

Bidvest



HOMEGROWN
ENTREPRENEURSHIP

Governance Report

2018

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Indicates further reading with page referencing within this Governance Report



Supplementary documents can be found online at www.bidvest.com

- ▶ **Annual Financial Statements**
- ▶ **Annual Integrated report**
- ▶ **B-BBEE verification report**
- ▶ **GRI**



Introduction

Our approach to reporting Bidvest's 2018 Governance report forms part of a suite of reports developed as part of Bidvest's integrated reporting process. Our Governance report provides information on our performance and management approach relating to the most material governance, economic, social and environmental impacts of our activities.

The scope of this report includes Bidvest Group ("Bidvest" or "the Group" or "the Company") and our operating subsidiaries, unless otherwise stated. Performance data relates to the period 1 July 2017 to 30 June 2018. 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, rationalises collaboration efforts upstream among assurance providers coupled with effectively managing assurance costs. The model activities are coordinated to maximise the depth and reach of assurance achieved by each of the service providers. This enables an effective control environment and ensures the integrity of information used for reporting and decision making.

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, petrol and diesel usage – are identified and measured which continues to create awareness across our businesses and increases innovative thinking. The key sustainability indicators were robustly assured and reported through the management structure in place within the Bidvest business environment.



Corporate governance

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 and power. While retaining overall accountability, the board has delegated authority to the chief executive to run the day-to-day affairs of the Group. The chief executive is supported by the executive management committee. The board 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 2018 and the year ahead can be found on pages 7 to 10.

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.

Executive directors



Lindsay Ralphs
CEO
Age: 63
Qualification: BCom, BAcc, CA(SA)
Appointed: 10 May 1992



Mpumi Madisa
Age: 39
Qualification: Masters in Finance and Investment, BCom Honours in Economics and BSc in Economics and Mathematics
Appointed: 4 December 2013



Mark Steyn
CFO
Age: 48
Qualification: CA(SA)
Appointed: 01 March 2018



Gillian McMahon
Age: 46
Qualification: BCom Honours Business Economics and Industrial Psychology, MCom Industrial Psychology
Appointed: 27 May 2015



Anthony Dawe
Age: 53
Qualification: CA(SA)
Appointed: 28 June 2006



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.

Corporate governance (continued)

Independent non-executive directors



Lorato Phalatse
Chairman

Age: 56
Qualification: BA Political Science (Hons), University of Leeds UK, MA Southern African Studies, University of York UK
Appointed: Appointed as director on 20 April 2012 and as chairman during September 2012



Doug Band

Age: 74
Qualification: BCom, CA(SA)
Appointed: 27 October 2003



Bongzi Masinga

Age: 51
Qualification: BCom, USA-SA Leadership and Entrepreneurship Programme (Wharton School of Business)
Appointed: 4 December 2013



Tania Slabbert

Age: 51
Qualification: BA, MBA
Appointed: 20 August 2007



Eric Diack
Lead independent

Age: 61
Qualification: CA(SA), AMP Harvard
Appointed: 20 April 2012



Alex Maditsi

Age: 56
Qualification: BProc, LLB (Wits), LLM (Pennsylvania), LLM (Harvard), Dip Company Law (Wits)
Appointed: 20 April 2012



Nigel Payne

Age: 58
Qualification: CA(SA), MBL
Appointed: 28 June 2006



Nosipho Molope

Age: 54
Qualification: BSc (Med) (Wits), BCompt (Hons) (Unisa), CA(SA)
Appointed: 2 August 2017



Norman Thomson

Age: 67
Qualification: CA(SA)
Appointed: 01 May 2018



Renosi Mokate

Age: 60
Qualification: PhD
Appointed: 01 May 2018



Key to committees

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

The board comprises 10 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 was appointed lead independent director on 16 April 2018. During the current year, changes were made to the composition of the board. Ronosi Mokate and Norman Thomson were appointed as independent non-executive director on 1 May 2018.

In terms of Bidvest's Memorandum of Incorporation (Mol), the directors who retire by rotation at the forthcoming AGM are Nigel Payne, Alex Maditsi, Eric Diack, Lorato Phalatse and Tania Slabbert, and being eligible, offer themselves for re-election. Doug Band will retire at the AGM.

Mark Steyn was appointed to the board on 1 March 2018 and is to be elected by shareholders at the forthcoming AGM.

Nigel Payne and Tania Slabbert have been directors on the board for longer than nine years. In terms of King IV, they may each be re-elected in an independent capacity provided that they each meet the requirements to be categorised as such. The board, having conducted an assessment of their independence, has determined that Nigel Payne meets the requirements for categorisation as independent and Tania Slabbert meets the requirements for categorisation as independent.

The directors' academic and professional qualifications are presented on pages 13 and 15.

Corporate governance (continued)

Attendance

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

The names of the directors who were in office during the period 26 August 2017 to 31 August 2018 and the details of board meetings attended by each of the directors are as follows:

DIRECTOR	1	2	3	4
Independent non-executive chairman				
CWL Phalatse	✓	✓	✓	✓
Independent non-executive directors				
DDB Band	✓	✓	✓	✓
EK Diack	✓	A	✓	✓
AK Maditsi	✓	✓	✓	✓
S Masinga	✓	✓	✓	✓
T Slabbert	✓	✓	✓	✓
NG Payne	✓	✓	✓	✓
CWN Molope	✓	A	✓	✓
RN Mokate*			✓	✓
NW Thomson*			✓	✓
Executive directors				
AW Dawe	✓	✓	✓	✓
NT Madisa	✓	✓	✓	✓
GC McMahon	✓	✓	A	✓
HP Meijer**	✓	✓		
LP Ralphs	✓	✓	✓	✓
MJ Steyn***			✓	✓

Meeting dates:

1 – 27 November 2017 (scheduled)

2 – 23 February 2018 (scheduled)

3 – 31 May 2018 (scheduled)

4 – 31 August 2018 (scheduled)

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

A Apologies tendered

* Appointed 1 May 2018

** Retired 28 February 2018

*** Appointed 1 March 2018

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. Through the nominations committee, the board is in the process of developing a comprehensive succession planning policy.

