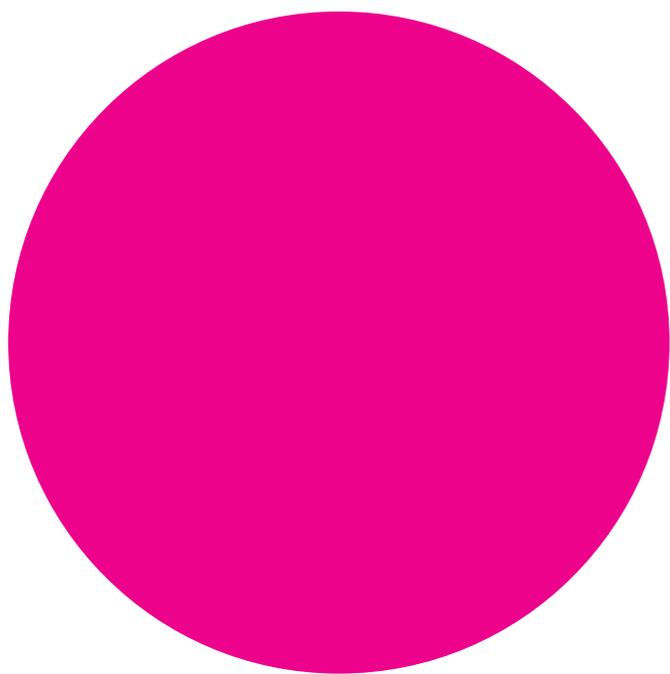


Bidvest

2019



**GOVERNANCE
REPORT**



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Introduction

Bidvest's 2019 Governance Report forms part of a suite of reports developed for 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 2018 to 30 June 2019. 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. King IV 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 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 Group audit committee ensures 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 and rationalises collaboration efforts upstream among assurance providers, coupled with effectively managing assurance costs.

The model's 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. 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.

Top contributors in certain key sustainability indicators – training spend; CSI spend; water, electricity and waste management – 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.

Corporate governance

Executive directors



Lindsay Ralphs 64
CEO



Mpumi Madisa 40
CEO-designate



Mark Steyn 49
CFO



Gillian McMahon 47



Anthony Dawe 54

The role and function of the board

The board functions in accordance with 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. 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 has also established committees 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 2019 and the year ahead can be found on pages 7 to 8.

The Group audit committee fulfils the statutory responsibilities of an audit committee for the Group as a whole, except for the banking and insurance businesses, both of which have their own statutory audit committees. A similar principle applies in respect of the Group social and ethics committee, with responsibility for monitoring and reporting on social and ethics issues for entities with a public interest score of 500 or above falling within the remit of the Group social and ethics committee, with the exception of the banking and insurance businesses, both of which have their own social and ethics committees.

Key to committees

 Nominations committee	 Audit committee	 Remuneration committee
 Acquisitions committee	 Risk committee	 Social and ethics committee
 Chairman		



Independent non-executive directors



Eric Diack 62
Chairman



Bongzi Masinga 52



Tania Slabbert 52



Alex Maditsi 57



Nigel Payne 59



Renosi Mokate 61



Norman Thomson 68



Bonang Mohale 57

Our governing 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 outcomes 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 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, Eric Diack. Prior to this appointment he was the lead independent director. During the current year, changes were made to the composition of the board. Bonang Mohale was appointed as independent non-executive director on 1 July 2019.

In terms of Bidvest's Memorandum of Incorporation (Mol), the directors who retire by rotation at the forthcoming AGM are Mpumi Madisa and Bongzi Masinga, and being eligible, offer themselves for re-election. Nigel Payne and Tania Slabbert will retire at the AGM and Anthony Dawe did not offer himself for re-election.

Bonang Mohale was appointed to the board on 1 July 2019 and is to be elected by shareholders at the forthcoming AGM.

The directors' academic and professional qualifications are presented on page 21 in the Integrated Report.

Corporate **governance** (continued)

Attendance

There were six Group board meetings during the period under review.

The names of the directors who were in office during the period 1 September 2018 to 31 August 2019 and the details of board meetings attended, either in person, by video-conference or tele-conference, by each of the directors are as follows:

	28 November 2018	1 March 2019	17 April 2019	31 May 2019	1 July 2019	30 August 2019
Independent non-executive directors						
EK Diack (Chairman from 1 May)	✓	✓	✓	✓	✓	✓
CWL Phalatse (previous chairman) ¹	✓	✓	A			
CWN Molope ²	✓	✓				
AK Maditsi	✓	✓	✓	✓	✓	✓
S Masinga	✓	A	✓	✓	✓	✓
RN Mokate	✓	✓	A	✓	A	✓
BF Mohale ³						✓
NG Payne	✓	✓	✓	✓	A	✓
T Slabbert	✓	✓	✓	✓	✓	✓
NW Thomson	✓	✓	✓	✓	A	✓
Executive directors						
AW Dawe	✓	✓	✓	✓	✓	✓
NT Madisa	✓	✓	✓	✓	✓	✓
GC McMahon	✓	✓	✓	✓	✓	✓
LP Ralphs	✓	✓	✓	✓	✓	✓
MJ Steyn	✓	✓	✓	✓	✓	✓

Notes:

A Apologies rendered

¹ Resigned 31 April 2019

² Resigned 31 March 2019

³ Appointed 1 July 2019

Both the meetings on 17 April and 1 July 2019 were unscheduled. Other meetings were scheduled.



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. During 2019, the appointment of a CEO-designate was concluded.

Key focus areas for the board in 2019

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

- Established a simplistic and pragmatic joint venture/sub-contractor partner due-diligence framework.
- Eric Diack, the lead independent director, was appointed as chairman effective 1 May 2019. As a member of the audit committee, this means a temporary deviation from the King IV principles. The board is confident that the Bidvest governance structure remains robust and is working towards alignment again.
- Considered the reviewed board charter and 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 2019 AGM and notice to shareholders.
- Reviewed the stakeholder engagement reports.

Going forward

The board's priorities for 2020 are, *inter alia*:

- Continue to build lasting partnership and alliances with a range of stakeholders (government, business, communities, shareholders and employees).
- Oversee the transition between the CEO and CEO-designate.
- Continue to approach B-BBEE on an inclusive, substantial and sustainable basis.
- Expand into international markets.
- Build investor confidence by seeking solutions that strengthen 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 a code of ethics policy which articulates Bidvest's commitment to doing business the right way, guided by our values of transparency, accountability, integrity and respect. 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.

Bidvest's code of ethics can be found on page 13.

Our compliance approach

The board is responsible for ensuring that the Group complies with applicable laws and adherence 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 full King IV application register can be accessed on the Group's website: 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 32.

Board and board committees' performance assessment

The board committees are satisfied that they have fulfilled their responsibilities in accordance with their respective terms of reference. The board is satisfied that the composition of the committees of the board and their arrangements of delegation within its own structures promote independent judgement and assist with the balance of power and effective discharge of duties.

Corporate governance (continued)

Information and technology governance

The board, which is responsible for information and technology (IT) governance, has delegated responsibility of the 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 pages 24 to 25 of the Integrated Report for more detail.

Internal audit

The internal audit function operates in accordance with 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 codes 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.

