

Non-financial Report

The Shoprite Group’s goal is to provide all communities in Africa with food and household items in a first-world shopping environment, at the lowest prices.

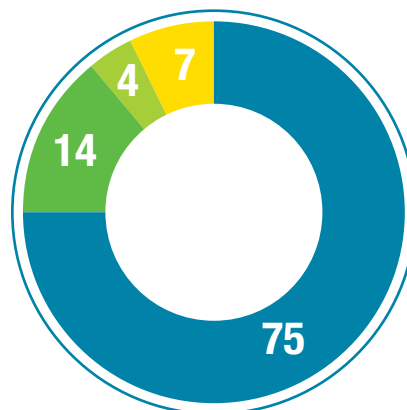
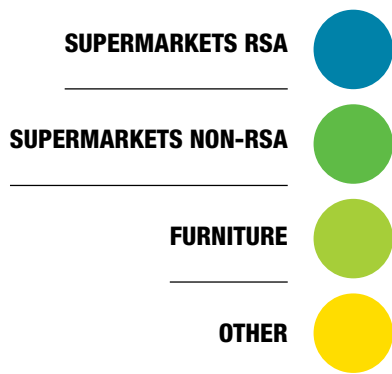


To achieve this goal, we have to build a long-term viable business, with a solid foundation based on commercial business principles. But we also feel strongly about contributing towards the communities within which we operate. We truly believe that we serve the communities of Africa when we provide food at the lowest prices. We also serve our communities by providing sustainable jobs for our employees and our suppliers.

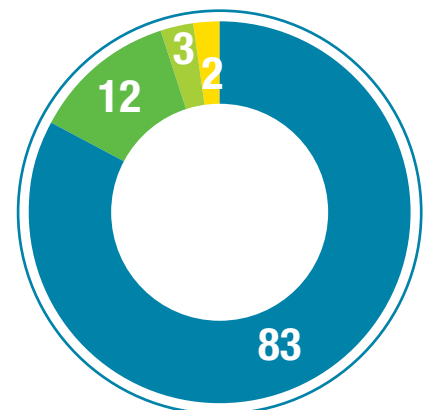
- For our Group to be sustainable, we have to:
- Have a primary focus on the needs and expectations of our customers, providing them with affordable, safe food;
 - Attract and retain thousands of employees who are enthusiastic and passionate about the Shoprite Group’s business, performing within the same work culture and towards the same objectives;
 - Consider the environmental impact of our operations and value chain, as it contributes to our product costs and will increasingly do so, and affects our reputation;
 - Work with our suppliers to ensure sustainable supply, food safety and cost effectiveness; and
 - Consider the impact of our Group on the communities and ways in which we can support and develop those communities as they represent our present and future customers, employees and suppliers.

In this section of our Integrated Report, we focus on the supermarket segment of the Shoprite Group as this represents 89% of sales and 95% of trading profit for the Group. In some instances, such as Broad-Based Black Economic Empowerment, information pertains only to the South African operations. Below we provide an analysis of sales and trading profit per segment to illustrate the relative size of each:

Percentage contribution to sales per segment



Percentage contribution to trading profit per segment



1 FOCUSING ON OUR CUSTOMERS

We have a primary focus on the needs and expectations of our customers, providing them with affordable, safe food.

Affordability of products

In the recent advertising campaign of the Shoprite chain, we contemplated the impact of “lower prices” on ordinary people’s ability to put food on the table. Our Group serves consumers across all LSM brackets and we are mindful of the importance of lower prices and its impact on consumers’ food basket options. We all make a conscious effort to assist our customers hardest hit by cost-of-living increases by subsidising the price of basic food stuffs throughout the year.

We closely monitor our internal inflation against official national inflation in South Africa and we track this as a standard metric to ensure our efforts to keep prices as low as possible are being translated in overall



National food inflation not available in non-RSA countries.

containment of price increases. We pride ourselves on the long-term trend that confirms that our internal inflation is consistently lower than the official rate of national inflation.

This difference is the culmination of tenacious focus on optimal supply chain processes, operational efficiencies and cost savings throughout all divisions in our business. Below we compare the percentages for the 12 months ending 30 June 2015.

