

# **CARBON DISCLOSURE PROJECT**

## **Climate Programme**

2018

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# 1 Introduction

Shoprite Holdings Limited is an investment holding company whose combined subsidiaries constitute the largest fast moving consumer goods (FMCG) retail operation on the African continent. Shoprite operates a total of 2 425 corporate (owned) and 418 franchise stores and 16 trusted brands. Shoprite provide employment to 147 478 people across its operations in 15 countries from Cape Town to Accra and the Indian Ocean islands.

Shoprite's absolute emissions are 2 090 352 tonnes of CO<sub>2</sub>e of which 11% account for Scope 1 emissions and 89% for Scope 2 emissions.

Shoprite predominantly operates corporate stores, as opposed to franchise stores. As a result, associated emissions that would have been reported as Scope 3 are now reported in Scope 1 and 2.

Shoprite operates an extensive centralised distribution network, as opposed to relying on inefficient direct-to-store deliveries by suppliers. Shoprite also operates a fully-owned fleet of trucks and trailers, some of which are refrigerated, as opposed to relying on third party transporters. These, together with the utilisation of a sophisticated transport route planning and scheduling software solution, allows Shoprite to optimise store deliveries, minimise the number of trucks on the road and reduce the distance travelled. This creates a more environmentally friendly and sustainable solution. As a result, associated emissions, resulting from the use of fuel, electricity and refrigerants, that would have been reported as Scope 3 are now reported in Scope 1 and 2.

Furthermore, Shoprite has the largest refrigeration footprint in its sector, which requires a considerable amount of refrigerants and electricity to operate. As a result, associated Scope 1 and 2 emissions are amplified.

## **1.1 Reporting Year**

The reporting period for the organisations 2018 submission is: Saturday 01 July 2017 – Saturday 30 June 2018.

## **1.2 Country List Configuration**

The reporting country for the organisations 2018 submission is: South Africa, Namibia, Swaziland and Lesotho.

## **1.3 Currency Selection**

The reporting currency for the organisations 2018 submission is: ZAR (R).

## **1.4 Reporting Boundary**

The reporting boundary for the gross global Scope 1 and Scope 2 greenhouse gas inventory for the organisations 2018 submission is: Operational control.

## 2 Governance

This section documents the governance structure of the company with regards to climate-related matters, including the way in which incentives are provided (monetary or non-monetary) to individuals for mitigating climate-related risks and capitalising on climate-related opportunities. In the context of this section the Board (the “Board of Directors” or the “Executive Board”) is the group of people appointed with joint responsibility for directing and overseeing climate-related and sustainability affairs of the company.

### 2.1 Board Oversight

Is there board-level oversight of climate-related issues within your organization?

Yes

Identify the position(s) of the individual(s) on the board with responsibility for climate-related issues.

| Position of Individual(s)     | Explanation  |
|-------------------------------|--|
| Chief Financial Officer (CFO) | The Board delegates its oversight duties with respect to environmental and climate-related issues to the Social and Ethics Committee, on which the Chief Financial Officer (CFO) is the highest ranked executive director. |

Provide further details on the board’s oversight of climate-related issues.

| Frequency with which climate-related issues are a scheduled agenda item | Governance mechanism into which climate-related issues are integrated  | Explanation   |
|---|--|---|
| Scheduled - all meetings  | <ul style="list-style-type: none"> <li>Reviewing and guiding strategy</li> <li>Reviewing and guiding major plans of action</li> <li>Reviewing and guiding risk management policies</li> <li>Reviewing and guiding annual budgets</li> <li>Reviewing and guiding business plan</li> <li>Monitoring implementation and performance of objective</li> <li>Monitoring and overseeing progress against goals and targets for addressing climate-related issues</li> </ul> | The Social and Ethics Committee, tasked by the Board to perform an oversight role on its behalf, addresses climate-related issues, as an agenda item, during each of its biannual meetings. Any relevant and material issues are brought to the attention of the Board by means of the Social and Ethics Committee Chairman Report. |

### 2.2 Below Board-Level Responsibility

Below board-level, provide the highest-level management position(s) or committee(s) with responsibility for climate-related issues.

| Name of the position(s) and/or committee(s) | Responsibility  | Reporting Frequency            |
|---|---|--------------------------------|
| Chief Operating Officer (COO)               | Both assessing and managing climate-related risks and opportunities | More frequently than quarterly |

Describe where in the organizational structure this/these position(s) and/or committees lie, what their associated responsibilities are, and how climate-related issues are monitored.

The Chief Operating Officer (COO) reports directly to the Chief Executive Officer (CEO), manages, and is responsible for the day-to-day operations of various business functions. The COO is responsible for managing climate-related issues by setting and progressing business plans, plans of action, annual budgets, goals and targets. The COO is also responsible for identifying, assessing and managing climate-related risks and opportunities.

Climate-related issues are monitored in monthly feedback meetings with applicable business unit managers and project managers to track progress pertaining to plans, budgets, goals, and targets.

## 2.3 Employee Incentives

Do you provide incentives for the management of climate change issues, including the attainment of targets?

Yes

Provide further details on the incentives provided for the management of climate-related issues.

| Who is entitled to benefit from these incentives? | The type of incentives | Incentivised performance indicator | Comment   |
|---|------------------------|------------------------------------|---|
| Board Chair                                       | Monetary Reward        | Behaviour change related indicator | CH Wiese is incentivised to ensure a good corporate global reputation (behaviour change indicator) comprising of, among others, climate-related issues as a result of his shareholding for the period under review, because of its potential effect on the share price.   |
| Chief Executive Officer (CEO)                     | Monetary Reward        | Behaviour change related indicator | PC Engelbrecht is incentivised to ensure a good corporate global reputation (behaviour change indicator) comprising of, among others, climate-related issues as a result of his shareholding for the period under review, because of its potential effect on the share price. PC Engelbrecht served on the Board as an executive director during the period under review.   |
| Chief Operating Officer (COO)                     | Monetary Reward        | Emissions reduction project        | AB Gardener, WJ Hunlun and G Fritz are incentivised to ensure a good corporate global reputation (behaviour change indicator) comprising of, among others, climate-related issues as a result of their participation in an executive share scheme and shareholding, because of its potential effect on the share price.<br>They further participate in bonus schemes based on KPIs indirectly linked to environmental criteria included in purchases (which impact sales), efficiency projects (which impact controllable expenses), energy reduction projects (which impact controllable expenses) and emissions reduction projects (which impact shrinkage).<br>A Gardener, W Hunlun and G Fritz served on the Board as executive directors during the period under review. |
| Chief Financial Officer (CFO)                     | Monetary Reward        | Emissions reduction project        | M Bosman is incentivised to ensure a good corporate global reputation (behaviour change indicator) comprising of, among others, climate-related issues as a result of his participation in an executive share scheme and his shareholding, because of its potential effect on the share price.<br>M Bosman further participates in bonus schemes based on KPIs indirectly linked to emissions reduction projects (which impact shrinkage).<br>M Bosman served on the Board as an executive director during the period under review.   |

|                         |                 |   |   |
|-------------------------|-----------------|---|---|
| Business Unit Managers  | Monetary Reward | Energy reduction project<br>Emissions reduction project<br>Behaviour change related indicator | Business Unit Managers participate in bonus schemes based on KPIs indirectly linked to environmental criteria included in purchases (which impact sales), efficiency projects (which impact controllable expenses), energy reduction projects (which impact controllable expenses) and emissions reduction projects (which impact shrinkage). |
| Buyers/Purchasers       | Monetary Reward | Environmental criteria included in purchases  | Buyers/purchasers participate in bonus schemes based on KPIs indirectly linked to environmental criteria included in purchases (which impact sales).  |
| Public Affairs Managers | Monetary Reward | Behaviour change related indicator  | Public Affairs Managers are incentivised to ensure a good corporate global reputation (behaviour change indicator) comprising of, among others, climate-related issues as a result of their participation in bonus schemes based on KPIs directly linked to sales and market share.   |
| Other: Branch Managers  | Monetary Reward | Emissions reduction project   | Branch Managers participate in bonus schemes based on KPIs indirectly linked to environmental criteria included in purchases (which impact sales), efficiency projects (which impact controllable expenses), energy reduction projects (which impact controllable expenses) and emissions reduction projects (which impact shrinkage).        |

### 3 Risks and Opportunities

This section documents the process of identifying, assessing, prioritising and managing climate-related risks and opportunities, focussing on the risks and opportunities which have the potential to generate a substantive change in business operations, revenue and/or expenditure.

#### 3.1 Time Horizons

Describe what your organisation considers to be short-, medium- and long term horizons.

| Time Horizon | From (years) | To (years) | Comment  |
|--------------|--------------|------------|--|
| Short-term   | 0            | 3          | Shoprite utilises the concept of short-, medium- and long term time horizons as planning mechanisms to describe the fixed time period over which, amongst others, risks and opportunities are determined and evaluated (based on both quantitative and qualitative criteria). Quantitative criteria considers the severity of the upside or downside effect on sales, trading profit (controllable expenses and shrinkage), customer relations (market share) and/or corporate global reputation. Qualitative criteria considers the likelihood of the applicable risk or opportunity materialising and the response time required to implement any remedial action. |
| Medium-term  | 3            | 10         |  |
| Long-term    | 10           | 30         |  |

#### 3.2 Management Processes

Select the option that best describes how your organisation's processes for identifying, assessing and managing climate-related issues are integrated into your overall risk management.

Integrated into multi-disciplinary company-wide risk identification, assessment and management processes

Select the options that best describe your organisation's frequency and time horizon for identifying and assessing climate-related risks.

| Frequency of monitoring        | How far into the future are risks considered? | Comment   |
|--------------------------------|---|---|
| Six monthly or more frequently | > 6 years                                     | The frequency of identifying climate-related risks has changed to six monthly or more frequently, from the previous erroneous reported 'sporadic and not defined', and are considered for the medium- to long term time horizon. Some business functions are directly, and in some cases significantly, affected by climate-related issues. To this extent, the identification and assessment of climate-related risks is standard practise, in these business functions, and more frequent. On the other hand, these business functions cannot afford to consider risks with a short term horizon due to the time required, as a result of the size of the business, to manage the risk. |

Provide further details on your organisation's process(es) for identifying and assessing climate-related risks.

