

SHOPRITE CDP CLIMATE CHANGE RESPONSE

2019

Executive Summary

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 more than 2 738 outlets in 15 countries across Africa, employing over 146 000 people across its operations.

Shoprite's absolute emissions are 2 282 858 tonnes of CO₂e of which 26% account for Scope 1 emissions and 74% for Scope 2 emissions. For Shoprite, Scope 1 emissions includes stationary combustion (from stand-by diesel generators at stores, distribution centres and offices); fugitive refrigerant emissions (from HVAC and refrigeration systems); and mobile combustion (from its fleet of delivery vehicles). Scope 2 emissions are from the consumption of electricity at stores, distribution centres and offices.

Shoprite's energy strategy is based on a mindset to improve energy efficiency as much as possible and then to use renewable energy across its operations of stores, distribution centres, trucks and trailers to reduce carbon emissions.

The Social and Ethics Committee, tasked by the Board to perform an oversight role on its behalf, addresses climate-related issues. This committee meets three times per year. Any relevant and material issues are brought to the attention of the Board by means of the Social and Ethics Committee Chairman Report. A report detailing compliance with United Nations 10 Global Compact Principles is a standing Agenda point at this meeting. The process for identifying and assessing all risks, including climate-related issues, are detailed in the Company's ERM Policy and Framework. The company's ERM vision is to integrate risk management across the Group to support the company's Purpose and Values and increase the likelihood of achieving its strategic business objectives.

C0. Introduction¹

C0.1

(C0.1) Give a general description and introduction to your organization.

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 more than 2 738 outlets in 15 countries across Africa, employing over 146,000 people across its operations.

Shoprite's absolute emissions are 2 282 858 tonnes of CO₂e of which 26% account for Scope 1 emissions and 74% for Scope 2 emissions.

For Shoprite, Scope 1 emissions includes stationary combustion (from stand-by diesel generators at stores, distribution centres and offices); fugitive refrigerant emissions (from HVAC and refrigeration systems); and mobile combustion (from its fleet of delivery vehicles). Scope 2 emissions are from the consumption of electricity at stores, distribution centres and offices.

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.

At the heart of Shoprite's Purpose is the aspiration to be Africa's most accessible and affordable retailer, by being relentless in its efforts to keep business efficient, and sustain its price leadership. Shoprite's energy strategy is based on this mindset to improve energy efficiency as much as possible and then to use renewable energy across its operations of stores, distribution centres, trucks and trailers.

¹Numbering corresponds with CDP Climate Change questionnaire

C0.2

(C0.2) State the start and end date of the year for which you are reporting data.

	Start date	End date	Indicate if you are providing emissions data for past reporting years
Row 1	July 1, 2018	June 30, 2019	No

C0.3

(C0.3) Select the countries/regions for which you will be supplying data.

Lesotho

Namibia

South Africa

Swaziland

C0.4

(C0.4) Select the currency used for all financial information disclosed throughout your response.

ZAR

C0.5

(C0.5) Select the option that describes the reporting boundary for which climate-related impacts on your business are being reported. Note that this option should align with your consolidation approach to your Scope 1 and Scope 2 greenhouse gas inventory.

Operational control

C1. Governance

C1.1

(C1.1) Is there board-level oversight of climate-related issues within your organization?

Yes

C1.1a

(C1.1a) Identify the position(s) (do not include any names) of the individual(s) on the board with responsibility for climate-related issues.

Position of individual(s)	Please explain
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.
Board-level committee	The Social and Ethics Board Committee is made up of two non-executive Board members, CFO, Company Secretary, Group Corporate Relations and Communications Manager, Group Risk and Compliance Manager and Group Sustainability Manager. This committee provides oversight on the Group's activities within communities, its environmental aspects and impacts, public health and safety, and customer complaints amongst others.

C1.1b

(C1.1b) Provide further details on the board's oversight of climate-related issues.

Frequency with which climate-related issues are a scheduled agenda item	Governance mechanisms into which climate-related issues are integrated	Please explain
Scheduled – all meetings	<ul style="list-style-type: none"> Reviewing and guiding strategy Reviewing and guiding major plans of action Reviewing and guiding risk management policies Reviewing and guiding annual budgets Reviewing and guiding business plans Monitoring implementation and performance of objectives Monitoring and overseeing progress against goals and targets for addressing climate-related issues 	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 its meetings. This committee meets three times per year. Any relevant and material issues are brought to the attention of the Board by means of the Social and Ethics Committee Chairman Report. A report detailing compliance with United Nations 10 Global Compact Principles is a standing Agenda point at this meeting. The environmental principles of the Compact include supporting a precautionary approach to environmental challenges; promoting greater environmental responsibility; and the development and diffusion of environmentally friendly technologies. New position statements for Food Waste and Sustainable Packaging were presented to the Board this year for their approval. Reducing food waste and adopting sustainable packaging have direct links to reducing GHG emissions.

C1.2

(C1.2) Provide the highest management-level position(s) or committee(s) with responsibility for climate-related issues.

Name of the position(s) and/or committee(s)	Responsibility	Frequency of reporting to the board on climate-related issues
Other C-Suite Officer, please specify Chief Business Officer	Both assessing and managing climate-related risks and opportunities	More frequently than quarterly

C1.2a

(C1.2a) 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 (do not include the names of individuals).

The Chief Business Officer (CBO) reports directly to the Chief Executive Officer (CEO), manages, and is responsible for key business functions across the entire business, including environmental sustainability. The CBO is responsible for managing climate-related issues by setting and progressing business plans, plans of action, annual budgets, goals and targets. The CBO is also responsible for identifying, assessing and managing climate-related risks and opportunities. A Group Sustainability Manager was appointed in this reporting period, reporting directly to the Chief Business Officer and the Social and Ethics Board Committee. The Sustainability Manager is supported by a dedicated sustainability team, including a renewable energy and refrigeration specialist.

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

C1.3

(C1.3) Do you provide incentives for the management of climate-related issues, including the attainment of targets?

Yes

C1.3a

(C1.3a) Provide further details on the incentives provided for the management of climate-related issues (do not include the names of individuals).

Who is entitled to benefit from these incentives?

Board Chair

Types of incentives

Monetary reward

Activity incentivized

Behavior change related indicator

Comment

The Board Chair 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.

Who is entitled to benefit from these incentives?

Chief Executive Officer (CEO)

Types of incentives

Monetary reward

Activity incentivized

Behavior change related indicator

Comment

The CEO 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. The CEO served on the Board as an executive director during the period under review.

Who is entitled to benefit from these incentives?

Other C-Suite Officer

Types of incentives

Monetary reward

Activity incentivized

Behavior change related indicator

Comment

The Chief Business Officer 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. The CBO served on the Board as an executive director during the period under review.

Who is entitled to benefit from these incentives?

Chief Operating Officer (COO)

Types of incentives

Monetary reward

Activity incentivized

Emissions reduction project

Comment

The COOs 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.

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).

The COOs served on the Board as executive directors during the period under review.

Who is entitled to benefit from these incentives?

Chief Financial Officer (CFO)

Types of incentives

Monetary reward

Activity incentivized

Emissions reduction project

Comment

The CFO 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.

The CFO further participates in bonus schemes based on KPIs indirectly linked to emissions reduction projects (which impact shrinkage).

The CFO served on the Board as an executive director during the period under review.

Who is entitled to benefit from these incentives?

Business Unit Manager

Types of incentives

Monetary reward

Activity incentivized

Energy reduction project

Comment

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).

Who is entitled to benefit from these incentives?

Business Unit Manager

Types of incentives

Monetary reward

Activity incentivized

Emissions reduction target

Comment

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).

Who is entitled to benefit from these incentives?

