



**OUR CUSTOMERS ARE AT
THE HEART OF OUR BUSINESS**

SUSTAINABILITY 2017

Nurturing our Capitals

At Shoprite, we understand that our business will be unable to grow and prosper without the ongoing support and input from our capitals. As Africa's leading retailer and importer/exporter of food products and general merchandise, we have a responsibility to oversee the impacts of our operations to ensure the long-term sustainability of the Group and the capitals we depend on. We have a strong focus on protecting and growing our capitals and fostering long-term relationships as a foundation for long-term sustainable growth. Our continued success rests on effective engagement with our customers and their communities, our employees and suppliers, and access to a healthy and stable natural capital base.

Human Capital

We focus on attracting, developing and retaining a loyal and committed workforce who work within the same organisational culture with personal alignment to our Group's objectives.

Shoprite is the largest food retailer in Africa and, according to research by Deloitte, the 110th biggest retailer in the world. Our employees are key to our success. During the 2016/17 financial year, Shoprite employed 143 802 people, of which 65% are women, and we created 6 027 new jobs.

We work hard to attract and retain talented people and to provide skills training and support to enable them to reach their potential. We focus on ensuring that recruitment and skills development aligns with our goals of empowering women, enabling access to the South African economy and supporting transformation aligned with the Broad-Based Black Economic Empowerment (B-BBEE) Codes of Good Practice.

Recruitment and retention

South Africa is the biggest employer at 120 280 people, followed by Angola (5 289), Namibia (4 656), Zambia (3 840) and Nigeria (2 650). The table below indicates growth in employee numbers in the reporting period, new jobs created and the percentage of employees who are women and black Africans. Shoprite's number of disabled employees increased by 11.01% to 504 people in the reporting period.

All countries	Total employees	Management	Staff	New jobs created	% Total women employees	% Total black african employees
2015	132 942	12 503	120 439	9 842	65.8	96.1
2016	137 775	13 323	124 452	4 833	65.6	96.6
2017	143 802	13 966	129 836	6 027	65.4	96.8

Succession planning is in place for key positions, with a focus on filling positions from within the Group. Managerial-level turnover remains stable and staff turnover, while still high, is on par with national and international turnover rates, particularly for part-time workers.

All countries	Management turnover	Full-time staff turnover	Part-time staff turnover
2015	16.72%	19.96%	54.46%
2016	16.73%	19.12%	55.22%
2017	14.69%	19.21%	52.21%

We aim to ensure that stores can access a pool of talent through an innovative human resources management process that attracts, identifies and pre-screens candidates with the necessary skills for all levels, in different languages, cultures and locations.

Job seekers apply for entry-level positions through our website and mobile application. We received 173 097 applications via these platforms in the reporting period. In June 2016, we launched a 12-month recruitment drive on LinkedIn for mid- to senior-level positions. Successful use of this platform has helped us significantly reduce agency costs while promoting awareness of the Shoprite Employer brand. The number of non-employee followers on our LinkedIn platform increased to 27 099 by the end of the reporting period, and we saw a marked increase in applications via this platform.

Nurturing our Capitals (continued)

In the year under review, the Retail Varsity launched a series of programmes focused on the development of management competencies in our operational environment:

- the Controller Action Plan Programme,
- the Management Training Scheme for trainee managers,
- the Management Action Plan Programme for branch managers and
- the Regional Action Plan Programme for regional teams.

Customer-centricity forms the cornerstone of our approach to training. A total of 832 branch managers have attended the Management Action Plan Programme since inception, with 282 (including 69 stock administrators) attending in the reporting period. In addition, 292 of our trainee managers were enrolled in the W&RSETA Operations Supervision Learnership in the 2016/17 financial year. The trainee management programme is our source for branch managers, which feeds into regional management and other operational positions. By April 2017, 86% of trainees on board were black, exceeding our target of 80%, and there were 314 trainee managers available for positions in 223 branches outside South Africa. Furthermore, we successfully implemented the Regional Action Plan Programme in the Eastern Cape, the Western Cape and Gauteng in the reporting period – all 101 delegates were found competent. To date, 99 controllers have completed the Controller Action Plan Programme, with a further 343 controllers earmarked to attend in the 2017/18 financial year.

Broad-based black economic empowerment

Previous codes of good practice				Amended codes of good practice		
B-BBEE element	Weighting points	2014	2015	B-BBEE element	Weighting points	2016
Ownership	20.0	8.8	7.9	Ownership	25.0	7.9
Management Control	10.0	4.8	3.3			
Employment Equity	15.0	6.7	12.3	Management Control	19.0	8.9
Skills Development	15.0	10.6	8.3	Skills Development	20.0	13.7
Preferential Procurement	20.0	17.8	14.1	Enterprise & Supplier Development	40.0	22.2
Enterprise Development	15.0	15.0	15.0	Socio-Economic Development	5.0	5.0
Socio-Economic Development	5.0	5.0	5.0	Total points	109.0	57.7
Total points	100.0	68.7	65.9	B-BBEE Status (prior to discounting)		Level 7
B-BBEE Status		Level 4	Level 4	Final B-BBEE Status (after discounting)		Level 8

At the time of printing, Shoprite was in the process of completing the 2017 B-BBEE verification and therefore could not reflect the final outcome. A SENS announcement will be made as soon as the process has been completed.

In 2016 Shoprite was required to be verified under the Amended B-BBEE Codes of Good Practice for the first time. The Amended Codes have increased both the required weighting points needed to achieve a certain level of compliancy, as well as the required targets needed to achieve these weighting points. In addition to this, sub-minimum targets have been set for three Priority Elements and this has made it increasingly difficult to achieve good compliance levels. As a result, most businesses experienced lower scores post implementation.

Shoprite however remains dedicated to transformation and we will endeavour to maintain our strong commitment to sustainability and broadening of the formal economy.

We continued to increase our black representation in the Group and we are proud to be the largest private sector employer. Our commitment towards developing skills has increased significantly, as we strongly feel that education is a key element to changing people's lives.

We continue to strive to develop black owned businesses through our Enterprise and Supplier Development (ESD) initiatives and our Corporate Social Investment (CSI) programs remain committed to assisting communities that are most in need.

Skills development

Shoprite's employer value proposition is *BeMore* because we understand that our success is built on the hard work, passion and skills of our people. We lead the sector in providing training opportunities for our employees and those looking to enter the retail sector.

Shoprite has re-registered as a private further education and training college to ensure that a portion of its learning curricula provides learners with industry-recognised qualifications. The Group's 26 learning sites underwent an extensive occupational health and safety audit during the reporting period, emerging with a 91% compliance rate. The Group has forged partnerships with public technical and vocational education training colleges and universities of technology to provide workplace experience to learners who need to complete practical workplace experience modules. We also partner with government departments to help address challenges around unemployment and scarce and critical skills, in line with the objectives and targets set out in the National Development Plan, the National Skills Development Strategy, the New Growth Path and the W&RSETA Skills Plan. These public-private partnerships help ensure a sustainable supply of talent for positions at both entry and middle-management levels.