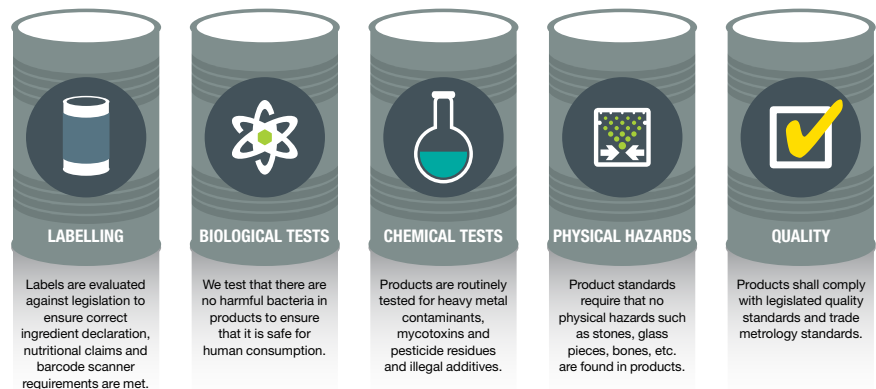
Food safety

Our Group regards food safety as a priority. We have a great responsibility considering that the Group is the largest supermarket retailer on the African continent and has the largest customer base. In South Africa, 27 million people shop in our stores which is approximately 72.6% of all South African adults.

We have a comprehensive process to ensure the safety of food items in our stores. We provide clear food safety specifications and rules that communicate our expectations to our suppliers and monitor suppliers’ compliance to our food safety and quality standards. We continuously improve the food safety database to ensure that all food suppliers and their manufacturing sites are listed and that we have all food safety certificates and correct details. Due to the ongoing expiry and renewal of certificates, we monitor this database daily to ensure we have valid certificates for all suppliers. Our own distribution centres and stores are independently audited.

To streamline our processes, there is close collaboration between the buying and food safety departments, ensuring that food safety is considered throughout the procurement process. We also engage proactively with our suppliers to communicate feedback on potential regulatory changes, such as genetically modified organisms, to assist them in ensuring compliance.

If we discover any hazardous or non-compliant product, we have a functional recall system in place to enable product withdrawals.



906 FOOD LABELS APPROVED DURING 2015

64 NEW SUPPLIER APPROVALS FOLLOWING SCRUTINY OF QUALITY AND SAFETY PROCEDURES

Our food safety, regulatory and new product development departments ensure new products are developed that comply with food safety, quality and labelling standards.

On an ongoing basis we test products for quality, food safety and compliance with label regulations. Below we graphically illustrate the meticulous checks our technical departments oversee when individual items are tested to ensure that food is safe, correctly labelled and compliant with our quality standards.



② FOCUSING ON OUR EMPLOYEES

Our objective is to attract and retain thousands of employees who are enthusiastic and passionate about the Shoprite business, performing within the same work culture and towards the same objectives.

The Shoprite Group employs 132 942 individuals and the success of our business is a result of the collective effort of this massive staff force. Many of our stores are located in a third-world environment, yet we deliver a first-world shopping experience. To achieve this, we have developed a culture of excellence and institutional human resources processes that are robust and effective.

Our stores are in 15 different countries, with different languages and diverse cultures. We strive to create a workplace that is safe, respects diversity and proactively equip all employees with the necessary skills to confidently contribute to our business' success.

Attraction and recruitment

In response to the drive to continuously improve our competitive positioning and sustain our growth objectives, we have embarked on a project to position our employer value proposition to ensure we attract and engage the loyalty of right-fit

people for the company. This resulted in an integrated employer value proposition for human resources – labelled BeMore.

The size of our Group means that our employees have multiple opportunities to do more with the Group by capitalising on their existing capabilities, learn more through our focused training programmes, with the aspiration to be more as an individual and an employee.

BeMore personifies the Shoprite Group philosophy, what we stand for, what we believe in. It embodies how we engage in our roles, how we interact with our internal and external stakeholders. It unifies all our brands under a collective and relevant purpose, inspires us to learn more, motivates us to do more, enabling us to be more.

