Operating environment

The retail operating environment is significantly impacted by the state of the economy. The economic downturn impacts affordability and for many, food security. Effective application of technology is becoming essential to maintain a competitive position.

Macro environment

The Shoprite Group derives 87% of its merchandise sales directly from its South African operations. The remaining 13% is derived from its non-SA Supermarket operations (excluding Nigeria).

Non-SA Supermarket sales are predominantly from Western Africa. Significant sales are also derived from the Retail South Africa (RSA) operations, Australia and the UK.

The Group's Non-RSA Supermarket operations (excluding Nigeria) contribute 11.6% of Group sales.

Due to the loss of income during COVID-19, the South African unemployment rate increased to above 30% in the third quarter (3Q FY 2020) of the financial year. As an industry, South African retailers continue to struggle with economic challenges, and increasing levels of unemployment.

Food inflation:

2020 US$51.62 (2019: US$68.61)

Brent crude average price per barrel:

2020 7.2% (2019: 3.3%)

Constant currency sales:

2020 -1.4% (2019 Restated: -8.8%)

Retail environment

Technology is inextricably linked with the digital era. The Group is investing in innovative solutions and platforms facilitating environment digitalisation. Many customers are using technology to enhance the retail experience.

Productivity improvements.

Reduce the overall cost of operations (rent, labor, and utilities).

Reduce exposure to dollar-based costs, exchange risk and currency volatility.

Digitalisation

A data-driven retail environment enables better revenue, customer insight, and customer retention and growth.

Enhancing products and service offerings

A future-fit approach towards retail provides more product and shopping options to customers. This drives innovation in the physical store environment – as well as an increased focus on developing digital channels.

Innovation

A data-driven retail environment enables better decisions that can support the continued growth of sales and profitability.

Reducing the overall cost of operations

Rent, labor, and utilities.

Reduce exposure to dollar-based costs, exchange risk and currency volatility. 

Security

Combined with the Group's commitment to ethics and integrity, security is fundamental to the Group's ability to maintain a competitive position.

Minimising our impact on climate change

Our Sixty60 on-demand, one-hour grocery delivery service helped drive a 21% increase in online sales in FY 2020. Digitalisation provides more secure, immediate and safe transaction options: the Group adopted mobile and digital methods as an added layer of security.

Community assistance: 3.9 million soup kitchen meals

In addition, the Group’s supply base is supporting 119 community food gardens across the region.

Diversifying the Group's supply base

The Group procures directly from farmers, manufacturers and other suppliers. The Group is testing new channels and product innovation to meet consumer needs. This includes traditional retail channels and online sales.

Reducing the overall cost of operations (rent, labor, and utilities).

Many consumers are using technology to enhance the retail experience.

To enhance sales and profitability, the Group is developing digital channels that provide more secure, immediate and safe transaction options.

Download A4 print-friendly versions of the following documents available for download here:

Integrated Annual Report

Annual Financial Statements

Sustainability Report

Form of proxy
We are pleased to present this 2020 Integrated Annual Report for Shoprite Holdings Limited and its subsidiaries.
The report demonstrates our ongoing commitment to improving transparency and striving for the highest reporting and disclosure standards.

We endeavour to provide a balanced view of how the Group aims to create and sustain value for shareholders in the short, medium and long term, while meeting our responsibilities towards our other stakeholders, recognising the influence of our key stakeholders on the Group as a sustainable business.

Our reporting suite and reporting frameworks and guidelines that inform our reporting

Shoprite Holdings Limited (Shoprite or the Group or the Company) is a registered company with its securities listed on the Johannesburg Stock Exchange (JSE) in South Africa. This Integrated Annual Report for the year ended 28 June 2020, the company’s notice of Annual General Meeting (AGM) and the audited annual financial statements are published in compliance with the relevant provisions of the JSE Listing Requirements and the South African Companies Act No. 71 of 2008.

This Integrated Annual Report is prepared in all material respects, in accordance with the International Integrated Reporting Council’s ‘IR’ Framework. Aligned with Shoprite’s commitment to apply King IV and the corporate governance principles contained in King IV, this Integrated Annual Report contains disclosures aligned with King IV recommended disclosure practices. In that regard, the content of this Integrated Annual Report is supplemented by Shoprite’s King IV Application Register available on our website, www.shopriteholdings.co.za.

With regard to Shoprite’s financial disclosures contained in this report, we note that Shoprite’s separately published annual financial statements for the year ended 28 June 2020 are reported with reference to and in compliance with (as applicable):

- the International Financial Reporting Standards (IFRS) and the International Standards on Auditing (ISA) issued by the IFRS Interpretations Committee,
- the regulations adopted by the South African Institute of Chartered Accountants (SAICA),
- the interpretations issued by the South African Institute of Chartered Accountants (SAICA),
- the Financial Reporting Guidance issued by the Accounting Practices Committee and the Financial Pronouncements issued by the Financial Reporting Standards Council,
- the regulation of the JSE Limited, as contained in the JSE Listing Requirements, and reporting requirements of the Companies Act, 2008.

Further detailed information reporting Shoprite’s performance in relation to our material sustainability issues, comprising our economic, social and environmental performance disclosed in alignment with the Global Reporting Initiative (GRI) Standards, is contained in our separately published 2020 Sustainability Report, available on our website www.shopriteholdings.co.za.

Scope and boundary

The report covers the integrated performance of the Group’s operations for the reporting period 1 July 2019 to 28 June 2020 (FY 2020). The subsidiaries, operating segments and countries of operation are reported on pages 10 to 13.

Stakeholder relationships

The Group is committed to creating long-term, ethical and collaborative relationships, which it deems essential for the viability of a successful business. We continue to explore effective channels for engaging stakeholders and integrating their feedback into how we identify material issues, risks and opportunities and implement our strategy.

Value creation

The report provides an overview of the Group’s operating environment and the value created over time through its business activities. Value is created to benefit the business and its stakeholders. The relationship between required inputs and desired outcomes, in line with the Group’s strategic drivers, are represented in the Capitals Report.

Business model page 36; Capsitals report pages 52 to 63

Assurance and overview of the Group’s external reporting suite

The Group’s consolidated annual financial statements are supported by the Group financial statements for the year ended 28 June 2020. The Board has approved the report on that it fairly represents the performance of the Group for the reporting period ended on 28 June 2020. The Board has expressed an unmodified opinion on those financial statements. The Board’s application of the King IV report has included in the published annual financial statements and PwC has expressed an unmodified opinion on those financial statements. Shoprite’s management has also reviewed the accuracy of financial information extracted from the annual financial statements that appear within this Integrated Annual Report.

For a full understanding of the Group’s performance in 2020, the Integrated Annual Report should be read alongside the other reports that comprise the Group’s external reporting suite:

- 2020 Annual Financial Statements, audited by PwC.
- 2020 Sustainability Report, approved by the Shoprite Board on the basis of the recommendation of Shoprite’s Social and Ethics Committee (SEC).
- 2020 Carbon Disclosure Project Reports, approved by the SEC.
- Report on Shoprite’s application of King IV, approved by the Board B-BBEE rating. The Group and all subsidiary data has been externally verified by ABRate.

These reports are all available as published reports on our website, www.shopriteholdings.co.za.

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“We invest in our people. We aim to transform our business, develop our people’s careers and promote from within. We believe if we invest in our people, they will invest in us.”
Purpose and values

Shoprite is Africa’s largest fast-moving consumer goods retailer. Our customers are at the heart of what we do and the reason for our business. Our purpose is to provide them access to affordable products wherever they are.

To achieve what we set out to do, we stay focused on:

- recognising that managing our capital, resources and relationships is important to our success;
- creating shared value for all our stakeholders; and
- being a responsible and innovative business.

Our values are deeply rooted in our long history and come to life in our actions and the way we do business.

Doing the right thing: excellence, integrity and care

- We aim to put our customers first. We do this through excellent service. Our employees are empowered to make sure our customers leave our stores happy.
- Integrity is of utmost importance. We strive to treat everyone with respect. We are accountable for our actions and we behave in an ethical way to build trust with our stakeholders.
- We ActForChange beyond our own doors. Through job creation, affordable products, hunger relief and other programmes, we work to create shared value for our communities.

Saving to share: efficiency and commitment

- We focus relentlessly on keeping costs low and aim to become more efficient. We know where and how every rand is spent and our business and operational processes are set up to manage the use of resources by reducing waste and minimising harm to the natural environment.
- We help where we can. We have a specific focus on food security. When we have surplus food or resources, we distribute them to people in need.

Developing local: growth, opportunity and transformation

- We invest in our people. We aim to transform our business, develop our people’s careers and promote from within. We believe if we invest in our people, they will invest in us.
- Our scale and effective supply chains create opportunities for local and small suppliers. Where we can, we procure from and support them, giving them access to our markets and helping them to grow and thrive.
- We embrace economic transformation through job creation, skills and career development, local sourcing and social upliftment and contribute taxes to develop local communities.
Performance highlights

**Business**

**R156.9 billion Revenue**
(FY 2019 restated: R147.5 billion)

- 2.8 billion EBITDA
  (FY 2019 restated: R12.5 billion)
- 767.0 cents HEPS from continuing operations
  (FY 2019 restated: 747.7 cents)
- R634 million Capital investment in information technology
  (FY 2019: R681 million)

**Contribution per segment**

- Supermarkets RSA: 11.6%
- Supermarkets Non-RSA: 3.5%
- Furniture: 78.0%
- Other operating segments: 6.9%

**Environment**

- **3 298 MWh Renewable energy generated**
  (FY 2019: 2 637 MWh)
- **Diverted 9 400 tons of plastic waste from landfills and the environment through 684 million recycled and recyclable plastic carrier bags sold**
- **70% Invested in communities**
- **16% Rewards card customers**
- **12% Customers served**

**COVID-19**

- **R327.2 million Cost of COVID-19**
- **Food donations**
- **Communities**
- **Early Childhood Development**
- **Hunger relief**

**Employees**

- **141 452 Total employees**
  (FY 2019: 147 268)
- **97%** PDIs
- **65%** Female
- **R491 million Invested in training**
- **R136.0 million Invested in communities**
- **4.7 million Rewards card customers**
- **1.04 billion Transactions during the year**
Our business

Shoprite Holdings Ltd (the Group) and its subsidiaries is Africa’s largest fast-moving consumer goods retailer. Our Home Office is in South Africa and we operate across the continent. The Group’s core business is food retailing, although we sell a wide variety of products ranging from furniture to pharmaceuticals, cellular and technology and financial services, providing our customers with a one-stop-shop experience.

Operational structure and footprint

Shoprite Holdings Limited (Shoprite) is an investment holding company listed on the Johannesburg Stock Exchange Limited in the food retailers and wholesalers sector. Secondary listings are also maintained on the Namibian and Zambian Stock exchanges. The Group’s subsidiary structure is explained in detail in the Directors’ report in the annual financial statements available on www.shopriteholdings.co.za.

Distribution of operations

* Classified as discontinued operation.  CFO report page 26
Brand overview

Supermarkets

Revenue contribution

- **SHOPRITE**
  - Our flagship brand, serving customers in the mass middle-income market.
  - 78.0% RSA
  - 11.6% Non-RSA
  - 19.3m shoppers

- **U Save**
  - Small-format stores serving customers in the lower-income market, mostly in non-urban areas.
  - 3.5% Furniture

Value add

- Creating a one-stop-shop customer experience.
- Providing food, clothing, household, health and beauty, and wine. Stores also offer the convenience of Money Market and financial services products, Computicket products and services; and technology and cellular products at TechX departments.

2020 achievements

- Despite the negative impact of COVID-19, the Supermarkets RSA operation grew sales by 7.5% during the second half of the financial year.
- Launched new-look online-shopping site
- Extended from a stand-alone financial services and cellular store to offer the latest smart and feature phones at the Money Market counter of all Group supermarkets

Furniture

Revenue contribution

- **House & Home**
  - Providing quality homeware, furniture, electrical appliances to serve more affluent customers.
  - 3.5% Furniture

Value add

- Providing homeware, furniture, electric appliances and more.

2020 achievements

- We continued with the consolidation of our Furniture business footprint throughout the year resulting in OK Furniture closing a net 19 stores in South Africa and one store in Non-RSA.
- Introduced mobile eKasi truck stores

Checkers

Revenue contribution

- **Checkers**
  - Serving more affluent customers who prioritise convenience, quality and freshness.
  - 1.8% market share gained

Value add

- Serving a cross-section of customers with a wider range in large-format stores offering similar products to Checkers.

2020 achievements

- Rolled out an enhanced shopper experience at the new refurbished Sandton Hyper FreshX concept store
- Introduced mobile eKasi truck stores

Liquorshop

Revenue contribution

- **Liquorshop**
  - Serving the same Shoprite and Checkers customers, these stores are located adjacent to or near the supermarket brands and provide a range of local and international alcoholic and non-alcoholic beverages at supermarket prices.

Value add

- Rolled out an enhanced shopper experience at the new refurbished Sandton Hyper FreshX concept store

2020 achievements

- 1.8% market share gained
- Launched and rapidly scaled the Sixty60 digital shopping mobile application

Other

Revenue contribution

- **Pharmaceutical**
  - Located inside supermarkets, MedRite is well positioned to meet the growing needs for easily accessible and affordable healthcare to customers across all income levels.
  - 6.9% Other

Value add

- Creating a one-stop-shop customer experience.
- Providing food, clothing, general merchandise, cosmetics and liquor. Stores also offer the convenience of Money Market and financial services products. Computicket products and services; and technology and cellular products through the TechX departments.

2020 achievements

- Full year’s performance of ChillTime
- Fully integrated with the Group’s central supply chain
- Introducing online and call centre ticketing agent, situated in most supermarkets and furniture stores, and serving all supermarket and corporate customers’ event, travel ticketing and related solutions.
- Introducing and rolling out virtual vouchers during COVID-19, adding to the product portfolio while supporting the Supermarket business

Ticketing

- **Computicket**
  - Online and call centre ticketing agent, situated in most supermarkets and furniture stores, and serving all supermarket and corporate customers’ event, travel ticketing and related solutions.

Financial and cellular services

- **k’nect**
  - Serving customers in the low- to middle-income markets.

Franchise

- **OK Foods**
  - Full year’s performance of ChillTime

Hospitality

- **TransPharm**
  - Our wholesale brand distributes pharmaceutical products and surgical equipment across South Africa.

- **OK Express**, Sentra, OK Liquor and MegaSave (wholesale).
  - Introducing mobile eKasi truck stores
  - 1.8% market share gained

- 6.9% Other
The retail operating environment is significantly impacted by the state of the economy. The economic downturn impacts affordability and for many, food security. Effective application of technology is becoming essential to maintaining a competitive position.

Macro environment

South African economy

The Group derives 87% of its merchandise sold this year from its South African operations and of this, the majority was from food retail.

As an industry, South African retailers continue to struggle with economic challenges, relatively low levels of food inflation, persistently high growth in administered costs and increasing levels of unemployment. COVID-19 presented unprecedented challenges over and above this backdrop and it is anticipated to have a further detrimental impact on economic growth.

Indicators

Consensus forecasts by local and global banks indicate the South African economy is predicted to contract in this year ahead. Due to uncertainties pertaining to COVID-19, forecasts range widely but are broadly expected to result in a further contraction in household spending. A primary indicator is the South African unemployment rate reported at 30.1% for the first quarter of 2020.

Response

Retail offerings focused on value across all income segments from low-income communities served by Uuso to a premium shopping experience at the new Checkers Fresh Koncept stores.

New digital shopping channel: Sixty60 ordering and delivery app launched in FY 2020.

Taking ownership of external costs by reducing the Group’s reliance on grid electricity and impact of power outages: rolling out the installation of renewable solar photovoltaic (PV) plants at certain locations.

Non-RSA economies

The Group’s Non-RSA Supermarket operations (excluding Nigeria) contribute 11.6% of Group sales.

In global terms, from a population growth standpoint, Africa remains attractive in our view. The GDP growth outlook remains broadly positive in certain key regions although post-COVID-19 economic growth is expected to be lower over the short and possibly medium term. Notwithstanding the relative positive long-term population growth construct, the impact of a lower oil price, material currency devaluations and resultant high inflation has negatively impacted customer affordability and, in some cases, structurally altered the market on which we premises our original operating model. It is for this reason we are conducting a country-by-country review of our operations to determine the best way forward in regions where a different model – such as a JV, partnership or franchise – may serve us better. As has been noted in this report, we are currently in discussions with regard to a sale of a majority stake of, or its entire shareholding in, Retail Supermarkets Nigeria Ltd, a subsidiary of Shoprite International Limited.

Indicators

Brent crude average price per barrel: 2020 US$51.62 (2019: US$68.61)

Food inflation: 2020 7.2% (2019: 3.3%)

Rand reported sales: 2020 -1.4% (2019 Restated: -8.8%)

Constant currency sales: 2020 6.6% (2019: 0.2%)

Response

De-risk African exposure: Reviewing African footprint while retaining a competitive position on the continent.

Reduce the overall cost of operations (plant reductions).

Productivity improvements.

Reduce exposure to dollar-based costs, specifically rentals.

Reduce capex allocated to the region.

Food security

Many people cannot afford or access sufficient quantities of food. In addition, nutritional deficiencies are leading to widespread stunting of children in their early years. Environmental changes in weather patterns are putting natural resources at risk as the impact of climate change grows, which has a bearing on sourcing of products and the ability to develop local suppliers.

Indicators

People at risk: 1.7 million South African households (10.5%) are deemed ‘vulnerable to hunger’, while 2.5 million South African households (15.8%) reported their food access inadequate (source: Stats SA, Food Security in South Africa. 2019 (p 14, 15).

Due to the loss of income during COVID-19, more than one in ten people reported experiencing hunger, indicating the loss of income may further increase food insecurity in the country. (Source: Stats SA, May 2020)

Response

Provide accessibility to affordable food: 63 million R4.99 bread loaves in FY 2020 and 155.8 million R5 deli meals since FY 2017 sold.

Community assistance: 3.9 million soup kitchen meals.

Minimising our impact on climate change:

Managing and reducing our own carbon footprint.

Diversifying the Group’s supply base across a variety of suppliers across the various jurisdictions in which we trade.

Building climate-resilient communities by supporting 119 community food gardens in the communities in which we operate.

Retail environment

Digitalisation

Technology is changing retail, with integrated ERP systems being applied through the value chain to improve efficiencies and digital platforms facilitating omnichannel shopping.

More retailers are using technology to seamlessly engage with customers across channels in an attempt to improve their retail experience.

Indicators

South Africa’s online retail industry accounts for just 1.4% of total retail, according to independent technology market research group World Wide Wins. Despite local and global trends to evolve into online, the COVID-19 pandemic has accelerated the shift to e-commerce as more consumers sought to avoid crowded places amid lockdown and social distancing rules.

Response

Our Sixty60 on-demand, one-hour grocery delivery service helped drive a seven times increase in online revenue for the Group.

Adoption of innovative methods of payment providing more secure, immediate and safe transaction options: introduced QR code payments.

Investment in and development of IT infrastructure: integrated all channels, brands and products into one seamless data process.

Diversifying using data analytics: optimised marketing spend with a targeted online and more personalised marketing approach.

Innovation

Increased competition between retailers provides more product and shopping options to customers. This drives innovation in systems and support functions to deliver on high customer expectations. Within such a dynamic retail environment, innovation within a physical store environment – as well as across digital sales platforms – is critical to maintaining a competitive advantage.

Indicators

Africa’s young, millennials population is experiencing hunger, indicating the loss of income during COVID-19, more than one in 10 people reported experiencing hunger, indicating the loss of income may further increase food insecurity in the country. (Source: Stats SA, May 2020)

Response

Invested in an integrated and central ERP system to facilitate a more strategic and future-fit approach towards retail.

Launch of digital customer-facing channels and rewards platform.

Using data analytics: optimised marketing spend with a targeted online and more personalised marketing approach.

Diversifying revenue streams

A data-driven retail environment enables customer profiling and the ability to tailor services to meet customer needs. This customer-centric model opens up opportunities for retailers to offer add on services and adapt channels to market. New entrants are bypassing traditional channels, while those with established retail footprints are testing new channels and product offerings. Diversifying revenue streams not only enhances competitiveness within what remains a low margin environment, but provides added value services that support customer retention and growth.

Indicators

Globally retailers are looking to create new revenue streams through the monetisation of physical and digital media assets as well as customer insight.

Response

Providing a one-stop-shop destination for customers: provide services and products across nine industries.

Enhancing products and service offerings towards convenience and an improved shopping experience.

Developed new media services for FMCG product supply partners.
“Words don’t do justice to applaud all the Shoprite teams that pulled together to ensure we kept our staff and customers safe.”
Chief Executive Officer’s report

“At R48.5 billion in sales, our Checkers and Checkers Hyper business has become a formidable presence in the South African food retail market. We are extremely excited about the journey ahead.”

Pieter Engelbrecht
Chief Executive Officer

2020 confirmed the resilience of this great company, the Shoprite Group. This will forever be remembered as a devastating and defining year for South Africa and the world. Faced with operating on the front line of a pandemic, our 141,402 people unhesitatingly came together to serve our customer base of over 24 million people across the 15 countries we operated in this year. It was my great honour to lead this team whose tireless commitment behind the scenes, across our 2,352 corporate stores and throughout our communities, will undoubtedly stand the test of time.

We embarked on 2020 with great vigour and determination; the confluence of factors that had culminated in disappointing results the previous year triggered a significant innovation drive across the entire Group. In the words of our former great leader Nelson Mandela, I like to think that at Shoprite we either win or learn and, in that sense, none of our challenges is ever experienced in vain. This year was no exception as we emerged stronger and armed with a new enterprise-wide IT infrastructure to enable and accelerate our strategic objectives.

