



SUSTAINABILITY REPORT 2013

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About this report

BACKGROUND AND SCOPE

The Shoprite Holdings Limited 2013 Sustainability Report provides readers with an overview of the sustainability dimension of the Shoprite Group's operations and highlights sustainability successes and challenges faced in the year past. Note that throughout this report, "Shoprite" and "the Group" are used to refer to Shoprite Holdings Limited, its subsidiaries and joint ventures in South Africa and abroad. The report covers both South African and non-South African operations. However, in some instances, data is available for or applicable only to South Africa and this is noted accordingly.

The Group considers sustainability reporting a valuable opportunity to engage with its stakeholders and lay out the sustainability issues facing the company. Moreover, as sustainability is in essence forward-looking, this report also provides an opportunity to outline the future operational objectives.

This report will therefore assist stakeholders to understand the Group's strategic response to long-term sustainability, enabling them to adequately assess the Group's prospects, and is informed by the principles of the Global Reporting Initiative (GRI G3) and the recommendations of the King Code and Report on Governance for South Africa (King III). For a full understanding of the Group's overall performance, this report should be read in tandem with the 2013 Annual Financial Statements.

ASSURANCE

The Group's Audit and Risk Committee has reviewed the content of this report and third-party assurers were engaged for external verification where required. Specifically, AQRate Verification Services independently assessed and verified the Group's broad-based black economic empowerment (B-BBEE) status in South Africa. The Group has not sought external assurance over any other aspect of this report for the period under review. The Group's Audit and Risk Committee assesses the need for additional external assurance over sustainability related aspects on an on-going basis.

Board responsibility statement

The overall integrity of this report is the responsibility of the Shoprite Holdings board of directors (the Board). The Board acknowledges its responsibility and has applied its mind and validated the content of this report. It is the opinion of the Board that the report addresses all material issues, and in conjunction with the 2013 Integrated Report, fairly presents the integrated performance of the Group. The Board has authorised this report for release on 30 September 2013.

Highlights and recognition

The Shoprite Group is the largest retailer in Africa and 93rd biggest in the world.¹

In South Africa, Shoprite was rated sixth overall in the 2012 *Sunday Times* Top 100 Companies awards, and Best Performing Retailer with a compounded annual growth of 42.9% in share price value over the last five years². The Group's *SHOPRITE* brand was rated as the most valuable retail brand in South Africa by Brand Finance with an estimated value of R8.9 billion.

According to both the *Sunday Times* Top Brands awards and *The Times/Sowetan* Retail Awards in 2012, South Africans rated the Shoprite brand as the:

- Number 1 supermarket (for the sixth consecutive year³);
- Number 1 in all five grocery categories including overall customer experience⁴;
- Number 3 in overall community upliftment³; and
- Number 10 overall favourite brand³.

About 24.6 million South Africans – 70% of the total adult population – shop at one of the Group's supermarket outlets⁵. The Group manages approximately 70 million shopping transactions per month and this year reached the milestone of over 100 million transactions in its non-RSA stores.

In the period under review, the Group created over 9 000 new jobs, with the total number of employees now exceeding 110 000. Of the Group's total number of employees, 99% come from local communities. The Group conducted 248 672 training interventions (amounting to 1 188 391 training hours) during the reporting period and granted tertiary education bursaries, grants and zero-interest loans to 601 employees.

¹ Deloitte's Global Powers of Retailing 2012

² *Sunday Times* Top 100 Companies November 2012

³ *Sunday Times* Top Brands Survey 2012

⁴ *The Times/Sowetan* Retail Awards 2012

⁵ Amps 2012

Performance highlights

		June 2013	June 2012	June 2011 *
Turnover (R billion)		R94.747	R82.731	R72.297
Turnover growth	%	12.1	14.4	7.3
Gross margin	%	20.9	20.5	20.89
Trading margin	%	5.82	5.64	5.51
Operating profit (R billion)		R5.359	R4.563	R3.908
Operating profit growth	%	17.4	16.8	15.4
Diluted headline earnings per share (cents)		675.4	607.0	507.6
Diluted headline earnings growth	%	11.3	19.6	12.4
Dividend per share (cents)		338.0	303.0	253.0
Dividend growth	%	11.6	19.8	11.5
Number of own stores		1 456	1 334	1 246
Number of franchisees		380	406	274
Net asset value per share (cents)		2 837	2 382	1 400
Return on capital employed	%	20.0	26.0	39.2
Number of employees		111 338	102 137	95 050

* Includes one extra week.

Approach to sustainability

OVERVIEW

Compliance instrument	Our response
Companies Act	Implemented a programme to align the Memorandums of Incorporation of RSA subsidiary companies with the provisions of the Companies Act, 2008 (as amended).
Consumer Protection Act	See page 11 on customer service guidelines and training.
B-BBEE Act	See page 15 on broad-based transformational activities.
Food Labelling Act	See page 30 on product safety and labelling.
Foodstuffs, Cosmetics and Disinfectants Act and other food safety regulations	See page 30 on product safety and labelling.
Labour Relations Act, Basic Conditions of Employment Act and Occupational Health and Safety (OHS) Act	On-going compliance programmes are in place. Monthly OHS reporting process in respect of all stores now implemented.
Protection of Personal Information Bill	Conducted a gap analysis to determine measures to be implemented to comply with the requirements.
Regional and provincial regulatory divergences	On-going assessment in terms of the practicality and operational impact of provincial liquor laws and proposed pharmacy regulations.

CORPORATE VALUES AND ETHICS

The Group's corporate image and governance plays an important role in its success and ability to deliver on its consumer service pledge now and in the future. To ensure it maintains its leadership position as a respected retailer with sound corporate governance practices, the Group must maintain the highest level of ethics and conduct at all levels of the organisation.

The Group's Code of Conduct (the Code) ensures that its business is conducted in an ethical manner and specifically forbids the giving or receiving of money, gifts or favours of any kind in order to elicit any form of preferential treatment. Group management has reviewed and updated the Code. The updated Code underwent an internal assessment process before final approval. No material breach of the Code was identified or reported during the period under review.

Adherence

All supplier agreements outline the ethical standards that suppliers are expected to uphold. These agreements address compliance with laws, regulations, safety and quality specifications.

Senior management and other selected employees are also expected to complete a standards declaration annually confirming their adherence to the Code. Any external relationships which could potentially give rise to conflicts of interest must be disclosed.

Whistle-blowing

Any violations of the Code can be reported through a tip-off line. To ensure anonymity, the tip-off line is independently managed by Active Service Excellence South Africa (ASESA). All referred calls are investigated by the loss-control managers within the Group and, when necessary, by internal audit and/or independent investigators.

Stakeholder engagement

The Group's long-term success depends on its ability to effectively engage with stakeholders on issues of mutual interest, working together to find solutions that drive the business forward. The following table is a summary of important stakeholders, the issues of concern, the methods of engagement used and desired outcomes.

Stakeholder group and why they are important	Material issues of concern	Method of engagement	Response and adaptation
<p>Customers</p> <ul style="list-style-type: none"> • Understand customers' needs and tailor products and services to them, ensuring brand loyalty and growth in demand • Provide affordable, responsible and safe products of consistent quality and standard 	<ul style="list-style-type: none"> • Low prices and value for money • Value-added consumer services • Product range and development 	<ul style="list-style-type: none"> • Advertising, promotions, press releases and in-store communication • Opportunities for consumers to make suggestions and lodge complaints • Independent online media • Social media 	<ul style="list-style-type: none"> • Convenient store placement • Product range adaptation and tailored brands • A range of in-store value-added consumer services • Free topical leaflets available in-store and online • Attend product and services fairs and monitor international market trends • Implementation of Food safety programmes and audits