Board committee's feedback

The board has six committee's 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 Group:

- 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 2019 were:

	2019	2018
Beneficial	116 030	114 389
Non-beneficial	662 589	640 582
Held in terms of The Bidvest Incentive Scheme		
Replacement rights	99 034	330 365
Appreciation rights	80 000	80 000

Directors' shareholdings

Beneficial

The individual beneficial interests declared by the current directors and officers in the Company's share capital at 30 June 2019, held directly or indirectly, were:

Director	2019		2018	
	Direct	Indirect	Direct	Indirect
AW Dawe	3 465	–	3 465	–
LP Ralphs	110 924	1 641	110 924	–
Total	114 389	1 641	114 389	–



Board committees

Nominations committee

The committee is responsible for assessing the independence of non-executive directors. It 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. The committee also recommends to the board the re-appointment of directors and succession planning for directors including the chief executive and senior management. In FY19 the focus was on succession planning for the chief executive, the review of director tenure and the implementation of recommendations that arose out of the governance review. The focus for FY20 will be on the appointment of new non-executive directors, enhancement of the composition of board committees and equitable distribution of committee work, amongst others.

Attendance

The names of the members who were in office during the period 1 September 2018 to 31 August 2019 and the number of nominations committee meetings attended by each of the members are:

Nominations	19 Nov 2018	28 Jan 2019	1 Mar 2019	31 May 2019	21 Aug 2019	30 Aug 2019
EK Diack (Chair from 1 May)	✓	A	✓	✓	✓	✓
T Slabbert	✓	✓	✓	✓	A	✓
RK Mokate	✓	✓	✓	✓	A	✓
CWL Phalatse (previous Chair) ¹	✓	✓	✓			
BF Mohale					✓	✓

¹ Resigned 31 April 2019

On behalf of the committee

Eric Diack
Chairman

Remuneration committee

The committee is empowered by the board to assess and approve the broad remuneration strategy for the Group, the operation of the 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. Work done in FY19 included a comprehensive remuneration benchmark exercise approving the rules, criteria, targets and allocations for performance-related pay schemes as well as to introduce a claw-back policy. In FY20 the committee will continue to promote the Group's strategic objectives through fair and transparent remuneration and re-align the two long-term incentive schemes to achieve internal equity. Please refer to the detailed remuneration report on page 16.

Attendance

The names of the members who were in office during the period 1 September 2018 to 31 August 2019 and the number of remuneration committee meetings attended by each of the members are:

Remuneration	27 Nov 2018	26 Feb 2019	29 May 2019	27 Aug 2019
NW Thomson (Chair)	✓	✓	✓	✓
DDB Band ¹	✓			
AK Maditsi	✓	✓	✓	✓
EK Diack		✓	✓	✓
S Masinga	✓	✓	✓	✓
CWL Phalatse ²	✓	✓		

¹ Retired 28 November 2018

² Resigned 31 April 2019

On behalf of the committee

Norman Thomson
Chairman

Social and ethics committee

The committee's responsibilities are in line with legislated requirements and codes of best practice. It monitors the Group's compliance in relation to social and economic development, good corporate citizenship, environment, occupational health and public safety, labour and employment as well as the Group's code of ethics and sustainable business practices. The major focus in FY19 was on activities relating to transformation and B-BBEE, social and economic development, small business development and stakeholder engagement. The focus for FY20 will continue to be on transformation, B-BBEE and employment equity. Bidvest's code of ethics can be found on page 13. An ethics line is in use (0800 50 60 90/bidvest@tip-offs.com).

Attendance

The names of the members who were in office during the period 1 September 2018 to 31 August 2019 and the number of social and ethics committee meetings attended by each of the members are:

Social & Ethics	23 Nov 2018	27 Feb 2019	30 May 2019	26 Aug 2019
T Slabbert (Chair)	✓	✓	✓	✓
NG Payne	✓	✓	✓	✓
CWL Phalatse ¹	✓	✓		
AK Maditsi	✓	✓	✓	✓
S Masinga	✓	A	✓	✓
BF Mohale ²				✓

¹ Resigned 31 April 2019

² Appointed 1 July 2019

On behalf of the committee

Tania Slabbert
Chairman

Corporate governance (continued)

Risk committee

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. Cyber security, IT infrastructure, digital transformation and innovation, disaster recovery and system availability and stability were focus areas for FY19. These and joint venture/sub-contractor partner due diligence will continue to be focus areas in FY20. A key risk summary is presented on page 34.

Attendance

The names of the members who were in office during the period 1 September 2018 to 31 August 2019 and the number of risk committee meetings attended by each of the members are:

Risk	23 Nov 2018	27 Feb 2019	30 May 2019	26 Aug 2019
NG Payne (Chair)	✓	✓	✓	✓
CWL Phalatse ¹	✓			
T Slabbert	✓	✓	✓	✓
AK Maditsi	✓	✓	✓	✓
S Masinga	✓	A	✓	✓

¹ Resigned 31 April 2019

On behalf of the committee

Nigel Payne

Chairman

Acquisition committee

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 key focus area in FY19 included the consideration and evaluation of proposed investments, disinvestments and expansion opportunities. In FY20 the focus will continue to be on the Group's long-term growth strategy and creating the platform to access new markets.

Attendance

The names of the members who were in office during the period 1 September 2018 to 31 August 2019 and the number of acquisition committee meetings attended by each of the members are:

Acquisition	8 Oct 2018	27 Feb 2019	21 May 2019	1 Jul 2019 ²	21 Aug 2019
EK Diack (Chair)	✓	✓	✓	✓	✓
DDB Band	✓				
NG Payne	✓	✓	✓	A	✓
BF Mohale ¹					✓

¹ Appointed 1 July 2019

² Mr AK Maditsi attended this meeting by invitation

On behalf of the committee

Eric Diack

Chairman

Audit committee

The committee's main objective is to assist the board in fulfilling its oversight responsibilities, in particular with regards 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.

In FY19, the committee reported that: PricewaterhouseCoopers Inc. and the individual audit partner, the designated external auditor, are accredited and independent; it considered all key audit matters and is comfortable that they have been adequately addressed and disclosed; there were no reportable irregularities; 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; the internal audit function is very strong and the chief financial officer and finance team are competent; and recommended the AFS to the board.

Frequency and attendance

During the year under review, six meetings were held:

Audit	29 Oct 2018	26 Nov 2018	28 Feb 2019	30 May 2019	26 Aug 2019	29 Aug 2019
NG Payne (Chair)	✓	✓	✓	✓	✓	✓
NW Thomson	✓	✓	✓	✓	✓	✓
RK Mokate	A	✓	✓	✓	✓	A
EK Diack	✓	A	A	✓	A	A
CWN Molohe ¹	✓	✓	✓			

¹ Resigned 31 March 2019



Statutory duties

The committee is satisfied that it has performed the statutory requirements for an audit committee as set out in the Companies Act, the JSE Listing Requirements and the King Code 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

In June 2017, the Independent Regulatory Board of Auditors published a rule prescribing that auditors of public interest entities in South Africa must comply with mandatory audit firm rotation whereby audit firms shall not serve as the appointed auditors of a public interest entity for more than 10 consecutive years, with effect from 1 April 2023. Given the aforementioned, increasing shareholder pressure, prevailing market practices and the fact that Deloitte & Touche (Deloitte) had been Bidvest's external auditors for 11 years, The Bidvest Group Limited board in November 2018 mandated the audit committee to recommend a new external auditor.

Following a comprehensive tender process, PricewaterhouseCoopers Inc. (PwC) with Mr Craig West as designated audit partner, was nominated as the new external auditor with effect from 28 November 2018.

The committee nominated and recommended the re-appointment of the external auditor, PwC, to the shareholders in compliance with the Companies Act and the appointment of Mr C West as designated auditor for the 2020 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 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 ensured that the auditors did not provide any prohibited services, nor any services that include a threat of self-review. Non-audit services are pre-approved by the chairman of the committee, are generally of an assurance nature, and are not material in relation to the external audit fee.

The committee has the following responsibilities for external audit:

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.