Key focus areas for the board in 2018

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.

Corporate governance (continued)

Governance

- Considered the 2018 board evaluation report
- Received the results of a governance review exercise conducted by Deloitte on its behalf
- 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 2018 AGM and notice to shareholders
- Reviewed the quarterly stakeholder engagement reports.

Going forward

The board's priorities for 2019 are, *inter alia*:

- Continue to build lasting partnership and alliances with a range of stakeholders (government, business, communities and labour)
- Continue to approach B-BBEE on an inclusive, substantial and sustainable basis
- Expanding into international markets
- Build investor confidence by seeking solutions that 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 36.

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.

Corporate governance (continued)

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 30.

Board and board committees' performance assessment

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

Information and technology governance

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

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



Please refer to pages 26 to 28 of the Annual 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 committees feedback

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

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

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

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

Corporate governance (continued)

Directors' interests

The aggregate interests of the directors in the share capital of the Company at 30 June 2018 were:

	2018	2017
Beneficial	114 389	175 178
Non-beneficial	640 582	1 020 596
Held in terms of The Bidvest Incentive Scheme		
Replacement rights	330 365	428 448
Appreciation rights	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 2018, held directly or indirectly, were:

Director	2018 NUMBER OF SHARES		2017 NUMBER OF SHARES	
	Direct	Indirect	Direct	Indirect
AW Dawe	3 465	–	3 465	–
B Joffe	–	–	21 544	–
HP Meijer	–	–	35 245	4 000
LP Ralphs	110 924	–	110 924	4 000
	114 389	–	171 178	4 000

Board committees

NOMINATION COMMITTEE

Chairperson: Lorato Phalatse

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. The committee is responsible for assessing the independence of non-executive directors. In FY18 the focus was on chief financial officer succession and the review of the governance framework including a review of the board and committee charters. The focus for FY19 will be on strengthening board effectiveness through a combination of board and director evaluations, enhancement of the composition of board committees, equitable distribution of committee work, process improvements and, where appropriate, implementation of the recommendations arising out of the governance review undertaken during FY18, amongst others.

Corporate governance (continued)

Attendance

The names of the members who were in office during the period 26 August 2017 to 31 August 2018 and the number of nominations committee meetings attended by each of the members are:

Nomominations	22 NOV 2017	31 MAY 2018	31 AUG 2018
CWL Phalatse (Chair)	✓	✓	✓
T Slabbert	✓	✓	✓
EK Diack	✓	✓	✓
RN Mokate*		A	✓

✓ Present

* Appointed 1 May 2018

A Apology

On behalf of the committee

CWL Phalatse

Chairman

REMUNERATION COMMITTEE

Chairman: Doug Band

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 FY18 included monitoring of executive appointments, terminations and retirements and approving the rules, criteria, targets and allocations for performance-related pay schemes. In FY19 the committee will continue to promote the Group's strategic objectives through fair and transparent remuneration. Please refer to the detailed remuneration report on page 16.

Attendance

The names of the members who were in office during the period 26 August 2017 to 31 August 2018 and the number of remuneration committee meetings attended by each of the members are:

Remuneration	9 NOV 2017	31 MAY 2018	28 AUG 2018
DDB Band (Chair)	✓	✓	✓
AK Maditsi	✓	✓	✓
EK Diack	✓	✓	✓
S Masinga	✓	✓	✓
CWL Phalatse	✓	✓	✓
NW Thomson*		✓	✓

✓ Present

* Appointed 1 May 2018

On behalf of the committee

DDB Band

Chairman

SOCIAL AND ETHICS COMMITTEE

Chairman: Nigel Payne

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 FY18 was on transformation, small business development and stakeholder engagement. The focus for FY19 will be on activities relating to transformation, employee wellness and sustainability. Bidvest's code of ethics can be found on page 36. An ethics line is in use (0800 50 60 90/bidvest@tip-offs.com).

Corporate governance (continued)

Attendance

The names of the members who were in office during the period 26 August 2017 to 31 August 2018 and the number of social and ethics committee meetings attended by each of the members are:

Social and ethics	22 NOV 2017	21 FEB 2018	28 MAY 2018	28 AUG 2018
NG Payne (Chair)	✓	✓	✓	✓
CWL Phalatse	✓	✓	✓	✓
S Masinga	✓	✓	✓	✓
T Slabbert	✓	✓	✓	✓
AK Maditsi	✓	✓	✓	✓
NT Madisa	✓	✓	✓	✓
GC McMahon	✓	✓	A	✓
HP Meijer*	✓	✓		
LP Ralphs	✓	✓	✓	✓
MJ Steyn**			✓	✓

✓ Present

* Retired 28 February 2018

** Appointed 1 March 2018

A Apology

On behalf of the committee

NG Payne

Chairman

RISK COMMITTEE

Chairman: Nigel Payne

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. Cybersecurity, IT infrastructure, digital transformation and innovation, disaster recovery and system availability and stability were focus areas for FY18. These will continue to be focus areas in FY19. A key risk summary is presented on page 32.