The Shoprite Retail Varsity offers a range of courses and programmes that can be delivered through classroom-based learning, e-learning, in-store training, self-study or coaching/mentoring programmes. It aims to become the most cost-effective and efficient retail varsity in the world, delivering cutting-edge learning on the demands created by the Group's growth and transformational strategies. It offers more than 1 700 courses (of which 71 are accredited programmes/courses) to employed and unemployed learners. Some courses, such as the secure load strapping course, directly reduce losses or make operational processes more efficient, which helps us to reduce costs.

The goal is to convert 80% of all entry- and intermediate-level courses to e-learning for easy access and continuous learning at store level. Shoprite will become one of the first retailers to successfully implement e-learning in Africa. More importantly, it will allow us to further provide standardised, integrated and stable learning content that can be delivered continuously and efficiently to large numbers across a geographically dispersed workforce, at a reduced cost. A *GroupZone* e-learning platform was implemented in 2014 to cater for groups of up to 20 learners and used primarily for induction, customer service, compliance and product knowledge training. The *MyZone* e-learning platform is currently being implemented and has been specifically designed for systems and process training. In the reporting period, 2 100 individual e-learning

kiosks were manufactured and delivered – 705 have been installed in South Africa and Malawi to date. By February 2018, the *MyZone* e-learning platform will be up and running in all supermarket stores and distribution centres to support the SAP COR3 project, which will implement standard SAP functionality across all operational areas.

We launched several initiatives in the reporting period in our supermarket environment, aimed at improving our service culture to enhance customer experiences and comply with consumer legislation. These included the freshness training campaign, new customer service e-learning courses, customer service case study training and an accredited customer service skills programme. The table below illustrates the number of training interventions directly related to customer service conducted in the period under review:

Customer service training interventions 2016/17 financial year	141 986
Total e-learning (formal) (Service culture, customer experience, customer communication, complaints handling, consumer legislation)	106 670
Total classroom (instructor-led and DVD) (Customer care skills programme, building customer relations, etc.)	23 940
Total e-learning (case studies) (BeMore Diaries – five episodes)	11 376
Freshness training interventions 2016/17 financial year	121 499
Total e-learning	102 130
Total classroom (DVD) (Food safety and hygiene DVD)	19 369

The Shoprite Retail Varsity has successfully rolled out an unfunded Customer Care Skills Programme to 5 966 front-end staff during the reporting period. In addition, the W&RSETA funded a further 1 150 employees to be trained on this programme of which 957 employees completed the course by year-end. Other focused training interventions included accredited training programmes for our trainee bakers and trainee butchers, a mandatory blended learning curriculum for trainee and junior buyers, a comprehensive induction programme for newly appointed business analysts, and competency-based management and leadership development interventions. We also partnered with SAP Skills for Africa to help build the scarce and critical SAP skills needed in our business and the broader sector. We provided training to 514 disabled beneficiaries in the reporting period: a 27% increase from the 2015/16 financial year.

	Beneficiaries	Training days	Training hours	Interventions
South Africa				
2015	90 946	164 890	1 319 120	406 519
2016	106 256	210 173	1 681 384	593 702
2017	115 141	235 057	1 880 452	690 546
Other African countries				
2015	6 887	11 096	88 769	20 041
2016	6 405	11 669	93 350	18 078
2017	8 430	14 245	113 962	22 557

More than 123 500 learners have benefited from the Retail Varsity offering, with a record number of 713 103 successful training interventions reported for the year.

Nurturing our Capitals (continued)

“The skills programme ... really equips learners to grasp how business works, and when learners do the practical component in the store, they are able to understand and apply the knowledge and skills learnt. The practical component provides store management with a window into the learner’s potential to work in a retail environment. This programme is therefore proving invaluable as it provides for better recruitment of the calibre of staff we want in our business.”

Moga Pillay,
Training Manager, Gauteng

Developing human capital

Shoprite is committed to developing human capital by creating access to employment and developing skills to drive its business and the broader economy.

Retail Readiness Programme

Stats SA’s 2017 figures indicate that 38.6% of South African youth are unemployed. Shoprite launched its intensive Retail Readiness Programme through the Shoprite Development Trust early in 2016. It is a two-month accredited training programme. To date, 11 861 learners have registered, 76% have graduated and 5 894 learners have been employed by Shoprite. The target for 2017 is to provide 5 200 unemployed youth in the Western Cape, Limpopo and the North West with skills relevant to the retail market. In the reporting period, 6 488 were registered, 5 092 were found competent and 3 375 found employment within the Group. This initiative has helped ensure a supply of trained employees for new store openings, while contributing to broader skills development for the economy.

Decade of the Deaf

More than 700 000 South Africans are deaf. Most struggle to gain employment. Shoprite’s 2009 Decade of the Deaf initiative aimed to train 1 000 learners by 2019 in partnership with Employ and Empower Deaf (eDeaf). It has successfully trained 800 learners in wholesale and retail chain store operation (accredited NQF level 2 qualification) to date.

Trainees complete a one-year practical learnership in a Shoprite or Checkers supermarket and, on successful completion of their competency evaluation, are guaranteed employment in identified positions within administration or store operations. This ensures the sustainability of the initiative and contributes to making employment accessible to the deaf community.

Shoprite bursaries

Shoprite provides young students with bursaries to study the skills that address its business risks and provide future business advantages. We awarded 315 bursaries for the 2016 academic year, to the value of R16.6 million. For the first six months of 2017, 191 bursaries to the value of R11.9 million have already been awarded, with a further 116 provisionally approved, which will take the total bursaries for the 2017 academic year to 307 and the spend up to a potential R18.2 million. The bursaries are awarded for BPharm, Retail Business Management, B Acc, Hospitality Management, Information Technology, Food Science, Logistics as well as B Admin. While most were awarded for study in South Africa, nine were awarded for study in Angola, four in Zambia and three in Malawi. All those who received bursaries enter full-time employment at Shoprite on completion of their studies. Of the bursaries awarded in South Africa, 65% were granted to individuals from designated groups and 61% to women.

Shoprite was voted a runner-up in the South African Graduate Employers Association “Retail employer of choice” in 2017. Current students and prospective bursary holders chose us based on our reputation, training and development opportunities, long-term career prospects, security of employment and mentoring offerings.

Trainee Accountant Programme

There is a critical shortage of chartered accountants in South Africa. Shoprite’s Trainee Accountant Programme is registered with the South African Institute of Chartered Accountants (SAICA). The programme provides formal training to those looking to complete their qualification in a professional environment, and ensures qualified financial managers with a general business and retail focus. Since inception in 1999, 78 trainees have completed their articles at Shoprite: 66 qualified as chartered accountants and 12 as accountants, of which 60 were employed by the Shoprite Group. Twelve trainees graduated as chartered accountants at the end of 2016 (seven were women and six were from previously disadvantaged backgrounds) and nine trainees entered the programme in the reporting period.

Shoprite’s working environment

Shoprite supports the United Nations Global Compact principles. We instituted a system in the reporting period to monitor alignment with the principles across all business units to ensure these are entrenched into business strategy, company culture and daily operations. The Company Code of Conduct supports a culture of observing human rights and behaving with dignity and respect for others.

