

The Group's Approach to Sustainability

GOVERNANCE OF SUSTAINABILITY

Policy and approach

Conscious of the Group's role as business in society, the Group recognises that sustainability must be a core aspect of its corporate governance and that managing a number of sustainability-related issues contributes to the long-term success of the Group's business. In certain respects, the Group has been addressing some of these issues inherently for many years. Furthermore, it is recognised that a number of 'new' aspects will have to be considered more explicitly by the Group if it is to continue managing its segments holistically and sustainably. By integrating these environmental, ethical and social principles into the Group's governance and management processes, we will work towards:

- maximising contributions to a broad range of stakeholders,
- reducing the negative impacts of business operations on the environment and communities in which the Group operates,
- mitigating associated risks,
- taking advantage of a number of related opportunities.

The board of Shoprite Holdings recognises the importance of sustainability to the long-term viability of all Group businesses, and the Group Audit and Risk Committee oversees sustainability governance and assesses all material risks on an ongoing basis. At operational level, although there are no explicit sustainability policies or management structures, sustainability governance and management are integrated within the relevant group-

wide structures. Specific sustainability issues are dealt with by relevant members of senior management. The Group is currently reviewing sustainability-related procedures for their efficacy.

Management actions and performance during the period under review

During the year under review, the Group commissioned an independent diagnostic review of current compliance with the recommendations of the King III Code. Key findings, including a gap analysis between the current status and that which the Group should seek to apply in terms of King III, were documented and presented to the Audit Committee. The Group has already acted on certain recommendations.

Shoprite Holdings maintained its ranking as a Top-40 JSE listed company and was, therefore, automatically assessed for inclusion on the JSE SRI index during the latter part of 2009. It was not included on the Index, mainly because it did not meet the minimum environmental criteria. The Group will be working towards meeting the requirements for inclusion on the JSE SRI Index.

The Group also recognised the need to improve its sustainability reporting and disclosure. In this regard, the Group engaged the services of specialist sustainability consultants to assist with the preparation of its first formal Sustainability Report. This Sustainability Report is the Group's first step on a journey towards improved sustainability reporting and towards disclosures that are more integrated with its annual reporting.

Plans and targets for the next review period

During the year ahead, the Group plans to begin addressing a number of material aspects of sustainability governance and management. The Group will, inter alia, aim to:

- Gain an understanding of the interrelationship between sustainability, strategy, risk and corporate performance;
- Ensure greater oversight of sustainability issues by the Audit and Risk Committee;
- Incorporate sustainability risk and governance assessment in the internal audit plan; and
- Move progressively towards more integrated annual and sustainability reporting, using the GRI as a framework to report on the Group's sustainability performance.

VALUES AND ETHICS

Integrity is deeply entrenched in the business culture of the Group, as without this value it could be prevented from achieving its financial objectives and its obligations to a range of stakeholders.

Policy and approach

The Group's Code of Conduct ("the Code") sets out the values and ethics expected from employees. Suppliers are also required to abide by the Code, which is included in the respective contracts with suppliers. Responsibility for the Code lies with the Group's Human Resources department, which reviews it periodically. To complement the Code, the Group has a responsibility philosophy to which employees are introduced during induction. An attitude of zero tolerance prevails. Criminal and civil action is taken against any employee who commits fraud or theft, in order to recover any losses that the Group incurred as a consequence.

The Group's legal counsel and various senior managers handle all actions related to non-compliance within the Group. Breaches are reported to the Audit and Risk Committee, which then reports such instances to the board. While there is no dedicated ethics officer, ultimate responsibility lies with members of senior management, who report to the company secretary and executive directors.

Management actions and performance during the period under review

The Group has an anonymous tip-off line, which employees are encouraged to use to report undesirable behaviour. This provides an indication of the ethical climate across the group. There are also internal audit roles to monitor breaches of the Code. Awareness campaigns are carried out to make employees aware of the Code and the way it is monitored. During the year, there were no material breaches of the Code.

STAKEHOLDER ENGAGEMENT

In order to sustain the considerable success that the Group has enjoyed over the past 30 years, the Group has developed cordial – and in many cases strategic – relationships with a wide range of stakeholders. Some of the Group's important stakeholder groups are described below.

Shareholders

Shoprite Holdings holds its shareholders in high regard, values their view of the overall performance of the group, and endeavours to optimise the return on their investment.

Investor relations are managed by the chief executive officer, the deputy managing director and the group finance general manager. The Group deals on an individual basis with all shareholders who request so and during the annual general meeting. Presentations of the Group's financial results are made to analysts and the media twice each year, which provides an opportunity for engagement with shareholders. Comments from analysts via the media are monitored and feedback is sometimes requested on various issues. The Group also provides corporate and financial information through its various reporting processes and via the Shoprite Holdings website.



Governance and Sustainability continued

SUSTAINABILITY REPORT

Franchisees

The OK, Sentra, Megasave and Enjoy stores, as well as certain Hungry Lion and Usave supermarkets, are franchised outlets of the Group. If the service provided to its franchisees is not satisfactory, the Group risks losing such franchisees to its competitors. Equally, a lack of support could lead to a failed business, which would impact the Group economically. To ensure ongoing success, the Group maintains open channels of communication with franchisees, interacting with them weekly regarding cost prices and providing business advice using expert staff from the supermarket industry. The Group's franchise division meets formally with franchisees each month, where feedback and ideas are discussed. The Group is also a member of the Franchise Association of South Africa (FASA).

The Group aims to ensure the continued loyalty within, and expansion of, its franchise business. During the period under review, 37 new franchise members were recruited.

Organised business

The Group is a member of various business associations, taking care to select only those that are most relevant. Prior to joining, the benefits of any prospective membership must be clear and, on renewal of these memberships annually, these benefits are always reassessed. Some of the benefits include the ability to address common concerns through a unified voice, as well as the chance to learn from the experience of others in the industry.

The Group is also an accredited training office of the South African Institute of Chartered Accountants (SAICA) and a member of the Consumer Goods Council of South Africa (CGCSA). While the Group is in contact with SAICA on a continuous basis regarding training matters, engagement with the CGCSA occurs monthly. The Group is a member of the CGCSA's Food Safety Initiative (FSI) and a founding member of its crime prevention sub-committee. The CGCSA facilitates meaningful collaboration between retailers on non-competitive issues. For example, a database of people dismissed from member retailers was developed by the crime prevention sub-committee two years ago, which is a useful tool when investigating the history of prospective employees. Other initiatives currently being developed include a monitored store access system and a merchandising control system to limit the amount of theft occurring in the retail industry. The FSI facilitates collaboration on food safety issues, and communicates early warnings of potential food threats through the CGCSA network, allowing members to react speedily and appropriately.

The Group is a member of the GS1, an organisation that leads the design and implementation of global standards to improve the supply and demand chain and currently plays a leading role in improving the ability to scan product barcodes within South Africa.

The Group is a member of the Comparative and International Educational Society, an independent parity-based consumer goods network that provides a unique global platform for thought leadership, knowledge exchange and networking between retailers, manufacturers and their partners on collaborative, non-competitive issues.

The Group is also a member of the South African National Consumer Union (SANCU), an independent body representing the consumer. The Group has constant contact with SANCU and representatives of the Group attend SANCU general meetings.

Government departments and regulators

As a large and complex international group of companies, the Group requires licenses and permits for many of its operations. Good relations with government and regulators are important to ensure a smooth administrative process. Many of the Group's enterprise development and corporate social investment (CSI) projects also require co-operation with various government departments.

The Group strives for the correct level of engagement with government in order to resolve issues quickly and effectively for all parties and in a way that accords with our Code and minimises excessive use of manpower. Interactions occur at a divisional level, with the assistance of executive directors to establish engagement at a higher level if problems arise. Operational managers report to the executive directors on the status of their interactions with government.

The Group actively engages with provincial and local governments in its areas of operation as well as the following departments on an ad-hoc basis:

- Agriculture, Forestry and Fisheries
- Water
- Rural Development and Land Reform
- Environment
- Tourism
- Health
- Economic Development
- Basic Education
- Higher Education and Training
- Social Development
- Police
- Human Settlements
- Labour
- Arts and Culture

Poor communication with government can hinder business development through delays in licensing, Sector Education and Training Authority (SETA) funding, training and labour issue resolution, as well as a general lack of support for business and community developments initiated by the Group. Lack of recognition of Broad Based Black Economic Empowerment (BBBEE) projects can lead to slower results and lower BBBEE scores, which can be damaging to business reputation.

The Group has many government engagements on an ongoing basis, from supply and enterprise development to export and expansion, which keep the business sustainable. A continuous working relationship with government ensures good relations in all areas of importance to the Group.

Employees

The Group's employees and the skills they bring to work are one of the core features of its ongoing success and sustainability. As more fully detailed in the section on employees, the Group goes to great lengths to ensure that it maintains positive and constructive relationships with all employees, both individually and through their formal representative bodies.

Customers

Customer satisfaction through price leadership is the top priority for the Group's business. Being able to adapt to customer's changing needs is imperative to ensuring their satisfaction and this requires ongoing engagement.

In addition to its community engagement processes (see below), the Group has a customer service policy that governs all customer response services and customer complaints processes. Market research surveys are commissioned through third parties as well as internally. The Group's national customer service centre is the point of contact for all supermarket customer complaints, queries and requests, while the furniture division operates an independent Customer Care Line.

Suppliers and service providers

The Group engages with suppliers at many levels and manages these relationships through an 'open door' policy. While communicating group requirements and expectations clearly is important, the Group also aims to learn from suppliers' experiences and to develop business models to grow the business over the long term.

Communities

The Group understands that its business affects the communities in which it operates and, equally, that those communities affect the Group. Alienating communities will impact on the sustainability of the Group's profit-line, while good relations create business opportunities for all. The Group therefore endeavours to play a supportive role in the communities in which it operates by engaging with people as communities, as customers and as employees.

Since these communities are the Group's customers, ongoing customer support is a strong indication of positive relations. The Group also monitors marketing surveys undertaken with customers.

AWARDS RECEIVED DURING THE PERIOD

During the period July 2009 to June 2010, the Group received the following operational awards that are relevant and show our commitment to being a sustainable business:

SHOPRITE HOLDINGS – AWARDS RECEIVED

| Awarding institution | Award name |
|--|--|
| Emerging from the downturn: Global Powers of Retail 2010 (Deloitte report) | Shoprite Holdings Ltd was listed as the largest retailer in South Africa and 130th biggest retailer globally (for fiscal years ended not later than June 2009) |
| <i>Sunday Times</i> Top Brands survey | Most-loved retail brand in the country (Shoprite chain) |
| South African Graduate Recruiters' Association (SAGRA) | Best Integrated Approach to Graduate Recruitment |

Biophysical Environment

Worldwide, there is growing concern about the health of the planet and looming shortages of natural resources. There is also a great deal of scientific evidence to suggest that humankind's carbon emissions and other forms of atmospheric pollution are causing climate change.