Attendance

The names of the members who were in office during the period 29 August 2017 to 31 August 2018 and the number of risk committee meetings attended by each of the members are:

Risk	22 NOV 2017	21 FEB 2018	28 MAY 2018	27 AUG 2018
NG Payne (Chair)	✓	✓	✓	✓
CWL Phalatse	✓	✓	✓	✓
T Slabbert	✓	✓	✓	✓
S Masinga	✓	✓	✓	✓
AK Maditsi	✓	✓	✓	✓
NT Madisa	✓	✓	✓	✓
GC McMahon	✓	✓	A	✓
HP Meijer*	✓	✓		
LP Ralphs	✓	✓	✓	✓
MJ Steyn**			✓	✓

✓ Present

* Retired 28 February 2018

** Appointed 1 March 2018

A Apology

On behalf of the committee

NG Payne

Chairman

Corporate governance (continued)

ACQUISITIONS COMMITTEE

Chairman: Doug Band

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 FY18 included the consideration and evaluation of proposed investments, disinvestments and expansion opportunities. In FY19 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 26 August 2017 to 31 August 2018 and the number of acquisitions committee meetings attended by each of the members are:

Acquisitions	21 FEB 2018
DDB Band (Chair)	✓
EK Diack	✓
NG Payne	✓
LP Ralphs	✓
HP Meijer	A
MJ Steyn*	

✓ Present

* Appointed 1 March 2018

On behalf of the committee

DDB Band

Chairman

AUDIT COMMITTEE

Chairman: Nigel Payne

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 FY18, the committee reported that: Deloitte & Touche 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, five meetings were held.

Audit	23 NOV 2017	24 FEB 2018	28 MAY 2018	27 AUG 2018	30 AUG 2018
NG Payne (chair)	✓	✓	✓	✓	✓
EK Diack	✓	✓	✓	✓	✓
CWN Molope	✓	A	✓	✓	A
NW Thomson*			✓	✓	✓
RD Mokate*			✓	✓	✓

✓ Present

A Apology

* Appointed 1 May 2018

Corporate governance (continued)

Statutory duties

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

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

External auditor

The committee nominated and recommended the appointment of the external auditor, Deloitte & Touche, to the shareholders in compliance with the Companies Act and the JSE Listings Requirements and the appointment of Mr MH Holme as designated auditor for the 2018 financial year.

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

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

The committee has the following responsibilities for external audit:

1. Recommends the appointment of external auditor and oversees the external audit process and in this regard the committee must:
 - Nominate the external auditor for appointment by the shareholders
 - Approve the annual audit fee and terms of engagement of the external auditor
 - Monitor and report on the independence of the external auditor in the annual financial statements
 - Define a policy for non-audit services and pre-approve non-audit services to be provided by the external auditor
 - Ensure that there is a process for the committee to be informed of any reportable irregularities as defined in the Auditing Profession Act, 2005, identified and reported by the external auditor
 - Review the quality and effectiveness of the external audit process
 - Consider whether the audit firm and where appropriate the individual auditor that will be responsible for performing the functions of auditor are accredited as such on the JSE list of accredited auditors and their advisers as required by the JSE Listings Requirements.
2. The committee has applied its mind to the key audit areas and key audit matters identified by the external auditors. The committee is comfortable that they have been adequately addressed and disclosed.

Internal audit

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

The committee has the following responsibilities for internal audit:

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

Internal finance control

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

Risk management

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

Corporate governance (continued)

Combined assurance

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

Duties assigned by the board

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

Expertise of the financial director and finance function

The committee has reviewed the current performance and future requirements for the financial management of the Company and concluded that the current team has the appropriate skills, experience and expertise required to fulfil the finance function. In compliance with paragraph 3.84(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 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Fraud prevention

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

Information technology governance

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

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

Recommendation of the annual financial statements for approval by the board

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

On behalf of the committee

NG Payne
Chairman

Corporate governance (continued)

Directors' *curricula vitae*

Independent non-executive chairman

Cecilia Wendy Lorato Phalatse

Age: 56

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

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

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

Chief executive

Lindsay Peter Ralphs

Age: 63

Qualification: BCom, BAcc, CA(SA)

Appointed: 10 May 1992

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

Executive directors

Mark John Steyn

Chief financial officer

Age: 48

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.

Anthony William Dawe

Chief executive of Bidvest Freight

Age: 53

Qualification: CA(SA)

Appointed: 28 June 2006

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

Nompumelelo (Mpumi) Thembekile Madisa

Executive director

Age: 39

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.

Corporate governance (continued)

Gillian Claire McMahon

Executive director

Age: 46

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

Appointed: 27 May 2015

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

Independent non-executive directors

Douglas (Doug) Denoon Balharrie Band

Age: 74

Qualification: BCom, CA(SA)

Appointed: 27 October 2003

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

Eric Kevin Diack

Age: 61

Qualification: CA(SA), AMP Harvard

Appointed: 20 April 2012

Eric has extensive experience of the South African industrial and mining landscape. He has been integral to the negotiation and successful conclusion of a multitude of transactions during his corporate and entrepreneurial career. Eric has served on numerous major listed company boards, namely: AMIC, AECL, 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. Eric is chairman of the audit committee of Bidvest Bank.

Alex Komape Maditsi

Age: 56

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: 51

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

Appointed: 4 December 2013

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

Corporate governance (continued)

Nigel George Payne

Age: 58

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: 51

Qualification: BA, MBA

Appointed: 20 August 2007

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

Carol Winifred Nosipho Molohe

Age: 54

Qualification: BSc (Med) (Wits), BCompt (Hons) (Unisa), CA(SA)

Appointed: 2 August 2017

Nosipho has gained experience over a number of years in the financial services sector and was the chief financial officer at the Financial Services Board (FSB) from August 2005 to December 2008. Nosipho is a director on a number of listed and unlisted companies in South Africa namely, Engen, Mobile Telephone Networks (MTN), Old Mutual Life Assurance Company (South Africa) and South32 Coal Holdings. Nosipho's board committee membership on these companies include audit, risk and compliance, credit and remuneration.

