

Stakeholder engagement

Our stakeholders

Stakeholder engagement is critical to the Shoprite Group's long-term performance and continued sustainability. Engagement aimed at establishing and maintaining mutually beneficial relationships creates both opportunities to enhance performance and manages emerging risks to the business.

The Group maintains relationships with a range of interested parties to continuously improve the alignment of interests between the Group and its key stakeholders. We remain committed to maintaining the highest standards of integrity and ethical conduct in dealing with all our stakeholders. The primary stakeholders that are most likely to influence the sustainability of the business have been identified based on the following criteria:

- the extent to which they can influence or benefit from the financial and operational performance of the Group;
- the degree to which we depend on their support to achieve our strategic goals;
- the extent to which they can influence the reputation and brands of the Group; and
- the risks and opportunities that may present themselves through our engagement, or lack thereof.



Customers

Engagement methods

Engagement with customers is primarily through these platforms:

- The BrandHealth Tracker survey – 1 500 interviews annually, looking at price, value quality, freshness and services;
- Social media platforms – where engagement has increased notably in recent times; and
- Direct interaction with customers in the stores, suggestion boxes and extensive call centres.

A new digital strategy is currently being explored, to extend personalised engagement to customers.

Quality of relationship

We have a strong and loyal customers base, as evidenced by our market share and a range of customer awards in the current year.



Social media followers

Checkers RSA	1 038 699	179 871	3 287	30 980
Shoprite RSA	954 648	135 675	3 420	583 (new)
Shoprite Nigeria	1 238 084	217 446	1 700	N/A
Shoprite Zambia	67 462	N/A	N/A	N/A

Social media interaction

Our customers increasingly communicate with us via social media platforms – to follow specials, request store details or product information and provide their views on a range of topics. We use social media as a marketing channel and customer response, retention and recovery mechanism, as well as a brand-building medium.

Issues highlighted	Our response
<p>Affordability</p> <p>Our customers depend on us to stretch every rand to assist them to feed their families.</p>	<p>'Everyday low prices' is our overarching objective and our entire business model is structured and geared to deliver this on a consistent basis.</p>
<p>Availability of products</p> <p>Our customers rely on the Group to provide them with the right product at the right time and at the right price. Recent drought conditions in South Africa and import restrictions in other African countries have again highlighted the importance of a diversified supplier base to fulfil this promise to customers.</p>	<p>We continuously engage with a broad and diversified range of suppliers to ensure on-shelf availability of product in all our stores. We use close to 20 000 suppliers in 47 countries to provide customers with the greatest choice and consistent availability.</p>
<p>Quality complaints and safety concerns</p> <p>The Listeriosis outbreak in 2018 raised food safety concerns for customers.</p>	<p>The Shoprite Group maintains extensive quality control programmes to ensure product quality and safety and an efficient compliance and recall system should it become necessary. This year, we have had an enhanced rollout of training on issues of food safety and hygiene. We also empower our staff to resolve all complaints and ensure maximum customer satisfaction.</p>
<p>Healthy and wellness options</p> <p>According to IRI (2017) research, South African shoppers buy more healthy and organic food than their European counterparts.</p>	<p>We have added 104 lines to our Fresh Convenience Foods and our industry-leading Gordon Ramsay endorsed kids' meal range, OMG, continues to grow. We have also enhanced our Wellness offer with new product ranges and promotions which focuses on healthy substitutes.</p>
<p>Sustainable products</p> <p>While our shoppers are more focused on pricing, quality and health and wellness, there is increased market demand, especially in the premium brands, for transparency and information in respect of provenance and ethical or health claims.</p>	<p>The Group focuses strongly on the usage of recycled materials, as well as on reducing packaging and waste and minimising its carbon footprint. Its leading innovation in the fully recycled and recyclable shopping bag which is now available in all supermarkets, has significantly reduced landfill. All food safety, labelling and nutritional claims are checked in-house, including country of origin and organic certification. There is also an increased focus on identifying sustainable practices along the entire supply chain.</p>

Key risks and opportunities identified through the stakeholder engagement process

Risk	Opportunity
<ul style="list-style-type: none"> ■ Customer concerns may lead to damage to our brands. ■ Lack of appropriate engagement mechanisms that keep track of emerging communication trends may lead to reduced awareness of customer concerns. 	<ul style="list-style-type: none"> ■ Identify and participate in emerging trends; ■ Early warning system to protect against brand damage; ■ Resolve customer complaints quickly and effectively; and ■ Social media monitoring is proving to be an effective early detection tool for emerging concerns.

