



SHOPRITE HOLDINGS LIMITED AND SUBSIDIARIES

REMUNERATION COMMITTEE TERMS OF REFERENCE

This is the Remuneration Committee Terms of Reference reviewed and approved by the Remuneration Committee of Shoprite Holdings Ltd at a meeting on 22 June 2020.

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1. CONSTITUTION

- 1.1 The Remuneration Committee (“the Committee”) is constituted as a committee of the board of directors (“the Board”) of Shoprite Holdings Limited (“Shoprite Holdings” or “the Group”). The duties and responsibilities of the members of the Committee are in addition to those as members of the Board or any other committee of the Board.
- 1.2 The Committee is accountable to the Board. The delegated duties and responsibilities of the Committee by the Board will not by or of itself constitute a discharge of the Board’s accountability. The Board must apply its collective mind to the information, opinions, recommendations, reports and statements presented by the Committee.
- 1.3 The deliberations of the Committee do not reduce the individual and collective responsibilities of Board members in regard to their fiduciary duties and responsibilities, and they must continue to exercise due care and judgement in accordance with their statutory obligations.
- 1.4 These terms of reference are subject to the provisions of the Companies Act, Act 71 of 2008 (as amended), Shoprite Holdings’ Memorandum of Incorporation, and any applicable law or regulatory provision.

2. PURPOSE OF THE TERMS OF REFERENCE

The purpose of these terms of reference is to set out the Committee’s role and responsibilities as well as the requirements for its composition and meeting procedures.

3. COMPOSITION

- 3.1 The Committee will consist of at least three (3) non-executive directors, a majority of whom will be independent. The chairman of the Committee must be an independent non-executive director.

- 3.2 The chairperson of the Board may be a member of the Committee, but may not chair the Committee.
- 3.3 The chief executive officer and other executives may not be a member and/or chair of the Committee, but may attend the meetings of the Committee by invitation.
- 3.4 Members of the Committee and its chairman are nominated and appointed by the Board.
- 3.5 The members of the Committee as a whole must collectively have sufficient qualifications and experience in remuneration matters, the Group's business and the sector to fulfil their duties effectively. Committee members may enhance their knowledge of remuneration and reward policies by participating in educational programmes conducted by the Group or an outside consultant.

4. ROLE

- 4.1 The Committee has an independent role primarily to assist the Board and to make recommendations on fair, responsible and transparent remuneration of directors and senior executives in the context of all employees in the Group, which remuneration promotes the achievement of the Group's strategic objectives.
- 4.2 The Committee does not assume the functions of management, which remain the responsibility of the executive directors, officers and other members of senior management.
- 4.3 The Committee will assist the Board to ensure that:
 - 4.3.1 the Group remunerates directors and executives as well as other employees fairly and responsibly;

- 4.3.2 the disclosure of director's remuneration is accurate, complete and transparent;
- 4.3.3 remuneration trends and remuneration-related issues (such as the ethics of pay, the wage gap and gender inequality) are considered and addressed when discharging its duties;
- 4.3.4 engagement on remuneration-related matters with stakeholders take place regularly; and
- 4.3.5 the Group maintains a status as a responsible corporate citizen.

5. RESPONSIBILITIES

- 5.1 The Committee must consider, recommend, and assist the Board in the setting and administering of remuneration at all levels in the Group, but especially with respect to the remuneration of senior executives, including executive directors.
- 5.2 Assist the Board in the establishment of a remuneration framework that articulates and gives effect to the Group's philosophy on fair, responsible and transparent remuneration, especially for directors and senior executives, and promotes the achievement of strategic objectives and encourages individual performance. In this regard the Committee should:
 - 5.2.1 Ensure that an organisation wide remuneration strategy and policy is designed to achieve the following, non-exhaustive, objectives:
 - to attract, motivate, reward and retain human capital;
 - to promote the achievement of strategic objectives within the organisation's risk appetite; and
 - to promote positive outcomes.

- 5.2.2 Regularly review the remuneration policy and objectively assess its appropriateness to ensure that it reflects the remuneration strategy and:
- serves the Group's operational needs and objectives;
 - is competitive;
 - is sustainable; and
 - serves the achievement of strategic objectives and promotes positive outcomes.
- 5.2.3 Monitor the application of the remuneration policy and review the outcomes of the implementation of the remuneration policy for whether the set objectives are being achieved. The Committee should also make recommendations to the Board of any areas of improvement to the remuneration policy.
- 5.2.4 Ensure that the mix of fixed and variable pay, in cash, shares and other elements of directors and senior executives, meets the Group's needs and strategic objectives.
- 5.2.5 Review the remuneration levels and policy regarding executive remuneration and remuneration relating to senior management and other employees.
- 5.2.6 Review the positioning of total company remuneration levels relative to the market.
- 5.2.7 Consider the appropriateness of the performance criteria and targets linked to variable pay and whether it supports the Group's business strategy and drives shareholder returns.