In hindsight, the timing was fortuitous, as our new systems combined with our heightened fortitude carried us through a year we shall never forget. It has left us fiercely determined and focused on our renewed and updated purpose, to be Africa’s most affordable, accessible and innovative retailer. This is not some lofty goal to which we pay lip service at the end of the year but is a real commitment to serving this purpose. We have an army of projects underway to ensure we leverage our considerable IT investment while protecting and growing this formidable company. Off the back of this commitment and related strategic investments, the value-creation capability of the business is stronger than ever.

From a financial perspective, we ended 2020 having gained R4.9 billion in market share in our core Supermarkets RSA business. As a Group, we grew sales by 6.4% and diluted HEPS after adjusting for foreign currency movements and hyperinflation by 16.6%. This was no small achievement given the many disruptions to trade as a result of lockdown regulations across all 15 countries in which we operated, inclusive of the complete shutdown of both our Furniture and Liquor businesses. The particulars of this and other financial metrics we have worked hard to improve on throughout the year are detailed in our CFO’s report. It is noteworthy to mention that the bedding down of our integrated ERP system has enabled us to focus our efforts with pinpoint accuracy and overall, this investment – together with the unwavering adoption of the system by the business on a fully integrated basis – has been a watershed experience for the Group.

Moving towards a simpler, smarter Shoprite

Despite the obvious adversity and challenges presented during the latter part of our 2020 year, the months that preceded it are worthy of reflection and commendation as they featured the execution of several key strategic and innovation initiatives. However, they did require the completion of the implementation of our ERP system to come to fruition. The first of these was the October 2019 launch of our Checkers Xtra Savings Rewards Programme in our Checkers business. Designed to save our customers money, Checkers Xtra Savings Rewards is transparent, simple and premised on instant savings at the checkout. It has surpassed our expectations and, by year-end has established a phenomenal base of 4.7 million members who have benefited from a billion rand in savings. In a short time, we have learnt a considerable amount about our customers’ shopping patterns and preferences.

This is an exciting initiative and a significant first step in our digital transformation towards a simpler, smarter Shoprite. We expect it to deliver great benefits not only to our customers, but also to the Group and our suppliers.

Checkers and Checkers Hyper reinvention continues

Shortly after the launch of Checkers Xtra Savings Rewards, Checkers reopened its flagship Checkers Hyper in Sandton, Johannesburg in its latest FreshX format. This was shortly followed by the long-awaited opening of Checkers Constantia Emporium in Cape Town in a Shoprite Group-developed centre in which we partnered with local landowners. Constantia Emporium is a landmark development for the Group, pioneered 12 years ago by our former CEO Whitey Basson and houses, in our view, a world-class Checkers FreshX supermarket.

Checkers Hyper brand but, first and foremost, Checkers stands for value. More than ever we believe our Checkers customers leave our stores having had a great experience but importantly, having shopped well.

At R48.5 billion in sales, our Checkers and Checkers Hyper business has become a formidable presence in the South African food retail market. We are extremely excited about the journey ahead.

“We ended 2020 having gained R4.9 billion in market share in our core Supermarkets RSA business.”
Chief Executive Officer’s report (continued)

Unsurpassed execution strength across the business

It’s hard to believe the rumblings of supply and sourcing interruptions that began in February have resulted in where we are in the world today.

The surreal nature of the impact of COVID-19 was flatlining for us as we swiftly moved from scenario planning mode into full-scale execution. Words don’t do justice to applaud all the Shoprite teams that pulled together to ensure we kept our staff and customers safe, got our stock to stores, and complied with the regulations and their many iterations while still demonstrating incredible agility and creativity.

Finest and foremost, a salute to our health and safety, supply chain, security, human resources, IT and Non-FSA teams, which were formidable. Your resilience, execution and solution-driven dedication is second to none and has set the tone for us to not only survive the initial and ongoing challenges as a company, but to emerge stronger. That being said, the capability demonstrated by Shoprite and Usave during the COVID-19 nationwide lockdown was unsurpassed. The restrictions pertaining to work and travel impacted customer visits to Shoprite as many of its stores are located near transport and work nodes. Conversely, Usave – which is intentionally positioned where our customers live – fulfilled a great need during lockdown period, Usave developed a Usave truck shop to take basic food and services to underserved folks in communities who could not travel.

Community moved top of the agenda

Both Shoprite and Usave innovated and addressed the immediate needs of their customers and the neighbourhoods in which they trade, during lockdown.

Within three days of commencement of the lockdown period, Usave developed a Usave truck shop to take basic food and services to underserved folks in communities who could not travel.

Shoprite rapidly expanded its base of 19 soup trucks to 24 and, in doing so, distributed 3.9 million soup meals throughout all South African provinces via its Mobile Soup Kitchen Programme. This initiative supports numerous organisations in need. I am very proud of how, despite managing to operate in the most onerous operating paradigm as a result of lockdown, both businesses also managed to move community service to the front of their agendas. They donated R27.3 million in surplus food to over 400 beneficiary organisations from the beginning of the national lockdown till the end of the fiscal year, serving 9.1 million meals.

The Group was also first to market with the digital grocery voucher, the uptake of which was humbling as it demonstrated the amazing generosity of South African people and corporations in pursuit of safety and efficiently supporting friends, family, employees and organisations in need during this crisis. Our customers, too – many of whom found themselves in difficult circumstances – donated R1.7 million at our till points via our Act For Change Fund.

“Shoprite and Usave together grew by 5.0% over last year, generating R83.8 billion in sales.”

Innovation increasingly a common thread throughout the business

As our customers’ shopping behaviour changes – and for us that can mean different things in different market segments – the need for us to increase flexibility and agility while being innovative is of paramount importance.

An example of this is our digital shopping app Sixty60 by Checkers. A mission-driven service offering one-hour delivery – a retail first in South Africa – this initiative has been met with an exceptionally positive customer response. Launched in test phase format in November, Checkers Sixty60 demonstrated innovation, agility, and world-class execution.

Innovation, buying, legal, risk and compliance, and properties — who enabled and supported them, There is an adage: may the wind always be at your back … this is exactly what I wish for the incredible people of Shoprite. I cannot thank you enough.

Core operations hold the fort

This year, our Shoprite supermarket business, the engine room of our Group, again played a pivotal role in our lives. We estimate its customer base, gauging by the number of transactions per year, sits at 19.3 million people. Shoprite and Usave together grew by 5.0% over last year, generating R83.8 billion in sales. Their combined volumes, scale and reach facilitated superb execution on their low-price promise to our customers. They continue to drive pricing, value and range in a market that lives paycheque to paycheque at best; and in many cases, depends on Government grant payments to survive.

The capability demonstrated by Shoprite and Usave during the COVID-19 nationwide lockdown was unsurpassed. The restrictions pertaining to work and travel impacted customer visits to Shoprite as many of its stores are located near transport and work nodes. Conversely, Usave – which is intentionally positioned where our customers live – fulfilled a great need during lockdown. Both chains have met different needs at different times with Shoprite, in particular, during the heavy lifting at month end and over grant payments days which – fortunately for grant recipients – are no longer being paid over several days as opposed to the two days previously.
Chief Executive Officer’s report (continued)

We continue to make significant progress against the goals we set to reduce food losses and waste and to increase and encourage our customers to use sustainable packaging. The Group has embedded sustainability metrics into its world-class reporting system to enable us to capture and use real-time data to influence decision-making and to make our operations more efficient, responsive and environmentally responsible.

Involving and adding value to our communities and our environment are equally important. We expanded our partnership with Pack-a-Ching and K1 Recycling supporting the launch of a new mobile buyback centre. This initiative removes recyclable waste from the environment but also provides communities with real incentives to collect waste and creates entrepreneurial opportunities for the operators.

Our future in the new normal

COVID-19 has turned the economic outlook upside-down, both globally and on the home front, almost overnight. Watching the growth forecasts unravel at a pace never before seen has been devastating, as is the reality of what it means for our country and our people. Outside of the direct impact on consumers, there will be many changes ahead and I expect that retail will forever be altered.

In mid- to upper-end of the market, customer visits are down but basket spend is notably up. It certainly seems the advent of COVID-19, which by many accounts is here to stay, has ushered in a paradigm generation shift into e-commerce. While there will be some normalising effects when freedom of movement resumes, I expect when we get settled, it will be at a structurally higher ‘new normal’.

Customers are increasingly going direct and digital and, in response, our Checkers Sixty60 digital application executed a J-curve trajectory from its initial launch earlier in the year to end June 2020 operating from 87 stores. This demonstrated an incredible scaling capability during a short and challenging timeframe and we pride ourselves on this example of Shoprite’s powerful execution and transformation capabilities.

Strategy and capital allocation

I expect history will mark this time as the end of an era, which in effect means we are standing at the beginning of a new dawn for humanity. We are a financially sound company and very fortunate, given the backdrop and the challenges the continent has faced during this terrible situation, that we are not only continuing to grow and promote employees throughout our various operating regions but also are strengthening and future-proofing our business and strategy by investing in technology-driven business infrastructure. We are firm believers that the future will be strongly data-led and as such, we are strengthening and future-proofing our business and strategy by investing in our IT ecosystem and our people. We have worked hard to grow and promote employees throughout the business, following a talent development strategy aimed at driving long-term value through a future-fit Shoprite talent pool. I believe we have the best team in place to get the job done.

In appreciation and looking ahead

As a Group, we pioneered the appreciation bonus payment as South Africa entered nationwide level 5 lockdown. The payment was made to every Shoprite Group employee, whether full-time, part-time, employed by us or via a service provider. This was a Group effort and we showed our appreciation accordingly. This amounted to a total payment of R102 million by Shoprite. We coined the term ‘appreciation bonus’ to demonstrate our appreciation of our people ahead of what we anticipated would be considerable hardship due to COVID-19. However, the regard shown to us as a company was beyond our expectations. It was without a doubt one of the most insightful and deserved decisions we made in support of our Shoprite people.

Last year, we signalled that we were actively reassessing our capital invested in the Supermarkets Non-RSA business. We rethought what I’ve said numerous times: we’ve exited regions before and will do so again, if necessary. Aside from the general lack of affordability across the continent, we do not see the challenges as being pervasive to the region. The challenges we’ve grappled with exist in only a handful of countries, even while playing out somewhat differently due to individual country dynamics. We are cognisant that there is no one-size-fits-all approach and, for that reason, we are assessing the future for each investment on an individual country basis. Against this backdrop, we have resolved to either find a local partner or sell our Nigerian supermarket business. Furthermore, we have decided we will not allocate any further capital in the pursuit of a Kanyan market greenfield expansion. The region has not met our required return on investment targets and, while this factor is in part because the investment is still sub-scale, we believe now is not the time for Shoprite to lean in and invest further into new territory. We have sufficient representation overall on the African continent and our core business in South Africa is on an exciting path which requires our full attention.

Therefore, we envisage the Group’s capital from henceon will be allocated to Checkers Fresh!, ongoing store refurbishments and renovations and some new stores. We want to focus on further investment in building our information and technology-driven business infrastructure. We are firm believers that the future will be strongly data-led and as such, we are strengthening and future-proofing our business and strategy by investing in our IT ecosystem and our people. We have worked hard to grow and promote employees throughout the business, following a talent development strategy aimed at driving long-term value through a future-fit Shoprite talent pool. I believe we have the best team in place to get the job done.

To our customers, suppliers, shareholders and all stakeholders, thank you for your continued support. We worked hard this year at maintaining our engagement with you all despite the obvious complexities with physical one-on-one engagements. The business seamlessly migrated to remote operations as evidenced by the 184,160 virtual meetings held from 27 March until our 28 June year end. Each of you is an integral part of Shoprite’s future success and I look forward to the Shoprite journey with you in the years ahead.

Thank you also to our Board members for their guidance and support throughout the year. We mark the retirement of our Chairman Christo Wiese in 2021. Wiesa II not for his courageous vision, this formidable company supporting the employment of 141 452 people would not exist. My gratitude, personally and on behalf of Shoprite, is immeasurable.

In closing, to the Shoprite people who we lost due to COVID-19, our condolences to their families and to the Shoprite business units who, in particular, experience their long and daily. We are a big company but it works because we pull together as one. Losing our people has been the most difficult part of this year for us all. I pray that this terrible situation will soon be behind us and we will be able to return – as much as is possible – to normal life.

Given that we are, we think, approaching the peak of this pandemic in South Africa, my sincere hope for South Africa and the world is that we end the next year better than it began. With respect to Shoprite, I can assure you we carry on – we stop when we are done – and there is much still to do before we reach our destination of a simpler, smarter Shoprite. It is an exciting journey for us all. Thank you for your part in it and for trusting me with the privilege of managing it for you.

Pieter Engelbrecht
Chief Executive Officer

30 September 2020
Chairperson’s report

This past year has been a defining one for me in two respects. Firstly, it was my final year as Chairperson of the Board, marking the end of a long and rewarding journey of 40 years. Secondly, it is a year that will be remembered in time for the outbreak of the COVID-19 global pandemic and the devastating economic impact that resulted. In this report, I would like to reflect on my journey with the Shoprite Group and how the resilience we have demonstrated in the past will equip us to navigate these uncertain times.

The journey
Shoprite (founded in 1967) was acquired by the Pep Group in 1979, when Shoprite owned eight small Western Cape grocery stores, for a net consideration of R1 million. I joined the company as Chairman in 1981. With the backing of a capable Executive team under the outstanding leadership of Whitty Basson, we put in place a strategy for growth. The growth was to be achieved organically as well as through acquisitions. Examples of this which shaped the Group over the past 40 years include acquisitions of Grand Bazaars – a company of similar size to Shoprite – in 1990, followed a year later by the acquisition of Checkers. Then, in 1997, we acquired OK Bazaars for a price of one rand, a price that reflected its loss-making position that was equivalent to our entire annual profit at the time.

With a large logistical and retail footprint, we are also cognisant of our responsibility to mitigate environmental impacts. Our initiatives to increase use of renewable energy, capture and harvest water on our sites and reduce waste are not only environmentally responsible, but also make business sense. Measures taken are driving down costs, which is consistent with our ongoing focus on operational efficiency. Environmental initiatives provide a level of business continuity, for example, by mitigating the impact of energy black-outs at certain sites where we have installed renewable energy systems.

Our way forward
Whereas we built our foundation on a bricks-and-mortar retail model, technology has now become essential as a business enabler and alternative channel to market. Shoprite has invested heavily in enterprise management systems and the ability to securely collect data to better understand our customers over the past three years. We are clearly seeing the benefit of that investment, in enhanced inventory efficiency and inventory management, which translated into improved customer experience. I am pleased to have been part of the successful transformation of Shoprite’s retail IT, utilising technology to enable greater precision in matching our retail offering to customer preferences. I believe Shoprite’s capability in this regard is a key differentiator for us and it is consistent with our ongoing focus on operational efficiency.

The ongoing innovation in new and adapted product and service offerings leverages our extensive retail footprint to improve reach and customer convenience. Shoprite is proving to be highly innovative in this regard. New and extended product and service offerings for customers not only preserve our market share, but provide exciting new opportunities for growth.

Our Board and Executive team
Shoprite’s success was achieved by a committed Board and a strong and capable leadership team. Over the past five years, we have made changes at an executive level, notably the appointment of Pieter Engelbrecht as CEO, and continue to make new appointments. Similarly, we are in the process of appointing new members to increase the number of Board members and enhance the diversity and strength of the Board.

Our Board and Executive team
Shoprite’s success was achieved by a committed Board and a strong and capable leadership team. Over the past five years, we have made changes at an executive level, notably the appointment of Pieter Engelbrecht as CEO, and continue to make new appointments. Similarly, we are in the process of appointing new members to increase the number of Board members and enhance the diversity and strength of the Board. Our Board and Executive team continue to combine the old with the new, retaining those who have served Shoprite for the past decade and who bring a deep understanding of the business, while introducing those who bring variety and fresh experiences.

I have the utmost confidence in the current Executive team to continue this journey of success and look forward to the confirmation of Board appointments that will provide the leadership continuity and diversity for our business.

Appreciation
For the effort that my fellow Directors, our Executives and employees have put into building this business, I express my sincere gratitude. I have consistently enjoyed engaging my fellow Board members and Executives of Shoprite and thank them for their commitment to working with me to make Shoprite what it is today. As an ongoing large shareholder of the business, I look forward to watching as the next chapter in the Shoprite story of success unfolds.

Chairperson
CH Wiese
30 September 2020

"Shoprite is again showing resilience in dealing with this crisis. It is notable that we assessed and acted on the threat to our supply chain when news of the virus emerged. We enabled about 2 500 employees to move to a work-from-home environment within three days of the shutdown while ensuring appropriate security measures were put in place."

Christo Wiese
Chairperson

"The investment of just R1 million in 1979 has translated into a business with an annual turnover of R156.9 billion."

"Just R1 million in 1979 has translated into a business with an annual turnover of R156.9 billion."
We are fortunate to be in food retail with a lifetime invested in being synonymous with low prices: a promise we will tirelessly execute in support of our customers.

Anton de Bruyn
Chief Financial Officer

The year in review

Our 2020 year, defined by COVID-19, can only be described as devastating for our country. The Group evaluated its existing strategies and followed a risk-adjusted approach, superbly executed across all brands and areas of operation to achieve a most commendable set of results. 2020 was the product of exceptional leadership and teamwork in conjunction with the delivery of several key strategic projects that have been some time in the making.

Group sales for the year increased by 6.4% to a record R156.9 billion. Diluted headline earnings per share (H EPS) from continuing operations, adjusted for hyperinflation and exchange rate differences, increased by 16.6%. Dividends for the year increased by 20.1%. Our second half Group sales growth of 5.4% was achieved despite a complete closure of our Furniture and Liquor businesses, due to lockdown restrictions, for varied periods depending on the region of operation. While Furniture is reported as a separate segment, Liquor forms part of our Supermarkets RSA and Supermarkets Non-RSA operating segments. Despite this impact, Supermarkets RSA still increased sales by 7.5% during our second half to June from a very high base in Q1 last year.

Our Group performance was largely driven by our core Supermarkets RSA operation. The Supermarkets Non-RSA team’s efforts are not reflected in the segment’s sales when translated into our reporting levels.

In constant currency, sales of merchandise for the year increased by 6.6%. Internal food inflation for the segment averaged 7.2% for the period. Our second half was considerably impacted by the monumental task of managing conflicting and constantly changing COVID-19 lockdown regulations across 14 African countries. The lockdown restrictions permitted mostly to store closures, social distancing restrictions, the movement of people, trading hours, workforce limitations and trade in alcohol, all of which impacted various countries to differing degrees at different times.

Our Angolan Supermarkets business reported sales in constant currency 1.2% lower than last year. In rand terms, this translated to a 23.1% sales decline. Difficult conditions prevail in Angola; the combined impact of rampant inflation and currency devaluations in recent years continue to decimate customer spending power. While US dollar availability to secure in-stock levels remained constrained, we did manage to improve stock availability during the second half of the year.

Our Zambezi operations reported sales growth of 15.7% in constant currency for the year, however, in rand terms, grew by 0.2%.

Furniture

The Group’s Furniture segment, representing 3.5% of Group sales, reported a decline in sales of 11.9% for the year. Second-half trade was significantly impacted by lockdown regulations which required our South African store base to close for 52 days and our Non-RSA regions to close, on average, for 31 days. Consequently, second-half sales declined by 23.1%. Credit participation increased to 13.3% (2019: 12.7%) of the business’ R6.5 billion sales for the period.

We continued with the consolidation of our Furniture business footprint throughout the year resulting in OK Furniture closing its 19 stores in South Africa and one store in Non-RSA. House & Home closed a net three stores during the period of which a division ended June 2020 with 355 stores in RSA and 87 stores in Non-RSA.

Other operating segments

The Group’s other operating segments, representing 6.9% of Group sales and comprising OK Franchise, Transpharm, MediRite Pharmacies, Checkers Food Services and Computicket, achieved sales growth of 3.9% for the year. This was achieved despite lockdown limitations impacting CFS – given that its primary customers (the restaurant and hospitality industry) were closed during lockdown – as well as Computicket, with lockdown restrictions significantly impacting events and travel-related ticketing. Notwithstanding these restrictions, the businesses’ ability to adapt and innovate resulted in second-half sales increasing by 3.5%. OK Franchise opened 40 stores this year in South Africa with the base now totaling 415 stores throughout South Africa. Outside of South Africa, OK Franchise added a net five new stores and now has a base of 67 stores.
Chief Financial Officer’s report (continued)

Summary consolidated statement of comprehensive income

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<th>Change 2020</th>
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<tr>
<td></td>
<td>%</td>
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<tr>
<td>Earnings per share for profit from continuing operations attributable to owners of the parent:</td>
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<tr>
<td>Basic earnings per share (cents)</td>
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<td>687.6</td>
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<tr>
<td>Diluted earnings per share (cents)</td>
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<tr>
<td>Basic headline earnings per share (cents)</td>
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<td>Diluted headline earnings per share (cents)</td>
<td>2.5</td>
<td>765.8</td>
<td>746.9</td>
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* Restated for the adoption of IFRS 16: Leases and discontinued operations in accordance with IFRS 5 as well as the reclassification of interest revenue previously included in other operating income.

Gross profit

Gross profit comprises primarily gross margin after taking into account shrinkage. In line with IFRS (IAS 2: Inventory and ICAS Circular 9/20/06), the Group deducts settlement discounts and rebates received from the cost of inventory.

Gross profit growth of 8.9% year on year to R37.7 billion resulted in a gross margin of 23.3%. For the Group, the increase of 50 basis points compared to last year’s 23.4% is mainly due to:

- A 10.3% increase in Supermarkets RSA gross profit on the back of improved allowances recovered.
- The successful implementation of various cost-saving initiatives and a reduction in the cost of fuel on the back of a lower oil price.
- Gross margin levels improved under difficult circumstances in Supermarkets Non RSA to make provision for the increased cost anticipated would accompany the nationwide lockdown.

In addition to the above, the investment in the integrated ERP system during the 2018 and 2019 financial years has enabled the Group to improve its decision-making with regard to margin management and improved in stock levels which underpinned the performance for the year.