Stakeholder engagement (continued)

Shareholders and financiers

Engagement methods

The Group engages with investors through stock exchange announcements, meetings, investor days, webcasts, conference calls, perception studies and surveys, an investor website, the Integrated Report, conferences, presentations, roadshows and the Annual General Meeting.

Quality of relationship

Good quality, mutually beneficial relationship, robust and healthy engagement.

Issues highlighted	Our response
Africa growth opportunities and disclosure	More information is provided on the investment case and economic outlook for Africa.
Independence from Steinhoff	Any historic links to Steinhoff have been tenuous and indirect, with neither Steinhoff International nor Steinhoff Africa Retail being direct shareholders in Shoprite Holdings Limited. The Group maintains an independent board and oversight mechanisms and has a longstanding and well-established track record of strong governance and accountability.
Executive remuneration in alignment with shareholder value creation	The Group hosted a conference call and invited shareholders to engage on remuneration concerns. Issues highlighted by shareholders were discussed and explanations provided where appropriate. The areas of concern were also tabled at the remuneration committee for further consideration.

Key risks and opportunities identified through the stakeholder engagement process

Risks	Opportunities
<ul style="list-style-type: none"> ■ Lack of investor confidence. ■ Reputational damage. 	<ul style="list-style-type: none"> ■ A strengthened investment case. ■ Identifying opportunities for improved disclosure and value add.





Employees

Engagement methods

Through our weekly store staff meetings, a CEO video initiative, our internal newspaper #OurShoprite, information sharing via Trade Unions, suggestion boxes, in-store training, induction manuals, in-store communication materials, Super Service awards and the Top Stars singing competition across Africa, we create an environment where staff are well-informed and engaged.

Quality of relationship

Strong relationship at management level. At storefront level additional work needs to be done to improve two-way communication and foster a sense of inclusiveness in the Shoprite “family”. In this regard we are investigating some mobile platforms as communication tools to be widely used by our staff.

Issues highlighted	Our response
Career development and growth	<p>We maintain regular and consistent interaction with the people within our business to ensure that they are adequately challenged, continue to grow and develop and are rewarded based on key performance indicators.</p> <p>We offer extensive training opportunities, attractive incentive programmes, a range of awards programmes to celebrate our people and create cohesion, as well as a variety of communication tools to engage in a meaningful way.</p> <p> For more information about our staff initiatives refer to the Human Capital discussion on page 40 and the Sustainability report 2018 on www.shopriteholdings.co.za.</p>
Education and training	
Healthy and safe working environment	
Transformation and empowerment	
Remuneration and incentives	
Study assistance	

Key risks and opportunities identified through the stakeholder engagement process

Risk	Opportunity
Negative perceptions from employees may lead to disruption of operations and unproductive behaviour.	A loyal and engaged workforce supports satisfied customers and profitable growth.

Stakeholder engagement (continued)

Trade Unions

Engagement methods

Engagement occurs primarily through regular meetings, correspondence and trade union representation on various internal committees.

Quality of relationship

We have recognition agreements and well-established relationships with 10 different unions across our operations. The relationship is generally one of open and honest discussion and collaboration to achieve mutually beneficial outcomes. We experienced industrial action this year, albeit of limited duration and impact, primarily targeting scheduling practices. We continue to investigate and implement equitable solutions to these issues.

Issues highlighted	Our response
Wages	Proactive engagement, transparent disclosure and negotiating in good faith to agree one- to three-year wage settlements.
Work scheduling practices, late trading and transportation	Peak time scheduling is a common feature of the retail industry and we rely heavily on the flexibility of our people to meet the fluctuation in seasonal and customer shopping patterns. We continue to explore ways to adapt the scheduling to improve satisfaction levels and resolve member concerns raised.

Key risks and opportunities identified through the stakeholder engagement process

Risk	Opportunity
A deteriorating relationship with unions may lead to labour disruptions.	Strong, collaborative relationships with trade unions support staff satisfaction levels and a conducive trading environment.



Members of the Shoprite Group employees' representative trade union in South Africa, SACCAWU, during a contact session.

Communities

Engagement methods

Engagement occurs primarily through ongoing consultations, meetings and site visits with the affected community for the social initiatives that the Group undertakes, as well as through direct customer feedback as these communities also comprise our customers.