- 5.2.8 Satisfy itself as to the accuracy of recorded performance measures that govern the vesting of incentives. The company secretary will keep the Committee informed of all share transactions and monitoring the direct and indirect share transactions and shareholdings of all directors of Shoprite Holdings.
- 5.2.9 Review individual performance against set management and performance criteria and approve guaranteed and performance-based individual remuneration including share allocations on set principles.
- 5.2.10 Ensure that all benefits, including retirement benefits and other financial arrangements, are justified and correctly valued.
- 5.2.11 Consider the results of the evaluation of the performance of the CEO and other executive directors, both as directors and as executives in determining remuneration.
- 5.2.12 Confirm any bonuses payable to employees in terms of a short term incentive scheme.
- 5.2.13 Review annual increases, if any, in remuneration for executives, prescribed officers, senior management and other employees.
- 5.2.14 Select an appropriate comparative group when comparing remuneration levels.
- 5.2.15 Regularly review incentive schemes to ensure its appropriateness, taxation risk profile, effective implementation and continued contribution to shareholder value, and that these are administered in terms of the rules.

- 5.2.16 Consider the appropriateness of early vesting of share-based schemes at the end of employment.
- 5.2.17 Advise on the remuneration of non-executive directors of Shoprite Holdings and make recommendations, supported by recommendations from management and independent market benchmarks based on a suitable peer group of companies, to the Board and shareholders for passing a special resolution in terms of Section 66 (9) of the Companies Act, 2008 at the annual general meeting, every two years.
- 5.2.18 When examining the appropriateness and efficacy of remuneration practices, the Committee must consider the principle of fair, responsible and transparent remuneration. Upon such consideration, the Committee must determine how to practically translate this principle and realise it within the business and strategic context of the Group. The Committee must ensure that executive remuneration is justifiable in the context of overall employee remuneration. The Committee may make recommendations to and assist the Board in taking the following actions:
- investigating and assessing the internal pay disparities within the Group;
 - examining the underlying reasons for pay disparities, if any;
 - calculating the Group's internal Gini coefficient to assess the level of income disparity in the Group (as compared to the national and industry Gini coefficient); and
 - conducting an assessment of pay conditions between employees at the same level / same job, in line with the principle of equal pay for work of equal value.

- 5.2.19 Observe the remuneration-related obligations and compliance with all the relevant legislative aspects, including but not limited to the Employment Equity Act 55 of 1998 as amended and the Regulations thereto, especially with regards to monitoring the implementation of the principle of equal pay for work of equal value.
 - 5.2.20 Ensure that the obligations on the Group in terms of the Basic Conditions of Employment Act 75 of 1997 as amended are implemented correctly across the Group, as it relates to remuneration practices.
 - 5.2.21 Exercise oversight over the negotiation mandate for management to engage with collective bargaining units and conclude agreements with in terms of the Labour Relations Act 66 of 1995 as amended (and any applicable regulations and notices published in terms thereof).
 - 5.2.22 Review the terms and conditions of executive directors' service agreements annually, and ensure that there is adequate disclosure of the terms of these agreements in the Group's Remuneration Report.
 - 5.2.23 Perform all other functions necessary to fulfil its role as stated above.
- 5.3 Oversee the preparation and recommend to the Board the Remuneration Report, to be included in the integrated report, for whether it:
- 5.3.1 is accurate, complete and transparent;
 - 5.3.2 provides a clear explanation of how the remuneration policy has been implemented; and

- 5.3.3 provides sufficient information for the shareholders to pass a special resolution in terms of section 66 (9) of the Companies Act, 2008.
- 5.4 Ensure that regular engagement takes place with stakeholders (including employees, shareholders and institutional investors), as it relates to remuneration practices.
- 5.5 Ensure that the chairman of the Committee or in his/her absence, an appointed deputy, attends the annual general meeting or similar forums to answer questions about the remuneration strategy and policy.
- 5.6 Ensure that the remuneration policy and implementation report are put to two separate non-binding advisory votes at the annual general meeting, and that in the event that 25% or more of the shareholders vote against either or both resolutions, ensure that shareholder engagement takes place.
- 5.7 The Committee shall make publicly available its terms of reference or a summarised version thereof explaining clearly its role and the authority delegated to it by the Board.

6. AUTHORITY

- 6.1 The Committee acts in terms of the delegated authority of the Board as recorded in these terms of reference.
- 6.2 It has the power to investigate, at the cost of the Group, any activity within the scope of its terms of reference.
- 6.3 The Board supports and endorses the Committee, which operates independently of management and is free of any organisational impairment.

- 6.4 The Committee, in the fulfilment of its duties, may call upon the chairmen of the other Board committees, any of the executive directors, officers or company secretary to provide it with information, subject to following a Board-approved process.
- 6.5 The Committee is entitled to reasonable access to the Group's records, facilities and any other resources necessary to discharge its duties and responsibilities.
- 6.6 The Committee may form, and delegate authority to sub-committees, one or more designated members of the Committee and to one or more members of the executive to perform certain tasks on its behalf.
- 6.7 The Committee has the right to obtain independent outside professional advice and/or assurance to assist with the execution of its duties, at the Group's cost, subject to following a Board-approved process.
- 6.8 The Committee makes recommendations to the Board that it deems appropriate on any area within the ambit of its terms of reference where action or improvement is required. Furthermore, the chairman of the Committee should regularly report to the Board on matters dealt with and decisions taken by the Committee.