Other operating income

Other operating income increased by 5.7% to R2.3 billion due for the most part to lockdown closures impacting our Computicket and Furniture businesses afflicting commissions received and premiums earned respectively.

Other operating income

Franchise fees increased by 5.7% to R2.3 billion for the most part to lockdown closures impacting our Computicket and Furniture businesses afflicting commissions received and premiums earned respectively.

Finance income earned from instalment sales receivables increased by 20.3% to R2.3 billion due for the year resulting from lock-down restrictions in our Furniture division.

Finance income received from government bonds and bills increased by 13.0% to R310.2 billion due for the year as a result of the increases in interest rates and the interest revenue earned.

In the previous year, the Group recorded a net monetary gain of R947 million resulting from the application of hyperinflation accounting in Angola up to 30 June 2019. These cumulative hyperinflation adjustments, included in property, plant and equipment, right-of-use assets and inventories, are written off to the statement of comprehensive income, together with the related deferred tax effect, in accordance with the Group’s accounting policies for the respective items.

Trading profit

The Group’s trading margin, excluding the impact of hyperinflation accounting, improved this year from 5.1% to 5.3%. In the previous year, the Group recorded a trading margin of 5.1%.

Supermarkets Non-RSA’s R28.2 million trading loss showed a 10.3% improvement in the year, however, was notably impacted by the loss in our Kenyan business, the negative impact of restrictions and store closures due to COVID-19 and a R10.6 million reduction in interest income earned on government bonds and bills. This interest reduction is mainly because maturing AOA, USD Index Linked Angola Government Bonds are not being reinvested.

Trading profit by segment is outlined overleaf. The Group’s Nigerian operations report a 6.6% trading margin (2019: 6.3%). The significant strength of the core operations.

Expenses

The competitive nature of food retail requires vigilance when it comes to cost management, an area that remains a top priority for the Group.

From inception, our COVID-19 response placed the support, protection and safety of our employees and customers front and centre and the costs – while significant – were a non-negotiable responsibility for us as we determined our way forward. COVID-19-related costs amounted to a net total of R16.9 million paid to our staff, inclusive of an appreciation bonus to assist them with the difficulties we anticipated would accompany the nationwide lockdown.

Depreciation and amortisation expenses increased by 1.2% as the Group continued its investment in information technology and infrastructure during the year. We also continue to open new stores while simultaneously refurbishing our existing store base on a seven- to eight-year cycle. Depreciation of right-of-use assets increased by 8.7% and depreciation on property, plant and equipment decreased by 5.1%. This year, the Group added a total of 102 new corporate outlets and closed 60. Included in depreciation for the year is a charge relating to the hyperinflation asset raised in prior years of R9.7 million.

Employee benefits increased by 6.2%. Slower growth in this cost area was due to productivity improvements.

Other operating expense growth of 5.8% includes expenses such as electricity and water, repairs and maintenance, security and credit card commissions paid. The growth in other expenses was as a result of the increases in water and electricity of 12.4% due to electricity tariff increases being set by NEERSA National Energy Regulator of South Africa of 13.7%. In an effort to reduce our long-term operating cost, the Group has introduced various energy-saving initiatives.

Net monetary gain

In the previous year, continued currency devaluations in Angola, together with high levels of consumer inflation, necessitated that the Group apply IAS 29: Financial Reporting in Hyperinflationary Economies. IAS 29 takes into account the effect of hyperinflation on all non-monetary assets and liabilities in the region and has resulted in a net monetary gain of R947 million in the prior year.

In the current year, however, the economy of Angola was assessed to no longer be hyperinflationary and as such, hyperinflation accounting was not applied. Although no further hyperinflation adjustments were required for the current reporting period, the statement of financial position at the reporting date still includes cumulative hyperinflation adjustments as a result of the application of IAS 29: Financial Reporting in Hyperinflationary Economies up to 30 June 2019. These cumulative hyperinflation adjustments, included in property, plant and equipment, right-of-use assets and inventories, are written off to the statement of comprehensive income, together with the related deferred tax effect, in accordance with the Group’s accounting policies for the respective items.

Summary consolidated statement of comprehensive income

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<th>Change 2020</th>
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<tr>
<td></td>
<td>%</td>
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<td>%</td>
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<tr>
<td>Trading profit</td>
<td>(2.7)</td>
<td>8 171</td>
<td>8 396</td>
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<tr>
<td>Exchange rate gains/(losses)</td>
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<td>[110]</td>
<td>566</td>
<td>[110]</td>
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<tr>
<td>Profit on less modifications</td>
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<td>(1 065)</td>
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<td>3 463</td>
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<tr>
<td>Gross profit</td>
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<td>6 271</td>
<td>5 940</td>
<td>6 271</td>
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<tr>
<td>Operating profit</td>
<td>(132)</td>
<td>11 206</td>
<td>11 206</td>
<td>11 200</td>
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<tr>
<td>Interest received from bank account balances</td>
<td>62.9</td>
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<td>272</td>
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<tr>
<td>Finance share of loss of equity accounted investments</td>
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<td>(2 910)</td>
<td>(2 999)</td>
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<tr>
<td>Profit before income tax</td>
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<tr>
<td>Income tax expense</td>
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<td>(1 783)</td>
<td>(1 715)</td>
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<tr>
<td>Profit from continuing operations</td>
<td>(9.3)</td>
<td>3 463</td>
<td>3 825</td>
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<tr>
<td>Loss from discontinued operations (attributable to owners of the parent)</td>
<td>(87)</td>
<td>(345)</td>
<td>(87)</td>
<td>(345)</td>
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<tr>
<td>Profit for the year</td>
<td>(3.4)</td>
<td>3 376</td>
<td>3 482</td>
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<tr>
<td></td>
<td>%</td>
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<tr>
<td>Finance income earned from instalment sales receivables</td>
<td>(20.3)</td>
<td>255</td>
<td>320</td>
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<tr>
<td>Interest received from government bonds and bills</td>
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<tr>
<td>Interest received from associates</td>
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<tr>
<td>Interest received other</td>
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<td>58</td>
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<tr>
<td>Total</td>
<td>(19.4)</td>
<td>598</td>
<td>742</td>
<td></td>
</tr>
</tbody>
</table>

Interim financial report
Chief Financial Officer’s report (continued)

Foreign exchange differences
As stated in the accounting policies, the assets and liabilities of foreign subsidiaries are converted to rand at closing rates. These translation differences are recognised in equity in the foreign currency translation reserve. In essence, most foreign exchange differences in the statement of comprehensive income are due to US dollar-denominated short-term loans of operations outside South Africa and balances in US dollars held in offshore accounts.

The Group recorded exchange rate gains of R666.4 million for the period. In essence, most of the foreign exchange differences are due to gains on AOA, USD Indexed Linked Government bonds, losses on US dollar-denominated short-term loans of operations outside South Africa and balances in US dollars held in offshore accounts.

The Group designated its US dollar-denominated lease liabilities as a hedge of a proportion of the net investment in the Group’s US dollar subsidiary, 5Life, and applied hedge accounting from 1 July 2019.

The table below gives the approximate rand cost of a unit of the subsidiary, SIL, and applied hedge accounting from 1 July 2019.

<table>
<thead>
<tr>
<th>Hedge</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Euro</td>
<td>17.141</td>
<td>17.141</td>
</tr>
<tr>
<td>US dollar</td>
<td>14.174</td>
<td>13.710</td>
</tr>
<tr>
<td>Swiss franc</td>
<td>16.952</td>
<td>15.927</td>
</tr>
<tr>
<td>Zambian kwacha</td>
<td>1.855</td>
<td>1.710</td>
</tr>
<tr>
<td>Angola kwanz</td>
<td>1.095</td>
<td>1.039</td>
</tr>
</tbody>
</table>

The Group’s effective tax rate is higher than the nominal income tax rate of South Africa (26%) mainly due to the write-back of deferred tax assets for Non-RSA countries with accumulated income tax losses where there is uncertainty regarding the future profitability to absorb these losses. In some non-RSA countries, minimum taxes or rental income taxes are applicable in addition to the statutory tax rates being higher than 26% in most cases, all contributing to the higher effective tax rate.

Discontinued operations
Following receipt of various approvals and in line with our consideration of the Group’s operating model in Nigeria, the Board has decided to initiate a formal process to consider the potential sale of a majority stake of, or its entire shareholding in, Retail Supermarkets Nigeria Limited, a subsidiary of Shoprite International Limited. The Group is at an advanced stage of discussions in this regard and will provide updates to the market at an appropriate time.

Headline earnings per share
Basic headline earnings per share from continuing operations increased by 2.6% from 747.7 cents to 767.0 cents and diluted headline earnings per share from continuing operations increased by 2.5% from 746.9 cents to 765.8 cents.

Statement of financial position
Non-current assets
Property, plant and equipment, right-of-use assets and intangible assets
The Group’s property, plant and equipment decreased by R3.2 billion to R18.3 billion.

The Group’s total capital spent on property, plant and equipment and software amounted to R3.2 billion for the period, a decrease of 36.8% year on year. The reduced spend was mainly due to the lockdown regulations implemented during levels 4 and 5. The Group spent R630.3 million on leasehold improvements and the purchase of vacant land and buildings to secure future opportunities; R1.3 billion on store maintenance and refurbishments; and R430.3 million on new stores (excluding land and buildings). The balance of R920.2 million was spent on IT and supply chain projects.

The Group has embarked on a programme to divest from non-strategic real estate in an effort to unlock value trapped in the balance sheet. Real estate to the value of R1.7 billion has been sold since the launch of the initiative of which R758.4 million relates to the current year.

Intangible assets consist mainly of goodwill paid for acquisitions, trademarks acquired and software. Goodwill represents the premium paid for certain businesses and is tested for impairment annually based on the higher of the fair value less cost to sell or the value-in-use of these businesses, calculated by using cash flow projections. Software represents the Group’s investment in certain computer software that is used in its daily operations. Software is amortised over its useful life of three to 10 years.

Trademarks largely represent the purchased Computicket, Transpharm and Sliven Eleven trademarks and are amortised over 20, 16 and 20 years respectively.

Deferred income tax assets
Deferred income tax is provided, using the liability method, for calculated income tax losses and temporary differences between the tax accounts and income tax bases of assets and liabilities, and their carrying values for financial reporting purposes. Deferred income tax assets are evaluated on an annual basis to ensure recoverability.

Income tax expense
The Group’s effective income tax rate of 34.0% is 3.0 percentage points higher than the prior year (2019: 31.0%).

The effective tax rate is higher than the nominal income tax rate of South Africa (26%) mainly due to the write-back of deferred tax assets for Non-RSA countries with accumulated income tax losses where there is uncertainty regarding the future profitability to absorb these losses. In some non-RSA countries, minimum taxes or rental income taxes are applicable in addition to the statutory tax rates being higher than 26% in most cases, all contributing to the higher effective tax rate.

Net finance costs
Net finance costs increased by 6.0% to R2.5 billion during the financial year.

On account of the adoption of IFRS 16, right-of-use assets of R17.2 billion (2019: R15.7 billion) were reported at the end of the year.

The Group reviews loss-making stores and considers the need for impairment of assets under these circumstances. For the 12 months reported, impairments to the value of R1.3 billion were recognised, mainly in the Supermarkets Non-RSA and Furniture segments, as a result of the deterioration in the current and future economic outlook. Impairments, net of income tax, form part of items of a capital nature and, as such, impact EPS but not IFRS.

Capital commitments of R4.8 billion have been made relating to improvements for the next financial year. As stated, the Group has embarked on a programme to divest from non-strategic real estate in an effort to unlock value trapped in the balance sheet. Real estate to the value of R1.7 billion has been sold since the launch of the initiative of which R758.4 million relates to the current year.

Deferred income tax assets
Deferred income tax is provided, using the liability method, for calculated income tax losses and temporary differences between the tax accounts and income tax bases of assets and liabilities, and their carrying values for financial reporting purposes. Deferred income tax assets are evaluated on an annual basis to ensure recoverability.

Government bonds and bills

<table>
<thead>
<tr>
<th>Group</th>
<th>2020 Rm</th>
<th>2019 Rm</th>
</tr>
</thead>
<tbody>
<tr>
<td>AOA, USD Indexed Link</td>
<td>2 383</td>
<td>2 567</td>
</tr>
<tr>
<td>AOA, Angola Government Bonds</td>
<td>264</td>
<td>433</td>
</tr>
<tr>
<td>Angola Treasury Bills</td>
<td>16</td>
<td>16</td>
</tr>
</tbody>
</table>

Total government bonds and bills | 2 520 | 3 016 |

Local currency cash and short-term deposits in Angola are subject to onerous local exchange control regulations. The Group is utilising said cash for its local trade and has invested surplus cash in AOA, USD Indexed Link, Angola Government Bonds and AOA, Angola Government Bonds as well as Angola Treasury Bills as part of its hedging strategy against a future possible devaluation. Government bonds to the value of R0.4 billion will mature during the next 12 months and the aim is to reinvest in yielding financial instruments. The Angola Treasury Bills matured during the financial year.
Current assets

Inventories

<table>
<thead>
<tr>
<th>Description</th>
<th>2020</th>
<th>2019</th>
<th>Change %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supermarkets RSA</td>
<td>(10.1)</td>
<td>13 902</td>
<td>15 471</td>
</tr>
<tr>
<td>Supermarkets Non-RSA</td>
<td>(19.0)</td>
<td>2 808</td>
<td>3 490</td>
</tr>
<tr>
<td>Furniture</td>
<td>0.2</td>
<td>1 496</td>
<td>1 493</td>
</tr>
<tr>
<td>Other operating segments</td>
<td>9.0</td>
<td>639</td>
<td>402</td>
</tr>
<tr>
<td>Total continuing operating segments</td>
<td>(9.6)</td>
<td>18 845</td>
<td>20 856</td>
</tr>
</tbody>
</table>

Inventories amounted to R18.85 billion, a decrease of 9.9% on the previous year, representing an inventory to sales ratio of 12.0%. The marked improvement is a result of the drive from management to achieve the short-term target of a 12.4% inventory to sales ratio. The 10.1% improvement in Supermarkets RSA inventories is a result of improved turns on fast-moving lines and a reduction in the stock levels of general merchandise.

The Group has introduced strict buying programmes for both imported food and general merchandise to manage the impact of the higher US dollar rate to the rand.

Trade and other receivables

Trade and other receivables mainly comprise instalment sale receivables, franchise debtors, receivables from medical aid schemes, buying aid societies and rental debtors. Adequate allowance is made for doubtful bad debts and the outstanding debtors’ book is reviewed regularly.

Collections from instalment sale receivables from contracts with customers were hamperepaid during the lockdown period in South Africa, as well as the other territories where credit is granted and are expected to deteriorate in line with the anticipated economic downturn. Based on the assessment of anticipated credit losses for the year in terms of IFRS 9, Financial Instruments, the provision against the debtor book increased from 35.8% to 50.5% compared to the previous year. The movement in the provision equates to an income statement charge of R32.4 million.

Cash and cash equivalents and bank overdrafts

<table>
<thead>
<tr>
<th>Description</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>12 114</td>
<td>7 707</td>
</tr>
<tr>
<td>Bank overdrafts</td>
<td>(2 005)</td>
<td>(4 124)</td>
</tr>
<tr>
<td>Net cash and cash equivalents</td>
<td>10 109</td>
<td>3 583</td>
</tr>
</tbody>
</table>

Net cash and cash equivalents (after deducting bank overdrafts) amounted to R10.0 billion compared to R3.6 billion in 2019. The increase was primarily due to an improvement in working capital of the Group; a lower capital spend following the slowdown during the lockdown regulations; and the proceeds from the sale of assets. AOA, USD Index-linked, Angola Government Bonds, AGO, Angola Government Bonds and Angola Treasury Bills to the value of R934 million were matured during the 12 months and not reinvested.

Non-current liabilities

Borrowings and lease liabilities

<table>
<thead>
<tr>
<th>Description</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Borrowings</td>
<td>12 009</td>
<td>11 706</td>
</tr>
<tr>
<td>Lease liabilities</td>
<td>23 271</td>
<td>21 478</td>
</tr>
<tr>
<td>Total debt</td>
<td>35 280</td>
<td>33 184</td>
</tr>
</tbody>
</table>

Borrowings consisting of:

<table>
<thead>
<tr>
<th>Description</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>ZAR-denominated funding</td>
<td>4 003</td>
<td>4 051</td>
</tr>
<tr>
<td>USD-denominated funding</td>
<td>7 421</td>
<td>7 431</td>
</tr>
<tr>
<td>Other local currency funding</td>
<td>549</td>
<td>224</td>
</tr>
<tr>
<td>Total borrowings</td>
<td>12 009</td>
<td>11 706</td>
</tr>
</tbody>
</table>

Lease liabilities consist of:

<table>
<thead>
<tr>
<th>Description</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-current</td>
<td>3 103</td>
<td>2 320</td>
</tr>
<tr>
<td>Total lease liabilities</td>
<td>23 271</td>
<td>21 478</td>
</tr>
</tbody>
</table>

Current liabilities

Provisions

<table>
<thead>
<tr>
<th>Description</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provision for post-employment medical benefits</td>
<td>26</td>
<td>28</td>
</tr>
<tr>
<td>Provision for outstanding claims</td>
<td>11</td>
<td>23</td>
</tr>
<tr>
<td>Provision for long-term employee benefits</td>
<td>329</td>
<td>275</td>
</tr>
<tr>
<td>Reinstatement provision</td>
<td>87</td>
<td>64</td>
</tr>
<tr>
<td>Total provisions</td>
<td>433</td>
<td>354</td>
</tr>
</tbody>
</table>

* Restated for the adoption of IFRS 16: Leases and discontinued operations in accordance with IFRS 5.

Adequate provision is made for post-retirement medical benefits, reinstatements, long-term employee benefits and all outstanding insurance claims. The Group has settled a major portion of the post-retirement medical liability in the past. The remaining liability relates largely to pensioners and will be settled during the next financial years.

Shoprite Insurance

With respect to the Furniture business, net premiums earned relating to third parties amounted to R201 million (2019: R204 million). Net premiums for credit protection amounted to R112 million (2019: R148 million). As in the past, the Group accounts for premiums earned and extended guarantee losses over the life of the policy. In line with the South African National Credit Act, insurance premiums are invested and earned on a monthly basis.

With respect to Shoprite Insurance Company Limited, at year end, the Company had a Solvency Capital Requirement (SCR) as per the Insurance Act of R324 million, with actual own funds/equity available to meet SCR of some R976 million. This gives rise to SCR cover of 30.1% for Q1 2020. The majority of the increase was due to the full implementation of the new Insurance Act effective from 1 July 2018 before the declaration of dividends to the holding company. No dividends were declared during the year (2019: R50 million).

In appreciation

Reflecting on this extraordinary year is humbling and the efforts of many people require acknowledgement and my sincere thanks.

To the Shoprite finance team, you are all incredible and your devotion to the business is unsurpassed.

To our Shoprite IT team, the Group’s seamless overnight migration to remote operations throughout 15 African countries was remarkable. You operate with great humility despite being truly world class.

To our Shoprite security, health and safety teams, your tireless efforts are not gone unnoticed and is most appreciated.

To our Shoprite warehouse Coopers inc., a sincere thank you for your professionalism, advice and tireless dedication to this business – in many countries and across its operations – and for your support of our team as we adopt the numerous accounting standards that we integrate, it now appears, on an annual basis.

To our auditors, PricewaterhouseCoopers inc., a sincere thank you for your support which we will share in continued success now and into the future.

The year ahead

While the full impact of COVID-19 is still to be determined, as things stand, National Treasury’s latest forecasts indicate the South African economy will contract by 7.3% in 2020 with possible further deterioration, should the global economy continue to weaken. GDP growth forecasts vary widely but very few point to a scenario in the coming financial year that is better than that of the National Treasury and, in fact, many are far worse. Unemployment in South Africa measured 30.1% for Q1 2020 and the outlook from here, short to medium term, is of great concern.

While the price has risen from its initial COVID-19 shock low, it still bodies poorly for African countries particularly dependent on it as a single commodity. Collectively, our business outside South Africa will not be spared the economic downturn currently experienced by the rest of the world and it is for this reason we have decided it is not the time to forge into Kenya, given that it has taken short of our expectations.

Notwithstanding the outlook, 2020 undoubtedly proved Shoprite is capable of executing in the most difficult circumstances. We unite well in times of adversity and the past six months highlighted our key strengths is not only in operational execution at scale, but it appears we are agile and adaptable. To witness how the teams remained focused on their respective projects and targets despite the despair around us was truly remarkable. It is a testament to our committed people and our clearly defined corporate business model in which responsibility is clear and accountability is high.

For this reason, we can be certain that regardless of what the economy sends our way, we will continue to advance this Group with our multitude of planned projects to grow and future-proof Shoprite. We have considerable work ahead of us due to the COVID-19 lockdown imposing building and construction work for many months. As a result, inclusive of our catch-up capital spend from 2020, we estimate we will spend R4.8 billion in FY 2021, of which approximately 95% will pertain to our RSA operations.

Given the 2021 operating context, the future is impossible to forecast. Yet, Shoprite will focus on the factors within our control and there are many. The adoption of the integrated ERP system within the company has been remarkable. This multifunctional tool is proving invaluable to us as we raise our already high operational standards, with many more benefits expected, given that the system is still in its infancy within the business.

Aside from managing day-to-day operations, FY 2021 will incorporate continued work and efforts on improving our return on capital by focusing on working capital (specifically inventory) and continuing with our Non-RSA invested capital review. 2021 will be no different from any other year for us at Shoprite. We will come together to give our very best and our capable and experienced people throughout the company will continue to adapt and respond to what transpires. We are fortunate to be in food retail with a lifetime opportunity to come together to give our very best and our capable and experienced people throughout the company will continue to adapt and respond to what transpires. We are fortunate to be in food retail with a lifetime opportunity to come together to give our very best and our capable and experienced people throughout the company will continue to adapt and respond to what transpires. We are fortunate to be in food retail with a lifetime opportunity to come together to give our very best and our capable and experienced people throughout the company will continue to adapt and respond to what transpires.
“Shoprite is defined by its people, their loyalty and their endurance. Our culture is like none other: priceless and irreplaceable.”
Integrated business model

Shoprite’s integrated business model provides an overview of how the Group’s businesses align with the strategy. More detail follows in the Business Case, Material Issues, Risk and Capitals report.