In the context of the Group's operations, it must find ways to:

- Minimise the use of natural resources and the impact of its buildings and operations on the environment;
- Measure carbon emissions and implement processes to reduce this footprint;
- Optimise transport and distribution methods to use as few resources as possible;
- Ensure that products are environmentally friendly and minimise the amount of packaging and waste produced.

RESPONSIBLE RESOURCE USE AND PROPERTY MANAGEMENT

Policy and approach

The Group recognises that finding ways to reduce its consumption of natural resources (such as water and energy) should not be seen as yet another regulatory burden or cost of doing business. Rather, responsible resource use presents the opportunity for significant cost savings in the Group's business, as well as the reputational benefits of being seen as a responsible, sustainable brand. The risks of not changing the way the Group does business will be rapidly escalating costs for using natural resources, a range of likely future legislative and fiscal measures associated with resource use, and an unsustainable future for all humankind in the longer term.

Consequently, although the Group does not yet have a formal environmental policy in place, it recognises the need to implement measures to manage its water consumption, energy use and efficiency, the specifications of buildings and fixtures and fittings, in-store operations, use of refrigerants and its waste management and recycling.

Management actions during the period under review

The Group has made progress in this regard by implementing a process of measuring and taking appropriate actions across all these dimensions. Initiatives implemented during the period under review include:

Water consumption:

- The implementation of a project to measure, monitor and report on water consumption at the Group's supermarkets.

Energy consumption:

- The Group continued with a project to measure, monitor and report on energy consumption in the Group's supermarkets.
- An update is currently underway in respect of the software that supports the Group's energy management programme.
- A meter audit across the Group's supermarkets was recently completed to ensure data integrity.
- An audit on the utilisation of power factor correction equipment at the Group's supermarkets was recently completed, ensuring the effective and efficient deployment of such equipment.
- The Group continued with a project to audit electricity tariffs at its supermarkets to ensure that all supermarkets are on the most optimal tariffs.



The supply chain management team, from left to right: Inge Coe – *IT Project Leader*; Francois van Aarde – *Divisional Personnel Manager*; Photy Tzellios – *General Manager*; John MacLennan – *Financial Manager*; Pat Walsh – *National Operations Manager*; Ciska Schreuder – *International Trade Manager*; Kola Naidoo – *IT Project Manager*

- The assessment of energy-efficient technologies continued, with more than 20 energy-efficient technologies currently in various stages of assessment. These technologies focus predominantly on improving the energy efficiency of the Group's refrigeration systems, ventilation and air-conditioning systems, service department equipment and lighting.

Specification of buildings:

- A review has been commissioned to update the Group's building specifications. The latest technologies, standards and best practices are being considered and, where applicable, implemented.
- The Group recently developed software to support the management of its building specification. By consolidating information, previously scattered throughout the Group's divisions, this software improves the consistency, accuracy, change implementation and sharing of information about the various building specifications.

Fixtures and fittings:

- Software is currently being developed to support the management of the Group's fixtures and fittings specifications.

Refrigeration and refrigerants:

- The Group is currently installing refrigeration monitoring and tele-maintenance systems in its supermarkets. These systems optimise refrigeration systems by using sensors to monitor refrigeration in real-time and use logic to switch refrigeration devices on/off and/or to change set points to adapt to changing conditions (e.g. ambient store temperature).
- A project to audit the temperature of the Group's supermarket refrigerated cabinets, cold rooms and freezer rooms is currently underway. This audit aims to ensure that the refrigeration systems are operating optimally and that the cold chain is maintained.
- The two projects mentioned above complement the Group's facilities management programme for the early detection and correction of refrigerant leaks.

Waste management and recycling:

- A project to convert used oil from the Group's supermarkets into bio-diesel was recently launched.

Performance

Many of these projects have only recently commenced and are either in pilot phase or in the early stages of development. It is, therefore, premature to present environmental data relating to most of these projects. The Group will report on the performance of such projects once meaningful group-wide data is available.

Over the last three years, the Group's energy management programme has resulted in a 15%-31% reduction in electricity expenses at a number of the Group's supermarkets. The result is that the energy management programme achieved a saving of some R37 million over this period. This saving can be attributed to the installation of energy-efficient technologies and power factor correction units, tariff management and a change in staff behaviour and awareness.

Plans and targets for the next review period

The Group does not yet have targets in place for its resource consumption but will be working towards a set of appropriate targets once it has a clearer understanding of current resource consumption across the various categories.

CARBON FOOTPRINT

Although nations have not yet agreed on an appropriate global response, it is now widely accepted that greenhouse gas emissions, particularly those arising from commerce and human activity, are contributing to the greenhouse effect and climate change. The consequences are potentially dire. In this regard businesses may, in future, face the risk of operational disruption arising from unusual weather events, as well as a range of regulatory, fiscal, competitive, reputational and insurance-related risks.

Policy and approach

The Group recognises the need to pay attention to the issue of carbon by developing an understanding of the magnitude of its carbon footprint, failing which it risks falling behind the general corporate response and compliance with possible future carbon-related legislation. The Group also risks potential reputational damage amongst customers and investors.

Management actions and performance during the period under review

The Group has recently commissioned a study to begin formally measuring its carbon footprint and to report publicly on its carbon emissions by way of the Carbon Disclosure Project. To enable the Group to measure its carbon footprint, it will have to develop and implement a number of measurement systems and protocols.

Some of these are already in place. For example, in terms of Scope 1 emissions the Group records the running hours and measures fuel usage of its generators. The Group also monitors fugitive emissions through the recording of the weight of refrigerant purchases. The Group is also in the process of rolling out a system capable of measuring and monitoring the real-time performance of its refrigeration installations. In terms of Scope 2 (energy indirect) emissions, the Group measures and monitors real-time electricity consumption (i.e. kWh) through a purpose-built software and metering solution.



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Plans and targets for the next review period

The Group has made a commitment to account publicly for its greenhouse gas emissions by submitting the annual questionnaire to the Carbon Disclosure Project. A programme has been put in place to ensure that this will be measured correctly. The Group will begin reporting on its carbon footprint to the Carbon Disclosure Project.

DISTRIBUTION STRATEGY

The Group's strategy over the last 15 years has been to follow international best practices and move from direct store deliveries to a centralised distribution model in order to increase efficiencies within its supply chain and, in so doing, reduce its environmental impacts.

This centralised distribution model has resulted in significant savings in energy consumption and has reduced the Group's carbon footprint. Some of the efficiencies achieved include:

- Reduced truck kilometres and travel time;
- Reduced queuing time; and
- Improved load utilisation.

These efficiencies result in financial benefits, lower prices, improved Group profitability and significant environmental benefits.

Policy and approach

The Group's policy is to be as efficient as possible throughout the supply chain. In addition, all procurements are selected based on life-cycle costing and environmental impacts. By collaborating with suppliers and understanding their processes, the Group aims to optimise the full supply chain rather than just its own components, thereby taking costs and inefficiencies out of the supply chain.

Management actions during the period under review

- A number of initiatives have been introduced in order to become more effective and efficient.
- The Group is pioneering approaches to handle reverse logistics, and has progressed with the viability and the development of processes.
- With fossil fuels in short supply, truck routing and scheduling optimisation has minimised the number of kilometres driven.
- The Group has invested in moving towards a more productive and accurate paperless operation.
- New building developments have been designed and built under guidance from and adherence to green building design practices. New construction techniques have been used for distribution centre floors, which will reduce maintenance and damage to equipment.
- Store ordering has been improved, which will lead to less wastage.
- Increasing cube utilisation of trucks and the mobility of products has resulted in the same volume of product being shipped in fewer trucks and achieved a faster turnaround of trucks at stores and distribution centres (DCs).
- Due to improved processes in the DCs, which were complemented by sophisticated systems, the Group has improved its operational efficiencies and reduced energy requirements. More efficient store deliveries and shelf-ready packaging has helped to reduce stock holding and the space required by stores to trade.
- The Group's centralised distribution network has enabled small suppliers, who otherwise would have been precluded, to retail their products nationally and internationally.

RESPONSIBLE PACKAGING

Policy and approach

The Group's approach to packaging is to reduce where possible and to recycle what remains. Care is taken to ensure that no harmful substances are released, without first being treated, in order to meet all municipal requirements.

Management actions during the period under review

The Group is continuously looking to reduce the use of one-way packaging and has invested in packaging equipment that can instead be used for multiple trips. The design ensures maximum 'nestability', thereby enabling efficient return logistics. The Group increased the number of products that are transported in returnable transit packaging, thereby reducing one-way cardboard in the business. The Group is also looking to standardise equipment across suppliers to gain further efficiencies.

In addition rolltainers were introduced which have minimised the need to use shrinkwrap to stabilise products sent to stores. These rolltainers, combined with thermal covers, allow temperature-sensitive stock to be co-loaded with ambient goods, further improving truck utilisation.

The Group has also identified reclamation centres, at its distribution parks, as an effective central point where waste can be recovered and handled.

Plans and targets for the next review period

The opening of the Centurion reclamation centre, in the Gauteng province, at the end of the 2010 calendar year, will enable the Group to follow internationally-accepted best practices in managing waste centrally and to explore processes and techniques to improve waste management.

The Group is also looking at ways to reduce its landfill contribution by collaborating with suppliers to implement new packaging initiatives.

Community Involvement

CORPORATE SOCIAL INVESTMENT

The Group recognises its obligation to contribute to the socio-economic upliftment of the communities that it serves. By supporting these communities, the Group also improves its brand in the eyes of those communities, so bolstering their support as customers, suppliers and as potential employees.

Policy and approach

The Group's approach is to contribute to the well-being of the communities where it does business on an ongoing basis through corporate social investment contributions across four key developmental focus areas, namely:

- Community development
- Enterprise development
- Business development / preferential procurement
- Education

While the Group's contributions cover a number of areas, women, children and senior citizens are specifically targeted. As an indication of the appreciation of the Group's social investment programme its main supermarket brand, Shoprite, was voted the "most-loved retail brand in the country" in the Sunday Times Top Brands survey again in 2010.