<p>Employees</p> <ul style="list-style-type: none"> • Ensure outstanding customer service • Develop a motivated, high-performance workforce • Source individuals with the skills required or develop these through training • Retain key skills and experience 	<ul style="list-style-type: none"> • Communicating business strategy and progress • Training and skills development • Succession planning • Incentives and motivational programmes 	<ul style="list-style-type: none"> • One-way: Intranet, notice boards, newsletter (<i>Baked Beans & Bully Beef</i>), in-store communications (<i>RadioRetail</i>) • Two-way: email, staff meetings, union discussions (see below), annual staff conferences for big marketing campaigns 	<ul style="list-style-type: none"> • Education trust • Sector Education and Training Authority (SETA) Accredited Learning Programmes • Management and leadership development programmes • Zero-interest loans for education and bursaries for tertiary education • Incentive and motivational programmes
<p>Labour unions</p> <ul style="list-style-type: none"> • Engage on collective employment concerns and issues 	<ul style="list-style-type: none"> • Wages and conditions of employment 	<ul style="list-style-type: none"> • On-going direct and electronic communication • Regular meetings and negotiations 	<ul style="list-style-type: none"> • Legal agreements • High-level relationship building through informative explorations of overseas union structures and operations
<p>Suppliers and trade partners</p> <ul style="list-style-type: none"> • Deliver affordable, responsible and safe products of consistent quality and standard • Provide new and innovative products that suit consumer requirements • Secure long-term availability of products 	<ul style="list-style-type: none"> • Price, availability, food safety, labelling and regulatory issues • Timely payment and beneficial terms • Introducing and partnering new product development 	<ul style="list-style-type: none"> • On-going direct and electronic communication • Supplier visits and meetings • Supplier product forecast programming and commitments 	<ul style="list-style-type: none"> • Accurate forecasting programme and revised trade standards • Innovative technology (online supplier portal and custom creditor management systems) • Preferential procurement and small-supplier support programmes
<p>Franchisees</p> <ul style="list-style-type: none"> • Grow strong and sustainable income streams • Increase purchases through the Group • Maintain market competitiveness 	<ul style="list-style-type: none"> • Competitive price negotiation • New product lines • Franchisees contracts and credit terms 	<ul style="list-style-type: none"> • Regular store visits • Monthly regional meetings • On-going direct and electronic communication • Incentives scheme • Annual conference 	<ul style="list-style-type: none"> • Automated software system to download prices weekly to members • A team with strong operational knowledge and experience to advise on operational and expansion opportunities • Favourable credit terms • Incorporating franchisees into the Group's centralised distribution network

<p>Media</p> <ul style="list-style-type: none"> • Influence stakeholder perceptions by communicating and building consumer confidence • Market products and services and create positive brand awareness for each Shoprite brand 	<ul style="list-style-type: none"> • Product information and pricing • Group initiatives and activities • Consumer complaints and perceptions 	<ul style="list-style-type: none"> • Shoprite Holdings financial performance presentations with Q&A (twice annually) • Trading updates 	<ul style="list-style-type: none"> • Responding directly to media inquiries
<p>Business partners and associations</p> <ul style="list-style-type: none"> • Gain access to specialist knowledge and skills • Provide value-added services to customers 	<ul style="list-style-type: none"> • Operational strategies and technologies able to increase productivity and efficiency • Socio-economic issues and concerns • Service delivery efficiency 	<ul style="list-style-type: none"> • On-going direct and electronic communication • Investigate mutually beneficial opportunities through joint ventures 	<ul style="list-style-type: none"> • Joint knowledge transfer sessions and joint projects • Partnerships allowing Shoprite to provide customers with value-added services in-store • Working closely with local bodies to access latest product regulations and food safety concerns
<p>Government and regulatory bodies</p> <ul style="list-style-type: none"> • Maintain compliance • Explore relevant regulatory issues, assess impact of proposed regulatory and legislative changes and engage government on mutually beneficial opportunities 	<ul style="list-style-type: none"> • Trade policies and concerns • Consumer protection • Labour policies and issues • Agricultural issues • Labelling and food standards • Transformation and education 	<ul style="list-style-type: none"> • On-going direct communication • Meetings with government officials and ministers • Participation in pilot projects and research 	<ul style="list-style-type: none"> • Revise programmes, business processes and structures to ensure compliance • Build relationships at the highest possible government levels • Share information regarding business practices
<p>Communities and not-for-profit organisations</p> <ul style="list-style-type: none"> • Contribute meaningfully to the communities in which the Group operates 	<ul style="list-style-type: none"> • HIV/Aids programme, call centre and awareness • Health, education and other socio-economic issues of concern • Employment 	<ul style="list-style-type: none"> • On-going direct and electronic communication • In-store information centre and informative leaflets • Project collaboration 	<ul style="list-style-type: none"> • Shoprite Checkers Development Trust channelling funds for corporate social investment and enterprise development • Various joint projects

<p>Shareholders and investors</p> <ul style="list-style-type: none"> • Understand needs, manage expectations and create a positive investment environment • Ensure shareholders and investors have access to accurate information 	<ul style="list-style-type: none"> • Business performance and concerns (both financial and sustainability) • Business strategy, expectations and governance changes 	<ul style="list-style-type: none"> • Press releases and publications • Bi-annual results presentations • Annual three-day analyst investment conference • Major shareholders have one-on-one contact with the CEO and deputy MD • Annual general meeting • Trading updates 	<ul style="list-style-type: none"> • Integrated reporting • Bi-annual results presentations and bi-annual analyst breakfasts • Electronic communication (informative online investor platform) • Direct conversations with major shareholders
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STAKEHOLDER DEVELOPMENTS

Against a backdrop of increases in electricity, fuel and other prices, the Group managed to improve supply-chain efficiencies sufficiently to keep in-store food price increases down to 4.3% (2012: 4.9%). This compares favourably with South Africa's food and non-alcoholic beverages consumer price index (CPI) increase of 6.1% (2012: 8.8%).

Business growth enabled the Group to create 9 201 jobs during the reporting period when the world economy remained in a depressed state.

The Group pursues positive and constructive employee relations, both individually and through formal representative bodies, actively engaging with labour unions in the countries in which it operates to ensure employees' needs are well understood and their concerns addressed.

The Group's requirements and expectations regarding suppliers are clearly communicated through supplier agreements and the quality assurance programme. Supplier compliance with quality, labelling and food safety requirements is ensured through various internal and third-party audit processes, depending on the specific requirements. The Group actively engages with suppliers to reduce delivery lead times, improve service levels and increase the demand for products in retail outlets.

The Group continues to build relationships with government and regulatory bodies and actively works to address common interests ranging from supply and enterprise development to multinational trade agreements and energy reduction programmes.

The Group endeavours to play a supportive role in the communities in which it operates. Communities are both customers and employees, and the Group believes that these communities must benefit both from and through the Group's business. The HomeMade initiative engages local communities in economic activities by providing a platform for local produce to be sold in the Group's

supermarkets. In addition, The Shoprite Checkers Development Trust advances empowerment through socio-economic development land and housing programmes. Poverty and unemployment are reduced in impoverished communities with initiatives like the Shoprite Feeding Programme mobile soup kitchens, Strokes of Genius and the Shoprite Community Network.

CUSTOMERS

The Group's customers have access to a wide range of retail outlets, especially in South Africa, making it essential for food retailers to adapt continuously in all the markets in which they operate.

Managers also monitor media reports and regularly undertake consumer research to identify trends and preferences relating to consumer products.

The Group's objective is to be a preferred shopping destination for consumers. This it achieves by selling food and general merchandise at low prices from conveniently located outlets in an environment that provides a comfortable and enjoyable shopping experience.

Customer service guidelines and training

The Group endeavours to satisfy and exceed all reasonable consumer expectations. To achieve this and adhere to Customer Service Guidelines, all staff members who deal directly with the public undergo product-specific and customer service training.

The Consumer Protection Act became a reality in April 2011 and necessitated a well-considered training strategy. A four-phase customer-service training strategy was developed of which the first two phases were implemented in the previous financial year. Phase three - the roll-out of Case Study Training, commenced during May 2013. The case studies are real-life case studies, extracted from Checkline data and web and email customer feedback. Role-model behaviour is highlighted to establish the desired service culture. An on-line library of case studies based on the key elements covered in the South African Consumer Protection Act (CPA) and within the Group's Customer Service Policy/Guidelines will be developed for continuous training. More than 24 355 case-study training interventions were undertaken by branch management during the year.

Consumer education

The Group understands the contribution it can make towards helping consumers understand their rights and obligations and assisting them in making better purchasing decisions.

Both Shoprite and Checkers supermarket chains provide information leaflets on a variety of topics of interest to consumers. These *Consumer Sense* leaflets are distributed to the chain's supermarkets throughout Africa and online, and are

free of charge. Up to ten leaflets with an initial print run of 100 000 are produced and distributed annually.

The Group has partnered with not-for-profit organisations and government departments to cover in the leaflet series contemporary issues faced by the communities it serves.

The Group regularly sponsors health articles in the educational youth magazine *Minimag* and each month distributes a number of these magazines to selected schools free of charge.