Occupational health and safety

The health and safety of our workers is a priority. We have systems in place to raise awareness of the necessary standards and safeguards, and to reduce risk in this regard. In the reporting period, 11 163 training interventions on risk management were rolled out through the Worktrainer Risk Solutions e-learning platform. Shoprite also uses peer educators to communicate to staff on health and safety issues. Compliance is monitored through an online reporting system; 189 432 occupational health and safety audit checklists were completed in the year. We conduct spot checks and inspections to ensure adherence to health and safety guidelines. Serious incidents are reported to the Chief Financial Officer for immediate action.

All countries	Reported safety incidents
2015	7
2016	7
2017	8

Employee health and safety

We provide our employees and their families with a range of health and safety services, including:

- Life Assistance programmes in every store and distribution centre in South Africa, including mental health services.

- An HIV/Aids programme that includes 24/7 call centre support, provision of post-exposure prophylactics medication and counselling services. The peer educator programme appointed a further 604 people in the reporting period to bring the total to 2 871 and these educators are regularly trained.
- A voluntary counselling and testing programme for tuberculosis, diabetes, cholesterol, high blood pressure and weight-related issues.

Labour representation

Shoprite is committed to the principles of freedom of association and collective bargaining, as evidenced by a 27-year track record of recognising and interacting with Trade Unions. Employees in RSA are represented by the South African Commercial, Catering and Allied Workers Union who holds a membership in the region of 33 000. This Union actively participates in the employment equity, skills development and occupational health and safety committees, among others. Eight other Trade Unions are recognised by the Non-RSA operations of the Group for the purpose of collective bargaining and organisational rights. Our relationship with Non-RSA Trade Unions are healthy. We are also proud to be the only retailer on the continent who has a relationship agreement in place with the Uni Global Alliance movement. Management meets, on an annual basis, with representatives of the African leg of

the organisation, Uni-Africa. The objective of this engagement is to enhance transparency and strengthen our relationship with organised labour movements.

Grievance mechanisms

Employees can report incidents that cause dissatisfaction through established grievance procedures to line management, who will make every attempt to resolve such grievances quickly and transparently. Line managers receive training on dealing with grievances as part of their development programme. Employees also have at their disposal a confidential hotline and a suggestions box that they may use to request work-related information.

Performance incentives and rewards

Financial and non-financial reward mechanisms are in place to incentivise staff to excel in their work. These are discussed in the Remuneration report.



For more detail on engagement practices and key concerns from our employees, refer to the Stakeholder Engagement section on page 16.



For more detail on our remuneration practices, refer to the Remuneration report on page 62.

Celebrating our people

Super Service Awards competition

The Super Service Awards competition rewards staff for providing outstanding customer service and giving customers a better shopping experience. As Africa's largest staff incentive programme, the Super Service Awards encompasses 180 000 contracted and sub-contracted staff in 2 301 branches across 19 brands trading in 15 countries.



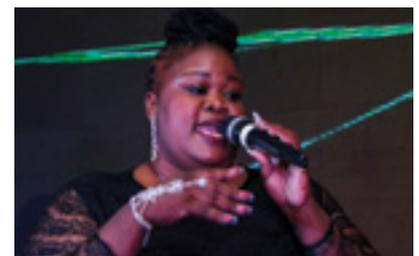
The competition measures participation and judges key areas of customer service over three rounds. It includes retail audits, food safety audits, stock management reports, sales reports, teamwork tasks and visits from mystery shoppers.

Each year we reward around 42 000 staff members over the three judging rounds, with

the 30 top-performing branches winning a VIP trip to Cape Town for their performance throughout the year. The trip includes visits to Cape Town landmarks. In many cases this will be a staff member's first flight or first visit to the ocean. Branches are invited to attend an awards ceremony where the winning branches from each brand are announced and rewarded with prize money.

TopStars

Shoprite's TopStars singing competition is a growing success; it celebrated its 10th anniversary in October 2016. More than 1 800 Shoprite employees from 13 countries entered, hoping to reach the semi-finals where they receive performance coaching before competing in the exciting finals. TopStars has proven to be one of Shoprite's most effective team-building initiatives, building on the competitive spirit in and between stores in the Group, and involving more than 8 000 staff as participants and supporters in the 2016/17 financial year.



Mahadi Tskolbane, 2016 winner.

Nurturing our Capitals (continued)

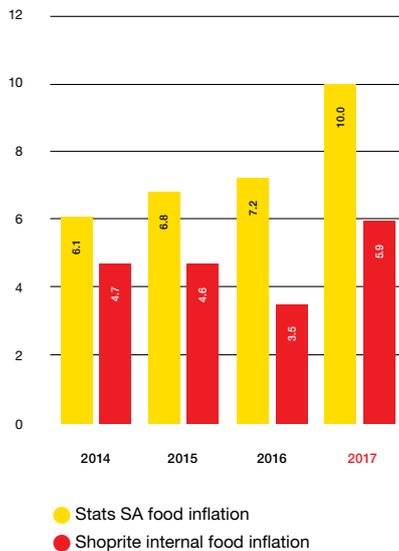
Over 35 million individual customers on the African continent



Social and Relationship Capital

We focus on staying true to our lowest price promise and continuously meeting our customers' needs and expectations. We build and maintain strong relationships with a broad and diversified group of suppliers thereby ensuring sustainable supply, safe products and the best prices. We support and develop the communities within which we operate, as our welfare and prosperity are entangled, and members of these communities represent our current and future customers, suppliers and employees.

The Shoprite low-cost promise



We prevented R1.8 billion of price increases from reaching customers, had our prices tracked inflation.

Focusing on our customers

Our primary stakeholders and capitals are our customers – more than 35 million African consumers. Maintaining our market position is dependent on meeting their expectations related to price and value for money. As a customer-facing company, our ongoing delivery of quality, low-cost food is validated directly by our customer base. We also conduct bi-annual surveys, test customer perception of new products through ad hoc focus groups and track our competitors daily. Shoprite's focus on embedding its customer-centric approach into operations has deepened in the reporting period to help ensure customer loyalty to its brand.

The Shoprite low-cost promise

Our primary focus is to provide affordable, safe, quality food to our customers, helping people put food on the table. Food represents a significant portion of expenditure for households. Affordability is one of the key internal metrics of success of the Shoprite Group, while price leadership remains a focus throughout the business.

Our drive for price leadership is relentless and we meticulously monitor our internal price inflation against national averages. Shoprite continues to beat food price inflation. Bi-annual Brand Health Tracker surveys indicate that we still lead the low-price market and that 91% of our customers were satisfied with our offering in 2016/17. We extended our subsidy on the standard 600g loaf of brown bread, among other staple products, in 2016/17 and launched a range of discounted R5 convenience meals to help our customers' money go further in a tough economic climate.

We use our procurement strategy and supply chain management to increase efficiencies and reduce costs, all of which helps us to keep Shoprite's low-cost promise. As a result of our efforts, we have maintained the pace of internal food price increases consistently below official food inflation.

