

Nurturing our capitals

Human capital

The Shoprite Group is the largest private sector employer in South Africa and a leading employer in Africa. We focus on attracting, developing and retaining a loyal and committed workforce, dedicated to the Group's culture and organisational objectives. Our employees are key to our success. During the 2018 financial year, the Group employed 147 478 people, of which 65.2% are women. We also created 3 676 new jobs in the past year.

We work hard to attract and retain talented people and to provide skills training and support to enable them to reach their potential. We focus on ensuring that recruitment and skills development aligns with our goals of empowering women, enabling access to the South African economy and supporting transformation aligned with the Broad-based Black Economic Empowerment (B-BBEE) Codes of Good Practice.

Instilling the right culture that put our customers first, is core to all our people processes and instances of customer service excellence are celebrated and widely communicated as examples of what the Group strives for. Our Super Service Awards programme is the biggest and most successful of its kind in Africa, encompassing about 180 000 people in more than 2 300 stores in 15 countries. The programme rewards employees for delivering excellent service.

Our inputs

	2018	2017
Number of employees	147 478	143 802
% woman employees	65.2%	65.4%
% black African employees	97.1%	96.8%
Training hours	3 458 139	1 994 414
Number of accredited learning programmes	7 833	12 343
Value of bursaries awarded during the academic year	R18.0 million (planned)	R16 million

Our outcomes

	2018	2017
Employee benefits	R10.9 billion	R10.5 billion
B-BBEE skills development score	15.28	13.7
New jobs created	3 676	6 027
Full-time turnover	16.7%	19.2%
Part-time turnover	49.6%	52.2
Reported safety incidents	10	8

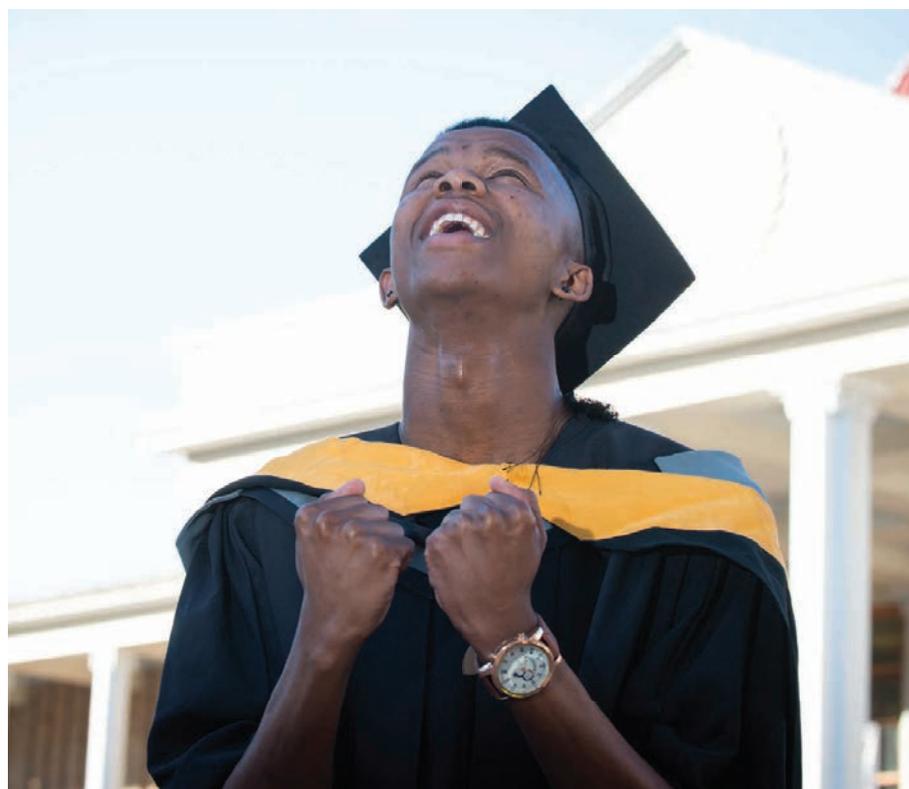
Key initiatives to deliver 2018 outcomes

- Provided 22 accredited training courses and more than 1 500 retail-related courses.
- Supported 7 833 learners on accredited learning programmes.
- Completed the rollout of 2 703 e-learning kiosks and devices to all stores, including those in other African countries.
- Extended our e-learning platforms to all the countries of operation.
- We trained 4 040 unemployed black youth in the skills necessary to enter the retail work environment through our Retail Readiness Programme during 2018, of which 57% were employed by the Group after completing the programme.
- Successfully provided accredited NQF level 2 training to 931 deaf learners to date in wholesale and retail chain store operations. The Group guarantees employment to those who successfully complete their competency evaluation.