Management actions and performance during the period under review

The Group spent more than 1% of its net profit after tax on corporate social investment projects. Some of the projects that the Group supported during this financial year included the following:

FEEDING PROGRAMME: MOBILE SOUP KITCHENS

The Shoprite Mobile Soup Kitchens continued to operate throughout the period under review to help improve the nutritional status of the people of South Africa, especially children and senior citizens, as well as the thousands of people affected by job losses. Between the launch date in February 2007 and the end of June 2010, more than 4 488 971 servings of soup and bread were distributed countrywide to support those communities living below the breadline. The Group's feeding programme also reached out to communities when disaster struck. The ten soup trucks and four trailer soup kitchens now serve an average of 280 000 cups of Royco soup and 60 000 loaves of Albany bread per month to the needy. Improved productivity and two more trucks planned will take the Group to some 300 000 cups of soup and approximately 65 000 loaves of bread by December 2010.

SHOPRITE CHECKERS WOMEN OF THE YEAR AWARDS

One of the Group's most popular initiatives is the Shoprite Checkers Women of the Year Awards. This initiative aims to celebrate the socio-economical contributions of women to South African society by honouring exceptional and visionary women who have made a positive impact on the lives of their fellow South Africans. It is hoped that through highlighting their actions the Group will be able to focus public attention on finding solutions to the critical matters affecting our nation's future. Accordingly, the Award categories align with some of the social and economic issues that need to be addressed in our communities, namely:

- Health Care-givers
- Educators
- Corner Shop to Big Business Makers
- Good Neighbours
- Youth Movers

This year, a Lifetime Achiever – a South African woman who during her lifetime has inspired generations – was also selected.

The winners each received R30 000 in cash for themselves, as well as R100 000 to assist in the development of their individual programmes. The Shoprite Checkers Women of the Year Award partnered with the Wheat Women's Fund, which assists the winners to apply their financial awards sustainably, accountably and with good governance.

SHOPRITE COMMUNITY NETWORK

The Shoprite Community Network was launched in 2005 to support organisations that make a difference in their communities. Thirteen regional radio stations each invite their listeners to nominate a deserving community project in their area each month and one project per station is selected to receive R10 000 worth of aid from the Group. Approximately R1.2 million is provided annually to community projects that assist vulnerable groups such as HIV-positive mothers, orphans, the disabled, chronically ill patients, and street children.

STROKES OF GENIUS

The Shoprite Checkers Strokes of Genius project – a project for the development of fine arts and crafts from Africa, presented in partnership with the Department of Arts and Culture and the Department of Trade and Industry – gives young artists and craft workers the opportunity to gain recognition for their talent by showcasing their work to local and international buyers through a visual online gallery. They are also able to win prizes for themselves and the schools/institutions they attend.

The Group also supports a wide range of additional initiatives, including the following:

- Women Who Lead, sponsored by Shoprite and ABSA
- Self-Defence Workshops for Needy Girls
- Disaster Management
- Consumer Education
- Various other donations / sponsorships
- Cuppa for CANSA
- Age in Action's Pretty Things for Little Things
- Toy 4 Toy Campaign
- Soup for Senior Citizens
- Golden Trolley Initiatives
- Casual Day
- Class of 2010
- Hermanus Wheels & Runners

Plans and targets for the next review period

In addition to ongoing support for a number of these projects the Group will, during December 2010, be partnering with the South African Police Service in the Western Cape to help combat crime through various campaigns, including:

- Crime prevention – Educational pamphlets with tips for citizens on how to fight crime in their own environments will be handed out at beaches, sporting events etc;

Shoprite feeding programme.





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- Missing children campaigns – Photos of missing children will be displayed in the Group's stores in the hope of tracking down the victims; and
- Human trafficking awareness – A colouring book will be handed out to primary school children.

Customers

MEETING CUSTOMER NEEDS AND ENSURING GREAT SERVICE

Satisfied and loyal customers are an indicator of the sustainability of a business. The Group aims to adapt to customers' changing needs and to provide them with a level of service that exceeds their expectations.

Policy and approach

The Group's customer service policy governs its interactions with customers and was developed in alignment with international standards and codes. The Group's policy is to provide customer service training for all staff who interface with customers.

The Group audits customer complaints and reports are produced for all operational divisions. Each division manages its own customer issues individually. All customer complaints are attended to as a priority and the Group communicates personally with customers to resolve their issues. In addition to its centralised Customer Service Centre for supermarkets and Customer Care Line for furniture, the Group also places customer service stations in stores, manned by a service assistant.

Management actions and performance during the period under review

The Group began rolling out customer service representatives for stores. Currently 121 of the 485 Shoprite and Checkers supermarkets in South Africa have an active representative and the Group aims to complete this project during the next review period.

Plans and targets for the next review period

The Group is currently performing an analysis of the Customer Service Centre, to ensure that its processes are up to date in terms of current best practice. While the Group's current customer service policy, which is based on treating customers fairly, is already in line with the International Code of Consumer Rights, the Group is in the process of reviewing the policy to bring it in line with the new Consumer Protection Act, where required.

PROMOTING HEALTHY LIVING

A growing number of South African consumers are progressing towards a focus on healthy lifestyles. Increased awareness of food safety and nutrition, as well as a responsibility to protect customer health and the environment means that the Group needs to diversify its product range to include healthy and sustainably-produced goods.



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Policy, management actions and performance during the period under review

While the Group does not have a formal policy on this issue, the Checkers brand stays abreast of changing consumer trends in this regard and endeavours to meet these with the best possible solutions.

A comprehensive range of products that supports healthy lifestyles is available in selected supermarkets. Products that the Group offers include certified natural lamb, free-range poultry and eggs, a selection of organic produce, and low glycaemic index (GI) products.

Articles are published on the Checkers consumer website and the Group produces a range of consumer leaflets with health-related information, available to customers in-store and on the Shoprite website. The Group is constantly searching for new, healthy and sustainable products to include in its product range to promote healthy living.

MANAGING FRAUD AND SHRINKAGE

The percentage of product loss between purchase and point of sale is referred to as shrinkage. Shrinkage is commonly thought of as being due to theft, but theft can involve fraudulent activities in many forms such as internal and external collusion between employees, customers and suppliers. Fraud and shrinkage affect profitability and the retail industry typically incurs substantial losses through this means.

Policy and approach

The Group protects its assets and stock based on a cost-benefit efficiency ratio, which is analysed on an ongoing basis. The Group has implemented both technical and management systems to monitor and control the level of shrinkage. Management systems include regional administration managers, loss control managers, auditors and security officers. Technical systems include reference and criminal checks, closed-circuit television surveillance, electronic article surveillance tags and vehicle tracking devices. All losses are reported to and are reviewed by the financial director.

Management actions and performance during the period under review

The Group made 60 440 shoplifting-related arrests during the period under review. Petty fraud and theft by cashiers resulted in 573 arrests. This included cases of intentional under-ringing and credit card fraud.

Plans and targets for the next review period

By implementing strict security measures and controls, the Group aims to maintain and further lower its rate of shrinkage, which is currently well below the international industry norm of 2.5%. The Group is satisfied that the current systems employed are effective and delivering a good return. The Group is, however, constantly exploring further measures to minimise the risks to the business.



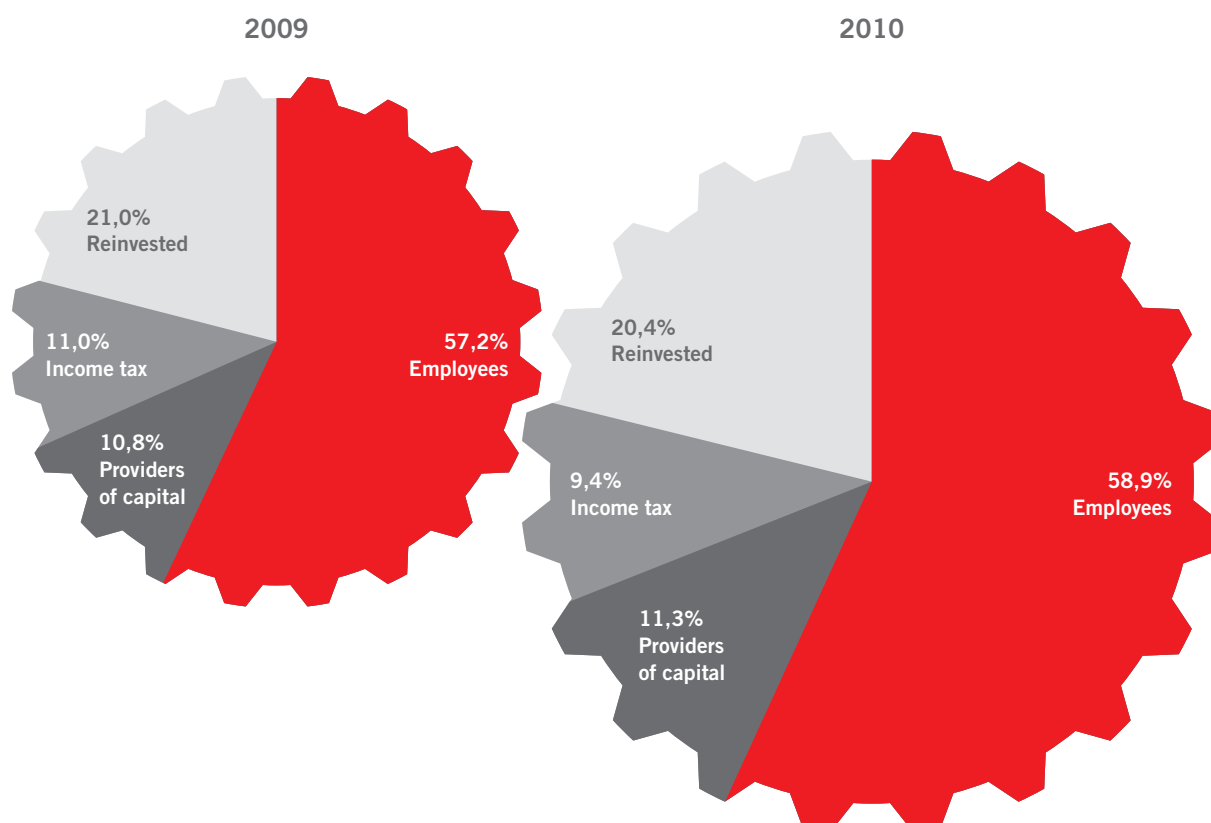
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Economic Contribution

VALUE ADDED STATEMENT

| | June 2010 R'000 | % | June 2009 R'000 | % |
|--|-----------------------|--------------|-----------------------|--------------|
| Sale of merchandise | 67 402 440 | | 59 318 559 | |
| Investment income | 138 403 | | 220 845 | |
| Cost of goods and services | (57 268 979) | | (50 482 255) | |
| VALUE ADDED | 10 271 864 | 100.0 | 9 057 149 | 100.0 |
| Employed as follows: | | | | |
| Employees | | | | |
| Salaries, wages and service benefits | 6 051 154 | 58.9 | 5 176 830 | 57.2 |
| Providers of capital | | | | |
| Finance costs to providers of funds | 93 690 | 0.9 | 86 142 | 1.0 |
| Dividends to providers of share capital | 1 062 878 | 10.2 | 891 581 | 9.8 |
| Income tax | | | | |
| Income tax on profits made | 964 379 | 9.4 | 999 478 | 11.0 |
| Reinvested | | | | |
| Reinvested in the Group to finance future expansion and growth | 2 099 763 | 20.4 | 1 903 118 | 21.0 |
| Depreciation and amortisation | 896 119 | 8.7 | 796 453 | 8.8 |
| Retained earnings | 1 203 644 | 11.7 | 1 106 665 | 12.2 |
| EMPLOYMENT OF VALUE ADDED | 10 271 864 | 100.0 | 9 057 149 | 100.0 |



BROAD-BASED TRANSFORMATION

Policy and approach

The Group acknowledges that broad-based transformation of the South African economy is a national priority to afford all the people of South Africa the opportunity to participate meaningfully in the mainstream economy. In this regard, the Group recognises that transformation of its business is important to ensure that the way it does business serves the needs and aspirations of communities, customers, employees and suppliers.