Renosi Denise Mokate

Age: 60

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 Ltd and Vukile Property Fund amongst others. Her committee membership includes remuneration, governance, audit and social & ethics.

Norman William Thomson

Age: 67

Qualification: CA(SA)

Appointed: 1 May 2018

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

Company secretary

Mr CA Brighten, resigned as Company Secretary with effect from 1 January 2018. Ms I Roux was appointed in his stead for an interim period until 30 June 2018. With effect from 1 July 2018 Ms X Makasi was appointed as Group Company Secretary.

During the year under review, and in compliance with paragraph 3.84(h) of the JSE Listings Requirements, the board evaluated Mr CA Brighten 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.



Remuneration report

BACKGROUND STATEMENT

The remuneration committee is pleased to present the Bidvest remuneration report for the year ended 30 June 2018.

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 and we have further enhanced our disclosure to be aligned with King IV and the JSE Listing Requirements.

At the annual general meeting (AGM) on 14 November 2017, our 2017 remuneration report was presented and voted on in sections, namely:

Part 2: Remuneration policy – endorsed by 96,67% of shareholders that voted

Part 3: Implementation of policy – endorsed by 97,61% of shareholders that voted

The Group delivered strong results in a volatile market characterised by weak economic growth as well as significant business and political uncertainty and low consumer demand. The value of a diversified portfolio and the quality of the Group's underlying businesses continue to manifest themselves in the performance of the South African trading operations. Exceptional cost and capital disciplines, as well as good cash generation, were highlights and played a significant role in delivering results that outperformed most comparative peer companies performances. Headline

earnings per share were up by 11,1%. Cash generation of R9,4 billion ensured that the balance sheet remains robust with net debt to EBITDA below a factor of one. A major emphasis remains the realisation of non-core assets and the search for acquisitions that fit Bidvest's strategic intent.

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

PART 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, strategic objectives, and adherence to an ethical culture and good corporate citizenship. Both short- and long-term incentives are used to this end.
- Delivery-specific short-term incentives are viewed as strong drivers of performance. A significant portion of senior management's through-the-cycle reward is designed to be variable and aligned with stakeholder interests. This is prescribed by the achievement of realistic profit targets together with, where applicable, the individual's personal contribution to the growth and development of their immediate business, their division or the wider Group. Only when warranted by exceptional circumstances, special bonuses may be considered as additional awards
- As a consequence of the Group's dynamic and fast-moving nature, management is often redeployed to

take on new challenges and address poor performing divisions. In such cases, subjective criteria may need to be applied when making an evaluation of performance

- Long-term incentives align the objectives of management and shareholders and other stakeholders for a sustainable period.

Policy principles

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

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

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.

Governance and the remuneration committee

Board responsibility

The board carries ultimate responsibility for the remuneration policy. The

Remuneration report (continued)

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 three meetings per year but also meets on an ad hoc basis when required.

 *The attendance for these meetings is contained on page 8.*

The chief executive and 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. The remuneration committee uses the services of PricewaterhouseCoopers (PwC) as its standing independent advisers.

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 an essential, vital role in realising business strategy and therefore should be competitive in the markets in which it operates.

Executive directors

Terms of service

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

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

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

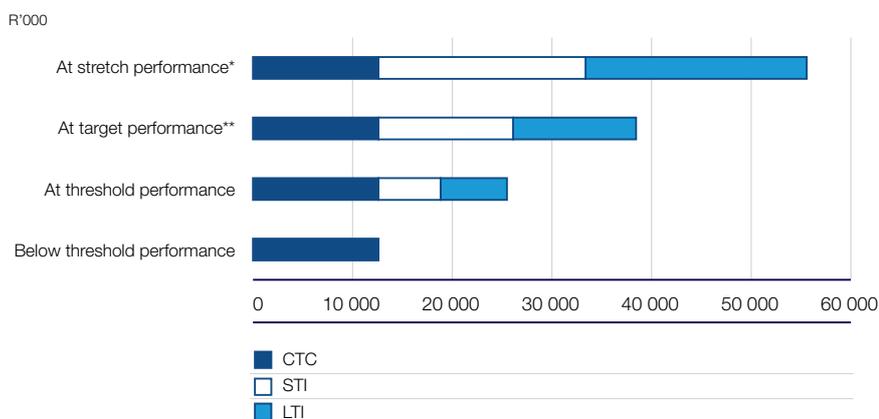
Remuneration report (continued)

Elements of remuneration and package design

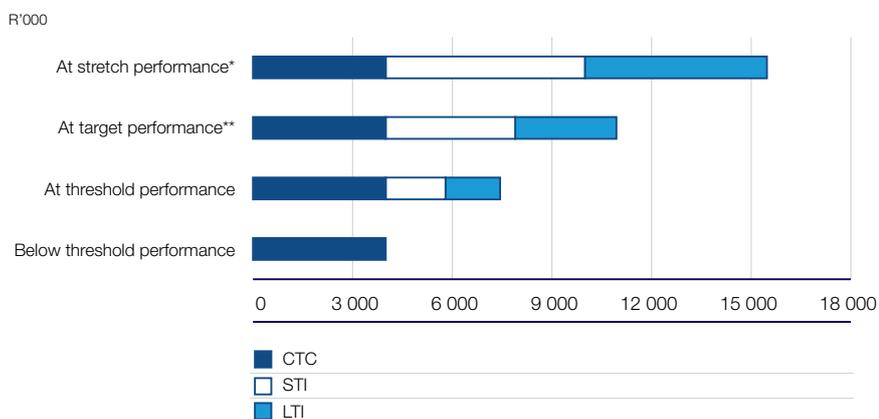
The Group operates a total cost-to-company (CTC) philosophy whereby cash remuneration, benefits (including a defined contribution retirement fund, medical aid and other insured benefits) form part of employees' fixed total CTC remuneration. Senior management and executive directors also participate in short-term incentives in the form of a performance bonus plan. Two long-term incentive plans are in operation, namely the Bidvest Share Appreciation Right Plan (SAR) for senior management and executive directors and the Bidvest Conditional Share Plan (CSP) for Group executive directors.