Key audit matters

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

- Key judgements and estimates used in assessing the impairment of indefinite useful life intangible assets and goodwill; and
- Assessment of judgements used to assess whether Bidvest controlled Adcock Ingram Holdings Limited at year end.

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

We have considered the reports of management, internal audit and external audit in arriving at our conclusion that the Company's system of internal controls and risk management is effective and that the internal financial controls form a sound basis for the preparation of reliable financial statements. No material breakdown in controls was identified during the year.

Corporate **governance** (continued)

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. We have considered and relied on the work of the risk committee and the social and ethics committee on the non-financial related risk areas.

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; and
- Ensuring that IT forms an integral part of the Company's risk management.

An anonymous ethics line is in place. The service is managed by Deloitte 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. The committee is satisfied that appropriate disciplinary, criminal and civil action has been taken.

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.

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(g) 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 chief financial officer, Mr MJ Steyn, and is satisfied with the appropriateness of the expertise and experience of the chief financial officer.

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 2019, 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.

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

Nigel Payne
Chairman



Directors' *curricula vitae*

Independent non-executive chairman

Eric Kevin Diack

Age: 62

Qualification: CA(SA), AMP Harvard

Appointed: 20 April 2012.

Lead independent director from 16 April 2018 and as chairman from 1 May 2019

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, Adcock Ingram, 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 and McConnell Dowell Corporation.

Chief executive

Lindsay Peter Ralphs

Age: 64

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 and chairs the board.

Executive directors

Mark John Steyn

Chief financial officer

Age: 49

Qualification: CA(SA)

Appointed: 1 March 2018

Mark joined Bidvest in May 1997 and has held various financial positions within Bidvest Freight. Since 2012, Mark held the position of chief financial officer of Bidvest Freight. Mark was appointed to the Bidvest board as chief financial officer, effective 1 March 2018. He serves on all South African divisional boards, divisional audit committees and serves as a trustee on the various Group retirement funds.

Nompumelelo (Mpumi) Thembekile Madisa

CEO-designate

Age: 40

Qualification: Masters in Finance and Investment, BCom 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 and board member of Business Leadership South Africa.

Anthony William Dawe

Chief executive of Bidvest Freight

Age: 54

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.

Gillian Claire McMahon

Executive director

Age: 47

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.

Corporate **governance** (continued)

Independent non-executive directors

Alex Komape Maditsi

Age: 57

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 Murray & Roberts.

Sibongile (Bongi) Masinga

Age: 52

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

Appointed: 4 December 2013

Bongi is one of the founding members and CEO 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: Libstar, at Itumeleng Petra Diamonds Employee Trust as an independent trustee and as a member of Council at the Durban University of Technology. She serves as an external member of MerSeta in the Finance and Grants Finance Committee. Bongi was a non-executive director of Mvelaserve prior to the purchase of Mvelaserve by Bidvest.

Nigel George Payne

Age: 59

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 Bidcorp. Nigel is chairman of Bidvest Bank.

Tania Slabbert

Age: 52

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 Growth 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.

Renosi Denise Mokate

Age: 61

Qualification: PhD

Appointed: 1 May 2018

Renosi has held several leadership positions in the public sector and academia. She was the Deputy Governor of the South African Reserve Bank from August 2005 to July 2010 and Executive Director of the World Bank from 2010 to 2012. She has also served as the Executive Dean of the Graduate School of Business Leadership, UNISA, and as a senior policy analyst at the Development Bank of Southern Africa. She is currently the Executive Chairperson of Concentric Alliance. She holds non-executive directorships at Bidvest Bank and Vukile Property Fund amongst others.

Her committee membership includes remuneration, governance, audit and social and ethics.

Norman William Thomson

Age: 68

Qualification: CA(SA)

Appointed: 1 May 2018

Norman has gained broad business experience over many years and was the Finance Director of Woolworths Holdings Limited from 2001 to 2013. Norman is currently a non-executive director of Pioneer Food Group Limited and Real People Investment Holdings Limited. Norman's committee membership on these include the remuneration, audit and risk.

Bonang Francis Mohale

Age: 57

Qualification: Postgraduate Chartered Marketer (CMSA)

Appointed: 1 July 2019

Bonang has held several leadership positions in the private sector and has been lauded and recognised with several awards over the past 25 years. He was the Chief Executive Officer of Business Leadership South Africa, Chairman of Shell South Africa (Pty) Ltd, Chief Executive Officer of Drake & Scull FM SA (Pty) Ltd, Chief Executive of Sanlam Limited, Executive Vice President of SAA, and Managing Director of Otis (Pty) Ltd, amongst others.

Company secretary

Ms X Makasi, resigned as Group company secretary with effect from 30 October 2018. Ms I Roux was appointed in her stead.

During the year under review, and in compliance with paragraph 3.84(h) of the JSE Listings Requirements, the board evaluated Ms X Makasi and Ms I Roux, the company secretaries, and was satisfied that they were competent, suitably qualified and experienced. Furthermore, since they were not directors, nor were they related to or connected to any of the directors, thereby negating a potential conflict of interest, it was agreed that they maintained an arm's-length relationship with the board.



Code of **ethics**

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

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

Compliance with the Code of Ethics (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

Conflicts of interest	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.
Having a second job	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.
Interests in suppliers or customers	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.
Affected parties	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.
Disclosure	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.
Business courtesies	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.

Code of **ethics** (continued)

Guidelines on ethical behaviour continued

Kickbacks and bribes	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.
Cyber liabilities	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). Any involvement in activities such as computer hacking and willful virus transmission is prohibited.
Collusion	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 accepted.
Expense accounts	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.
Insider trading	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.
Divulging trade secrets	All Group proprietary information should be protected and may not be disclosed to third parties.
Competitor relations	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.
Privacy	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.
Private use of Group assets	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.
Copyright infringement	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.
Discrimination	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.
Sexual harassment	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.
Work/life balance	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.



Sustainability	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.
Political contributions	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.
Whistle-blowing	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.

Remuneration report

Part 1 background statement

The remuneration committee is pleased to present the Bidvest remuneration report for the year ended 30 June 2019.

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 three parts: this background statement (Part 1) contains the chairman's statement, providing context on the decisions and considerations taken during the reporting year which influenced the remuneration outcomes. Part 2 contains the remuneration policy and in Part 3 the implementation of the policy during the year is disclosed.

Since we presented the last remuneration policy to shareholders no major changes were made.

At the annual general meeting (AGM) on 28 November 2018, our 2018 remuneration report was presented and voted on in sections, namely:

Part 1: Remuneration policy – endorsed by 95,96% of shareholders that voted.

Part 2: Implementation of policy: – endorsed by 95,01% of shareholders that voted.

Bidvest delivered a credible result in a market characterised by weak economic growth as well as significant business and fiscal uncertainty and volatility. Trading profit increased by 3.5% to R6.7 billion despite flat revenue. Exceptional cost and capital discipline as well as improved margins were highlights against the volatile trading backdrop and played a significant role in delivering results that outperformed most peer companies. The combined services businesses, comprising Services, Freight and Financial Services, representing two-thirds of operational profit, grew trading profit by 6.4% while the profit from the combined trading and distribution businesses contracted slightly. Bidvest's headline earnings per share (HEPS) increased by 9.8% to 1 352.1 cents

(2018: 1 231.6 cents). Cash generation of R7.1 billion ensured that the balance sheet remained robust with net debt to EBITDA below a factor of one.

The purpose 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 2 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 and strategic objectives while adhering to an ethical culture and good corporate citizenship. Both short- and long-term incentives are used to promote this objective.
- 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.

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.

With effect from 1 July 2019, the remuneration policy will include malus (adjustment on payments/awards that have not been settled/vested) and clawback (recovery of post-tax payments that have already been made) provisions in both the STI and LTI subject to trigger events. The main trigger events are: material financial statement misstatement; and proven dishonest or fraudulent conduct by a participant(s).