To address this aspect, a BBBEE Committee was formed – which includes two executive directors of the Group's main trading subsidiary – that meets once a month to review transformation progress and consults with the board of Shoprite Holdings to adapt strategies in order to ensure the group's sustained progress.

Management actions and performance during the period under review

The table below shows a summary of the Shoprite Holdings verified BBBEE scorecard, issued on 7 January 2010 and reflecting the Group's BBBEE scores as at 31 December 2009.

SHOPRITE HOLDINGS – BBBEE SCORECARD

| BBBEE code | dti weighting (%) | Shoprite score (%) |
|--------------------------|-------------------|--------------------|
| Equity/ownership | 20 | 2 |
| Management control | 10 | 5 |
| Employment equity | 15 | 13 |
| Skills development | 15 | 12 |
| Preferential procurement | 20 | 7 |
| Enterprise development | 15 | 10 |
| Residual element (SED) | 5 | 3 |
| TOTAL | | 52 |

(Figures verified by Veribee, a member of the Association of BEE Verification Agencies; based on unaudited management accounts for the period ending December 2009)

Based on this independent assessment, the Group's BBBEE Scorecard score of 52% means that it qualifies as a level-6 BEE contributor with a BEE recognition level of 60%. Good progress has been made in terms of employment equity and skills development, and considerable progress in terms of enterprise development and socio-economic development.

For detailed information about the Group's approach to the underlying aspects of broad-based transformation, please refer to the following sections:

- Employees – for employment equity and skills development
- Suppliers – for preferential procurement and enterprise development
- Community involvement – for socio-economic development / CSI

Plans and targets for the next review period

Shoprite Holdings aims to improve its BBBEE status to Level 4 by 2015. The Group is satisfied that adequate progress on transformation has been made in respect of the DTI's codes relating to employment equity, skills development, enterprise development and socio-economic development. The board is currently investigating options to improve the Group's scores for the ownership, management control, and preferential procurement components.

ECONOMIC OPPORTUNITIES THROUGH PROPERTY DEVELOPMENT

The Group has gained a great deal of credibility and customer loyalty within local communities by demonstrating its commitment to bringing products and convenience to marginalised communities. In this regard, the Group is one of the few retailers to develop retail outlets in economically disadvantaged communities and its strong track record in this area has also made the Group the preferred bidder for government land.

The Group's property developments act as an anchor for local economic growth, while also keeping money in the local community. When the Group undertakes a new development, opportunities for local communities arise. These include a wide range of job opportunities during both the building and operational phases, either directly (contractors, tradesmen, shop assistants and cleaning services), or indirectly, such as transport and security services, related to each store.



Members of the property team include – from left to right: Martin Abrahamse – Assistant Development Manager; Melvino Duminy – Admin Manager; Gerda Jordaan – Senior Property Manager; Philip van der Merwe – General Manager Properties; Adriaan Jonker – Assistant Property Manager



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Policy and approach

It is necessary to obtain the buy-in of the community when undertaking any development. In this regard the Group engages with local authorities as well as community liaison officers, and community development forums in economically disadvantaged and remote communities.

It is also the Group's policy to make optimal use of local skills and resources and a clause is included as a condition of tender stipulating that the contractor needs to procure as much labour and materials as possible from the local community. The Group also appoints services and staff locally as far as possible and provides training where skills aren't available.

During the building phase the Group monitors the conditions of tender (local resources). A team of professional consultants is appointed to advise the Group on the environmental efficiency of the buildings in terms of energy and resource use. Developments are treated equally whether in a developed or under-developed area. Property developments are properly landscaped and the Group often provides parks for the community as part of the property development. The Group's property developments are properly serviced to become the hub and the heart of the township areas.

In the operational phase, a centre manager is appointed with a support team. When leasing property to tenants, the Group ensures that rental space is allocated to tenants from local communities, which not only enhances local economic development but is also designed to reflect the local community's character. Leasing is a micro-indicator of economic growth and is monitored as such.

Management actions, performance and targets

The tables below indicate the numbers of stores that the Group opened during the period July 2009 to June 2010, and the number of planned store openings during the period July 2010 to June 2011.

SHOPRITE HOLDINGS – NEW STORE AND CENTRE OPENINGS IN 2010 AND PLANNED OPENINGS FOR 2011

| Stores Opened | | | | | |
|---------------|----------|----------|-------|-------------|-------|
| | Checkers | Shoprite | Usave | Hungry Lion | Total |
| RSA | 11 | 11 | 39 | 5 | 66 |
| Non-RSA | 0 | 3 | 1 | 1 | 5 |
| Total | 11 | 14 | 40 | 6 | 71 |

| Centres Opened | | | |
|----------------|----------|----------|-------|
| | Checkers | Shoprite | Total |
| RSA | 1 | 2 | 3 |
| Non-RSA | 0 | 2 | 2 |
| Total | 1 | 4 | 5 |

| Stores Planned | | | | | |
|----------------|----------|----------|-------|-------------|-------|
| | Checkers | Shoprite | Usave | Hungry Lion | Total |
| RSA | 18 | 15 | 17 | 6 | 56 |
| Non-RSA | 0 | 2 | 6 | 5 | 13 |
| Total | 18 | 17 | 23 | 11 | 69 |

| Centres Planned | | | |
|-----------------|----------|----------|-------|
| | Checkers | Shoprite | Total |
| RSA | 3 | 1 | 4 |
| Non-RSA | 0 | 2 | 2 |
| Total | 3 | 3 | 6 |

GROWTH IN AFRICAN OPERATIONS

Supporting the economic growth of the many economically-disadvantaged communities where the Group operates outside of South Africa improves the trading environment and supports development of new markets, growth in demand and, ultimately, new stores. If local markets were to stagnate, the business would see loss of skills in the workforce accompanied by diminishing local supply and little or no growth. Better local supply and labour can result in better operational efficiencies and lower prices to customers.

Policy and approach

It is the Group's policy to source and procure from local suppliers, and to employ local staff when possible. The Group aims to empower both suppliers and staff to grow with the business and also works closely with local governments to improve trade conditions locally and across borders. These initiatives aid the Group's business operations while also facilitating economic growth in general.

Management actions during the year under review

The management team in each country, including human resources, operations managers and buyers, manage the day-to-day responsibilities of local labour and supplier development and store expansion. The Group's head office in the Western Cape fulfils an oversight role to ensure that decisions are in line with the Group's overall business direction. Measures used to monitor performance include sales growth, growth in supplier accounts, growth in staff complement and tax contribution.

Performance during the period under review

Three new stores were opened under the Shoprite brand and a net one under the Usave brand. The Group also opened one Hungry Lion fast food outlet. This represented a healthy investment in African local markets and will provide a significant amount in taxes and duties paid to the respective governments. Socio-economically, approximately 150 new employees received training and development at each new store. Suppliers received assistance with bar coding and packaging and cross-country trade assistance was given to farmers. The Group was also able to grow its local supplier bases in all African markets.



In Zambia, the Group's local business received the Best Taxpayer 2010 Award, while its Nigerian business was named the Best Retailer of Local Fruit and Vegetables 2010.

Plans and targets for next review period

In the coming year the Group plans to expand its business further into Nigeria, the Democratic Republic of Congo, Angola, Mozambique, Namibia and Swaziland by opening additional stores and growing the Group's local supplier base. Each new store will employ approximately 150 local people.

The Group will continue to procure, where possible, the majority of its fruit, vegetables, meat and perishable products locally.

Employees

ENGAGING WITH EMPLOYEES

With a labour force approaching 78 000 in South Africa and a further 10 000 beyond its borders, it is important that the Group engages regularly with its employees to foster a positive working relationship. The Group's success is a result of the people that comprise the business and their common goal of providing excellent customer service.

Policy and approach

The Group aims to enhance employee retention and commitment through regular engagement with its staff. Various types of media are employed for this purpose including email, SMS, the intranet, Radio Retail (in-store radio station tailored for each store), and the Baked Beans & Bully Beef staff newspaper. Performance reviews and appraisals are not formally required, however, the decision to do so is decentralised to heads of departments. The Group constantly engages with the unions – which represent more than one third of its employees (excluding management) – and involves them in relevant decisions. Employee needs are regularly assessed and innovative ways of addressing these are investigated.

Management actions and performance during the period under review

Engagement is collectively managed by the Group's human resources division, the chief executive officer, operations managers and the communications officer. The Group follows a balanced communications strategy and takes great care to manage this effectively.

At the store level the unions have, over time, negotiated on the basis of an across-the-board increase for everyone and, therefore, the challenge for the Group has been how to engage store employees in their work and to incentivise them to perform. Two successful initiatives were implemented to address this challenge, namely Big Branch Brother and Top Stars. More information on these can be found in the section on 'Employee well-being on page 45.

No formal surveys are undertaken to monitor staff attitudes and the efficacy of engagement methods. The Group is, however, of the view that the high productivity of the business and low turnover rate of its staff (15.5% compared with industry norm of 20-25%) is an indicator of overall staff satisfaction. Nevertheless, the Group will continue to investigate new ways to communicate and engage with its staff.