For more detail on how we manage our relationship with our employees and Trade Unions, refer to the Stakeholders' engagement report on pages 12 to 19 and our Sustainability report 2018 at www.shopriteholdings.co.za.

The Shoprite Group is one of a few retailers to successfully implement an e-learning platform in Africa.



Social and relationship capital

We focus on staying true to our lowest price promise and continuously meeting our customers' needs and expectations. We support and develop the communities within which we operate, as our welfare and prosperity are entangled and members of these communities represent our current and future customers, suppliers and employees. We maintain our position as a community destination by, among others, processing some 2 million social grant payments a month, without charging agents' fees. We collaborate and support government efforts to develop countries and grow trade.

Our inputs

- A customer-first strategy and culture.
- Delivering on our affordable products promise.
- A well-developed social investment strategy focused on sustainable interventions with an emphasis on fighting hunger, empowering women and responding to the needs of communities.
- Long-term and supportive relationships with our suppliers.
- Specific focus on local sourcing and development of small suppliers.

Trading off the benefits of job creation and entrepreneurial development against potential efficiencies and improved pricing from large suppliers, is a choice we make almost daily when we choose to use and support small and local suppliers in addition to and sometimes instead of, scale players.

Our outcomes

	2018	2017
Number of customers	> 35 million	> 35 million
Customer growth	3.3%	2.4%
Customer satisfaction	91%	91%
Total successful interventions across methodologies for customer service training	469 618	369 103
Number of customer awards	7	8
Spend on corporate social investment	R39.6 million	R35.4 million
Money raised through CSI fundraising initiatives	R4.2 million	R5.4 million
Number of meals served through soup kitchens	3.8 million	3.6 million
Surplus food donated to charities	R99 million	R108 million
Number of food gardens established	29	15
% Verified spend on small enterprise suppliers	3.7%	2.1%
% Verified spend on black owned suppliers	8.5%	6.4%
% Verified spend on black woman-owned suppliers	4.6%	3.8%

Key initiatives to deliver 2018 outcomes

- Deepened our focus in the reporting period on providing a superlative customer experience.
- Launched a Customer Care Heroes initiative to celebrate employees who demonstrated excellent customer service.
- Conducted annual customer satisfaction surveys.
- Acted swiftly to protect customers health and safety in the Listeriosis outbreak, through recalls and a range of additional safety checks.
- We continue to invest strongly in transferring marketable skills to youth and women.
- We provided 25 early childhood development practitioners and 126 379 nutritious meals to early childhood development centres.
- Established 29 food gardens in South Africa and Zambia.
- We have verified an increase of 31% in expenditure with black-owned suppliers and a 206% increase in expenditure with black-owned SME suppliers.



For more detail on how we manage our relationship with our customers, our community, suppliers and regulators, refer to the Stakeholders' engagement report on pages 12 to 19 and our Sustainability report 2018 at www.shopriteholdings.co.za.



Over 35 million individual customers on the African continent

Nurturing our capitals (continued)

Shoprite has delivered a total compounded annual return to shareholders over the past 10 years of 19% per annum.



For more detail on how we manage our relationship with our shareholders and financiers, refer to the Stakeholders' engagement report on pages 12 to 19.



For more detail on our shareholders, refer to the Shareholder analysis on page 92.

Financial capital

We regard financial capital as the equity investment from our shareholders, funds generated from our operations, retained income and funding from our financiers. Financial capital is applied judiciously to provide the Group with the resources for expansion, maintain existing assets and invest in technological advances to maintain our retail and cost leadership.

The Shoprite Group maintains a comprehensive investor relations programme to maintain relationships and promote meaningful engagement with our shareholders and funders.

Our inputs

- As at 1 July 2018, the Group had approximately 32 695 shareholders. Foreign shareholders owned 47.8% of the shares, with the remainder retained by South African investors.
- Funding is sourced in Rand or US dollar, from a range of local banks in the countries of operation.

	2018	2017
Total equity	R27 477 million	R27 749 million
Net interest-bearing debt	R6 977 million	R3 274 million

Our outcomes

	2018	2017
Cash generated from operations	R12 775 million	R8 347 million
Profit attributable to shareholders	R5 201 million	R5 428 million
Distributions per share	484 cents	504 cents
Total shareholder return	13.3%	0.41%
Closing market capitalisation	R122.4 billion	R112.4 billion
Debt to equity ratio	0.254	0.118

Definitions

Total shareholder return

The appreciation of the share price combined with dividends paid during the reporting period expressed as a percentage over the opening share price in the beginning of the financial year.