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.

Endorsement of the annual remuneration policy and implementation report.

The remuneration policy (Part 2) and remuneration implementation report (Part 3), will be put to two separate non-binding shareholders' votes 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 four meetings per year but also meets on an *ad hoc* basis when required.

The attendance for these meetings is contained on page 7.

The chief executive and chief financial officer 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. Post the appointment of PricewaterhouseCoopers (PwC) as the Group's external auditors, the remuneration committee terminated the services of PwC as its independent advisers. In February 2019, DG Capital was appointed, on a probation basis,

as the remuneration committee's standing independent advisers. In October 2019, the committee assessed their performance and DG Capital's appointment was made permanent.

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 two non-binding advisory votes 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 a vital role in realising business strategy and must be competitive in the markets in which it operates.

Remuneration report (continued)

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 the exceptional situation of the 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 (i.e. nominee directorship). Fees paid to nominee directors accrue to the Group and not to the individual directors concerned.

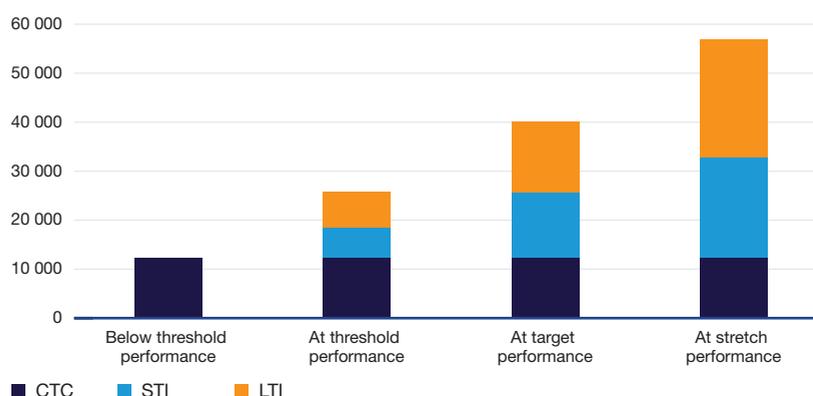
Elements of remuneration and package design

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. The Bidvest Share Appreciation Right Plan (SAR) is for senior management and Group executive members who are not Group executive directors. The Bidvest Conditional Share Plan (CSP) is for Group executive directors.

The remuneration policy for executive directors results in their remuneration received being dependent on Group performance. This is achieved in two

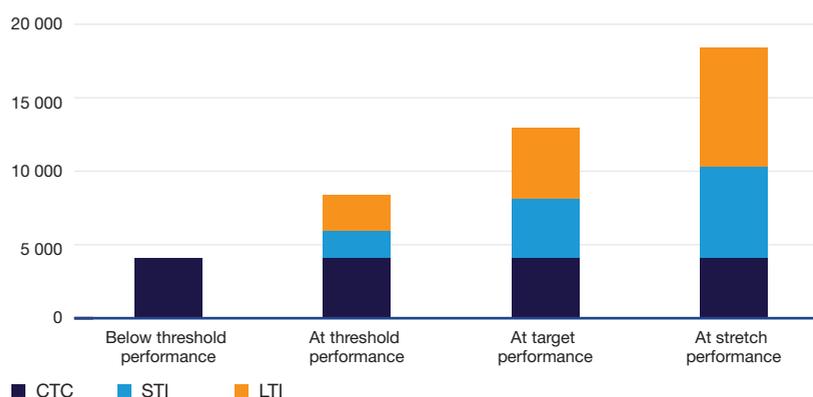
CEO

R'000s



Other executive directors

R'000s



ways, through an annual cash bonus and long-term share plan. In part 3 of the report the actual total pay outcomes for the 12 months ending 30 June 2019 are depicted, whilst the total pay opportunities for the chief executive and the other executive directors (on average) under four different performance scenarios are illustrated in the graphs above.

The different components of remuneration, their objectives, the policy which governs it and their link to the business strategy are summarised below. 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.



Table 1: Summary of remuneration components for executive directors

	Component, objective and link to strategy	Policy	Future changes
Guaranteed pay (CTC)	<p>Base package To help attract and retain the best talent. It aligns with business strategy as it takes into account internal and external equity, thereby ensuring competitiveness and rewarding individuals fairly based on similar jobs in the market. Reviewed annually and set on 1 July.</p>	Level of skill and experience, scope of responsibilities and competitiveness of the total remuneration package is taken into account when determining CTC.	No changes are proposed for 2020.
	<p>Benefits Provides employees with contractually agreed basic benefits such as retirement fund benefits (defined contribution), medical aid, risk benefits and life and disability insurance. Benefits recognise the need for a holistic approach to guaranteed package.</p>	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.
Short-term incentives (STIs)	<p>STI To motivate and incentivise delivery of performance, financial and non-financial, consistent with the Group's strategy over the one-year operating cycle. Encourages growth in headline earnings per share and return on funds employed for shareholders in a sustainable manner, combined with strategic metrics, such as leadership, to ensure well-balanced KPIs. It rewards executive directors for their measurable contribution. 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.</p>	<p>Target and stretch performance targets are set for the following metrics:</p> <p>Financial performance</p> <ul style="list-style-type: none"> • HEPS growth • Return on funds employed (ROFE) achieved <p>Strategic performance Sustainability, transformation, business enhancements and acquisitive growth. The weighted outcome derives a STI which is capped at a maximum of 165% of the CEO's CTC and 150% of CTC for the other executive directors. Linear vesting will occur between the performance hurdles set.</p>	<p>Taking consideration of the economic backdrop, set the threshold, target and stretch HEPS growth hurdles at CPI -1%, CPI +1% and CPI +2%, respectively. Align the hurdles for ROFE across STI and LTI to 20%, 21% and 24%, respectively, at threshold, target and stretch.</p>
Long-term incentives (LTIs)	<p>Conditional Share Plan (CSP) To motivate and incentivise delivery of long-term, sustainable performance. This aligns 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.</p>	<p>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:</p> <ul style="list-style-type: none"> • HEPS growth • Relative total shareholder return (TSR) as an external performance measure • ROFE • Strategic performance relating to sustainability, transformation, business enhancements and acquisitive growth 	<p>Align the hurdles for ROFE across STI and LTI to 20%, 21% and 24%, respectively, at threshold, target and stretch. Change the peer group for TSR as follows: Pioneer Foods, Distell Group and Imperial Holdings to be replaced by PSG, Super Group, Motus and Imperial Logistics.</p>

Remuneration **report** (continued)

Further details on long-term incentive plans

Conditional Share Plan

At the 2008 AGM, shareholders approved the 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 (i.e. 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. 75% of awards vest after a three-year period and the remaining 25% after a four-year period.

Further details on the award levels, performance period and measure can be found in Part 3 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. SARs vest after three, four and five 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. Each year, one third of the non-executive directors retire by rotation. During FY19, a nine year tenure limit has been introduced for non-executive directors.

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 3 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 will be placed before shareholders for consideration and approval under the terms of an advisory non-binding vote at the 2019 AGM as provided for in the JSE Listing Requirements and 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 the 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 2 of this report.



Part 3 Implementation of remuneration policy

Executive director remuneration

Guaranteed pay – base pay and benefits (2019)

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, revenue, profitability, number of employees and sector.

In aggregate, executive directors received a 12% increase. The overall percentage increase was increased by a realignment of two directors' remuneration to the median of the peer group and to reflect the promotion of one director.