The remuneration policy for executive directors results in a significant portion of the remuneration received being dependent on company performance. This is achieved in two 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 2018 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 below:

CEO



Other executive directors



* LTI includes indicative expected value on grant date assuming full vesting (100% of award allocated)

** LTI includes indicative expected value on grant date at expected vesting (56% of award allocated)

*** Average CTC

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.

Remuneration report (continued)

Table 1: Summary of remuneration components for executive directors

	COMPONENT, OBJECTIVE AND LINK TO STRATEGY	POLICY	FUTURE CHANGES
Guaranteed pay (CTC)	<p>Base package</p> <p>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 a similar job in the market.</p> <p>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 2019.
	<p>Benefits</p> <p>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</p> <p>To motivate and incentivise delivery of performance, financial and non-financial, consistent with the Group's strategy over the one-year operating cycle.</p> <p>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.</p> <p>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"> Headline earnings per share (HEPS) growth Return on funds employed (ROFE) achieved <p>Strategic performance</p> <p>Sustainability and transformation, business enhancements and acquisitive growth.</p> <p>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.</p> <p>Linear vesting will occur between the performance hurdles set.</p>	Inflation used as a base input to be weighted based on the geographic mix of normalised headline earnings.
Long-term incentives (LTIs)	<p>Conditional Share Plan (CSP)</p> <p>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 a 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.</p> <p>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 attaining B-BBEE targets, business enhancements and acquisitions. 	No changes are proposed for 2019

Remuneration report (continued)

Further details on long-term incentive plans

Conditional Share Plan

At the 2008 AGM, shareholders approved a CSP. The CSP was implemented for executive directors only, to replace previous participation in the share option plan. Under the CSP, participants are awarded a right to future delivery of equity (ie a conditional right to receive shares). Vesting of shares is subject to the achievement of performance conditions. Group performance conditions, each with different weightings, have been imposed. The performance period is three years, coinciding with the Group's financial year. 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 and no further awards will be made under the Group Option Scheme. SARs vest from year three onwards.

Share dilution

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

Non-executive directors

Terms of service

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

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

Fees

Group policy is to pay competitive fees for the role while recognising the required time commitment. Fees are benchmarked against a comparator group of JSE-listed companies. The fees comprise an annual retainer component and attendance fee for scheduled meetings, as tabulated in Part 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 are placed before shareholders for consideration and approval under the terms of an advisory non-binding vote at the 2018 AGM as provided for in the JSE Listings 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 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.

Remuneration report (continued)

PART 3

IMPLEMENTATION OF REMUNERATION POLICY

Executive director remuneration

Guaranteed pay – base pay and benefits (2018)

In determining the CTC increases for executive directors, the remuneration committee considered the average increases to general staff and also used relevant market data. Benchmarks were selected based on a number of factors, including, but not limited to, company size and complexity of comparable listed companies by reference to market capitalisation, turnover, profitability, number of employees and sector. In aggregate executive directors received a 10% increase. The overall percentage increase was boosted by a realignment of two directors' remuneration to better reflect their responsibilities.

Short-term incentives (2018)

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
- 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 follows:

Measures	Weighting	TARGET RANGE			Actual Performance	Outcome	Weighted Outcome
		Threshold 30% of max	Target 65% of max	Stretch 100% of max			
Financial measures:							
HEPS growth	40%	CPI	CPI+1%	CPI+4%	11.1%	100.0%	40.0%
ROFE	30%	20.0%	21.5%	24.0%	22.9%	84.6%	25.4%
Non-financial measures:							
Sustainability and transformation	15%					85.0%	12.8%
Business enhancements and acquisitive growth	15%					90.0%	13.5%
Overall score as a % of max [A]							91.6%
Maximum STI as a % of CTC [B]							165.0% (CEO) and 150.0% (EDs)
Overall score as a % of CTC [A x B]							151.2% (CEO) and 137.5% (EDs)

Long term incentives

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

- Long-term incentives awarded during 2018
- Long-term incentives vesting during 2018
- Long-term incentives settled during 2018
- Outstanding long-term incentives.

 Further details pertaining to the above are contained in the Annexure on page 26.

Remuneration report (continued)

Long-term incentives awarded during 2018

All executive directors are awarded CSP awards. The following performance targets, weighting and performance periods are applicable to the CSPs awarded during 2018 and are to be tested over a three-year period commencing on 1 July 2017. 75% of the awards will vest after a three year period while the remaining 25% will vest after a 4 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 transformation and sustainability. 	<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 committee. No linear vesting will apply.</p>

The CSPs awarded during 2018, at expected value, can be expressed as 75% and 98% of average executive director and CEO CTC, respectively. This award was based on a benchmark exercise performed by the committees' standing advisors.

Long term incentives vesting during 2018

No CSP awards vested during 2018.

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

Upon the retirement of HP Meijer, he held outstanding replacement rights and unvested CSP awards. He will be allowed to exercise all historical vested replacement rights including, at the discretion of the remuneration committee, any unvested replacement rights which are scheduled to vest in 2018. The CSP awards will be adjusted for the time served of the vesting period up to his retirement and will further be adjusted for performance condition, measured up to 30 June 2018.

Long-term incentives settled during 2018

 Details relating to the settlement of long-term incentives are contained in the tables on page 26 to 29.