A customer-centric approach

We go out of our way to extend the value of shopping at Shoprite through the added convenience of our MediRite pharmacies, the Money Market Kiosks and access to social grant payments in South African stores – about 2 million transactions a month. We are the only external agent that does not charge a fee for this facility. We take customer complaints seriously and have a customer service recovery plan in place. We are also often first responders when communities are hit by disasters, providing food packets, hot meals through our mobile soup kitchens or donations of money and necessary goods. These value-added services help to build Shoprite's brand and reputation, growing our customer base and their loyalty.

Our staff all understand the need for customer-centric service; a CEO video initiative that reaches out to store staff and empowers staff to ensure that every single customer leaves happy, has helped to drive this. Each department in the business remains focused on ascertaining consumers' current and future needs. Through a value chain analysis process, we determine how to meet that need within a model focused on improving efficiency and lowering costs.

Product responsibility

Food safety is of the utmost importance for the Shoprite Group, a fundamental component of our offering and critical to our long-term viability. We are committed to providing safe and correctly labelled food, both in our own product ranges and those of our suppliers, to mitigate the risk of harm and illness and resultant brand damage. A dedicated unit comprising a national food safety manager and a team of food technologists ensures that suppliers and products are aligned with applicable legislation and comply with Shoprite's food safety requirements. All major food suppliers are audited annually by internationally accredited independent auditing and certification service providers. We also utilise external bodies to conduct unannounced food safety and quality audits of our

Shoprite sold 7.4 billion items in 2017

convenience meals. We use these results to further improve our customer offerings. All private label products undergo rigorous testing, audits and compliance verification. We conduct in-house quality testing as well as external microbiological and chemical analysis through accredited laboratories. Our product labels undergo strict compliance verification.

Shoprite trained about 46 000 staff on food hygiene and safety in 2016/17. This investment has resulted in our audit figures improving over the last year by 3.5%. Shoprite proactively engages with the Consumer Goods Council of South Africa (CGCSA), the National Regulator for Compulsory Standards (NRCS) and government departments to ensure that it is prepared for changes in legislation and can help its suppliers prepare timeously. We consider customer complaints, media reports and panel reviews as part of our quality and safety assurance programme. We have an electronic recall system in place that enables effective and efficient recall of any item. We will further enhance our recall process to improve the response time in the next reporting period. Risks are identified and reported to the Risk Forum and senior management to take the necessary corrective action.

Working with our suppliers

Shoprite uses an electronic platform to register and monitor supplier compliance, and suppliers are encouraged to maintain their portfolio to ensure that it has up-to-date information about their manufacturing sites, practices and product lines. To date, we monitor more than 3 000 supplier sites, of which 230 new suppliers were added and approved through our food safety process in the reporting period. Suppliers undergo an annual mandatory food safety audit. We pre-approve suppliers' food safety certification and provide advice when necessary to help them comply. Minor issues of regulatory non-compliance were dealt with during the reporting period – none were related to food safety or quality issues.

Our philosophy and practice regarding food safety is entrenched in the way that we work in other African countries. Food regulations in these locations are often inconsistent and there is limited capacity to undertake food safety testing or compliance auditing. Our International Trade Department manages quality and safety compliance for all imported and exported products. We will be putting resources in place in these countries to support suppliers, particularly smaller ones, in gaining compliance and entering the Shoprite supply chain. We conduct store audits in Namibia and Botswana and aim to put systems in place in Zambia before rolling them out to the rest of the countries in which we operate.

Coega Dairy

In 2010, armed with just a letter of intent from the Shoprite Group, Coega Dairy's 13 founding farmers set out to build a brand new factory in order to supply Africa's largest food retailer with UHT milk.

Today, just seven years later, Coega Dairy has 200 employees and indirectly employs another 750 people.

The Group purchases between 80% – 90% of the 160 million litres of milk produced by Coega Dairy annually. This accounts for more than 50% of the retailer's total UHT milk and butter sales, reducing the need for large import quantities whilst creating a sustainable future for this dairy farming community.



Refer to the Focusing on our suppliers section on page 50 for more information.

Focusing on our communities

Shoprite acknowledges its responsibility to manage the impact of its operations to ensure long-term economic, social and environmental sustainability. Although Shoprite operates in diverse African countries, most face similar challenges to South Africa, namely significant levels of unemployment and food insecurity at the household and community level. Climate change will exacerbate these challenges and potentially disrupt production patterns, as well as increase operational costs for the food retail sector. Shoprite is committed to fighting hunger, supporting food-insecure and disaster-struck communities, enabling access to the economy – particularly for women – and developing the skills needed to support its growth and that of the broader South African economy.

Communities are at the core of Shoprite's business. We create shared value by investing in the future of our communities because they are our customers, employees, suppliers and fellow citizens – the basis of our business success. In line with Shoprite's positioning as a "company with heart", we are amplifying our efforts to meet the needs of South Africans, with a focus on addressing hunger and food insecurity, developing needed skills and empowering women. By communicating the stories of the people and communities that we

work with, we also engage with our primary stakeholders: our customers. Corporate social investment is therefore also a way to build our brand and promote our customer-centric and low-cost value proposition to a broader audience.

We act for change

Our corporate social investment strategy aligns with Shoprite's low-cost promise and customer-centric approach. It is increasingly shaped by the desire to put in place longer-term initiatives that will help resolve more immediate challenges. We follow an interactive approach to interventions based on using pilot projects and incorporating lessons learnt in project decision-making processes. Our approach is necessarily tailored to the unique and diverse contexts in which we work and is designed using community consultation to determine needs and solutions. All interventions are audited and have defined exit strategies. We work in partnership with others, such as schools and community organisations, to deepen the extent and impact of our work. We have formalised our goals and objectives and are looking to further embed our corporate social investment messaging into Shoprite's corporate ethos. Edible food waste is one area in which we have been able to leverage a

challenge for South Africa into a benefit for society, and we are exploring other potential synergies within Shoprite's operational areas. A goal for the next reporting period is to customise and start applying our strategy to the other African countries in which we operate, including monitoring and evaluating interventions.

In 2017:

- R35.4 million was spent on corporate social investment initiatives in South Africa (a 30% increase from 2015/16).
- We donated a further R108 million in surplus food from our stores, resulting in 2.6% of net profit after tax going towards building stronger, better connected communities.

We also:

- Fed several million people through our mobile soup kitchens;
- Donated R857 706 through our Disaster Relief Fund and
- Raised over R4.5 million through corporate social investment fundraising initiatives.

Nurturing our Capitals (continued)

In 2017 our mobile soup kitchen programme served 3.6 million warm meals to vulnerable communities in South Africa.

More than 31 million meals have been served since 2007.

4 000 people accessed fresh food from 23 food gardens in 9 provinces in South Africa.

Almost 300 people trained in permaculture gardening techniques.