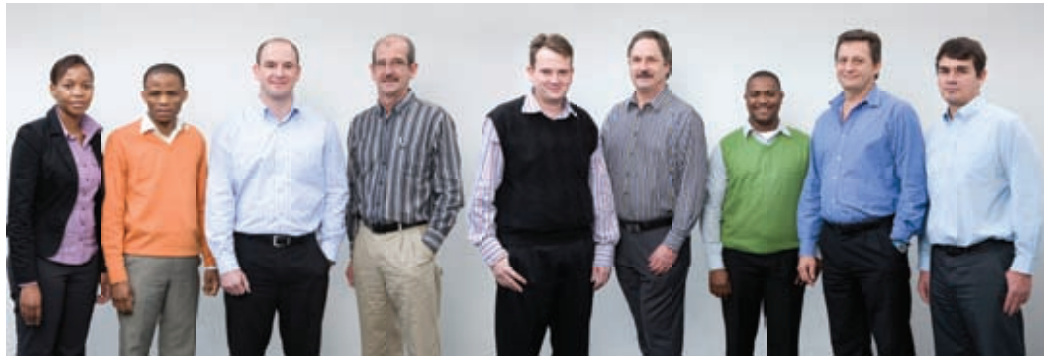
ENSURING DIVERSITY AND INCLUSION

As a strategic issue, the Group is committed to equality and non-discrimination and to entrenching these values within the company culture. A diverse workforce is better able to serve a customer profile as diverse as that of the South African public. The Group aims to establish an employee base that is fully representative of the communities in which it operates.

Challenges include the lack of necessary skills and experience of the designated groups as well as the fact that the retail industry is not always considered an attractive environment. Commercial dynamics of the retail industry also make it difficult to predict future workforce size, which is a challenge when setting targets.

Policy and approach

Every five years the Group, in conjunction with its employment equity committees, develops an employment equity plan that sets targets and guides its progress. The group targets take into account its performance over the previous five years as well as the regional profiles of its divisions and employment equity targets. The Group also focuses on the physically-disadvantaged and the advancement of women in management positions.



The labour productivity team from left to right: Precious Mkansi – *Industrial Engineer Technician*; Tebogo Molefi – *Industrial Engineer Technician*; Du Toit Steenkamp – *Industrial Engineer*; Callie Burger – *General Manager: Human Resources*; Pieter du Plessis – *Workforce Management Systems Administrator*; Albrecht von Westernhagen – *Productivity Manager*; Bryce Mabija – *Workforce Management Systems Administrator*; Conrad de Does – *Human Resources Accountant*; Salmon Gerber – *Human Resources Info Systems Administrator*



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Management actions and performance during the period under review

The chief executive officer and the general manager: human resources are responsible for compliance with Employment Equity legislation. Divisional and regional personnel managers and line managers are responsible for the implementation of the Group's employment equity plan. They report to the human resources general manager on a quarterly basis.

The Group's staff complement at 31 May 2010, showing progress towards a more transformed workforce, is presented in the table below.

SHOPRITE HOLDINGS – STAFF COMPLEMENT *AS AT 31/05/2010

| Occupational Levels | Male | | | | Female | | | | Foreign | | TOTAL |
|--|--------|-------|-----|-------|--------|--------|-------|-------|---------|--------|--------|
| | A | C | I | W | A | C | I | W | Male | Female | |
| Top management | 33 | 33 | 24 | 379 | 1 | 6 | 4 | 50 | 5 | 0 | 535 |
| Senior management | 144 | 106 | 73 | 431 | 35 | 68 | 32 | 210 | 7 | 1 | 1 107 |
| Professionally qualified and experienced specialists and middle management | 773 | 335 | 187 | 681 | 588 | 307 | 151 | 431 | 12 | 2 | 3 467 |
| Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents | 2 899 | 471 | 108 | 285 | 1 688 | 765 | 118 | 340 | 17 | 4 | 6 695 |
| Semi-skilled and discretionary decision making | 3 574 | 864 | 323 | 253 | 18 905 | 5 999 | 885 | 768 | 7 | 16 | 31 594 |
| Unskilled and defined decision making | 10 092 | 2 317 | 224 | 133 | 14 747 | 4 476 | 436 | 147 | 11 | 11 | 32 594 |
| TOTAL PERMANENT | 17 515 | 4 126 | 939 | 2 162 | 35 964 | 11 621 | 1 626 | 1 946 | 59 | 34 | 75 992 |
| Non-permanent employees | 47 | 70 | 4 | 8 | 68 | 113 | 6 | 7 | 3 | 0 | 326 |
| GRAND TOTAL | 17 562 | 4 196 | 943 | 2 170 | 36 032 | 11 734 | 1 632 | 1 953 | 62 | 34 | 76 318 |

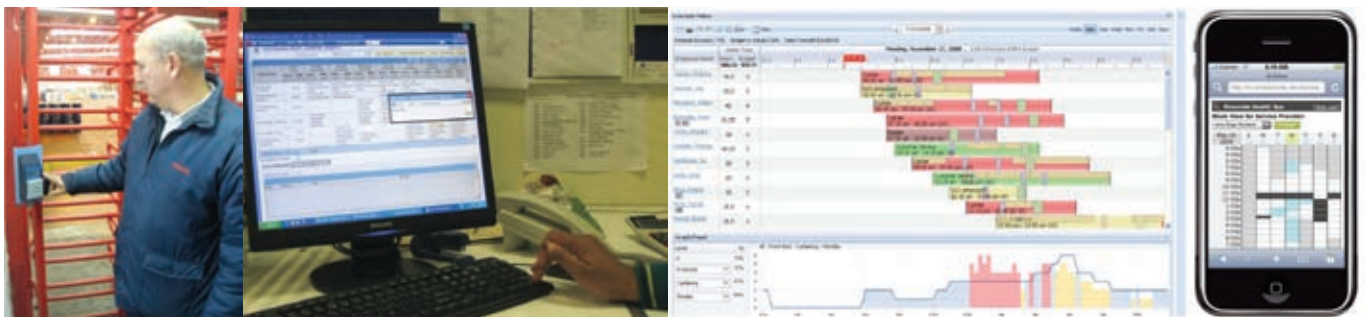
Where A=African; C=Coloured; I=Indian; and W=White employees. *The above numbers do not include Transfarm and Freshmark.

The Group's equity advancement has, once again, outperformed the rest of the wholesale and retail sector on all levels with regard to black males and females, as well as total females and currently meets or exceeds the employment equity five-year targets set for the period 2005 to 2010.

The Group is still heavily over-represented by white males and females in the upper management levels. There have, however, been positive changes in this regard over the previous employment equity plan period (from July 2005 to June 2010), but more work will have to be done to transform at senior levels. The Group will report on this issue in more detail in the next review period.

Plans and targets for the next review period

The Group has developed an updated employment equity plan for the period from July 2010 to June 2015 in consultation with various role-players, including employee representatives from both the designated and non-designated groups across all categories and levels within the business. This plan is aligned with the key objectives of the Employment Equity Act, with specific focus on recruitment procedures, training and development, corporate culture, remuneration and benefits as well as retention of designated groups, to name a few. The Group's planned staff complement targets by 2015, in percentage terms, are listed opposite:



The Shoprite Group uses worldclass labour planning and attendance systems to ensure that the right numbers of people are ready and available to serve the customers. Since implementation the Group has achieved a 50% reduction in over- and under-manned stores.

SHOPRITE HOLDINGS – STAFF COMPLEMENT PERCENTAGE TARGETS IN 2015*

| Occupational Levels | Male | | | | Female | | | | Foreign | | TOTAL |
|--|-------|-------|------|-------|--------|-------|------|-------|---------|--------|--------|
| | A | C | I | W | A | C | I | W | Male | Female | |
| Top management | 5.06 | 9.64 | 4.58 | 65.78 | 0.72 | 1.20 | 0.72 | 12.05 | 0.24 | 0.00 | 0.59 |
| Senior management | 14.51 | 12.17 | 7.40 | 32.13 | 4.38 | 7.30 | 3.51 | 17.92 | 0.49 | 0.19 | 1.47 |
| Professionally qualified and experienced specialists and middle management | 23.07 | 9.28 | 5.21 | 15.54 | 19.83 | 9.53 | 3.43 | 13.70 | 0.35 | 0.06 | 4.49 |
| Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents | 42.00 | 5.96 | 1.69 | 4.09 | 29.19 | 9.48 | 1.90 | 5.47 | 0.21 | 0.02 | 6.91 |
| Semi-skilled and discretionary decision making | 11.87 | 2.92 | 1.17 | 0.67 | 58.13 | 20.15 | 2.84 | 2.19 | 0.01 | 0.04 | 41.92 |
| Unskilled and defined decision making | 30.06 | 6.56 | 0.82 | 0.32 | 45.29 | 14.80 | 1.55 | 0.53 | 0.03 | 0.03 | 44.62 |
| GRAND TOTAL | 22.57 | 5.21 | 1.34 | 2.27 | 47.55 | 16.25 | 2.22 | 2.48 | 0.06 | 0.04 | 100.00 |

*The above targets do not include Transfarm and Freshmark.

This plan focuses the vast majority of the Group's planned recruitment on Blacks, Indians and Coloureds and also shows a particular focus on recruiting females. Regular consultation will take place with the workplace employment equity committees to obtain feedback and address any new issues arising.

The Group currently employs 89 disabled people and plans to increase this number by more than 50% in the next review period. A disability analysis will be conducted to identify possible areas within the Group's business where certain disabilities can be accommodated. Initial discussions with Epilepsy South Africa have taken place, which will eventually result in a Disability Strategy and Training Plan for the Group. By the end of 2015, the Group will potentially have contributed to the attraction, development and retention of 700 deaf employees.

ATTRACTING AND RETAINING TALENT

The retail industry has long faced the challenge of high turnover of staff due to long hours and demanding work. The Group's aim is to provide excellent customer service levels, which requires that it employs the right people at the right time. By not acquiring and retaining the necessary talent, the Group runs the risk of jeopardising its sustainability and competitiveness, impeding its ability to adapt to rapid growth and increasing the overall cost of recruitment and training.

Policy and approach

The Group's policy is to improve the quality and decrease the quantity of its recruitment activities, believing that good recruitment equates to less recruitment. It is also the Group's aim to manage the efficacy of the recruitment process, save time and cost and build the employer brand.

The Group recruits both internally and externally for vacant or new positions and prospective employees undergo competency-based interviews as well as psychometric testing, amongst other assessments. Talent is spotted through the identification of exceptional performance and the identification of potential for higher employment levels. As it takes time and energy to train people for the retail environment, recruiting internally has many benefits, including fast-tracking growth opportunities and, therefore, the sustainability of the business.

Management actions during the period under review

Internally, employee performance is monitored in various categories and their potential is measured against defined criteria. This information is then placed within a talent grid. Employees are rewarded for achievements and given new challenges to retain motivation.