Outstanding long-term incentives

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

Remuneration report (continued)

As at 30 June 2018, the vesting of the CSP rights referred to above, are estimated to be achieved as follows:

PERFORMANCE CONDITIONS	2016 AWARDS		WEIGHTING VESTING %
	WEIGHTING %	VESTING %	
HEPS growth	40	59	24
Relative TSR	20	100	20
ROFE	20	52	10
Strategic metrics	20	87	17
Expected vesting (%)			71

PERFORMANCE CONDITIONS	2017 AWARDS		WEIGHTING VESTING %
	WEIGHTING %	VESTING %	
HEPS growth	40	100	40
Relative TSR	20	100	20
ROFE	20	58	12
Strategic metrics	20	88	18
Expected vesting (%)			89

Total remuneration outcomes

Single figure of remuneration

The total remuneration outcomes is reflected below, comprising salary and benefits, cash incentive for 2018 and long-term incentives where the performance period ended in 2018. With reference to actual total pay during 2018, only NT Madisa (R13.3 million), MJ Steyn (R1.8 million) and HP Meijer (R10.5 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
DIRECTOR						
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 of Bidvest Freight. He will fall in with group policy from 2019

⁴ LTIP projected includes tranches one of the replacement rights (options) awarded on 11 December 2015, tranche two of awards on 19 October 2014 and 3 November 2014, and tranche three of 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 the 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 share appreciation rights (SAR). As at 30 June 2018, 37 500 replacement rights and 80 000 SAR remain unexercised

Remuneration report (continued)

With reference to actual total pay during 2017, GC McMahon (R4.0 million), HP Meijer (R10.9 million) and LP Ralphs (R91.9 million) realised benefit from the exercise of replacement rights and CSPs.

2017 R'000	Basic remuneration	Retirement/ medical benefits	Other benefits and costs	Cash incentives	LTIP reflected ²	Single figure
DIRECTOR						
AW Dawe	4 487	263	76	3 347	6 705	14 878
NT Madisa	3 027	272	89	2 324	6 268	11 980
GC McMahon	1 672	218	154	1 409	3 782	7 235
HP Meijer ¹	3 237	397	164	2 606	8 894	15 298
LP Ralphs	9 164	825	912	7 227		18 128

¹ HP Meijer retired as CFO on 28 February 2018

² LTIP reflected includes tranches one of the replacement rights (options) awarded on 9 October 2014 and 3 November 2014, tranche two of awards on 13 March 2014, and tranche three of awards on 5 April 2013. All of these replacement rights vest within 12 months after year end and are included at the intrinsic value of the 20 day Bidvest VWAP plus the 20 day Bidcorp VWAP as at 30 June 2018 minus the applicable strike price

Non-executive remuneration

The remuneration paid to non-executive directors while in office of the Company during the year ended 30 June 2018 is analysed as follows:

R'000			2018	2017
	Directors' fees	As directors of subsidiary companies and other services	Total emoluments	Total emoluments
DIRECTOR				
DDB Band	718	–	718	551
EK Diack	570	508	1 078	1 583
B Joffe	23	–	23	4 203
AK Maditsi	613	–	613	535
S Masinga	595	–	595	582
RK Mokate	114	597	711	–
CWN Molope	371	–	371	–
NG Payne	1 349	875	2 224	2 169
CWL Phalatse	1 430	–	1 430	1 350
T Slabbert	655	–	655	562
NW Thomson	148	–	148	–
2018 total	6 586	1 980	8 566	11 535
2017 total	5 887	5 648	11 535	–

Proposed non-executive directors' fees for 2019 are based on a 6% increase. An 8.4% increase has been proposed in respect of the Group chairman in order to better align this fee with the responsibilities of this role.

Remuneration report (continued)

R'000	Basic per annum	Per meeting attended
Chairman	1 550 000	
Lead independent director	200 000	
Non-executive directors	103 456	41 552
Audit committee chairman	294 892	46 640
Audit committee member	77 910	33 920
Remuneration committee chairman	132 500	32 012
Remuneration committee member		36 570
Nominations committee member		33 708
Acquisitions committee chairman	88 722	37 736
Acquisitions committee member		39 644
Risk committee chairman	157 304	27 772
Risk committee member		29 468
Social and ethics committee chairman	94 340	27 772
Social and ethics committee member		27 772
Ad hoc meetings		20 140

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 6 of the notice of AGM for approval of the fees by shareholders in terms of section 66 of the Companies Act.

Non-binding advisory vote

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

DDB Band

Chairman

Remuneration report (continued)

Annexure

Unvested long-term incentive awards and cash value of settled awards

Names	Opening number on 1 July 2016	Granted during 2017	Forfeited/ lapsed during 2017	Settled/ exercised during 2017	Closing number on 30 June 2017	Cash value on settlement during 2017 ⁸	Closing estimated fair value at 30 June 2017 <small>9, 10, 11, 12</small>
LP Raphs							
<i>Conditional Share Plan</i>							
11/12/2015 ¹³	35 000	94 280	35 000	–	94 280	–	6 590 600
24/10/2016 ⁶	–	80 000	–	–	80 000	–	5 583 776
27/11/2017 ⁷							
<i>Replacement rights (Options)</i> ^{15, 16, 17, 18, 19, 20}							
17/05/2004 ¹⁴	60 000	–	–	(60 000)	–	25 371 503	–
08/03/2005 ¹⁴	60 000	–	–	(60 000)	–	24 122 269	–
Total	120 000	80 000	–	(120 000)	80 000	49 493 772	12 174 376
AW Dawe							
<i>Conditional Share Plan</i>							
24/10/2016 ⁶	–	28 000	–	–	28 000	–	1 954 322
27/11/2017 ⁷							
<i>Replacement rights (Options)</i> ^{15, 16, 17, 18, 19, 20}							
13/03/2004	50 000	–	–	–	50 000	–	10 875 497
03/11/2014	43 066	–	–	–	43 066	–	7 971 422
11/12/2015	40 000	–	–	–	40 000	–	6 140 398
Total	133 066	28 000	–	–	161 066	–	23 088 158
NT Madisa							
<i>Conditional Share Plan</i>							
24/10/2016 ⁶	–	20 000	–	–	20 000	–	1 395 944
27/11/2017 ⁷							
<i>Replacement rights (Options)</i> ^{15, 16, 17, 18, 19, 20}							
02/12/2011	3 000	–	–	–	3 000	–	961 470
05/04/2013	7 500	–	–	–	7 500	–	1 846 050
13/03/2014	25 000	–	–	–	25 000	–	5 437 749
03/11/2014	43 066	–	–	–	43 066	–	7 971 422
11/12/2015	40 000	–	–	–	40 000	–	6 140 398
Total	118 566	20 000	–	–	138 566	–	23 753 032