In 2011 Shoprite embarked on a journey to mature the way in which climate-related risks and opportunities are collected, analysed and reported. Shoprite's environmental impact disclosure, awareness, management and leadership has matured to an extent that Shoprite is in the process of formalising the identification, assessment, prioritisation and management of climate-related risks and opportunities into multi-disciplinary company-wide identification, assessment and management processes. To this extent, a committee will be established biannually, comprising of internal resources and external subject matter

experts, who will be tasked with identifying climate-related risks and opportunities with a medium- to long term time horizon of greater than 6 years. The climate-related risks and opportunities will then be presented, by the climate change committee, to the Social and Ethics Committee in the form of business cases (comprising of both quantitative and qualitative criteria). Quantitative criteria consider the severity of the upside or downside effect on sales, trading profit (controllable expenses and shrinkage), customer relations (market share) and/or corporate global reputation (e.g. JSE listing). Qualitative criteria consider the likelihood of the applicable climate-related risk or opportunity materialising, the associated timeframe and the response time required to implement any remedial action (if applicable). The Social and Ethics Committee, in turn, will

- i determine the proportion of business units affected by the climate-related risk and/or opportunity,
- ii analyse the magnitude of the impact on the affected business units, and
- iii quantify the potential consequential shareholder and customer concern.

To this extent, a substantive financial effect with a relatively high magnitude occurs either because of a significant impact in one of three aspects or a smaller impact in all three aspects.

Which of the following risk types are considered in your organisation's climate-related risk assessments?

| Risk Type           | Relevance and Inclusion   | Explanation   |
|---------------------|---------------------------|---|
| Current Regulation  | Relevant, always included | <p>Shoprite continuously aligns itself with regulatory requirements, whilst assessing the organisation's climate-related risks, to mitigate any disruption on business when the regulation is promulgated.</p> <p>To this extent, current regulation (e.g. South African Government's commitment to reduce its carbon emissions and report to the Intergovernmental Panel on Climate Change as a signatory of the Kyoto Protocol) is relevant to Shoprite's climate-related risk assessment since it requires, among others, the reduction of its carbon emissions. Furthermore, the South African National Climate Change Response Policy, coupled with the evolving climate change regulatory environment in South Africa, makes provision for mandatory emissions data reporting which will require systems for collecting accurate greenhouse gas (GHG) emissions data.</p> |
| Emerging Regulation | Relevant, always included | <p>Shoprite continuously aligns itself with regulatory requirements, whilst assessing the organisation's climate-related risks, to mitigate any disruption on business when the regulation is promulgated.</p> <p>To this extent, emerging regulation such as the South African Government's intentions to implement a carbon tax for South African-based operations is relevant to Shoprite's climate-related risk assessment since it requires, among others, systems for collecting accurate greenhouse gas (GHG) emissions data.</p>  |
| Technology          | Relevant, always included | <p>Shoprite acknowledges that technological innovations, such as the use of renewable energy as well as the increased demand for lower carbon products, will reduce the effect of climate change by reducing greenhouse gas emissions. To this extent, technologies that are financially feasible and will reduce Shoprite's carbon emissions are considered in climate-related risk assessments, as and when innovative technologies arise.</p>  |
| Legal               | Relevant, always included | <p>Shoprite continuously aligns itself with regulatory requirements, whilst assessing the organisation's</p>  |

|                  |                              |  |
|------------------|------------------------------|--|
|                  |                              | <p>climate-related risks, to mitigate any disruption on business when the regulation is promulgated.</p> <p>To date, uncertainty exists as to when the Carbon Tax Bill will be promulgated and the final implementation date has not been confirmed. However, carbon tax will be indirect and may financially affect Shoprite and, as a result, is relevant to Shoprite's climate-related risk assessment and remaining abreast of its potential impact on the business is vital.</p>  |
| Market           | Relevant, always included    | <p>Shoprite acknowledges that investors may be integrating sustainability as an investment criteria, where they require the companies in which they invest to disclose information about sustainability commitments, performance and progress. Furthermore, the market requires companies to disclose the methodology used to identify, assess and manage climate-related risks and opportunities.</p> <p>To this extent, transparent disclosure of sustainability commitments, performance and progress may have a positive impact on Shoprite's reputation and share price. Some of Shoprite's customer base are well informed on climate change, sustainability and environmental related matters and successfully addressing these customers' needs may improve the chances of retaining such customers and provide an opportunity to attract and grow this customer base.</p> |
| Reputation       | Relevant, always included    | <p>Shoprite acknowledges that investors may be integrating sustainability as an investment criteria, where they require the companies in which they invest to disclose information about sustainability commitments, performance and progress. Furthermore, the market requires companies to disclose the methodology used to identify, assess and manage climate-related risks and opportunities.</p> <p>To this extent, transparent disclosure of sustainability commitments, performance and progress may have a positive impact on Shoprite's reputation and share price.</p>  |
| Acute Physical   | Relevant, sometimes included | <p>Acute physical risks are event driven and are included in Shoprite's climate-related risk assessment as and when these events occur. One such risk which most recently occurred was Day Zero (<i>i.e.</i> the day that municipal water would have been suspended indefinitely).</p> <p>To this extent, Shoprite followed the Group's water strategy guideline to assess and evaluate the climate-related risk based on both quantitative and qualitative criteria. Quantitative criteria considers the severity of the upside or downside effect on sales, trading profit (controllable expenses and shrinkage), customer relations (market share) and/or corporate global reputation. Qualitative criteria considers the likelihood of the applicable risk or opportunity materialising and the response time required to implement any remedial action.</p>                   |
| Chronic Physical | Not evaluated                | <p>Long term climate pattern shifts, which may cause a rise in sea levels, are not considered as part of the climate-related risk assessment.</p>  |
| Upstream         | Relevant, sometimes included | <p>Food security is of the utmost importance to Shoprite, since it is a fundamental component of its offering. To this extent, upstream risks are relevant to Shoprite's climate-related risk assessment.</p> <p>Furthermore, Shoprite focuses on the development of long-term relationships with suppliers, resulting in cost savings and increased food security which mitigates the associated upstream climate-related risk.</p>   |
| Downstream       | Relevant, always included    | <p>Some of Shoprite's customer base are well informed on climate-related matters and successfully addressing these customers' needs may improve the chances of retaining such customers and provide an opportunity to attract and grow this customer base.</p> <p>To this extent, transparent disclosure of sustainability commitments, performance and progress may mitigate and</p>  |

### Describe your process(es) for managing climate-related risks and opportunities.

Shoprite's climate-related risk and opportunity identification process is in line with its environmental impact disclosure maturity and its objective to mature its environmental impact awareness, management and leadership accordingly. To this extent, Shoprite is in the process of formalising the identification, assessment, prioritisation and management of climate-related risks and opportunities.

The process entails establishing a committee biannually, comprising of internal resources and external subject matter experts, who will be tasked with identifying climate-related risks and opportunities with a medium- to long term time horizon of greater than 6 years. The climate-related risks and opportunities will then be presented, by the climate change committee, to the Social and Ethics Committee in the form of business cases (comprising of both quantitative and qualitative criteria). Quantitative criteria consider the severity of the upside or downside effect on sales, trading profit (controllable expenses and shrinkage), customer relations (market share) and/or corporate global reputation (e.g. JSE listing). Qualitative criteria consider the likelihood of the applicable climate-related risk or opportunity materialising, the associated timeframe and the response time required to implement any remedial action (if applicable). The Social and Ethics Committee, in turn, will

- i determine the proportion of business units affected by the climate-related risk and/or opportunity,
- ii analyse the magnitude of the impact on the affected business units, and
- iii quantify the potential consequential shareholder and customer concern.

To this extent, a substantive financial effect with a relatively high magnitude occurs either because of a significant impact in one of three aspects or a smaller impact in all three aspects. Thereafter, the Social and Ethics Committee will incorporate it into multi-disciplinary company-wide risk identification, assessment and management processes.

### 3.3 Risk Disclosure

Have you identified any inherent climate-related risks with the potential to generate a substantive financial or strategic impact on your business?

Yes

Provide details of risks identified with the potential to have a substantive financial or strategic impact on your business.

#### 1. Risk 1

| Where in the value chain does the Risk Driver Occur? | Risk Type       | Primary Climate-Related Risk Driver                       | Type of Financial Impact Driver             |
|--|-----------------|---|---|
| Direct Operations                                    | Transition Risk | Policy and legal: Enhanced emission-reporting obligations | Policy and legal: Increased operating costs |

#### Company Specific Description

Carbon emission reporting is, to date, not mandatory, this is however anticipated to change due to the South African government's commitment, as a signatory of the Kyoto Protocol, to reduce its carbon emissions and report to the IPCC.

Mandatory carbon emission reporting may require measures and/or levels of detail which are not gathered currently. Where the required measures and/or levels of detail is not available, the reporting obligation cannot be met and will require changes to people, processes and/or software resulting in increased operating costs. However, in the event that these changes cannot be implemented timeously there is a risk of incurring penalties for non-compliance.

| Time Horizon | Likelihood | Magnitude of Impact | Potential Financial Implications | Explanation of Financial Impact  |
|--------------|------------|---------------------|----------------------------------|--|
| Short-term   | Likely     | Low                 | ZAR 5 000 000                    | The increase in operating costs are estimated to be negligible, however if the regulations come into effect before the changes are implemented, the penalty, as stated in the regulation, for the first violation will not exceed ZAR 5 000 000. |

#### Management Method

Shoprite annually reviews a white paper compiled by an external subject matter expert to remain abreast of key developments within the climate change regulatory environment. Shoprite's legal department also regularly reviews and updates its regulatory universe. A dedicated compliance manager has been appointed to oversee and highlight compliance issues.

During the course of day-to-day business, Shoprite continuously updates and adds detail to its various reporting mechanisms. Due to the increased awareness, carbon emission reporting requirements are incorporated into these updates as and when they occur.

#### Cost of Management

Costs incurred during normal business operations (e.g. salaries) are explicitly excluded from the costs incurred in managing this risk. The annual capital- and operating expenditure for the period under review, is ZAR 15 000 to appoint an external subject matter expert to compile a white paper documenting key developments within the climate change regulatory

environment.