We fight hunger

Given the high levels of food insecurity at the community and household level, Shoprite focuses a significant portion of its corporate social investment spend on hunger relief (39% of spend). We fight hunger by providing food to thousands of people each day through FoodForward South Africa, which works through 600 beneficiary organisations to feed 250 000 South Africans a day with surplus food collected from retailers. In 2016/17, FoodForward rescued 95 tonnes of food from Shoprite distribution centres, and a further 285 tonnes from stores through the Virtual FoodBanking model.

We view our mobile soup kitchens as a short-term measure until we can help support the implementation of medium- and longer-term sustainable solutions, such as initiating and supporting community garden schemes. Shoprite works with Food & Trees for Africa to

establish and maintain sustainable food gardens. We initiated 19 more gardens across South Africa in the reporting period, an increase from four gardens in four provinces at the end of June 2016.

We have extended this approach to our communities in Zambia. The mobile soup kitchen programme fed about 1 000 learners at Linda Community School in Zambia each day until a sustainable food garden, completed during the reporting period, could meet this need. It continues to feed 928 Zambian learners at Chipata Community School while the food garden project is underway. We developed a blueprint model for our engagement with Food & Trees for Africa during the reporting period, which will enable us to set up more sustainable food gardens in food-insecure communities. Our short-term goal is to help these food gardens gain access to markets.

Investing in sustainable food gardens

Shoprite, in partnership with Food & Trees for Africa, works with community garden projects to help them upskill and increase production capacity – supporting enhanced food security in local communities and helping them generate an income from their growing activities.

Kgaugelo Permaculture Project

“I’m happy to be part of this workshop [Business Box]. I’ve learned a lot and this training has revitalised my mind. I can’t read but the facilitator presented in my language so it was easy to understand.”

Mrs Elisa Mmolutsi,
Kgaugelo Ya Sechaba project member

We helped the Thabo Community Action Trust develop a sustainable food garden project – Kgaugelo Ya Sechaba – in Botshabelo, Free State province. We provided support for training in permaculture techniques and the growing of medicinal herbs, as well as intensive business training through the Market Day and Business Box module to help the five growers transition to small-scale producers able to enter the market. The project currently grows food for a

feeding scheme run through the local clinic and produces seedlings for sale to the local community.

In May 2017, the growers were able to sell their fresh vegetables at the Shoprite store in the Botshabelo Mall. This Shoprite initiative aimed to raise awareness of World Hunger Day and enabled several community food garden projects to access their customers. Kgaugelo Ya Sechaba aims to start supplying local supermarkets at the Botshabelo Mall and establish its own nursery.



Mutshidzi Permaculture Project

In Siloam, Limpopo, Shoprite has helped to upskill 14 people from the Mutshidzi Community Centre who had established a food garden and a small chicken hatchery. We provided permaculture design training to help them overcome the challenge of limited water supply through the installation of an irrigation system, and to expand their chicken production. The workshops have empowered community members to identify obstacles to their success and ways around them using a design framework. Their efforts could fulfill the need for fresh produce in the area, which currently has no fresh produce supplier. We plan to expand production to additional land, install water storage tanks and grow the poultry offering.

We empower women

We recognise the significant role that women play in South Africa and in Shoprite as customers, employees and suppliers. We work to empower women who have or are starting small businesses or home industries and identify opportunities for those with the potential to supply Shoprite, helping them develop the relevant skills to grow their businesses into successful operations. We also partner with those exceptional women who are making a significant difference in their communities, such as Mirriam Cele, founder of the Gozololo Centre for Children and the NGO Makotse Women's Club, which initiates community projects to increase the standard of living of women in rural communities.

We develop skills

We develop skills to build a talent pipeline for Shoprite and help drive the South African economy. We create educational opportunities linked to work opportunities in Shoprite and we work in communities to develop skills. Shoprite partnered with the South African Entrepreneur Trust in the last reporting period to pilot a South African Teen Entrepreneur Programme in the Western Cape. We supported about 200 learners to complete a 10-module course in this intervention, which formed part of a larger project. This led to the establishment of 35 viable businesses, of which nine were feasible. In this reporting period, Shoprite scaled up its involvement to support investment in youth entrepreneurial skills at 10 schools.

We make a difference in our communities

In addition to our formalised initiatives, we run a variety of annual fundraising events that aim to resolve specific challenges faced by South Africans. These include:

- The Disaster Relief Fund, which was launched in early 2016 in response to customer requests that we facilitate support to communities in distress or those affected by natural disasters. Customers donate at the till to the Fund, which is managed by the Shoprite Group, and this money is channelled via organisations to beneficiaries. We prioritise projects that fight hunger in a sustainable way, and those that have clearly defined goals, have monitoring measures and outcomes in place, are preferably scalable and are able to continue past the funding cycle. In the reporting period funds were directed to, among others:
 - A fund to help rebuild a school kitchen in Imizamo Yethu after it was destroyed in a fire.
 - The Lunchbox Fund, enabling it to adopt two more beneficiary organisations.
 - FoodForward, enabling it to extend its work to additional beneficiaries.
 - Food & Trees for Africa to support its work in establishing sustainable food gardens.



Care Alicedale, Eastern Cape.

- The #YellowPacketChallenge, which overlaps this reporting period and the next, asked South Africans to fill a Shoprite shopping bag with essentials, take a photograph of the handing over of the bag to a charity or someone in need, share the image and challenge others to do the same. By the end of June 2017, shoppers had given 588 shopping bags of essential products to those in need. Shoprite met this donation, distributing the equivalent value of food to charities.
- Cuppa for CANSA, run in June and July 2017, which raised R1 352 352 towards cancer patient care at its facilities. Shoprite is the main sponsor of this event and hosts in-store events to raise awareness and funds for the initiative.
- Providing space for public organisations to raise funds by hosting Christmas gift-wrapping stations and Pancake Day at Shoprite and Checkers stores, and, for the first time, enabling community projects supported by Shoprite to sell their food produce in selected Shoprite and Checkers stores in support of World Hunger Day in May 2017. These initiatives raised more than R2.4 million during the reporting period.

Our customers gave R857 706 in 2017 to help communities in distress.

Nurturing our Capitals (continued)



Using advertising space on billboards to fund the PlayPump initiative, in partnership with Roundabout Water Solutions. The initiative has helped 300 000 people at 34 South African rural sites easily access clean water. Water is pumped into a reservoir whenever children play on the merry-go-round.

Through our Freshmark division, we work with more than 1 000 growers, including 686 from other African countries and 12 from Israel, Turkey, Spain and New Zealand. Out of the 480 growers that deliver to South African stores, 295 are small and medium-sized enterprises, and of those, 209 deliver on contracts worth less than R500 000 a year.

We continue to invest significantly in supply chain infrastructure: R1.4 billion in the 2016/17 financial year. Shoprite's world-class supply chain was developed through the early adoption of Efficient Consumer Response (ECR) principles and strategies that were in line with international best practice. Shoprite has invested in distribution infrastructure including transportation, sophisticated integrated information system technology, and the development of supply chain skills. Our ability to ensure product availability through an extensive network of distribution centres mitigates the risk posed by supplier shortages, volatile trading patterns or extreme weather events, and enables us to buy and store product as a guard against price increases. This control over product inventory enables us to introduce cost-saving measures at scale without compromising quality. The shift from direct-to-store delivery to a centralised distribution model has increased product availability by 30%, while substantially reducing travel distance, time, and costs for suppliers – a saving that is passed on to customers.

