



# *Going Beyond*

THE BIDVEST GROUP LIMITED  
GOVERNANCE REPORT 2017

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## SUPPLEMENTARY DOCUMENTS CAN BE FOUND ONLINE AT [WWW.BIDVEST.COM](http://WWW.BIDVEST.COM)

- Annual Financial Statements
- Annual Integrated Report
- B-BBEE verification report
- GRI

# Introduction

Our approach to reporting Bidvest's 2017 Governance report forms part of a suite of reports developed as part of Bidvest's integrated reporting process. Our Governance report provides information on our performance and management approach relating to the most material governance, economic, social and environmental impacts of our activities. The scope of this report includes Bidvest Group (Bidvest or the Group or the Company) and our operating subsidiaries, unless otherwise stated. Performance data relates to the period 1 July 2016 to 30 June 2017. The target audience for this report is all stakeholders who have an interest in Bidvest's governance and sustainability performance, and includes regulatory authorities, investors and shareholders, civil society, current and potential customers, media and our employees. The reporting process for our reports has been guided by the principles and requirements contained in the International Financial Reporting Standards (IFRS), the IIRC's International Framework, the Global Reporting Index Sustainability Reporting Standards, the King Code on Corporate Governance 2016 (King IV), the JSE Listings Requirements, and the requirements of the remit assigned to social and ethics committees in terms of the South African Companies Act of 2008, as amended (the Companies Act).

## Statement of compliance

Bidvest is committed to the highest standards of business integrity, ethics and professionalism. The King IV report on Corporate Governance for South Africa 2016 was released on 1 November 2016. King IV advocates an outcome based approach and defines corporate governance as the exercise of ethical and effective leadership towards the achievement of the following governance outcomes:

- ▷ Ethical culture
- ▷ Good performance
- ▷ Effective control
- ▷ Legitimacy.

The application of King IV is on an apply and explain basis and while the effective date for disclosure on the application of King IV is only in respect of financial years starting on or after 1 April 2017, the practices underpinning the principles so espoused in King IV are entrenched in many of the Group's internal controls, policies and procedures governing corporate conduct. From a materiality point of view, the board is satisfied that in the main, Bidvest has applied the principles so set out in King IV, the detail of which is more fully described below:

## Combined assurance

Bidvest values simplicity. Focus makes it easier to manage our business, which is fundamental for transparency and good governance.

Combined assurance receives deliberate and focused attention at Bidvest. The audit committees ensure that our combined assurance model adequately addresses Bidvest's risks and material matters through the aggregated efforts of assurance providers. Continually optimising our combined assurance model avoids duplicative efforts, rationalises collaboration efforts upstream among assurance providers coupled with effectively managing assurance costs. The model activities are coordinated to maximise the depth and reach of assurance achieved by each of the service providers. This enables an effective control environment and ensures the integrity of information used for reporting and decision making:

**Board.** Executive directors implement strategies and operational decisions. Non-executive directors provide an independent perspective and complement the skills and experience of executive directors. They objectively assess strategy, budgets, performance, resources, transformation, diversity, employment equity and standards of conduct.

**Remuneration** is a critical factor to attract, retain and motivate the entrepreneurial talent that is at the heart of Bidvest's strategic and operational objectives.

**Risk management** means identifying risks, taking action and turning these into opportunities. At Bidvest, a combined assurance model enables an effective control environment and ensures integrity of information.

**Human capital.** At Bidvest we care for our people. We aim to provide a safe and healthy workplace with equal opportunities which is conducive to learning and personal growth.

**Transformation** is important. Bidvest manages transformation beyond the scorecard. It is a strategic imperative for growth, prosperity and continuity. Bidvest has a level 4 B-BBEE rating.

**Sustainability.** We aim to do business in an environmentally friendly manner that drives positive social and economic change.

**Key stakeholder** relationships are an essential element of strategy implementation and supports long-term sustainability objectives.

Assurance over the risk management processes, internal financial control and overall operational internal control has been independently obtained from Internal Audit using an integrated risk-based approach. Our carbon footprint is small relative to the wide spectrum of different industries in which Bidvest is involved. However, top contributors in certain key sustainability indicators – training spend; CSI spend; water, electricity, petrol and diesel usage – are identified and measured which continues to create awareness across our businesses and increases innovative thinking. The key sustainability indicators were robustly assured and reported through the management structure in place within the Bidvest business environment.

**Lorato Phalatshe**  
Chairman

**Lindsay Ralphs**  
Chief executive

# Corporate governance

## Our governance philosophy

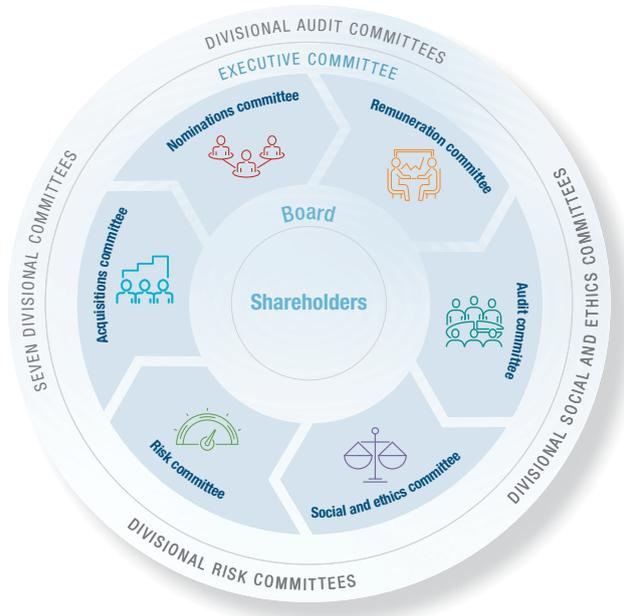
The board is fully committed to the highest standards of governance and accountability, as recommended in King IV, and is cognisant of the role that corporate governance plays in running the Group and delivering governance outcome such as an ethical culture, good performance, effective control and legitimacy. The board of directors provides effective leadership ensuring that clear strategic direction and appropriate management structures are in place.

The practices underpinning the principles endorsed in King IV are entrenched in the Group's internal controls, policies and procedures governing corporate conduct. Governance within the Bidvest Group extends beyond legislative compliance.

## The role and function of the board

The board functions in accordance to the requirements of King IV and within the context of the Companies Act, the Listings Requirements of the JSE, rules and codes of governance and other applicable laws. The board plays a pivotal role in strategy planning and establishing benchmarks to measure the Group's strategic objectives.

The role of the board is regulated in a formal board charter, which defines its authority and power. While retaining overall accountability, the board has delegated authority to the chief executive to run the day-to-day affairs of the Group. The chief executive is supported by the executive management committee. The board also created subcommittees to enable it to discharge its duties and responsibilities properly and to fulfil its decision-making process effectively.



A summary of each committee's key focus areas for 2017 and the year ahead can be found on pages 07 to 12.

## Executive directors



Lindsay Ralphs CEO	Mpumi Madisa	Peter Meijer CFO	Gillian McMahon	Anthony Dawe
<b>Age:</b> 62 <b>Qualification:</b> BCom, BAcc, CA(SA) <b>Appointed:</b> 10 May 1992	<b>Age:</b> 38 <b>Qualification:</b> Masters in Finance and Investment, BCom Honours in Economics and BSc in Economics and Mathematics <b>Appointed:</b> 4 December 2013	<b>Age:</b> 61 <b>Qualification:</b> BCompt, MBL <b>Appointed:</b> 23 May 2016	<b>Age:</b> 45 <b>Qualification:</b> BCom Honours Business Economics and Industrial Psychology, MCom Industrial Psychology <b>Appointed:</b> 27 May 2015	<b>Age:</b> 52 <b>Qualification:</b> CA(SA) <b>Appointed:</b> 28 June 2006

# Corporate governance *(continued)*

## Non-executive directors

			
<b>Lorato Phalatsé</b> Chairman	<b>Doug Band</b>	<b>Bongzi Masinga</b>	<b>Tania Slabbert</b>
<b>Age:</b> 55 <b>Qualification:</b> BA Political Science (Hons), University of Leeds UK, MA Southern African Studies, University of York UK <b>Appointed:</b> Appointed as director on 20 April 2012 and as chairman during September 2012	<b>Age:</b> 73 <b>Qualification:</b> BCom, CA(SA) <b>Appointed:</b> 27 October 2003	<b>Age:</b> 50 <b>Qualification:</b> BCom, USA-SA Leadership and Entrepreneurship Programme (Wharton School of Business) <b>Appointed:</b> 4 December 2013	<b>Age:</b> 50 <b>Qualification:</b> BA, MBA <b>Appointed:</b> 20 August 2007
			
			
<b>Eric Diack</b>	<b>Alex Maditsi</b>	<b>Nigel Payne</b>	<b>Nosipho Molohe</b>
<b>Age:</b> 60 <b>Qualification:</b> CA(SA), AMP Harvard <b>Appointed:</b> 20 April 2012	<b>Age:</b> 55 <b>Qualification:</b> BProc, LLB (Wits), LLM (Pennsylvania), LLM (Harvard), Dip Company Law (Wits) <b>Appointed:</b> 20 April 2012	<b>Age:</b> 57 <b>Qualification:</b> CA(SA), MBL <b>Appointed:</b> 28 June 2006	<b>Age:</b> 53 <b>Qualification:</b> BSc (Med) (Wits), BCompt (Hons) (Unisa), CA(SA) <b>Appointed:</b> 2 August 2017
			

The board comprises eight independent non-executive directors and five executive directors. This is in line with the recommendations of King IV. The board is chaired by an independent non-executive director. A lead independent director will be appointed shortly. During the current year, changes were made to the composition of the board. Mrs CWN Molohe was appointed as an independent non-executive director on 2 August 2017 and Mr B Joffe resigned as a non-executive director on 18 August 2017.

In terms of Bidvest's Memorandum of Incorporation (MoI), the directors who retire by rotation at the forthcoming AGM are Messrs Doug Band and Lindsay Ralphs, Ms Tania Slabbert and Mrs Gillian McMahon. All retiring directors are eligible for re-election.

The directors' academic and professional qualifications are presented in pages 13 and 14.

# Corporate governance *(continued)*

## Attendance

The names of the directors who were in office during the period 29 August 2016 to 25 August 2017, and the details of board meetings attended by each of the directors are as follows:

Director	1	2	3	4
<b>Independent non-executive chairman</b>				
CWL Phalatse	✓	✓	✓	✓
<b>Independent non-executive directors</b>				
DDB Band	✓	✓	A	✓
EK Diack	✓	✓	✓	A
AK Maditsi	✓	✓	✓	✓
S Masinga	✓	✓	✓	✓
T Slabbert	✓	✓	✓	✓
NG Payne	✓	✓	✓	✓
CWN Molope <sup>1</sup>				✓
<b>Non-executive director</b>				
B Joffe <sup>2</sup>	✓	✓	A	
<b>Executive directors</b>				
AW Dawe	A	✓	✓	✓
NT Madisa	✓	✓	✓	✓
GC McMahon	✓	✓	✓	✓
HP Meijer	✓	✓	✓	✓
LP Ralphs	✓	✓	✓	✓

Meeting dates:

1 – 28 November 2016 (scheduled)

2 – 24 February 2017 (scheduled)

3 – 26 May 2017 (scheduled)

4 – 25 August 2017 (scheduled)

✓ Attended in person, by video-conference or tele-conference.

A Apologies tendered.

<sup>1</sup> Appointed 2 August 2017.

<sup>2</sup> Resigned 18 August 2017.

## Diversity

The board adopted a formal policy on the promotion of gender diversity at board level. In terms of this policy the board acknowledges the benefits of a truly diverse board with targets for race and gender representation in its membership. As part of this process, voluntary targets were proposed and the board has tasked the nominations committee to plan and prepare for the phased implementation of these targets and to report back to the board in the coming financial period.

## Succession plan

Succession planning is important in ensuring continuity and maintaining the correct mix of expertise on the board. The nominations committee continually assesses the board and its subcommittees' composition.

## Key focus areas for the board in 2017

### Risk and oversight

- ▷ Reviewed quarterly financial performance reports against the agreed budget and the prior year
- ▷ Received quarterly feedback from the risk committee chairman on its activities
- ▷ Considered risk management, Group capital and liquidity and Group IT reports
- ▷ Approved the Group's Annual Integrated report, Annual Financial Statements, interim and final results announcements and financial results
- ▷ In line with the Companies Act, reviewed the Group's solvency, liquidity and going concern status.