Externally, various recruitment methodologies are employed and there is a strong focus on developing the Group's employee value proposition (EVP) to appeal to graduates and school leavers.

Employee exit interviews are performed and the findings of these are evaluated to discern trends. Exiting staff have indicated that they appreciate the strong development environment, colleague relationships and work challenges. The most common reason for leaving is the long working hours.

Performance during the period under review

In order to streamline the talent pipeline, the Group is currently integrating the processes involved in determining candidate pools. New recruitment systems are being developed and implemented at head office and the training on these finalised. The Group is also in the process of fine-tuning its talent profiles and has introduced a new instrument for measuring potential at senior levels.

The Group's Graduate Recruitment Programme has been very successful and has received the South African Graduate Recruiters Association (SAGRA) Award for Best Integrated Approach. Over the last three years, graduates recruited increased by 11.4%.

The Group's staff turnover over the past three years is reflected in the table below. The retail industry norm for monthly turnover is 20%-25%. The Group's staff turnover has been considerably below this average for the past three years.



Governance and Sustainability continued

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SHOPRITE HOLDINGS – STAFF TURNOVER

| | Monthly | | |
|-----------------------|-------------------|--------------|------------------|
| | Average headcount | Terminations | % staff turnover |
| July 2009 – June 2010 | 35 708 | 5 534 | 15.5 |
| July 2008 – June 2009 | 31 939 | 4 618 | 14.5 |
| July 2007 – June 2008 | 34 895 | 6 875 | 19.7 |

Plans and targets for the next review period

The Group is continuing to improve its EVP. The focus on further streamlining the Group's talent identification process will continue. Initiatives for the coming year include:

- A research project to explore the correlation between performance and potential measurements;
- Researching appropriate measurement tools for different employment levels;
- Aligning talent pools with the Group's recruitment strategy;
- Increased focus on talent areas identified as high risk; and
- Focusing on marketing the Group's EVP at school level.

DEVELOPING AND TRAINING EMPLOYEES

What a company can offer its employees by way of skills development is crucial to its ability to attract talented individuals and reduce employee turnover. The Group aims to become the employer of choice in the retail sector through facilitating continuous learning, career development and structured talent development. In addition, the Group also aims to contribute meaningfully to the National Skills Development Strategy by providing foundational training and vocational education through the National Qualifications Framework (NQF) structure, while also ensuring a sustainable talent pipeline. As the largest contributor to the Wholesale and Retail Sector Education and Training Authority (W&RSETA), the Group benefits from structured accredited training curricula as well as the ability to offer vocational career paths.

Policy and approach

The Group's training and development strategy is closely aligned with the National Skills Development Strategy III and with its Employment Equity Plan. Equal training opportunities are provided for all employees. Career opportunities, progression and mobility are offered from entry level and the Group has structured learning curricula for each job profile. A Quality Management System (QMS) is used to manage the Group's approach to training and to ensure that it is of the highest quality.

The Group is currently in the process of balancing instructor-led training with workplace coaching, aiming to establish a continuous learning culture with on-the-job training and coaching support. Continuous professional development opportunities and programmes are offered (e.g. pharmacists, chartered accountants and internal auditors), as well as bursaries and workplace experience. In all the Group's offerings, preference for funding is given to scarce and critical skills unique to the industry, from bakers and meat technicians to pharmacists. There is currently also a strong focus on customer service.

Certain select programmes are offered in the language of choice, including Portuguese and French in some of the African countries where the Group operates.

Management actions during the period under review

The Group's policies, processes and practices are all monitored by the internal QMS auditor and QMS committee, and a Management Information System (MIS) assures the validity of records. The Group's Learner Management Tracking System tracks and manages all learners on formal qualification and learning programmes. Internal reports are prepared for the board of Shoprite Holdings and presented quarterly. Externally the Group reports to the various SETAs, by means of its Annual Training Report and Workplace Skills Plan.

Performance during the period under review

For the period under review, the Group's training spend as a percentage of payroll and percentage of training spend that went to training of previously-disadvantaged individuals (PDI's) are indicated in the table below.

SHOPRITE HOLDINGS – TOTAL TRAINING SPEND

| | Training spend (as % payroll) | Percent of training spend on PDIs |
|------|-------------------------------|-----------------------------------|
| 2010 | 2.88 | 91.95 |
| 2009 | 3.13 | 94.26 |
| 2008 | 2.85 | 94.35 |

*Note: 2010 figure lower due to large rebate received from SETA in the period under review.

The Group's contribution to skills development in the form of skills levies to the W&RSETA has increased substantially and is a clear indication of its dedication and commitment to the development of employees as well as equipping economically-disadvantaged youth with the necessary skills to obtain permanent employment within the Group.

SHOPRITE HOLDINGS – ANNUAL SKILLS DEVELOPMENT LEVIES & GRANTS RECEIVED

| Fin year | Skills levy (R million) | Grant received (R million) |
|----------|----------------------------|-------------------------------|
| 2010 | 36,2 | 18,1 |
| 2009 | 35,8 | 17,9 |
| 2008 | 27,7 | 13,9 |
| 2007 | 23,3 | 11,7 |
| 2006 | 19,7 | 9,8 |

During the period under review, the Group dramatically increased its number of training interventions, as shown in the table below:

SHOPRITE HOLDINGS – NUMBER OF TRAINING INTERVENTIONS

| | 2010 | 2009 |
|------------------------------------|---------|--------|
| South Africa | 137 843 | 89 182 |
| Non-South Africa | 7 020 | 4 051 |
| Total | 144 863 | 93 233 |
| Number of staff receiving training | 44 273 | 39 630 |
| Number of PDI's receiving training | 42 825 | 34 830 |

The number of interventions increased by 55%, compared to 2009, using the same resources and infrastructure, due to a strongly focussed effort by the training and development team. During the year, the Group provided an average of three training interventions per learner. This achievement will not be sustainable in the coming years as the Group will be implementing more formal qualifications that require increased administration and monitoring.

There were 1 216 learners on W&RSETA learnerships during the period under review. Work experience programmes were an important focus area this year, with both the Workplace Experience and Employment Grant (WEEG) programme for tertiary-level learners and the Ikusasa Project for secondary-level learners being implemented. Thirty-nine learners participated in the WEEG programme (2009: 34 and 2008: 19), which will be receiving higher priority during the rest of the 2010 calendar year.

Bursaries were made available to 220 beneficiaries, as shown in the table below:

SHOPRITE HOLDINGS – BURSARIES AWARDED – IN CALENDAR YEARS

| | 2010 | 2009 | 2008 |
|----------------------|-------|-------|-------|
| Number of bursaries | 220 | 205 | 62 |
| Rand value (million) | 5,522 | 7,976 | 4,899 |

*Note: These figures refer to calendar years and not financial years. The 2010 figure therefore refers to bursaries awarded up to end June 2010.

The dramatic increase from 2008 to 2009 is attributable to more funds and manpower being made available to manage bursaries. In addition to these bursaries, funds were made available to staff members, their dependants and external parties through the Group's Educational Trust. Through this programme, grants are allocated for a variety of educational purposes – from school fees for lower-income employees to highly specialised skills training. Since 1995, almost 22 000 employees have benefited from loans, grants and bursaries from the trust.

The Group also focussed on training for disabled candidates by facilitating the training of 40 hearing-impaired learners in various skills programmes, leading up to a NQF level-two operations qualification.

The Retail Skills Project, launched in April 2009 and aimed at training 926 unemployed youth from economically disadvantaged backgrounds, has almost been completed. A total of 665 learners have completed the training successfully with a 69% employment rate. Due to the rejection of offers by some trainees and the unavailability of vacancies in chosen fields at point of completion, the W&RSETA's target of a 90% employment rate could not be achieved.



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Other employee development and training initiatives offered during this financial year included:

- SETA courses for Finance, Accounting, Management Consulting (FASSET)
- Adult Education and Training NQF level 1
- Internships
- A Management and Leadership development programme
- Workplace Compliance programmes
- Continuing Professional Development programmes
- Product Knowledge (for employees and suppliers)
- Customer Services programmes
- System & Technical training
- Operational training

A Learner Management Tracking System was implemented to assist in monitoring learner progress and to provide accurate learner data on a daily basis. This new back-office system was successfully rolled out to Namibia and Malawi during the year and will be included in the new Management Training Scheme programme for trainee managers in non-South African countries.

The Group achieved 13.98 out of a possible 15 points for the skills development element (Department of Trade and Industry Code 400) of its BBBEE scorecard as at the end of the period under review.

Plans and targets for the next review period

During the coming year the Group aims to improve and expand on its current initiatives. Much focus will be directed to improving the Group's BBBEE performance through the training of disabled and previously-disadvantaged individuals. For example, a disability project for 200 hearing-impaired learners in 2011/2012 will be investigated, with the aim of establishing a deaf-friendly store in each division in five years time. The Group is also investigating the viability of piloting a new bakery qualification for rural black women as a New Venture Creation Project.

The Group will be developing a workplace skills strategy focussing on development of scarce skills. As part of this strategy, the Group will be exploring some public-private partnerships with the aim of implementing training interventions at school level.

Learners from SETA-driven bridging programmes for unemployed learners will be recruited to ensure better retention of learners on the Group's learning programmes. The Group's current retention rate is above 70% at trainee manager level, but is low at around 60% at the lower/entry levels. The Group will also be focusing on improving the employment rate of successful learners, with the goal of achieving a minimum of 90% employment.

More emphasis will be placed on the development of the Group's in-store coaches, evidence gatherers and mentors. Until now there has been a strong focus on training for the supermarket environment. The Group plans to focus on developing training and development curricula for other segments next year. A Recognition of Prior Learning (RPL) project will also be launched, which will enable learners to have their experience-based skills assessed and measured against required skills. This will assist the Group in determining learners' current skills profiles, as well as the gaps that need to be filled. Other goals for the next year include:

- Increasing the Group's Assessor and Coaching capacity;
- Improving relationships with Further Education and Training colleges and relevant SETAs;
- Implementing a new Adult Education and Training NQF level-1 programme (Business Practice – Foundational learning for Controllers and Others Without Matric);
- Piloting a Recognition of Prior Learning (RPL) project at branch manager level;
- Implementing a new Learner Management System;
- Implementing the new Food Safety training programme;
- Developing a new Induction programme for head office and divisional offices;
- Developing a NQF level-3 qualification for controllers; and
- Increasing the quality of our training processes and delivery arm.