Short-term incentives (2019)

The performance measures and targets generating the awards were:

- HEPS growth (40% weighting) measured on a linear basis between the threshold (inflation growth only), target (2% real growth) and stretch (4% real growth) hurdles. Inflation is weighted based on the geographic mix of normalised headline earnings.
- ROFE (30% weighting) measured on a linear basis between the threshold 20.0%, target 21.5% and stretch 24.0% hurdles.
- Strategic metrics which include: 1) Sustainability and transformation (15% weighting), evaluated based on goals set in consultation with the Group social and ethics committee; and 2) Business enhancements and acquisitive growth (15% weighting), evaluated by the Group acquisitions committee.

The bonus outcomes were calculated as set out below:

Measures	Weighting %	Threshold 30% of max %	Target 65% of max %	Stretch 100% of max %	Actual per- formance %	Outcome %	Weighted outcome %
Financial measures:							
HEPS	40	CPI	CPI+2	CPI+4	9.8	100.0	40.0
ROFE	30	20.0	21.5	24.0	23.3	90.2	27.1
Non-financial measures:							
Sustainability and Transformation	15					90.0	13.5
Business Enhancement and Acquisitions	15					80.0	12.0
Overall score as a percentage of max [A]							92.6
Maximum STI as a percentage of CTC [B]							165.0 (CEO) and 150.0 (EDs)
Overall score as a percentage of CTC [A x B]							152.7 (CEO) and 138.8 (EDs)

Long-term incentives (2019)

In line with the new disclosure format recommended by King IV the following information relating to long-term incentives are disclosed:

- Long-term incentives awarded during 2019.
- Long-term incentives vesting during 2019.
- Long-term incentives settled during 2019.
- Outstanding long-term incentives

Further details pertaining to the above are contained in the table titled *Unvested long-term incentive awards and cash value of settled awards* in the Annexure on page 26.

Remuneration **report** (continued)

Long-term incentives awarded during 2019

All executive directors are awarded CSP awards. The following performance targets, weighting and performance periods are applicable to the CSPs awarded during 2019 and are to be tested over a three-year period commencing on 1 July 2018. 75% of the awards will vest after a three-year period while the remaining 25% will vest after a four-year period:

Performance conditions and weighting	Detail of performance conditions	Vesting profile
<ul style="list-style-type: none"> • HEPS growth (40%) • Relative TSR against peer group median (20%) • ROFE (20%) • Strategic metrics (20%), which include progress on sustainability, transformation, business enhancement and acquisitions. 	<p>Three-year compound HEPS growth:</p> <ul style="list-style-type: none"> • Threshold – Inflation only • Target – 3% real growth • Stretch – 6% real growth <p>Three-year average ROFE:</p> <ul style="list-style-type: none"> • Threshold – 21.5% • Target – 23.0% • Stretch – 26.0% <p>Three-year TSR:</p> <ul style="list-style-type: none"> • Threshold – 80% of peer group performance • Target – 100% of peer group performance • Stretch – 120% peer group performance <p>The peer group: Remgro, Tiger Brands, AVI, Mr Price, Netcare, Pioneer Foods, Life Healthcare, Spar Group, Distell Group, Pick n Pay Stores, Imperial Holdings and Barloworld</p> <p>Strategic metrics:</p> <ul style="list-style-type: none"> • Goals at threshold, target and stretch is set by the remuneration committee 	<p>HEPS, TSR and ROFE</p> <ul style="list-style-type: none"> • Below threshold – 0% vesting • At threshold – 30% vesting • Target – 60% vesting • Stretch – 100% vesting, where linear vesting will occur between the hurdles. <p>The vesting of the strategic metrics awards will be determined by the Group social and ethics and acquisition committees.</p>

The CSPs awarded during 2019, at target, can be expressed as 119% and 117% of average executive director and CEO CTC, respectively. This award was based on a benchmark exercise performed by the committees' standing advisors.

Ms I Roux, as Group company secretary, was awarded 50 000 SAR in November 2018 at an award price of R188.42.



Long-term incentives vesting during 2019

The first CSP awards vested during 2019. The 2016 CSP awards were tested against performance targets over a three-year period which commenced 1 July 2016. Based on the actual performance and assigned weightings, 88.6% of awards accrued to beneficiaries with 75% having vested in September 2019 and the remaining 25% will vest in September 2020.

Performance conditions	Weighting %	2016 awards			Actual performance %	Outcome %	Weighted outcome %
		Threshold 30% of max %	Target 60% of max %	Stretch 100% of max %			
HEPS	40	CPI	CPI+3	CPI+6	28.2	100.0	40.0
ROFE	20	21.5	23.0	26.0	22.8	56.7	11.3
Relative TSR	20	1.28	1.60	1.92	64.0	100.0	20.0
Strategic measures	20					86.3	17.3
Accrued (vesting 75%/25%)							88.6

As a consequence of the unbundling, each option holder who had 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.

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. As per the performance test set-out above, 88.6% of the replacement rights accrued to Mr LP Ralphs. 75% vested in September 2019 and the remaining 25% will vest in September 2020.

Long-term incentives settled during 2019

Details relating to the settlement of long-term incentives are contained in the tables on page 24.

Outstanding long-term incentives

As at 30 June 2019, the vesting of the CSP rights granted in 2017 and 2018 are estimated to be achieved as follows:

Performance conditions	2017 awards			2018 awards		
	Weighting %	Vesting %	Weighted vesting %	Weighting %	Vesting %	Weighted vesting %
HEPS	40	100.0	40.0	40	90.7	36.3
ROFE	20	61.3	12.3	20	64.0	12.8
Relative TSR	20	100.0	20.0	20	100.0	20.0
Strategic measures	20	86.9	17.4	20	85.0	17.0
Expected vesting			89.6			86.1

Remuneration report (continued)

Total remuneration outcomes

Single figure of remuneration

The total remuneration outcomes are reflected below, comprising salary and benefits, cash incentive for 2019 and long-term incentives where the performance period ended in 2019. With reference to actual total pay during 2019, Mr AW Dawe (R24.5 million), Ms NT Madisa (R6.5 million), Ms GC McMahon (R9.7 million) and Mr MJ Steyn (R6.6 million) realised benefit from the exercise of replacement rights.

2019 R'000	Basic remuneration	Retirement/ medical benefits	Other benefits and costs	Cash incentives	LTIP reflected ¹	Single figure
Directors						
AW Dawe	5 219	261	489	7 775	8 348	22 092
NT Madisa	3 697	305	129	5 559	7 297	16 987
GC McMahon	2 583	307	285	4 165	4 437	11 777
LP Ralphs	15 858	947	709	18 857	22 900	59 272
MJ Steyn	3 420	258	270	5 276	2 789	12 013

1. LTIP reflected includes:

Type of award	Note	Award date	Tranche/ %	Bidvest 20-day VWAP	Bidcorp 20-day VWAP	Vesting date conditional share
Conditional share	2	11/12/2015	75%	200,91	n/a	18/09/2019
Conditional share	2	24/10/2016	75%	200,91	n/a	18/09/2019
Replacement share	3	11/12/2015	2	200,91	315,47	11/12/2019
Replacement share		09/10/2014	2	200,91	315,47	09/10/2018
Replacement share	3	09/10/2014	3	200,91	315,47	09/10/2019
Replacement share	3	03/11/2014	3	200,91	315,47	03/11/2019
Replacement share		13/03/2014	3	200,91	315,47	13/03/2019
SAR	4	07/11/2016	1	200,91	n/a	07/11/2019

2. The LTIP reflected is at the intrinsic value based on the 20-day VWAP less the present value of the final gross dividend of 318 cents.

3. The LTIP reflected is at the intrinsic value based on the 20-day VWAP as at 30 June 2019 for Bidvest plus Bidcorp less the present value of the final gross dividend of 318 cents and 330 cents respectively.