Quality of relationship

Generally strong relationships

Issues highlighted	Our response
Focus on food security	The Shoprite Group fights hunger through a variety of feeding schemes, food gardens and food donations.
Empowerment, upliftment and access to the economy	Women play a significant role in our business – they are our customers, employees and suppliers. We partner and assist with various initiatives to support this group. We also support a large number of small suppliers and growers.
Job creation	We not only provide a substantial number of direct employment opportunities related to our stores, but we also develop skills to create a pipeline for future job creation and opportunities for the unemployed.
Disaster relief	The Group frequently plays a key role to assist in natural disasters, ranging from donation of much needed food and basic products, to offering shelter, transport of goods or financial aid.
Community development	The Shoprite Group is committed to growing and developing the communities we serve and have a variety of initiatives in place to facilitate this. While our initial focus is on meeting immediate needs, our longer-term objective is always to put in place sustainable initiatives that will ultimately ameliorate the need. We often work in partnership with other organisations to deepen the impact of our interventions.

Key risks and opportunities identified through the stakeholder engagement process

Risk	Opportunity
A breakdown in relationships in a community could harm the Group's brands and reputation.	Strong community relationships support mutually beneficial outcomes for community developments, as well as brand and staff loyalty.

Stakeholder engagement (continued)

Regulators

Engagement methods

Engagement occurs primarily through meetings, regulatory submissions and interaction via industry bodies.

Quality of relationship

The Group focuses strongly on ethical leadership, cooperation and collaboration to sustainably develop the region, understanding that when we grow, everyone grows. This has been well received by authorities.

Issues highlighted	Our response
Ongoing compliance with regulatory frameworks	We maintain a strong focus on ensuring that the Shoprite Group complies with all applicable regulation in all the countries we operate in.
Job creation	Governments of the countries in which we operate are particularly concerned with job creation and we own people-intensive businesses – we have a broad range of initiatives in place to attract, recruit and train large numbers of local staff. We also focus on sourcing as many products as possible from local suppliers.
Collaboration to increase trade and grow regions	The Shoprite Group is a participant in regional platforms that regulate preferential trade agreements and cross-border trade. We also work with customs agencies in various countries to improve customs processes and ease international trade processes.

Key risks and opportunities identified through the stakeholder engagement process

Risk	Opportunity
The Group's licence to operate is jeopardised through non-compliance or a deterioration in relationships with regulators in relevant countries.	Our active participation in developing and growing the continent, as well as a well-established track record as a valued retailer and job creator has assisted us to obtain access to and cooperation from relevant regulators in the countries we expanded into.



Suppliers

Engagement methods

Suppliers are engaged through ongoing direct interaction, farm, site and factory visits, agricultural and trade shows, market days, correspondence and our electronic platform. The Group undertook a roadshow in late 2017 to explain to farmers about the brand differentiation between Shoprite and Checkers and the varying specifications, packaging and cold chain management.

Quality of relationship

We focus on building long-term, collaborative relationships with suppliers, many of whom have been with the Group for decades. Supplier relationships are based on trust and common understanding of values and principles. We focus on working together to ensure product availability at a good quality and price. Relationships would only be terminated for a significant contravention of regulations, compliance criteria or quality concerns, or in the case of dishonesty, which breaks the trust of the relationship. We understand that shifting suppliers has an effect on broader society though potential loss of jobs.

Issues highlighted	Our response
Opportunities to supply to the Shoprite Group	The Group maintains a large and diverse set of suppliers. We focus on building long-lasting relationships with suppliers through direct interaction and communication. We stimulate local manufacturing and work closely with small suppliers to get products compliant and up to required standards. The Group works with 1 114 growers and 95% of fresh produce sourced locally, in support of the communities it serves.
Transformation	A high percentage of the Group's fresh produce suppliers are small and medium enterprises and in South Africa fresh produce worth more than R300 million is purchased from these suppliers annually.
Growth and development	The Group maintains several small-enterprise development initiatives to develop and grow suppliers in local communities. Our continued significant investment in supply chain infrastructure, also assists these suppliers by providing transport for their products and reducing their travel time and costs.
Cost of delivering to and congestion at stores	The Group collaborates with suppliers to ease logistical arrangements, save costs and increase efficiencies. Our truck and trailer fleet collects products from suppliers and has significantly reduced individual supplier time on the road and idling due to congestion at stores.
Improve efficiencies in packaging	The Group implemented a returnable transit packaging system using plastic crates to reduce suppliers' packaging needs.

Key risks and opportunities identified through the stakeholder engagement process

Risk	Opportunity
According to suppliers the Group is tough on price but good to do business with, as a transparent, honest customer, focused on long term relationships. The challenge is to obtain the best price for our customers, while ensuring sufficient margin for our suppliers to ensure long-term sustainability.	<p>Maintain and build on our reputation to source the best quality suppliers.</p> <p>Utilise our buying power to ensure best value for money for our customers.</p> <p>Create employment and develop new entrepreneurs through our ongoing support for smaller local suppliers.</p>