MAINTAINING RELATIONS WITH ORGANISED LABOUR

About one third of the Group's staff members (excluding management) are represented through employee unions and collective employee structures. Given this substantial proportion, it is important that the Group fosters a good working relationship with these organised labour structures. Keeping communication channels open enables the Group to monitor the mood on the shop floor and to resolve issues before they lead to industrial action. Such action has a direct impact on the business' performance and on the morale of employees.

SHOPRITE HOLDINGS – PROPORTION OF WORKFORCE UNIONISED

| | 2010 | 2009 | 2008 |
|-----------------------------|-------|-------|-------|
| % bargaining unit unionised | 37.94 | 35.42 | 36.36 |

Policy and approach

The Group has an open door policy with the unions that represent its employees. The general manager: human resources meets with the South African union on a regular basis to deal with current issues and deals with all major issues directly, taking calls and hosting meetings personally.

Only local issues are dealt with at division and store level.

The union in South Africa has set up staff committees for each issue, such as the Uniform Committee and the HIV-Aids Committee, and these are engaged on a case-by-case basis. When annual negotiations are required, the Group and the unions generally consult on the issues at an off-site location. This proves an efficient method in that all parties are able to focus on the issues at hand, away from daily distractions.

The Group also has an innovative education programme with the unions. The top structure within the main union is hosted at locations outside of Africa to learn about the industry in such countries. This opens the floor for informal engagement and facilitates an understanding of how the Group manages its business relative to international standards. With a better understanding of the industry, unions have more realistic expectations.

As a result of the good relationship with the unions, no strike action occurred during the period under review.

WELL-BEING OF EMPLOYEES

The Group believes that healthy and happy employees are productive ones. By ensuring that employees' working conditions are of a high standard and their well-being is provided for, the Group is able to build good morale, which motivates productivity and workplace longevity.

Policy and approach

Given that the Group has over 1 100 stores in South Africa and a number of stores in 16 other African countries, each with a workforce having unique needs, it has not been possible to apply a Group-wide policy to govern this issue. Discussions with employees on how to improve employee well-being occur on an ongoing basis. Where opportunities are identified, actions are taken. The Group provides many conventional employee offerings such as canteen facilities at stores, pension and retirement schemes, and accident cover. In addition to local medical cover, all South African employees based at international locations are covered for fly-in-rescue-and-return to South Africa if the problem cannot be remedied locally. This has added tremendously to employee security within the Group's operations outside of South Africa.

Management actions and performance during the period under review

While the Group offers an optional medical aid scheme that any employee can join, this is often too expensive for most staff in the lower income groups. The Group therefore undertook to resolve this issue by approaching a medical aid scheme to provide a solution for these groups. The union was consulted throughout the process and a proposal has been provided. A staff survey is currently underway to gauge interest from employees.

To build employee morale at store level, two initiatives are run annually, namely Big Branch Brother and Top Stars. Big Branch Brother is a contest in which stores, regions and divisions of the various brands compete against each other in different categories such as teamwork, customer care, store cleanliness and hygiene, stock levels and store performance. Winning stores are announced quarterly and overall winners annually. Representatives of the finalists are flown to Cape Town where prizes are handed over at a gala event hosted by the chief executive officer.

Top Stars is a choir competition that aims to cultivate a sense of community at store level. Employees send in CD's and DVD's of themselves performing in choirs, duets or solo. These are judged at gala events at provincial, national and international levels and prizes are awarded to the winners. Both initiatives have proved to be excellent team-building exercises and have improved the work environment as well as productivity of the Group's stores. Big Branch Brother and Top Stars will continue in the next review period.

OCCUPATIONAL HEALTH AND SAFETY

It is important to provide a safe working environment for employees and a safe shopping environment for customers. A safe working environment improves employee morale, productivity and longevity within the Group. Fewer health and safety incidents also reduce rates of absenteeism.

Policy and approach

The Group manages occupational health and safety compliance via a web-based system. Store managers are required to complete all documentation online and the system assists with administrative aspects such as agendas and minutes of meetings. Compliance is monitored at both divisional and branch level and regular inspections occur at all group outlets. Findings are reported to senior management.

Management actions during the period under review

All branch managers are assigned duties that must be performed during the year. Health and safety committees are elected for each store, as well as for head- and divisional offices. It is the committees' duty to assess the stores and office buildings regularly for potentially dangerous situations. These must either be removed or the risk must be mitigated through signage, training, safety clothing and/or safety equipment. Stores report on occupational health and safety aspects monthly and the Group's operational divisions as a whole on a quarterly basis. The financial director is kept informed of all major incidents.

Performance during the period under review

Three employees were killed in a motor vehicle accident while en route to a training course. There were 1 022 reported employee injuries and 780 reported customer injuries during the year.

HIV/AIDS

The Group's latest actuarial evaluation estimated that 17.8% of its employees could be HIV positive. HIV/Aids is, therefore, a serious issue for the Group. It aims to prevent further HIV infections in its workforce and their families, as HIV and Aids increases the life pressures facing infected staff, which impacts on their well-being and productivity.



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SUSTAINABILITY REPORT

The Group's focus on HIV and Aids management and its drive to keep employees healthy and productive enhances the Group's image as a caring organisation while improving its competitiveness and sustainability. Proactively managed HIV-positive employees are less likely to become Aids sick, thereby reducing staff turnover, retaining skills and decreasing recruitment and training costs.

Policy, approach and management

The Group manages the risk of HIV through its Group HIV/Aids Policy, which focuses on education, prevention and management. The HIV and Aids Committee oversees all HIV/Aids-related interventions and ensures that relevant and appropriate advice is always available to employees. The Group recently conducted employee surveys to determine their lifestyle, ran HIV awareness campaigns and had almost 800 peer educators who engaged directly with employees in the Group's branches. Voluntary counselling and testing was provided in the period under review at some branches and employees were referred to state facilities for medical support.

During the period under review, the Group appointed a third party service provider, Kaelo, to provide HIV and Aids support services on its behalf. Their role is to communicate important issues to staff and to manage the HIV and Aids Healthline, which has qualified nurses and doctors to assist employees with any questions or issues they might have relating to HIV or Aids. They also create awareness and understanding about the Group's Wellness Programme and manage the dispensing of Post Exposure Prophylaxis (PEP) to help prevent infection in cases of accidental exposure to HIV. Each branch still has a peer educator who can refer employees to the health line for medical advice.

Every two months, 50 000 newsletters are distributed and an HIV/Aids-related news article is published in the Group's bi-monthly staff newspaper, Baked Beans & Bully Beef.

GRI Content Index

OUR COMPLIANCE WITH GRI REPORTING REQUIREMENTS

Based on the GRI G3 reporting requirements, the Group is self-declared level-C compliant. This is based on information contained in this Sustainability Report, together with other parts of the 2010 Annual Report and relevant information presented in certain sections of the Group website at www.shopriteholdings.co.za.

In other words, the Group has reported on all the company profile disclosures listed under Column C below, it has disclosed the broad approach to managing each material sustainability issue, and it has reported on at least ten specific performance indicators, with at least one from each of the economic, environmental, human rights, labour, society and product responsibility categories.

GRI REPORTING REQUIREMENTS FOR APPLICATION LEVEL C

| Report Application Level | C | C+ | B | B+ | A | A+ | |
|--------------------------|---|---|---------------------------|--|---------------------------|--|---------------------------|
| Standard disclosures | G3 Profile disclosures | Report on – 1.1 – 2.1 – 2.10 – 3.1 – 3.8, 3.10 – 3.12 – 4.1 – 4.4, 4.14 – 4.15 | Report externally assured | Report on all criteria listed for Level C plus: – 1.2 – 3.9, 3.13 – 4.5 – 4.13, 4.16 – 4.17 | Report externally assured | Same as requirement for level B | Report externally assured |
| | G3 Management approach disclosure | Not required | Report externally assured | Management approach disclosures for each indicator category | Report externally assured | Management approach disclosures for each indicator category | Report externally assured |
| | G3 Performance indicators & sector supplements performance indicators | Report on a minimum of 10 performance indicators, including at least one from each of: social, economic and environment | Report externally assured | Report on a minimum of 20 performance indicators, at least one from each of: economic, environment, human rights, labour society, product responsibility | Report externally assured | Respond on each core G3 and sector supplement indicator with due regard to the Materiality Principal by either: a) reporting on the indicator or b) explaining the reason for its omission | Report externally assured |



Governance and Sustainability continued

SUSTAINABILITY REPORT

GRI INDEX OF SUSTAINABILITY REPORTING

| GRI indicator | Sections of Group Annual Report where covered | Page |
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| 2.10 | Sustainability Report: Awards received during the period | 35 |
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| 3.12 | Sustainability Report: GRI Content Index | 55 |
| 4.1 – 4.4 | Corporate Governance Report | 23 – 31 |
| 4.14, 4.15 | Sustainability Report: The Group's approach to sustainability | 32 – 35 |
| 3.9, 4.5 – 4.13, 4.16, 4.17 | Not required for Level-C compliance | |
| MANAGEMENT APPROACH AND PERFORMANCE INDICATORS | | |
| Economic indicators | | |
| EC1 | Value Added Statement | 36 |
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| EC7 | Sustainability Report: Employees | 39 – 46 |
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| EC2 – EC5 | Not reported for Level-C compliance | |
| Environmental indicators | | |
| EN5, EN6, EN18, EN26, EN29 | Sustainability Report: Biophysical environment | 52 – 54 |
| EN1 – EN4, EN7, EN8, EN10, EN16, EN17, EN19, EN21 – EN23, EN27, EN28 | Not reported for Level-C compliance | |
| EN9, EN11, EN12 – EN15, EN20, EN24, EN25, EN30 | Not relevant to Group operations | |
| Labour Practices indicators | | |
| LA1, LA4, LA8, LA10, LA11, LA13, LA2, LA3, LA5 – LA7, LA9, LA12, LA14 | Sustainability Report: Employees | 39 – 46 |
| | Not reported for Level-C compliance | |
| Human Rights indicators | | |
| HR5 | Sustainability Report: Employees | 39 – 46 |
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| HR2 – HR4, HR8 | Not reported for Level-C compliance | |
| HR1, HR9 | Not relevant to Group operations | |
| Society indicators | | |
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| S02 – S08 | Not reported for Level-C compliance | |
| Product Responsibility indicators | | |
| PR1 | Sustainability Report: Products | 46 – 47 |
| PR2 – PR9 | Not reported for Level-C compliance | |

Key: Not reported for Level-C compliance: this indicator not covered by the Group for the period under review.

Not required for Level-C compliance: this indicator not required to conform to GRI Application Level-C.

Not relevant to Group operations: this indicator not considered relevant in the context of the Group's operations.