## 2. Risk 2

| Where in the value chain does the Risk Driver Occur? | Risk Type       | Primary Climate-Related Risk Driver                       | Type of Financial Impact Driver             |
|--|-----------------|---|---|
| Direct Operations                                    | Transition Risk | Policy and legal: Enhanced emission-reporting obligations | Policy and legal: Increased operating costs |

### Company Specific Description

The South African Government is committed, as a signatory of the Kyoto Protocol, to reduce its emissions and report to the IPCC. To this extent, the National Treasury intends to implement a carbon tax.

The proposed carbon tax criteria and/or thresholds may change such that retail companies become liable. In addition, the proposed rates may also change such that their liability increases significantly, both resulting in increased operating costs.

Companies selling electricity and fuel, where not exempted from the proposed carbon tax, will be compelled to pass on these additional costs, resulting in increased operating costs for end-users.

| Time Horizon | Likelihood | Magnitude of Impact | Potential Financial Implications | Explanation of Financial Impact   |
|--------------|------------|---------------------|----------------------------------|---|
| Short-term   | Likely     | High                | ZAR 138 000 000                  | <p>The estimated proposed carbon tax liability is zero.</p> <p>It is assumed that the proposed carbon tax will exempt fuel companies, but not electricity companies. To this extent, it is anticipated that electricity tariffs will increase by an additional 6%.</p> <p>The financial implications provided are calculated for a 12 month period only, and stated in today's money.</p> |

### Management Method

Shoprite annually reviews a white paper compiled by an external subject matter expert to remain abreast of key developments within the climate change regulatory environment. Shoprite's legal department also regularly reviews and updates its regulatory universe. A dedicated compliance manager has been appointed to oversee and highlight compliance issues. Furthermore, a dedicated tax manager oversees, highlights tax issues and engages with policy makers to influence the Carbon Tax Draft Bill on a regular basis.

### Cost of Management

Costs incurred during normal business operations (e.g. salaries) are explicitly excluded from the costs incurred in managing this risk. The annual capital- and operating expenditure for the period under review, is ZAR 15 000 to appoint an external subject matter expert to compile a white paper documenting key developments within the climate change regulatory environment.

### 3. Risk 3

| Where in the value chain does the Risk Driver Occur? | Risk Type     | Primary Climate-Related Risk Driver | Type of Financial Impact Driver |
|--|---------------|-------------------------------------|---------------------------------|
| Direct Operations                                    | Physical Risk | Chronic: Rising mean temperatures   | Increased operating costs       |

#### Company Specific Description

Rising mean temperatures (+2°C) will directly increase the load on air-conditioning and refrigeration systems and their ability to function as designed.

Where existing systems are not running at full capacity, the increased load will lead to more maintenance, the use of more refrigerant and the consumption of significantly more electricity, resulting in increased operating costs.

Where existing air-conditioning systems are running at full capacity, the increased load will not always be met, causing a rise in in-store ambient temperature and a suboptimal shopping experience which, if not mitigated, will negatively affect sales. In addition, where both existing air-conditioning and refrigeration systems are running at full capacity, the increased load will not always be met, causing suboptimal refrigerated produce temperature which, if not mitigated, will negatively affect sales, decrease shelf life and increase wastage, resulting in increased operating costs.

Newly designed systems will require additional capacity to operate at higher mean temperatures, which will in turn be more costly to construct and operate, resulting in increased operating costs.

| Time Horizon | Likelihood | Magnitude of Impact | Potential Financial Implications | Explanation of Financial Impact  |
|--------------|------------|---------------------|----------------------------------|--|
| Long-term    | Likely     | High                | ZAR 80 000 000                   | <p>The financial implications associated with rising mean temperatures are inherently uncertain and complex to calculate accurately.</p> <p>However, a 2°C rise in the mean temperature will result in an increase of:</p> <ul style="list-style-type: none"> <li>• 8.6% in the electricity consumption of air-conditioning systems;</li> <li>• 2.6% in the electricity consumption of refrigeration systems;</li> <li>• 8.6% in the capital expenditure for new air-conditioning systems; and</li> <li>• 2.6% in the capital expenditure for new refrigeration systems.</li> </ul> <p>The increase in refrigerant- and maintenance costs are estimated to be negligible and as such have been omitted.</p> <p>The financial implications provided are calculated for a 12 month period only, and stated in today's money.</p> |

#### Management Method

The team of internal and professional consulting engineers takes into account the long (*i.e.* 20 years) and medium (*i.e.* 10 year) life expectancy of air-conditioning and refrigeration systems respectively when specifying and designing these systems. The current

specification allows for the systems to have enough capacity to meet at least a 2°C rise in mean temperature.

A refrigeration and air-conditioning management system, which will monitor and manage the units is being developed. The monitoring system will provide advance warning where air-conditioning and/or refrigeration systems cannot meet the increased demand in order to take timeous action.

Energy efficiency technologies and initiative are pursued by the dedicated team of internal engineers to reduce electricity consumption.

### Cost of Management

Costs incurred during normal business operations (e.g. salaries) are explicitly excluded from the costs incurred in managing this risk. The annual capital- and operating expenditure for the period under review is ZAR 17 000 000 to construct refrigeration and air-conditioning systems with additional capacity to operate at the higher mean temperatures.

## 3.4 Opportunity Disclosure

Have you identified any inherent climate-related opportunities with the potential to generate a substantive financial or strategic impact on your business?

Yes

Provide details of risks identified with the potential to have a substantive financial or strategic impact on your business.

### 1. Opportunity 1

| Where in the value chain does the Opportunity Driver Occur? | Opportunity Type      | Primary Climate-Related Opportunity Driver | Type of Financial Impact Driver   |
|---|-----------------------|--|---|
| Customer  | Products and services | Shift in customer preferences              | Better competitive position to reflect shifting consumer preferences, resulting in increased revenues |

### Company Specific Description

Consumer awareness of climate-related matters are on the rise. As a consequence, there is an increased demand for retailers to acknowledge this awareness and offer environmentally friendly products and services, so much so that customers base their choice of preferred retailer accordingly. There is an opportunity to grow market share, by successfully catering for this demand, which, in turn, will result in an increase in sales and potential increase in profit.

| Time Horizon | Likelihood  | Magnitude of Impact | Potential Financial Implications | Explanation of Financial Impact   |
|--------------|-------------|---------------------|----------------------------------|---|
| Current      | Very likely | High                | ZAR 900 000 000                  | The financial implications associated with a shift in customer preferences are inherently uncertain and complex to calculate accurately. However, it is estimated that market share could increase, by capitalising on this opportunity, by as much as 0.5% which will result in an increase in revenue of ZAR 900 000 000. The financial implications provided are calculated for a 12 month period only, and stated |

|  |  |  |  |                   |
|--|--|--|--|-------------------|
|  |  |  |  | in today's money. |
|--|--|--|--|-------------------|

### Strategy to Realise Opportunity

Identify, develop, procure, introduce and market green initiatives, these initiatives include recycling initiatives such as reverse vending, recyclable initiatives such as offering environmentally friendly packaging (e.g. green bags) and the procurement of environmentally friendly equipment (e.g. green trolleys).

### Cost to Realise Opportunity

Costs incurred during normal business operations (e.g. salaries) are explicitly excluded from the costs incurred to realise this opportunity. No capital- or operating expenditure, beyond costs for normal business operations, was incurred for the period under review.

## 2. Opportunity 2

| Where in the value chain does the Opportunity Driver Occur? | Opportunity Type      | Primary Climate-Related Opportunity Driver | Type of Financial Impact Driver   |
|---|-----------------------|--|---|
| Customers   | Products and services | Shift in consumer preferences              | Better competitive position to reflect shifting consumer preferences, resulting in increased revenues |

### Company Specific Description

Consumer and investor awareness of climate-related matters are on the rise. As a consequence, there is an increased demand for retailers to acknowledge this awareness, disclose the environmental impact of their operations, engage with stakeholders on these matters and reduce their environmental impact. There is an opportunity to enhance reputation, by being regarded as a market leader, a good corporate citizen and a more sustainable company, which, in turn, will result in market share growth and potential increase in investments.

| Time Horizon | Likelihood  | Magnitude of Impact | Potential Financial Implications | Explanation of Financial Impact   |
|--------------|-------------|---------------------|----------------------------------|---|
| Long-term    | Very likely | High                | ZAR 450 000 000                  | The financial implications associated with a shift in reputation is inherently uncertain and complex to calculate accurately.<br>However, it is estimated that market share could increase, by capitalising on this opportunity, by as much as 0.25% which will result in an increase in revenue of ZAR 450 000 000.<br>The financial implications provided are calculated for a 12 month period only, and stated in today's money. |

### Strategy to Realise Opportunity

Transparent disclosure of sustainability performance, including the methodology used to identify, assess and manage climate-related risks and opportunities takes place by publicly participating in the Carbon Disclosure Project. The submission to the Carbon Disclosure Project, as well as other sustainability reports are published on the company website. The submission to the Carbon Disclosure Project includes the setting of carbon emission reduction targets, initiatives, sustainability commitments, performance and progress. Where

required, ad-hoc meetings are held between appropriate staff, investors and key stakeholders to further clarify our sustainability performance and response to climate-related issues.

### Cost to Realise Opportunity

Costs incurred during normal business operations (e.g. salaries) are explicitly excluded from the costs incurred to realise this opportunity. The annual capital- and operating expenditure for the period under review is ZAR 285 000 to appoint external subject matter experts to assist in the compilation of the Climate Programme submission to the Carbon Disclosure Project and perform third party limited verification of carbon emission data.

### 3. Opportunity 3

| Where in the value chain does the Opportunity Driver Occur? | Opportunity Type | Primary Climate-Related Opportunity Driver | Type of Financial Impact Driver   |
|---|------------------|--|---|
| Direct Operations   | Resilience       | Resource substitution / diversification    | Increased reliability of supply chain and ability to operate under various conditions |

### Company Specific Description

An increase in the severity and frequency of extreme weather events will increasingly have a negative impact on the production of fresh produce (fruit, vegetables, meat, fish and wine). As a consequence, supply and price will become volatile. There is an opportunity to become more resilient, by diversifying supply and, where applicable, stockpiling, which, in turn, will result in market share growth, and potential increase in profit.