Closing market capitalisation

Market capitalisation was calculated excluding treasury shares.

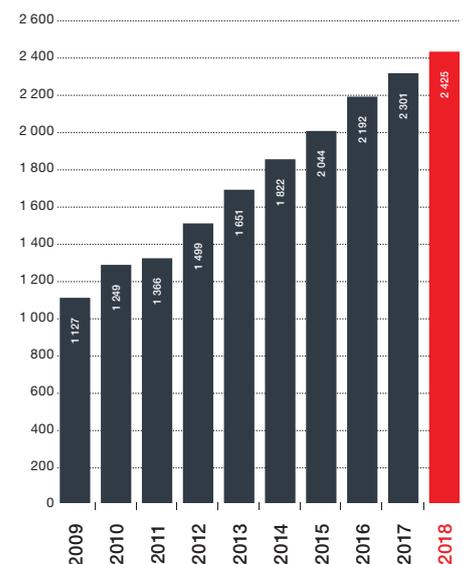
Key initiatives to deliver 2018 outcomes

- Continued strong focus on working capital management.
- Investments of cash in Angola in USD Index Linked Angola Government Bonds and Angola Treasury Bills as natural hedge against our foreign currency exposure.
- Increasing our long term US dollar denominated borrowings at favourable interest rates to reduce the pressure on the South African balance sheet and place less reliance on short term funding.
- Disposed of non-profitable business units to improve profitability.



Our fleet travelled more than 70 million kilometres this year – the equivalent of about 91 round trips to the Moon. We use fuel-efficient trucks fitted with safety cameras, drivers trained through our own learning programme and detailed route scheduling to operate at maximum efficiency.

Number of corporate stores (excluding franchise stores)



For information on our key initiatives to deliver 2018 outcomes refer to “Strategic footprint expansion” in the Strategy and performance section on page 27 for more details on our initiatives.

Manufactured capital

Our manufactured capital comprises our asset base of 2 843 outlets, as well as our network of distribution centres spanning 629 942m², to which suppliers deliver their products and from where we service our stores. Our truck and trailer fleet is integral to our continued success and operates 24 hours a day, seven days a week to ensure maximum availability of goods. We estimate that the use of our own fleet has saved the group R673 million in 2018.

Our state-of-the-art supply chain is a key competitive advantage and receives continued strong investment to sustain our operations, improve efficiencies and reduce our environmental impact.

We build and maintain strong relationships with a broad and diversified group of suppliers thereby ensuring sustainable supply, safe products and the best prices. Their ability to supply high-quality products, on time and at the best prices, enables us to continue to deliver the promise of low prices to our customers.

Our inputs

	Shoprite	Checkers	Checkers Hyper	Usave	OK Furniture	House & Home	Hungry Lion*	Shoprite LiquorShop	Checkers LiquorShop	Shoprite MediRite	Checkers MediRite	OK Franchise
South Africa	471	213	37	335	346	50	130	248	176	54	91	362
Angola	22			10	11		14			14		
Botswana	11	1		5	15	1	8					
DRC	1											
Ghana	6											
Lesotho	6			7	8		2	2				
Madagascar	9											
Malawi	4			3								
Mauritius	2											
Mozambique	17			3	11					1		
Namibia	21	7		29	18	3	18	10	4			48
Nigeria	23			1								
Swaziland	10			6	9		1			3		8
Uganda	4											
Zambia	32			1	12		31					
Outside SA	168	8	—	65	84	4	74	12	4	18	—	56
Total	639	221	37	400	430	54	204	260	180	72	91	418

* The 204 Hungry Lion outlets include 151 which were sold on 1 July 2018 when the Group disposed of its interest in Hungry Lion Fast Foods (Pty) Ltd.

Our outcomes

	2018	2017
New stores opened	223	212
South African stores opened	178	157
Rest of Africa stores opened	45	55
Number of distribution centres	27	33
Number of trucks	801	718
Number of trailers	1 147	996
Depreciation of trucks and trailers (R million)	R141.3 million	R112.4 million

Nurturing our capitals (continued)

Intellectual capital

Intellectual capital refers to our intellectual assets such as our brands, as well as our way of doing business, which includes our knowledge, systems, governance practices and continuous innovations.

The Group nurtures 16 trusted brands.