Products

MAINTAINING A LOW-PRICE IMAGE

'Leading with low prices' has been the Group's strategic point of differentiation since its inception. The Group believes that consistent and real price leadership, based on superior cost control and management, has proven to be a sustainable and successful positioning. Price perception is critical in the South African context with its relatively low income levels and high unemployment. Consistently maintaining that image over time develops trust in the brand.

The 'every day low price' policy also gives the Group opportunities during tougher economic times, as more consumers become cost-conscious and turn to retailers they perceive to have low prices. Customer trust in the Group's low prices also creates opportunities to diversify into complementary business areas with less risk.

Policy and approach

The Group's policy is never to be out-priced on advertised products. The Group endeavours to beat competitors' prices on the same products in its advertising to protect the brand image. Almost 90% of the Group's marketing communication is focused on promotions featuring products and price information. The use of mass media such as daily newspapers, television and radio supports the fact that the Group is continually and consistently reducing prices on high demand products.

Management actions and performance during the period under review

The Group employs both employees and external companies to conduct price surveys on the customer's behalf. These occur on a daily, weekly and monthly basis. This information is analysed in order to ensure that the Group constantly leads with low prices. Continual work is being done to maintain the Group's low-price image.

The Group's success is clear from the fact that Shoprite Holdings has the largest market capitalisation of all the JSE Top-40-listed food and drug retailers. The Group grew its market share in South Africa by 1.2%, showing consistent growth over the last four years at the expense of its biggest rival.



FOOD AND PRODUCT SAFETY

The Group has a responsibility to provide products that are safe, as well as to communicate product information clearly and simply to its customers. Customer safety and satisfaction are of the utmost importance and managing these issues effectively minimises the short-term risk of complaints and returns and the long-term risk of losing customer loyalty and sales.

Policy and approach

The Group's Food Safety Policy – which must be implemented by all branch managers – covers the activities of all employees, suppliers, contractors and service providers. All product labelling is currently being reviewed in line with regulations published in terms of the Foodstuff, Cosmetics and Disinfectants Act and other Acts. All the Group's own-label products are regularly tested by independent laboratories for compliance with safety specifications. Own-label products display full product information and the Group works with its suppliers to ensure that the necessary information is also supplied on other brand labels.

Management actions and performance during the period under review

The Group is working with the Consumer Goods Council of South Africa (CGCSA) as part of the Food Safety Initiative (FSI) to establish minimum safety standards for the industry, as well as a standard audit for all food suppliers.

Processes are in place to manage the Group's own-label products and fresh food departments (meat markets, bakeries, delicatessens and fish markets) through independent audits.

The Group's Freshmark division performs random sample tests on fresh produce. Farmers who supply this division sign an agreement undertaking that they will comply with all legal food safety requirements. The majority of the farmers are all internationally approved through the GLOBALG.A.P. partnership for good agricultural practice.

MANAGING THE AFTER-SALES IMPACT OF PRODUCTS

Customer satisfaction is a top priority in the retail business and it is therefore critical that the Group manages the after-sales impact of its products effectively. How the Group manages after-sales complaints, returns and product recalls bears consequences for its brand reputation.

Policy and approach

The Group has a 'refund and replace' policy in place for the majority of its housebrand products. Food safety issues are critical and the Group has a specific recall process in place for any such incidences.

Management actions during the period under review

The Group currently manages this issue as one of high importance in terms of customer satisfaction issues. Please refer to the section on 'Meeting customer needs and ensuring great service' for more on this topic. Customer returns are monitored by ratio of returns to identify trends, which are then investigated and, if required, a product recall is initiated.

Performance during the period under review

The Group is pleased to report that in the period under review very few products were recalled on behalf of its suppliers. These incidents had no material effect on the Group's business. Of those products that were recalled, none were of the Group's own labels.

The Group is currently investigating the potential of building a returns centre for dry waste and packaging material in the Centurion area to service its Gauteng division. This centre would be used to manage the re-use or recycling of returned material.

Plans and targets for the next review period

The new Consumer Protection Act is set to give suppliers and retailers a shared responsibility in the risk for faulty products. The Group will implement various measures to mitigate risk in this regard.

Suppliers

MANAGING RELATIONSHIPS WITH THE GROUP'S SUPPLIERS

Strengthening relationships and partnerships with Group suppliers is important to ensure loyal, transparent dealings and reliability of supply. Open communication also allows the Group to identify business opportunities timeously, while reducing costs in the supply chain by identifying potential improvements to profit margins.

Retailers also have a responsibility – to their customers, society and the environment – to source their goods and services from suppliers who are responsible. Reputation risks arise, for example, if suppliers are not compliant with basic human rights and environmental standards. By ensuring that its supply sources are sustainable, the Group can be assured of reliability of supply.

Policy and approach

The Group maintains a relatively close relationship with its suppliers and has an open door policy with them, through which it aims to learn from such interactions in order to adapt its business models towards growth in the long term. The Group constantly searches for ways to improve supplier processes and relations.

Management actions during the period under review

Suppliers were engaged regularly at various levels, from production selections and transactions to contract negotiations and enterprise development initiatives. Senior management regularly interacted with suppliers personally to monitor their performance.

PROMOTING LOCAL PRODUCTS

Economic, social and environmental benefits arise from supporting local suppliers. It also allows the Group to support a diverse group of smaller businesses, which reduces logistical, price and quality risks while also stimulating the local economy.

Policy and approach

Local sourcing is especially important to the Group to ensure freshness of product. This improves shelf life and keeps stock holding to a minimum. As suppliers include the cost of delivery in the purchase price of products, there is an obvious economic benefit to source products locally.

The Group's policy is to use local suppliers in preference to international suppliers unless it does not underscore its low price policy. The Group operates a combination of national and divisional buying offices, with its divisional procurement systems designed to target local suppliers.

PREFERENTIAL PROCUREMENT

The Group's substantial purchasing power puts it in a strong position to advance the country's socio-economic transformation agenda by bringing its influence to bear on the supply chain. Preferential procurement also gives the Group the opportunity to explore new supply opportunities while it endeavours to increase the presence of economically disadvantaged suppliers in the supply chain.

Policy and approach

The Group actively encourages preferential procurement in alignment with its broad-based black economic empowerment (BBBEE) strategy. In particular, it gives preference to black female suppliers. Small, medium and micro enterprise (SMME) suppliers are also assisted to become suppliers of the Group. When choosing suppliers, the Group requires them to provide a copy of their BBBEE certificates, which form part of the Group's supplier selection and decision-making process.

Management actions during the period under review

The Group's BBBEE strategy committee manages and monitors performance on this issue. All suppliers are required to submit their BBBEE certificates on an annual basis for review and this is considered in the reselection process. To improve the Group's performance in this area, its enterprise development projects are focussed on developing new black suppliers.

Performance during the period under review

By continuing to work with suppliers to improve their BBBEE status and by simplifying the criteria for black and SMME suppliers to be listed as Group suppliers, the Group is able to increase the number of BBBEE suppliers without compromising on quality and value for money. The Group currently has an estimated 14 000 BBBEE suppliers.

A pilot project was launched in partnership with the Department of Agriculture and the Department of Trade and Industry to include small farmers in the Group's supply chain. The Group is currently updating its procurement database, and early indications show a year-on-year growth in BBBEE spending. Once completed, the Group will also have insight into local spending patterns. These indicators will be reported on in the next review period.

ENTERPRISE DEVELOPMENT

Code 600 of the Department of Trade and Industry's BEE Scorecard requires that corporations assist in the development of small black-owned businesses in order to stimulate the economic sustainability of these ventures. The Group focuses on those enterprise development initiatives that can nurture and develop its own supply chain, thereby creating a stable and sustainable supplier base over the long term. By focusing on this element of the scorecard, the Group supports and strengthens the economic base of its customers which, in turn, bolsters its reputation, especially in the rural and economically disadvantaged areas where it is best represented.

Policy and approach

The Group is currently in the process of formulating its enterprise development strategy. The BBBEE Strategy Committee has commissioned research into the Group's supply chain needs, and to assess which government-supported programmes or projects are aligned with these needs and other group goals. This study will be completed in November 2010 and the Group's strategy will then be developed for implementation during the next review period.

Management actions during the period under review

Enterprise development opportunities are identified by the relevant divisions, directors and specialist consultants. The BBBEE Strategy Committee prioritises opportunities and instructs divisions to initiate and manage such projects operationally. Initiatives are reviewed annually and adapted in line with the requirements of the scorecard codes on enterprise development, preferential procurement and socio-economic development.

Performance during the period under review

The Group's Greenfields small supplier development project and the Nyama Nyama Emnandi small farmer development project both continue to be successful. While no major new enterprise development projects were launched during the period under review, the Group focused on improving the sustainability of these projects. Both projects experienced growth and are improving.

GREENFIELDS

Through this project, the Group uses various approaches (such as structuring of deliveries and payments) to support small BBBEE suppliers who are able to deliver high-quality products. In this way, the Group's fruit and vegetable procuring division, Freshmark, supports and assists over 358 small farmers in the countries in which it does business. Courses on food safety, presented through ComMark, are given to emerging farmers in KwaZulu-Natal and Swaziland to assist them in obtaining the GLOBALG.A.P. accreditation.



The Freshmark team, from left to right: Johan van Deventer – *General Manager*; Nigel Copley – *Operations Manager RSA*; David Hallale – *National Retail Manager*; Pieter van Zyl – *General Procurement Manager*



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Freshmark also plays a major role in a project to assist 89 aspirant farmers who are beneficiaries of land on the Vaal River under the Government's land restitution programme. A mentor system is in operation by Freshmark, and produce harvested on the farm is purchased by the division. This project has empowered emerging BBBEE suppliers to compete with established suppliers on an equal footing.

NYAMA NYAMA EMNANDI

The Group partners with the Department of Agriculture, with various provincial governments, and with local government structures to assist a group of emerging farmers in South Africa to make a success of their livestock-rearing businesses. For those farmers who have achieved the required product standards, the Group offers a stable market through its Shoprite and Checkers chains. This project has now matured to the point where it is gaining in momentum and a constant stream of top-quality livestock is now flowing through the markets of the Western Cape and Gauteng. The project is currently being extended to the Eastern Cape and the Karoo areas.

In addition to these two projects, the Group's property department endeavours to empower black entrepreneurs by making ownership of shopping centres possible for them – for example, the The Makhaza Centre in Khayelitsha. Further opportunities are also investigated in co-operation with the Department of Human Settlement and the Department of Trade and Industry.



The Meat Market team, from left to right: Dirk Diemont – General Manager; Johan Hunter – Operations Manager; Zakhele Sibiya – Personnel Manager; Hennie Brand – Financial Manager