As part of our initiatives to attract and recruit the right people, we engage with students and award bursaries to worthy candidates. As at June 2015, our Group has allocated a total of 250 bursaries and we are

continuing with the identification and allocation of bursaries valued at a further R6.8 million. The gender split amongst bursars still favours females, which is a positive contribution to our gender equality drive.

Our recruitment efforts attracted a number of awards for our human resources team.

We are proud to be voted number one employer of choice in the retail industry by current students and prospective bursary holders throughout South Africa.



In South Africa the Recruitment Department was awarded the bronze award in the category of best integrated graduate recruitment campaign for 2014/2015 by SAGEA (South African Graduate Employers Association).

Shoprite was also selected as "Exceptional Training Office" by the South African Institute of Chartered Accountants for the training of trainee accountants.

Be more

with Shoprite Group

If you see yourself as not just your job title

If you're bigger than others give you credit for

If you're willing to tackle every opportunity

If you seek more challenges, more independence, more experience and more knowledge

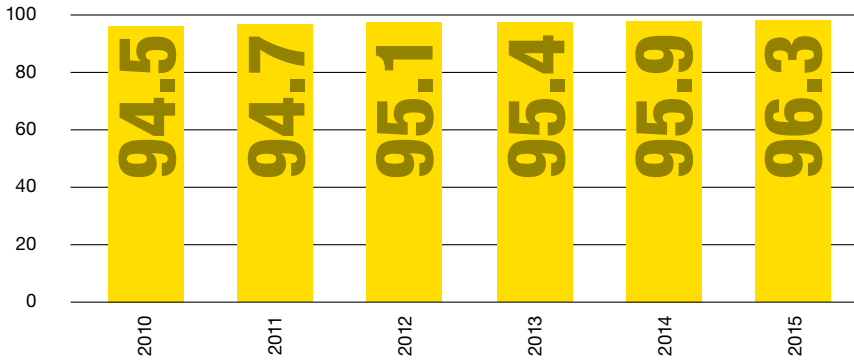
If you refuse to play it small

Then Shoprite Group has all the opportunities you need to be more

And by rolling UP your sleeves and living your life to its fullest capacity you can now also do more for your family, your community and your country.



Percentage of total black representation – RSA only



Employment equity

The Shoprite Group is committed to equality and non-discriminatory practices and embedding this in the core of our company values.

Our third 5-year RSA Employment Equity (EE) Plan ended on 30 June 2015 and the results reflect that we have made significant progress on our targets. We are proud of this and believe that it reflects the concerted effort and determination of our Group.

Our fourth 5-year plan was developed in consultation with the Group’s national employment equity forum. The targets were unanimously accepted and the plan was implemented on 1 July 2015. The EE targets will be driven from Head Office and Divisional and Regional Personnel Managers will support the achievement of goals and are held accountable for actively supporting the plan and reaching the targets.

When reflecting on the black representation for our overall figures, there has been a marked increase each year and we end our third, five year EE plan (July 2010 – June 2015) on a positive note in support of our goal towards sustainable transformation.

132 942

EMPLOYEES



9 842

NEW JOBS CREATED



96.1%

BLACK REPRESENTATION

Skills development and training

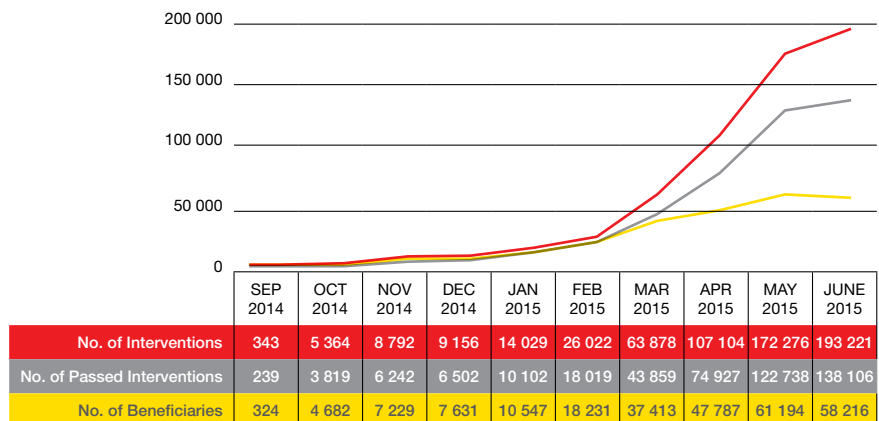
The size of our Group and the number of employees that undergo training annually have presented us with the opportunity to create a world class training environment.