### Governance

- ▷ King IV implementation
- ▷ Considered the 2017 board evaluation report
- ▷ Approved the board's gender diversity policy
- ▷ Approved the reviewed board charter, board committees' terms of reference in line with King IV.

### Stakeholder engagement

- ▷ The executive directors engaged with various stakeholders and participated in investor roadshows and other communication initiatives. Feedback from these engagements was considered by the board and relevant board committees
- ▷ Approved the convening of the 2017 AGM and notice to shareholders
- ▷ Reviewed the quarterly stakeholder engagement reports.

# Corporate governance *(continued)*

## Going forward

The board's priorities for 2018 are, inter alia:

- ▷ Continue to build lasting partnership and alliances with a range of stakeholders (government, business, communities and labour)
- ▷ Continue to approach B-BBEE on an inclusive, substantial and sustainable basis
- ▷ Expanding into international markets
- ▷ Build investor confidence by seeking solutions that strengthens our position and attractiveness in the market.

## Governance of ethics

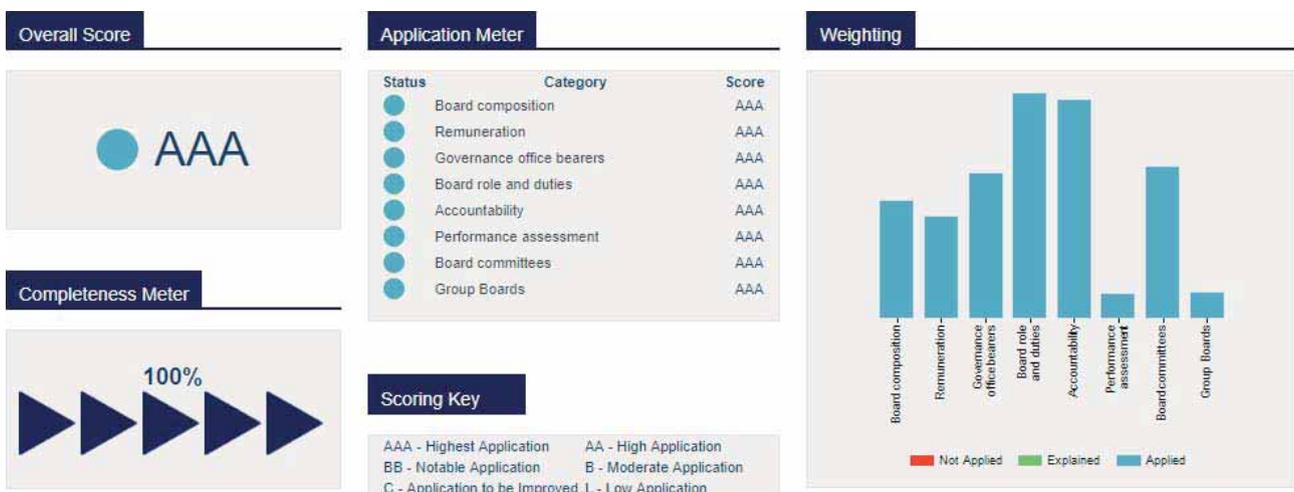
The board provides effective leadership based on a principled foundation and the Group subscribes to high ethical standards. The Group is governed by the code of ethics policy which articulates Bidvest's commitment to doing business the right way, guided by our values of transparency, accountability, integrity, excellence and innovation. The code of ethics requires the board of directors, management and employees to obey the law, respect others, be fair and honest, and protect the environment. Refer to page 29.

## Our compliance approach

The board is responsible for ensuring that the Group complies with applicable laws and considers adhering to non-binding rules, codes and standards. The board annually confirms that the company complies with the Listings Requirements of the JSE Limited.

Management maintains registers of regulatory fines and penalties, as well as a list of all complaints received from clients. These registers are reviewed by the risk committee at each meeting.

The King IV gap analysis, to review the Company's application of the various principles of King IV, was updated during the year. The board is satisfied that it has applied the principles as set out in King IV. The table below summarises the Group's application of the principles contained in King IV. The full King IV application register can be accessed on the Group's website: [www.bidvest.com](http://www.bidvest.com).



## Stakeholder relationship

The management of stakeholder relationships is an essential element of strategy implementation and supports long-term sustainability objectives. The board is therefore fundamentally committed to sustaining the Group's established credibility among its stakeholders. Further information regarding stakeholder engagement is provided on page 25.

## Board and board committees' performance assessment

The performance of the board as a whole and the board committees individually is appraised annually. The recent performance assessment indicated that the board and the board committees are performing their duties and responsibilities effectively and efficiently. The performance evaluation of each director by his or her peers is undertaken annually. The board chairperson discusses the results of the performance assessment with each individual director. She addresses issues raised by peers and provides guidance and offers assistance where necessary.

## Information and technology governance

The board, which is responsible for information and technology (IT) governance, has delegated responsibility of IT governance framework to the risk committee. The board has approved the IT governance charter which defines the structures, processes and responsibilities for IT governance. The Group IT forum committee is the management structure responsible for implementing the IT governance framework, including IT risk management.

The board receives a quarterly IT report that monitors and evaluates significant IT investments and expenditure, IT resources including human capital, innovation and IT risk management.

Please refer to page 24 for more detail.

## Internal audit

The internal audit function operates under a defined internal audit charter as approved by the audit committee. The charter conforms to the International Standards for the Professional Practice of Internal Auditing and code of ethics as set out by the Institute of Internal Auditors and Bidvest. The internal audit manager within each division, as well as at Group level, reports functionally to the chairman of the respective divisional audit committee. Unrestricted access to members of the audit committee and executives of the organisation is available to the internal audit function.

# Corporate governance *(continued)*

## Board committees feedback

The board has six committees that assist it in discharging its responsibilities. These committees, listed below, play an important role in enhancing good corporate governance, improving internal controls and therefore the performance of the Company:

- ▷ Audit
- ▷ Social and ethics
- ▷ Remuneration
- ▷ Nominations
- ▷ Risk
- ▷ Acquisitions.

Each board committee acts according to written terms of reference, approved by the board and reviewed annually, setting out its purpose, membership requirements, duties and reporting procedures. Board committees may seek independent professional advice at the Group's expense. The committees are subject to annual evaluation by the board on performance and effectiveness. The board has determined that the six committees have fulfilled their responsibilities for the year under review in accordance with their terms of reference.

Chairpersons of the board committees and the lead audit partner of the external auditor are required to attend annual general meetings to answer questions raised by shareholders.

## Directors' interests

The aggregate interests of the directors in the share capital of the Company at 30 June 2017 were:

	2017	2016
Beneficial	175 178	326 435
Non-beneficial	1 020 596	1 370 596
<b>Held in terms of The Bidvest Incentive Scheme</b>		
Replacement rights	428 448	605 948
Shares	–	148 743

## Directors' shareholdings

### Beneficial

The individual beneficial interests declared by the current directors and officers in the Company's share capital at 30 June 2017, held directly or indirectly, were:

Director	2017 Number of shares		2016 Number of shares	
	Direct	Indirect	Direct	Indirect
AW Dawe	3 465	–	3 465	–
B Joffe	21 544	–	21 544	–
HP Meijer	35 245	4 000	35 245	4 000
LP Ralphs	110 924	–	262 181	–
Total	171 178	4 000	322 435	4 000

## Board committees

### Nomination committee

Chairperson: Lorato Phalatse

Membership: Lorato Phalatse; Tania Slabbert; Eric Diack.

### Key objective

The committee is responsible for assessing the independence of non-executive directors. Identifies and evaluates suitable candidates for appointment to the board to ensure that the board is balanced and able to fulfil its function as recommended by King IV. This committee recommends to the board the re-appointment of directors and succession planning for directors including the chief executive and senior management.

The committee met four times during the year. The scope of the nomination committee's work during the year included the following matters:

- ▷ Assessment of the appropriate composition of the board to execute its duties effectively
- ▷ Considered the annual board appraisal results
- ▷ Recommended to the board the gender diversity policy
- ▷ Considered succession planning for the non-executive directors
- ▷ Appointment of an independent non-executive director.

The committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference for the reporting period.

### Focus areas for 2018

The committee will focus on implementation of the gender diversity policy, board and committee's composition. The committee intends to continue its overview of the Group's succession planning for directors and senior management.

# Corporate governance *(continued)*

## Attendance

The names of the members who were in office during the period 31 August 2016 to 31 August 2017 and the number of nominations committee meetings attended by each of the members are:

Nominations	28 November 2016	21 February 2017	23 June 2017	25 August 2017
CWL Phalatse (Chair)	✓	✓	✓	✓
T Slabbert	✓	✓	✓	✓
EK Diack	✓	✓	✓	A

✓ = Present  
A = Apology

On behalf of the committee

## CWL Phalatse

Chairman

## Remuneration committee

Chairman: Doug Band

Membership: Doug Band; Lorato Phalatse; Bongsi Masinga; Alex Maditsi; Eric Diack.

## Key objective

The committee is empowered by the board to assess and approve the broad remuneration strategy for the Group, the operation of the Company's short-term and long-term incentives for executives across the Group, and sets short-term and long-term remuneration for the executive directors and members of the executive committee.

The committee met three times during the year. The chief executive and the other members of senior management may be invited to attend, except when issues relating to their own compensation are discussed.

The work of the remuneration committee during the year focused on:

- ▷ Monitoring executive appointments, terminations and retirements
- ▷ Determining the general policy on remuneration to ensure fair, competitive and responsible reward
- ▷ Determining the specific remuneration packages for the executive directors and other senior executives and management
- ▷ Approving the rules, criteria, targets and allocations for performance-related pay schemes
- ▷ Proposing to shareholders the non-executive director remuneration.

The committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference and with the status of remuneration and incentives in the Group.

## Focus areas for 2018

The committee will continue to promote the Group's strategic objectives through fair and transparent remuneration.

Further details of the Group's remuneration policy and the work of the remuneration committee can be found in the remuneration report section on pages 15.

## Attendance

The names of the members who were in office during the period 31 August 2016 to 31 August 2017 and the number of remuneration committee meetings attended by each of the members are:

Remuneration	13 September 2016	30 September 2016	24 August 2017
DDB Band (Chair)	✓	✓	✓
AK Maditsi	✓	✓	✓
EK Diack	✓	✓	A
S Masinga	✓	✓	✓
CWL Phalatse	✓	✓	✓

✓ = Present  
A = Apology

On behalf of the committee

## DDB Band

Chairman

# Corporate governance *(continued)*

## Social and ethics committee

Chairman: Nigel Payne

Membership: Nigel Payne; Lorato Phalatse; Alex Maditsi; Mpumi Madisa; Lindsay Ralphs; Gillian McMahon; Tania Slabbert; Peter Meijer.

### Key objective

The purpose of the committee is to regularly monitor the Group's activities, having regard to any relevant legislation, other legal requirements or prevailing codes of best practice and, in particular, to monitor the Group's compliance with the applicable requirements of Regulation 43 of the South African Companies Act in relation to matters pertaining to social and economic development, good corporate citizenship, environment, occupational health and public safety, labour and employment and the Group's code of ethics and sustainable business practice.

The committee met four times during the year. The work of the social and ethics committee during the year focused on:

- ▷ Progress in the alignment of the Group's practices to the requirements of the B-BBEE codes
- ▷ Promoting the code of ethics and driving ethical behaviour
- ▷ Preferential procurement, socio-economic development and enterprise development
- ▷ Promoting and protecting the environment, health and safety; preventing and combating bribery and corruption
- ▷ Being a good corporate citizen, particularly our efforts at protecting and advancing human rights, promoting equality and preventing unfair discrimination
- ▷ Ongoing stakeholder engagement.

The committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference for the reporting period.

### Focus areas for 2018

The committee will continue to monitor the Group's activities relating to socio-economic development, community upliftment, economic empowerment and stakeholder engagement.

More details on the activities of the social and ethics committee can be found in the transformation and sustainability section of this report on page 27.