A new 123 000m² flagship distribution centre in Cape Town will service the region more effectively and the added capacity allows the centralisation of more suppliers and products. The centre started operating during September 2017. Shoprite aims to receive a Green Star accreditation for this development. Environmental aspects are taken into consideration for the construction of all new distribution centres. Aspects such as energy and water consumption are considered and designed for efficiency, while recycling is exercised wherever possible.

Focusing on our suppliers

Our continued success relies on that of our suppliers and their ability to deliver good-quality products on time, in the quantities we need and at a price that enables us to continue to deliver on our low-cost promise. We have strong, long-lasting relationships with suppliers, including packaging and distribution companies. These relationships are vital to ensuring a sustainable supply of products at the best prices. We deal directly with suppliers and consciously try to work with smaller enterprises. We are in the process of producing an extensive B-BBEE strategy and starting to track B-BBEE and gender status, not only for ourselves, but also in our supplier database. This helps us to play a role in transforming the economy and to spread our risk between multiple growers and growing areas. This will become increasingly important in the light of predicted climate change impacts that could disrupt production patterns.

We worked with 16 211 suppliers in South Africa and 7 202 in other African countries during the reporting period. In turn, these suppliers work with a range of suppliers of their own. Shoprite's supply chain continued developing its collaborative initiatives with suppliers to deliver customer value in two key attributes; availability and product cost. This was fundamental, especially during these challenging economic times. The frequency of engagement with suppliers is determined by need. For example, we engage with our fresh produce suppliers through bi-annual farmer days and with packaging suppliers at least once a month.

Homemade Supplier Programme

Our Homemade Supplier Programme supports 80 small enterprises with big dreams but limited capacity to meet the requirements of a national supplier. We provide coaching to each business, help them comply with regulatory requirements and support them to enter the retail market. Since inception we have purchased R12 million from this group, which currently supplies Shoprite with about 260 products. Fifteen suppliers were taken on during the reporting period and three were able to register as national suppliers.



For more detail on engagement practices and key concerns from our customers, suppliers and communities, refer to the Stakeholder Engagement section on page 15.



Natural Capital

We concentrate our environmental efforts on initiatives that will sustainably reduce costs across the value chain.

Shoprite recognises the environmental and social importance of reducing carbon emissions and using natural resources sustainably by, for example, conserving water, lowering the volume of food waste and promoting food security. Moreover, the environmental impact of our activities, and those of our value chain, has a direct effect on the current and future quality and price of our products and our ability to build the Shoprite brand sustainably.

Climate change

Shoprite recognises that it can contribute to efforts to combat climate change most effectively by reducing its most direct environmental impact. To this end, it continuously matures the way in which it collects, analyses and reports on its carbon emissions. The Carbon Disclosure Project is an internationally recognised non-profit organisation that facilitates a global environmental impact disclosure platform for companies and investors. We recently submitted our sixth consecutive Carbon Disclosure Project response, which is available on our website.

Comparing carbon emission data across South Africa's major food retailers is not possible, due to the lack of sector-specific guidelines for carbon emissions reporting. Comparisons are further complicated by significantly divergent business models; for example, some outsource distribution activities, some are franchise models and some include large offerings of clothing and footwear, the production of which is responsible for lower emissions than that of refrigerating fresh produce. We therefore encourage stakeholders to engage directly with us about our Carbon Disclosure Project submissions, should they have queries.

The influence of climate change on Shoprite's business strategy has intensified in recent years and is expected to continue. Historically, Shoprite's business strategy was relatively short term, focusing only on internal factors affecting its core business. It was later extended to the medium term and included external factors directly affecting its core business. We are in the process of broadening our strategic focus to include long-term complex, multidimensional and far-reaching external factors. Shoprite focuses on understanding and managing its environmental

impact, engaging policymakers on climate change, sharing its environmental impact with stakeholders, formally integrating climate change into its company-wide risk management processes and capitalising on opportunities and mitigating risks presented by climate change.

Our short- and long-term goals include:

- Reporting more comprehensively on our carbon emissions.
- Expanding our carbon footprint reporting boundaries and scope.
- Setting science-based emission reduction targets.
- Contracting a third party to verify carbon emission data.
- Reducing carbon emission intensities.
- Appointing a dedicated sustainability manager.
- Establishing a committee, comprising internal resources and external subject matter experts, to identify climate change risks and opportunities over a six-year horizon.

Shoprite's carbon emission reduction projects, some of which are in exploratory phases, are aligned with our target and, when fully implemented, will reduce Shoprite's annual carbon footprint by about 500 000 tonnes of CO₂e. Projects include:

- Replacing more than 775 000 conventional fluorescent tubes and 80 000 control gear with more energy-efficient options across more than 1 100 retail outlets.
- Generating 1 102 MWh of renewable energy from rooftop solar photovoltaic panels at Kathu and Kimberley retail outlets.

Water and deforestation

Shoprite has, to date, elected against reporting on the water and forest programmes of the Climate Disclosure Project. Instead, it focuses on the climate programme where its direct environmental impact is best addressed. Shoprite is, however, committed to improving disclosure on the financial and material risks posed by challenges regarding water resources and deforestation when its climate programme reporting has sufficiently matured.

Waste

The National Environmental Management Waste Act and the Consumer Protection Act place a responsibility on producers like Shoprite to reduce, re-use, recycle and recover waste, and to dispose of waste responsibly. A core principle is that the volumes of waste reaching landfill should be reduced, and this is a sustainability goal for Shoprite. We have made significant investments in waste management strategies throughout our supply and distribution chains. Our return centres (facilities for returning equipment, packaging and sorting recyclable materials) are key to implementing our waste management plan. Shoprite will further implement initiatives that aim to minimise and monitor packaging and food waste.



Only recycled paper utilised to manufacture all convenience food sleeves and outer packaging.

Shoprite remains committed to reduce carbon emissions by setting a carbon emission intensity target to reduce tonnes CO₂e per square metre by 25% by 2025, with a base year of 2016.

We have also set a renewable energy consumption target to grow our 2016 consumption of renewable energy TENFOLD by 2025.

Nurturing our Capitals (continued)

7 350 Tonnes of plastic waste diverted by the introduction in 2013 of the recyclable Checkers shopping bag, which is also made from recycled materials.

It is the first of its kind in South Africa.

We project that we will use 147 tonnes of post-consumer waste, in 12.6 million bottles, by 2017.

Packaging

Packaging – while essential in our business model for ensuring safe and hygienic food, increasing product shelf life, attracting customer attention and supporting safe handling and transportation – adds to product costs and increases the levels of post-consumer waste found in landfills. Shoprite works continuously to source innovative packaging solutions and reduce packaging costs.

Building on the success of the Checkers brand, the Shoprite brand released the first recycled bags in the Western Cape in 2017. As Shoprite customers purchase about half a billion bags a year, this leading innovation will dramatically reduce the amount of non-recyclable plastic going to landfill each day.