Interactive engagement

Customer feedback is monitored through a number of mechanisms. Outside South Africa, customer complaints are handled at store and/or divisional office level. In South Africa, the Group's toll-free centralised customer service centre (Checkline) is available for supermarket customers whilst a dedicated customer care line serves the furniture division's customers. The feedback is analysed and the findings used as basis for the introduction of corrective measures to business processes and product ranges.

The Group has a customer feedback system in place, which is managed and supported by the Group's customer service centre. The existing Checkline toll-free number deals with conventional customer feedback whilst a second toll-free line was introduced during the year to handle mobile technology based promotional issues and feedback from social media platforms.

In the period under review the Group contributed to the formulation of the Consumer Goods Services Ombud's (CGSO) Code of Conduct along with other retailers and members of the Consumer Goods Council under whose auspices the CGSO is operating. The CGSO was established to provide guidelines for the consumer goods services industry on the minimum conduct standards expected when engaging with consumers and also to assist in resolving disputes. The CGSO acts as intermediary in resolving such disputes before complaints are referred to the office of the National Consumer Commission.

The Group also collaborates with the CGSO's call centre when referring consumer complaints to the Group for resolution.

Economic

SUPERMARKET GROWTH IN AFRICAN OPERATIONS

The Group currently operates in 17 African countries, including South Africa and the Indian Ocean islands. In addition to providing products and services to local communities, it is the Group's ambition to provide business support to communities in all the countries in which it operates. This approach aims to

improve the trading environment by supporting the development of new markets and growing demand, ultimately facilitating the opening of new stores.

It is the Group's policy to reduce dependence on international suppliers and to source, procure and employ locally and from within Africa where possible. Initiatives were also introduced that are aimed at supporting local suppliers by highlighting "Proudly Local" products in-store and granting them exclusive advertising space. On-going support is provided to local suppliers and farmers in a growing supplier base across all African markets with a strong focus on locally procured fruit, vegetables, meat and other perishable products.

South African suppliers are encouraged to expand into the African markets in which the Group operates and where opportunities can be identified for such suppliers.

This further stimulates local employment and economic activity. The Group benefits directly by way of better quality local goods and labour supply, resulting in operational efficiencies, reduced supply-chain risk and ultimately lower prices for its customers.

Expanding its footprint

The Group continued developing new supermarkets beyond South Africa's borders with the main focus being Angola, Ghana and Nigeria.

During the period under review, 81 (2012: 86) new supermarkets were opened and five (compared to ten in 2012) were closed, representing a net gain of 76 supermarkets. The total supermarket count at 30 June 2013 was 954, of which 84% are in South Africa.

The Group expanded its business outside South Africa by opening a net 19 (2012: 21) supermarkets. Three supermarket outlets were opened in Angola and two in Nigeria.

Accessing under-served markets

The Group has extended its services to marginalised markets through its smaller, low-cost supermarket brand Usave that focuses on consumers with a Living Standard Measure (LSM) of 1 to 5.

The Usave retail model minimises operational costs by, for example, cutting back on promotional material. The net effect is that prices are on average 10% lower than industry norms. Usave carries stocks of 1 500 top-selling food and household product lines, including a growing number of own-label products.

A model Usave store is small and simple to construct, and the Group is able to react quickly to new development opportunities. The number of Usave stores increased from 256 to 296 during the period under review.

Plans and targets

The Group's expansion plans in respect of the African continent outside South Africa represent substantial investments in local markets which will contribute significantly to economic activity as well as in taxes and duties to the respective governments.

A total of 20 new supermarkets outside South Africa are planned for the next financial year. The expansion programme for Central East Africa and West Africa is on track and numerous opportunities are currently being investigated with a view to the future.

Due to the limited availability of suitable sites, especially in marginalised and under-served markets, it is difficult to accurately forecast a target figure for the number of Usave stores the Group aims to open.

Planned supermarket openings for period ending June 2014					
	Checkers	Shoprite	Usave	Hungry Lion	Net Total
RSA	23	45	41	4	115
Non-RSA	0	15	5	6	24
Total	23	60	46	10	139

Transformation

BROAD-BASED TRANSFORMATION

The Group recognises that transformation of business and the ability to effectively serve the needs of communities, customers, employees and suppliers are linked and therefore strive to integrate transformation into its business strategy at all levels.

The biggest transformation challenge remains the management element of the Department of Trade and Industry's Codes of Good Practice (the dti Codes). A substantial amount of resources and energy is allocated to train and fast-track black management, but due to the high demand for senior black managers and the general shortage of such individuals in food retailing, a number of talented employees are lost. The Group is therefore focusing not only on training individuals, but also on developing effective retention strategies for key staff.

The Group's latest verified B-BBEE scorecard (as at 30 June 2013) is summarised in the table below.

SHOPRITE HOLDINGS B-BBEE SCORE CARD

B-BBEE code	dti weighting (%)	June 2013 (%)	June 2012 (%)
Equity ownership	20	7.66	7.64
Management control	10	2.72	2.55
Employment equity	15	11.40	12.36
Skills development	15	10.84	11.67
Preferential procurement	20	15.73	15.21
Enterprise development	15	15	11.31
Socio-economic development	5	5	5
TOTAL	100	68.35	65.74

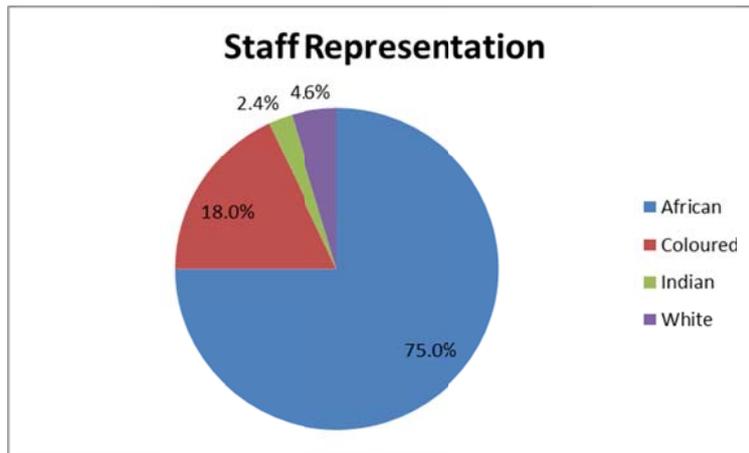
EQUITABLE OWNERSHIP

The ownership score attained was calculated in compliance with Act 53 of 2003 and the Codes of Good Practice contained therein by Trevor Chandler Consulting.

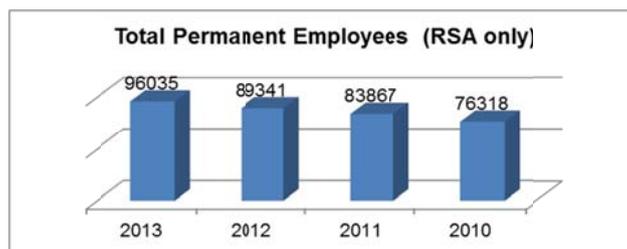
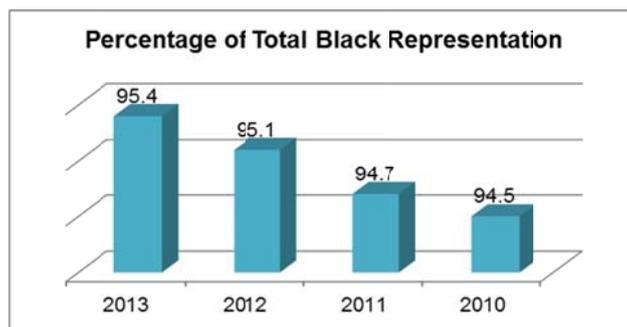
EMPLOYMENT EQUITY

The Group's Employment Equity Committee updates the employment equity plan every five years. The targets take into account performance over the previous five years and the regional profiles of the various divisions within the business. The Group is on track to achieve its employment equity goals for the current plan covering the years 2010 to 2015.

The Group's staff complement as of 30 June 2013 is presented in the table below. There has been an 8.82% increase in the size of the Group's South African employee base. Whilst there has been a marginal increase in black representation in the overall figures, more significant achievements have been made at certain employee levels. The Group exceeds the Economically Active Population (EAP) statistic for combined black representation in its junior-to-lower management levels and has achieved nearly 81.73% of the statistic within its middle-management level.