### Attendance

The names of the members who were in office during the period 31 August 2016 to 31 August 2017 and the number of social and ethics committee meetings attended by each of the members are:

Social and ethics	23 November 2016	22 February 2017	25 May 2017	23 August 2017
NG Payne (Chair)	✓	✓	✓	✓
CWL Phalatse	✓	✓	✓	✓
T Slabbert	✓	✓	✓	✓
AK Maditsi	✓	✓	✓	✓
NT Madisa	✓	✓	✓	✓
GC McMahon	✓	✓	✓	✓
HP Meijer	✓	✓	✓	✓
LP Ralphs	✓	✓	✓	✓

✓ = Present

On behalf of the committee

### NG Payne

Chairman

### Risk committee

Chairman: Nigel Payne

Membership: Nigel Payne; Alex Maditsi; Mpumi Madisa; Peter Meijer, Lindsay Ralphs; Gillian McMahon; Lorato Phalatse; Tania Slabbert.

### Key objectives

The committee identifies material risks to which the Group is exposed and ensures that the requisite risk management culture, policies, and systems are implemented and functioning effectively. The committee is also responsible for the governance of IT.

The committee met four times during the year. The work of the risk committee during the year focused on:

- ▷ Review of the risk landscapes to which the Group is exposed in relation to the Group's risk tolerance and risk appetite levels and evaluation of the appropriateness of management's responses to the risks
- ▷ Reviewed the consolidated risk assessment results and determining trends, common areas of concern and the most significant risks for reporting to the board
- ▷ Reviewed and approved the insurance renewal programme and the extent to which the Group should retain risk
- ▷ Reviewed the systems and technology of the Group.

The committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference, and remains comfortable with the Group's levels of risk, governance of information and technology, particularly having regard to the significant oversight on key areas of business-as-usual information technology operations and innovative activities.

# Corporate governance *(continued)*

## Focus areas for 2018

The committee will continue assessing the risk profile of the Group's large exposures to ensure that such exposures are managed within the risk appetite. The 2018 focus will remain on IT infrastructure, cyber security, system availability and stability, disaster recovery, digital transformation and innovation.

Refer to the risk report on page 23.

## Attendance

The names of the members who were in office during the period 31 August 2016 to 31 August 2017 and the number of risk committee meetings attended by each of the members are:

Risk	23 November 2016	22 February 2017	25 May 2017	23 August 2017
NG Payne (Chair)	✓	✓	✓	✓
CWL Phalatse	✓	✓	✓	✓
T Slabbert	✓	✓	✓	✓
AK Maditsi	✓	✓	✓	✓
NT Madisa	✓	✓	✓	✓
GC McMahon	✓	✓	✓	✓
HP Meijer	✓	✓	✓	✓
LP Ralphs	✓	✓	✓	✓

✓ = Present

On behalf of the committee

## NG Payne

Chairman

## Acquisitions committee

Chairman: Doug Band

Membership: Doug Band; Eric Diack; Nigel Payne; Lindsay Ralphs; Peter Meijer.

## Key objectives

The role of the committee is to review potential mergers, acquisitions, investment and other corporate transactions in line with the Group's levels of authority.

The committee met five times during the year. The scope of the acquisitions committee's work during the year included the following matters:

- ▷ Reviewed the performance of recent investments against agreed benchmarks
- ▷ Considered, evaluated, approved and monitored the acquisition of Brandcorp and the Noonan Group
- ▷ Considered and evaluated the viability of proposed investments, disinvestments and expansion opportunities.

The committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference for the reporting period.

## Focus areas for 2018

The committee will continue to expand the Group's long-term growth strategy, both local and international, and create a platform to access new markets.

## Attendance

The names of the members who were in office during the period 31 August 2016 to 31 August 2017 and the number of acquisitions committee meetings attended by each of the members are:

Acquisitions	30 January 2017	21 February 2017	9 May 2017	17 August 2017	24 August 2017
DDB Band (Chair)	✓	✓	✓	✓	✓
EK Diack	✓	✓	✓	✓	A
NG Payne	✓	✓	✓	✓	✓
LP Ralphs	✓	✓	✓	✓	✓
HP Meijer	✓	✓	✓	✓	A

✓ = Present

A = Apology

On behalf of the committee

## DDB Band

Chairman

# Corporate governance *(continued)*

## Audit committee

Chairman: Nigel Payne

Members: Nigel Payne; Eric Diack; Bongzi Masinga; Nosipho Molope.

The audit committee is pleased to present its report in terms of section 94 of the Companies Act, King IV and the JSE Listings Requirements for the financial year ended 30 June 2017. The committee has conducted its work in accordance with the written terms of reference approved by the board.

The committee's main objective is to assist the board in fulfilling its oversight responsibilities, in particular with regard to evaluation of the adequacy and efficiency of accounting policies, internal controls and financial and corporate reporting processes. In addition, the committee assesses the effectiveness of the internal auditors and the independence and effectiveness of the external auditors.

## Composition

Mrs CWN Molope was appointed to the audit committee on 2 August 2017 as an independent non-executive member. The committee comprises the following members, who have the necessary skills and experience to fulfil the duties of the committee: Mr NG Payne (Independent non-executive director and Chairman), Mr EK Diack (Independent non-executive director), Ms S Masinga (Independent non-executive director) and Mrs CWN Molope (Independent non-executive director). The appointment of all members of the committee is subject to the shareholders' approval at the next annual general meeting to be held on Monday, 27 November 2017. The profiles of the members, including their qualifications, can be viewed on pages 13 and 14.

In addition to the Group audit committee, divisional audit committees have been established. The divisional audit committees are chaired by competent independent non-executives who participate in the Group audit committee.

## Frequency and attendance

During the year under review, six meetings were held.

Audit	15 September 2016	2 November 2016	24 February 2017	26 May 2017	22 August 2017	24 August 2017
NG Payne (Chair)	✓	✓	✓	✓	✓	✓
EK Diack	✓	✓	✓	✓	✓	A
S Masinga	✓	✓	✓	✓	A	A
CWN Molope (appointed 2 August 2017)					A	✓

✓ = Present

A = Apology

## Statutory duties

The committee is satisfied that it has performed the statutory requirements for an audit committee as set out in the Companies Act as well as the functions set out in the terms of reference and that it has therefore complied with its legal, regulatory or other responsibilities as may be assigned by the board.

There were no reportable irregularities during the year, nor were any complaints or queries about our financial reporting brought to the attention of the audit committee.

## External auditor

The committee nominated and recommended the appointment of the external auditor, Deloitte & Touche, to the shareholders in compliance with the Companies Act and the JSE Listings Requirements and the appointment of Mr MH Holme as designated auditor for the 2017 financial year.

The committee satisfied itself that the audit firm and designated auditor are accredited and appear on the JSE List of accredited auditors. The committee further satisfied itself that Deloitte & Touche was independent of the Company, which includes consideration of compliance with criteria relating to independence proposed by the Independent Regulatory Board for Auditors.

The committee, in consultation with executive management, agreed to the engagement letter, terms, audit plan and budgeted audit fees.

The committee has the following responsibilities for external audit:

1. Recommends the appointment of external auditor and oversees the external audit process and in this regard the committee must:
  - ▷ Nominate the external auditor for appointment by the shareholders
  - ▷ Approve the annual audit fee and terms of engagement of the external auditor
  - ▷ Monitor and report on the independence of the external auditor in the annual financial statements
  - ▷ Define a policy for non-audit services and pre-approve non-audit services to be provided by the external auditor
  - ▷ Ensure that there is a process for the committee to be informed of any reportable irregularities as defined in the Auditing Profession Act, 2005, identified and reported by the external auditor
  - ▷ Review the quality and effectiveness of the external audit process
  - ▷ Consider whether the audit firm and where appropriate the individual auditor that will be responsible for performing the functions of auditor are accredited as such on the JSE List of Accredited Auditors and their advisers as required by the JSE Listings Requirements.

# Corporate governance *(continued)*

2. The committee has applied its mind to the key audit areas and key audit matters identified by the external auditors. The committee has considered all key audit matters and is comfortable that they have been adequately addressed and disclosed. These items, which required significant judgement, were:

- ▷ accounting for, valuation of and disclosures relating to the Group's unlisted 6,75% interest in Mumbai International Airport Private Limited (MIAL), at US\$72 million converted to R940 million (2016: US\$60 million converted to R853 million); and
- ▷ accounting for the acquisition of Brandcorp, which resulted in intangibles of R684 million and goodwill of R436 million being recognised.

## **Internal audit**

The committee has satisfied itself that the internal audit function was appropriately independent. The internal audit charter and the internal audit plan were approved by the committee. Internal audit has access to the committee, primarily through its chairman.

The committee has the following responsibilities for internal audit:

- ▷ The appointment, performance assessment and/or dismissal of the internal auditor
- ▷ To approve the internal audit charter and the internal audit plan
- ▷ To ensure that the internal audit function is subject to an independent quality review as and when the committee determines appropriate.

## **Internal finance control**

Nothing has come to the attention of the committee that caused it to believe that the Group's system of internal controls and risk management is not effective and that the internal financial controls do not form a sound basis for the preparation of reliable financial statements.

## **Risk management**

The committee is responsible for reviewing the effectiveness of systems for internal control, financial reporting and financial risk management and considering the major findings of any internal investigations into control weaknesses, fraud or misconduct and management's response thereto. The committee receives, in conjunction with the risk committee, regular reports provided as part of the enterprise-wide risk management framework to assist in evaluating the Group's internal controls.

## **Combined assurance**

The committee is of the view that the arrangements in place for combined assurance are adequate and are achieving the objective of an effective, integrated approach across the disciplines of risk management, compliance and audit.

## **Duties assigned by the board**

The committee oversees the preparation of the Company's integrated report and the reporting process, including the system of internal financial control. During the year under review, the committee met with the external auditor without management being present.

## **Expertise of the financial director and finance function**

The committee has reviewed the current performance and future requirements for the financial management of the Company and concluded that the current team has the appropriate skills, experience and expertise required to fulfil the finance function. In compliance with paragraph 3.84(h) of the JSE Listings Requirements, the committee satisfied itself of the appropriateness of the expertise and experience of the financial management team as a whole.

The committee has reviewed the performance, qualifications and expertise of the group financial director, Mr HP Meijer and is satisfied with the appropriateness of the expertise and experience of the group financial director.

## **Going concern**

The committee reviewed the documents prepared by management in which they assessed the going concern status of the Company and its subsidiaries at year-end and the foreseeable future. Management has concluded that the Group is a going concern. The committee resolved and recommended acceptance of this conclusion to the board.

## **Consolidated financial statements**

In our opinion, the consolidated financial statements present fairly, in all material respects the consolidated financial position of the Company and its subsidiaries as at 30 June 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

## **Fraud prevention**

An anonymous ethics line is in place. The service is managed by Deloitte & Touche and is independent of Bidvest. All calls reported are in total anonymity and without fear of discrimination. Monthly reports are provided by the independent service provider. The monitoring of reports from this service is shared between this committee and the social and ethics committee.

## **Information technology governance**

The committee, in conjunction with the risk committee, is responsible for:

- ▷ Obtaining independent assurance on the effectiveness of the IT internal controls
- ▷ Overseeing the value delivery on IT and monitoring the return on investments on significant IT projects
- ▷ Ensuring that IT forms an integral part of the Company's risk management.

## **Recommendation of the annual financial statements for approval by the board**

The committee recommended the Group annual financial statements and Company annual financial statements for approval by the board.

On behalf of the committee

**N Payne**  
Chairman

# Corporate governance *(continued)*

## Directors' *curricula vitae*

### Independent non-executive chairman

#### **Cecilia Wendy Lorato Phalatse**

Age: 55

Qualification: BA Political Science (Hons), University of Leeds UK, MA Southern African Studies, University of York UK

Appointed: Appointed as director on 20 April 2012 and as chairman during September 2012

Lorato is an independent non-executive director of Pick n Pay Stores, Peermont Global and Mobile Telephone Network (MTN). Lorato has held various positions over the years including deputy director general in the office of the President and a number of other positions in the FMCG and retail banking sectors. Lorato was CEO and co-founder of Nozala Investments, a woman-led and controlled investment company.

