



Shoprite Holdings Limited
("Shoprite Holdings" or the "Group")

Application of the King IV Code Principles

The Board is committed to complying with the requirements of the Companies Act, 71 of 2008, as amended, the JSE Listings Requirements and the King Report on Corporate Governance for South Africa 2016 (King IV).

The principles of King IV are adopted and applied by Shoprite Holdings as disclosed in this document.

Reference for more information on our application of these principles

<p>Principle 1: Leadership</p>	<p>The Board should lead ethically and effectively.</p>	<p>1.1 The Board is held accountable for ethical and effective leadership through adherence to the Board Charter and annual performance evaluations. The Board and its committees demonstrate ethical and effective leadership through a robust governance framework strongly embedded in the Group's strategy and performance. Board members have a legal obligation to avoid conflicts of interest and make full and timely disclosure of potential conflicts.</p> <p>1.2 Directors have been appointed to ensure the appropriate mix of skills, experience and independence within the business. During the 2023 financial year, the Board undertook a review of its composition and functioning with a view to improving its independence, skills and succession plan.</p> <p>Further references in this regard can be found in the Integrated Report 2023 in the Leadership section on page 39.</p>
<p>Principle 2: Organisational ethics</p>	<p>The Board should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.</p>	<p>2.1 The Group has a code of ethics in place that is applicable to all employees, including the Board of Directors.</p> <p>2.2 The Audit and Risk Committee (ARC) and Social and Ethics Committee (SEC) assist the Board with monitoring and reporting on social, ethical and transformational practices that support the establishment of an ethical culture across the Group. Ethical standards are incorporated into the various functional policies and procedures, the implementation of which is monitored by the ARC and SEC.</p> <p>2.3 The Group provides an independently managed mechanism, Tip-offs Anonymous, to enable employees and third parties to report any perceived or alleged irregular and unethical behaviour in a confidential and controlled manner. Allegations are monitored and managed, and regular feedback is provided to the SEC.</p>



Reference for more information on our application of these principles

<p>Principle 3: Responsible corporate citizenship</p>	<p>The Board should ensure the organisation is and is seen to be a responsible corporate citizen.</p>	<p>3.1 The Board mandates the SEC to oversee and monitor the Group’s activities and outputs that affect its status as a responsible corporate citizen. We have implemented various initiatives and programmes to ensure we protect the environment, maintain the health and safety of our people, suppliers, and customers and contribute to community development through our CSI programmes. In this regard, we have implemented or engaged in the following initiatives:</p> <ul style="list-style-type: none"> • The Shoprite People Plan strategy • Customer centricity focused on affordability, accessibility and innovation, store health and safety • Our CSI programmes <p>3.2 Further details can be obtained in the Integrated Report 2023, page 44 and pages 75 to 84, and the Sustainability Report 2023, page 14 and pages 28 to 61.</p>
<p>Principle 4: Strategy and performance</p>	<p>The Board should appreciate that the organisation’s core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value-creation process.</p>	<p>4.1 The Board is responsible for aligning the Group’s strategic objectives, vision and mission with performance and sustainability considerations.</p> <p>4.2 Our material matters are:</p> <ul style="list-style-type: none"> • Changes in socio-political and economic conditions • Application of technology and digitisation • Impact of talent war • The impact of a responsible and sustainable value chain • Continuously increasing regulatory requirements • Embedding an ethical culture • Building brand loyalty through customer centricity <p>(See the Material matters and the risks and opportunities they create on pages 22 to 29 of our Integrated Report 2023)</p> <p>4.3 The Group has a formalised risk management process in place, including an Enterprise Risk Management framework and a King IV-aligned combined assurance framework, which considers the full range of material risks, including strategic and operational risks, that might affect its performance and sustainability. The ARC provides risk governance oversight by continuously monitoring risks and ensuring appropriate controls are in place.</p> <p>Further references in this regard can be found in the Integrated Report 2023 under the following sections:</p> <ul style="list-style-type: none"> • Chairman’s letter (page 12) • Chief Executive Officer’s (CEO) review (page 15) • Our strategic priorities (page 11) • Stakeholder engagement (page 30) • Value-creating governance (page 40).
<p>Principle 5: Reporting</p>	<p>The governing body should ensure reports issued by the organisation enable stakeholders to make informed assessments of the organisation’s performance, and its short-, medium- and long-term prospects.</p>	<p>5.1 The Group publishes an Integrated Report and a Sustainability Report that present the material information on Shoprite Holdings Ltd and its subsidiaries in an integrated manner. Sustainability reporting and disclosure are integrated with the Group’s financial reporting.</p> <p>5.2 This provides stakeholders with a balanced and holistic view of the Group’s financial, social, environmental and economic impacts and an understanding of its short, medium and long-term prospects.</p> <p>5.3 The ARC is tasked with the role of overseeing the preparation of the Integrated Report and interrogating the content, process and assurance in respect of the integrity of the report. The Board reviews the Integrated Report to satisfy itself as to its veracity and the balance achieved in the report and approves the report. (See page 02 of the Integrated Report 2023)</p>



