

GOVERNING STRUCTURES AND DELEGATION

Governance approach and role of the Board

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King IV Principle:

The governing body should serve as the focal point and custodian of corporate governance in the organisation.

In line with the Board's commitment to perform the key role of governing the Group as set out in its Charter, the Board acknowledges its responsibility to perform its role in accordance with the highest standards of corporate governance – and aligned with achieving the good governance outcomes established in King IV – and holds itself accountable for achieving these outcomes year on year.

The Board is guided by its Terms of Reference, which align with King IV, the Companies Act and the JSE Listing Requirements, and encourages an integrated approach to governance. It is satisfied it has fulfilled its duties in accordance with the responsibilities set out in the Board Charter.

By fulfilling its Terms of Reference, internal Code of Conduct, ethical considerations, and legal and regulatory requirements, the Board can ensure sustainable value creation for investors and all other stakeholders. The Board and each committee perform a range of activities on an annual basis, such as assessing Board composition, monitoring risk governance, overseeing sustainability and recommending remuneration for approval.

These activities – and the conduct each member commits to while performing them – are set out in the Board's Terms of Reference and each Committee Charter. These documents, reviewed annually, are aligned with King IV and with relevant legislation and regulations. They are available on the Group's corporate website at

 **GRI 102-31**

 **Shoprite Holdings corporate website**

Board and committee meeting attendance in 2021

Committee meetings are held in accordance with each committee's Terms of Reference. The frequency of meetings is deemed sufficient to review and manage the Group's economic, environmental and social topics and their impacts, risks and opportunities. The Board members have had a 100% attendance to all meetings within their appointment period.

Based on the activity at Board level during the year, an additional six special committee meetings were held as well as a Strategic Board session with the Executive Management team.

 **Our Board meeting attendance by each Board member, pages 6 and 7**

Board composition

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King IV Principle:

The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.

 **Our Board, pages 6 and 7**

 **Nomination Committee Report, page 22**

The Board has a wide range of skills and experience in key areas including the business, commercial and industry experience needed to govern our forms, and uses, of capital and our key risks. We have retained Christo Wiese's 41 years of experience with the Group, in his appointment as a Non-executive Director.

The Group adopted a Promotion of Gender and Race Diversity Policy at Board level in 2017 which seeks to achieve a voluntary target of black female representation. Targets are also set to reflect the demographics of South Africa. Further details in this regard are available in the 2021 NomCo Report.

A formal induction programme exists for all new Directors. Upon their appointment new Directors receive an induction pack consisting of relevant reports, policies and documents to assist them in understanding the Group's strategy and operations.

All Directors are kept abreast of changes and trends in the business and retail industry and how the economic, political, social and legal climate impacts the Group. Site visits and engagement with operational management meetings are held to improve the quality of induction and ongoing training of the Directors.

Appointment and rotation

One-third of the Non-executive Directors retire annually by rotation in terms of the Shoprite Holdings Memorandum of Incorporation (MOI). The NomCo makes recommendations regarding the re-election of the retiring Directors considering performance, meeting conduct, and so forth. The independence and performance of Non-executive Directors who have served on the Board for more than nine years is subjected to a rigorous review.

The CEO is subject to a six-month notice period. Executive Directors are discouraged from holding significant directorships outside the Group.

We have strengthened the Board with the appointment of five independent Non-executive Directors, including the Chairman. Three, including the Chairman, were appointed during the reporting period and two were appointed in August 2021. These members include:

Wendy Lucas-Bull was appointed as an Independent Non-executive Director on 1 October 2020 and appointed as Chairman at the Board meeting following the Annual General Meeting (AGM) held on 16 November 2020. She replaced Christo Wiese who retired as Chairman. Wendy is also chairman of Absa. She has extensive banking and widespread sector experience as well as expertise as a Chairman and Non-executive Director on company boards across multiple industries in both the private and public sector. Her professional experience includes international partner of Andersen Consulting (now Accenture); Executive Director of RMB Holdings Limited and Chief Executive of FirstRand's retail businesses, including First National Bank, WesBank, OUTsurance,

Firstlink and First National's African subsidiaries. She is also a founder and Director of Peotona Group Holdings.