### Chief executive

#### **Lindsay Peter Ralphs**

Age: 62

Qualification: BCom, BAcc, CA(SA)

Appointed: 10 May 1992

Lindsay was appointed a director of Bidvest on 10 May 1992. He is a director of numerous Bidvest subsidiaries, chairman of the Bidvest operational divisions and chairman of Bidvest Namibia. During his Bidvest career he has been Group operations director, managing director of Bidvest Steiner and was responsible for forming the Bidvest Services division in 1994. In February 2011, Lindsay was appointed CEO of Bidvest South Africa and in May 2016 was appointed chief executive of Bidvest Limited after the unbundling of the Bidvest foodservice division. Lindsay is a non-executive director of Adcock Ingram Holdings.

### Executive directors

#### **Hans Peter Meijer**

*Group financial director*

Age: 61

Qualification: BCompt, MBL

Appointed: 23 May 2016

Peter joined the Bidvest corporate office in 1990 and in 1995 moved into a subsidiary divisional financial role as financial director of Steiner, appointed as financial director of the Bidvest Services division in 2001, and finally the Bidvest South Africa division in 2011. Peter serves on all South African divisional boards and divisional audit committees, and was appointed to the Bidvest board as group financial director on 23 May 2016.

#### **Anthony William Dawe**

*Chief executive of Bidvest Freight*

Age: 52

Qualification: CA(SA)

Appointed: 28 June 2006

Director of numerous Bidvest subsidiaries, Anthony has many years' experience in the freight industry with most of those years focused in the South African port environment. Prior to this, Anthony's finance experience was in London and for one of the large accounting firms in South Africa.

#### **Nompumelelo (Mpumi) Themekile Madisa**

*Executive director*

Age: 38

Qualification: Masters in Finance and Investment, BComm Honours in Economics and BSc in Economics and Mathematics

Appointed: 4 December 2013

Mpumi was previously chief director in the Gauteng provincial government. During her time at Bidvest, she has held various senior management and executive board director positions such as general manager business development, divisional director business development, corporate affairs director and sales and marketing director. She is a director of numerous Bidvest subsidiaries.

#### **Gillian Claire McMahon**

*Executive director*

Age: 45

Qualification: BCom Honours Business Economics and Industrial Psychology, MCom Industrial Psychology

Appointed: 27 May 2015

Gillian previously held various operational roles in customer service, operations, training and human resources. During her time at Bidvest, Gillian has held various senior management roles including commercial director of Bidtravel and is the current Group transformation executive. Gillian is a director of numerous Bidvest subsidiaries.

### Independent non-executive director

#### **Douglas (Doug) Denoon Balharrie Band**

Age: 73

Qualification: BCom, CA(SA)

Appointed: 27 October 2003

Doug has extensive experience in both commerce and industry and has served in the chief executive position in three blue-chip listed companies. Over a period of 20 years he has also served as independent non-executive director on the boards of a number of prominent South African companies. Doug also currently serves as an independent non-executive director of Bid Corporation.

# Corporate governance *(continued)*

## **Eric Kevin Diack**

Age: 60

Qualification: CA(SA), AMP Harvard

Appointed: 20 April 2012

Eric has extensive experience of the South African industrial and mining landscape. He has been integral to the negotiation and successful conclusion of a multitude of transactions during his corporate and entrepreneurial career. Eric has served on numerous major listed company boards, namely: AMIC, AECI, ArcelorMittal, Daewoo, Dorbyl, Haggie, Highveld Steel, LTA, McCarthy's, Terra and Tongaat. Eric is a director on the boards of Aveng, Bidvest Bank, Bidvest Bank Holdings, McConnell Dowell Corporation and Vast Resources. Eric is chairman of the audit committee of Bidvest Bank.

## **Alex Komape Maditsi**

Age: 55

Qualification: BProc, LLB (Wits), LLM (Pennsylvania), LLM (Harvard), Dip Company Law (Wits)

Appointed: 20 April 2012

Alex is the current franchise director for Coca-Cola Southern and Eastern Africa. Alex has held various positions in Coca-Cola over the past 15 years. Alex has held various legal positions in companies in both South Africa and the United States. Alex is a non-executive director of African Rainbow Minerals, African Rainbow Capital and recently appointed to the board of Murray & Roberts.

## **Sibongile (Bongi) Masinga**

Age: 50

Qualification: BCom, USA-SA Leadership and Entrepreneurship Programme (Wharton School of Business)

Appointed: 4 December 2013

Bongi is one of the founding members of the Afropulse Group. Prior to this she was the chief operating officer and head of Corporate Advisory at Quartile Capital. She has held various positions in financial services including at DBSA and Gensec. She also gained merchant banking experience with Hill Samuel in London. She currently serves on the following boards: National Student Financial Aid Scheme and Itumeleng Petra Diamonds Employee Trust. She also sits on applicable subcommittees. Bongi was a non-executive director of Mvelaserve prior to the purchase of Mvelaserve by Bidvest.

## **Nigel George Payne**

Age: 57

Qualification: CA(SA), MBL

Appointed: 28 June 2006

Nigel is a director of various companies, including the JSE, Mr Price Group (chairman), Vukile Property Fund and Bid Corporation. Nigel is chairman of Bidvest Bank.

## **Tania Slabbert**

Age: 50

Qualification: BA, MBA

Appointed: 20 August 2007

Tania is a co-founder and non-executive director of WDB Investment Holdings and previously served as its CEO for 12 years. She also serves as a non-executive director on the boards of Caxton and WDB Seed Fund and is a Trustee of the BPSA Education Foundation. Her previous directorships include Discovery, BP South Africa, Rennies Travel, National Small Business Development Council and the Lilliesleaf Trust.

## **Carol Winifred Nosipho Molohe**

Age: 53

Qualification: BSc (Med) (Wits), B Compt (Hon) (Unisa), CA(SA)

Appointed: 2 August 2017

Nosipho has gained experience over a number of years in the financial services sector and was the chief financial officer at the Financial Services Board (FSB) from August 2005 to December 2008.

Nosipho is a director on a number of listed and unlisted companies in South Africa namely, Engen, Mobile Telephone Networks (MTN), Old Mutual Life Assurance Company (South Africa) and Old Mutual Emerging Markets and South32 Coal Holdings and other MTN Group African subsidiaries. Nosipho's board committee membership on these companies include audit, risk and compliance, credit and remuneration.

## **Company secretary**

The board remains satisfied with the competency and experience of Craig Brighten, the Group company secretary. He maintains an arm's length relationship with the board, providing guidance to board members on the execution of their duties. All board members have unhindered access to his services in all aspects of the board's mandate and the operations of the Group.

# Remuneration report

## BACKGROUND STATEMENT

The remuneration committee is pleased to present the Bidvest remuneration report for the year ended 30 June 2017.

We have considered the impact of the King IV™ Code on Corporate Governance (King IV) on the remuneration policy as well as the amended JSE Listing Requirements and present this report in two parts. The chairman's background statement, providing context on the decisions and considerations taken during the reporting year which influenced the remuneration outcomes.

Since we presented the last remuneration policy to shareholders no major changes were made but we have enhanced our variable pay disclosure. We believe our key performance indicators (KPIs) which are used for the measurement and determination of short- and long-term incentive awards are aligned with Company goals and strategies. At the annual general meeting (AGM) on 26 November 2016, our 2016 remuneration report was presented and voted on in sections, namely:

- ▷ Section 1: Policy on base package and benefits – endorsed by 99,1% of shareholders that voted
- ▷ Section 2: Policy on short-term incentives – endorsed by 95,3% of shareholders that voted
- ▷ Section 3: Policy on long-term incentives – endorsed by 68,0% of shareholders that voted.

The Group performed credibly in a year where political uncertainty, negative investor sentiment and depressed business confidence caused further economic underperformance. Bidvest, as a diversified group in many ways, mirrors the economy at large so management's focus on cost control, efficient integration of new businesses and tight asset management played a significant role in delivering results that generally outperformed comparative peer company performances. Basic earnings were up by 107,0% while headline earnings per share were up by 5,1%. Cash generation of R6,9 billion ensured that the balance sheet remains robust with net debt to EBITDA below a factor of one. A major emphasis remains the realisation of non-core assets and the search for acquisitions that fit Bidvest's strategic intent.

Given the diversified nature of the Group, the intention of the remuneration report is to provide an overview and understanding of Bidvest's remuneration philosophy and focuses on executive and non-executive director remuneration and further provides an overview of the share plans used across the Group.

## PART 1 – REMUNERATION POLICY

### Key principles of our philosophy

The key principles that shape our policy are:

- ▷ A critical success factor of the Group is its ability to attract, retain and motivate the entrepreneurial talent required to achieve positive operational outcomes, strategic objectives, and adherence to an ethical culture and good corporate citizenship. Both short- and long-term incentives are used to this end.
- ▷ Delivery-specific short-term incentives are viewed as strong drivers of performance. A significant portion of senior management's through-the-cycle reward is designed to be variable and aligned with stakeholder interests. This is prescribed by the achievement of realistic profit targets together with, where applicable, the individual's personal contribution to the growth and development of their immediate business, their division or the wider Group. Only when warranted by exceptional circumstances, special bonuses may be considered as additional awards
- ▷ As a consequence of the Group's dynamic and fast-moving nature, management is often redeployed to take on new challenges and address poor performing divisions. In such cases, subjective criteria may need to be applied when making an evaluation of performance
- ▷ Long-term incentives align the objectives of management and shareholders and other stakeholders for a sustainable period.

### Policy principles

The remuneration committee functions as a subcommittee of the board in terms of an agreed mandate and evaluates and monitors the Group's remuneration philosophy and practices to ensure consistency with governance principles and corporate strategy. The remuneration committee further implements the board-approved remuneration policy to ensure:

- ▷ salary structures and policies, cash as well as share-based incentives, motivate superior performance and are linked to realistic performance objectives that support sustainable long-term business growth
- ▷ stakeholders are able to make an informed assessment of reward practices and governance processes
- ▷ compliance with all applicable laws and regulatory codes.

## Governance and the remuneration committee

### Board responsibility

The board carries ultimate responsibility for the remuneration policy. The remuneration committee operates in terms of a board-approved mandate. The board will, when required, refer matters for shareholder approval, for example:

- ▷ new and amended share-based incentive schemes and their design
- ▷ non-executive board and committee fees.

The remuneration report, Part 1 and Part 2, will be put to a non-binding shareholders' vote at the AGM of shareholders.

### Composition, mandate and attendance for remuneration committee

The members of the remuneration committee are independent non-executive directors as defined by King IV. The remuneration committee is scheduled to hold three meetings per year but also meets on an ad hoc basis when required.

The attendance for these meetings is contained on page 8.

The chief executive and Group financial director attend meetings by invitation, to assist the remuneration committee with the execution of its mandate. Other members of executive management are invited when appropriate. No executive participates in the vote process or is present at meetings of the remuneration committee when his/her own remuneration is discussed or considered. The remuneration committee uses the services of PricewaterhouseCoopers (PwC) as its standing independent advisers.

# Remuneration report *(continued)*

The chairman of the remuneration committee or, in his absence, another member of the remuneration committee, is required to attend the AGM to answer questions on remuneration.

The terms of reference as set out in the mandate of the remuneration committee include:

- ▷ reviewing of the Group remuneration philosophy and policy and assisting the board to establish a remuneration policy for directors and senior executives that will promote the achievement of strategic objectives and encourage individual performance
- ▷ ensuring that the mix of fixed and variable pay in cash, shares and other elements meet the Group's needs and strategic objectives
- ▷ reviewing incentive schemes to ensure continued contribution to shareholder value
- ▷ reviewing the recommendations of management on fee proposals for the Group chairman and non-executive directors and determining, in conjunction with the board, the final proposals to be submitted to shareholders for approval
- ▷ determining all the remuneration parameters for the chief executive and executive directors
- ▷ reviewing and recommending to the board the relevant criteria necessary to measure the performance of executives in determining their remuneration
- ▷ agreeing to the principles for senior management increases and cash incentives in both South African and offshore operations
- ▷ agreeing to long-term incentive allocations (Conditional Share Plan) and awards for executive directors and all allocations (Share Appreciation Right Plan) for senior management
- ▷ overseeing the preparation of the remuneration report (as contained in this Annual Governance report) to ensure that it is clear, concise and transparent
- ▷ ensuring that the remuneration policy and remuneration policy implementation be put to a non-binding advisory vote by shareholders and engaging with shareholders and other stakeholders on the Group's remuneration philosophy.