Reference for more information on our application of these principles

<p>Principle 6: Primary role and responsibilities of the Board</p>	<p>The governing body should serve as the focal point and custodian of corporate governance in the organisation.</p>	<p>6.1 The Board is the highest governing authority and through its Charter, it carries the ultimate responsibility for governance of the Group. The Charter is reviewed annually.</p> <p>6.2 The Board has adopted the principles of King IV, and where the recommendations are not applied, reasons for an alternative approach have been explained.</p> <p>Further references on our governance practices and focus areas are disclosed in the Integrated Report 2023 (pages 40 to 44)</p>
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<p>Principle 7: Composition of the Board</p>	<p>The Board should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.</p>	<p>7.1 The Board comprises 11 Non-executive and two Executive Directors. Ten of the Non-executive Directors are independent. The Chairman is independent, and we have a Lead Independent Non-executive Director. (Their profiles are available on pages 36 to 38 of the Integrated Report 2023)</p> <p>7.2 Directors are appointed through a formal process. The Nomination Committee (NomCo) assists in identifying suitable candidates, but final approval of appointments resides with the Board. Every effort is made to ensure the composition of the Board comprises the appropriate mix of knowledge, skills and experience (business, commercial and industry), which is sufficient to deliver on strategies and create long-term shareholder value. (See page 39 of the Governance section of the Integrated Report 2023)</p> <p>7.3 The Group has adopted a Promotion of Gender and Race Diversity policy at Board level that seeks to achieve a target for female and black representation. In the year under review, the Nomination Committee proposed increased targets of 40%, from 30%, for both female and black representation, which was approved by the Board.</p> <p>7.4 One-third of the Non-executive Directors retire annually by rotation in terms of the Shoprite Holdings Ltd Memorandum of Incorporation. The NomCo makes recommendations regarding the re-election of the retiring Directors considering matters such as performance and meeting conduct. The independence and performance of Non-executive Directors who have served on the Board for more than nine years is subjected to a rigorous review.</p> <p>7.5 A formal induction programme exists for all new Directors. Upon their appointment, new Directors receive an induction pack consisting of, inter alia, agendas and minutes of the previous Board and sub-committee meetings, the latest Integrated Report, relevant insurance information, strategic documents, relevant policies and charters, and are informed of their fiduciary duties in terms of the Companies Act and JSE Listings Requirements. They visit various sites and distribution centres and have meetings with Executive management.</p> <p>7.6 The roles and responsibilities of the Chairman and the Chief Executive Officer (CEO) are separated. The CEO and Chief Financial Officer (CFO) are Executive members of the Board.</p>
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Reference for more information on our application of these principles

**Principle 8:
Committees of
Board**

The Board should ensure its arrangements for delegation within its own structures promote independent judgement and assist with balance of power and the effective discharge of its duties.