Shoprite has made the choice to supply the bulk of packaging to its fresh food suppliers and to its convenience food and deli counters, at a cost of about R1.7 billion. All carton sleeves on our convenience foods are made from recyclable material. About 90% of the packaging sourced is recyclable and we are constantly interacting with local and international suppliers to find new innovations that will reduce the amount of product packaging needed, including standardisation of packaging across a range of products and new designs that limit plastic. Packaging ratios currently comprise 60% plastics, 20% paper and board, and the balance foil and polystyrene; a short-term goal is increasing the proportion of paper and board-based packaging by 15% by the end of 2017. A formal strategy for packaging is being finalised and will be adopted in the coming year.

Shoprite engages informally with industry associations, such as PETCO, to stay abreast of developments in the field. It sources new suppliers when needed and actively looks for small suppliers that can meet its cost and quality criteria. Compliance to relevant regulatory requirements is overseen by the regulatory and compliance food safety technical departments.

We have initiated a process to track packaging waste, which will allow us to better monitor and manage waste of this nature. Return trips from stores by our vehicles are used to collect cardboard and plastic waste, which can be recycled and redeemed against operational costs. Our introduction of returnable-transit-packaging, at a cost of more than R300 million, also reduces the amount of packaging needed in our supply chain and reduces costs to our stores and our suppliers.

We have used food-safe post-consumer waste to replace 25% of the virgin polyethylene terephthalate (PET) material in our Zip Cola bottles (the first bottled carbonated drink to contain this percentage of recycled PET material). We are also increasing the number of bottles in our vinegar and dishwashing private label lines that include 25% recycled PET. We are looking to extend this initiative to bottled packaging for cordials, mayonnaise, water and household cleaning products.

Using this material has several benefits: it helps lower the volumes of waste going to landfill, it creates jobs in waste collection and it lowers the amount of energy used during the polymer manufacturing process.

- We used 72 tonnes of recycled PET in 6.1 million Zip Cola two-litre bottles to date, with a goal of increasing this to 198 tonnes (in 16.8 million bottles) in the next financial year.
- We aim to use 323 tonnes of recycled PET in bottled packaging in various lines by 2018.

Most labels contain the recycling logo with resin identification numbers to help with the collection and sorting of material. We are in the process of applying the recycling label on all packs to encourage more consumers to recycle, and anticipate completing this process by 2018.

Food waste and food security

We track food waste on a daily basis and partner with FoodForward South Africa to distribute surplus food that is still fit for consumption. This forms part of our waste reduction strategy. We aim to ensure that food fit for human consumption is used to fight hunger and build food security rather than ending up at landfill. We donate as much consumable products as possible to local community hunger relief organisations that are vetted by FoodForward South Africa. These donations are recorded electronically. Shoprite works with its supply chain and has invested in stringent food safety processes and equipment to minimise food waste. Supermarket waste is calculated at about only 5%. We also work on extending the shelf life of products through technological innovations. Shoprite invests in ongoing innovations to comply with the relevant legislation, minimise waste and feed hungry people.

 For more detail on our carbon disclosure performance, refer to the CDP report on www.shopriteholdings.co.za



Intellectual Capital

Intellectual capital refers to our intellectual assets such as our brands, as well as our way of doing business, which includes our knowledge, systems and continuous innovations.

The Group nurtures 19 trusted brands.

The number of South Africans who choose to frequent Shoprite supermarkets is our greatest validation, but consumers have chosen the Shoprite chain in other ways as well. Supermarkets RSA increased its market share by 0.45% (equivalent to R1.5 billion in turnover), which we take as substantiation of the fact that we're delivering on our promise of lowest prices every day on the things our customers need most. The Shoprite brand won eight consumer brand awards in the last year.

Checkers' Little Shop received international recognition as the best short-term loyalty programme in the Loyalty Magazine Awards 2016 in London.

Our Private Label participation increased to 14.7% of total Private Label sales from 13.7% a year ago.

The use of customer data and tracking consumer behaviour to drive our customer offer has been gaining significant traction. Category management driven by customer analytics was launched in the first category during 2017, with two further categories to be launched early in the new financial year. Customer-data-led store clustering has also been completed for all stores.

We use a differentiated marketing strategy for each brand to ensure that we present an appropriate value proposition, including in other African markets, where we work with local agencies to ensure the correct positioning.



For more detail on our brands, refer to the Group profile section on page 6, as well as our Operating context and strategy discussion on page 19.

The Shoprite store brand was recently awarded South Africa's most valuable retail brand by Brand Finance, valued at R11.1 billion.

Case study

We are committed to fighting hunger

We are constantly looking at ways to assist our customers to stretch their wallet. Tough economic conditions in South Africa have made it even more difficult for our average customer to make ends meet and put food on the table for their families.

Shoprite has subsidised more than 60 million loaves of bread over the past 18 months and have shielded our consumers from R1.8 billion in cost price increases.

In addition to these efforts to maintain affordable prices, we have this year launched a range of nutritious discounted meals for R5 or under (equivalent to 40 US cents). From a high protein sandwich with an egg and tomato on brown bread or a cup of wholesome soup for R3.50, to a hot dog for even less, we are working hard to make food affordable. Over 15 million meals have been sold in the two months since launch. We not only focused on these R5 meals, but have also ensured the ready availability of basic items under R10 throughout our business.



Nurturing our Capitals (continued)



Manufactured Capital

Our manufactured capital comprises of 2 689 stores in 15 countries as well as our distribution centres with more than 750 000m² of distribution space. We have a network of distribution centres to which suppliers deliver their products and from where we service our stores.

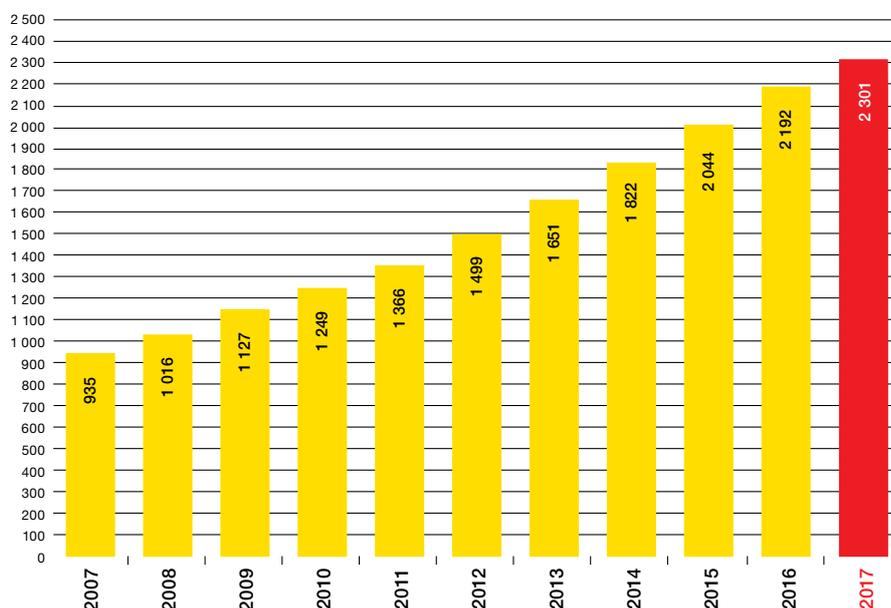
During the period, we opened 212 new stores, of which 72 are supermarkets. 55 stores were opened in countries beyond our borders. For 2018, 176 new stores have been confirmed, of

which 43 will be outside of South Africa. We opened two distribution centres in Angola, acquired the first distribution centre in Nigeria and developed our flagship Cilmor distribution centre in the Western Cape.