## Role of benchmarking

To ensure that the Group remains competitive in the markets in which it operates, all elements of remuneration are subject to regular reviews against relevant market and peer data. Reviews are performed when required to benchmark the Group's remuneration against the services, trading and distribution industry and the general South African market.

The policy aims at positioning the Group as a preferred employer within the services, trading and distribution industry. To retain flexibility and ensure fairness when directing human capital to those areas of the Group requiring focused attention, subjective performance assessments may sometimes be required when evaluating employee contributions.

The Group believes that its remuneration policy plays an essential, vital role in realising business strategy and therefore should be competitive in the markets in which it operates.

## Executive directors

### Terms of service

The minimum terms and conditions applied to South African executive directors are governed by legislation. The notice period for these directors is one month. In exceptional situations of termination of the executive directors' services, the remuneration committee (assisted by independent labour law legal advisers) oversees the settlement of terms.

Executive directors are required to retire on the third anniversary of their appointment and may offer themselves for re-election. As appropriate, the board, through the nominations committee, proposes their re-election to shareholders.

Executive directors are permitted to serve as non-executive directors on one other public company board with the express permission of the chief executive and the nominations committee. This excludes directorships where the Group holds a strategic investment in that public company (ie nominee directorship). Fees paid to nominee directors accrue to the Group and not to the individual directors concerned.

### Elements of remuneration

The Group operates a total cost-to-company (CTC) philosophy whereby cash remuneration, benefits (including a defined contribution retirement fund, medical aid and other insured benefits) form part of employees' fixed total CTC remuneration. Senior management and executive directors also participate in short-term incentives in the form of a performance bonus plan. Two long-term incentive plans are in operation, namely the Bidvest Share Appreciation Right Plan for senior management and executive directors who are not members of the Group exco and the Bidvest Conditional Share Plan for Group executive directors.

The different components of remuneration, their objectives, the policy which governs it and their link to the business strategy are summarised overleaf. Where changes to the policy are envisaged for the following financial year, these are highlighted.

The Group views the executive directors who are members of the Group exco as the current "prescribed officers" as defined in the Companies Act and therefore no separate remuneration policy disclosure for prescribed officers is necessary.

# Remuneration report *(continued)*

Table 1: Summary of remuneration components for executive directors

	Component	Objective and practice	Link to business strategy	Policy	Future changes
<b>Part 1 – Section 1 Guaranteed pay (CTC)</b>	Base package	Attract and retain the best talent.  Reviewed annually and set on 1 July.	This component aligns with business strategy as it takes into account internal and external equity, thereby ensuring competitiveness and rewarding individuals fairly based on a similar job in the market.	Level of skill and experience, scope of responsibilities and competitiveness of the total remuneration package are taken into account when determining CTC.	No changes proposed.
	Benefits	Providing employees with contractually agreed basic benefits such as retirement fund benefits (defined contribution), medical aid, risk benefits and life and disability insurance on a CTC basis.	Benefits recognise the need for a holistic approach to guaranteed package and are part of the overall employee value proposition offered by Bidvest.	The Company contributes towards retirement benefits as per the rules of its retirement funds. Medical aid contributions depend upon each individual's needs and package selection.  Risk and insurance benefits are Company contributions, all of which form part of total cost of employment.	No changes to standard employment benefits.
<b>Part 1 – Section 2 Short-term incentives (STIs)</b>	STI	To motivate and incentivise delivery of performance over the one-year operating cycle.  Bonus levels and the appropriateness of measures and weightings are reviewed annually to ensure that these continue to support Bidvest's strategy.  The annual bonus is paid in cash in August/September each year for Group financial performance during the previous financial year.	Encourages growth in trading profit targets, earnings per share and return on equity for shareholders in a sustainable manner over the short term.  Combines the above Group financial performance metrics with strategic metrics, such as leadership, to ensure well-balanced KPIs.  Rewards executive directors for their measurable contribution to the Group based on predetermined metrics.	Target and stretch performance targets are set for the following metrics:  <b>Company financial performance</b> ▷ Headline earnings per share (HEPS) growth ▷ Return on funds employed (ROFE) achieved.  Measured against prior year's performance and budgets.  <b>Strategic</b> Sustainability and transformation, business enhancements and acquisitive growth.  <b>Earning potential</b> At target performance, the earning potential is 100% of CTC.  Stretch earning potential is limited to 150% of CTC and is subject to exceptional performance.  <b>Discretion of remuneration committee</b> The remuneration committee has discretion, when warranted by exceptional circumstances and where considerable value has been created for shareholders and stakeholders of Bidvest by specific key employees, to award special bonuses or other ex gratia payments to individuals.  In exercising this discretion the remuneration committee must satisfy itself that such payments are fair and reasonable and are disclosed to shareholders as required by remuneration governance principles.	It is proposed to increase the STI limit in respect of the chief executive from 150% to 165%.
<b>Part 1 – Section 3 Long-term incentives (LTIs)</b>	LTI – Conditional Share Plan (CSP)	To motivate and incentivise delivery of sustained performance over the long term.	Alignment of executives' interests with shareholders through conditional rights to future delivery of equity.  Vesting of conditional rights to shares is subject to performance targets, thereby supporting the performance culture of the Group.  Motivates long-term, sustainable performance.	Award levels are set according to best practice benchmarks, to ensure support of Group business strategy. Awards consist of conditional rights to shares, subject to performance conditions over a three-year performance period and continued employment period for the duration of the vesting periods of three years (75% of the award) and four years (25% of the award), respectively.  The Group performance metrics comprise the following: ▷ HEPS growth ▷ Relative total shareholder return (TSR) as external performance measure ▷ ROFE ▷ Strategic – success in attaining B-BBEE targets and business enhancements.	It is proposed to include business enhancements and acquisitive growth in the strategic metrics. The strategic metric weighting of 20% will remain unchanged but be subject to linear vesting.

# Remuneration report *(continued)*

## Further details on long-term incentive plans

### Conditional Share Plan

At the 2008 AGM, shareholders approved a CSP. The CSP was implemented for executive directors only, to replace previous participation in the share option plan. Under the CSP, participants are awarded a right to future delivery of equity (ie a conditional right to receive shares). Vesting of shares is subject to the achievement of performance conditions. Group performance conditions, each with different weightings, have been imposed. The performance period is three years, coinciding with the Group's financial year.

Further details on the award levels, performance period and measure can be found in Part 2 of this report.

### Share Appreciation Right Plan

Upon the unbundling of Bid Corporation Limited (Bidcorp) from Bidvest during May 2016, shareholders approved a new Share Appreciation Right Plan (SAR Plan) to replace the previously used Group Option Scheme. It is the intention that senior management (excluding executive directors) will participate in the SAR Plan and no further awards will be made under the Group Option Scheme. SARs vest after three years and lapse after seven years.

### Share dilution

An aggregate limit applies to the CSP and SAR Plan and no more than 5% of the issued share capital of Bidvest can be issued in settlement of both the CSP and the SAR Plan. If shares are purchased in the open market for settlement of allocations in terms of the CSP and the SAR Plan, the limits will not be impacted.

## Non-executive directors

### Terms of service

Non-executive directors are appointed by the shareholders at the AGM. Interim board appointments are permitted between AGMs. Appointments are made in accordance with Group policy. Interim appointees retire at the next AGM, when they may make themselves available for re-election.

As appropriate, the board, through the nominations committee, proposes their re-election to shareholders. There is no limit on the number of times a non-executive director may make him or herself available for re-election.

### Fees

Group policy is to pay competitive fees for the role while recognising the required time commitment. Fees are benchmarked against a comparator group of JSE-listed companies. The fees comprise an annual retainer component and attendance fee for scheduled meetings, as tabulated in Part 2 of this report. In addition, non-executive directors are compensated for travel and subsistence on official business where necessary and to attend meetings. No contractual arrangements are entered into to compensate non-executive directors for the loss of office.

Non-executive directors do not receive short-term incentives nor do they participate in any long-term incentive schemes, except where non-executive directors previously held executive office, and they remain entitled to unvested benefits arising from their period of employment. The Group does not provide retirement contributions to non-executive directors.

Management proposes non-executive directors' fees (based on independent advice) to shareholders annually for shareholder vote.

### Shareholder engagement

The Group's remuneration policy and the implementation thereof are placed before shareholders for consideration and approval under the terms of an advisory non-binding vote at the 2017 AGM as recommended by King IV.

In the event that 25% or more of the votes cast are recorded against either the remuneration policy resolution or the implementation resolution, then:

- ▷ Executive management will engage shareholders to ascertain the reasons for dissenting vote. Where considered appropriate, members of the remuneration committee may participate in these engagements with selected shareholders
- ▷ Executive management will make specific recommendations to the remuneration committee as to how the legitimate and reasonable objections of shareholders might be addressed, either in the Group's remuneration policy or through changes on how the remuneration policy is implemented.

### Directors' interests in contracts

During the financial year, none of the current directors had a material interest in any contract of significance to which the Company or any of its subsidiaries were parties.

### Non-binding advisory vote

Shareholders are requested to cast an advisory vote on the remuneration policy as contained in Part 1 of this report.

# Remuneration report *(continued)*

## PART 2 – IMPLEMENTATION OF REMUNERATION POLICY

### Executive director remuneration

#### Guaranteed pay – base pay and benefits

In determining the CTC increases for executive directors, the remuneration committee considered the average increases to general staff and also used relevant market data.

Benchmarks were selected based on a number of factors, including, but not limited to, company size and complexity of comparable listed companies by reference to market capitalisation, turnover, profitability, number of employees and sector.

In aggregate executive directors received a 7% increase.

#### Short-term incentives 2017 outcomes

The performance measures and targets generating the awards are:

- ▷ HEPS growth (40% weighting) measured on a linear basis from the threshold (inflation growth only), target (2% real growth) and stretch (4% real growth)
- ▷ ROFE (30% weighting) measured on a linear basis from the threshold 20,0%, target 21,5% and stretch 24,0%
- ▷ Strategic metrics:
  - Sustainability and transformation (15% weighting) – evaluation based on goals set in consultation with the Group social and ethics committee
  - Business enhancements and acquisitive growth (15% weighting).

Short-term bonuses, in terms of the formula, amounted to 67,8% of aggregate CTC. This compared to a maximum cap of 150% of CTC, primarily driven by below threshold performance on the HEPS metric.

#### Summary of executive directors' guaranteed pay and short-term incentives

The remuneration paid to executive directors, while in office of the Company during the year ended 30 June 2017, is analysed as follows:

Director	Basic remuneration R'000	Other benefits and costs R'000	Retirement/medical benefits R'000	Cash incentives R'000	2017 Total emoluments R'000	2016 Total emoluments* R'000
AW Dawe	4 487	76	263	3 347	8 173	7 648
NT Madisa	3 027	89	272	2 324	5 712	4 883
GC McMahon	1 672	154	218	1 409	3 453	3 084
HP Meijer	3 237	164	397	2 606	6 404	2 773
LP Ralphs	9 164	912	825	7 227	18 128	20 224
<b>2017 total</b>	<b>21 587</b>	<b>1 395</b>	<b>1 975</b>	<b>16 913</b>	<b>41 870</b>	<b>38 612</b>

\* Excludes former executive directors.

#### Short-term incentives 2018

The 2017 criteria for performance measures and targets as well as weightings are being applied in respect of short-term incentives for the 2018 financial year.