Our strategy

A smarter Shoprite
Customer-first culture
Develop future-fit channels
Enable precision retail

Closing the gap
Trusted, profitable, private labels
Grow market share in premium and fresh
Stronger franchise offer

Winning in the long term
Assess position in Africa
Refute capital allocation
Unlock alternative revenue

Our channels of distribution

61% population served monthly
1.04 billion transactions annually, serving 24 million customers

17 customer-facing brands
across various formats and product ranges that are available in-store or online

Branded value-added services
available in stores and on-line

Operational support functions

Serving third-party customers, stores and online customers

Our value

- Society and customers
- Precision retailing enabled by rewards programme and investment in ERP
- Enhanced brand reputation through social projects and reduced environmental impact of operations
- Substantial contribution to food programmes
- Upliftment through enterprise development and CSI

Inputs (activities)
The investments the Group makes in each channel to be able to deliver on our strategic growth levers.

- Sale and leaseback of distribution centre properties and commercial vehicle fleet as well as sale of non-strategic properties concluded
- Reduce reliance on offshore funding by reducing USD debt by 17.4% in local currency
- Unlocked R1.1 billion through sale of commercial fleet; R1.2 billion with the successful sale of distribution centres to Equites; and R135.4 million through sale of non-strategic properties. The cash flow on the sale of the DCs will conclude during the first half of 2021
- Capital available (gearing change)
- R23.6 billion market capitalisation (FY 2019: R50 billion)

Outputs (numbers)
How we have performed, or delivered based on our investments.

- 2020 Sustainability Report www.shopriteholdings.co.za; Social Capital report page 58
- Remuneration report page 80; Human Capital report page 56
- Manufactured Capital report page 54

Outcomes (impact/value add)
The value our investments have added to our businesses and our stakeholders by focusing and delivering on our strategic growth levers and addressing our material issues.

- 3,878 private label products available to customers
- 4,191 million total corporate social investment
- 583.9 million meals served from our Mobile Soup Kitchens
- 9,630% surplus product donations
- 1.4 million meals served from our local soup kitchens
- 119 food gardens
- 67,110 employees promoted
- 37,489 employees trained
- 119.0 million in training
- 149 new outlets opened
- 36,058 employees supported
- 2,671,000 additional training
- 36,190 employees
- 7,977 employees promoted
- 1.4 million customers served
- 24,000 employees
- 8,251 employees promoted

Closing the gap to effect positive change where possible.

Reducing our environmental footprint through increasing water and energy efficiency, reducing waste and using our size to effect positive change where possible.

6.8 GWh of renewable energy generated by solar
PV plant installations

- Ensuring a stable and proficient employee base who has opportunities to develop and grow
- Addressing food security and supporting local communities
- Upholding supplier relationships to ensure consistency of quality products to our customers
- Assisting with job creation and economic transformation

Natural

6.8 GWh of renewable energy generated by solar
PV plant installations

- 3.5 million meals served from our Mobile Soup Kitchens
- 9,630% surplus product donations
- 119 food gardens
- 67,110 employees promoted
- 36,058 employees supported
- 11,884 employees trained
- 1,060 employees promoted
- 36,190 employees
- 8,251 employees promoted
- 1.4 million customers served

Manufactured

R135.6 million total corporate social investment
R6.15 billion spent on procurement from black-owned suppliers in South Africa
R49.1 million invested in training

- 3.5 million meals served from our Mobile Soup Kitchens
- 9,630% surplus product donations
- 119 food gardens
- 67,110 employees promoted
- 36,058 employees supported
- 11,884 employees trained
- 1,060 employees promoted
- 36,190 employees
- 8,251 employees promoted
- 1.4 million customers served

Human

R141.452 employees employed
R13.64 billion in statutory salaries
R49.1 million invested in training

- 3.5 million meals served from our Mobile Soup Kitchens
- 9,630% surplus product donations
- 119 food gardens
- 67,110 employees promoted
- 36,058 employees supported
- 11,884 employees trained
- 1,060 employees promoted
- 36,190 employees
- 8,251 employees promoted
- 1.4 million customers served

Social

R13.64 billion in statutory salaries
R49.1 million invested in training

- 3.5 million meals served from our Mobile Soup Kitchens
- 9,630% surplus product donations
- 119 food gardens
- 67,110 employees promoted
- 36,058 employees supported
- 11,884 employees trained
- 1,060 employees promoted
- 36,190 employees
- 8,251 employees promoted
- 1.4 million customers served

Financial

R13.64 billion in statutory salaries
R49.1 million invested in training

- 3.5 million meals served from our Mobile Soup Kitchens
- 9,630% surplus product donations
- 119 food gardens
- 67,110 employees promoted
- 36,058 employees supported
- 11,884 employees trained
- 1,060 employees promoted
- 36,190 employees
- 8,251 employees promoted
- 1.4 million customers served

Integrating our enterprise-wide integrated ERP system into all channels and formats
Growth in private labels across all customer categories and product offerings
Our strategic drivers

Our strategy remains growth-focused by optimising our retail core in existing markets. By pursuing these drivers of growth in an ethical and sustainable way, we capitalise on opportunities to unlock incremental growth by becoming a smarter, more customer-driven business and we continue to deliver on our purpose to be Africa’s most affordable, accessible and innovative retailer.

Our operations are fully aligned to deliver on the Group’s nine strategic drivers of growth:

1. A truly customer-first culture
2. Develop future-fit channels
3. Enable precision retailing
4. Trusted, profitable private labels
5. Grow share in premium food and fresh
6. A stronger franchise offer
7. Assess position in Africa
8. Refocus capital allocation
9. Unlock alternative revenue

A smarter Shoprite

1. A truly customer-first culture
   - Following the re-platforming of our integrated ERP system, we have set our sights on an ambitious digital transformation programme that will place customers at the centre of every business decision, deepen our customer intelligence and personalise every customer experience.
   - Integrating our two business platforms and incentivising customer-centric behaviour across the organisation.

2. Develop future-fit channels
   - Our flexible store portfolio, new digital commerce propositions and digital channels form a strong foundation for an omnichannel shopping experience.
   - Into the future, our investment is aligned with winning the ‘race for reach’ in digital to match our physical presence.

3. Enable precision retailing
   - With our investment in digital transformation, we can leverage our data assets to embed insight and analytics into our processes, enabling us to make smarter business decisions faster, further optimise our supply chain and become even more relevant to our individual customers.

Highlights:
- 2019: Voted number 1: Lowest Prices (Shoprite) and Best Value (Checkers)
- 2020: Intercepted Xtra Savings Programme in Checkers. Over five million customers signed up
- 2020: Paid a R102 million appreciation bonus to employees at the start of COVID-19 to focus their attention on delivering to our customers during unprecedented times
- 2021: Accelerate investment in digital for customers and increased personalisation

Closing the gap in key segments

4. Trusted, profitable private labels
   - We control our private-label supply chain and our scale allows us to develop, produce and distribute products effectively. This advantage enables us to lead in affordability and quality from our value to our premium positioned products.

5. Grow share in premium food and fresh
   - Higher-income customers are increasingly looking for value but without compromising on choice and freshness. Our strategy to serve higher-income South Africans with an elevated offering and an enhanced store experience through our FreshX Checkers stores resulted in a favourable customer response. Resultant market share gains came at no expense in market-leading value perception.

Winning in the long term

6. A stronger franchise offer
   - We will drive stronger benefits to our franchisees from our fully integrated planning, procurement and logistics functions, in the same way as our corporate stores.

7. Assess position in Africa
   - We remain committed to Africa over the long term and are still well positioned to serve the continent’s growing population in the long term.

8. Refocus capital allocation
   - Our investment focus is shifting towards smaller and more productive store formats closer to customers’ homes, and new digital capabilities that enable us to increase our addressable market and to become a smarter, more precise operator. Strategically we will aim to improve our return on investment capital (ROIC) through ongoing growth in cash generated from operations, releasing invested capital, focus Capex, and improving working capital via a reduction in inventory levels. ROIC has been talked as a target metric for executive and management level compensation.

9. Unlock alternative revenue
   - We are committed to diversifying our revenue streams and open new routes to market.

Highlights:
- 2018: Private label products include grocery staples, premium and fresh products, general merchandise and launched the Simple Truth label
- 2019: We added 1 251 new private label products to comprise 16.5% of our South African supermarket sales (2017: 14%)
- 2020: Introduced 828 new private labels with a focus on creating even more accessible price points and closing share of wallet gaps in fresh and convenience products, improving private label participation in RSA by 60 basis points to 17.1%
- 2021: Continued product innovation to capture the uplifted e-commerce share of wallet opportunity in Checkers, and focusing Shoprite on offering the most accessible entry price points in the market

Winning in the long term

1. A truly customer-first culture
2. Develop future-fit channels
3. Enable precision retailing
4. Trusted, profitable private labels
5. Grow share in premium food and fresh
6. A stronger franchise offer
7. Assess position in Africa
8. Refocus capital allocation
9. Unlock alternative revenue

Winning in the long term

1. A truly customer-first culture
   - Following the re-platforming of our integrated ERP system, we have set our sights on an ambitious digital transformation programme that will place customers at the centre of every business decision, deepen our customer intelligence and personalise every customer experience.
   - Integrating our two business platforms and incentivising customer-centric behaviour across the organisation.

2. Develop future-fit channels
   - Our flexible store portfolio, new digital commerce propositions and digital channels form a strong foundation for an omnichannel shopping experience.
   - Into the future, our investment is aligned with winning the ‘race for reach’ in digital to match our physical presence.

3. Enable precision retailing
   - With our investment in digital transformation, we can leverage our data assets to embed insight and analytics into our processes, enabling us to make smarter business decisions faster, further optimise our supply chain and become even more relevant to our individual customers.

Highlights:
- 2018: Voted Africa’s number one retailer brand by Brand Africa and successfully executing more than 100 million transactions throughout our Non-RSA stores
- 2019: Opened a net nine new stores in the 14-African-country footprint
- 2020: Limited capital expenditure, continued to control costs and maintained operational efficiency
- 2021: Explored new business models to suit conditions in each market, with the aim of ensuring more sustainable operations and ROIC that meets expectations

4. Trusted, profitable private labels
   - We control our private-label supply chain and our scale allows us to develop, produce and distribute products effectively. This advantage enables us to lead in affordability and quality from our value to our premium positioned products.

5. Grow share in premium food and fresh
   - Higher-income customers are increasingly looking for value but without compromising on choice and freshness. Our strategy to serve higher-income South Africans with an elevated offering and an enhanced store experience through our FreshX Checkers stores resulted in a favourable customer response. Resultant market share gains came at no expense in market-leading value perception.

6. A stronger franchise offer
   - We will drive stronger benefits to our franchisees from our fully integrated planning, procurement and logistics functions, in the same way as our corporate stores.

7. Assess position in Africa
   - We remain committed to Africa over the long term and are still well positioned to serve the continent’s growing population in the long term.

8. Refocus capital allocation
   - Our investment focus is shifting towards smaller and more productive store formats closer to customers’ homes, and new digital capabilities that enable us to increase our addressable market and to become a smarter, more precise operation. Strategically we will aim to improve our return on investment capital (ROIC) through ongoing growth in cash generated from operations, releasing invested capital, focus Capex, and improving working capital via a reduction in inventory levels. ROIC has been talked as a target metric for executive and management level compensation.

9. Unlock alternative revenue
   - Our 24 million customers and investment in digital transformation projects give us the opportunity to build large-scale digital customer ecosystem allowing us to develop complementary services, unlock alternative revenue streams and open new routes to market.

Highlights:
- 2018: Launch of new mobile platform allowing customers to utilise a mobile wallet to transfer money via a mobile device and then cash out in our stores
- 2019: Launched Kvictor stores offering a range of cellular products and accessories
- 2020: OUTInsurance partnership that allows customers to buy funeral cover in store
- 2021: Accelerate investment into digital to unlock Shoprite as a platform for future alternative revenue streams
What sets us apart (continued)

The Shoprite investment case

The Group’s investment case is anchored on our food retail business which provides scale and customer reach. We are leveraging this capability with additional products and channels to market, to unlock new revenue streams for future growth. Our investment in technology is increasing operational efficiencies and expanding our addressable market which serves as a foundation for new revenue opportunities and anytime commerce that extends beyond traditional store reach and trading hours.

What differentiates the Group is our high volume of customers and transactions, a balanced portfolio of brands and formats, repositioning in underserved markets with growing populations, centralised physical and digital infrastructure, and lean cost structure.

Technology is dramatically changing the retail landscape, with systems applied to all parts of the value chain driving efficiencies and precision retailing. Communication is more direct and immediate with customers wanting more convenience across a spectrum of products and services. Retailers must, therefore, proactively innovate to simplify the customer experience across both physical and digital interactions.

The Group’s food retailing business remains the foundation of the Shoprite Group but we are evolving our service offering and channels to market to retain our competitive position. We are well on our way towards reaching key milestones on Smarter Shoprite, closing the gap in key segments and setting ourselves up to win in the long term.

Competent team, clear structure and people-focused culture

We have developed a leadership and management team which combines years of experience at Shoprite with new skills that support our future growth strategy. Our leadership and operational structures are well defined and business segments are aligned, efficient and convenient. The Group operates a corporate-owned (with just OK Franchise being a franchise business) retail model.

Our established history and employee base also gives us immeasurable experience. Daily learnings and overcoming adversity throughout the years have developed a resilient and solutions-driven culture throughout the company. Shoprite is defined by its people, their loyalty and their endurance. Our culture is like none other: priceless and irreplaceable.

All our brands are customer-focused with strong local ties and have embedded customer loyalty and brand recognition. We drive cost efficiency to enable affordable pricing options for all our customers, with this being particularly relevant for those with limited disposable incomes. We are also aware of the social difference we can make in communities and contribute significantly to community development and food relief programmes.

We believe our impact is considerable as we serve 141,452 employees and over 24 million customers.

A suite of individual brands that combine to cover the SA food retail sector

Supermarket retail is the Group’s core business with its three-major trading brands aligning with all customer segments. A low-price leadership strategy is adopted across all our brands and is evident with more than 24 million customers shopping at one of our 1,647 supermarkets including LiquorShop and OK Nett every week. The unique positioning of each brand, supported by an effective supply and logistics infrastructure, provides a solid foundation for continued growth. Collectively, the Shoprite Group’s brands command 31.8% of the formal food retail market share in South Africa, but individually they all retain significant growth potential. The size of the Shoprite brand provides economies of scale which, along with our store footprint, is leveraged to serve each brand’s loyal customer across specific market segments.

Shoprite

With 503 stores, this is the Group’s original and biggest branded business and generates the majority of Group turnover and volumes. The scale of Shoprite provides a foundation for growth and expansion for the rest of the business. Shoprite is a full-service supermarket and a one-stop shop for customers where they can get their monthly prescription medicine while they do their shopping, pay their bills and receive Government grant pay-outs. The extensive retail footprint enables Shoprite to easily manage both mid- and end-of-month trading peaks coinciding with the wage and Government’s social grant pay dates.

Checkers

Checkers and Checkers Hyper

Checkers and Checkers Hyper, which now operate 261 supermarkets, are perfectly positioned to grow market share in the more affluent consumer segment that has been underserved by the Group. Through improving product offerings and customer experience at Checkers and Checkers Hyper – and introducing the role of the new FreshX format – we are providing alternative shopping destinations. FreshX stores are more bespoke and have elevated the brand to cater for the premium and fresh markets consumer segments. The focus on affordability as well as a larger range of fresh products and healthier options provide significant upside growth potential.

Usave

Usave is the Group’s limited assortment small-format supermarket that addresses the needs of our customers in underserved communities. Its product offering is limited, with the focus on affordability and convenience of location within the community.

In recent years, this brand has been further entrenched with the development of the Usave eKasi container stores. This format allows the Group to cost-effectively extend its footprint into rural/outlying areas, giving more people access to food and basic services.

During the year and in direct response to the COVID-19 pandemic, Usave pioneered the Usave truck shop. In under a week, the truck shop concept was initiated and rolled out to assist customers in underserved communities unable to travel during lockdown, showing the Group’s agility and capability to respond to an extraordinary situation.

Usave increased its footprint by a net 14 supermarkets, including six eKasi container stores, as well as seven eKasi truck stores, and retains significant growth potential in serving its target communities.
What sets us apart (continued)

The Shoprite investment case (continued)

Liquor
The Group’s Liquor business is an area where, as a category, the business still has headroom to attract a fair share of the market. We trade with the LiquorShop brand across Shoprite and Checkers, which allows us to address the market uniformly in different countries. The brand and business has considerable momentum and with 500 stores in South Africa, sits with considerable store growth potential.

Introduction/growth of private labels
Our private label brands are key to the Group’s growth strategy, encompassing our customer value proposition and contributing 17.1% of SA supermarket sales (2019: 16.5%). It has become an avenue for significant product development and innovation and provides our customers with greater choice and value. Our scale and efficient supply chain allows us to develop, produce and distribute these private labels more cost-effectively.

Our private labels, like our store formats, cover all market segments with equivalent room for growth in the upper, premium and fresh markets. They are focused on maintaining low-price leadership (our supermarket private label); best value-branded products; full-range products that incorporate health, wellness and environmental (exclusive to Checkers) benefits; general merchandise and convenience/ready-made meals.

In-store financial and value-added services
In-store financial and value-added services cater for customers who have limited access to formal banking or other payment platforms or who choose more affordable payment methods as a means of reducing high transaction fees. Our stores benefit from the additional customer traffic. Customers can access most of these services from 1,147 supermarkets and 1,174 K’nect stores.

Financial services include:
- Paying utility bills, residential accounts, telecommunications and MultiChoice DStv subscriptions
- Buying tickets, airline and data and cell phone starter packs
- Sending and receiving money, a saving stamp facility that allows individuals to save or redeem credits at any Shoprite, Checkers or Usave
- Administering Government’s SASSA grant payments made to millions of customers every month

Value-added services include:
- K’nect stores, Tach! in supermarket departments, providing banking and mobile phone ranges and accessories purchases and, more recently, a wider product range that includes handsets from R139

- Compulsory: the largest ticketing service provider allowing customers to book or collect travel (buses, flights) and events (concerts and sports) tickets
- Money Market: a new partnership with Outsurance allows customers to buy life and funeral insurance policies, with funeral insurance for as little as R2 a day
- MediRite and Transharm: access to medicines in underserved communities via MediRite (our customer-facing brand), supported by Transharm (the wholesale and distribution business)

Furniture
The Group trades with two furniture brands: our House & Home business catering to the mid-to-upper segment with 41 South African stores; and our OK Furniture middle-income format with 314 stores in South Africa and 83 in Non-RSA. Both sell furniture, bedding, appliances and audiovisual products and focus on value, ranging and service in their respective markets.

African footprint
Although our Non-RSA businesses have gone through a difficult period over the past two years, our African business journey has historically been successful and profitable. Our African footprint remains a key capability that will allow the Group to service the burgeoning population growth on the continent over the long term.

In recent years, commodity price declines – specifically oil – have negatively impacted on economics in certain regions, resulting in reduced consumer spending power and currency devaluation challenges. While many of these country operations are managed on a constant currency basis, dollar-based cost growth (specifically regarding rental costs) continues to challenge the business.

For these reasons, we are investigating alternative business models in some countries to manage challenges more effectively and operate more successfully over the long term. We remain well positioned to serve Africa’s growing population over the next few decades. Our popularity as a brand, large customer base, extensive physical footprint, know-how and digital infrastructure give us a competitive advantage that we will capitalise on once economic conditions improve.

Online channels
Shoprite has the largest store footprint of any supermarket in Africa. Our range of physical stores, our e-commerce delivery and digital services form a strong foundation for the omnichannel shopping experience that is fast becoming the retail norm. We have successfully launched our Checkers B2C shops app but will remain focussed, over the next few years, on winning the ‘race for ready’ in digital.

Improving efficiency and return on capital
Operational efficiency is critical to our ability to retain our competitive position on affordability. To continue to drive efficiencies, we are investing extensively in systems and technology and shifting our focus on capital allocation. Our business model remains fundamentally the same with ongoing innovation and optimisation driving efficiency and improved returns.

Investment in ERP to operational and supply chain efficiency
Our investment in digital transformation and specifically our integrated ERP system has directly contributed to improved efficiency over the past year. We now consolidate all critical information into a single database, providing consistent and accurate business intelligence from a single source. This system has been transformational in terms of how the Group manages, views and uses information and will prove more significant as we start using it more critically. We are now building on this foundation to optimise the business and create a truly differentiated customer experience by leveraging customer data and advanced analytics, enabling us to be more precise in managing inventory, making merchandising decisions and offering a more personalised customer experience.

Focus on customer data to drive experience
Our strategy to unlock incremental revenue and cater for a diverse set of customer preferences relies on effective application of our digital infrastructure and data-driven customer profiling. Technology-based solutions will allow us to connect directly with our customers by concentrating on their needs and preferences, by adjusting promotions and pricing a granular level. It also creates an opportunity to develop customer and communication channels, using a variety of media platforms to tailor our messaging in line with customer shopping preferences.

Capital allocation
Shoprite has operated (owned and managed) a centralised supply chain for more than 20 years. As a means of improving return on invested capital (ROIC) and to enable the repositioning of capital, we have entered into sale and leaseback agreements of properties and logistics fleets (see Retail focus capital allocation). Our investment focus is shifting away from larger, more expensive capital projects to smaller and more productive store formats and technology projects with higher returns. The Group retains its management function of operations and facilities.
Material issues

We prioritised our top 12 most material issues based on our operating context, risks and opportunities and stakeholder insights review that we undertook during the year.