Our inputs

- We use a differentiated marketing strategy for each brand to ensure an appropriate value proposition.
- We use customer data and track consumer behaviour to drive our customer offer – our national category management capability was scaled across more strategic product categories.
- We utilise brand tracking and customer satisfaction surveys to highlight areas of investment and protect the brands.
- Our strategic initiatives in private label and fresh and convenience foods are strongly led by innovation.
- We develop and own the intellectual property for most of our Private Label brands.

Our outcomes

	2018	2017
Number of customers	> 35 million	>35 million
Number of items sold	7.6 billion	7.4 billion
RSA market share	31.7%*	31.9%
Brand equity Shoprite	R12.6 billion	R11.1 billion
Brand equity Checkers	R6.9 billion	R5.2 billion

* The Group gained market share to the level of 31.7%, even though it is lower than the 31.9% last year. This is because the universe being measured by Nielsen has changed from last year with the inclusion of more brands and change in methodology of measuring turnover in one of the contributors to the total universe. The universe being measured is thus not comparable between last year and this year.

Key initiatives to deliver 2018 outcomes

- The Group launched a large and innovative range of new products in its private label, fresh and convenience foods – refer to the Strategy and performance section on page 26 for more information about “growing our LSM 8-10 share of wallet” and “developing private label”.
- Implemented SAP IS Retail across the Group and various other technology platform enhancements – refer to the Strategy and performance section on page 27 for more information about our “strategic footprint expansion”.
- We created a dedicated risk and compliance management position and formalised and approved an Enterprise Risk Management Policy and Framework Policy, which sets the thresholds for risk appetite and tolerance.
- We adopted and entrenched a combined assurance model for risk governance and oversight structures to protect.



For more detail on our brands, refer to pages 6 to 7, as well as our Operating context on pages 20 to 21 and strategy discussion on pages 26 to 27.



Natural capital

The Shoprite Group acknowledges and supports international efforts aimed at managing and reducing carbon emissions, where possible, and to adapt our operations to ensure business continuity in an uncertain climate future. We are committed to building a resilience against climate change in the communities in which we operate, by reducing our water and energy dependency and implementing initiatives that will sustainably reduce costs across the value chain.

The Group recognises the environmental and social importance of reducing carbon emissions and using natural resources sustainably by, for example, conserving water, lowering the volume of food waste and promoting food security.

Moreover, the environmental impact of our activities and those of our value chain, has a direct effect on the current and future quality and price of our products and our ability to build the corporate brand sustainably.

Our inputs

	2018	2017
Water consumption (ML)*	3 301	3 778
Energy consumption (MWh)	1 893 113	1 825 644

Our outcomes

	2018	2017
Renewable energy generated (MWh)	2 393	1 580
Plastic waste diverted (tons)	3 000	1 750
Number of recycled bags sold	350 000 000	200 000 000
Carbon emissions (tCO ₂ e)	2 090 352	2 074 435

Key initiatives to deliver 2018 outcomes

- Implemented water-saving initiatives to reduce water consumption and municipal water supply dependency in the Western Cape (see page 46).
- Initiated an ongoing project to replace conventional fluorescent tube lamps with LED tube lamps across stores in South Africa at a cost of R455 million, in order to reduce the Group's annual greenhouse gas emissions by 125 172 tons CO₂ equivalent (tCO₂e).
- Generated 2 393 MWh of renewable energy through rooftop photovoltaic systems, reducing greenhouse gas emissions by 2 345 tCO₂e and committed to doubling it during the next reporting period.
- Converted 110 temperature controlled trailers to zero emission cryogenic refrigeration systems and installed hybrid photovoltaic systems on 110 trailers, in order to reduce its annual diesel consumption by 55 000 l and greenhouse gas emissions by 148 tCO₂e.
- Submitted environmental management plans and appointed an environmental officer at each property site developed.

- Joined the WWF-SASSI initiative to ensure the sustainability of marine life and approved a sustainable procurement policy for fish products.
- Recycled 30 084 tons of cardboard, white paper and plastic.
- Trained employees and suppliers in sustainable fishing practices.
- Introduced environmental criteria into our tender matrix for the transport (sea, land and air) of imported products. These suppliers must submit their environmental policy and calculation of their carbon footprint with the tender.
- There is a closer focus with premium brands, especially those developed in-house, on provenance and ethical or health claims to promote transparency and information.
- Extended the recyclable plastic shopping bags already provided in our Checkers stores, to Shoprite and Usave stores throughout South Africa.



For more detail on our carbon disclosure performance, refer to our Sustainability report 2018 and GDP report at www.shopriteholdings.co.za.

Our soda house brand, Zip Cola, is the only South African carbonated soft-drink producer to use bottles that consist of 25% post-consumer waste. To date, this initiative has diverted 103 tons of plastic from landfill. Zip Cola was named “Recycled Product of the Year” in 2018 by PETCO**.