#### Long-term incentives

The following performance targets, weighting and performance periods are applicable to the CSPs and replacement rights and are to be tested over a three-year period commencing on 1 July 2016:

Performance conditions and weighting	Detail of performance conditions	Vesting profile	Peer group for testing TSR condition
<ul style="list-style-type: none"> <li>▷ HEPS growth (40%)</li> <li>▷ Relative TSR against peer group median (20%)</li> <li>▷ ROFE (20%)</li> <li>▷ Strategic metrics, which include progress on transformation and sustainability (20%)</li> </ul>	<p>Three-year HEPS growth:</p> <ul style="list-style-type: none"> <li>▷ Threshold – Inflation only</li> <li>▷ Target – 3% real growth</li> <li>▷ Stretch – 6% real growth</li> </ul> <p>Three-year ROFE:</p> <ul style="list-style-type: none"> <li>▷ Threshold – 21,5%</li> <li>▷ Target – 23%</li> <li>▷ Stretch – 26%</li> </ul> <p>Three year TSR</p> <ul style="list-style-type: none"> <li>▷ Threshold – 80% of peer group performance</li> <li>▷ Target – 100% of peer group performance</li> <li>▷ Stretch – 120% peer group performance.</li> </ul> <p>Strategic metrics:</p> <ul style="list-style-type: none"> <li>▷ Goals at threshold, target and stretch as set by the Group social and ethics committee.</li> </ul>	<p>HEPS, TSR and ROFE:</p> <ul style="list-style-type: none"> <li>▷ Below threshold – 0% vesting</li> <li>▷ At threshold – 30% vesting</li> <li>▷ Target – 60% vesting</li> <li>▷ Stretch – 100% vesting, where linear vesting will occur between the levels stated above.</li> </ul> <p>The vesting of the strategic metrics awards will be based on thresholds, targets and stretch criteria determined by the Group social and ethics committee. No linear vesting will apply.</p>	Remgro, Tiger Brands, AVI, Mr Price, Netcare, Pioneer Foods, Life Healthcare, Spar Group, Distell Group, Pick n Pay Stores, Imperial Holdings and Barloworld

The Bidvest CSPs awarded on 24 October 2016 are subject to performance conditions measured over the period 1 July 2016 to 30 June 2019, vesting of 75% of the awards will occur in 2019 and the remaining 25% will vest in 2020.

# Remuneration report *(continued)*

## Replacement rights

The Bidvest CSP awards made on 11 December 2015 in respect of Mr LP Ralphs were exchanged for replacement rights in Bidvest on a post-unbundled basis so that the market value is the same as the pre-unbundling value. The vesting period for the replacement rights was extended for an additional year and is subject to performance conditions measured over the period 1 July 2016 to 30 June 2019. Vesting of 75% of the awards will occur in September 2019 and the remaining 25% will vest in September 2020. The performance targets, weighting and performance periods are to be tested over a three-year period.

## Details of directors and officers' outstanding CSP

The following CSP awards were granted to the executive directors on 24 October 2016:

Director	Balance at 30 June 2016 Number	New awards Number	Exchanged for replacement rights Number	Forfeited* Number	Shares awarded Number	Closing balance 30 June 2017 Number
AW Dawe	–	28 000	–	–	–	28 000
GC McMahon	–	12 000	–	–	–	12 000
LP Ralphs	35 000	174 280**	(35 000)	–	–	174 280
NT Madisa	–	20 000	–	–	–	20 000
HP Meijer	–	22 000	–	–	–	22 000
<b>Total</b>	<b>35 000</b>	<b>256 280</b>	<b>(35 000)</b>	<b>–</b>	<b>–</b>	<b>256 280</b>

\* Forfeited as a result of targets not being met.

\*\* The award of 174 280 CSP to Mr LP Ralphs includes 94 280 replacement rights.

## Likely vesting outcomes

As at 30 June 2017, the vesting of the 2016 CSPs and replacement rights are estimated to be achieved as follows:

Performance conditions	Weighting %	Vesting %	Weighting vesting %
HEPS growth	40	–	–
Relative TSR	20	100,0	20,0
ROFE	20	46,0	9,2
Strategic metrics	20	82,5	16,5
Expected vesting (%)			45,7

## Bidvest Incentive Loan Scheme

The Bidvest Incentive Loan Scheme granted loans to staff and executive directors for the acquisition of shares in the Company. The scheme was concluded in the current year and loans were repaid.

Director	2017		2016	
	Number of shares	Carrying value of loan R'000	Number of shares	Carrying value of loan R'000
LP Ralphs	–	–	148 743	13 473
<b>Total</b>	<b>–</b>	<b>–</b>	<b>148 743</b>	<b>13 473</b>

# Remuneration report *(continued)*

## **Held in terms of the Bidvest Option Scheme**

As a consequence of the unbundling, each option holder who has not exercised their options granted under the Bidvest Option Scheme at the unbundling date, exchanged each one of their existing Bidvest Group options for one right over one Bidcorp share and one Bidvest share (referred to as the "replacement rights"). The original option prices were not adjusted, but on exercise of the replacement right, the original option price will be deducted from the combined value of the Bidcorp and Bidvest shares. The vesting date and lapse dates of the replacement rights will be the same as that of the original options.

Details of the directors and officers' outstanding replacement rights are as follows:

	Replacement rights at 30 June 2016		Replacement rights granted during the year		Replacement rights exercised		Replacement rights at 30 June 2017	
	Number	Average price R	Number	Average price R	Number	Market price <sup>1</sup> R	Number	Average price R
AW Dawe	133 066	267,27	–	–	–	–	<b>133 066</b>	<b>267,27</b>
NT Madisa	118 566	266,49	–	–	–	–	<b>118 566</b>	<b>266,49</b>
GC McMahon	76 250	258,30	–	–	15 000	267,03	<b>61 250</b>	<b>271,44</b>
HP Meijer	158 066	252,43	–	–	42 500	257,27	<b>115 566</b>	<b>269,29</b>
LP Ralphs	120 000	61,75	–	–	120 000	410,59	–	–
	605 948	221,42	–	–	177 500	361,75	<b>428 448</b>	<b>268,19</b>
<b>Company secretary</b>								
CA Brighten	28 078	253,05	–	–	7 500	237,27	<b>20 578</b>	<b>262,26</b>
	634 026	222,82	–	–	185 000	356,70	<b>449 026</b>	<b>267,92</b>

<sup>1</sup> Value of share/replacement right on exercise of replacement rights.

These replacement rights are exercisable over the period 1 July 2016 to 31 December 2025. A detailed register of replacement rights outstanding by tranche is available for inspection at the Company's registered office.

## **Summary of executive directors' long-term incentives (LTIs) including CSPs**

Director	Share-based payment expense R'000	Benefit arising from the exercise* of options R'000	Benefit arising from award of CSP R'000	Gross benefit R'000	Previous share-based payment expense in respect of awards R'000	Actual LTI benefit R'000
<b>2017</b>						
AW Dawe	3 687	–	–	3 687	–	3 687
NT Madisa	3 086	–	–	3 086	–	3 086
GC McMahon	1 834	4 005	–	5 839	(1 027)	4 812
HP Meijer	3 710	10 934	–	14 644	(2 945)	11 699
LP Ralphs	3 920	91 865	–	95 785	(6 179)	89 606
<b>2017 total</b>	<b>16 237</b>	<b>106 804</b>	<b>–</b>	<b>123 041</b>	<b>(10 151)</b>	<b>112 890</b>

\* Includes taxable benefits arising on the sale of shares and settlement of The Bidvest Incentive Scheme loans.

# Remuneration report *(continued)*

## Non-executive remuneration

The remuneration paid to non-executive directors while in office of the Company during the year ended 30 June 2017 is analysed as follows:

Director	2017			2016 Total R'000
	Directors' fees R'000	As directors of subsidiary companies and other services R'000	Total emoluments R'000	
DDB Band	551	–	551	881
EK Diack	808	775	1 583	1 684
B Joffe	203	4 000	4 203	407
AK Maditsi	535	–	535	400
S Masinga	582	–	582	603
NG Payne	1 296	873	2 169	2 557
CWL Phalatse	1 350	–	1 350	1 120
T Slabbert	562	–	562	566
	<b>5 887</b>	<b>5 648</b>	<b>11 535</b>	8 218
Former directors	–	–	–	1 914
<b>2017 total</b>	<b>5 887</b>	<b>5 648</b>	<b>11 535</b>	10 132
2016 total	<b>7 026</b>	<b>3 106</b>	<b>10 132</b>	

## Proposed non-executive directors' fees for 2018

	Basic per annum R'000	Per meeting R'000
Non-executive directors	97 600	39 200
Audit committee chairman	278 200	44 000
Chairman	1 430 000	
Audit committee member	73 500	32 000
Remuneration committee chairman	125 000	30 200
Remuneration committee member		34 500
Nominations committee member		31 800
Acquisitions committee chairman	83 700	35 600
Acquisitions committee member		37 400
Risk committee chairman	148 400	26 200
Risk committee member		27 800
Social and ethics committee chairman	89 000	26 200
Social and ethics committee member		26 200
Ad hoc meetings		19 000

The above fees are proposed net of VAT which may become payable thereon to directors, depending on the status of the individual director's tax position.

Refer to special resolution 2 on page 8 of the notice of AGM for approval of the fees by shareholders in terms of section 66 of the Companies Act.

## Non-binding advisory vote

Shareholders are requested to cast an advisory vote on the remuneration implementation report as contained in Part 2 of this report.

## Approval

This remuneration report was approved by the board of directors of Bidvest. Signed on behalf of the board of directors.



**Doug Band**  
Remuneration committee chairman

# Risk management

## Business risks and opportunities

The Bidvest board appointed a risk committee to assist in recognising all material risks to which the Group is exposed and ensuring that the requisite risk management culture, policies and systems are in place and functioning effectively. Risks are assessed on an enterprise-wide level and their individual and joint impact considered. Internal audit assists in evaluating the effectiveness of the risk management process and comment on this in their own assessment reports. Management is accountable to the board for implementing and monitoring the processes of risk management and integrating this into day-to-day activities. Divisionally, risk committees and risk registers are engaged to actively focus management on critical issues faced at a business and industry level. The key strategic risks are reported to the Group risk committee for consideration at board level. The risk committee membership is annually reviewed.

The material risks identified below have emerged because of analysing and understanding the direction in which each entity is moving as well as the overlay of the Group's strategy and macro-conditions. Our strong risk management disciplines allow us to convert risks into opportunities.

Key risks	Material focus areas	Management commentary	Opportunity
1	Increasingly complex and value-sensitive business environment	<p>A proliferation of regulatory and governance requirements across industries add costs in an already price-sensitive market while consuming a growing amount of management time and resources.</p> <p>Management focuses on key senior relationships with our customers to allow for mutually beneficial contract outcomes. Innovative solutions are required.</p> <p>Visibility into related-party transactions and potential conflicts of interests receive deliberate board and management attention, facilitated by our governance structures and independent ethics facility.</p> <p><b>Impact on KPIs:</b></p> <ul style="list-style-type: none"> <li>▷ HEPS growth</li> <li>▷ ROFE</li> <li>▷ Strategic metrics</li> </ul>	Bidvest's decentralised model allows it to be nimble and implement value-adding solutions and structures at operational level.
2	Remaining competitive and relevant	<p>We are a customer-centric organisation. The protection of its core business strength and reputation is critical.</p> <p>We encourage creative approaches and innovation and embrace the ability to adapt quickly and proactively to changing customer requirements, market dynamics and digital advancement.</p> <p>Bidvest constantly evaluates its digital strategies.</p> <p><b>Impact on KPIs:</b></p> <ul style="list-style-type: none"> <li>▷ HEPS growth</li> <li>▷ ROFE</li> <li>▷ Strategic metrics</li> <li>▷ TSR vs peer group</li> </ul>	Agility, a can-do attitude and appropriate digital strategies result in innovative solutions and open up additional opportunities.
3	Fostering positive long-term relations with key suppliers	<p>This remains a cornerstone of the way we do business and is recognised as a major strength. Management is constantly challenged to manage and grow these relationships.</p> <p>The Group builds sustainable, value-adding relationships.</p> <p><b>Impact on KPIs:</b></p> <ul style="list-style-type: none"> <li>▷ HEPS growth</li> <li>▷ TSR vs peer group</li> </ul>	Constant communication and monitoring of demand changes allow our businesses to be proactive and part of the solution.
4	Developing and maintaining high calibre staff	<p>We focus on maintaining and rewarding a high performance culture.</p> <p>It encourages an entrepreneurial attitude and develop people through training academies, graduate and learnership programmes and recognition.</p> <p>The short/medium-term disruption in the event of sudden departures due to lack of skilled management is well understood.</p> <p><b>Impact on KPIs:</b></p> <ul style="list-style-type: none"> <li>▷ Strategic metrics</li> <li>▷ HEPS growth</li> </ul>	Bidvest understands that people create wealth, companies report it. Home-grown talent thrives in our entrepreneurial, decentralised model.
5	Cost-effective, enabling IT systems and support structures	<p>Our IT governance framework supports effective and efficient management of people, technology and information. Specific attention is given to cyber security.</p> <p>Our internal audit ensures adherence to the IT frameworks and guidelines.</p> <p>Comprehensive group-wide property damage and business interruption insurance is in place.</p> <p><b>Impact on KPIs:</b></p> <ul style="list-style-type: none"> <li>▷ HEPS growth</li> <li>▷ ROFE</li> </ul>	Enable and empower the decentralised business model in the most cost-effective manner, to operate optimally and grow. Encourage more enablement of business through digital innovation.
6	Asset management	<p>Management actively monitors and drives performance in asset management, particularly working capital. This receives the focused attention of the audit committee and divisional boards.</p> <p>Credit risk and inventory levels are crucial. We respond by staying close to customers.</p> <p><b>Impact on KPIs:</b></p> <ul style="list-style-type: none"> <li>▷ HEPS growth</li> <li>▷ ROFE</li> <li>▷ TSR vs peer group</li> </ul>	Ambitious working capital targets and dynamic sourcing support returns and add value to customers. Our strong financial position allows us to remain acquisitive.