A review of the material issues as presented in FY 2019 was undertaken, based on how management of the issue influences our ability to deliver on our strategic goals and long-term value creation. The impact of COVID-19 was introduced and is referenced throughout this report and discussed as a special report. Our responses to each material issue is covered in the Capabilities report. This section provides a summary of our 12 material issues, their links to our top risks and a reference to where you can find more information about them in this report.

Impact of COVID-19

The ramifications of COVID-19 on the business has been both direct and indirect. The business experienced a direct and substantial impact as the pandemic emerged and most countries in our trading areas were locked down. Trading continued in the food business but we had to adapt quickly to maintain grocery stock as consumer demand shifted with panic buying and changing priorities. Sales from the Furniture segment (3.5% of Group sales) and Liquor stores (5.8% of Supermarket RSA sales) were influenced by a full closure of stores followed by restricted trade over the period from 26 March to the end of June.

The business also experienced other costs in the obvious economic reorganisation as new regulations had to be implemented, security hats be increased and by adding employee assistance. Future societal risks remain uncertain but are likely to present numerous challenges.

COVID-19 has been material to the business as a global event but has also had an influence on existing material issues. These influences have been addressed in the discussion on each while the COVID-19 special report provides more information on how the Group reacted to it.

Trade performance and growth opportunities

The global economy remains under pressure which has an influence on performance. COVID-19 introduced new challenges and additional, unplanned expenses which will have an impact on levels of consumer spending.

Distribution centre and logistics restructuring released capital for new investments in technology and alternative store formats. The expansion of FreshX stores and the launch of the e-commerce platform provide an opportunity for future growth.

Supply chain structure and cost configuration

A lean cost structure and a centralised distribution system are important to maintain our trading margins and provide our customers with affordable products. We expanded our supply chain capacity and efficiency with our integrated ERP system, giving us an integrated view for improved planning and distributing. A business continuity plan with contingencies for energy supply disruptions or shortages of natural resources has also been put into place. Continuing to invest in our supply chain infrastructure will have substantial advantages as we improve our business optimisation processes (also see Information and technology).

Information and Technology

Continued investment in technology and data analysis remains a priority as the Group strategically positions itself for optimising the business to create new opportunities and grow into new markets. The initial disruptions caused by the implementation of the integrated ERP system in FY 2019 have been addressed. The system has led to significant improvements in operational efficiency, enhanced customer insight and data analytics, and the ability to roll out technology-based initiatives at scale and on demand. This is shown in certain brands being able to target new market segments and the use of real-time inventory data to optimise and manage stock levels.

Greater emphasis has been placed on our IT governance – with a focus on data security and privacy – to provide appropriate and sustainable IT governance.

Quality and Safety

Shoprite is committed to supplying high-quality and safe products and a safe shopping and working environment. The COVID-19 pandemic placed additional pressure on us to deliver on this. We prioritise safety and security throughout our operations, ensuring effective quality control in our sourcing and throughout our supply chain and safeguarding our retail environments from crime and occupational health and safety risks. A centralised digital monitoring and compliance platform for health and safety reporting, and regular health and quality checks and audits assist with our zero-tolerance approach towards any safety threats, including crime. Compliance and regulatory spend increased during COVID-19 to maintain the Group’s level of commitment to the safety of all stakeholders. Additional expenses allowed us to flatten health protocols and other security measures to ensure the safety of our employees, our customers and suppliers, and our physical stores.

Social licence to operate

To maintain our social licence to operate, the Group must be positioned and recognised as a good corporate citizen and a sustainable long-term business for our stakeholders. Our social licence to operate is dependent on how well we manage our environmental, social and governance responsibilities. We use international reporting frameworks to evaluate our progress in managing and reducing the Group’s environmental and social impact. We disclose on the CDP platform for Climate Change, Water Security and Forestry, align with the UN’s Sustainable Development Goals and, for the first time this year, report against the GRI reporting standards.

Employees

The HR strategy – also known as our People Transformation Programme that was approved in FY 2019 – specifically addresses the challenges the Group faces in a highly contested, rapidly evolving retail environment. To evolve into a sustainable, optimised and future-fit business, it is essential that we have the right people in the right positions. To be an employer of choice, we need engaged, proactive employee relationships. Our HR strategy aims to attract, develop, retain and reward talent, and to strengthen our customer-first culture through employee engagement.

Leadership transformation and employability equity

The Group has a stable and diverse leadership team in place. Our leadership strategy goes beyond equity transformation and focuses on diversity. We have invested in developing our management teams and employed a diverse team of leaders over the past two years. Our team members bring industry knowledge, depth of expertise and a fresh view. The same rules of transformation and diversity are applied to the Board of Directors. Employment equity remains a priority in all employment considerations.

Regulatory environment

The Group operates in an increasingly complex regulatory and compliance environment. Shoprite’s interaction with the regulatory environment across various industry sectors requires significant investment in compliance management systems. Compliance is also required to uphold the Group’s status as a trusted and reputable brand. Engagement with regulators played a critical role in the correct and timeous implementation of COVID-19 related regulations and increased emphasis on health and safety laws.

Socio-economic contribution

As the largest value food retailer in Africa and significant employer in South Africa, we have a direct impact on people and communities from all income groups. Our reach and contribution are determined by the salaries and benefits we pay and by the extent of our corporate social investment. We remain active in communities through various initiatives to assist with food security and hunger relief. By investing in and developing top-performing SME suppliers, we provide growth capital and much-needed access to market.

Governance – Board effectiveness (Board composition and key Board roles)

Board effectiveness is fundamental to value creation and enhanced over the long term. It is also critical to securing the trust of investors. Therefore, it is important for the Group to have a robust and capable Board of Directors, fully attuned to Shoprite’s business strategy, material risks and opportunities – and its financial capabilities and performance – to support and advise the leadership of the Shoprite Group. All aspects of the Board’s composition were reviewed during FY 2020, the outcome of which will be addressed in the short to medium term.

Growth and development of the Shoprite Group business

Although Shoprite’s success has been based on its traditional brick-and-mortar business, it must have the ability to adapt to changing retail and consumer markets. To build on this future-fit business strategy, having the capability, resources and financial capability available is critical. Development in our e-commerce and online businesses is already proving significant in our ability to continue to grow and develop the business for positive impact.
The Shoprite Group’s Board is accountable for governance oversight of the Executive team’s management and performance of enterprise-wide risk and compliance risks, to enable achievement of the Group’s strategic objectives. The Audit and Risk Committee approves the Group-wide policies, processes and procedures that give effect to risk and compliance management principles, as appropriate, to the Shoprite Group and its various businesses.

The Group’s risk landscape comprises 55 key risks, categorised as strategic, operational, financial or compliance risks. They are rated according to likelihood of occurrence and impact (inherent risk) on the business. The risk landscape is reviewed on an annual basis to ensure it remains relevant and that the Board-approved risk appetite and tolerance levels for each risk, remain appropriate.

The process and structures for governance and management of risk is shown in the diagram on the following page. The CEO, CFO and COOs and General Managers of all business units comprise the first line of assurance. Business unit-specific risk registers are maintained that include weighted risk-control measures which reduce the inherent risk ratings to arrive at the current residual risk rating for each risk. The Group has risk management action plans in place to further reduce residual risk ratings.

The management teams of each Shoprite business routinely report on risk and compliance matters arising to the Management Risk Forum led by the CFO, who also fulfils the Chief Risk Officer role.

The Group-level risk and compliance function – the second line of assurance – reports to the Group Company Secretary, who is also the Head of Legal, on compliance governance and to the CFO on risk governance. Material risk and compliance management issues or findings are escalated by the CFO and Company Secretary to the Executive team and to the Audit and Risk Committee for attention. The Group Internal Audit function – the third line of assurance – executes independent audits with either full or partial coverage in terms of the Audit and Risk Committee-approved annual Internal Audit Plan and reports administratively to the CFO.

The Shoprite Executive, through the CFO, takes responsibility for designing and implementing a combination of internal assurance and external assurance appropriate for the Group, and its various business operations (combined assurance arrangements), that effectively cover Shoprite’s significant risks and material issues.

The Audit and Risk Committee oversees governance oversight of Shoprite’s application of its combined assurance arrangements. During the year, the Committee initiated an independent review of Shoprite’s risk management functions. The results were taken into consideration for initiating an independent review of the effectiveness of the combined assurance arrangements in the period subsequent to year end. The outcome of the review will be applied to further enhance the Group’s combined assurance arrangements on an optimal and cost-effective basis.

### Enterprise risk management

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### Risk governance and process overview

#### Overview of risk governance and risk management process

- **Risk governance**
  - Provide direction to the executive on strategic risk oversight and approach for related opportunities
  - Approve governance level risk policy – risk appetite and tolerances
  - Oversee executive performance of Group risk management function
  - Oversee integrity of reporting on significant risks (internal and external reporting); approve reporting of the Group’s material risks

- **Group executive risk management**
  - Governance level risk reporting directed to management of all significant risks associated with the Group’s strategic/value-creation objectives
  - Executive oversight of principal risks per key risk category

#### Key involvement

- **Top down**
  - Executive Directors
  - Board and Audit Risk Committee
  - Internal Audit

- **Bottom up**
  - Group Risk Manager
  - Business unit and functional heads
  - Internal Audit

### Management Risk Forum

- **Group-wide forum management**
  - Management Risk Forum
  - Governance level risk reporting by business unit and functional head
  - Coverage of risk identification and related management and control activities; areas of emerging risks

- **Group-wide risk management functions**
  - Establish enterprise-wide risk management infrastructure and related risk policies and processes aligned with strategic risk management objectives
  - Develop risk universe and risk prioritisation approach
  - Monitor adequacy and effectiveness of risk and controls at business-unit/functional level on a Group-wide basis
  - Oversee application of risk identification and risk-monitoring policies and processes at business unit/functional level
  - Support development of appropriate risk management action plans in conjunction with business unit/functional management

### Business unit and functional level risk management and monitoring

- **Business unit and functional level risk management and monitoring**
  - Integrated risk identification and monitoring at business unit/functional level
  - Business unit-specific risk registers continuously updated including information on risk management and control activities applied for identified risks
  - Use of risk champions for promoting ongoing risk awareness within the business
  - Operational risk-loss database system for ongoing risk identification and assessment

### Value creation and performance

- **Overview of risk governance and risk management process**
  - Risk governance
  - Group executive risk management
  - Management Risk Forum
  - Business unit and functional level risk management and monitoring

- **Key involvement**
  - Executive Directors
  - Group Risk Manager
  - Business unit and functional heads

- **Group-wide risk management functions**
  - Oversee integrity of reporting on significant risks (internal and external reporting); approve reporting of the Group’s material risks

- **Business unit and functional level risk management and monitoring**
  - Use of risk champions for promoting ongoing risk awareness within the business
  - Operational risk-loss database system for ongoing risk identification and assessment
Enterprise risk management (continued)

Residual risk rating
Risks are rated for their likelihood of occurrence and projected impact (inherent risk), after which weighted risk control measures are deducted to arrive at the residual risk rating. Corporate strategy and objectives are aligned with the risk appetite, which drives risk tolerances throughout the Group, and are linked vertically and horizontally across the Group. The Group’s risk appetite is generally low, except for certain strategic business development areas. The Group’s top 10 risk ratings are shown in the diagram on the right.

Residual risk rating scale
- **High**
- **Medium**
- **Low**

**Risk appetite**
The Group’s risk appetite is generally low, except for certain strategic business development areas. The Group's top 10 risk ratings are shown in the diagram on the right.

**Risk description**
- **Food safety risk**
- **Fraud risk**
- **Health and safety risk**
- **Information technology (IT) and cyber risk**
- **People risk**
- **Project and change management risk**
- **Regulatory/operational risk**
- **Strategic business development risk**
- **System risk**
- **Value creation and performance**

**Risk mitigation**
- Ensuring the right talent and rewarding our employees fairly.
- Investing in training and development and maintaining healthy employee relations to support future growth, including ensuring that our employees remain on top of market and industry trends and developments.
- Providing clear communication of business continuity management protocols to employees and conducting regular disaster recovery testing with staff.
- Focusing on product safety and quality through updating and maintaining control measures in line with any advanced systems intelligence capability and the use of new technology into the supply chain. Food safety related opportunity

**Stakeholders**
- **Health and safety risk**
- **Information technology (IT) and cyber risk**
- **People risk**
- **Project and change management risk**
- **Regulatory/operational risk**
- **Strategic business development risk**
- **System risk**
- **Value creation and performance**

**Related opportunity**
Including and developing SMI's into the supply chain helps to grow and diversify the Group’s supply chain – providing options and a continuous supply pipeline for products and services. Enhancing supply chain warehousing and logistics approach will mitigate supply chain risks by providing more efficient access to distribution centres and stores.

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Enterprise risk management (continued)

**Stakeholders**

**Risk description**
- The Group’s trading environment, both local and Non-RSA, is constantly subjected to external risk factors such as the impact of COVID-19 and macro, social, economic, foreign exchange, regulatory and political conditions. These constantly changing conditions and associated risks may result in an increase or decrease in the cost of doing business as well as disposable income and purchasing power of consumers. This affects Shoprite directly but also our suppliers and customers.

**Risk mitigation**
- Using the Project Management Office to provide support to projects, even those not specifically managed by the office.
- Prioritising business unit projects by considering the potential impact, risk, resource allocation and demand.
- Performing proper feasibility studies to determine whether projects are viable.
- Establishing a framework of tools and processes for managing projects, enabling a company-wide view of projects, new work requests and changes to existing services.
- Ensuring all critical projects are subject to external third-party review and quality assurance, including an independent assessment of the maturity level of the Project Management Office by an external assurance provider performed.
- Creating an enterprise-wide list of the top 10 projects to be monitored through the Project Approval Committee.
- Prioritising business unit projects by considering the potential impact, risk, resource allocation and demand.
- Increasing the visibility of deliverables to ensure work is appropriately resourced and prioritised.
- Appointing a capacity planner to assist with resource allocation.
- Tracking project progress on a weekly basis to ensure any challenges are swiftly addressed.
- Assigning project managers in line with the level of specialisation demanded by projects.
- Using the Project Management Office to provide support to projects, even those not specifically managed by the office.
- Controlling project value management and monitoring returns on investment through the Group’s central finance department.

**Related opportunity**
- Various strategic projects are underway, with the ultimate aim to delight Shoprite’s customers from a value-creation perspective.

**Stakeholders**

**Risk description**
- The Group’s trading environment, both local and Non-RSA, is constantly subjected to external risk factors such as the impact of COVID-19 and macro, social, economic, foreign exchange, regulatory and political conditions. These constantly changing conditions and associated risks may result in an increase or decrease in the cost of doing business as well as disposable income and purchasing power of consumers. This affects Shoprite directly but also our suppliers and customers.

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Capitals report

Capitals are not fixed and there is a constant flow between and within the capitals as they are increased, decreased or transformed. The Capitals report gives insight to stakeholders on how the business is being managed to ensure long-term value creation. This report incorporates feedback on operational performance and our response to our material issues.

Intellectual capital

Stakeholder engagement

Our primary stakeholder focus is internal, with the integrated ERP system providing an information backbone that connects all divisions, from planning, procurement and logistics (inventory management and distribution) to selling (in-store and digital and finance). There is extensive ongoing engagement and communication within the business on the refinement and application of the integrated ERP system. Given the ongoing risk associated technology, our internal audit and risk management team is actively engaged in this issue.

The primary external stakeholders are the suppliers, vendors and customers who interact with our IT platform. We engage with those providing goods and services, and customers around effectiveness of application.

Feedback on customer experience is used as a key indicator of the successful application of the integrated ERP system.

Primary concerns include:

- Data integrity
- Inter-business/departmental communication
- System breakdown/downtime
- Inter-business/departmental communication
- Cybersecurity

Addressing material issues

Information and technology … as applied to supply chain structure and cost configuration

We have in invested in becoming a future-fit business

Over the past few years, we have invested heavily in being a cost-effective and technology-enabled business and we have entered a new era in retail where our customers demand more value, more access and more convenience.

The retail environment and customer expectations will continue to change as technology advances. The Group’s investment in IT has given us the capabilities to accelerate our business growth, harnessing the power of data analytics and predictive insight while protecting data integrity and privacy. After completing the implementation of our new centralised enterprise-wide technology platform (ERP), we continued with initiatives to transform Shoprite’s business.

After overcoming the challenges of implementing the integrated ERP system, processes across the supermarket segment are fully aligned into one technology-enabled, digitised operational platform. It also gives us the opportunity to leverage further advantages through data analysis in our supply chain to continue to transform the business. This capability to harness data and access to markets is our main competitive advantage. We had certain goals and planned projects in place but COVID-19 provided the Group with the perfect storm. It challenged us socially; yet, it forced us to fast-track some projects into maturity which provided exceptional operational value and learning during a very uncertain time.

Information and technology … as applied to growth and development

The Group’s IT infrastructure and associated intellectual property provides us with the benefit of reinforcing the relationships between digitalisation, innovation and revenue diversification. We are able to unlock new revenue streams and use data analytics to focus our retail activities. Our customers’ access to technology and demand for financial services have increased and our Money Market and cellular services have become increasingly digital, moving us into new markets.

Payments and collections: We are the first multi-lane retailer to accept dynamic QR code payments at all our tills. The Group also assisted with South African Social Security Agency (SASSA) payments when other collection points were closed due to COVID-19 lockdown restrictions.

Rewards card: The customer-linked Xtra Savings Rewards Programme increased our ability to understand our customers better. The insight gained from our Xtra Savings database informs buying, product stock allocation, and marketing decisions.

Online shopping: Using future-fit channels for marketing and online shopping has reduced marketing waste. After Checkers’ associated online shopping app Sixty60 was launched the roll-out was accelerated due to the high demand in online shopping and home delivery during the COVID-19 lockdown.

Food vouchers: In response to the lockdown, we introduced virtual vouchers, for customers to buy and send food vouchers via SMS to family members or friends to use at any of the Groups’ food retail brands. Employers and other organisations could buy bulk vouchers as a means of reaching larger groups of people. We executed this initiative from the initial concept to the first transaction in these days, testament to our capabilities and responsiveness.

Case study

Checkers pioneers 60-minute grocery delivery service

Checkers launched Sixty60, South Africa’s first exclusive on-demand one-hour grocery delivery service. Customers order via an app and orders are fulfilled from a select number of Checkers stores. This is the first service of this kind from a supermarket chain, demonstrating innovation in response to customers’ demand for hyper-convenience.

Sixty60 offers unrivalled convenience because it does all the hard work for the customer. In our time-pressured society, providing consumers with a swift, on-demand grocery delivery service is like giving them back time: today’s most precious commodity,” says Neil Schneider, Chief of Innovation and Strategy at Shoprite Checkers. Although a roll-out plan for Sixty60 was planned, the onset of COVID-19 and growth in customer demand during the level 5 lockdown resulted in the fast-tracking of this service.

The Group’s investment in technology enabled the growth of Sixty60’s delivery reach to an 87-store base from March 2020 to the June financial year-end. During this time, Sixty60 boxes was also launched to extend the service to weekly deliveries to consumers via the Checkers Food Services platform servicing the hospitality market.

Delivering to suburban areas from 87

Checkers supermarkets at year end.

Areas of future focus

Real-time customer feedback

Customer intelligence already forms a large part of our data analysis and information bank. With the Group’s strategic focus on integrating customer-centric, customer satisfaction is now also part of the short-term incentives for employees. Data in this regard will enable this specific non-financial KPI to be scientifically determined for bonus allocations.

Unlocking new revenue streams

The media platform opens up a variety of possibilities in terms of how we communicate with our customers but also how our supply partners can leverage off Shoprite’s data mine. Our data is linked to more than one billion retail relevant transactions, ready to inform more focused, customer- and technology-driven marketing campaigns.
Stakeholder engagement
To manage our physical infrastructure, we engage largely with service providers and partners who form part of our supply chain and our customers — who are the recipients of our products and services — across our store footprint. Our customers and partners include regulators across the whole supply chain, property and other asset owners, builders, landlords and logistics providers, local municipalities where we operate and financiers who support underline our capital investments. We engage with them through meetings, forums, negotiations and during site visits.

Customers are discussed in the Social Capital municipalities where we operate and financiers who partners include regulators across the whole supply chain and our customers – form part of our supply chain and our customers — which we have full operational control. Our store footprint and supply chain infrastructure give us the ability to effectively provide our customers with access to affordable products and an increasing bouquet of value-add services.

Our store footprint spans a range of store formats — from large Checkers Hyper to small Usave eKasi container stores — all of which are appropriate for its context and customers. Stores are becoming one-stop-shop destinations as we increase our product and service offering to our customers and as the retail environment evolves to align with changing customer needs.

A lean cost structure and centralised distribution system is important to maintain our trading margins and provide access to affordable products. Our supply chain includes 28 distribution centres, 855 trucks and 1,247 trailers in a portfolio of assets under our management. Our integrated, efficient supply chain remains an unvalued advantage in our African context.

Addressing material issues
Supply chain structure and cost configuration
Our success in South Africa and in other African countries is due to the sophisticated nature of our supply chain management. We have invested heavily in our systems and infrastructure to ensure they are aligned with international best practice and enable us to take a leadership position in this regard. Our model saves costs for our business and that of our suppliers, and generates environmental benefits. Continuing to invest in our supply chain infrastructure will have substantial advantages as we improve our business optimisation processes and move towards a more diversified and technology-driven Group.

The right products at the right time, in the right place, play an important role in customer satisfaction and cost management. Our centralised ERP system fully integrates our supply chain with real-time POIS data. Our improved data analytics and trend analysis give us the ability to correctly manage stock levels, minimise waste and cost, and order and deliver the right products in time. This has proven especially advantageous during the COVID-19 lockdown period when shopper behaviour was highly influenced by panic buying and rapidly changing priorities.