Shoprite Holdings – Staff representation – Total RSA				
	2013	2012	2011	2010
Total permanent (RSA only)	96 035	89 341	83 867	76 318
Percentage of black representation	95.41	95.06	94.67	94.5



Employment equity plans and targets

The Group's employment equity plan incorporates the key objectives of the Employment Equity Act relating to recruitment procedures, training and development, corporate culture, remuneration and benefits and retention of designated groups.

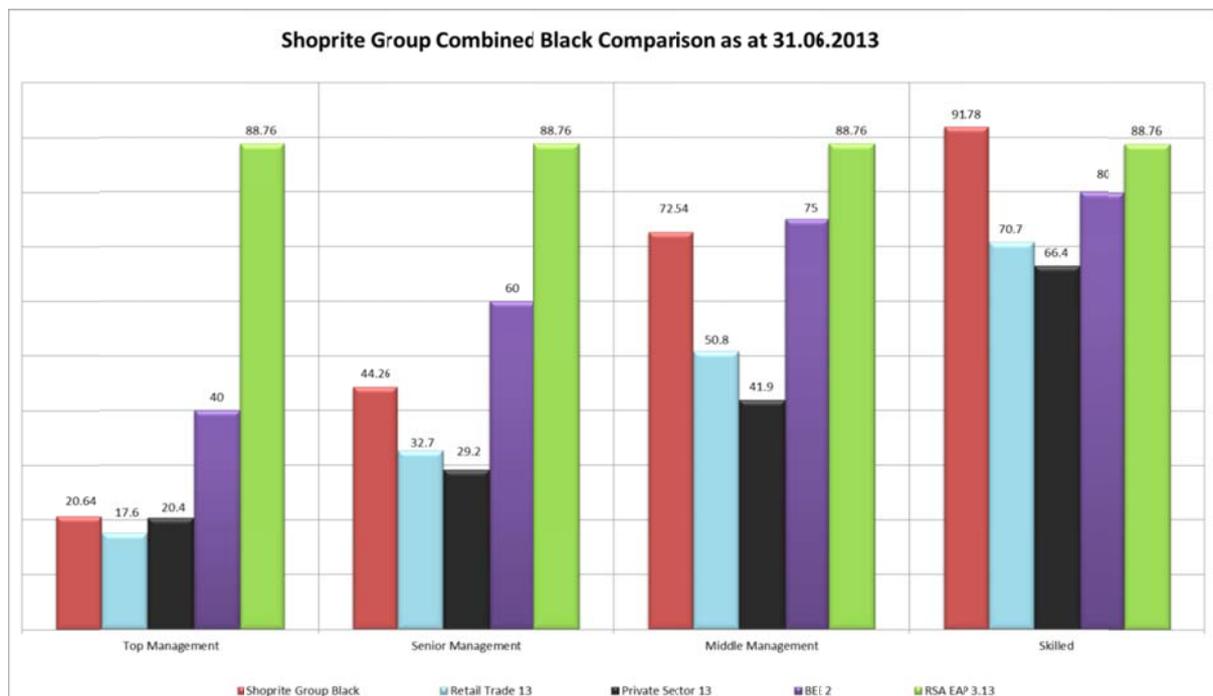
Management

The Group is fully aware of the challenges faced to improve black representation at senior management level. Progress in this regard as well as the Group's equity targets are monitored continuously. We also consult with employee representatives to ensure engagement and cooperation. During the past financial year, the Group has made steady progress towards its 2015 equity targets and most of these have already been achieved.

Looking at the overall statistics, the Group has steadily grown its percentage black representation among the most critical management positions within operations. As at 30 June 2013 the Group had 1 411 trainee managers. It is also important to note that 82% (78% in June 2012) of our Trainee Managers in this program are black. Substantial progress has also been made in the recruitment and promotion of Black individuals within the top 4 management levels.

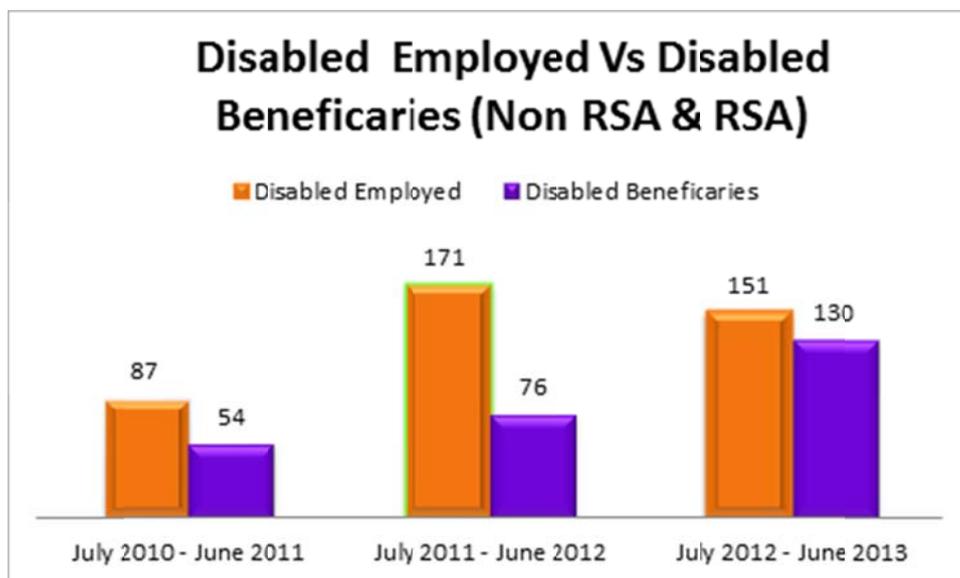
Upon closer analysis of the combined Black group (African, Coloured, Indian, male and female combined) as well as Black Females as a group, we have already exceeded our numerical goals set for 2015 in all levels apart from at senior management level within the combined Black group, where the Group has achieved 93.13% of the goal. In terms of gender equity we are making steady progress towards achieving equitable female representation within the top four management levels.

When compared with the Retail and Private sector (as per the statistics provided in the Commission for Employment Equity Annual report 2012-2013), the Group exceeds these sectors in terms of Black representation across the occupational categories (skilled, middle, senior, top management).



Disability

The Group currently employs 151 (2012: 171) people with disabilities and plans to improve this figure considerably in the next review period.



A ten-year plan has been developed for training and employing 1 000 deaf persons in the Group's supermarket environment. The Group also aims to establish deaf-friendly stores in main centres on a national basis. It has recruited 100 deaf learners to complete the Group's NQF Level 2 Operations Qualification over an 18-month period. The initiative is known as the Decade of the Deaf Project and was implemented in co-operation with the W&RSETA and eDeaf, a deaf-owned BEE company established to provide holistic services to employers and deaf employees. The project is funded by all three parties.

SKILLS DEVELOPMENT

The Group continues to make a significant contribution to the reduction of unemployment in South Africa and beyond, by offering quality and accredited training to economically marginalised young people and adults. Twenty accredited learning programmes are currently on offer, ranging from entry level to management and specialist development.

In support of the recently published *Green Paper on Education and Training* by the Minister of Education, the Group has started to build long-term relationships with selected universities of technology and Further Education Training (FET) colleges. Partnerships will be formed with these institutions to offer the knowledge and skill components of the Group's SETA-accredited qualifications. During May 2013, the Group partnered with MSC Business College to introduce a pilot Recognition of Prior Learning (RPL) project to test the viability and impact of such joint projects.

PREFERENTIAL PROCUREMENT

The Group is committed to supporting black suppliers who produce quality goods within acceptable pricing structures. B-BBEE performance forms part of the supplier selection criteria, and preference is given to black female suppliers. The Group also aims to help small, medium and micro-enterprises (SMMEs) to become efficient suppliers.

Suppliers annually present the Group with their verified B-BBEE certificates for review during supplier re-selection processes. The Group currently has approximately 14 500 suppliers and service providers.

However, as the largest retailer in Africa, the Group is unable to meet transformation targets by relying on existing black suppliers alone and has therefore become actively involved in enterprise development to build capacity within the local supplier base.

Group B-BBEE spend on preferential procurement totalled R58.67 billion (2012: R42.2 billion) during the period under review and it achieved a score of 15.73 out of 20 (2012: 15.21/20) on the B-BBEE Scorecard.

ENTERPRISE DEVELOPMENT

The Group's enterprise development initiatives aim to:

- Create a stable and sustainable supplier base through supply-chain initiatives; and
- Empower local communities economically through property developments.