# Risk management *(continued)*

Key risks	Material focus areas	Management commentary	Opportunity
7	Making successful acquisitions	<p>A defined framework and process for acquisitions is in place. Post-acquisition reviews are conducted.</p> <p>Bidvest has a proven track record of acquisitive driven growth. As well as the efficient and effective integration of acquired companies.</p> <p><b>Impact on KPIs:</b></p> <ul style="list-style-type: none"> <li>▷ HEPS growth</li> <li>▷ ROFE</li> <li>▷ TSR vs peer group</li> </ul>	<p>We seek bolt-on acquisitions to broaden our product and service ranges.</p> <p>We seek tactical domestic acquisitions to deliver innovative solutions.</p> <p>We are looking for international acquisitions within specific niches where we can compete in a value accretive manner.</p>
8	Meeting and exceeding customer expectations	<p>We are a client-centric business that encourages entrepreneurial behaviour. Creative approaches and innovation is encouraged. Collaboration and digitalisation are increasing across the Group.</p> <p><b>Impact on KPIs:</b></p> <ul style="list-style-type: none"> <li>▷ HEPS growth</li> <li>▷ ROFE</li> <li>▷ Strategic metrics</li> </ul>	<p>A consistent track record and strong reputation tend to result in repeat business on commercially attractive terms.</p>
9	Environmental impact consciousness	<p>Our companies seek win-win gains through cost saving that delivers environmental gains.</p> <p>Environmental and recycling initiatives have been in place for many years.</p> <p>Overall Bidvest's environmental footprint is low.</p> <p><b>Impact on KPI:</b></p> <ul style="list-style-type: none"> <li>▷ Strategic metrics</li> </ul>	<p>Bidvest invests in technology that impacts favourably on the environment and results in cost-effective solutions.</p>
10	Continued low business confidence, constrained pro-growth oriented capital outlays and weakening longer term growth potential in SA	<p>We are committed to job creation and economic growth through the expansion of our SA operations. It welcomes the launch of "#BusinessBelieves in South Africa".</p> <p><b>Impact on KPIs:</b></p> <ul style="list-style-type: none"> <li>▷ HEPS growth</li> <li>▷ ROFE</li> <li>▷ TSR vs peer group</li> </ul>	<p>We see growth opportunities in SA. Bidvest has committed R1bn capital to build a LPG tank terminal in Richard Bay. Several large domestic acquisitions are also under consideration.</p>

## Internal audit pivotal role-player in our combined assurance model

The internal audit function is an independent, value-adding, progressive and responsive service to Bidvest shareholders. It fulfils a role of objectively evaluating the business processes and controls to appropriately manage the risk and support management's commitment to a strong control environment and operational excellence.

A risk-based internal audit plan is approved by the divisional and Group audit committees on an annual basis and is re-calibrated quarterly for the IA function to provide assurance services against the relevant and elevated risks of the business.

The internal audit function is well-constituted with a professional audit staff (more than 25 CA(SA)s in senior audit positions) with sufficient knowledge, skillset and experience to execute on the board approved internal audit charter that is consistent with the Institute of International Auditors' definition of internal audit as well as the principles of King IV. Given the ever-increasing dependencies of the business on IT, specialised IT audit and consulting skills have become a necessity in the function. Analytics and automation are well-entrenched into the mechanisms of the internal audit functions with further disruptive robotic initiatives being the focus for the future of internal audit.

## IT governance

The board acknowledges technology as a mechanism to access, protect and manage information. In relation to the IT framework below, the board governs both technology and information so that these support the organisation in achieving its strategic objectives. The IT forum is represented by CIOs from each division and is a platform within which to:

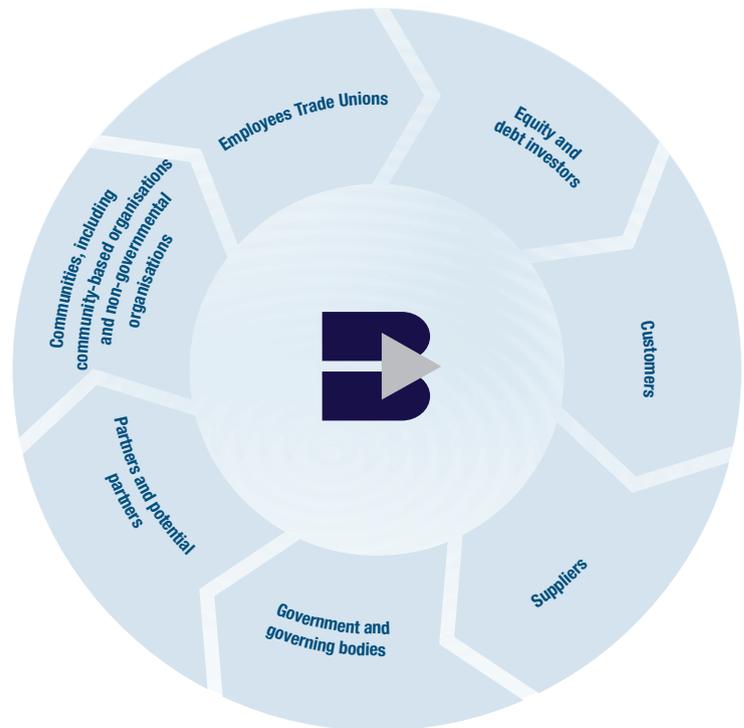
- ▷ Share knowledge, research and experience
- ▷ Leverage digitalisation and technology trends
- ▷ Harness the economies of scale and Group purchasing power
- ▷ Establish subject matter expert and centres of excellence surrounding topical technology issues
- ▷ Benchmark vendor services delivery and price.

Each IT environment across Bidvest is subjected to an IT audit as part of the internal audit plan. The IT audit assesses the design and effectiveness of the IT environments from a control perspective coupled with providing a view on the strategic enablement of IT by the businesses:

- ▷ **IT resources.** Fit-for-purpose in-house operational IT skills, with the necessary strategic IT oversight, are in place. These are complemented by outsourced vendors with specialist networking, telecommunications, and cyber security skillsets
- ▷ **Business resilience.** Business resilience controls (including technical controls) are appropriately implemented by the individual companies, based on the needs of the company. Incident response management is being given increased focus
- ▷ **Technology investment.** The IT functions generally run very lean with a common philosophy to sweat IT-related assets. However, significant investment is beginning to be made in the IT innovation and digitisation space across Bidvest
- ▷ **Project assurance.** Major IT projects are well-governed, with input from the necessary stakeholders. Major projects are timeously implemented
- ▷ **IT dependency.** Business and IT are continuously enhancing alignment, through IT representation on the various board and executive committees, and in recognition of the key role IT plays in the various businesses
- ▷ **Management of IT risk exposure.** Significant attention is given to this across the IT environments, with an increasing focus on the management of IT risk exposure related to any new acquisitions
- ▷ **Cyber security.** Significant attention has been given to the identification and management of cybersecurity risks across Bidvest. Implementation and enhancement of the necessary controls are being performed on a case-by-case basis, dependent on the risks identified
- ▷ **Vendor management.** Vendor relationships are effectively managed by the Company IT departments. Economies of scale are leveraged where appropriate
- ▷ **Data governance.** Data governance, including the necessary supporting IT architecture, is receiving attention by the various companies, especially those with the greatest exposure to data risks. Companies have identified the need for leveraging existing data assets to enable business intelligence insights.

# Stakeholders report

Sustainable value creation depends on successful engagement with stakeholders. Using our values as the basis of all exchanges, we aim to engage proactively with those who impact Bidvest, as well as those on whom we have an impact. This informs our strategy development and evaluation, our risk management as well as our material issues.



## Equity and debt investors

**Nature of engagement** – Results presentations and company announcements; Investor meetings/ roadshows; Internet updates and other

### Key issues raised

- Group strategy
- Group performance
- Significant non-financial issues
- Non-core asset disposal

### Our response

- Hosted investor days to enhance market knowledge base
- Updated Domestic Medium Term Note Programme documents and roadshow
- Continued inclusion of non-financial issues in annual integrated report
- R773 million from non-core asset disposals

## Employees and trade unions

**Nature of engagement** – Close involvement of local managers with local trade unions; Employment equity forums within Bidvest; Employee surveys; and Group ethics line

### Key issues raised

- Market-related remuneration
- Group communication to ensure good employee relationships and positive workforce
- Actioning employee issues raised
- Health and safety
- Securing, retaining and development of necessary skills

### Our response

- Informal, hands-on managerial culture
- Action the feedback from employee surveys
- Training for health and safety standards to be enforced
- Identification of effective mobile and other communication tools
- 3 900 participants in graduate recruitment programmes
- Concluded scheduled wage negotiations without strike action

## Communities, including community-based organisations and non-governmental organisations

**Nature of engagement** – Direct engagement by decentralised business operations with local communities and organisations with regards to community upliftment, particular projects and specific needs

### Key issues raised

- Improving the lives of those in the communities
- Use expertise to give back to communities
- Local procurement and employment

### Our response

- Three-tier CSI strategy:
  - Corporate office supports a number of overarching worthy causes
  - Divisions support their own flagship projects
  - Individual businesses support community-based projects
- Divisions run industry-specific training programmes to equip communities for a sustainable future
- ZAR81 million spend on, and 771 967 hours dedicated to, CSI

## Government and governing bodies

**Nature of engagement** – Submissions; meetings, representation on industry bodies

### Key issues raised

- Ongoing compliance with regulatory frameworks and good governance
- Tender processes and adjudication
- Local procurement and employment
- Fishing quotas in Namibia

### Our response

- Maintained sound governance policies and procedures
- Constructive engagement with various tender boards
- Introduced local partners and procurement elements in various contracts
- Engaging with various authorities in Namibia

## Partners and potential partners

**Nature of engagement** – International, regional and industry contacts; Market intelligence, focused on leaders in specific niche areas where Bidvest sees growth opportunities

### Key issues raised

- Scope for complementary growth
- Prospects for entry into new markets
- Potential to better serve existing customers by forming an alliance or a relationship, thereby anticipating emerging needs

### Our response

- Constant evaluation of market developments, new technologies and solutions
- Communication with brand principals, industry leaders and entrepreneurs

## Customers

**Nature of engagement** – Monitor call centres; Independent complaint channels; Bidvest website; Direct calls to divisional CE; Customer visits, feedback from sales representatives and client relations teams

### Key issues raised

- Compliance to a customer centric ethos
- Customers increasingly demand “smart green solutions” across all products and geographies
- Increasingly complex and value-sensitive business environment
- Retain and grow key customers

### Our response

- Meet and exceed customer needs and expectations through innovative solutions and broader product ranges
- Focus on key senior relationships with strategic customers
- Energy saving projects implemented across the Group resulted in cost savings

## Suppliers

**Nature of engagement** – Communication with key suppliers on market trends and requirements, as well as product innovations

### Key issues raised

- Clear communication channels supporting accurate and timely information to all parties
- Joint pursuit of efficiencies
- Long-term sustainable support of small and/or black-owned supplier companies
- Financial and operational challenges faced by certain suppliers

### Our response

- Established alternative supply channels
- Engaged with suppliers on product innovation
- Supportive relationships with small and/or black business to ensure their sustainability
- Continued efforts to streamline logistics chain

# Stewardship

## Transformation, sustainability and people

As a committed corporate citizen and one of the largest employers in South Africa, we continue to support and empower the individuals, businesses and communities we serve. We acknowledge that transformation is key to long-term growth and sustainability and while scorecards and good B-BBEE ratings play a vital role in accessing opportunities it remains only a benchmark and measurement for change that happens beyond the tick-box framework.