Our new e-Learning methodology assists us in the rapid roll out of induction-; product knowledge-; system-; compliance- and customer service related training. The implementation of e-Learning in our Supermarket store environment lead to a substantial increase in training interventions (45%) and beneficiaries (27%). It enables us to take learning to people as opposed to driving people to learning facilities and therefore creates massive savings through reduced travel and accommodation costs, less time out of production, and less facilitation and learner administration time. It facilitates a paperless environment that saves tremendous printing, courier and environmental costs.

Below we provide a graph that depicts the progress made in the current financial year.

One of the pillars in our training vision is “Bridging the Gap between School and Shoprite” and in this regard, on the 26th of January 2015 we saw the successful opening of our very first Retail Simulation Store. This store resembles a small format Shoprite store

Group training statistics (including e-Learning)



97 833
BENEFICIARIES

175 986
TRAINING DAYS

426 560
INTERVENTIONS

1 407 889
TRAINING HOURS

with similar structures and off-line functionalities but in a learner-friendly environment. Learners will get exposure to retail operations and complete their practical in order to achieve the retail qualification being pursued. This also marks the Group’s first Public Private Partnership with a Technical Vocational Education and Training (TVET) institution which is another one of the pillars of our training vision. We intend to roll out more of these simulators to other TVET colleges as well as a Higher Education and Training institution. Learners who have completed the new Retail Qualification will be excellent future employees for our store environment.





Shoprite Decade of the Deaf Project

As part of our drive to create access to employment and develop skills, we support eDeaf, an organisation that strives to empower potential employees from the deaf community through in-service training arrangements with organisations such as ours.

Working in a busy retail environment, serving mostly hearing customers, is a challenging task and we are proud to be associated with an initiative aimed to empower a disadvantaged part of society. To date, our Group has successfully trained 400 deaf employees.

We further extend the impact of our training capability through skills development on a philanthropic basis through a number of initiatives.

Photo: Dale Fourie / Kuier (Media24)

Health and safety

Health and safety of our employees and customers is of utmost importance and within the Shoprite Group we have implemented systems and processes to reduce any health and safety related risks. This includes awareness campaigns and training programmes, committee meeting agendas and minutes, inspection checklists, incident capturing and line management reporting. Through our system we monitor all health and safety related activities and ensure that appropriate follow-up action is taken when needed.

All serious incidents are reported to the General Manager: Group Finance for immediate attention and action. Regular divisional inspections and spot-checks are conducted to ensure store-level adherence to company health and safety guidelines.

Organised labour relations

Our integrity-based relationship with the leadership of various trade unions recognised by the Group as employee representatives, here in South Africa and many of the countries elsewhere on the African continent where the Group has operations, was sustained during the past year. The Group

also has a healthy relationship with representatives from the global union federation, Uni Global Union.

Interaction with trade unions in non-RSA operations primarily focused on the review of wages and conditions of employment and we can report that negotiations were in all instances followed by agreements and without any incidents of labour unrest.

The collective bargaining process for the South African operations also saw the parties reaching a three-year wage and benefit agreement. This is strategically very important as it will strengthen workplace stability and aid planning, budgeting and allocation of resources in general. The risk for labour unrest, which is currently very prevalent in South Africa, is also greatly reduced. This agreement is an indicator of the level of relationship maturity which exists between the Group's representatives and the trade union leadership. We are confident that this relationship will be sustained and support the customer service objectives of the Group.

HIV and AIDS

HIV and AIDS remain one of the key challenges facing South Africa today. The

Shoprite Group HIV and AIDS programme is overseen by the HIV and AIDS Steering Committee. The committee, representing the Group, employees and labour, meets on a regular basis to review and administer the implementation of all the Group's HIV and AIDS interventions.