Business Unit Manager

Types of incentives

Monetary reward

Activity incentivized

Behavior change related indicator

Comment

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).

Who is entitled to benefit from these incentives?

Buyers/Purchasers

Types of incentives

Monetary reward

Activity incentivized

Environmental criteria included in purchases

Comment

Buyers/purchasers participate in bonus schemes based on KPIs indirectly linked to environmental criteria included in purchases (which impact sales).

Who is entitled to benefit from these incentives?

Public Affairs Manager

Types of incentives

Monetary reward

Activity incentivized

Behavior change related indicator

Comment

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.

Who is entitled to benefit from these incentives?

Other, please specify

Branch Managers

Types of incentives

Monetary reward

Activity incentivized

Emissions reduction project

Comment

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).

Who is entitled to benefit from these incentives?

Environment/Sustainability Manager

Types of incentives

Monetary reward

Activity incentivized

Behavior change related indicator

Comment

The Group Sustainability Manager is incentivised to formalise and ensure implementation of the Group's energy and climate change strategies and plans. This includes contribution towards corporate global reputation improvement, rate of participation of employees to environmental activities, and educating employees as part of the overall environmental sustainability strategy.

C2. Risks and opportunities

C2.1

(C2.1) Describe what your organization considers to be short-, medium- and long-term horizons.

	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 business 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. Climate-related risks and opportunities are considered in these same time horizons, as specified by the company's Enterprise Risk Management Policy & Framework.
Medium-term	3	10	Shoprite utilises the concept of short-, medium- and long term time horizons as planning mechanisms to describe the fixed time period over which business 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. Climate-related risks and opportunities are considered in these same time horizons, as specified by the company's Enterprise Risk Management Policy & Framework.
Long-term	10	30	Shoprite utilises the concept of short-, medium- and long term time horizons as planning mechanisms to describe the fixed time period over which business 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. Climate-related risks and opportunities are considered in these same time horizons, as specified by the company's Enterprise Risk Management Policy & Framework.

C2.2

(C2.2) Select the option that best describes how your organization'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

C2.2a

(C2.2a) Select the options that best describe your organization's frequency and time horizon for identifying and assessing climate-related risks.

	Frequency of monitoring	How far into the future are risks considered?	Comment
Row 1	Six-monthly or more frequently	>6 years	<p>The Enterprise Risk Management ("ERM") policy and framework articulates the principles and requirements for effective risk management as part of the Group's overall corporate governance. The policy and framework is reviewed at least annually and approved by the Audit and Risk Committee of the Board. As part of the ERM framework, the internal environment, external environment and the company's strategic objectives are taken into account. This ensures that the company examines risks far into the future.</p> <p>The last review of the ERM policy and framework was completed on 07/05/2019; and the subsequent approval was completed on 24/05/2019.</p>

C2.2b

(C2.2b) Provide further details on your organization's process(es) for identifying and assessing climate-related risks.

The process for identifying and assessing all risks are detailed in the Company's ERM Policy and Framework (as approved by the Audit and Risk Committee of the Board on 24/05/2019). The company's ERM vision is to integrate risk management across the Group to support the company's Purpose and Values and increase the likelihood of achieving its strategic business objectives.

The company realises this vision by:

1. Embedding risk management within its culture;
2. Proactively identifying future uncertainties and planning for them;
3. Exploiting opportunities presented through risk events; and
4. Training its employees to think about risks as part of their decision-making process.

This applies to climate-related risks as well.

As a starting point, technical, financial, legal, social, environmental, reputational, informational, stakeholder and other such risks are identified within the context of Shoprite's external and internal environments and its strategic business objectives and goals.

Identified risks are documented in the company’s Risk Register, and these are updated and re-evaluated on a regular basis. The status of these risks is reported at the Management Risk Forum on a quarterly basis, and the Audit and Risk Board committee 3 times per year.

The risk analysis or assessment involves consideration of the causes and sources of the risks, their positive and/or negative consequences, and the likelihood that those consequences can occur. Shoprite has its own inherent risk rating scale for this assessment.

Currently the climate-related risks that are documented on the company’s risk register are:

1. CG11 Corporate Governance, Social and Environmental Sustainability impact: Shoprite may not adequately consider the potential negative impact of its operations and value chain on the environment nor its impact on its ability to generate returns and creations of long term value.
2. CG19 Weather / Climate Change: Increase in the severity and frequency of extreme weather events and natural catastrophes (droughts, floods, fires, heatwaves, storms etc.) and its impact on Shoprite’s business and suppliers; whether linked to physical assets (stores, distribution centres or vehicles) or supply of perishable products, livestock, damage to physical assets, business continuity or sustainability.

Shoprite has expressed a low risk appetite for these risks.

Shoprite describes a substantive or significant climate-related consequence as an extreme environmental effect with impairment of ecosystem functions. Long-term, widespread effects on a significant area. The corresponding financial consequence is more than 4% of profit.

C2.2c

(C2.2c) Which of the following risk types are considered in your organization's climate-related risk assessments?

	Relevance & inclusion	Please explain
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 due to noncompliance.</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, the reduction of its carbon emissions. Furthermore, the South African National Climate Change Response Policy, coupled with the climate change regulatory environment in South Africa, makes provision for mandatory emissions data reporting which requires systems for collecting accurate greenhouse gas (GHG) emissions data. This is relevant for all Shoprite’s stationary combustion GHG emitters.</p> <p>Shoprite is in the process of registering 1 153 standby diesel generators, and their annual fuel consumption will be reported on for the past two years.</p> <p>Shoprite’s 3 central distribution centres (Centurion, Cilmor and Canelands) are the single largest users of electricity, hence they are responsible for the highest amount of Scope 2 emissions. Shoprite is evaluating the feasibility of using renewable energy at these facilities during the next reporting period.</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 new regulations are promulgated.</p> <p>The South African carbon tax regulations were promulgated in June 2019, and the risk and impact of these regulations were considered in the quarterly Management Risk Forum. Shoprite established that the direct impact of the first phase of the regulations will be close to R4 million due to increased fuel prices. The impact of subsequent phases of the regulations are being evaluated with our tax consultants.</p>
Technology	Relevant, always included	<p>Shoprite acknowledges that technological innovations, such as the use of renewable energy, increased demand for energy efficient equipment and fixtures 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. In 2017, Shoprite started a project to replace 857 350 conventional fluorescent lights with energy efficient LED lights across its Checkers, Shoprite, Usave, LiquorShop, House & Home and OK Furniture brands. This project is continuing.</p>
Legal	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>This risk is included and considered even though there hasn't been any climate-related litigation claims against the Company.</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> <p>Due to the drought affecting the Western and Eastern Cape regions of South Africa (from 2015 - 2018), there was a risk of supply of fresh produce from these areas. Shoprite's mitigation for this was to diversify its supply from other regions in the country. This resulted in Shoprite sourcing 85% of its cabbage and lettuce from the Eastern Cape region and 15% from the Gauteng region, compared to 95% and 5%, respectively, in the previous financial year.</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. Hence Shoprite made its carbon and water disclosure reports and its annual sustainability report publicly available for the past two reporting periods.</p>
Acute physical	Relevant, always included	<p>Acute physical risks are event driven and are included in Shoprite's climate-related risk assessment. One such risk which most recently occurred was Day Zero (i.e. the day that municipal water would have been suspended indefinitely).</p> <p>To this extent, Shoprite followed the Group's water strategy guidelines to assess and evaluate the climate-related risks 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	Relevant, always included	<p>Shoprite considers chronic physical risks (e.g. sustained higher temperatures) to its operations and strategic objectives.</p> <p>The Eastern Cape region of South Africa is currently experiencing higher average temperatures. Since Shoprite sources some fresh produce lines from these areas, it had to diversify its supply from this region to mitigate this risk. This resulted in Shoprite sourcing 85% of its cabbage and lettuce from the Eastern Cape region and 15% from the Gauteng region, compared to 95% and 5%, respectively, in the previous financial year.</p>
Upstream	Relevant, always included	<p>Food security is of the utmost importance to Shoprite, since it is a fundamental component of its purpose and operations. 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> <p>The Eastern Cape region of South Africa is currently experiencing higher average temperatures. Since Shoprite sources some fresh produce lines from these areas, it had to diversify its supply from this region to mitigate this risk. This resulted in Shoprite sourcing 85% of its cabbage and lettuce from the Eastern Cape region and 15% from the Gauteng region, compared to 95% and 5%, respectively, in the previous financial year.</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 can have a positive impact on Shoprite's reputation. Hence Shoprite made its carbon and water disclosure reports and its annual sustainability report publicly available for the past 2 reporting periods.</p>

C2.2d

(C2.2d) Describe your process(es) for managing climate-related risks and opportunities.