The Group actively seeks opportunities to own, develop and invest in shopping centres in economically disadvantaged communities and rural areas. This commitment has earned it good standing and customer loyalty, improving its ability to secure more land for development. The outcome is the empowerment of local communities through both job creation and increased economic activity.

In this regard, the Group founded the Shoprite Checkers Development Trust (the Trust) in line with its B-BBEE strategy. The objective of the Trust is to advance broad-based black economic empowerment by initiating and making contributions to enterprise and socio-economic development programmes.

These programmes concern themselves with welfare, humanitarian, healthcare, land and housing, education, development, sport and cultural matters. The beneficiaries are communities made up predominantly of people from previously disadvantaged backgrounds, organised in a partnership or a trust in which they exercise majority voting rights or hold the majority economic interest.

The aim of the Trust is the empowerment of previously disadvantaged communities through grants and the supplying of low or zero-interest loans. The

independent trustees include four females from different backgrounds with a sound knowledge of how community needs can be addressed in a sustainable manner. To enhance the impact of programmes on communities, the Trust works closely with the Shoprite Group, which has made R107 million available to the Trust to accomplish its goals.

The Kwanqaba Shopping Centre Limited

The Shoprite Checkers Development Trust's first project was the establishment of a shopping centre in Kwanqaba Township in Mossel Bay. The ownership of the Kwanqaba Shopping Centre Limited is divided into a 25% share held by a majority of previously disadvantaged shareholders, a 25% share held by the Shoprite Checkers Development Trust and a 50% share held by the Mossel Bay Enterprise Trust (see below). The last mentioned purchased a shopping centre in the township, which was developed by the Group and is now anchored by a Shoprite supermarket.

The Shoprite Checkers Development Trust provides training to the individual shareholders to provide them with the necessary skills to participate in the management of their investment. These shareholders are also being introduced to new venture creation and should be able to use the opportunities available to them to further their own business careers, whether as property owners or in other business enterprises.

Mossel Bay Enterprise Trust

The Shoprite Checkers Development Trust founded the Mossel Bay Enterprise Trust in November 2011. The objective of the Trust is to advance broad-based black economic empowerment in the Mossel Bay area.

Khayelitsha Shopping Centre (Pty) Ltd

A new community-based shopping centre was established in Khayelitsha following the success of the Kwanqaba Shopping Centre project. The Shoprite Checkers Development Trust founded the Masakhane Enterprise Development Trust to advance broad-based black economic empowerment in Khayelitsha. This Trust owns 75% of Khayelitsha Shopping Centre (Pty) Ltd. while the Shoprite Checkers Development Trust owns 25%. Training in new venture creation of individuals selected by the community, has already started.

Small supplier initiatives

FRESHMARK SUPPLIERS

The suppliers' initiative of the Group's Freshmark division supports small B-BBEE suppliers through training, favourable payment terms and in a variety of other ways. In terms of Freshmark's backhauling programme produce is collected directly from the farms or pack houses of producers and from grocery suppliers. This allows small suppliers to focus on food production and removes the need for them to have their own delivery system. In addition, this programme has increased delivery reliability, optimised supply chain logistics and minimised overall distribution costs.

Approximately 33% of the Group's fresh-produce suppliers (139 of a total of 444) annually supply produce with a value of less than R0,5 million. This initiative of Freshmark helps the Group achieve a more balanced supplier profile.

HOMEMADE INITIATIVE

The HomeMade project sources good quality products from local cottage industries and helps individuals expand their production to the point where they can sell their products in Shoprite and Checkers stores. It helps individuals become permanent suppliers, assists them with compliance obligations and offers them payment terms suited to small businesses.

The Group established a call centre in the Western Cape to support potential suppliers. During the reporting period a further 39 suppliers were listed, supplying 192 products, mainly baked goods and preserves.

CSI AND SOCIO-ECONOMIC DEVELOPMENT

Community involvement

In the review period, the Group spent more than 1% of its net profit after tax (NPAT) on corporate social investment (CSI) projects. The Shoprite Checkers Development Trust mentioned above was set up to improve the focus of the Group's CSI financial contributions. More information on this can be found under the Economic contribution – Enterprise development section.

Shoprite Feeding Programme

The Shoprite Mobile Soup Kitchens aim to bolster the nutrition of underprivileged people of South Africa, especially children, the aged and unemployed and victims of natural disasters. In the period under review, 3 547 302 servings of soup and bread were distributed countrywide, bringing the total since its launch in February 2007 to 11 315 296. Twelve soup trucks and four trailer soup kitchens served an average of 295 609 cups of Royco soup and 54 851 loaves of Albany bread to needy communities each month.

Shoprite Checkers Women of the Year Awards

The Shoprite Checkers Women of the Year project has over the past 16 years led the way in bringing to the fore the valuable and extraordinary work South African women do to make a difference in their communities. The Group believes the project has achieved its objectives and is currently investigating alternative CSI opportunities.

The Women of the Year Awards were presented for the last time in July 2012 and the winners each received R30 000 in cash as well as R100 000 to be used for the development of their individual projects. The Group has partnered with the Women's Hope Education and Training Trust (WHEAT), a not-for-profit

organisation that supports community-based initiatives, to provide winners with help using the finance sustainably, accountably and with good governance.

The largest share of the 2013 Awards budget has been reallocated to the Mobile Soup Kitchen project.

Strokes of Genius

The Strokes of Genius art project aims to develop fine arts and crafts in Africa. The project has been undertaken in partnership with the Department of Arts and Crafts, the Department of Trade and Industry, and with the support of the Department of Basic Education. Young artists and craft workers have the opportunity to showcase their work to local and international buyers through a visual online gallery.

Damaged items

Slightly damaged food products deemed unfit for display in the Group's stores are donated to registered non-profit organisations that distribute the items to poverty-stricken communities. Products deemed to constitute a food safety risk, such as items past the sell-by date or which have been recalled, are destroyed as required by the Department of Health and a Certification of Destruction is obtained.

During the period under review, food to the value of about R102 million was donated to welfare organisations.

Shoprite Community Network

The Shoprite Community Network was launched eight years ago in an effort to provide support to worthy causes and community projects. Listeners to major local radio stations are asked to nominate worthy causes in their communities which are then supported by the Network. In the past financial year, the Group donated R1.56 million to deserving recipients via the Network. Since its inception the Network has provided more than R11.4 million to 1 200 community projects.

Social investment

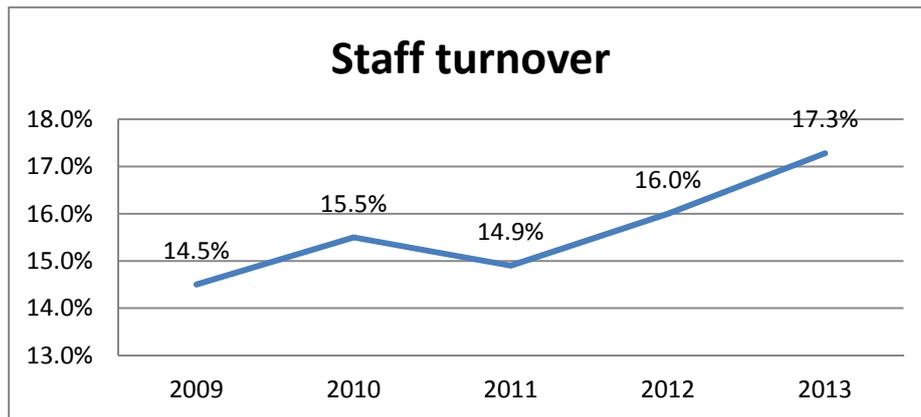
TALENT MANAGEMENT

The Group's ability to attract and retain human capital is fundamental to providing excellent customer service and meeting human resource needs.

The Group consequently focuses on improving the quality and decreasing the quantity of its recruitment activities by managing the efficacy of recruitment processes. Employee retention strategies, succession planning and training programmes all play a key role in ensuring that the necessary talent and experience within the business is maintained and further enhanced.

The Group also recognises that employee satisfaction strongly influences productivity levels and therefore provides many of the conventional employee offerings and various personal benefits and programmes to incentivise employees.

The high productivity level of the business and a turnover rate of 17.28% for all monthly-paid employees compares favourably with PricewaterhouseCoopers 2012 European Human Capital Report for Retail and Leisure's international average of 30.2%.