An Actuarial Impact Analysis was done which also incorporated the actual HIV testing results for the past four years resulting in an estimated 9.5% prevalence amongst Shoprite employees. Peer Educator training programme to train 2 100 Peer Educators was launched and will continue in the next financial year.

All employees and their immediate families are covered by the Post Exposure Prophylactics (PEP) Medication Programme in case of accidental exposure to the HIV virus. Face-to-face trauma counselling in the case of rape, assault and an armed robbery will be available in the next financial year. The Group's Voluntary Counselling and Testing (VCT) project, managed by Life Assist, continued with VCT in the review period and offered free VCT at branches. This project will also test for diabetes, cholesterol, high blood pressure and BMI in the next financial year.



3 FOCUSING ON THE ENVIRONMENTAL IMPACT OF OUR VALUE CHAIN

We consider the environmental impact of our operations and value chain, as it contributes to costs and will increasingly do so, and affects our reputation.

At Shoprite, our environmental emphasis is on our operational needs and factors that impact the current and future prices of our products. This often includes collaboration with our suppliers, as resilience in our supply chain will contribute to our long-term competitiveness.

Climate change

The Shoprite Group Social and Ethics Committee focuses, amongst other things, on the Group's strategy and performance in respect of the environment and climate change, health and public safety, and the impact of our activities, products and services. Under the oversight of this committee, we participate in the Carbon Disclosure Project and ensure that climate change risks and opportunities are appropriately managed throughout the Group.

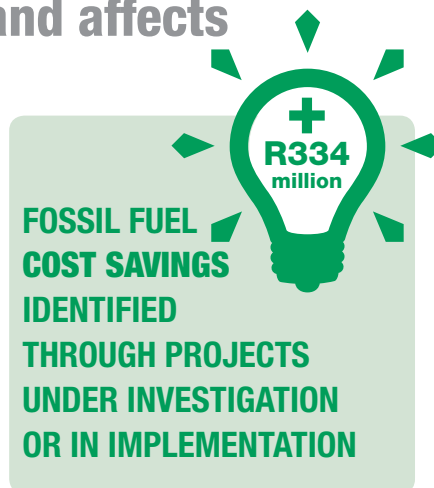
Climate change poses financial, reputational and operational risks to our Group and supply chain. The financial impact will be mainly due to increased cost of fuel, electricity and the introduction of carbon tax. The security of supply of fresh produce and water is expected to be the most significant operational impact of climate change.

In response to the risks climate change pose to us, we invest in carefully selected projects after considering the technical and financial feasibility as well as maturity of technology.

Our major projects include:

- Implementing an enterprise refrigeration management system that will monitor, manage and optimise refrigeration cabinets and cold and freezer rooms in real-time;
- Installing photovoltaic panels on the roofs of 60 buildings through strategic partnerships;
- Centralising deliveries and returns at designated distribution centres, utilising routing and scheduling software to optimise routes and tracking systems promoting efficient driver behaviour; and
- Retrofitting over 750 000 lamps and 85 000 control systems across our stores with more energy efficient equivalent lamps and control gear.

Internally we have set an emissions reduction target working towards 2025 from a 2013 baseline.



Water

We are concerned about the security of water supply in South Africa. While water does not constitute a major cost to our business, it is critical for our continued operations. Without water supply, our butcheries, delis and bakeries cannot function, and without water for hygiene and sanitation, we cannot operate our stores.

In response, we are incorporating water storage facilities in our stores to serve in a bridging capacity in the event of poor water quality, inadequate water pressure or inadequate water supply.

Food waste

Our practice around food waste is to firstly reduce and avoid it as far as possible, and secondly find the most beneficial way of dealing with items that we cannot sell. It is our social responsibility to not waste food and find beneficial purposes for broken items, dented tins and items past "sell by", but before "used by" dates. One of the focus areas of our corporate social investment strategy is hunger relief and we ensure that all items that are safe for human consumption is donated through reputable partners such as FoodBank SA.

