. This enables our customers to measure us against an independent audit standard.

Our Linbro Park site became the first storage and distribution facility in Africa to be certified by the British Retail Council (BRC). We achieved this international standard for our multi-temperature warehouse and distribution facility. The BRC standard is all-encompassing, covering categories such as the physical facility, structures, pest control, sanitation, personal hygiene, cold chain management and transportation. We intend to roll out the certification to our multi-temperature branches in Cape Town and KwaZulu-Natal. Other branches will undergo a standardised external audit to scrutinise their compliance with standards.

In conjunction with Bidfood Ingredients, we launched a new private label, 'Cooking With....'. This range of spices and seasonings is specifically formulated for the foodservice industry. The brand is differentiated through our reputation for food safety and quality at an affordable price.

A web-based thermal data logging system was installed at Linbro Park to automatically monitor quality across the cold chain and send automated SMS alerts when corrective action is required. This reinforces our quality controls and on-going staff training and offers customers proof of the quality standards we apply while products are in our hands. We have also implemented an automated complaints logging system based on the Consumer Council's code of good practice. This will enable us to respond rapidly to customer complaints.