We have unlocked value on our balance sheet by selling and leasing back certain assets such as selected trucks, real estate and distribution centres. This strategic initiative enables us to better manage our capital expenditure, thereby improving our return on assets. It gives us the flexibility to adapt quickly to changing trends or legislation and the ability to focus capital allocation and unlock alternative revenue with higher-return projects. Although we do not own the physical DC properties or logistics fleets anymore, our distribution centre infrastructure has been purpose-built for our needs, and selling and leasing back the buildings will not alter how we operate our supply chain. The Group still controls operational efficiencies within the supply chain and development, and improvements to support the Group’s retail functions will continue.

Growth and development of the Shoprite Group business
The Group’s investment in digital infrastructure, particularly the integrated ERP system, has enabled real-time oversight of the entire business. Our brick-and-mortar footprint remains key to our ability to drive growth and expansion into new channels as we use our improved technology-driven insight to inform better retail decisions.

Private label and fresh produce expansion: During the year, we improved and increased our private labels and Freshmark offering to include more product lines into more stores.

Online shopping support: We increased the number of Checkers stores designated to service our Sixty60 convenience online shopping channel to include more areas of delivery.

Expanding our store footprint: Driven by the need for affordable products in outlying areas, we expanded our Usave eKasi stores with a further 28 new stores as well as seven eKasi truck stores. The OK Franchise group of brands also expanded its store footprint and is a focus area for future expansion. Because the OK brand is franchised and owner-managed, development in this area is at a lower investment cost but still gives us the benefit of additional market penetration. These developments were timely and proved beneficial during the COVID-19 lockdown period when travel was restricted and people were forced to shop in their local areas.

Developing supply chain capabilities: To mitigate supply chain disruptions and improve business continuity and access to products, the OK brands are now integrated into the Group’s supply chain while they have the freedom and ability to source from local suppliers when needed.

Areas of future focus
Increase our customer reach
In the year, we successfully incorporated an additional 61 OK Minimark stores into the OK Foods Franchisees members in the new year across our grocery categories.

Distribution centre (DC) development
The Group operates from six DCs in Africa and 22 in South Africa. We continue to develop our centralised distribution strategy through the opening of strategic, trans-shipment hubs to optimise our network and drive service. In addition, these hubs will reduce kilometres growth, further reducing our carbon footprint. We will open the first of these centres in Phuthaditjo in late 2020 and are investigating additional locations in the next reporting period.

Top five outcomes
1. 46 new franchise destinations
2. Over 328 million cases of product delivered to our DCs
3. Over 98 million kilometres travelled
4. 24 private label brands worth more than R1.01 billion
5. 828 new private label products launched

2020
Shoprite Group starts with first eight stores and 400 employees
399
33 stores; links on the JSE
499
Bought Checkers, adding 103 stores now 214 stores (22 403 employees)
599
Bought OK Bazaars with 157 supermarkets; now 545 stores (20 000 employees)
799
Bought Metcash and incorporated 150 members stores into OK Franchise Checklist, now 1,247 stores (93 205 employees)
999
2 973 stores (141 452 employees)
Our business success depends on the wellbeing of our people

The Group’s second-largest stakeholder group is our employees. We work hard at nurturing our relationship with them, while we look after the sustainability of the Group.

We aim to be an employer of choice and pride ourselves on being a retailer that is a signatory with Uni Global, promoting social dialogue in support of better management and trade union relationships.

We recognise our employees’ rights to association and representation through recognised unions across our operations. We continuously engage in open dialogue, through regular meetings, correspondence and representation on various internal committees. We are the only South African retailer that is a signatory with Uni Global, promoting social dialogue in support of better management and trade union relationships.

Most of our employees are based in South Africa and our largest union representation is with the South African Commercial, Catering and Allied Workers Union (SACCAWU). Of our South African employees, 34% are members of SACCAWU and 41% of our employees in the non- RSA operations are affiliated to various other recognised trade unions.

Mitigating labour disputes is a primary focus area for the Group and communication and negotiation with unions are ongoing.

Primary focus areas for the trade unions include:
- Conditions of employment which includes wages and work schedules
- Employee benefits
- General employment conditions such as health and safety

Addressing material issues

Employees

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We will continue to engage our employees in the process during the roll-out of this strategy.

Primary concerns include:
- Talent attraction, career development, retention and succession
- Opportunity for growth, recognition and rewards
- Training and development
- Health and safety
- Employee relations

Trade unions

During the development of the revised HR strategy, the Group is embarking on an extensive engagement campaign. We will continue to engage our employees in the process during the roll-out of this strategy.

Primary concerns include:
- Talent attraction, career development, retention and succession
- Opportunity for growth, recognition and rewards
- Training and development
- Health and safety
- Employee relations

Stakeholder engagement

Employees

In our interactions with our employees, we aim to address their concerns, our material issues and any associated risks and opportunities. We communicate with them daily in ways that are relevant and focused. Interactions include videos, the iOR Shoprite internal newspaper, incentive programmes, regular store meetings, training and growth boxes and our mobile app SiyaRhiqa, which enables us to engage with all employees directly.

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- Health and safe working environment
- Group performance and growth

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- Opportunity for growth, recognition and rewards
- Training and development
- Health and safe working environment
- Group performance and growth

COVID-19: 2019

Furniture and LiquorShop employees redeployed across supermarkets in SA during lockdown level 5

$1 million invested in training FY 2020

192 new positions created to support the Group’s growth in innovation and digital programmes. Digitisation of learning facilitates more efficient employee participation and has a greater reach.

Future-ready employees: A challenge for the Group is attracting the right skills at the right level in ‘new’ areas as the Group expands its markets and offerings and we evolve into a sustainable, future-fit organisation. We are actively attracting new competencies, complemented with uplifting our employees to prepare them for anticipated shifts in the business. Training programmes and modules have been developed to enhance employee knowledge and understanding of the Group’s strategic growth drivers, customer relations, stock management, revenue expansion and regulatory requirements.

Leadership, transformation and employment equity

For Shoprite, transformation means much more than employment equity: It goes hand in hand with diversity across nationalities, gender, talent and skills. To win in the long term, we need the right level of leadership and the right mix of diversity across all levels of the organisation.

Over the past five years, we have diversified our management team through promotions and new appointments. We are confident this team is well positioned to transform and lead the business for our future purpose. Currently, 7.25% of our top-management team is black and 1.55% are women. Since 2015, the combined black representation at management level has improved by 25% at top management level, 24% at senior management level, and 5% at middle management level.

Across the Group, progress towards our equity transformation remains a work in progress. Although our overall employees numbers are dominated by PDIs, we are actively working on improving our management and equity levels.

Quality and safety

The health and safety of our employees, customers and suppliers are our most critical risks and receive the highest level of attention from management and the Board of Directors. Our health and safety policy governs all actions in this regard. Aspects of an engaged and empowered workforce, focusing on health and safety, remains a challenge and is common in the industry. Despite high unemployment numbers, the employment market is more competitive and new recruits are increasingly aware of brand perception and are looking at their own future growth more holistically. To attract the people we provide, we support training programmes, industry-related remuneration and flexible working hours, specifically pertaining to retail shift work. Succession planning and leadership development is part of our long-term retention strategy.

Focus on our customers: Our training and communication interventions have a big focus on building a customer-centric culture, making it part of our inherent DNA. We have ongoing customer service training and we reward customer service through recognition.

Areas of future focus

Enhance our customer-centric focus

Using the data capability of the Integrated ERP system will provide the HR team with real-time insights which will help employees increase customer satisfaction levels.

To service the business better

Recruiting employees for a future-fit Shoprite with a greater focus on customer convenience (all platform and time) is the traditional retail model. Current employees will also be trained beyond their current job, thereby enhancing their skills.

Reported

Case study

Adrian Swartz – senior meat technician at Checkers

Adrian is one of our young stars and works at the MeatShop Checkers in Glenvista. He was accepted into the YES apprenticeship programme in 2019. During the 12 months, he completed the Meat Processing and Production (ML3 Skills) Programme and was so motivated that he also completed an additional meat classroom intervention and 200 learning hours.

Usually, if successful, an apprentice would be appointed as a general assistant. But Adrian’s commitment and the combination of training and mentoring gave him the skills and experience to be appointed to a much higher level.

He says Shoprite gave him a wonderful opportunity and although the training was challenging in the beginning, the more he learnt about the meat industry, the more he wanted to know. When asked what he likes most about his job, he said: “We are two butchers and we take turns to do specific jobs. I don’t mind any of them but most of all, I like making steaks.”

The YES4Youth programme is a non-accredited government initiative – in partnership with corporate business – to address the high rate of youth unemployment in the country

2 804 unemployed youth given workplace experience from inception

Permanent employment is based on successful completion of the programme and on operational vacancies

12 months of basic retail training and workplace experience

Value creation and performance
Value creation and performance

Social capital

Stakeholder engagement

Customers
Our customers comprise our largest stakeholder group and are the focus of everything we do. At the core of our business strategy is a customer-first culture. We interact with them every single day when they visit our stores and we engage them by conducting and monitoring surveys and by requesting and encouraging their feedback on products and services. We also connect via social media channels, call centres and suggestion boxes. Interactions include direct interviews to desk-top analyses and tracking of social media perceptions. We make sure all external brand communication aligns with our business objectives.

Primary concerns include:
- Consistent access to affordable, safe and nutritious food
- Increased focus on social and environmental impact, including rigorous quality and safety controls over product sourcing and responsible packaging solutions
- Healthy and safe shopping environment

Communities
Our communities are home to employees, customers and suppliers (but for purposes of this report, employees are discussed in the Human Capital report on page 56).

Many of our communities are characterised by high unemployment and relatively low income levels. We are aware of socio-economic circumstances and needs. We engage with them through the same channels as our customers and additionally through our corporate social investment programmes which involve meetings and consultations. We also conduct research to understand their perceptions of the Group. Our main activities emphasise food security and hunger relief.

Primary concerns include:
- Upliftment through job opportunities and the formal economy
- Assurance that they will not be exploited as community groups

Addressing material issues

Making a difference every day
Over more than 40 years, we have developed a deep understanding of our customers, our suppliers and our communities. Their changing needs have provided the guidance for our journey to become one of the largest and most successful retail groups. Our strategy to be smarter, optimise, diversify, grow and win in the long term ultimately delivers on our promise to our customers.

We are relentlessly focused on satisfying our customers’ needs and concerns, and we judge our success by measuring ourselves on whether we have given them products that meet their needs, are affordable and in a more convenient way than our competitors. By building sustainable relationships with our customers, our suppliers and the communities in which we operate, we have built a trusted brand associated with a wide range of quality products and services across Africa.

We have expanded our strategic growth levers to include and unlock new ways to better serve our customers. We want to grow our customer base through an enhanced business that leverages information technology to create value beyond our financial performance targets. Our business optimisation and transformation projects have opened up opportunities in our supply chain and service offerings. The Shoprite Group’s business philosophy is to give back to local economies by providing jobs, enabling access to market for small suppliers and paying taxes. We invest in community initiatives that boost food availability, empower suppliers and provide training and employment opportunities for unemployed youth.

Addressing materiality

Social licence to operate
Our social licence to operate depends on how well our business is received by our customers. The Group’s scale and buying power allow us to deliver products to customers across income groups in 15 countries and at prices they can afford.

Food quality, availability and affordability
We continue to find ways to deliver affordable and quality products. Significant investment in time, money and food safety regulation have been incorporated into product development. By developing our private label offerings, we give customers the option of our choice-grade entry-level products and our premium products in a single store.

Since we control our private label supply chain, we can customise ranges in detail and rapidly adjust to changing trends in demand.

Responsible sourcing
We have made significant progress in meeting our targets in the areas of sustainable sourcing of high-risk or endangered sources and have partnered with organisations certifying our seafood, palm oil and cocoa procurement. Sourcing efforts are supported by employee training, business-to-business communication and retail consumer awareness. We are working to improve our progress against traceability, transparency and labelling.

Extended service offerings and accessibility
Many of our customers do not have the money or the opportunity to choose their shopping destinations. We provide them with one-stop-shops in their communities, as many products and services as they might need. Development and expansion included more product ranges across all market segments, financial, insurance, courier/parcel deliveries, cellular and technology products and store expansions.

The initial roll-out of the Checkers Sixty50 digital shopping offering was fast tracked during COVID-19 as the demand for home deliveries increased. We continue our footprint expansion of FreshStop stores and the delivery service.

Supply chain structure and cost configuration
Our suppliers play a key role throughout our supply chain and include food, product and service providers. Our supply chain is, therefore, set up to accommodate and manage all of these relationships in the best and most cost-effective way to ultimately deliver the best experience to our customers.

We use the services of local suppliers as far as possible. There are several ways in which we work to include smaller, local suppliers in our value chain. Depending on the location and need, some suppliers have the option to supply directly to store while smaller suppliers have access to our centralised distribution centres, which have large storage capacity. This access helps to reduce small suppliers’ production and distribution costs. As we grow, our suppliers grow with us, strengthening the supply chain in each country.

Leveraging our store footprint and technology infrastructure, our financial and insurance service providers have a larger and more cost-effective offset for their offerings. As a result, it costs less to provide these services and we can pass the savings on to our customers.

Quality, safety and regulation
Shoprite must protect its reputation as a supplier of high quality products and a safe environment for customers, suppliers and service providers who visit and share our premises. The need for safety has been more pronounced by the COVID-19 pandemic and the increase in compliance and regulatory requirements: from following health and safety regulations to social distancing and the need to be a good corporate citizen.

Policies and procedures are in place throughout the business to assist with compliance with all food regulations. We employ food technologists who ensure compliance with all food regulations and international best practices. The Group maintains a defined and risk-rated regulatory framework that includes critical, high-, medium- and low-risk impact categories across legislation, regulations and international best practices. Engagement is ongoing through regular meetings, audits and industry forums.

Primary concerns include:
- Compliance with regulation
- Job creation and economic opportunity in the countries in which the Group operates

Areas of future focus
Design a seamless customer experience
With real-time customer feedback and customer data analytics, we will be able to track customer satisfaction to improve customer engagement through increasing personalisation.

Community focus
We will continue to expand the number of community gardens we support and increase our support to household gardens through our Garden in a Bucket Programme.
Social capital (continued)

Socio-economic contribution

Many people cannot afford or access sufficient and nutritional food. In addition, unpredictable climate change-related events further disrupt food production. Our reach and contribution is determined by the salaries and taxes we pay, and the extent of our contribution to social support, uplifting and change.

As the largest value food retailer in Africa and significant employer in South Africa, we have a direct impact on people and communities from low-to-middle income groups. The Group’s corporate social investment extends beyond philanthropy and we aim to develop and support people in a sustainable way. Act4Change is the umbrella under which we label our social investment programmes that encourage job creation, provide affordable products, fight hunger, support early childhood development, empower women and provide disaster relief for affected communities. During the COVID-19 period, our food donations to vulnerable families and people in need as well as our soup kitchen services played a significant role in helping the most vulnerable members of society.

Economic impact

Many of the Group’s business initiatives have been designed to improve the lives of our customers on a socio-economic level; those who live in hard-to-reach areas, earn lower incomes and cannot afford the high fees associated with financial services.

Our saving stamps give customers an opportunity to save and redeem the value for products at any store seven days a week. It helps them to budget and is a trusted method of transaction. It provides income potential to women who become registered saving stamp agents, earning commission income from saving stamp sales.

We also provide business and trade opportunities to small and medium enterprises and entrepreneurs, giving them access to the Shoprite marketplaces or supply chains. During the year, we formalised our SME development fund and registered Thuthuka Nathi Investments which has a transformational and developmental focus. This investment programme will provide funding and business mentorship and has already contracted with three enterprises.

Unemployment is a huge risk for our customers and community development in general. To assist in this regard, we focus on training unemployed young people through our Retail Readiness Programme and our participation in the YES Initiative.

Building resilient communities

Throughout the Group, wherever we operate, we will continue building resilient communities. With a focus on food security, we support several food gardens, donate surplus food and have our own Mobile Soup Kitchens. We increased our support to early childhood development centres from 85 to 109 during the year.

During COVID-19, the Group’s food donations and soup kitchen services made a significant impact in vulnerable communities.

Tax makes a difference

It is fundamental to assist governments in their quest to address poverty by paying tax. Responsible taxation practices play an invaluable and positive role in enabling governments to budget and provide social services to their people. We contribute by paying our direct taxes and through indirect taxation where we collect taxes like VAT, pay-as-you-earn, dividend tax and UIF levies. In FY 2020, the Group contributed R8.0 billion in taxes, based on revenue of R1 569.9 billion, and profit before tax of R52.2 billion.

The Group is committed to transparent and ethical tax practices and we co-operated with tax authorities across our operating countries. We have a strong tax governance framework to guide timeous, accurate and effective taxation compliance.

The Group:
- Avoids aggressive tax practices that increase our liability and reputational risk.
- Pays the correct amount of tax, compliant with relevant taxation laws of each jurisdiction, on time.
- Uses relevant tax incentives, such as the Employment Tax incentive scheme in South Africa for employees between the ages of 18 and 29 years (inclusive) who earn less than R6 500 per month. During 2020, the Group claimed R235.5 million for 24 617 employees who participated in this programme.
- Ensures that profits cannot be artificially moved between different jurisdictions through an appropriate transfer pricing policy.

The table below summarises the R8.0 billion in taxes that the Group contributed for FY 2020:

<table>
<thead>
<tr>
<th>Taxes borne (Rm)</th>
<th>Taxes collected (Rm)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit taxes</td>
<td>1 902.9</td>
</tr>
<tr>
<td>Property taxes</td>
<td>68.7</td>
</tr>
<tr>
<td>Product and services taxes</td>
<td>1 378.7</td>
</tr>
<tr>
<td>Planet taxes</td>
<td>0.2</td>
</tr>
<tr>
<td>People taxes</td>
<td>285.4</td>
</tr>
<tr>
<td><strong>Total tax contributed</strong></td>
<td><strong>3 635.9</strong></td>
</tr>
</tbody>
</table>

The Group contributed R8.0 billion in taxes, based on revenue of R1 569.9 billion, and profit before tax of R52.2 billion.

Value creation and performance

Top Brands survey 2019

Sunday Times

Best Grocery Store

Retail survey

Sowetan

Ask Afrika Icon Brands

2019

overall

Shoprite recognised as an Icon brand (29th

winner of the Shopping for Groceries

Category winner for the Kasi Star Brands Survey 2020/2021

Ask Afrika Icon Brands

asked as the category winner for Shopping for Groceries

Ask Afrika Kasi Star

Brands Survey 2020/2021

Shoprite was awarded the Kasi Star Brand and winner of the Shopping for Groceries category

Value creation and performance

Social capital (continued)
Stakeholder engagement

Our natural capital management has a bearing on all our stakeholders, to varying degrees. Most of the conversations and interventions around our natural capital management are focused on cost and efficiencies with our facilities and stock management partners and sourcing suppliers. If we can cut costs to our supply chain by more efficiently managing our use of resources, it will reduce the footprint we leave on the planet. We have stringent processes in place where external service providers assist us with reviewing our management processes.

Primary concerns include:
- Responsible use of natural resources and reducing waste and emissions
- Compliance with environmental regulation
- Investor confidence
- Increased customer awareness of responsible brands
- Being a responsible and respected employer of choice

Natural capital

Savvy to share
One of our values is saving to share. We focus relentlessly on keeping costs low and aim to be more efficient. We know where and how every rand is spent and our business and operational processes are set up to manage the use of resources by reducing waste and minimising harm to the natural environment.

Areas of future focus
Managing and minimising our carbon footprint: energy (Scope 2)
As part of our commitment to minimising our carbon emissions, the Shoprite Group has signed an innovative agreement with a specialist energy trader which is the first of its kind in Africa. The Group will procure 434,000 MWh of renewable energy a year from the trader for the foreseeable future, dependent on the trader receiving the required regulatory approvals. This will not only reduce our carbon emissions, but also serves to provide the renewable energy sector in the country with the type of investment it needs to scale.

War on waste
A direct contributing factor to waste-to-landfill is packaging. The Group committed to 100% of packaging to be reusable, recyclable or compostable by 2020, and to have 30% average recycled content in all packaging by 2025.

Top five outcomes

- 563 000 tCO2e
  - SCOPE 1 emissions
- 2 million tCO2e
  - SCOPE 2 emissions
- COVID-19:
  - 27.3 million surplus food from our stores to 401 registered beneficiary organisations

Case study
Solar PV installations generate 3.298 MWp

Directly or indirectly, climate change impacts our world which, in turn, impacts our business. As such, the Group supports the UNFCCC’s goal of limiting global temperature rise to below 2°C above pre-industrial levels and commits to setting science-based GHG emission reduction targets for the medium and long term. We will play our part by reducing our GHG emissions through ongoing improvement in energy management across our operations and supply chain.

During FY 2020, the Group completed another three rooftop solar PV plants as part of a continued investment in renewable energy which began in 2015. These high-tech solar plants generate electricity which is used as a first source of energy for operations, thereby reducing our reliance on the national electricity grid.

This past year, we also fitted refrigeration trucks with solar PV panels enabling the fresh food trucks to maintain the correct temperatures without the need to keep the engines idling, which also reduces air and noise pollution when vehicles are parked.

**Eight sites have solar PV plant installed**
+ 3 298 MWp generated in total across all current solar installations
+ The latest rooftop edition covers 7 552 square metres and generates 1 MWp
+ 649 trucks have solar PV panels, generating 463 kWP
+ The daily solar power generated by these panels is 2 083 kWh, enough electricity to power 1 040 household refrigerators for a day

**Value creation and performance**

- 2020 Sustainability Report and CDP water security report www.shopriteholdings.co.za
- Value creation and performance
- About Shoprite
- About the report
- Governance and company overview
- Strategic information
COVID-19 special report

COVID-19 has emerged as a global pandemic impacting on the social and economic welfare of countries. The effect of COVID-19 was felt directly by Shoprite during the last four months of the Group’s 2020 reporting period when South Africa was placed under a National State of Disaster and lockdown.