7. MEETING PROCEDURES

7.1 FREQUENCY

- 7.1.1 The Committee will hold sufficient scheduled meetings to discharge all its duties as set out in these terms of reference and its annual work plan, but subject to a minimum of two (2) meetings per year.

7.1.2 Meetings in addition to those scheduled may be held at the request of the chairman of the Committee, the chief executive officer, head of human resources or other members of senior management or at the instance of the Board.

7.1.3 The chairman of the Committee may meet with the chief executive officer, head of human resources and/ or the company secretary prior to a Committee meeting to discuss important issues and agree on the agenda.

7.2 **ATTENDANCE**

7.2.1 The chief executive officer, chief financial officer, head of human resources or other members of senior management, assurance providers, professional advisors and members of the Board may be in attendance at Committee meetings by invitation only but may not vote or participate in any decision relating to their own remuneration or fees.

7.2.2 Any other Board member (not included above and not a member of the Committee) may attend a Committee meeting as an observer. Such an observer may not participate in any discussion without permission from the chairman of the Committee, may not vote and is not entitled to fees for attendance. Additionally, such an observer may not participate in any decision relating to their own remuneration or fees.

7.2.3 Committee members must attend all scheduled meetings of the Committee, including meetings called on an *ad hoc*-basis for special matters, unless prior apology, with reasons, has been submitted to the chairman or company secretary.

7.2.4 The company secretary is the secretary to the Committee. The company secretary shall attend all Committee meetings and record proceedings and decisions taken at the Committee meetings.

7.2.5 If the elected chairman of the Committee is absent from a meeting, the members present will elect one of the members present to act as chairman for the duration of that meeting.

7.3 **AGENDA AND MINUTES**

7.3.1 The Committee will establish an annual work plan for each year to ensure that all relevant matters, as laid out in this terms of reference, are covered by the agendas of the meetings planned for the year.

7.3.2 The more critical matters will need to be attended to each year while other matters may be dealt with on a rotation basis over a three (3) year period. The number, timing and length of meetings, and the agendas are to be determined in accordance with the annual plan.

7.3.3 A detailed agenda, together with supporting documentation, must be circulated prior to each meeting to the members of the Committee and other invitees.

7.3.4 The Committee members must be fully prepared for Committee meetings to be able to provide appropriate and constructive input on matters for discussion.

7.3.5 The company secretary should attend and minute all the Committee meetings. Minutes must be completed as soon as

possible after the meeting and circulated to the chairman and members of the Committee for review thereof.

7.3.6 The minutes must be formally approved by the Committee at its next scheduled meeting and will also be distributed to the Board.

7.3.7 Minutes of the meeting, signed by the Chairman, are sufficient evidence that the matters referred to therein have been fully discussed and agreed, whether by way of a formal meeting or otherwise.

7.4 QUORUM

7.4.1 A representative quorum for meetings is a majority of members of the Committee present.

7.4.2 Individuals in attendance at Committee meetings by invitation may participate in discussions but do not form part of the quorum for Committee meetings.

8. REPORTING

8.1 The chairman of the Committee shall compile a general report of the Committee proceedings and submit formal reports on the Committee's activities to the Board, at the earliest board meeting (after compilation of the reports), which reports will contain such recommendations deemed appropriate by the Committee.

9. DISCLOSURE

9.1 The chairman of the Committee shall prepare a statement, for inclusion in the integrated report, that describes the Committee's composition and

responsibilities (including its mandate), and how these responsibilities were discharged during the relevant financial year.

- 9.2 The Committee shall prepare a report, for inclusion in the integrated and other stakeholders reports, of the Group's remuneration philosophy, the major components of executive remuneration and how they are applied to each individual executive director and prescribed officers.
- 9.3 The Committee shall review the remuneration disclosure and shareholders engagement processes, ensuring transparency and providing sufficient forward looking information for shareholders to assess the remuneration policy. The Committee shall submit the remuneration policy as well as the implementation report to the shareholders at the annual general meeting for two separate non-binding advisory votes.
- 9.4 The chairman of the Committee, or in his/her absence, any member of the Committee shall be in attendance at the Group's annual general meeting and respond to any questions relating to the work of the Committee.

10. EVALUATION

- 10.1 The Committee shall perform a self-evaluation of its effectiveness every year and report the results thereof to the Board.
- 10.2 The Board must perform an evaluation of the effectiveness of the Committee, the chairman of the committee as well as the individual members of the Committee every year in order to ensure that they adequately performing their responsibilities.

11. REVIEW

These terms of reference will be reviewed annually by the Board, and subject to the approval of the Board, amended accordingly.