In order to avoid the cost associated with food waste we continuously evaluate and improve on our measures in place to prevent food waste. This is done through supplier relationships, food safety and quality checks throughout the supply chain and active demand management.

The issue of food waste requires a delicate balance between ensuring sufficient availability of fresh produce, deli and bakery

items versus oversupply that results in increased wastage. Changes in consumer preferences also impact food waste, such as favouring fresh milk over long-life milk.

Packaging

Packaging is essential in our business, as it enables stable transportation of food, enhances food safety, protection and hygiene, increases the shelf life of products, and improves customer experiences with visually attractive food. On the negative side, packaging increases the cost of a product and generates waste.

We work with our suppliers to reduce packaging as far as possible. This creates a cost saving, as well as reduction in virgin material used and ultimately avoiding post-consumer waste to landfill.

An example of such a project is our pasta packaging where we reduced the material from 50 to 40 micron, saving 157 tons of material used just for 2015. Due to the scale of our business, small changes often have a massive impact and we are systematically working through our products to identify and implement changes such as these.

We also focus on increasing the recycled content in packaging, increasing the recyclability thereof and simultaneously ensure that labelling will assist end consumers to identify recyclable status and assist recyclers to know chemical compounds of packaging for sorting purposes.

Waste

A large component of waste generated in our value chain is a direct result of product transportation requirements. We are constantly seeking opportunities to reduce waste through collaboration with our suppliers such as shelf-ready packaging and innovation in material used for transportation of products.

One of our flagship projects is the reclamation center at our Centurion distribution center. This facility provides the space and infrastructure needed to effectively manage waste. Here we do not only deal with waste generated through our own operations, but also with damaged products from approximately 250 suppliers. The aim is to reduce the amount of waste sent to landfill sites and thereby improve the environment for our customers. To increase the effectiveness of our recycling initiatives at this facility, we are installing industrial balers that will process cardboard, paper and plastic. Recycling effectively means that we change a waste removal cost into a revenue stream and we are consolidating waste for recycling at this facility.

The services of professional experts are used to guide our processes and procedures. Amongst others, this includes close consideration of construction waste during building operations and implementing recycling initiatives at centers owned by us.

4 FOCUSING ON OUR SUPPLIERS

We work with our suppliers to ensure sustainable supply, food safety and cost effectiveness.

At Shoprite we maintain a fine balance between a hands-off approach towards suppliers, and collaborating for mutual benefit. We believe that our suppliers are experts in their fields, but continuous interaction and collaboration serve to both create cost savings and reduce risks.

An area where significant cost efficiencies are gained is transportation and logistics. Our supply chain division continuously engage with our suppliers to extract efficiencies and reduce mileage travelled within the value chain.

One division of our business where we have very close collaboration with our suppliers, is Freshmark. We buy local, have direct relationships with our farmers and we are regularly on their farms. We believe in long-term relationships that are characterised by open and honest communication which is essential to our success.

We also understand that the success of our suppliers directly impact the success of our business. The quality of produce, stability of supply and cost of production are dependent on how successful our suppliers are. For our mutual benefit, we have open and honest relationships with our growers and we proactively provide them with guidance and assistance where required.

An example of how we support our growers is a lettuce grower in Tarlton, South Africa.

Ivo Rugani used to grow open field lettuce. To diversify the risk of adverse weather conditions, he spread his operations over a 90 kilometre radius. However, in 2011 he had hail 8 times throughout his sites which placed him on the edge of financial difficulty.

With our support, he converted his farm to covered hydroponics, which significantly reduces his weather-related risks, reduces water requirements, reduces electricity demand, increases yield and makes him a farmer on the edge of world class technology.



5 FOCUSING ON OUR COMMUNITIES

We consider the impact of our Group on our communities and ways in which we can support and develop those communities as they represent our present and future customers, employees and suppliers.

At Shoprite we believe that we are an integral part of the communities in which we operate. The members of these communities are our customers, employees and suppliers and their wellbeing has a direct relation to our success and long-term viability.