Granted during 2018	Forfeited/ lapsed during 2018	Settled/ exercised during 2018	Closing number on 30 June 2018	Cash value on settlement during 2018	Closing fair value at 30 June 2018	Strike price
-	-	-	94 280	-	14 350 054	
-	-	-	80 000	-	12 157 844	
112 000	-	-	112 000	-	18 903 369	
-	-	-	-	-	-	
-	-	-	-	-	-	
112 000	-	-	286 280	-	45 411 267	
-	-	-	28 000	-	4 255 245	
38 000	-	-	38 000	-	6 413 643	
-	-	-	50 000	-	11 709 004	238
-	-	-	43 066	-	8 689 329	270
-	-	-	40 000	-	6 807 203	302
38 000	-	-	199 066	-	37 874 424	
-	-	-	20 000	-	3 039 461	
30 000	-	-	30 000	-	5 063 402	
-	-	3 000	-	1 072 898	-	135
-	-	7 500	-	2 208 492	-	209
-	-	18 750	6 250	4 784 235	1 463 625	238
-	-	22 311	21 533	5 267 319	4 344 614	270
-	-	-	40 000	-	5 047 640	302
30 000	-	50 783	117 783	13 332 942	20 718 306	

Remuneration report (continued)

Annexure (continued)

Unvested long-term incentive awards and cash value of settled awards (continued)

Names	Opening number on 1 July 2016	Granted during 2017	Forfeited/ lapsed during 2017	Settled/ exercised during 2017	Closing number on 30 June 2017	Cash value on settlement during 2017 ⁸	Closing estimated fair value at 30 June 2017 ^{9, 10, 11, 12}
GC McMahon							
<i>Conditional Share Plan</i>							
24/10/2016 ⁶	–	12 000	–	–	12 000	–	837 566
27/11/2017 ⁷							
<i>Replacement rights (Options)</i> ^{15, 16, 17, 18, 19, 20}							
02/12/2011	3 750	–	–	(3 750)	–	1 266 438	–
05/04/2013	7 500	–	–	(3 750)	3 750	984 478	923 025
13/03/2014	15 000	–	–	(7 550)	7 500	1 754 473	1 631 325
09/10/2014	20 000	–	–	–	20 000	–	4 086 399
11/12/2015	30 000	–	–	–	30 000	–	4 605 298
Total	76 250	12 000	–	(15 000)	73 250	4 005 390	12 083 613
HP Meijer							
<i>Conditional Share Plan</i>							
24/10/2016 ⁶	–	22 000	–	–	22 000	–	1 535 538
<i>Replacement rights (Options)</i> ^{15, 16, 17, 18, 19, 20}							
02/12/2011	10 000	–	–	(10 000)	–	3 285 359	–
05/04/2013	20 000	–	–	(10 000)	10 000	2 549 630	2 461 399
13/03/2014	45 000	–	–	(22 500)	22 500	5 099 093	4 893 974
03/11/2014	43 066	–	–	–	43 066	–	7 971 422
11/12/2015	40 000	–	–	–	40 000	–	6 140 398
Total	158 066	20 000	–	–	138 566	10 934 083	23 002 732

⁶ 2017: The CSPs are included at an indicative fair value taking into account the 20 day VWAP as at 30 June 2017 of R162.17, the remaining life of the instrument and the estimated achievement of performance conditions

⁷ 2018: The CSPs are included at an indicative fair value taking into account the 20 day VWAP as at 30 June 2018 of R201.58, the remaining life of the instrument and the estimated achievement of performance conditions

⁸ The amount included represents the cash value on settlement for awards that were exercised

⁹ 2017: Replacement rights (options) vesting within 12 months after year-end are included at the intrinsic value based on the 20 day VWAP as at 30 June 2017 for Bidvest plus Bidcorp of R162.17 and R292.86 respectively

¹⁰ 2018: Replacement rights (options) vesting within 12 months after year-end are included at the intrinsic value based on the 20 day VWAP as at 30 June 2018 for Bidvest plus Bidcorp of R201.58 and R270.14 respectively

¹¹ 2017: Replacement rights (options) vesting more than 12 months after year-end are included at an indicative fair value based on the 20 day VWAP as at 30 June 2017 for Bidvest plus Bidcorp of R162.17 and R292.68 respectively

¹² 2017: Replacement rights (options) vesting more than 12 months after year-end are included at an indicative fair value based on the 20 day VWAP as at 30 June 2018 for Bidvest plus Bidcorp of R201.58 and R270.14 respectively

¹³ 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 2010 - 30 June 2019. The vesting period for the replacement rights was extended for an additional year where vesting of 75% of the awards will occur in September 2019 and the remaining 25% will vest in September 2020. The performance targets, weighting and performance periods are to be tested over a three-year period

¹⁴ The RemCo extended the lapse period for these replacement rights

¹⁵ 50% of the replacement rights (options) awarded on 13 March 2014 vested on 13 March 2017, 25% will vest on 13 March 2018 and the remaining 25% will vest on 13 March 2019

¹⁶ 50% of the replacement rights (options) awarded on 2 December 2011 vested on 2 December 2014, 25% vested on 2 December 2015 and the remaining 25% vested on 2 December 2016 and 5 April 2013 vested during the 2017 financial year

¹⁷ 50% of the replacement rights (options) awarded on 5 April 2013 vested on 5 April 2017, 25% will vest on 5 April 2018 and the remaining 25% will vest on 5 April 2019.