Our supply chain is a key competitive advantage and strong investment in customer science and intelligent data capabilities in the past year has improved on-shelf availability of products (an important determinant of customer satisfaction) by 2%.

	Shoprite	Checkers	Checkers Hyper	Usave	OK Furniture	OK Power Express	House & Home	OK Dreams	Hungry Lion	Shoprite LiquorShop	Checkers LiquorShop	Shoprite MediRite	Checkers MediRite	OK Franchise
South Africa	458	202	37	302	322	24	49	16	130	216	160	54	92	336
Angola	19			11	9				12			13		
Botswana	9	1		5	12	3	1		8					
DRC	1													
Ghana	6													
Lesotho	6			6	7	1			2	1				
Madagascar	9													
Malawi	4			3										
Mauritius	3													
Mozambique	14			3	9									
Namibia	21	6		29	17		2		18	10	3			46
Nigeria	22			1										
Swaziland	10			6	8	1			1			3		6
Uganda	2													
Zambia	29			1	7				26					
Outside SA	155	7	—	65	69	5	3	—	67	11	3	16	—	52
Total	613	209	37	367	391	29	52	16	197	227	163	70	92	388

Number of corporate stores



For more detail on our store footprint, refer to the brand discussion on page 6 and location map on page 4.

Financial Capital

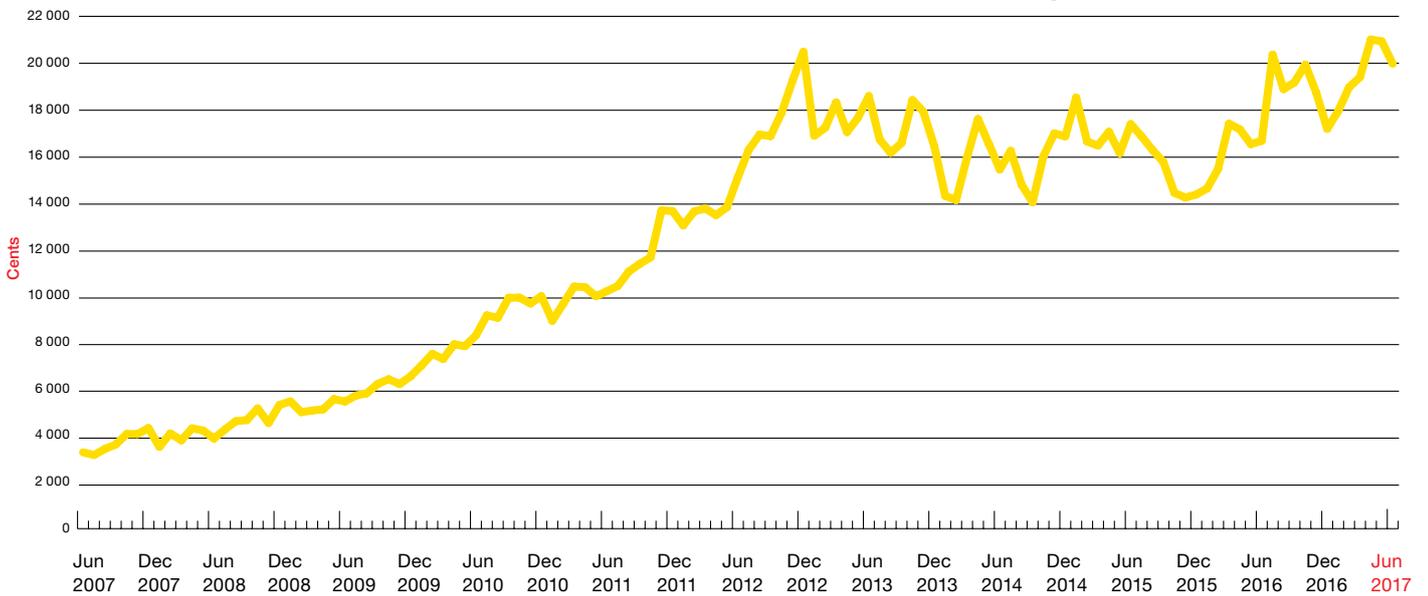


We regard financial capital as the equity investment from our shareholders and funding from our debt providers.

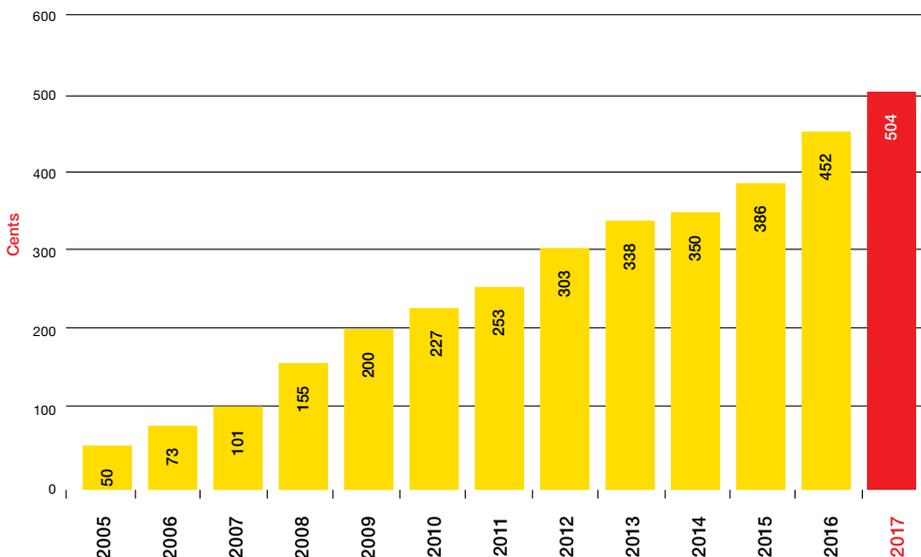
At year-end, the Group had 28 413 shareholdings. Foreign shareholders own 47.3% of the shares, with the remaining 52.7% owned by South African investors. Shoprite maintains a comprehensive investor relations programme to maintain relationships and promote meaningful engagement with our shareholders and funders.

Shoprite has delivered a total compounded return to shareholders of 20% p.a. over the past 10 years.

Shoprite Holdings Ltd share price



Distributions per share – 10 year CAGR of 17%



For more detail on our shareholders, refer to the Shareholder analysis on page 101 and Stakeholder engagement on page 15.



For further detail on our funding liabilities, refer to the Financial report on pages 35 – 37.