The process for managing all risks are detailed in the Company's ERM Policy and Framework (as approved by the Audit and Risk Committee of the Board on 24/05/2019). The company's ERM vision is to integrate risk management across the Group to support the company's Purpose and Values and increase the likelihood of achieving its strategic business objectives.

The company realises this vision by:

1. Embedding risk management within its culture;
2. Proactively identifying future uncertainties and planning for them;
3. Exploiting opportunities presented through risk events; and
4. Training its employees to think about risks as part of their decision-making process.

This applies to climate-related risks as well.

As part of risk treatment, Shoprite evaluates whether residual risk levels are tolerable, if not tolerable, a new control response will be implemented. Control activities relate to the policies, procedures, processes and controls implemented to respond to specified future events. Risks can be controlled or mitigated in various ways such as: Avoid it; Put controls in place to mitigate the risk; Transfer the risk (e.g. to insurance); or Accept the risk after making an informed decision.

Taking risks is a part of the ordinary course of business at Shoprite. It is not the intent in all cases to minimise, avoid or eliminate all risks that are identified. However, it is the intent that Shoprite understands the significant events that may impact business objectives and set guidelines to address the associated risks. This is achieved by establishing a standard and consistent process for developing an acceptable response.

The replacement of 857 350 conventional fluorescent lights with energy efficient LED lights; and the continued use, and new installations, of renewable electricity are cases of how Shoprite is managing (avoiding) transition risks.

During the 2015-2018 drought in the Western Cape region, there was a significant risk that local municipalities could run out of water. Shoprite put measures in place to reduce water consumption (installed 3 154 water saving devices in 183 sites, with total expenditure of R800 000), and augment water supply (installed water tanks and pumps at 127 sites, with total expenditure of R27 000 000) so that its operations could continue in this region. In this case, Shoprite put controls in place to mitigate this physical risk.

C2.3

(C2.3) Have you identified any inherent climate-related risks with the potential to have a substantive financial or strategic impact on your business?

Yes

C2.3a

(C2.3a) Provide details of risks identified with the potential to have a substantive financial or strategic impact on your business.

Identifier

Risk 1

Where in the value chain does the risk driver occur?

Direct operations

Risk type

Transition risk

Primary climate-related risk driver

Policy and legal: Enhanced emissions-reporting obligations

Type of financial impact

Increased costs and/or reduced demand for products and services resulting from fines and judgments

Company- specific description

Currently, the 2016 National Greenhouse Gas Emission Reporting Regulation makes it mandatory for Shoprite to register its stationary fuel combustion devices, and to report annually its fuel consumption. To this extent, 1 153 devices (standby diesel generators) will be registered this year, and fuel consumption will be reported for the past two years.

The risk of non-compliance to this regulation is R 5 000 000.

Time horizon

Short-term

Likelihood

Likely

Magnitude of impact

Low

Are you able to provide a potential financial impact figure?

Yes, a single figure estimate

Potential financial impact figure (currency)

5,000,000

Potential financial impact figure – minimum (currency)

Potential financial impact figure – maximum (currency)

Explanation of financial impact figure

The increase in operating costs is estimated to be negligible, however, if the penalty as stated in the regulation materialises, 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. Shoprite's tax department keeps abreast of the developments related to the new carbon tax.

During the past reporting period, Shoprite's external tax advisors and climate-change specialists advised the company of the requirements of the National Greenhouse Gas Emission Reporting Regulations, and the need to register its stand-by stationary fuel combustion devices. To this extent, 1 153 devices (standby diesel generators) will be registered this year, and fuel consumption will be reported for the past two years.

Cost of management

15,000

Comment

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.

Identifier

Risk 2

Where in the value chain does the risk driver occur?

Direct operations

Risk type

Transition risk

Primary climate-related risk driver

Policy and legal: Increased pricing of GHG emissions

Type of financial impact

Increased operating costs (e.g. higher compliance costs, increased insurance premiums)

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 implemented a carbon tax from June 2019.

Shoprite established that the direct impact of the first phase of the regulations will be close to R4 million due to increased fuel prices. The impact of subsequent phases of the regulations are being evaluated with our tax consultants.

Time horizon

Short-term

Likelihood

Likely

Magnitude of impact

High

Are you able to provide a potential financial impact figure?

Yes, a single figure estimate

Potential financial impact figure (currency)

4,000,000

Potential financial impact figure – minimum (currency)**Potential financial impact figure – maximum (currency)****Explanation of financial impact figure**

The increased operating costs are due to increases in fuel costs (9c/l on petrol and 10c/l on diesel) as of 5 June 2019.

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 risk and compliance 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 tax issues.

Cost of management

15,000

Comment

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.

Identifier

Risk 3

Where in the value chain does the risk driver occur?

Direct operations

Risk type

Physical risk

Primary climate-related risk driver

Chronic: Rising mean temperatures

Type of financial impact

Increased operating costs (e.g., higher compliance costs, increased insurance premiums)

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 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 food 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

Long-term

Likelihood

Likely

Magnitude of impact

High

Are you able to provide a potential financial impact figure?

Yes, a single figure estimate

Potential financial impact figure (currency)

80,000,000

Potential financial impact figure – minimum (currency)

Potential financial impact figure – maximum (currency)

Explanation of financial impact figure

The financial implications associated with rising mean temperatures are inherently uncertain and complex to calculate accurately.

However, a 2°C rise in the mean temperature will result in an increase of:

- 8.6% in the electricity consumption of air-conditioning systems;
- 2.6% in the electricity consumption of refrigeration systems;
- 8.6% in the capital expenditure for new air-conditioning systems; and
- 2.6% in the capital expenditure for new refrigeration systems.

The increase in refrigerant- and maintenance costs are estimated to be negligible and as such have been omitted.

The financial implications provided are calculated for a 12 month period only, and stated in today's money.

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 a dedicated team of internal engineers to reduce electricity consumption.

Cost of management

17,000,000

Comment

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.

Identifier

Risk 4

Where in the value chain does the risk driver occur?

Direct operations

Risk type

Physical risk

Primary climate-related risk driver

Chronic: Changes in precipitation patterns and extreme variability in weather patterns

Type of financial impact

Increased operating costs (e.g., higher compliance costs, increased insurance premiums)

Company- specific description

Present population growth trends in South Africa, and water availability and usage behaviors indicate that the country will exceed the limits of its economically usable, land-based water resources by 2050. Rainfall variability will lead to declines in run-off which will add to the cost of providing water. Higher temperatures will increase evaporation from dams and rivers, and will reduce run-off on the ground, so that less of the water that falls reaches the rivers and dams. In addition, inter-basin transfer schemes, high levels of assurance of supply to key sectors of the economy and extensive local reticulation networks require extensive pumping, with rising energy costs. Therefore it is expected that Shoprite will have to invest capex with increased operating expenses in other high-risk regions in Southern Africa to ensure water supply and business continuity.