- 8.1 In discharging its duties, the Board has delegated certain functions to five sub-committees.
- 8.2 The composition of the Board and its committees are in line with the Companies Act and King IV requirements. There is a clear balance of power within the Board and its committees to ensure no individual has undue decision-making powers.
- 8.3 Each committee has terms of reference that set out the roles and responsibilities and is approved by the Board.
- 8.4 The Board has appointed the following committees:
 - Audit and Risk Committee
 - Nomination Committee
 - Remuneration Committee
 - Social and Ethics Committee
 - Finance and Investment Committee

Further references on our Board committees are disclosed in the Integrated Report 2023. (See pages 40 and 44)



<p>Principle 9: Evaluations of the Board</p>	<p>The governing body should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness.</p>	<p>9.1 A formal external assessment was conducted on the effectiveness and activities of the Board and committees during the year under review.</p>
<p>Principle 10: Appointment and delegation to management</p>	<p>The Board should ensure the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities.</p>	<p>10.1 The Board has a clear Delegation of Authority policy and framework, according to which roles are carried out and authority is exercised, both within the Board structures and the management team.</p> <p>10.2 The Board has delegated to the CEO, CFO and other Executive management, the authority to run the day-to-day business subject to an approval framework established by the Board.</p> <p>10.3 The Executive Committee comprises the CEO, CFO and nominated business unit and departmental heads responsible for implementing and executing approved strategy and discharging all duties and functions as delegated by the Board. The Executive Committee meets on a regular basis and reports back to the Board and committees.</p> <p>10.4 Shoprite Holdings Ltd has an appointed Company Secretary who is responsible for corporate governance and plays a vital role at Board level. A formal annual review of the qualifications, competency and performance of the Company Secretary was conducted during 2022. The Board believes the Company Secretary is suitably skilled, qualified and experienced to fulfil the role competently, that he is independent and maintains an arm's length relationship with the Directors.</p> <p>10.5 The Board is satisfied that it and the Group are appropriately resourced for these roles and that delegation of certain roles and responsibilities to management supports effective governance.</p>
<p>Principle 11: Risk governance</p>	<p>The Board should govern risk in a way that supports the organisation in setting and achieving its strategic objectives.</p>	<p>11.1 The Board is ultimately responsible for the governance of risk and has assigned oversight of the Group's risk management function to the ARC.</p> <p>11.2 The Board has an approved enterprise risk management framework that defines the objectives and governance of risk management. The framework involves continuous risk and opportunity identification at both a strategic and operational level, as well as the evaluation of mitigating controls.</p> <p>11.3 Management is accountable to the Board for designing, implementing and monitoring the processes of risk management and integrating them into the day-to-day activities of the Group.</p> <p>11.4 The Board is satisfied that the Group's risk management process is effective in continuously assessing risks and opportunities and ensuring these risks are managed in line with business strategy.</p> <p>Further details in this regard can be obtained in Integrated Report 2023, Sustainability Report 2023 and the ARC Report included in the Annual Financial Statements 2023.</p>



<p>Principle 12: Technology and information governance</p>	<p>The Board should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives.</p>	<p>12.1 The overall responsibility for information and technology (IT) governance lies with the Board, which has delegated the day-to-day management of IT and tasked management with the implementation of an IT Governance Framework.</p> <p>12.2 The ARC has mandated IT governance within the Group via an approved IT charter.</p> <p>12.3 IT risk is integrated into the Group's risk management processes and is considered by the ARC as part of its oversight of IT risk.</p> <p>12.4 IT is fully integrated into the Group strategic planning process, which ensures alignment with the Group's business objectives.</p> <p>12.5 An IT projects approval committee monitors and evaluates significant IT investments and expenditure. The Chief Information Officer's (CIO) report is presented to the ARC, which covers various aspects including compliance with relevant governance frameworks.</p> <p>12.6 The IT Risk Management Framework includes the assessment and management of all significant IT risks, including disaster recovery and other IT practices. Reports in this regard are presented to the risk forum and ARC.</p> <p>12.7 An information management strategy has been implemented that monitors the management of assets, including the management of information security.</p> <p>12.8 The CFO represents various IT steering committees at the ARC meetings. The CIO may attend meetings on a standing invitation.</p>
<p>Principle 13: Compliance governance</p>	<p>The Board should govern compliance with applicable laws and adopted non-binding rules, codes and standards in a way that supports the organisation as an ethical and good corporate citizen.</p>	<p>13.1 The Board ensures compliance with applicable legislation and regulations through the establishment of legal frameworks within the business.</p> <p>13.2 The ARC assists the Board with reviewing the effectiveness of the system for monitoring compliance with laws and regulations as well as any follow-up of instances of non-compliance, based on the results of an investigation by management.</p> <p>13.3 Legislative and regulatory compliance is monitored by the Group Compliance Function, which resorts under the Group Legal and Regulatory Function. The Group's RSA and Non-RSA regulatory universes were updated in 2022 and presented to the ARC. The potential effect of pending legislation on the Group's business activities is assessed prior to promulgation.</p> <p>13.4 The Board is continually informed of material legislation, rules, codes, standards and changes thereto. Information on laws, rules and codes are shared with Directors through documentation and briefing sessions by the Company Secretary and external advisers.</p> <p>13.5 The Company Secretary is responsible for providing guidance to the Board collectively and to the Directors about their responsibilities and powers, making them aware of legislation and regulations relevant to the business and providing Board orientation and training when appropriate.</p> <p>The Board has disclosed how it has discharged its responsibility for governing and managing compliance, areas of focus, and inspections by authorities as well as material or repeated instances of non-compliance in the Integrated Report 2023 and Sustainability Report 2023.</p>