Linda de Beer has extensive experience as an Independent Non-executive Director, having served on the boards of various listed companies over the past 10 years. She currently serves on the boards of Aspen Holdings Ltd (chair: Joint Remco/NomCo), Momentum Metropolitan Holdings Ltd (chair: Audit Committee) and Tongaat Hulett Ltd (chair: Audit Committee and Legal Committee). She previously held numerous advisory roles pertaining to governance, accounting and reporting including being a member of the King Committee on Corporate Governance and chairing the Financial Reporting Investigations Panel of the JSE. In April 2020 Linda was appointed as chair of the Public Interest Oversight Board, a body established by the large international regulatory authorities to oversee and monitor the standards set for audit and accountant ethics are responsive to the public interest.

Nonkululeko Gobodo has extensive board experience, having served on the boards of the Clicks Group Ltd, Mercedes Benz SA and many others. She was jointly appointed by the Minister of Finance to act as caretaker at the Independent Regulatory Board for Auditors (IRBA) until a new board was appointed. She currently serves on the boards of PPC Ltd and Net 1 Technologies, Inc., a company listed on the Nasdaq stock exchange. Nonkululeko has over 35 years of executive experience. She is a pioneer in her field, having established her own successful accounting and audit firm that grew to become SizweNtsalubaGobodo (SNG), the largest black accounting firm in South Africa and fifth-largest overall. In 2018 SNG acquired the Grant Thornton South Africa licence, testament to the business' leading position in the accounting profession in South Africa. She has also been acknowledged for her role in accounting and business including the Lifetime Achievement Award: Excellence in Accountancy – SA Professional Services Award (2014).

Eileen Wilton is an experienced chief information officer (CIO) and CEO, having held the positions of CIO of both Anglo American and Old Mutual and the CEO position at Gijima Holdings (Pty) Ltd. She is a qualified Chartered Director and is currently a Non-executive Director of Sasfin Holdings and Bank where she is the chair of the Remuneration Committee and Human Resources, Information Technology (IT), and Social and Ethics Committees and member of the Group Risk and Capital Management Committee. She also serves on the board of the Institute of Directors of South Africa (IoDSA), where she is a member of the Audit and Risk Committee as well as the Remuneration Committee. Eileen has spent more than 20 years working in various industries including financial services, mining and information and communications technology (ICT) resulting in extensive experience at both an operational and strategic level. She is an expert in enterprise ICT, outsourcing, System Applications and Products (SAP), cloud computing, digital strategies, digital marketing and innovation.

Peter Cooper has extensive experience as an Independent Non-executive Director, having served on the boards and committees of various financial services companies including Discovery, FirstRand, OUTsurance and Momentum Metropolitan Holdings. He was CEO and CFO at RMB Holdings and Rand Merchant Investment Holdings until retiring in 2014. Peter continues to serve on the board of RMI. He is also an Independent Non-executive Director of Imperial Logistics (chair: Asset and Liability Committee and member: Audit and Risk Committee) and MMH (chair: Remuneration Committee; member: Nominations Committee and member: Investment Committee). Peter brings with him 40 years of experience in financial services and corporate finance together with 25 years of board and governance experience.

Conflicts of interest

All Directors are required to annually declare their interests through any Directorships, shareholding or contracts with the Group. Directors also declare personal financial interests that may relate to any Board matters and recuse themselves from relevant discussions and meetings in line with section 75 of the Companies Act.

Conflicts of interest are declared to the SEC and might also be reviewed by the ARC. Additional Board memberships of Non-executive Directors are considered by the NomCo.

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All Directors complied with the Group's policy on share dealings, which prohibits share trading in closed periods relating to important announcements or events.

 Annual Financial Statements: Related party disclosures

Effective Board structures

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King IV Principle:

The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement and assist with balance of power and the effective discharge of its duties.

The Board committees

The Board has delegated particular roles and responsibilities to Board committees, which operates under Board-approved Terms of Reference, setting out the nature and extent of the responsibilities delegated and decision-making authority. The Terms of Reference of each Board committee is reviewed annually. The Board ensures each Board committee has the necessary skills, experience and knowledge to discharge their duties effectively. Committee members are nominated by the Nomination Committee and appointed by the Board, except for the Audit and Risk Committee whose members are annually elected by the shareholders.