The past year has seen proposed and implemented amendments to B-BBEE regulations and legislation. The amended Preferential Procurement Regulations (2017), the proposed changes to the Mining Charter as well as the new reporting requirements for JSE listed companies and the B-BBEE Commission are in full force. These new and proposed changes will influence how we engage as business in South Africa and ensure our compliance as a listed entity.

We are cognisant of the fact that if we are going to achieve transformation in a way that strengthens our businesses rather than burden it with legislation, there has to be a more collaborative and inclusive approach between the private sector and government.

As a leader in business we will continue to be proactive and lead by example. We are clear on the fact that our success in securing business growth and sustainability hinges on our ability to critically assess and overcome the current challenges by identifying different ways of doing business. We view our relationships with customers and suppliers as key and a platform for more strategic solutions and partnerships alike.

While the economic outlook is not as favourable as it was a few years ago, we will continue to advance in transforming our status and impact as a corporate citizen. In line with the decentralised operating model of the Group, every subsidiary business acquires its own B-BBEE rating that it uses to operate and trade. So, while the Bidvest Group achieved a commendable level 4 B-BBEE contributor status, at least 75% of the individual subsidiary businesses achieved between a level 1 and a level 4 rating. Our objective is not only to improve on this in the year ahead but also to focus on long-term, scalable and sustainable solutions for social and economic transformation.

Bidvest's B-BBEE certificate can be found overleaf.

Management diversity remains top of mind to encourage inclusivity and different ways of thinking. We know that a diverse leadership team and employee base will foster innovation and stimulate an environment within which everyone can thrive. Various leadership interventions across the Group, for example the Bidvest Academy and Executive Development Programmes, bode well to prepare young, diverse leaders for the future.

Tackling the challenge of youth unemployment, currently estimated at 57%, remains high on our agenda and is addressed via increased investment in skills development, learnerships and internships and where possible, the absorption of such individuals into our businesses and the industry in general. Building capacity in technical skills is high on the agenda for all businesses. Many of our existing facilities have been ramped up to accommodate this need.

Transforming our supply chain is crucial, although challenged, by a burdensome legislative environment that impedes the development of SMMEs. Sourcing suitable black-owned SMMEs is a priority. Efforts in this regard have been ramped up significantly.

Code practices are not aligned with business practicalities. Bidvest has long since acknowledged that long-term, strategic solutions are required to gain substantive change.

Conducting business in a sustainable manner is integrated in our day-to-day activities. Given the decentralised and varied nature of the businesses, sustainability is managed at business level. From a Group perspective, we identified a set of material issues that are common and present risks and opportunities.

- ▷ Doing business in an environmentally friendly manner. We focus on energy and water efficiency, responsible waste management and offering innovative solutions to aid customer sustainability. In FY18 we will continue our initiatives to improve water use; and accelerate renewable energy installations and responsible waste management.
- ▷ Drive positive social change. We are involved in community development that enhance education, health, economic inclusion and diversity. Investing in communities and human capital, afford us the opportunity to operate, do business in and draw skills from the communities where we operate.
- ▷ Caring for the Bidvest family. We aim to provide a safe and healthy workplace with equal opportunities which is conducive to learning and personal development. We want our employees to be proud Bidvest ambassadors.



**Generic B-BBEE Verification Certificate**

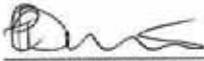
**The Bidvest Group Limited**  
Including Subsidiaries Listed in Annexure "A" of Certificate

Registration Number: 1946/021180/06  
Address: Bidvest House, 18 Crescent Drive, Melrose Arch, Melrose, 2196

Level Four Contributor				
Scorecard Information	Actual Score	Target Score	Analysis	Results
Ownership	25.00	25.00	≥ 51% Black Ownership	No
Management Control	12.04	18.00	Black Ownership Voting Rights	**58.18%
			Black Ownership Economic Interest	**58.80%
Skills Development	18.05	20.00	≥ 30% Black Women Ownership	No
Enterprise and Supplier Development	27.65	40.00	Black Women Ownership Voting Rights	**17.84%
			Black Women Ownership Economic Interest	**18.11%
Socio-Economic Development	5.00	5.00	Modified Flow Through Principle Applied	No
Total Score	87.74	100.00	51% Black Owned Designated Group Supplier	No
Empowering Supplier	Yes		VAT Number	4350110038
Procurement Recognition Level	100.00%		Issue Date	27 July 2017
Discounting Principle Applicable	No		Expiry Date	26 July 2018
Recorded Procurement Recognition Level	100.00%		Re-issue Date	N/A

\*51% Black-owned means an entity in which black people hold at least 51% of the exercisable voting rights, black people hold at least 51% of the economic interest and has earned all the points for net value.  
\*\*30% Black women owned means an entity in which black women hold more than 30% of the exercisable voting rights, black women hold more than 30% economic interest and has earned all the points for net value.

**\* Ordinary Ownership includes mandated investments and total ownership incorporates continuing benefits.**

  
For EMPOWERDEX (Pty) Ltd

27 July 2017  
Date

This verification certificate and the verification report are based on information provided to Empowerdex and represent an independent opinion based on the verification and analysis completed by Empowerdex. The calculation of the scores has been determined in accordance with the Department of Trade and Industry's Codes of Good Practice on Broad Based Black Economic Empowerment as Gazetted on 11 October 2013.

Empowerdex (Pty) Ltd Reg. 2001/027963/07  
Directors: C Wu, V Jack, L Ratsoma, J Brebnor



BVA 030

G17J03005



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C e r t i f i c a t e

Refer to [www.bidvest.com](http://www.bidvest.com) for the detailed report.

# Stewardship *(continued)*

## Code of ethics (code)

We are committed to conducting healthy business practices which support our company values of respect, honesty, integrity and accountability, ensuring a stable employment environment and the ongoing success of Bidvest.

We believe in empowering people, building relationships and improving lives. Entrepreneurship, incentivisation, decentralised management and communication are the keys.

We subscribe to a philosophy of transparency, accountability, integrity, excellence and innovation in all our business dealings.

### What does this mean:

<b>Respect</b>	To hold in esteem, in honour of others and oneself
<b>Honesty</b>	Respectability, trustworthiness, truthfulness, sincerity, freedom from deceit and fraud
<b>Integrity</b>	Uncompromising adherence to moral and ethical principles
<b>Accountability</b>	The state of being responsible, liable and answerable
<b>Transparency</b>	The quality of being clear, honest and understood
<b>Excellence</b>	The quality of distinction; possessing good qualities in high degree
<b>Innovation</b>	Introduction of new, creative products, methods and ideas

Compliance with the code is mandatory at all levels of the organisation.

Directors and senior management are committed to being role models of this code for the Group. All employees should always measure their behaviour in terms of the spirit of the code, as well as against the practical guidelines.

As evidence of the Group's commitment to this code, a free and anonymous 'Fraud & Ethics' line is available to all Bidvest stakeholders. With the support of all, we aim to encourage an open and transparent workplace, promoting a culture of reporting wrongdoing. The toll-free telephone number is 0800-506090 (All approaches to this line are confidential.)

The board will issue an annual statement on compliance with the code.

### Guidelines on ethical behaviour

<b>Conflicts of interest</b>	Employees have different responsibilities towards their employer, families and communities. Without negating other responsibilities, employees are expected to look after the interests of the Group and conflicts (real or perceived) should therefore be avoided or managed properly and adequately disclosed.
<b>Having a second job</b>	It is not acceptable to have a second job that would have a negative impact on the ability of the employee to serve the interests of the Group.
<b>Interests in suppliers or customers</b>	Any substantial interest (direct or indirect) in a supplier or customer of the Group would constitute an unacceptable conflict of interest and should be avoided altogether.
<b>Affected parties</b>	Immediate family members (spouse, sibling, children) are also affected by the policy and are not allowed to work for, or to have a substantial interest in a customer or supplier without proper disclosure.
<b>Disclosure</b>	All existing, potential or perceived conflicts of interests should be disclosed to management. Based upon full disclosure, a decision will be made how to manage the situation – this will be done on a case-by-case basis.
<b>Business courtesies</b>	Giving or accepting business courtesies is accepted within a common business environment, provided that such courtesies are not excessive and are not given or received in order to unduly influence a business decision. Management must maintain a gift register, and all courtesies (offered or received) above a certain value must be recorded.
<b>Kickbacks and bribes</b>	No kickbacks or bribes may be accepted or given. If they are offered to a Group employee, it should be reported immediately to management, who will decide what further action might be required.

# Stewardship *(continued)*

<b>Cyber liabilities</b>	<p>Access to facilities such as e-mail and Internet should not be abused. As far as possible, employees should avoid using e-mail for sending or receiving personal messages (especially if they contain large attachments) or junk mail. Sending or receiving chain mail is prohibited. No employee should access or distribute any material that could offend others (e.g. pornographic material or material that could incite racial hatred).</p> <p>Any involvement in activities such as computer hacking and willful virus transmission is prohibited.</p>
<b>Collusion</b>	<p>Any agreement between employees, competitors, suppliers or customers, to limit open competition by deceiving, misleading, or defrauding others to obtain an objective by defrauding or gaining an unfair advantage, for example an agreement to divide the market, set prices, limit production, wage fixing, kickbacks, etc will not be tolerated, or acceptable.</p>
<b>Expense accounts</b>	<p>All expense accounts being an accurate reflection of actual expenses incurred on behalf of the Group should be supported by the original documentation, submitted regularly and approved by a designated manager.</p>
<b>Insider trading</b>	<p>The Group adheres to the Insider Trading Act making it illegal for any person to trade in any shares/securities when in possession of non-public, material information.</p>
<b>Divulging trade secrets</b>	<p>All Group proprietary information should be protected and may not be disclosed to third parties.</p>
<b>Competitor relations</b>	<p>Within the competitive environment of a market economy, the Group appreciates the opportunity to compete fairly and responsibly. The Group will not attempt to access any confidential competitor information, nor will it engage in any activities that would constitute – or could be perceived as – collusion or price-fixing.</p>
<b>Privacy</b>	<p>The Group respects the rights of individuals to privacy. Any activities that could be perceived as an invasion of privacy (e.g. monitoring of e-mails, telephone calls, internet usage) will be fully disclosed by the Group, and will include a sound business motivation for such actions.</p>
<b>Private use of Group assets</b>	<p>Although limited and occasional private use of Group assets is not prohibited, all employees should be aware that such assets should be used, first and foremost, to achieve the Group's objectives.</p>
<b>Copyright infringement</b>	<p>The infringement of copyright is illegal, and will not be tolerated. In particular, any software that is used on the Group's computer equipment must be properly licensed.</p>
<b>Discrimination</b>	<p>Discrimination based on any of the following: race, religion, age, pregnancy, marital status, sex, gender, sexual orientation, ethnic or social origin, disability, colour, conscience, belief, culture, language and birth – is illegal and will not be tolerated. Any employee that experiences any kind of discrimination should report this immediately.</p>
<b>Sexual harassment</b>	<p>Any unwanted conduct of a sexual nature is totally unacceptable and will not be tolerated. Any employee who experiences sexual harassment should report this immediately.</p>
<b>Work/life balance</b>	<p>The Group acknowledges the needs of employees to fulfil responsibilities and commitments other than those to the Group, and encourages all employees to maintain a healthy balance between their personal and professional lives.</p>
<b>Sustainability</b>	<p>The Group is committed to the natural environment and also to be a responsible corporate citizen. The Group will report annually on the nature and extent of its social, transformation, ethical, safety, health and environmental management policies and practices.</p>
<b>Political contributions</b>	<p>No political contributions (either monetary or in-kind) will be made by the Group, unless prior authorisation is obtained from the Bidvest board and disclosed in the annual report.</p>
<b>Whistle-blowing</b>	<p>The Protected Disclosures Act ensures that those individuals who speak up against unethical or illegal behaviour will be protected. The Group encourages employees to make such disclosures, and for this purpose has created a confidential toll-free telephone number.</p>

**[www.bidvest.com](http://www.bidvest.com)**

**REGISTERED OFFICE SOUTH AFRICA**

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