Time horizon

Long-term

Likelihood

Likely

Magnitude of impact

High

Are you able to provide a potential financial impact figure?

Yes, a single figure estimate

Potential financial impact figure (currency)

105,000,000

Potential financial impact figure – minimum (currency)**Potential financial impact figure – maximum (currency)****Explanation of financial impact figure**

It is estimated that the cost of water could double as a result of increased water tariffs from municipalities in water stressed areas.

Management method

Shoprite is using the experiences gained in the 2015-2018 drought in the Western Cape region to anticipate and mitigate the impacts of low water availability in other regions. Shoprite put measures in place to reduce water consumption (installed 3 154 water saving devices in 183 sites, with total expenditure of R800 000), and augment water supply (installed water tanks and pumps at 127 sites, with total expenditure of R27 000 000) so that its operations could continue in this region.

Cost of management

50,000,000

Comment

The costs to manage this risk is estimated to be R50 000 000, which is based on the costs incurred to mitigate the Western Cape water supply risk.

C2.4**(C2.4) Have you identified any climate-related opportunities with the potential to have a substantive financial or strategic impact on your business?**

Yes

C2.4a

(C2.4a) Provide details of opportunities identified with the potential to have a substantive financial or strategic impact on your business.

Identifier

Opp1

Where in the value chain does the opportunity occur?

Customer

Opportunity type

Products and services

Primary climate-related opportunity driver

Shift in consumer preferences

Type of financial impact

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

Current

Likelihood

Very likely

Magnitude of impact

High

Are you able to provide a potential financial impact figure?

Yes, a single figure estimate

Potential financial impact figure (currency)

900,000,000

Potential financial impact figure – minimum (currency)

Potential financial impact figure – maximum (currency)

Explanation of financial impact figure

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 realize opportunity

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

Cost to realize opportunity

0

Comment

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.

Identifier

Opp2

Where in the value chain does the opportunity occur?

Customer

Opportunity type

Products and services

Primary climate-related opportunity driver

Shift in consumer preferences

Type of financial impact

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

Long-term

Likelihood

Very likely

Magnitude of impact

High

Are you able to provide a potential financial impact figure?

Yes, a single figure estimate

Potential financial impact figure (currency)

450,000,000

Potential financial impact figure – minimum (currency)

Potential financial impact figure – maximum (currency)

Explanation of financial impact figure

The financial implications associated with a shift in reputation is 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 0.25% which will result in an increase in revenue of ZAR 450 000 000.

The financial implications provided are calculated for a 12 month period only, and stated in today's money.

Strategy to realize 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 realize opportunity

285,000

Comment

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.

Identifier

Opp3

Where in the value chain does the opportunity occur?

Direct operations

Opportunity type

Resilience

Primary climate-related opportunity driver

Resource substitutes/diversification

Type of financial impact

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

Long-term

Likelihood

Very likely

Magnitude of impact

High

Are you able to provide a potential financial impact figure?

Yes, a single figure estimate

Potential financial impact figure (currency)

234,700,000

Potential financial impact figure – minimum (currency)**Potential financial impact figure – maximum (currency)****Explanation of financial impact figure**

The financial implications associated with becoming more resilient 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 0.125% which will result in an increase in revenue of ZAR 225 000 000.

In addition, it is estimated that operating costs could reduce, by capitalising on this opportunity, by ZAR 9 700 000.

The financial implications provided are calculated for a 12 month period only, and stated in today's money.

Strategy to realize 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 realize opportunity

44,800,000

Comment

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.

C2.5

(C2.5) Describe where and how the identified risks and opportunities have impacted your business.

	Impact	Description
Products and services	Impacted	The 2015-2018 droughts in South Africa resulted in farmers unable to adequately feed their livestock and consequently being forced to slaughter livestock, which drove the average meat price downward (i.e. 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.e. 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 Purpose of being affordable and accessible when an increase in the meat price becomes unavoidable. Shoprite has mitigated this risk by diversifying its sourcing of meat products. The magnitude of this impact is medium.
Supply chain and/or value chain	Impacted	The 2015-2018 droughts in South Africa have, to varying degrees, negatively impacted Shoprite suppliers' fresh produce production. Shoprite, with its Purpose of being affordable and accessible, will 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. Shoprite has mitigated this risk by diversifying its sourcing of fresh produce. The magnitude of this impact is medium.

Adaptation and mitigation activities	Impacted	<p>Due to expected water shortages in high risk regions of southern Africa, it is expected that Shoprite will have to invest capex with increased operating expenses to ensure water supply and business continuity. The magnitude of this impact is medium.</p> <p>Due to increasing fuel price, Shoprite is installing a photovoltaic system and battery solution on the roofs of its trailers, which will power onboard equipment to decrease diesel consumption and increase the truck battery life. Thus far 629 trailers have been fitted with PV panels.</p>
Investment in R&D	Impacted	<p>Due to increasing fuel price, Shoprite is installing a photovoltaic system and battery solution on the roofs of its trailers, which will power onboard equipment to decrease diesel consumption and increase the truck battery life. Thus far 629 trailers have been fitted with PV panels. The magnitude of this impact is medium.</p>
Operations	Impacted	<p>Increased costs imposed by the carbon tax and from registering and annually reporting on carbon emissions from stationary combustion sources will have an impact on Shoprite's Operations. The magnitude of this impact is low.</p> <p>The risk of rising mean temperatures (+2°C) on the load on air-conditioning and refrigeration systems will also impact Operations. Shoprite will mitigate this risk by keeping abreast of energy efficiency technologies and initiatives by the dedicated team of internal engineers. The magnitude of this impact is medium.</p>
Other, please specify	Not evaluated	Not evaluated

C2.6

(C2.6) Describe where and how the identified risks and opportunities have been factored into your financial planning process.

	Relevance	Description
Revenues	Impacted	<p>The 2015-2018 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. The magnitude of this impact is low.</p>
Operating costs	Impacted	<p>Increased costs imposed by the carbon tax and from registering and annually reporting on carbon emissions from stationary combustion sources will have an impact on Shoprite's operating costs. Shoprite's tax department has incorporated this tax into their provisions. The magnitude of this impact is low.</p> <p>The risk of rising mean temperatures (+2°C) on the load on air-conditioning and refrigeration systems will also impact Operating costs. Shoprite will mitigate this risk by keeping abreast of energy efficiency technologies and initiatives by the dedicated team of internal engineers. The magnitude of this impact is medium.</p>
Capital expenditures / capital allocation	Impacted	<p>The 2015-2018 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.</p>

		Shoprite put measures in place to reduce water consumption (installed 3 154 water saving devices in 183 sites, with total expenditure of R800 000), and augment water supply (installed water tanks and pumps at 127 sites, with total expenditure of R27 000 000) so that its operations could continue in the Western Cape region. The magnitude of this impact is medium.
Acquisitions and divestments	Impacted for some suppliers, facilities, or product lines	Shoprite considers the access to electricity- and drinking water supply, to conduct long term viability studies, prior to acquiring new properties. The magnitude of this impact is low.
Access to capital	Not impacted	Shoprite's access to capital is not expected to be impacted by climate change. As for the Western Cape experience, that Group installed water tanks and pumps at 127 sites with total expenditure of R27 000 000 which was self-funded.
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. The magnitude of this impact is low.
Liabilities	Not impacted	Shoprite's liabilities are not expected to be impacted by climate change since Shoprite will not increase liabilities to address these risks and opportunities.
Other	Not evaluated	Not evaluated

C3. Business Strategy

C3.1

(C3.1) Are climate-related issues integrated into your business strategy?