The Board has appointed the following committees:

- Audit and Risk Committee
- Nomination Committee
- Social and Ethics Committee
- Remuneration Committee

Additional information on the roles, responsibilities and activities of the committees during FY 2021 is disclosed in the committee reports.  GRI 102-18

 Annual Financial Statements for a detailed report by the Chairman of the Audit and Risk Committee

 Social and Ethics Committee Report, pages 20 and 21

 Nomination Committee Report, page 22

 Remuneration Report, pages 23 to 45

GOVERNING STRUCTURES AND DELEGATION | continued

Delegation of authority

The Board has delegated to the CEO, CFO and other Executive Management the authority to manage the day-to-day business subject to an approval framework established by the Board. These include economic, environmental and social aspects, aligned with that of the Group's strategy and purpose.

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The Executive Committee comprises the CEO, CFO and nominated business unit and departmental heads who are responsible to implement and execute the approved strategy and discharge all duties and functions as delegated by the Board. The Executive Committee meets on a regular basis.

The Executive team comprises a group of Executives that collectively have deep institutional knowledge and experience of the Shoprite Group. The Executive team is supported by skilled and experienced business management teams and functional heads who support business operations in key functional areas including risk, compliance, ethics, legal, health and safety, and loss prevention.

Succession planning and management development forms a key part of the Group's strategy to build a reliable leadership pipeline. The Executive team ensures appropriate succession for all key Executive and management positions throughout the business, to reduce any risk of business disruption or loss of momentum on execution of the business strategy if Executive and management positions change or rotate. Although Ram Harisunker retired at the end 2020, celebrating a milestone tenure of more than 50 years with the Group, he remained on the Board. He continued with his management responsibilities and his contract is due to end in December 2021.

Company Secretary

The Company Secretary focuses on supporting the activities of the Shoprite Holdings Board aligned with its Charter. This includes advising on the adoption and implementation of governance policies to ensure compliance with governance requirements of the Companies Act and JSE Listing Requirements, and to align with evolving governance best practices. The Company Secretary retains independent advisory services as may be requested by the Board, its committees and by individual Board members. He also oversees the induction of new Directors and ongoing Director development for the members of the Board. The Board assesses the Company Secretary's eligibility, skills, knowledge and performance on an annual basis. The results of the Board's assessment in the current year have confirmed the Company Secretary's capacity and performance aligned with his role and functions during FY 2021.

Board effectiveness and performance

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King IV Principle:

The governing body should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness.

The independent appraisal of the Board of Directors that was conducted in 2020 was followed by a self-evaluation during the FY 2021 reporting period. The evaluation was completed by each Director.

The optimal size, diversity, independence and skills required to ensure the Shoprite Group will have an appropriately balanced Board were reviewed as part of the process. A considered mix of new and long-standing members to secure both optimal capacity and Board continuity has been a key consideration in the nominations process outlined above.

Under Shoprite's Board Charter and related governance policies, Non-executive Directors are required to retire by rotation every three years but can make themselves available for re-election at the AGM. The NomCo evaluates the Directors available for re-election and makes appropriate recommendations to the Board.

Following a formal process of re-election and appointment, the Board will submit its nominees for approval at the forthcoming AGM. The Board also identified its nominees for appointment of Independent Non-executive Directors, some of whom will take on the role of chairing the Board committees. The current nominations, if approved, will ensure the appropriate composition of the ARC aligned with statutory/regulatory requirements and contemporary best practice.

Induction and ongoing development

The Board is reviewing recommendations to enhance the quality of the current Director induction programme, which mainly relate to more exposure to the Group's management and operations, as well as additional training opportunities focused on current trends and issues within the retail industry as well as regulatory updates. In addition, the Board has approved additional opportunities for Directors to receive mentorship focused around improving Director effectiveness.

"Last year the Board undertook a detailed review of its composition and functioning by an independent external party. These recommendations were in line with and support the principles of the King IV Code on Corporate Governance. Adherence to the code sets the tone for ethical behaviour throughout the Group." Wendy Lucas-Bull

The relationship between the Board and the Executive Management

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King IV Principle:

The governing body should ensure that the appointment of, and the delegation to, management contributes to role clarity and responsibilities.