During this period, lockdown regulations restricted trade in several categories within our supermarket business including furniture, general merchandise, hot foods and liquor. Food retail which represents the majority of our sales in RSA was less adversely affected. However, disruptions to regular operating conditions such as temporary store closures, as well as the requirement to introduce additional health and safety and other contingency measures to protect our employees, customers, stores, inventory and distribution infrastructure, has influenced our financial performance.

The period since March 2020 has required an extraordinary response. The Group has managed these unprecedented conditions well, demonstrating our agility and resilience. The focus throughout this time was to maintain business continuity, minimise financial losses and keep our stores open and safe for our customers and employees. The foundation of our strategy has proved to be robust in enabling us to maintain operations and service customer needs. Our integrated ERP system has enabled us to track all financial and non-financial COVID-19-related costs and activities. We can report accurately on the effect and analyse trends to immediately implement changes to product supply, staffing requirements and regulatory changes in real time. All operational issues, activations and incidents are reported daily and attended to immediately.

The Group has incurred a net total spend of R327.7 million across the areas of health and safety, security, mobile clinics, personal protective equipment, temperature scanners, store and distribution centre sanitisation, employee meals, communication costs and remote network access for employees. The most significant spend pertained to R112 million paid to our employees in the form of an appreciation bonus to assist them with the difficulties we anticipated would accompany the nationwide lockdown.

The long-term direct business and indirect socio-economic ramifications will be uncertain for some time. However, the Group is confident in its strong operational capabilities and financial position to manage and withstand the impact of COVID-19.

Operational

- Expenditure tracking: All costs related to COVID-19 including HR, community, supply chains, security and store/customer costs are allocated to a special cost entry to facilitate tracking and accurate record-keeping.
- Accelerating online delivery channels: The roll-out of Shoply60 was brought forward to assist with the growing customer demand for home deliveries.
- Direct distribution: In certain instances (particularly within the franchise business), local suppliers delivered products directly to stores.
- Increased consultations: Ongoing consultation with government and regulators was undertaken to keep track and apply new regulation and business and safety measures.
- Security and loss prevention: The Group’s Loss Prevention Department worked closely with the South African Police Service and tactical response units to mitigate the impact of offences, of which burglaries were the most reported violation.

Employees

- Relocation of office staff to a home-operating environment: Our IT infrastructure and G-suite platform allowed us to move over 2,000 employees to a work-from-home scenario within 24 hours.
- Support for front-line employees: Our store staff are critical in providing essential products and services to customers. We implemented an employee assistance programme and paid a special bonus.
- Minimising staff-redundancy: During lockdown, we redeployed staff from liquor and furniture stores to assist in other areas of the business.
- Health assistance and screening: Mobile and stationary clinics were deployed to screen staff and refer those with risk of infection for further investigation and diagnosis. Education and training on COVID-19, hygiene and emotional reassurance regarding both COVID-19 and chronic conditions were provided. The Group and nursing staff had constant interaction with occupational medical practitioners regarding developments, legislation and best practice patient management.

Customers and communities

- Introduced a Checkers/Shoprite customer-relied initiative: To assist communities with food and meals, customers were given the opportunity to donate towards the Solidarity Fund via the Group’s Act For Change Fund.
- Introduced virtual vouchers and bulk vouchers: Customers and employers were able to support people and families in need by purchasing vouchers that were sent via SMS to recipients who could redeem the value at any of the Shoprite, Usave or Checkers stores.
- Implemented all required safety measures across all stores: All safety measures – including the distribution of masks, sanitisers and protective shields at till points – were implemented prior to lockdown.
- SASSA payments: Priority entrance and till points were made available to the elderly and other vulnerable customers including grant recipients, to enable social distancing protocols and reduce queuing time.
- Sanitas payments: The Group offered clients the option to pay on a monthly basis instead of a one-off payment.

Implementation highlights

<table>
<thead>
<tr>
<th>Date</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>16 March</td>
<td>Distributed free go-principle reinforced, distributed at all Shoprite, Usave and Checkers stores.</td>
</tr>
<tr>
<td>16 March</td>
<td>Donald Broom, Shoprite’s Chief Executive Officer, and Mr Richard Lock, Shoprite’s Group Chief Executive Officer, announced R102 million paid to our employees in the form of an appreciation bonus to assist them with the difficulties we anticipated would accompany the nationwide lockdown.</td>
</tr>
<tr>
<td>19 March</td>
<td>Staff were thanked with an appreciation bonus, R102 million in total.</td>
</tr>
<tr>
<td>20 March</td>
<td>Shoprite Food and Checkers Mobile Soup kitchens started serving communities during lockdown.</td>
</tr>
<tr>
<td>27 March</td>
<td>Shoprite Food, Checkers and Shoprite Mobile Soup kitchens start serving communities during lockdown.</td>
</tr>
<tr>
<td>30 March</td>
<td>Employees get extra personal protective equipment.</td>
</tr>
<tr>
<td>3 April</td>
<td>Proactive healthcare and law enforcement partnership, temperature checks and mobile clinics for stores and distribution centre employees.</td>
</tr>
<tr>
<td>5 April</td>
<td>Proactive healthcare and law enforcement partnership, temperature checks and mobile clinics for stores and distribution centre employees.</td>
</tr>
<tr>
<td>6 April</td>
<td>Supported by Sanitas, Checkers and Usave launch virtual vouchers – contactless, sent to recipient via SMS.</td>
</tr>
<tr>
<td>7 April</td>
<td>Employees get extra personal protective equipment.</td>
</tr>
<tr>
<td>8 April</td>
<td>Executives are the first retailer to offer contactless QR payments.</td>
</tr>
<tr>
<td>10 April</td>
<td>Senior management teams matched customer contributions donated to the Solidarity Fund with a further R1 million.</td>
</tr>
<tr>
<td>28 June</td>
<td>More than 28,000 new customer profiles created.</td>
</tr>
</tbody>
</table>

Surplus food donations

R27.3 million, equal to 9.1 million meals

Mobile Soup Kitchens served

1 million meals served

Donations issued to NPOs amounted to R1.65 million

Value creation and performance

33 mobile clinics
72 570 screenings
R1102 special bonus paid to all employees
2,000 employees worked from home
R2 million donated to the Solidarity Fund and a further R1.7 million donated by customers via the Act For Change Fund till point facility

3.6 million disposable face masks
424,550 face shields
330,100 reusable face masks

64
65
“Succession planning and management development forms a key part of the Group’s strategy to build a reliable leadership pipeline.”
Good governance and value creation

Governance report

The Group is committed to high standards of corporate governance and applies principles of fairness, transparency and integrity at all levels across the business. Over the past few years, the Board has guided the Shoprite Group’s focus on increasing transparency and accountability. The Board is the custodian of corporate governance for the business and its members take collective responsibility for governing and ensuring accountability within the Group. The Board advocates strong ethics standards as the foundation for leadership accountability within the Group.

Governance approach

The Group’s governance framework aligns with its purpose and governance philosophy and is positioned to drive sustained value creation for shareholders and other key stakeholders.

Ongoing oversight of Group-wide policy and processes is performed to encourage continuous alignment of the evolving business model to changes in the operating environment and the Group’s purpose and values.

The considerable challenges associated with the onset of the COVID-19 pandemic have triggered a number of innovative responses within the business, of which Shoprite’s Board and leadership team are extremely proud.

The Group comprises multiple operating platforms and subsidiaries. The Group governance approach rests on the recognition of the separate juristic identity of its various legal entities while encouraging alignment with common governance principles, processes and practices to achieve common Group-level governance performance objectives. Those objectives include clearly demonstrating Shoprite’s governance philosophy and is positioned to drive sustained value creation for investors and 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 report and recommending remuneration for approval. These activities – and the conduct that each member commits to while performing them – are set out in the Group’s terms of reference and each Committee Charter. These documents, which are reviewed annually, are aligned with King IV and with relevant legislation and regulations.

The table below indicates the relationship between the Board of Directors and the Executive team.

Our commitment to driving the achievement of positive impact and our performance against this objective is publicly reported through our communication with and reporting to our stakeholders. Our integrated reporting approach is aligned with international best practices, performance and impact reporting frameworks and guidelines.

Governance structure

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. 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 other stakeholders.

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Overview of Board composition

Non-executive Director

Dr Christo Wiese (79) BA LLB BCom (Inc)
Appointed as Chairperson in 1991
Chairs the Remuneration Committee
Serves on the Nomination Committee
Chair of Tradewind Ltd and Insects Holdings Ltd
Serves as a Non-executive Director on the boards of Banks SE Limited and Gemfield Group Ltd

Alternate Non-executive Director

Adv. Jacob Wiese (39) BA Stellenbosch, M International Economics (Milan), LLB UCT
Appointed in 2005
Serves on the boards of various listed companies
Advocate of the High Court of South Africa

Independent Non-executive Directors

Johan Basson (69) BCom (cum laude) CTA CA(SA)
Appointed in 2014
Chairperson of the Audit and Risk Committee
Appointed as Member of the Nomination Committee on 14 November 2019
Ex-partner at PricewaterhouseCoopers, retired in December 2008
Member of the Board and Chairman of the Audit and Risk Committee of various unlisted companies

Alice le Roux (46) BCompt Honors CA(SA)
Appointed in 2018
Member of the Audit and Risk Committee
Appointed as a member of the Social and Ethics Committee on 14 November 2019
Director and shareholder of accounting firm Akso le Roux Incorporated and serves on the board of Absorica Investment Corporation Ltd as Non-executive Director

Dr Anna Molikogong (63) BSc, MB CHB, DCom (Inc)
Appointed in 2012
Appointed as Lead Independent Director of the Board on 14 November 2019
Chairperson of the Social and Ethics Committee
Serves on the Nomination Committees
Appointed as a member of the Remuneration Committee on 14 November 2019
Executive Chairperson of Community Investment Holdings (Pty) Ltd and Non-executive Chairperson of Rebisco Property Fund Ltd, Jiang Electronics Ltd, Absorica Investment Corporation Ltd and Serti Coal
Holds directorships in various other public/private companies
Appointed Honorary Consul General of Iceland in Pretoria
Appointed as Chancellor of NWU in June 2019

Joseph Rock (51) BA Honors MA ACA AMP (Insead)
Appointed in 2012
Member of the Remuneration Committee
Appointed as Chairperson of the Remuneration Committee on 14 November 2019
Member of the Audit and Risk Committee
Previously Group Executive at SABS and General Manager at Exova Servest
Currently Head, People Experience at Absa Group Limited
Good governance and value creation

Governance report (continued)

Overview of the Executive team

Pieter Engelbrecht (51)
Chief Executive Officer

Experience with the Group:
- Served as Shoprite Holdings Alternate Director and as Chief Operating Officer of Shoprite Checkers (Pty) Ltd from 2005 to 2011 December 2016
- Director of Shoprite Checkers (Pty) Ltd
- Appointed as Shoprite Holdings CEO in 2017
- Appointed to the Board of Shoprite Holdings in 2017

Anton de Bruyn (49)
Chief Financial Officer

Experience with the Group:
- Joined Shoprite Checkers in 2000
- Appointed as Shoprite Holdings CFO in July 2018
- Appointed as a Director of Shoprite Checkers (Pty) Ltd in July 2018
- Serves on the Boards of various other Group subsidiaries
- Serves on the Social and Ethics Committee

Ram Harisunker (68)
Executive Director

Experience with the Group:
- Joined Checkers in 1983
- Appointed to the Board of Shoprite Holdings in 2002
- Director of Shoprite Checkers (Pty) Ltd and various other Group subsidiaries
- Responsible for the Group’s retail operations in Eswatini (previously Swaziland) and international sourcing

Shoprite’s Executive team comprises a group of experienced Executives that collectively have deep institutional knowledge of the Shoprite Group businesses. The Executive team is supported by a good bunch of strength of skilled and experienced business management teams and functional heads that support business operations in key functional areas including risk, compliance, ethics, legal, health and safety, forensics and security.

Succession planning and management development forms a key part of the Group’s strategy to build a scalable 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. Among this year’s changes in the Group Executive team is the retirement of Ram Harisunker, who celebrated a milestone tenure of 50 years in 2019.

Joseph Brönn (43)
Deputy Chief Executive Officer

Experience with the Group:
- Joined Shoprite Group in 2004
- Appointed Deputy Operations Manager: Supermarkets in August 2014
- Appointed Deputy Chief Operating Officer in June 2015
- Appointed Chief Business Officer in 2017
- Appointed Deputy CEO in March 2020

Pieter du Preez (53)
Company Secretary

Experience with the Group:
- Joined the Group in August 1991 as Risk Control Manager for Shoprite Checkers (Pty) Ltd
- Appointed as Legal Advisor for Shoprite Checkers (Pty) Ltd in July 2001
- Appointed as a Company Secretary in October 2006, and as Director and General Manager: Statutory and General Services for Shoprite Checkers (Pty) Ltd

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Joseph Brönn was appointed as Deputy CEO during the year to provide executive and leadership support to the CEO function including assuming several operational and reporting responsibilities, as well as the environmental and social functions within the Group. He is well versed in Shoprite’s business and brings specific operational knowledge and expertise to the Executive team, having played a pivotal role in numerous projects and the growth of the Group. He was instrumental in introducing forecasting and replenishment functionalities into the supermarket supply chain, assisting in the launch of the Prep My Script app and LDGs smart clinics in MediRite Pharmacies; Computicket’s acquisition of Entry Ninja, an app for entry to sports events; the launch of Shoprite Money and cross-border money transfer functionality, and implementation of the Group’s technology transformation project: its new enterprise-wide retail system.
Governance report (continued)

Board effectiveness and performance

The Board’s focus areas this year have included processes to support governance quality and Board effectiveness. Board succession planning and leadership have received attention on this year’s agenda to ensure appropriate processes are in place to support the appointment of a new Chairperson and new Board member appointments going forward.

Chairperson

During the year, the Board followed a process to support nomination of a number of new, experienced and Independent Directors to serve on the Shoprite Board, including the Board Chairperson. The underlying due diligence criteria aimed to support the establishment of a balanced Board, equipped with the combination of skills, expertise, experience and independence needed to govern effectively. An independent and specialist service provider was appointed to manage the process and source appropriate candidates. A list of potential candidates was presented to the Nominations Committee, following which nominees were shortlisted for recommendation to the Board.

Directors

The Board members also participated in a formal, independent Board appraisal process. Among the outcomes of this process is the addition of a roadmap to guide the Board on appropriate processes for Board member and committee rotation, and for the appointment of new Board members.

The optimal size, diversity, independence and skills required to ensure independence of 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 Nominations Committee evaluates the Directors available for re-election.

Following this formal process, the Board will submit its nominees for approval at the forthcoming annual general meeting. 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 appropriate composition of the Audit and Risk Committee aligned with statutory/regulatory requirements and contemporary best practice.

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.

The Board also recognises the exemplary leadership exercised by the Group Executive team in adopting a succession planning approach that is focused on broadening its capacity and capability according to the needs of the business strategy.

Company Secretary

The Company Secretary focuses on supporting the operation of the Shoprite Holdings Board aligned with its Charter. This includes advising on adoption and implementation of governance policies to ensure compliance with governance requirements established in company law and JSE Listing Requirements and to align with evolving governance best practices. The Company Secretary retains independent advisory services per requests made 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 2020.

Overview of the Assurance Framework

The Group’s combined assurance framework supports good corporate governance through integration of internal assurance and external assurance, underpinning the integrity of information for internal decision-making and external reporting.

First line of assurance:

- Line managers and business units
- Own and manage risk and opportunity
- Identify and assess risk
- Mitigate risk through strategy and actions
- Ensure policy compliance
- Affirm risk exposures and mitigation

Second line of assurance:

- Risk governance, IT governance, compliance governance, and Management Risk Forum
- Facilitate and oversee risk and opportunity governance
- Implement and coordinate policy and appetite
- Develop approach, methodology and tools for assessing risk
- Monitor risk exposure and report to the Audit and Risk Committee

Third line of assurance:

- Internal auditors, external forensic fraud examiners and auditors, safety and process assessors, and statutory actuaries
- Provide independent assurance
- Evaluate effectiveness and compliance
- View risk management process independently
- Provide independent assurance to the Audit and Risk Committee, and the Board

Executive team’s performance on executing the business strategy in the Group’s best interests, including throughout the intense challenges and significant uncertainties of this year.

The Board has exercised diligent leadership during the COVID-19 pandemic that has brought about the need to look at the business in a new way. I am confident we have followed sound processes in all our endeavours and the Board has very much valued the deep expertise of the CEO and Group Executive team during this time. Despite the significant unforeseen challenges faced this year, the Board and management team have worked together to maintain the Group’s solid performance history.

In line with King IV, my role as Lead Independent Director has included strengthening the independence of the Board, working alongside the Board Chairperson and the rest of the Board in the interests of maintaining a balanced Board capable of objectively and effectively discharging the governance role and responsibilities set out in its Charter.

The Board looks forward to welcoming the incoming Board Chairperson and continuing to work alongside the Executive team in delivering the rebalanced Group business strategy as described in this report. I am pleased to say all Board members have participated fully in an appropriate and independent process for the nomination of a new Board Chairperson. On behalf of the Board I would like to take this opportunity to thank our outgoing Chairperson, Dr Wiese, for his outstanding visionary leadership over the past years.

Statement by the Lead Independent Director

Since my appointment as Lead Independent Director earlier in the year, the Group has entered an exceptional and unusual time. As a Board, we have needed to address issues raised by our shareholders with regard to remuneration policy and on the composition of the Board. We have also given consideration to the future leadership of the Board, with outgoing Chairperson Christo Wiese having played a significant role over many years.

As a Board, our goal is to support the creation of long-term value with shareholder expectations, applying the principles of good corporate governance. This requires ongoing oversight of the Executive team’s performance on executing the business strategy in the Group’s best interests, including throughout the intense challenges and significant uncertainties of this year.

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Dr Anna Mokgokong

Lead Independent Director
Goverance report (continued)

Board report

Goverance approach and role of the Board

In line with the Board’s role as the senior body of the Group and 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 actively pursues ethical and effective leadership in performing its governance role and functions, including guiding the Group’s Executive team in the delivery of the Group’s strategic priorities and fully supports the Group’s strategy as explained in this report. In this context, the Board seeks to drive the strategic direction of the Group in alignment with the philosophy of sustainable value creation and believes the adopted strategy fully aligns with the Group’s core purpose to be Africa’s most accessible, affordable and innovative retailer.

Mindful of that purpose, the Board is proud to reflect on the Group’s exceptionally strong performance this year in what is the most challenging of times; both in respect of its financial and operating performance, but also in its clear demonstration of good corporate citizenship values and performance throughout the significant social and economic challenges associated with the COVID-19 pandemic with wider shareholder interests front of mind. It is clear to the Board that achieving the outcome of good performance this year has been delivered through the strong collaborative performance of the broader ecosystem that comprises the Shoprite Group and its key stakeholders. A history of sound and proactive stakeholder engagement practices features as the heart of this success.

Board and Executive relationship

The Board and Executive relationship is governed by the Group’s Constitution and is designed to allow the Board to set the strategic direction of the Group and to regularly monitor and evaluate the performance of the Executive and its functions. The Group’s Constitution is available at https://www.shopriteholdings.co.za/reports.

The Board is responsible for ensuring that the Group is well governed, that risks are adequately managed and the Group is well aligned to its core purpose, and is accountable to the Group’s shareholders and other stakeholders for the Group’s performance. The Board’s role in these matters is explained in this report.

The Board’s role is described in King IV and its application in the Group is explained in the King IV Report on pages 76 to 79.

Goverance functions

The Board’s capabilities and resources – which underpin effective performance of its governance functions on an ongoing basis – is guided by the governance principles and recommended practices contained in King IV. This includes achieving a balanced Board composition, ensuring the Board collectively has the right complement of skills and experience needed to perform its governance functions effectively, and undertaking a periodic assessment of the performance of the Board. An externally facilitated independent Board and Board Committee appraisal process was completed during the year that yielded useful information for the Board’s consideration and further development. The results of the appraisal have been shared with the Board as input to enhancement of the Board’s functions and governance processes.

In relation to succession planning matters, the Board commenced a review of the composition of the Board, including attention to diversity and transformation considerations as part of refreshing the Non-executive composition of the Board. The Board also guided the process to identify suitable candidates for consideration for appointment to the Board Chairman role in FY 2021, given the current Chairman’s impending retirement.

Goverance focus areas in 2021

The Board expects to retain its core focus on providing guidance to the Shoprite CEO and Executive on execution of the Group’s refreshed business strategy as described in this report, including what is relevant to the integration of the ongoing investments in information and technology across the Group’s nine strategic focus areas. Also on setting direction for management of strategic business risks and monitoring management performance in relation to risk and compliance management, particularly as the regulatory environment shows evidence of being prone to more sudden changes in the context of regulatory risk management responses in relation to the COVID-19 pandemic.

In the governance sphere, the appointment of the new Board Chairperson is expected to be accompanied by a period of refreshment of the Board functions and operations aligned with the new Board leadership priorities, and alignment of Board and Executive relationships to ensure an appropriate balance of governance authority and Executive leadership, ushering in a new period in the Shoprite Group’s governance and leadership arrangements.

King IV

The Group’s application of King IV is explained in the King IV disclosures available at https://www.shopriteholdings.co.za/reports.html. The Board is satisfied that the recommended practices underpinning a proper application of King IV principles are, largely speaking, entrenched within the Group’s governance and management activities and governance functions, including with respect to the Board’s governance oversight of the Group’s ethics, performance as a responsible business; formulation of strategy; and strategic planning; governance functions and structures; relationships with the CEO and key executive functions; risk, compliance and information and technology/management; assurance; remuneration; and the management of stakeholder relations. The Board is also satisfied that the Group has approximately applied all of the applicable King IV principles in the context of good governance and governance functions.

JSE Listing Requirements

All Directors are required to annually declare their interests through any shareholding or contracts with the Group. The Declarations Register is available for inspection at the AGM. Directors also declare personal financial interests that may relate to any Board matters and recuse themselves from relevant discussions and meetings in line with Companies Act requirements. All Directors complied with the Group’s policy on share dealings, which prohibits share trading in closed periods relating to important announcements or events.