<p>Principle 14: Remuneration governance</p>	<p>The Board should ensure the organisation remunerates fairly, responsibly and transparently to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term.</p>	<p>14.1 The Group’s remuneration policy is designed to attract, develop, motivate and retain talented employees who enable it to pursue and achieve the strategic objectives and thereby enhance value for all stakeholders.</p> <p>14.2 The remuneration policy is transparent and is based on the principles of market competitiveness, internal equity and pay for performance. It ensures no discrimination occurs and recognises exceptional and value-adding performance.</p> <p>14.3 The Board, through the RemCo, oversees that the implementation and execution of the remuneration policy achieves the set objectives. The RemCo fulfils the important function of ensuring remuneration is responsible and fair across the Group, and ensures disclosures are accurate, complete and transparent.</p> <p>The Remuneration Review in the Integrated Report 2023 has been structured in accordance with King IV guidelines. (See page 89 to 114)</p>
<p>Principle 15: Assurance</p>	<p>The Board should ensure assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation’s external reports.</p>	<p>15.1 The Board has adopted a combined assurance model that identifies the risk areas affecting the Group and maps the level of assurance being provided by the different lines rolled out into the business to improve the assessment of the levels of assurance provided.</p> <p>15.2 The Combined Assurance Framework is integrated into the Group’s risk management approach. Risks facing the Group are identified, evaluated and managed through the implementation of various risk mitigation strategies.</p> <p>15.3 Assurance services are overseen by the ARC, which considers the risks and the assurance provided through the Combined Assurance Framework, and periodically advises the Board on the state of risks and controls in the Group’s operating environment.</p> <p>15.4 This information is used as the basis for the Board’s review, sign-off and reporting to stakeholders on risk management and the effectiveness of internal controls within the Group.</p> <p>Further details in this regard are disclosed in the Integrated Report 2023 and the ARC report published as part of the Annual Financial Statements 2023.</p>
<p>Principle 16: Stakeholder relationships</p>	<p>In the execution of its governance role and responsibilities, the Board should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time.</p>	<p>16.1 The Board strives to achieve the appropriate balance between the various material stakeholder groups, in the best interest of the Group. Every effort is made to ensure transparent and effective communication with stakeholders that is essential for building and maintaining confidence.</p> <p>16.2 The Board has delegated the governance of stakeholder relationships to the SEC. A formal, inclusive Stakeholder Engagement Framework is in place, which has been approved by the Board.</p> <p>16.3 Material stakeholder groups have been identified and the legitimate and reasonable requirements, interests and expectations of these stakeholders are actively balanced in the best interests of the organisation over time. (See the Stakeholder engagement section on pages 30 to 34 of the Integrated Report 2023)</p>

See our 2023 Integrated Report Appendix 1 on the King IV Principles for further reference.