We believe that we serve communities by providing access to food at lower prices, especially in traditionally underserved communities. We are also in a position to provide other significant services to our communities, and we strategically choose to provide value added services for our consumers in these areas. An example of this is the fact that our stores continue to perform the pay-out of cash grants in South Africa at no charge to consumers. We have paid out grants to more than 52.6 million grant recipients since 2012 through our network of over 1 000 stores which spans the entire country. We have thus essentially distributed R28.9 billion in cash grants free of charge as a service to our valued customers and the country's most vulnerable citizens despite considerable cash handling and security related costs.

To further serve our communities we also invest in society and engage in philanthropic initiatives. Our Corporate Social Investment strategy focuses on hunger relief, women empowerment and skills development.

We Act to Alleviate Hunger

It is our social responsibility to use our size to assist with hunger relief in our communities. We do this through donating food swill from our operations to communities in need, providing meals through our fleet of soup trucks and assisting with disaster relief.





**TOTAL VALUE OF
FOOD
DONATED**

**R92.4
MILLION**

Donating food swell

During the year, we have partnered with FoodBank SA and Stop Hunger Now SA who will serve as our partners in distributing food swell donations from our operations. There are significant synergies between our Group and these organisations which will increase our reach and reduce any wastage through time delays or administrative processes. Through these partnerships we will have more control and oversight over the end reach of our food donations due to their beneficiary identification and vetting processes. We will have less logistical requirements for food collections as these are consolidated, and using our combined capability, we can serve our communities better and increase our impact.

Providing meals

Shoprite has a proud history of providing meals through our mobile soup kitchens and our size enables us to have a real impact on communities. We have distributed over 23.2 million meals through our fleet of soup trucks since its inception.

Our vision is to enhance the impact of our soup trucks by using them to assist communities in establishing sustainable feeding schemes. Our model is to identify existing, but potentially unsustainable community soup kitchens / feeding schemes and then assist them to become sustainable. We will do this through the establishment of quality

food gardens, establishment of direct relationships between local Shoprite Group stores and the feeding schemes, and provision of skills development and training. During the process, our mobile soup kitchens will serve meals and once established, move on to the next community kitchen establishment. This process will enable us to best apply the full spectrum of our capabilities and skills for the long-term benefit of communities in need.

Disaster relief

Over the last few decades Shoprite has supported many natural flood and fire disaster victims with the supply of goods. Our commitment is to engage in activities in South Africa and Africa to support natural, informal settlement and flood disaster relief efforts.

We have developed a Shoprite Disaster Relief Response Programme that will improve disaster response through immediate provision of food, water, blankets, toiletries, etc. to relief teams. We will work in conjunction with relief organisations such as the SA Red Cross Society to increase our response time and assist our communities in need.

An example of our activities during the year is when we reached out to some of the more than 200 000 people that have been displaced by flash flooding in Malawi since heavy rains started in the middle of January 2015. Supplier sponsored products, including maize meal, sunflower oil, water treatment solutions and sanitary products were distributed.

We Act to Empower Women

Our business is supported by women customers, women employees and women suppliers.

We believe that the development and support of women serves as a significant contribution to stable economies and we continuously engage with women through various initiatives.

One of our initiatives to support woman entrepreneurship is through our women suppliers. This effectively enables them to start up businesses and bring their products to market through our footprint. Depending on the success of their products these entrepreneurs get the opportunity to grow their business.

We also provide these entrepreneurs with assistance along the way to contribute to their long-term sustainability and success.



This is a case study of one of these entrepreneurs who lives in Athlone, Cape Town:

Gadija Smith started as a young girl helping her aunt bake biscuits. After having twins, she decided to supplement the family income by selling cakes and biscuits door to door. She then contacted a few Shoprite stores to see if they would be interested in selling her products, and started selling to Shoprite in 2006. She now supplies 30 Shoprite / Checkers stores and employs 23 people.

“I am very thankful to provide the Shoprite Group with quality products and this has given me the opportunity to send my children to University. Shoprite Group has allowed me to be an independent woman in the business world and gave me the opportunity to grow my business and provide me with free courses.

Guiding and teaching me all the way. Thank you to the staff and management for giving me inspiration and feedback when I was feeling down. The business growth has given me enough capital to buy a small factory and continue to grow.”

23 285 324
meals served by our soup trucks since inception