4. The LTIP reflected is at the intrinsic value based on the 20-day VWAP as at 30 June 2019 for Bidvest less the present value of the final gross dividend of 318 cents.

With reference to actual total pay during 2018, NT Madisa (R13.3 million) and MJ Steyn (R1.8 million) realised benefit from the exercise of replacement rights.

2018 R'000	Basic remuneration	Retirement/ medical benefits	Other benefits and costs	Cash incentives	LTIP reflected ⁴	Single figure
Directors						
AW Dawe	4 843	257	82	7 010	7 563	19 755
NT Madisa	3 301	297	244	4 948	6 235	15 025
GC McMahon	1 851	240	182	3 024	4 020	9 317
HP Meijer ²	2 336	286	271	–	7 298	10 191
LP Ralphs ¹	10 260	880	1 011	17 492	–	29 643
MJ Steyn ³	2 738	254	102	2 500	⁵	5 594

¹ LP Ralph's replacement rights were replaced with conditional shares which will only be reflected in the single figure when the performance period ends.

² HP Meijer retired as CFO on 28 February 2018.

³ MJ Steyn was appointed as CFO effective 1 March 2018. In terms of the remuneration committee's policy, considering the internal promotion more than halfway through the financial year, it was agreed that Steyn's STI in 2018 will be based on the performance on Bidvest Freight. He will fall in with the Group policy from 2019.

⁴ LTI projected includes tranche one of the replacement rights (options) awarded on 11 December 2015, tranche two of awards on 9 October 2014 and 3 November 2014, and tranche three of the awards on 13 March 2014. All of these replacement rights vests within 12 months after year-end and are included at the intrinsic value of 20-day Bidvest VWAP plus the 20-day Bidcorp VWAP as at 30 June 2018 minus the applicable strike price.

⁵ During MJ Steyn's employment in the Freight division, he was granted replacement rights and SAR. As at 30 June 2018, 37 500 replacement rights and 80 000 SAR remain unexercised.



Non-executive remuneration

The remuneration paid to non-executive directors while in office of the Company during the year ended 30 June 2019 is analysed as follows:

Directors	2019		Total emoluments R'000	2018 Total R'000
	Directors' fees R'000	As directors of subsidiary companies and other services R'000		
DDB Band	306	–	306	718
EK Diack	1 125	743	1 868	1 078
AK Maditsi	686	–	686	613
S Masinga	588	–	588	595
RK Mokate	704	831	1 535	711
CWN Molope	396	–	396	371
NG Payne	1 478	1 126	2 604	2 224
CWL Phalatse	1 292	–	1 292	1 430
T Slabbert	756	–	756	655
NW Thomson	796	–	796	148
Former directors				23
2019 total	8 127	2 700	10 827	8 566
2018 total	6 586	1 980	8 566	–

For 2020, a 6% increase is recommended in respect of board and committee fees, following a detailed comparison of non-executive directors' fees to market-related benchmarks.

	Basic per annum	Per meeting attended
Chairman ¹	1 643 000	
Lead independent	212 000	
Board members	109 663	44 045
Audit committee chairman	312 586	49 438
Audit committee member	82 585	35 955
Remuneration committee chairman	140 450	33 933
Remuneration committee member		38 764
Nominations committee member		35 730
Acquisitions committee chairman	94 045	40 000
Acquisitions committee member		42 023
Risk committee chairman	166 742	29 438
Risk committee member		31 236
Social & Ethics committee chairman	100 000	29 438
Social & Ethics committee member		29 438
Ad hoc meetings		21 348

¹ The Group chairman's fee covers chairmanship and membership of all board committees.

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 1 on page 4 of the notice of AGM for approval of the fees by shareholders in terms of section 66 of the Companies Act.

Non-advisory vote

Shareholders are requested to cast an advisory vote on the remuneration implementation report as contained in Part 3 of this report.

Approval

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

Norman Thomson

Chairman

Remuneration **report** (continued)

Annexure

Unexercised and/or unvested long-term incentive awards and cash value of settled awards:

Names	Opening number on 1 July 2017	Granted during 2018	Forfeited/lapsed during 2018	Settled/exercised during 2018	Closing number on 30 June 2018	Cash value on settlement during 2018	Closing estimated fair value at 30 June 2018 R
LP Ralphs							
<i>CSP</i>							
11/12/2015	94 280	–	–	–	94 280	–	14 350 054
24/10/2016	80 000	–	–	–	80 000	–	12 157 844
27/11/2017	–	112 000	–	–	112 000	–	18 903 369
3/12/2018							
Total	174 280	112 000	–	–	286 280	–	45 411 267
AW Dawe							
<i>CSP</i>							
24/10/2016 ⁶	28 000	–	–	–	28 000	–	4 255 245
27/11/2017 ⁷	–	38 000	–	–	38 000	–	6 413 643
3/12/2018							
<i>Replacement rights (Options)</i>							
13/03/2014	50 000	–	–	–	50 000	–	11 709 004
3/11/2014	43 066	–	–	–	43 066	–	8 689 329
11/12/2015	40 000	–	–	–	40 000	–	6 807 203
Total	161 066	38 000	–	–	199 066	–	37 874 424
NT Madisa							
<i>CSP</i>							
24/10/2016	20 000	–	–	–	20 000	–	3 039 461
27/11/2017	–	30 000	–	–	30 000	–	5 063 402
3/12/2018							
<i>Replacement rights (Options)</i>							
2/12/2011	3 000	–	–	3 000	–	1 072 898	–
5/04/2013	7 500	–	–	7 500	–	2 208 492	–
13/03/2014	25 000	–	–	18 750	6 250	4 784 235	1 463 625
3/11/2014	43 066	–	–	21 533	21 533	5 267 317	4 344 614
11/12/2015	40 000	–	–	–	40 000	–	6 807 203
Total	138 566	30 000	–	50 783	117 783	13 332 942	20 718 306



Strike price R	Granted during 2019	Forfeited/lapsed during 2019	Settled/exercised during 2019	Closing Number on 30 June 2019	Cash value on settlement during 2019	Closing fair value at 30 June 2019	Strike price R
	-	-	-	94 280	-	16 393 972	
	-	-	-	80 000	-	13 910 880	
	-	-	-	112 000	-	19 114 033	
	120 000	-	-	120 000	-	19 059 133	
	120 000	-	-	406 280	-	68 478 018	
	-	-	-	28 000	-	4 868 808	
	-	-	-	38 000	-	6 485 118	
	52 000	-	-	52 000	-	8 258 958	
238	-	-	50 000	-	13 110 341	-	238
270	-	-	32 299	10 767	7 423 359	2 584 496	270
302	-	-	20 000	20 000	3 965 536	4 347 167	302
	52 000	-	102 299	148 767	24 499 237	26 544 547	
	-	-	-	20 000	-	3 477 720	
	-	-	-	30 000	-	5 119 830	
	40 000	-	-	40 000	-	6 353 044	
135							
209							
238	-	-	-	6 250	-	1 742 728	238
270	-	-	10 766	10 767	2 497 397	2 584 496	270
302	-	-	20 000	20 000	4 013 011	4 347 167	302
	40 000	-	30 766	127 017	6 510 407	23 624 985	

Remuneration **report** (continued)

Annexure (continued)