Due to the South African government's commitment, as a signatory of the Kyoto Protocol, to reduce its carbon emissions and report to the IPCC it is inevitable that Montreal Protocol refrigerant gasses will be phased out by imposing additional duties and/or restricting import volumes. As a consequence, supply will reduce and prices will increase. An opportunity exists to become less reliant on these refrigerants which will provide a competitive advantage, as well as contribute to becoming a more sustainable company while potentially reducing operating costs.

| Time Horizon | Likelihood  | Magnitude of Impact | Potential Financial Implications | Explanation of Financial Impact  |
|--------------|-------------|---------------------|----------------------------------|--|
| Long-term    | Very likely | High                | ZAR 234 700 000                  | <p>The financial implications associated with becoming more resilient are inherently uncertain and complex to calculate accurately.</p> <p>However, it is estimated that market share could increase, by capitalising on this opportunity, by as much as 0.125% which will result in an increase in revenue of ZAR 225 000 000.</p> <p>In addition, it is estimated that operating costs could reduce, by capitalising on this opportunity, by ZAR 9 700 000.</p> <p>The financial implications provided are calculated for a 12 month period only, and stated in today's money.</p> |

## Strategy to Realise Opportunity

Leverage Shoprite's sourcing strategy, multinational procurement base and extensive supply chain to source, stockpile and supply fresh produce (*i.e.* fruit, vegetables, meat, fish and wine) when production of these products are affected by adverse climatic conditions. Having produce available for sale when competitors do not, will result in increased sales and potentially increased profit.

Reduce dependence on refrigerants affected by the Montreal Protocol (*e.g.* R22) by replacing inefficient diesel-powered refrigeration systems in refrigerated trailers with solar powered cryogenic cooling systems which allows the truck engine to be turned off during loading and offloading which reduces diesel consumption. In addition, solar powered cryogenic cooling systems enables stable temperature control, eliminates the potential release of hazardous refrigerants and increases service intervals, resulting in reduced operating costs.

## Cost to Realise Opportunity

Costs incurred during normal business operations (*e.g.* salaries) are explicitly excluded from the costs incurred to realise this opportunity. The annual capital- and operating expenditure for the period under review, is ZAR 44 800 000 to retrofit solar powered cryogenic cooling systems.

## 3.5 Business Impact Assessment

Describe where and how the identified risks and opportunities have impacted your business.

| Area                                 | Impact   | Description   |
|--------------------------------------|----------|---|
| Products and services                | Impacted | The recent droughts in South Africa resulted in farmers being unable to adequately feed their livestock and consequently being forced to slaughter livestock, which drove the average meat price downward ( <i>i.e.</i> over supply of meat in the market, where the demand for meat is less than the supply thereof). However, when drought-like conditions are alleviated and livestock feed is more readily available, the average price of meat will increase again ( <i>i.e.</i> under supply of meat in the market, where the demand for meat is more than the supply thereof). These price fluctuations may negatively affect Shoprite, because the pricing of meat may not always coincide with Shoprite's core promise of low prices when an increase in the meat price becomes unavoidable. |
| Supply chain and/or value chain      | Impacted | The recent droughts in South Africa have, to varying degrees, negatively impacted Shoprite suppliers' fresh produce production. Shoprite, with its core promise of low prices guaranteed, will reputationally be affected in the event that fresh produce supply is scarce for certain primary lines, which may result in significant price increases of fresh produce becoming unavoidable. Furthermore, changes in precipitation may impact on Shoprite's procurement strategy, for example droughts, floods, and changes in average precipitation may cause harvest losses resulting in supply shortfalls forcing Shoprite to change its sourcing strategy.  |
| Adaptation and mitigation activities | Impacted | Due to the ever increasing fuel price, Shoprite is in the process of reviewing the financial viability and requirements for installing a photovoltaic system and battery solution on the roofs of its fleet, which will power onboard equipment to decrease diesel consumption and increase the truck battery life.   |
| Investment in R&D                    | Impacted | Due to the ever increasing fuel price, Shoprite is in the process of reviewing the financial viability and requirements for installing a photovoltaic system and battery solution on the roofs of its fleet, which will power onboard equipment to decrease diesel consumption and increase the truck battery life.   |

|            |          |   |
|------------|----------|---|
| Operations | Impacted | Extreme winds cause delays in delivery times, since ships are unable to dock during wind-bound conditions. Each ship has a weekly docking schedule which specifies at which ports it will dock, the arrival dates (i.e. docking dates) and the corresponding departure dates. In the event that a ship is unable to dock prior to the scheduled departure date (e.g. as a result of wind-bound conditions) it will continue with its scheduled route, despite not meeting that specific scheduled docking date. This results in an undersupply of products for that week (i.e. demand for that product line is more than the supply thereof). This phenomenon causes an out-of-stock for these product lines and associated lost sales, because the consumer will purchase the product from an alternative retail outlet. |
|------------|----------|---|

### 3.6 Financial Planning Assessment

Describe where and how the identified risks and opportunities have factored into your financial planning process.

| Area                                      | Impact   | Description  |
|---|----------|--|
| Revenues                                  | Impacted | The recent droughts in South Africa have impacted, albeit not materially, Shoprite's revenues for the short term. Consumers were driven to purchase bottled water, waterless cleaning- and hygiene supplies, nonperishable foods and drought-related consumables for storage, in order to mitigate the potential effects associated with the suspension of municipal water supply.   |
| Operating costs                           | Impacted | <p>Shoprite has installed rooftop photovoltaic systems at six corporate outlets, collectively generating 2 392 601 kWh of renewable energy during the reporting period, which has reduced the long term operating costs of the stores at which the systems are installed. Furthermore, Shoprite installed water saving devices at it's drought affected stores which have reduced water consumption by</p> <ul style="list-style-type: none"> <li>• reducing flow rates (l/min) of taps in service departments, preparation areas, ablution facilities, kitchens and canteens by replacing existing standard aerators with water-saving aerators;</li> <li>• reducing flush volumes (l/flush) of toilets by retrofitting cistern water stop devices (i.e. flushing stops when the handle is released);</li> <li>• restricting unauthorised access to taps on the outside of buildings (e.g. receiving yard) by installing tap locks;</li> <li>• disabling automatic flushing of urinals by shutting off water supply and implement a manual flushing regime (i.e. flush using a bucket of water as and when required); and</li> <li>• reducing flow rates (l/min) of showers in change rooms by replacing existing standard aerators with water-saving aerators.</li> </ul> <p>The reduction in water consumption has reduced the long term operating costs of the stores at which the water saving devices are installed.</p> |
| Capital expenditures / capital allocation | Impacted | <p>The recent droughts in South Africa have caused an increase in capital expenditure during the short term, since Shoprite installed water storage tanks and water booster pumps to mitigate the risk of municipal water supply suspension. Shoprite furthermore increased capital expenditure by installing water saving devices at drought affected stores, which have reduced water consumption by</p> <ul style="list-style-type: none"> <li>• reducing flow rates (l/min) of taps in service departments, preparation areas, ablution facilities, kitchens and canteens by replacing existing standard aerators with water-saving aerators;</li> <li>• reducing flush volumes (l/flush) of toilets by retrofitting cistern water stop devices (i.e. flushing stops when the handle is released);</li> <li>• restricting unauthorised access to taps on the outside of buildings (e.g. receiving yard) by installing tap locks;</li> <li>• disabling automatic flushing of urinals by shutting off water supply and implement a manual flushing regime (i.e. flush using a bucket of water as and when required); and</li> <li>• reducing flow rates (l/min) of showers in change rooms by replacing existing standard aerators with water-saving</li> </ul>  |

|                              |  |   |
|------------------------------|--|---|
|                              |  | aerators.   |
| Acquisitions and divestments | Impacted for some suppliers, facilities or product lines | Shoprite consider the access to electricity- and drinking water supply, to conduct long term viability studies, prior to acquiring new properties.  |
| Access to capital            | Not impacted   | Climate change has not materially impacted Shoprites access to capital.   |
| Assets                       | Impacted for some suppliers, facilities or product lines | The unknown climate future has caused an increase in capital expenditure and, as a result, assets. To this extent, Shoprite has invested for the long term in, among others, the conversion of temperature controlled trucks and trailers to zero emission cryogenic refrigeration systems and the installation of hybrid photovoltaic systems on the roof of trailers. |
| Liabilities                  | Not impacted   | Climate change has not materially impacted Shoprites liabilities.   |

## 4 Business Strategy

This section documents climate-related issues that are integrated into business strategy.

### 4.1 Business Strategy

Are climate-related issues integrated into your business strategy?

Yes

Does your organisation use climate-related scenario analysis to inform your business strategy?

Yes, qualitative and quantitative

Explain how climate-related issues are integrated into your business objectives and strategy.

Shoprite focuses on the following strategic climate change areas, namely 1) understanding and managing its environmental impact, 2) engaging policy makers on climate change, 3) sharing its environmental impact with stakeholders, 4) formally integrating climate change into its multi-disciplinary company-wide risk management processes, 5) capitalising on opportunities and mitigating risks presented by climate change.

- i The influence of climate change on business strategy has recently intensified and is expected to continue. Historically Shoprite's business strategy was limited to the short term focussing only on internal factors affecting its core business, where Shoprite had complete control. Later Shoprite's business strategy was extended to the medium term and to include external factors directly impacting its core business, where Shoprite had moderate control. Currently Shoprite's business strategy is expanding to the long term to include complex, multidimensional and far reaching external factors, such as climate change, which directly and indirectly impact its core business, where Shoprite in some cases may have limited or no control.

Historically, financial information was manually collected and exclusively reported upon. Later a batch information system was utilised to collect the financial information which was further complemented by non-financial information pertaining to external factors directly impacting its core business. Currently various best of breed near-real-time information systems are being utilised to collect the financial and non-financial information pertaining to external factors which directly and indirectly impact its core business, such as information related to carbon emissions.