The respective roles of the Board Chairman and the CEO are formalised and clearly defined with respect to their separate but related leadership roles. Non-executive Directors have direct access to members of the Executive as needed.

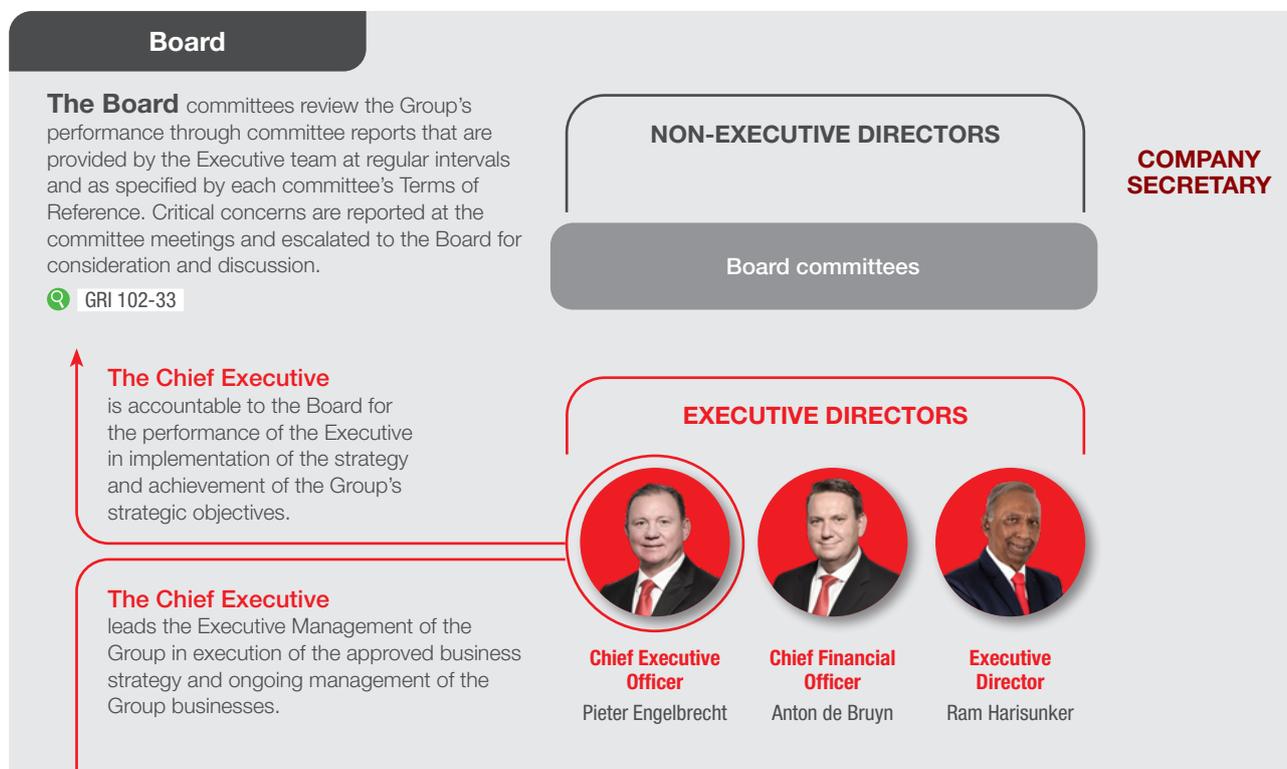
The Board also recognises the exemplary leadership exercised by the Group Executive team in adopting a succession plan and they have between a three- and six-month's notice period. The succession approach is focused on broadening the Executive's capacity and capability according to the needs of the business strategy.

Executive Management

The relationship between the Executive Management team and the Board of Directors is one of trust and respect. The Board is confident in the CEO's experience and capability to lead the Group. It also recognises the CEO's strong track record of leading the Executive team to advance the Group as a future-fit organisation. He and the team have made significant strides towards fully embracing execution of an evolved business strategy focused on innovation and growth.

Company Secretary

The Company Secretary is suitably skilled, qualified and experienced to fulfil the role competently and provide the Board, collectively and individually, with guidance as to their duties, responsibilities and powers. He is independent and maintains an arm's length relationship with the Directors.



Divisional Chief Operating Officers and Executive Management

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