Employee exit interviews are conducted where possible and responses collated and analysed to identify trends. The most common reason for leaving is long working hours. Trends also show an appreciation of the Group's development orientation, good relationships with colleagues and challenging opportunities.

Recruitment

The recruitment and selection of personnel suited to the retail environment remains one of the Group's biggest challenges. Its central recruitment centre for the Western Cape, established during the 2012 financial year, has proven its value for the Group's Western Cape divisions through the recruitment and employment of more suitable candidates. This concept will be rolled out to support recruitment efforts for entry-level positions in all the Group's divisions within South Africa. A digital solution has been identified to support recruitment centres and the Group's supermarket outlets to achieve the objective of a paperless recruitment process.

An e-recruitment platform was also implemented to support head office and divisional recruitment efforts. The roll-out of this platform to all the Group's operational divisions is in process.

Efforts are being made to develop the Group's Employee Value Proposition (EVP) to appeal to graduates and school leavers, and to communicate the EVP to target audiences. An electronic recruitment platform is being developed to cater for the recruitment of graduates and bursary recipients. Over the past two years, the Group's Graduate Recruitment Programme expanded its reach to all major educational institutions in South Africa.

Retention strategies and succession planning

Establishing career paths for individuals forms part of succession planning and increases employee retention. General business-wide career paths and succession planning structures have been developed, with the current focus on the Group's store-level positions, which accommodate the bulk of its workforce. Individual departments implement employee performance reviews and appraisals at their own discretion.

Standard processes were introduced to measure potential at senior management level as well as for key and feeder roles within the Group's operations. Talent grids are used to evaluate employees against specific succession criteria and also enable the measurement of an individual's growth potential. This allows the Group to evaluate talent and to address gaps identified in the process.

LEARNING AND DEVELOPMENT

Learning and development forms an integral part of the Group's employee strategy. Good relations with the various Sector Education and Training Authorities (SETA) assist the Group to access discretionary grants available for learning opportunities. The Group's flagship Management Training Scheme (MTS) is registered as an NQF Level 4 Operation Supervision Qualification.

During the reporting period, 94 NQF Level 4 learners were placed on Wholesale & Retail SETA-funded learnerships. Of these learners, 86% qualified. As part of the Group's recognition of prior learning initiatives, 151 assistant managers were selected to participate in W&R SETA-funded projects. These two offerings within the Group position managers to obtain formal retail qualifications.

The demand for scarce and critical skills within the business is addressed by offering internship programmes to employees aiming to qualify as pharmacists and chartered accountants. Registered qualification opportunities are also offered to bakers, meat technicians, drivers and sales staff.

As an accredited Skills Development Provider, the Group has 14 registered and functional training schools in South Africa, mostly offering service department training programmes relevant to its operations. Customer service forms an integral part of all these training programmes.

The Group fully complies with the Skills Development Levies Act by claiming mandatory grants as prescribed. Additional discretionary grants are dependent on the number of projects offered by the different SETAs.

Specific training interventions

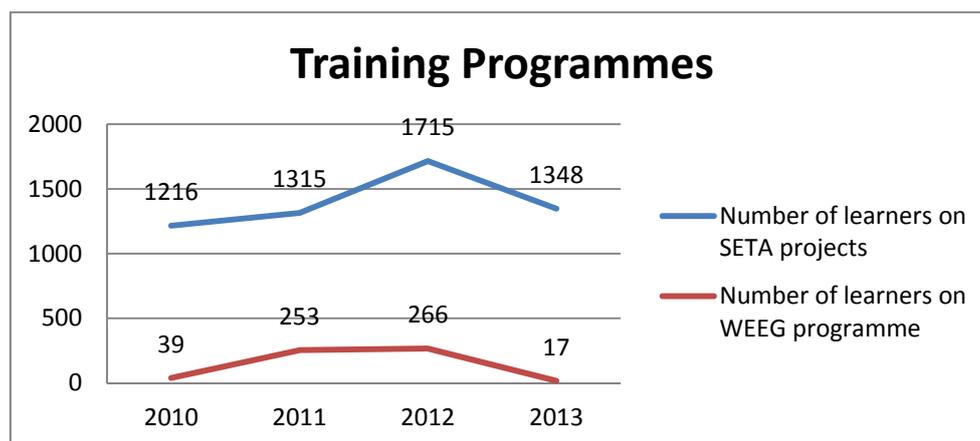
W&RSETA PROGRAMMES

During the period under review, several SETA projects initiated in the previous fiscal year were concluded. The SETA financial year is not aligned to that of the Group so that some overlap will always occur.

The Group engaged in the following SETA-driven skills development projects during the current financial year:

- A joint Workplace Experience and Employment Grant (WEEG) project with the Cape University of Technology provided 17 unemployed learners with learning and experience in the workplace;
- 262 new candidates were enrolled for the Transrite Professional Driving Learnership Scheme;
- The nationally funded Skills Development Project, through which 843 learners were placed on 12-month learnerships and 216 learners on three to four month skills programmes. The Group is committed to employing 90% of all successful candidates on completion of their training; and
- The CapaCITI BASA projects which provided 12 month learnerships for 10 new trainee business analysts.

Participation in SETA projects has enabled the Group to exceed its objective of providing training and employment opportunities to 1 000 learners annually, with a total of 1 348 learners trained during the period under review.



MANAGEMENT AND LEADERSHIP DEVELOPMENT

The Group continues to support W&RSETA programmes aimed at developing managerial and executive skills through its International Leadership Development and Retail Leadership Development Programmes. Overseas and South African universities present these programmes, which focus mainly on the

empowerment of previously disadvantaged individuals. The Group has built close relationships with these educational institutions, actively participating in the development of the retail-related programmes, and continues to participate in conferences, supplier workshops and market tours to stay abreast of the latest international trends in management and leadership development.

BURSARIES AND GRANTS

In addition to the Group's internal and accredited training programmes, it provides bursaries with work-back agreements. During the period under review, 328 recipients benefitted from tertiary qualification bursaries, and the Group's total spend on these bursaries amounted to R11,94 million. The total amount of R15 million allocated for bursaries represents an increase of 9% over the corresponding period in 2012.

In addition to these bursaries, funds were made available to staff members and their dependants through the Group's Educational Trust. This programme disburses grants to pay the school fees of low-income employees' dependants, and provides interest-free loans to enable employees and their dependants to pursue further studies. Since 1995, almost 25 280 of the Group's employees have benefited from loans, grants and bursaries from the Educational Trust.