Yes

C3.1a

(C3.1a) Does your organization use climate-related scenario analysis to inform your business strategy?

Yes, qualitative and quantitative

C3.1c

(C3.1c) Explain how climate-related issues are integrated into your business objectives and strategy.

1. At the heart of Shoprite's Purpose, is the aspiration to be Africa's most accessible and affordable retailer, by being relentless in its efforts to keep its business efficient, and sustain its price leadership.

At the core of Shoprite's strategy is a customer-first culture, which it defines as "no customer leaves the store unhappy". Over the past two years, the Group has identified five strategic drivers to grow its customer base and its revenue. These strategic growth drivers are Grow up-market share of revenue, Enhance private label, Expand strategic footprint, Leverage African advantage and Strengthen franchise offer.

Three strategic enablers describe how the Group does business, wherever it operates, to drive growth. These enablers are Invest in people, Lead on cost and price and Operate ethically and sustainably. Unlike the growth drivers, these enablers will not change over time.

Through these strategic growth drivers and enablers, Shoprite is able to create shared value for its stakeholders, including the broader society and the environment.

The strategic enabler to Operate ethically and sustainably is the foundation for Shoprite's overarching sustainability framework which includes the responsible use of natural resources (e.g. fuel and energy) and the reduction of environmental impacts (e.g. climate change). Promoting sustainable production and consumption patterns within the Group is central to this framework.

The strategic enabler to Lead on cost and price is built on the company's ambition to be as efficient as possible and to reduce waste. Efficient Operations use less energy and produce lower amounts of GHGs.

This is how climate-related aspects and impacts are integrated into Shoprite's overall business strategy.

Shoprite's strategic objectives and enablers are informed through the Group's key stakeholder engagements, and the identification of its key materiality issues. Through its engagements and consultations with its investors, customers, communities, suppliers and regulators Shoprite's "social licence to operate" came out in the top-10 materiality

issues. Societal and environmental sustainability, including climate-related issues, sit at the heart of this materiality issue.

2. It is demonstrated above that Shoprite's business strategy, particularly its enablers, supports its energy and emissions reduction initiatives and goals; as well as its adaptation activities.
3. For example, to ensure that customers always have access to affordable fresh produce, Shoprite had to source products from suppliers in other regions that were not affected by the recent drought in the Eastern Cape (i.e. diversified supplier base for cabbages and lettuce resulting in Shoprite sourcing 85% of its cabbage and lettuce from the Eastern Cape region and 15% from the Gauteng region, compared to 95% and 5%, respectively, in the previous financial year).
4. What aspects of climate change have influenced the strategy (e.g. need for adaptation, regulatory changes, or opportunities to develop green business);

Shoprite's climate-change mitigation strategy is based on improving the energy efficiency of its operations and embracing renewable energy to reduce carbon emissions; while its adaptation strategies include building a water resilient operation and diversifying its supplier base for fresh produce.

5. How the short-term strategy has been influenced by climate change;

Concerns over climate change is driving investor, consumer, community and regulator awareness and interest in corporate's plans to reduce carbon emissions. Shoprite's short-term strategy is to accelerate the roll-out its energy efficiency and renewable energy projects; and to improve the monitoring, tracking and reporting of energy usage and GHGs emitted over the next 2-3 years.

6. How the long-term strategy has been influenced by climate change;

Climate change can potentially impact Shoprite's long-term strategy (10-30 years), however this has not been clearly articulated yet.

7. How this is gaining a strategic advantage over your competitors;

With the accelerated roll-out its energy efficiency and renewable energy projects, Shoprite will be positioned as the leading local retailer in climate change mitigation. An improved reputation will be an advantage over its competitors

8. How the Paris Agreement has influenced the business strategy (e.g. the process of transition planning alongside the ratcheting of Intended Nationally Determined Contributions (INDCs)).

South Africa's NDC states a peak, plateau and decline (PPD) greenhouse gas emissions trajectory range. Shoprite has adopted the same trajectory.

C3.1d

(C3.1d) Provide details of your organization’s use of climate-related scenario analysis.

Climate-related scenarios	Details
Nationally determined contributions (NDCs)	<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. Shoprite has adopted the same trajectory for its GHG emissions.</p> <p>The policy instruments that have been developed and implemented by government to assist in meeting the PPD targets, includes the carbon tax and GHG reporting regulations. Shoprite has quantified the impacts of the first phase of the carbon tax on its Operations, and it seeks to better understand the impacts of subsequent phases of the carbon tax.</p> <p>Nevertheless, Shoprite continues to accelerate the roll-out of its energy efficiency and renewable energy projects to mitigate the impacts of the carbon tax.</p>

C4. Targets and performance

C4.1

(C4.1) Did you have an emissions target that was active in the reporting year?

Intensity target

C4.1b

(C4.1b) Provide details of your emissions intensity target(s) and progress made against those target(s).

Target reference number

Int 1

Scope

Scope 1+2 (location-based)

% emissions in Scope

100

Targeted % reduction from base year

33

Metric

Metric tons CO2e per square meter*

Base year

2018

Start year

2018

Normalized base year emissions covered by target (metric tons CO2e)

0.52

Target year

2030

Is this a science-based target?

Yes, we consider this a science-based target, but this target has not been approved as science-based by the Science Based Targets initiative

% of target achieved

0

Target status

Underway

Please explain

Shoprite has a financial year based target since its financial year runs from 01-Jul to 30-Jun. The company's target is a longer term target.

Emissions (Scope 1) increased significantly due to more complete data collection; while Scope 2 emissions reduced by 9%.

% change anticipated in absolute Scope 1+2 emissions

33

% change anticipated in absolute Scope 3 emissions

0

C4.2

(C4.2) Provide details of other key climate-related targets not already reported in question C4.1/a/b.

Target

Renewable electricity consumption

KPI – Metric numerator

Renewable energy consumption (kWh)

KPI – Metric denominator (intensity targets only)

Not applicable

Base year

2018

Start year

2018

Target year

2030

KPI in baseline year

2,393,000

KPI in target year

800,000,000

% achieved in reporting year

0.33

Target Status

Underway

Please explain

Shoprite aims to increase its total renewable energy consumption to account for approximately a third of its total energy usage by the target year. For this year Shoprite has achieved 0.33% of this target by consuming renewable energy from various existing rooftop photovoltaic systems.

Part of emissions target

Reduce Scope 2 electricity emissions only and related to Int1

Is this target part of an overarching initiative?

No, it's not part of an overarching initiative

C4.3

(C4.3) Did you have emissions reduction initiatives that were active within the reporting year? Note that this can include those in the planning and/or implementation phases.

Yes

C4.3a

(C4.3a) Identify the total number of initiatives at each stage of development, and for those in the implementation stages, the estimated CO2e savings.

	Number of initiatives	Total estimated annual CO2e savings in metric tonnes CO2e (only for rows marked *)
Under investigation	139	0
To be implemented*	26	62,078
Implementation commenced*	3	49,005
Implemented*	2	35,418
Not to be implemented	16	0

C4.3b

(C4.3b) Provide details on the initiatives implemented in the reporting year in the table below.

Initiative type

Energy efficiency: Building services

Description of initiative

Lighting

Estimated annual CO2e savings (metric tonnes CO2e)

28,500

Scope

Scope 2 (location-based)

Voluntary/Mandatory

Voluntary

Annual monetary savings (unit currency – as specified in C0.4)

45,500,000

Investment required (unit currency – as specified in C0.4)

62,000,000

Payback period

1-3 years

Estimated lifetime of the initiative

16-20 years

Comment

LED Retrofit. Shoprite installed 250 000 energy efficient LED lights in 340 stores saving 30 000 000 kWh of electricity and saving 28 500 metric tons of CO₂e.