- ii The strategy has been influenced by stakeholders' increased expectation for companies to publicly disclose and manage their impact on the environment and the effect that climate change has on them. Climate change also presents risks that must be mitigated and opportunities that should be capitalised upon. Furthermore, the strategy has been influenced by international and national efforts to address climate change, such as the recent ratification of the Paris Agreement and South Africa's Intended Nationally Determined Contributions, respectively, and the results thereof.
- iii Shoprite's short term strategy has been influenced by important components, namely to improve its carbon emission data completeness, to expand its carbon footprint

boundaries and scope, to set science-based emission reduction targets, to perform third party limited verification of carbon emission data, to reduce its carbon emission intensities, to appoint a dedicated sustainability manager, to engage with policymakers regarding climate change (e.g. Carbon Tax framework), to submit its Carbon Disclosure Project (CDP) response as a public document, to publish its CDP response on its corporate website, to publish carbon footprint and climate change related information in its Annual Integrated Report, to establish a climate change committee every two years, to appoint climate change subject matter experts responsible for identifying and documenting climate change effects and related legislation, to formally define the climate change risk and opportunity identification process, to formally define the climate change risk and opportunity prioritisation process, to capitalise on opportunities presented by climate change and to mitigate risks presented by climate change.

- iv Shoprite's long term strategy has been influenced by important components, namely to target a complete carbon emission data set, to target a comprehensive carbon footprint boundary and scope, to perform third party full verification of carbon emission data, to engage with policymakers regarding climate change (e.g. define CDP sector specific reporting standards) and to utilise forward-looking scenario analyses to inform business strategy and/or financial planning (as recommended by the Task Force on climate-related Financial Disclosures (TCFD)).
- v Shoprite's understanding and managing of its environmental impact, coupled with formally integrating climate change into its multi-disciplinary company-wide risk management processes, enables it to capitalise on opportunities (e.g. showcase its progress and performance in measuring and managing its environmental impact, which may positively affect its market share and share price) and mitigate risks (e.g. mitigating the effect of changes in regional precipitation extremes and droughts by planting crops across multiple climate regions) presented by climate change.

Engaging policy makers on climate change allows Shoprite insight into policy developments enabling it to influence and timeously align its business and compliance with such developments.

Sharing its environmental impact with stakeholders allows Shoprite to affirm its reputation as the largest and leading Fast Moving Consumer Goods (FMCG) retail operation on the African continent by showcasing its performance and progress in this regard, which positively affects its market share and share price.

- vi The most substantial business decisions Shoprite made during the reporting year was to perform third party limited verification of carbon emission data, submit its Carbon Disclosure Project (CDP) response publicly, by making it available on its corporate website, and to reference aspects thereof in its Annual Integrated Report. Other decisions include its decision to continue to invest in reducing its carbon emission intensities and to improve its carbon emission data completeness.

Provide details of your organisation's use of climate-related scenario analysis.

| Climate-related scenarios                 | Details  |
|---|--|
| Nationally Determined Contributions (NDC) | <p>Shoprite's strategy has been influenced by national as well as international efforts aimed at addressing climate change, such as the recent ratification of the Paris Agreement and more specifically South Africa's Nationally Determined Contributions (NDC). South Africa's NDC states a peak, plateau and decline (PPD) greenhouse gas emissions trajectory range. The policy instruments which are under development, to assist in meeting the PPD targets, include a carbon tax. Shoprite remain abreast with developments towards the implementation of Carbon Tax in South Africa and aim to understand the organisations liability in various carbon tax scenarios. Shoprite anticipates that the most significant impact will be the indirect impact on the cost of liquid fuels and electricity. As a result, Shoprite aim to understand the impact on the organisation as South Africa introduces mechanisms to meet the country's PPD targets.</p> |

## 5 Targets and Performance

This section documents carbon emission reduction targets set by a company as well as the associated progress made to reaching the target.

### 5.1 Targets

Did you have an emissions reduction or renewable energy consumption or production target that was active (ongoing or reached completion) in the reporting year?

Intensity target

Provide details of your intensity target(s) and progress made against those target(s)

| ID   | Scope                      | % Emissions in Scope | % Reduction from base year | Metric                               | Base year | Start year |
|------|----------------------------|----------------------|----------------------------|--------------------------------------|-----------|------------|
| Int1 | Scope 1+2 (location-based) | 100.00               | 33.00                      | Metric tonnes CO2e per square meter* | 2018      | 2018       |

| Normalized base year emissions covered by target (metric tons CO2e) | Target year | Is this a science-based target?   |
|---|-------------|---|
| 0.52  | 2030        | Yes, we consider this is a science-based target, but this target has not been approved as science-based by the Science Based Targets initiative |

| % Achieved (emissions) | Target status | Explanation  |
|------------------------|---------------|--|
| 0.00                   | Replaced      | The target was replaced to match the vision and strategic objectives of the newly appointed CEO and allow the management team enough time to reach said target.<br><br>Furthermore, it was decided to perform, for the first time, third party limited verification and base the target on these verified emissions. |

| % change anticipated in absolute Scope 1 and 2 emissions | % change anticipated in absolute Scope 3 emissions |
|--|--|
| 33.00  | 0.00   |

### 5.2 Other Climate-Related Targets

Provide details of other key climate-related targets not already reported in question C4.1a/b.

| Target                       | KPI metric numerator               | KPI metric denominator (intensity targets only) | Base year | Start year | Target year |
|------------------------------|------------------------------------|---|-----------|------------|-------------|
| Renewable energy consumption | Renewable energy consumption (kWh) | n/a   | 2018      | 2018       | 2030        |

| KPI in baseline year | KPI in target year | % achieved in reporting year | Target status | Explanation  |
|----------------------|--------------------|------------------------------|---------------|--|
| 2 393 000            | 800 000 000        | 0.30                         | Underway      | Shoprite aims to increase its renewable energy consumption to account for approximately a third of its total energy usage by the target year. To date Shoprite has achieved 0.30% of this target by consuming renewable energy from various existing rooftop photovoltaic systems. |

| Part of emissions target             | Is this target part of an over-arching initiative |
|--------------------------------------|---|
| Reduce Scope 2 electricity emissions | No, it's not part of an over-arching initiative   |

### 5.3 Emission Reduction Initiatives

Did you have emissions reduction initiatives that were active within the reporting year (this can include those in the planning and/or implementation phases)?

Yes

Identify the total number of projects at each stage of development, and for those in the implementation stages, the estimated CO2e savings.

| Stage of development      | Number of projects | Estimated annual CO2e savings in metric tonnes CO2e (only required for rows marked *) |
|---------------------------|--------------------|---|
| Under investigation       | 141                | -   |
| To be implemented*        | 8                  | 5 950   |
| Implementation commenced* | 61                 | 143 645   |
| Implemented*              | 1                  | 316   |
| Not to be implemented     | 3                  | -   |

Provide details on the initiatives implemented in the reporting year in the table below.

#### 1. Low Carbon Energy Installation

| Description of Activity | Estimated annual CO2e savings (metric tonnes CO2e) | Scope                     | Voluntary/Mandatory | Annual monetary savings (unit currency as specified in CC0.4) | Investment required (unit currency as specified in CC0.4) | Payback period | Estimated lifetime of the initiative |
|-------------------------|--|---------------------------|---------------------|---|---|----------------|--------------------------------------|
| Solar PV                | 316  | Scope 2 (location-based ) | Voluntary           | ZAR 130 000   | ZAR 0   | < 1 year       | 16 - 20 years                        |

Shoprite entered into a power purchase agreement with a third party in which it annually procures 322 176 kWh of renewable energy produced by a solar photovoltaic system installed on the rooftop of one of its stores.

What methods do you use to drive investment in emissions reduction activities?

| Method  | Comment   |
|---|---|
| Compliance with regulatory requirements/standards | Shoprite prioritise emission reduction activities by establishing a climate change committee every two years who are tasked with, among others, submitting white paper documents addressing regulatory requirements and standards, to ensure the compliance thereof.  |
| Financial optimization calculations               | Climate change risks and opportunities are presented by the climate change committee in the form of business cases. Shoprite prioritise carbon emission reduction activities when financial calculations present favourable business cases (comprising of both quantitative and qualitative criteria) that are aligned with its required rate of return. Quantitative criteria consider the severity of the upside or downside effect on sales, trading profit (controllable expenses and shrinkage), customer relations (market share) and/or corporate global reputation (e.g. JSE SRI listing). Qualitative criteria consider the likelihood of the applicable climate change risk or opportunity materialising, the associated timeframe and the response time required to implement any remedial action (if applicable). |
| Internal incentives/recognition programs          | Employees participate in bonus schemes (internal incentives) based on KPIs indirectly linked to efficiency projects (which impact controllable expenses) and energy reduction projects (which impact controllable expenses).  |

## 5.4 Low-Carbon Products

Do you classify any of your existing goods and/or services as low carbon products or do they enable a third party to avoid GHG emissions?

No

## 6 Emissions Methodology

This section aims to describe the methodology utilised to capture emissions data as well as to identify the breakdown of Scope 1, 2 and 3 emissions. The abbreviation “tCO2e” refers to “tonnes of Carbon Dioxide Equivalent”, a common unit used to describe any quantity and type of greenhouse gas (GHG) in terms of the amount of CO2 that would have the same global warming effect. To express a quantity of GHG in terms of tCO2e, one may multiply the amount of GHG by its global warming potential.

### 6.1 Base Year Emissions

Please provide your base year and base year emissions (Scopes 1 and 2).

| Scope                    | Base year                         | Base year emissions (metric tonnes CO2e) |
|--------------------------|-----------------------------------|--|
| Scope 1                  | Wed 01 Jul 2015 - Thu 30 Jun 2016 | 184 638                                  |
| Scope 2 (location-based) | Wed 01 Jul 2015 - Thu 30 Jun 2016 | 1 741 379                                |

### 6.2 Emissions Methodology

Select the name of the standard, protocol or methodology you have used to collect activity data and calculate Scope 1 and Scope 2 emissions.

1. IPCC Guidelines for National Greenhouse Gas Inventories, 2006
2. Defra Voluntary Reporting Guidelines
3. Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition)

## 7 Emissions Data

This section documents emissions data, split per scope.

### 7.1 Scope 1 Emissions Data

What were your organisation's gross global Scope 1 emissions in metric tonnes CO<sub>2</sub>e?