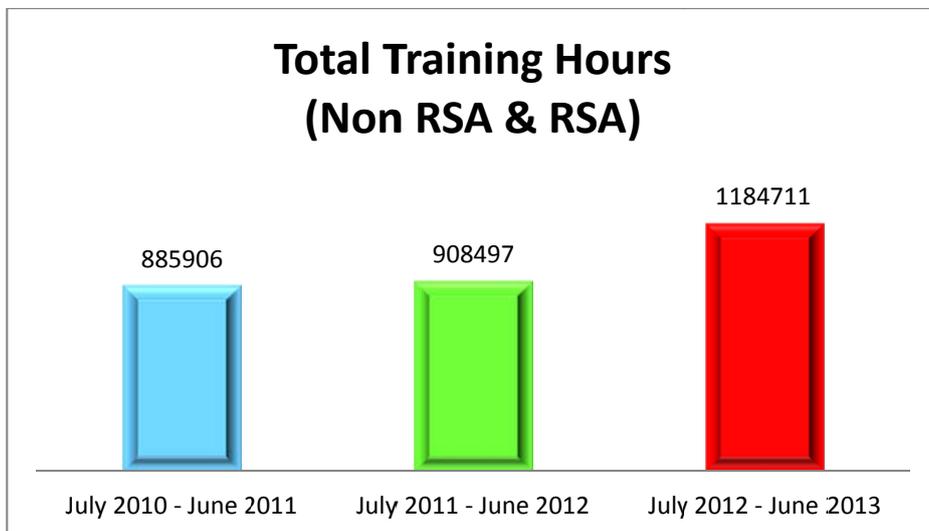
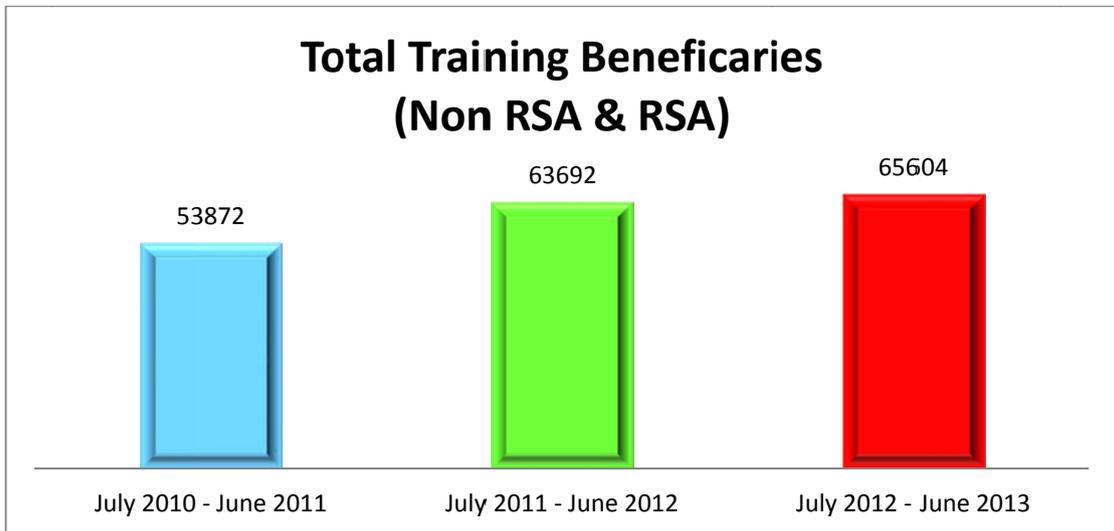
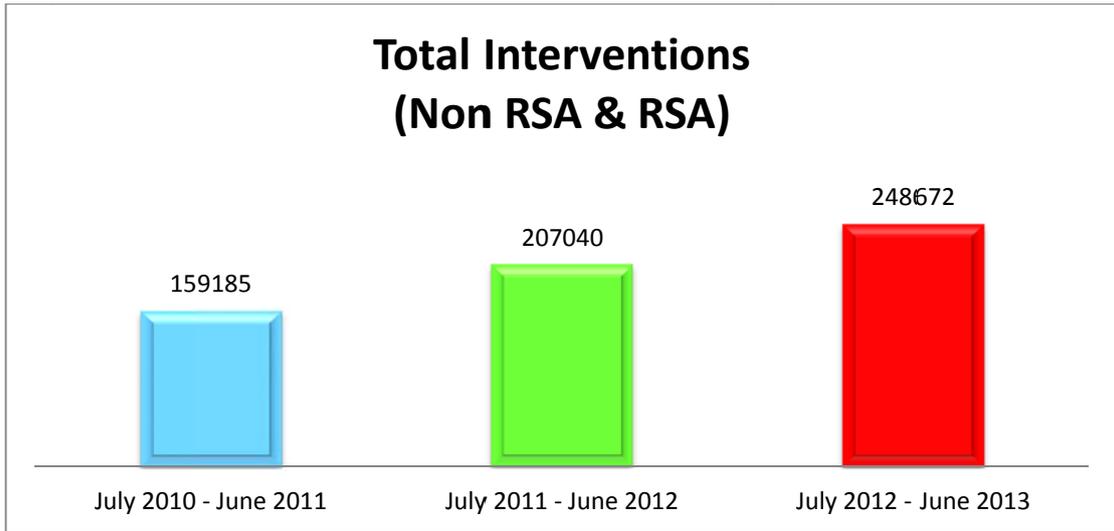
E-LEARNING

During the reporting period, the Group introduced a proof of concept programme to test its various e-learning solutions. Through e-learning, the Group will ensure the quick deployment of training modules throughout its operations. In addition, the Group will also be in a position to undertake on-line knowledge assessments.

The objective is to convert 10-15% of existing workshop-based learning material into e-learning modules over the next three to five years. Freshmark's first Produce Buyer e-learning training programme was launched in August 2012 and 45 participants completed this programme during the reporting period.

Plans and targets

To address the chronic skills shortages experienced by the retail industry in Africa, the Group extended 248 672 training interventions (2012 – 207 040) to 65 604 individuals (2012: 63 692).



During the next financial year, the Group aims to improve and expand on its current initiatives.

EMPLOYEE BENEFITS

Different regulatory and legislative environments across the various countries in which the Group operates determine the way employee benefits are structured. The Group attempts to standardise benefits wherever possible and endeavours to provide employees with benefits that support the skills retention strategy.

HIV/AIDS PROGRAMME

HIV/Aids is one of the key challenges facing South Africa today. An actuarial evaluation commissioned to determine the prevalence of HIV among the Group's employees estimated the prevalence rate to be 17.8%, broadly in line with the communities it serves and from which it recruits its employees. The Group considers this to be a material issue requiring attention and recognises that interventions can have substantial benefits for employees and their families.

Our HIV/Aids programme is overseen by the HIV/Aids Steering Committee. This committee, which represents the Group, employees and labour, meets on a regular basis to review and administer the implementation of all the Group's HIV/Aids interventions. Group HIV/Aids programmes focus on HIV and Aids in the workplace and at home. A HIV/Aids awareness and training programme was introduced to ensure a non-discriminatory and supportive environment. All employees and their immediate families have access to Post Exposure Prophylactics (PEP) medication in case of accidental exposure to the HIV virus.

The Group's Voluntary Counselling and Testing (VCT) project is managed by LifeAssist, an independent wellness management company. Free testing and counselling was offered at 163 facilities in South Africa. A total of 4 801 staff members were voluntarily tested, revealing a prevalence rate of 6.3%. A prevalence rate of 6.7% was found among the 8 627 staff members who to date have participated in the programme.

In partnership with LifeAssist, all employees who test positive receive personalised follow-up calls to ensure they have access to anti-retrovirals and obtain appropriate medical care. This partnership ensures employee anonymity and thus unbiased treatment in the workplace, whilst providing valuable prevalence statistics that serve to monitor the effectiveness of the Group's HIV/Aids-related measures.

ORGANISED LABOUR RELATIONS

Of the Group's employees 36 179 are affiliated to a trade union and are represented through employee unions and collective bargaining structures. The Group's aim is to foster good working relationships with organised labour structures and monitor and resolve employee issues before they lead to industrial action.

The Group engages with labour unions in 12 of the 17 countries in which it operates. It remains committed to global standards in labour relations and has an agreement in place with Uni Global Union to that effect.

There was no material strike action during the reporting period that impacted on the Group's operations.

OCCUPATIONAL HEALTH, SAFETY AND SECURITY

The Group employs a comprehensive IT-based occupational health and safety (H&S) management system which has resulted in a more streamlined approach to measuring, monitoring and managing all H&S-related activities. This system covers awareness campaigns and training programmes, committee meeting agendas and minutes, inspection checklists, incident capturing and line management reporting. Fire prevention tasks and checklists form part of the system.

Senior management has access to all H&S reports through the corporate intranet, and all serious H&S 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 H&S guidelines.

Security

South Africa has one of the highest rates of robbery and violent theft in the world. The Group's business is largely cash driven, requiring extra precautions to prevent attacks and losses especially when money is transported. The Group takes its responsibility to provide a secure and safe environment for customers and staff seriously, as it does protecting its assets.

The Consumer Goods Council, of which the Group is a founding member, identifies crime trends and advises on how to mitigate risks.

The following security themes are managed on an on-going basis:

- Cash-in-transit security;
- Store shrinkage; and
- Store staff and public security.

Regular security inspections and audits are conducted at stores and shopping centres where Group outlets are located to ensure compliance with safety policy and the effective use of safety equipment. Divisional loss-control managers are mandated to perform spot checks and action any required changes. External service providers are also commissioned where necessary.

Physical security methods include burglar bars, safe-deposit boxes, access control and anti-bandit doors, further reinforced by electronic security measures, including closed-circuit television surveillance (CCTV) and monitored alarm

systems linked to third-party armed response teams. Security guards from PSIRA-registered service providers are employed at all the Group's shopping centres as well as in-store, the risk profile of each determining the number of guards deployed.

Product safety

PRODUCT SAFETY AND LABELLING

The CPA places responsibility for product shortcomings suffered by customers on the retailer as well as the manufacturer.

Food safety is one of the Group's top business priorities and considerable time and resources are spent on the implementation of a robust food safety policy to ensure that all edible groceries sold comply with the relevant food safety requirements, including each product's specific food safety regulations. The Group's Food Safety Management System (FSMS) assures compliance with food safety standards. This system addresses elements such as product testing and recalls, supplier audits, cold-chain management, traceability and hygiene, and risk assessments.