Initiative type

Other, please specify

Truck Trailer Rooftop PV

Description of initiative**Estimated annual CO₂e savings (metric tonnes CO₂e)**

6,918

Scope

Scope 1

Voluntary/Mandatory

Voluntary

Annual monetary savings (unit currency – as specified in C0.4)

13,400,000

Investment required (unit currency – as specified in C0.4)

35,800,000

Payback period

1-3 years

Estimated lifetime of the initiative

16-20 years

Comment

Trailer Rooftop PV. Shoprite installed 617 PV systems on 617 trailers saving 2 600 000 litres of diesel and saving 6 918 metric tons of CO₂e.

C4.3c

(C4.3c) What methods do you use to drive investment in emissions reduction activities?

Method	Comment
Compliance with regulatory requirements/standards	<p>“Operate ethically and sustainably” is a strategic enabler for Shoprite and it reflects how the company conducts its business in all geographies. Operating ethically includes compliance with local regulatory requirements and standards, and Shoprite will invest accordingly to ensure compliance.</p> <p>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.</p>
Financial optimization calculations	<p>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).</p>
Internal incentives/recognition programs	<p>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).</p>

C4.5

(C4.5) 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?

Yes

C4.5a

(C4.5a) Provide details of your products and/or services that you classify as low-carbon products or that enable a third party to avoid GHG emissions.

Level of aggregation

Company-wide

Description of product/Group of products

Shoprite sells a range of prepared meals as part of its Fresh Food offering. Customers have the opportunity to buy a ready-made low-carbon meal, instead of cooking a meal, thereby avoiding emissions.

Are these low-carbon product(s) or do they enable avoided emissions?

Low-carbon product and avoided emissions

Taxonomy, project or methodology used to classify product(s) as low-carbon or to calculate avoided emissions

Other, please specify

ISO 14040 life cycle assessment

% revenue from low carbon product(s) in the reporting year

1

Comment

Shoprite's Fresh Foods business represents less than 1% of its total revenue.

C5. Emissions methodology

C5.1

(C5.1) Provide your base year and base year emissions (Scopes 1 and 2).

Scope 1

Base year start

July 1, 2015

Base year end

June 30, 2016

Base year emissions (metric tons CO₂e)

184,638

Comment

Scope 2 (location-based)

Base year start

July 1, 2015

Base year end

June 30, 2016

Base year emissions (metric tons CO₂e)

1,741,379

Comment

Scope 2 (market-based)

Base year start

July 1, 2015

Base year end

June 30, 2016

Base year emissions (metric tons CO₂e)

0

Comment

C5.2

(C5.2) Select the name of the standard, protocol, or methodology you have used to collect activity data and calculate Scope 1 and Scope 2 emissions.

IPCC Guidelines for National Greenhouse Gas Inventories, 2006

ISO 14064-1

The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition)

Other, please specify

DEFRA Voluntary 2018 Reporting Guidelines

C5.2a

(C5.2a) Provide details of the standard, protocol, or methodology you have used to collect activity data and calculate Scope 1 and Scope 2 emissions.

DEFRA 2018 Voluntary Reporting Guidelines, which are publicly available and are updated annually.

C6. Emissions data

C6.1

(C6.1) What were your organization's gross global Scope 1 emissions in metric tons CO₂e?

Reporting year

Gross global Scope 1 emissions (metric tons CO₂e)

594,856

Start date

July 1, 2018

End date

June 30, 2019

Comment

C6.2

(C6.2) Describe your organization's approach to reporting Scope 2 emissions.

Scope 2, location-based

We are reporting a Scope 2, location-based figure

Scope 2, market-based

We have no operations where we are able to access electricity supplier emission factors or residual emissions factors and are unable to report a Scope 2, market-based figure

Comment

Shoprite report on a location-based figure.

Shoprite does not have any operations in markets providing product- or supplier-specific data in the form of contractual instruments.

C6.3

(C6.3) What were your organization's gross global Scope 2 emissions in metric tons CO₂e?

Reporting year

Scope 2, location-based

1,687,508

Start date

July 1, 2018

End date

June 30, 2019

Comment

Electricity is only purchased from the national grid. Shoprite does not have any market-based Scope 2 contracts – this source is therefore not applicable.

C6.4

(C6.4) Are there 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

C6.5

(C6.5) Account for your organization's Scope 3 emissions, disclosing and explaining any exclusions.

Purchased goods and services

Evaluation status

Relevant, not yet calculated

Explanation

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' activities. 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.

Capital goods

Evaluation status

Relevant, not yet calculated

Explanation

Shoprite acquires a range of capital goods during expansion or refurbishments only.

Fuel-and-energy-related activities (not included in Scope 1 or 2)

Evaluation status

Not relevant, explanation provided

Explanation

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.

Upstream transportation and distribution

Evaluation status

Relevant, not yet calculated

Explanation

Shoprite has an extensive product range and a vast number of suppliers. Accurate data collection is challenging and time consuming.

Waste generated in operations

Evaluation status

Relevant, not yet calculated

Explanation

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.

Business travel

Evaluation status

Relevant, calculated

Metric tonnes CO₂e

494

Emissions calculation methodology

DEFRA emission factors applied.

Percentage of emissions calculated using data obtained from suppliers or value chain partners

100

Explanation

Travel data, from the data source, is aggregated and the DEFRA emission factors for air travel are applied (including radiative forcing).

Employee commuting

Evaluation status

Relevant, not yet calculated

Explanation

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.

Upstream leased assets

Evaluation status

Not relevant, explanation provided

Explanation

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.

Downstream transportation and distribution

Evaluation status

Relevant, not yet calculated

Explanation

Downstream transportation includes the travel by customers to and from the store. This is not included yet.

Processing of sold products

Evaluation status

Relevant, not yet calculated

Explanation

Shoprite's customers will process sold goods further (e.g. cooking). This is not included yet.

Use of sold products

Evaluation status

Relevant, not yet calculated

Explanation

Shoprite's customers will use sold goods further (e.g. appliances). This is not included yet.

End of life treatment of sold products

Evaluation status

Relevant, not yet calculated

Explanation

Products that Shoprite sells is consumed (as food) and consumer waste is generated post use. 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.

Downstream leased assets

Evaluation status

Not relevant, explanation provided

Explanation

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.

Franchises

Evaluation status

Relevant, not yet calculated

Explanation

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.

Investments

Evaluation status

Relevant, not yet calculated

Explanation

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 yet included.

Other (upstream)

Evaluation status

Relevant, calculated

Metric tonnes CO₂e

254,980

Emissions calculation methodology

DEFRA Global Warming Potentials applied.

Percentage of emissions calculated using data obtained from suppliers or value chain partners

0

Explanation

Shoprite calculates emissions associated with Montreal Protocol refrigerant gases. These have been reported on outside of the scopes as per the Greenhouse Gas Protocol.

Other (downstream)

Evaluation status

Explanation

C6.7

(C6.7) Are carbon dioxide emissions from biologically sequestered carbon relevant to your organization?

No

C6.10

(C6.10) Describe your gross global combined Scope 1 and 2 emissions for the reporting year in metric tons CO₂e per unit currency total revenue and provide any additional intensity metrics that are appropriate to your business operations.

Intensity figure

0.0000172

Metric numerator (Gross global combined Scope 1 and 2 emissions)

2,282,364

Metric denominator

unit total revenue

Metric denominator: Unit total

132,782,165,000

Scope 2 figure used

Location-based

% change from previous year

2.89

Direction of change

Increased

Reason for change

Scope 1 and 2 emissions increasing by 9.2% because of more complete reporting; whilst revenue increased by 6.1%.