235 101

### 7.2 Scope 2 Emissions Data

Describe your organisation's approach to reporting Scope 2 emissions.

| Scope 2, location-based                           | Scope 2, market-based  | Comment                                    |
|---|--|--|
| We are reporting a Scope 2, location-based figure | Shoprite have no operations where it is able to access electricity supplier emissions factors or residual emissions factors and are therefore unable to report a Scope 2, market-based figure. | Shoprite report on a location-based figure |

What were your organisation's gross global Scope 2 emissions in metric tonnes CO<sub>2</sub>e?

| Scope 2, location-based | Scope 2, market-based | Comment  |
|-------------------------|-----------------------|--|
| 1 855 251               | 0                     | Electricity is only purchased from the grid. Shoprite does not have any market-based Scope 2 contracts – this source is therefore not applicable, but is reported as "0" here as a proxy |

Are there are any sources (e.g. facilities, specific GHGs, activities, geographies, etc.) of Scope 1 and Scope 2 emissions that are within your selected reporting boundary which are not included in your disclosure?

No

### 7.3 Scope 3 Emissions Data

Account for your organization's Scope 3 emissions, disclosing and explaining any exclusions.

1. Purchased goods and services:

| Evaluation status            | Metric tonnes CO <sub>2</sub> e | Emissions calculation methodology | Percentage of emissions calculated using data obtained from suppliers or value chain partners | Explanation  |
|------------------------------|---------------------------------|-----------------------------------|---|--|
| Relevant, not yet calculated | -                               | Not applicable                    | 0.00%   | Shoprite purchases a wide range of goods and services which it resells in its stores. The emissions related to these activities are largely due to its suppliers' practices. Shoprite focus is on improved reporting of its Scope 1 and 2 emissions. In the long term, however, it anticipates the need to have active and robust engagement with its value chain. |

## 2. Capital goods:

| Evaluation status                  | Metric tonnes CO2e | Emissions calculation methodology | Percentage of emissions calculated using data obtained from suppliers or value chain partners | Explanation   |
|------------------------------------|--------------------|-----------------------------------|---|---|
| Not relevant, explanation provided | -                  | Not applicable                    | 0.00%   | Shoprite's business model focuses on FMCG. Capital goods acquired by way of business expansion are not feasible for emissions calculations. |

## 3. Fuel-and-energy-related activities (not included in Scope 1 or 2):

| Evaluation status                  | Metric tonnes CO2e | Emissions calculation methodology | Percentage of emissions calculated using data obtained from suppliers or value chain partners | Explanation  |
|------------------------------------|--------------------|-----------------------------------|---|--|
| Not relevant, explanation provided | -                  | Not applicable                    | 0.00%   | An inability to collect accurate data for this source, renders this emission source infeasible for inclusion. In addition, Scope 3 fuel and energy related activities are minimal compared to Shoprites Scope 1 and 2 emissions. |

## 4. Upstream transportation and distribution:

| Evaluation status                  | Metric tonnes CO2e | Emissions calculation methodology | Percentage of emissions calculated using data obtained from suppliers or value chain partners | Explanation  |
|------------------------------------|--------------------|-----------------------------------|---|--|
| Not relevant, explanation provided | -                  | Not applicable                    | 0.00%   | Given the extensive product range and a vast number of suppliers from which Shoprite procures, in addition to an inability to collect accurate data for this source renders this emission source unfeasible for inclusion. The complexity of analysing this data outweighs the ability of Shoprite to influence this emission source and therefore it is not relevant. |

## 5. Waste generated in operations:

| Evaluation status           | Metric tonnes CO2e | Emissions calculation methodology | Percentage of emissions calculated using data obtained from suppliers or value chain partners | Explanation  |
|-----------------------------|--------------------|-----------------------------------|---|--|
| Relevant net yet calculated | -                  | Not applicable                    | 0.00%   | Packaging, food waste, and paper are significant sources of waste generated in operations. Due to complexities in collating data for its outlets, distribution facilities, and offices, this source is not yet included. |

## 6. Business travel:

| Evaluation status    | Metric tonnes CO2e | Emissions calculation methodology | Percentage of emissions calculated using data obtained from suppliers or value chain partners | Explanation   |
|----------------------|--------------------|-----------------------------------|---|---|
| Relevant, calculated | 773                | DEFRA emission factors applied    | 100.00%   | Travel data, from the data source, is aggregated and the DEFRA emission factors for air travel are applied (including radiative forcing). |

## 7. Employee commuting:

| Evaluation status          | Metric tonnes CO2e | Emissions calculation methodology | Percentage of emissions calculated using data obtained from suppliers or value chain partners | Explanation   |
|----------------------------|--------------------|-----------------------------------|---|---|
| Relevant, not yet included | -                  | Not applicable                    | 0.00%   | Scope 3 emissions associated with Shoprite employee's commute to-and-from work is relevant but has not yet been included due to the absence of a detailed survey. |

## 8. Upstream leased:

| Evaluation status                  | Metric tonnes CO2e | Emissions calculation methodology | Percentage of emissions calculated using data obtained from suppliers or value chain partners | Explanation   |
|------------------------------------|--------------------|-----------------------------------|---|---|
| Not relevant, explanation provided | -                  | Not applicable                    | 0.00%   | Shoprite has upstream leased assets, but due to complexities in collating data for the diverse assets, this emission source is currently not included. Additionally, these assets are not associated with the direct operations of Shoprite and have therefore been omitted from the current assessment. Shoprite aims to include these emission sources in the future. |

## 9. Downstream transportation and distribution:

| Evaluation status                  | Metric tonnes CO2e | Emissions calculation methodology | Percentage of emissions calculated using data obtained from suppliers or value chain partners | Explanation  |
|------------------------------------|--------------------|-----------------------------------|---|--|
| Not relevant, explanation provided | -                  | Not applicable                    | 0.00%   | The majority of outbound transportation forms part of Shoprite's operations reported as Scope 1 emissions. The balance of outsourced emissions is negligible in terms of overall Scope 3 emissions and therefore not relevant. |

## 10. Processing of sold products:

| Evaluation status                  | Metric tonnes CO2e | Emissions calculation methodology | Percentage of emissions calculated using data obtained from suppliers or value chain partners | Explanation  |
|------------------------------------|--------------------|-----------------------------------|---|--|
| Not relevant, explanation provided | -                  | Not applicable                    | 0.00%   | Shoprite's core business is not to purchase intermediary goods for further processing before resale, therefore this emission source is not relevant. |

## 11. Use of sold products:

| Evaluation status                  | Metric tonnes CO2e | Emissions calculation methodology | Percentage of emissions calculated using data obtained from suppliers or value chain partners | Explanation  |
|------------------------------------|--------------------|-----------------------------------|---|--|
| Not relevant, explanation provided | -                  | Not applicable                    | 0.00%   | Given the lack of LCA emissions available for the vast number of products sold by Shoprite, and the complexities involved with product carbon footprint assessments, it is not possible to calculate emissions over expected life time of said products. |

12. End of life treatment of sold products:

| Evaluation status                  | Metric tonnes CO2e | Emissions calculation methodology | Percentage of emissions calculated using data obtained from suppliers or value chain partners | Explanation  |
|------------------------------------|--------------------|-----------------------------------|---|--|
| Not relevant, explanation provided | -                  | Not applicable                    | 0.00%   | Shoprite's core business is not to purchase intermediary goods for further processing before resale, therefore this emission source is not relevant.<br><br>Although many products that Shoprite sells is consumed (as food), there remain a significant amount of consumer waste generated. Understanding the flows of this waste, including consumer behaviour involves detailed consumer research. Shoprite has not yet conducted this research, and the data is not yet available. |

13. Downstream leased assets:

| Evaluation status                  | Metric tonnes CO2e | Emissions calculation methodology | Percentage of emissions calculated using data obtained from suppliers or value chain partners | Explanation   |
|------------------------------------|--------------------|-----------------------------------|---|---|
| Not relevant, explanation provided | -                  | Not applicable                    | 0.00%   | Shoprite does lease its own assets to 3rd parties. However, these assets are not associated with its core business and have therefore been omitted from the current assessment. Additionally, a challenge in collection of data renders this source difficult to include with a sufficient degree of accuracy. Once data systems improve Shoprite aims to include it in its future assessments. |

14. Franchises:

| Evaluation status                  | Metric tonnes CO2e | Emissions calculation methodology | Percentage of emissions calculated using data obtained from suppliers or value chain partners | Explanation   |
|------------------------------------|--------------------|-----------------------------------|---|---|
| Not relevant, explanation provided | -                  | Not applicable                    | 0.00%   | Shoprite has a franchise business comprising of 321 outlets. Given the challenges associated with collecting data for its corporate outlets it has decided to first understand and gain accurate data for its corporate outlets before, in future, expanding its reporting scope. |

15. Investments:

| Evaluation status                  | Metric tonnes CO2e | Emissions calculation methodology | Percentage of emissions calculated using data obtained from suppliers or value chain partners | Explanation   |
|------------------------------------|--------------------|-----------------------------------|---|---|
| Not relevant, explanation provided | -                  | Not applicable                    | 0.00%   | The complexity of calculating the emissions in investments (including debt and equity instruments) outweigh the ability of Shoprite to influence this emission source therefore it is not relevant. |

16. Other (upstream):

| Evaluation status    | Metric tonnes CO2e | Emissions calculation methodology       | Percentage of emissions calculated using data obtained from suppliers or value chain partners | Explanation  |
|----------------------|--------------------|---|---|--|
| Relevant, calculated | 139 931            | DEFRA Global Warming Potentials applied | 0.00%   | Shoprite calculates emissions associated with Montreal Protocol refrigerant gases. These have been reported on outside of the scopes as per the Greenhouse Gas Protocol. |

## 7.4 Biologically Sequestered Carbon

Are carbon dioxide emissions from biologically sequestered carbon relevant to your organization?