Names	Opening number on 1 July 2017	Granted during 2018	Forfeited/ lapsed during 2018	Settled/ exercised during 2018	Closing number on 30 June 2018	Cash value on settlement during 2018	Closing estimated fair value at 30 June 2018 R
GC McMahon							
<i>CSP</i>							
24/10/2016	12 000	–	–	–	12 000	–	1 823 677
27/11/2017	–	15 000	–	–	15 000	–	2 279 596
3/12/2018							
<i>Replacement rights (Options)</i>							
5/04/2013	3 750	–	–	–	3 750	–	985 538
13/03/2014	7 500	–	–	–	7 500	–	1 756 351
9/10/2014	20 000	–	–	–	20 000	–	4 419 801
11/12/2015	30 000	–	–	–	30 000	–	5 105 402
Total	73 250	15 000	–	–	88 250	–	16 370 364
MJ Steyn							
<i>CSP</i>							
3/12/2018							
<i>SAR</i>							
7/11/2016					40 000		
9/11/2017					40 000		
<i>Replacement rights (Options)</i>							
5/04/2013					5 000		
13/03/2014					10 000		
9/10/2014					7 500		
11/12/2015					15 000		
Total					117 500		



Strike price R	Granted during 2019	Forfeited/lapsed during 2019	Settled/exercised during 2019	Closing Number on 30 June 2019	Cash value on settlement during 2019	Closing fair value at 30 June 2019	Strike price R
	-	-	-	12 000	-	2 086 632	
	-	-	-	15 000	-	2 559 915	
	30 000	-	-	30 000	-	4 764 783	
209	-	-	3 750	-	1 080 024	-	209
238	-	-	7 500	-	1 948 811	-	238
251	-	-	15 000	5 000	3 689 494	1 296 349	251
302	-	-	15 000	15 000	2 938 867	3 260 375	302
	30 000	-	41 250	77 000	9 657 196	13 968 055	
	40 000	-	-	40 000	-	6 353 044	
147	-	-	-	40 000	-	2 337 775	147
159	-	-	-	40 000	-	2 362 690	159
209	-	-	5 000	-	1 481 646	-	209
238	-	-	10 000	-	2 677 797	-	238
251	-	-	3 750	3 750	954 943	984 218	251
302	-	-	7 500	7 500	1 529 801	1 630 188	302
	40 000	-	26 250	131 250	6 644 188	13 667 915	

Remuneration **report** (continued)

Valuation method applied

TYPE OF AWARD	AWARD DATE	TRANCHE*	MARKET VALUE ESTIMATION USING A MARKET VALUATION TECHNIQUE	INTRINSIC VALUE**
CSP ⁽¹⁾	11/12/2015	n/a	✓	✓
CSP	24/10/2016	n/a	✓	✓
CSP	27/11/2017	n/a	✓	
CSP	3/12/2018	n/a	✓	
Replacement share	13/03/2014	3		✓
Replacement share	9/10/2014	2 and 3		✓
Replacement share	3/11/2014	3		✓
Replacement share	11/12/2015	2		✓
Replacement share	11/12/2015	3	✓	
SAR	7/11/2016	1		✓
SAR	7/11/2016	2 and 3	✓	
SAR	9/11/2017	1, 2 and 3	✓	

* Where a tranche has not been included, the awards were already exercised.

** Intrinsic value less present value of September 2019 dividend which the instrument is not entitled to in respect of awards not yet vested.

¹ 35 000 of the Bidvest CSP awards originally made on 11 December 2015 were exchanged for 94 280 replacement rights which is subject to performance conditions measured over the period 1 July 2016 – 30 June 2019. The vesting period for the replacement rights was extended for an additional year where vesting of 75% of the awards occurred 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.



2019		2018				Performance conditions	Performance conditions	Vesting date
Bidvest 20 - day VWAP	Bidcorp 20 - day VWAP	Bidvest 20 - day VWAP	Bidcorp 20 - day VWAP	Strike price	Vesting %			
200.91	n/a	201.58	n/a	n/a	89%	✓		75% – 30/09/2019 25% – 30/09/2020
200.91	n/a	201.58	n/a	n/a	89%	✓		75% – 30/09/2019 25% – 30/09/2020
200.91	n/a	201.58	n/a	n/a	90%	✓		75% – 30/09/2020 25% – 30/09/2021
200.91	n/a	201.58	n/a	n/a	86%	✓		75% – 30/09/2021 25% – 30/09/2022
200.91	315.47	201.58	270.14	237.54	n/a	✗		25% – 13/03/2019
200.91	315.47	201.58	270.14	250.73	n/a	✗		25% – 9/10/2018 25% – 9/10/2019
200.91	315.47	201.58	270.14	269.95	n/a	✗		25% – 3/11/2019
200.91	315.47	201.58	270.14	301.54	n/a	✗		25% – 11/12/2019
200.91	315.47	201.58	270.14	301.54	n/a	✗		25% – 11/12/2020
200.91	n/a	201.58	n/a	146.61	n/a	✗		50% – 7/11/2019
200.91	n/a	201.58	n/a	146.61	n/a	✗		25% – 7/11/2020 25% – 7/11/2021
200.91	n/a	201.58	n/a	158.75	n/a	✗		50% – 9/11/2020 25% – 9/11/2021 25% – 9/11/2022

Stakeholder relationships

Sustainable value creation depends on **successful interactions** 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.

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

Our response

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

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**
- Acquired ClickOn and UDS to **introduce niche technology** into Services
- **Communication** with brand principals, industry leaders and entrepreneurs

Employees and trade unions

Nature of engagement

Close involvement of local managers with local trade unions; Employment equity forums within Bidvest; Employee surveys; Group ethics line.

Key issues raised

- Market-related remuneration
- Group communication to ensure good employee relationships and positive workforce
- Bribery, corruption and cyber security awareness
- Health and safety
- Securing, retaining and development of necessary skills

Our response

- Informal, **hands-on managerial** culture
- Refreshed **awareness drive** and the independently managed ethics line
- **6 290** participants in **graduate recruitment programs**
- Concluded **scheduled wage negotiations** with limited strike action



Customers

Nature of engagement

Monitor call centres; Independent complaint channels; Group ethics line; Bidvest website; Group product and service brochure; 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
- Demands for higher black ownership

Our response

- **Meet and exceed** customer needs and **expectations through innovative solutions** and broader product ranges
- Focus on **key senior relationships** with strategic customers
- **Pragmatic and commercial approach** to black ownership

Equity and debt investors

Nature of engagement

Results presentations and company announcements; Investor meetings/roadshows; Website updates and other.

Key issues raised

- Group strategy
- Group performance
- M&A pipeline and insights
- Non-core asset disposal
- Governance framework and transparency

Our response

- Hosted investor briefing sessions to **enhance market knowledge base**
- Continued reinforcement of importance of the functional governance structure and **ethical behaviour**.
- Introduction of a **due diligence framework** for joint venture and major sub-contracting parties
- **Active engagement** with potential interested parties with regards to potential **acquisition targets** and non-core **asset disposal**, directly and through advisors

Communities, community-based 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 programs to equip communities for a **sustainable future**
- **R100m** spend on **CSI**

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**



Material focus areas, risks and opportunities

Our **decentralised, asset-light** and **everyday essential products** and **service business model** is an effective risk management tool. We cannot control macro conditions, but we can control how we respond.

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 combined impact considered. IA assist 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. Divisional risk committees 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 reviewed annually.

The material risks identified have emerged as a result 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.

Economic growth impeded by varying empowerment and inclusive growth criteria

Material focus areas

Complex and value-sensitive business environment

Management response

Management focuses on key senior relationships with strategic customers to allow for mutually beneficial contract outcomes.

A proliferation of regulatory and governance requirements across industries add costs in an already price-sensitive market while complexities consume a growing amount of management time and resources.

Innovative solutions are required. Impact on KPIs:

- HEPS growth
- ROFE
- Sustainability & Transformation

Flow through to strategy

Bidvest's decentralised model allows it to adapt and implement value-adding solutions and structures at operational level.

Challenging economic outlook

Material focus areas

Remaining **competitive and relevant**

Management response

Bidvest is a customer-centric organisation. The protection of its core business strength and reputation is critical.