Intensity figure

0.56

Metric numerator (Gross global combined Scope 1 and 2 emissions)

2,282,364

Metric denominator

square meter

Metric denominator: Unit total

4,040,101

Scope 2 figure used

Location-based

% change from previous year

7.69

Direction of change

Increased

Reason for change

Scope 1 and 2 emissions increasing by 9.2% because of more complete reporting; whilst area increased by 1.2% due to additional stores.

C7. Emissions breakdowns

C7.1

(C7.1) Does your organization break down its Scope 1 emissions by greenhouse gas type?

Yes

C7.1a

(C7.1a) Break down your total gross global Scope 1 emissions by greenhouse gas type and provide the source of each used greenhouse warming potential (GWP).

Greenhouse gas	Scope 1 emissions (metric tons of CO2e)	GWP Reference
CO2	128,567	IPCC Fourth Assessment Report (AR4 - 100 year)
CH4	39	IPCC Fourth Assessment Report (AR4 - 100 year)
N2O	1,729	IPCC Fourth Assessment Report (AR4 - 100 year)
HFCs	464,520	IPCC Fourth Assessment Report (AR4 - 100 year)

C7.2

(C7.2) Break down your total gross global Scope 1 emissions by country/region.

Country/Region	Scope 1 emissions (metric tons CO2e)
Other, please specify Southern Africa Region	594,856

C7.3

(C7.3) Indicate which gross global Scope 1 emissions breakdowns you are able to provide.

By business division

By activity

C7.3a

(C7.3a) Break down your total gross global Scope 1 emissions by business division.

Business division	Scope 1 emissions (metric ton CO2e)
Distribution Centres	2,986
Distribution (Mobile)	118,035
Corporate Stores & Offices	473,835

C7.3c

(C7.3c) Break down your total gross global Scope 1 emissions by business activity.

Activity	Scope 1 emissions (metric tons CO2e)
Mobile combustion	118,035
Stationary combustion	12,301
Fugitive emissions	464,520
Renewable energy	0

C7.5

(C7.5) Break down your total gross global Scope 2 emissions by country/region.

Country/Region	Scope 2, location-based (metric tons CO2e)	Scope 2, market-based (metric tons CO2e)	Purchased and consumed electricity, heat, steam or cooling (MWh)	Purchased and consumed low-carbon electricity, heat, steam or cooling accounted in market-based approach (MWh)
South Africa	1,614,172	0	1,699,128	0
Other, please specify Namibia, Swaziland & Lesotho	73,336	0	77,196	0

C7.6

(C7.6) Indicate which gross global Scope 2 emissions breakdowns you are able to provide.

By business division

By activity

C7.6a

(C7.6a) Break down your total gross global Scope 2 emissions by business division.

Business division	Scope 2, location-based emissions (metric tons CO2e)	Scope 2, market-based emissions (metric tons CO2e)
Corporate Stores	1,608,039	0
Distribution	72,327	0
Office	7,142	0

C7.6c

(C7.6c) Break down your total gross global Scope 2 emissions by business activity.

Activity	Scope 2, location-based emissions (metric tons CO2e)	Scope 2, market-based emissions (metric tons CO2e)
Electricity purchased	1,687,508	0

C7.9

(C7.9) How do your gross global emissions (Scope 1 and 2 combined) for the reporting year compare to those of the previous reporting year?

Increased

C7.9a

(C7.9a) 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.

	Change in emissions (metric tons CO2e)	Direction of change	Emissions value (percentage)	Please explain calculation
Change in renewable energy consumption	160	Decreased	0.01	The decrease is attributed to the consumption of 2 637 MWh of renewable energy produced by solar photovoltaic systems in the current reporting period. This is 244 MWh higher than the previous reporting period, equivalent to a 0.01% reduction in CO2e.
Other emissions reduction activities	28,500	Decreased	1.36	The 1.36% decrease is attributable to the LED Tubes Energy Efficiency project implemented in the current reporting period at 340 stores.
Divestment				Not applicable.
Acquisitions				Not applicable.
Mergers				Not applicable.
Change in output	67,726	Increased	3.24	The 3.24% increase is attributed to an increase in the number of stores by 50 additional stores.
Change in methodology	124,286	Increased	5.95	Emissions increased by 5.95% because a more complete data set was collected in this reporting period, which showed 223% higher fugitive emissions.
Change in boundary				Not applicable.

Change in physical operating conditions				Not applicable.
Unidentified				Not applicable.
Other				Not applicable.

C7.9b

(C7.9b) 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

C8. Energy

C8.1

(C8.1) What percentage of your total operational spend in the reporting year was on energy?

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

C8.2

(C8.2) Select which energy-related activities your organization has undertaken.

	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

C8.2a

(C8.2a) Report your organization's energy consumption totals (excluding feedstocks) in MWh.

	Heating value	MWh from renewable sources	MWh from non-renewable sources	Total MWh
Consumption of fuel (excluding feedstock)	LHV (lower heating value)	0	493,484	493,484
Consumption of purchased or acquired electricity		0	1,776,324	1,776,324
Consumption of self-generated non-fuel renewable energy		2,637		2,637
Total energy consumption		2,637	2,269,808	2,272,445

C8.2b

(C8.2b) Select the applications of your organization's consumption of fuel.

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

C8.2c

(C8.2c) State how much fuel in MWh your organization has consumed (excluding feedstocks) by fuel type.

Fuels (excluding feedstocks)

Petrol

Heating value

LHV (lower heating value)

Total fuel MWh consumed by the organization

26,451

MWh fuel consumed for self-generation of electricity

0

MWh fuel consumed for self-generation of heat

26,451

Fuels (excluding feedstocks)

Diesel

Heating value

LHV (lower heating value)

Total fuel MWh consumed by the organization

467,033

MWh fuel consumed for self-generation of electricity

46,464

MWh fuel consumed for self-generation of heat

420,569

C8.2d

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

Diesel

Emission factor

2.30531

Unit

kg CO₂e per liter

Emission factor source

DEFRA 2018

Comment

100% mineral petrol

Petrol

Emission factor

2.68779

Unit

kg CO₂e per liter

Emission factor source

DEFRA 2018

Comment

100% mineral diesel.

C8.2e

(C8.2e) Provide details on the electricity, heat, steam, and cooling your organization has generated and consumed in the reporting year.

	Total Gross generation (MWh)	Generation that is consumed by the organization (MWh)	Gross generation from renewable sources (MWh)	Generation from renewable sources that is consumed by the organization (MWh)
Electricity	2,637	2,637	2,637	2,637
Heat				
Steam				
Cooling				

C8.2f

(C8.2f) Provide details on the electricity, heat, steam and/or cooling amounts that were accounted for 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

No purchases or generation of low-carbon electricity, heat, steam or cooling accounted with a low-carbon emission factor

Low-carbon technology type

Region of consumption of low-carbon electricity, heat, steam or cooling

MWh consumed associated with low-carbon electricity, heat, steam or cooling

Emission factor (in units of metric tons CO₂e per MWh)

Comment

Shoprite does not have any market-based Scope 2 emissions.

Current and only electricity supplier in Southern Africa does not have low carbon electricity available.

C9. Additional metrics

C9.1

(C9.1) Provide any additional climate-related metrics relevant to your business.

Description

Energy usage

Metric value

1,776,324

Metric numerator

MWh

Metric denominator (intensity metric only)

Not applicable

% change from previous year

6.17

Direction of change

Decreased

Please explain

The decrease is attributable to the LED Tubes Energy Efficiency project implemented in the current reporting period.

C10. Verification

C10.1

(C10.1) Indicate the verification/assurance status that applies to your reported emissions.

	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

C10.1a

(C10.1a) Provide further details of the verification/assurance undertaken for your Scope 1 and/or Scope 2 emissions and attach the relevant statements.