We have aligned our food safety focus with international Good Agricultural and Manufacturing and further comply with standards set by the National Regulator for Compulsory Specifications (NRCS), the South African Bureau of Standards (SABS) for electrical products and the Gas Board for gas-operated products.

SUPPLIER COMPLIANCE

As part of its management of food safety risks, the Group's Food Safety Department prioritises the monitoring of all suppliers with the focus on small non-compliant suppliers and assisting them with guidance on implementing the necessary requirements.

NSF Africa, an international organisation that specialises in food assurance and certification, has been contracted to maintain the Group's food safety database regarding supplier status. Food suppliers can be approved only once the Food Safety Department has confirmed their compliance and verified their food safety certification.

Safety standards applicable to suppliers to the Meat Market division now include Food Safety Assessment or International Standards Organisation (ISO) certificates. Of the Group's 277 meat suppliers (including secondary suppliers), 276 comply with this new requirement. The Group will continue to assist small suppliers to prepare for compliance audits, prioritising suppliers of high-risk products.

OWN BRANDS

Own brands (including private labels) are analysed visually, chemically and microbiologically in accordance with a documented schedule to ensure their safety and quality. A third-party accredited laboratory performs the analysis. All

imported products undergo the same scrutiny. Over 7 310 products were tested during the period under review with zero failures being reported.

GENERAL MERCHANDISE ITEMS

All electrical appliances must comply with strict standards and the National Regulator for Compulsory Specifications must issue a Letter of Authority (LOA) for each product permitting it to be imported. LOAs are valid for three years, but the Group conducts independent tests at more frequent intervals and requires renewed certification on each occasion, ensuring that deteriorating product quality does not go unnoticed.

DISTRIBUTION CENTRES

Quality control managers in the Freshmark distribution centres perform a minimum of three internal Good Manufacturing Practices (GMP) audits a year. These are followed by the annual third-party GMP audit.

EMERGENCY RECALLS

To prevent non-compliant products from remaining on the Group's supermarket shelves, emergency testing and recall procedures are in place. Any unsatisfactory result leads to an immediate product withdrawal, and corrective actions include re-sampling until a product complies with the relevant standards.

IN-STORE HYGIENE

The Group's Food Safety Manual addresses all aspects of hygiene, food safety and handling as well as the storage of food safety-related documents and certificates. Food safety at store level is the responsibility of divisional management, with third-party monitoring of in-store hygiene on a quarterly basis. Stores are audited and graded and performance reports are sent to management for review.

QPro conducts comprehensive and detailed independent hygiene tests in in-store bakeries, butcheries, delicatessen areas and fish shops. If a facility's score is below the minimum standard, the areas of concern are addressed immediately and subjected to re-audit within four weeks. All store audits are accessible to management via the corporate intranet.

Labelling

The Group has incorporated the labelling requirements of the CPA as well as other relevant labelling requirements of the departments of Health, Agriculture and Trade and Industry in all its supplier contracts and trade terms.

Suppliers identified as non-compliant are provided with the details of their non-compliance and required to provide a satisfactory rectification plan. Stocking of products that are non-compliant and deemed a potential food safety risk to consumers is suspended until the problem has been resolved.

All products from new suppliers must meet their specific labelling requirements before the supplier can be listed with the Group. New items from existing suppliers are thoroughly vetted for compliance before approval.

RESPONSIBLE LENDING

The 2005 National Credit Act of South Africa (NCA) regulates all institutions that provide consumer credit. The Group's credit offering is aligned with the provisions of the NCA and the relevant laws in the countries outside South Africa in which it operates.

The Group's three furniture chains - OK Furniture, OK Power Express and House and Home - offer credit facilities to consumers whilst the franchise division offers credit to its franchisees. Credit sales represent 30.0% (2012: 30.7%) of total sales of the furniture division, which constitute approximately 3.8% of Group sales overall. The franchise division offers credit facilities that are similar to the industry norm of 30 days from date of statement.

Credit agreement interest rates are calculated in accordance with regulatory requirements and the market risk experienced. The Group's interest rates are lower than those recommended by the National Credit Act.

Environment and climate change

ELECTRICITY CONSUMPTION

Over the last three years, the Group has implemented various measures to manage its electricity consumption more effectively. A comprehensive energy monitoring system has been implemented in most of its South African supermarkets. This system is continually being optimised and represents a major step in the accurate measuring, monitoring and reporting of the Group's electricity consumption.

Based on the data collected, consumption benchmarks are being developed for the various types of stores the Group operates. A dedicated team works closely with experts and equipment manufacturers to evaluate electricity-efficient initiatives and technologies while the availability of subsidies for implementing energy-saving programmes are also being investigated.

The Group will continue to analyse its electricity consumption data to establish internal benchmarks and targets and assess energy efficient technologies and will investigate the availability of subsidies for implementing energy-saving programmes.

The Group also intends increasing its level of public reporting on electricity consumption, pending the availability of accurate data from its new measurement system and the development of industry-wide reporting standards for energy consumption.

Refrigeration

During the reporting period, the Group continued with the roll-out to its supermarkets of its smart-refrigeration and tele-maintenance systems. These systems use real-time data to adapt to changing conditions and, as a result, run refrigeration installations more efficiently.

Lighting

During the reporting period, the Group engaged with Eskom to identify electricity-efficiency initiatives, the first of which will see all its South African supermarkets retrofitted with energy-efficient lighting during the new financial year. It is estimated that this project will realise a total energy saving of more than 6 megawatts.

WATER CONSUMPTION

The Group is investigating and piloting a range of large-scale water-saving initiatives. One of these is the installation of a state-of-the-art grey-water system at its distribution centre in Centurion, currently being monitored for its effectiveness and cost efficiency. Among smaller initiatives, only water-wise indigenous plants are to be selected for all new facility gardens.

The Group aims to enhance its water monitoring programme in line with the functionality enabled for electricity consumption across its supermarkets in the new financial year.

TRANSPORT AND FUEL CONSUMPTION

Distribution is a fundamental component of the retail industry's business activities. Minimising the use of fossil fuel throughout the supply chain is therefore not only an environmental responsibility, but also strategic long-term business sustainability imperative.

The Group's ability to distribute centrally in South Africa has minimised the number of supplier vehicles making direct-to-store deliveries, with suppliers now able to make fewer bulk deliveries to the Group's distribution centres at any time of day or night.

The Group monitors and evaluates all technologies and processes available for reducing fossil-fuel use throughout its supply chain. Initiatives to improve operational and fuel efficiency include:

- Vehicle routing and scheduling systems implemented at all distribution centres to assist in optimising travel distance, cost and driving time;
- Store ordering systems allowing for improved delivery scheduling and a reduction in unnecessary deliveries to replenish out-of-stock items; and

- 24 hours a day and after-hours delivery schedules to alleviate the pressure on the road infrastructure and reduce carbon emissions caused by traffic delays.

As an extension of its centralised distribution, the Group has continued with the implementation of a “Reverse Logistics” system to optimise the transportation of equipment and unsold product from stores back to the distribution node for collection by suppliers or destruction. This system will be extended to all store-level recyclable materials.

RECYCLING AND PACKAGING

According to the National Environmental Waste Act of 2008, “Sustainable development requires that the generation of waste is avoided, or where it cannot be avoided, that it is reduced, re-used, recycled or recovered and only as a last resort treated and safely disposed of”.

In the period under review, a number of initiatives to reduce packaging and waste across the Group’s operations were implemented:

- Additional re-usable roll-tainers were introduced to replace wooden pallets and reduce the use of shrink-wrap material for stabilising product during transportation;
- The increased use of crates and tote bins reducing the use of cardboard boxes;
- A reclamation centre for damaged goods is operational. More types of recycle material will be handled through this centre in future.

CARBON DISCLOSURE

The Group initiated its second carbon footprint assessment and responded to the Carbon Disclosure Project (CDP) for the third consecutive year. While the measurement of Scope 1 emissions is still limited, the Group is now able to report on Scope 2 emissions (electricity consumption) more accurately. Electricity consumption in supermarkets and fuel usage in the supply chain constitutes the bulk of its carbon footprint.

The Group has not completed a full carbon footprint assessment and consequently has not set any specific reduction targets in this regard. It will, however, graduate to full disclosure and the setting of reduction benchmarks in future.