No

## 7.5 Emission Intensities

Describe your gross global combined Scope 1 and 2 emissions for the reporting year in metric tonnes CO2e per unit currency total revenue and provide any additional intensity metrics that are appropriate to your business operations.

| Intensity figure | Metric numerator (Gross global combined Scope 1 and 2 emissions) | Metric denominator | Metric denominator: Unit total | Scope 2 figure used | % Change from previous year | Direction of change from previous year |
|------------------|--|--------------------|--------------------------------|---------------------|-----------------------------|--|
| 0.000017         | 2 090 352  | Unit total revenue | ZAR 125 126 113 200            | Location-based      | 4.49                        | Decrease                               |

### Reason for Change

The decrease is attributable (and expected) to the gross global combined Scope 1 and 2 emissions increasing by 0.77% whilst revenue increased by 5.5%.

## 8 Emissions Breakdown

This section documents the breakdown of carbon emissions data, split per greenhouse gas, country and business division.

### 8.1 Scope 1 Breakdown: GHGs

Does your organisation have greenhouse gas emissions other than carbon dioxide?

Yes

Break down your total gross global Scope 1 emissions by greenhouse gas type providing the used global warming potential (GWP), and the source of each GWP.

| GHG type | Scope 1 emissions (metric tonnes CO2e) | GWP reference   |
|----------|--|---|
| CO2      | 89 890                                 | IPCC Fourth Assessment Report (AR4 - 100 year)  |
| CH4      | 14                                     | IPCC Fourth Assessment Report (AR4 - 100 year) IPCC Fourth Assessment Report (AR4 - 100 year) |
| N2O      | 1 261                                  | IPCC Fourth Assessment Report (AR4 - 100 year) IPCC Fourth Assessment Report (AR4 - 100 year) |
| HFCs     | 143 936                                | IPCC Fourth Assessment Report (AR4 - 100 year)  |

### 8.2 Scope 1: Country Breakdown

Break down your total gross global Scope 1 emissions by country/region.

| Country/Region                | Scope 1 emissions (metric tonnes CO2e) |
|-------------------------------|--|
| Other: Southern Africa Region | 235 101                                |

### 8.3 Scope 1: Business Breakdowns

Indicate which gross global Scope 1 emissions breakdowns you are able to provide (tick all that apply).

By business division

By activity

Break down your total gross global Scope 1 emissions by business division.

| Activity                   | Scope 1 emissions (metric tonnes CO2e) |
|----------------------------|--|
| Distribution Centres       | 3 943                                  |
| Distribution (Mobile)      | 90 208                                 |
| Corporate Stores & Offices | 140 953                                |

Break down your total gross global Scope 1 emissions by business activity.

| Activity              | Scope 1 emissions (metric tonnes CO2e) |
|-----------------------|--|
| Mobile combustion     | 90 208                                 |
| Stationary combustion | 957                                    |
| Fugitive emissions    | 143 936                                |
| Renewable energy      | 0                                      |

## 8.4 Scope 2: Country Breakdown

Break down your total gross global Scope 1 emissions by business activity.

| Country                      | Scope 2 location based emissions (metric tonnes CO2e) | Scope 2 market based emissions (metric tonnes CO2e) | Purchased and consumed electricity, heat, steam or cooling (MWh) | Purchased and consumed low carbon electricity, heat, steam or cooling (MWh) |
|------------------------------|---|---|--|---|
| South Africa                 | 1 773 682   | n/a   | 1 809 879  | n/a   |
| Namibia, Swaziland & Lesotho | 81 569  | n/a   | 83 234   | n/a   |

## 8.5 Scope 2: Business Breakdowns

Indicate which gross global Scope 2 emissions breakdowns you are able to provide (tick all that apply).

By business division

By activity

Break down your total gross global Scope 2 emissions by business division.

| Activity         | Scope 1 emissions (metric tonnes CO2e) | Scope 2 emissions, market-based (metric tonnes CO2e) |
|------------------|--|--|
| Corporate Stores | 1 764 595                              | 0  |
| Distribution     | 82 839                                 | 0  |
| Office           | 7 816                                  | 0  |

Break down your total gross global Scope 2 emissions by business activity.

| Activity              | Scope 2 emissions, location based (metric tonnes CO2e) | Scope 2 emissions, market-based (metric tonnes CO2e) |
|-----------------------|--|--|
| Electricity purchased | 1 855 251  | 0  |

## 8.6 Emissions Performance

How do your gross global emissions (Scope 1 and 2 combined) for the reporting year compare to the previous reporting year?

Increased

Identify the reasons for any change in your gross global emissions (Scope 1 and 2 combined) and for each of them specify how your emissions compare to the previous year.

| Reason                                 | Change in emissions (metric tonnes CO2e) | Emissions value (%) | Direction of change | Explain and include calculation  |
|--|--|---------------------|---------------------|--|
| Change in renewable energy consumption | 2 345                                    | 0.13                | Decrease            | The decrease is attributable (and expected) to the consumption of 2 393 MWh of renewable energy produced by solar photovoltaic systems installed on rooftops of its stores.                |
| Emissions reduction activities         | 316                                      | 1.00                | Decrease            | The decrease is attributable (and expected) to the procurement of 322 MWh of renewable energy produced by a solar photovoltaic system newly installed on the rooftop of one of its stores. |
| Divestment                             | -  | 0.00                | No change           | There were no divestments during this reporting period.  |
| Acquisitions                           | -  | 0.00                | No change           | There were no acquisitions during this reporting period.   |
| Mergers                                | -  | 0.00                | No change           | There were no mergers during this reporting period.  |
| Change in output                       | 29 607                                   | 4.94                | Increase            | The increase is attributable (and expected) due to a 4.94%, year on year, increase in the number of stores.  |

|   |   |      |           |  |
|---|---|------|-----------|--|
| Change in methodology                   | - | 0.00 | No change | Emission factors change year-on-year, however this does not have a material impact.    |
| Change in boundary                      | - | 0.00 | No change | There was no change in the reporting boundary during this reporting period.            |
| Change in physical operating conditions | - | 0.00 | No change | There was no change in the physical operating conditions during this reporting period. |

Are your emissions performance calculations in C7.9 and C7.9a based on a location-based Scope 2 emissions figure or a market-based Scope 2 emissions figure?

Location-based

## 9 Energy

This section documents energy-related data.

### 9.1 Energy Spend

What percentage of your total operational spend in the reporting year was on energy?

More than 10% but less than or equal to 15%

### 9.2 Energy-Related Activities

Select which energy-related activities your organisation has undertaken.

| Activity   | Indicate whether your organization undertakes this energy-related activity |
|--|--|
| Consumption of fuel (excluding feedstocks)         | Yes  |
| Consumption of purchased or acquired electricity   | Yes  |
| Consumption of purchased or acquired heat          | No   |
| Consumption of purchased or acquired steam         | No   |
| Consumption of purchased or acquired cooling       | No   |
| Generation of electricity, heat, steam, or cooling | Yes  |

Report your organisation's energy consumption totals (excluding feedstocks) in MWh.

| Activity  | Heating value | MWh from renewable sources | MWh from non-renewable sources | Total MWh |
|---|---------------|----------------------------|--------------------------------|-----------|
| Consumption of fuel (excluding feedstocks)              | LHV           | 0                          | 340 748                        | 340 748   |
| Consumption of purchased or acquired electricity        | n/a           | 0                          | 1 893 113                      | 1 893 113 |
| Consumption of self-generated non-fuel renewable energy | n/a           | 2 393                      | 0                              | 2 393     |
| Total energy consumption                                | n/a           | 2 393                      | 2 233 861                      | 2 236 254 |

Select the applications of your organisation's consumption of fuel.

| Activity  | Indicate whether your organization undertakes this fuel application |
|---|---|
| Consumption of fuel for the generation of electricity   | Yes   |
| Consumption of fuel for the generation of steam         | No  |
| Consumption of fuel for the generation of cooling       | No  |
| Consumption of fuel for co-generation or tri-generation | No  |

State how much fuel in MWh your organization has consumed (excluding feedstocks) by fuel type.

| Fuels          | Heating value | Total fuel MWh consumed by the organisation | MWh fuel consumed for the self-generation of electricity | MWh fuel consumed for self-generation heat LHV |
|----------------|---------------|---|--|--|
| Diesel/Gas oil | LHV           | 344 364                                     | 344 364  | 0  |

List the average emission factors of fuels reported in C8.2c.

| Emission factor | Unit                      | Source   |
|-----------------|---------------------------|--|
| 2.69            | kgCO <sub>2</sub> e/litre | 2018 Guidelines to DEFRA/DECC's GHG Conversion Factors for Company Reporting |

Provide details of the electricity, heat, steam or cooling your organisation has generated and consumed in the reporting year.

| Activity    | Total gross generation (MWh) | Generation that is consumed by the organisation (MWh) | Gross generation from renewable resources (MWh) | Generator from renewable sources that is consumed by the organisation (MWh) |
|-------------|------------------------------|---|---|---|
| Electricity | 2 393                        | 2 393   | 2 393   | 2 393   |

Provide details of the electricity, heat, steam or cooling amounts that were accounted at a low carbon emission factor in the market-based Scope 2 figure reported in C6.3.

| Basis for applying a low carbon emission factor   | MWh consumed associated with low carbon electricity, heat, steam or cooling | Comment  |
|---|---|--|
| No purchases or generation of low carbon electricity, heat, steam or cooling accounted with a low carbon emissions factor | 0   | Shoprite does not have any market-based Scope 2 emissions. |

## 10 Additional Metrics

This section documents additional climate-related data.