Scope

Scope 1

Verification or assurance cycle in place

Annual process

Status in the current reporting year

Complete

Type of verification or assurance

Limited assurance

Relevant standard

ISO14064-3

Proportion of reported emissions verified (%)

100

Scope

Scope 2 location-based

Verification or assurance cycle in place

Annual process

Status in the current reporting year

Complete

Type of verification or assurance

Limited assurance

Relevant standard

ISO14064-3

Proportion of reported emissions verified (%)

100

C10.1b

(C10.1b) Provide further details of the verification/assurance undertaken for your Scope 3 emissions and attach the relevant statements.

Scope

Scope 3 all relevant categories

Verification or assurance cycle in place

Annual process

Status in the current reporting year

Complete

Relevant standard

ISO14064-3

C10.2

(C10.2) 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

C10.2a

(C10.2a) 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
C5. 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.
C5. Emissions performance	Year on year change in emissions (Scope 3)	ISO 14064 - 3	Verified Scope 3 emissions changes compared to last year.
C6. Emissions data	Other, please specify Non-Kyoto Gas Emissions	ISO 14064 - 3	Non Kyoto Gases are reported on separately and are verified.

C11. Carbon pricing

C11.1

(C11.1) Are any of your operations or activities regulated by a carbon pricing system (i.e. ETS, Cap & Trade or Carbon Tax)?

Yes

C11.1a

(C11.1a) Select the carbon pricing regulation(s) which impacts your operations.

South Africa carbon tax

C11.1c

(C11.1c) Complete the following table for each of the tax systems in which you participate.

South Africa carbon tax

Period start date

June 5, 2019

Period end date

June 4, 2020

% of emissions covered by tax

74

Total cost of tax paid

0

Comment

The carbon tax was initiated in South Africa on 05/06/2019. Emissions from transportation are currently exempt from the tax. Also, emissions from electricity generation are exemption from the tax for this first phase. Hence Shoprite will be exempt from paying a carbon tax for this first period.

C11.1d

(C11.1d) What is your strategy for complying with the systems in which you participate or anticipate participating?

South Africa's Carbon Tax states a tax of R120 per tonne of CO₂e, however Shoprite's direct activities will not be liable to pay direct carbon tax. The company's tax liability 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 analyses various carbon tax scenarios together with its tax consultants to understand its indirect carbon tax liability. Shoprite's energy efficiency and emission reduction efforts reduces its indirect carbon tax liability.

C11.2

(C11.2) Has your organization originated or purchased any project-based carbon credits within the reporting period?

No

C11.3

(C11.3) Does your organization use an internal price on carbon?

No, but we anticipate doing so in the next two years

C12. Engagement

C12.1

(C12.1) Do you engage with your value chain on climate-related issues?

Yes, our suppliers

(C12.1a) Provide details of your climate-related supplier engagement strategy.

Type of engagement

Innovation & collaboration (changing markets)

Details of engagement

Run a campaign to encourage innovation to reduce climate impacts on products and services

% of suppliers by number

20

% total procurement spend (direct and indirect)

50

% Scope 3 emissions as reported in C6.5

0

Rationale for the coverage of your engagement

Suppliers were prioritised based on their contribution towards procurement spend (top 20%) and over whom Shoprite has the biggest influence.

Impact of engagement, including measures of success

The impact of supplier engagement was very positive. Suppliers were quick to respond and innovate to reduce the climate impact of their products.

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.

Comment

Shoprite will continue working with Suppliers to identify more opportunities to reduce emissions.

Type of engagement

Innovation & collaboration (changing markets)

Details of engagement

Other, please specify

Shoprite has contractual agreements with suppliers to distribute their products.

% of suppliers by number

90

% total procurement spend (direct and indirect)

90

% Scope 3 emissions as reported in C6.5

0

Rationale for the coverage of your engagement

Suppliers are introduced into Shoprite's operating model during their induction into the company.

Impact of engagement, including measures of success

Apart from reducing congestion at the stores, there is also a reduction in carbon emissions.

Comment

Shoprite has contractual agreements with Suppliers to deliver their products to Shoprite's centralised distribution centres instead of its stores across the country. Through Shoprite's route- and load- scheduling tools it is able to efficiently distribute products to its stores with reduced transportation carbon emissions.

Shoprite continues to optimise its distribution networks, including the back-hauling of waste packaging from stores back to the DCs for recycling. The recycled material includes approx 30 000 tons of cardboard and 3 000 tons of plastic per annum.

C12.3**(C12.3) Do you engage in activities that could either directly or indirectly influence public policy on climate-related issues through any of the following?**

Direct engagement with policy makers

Trade associations

C12.3a

(C12.3a) On what issues have you been engaging directly with policy makers?

Focus of legislation	Corporate position	Details of engagement	Proposed legislative solution
Carbon tax	Support with minor exceptions	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.	Shoprite supports the Carbon Tax principle, but opposes the current approach of the tax being incorporated into the general taxes of the country. Shoprite's preference is for the tax to be ring-fenced and used for national climate change mitigation or adaptation initiatives.
Adaptation or resilience	Support	The City of Cape Town released a draft Resilience Strategy for comment in May 2019. The strategy aims to strengthen the city against sudden potential shocks in future, including storms, heat waves, droughts and other unforeseen challenges to foster a climate-adaptive city. Shoprite directly engaged with the city by providing comments and input to the strategy. This included comments of waste recycling, water treatment and monitoring, and clean energy.	Shoprite supports the Resilience Strategy proposed by the City of Cape Town. This strategy will make the city more adaptive to unforeseen climate-related challenges which supports business continuity.
Mandatory carbon reporting	Support	Shoprite engaged directly with the Department of Environmental Affairs regarding the Government Gazette No. 40762 (National Greenhouse Gas Emission Reporting Regulations). The engagement related to clarifying the reporting requirements.	Shoprite supports the reporting of carbon emissions so that a national GHG emissions inventory can be determined to inform national reduction targets.

C12.3b

(C12.3b) Are you on the board of any trade associations or do you provide funding beyond membership?

No

C12.3f

(C12.3f) 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?

A Group Sustainability Manager was appointed by Shoprite in February 2019 to establish a comprehensive sustainability framework and strategy for the Group. The strategy will steer the Group's progress on and approach to activities in the company that will strengthen its ability to reduce its reliance on natural resources, while minimising its environmental footprint. The Group Sustainability Manager is the central point of contact within the company for any climate-related issues and queries. In this way, direct and indirect company activities that influence policy will be consistent with the company's overall climate change strategy and sustainability framework.

C12.4

(C12.4) 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

In mainstream reports

Status

Underway – previous year attached

Attach the document

 Shoprite_IR_2018E_Full.pdf

Page/Section reference

1, 5, 13, 20, 21, 27, 45, 46

Content elements

Governance

Strategy

Risks & opportunities

Emissions figures

Comment

The 2019 Integrated Report is being completed and will be published by Oct 2019.

Publication

In voluntary sustainability report

Status

Underway – previous year attached

Attach the document

 Shoprite_Holdings_2018_Sustainability_Report_FINAL.pdf

Page/Section reference

2, 5, 6, 14, 15, 17, 18, 19, 33, 40, 43, 49, 50

Content elements

Governance

Strategy

Risks & opportunities

Emissions figures

Emission targets

Comment

The 2019 Sustainability Report is being completed and will be published by Oct 2019.

C14. Signoff

C14.1

(C14.1) Provide details for the person that has signed off (approved) your CDP climate change response.

	Job title	Corresponding job category
Row 1	Group Sustainability Manager	Chief Sustainability Officer (CSO)

Submit your response

In which language are you submitting your response?

English

Please confirm how your response should be handled by CDP

	Public or Non-Public Submission	I am submitting to
I am submitting my response	Public	Investors