* Water consumption data extrapolated from a data sample weighted towards Western Cape stores.

** PETCO is the South African PET plastic industry's joint effort to self-regulate post-consumer polyethylene terephthalate (PET) recycling.

Nurturing our capitals (continued)

Saving water, supporting our environment

The recent drought in the Western Cape has highlighted the reliance of businesses and communities on a reliable and affordable supply of potable water for drinking, hygiene, sanitation and, where applicable, food production. South Africa is a water-scarce country and the price of water is expected to rise in the coming years in attempts to curb consumption. The Group depends on a reliable supply of water to maintain hygiene and sanitation standards in its stores and distribution centres, provide drinking water for its extensive staff component and for production in its bakeries and fresh food departments. Water is also essential for our automatic fire sprinkler systems and some air-conditioning and refrigeration systems.

In response to the water crisis in the Western Cape, the Shoprite Group implemented a comprehensive water crisis strategy to reduce its dependence on municipal water supply in drought affected areas. The two-pronged strategy consists of short term, quick win water saving and water harvesting measures, as well as a long term plan to reduce reliance on municipal water supply. We are focussed on ensuring business continuity, intensifying the resilience of our operations to water shortages and reducing the costs associated with water use.

Short term initiatives implemented include:

- suspension of all irrigation and non-critical washing activities such as trucks and machinery at distribution centres;
- reducing flow rates in all taps, showers and toilets, in service departments, preparation areas, kitchens and canteens and connecting toilet systems and refuse rooms to boreholes where possible;
- introducing chemical cleaning to supplement hygiene critical cleaning processes;

- diverting rain and waste water from refrigeration systems, air-conditioning systems and laundry to irrigation tanks and water treatment plants for purifying and reuse;
- educating and encouraging customers and staff to save water through electronic newsletters, social media, our internal newspaper, in store posters, bulletin boards, PR panels and Radio Retail;
- increasing the availability and range of water saving and water storage products; and
- investing more than R28 million in 2018 in water infrastructure through:
 - the installation of water meters to identify leaks and points of significant water usage at 97 stores across the Western Cape;
 - the installation of back-up water storage tanks and booster pumps at 127 sites to ensure three days' water supply to our Western Cape stores; and
 - installation of water savings devices at 183 Western Cape sites.

Further investment is planned for 2019 for the Western Cape and consideration is being given to extending this to other provinces with water constraints.

1st

The Shoprite Group became the first company to apply for water service intermediary licences from the City of Cape Town, Drakenstein, Cape Winelands, Breede Valley, Witzenberg, Theewaterskloof, Cederberg, Knysna, Langeberg, Swartland, Bergrivier, Saldanha, Matzikamma and Kannaland municipalities in order to lawfully transport water to mitigate the risks associated with municipal water supply suspensions. Furthermore, Shoprite is working with the City of Cape Town to lawfully take its sites off grid, where applicable and financially feasible, and are in the process of finding an effective and equitable way forward. The project, which will cost an estimated R18 million, entails sinking boreholes and installing water-treatment plants to meet the properties' demand for water, and obtaining applicable licences to use borehole water.

The Shoprite Group has recently submitted its seventh consecutive Climate Programme and its first Water Programme to the Carbon Disclosure Project. CDP's global disclosure platform encompasses the most comprehensive set of self-reported environmental-related data worldwide.

Long term

We are focusing on building the resilience of the Shoprite Group's properties, stores and distribution centres to water scarcity and future shortages. The lessons learned from the Western Cape drought will benefit a staged rollout of water-saving initiatives to other stores.

All new builds will include waterwise gardens and rain-, ground- and subsoil-water harvesting infrastructure, where applicable and financially feasible. Water captured from these three sources will be purified and used to supplement the properties' demand for water. We will also, where applicable and financially feasible, sink boreholes and install water treatment plants to meet the properties' demand for water and reduce the dependence on municipal water supply.

We also support water resilience in our communities through the installation and maintenance of 37 PlayPumps in rural areas, which supply clean drinking water to thousands of people across South Africa, as well as the installation of water tanks and greywater systems at the 43 food gardens we support in South Africa to ensure these gardens continue to produce food for their immediate communities.

We recently orientated our Disaster Relief Fund towards supporting drought-stricken communities in South Africa and are using our logistical infrastructure to effectively deliver water in bulk to where it is needed most.



For more detail on our water saving initiatives, refer to our Sustainability report 2018 at www.shopriteholdings.co.za.