Bidvest encourages creative approaches and innovation and embraces the ability to adapt quickly and proactively to changing customer requirements, market dynamics and digital advancement.

Bidvest constantly evaluates its digital strategies. Impact on KPIs:

- HEPS growth
- ROFE
- Sustainability & Transformation
- TSR vs peer group

Flow through to strategy

Agility, a can-do attitude and appropriate disruptive strategies result in innovative solutions and open up additional opportunities.



Loss of an agency and distribution rights

Material focus areas

Fostering **positive long-term relationships** with key suppliers

Management response

This remains a cornerstone of the way Bidvest does business and is recognised as a major strength. Management is constantly challenged to manage and grow these relationships.

The Group builds sustainable, value-adding relationships. Impact on KPI:

- HEPS growth
- TSR vs peer group

Flow through to strategy

Constant communication and monitoring of demand changes allow Bidvest businesses to be pro-active and part of the solution.

Shortage of skills

Material focus areas

Developing and maintaining **high calibre staff**

Management response

Bidvest focuses on maintaining and rewarding a high performance culture. It encourages entrepreneurial attitude and develops people through training academies, graduate and learnership programs and recognition.

The short-medium-term disruption in the event of sudden departures due to lack of skilled management is well understood. Impact on KPI:

- Sustainability & Transformation
- HEPS growth

Flow through to strategy

Bidvest understands that people create wealth, companies report it. Home-grown talent thrives in our entrepreneurial, decentralised model.

Escalating cost of doing business and cyber assaults

Material focus areas

Cost-effective, efficient IT systems and support structures

Management response

The Group's IT governance framework supports effective and efficient management of people, technology and information. Specific attention is given to cybersecurity and data protection.

Group IA ensures adherence to the IT frameworks and guidelines.

Comprehensive group-wide property damage and business interruption insurance is in place.

We advocate exploring and finding solutions enabled by technology. Impact on KPIs:

- HEPS growth
- ROFE

Flow through to strategy

Enable and empower the decentralised business model to operate in the most cost effective manner, to operate optimally and grow.

To manage the cost of compliance, particularly in regulated entities.

Excessive capital investment

Material focus areas

Asset **management**

Management response

Management actively monitor and drive performance in asset management, particularly working capital. This receives the focused attention of the audit committee.

Credit risk and inventory levels are crucial. We respond by staying close to customers. Impact on KPIs:

- HEPS growth
- ROFE
- TSR vs peer group

Flow through to strategy

Ambitious working capital targets and dynamic sourcing support returns and add value to customers.

Other risks:

1. Delivering value-enhancing acquisitions
2. Reputational risk embedded in sub-contracting and third-party relationships
3. Environmental impact consciousness
4. Continued low business confidence, constraint pro-growth-oriented capital outlays and weakening longer-term growth potential in South Africa

Footprint

We are firm believers in the sustainable **future growth** and **development of South Africa** and we continue to seek opportunities for expansion to ensure that we **create value** where our roots are embedded.

Bidvest has a diversified and enviable blend of defensive, cyclical and growth assets, which are intentionally large with a level of market-leading status across the South African business spectrum. As one of the largest employers in the country, and as a Group that by nature, covers virtually all industry sectors, it is our prerogative to ensure that we contribute to the success of our nation.

We use the United Nation's 17 Sustainable Development Goals (SDGs) as a guideline. The SDGs provide a comprehensive definition of sustainability, ranging from good health and well-being, affordable and clean energy and climate action to quality education, peace, justice and strong institutions. We identified the issues that are relevant to us and assess the impact we are making, through our basket of services and goods as well as our operations and corporate citizenship activities.

We are committed to a cause that extends beyond financial profits.

Despite a decentralised operating model, we have a unified understanding throughout the Group of what needs to be achieved to ensure ongoing success. We acknowledge a duty to share the value we create and, by so doing, meet the responsibilities we have to contribute to economic and social development and give back to our people and our planet.

Conducting business in a sustainable manner is therefore integrated into 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 throughout our businesses.

Some day-to-day contributions:

Pureau

All the proceeds from our recycled 20l bottles are donated to Ratang Bana, an Alexandra based charity.

Burncrete

Clear roof sheeting in our factory allows us to keep the lights off, saving electricity in the process.

Interbrand

Through a supplier, Tholangkhutso Trading & Project, Interbrand donated office equipment and provided skills training.

Yamaha

The Yamaha Music Popularization Programme, focusing on the recorder, is in its 4th year. This initiative has reached 12 schools across the country.

Bidvest Tank Terminals

Over 1 700 training interventions were completed in the container class, ensuring the highest safety standards.

Bidvest Laundry Group

Through investment in a membrane bio reactor plant, we have managed to save water usage by 83%.

SABT

Minimising dust emissions through various methods. The site is now a more pleasant working environment.

Bidvest McCarthy

Recipient of an accredited yearly Gold award for oil recycling.

Home of Living Brands

Launched 'eco' products designed to be energy efficient, and sustainably recycled unusable IT spares (approximately 3 tonnes per month).

Academy Brushware

Introduced Waste Tech at two of our sites. Fleet vehicles are washed at high pressure, reducing water usage.

Plumblink

Supports Wot-If, a Diepsloot-based organisation that connects participants to sustainable income opportunities.

Konica Minolta

A partnership with Food & Trees for Africa ensured 46 001 trees have been planted. Konica Minolta also held a Gold Level Recognition EcoVadis Sustainability Rating for three years running.

Automotive Division

Fully compliant with the South African Waste Information System, a data-driven waste management system used by government and industry.

Voltex

Supply alternative residential energy solutions which significantly reduce energy consumption from the national grid.



Drive positive social change

We are involved in community development that enhances education, health, economic upliftment and diversity. Investing in communities and human capital, affords us the opportunity to operate, do business in and draw skills from the communities in which we operate. We constantly look for ways to disrupt ourselves and the industries in which we operate via technology and innovation. For example, we acquired UAV and Drone Solutions to take advantage of technological developments in the world of Unmanned Airborne Systems.



R133m Enterprise and Supplier development spend, mostly in the form of **operational assistance**, loans and grants, on **programs** that vary according to the nature of the business and their supply chain requirements

Total **socio-economic** development spend **R40m** with **52%** going towards **education**, **37%** towards **health and welfare**

A **Group-wide ethics line** is functional and **managed actively**

R68m spend on **sports development**

Employees adhere to a **Code of Ethics**

Caring for the Bidvest family and many others

We aim to provide a safe and healthy workplace with equal opportunities conducive to learning and personal development. We want our employees to be proud Bidvest ambassadors. Operationally we promote and offer out-of-home hygiene services and integrated facilities management services that promote decent work environments



45% of employees are **female**. **40%** of **executive directors** are women, which include the appointed **CEO-designate**

Skills development spend **R440m**

Half of learnerships were **issued to unemployed learners**

867 learners employed subsequently

Regrettably, **4 fatalities** of which 3 were due to motor vehicle accidents

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 FY20 we will continue our initiatives to improve water use, and accelerate renewable energy installations. The establishment of our R1bn LPG storage terminal in Richards Bay will facilitate reliable availability of an affordable low-carbon energy alternative.



Scope 1 CO₂ emissions have decreased consistently

Electricity provided by renewable resources increased by **28%**

30% less water used over the past **5 years**

5 260 tons of hazardous waste recycled

CERTIFICATE OF MEMBERSHIP

This is to certify that
Bidvest Group

is a constituent company in the FTSE4Good Index Series



FTSE4Good

June 2019

The FTSE4Good Index Series is designed to identify companies that demonstrate strong environmental, social and governance practices measured against globally recognised standards.







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