¹⁸ 50% of the replacement rights (options) awarded on 19 October 2014 vested on 19 October 2017, 25% will vest on 19 October 2018 and the remaining 25% will vest on 19 October 2019

¹⁹ 50% of the replacement rights (options) awarded on 3 November 2014 vested on 3 November 2017, 25% will vest on 3 November 2018 and the remaining 25% will vest on 3 November 2019

²⁰ 50% of the replacement rights (options) awarded on 11 December 2015 will vest on 11 December 2018, 25% will vest on 11 December 2019 and the remaining 25% will vest on 11 December 2020

Granted during 2018	Forfeited/ lapsed during 2018	Settled/ exercised during 2018	Closing number on 30 June 2018	Cash value on settlement during 2018	Closing fair value at 30 June 2018	Strike price
-	-	-	12 000	-	1 823 677	
15 000	-	-	15 000	-	2 279 596	
-	-	-	3 750	-	985 538	209
-	-	-	7 500	-	1 756 351	238
-	-	-	20 000	-	4 419 801	251
-	-	-	30 000	-	5 105 402	302
15 000	-	-	88 250	-	16 370 364	
-	(15 454)	-	6 546	-	994 816	
-	-	-	-	-	-	
-	-	10 000	-	2 945 186	-	209
-	-	11 250	11 250	2 992 050	2 277 002	238
-	-	21 533	21 533	4 620 280	4 344 614	270
-	-	-	40 000	-	6 807 203	302
-	-	42 783	79 329	10 557 516	13 428 819	

The valuation methodology applied for each award in the 'Unvested long-term incentive awards and cash value of settled awards' table is outlined below:

TYPE OF AWARD	AWARD DATE	TRANCHE*	VALUATION METHODOLOGY APPLIED	
			MARKET VALUE ESTIMATION USING A MARKET VALUATION TECHNIQUE	INTRINSIC VALUE
Conditional share	11/12/2015	n/a	✓	
Conditional share	24/10/2016	n/a	✓	
Conditional share	27/11/2017	n/a	✓	
Replacement share	02/12/2012	3		✓
Replacement share	05/04/2013	2 and 3		✓
Replacement share	13/03/2014	1 and 2		✓
Replacement share	13/03/2014	3	✓	
Replacement share	09/10/2014	1		✓
Replacement share	09/10/2014	2 and 3	✓	
Replacement share	03/11/2014	1		✓
Replacement share	03/11/2014	2 and 3	✓	
Replacement share	11/12/2015	1, 2 and 3	✓	

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

Stakeholder report

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

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

Monitor call centers; 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
- Energy saving projects implemented across the Group resulted in cost savings

International, regional and industry contacts; and Market intelligence, focused on leaders in specific niche areas where Bidvest sees growth opportunities.

Key issues raised

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

Our response

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







Material focus areas, risks and opportunities

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

Lindsay Ralphs, Chief executive

KEY RISKS



MATERIAL FOCUS AREAS

Increasingly complex business, policy and regulatory environment

MANAGEMENT RESPONSE

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

Inconsistent black economic empowerment policy and legislation makes compliance challenging. Working together with all stakeholders towards an aligned and settled framework.

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.



Remaining competitive and relevant

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

Bidvest encourage creative approaches and innovation and embrace 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

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

The Bidvest board appointed a risk committee to assist in recognising all material risks to which the Group is exposed and ensuring that the requisite risk management culture, policies and systems are in place and functioning effectively. Risks are assessed on an enterprise-wide level and their individual and joint impact considered. Internal audits 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.

KEY RISKS

3

Loss of agency and distribution rights

MATERIAL FOCUS AREAS

Fostering positive long-term relations 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 KPIs:

- HEPS growth
- TSR vs peer group

FLOW THROUGH TO STRATEGY

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

4

Talent attraction and retention

Developing and maintaining high calibre staff

Bidvest focuses on maintaining and rewarding high-performance culture.

It encourages entrepreneurial attitudes and develops people through training academies, graduate and learnership programmes and recognition.

The short/medium-term disruption in the event of sudden departures due to a lack of skilled management is well understood.

Impact on KPIs:

- HEPS growth
- Sustainability & Transformation

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

Material focus areas, risks and opportunities (continued)

KEY RISKS



Escalating IT cost and cyber security

MATERIAL FOCUS AREAS

Cost-effective, efficient IT systems and support structures

MANAGEMENT RESPONSE

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

Group internal audit ensures adherence to the IT frameworks and guidelines.

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

Impact on KPIs:

- HEPS growth
- ROFE

FLOW THROUGH TO STRATEGY

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



Non-performing asset creep

Asset and return management

Management actively monitors and drives 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

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

Other material focus areas

Making value-enhancing acquisitions

Meeting and exceeding customer expectations

Environmental impact consciousness



Stewardship

We are firm believers in the 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 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:



Caring for the Bidvest family

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.



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 FY19 we will continue our initiatives to improve water use; accelerate renewable energy installations and responsible waste management.



Drive positive social change

We are involved in community development that enhances education, health, economic inclusion 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.



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.

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 acceptable.
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.



Bidvest

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