### 10.1 Other Climate-Related Metrics

Provide any additional climate-related metrics relevant to your business.

| Description | Metric value | Metric numerator | Metric denominator (intensity metric only) | % change from previous year | Direction of change | Explanation  |
|-------------|--------------|------------------|--|-----------------------------|---------------------|--|
| Energy Use  | 1 893 113    | MWh              | n/a  | 4.00                        | Increase            | The increase is attributable (and expected) due to a 4.94% year on year, increase in the number of stores. |

# 11 Verification

Indicate the verification/assurance status that applies to your reported emissions.

| Scope                                    | Verification/assurance status                          |
|--|--|
| Scope 1                                  | Third-party verification or assurance process in place |
| Scope 2 (location-based or market-based) | Third-party verification or assurance process in place |
| Scope 3                                  | Third-party verification or assurance process in place |

Provide further details of the verification/assurance undertaken for your Scope 1 and/or Scope 2 emissions and attach the relevant statements.

| Scope   | Verification or assurance cycle in place | Status in the current reporting year | Type of verification or assurance | Attach the statement | Page / section reference | Relevant standard | Proportion of reported emissions verified (%) |
|---------|--|--------------------------------------|-----------------------------------|----------------------|--------------------------|-------------------|---|
| Scope 1 | Annual                                   | Complete                             | Limited Assurance                 | Attached             | All                      | ISO 14064 - 3     | 100   |
| Scope 2 | Annual                                   | Complete                             | Limited Assurance                 | Attached             | All                      | ISO 14064 - 3     | 100   |

Provide further details of the verification/assurance undertaken for your Scope 3 emissions and attach the relevant statements.

| Scope   | Verification or assurance cycle in place | Status in the current reporting year | Type of verification or assurance | Attach the statement | Page / section reference | Relevant standard | Proportion of reported emissions verified (%) |
|---------|--|--------------------------------------|-----------------------------------|----------------------|--------------------------|-------------------|---|
| Scope 3 | Annual                                   | Complete                             | Limited Assurance                 | Attached             | All                      | ISO 14064 - 3     | 100   |

## 11.1 Other Verified Data

Do you verify any climate-related information reported in your CDP disclosure other than the emissions figures reported in C6.1, C6.3 and C6.5?

Yes

Which data points within your CDP disclosure have been verified, and which verification standards were used?

| Disclosure module verification relates to | Data verified                                    | Verification standard | Please explain  |
|---|--|-----------------------|---|
| Emissions Performance                     | Year on year change in emissions (Scope 1 and 2) | ISO 14064 - 3         | Verified Scope 1 and Scope 2 emissions changes compared to last year. |
| Emissions Performance                     | Year on year change in emissions (Scope 3)       | ISO 14064 - 3         | Verified Scope 3 emissions changes compared to last year.             |
| Emissions Data                            | Other: Non-Kyoto Gas Emissions                   | ISO 14064 - 3         | Non Kyoto Gases are reported on separately and are verified.          |

## 12 Carbon Pricing

This section documents relevant operations that are regulated by carbon pricing systems, the use of internal carbon pricing systems and the generation of carbon credits.

### 12.1 Carbon Pricing Systems

Are any of your operations or activities regulated by a carbon pricing system (i.e. ETS, Cap & Trade or Carbon Tax)?

No, but we anticipate being regulated in the next three years

What is your strategy for complying with the systems in which you participate or anticipate participating?

South Africa's Draft Carbon Tax Bill states an imminent tax of R120 per tonne of CO<sub>2</sub>e, however there is limited evidence that Shoprite's activities will be liable to pay direct carbon tax. To this extent, it is estimated that the organisations tax liability, under the Draft Carbon Tax Bill, will be zero. The carbon tax effect on Shoprite will be indirect should liable entities pass their liability on to the consumer. To this extent, Shoprite analyse various carbon tax scenarios to understand our indirect carbon tax liability, and Shoprite's emission reduction efforts reduce our indirect carbon tax liability.

### 12.2 Project-Based Carbon Credits

Has your organization originated any project-based carbon credits or purchased any within the reporting period?

No

### 12.3 Internal Price on Carbon

Does your organisation use an internal price on carbon?

Yes

Provide details of how your organization uses an internal price on carbon.

| Objective for implementing an internal carbon price | GHG Scope          | Application   | Actual price(s) used (currency / metric ton) | Variance of price(s) used | Type of internal carbon price |
|---|--------------------|---|--|---------------------------|-------------------------------|
| Navigate GHG Regulations                            | Scope 1<br>Scope 2 | South Africa's imminent carbon tax rate is R120 per tonne CO <sub>2</sub> e, with between 60 – 95% tax free thresholds. | ZAR 120                                      | ZAR 48 – ZAR120           | Shadow price                  |

The price on carbon is inherently uncertain and complex to calculate accurately. However, in the absence of a more defined application, calculation or until the contrary is proven the prevailing carbon tax rate is utilised.

## 13 Engagement

This section documents climate-change related engagement with suppliers and customers.

### 13.1 Value Chain Engagement

Do you engage with your value chain on climate-related issues?

Yes, our suppliers

Provide details of your climate-related supplier engagement strategy.

| Type of engagement                            | Details of engagement   | % of suppliers by number | % total procurement spend (direct and indirect) | % Scope 3 emissions as reported in C6.5 |
|---|---|--------------------------|---|---|
| Innovation & collaboration (changing markets) | Run a campaign to encourage innovation to reduce climate impacts on products and services | 20.00                    | 80.00   | 0.00                                    |

| Rationale for the coverage of your engagement  | Impact of engagement, including measures of success   | Comment |
|--|---|---------|
| Suppliers were prioritised based on their contribution towards procurement spend and over whom Shoprite has the biggest influence. | <p>The impact of supplier engagement was very positive. Suppliers were quick to respond and innovate to reduce the climate impact of their products.</p> <p>More than 1 000 SKUs now utilise recyclable packaging and/or is now manufactured from recycled material. Most suppliers expressed their eagerness to continue their support of the campaign and increase the number of SKUs.</p> <p>During the reporting period, the packaging of a top brand won an award for being manufactured from 25% recycled material.</p> | -       |

### 13.2 Public Policy Engagement

Do you engage in activities that could either directly or indirectly influence public policy on climate-related issues through any of the following? (tick all that apply)

Direct engagement with policy makers

On what issues have you been engaging directly with policy makers?

| Focus of Legislation | Corporate Position | Details of Engagement  |
|----------------------|--------------------|--|
| Carbon tax           | Oppose             | Shoprite, represented by its Tax Manager, engaged in person directly with Government Department: National Treasury (Republic of South Africa) and National Business Initiative (NBI) through the Carbon Tax Stakeholder Consultation process, which formed part of the public consultation process announced by the Finance Minister in 2017. The agenda of the Carbon Tax Stakeholder Consultation process included, but was not limited to, carbon tax key design features, carbon tax thresholds and carbon tax allowances. |

## Proposed Legislative Solution

Shoprite opposes the Carbon Tax Draft Bill based on the following:

- i Carbon emission reporting is not mandatory and as a result, the promulgation of the Carbon Tax Bill will be premature. Shoprite suggests that carbon emissions reporting is made mandatory for a period, suitable enough for companies to mature their carbon emission reporting process, prior to the promulgation of the Carbon Tax Bill.
- ii Initiatives such as the energy efficiency tax incentive (Section 12L) are favoured above tax penalties.
- iii Taxes that are promulgated with the intention of changing negative behaviour is constructive only if it 1) is able to isolate the source of the negative behaviour it intends to change positively and 2) cannot be passed down to another entity, who in turn does not control the source of the negative behaviour. The Sugar Tax Bill is an example thereof, since it is able to isolate (only sugary products are taxed) the negative behaviour it intends to change (consuming excess sugary products resulting in obesity) without being passed onto another entity (only the end consumer is taxed). Whereas, the Carbon Tax Bill is not an example thereof, since it is unable to isolate the source of the negative behaviour it intends to change and it passes the financial burden onto other entities. To this extent, end consumers of electricity are unable to directly influence the selection of generation technology (e.g. coal-fired power stations vs. hydroelectric power stations) utilised by the electricity public utility, Eskom, even though it has a significant tax implication which they will ultimately bear through electricity tariff increases. In addition, carbon emission reporting is not mandatory and the promulgation of the Carbon Tax Bill would, as a result, be premature.

Are you on the board of any trade associations or provide funding beyond membership?

No

Do you publicly disclose a list of all research organizations that you fund?

No

What processes do you have in place to ensure that all of your direct and indirect activities that influence policy are consistent with your overall climate change strategy?

At present, the process is limited to the Carbon Tax Draft Bill only, which has, to date, not yet been promulgated and the date of implementation has not yet been confirmed. As a result, the process is trivial and defining a formal process would be superfluous, since activities that influence the Carbon Tax Draft Bill requires ad-hoc and infrequent interaction between the Tax Manager (Finance Department) and the Environment/Sustainability Manager (Technical Projects) only.

However, Shoprite endeavours to remain abreast of key developments on climate change regulations and policies by means of regularly reviewing relevant white paper documents compiled by its external subject matter experts who are familiar with its climate change strategy. Furthermore, Shoprite's Legal Department regularly review and update its regulatory universe and is in the process of appointing two dedicated compliance managers. These appointments will result in current compliance and regulatory systems

being deployed and managed more effectively.

### 13.3 Communications

Have you published information about your organization's response to climate change and GHG emissions performance for this reporting year in places other than in your CDP response? If so, please attach the publication(s)

| Publication  | Status                            | Attach the documents                    | Content elements  |
|--|-----------------------------------|---|---|
| In mainstream reports (including an integrated report) in accordance with the CDSB Framework | Underway - previous year attached | Shoprite Holdings Integrated Report     | <ul style="list-style-type: none"> <li>● Governance</li> <li>● Strategy</li> <li>● Risks and Opportunities</li> <li>● Emissions figures</li> <li>● Emissions targets</li> </ul> |
| In voluntary sustainability report   | Underway - previous year attached | Shoprite Holdings Sustainability Report | <ul style="list-style-type: none"> <li>● Governance</li> <li>● Strategy</li> <li>● Risks and Opportunities</li> <li>● Emissions targets</li> </ul>                              |
| In voluntary communications  | Complete                          | Daily Sun Publication                   | <ul style="list-style-type: none"> <li>● Risks and Opportunities</li> </ul>   |
| In voluntary communications  | Complete                          | Cape Argus Publication                  | <ul style="list-style-type: none"> <li>● Risks and Opportunities</li> </ul>   |
| In voluntary communications  | Complete                          | The Cape Times Publication              | <ul style="list-style-type: none"> <li>● Risks and Opportunities</li> </ul>   |

## 14 Sign Off

CDP requests that companies indicate the designation of the duly authorised individual that has signed off the CDP response on behalf of the company.

Provide the following information for the person that has signed off (approved) your CDP climate change response.

| Job title                    | Corresponding job category         |
|------------------------------|------------------------------------|
| Engineering Services Manager | Environment/Sustainability Manager |