The Company has complied with all of the corporate governance requirements, including disclosure requirements, contained in the JSE Listing Requirements for the reporting period as applicable at the date of this report.

Summary of Board and Committee meeting attendance in 2020

<table>
<thead>
<tr>
<th>Board meetings</th>
<th>Attended</th>
<th>Maximum possible</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board</td>
<td></td>
<td></td>
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<tr>
<td>Chairperson</td>
<td></td>
<td></td>
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<tr>
<td>Dr Christo Wiese</td>
<td></td>
<td></td>
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<tr>
<td>Lead Independent Director</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shirley Zinn**</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Anna Moikongen*</td>
<td></td>
<td></td>
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<tr>
<td>Independent Non-executive Directors</td>
<td></td>
<td></td>
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<tr>
<td>Johan Basson**</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Alice de Roux**</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Johan Rock****</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Executive Directors</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pieter Engelbrecht</td>
<td></td>
<td></td>
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<tr>
<td>Anton de Bruyn</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ram Hahrurke</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: Board meeting attendance was affected by resignations, retirements, new appointments and recusals.

Legal matters

During the year, the Group was engaged in legal proceedings relating to imposition of fines on Group businesses by regulatory authorities in prior years. These proceedings involved legal appeals conducted through the courts by the Group with assistance of legal counsel. These matters were concluded with the payment of the fines imposed by the relevant regulatory authorities, as follows:

- Fine imposed on Shoprite Investments by the National Consumer Tribunal – R1 million
- Fine imposed on Computicket (Pty) Ltd by the Competition Commission – R20 million

The Board is confident it has discharged its responsibilities in line with its terms of reference and applicable legal and regulatory requirements.
Committee reports

Audit and Risk Committee report

Role and responsibility
The Audit and Risk Committee is responsible for performing the statutory audit committees responsibilities contained in the Companies Act, 2008, and also for performing the various governance oversight duties allocated to it by the Board, as well as the Group’s significant information and technology investments. The Committee also ensures appropriate management and monitoring of the information and technology risks and opportunities, and regularly reports back to the relevant management bodies.

Information and technology
The Committee oversees management’s implementation of Group policy and processes related to management of information and technology, on behalf of the Board, including the Group’s significant information and technology investments. The Group Executive engages with various management committees and forums to ensure appropriate management and monitoring of the information and technology risks and opportunities, and regularly reports back to the Committee.

Reporting
The Committee is responsible for oversight and approval of the Group’s interim and annual financial reports which is covered in the Committee’s report contained within the Group’s annual financial statements. It also assists the Board with governance oversight of the integrity of the Group’s wider external reporting and effectiveness of the Group’s combined assurance arrangements that support the integrity of these external reports. In that context, the Committee has reviewed the Group’s information disclosures in the 2020 Sustainability Report and the 2020 Integrated Annual Report, including assessing the consistency of the content of these reports with operational and other information available to the Committee, with reference to the 2020 annual financial statements.

Areas of future focus
- Oversight of management risk and compliance in respect of health and safety, food safety, anti-bribery and anti-corruption, competition, environmental, Protection of Personal Information and taxation compliance
- Enhanced oversight of the Group’s information security and business recovery policies and processes, in respect of governance of information and technology
- Oversight of management attention to optimisation of the combined assurance arrangements, and enhancing their effective application across the Group
- Consideration of Internal and external assurance reports that communicated key non-financial performance information including as reported in the Integrated Annual Report.

Risk and Compliance
The Committee provides strategic direction on further enhancing effectiveness of the Group’s risk and compliance management functions, including the systems, policies and processes.

Oversight of management’s performance of Group risk management functions during the year included regular management reporting to the Committee by the Risk and Compliance Risk Management Manager on key risk matters, including emerging risks. Oversight of Group compliance management functions similarly included regular management reporting on performance of the Group compliance management integrated across the business, with management oversight performed by the Group’s risk and compliance management functions for key compliance risks. Various internal and external assurance activities were performed during the year as part of the Group’s application of combined assurance arrangements to ensure all key risk areas are being appropriately monitored on an ongoing basis.

The onset of the COVID-19 pandemic introduced the need for heightened risk identification and risk monitoring activity – in particular, business resilience and business continuity management – as part of proper positioning of the Group’s risk response strategies to address several significant risk and compliance management challenges.

No material or repeated regulatory penalties, sanctions or fines were imposed on the Group or on Board members for contraventions of, or non-compliance with, statutory obligations.

Social and Ethics Committees report
As the Committee’s scope of oversight responsibility covers a broad spectrum of ethical, social and environmental matters, the Committee periodically receives a wide range of management reports from the management team and invites their attendance at Committee meetings as relevant to the Committee meeting agenda. Regular attendees include the Head of Corporate Relations and Communications and the Group Sustainability Manager, the Chief Human Resources Officer, and the Group Manager: Risk and Compliance.

Role and responsibility
The Social and Ethics Committee’s role is to assist the Board with oversight of social and ethical matters in relation to the Group aligned with the Group’s corporate purpose and values. The Committee guides the CEO and Executive Management team’s achievement of the Group’s business strategy and related responsible business and good citizenship objectives, both through performance of its statutory responsibilities and its governance responsibilities as further described in its Board-approved Charter.

The Committee also oversees the Group’s reporting on these matters through the annual Sustainability Report, available at https://www.shoprimageholdings.co.za/reports.html. The Sustainability Report comprehensively reports on the Group’s material ethical, social and environmental (EES) issues and the Executive team’s approach to management of the Group’s human, social and natural capital.

Aligned with its statutory responsibilities, the Committee reports annually to the Shoprite Holdings shareholders at the Annual General Meeting. The Committee’s reporting is assisted by availability of the annual Sustainability Report that reports on the Group’s activities and performance for its ESG related objectives and related risks, the compilation of which is overseen by the Committee.

The following are some of the key focus areas addressed during the year:
- Maintaining high standards of organisational ethics
- Appropriate management of consumer relationships, including through activities in relation to advertising, public relations and compliance to consumer protection laws
- Risk-informed environment, health and public safety
- Responsibility sourcing through the Group’s supply chain
- Fair labour and employment
- Promotion of equality and employment equity within the Group’s activities
- Actively contributing to social and economic development, including with reference to the interests of our key stakeholders

The Committee’s key areas of focus during 2020
During the year, the Committee completed its approved annual work plan aligned with its Board-approved Charter.

The Committee has also guided and supported the management team’s development of a Group sustainability strategy comprising an expanded set of position statements including those on sustainable packaging, water security, food losses and waste, and climate change responses. In addition, the Committee has endorsed an approach to further align with international and national frameworks focused on promoting sustainable development outcomes as the formal adoption of the Global Reporting Initiative Standards as the platform for the Group’s sustainability reporting.

The COVID-19 pandemic introduced a new focus on the critical importance of the Group’s corporate social investment programmes, including our contributions to hunger relief in poor communities. Our response to COVID-19, recorded on the Group’s corporate website at https://www.shoprimageholdings.co.za/home/how-we-are-responding-to-the-coronavirus.html details the various relief initiatives that have been running during the year, not only for communities, but also for our employees and our customers.

Other highlights of the year include:
- Further evolution of governance oversight of the Group-wide ethics management programme through adoption and implementation of a new Conflict of Interest policy.
- Partnering initiatives with three independent black-owned SMIs through the Group’s newly formed Thuthulana Nathi Venture (Pty) Ltd investment vehicle.

Dr Anna Mokgokong
Chairperson

Nominations Committee report

Role and responsibility
The Nominations Committee advises the Board and Executive Management on the appointment and succession planning and monitors the appropriate composition of the Board and its committees. The Committee has established a formal and transparent process for nomination, election and appointment of Directors, to ensure a balanced and competent Board is established to govern the Group. In this regard, the Committee monitors the independent composition of the Board, including the Group’s policy on ensuring a diverse mix of Directors with respect to skills, race and gender. These targets are currently to achieve 15–20% female representation and 30% black representation of which 50% should be women.

Governance report (continued)

Areas of future focus
- Development of a Group-wide Supplier Code of Conduct as part of further evolution of the ethics management programme
- Working to achieve clear alignment between the Group business strategy and the UN SDGs for more effective strategic alignment with the UN Sustainable Development Goals as relevant to the Shoprite Group
- Increased focus on identification and understanding of the potential impact of climate change risk on the business strategy

I am satisfied the Committee has performed its statutory responsibilities and its governance oversight responsibilities as set out in its Charter, in the year under review.

Or Anna Mokgokong
Chairperson

Social Capital report

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Chairperson

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Governance report (continued)
Governance report (continued)

Remuneration Committee Chairperson's report

I am pleased to present the remuneration report for 2020, which continues to reflect the progress we are making to enhance our remuneration policy and disclosures, especially in areas previously highlighted by our shareholders. The Group’s remuneration report includes the remuneration policy and the implementation report for FY 2020, and is prepared in line with the Companies Act, King IV and the JSE Listing Requirements.

Role and responsibility

The Remuneration Committee assists the Board to establish and administer a remuneration strategy aligned with the principles of fair, transparent and reasonable remuneration, legislative and regulatory requirements, and the needs of the Group. The strategy includes remuneration at all levels, including Executive Directors.

The Committee consists of three Non-Executive Directors, two of whom are independent, and in FY 2020, the Committee had two meetings with full attendance. In addition, the Chief Executive Officer, Chief Financial Officer and Chief Human Resources Officer attended the meetings of the Committee by invitation and the Company Secretary acted as secretary of the Committee.

Shareholder engagement

We have engaged meaningfully with our stakeholders over the past few years to further improve our remuneration approach and our intention is to continue these engagements on an ongoing basis.

Following the changes to our remuneration policy in 2019, we communicated with shareholders through a webinar during October 2019. The webinar covered 2019 progress in terms of remuneration policy, short-term and long-term incentive policy changes for 2020, long-term financial targets, the benchmarking process undertaken, Non-Executive Director proposed remuneration and future focus areas. The webinar was positively received by shareholders and subsequent feedback confirmed they were appreciative of the engagement. The remuneration policy changes as well as the proposed additional disclosures were also positively received.

At the 2019 AGM, the remuneration policy and implementation report were tabled for two separate non-binding advisory votes in line with best practice, JSE Listing Requirements and King IV. At the meeting, 80.62% of ordinary shareholders voted in favour of the remuneration policy and 79.75% voted in favour of its implementation. This marked a significant improvement over the previous year’s votes.

We look forward to ongoing engagement with our shareholders and stakeholders to ensure the Group’s remuneration approach continues to support fair, transparent and reasonable remuneration that will continue to be a strong contributing factor in our ability to drive achieving of the Group’s value-creation objectives over the short, medium and long term.

Operating environment

The COVID-19 pandemic ushered in significantly increased levels of change and uncertainty, through the many disruptions that dramatically altered the competitive landscape of the retail sector. As mentioned elsewhere in other reports, the Group’s financial and operational performance have been significantly impacted by varying economic and regulatory effects associated with the pandemic and forced the Group to make several unplanned changes to our business approach.

The Group has shown great resilience in the face of the many challenges, as we grasped with changes in our operating environment brought about by the pandemic. We are pleased to report there have been no refusals to grant us a waiver of the requirements of King IV, reflective of our strong commitment to our employees.

Recognising the significant resilience this period of uncertainty demanded of our workforce, the Board approved the payment of a special bonus to all, full-time and part-time, employees in the Group, as acknowledgement of their dedication and service. This bonus amounted to R12 million.

In addition, we incurred many out-of-scope operational expenses in order to respond to and fast track regulatory requirements. However, in spite of the challenges faced by the Group, the Board was determined to achieve most of its short-term incentive (STI) targets and will therefore be paying out a STI to most of the participants in this scheme.

The Committee’s key areas of focus during 2020

The Committee’s activities during the year focused on completing its approved annual work plan aligned with the Board-approved Committee Charter.

Having received a positive shareholder advisory voting outcome for the new remuneration policy, the Committee’s focus this year has been on implementation of the policy, as reflected in this year’s remuneration policy implementation report set out on page 85.

In addition, the Committee’s activities during the year included:
- Keeping the Group’s remuneration policy and its implementation under review for alignment with the Group’s business objectives
- Approving annual remuneration increases across countries, including promotion-related increases
- Approving the short-term incentive bonus pool linked to achievement of the Group’s short-term performance targets as specified in the remuneration policy
- Recommending Non-Executive Director remuneration for shareholder approval
- Monitoring wage agreement negotiations with SACCAWU
- Completing the annual review of the Committee’s Charter, including assessing its fit for alignment with evolving corporate governance requirements and recommended practices regarding the governance of remuneration
- Ongoing engagement with external and independent advisers on matters related to the governance of remuneration

Remuneration policy revisions to short- and long-term incentive schemes

The Group has continued to maintain higher levels of transparency and accountability with its shareholders on matters relating to its remuneration policy and associated changes.

We can confirm the following actions referred to in the 2019 report have been successfully implemented:
- New STI was introduced for senior Executives
- The deferred STI was introduced to replace the long-term incentive bonus
- The Executive share plan was introduced to replace the virtual option bonus

While we commenced discussions with various role players on the STI criteria for the rest of the bonus pool, its implementation has been deferred to FY 2021 as part of the phasing in of the revised remuneration policy.

The following further actions will be taken during FY 2021 reporting year:
- STI criteria revisions
- The roll-out of the revised STI policy criteria will continue, on a business unit-by-business unit, aligned with measurement criteria that will include non-financial criteria. Previously, STI criteria was based solely on the financial performance of the Group in the case of our Home Office Departments or the financial performance of individual business units (stand-alone profit centres).
- From 2021, we will introduce business unit-specific criteria that will contribute 40% towards the STI in the case of Home Office Departments and 20% in the case of other business units (i.e. operation divisions). This excludes senior Executives.
- Below is an example of type of measurements that would be introduced as business unit-specific criteria in our Sustainability and Corporate Social Investment Department (Home Office):
  - Solar PV electricity generated (MWh) from our installations
  - Surplus donations
  - Community food gardens/Mobile Soup Kitchen Meals served
  - Reduction in packaging and carbon footprint
- Long-term incentive STI changes
- Executive share plan (previously virtual option bonus) amendments:
  - The Executive Share Plan will be amended and presented to the JSE and shareholders for approval. The main reason for the amendments is to relaxively restate as good leavers, thereby removing this automatic forfeiture of their shares, in terms of the current rules, when they retire.
  - In total, 255 employees will be affected by this change.

Areas of future focus

The Committee intends to complete the remaining implementation changes during the coming year including:
- Continued focus on the implementation of the Group’s remuneration policy as outlined above, concentrating on establishing updated STI policy criteria, including new non-financial criteria
- Establishing guidelines for Director use of derivative instruments for trading in the Company’s ordinary shares, for the Board’s consideration
- Continuing to enhance remuneration as required
- Continued review of the remuneration elements of retention strategies for key/strategic employees

The Remuneration Committee is cognisant of the impact the COVID-19 pandemic will have on Group earnings on the current and future financial years. With this in mind, the Group’s targets under the executive share plan may have to be re-evaluated and presented to the Board for approval.

I am satisfied that the Committee has performed its responsibilities in accordance with its Charter in the year under review and, in line with King IV and the JSE Listing Requirements, we shall table our current remuneration policy and implementation report as two non-binding advisory votes at the 2020 AGM to be held on 16 November 2020. We look forward to engaging with you further and implementing the changes contained in this report, with your support.

Chairperson

Dr Christo Wiese
Chairperson

Joseph Rock
Chairperson

Pillsbury, 301 on page 78

Good governance and value creation
Remuneration report

Remuneration policy
Our remuneration policy is aligned with the Group’s HR strategy, which focuses on improving the attraction, recruitment and retention of top talent to help support the Group’s strategic drivers. It aims to ensure fairness across the organisation, taking responsibility for sustainable and regulatory-compliant remuneration. Our policy also considers the context of a globally competitive retail industry, with a focus on improving governance.

Remuneration principles
- Attracting talent
  - Attracting, motivating, retaining and rewarding employees at all levels, including key talent and critical skills.
- Remunerating employees
  - Paying equally for work of equal value, and for performance and relevant experience where appropriate.
- Incentivising behaviour
  - Encouraging and rewarding employees who create sustainable value for the Group, and all key stakeholders.
- Rewarding performance
  - Measuring Managers and Executives against key business objectives.

Remuneration design and framework
All permanent employees receive guaranteed pay. For general and junior employees, remuneration decisions are informed by internal equity, competitiveness, affordability, skills and capabilities, non-discrimination and the broader employee offering.

In addition to total guaranteed pay (TGP), Managers and Executives are eligible for variable pay, which includes both short- and long-term incentives linked to Group and business unit performance. These incentives encourage behaviour that supports the Group’s business objectives as defined in the performance criteria. None of the Executives have a clause in their agreements that stipulates any lump sum payments when leaving the employment of the Group.

Remuneration components
- **TGP**
  - **FIXED**: All permanent employees
  - Total guaranteed pay: salaries and benefits
  - **141 452 employees**

Remuneration design and framework
- **TGP**
  - **Variable pay**
    - **STI**:
      - Short-term incentive
    - **DISTI**:
      - Deferred short-term incentive (DISTI) deferred cash or, for employees in South Africa, equity
    - **ESP**:
      - Long-term incentive: Executive share plan (ESP) deferred equity

Provides comprehensive employee benefits and reflects scope and nature of role, performance and experience. Financial and non-financial benefits.

Remuneration analysis
Fair, responsible and transparent remuneration
Remuneration is one pillar of our approach to provide a holistic employee value proposition, which also considers performance and recognition, the work environment, career development and benefits. These include skills development opportunities, educational loans and bursary benefits, employee discounts, and job-specific incentives for qualifying employees, such as sales commission and 13th cheques.

The Group believes that fair, responsible and transparent remuneration is essential to our business success and is committed to competitive remuneration. The Committee is responsible to:
- Provide the Board with appropriate recommendations, after discussion with management, independent remuneration advisers and relevant third parties.
- Apply the principle of equal pay for work of equal value within its recommendations.
- Benchmark roles to balance the need for competitive and fair remuneration.

Benchmarking remuneration
Remuneration is generally positioned at the market median, although it may be higher to retain scarce or critical skills. We benchmark remuneration against PwC’s Remchannel survey, with a focus on the retail industry as the benchmark for retail-specific jobs and against the general market and peer companies for executives and non-retail jobs. Occasionally, the Committee may request independent advice on benchmarking and comparing the Group against other appropriate or industry-specific companies.

Remuneration eligibility
Eligibility varies depending on seniority, role, legislation and union membership status.

Eligibility within the Group remuneration framework:

<table>
<thead>
<tr>
<th>Level</th>
<th>TGP</th>
<th>STI</th>
<th>DISTI</th>
<th>ESP</th>
</tr>
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<tbody>
<tr>
<td>CEO</td>
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<tr>
<td>Executives</td>
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<tr>
<td>Direct general management</td>
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<tr>
<td>Senior management</td>
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<tr>
<td>Middle management</td>
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<tr>
<td>Junior management</td>
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<tr>
<td>Employees outside bargaining units</td>
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<tr>
<td>- In South Africa</td>
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<tr>
<td>- Outside South Africa</td>
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34.2% is represented by the majority union namely SACCAWU.
Good governance and value creation

Remuneration report (continued)

**Variable pay STI** Variable cash: Management and executives, including the CEO and CFO short-term incentive: cash bonuses

Employees managed within stores can choose to receive their bonuses quarterly. If there is a difference between the sum of four quarterly bonuses and the annual bonus, the employee receives the larger of the two amounts. The total bonus pool and allocations for each participating employee are determined at Group level and informed by the relationships between Group level and operational or business unit bonus pools.

For 2020, short-term incentives for all other qualifying employees (excluding 11 senior executives) remain linked to trading profit only (unless the Group achieves less than 70% of its trading profit target, as explained below).

<table>
<thead>
<tr>
<th>Objective</th>
<th>Link to remuneration strategy</th>
<th>Policy</th>
<th>Measurement period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rewards employees based on key performance criteria measured annually or quarterly.</td>
<td>Rewards employees for short-term performance in key metrics.</td>
<td>Depends on trading profit and, for senior executives, five other metrics. Bonus pool lies between 80% and 120% of trading profit target. If trading profit is less than 80% of target, a bonus is paid based on specific Group/business unit criteria.</td>
<td>Annual or quarterly</td>
</tr>
</tbody>
</table>

The total bonus pool and allocations for each participating employee is measured against reaching the Group level trading profit.

**Bonus criteria Senior Executives**

- Less than 70% of target:
  - Bonus pool adjusted lower
  - Participants may earn a portion of their on-target bonus based on operational or business unit specific criteria determined at the beginning of the financial year.

- More than 70% of target, but less than Group achievement on business/divisional level:
  - Bonus pool adjusted lower
  - Participants may earn a portion of their on-target bonus based on operational or business unit specific criteria determined at the beginning of the financial year.

- More than 70% of target with business/divisional level equal to or above Group level achievement:
  - Bonus pool equal to percentage of operational budget
  - Participants can achieve up to 120% of on-target incentive, capped at 100% unless current performance exceeds previous year.

**Variable pay DSTI** Deferred cash or, for employees in South Africa, equity: Middle management deferred short-term incentive (DSTI)

As the value is based on the short-term incentive, it reinforces the motivation for managers to achieve the performance criteria while encouraging them to remain with the Group. This incentive therefore aims to also improve retention. This incentive is awarded based on the same criteria as applied when awarding the short-term incentive and awarded in deferred cash or shares (referred to as retention shares). These shares cannot be traded but carry dividend and voting rights. The value of the shares, on which participants must pay tax, is transferred to the employee after three years. Participants who leave the Group within the three years do not receive any cash or share payment related to this incentive. The share component is applicable only to employees in South Africa and is restricted to Shoprite Holdings shares. Due to tax implications and foreign exchange legislation, employees outside South Africa are not eligible to receive the award in shares.

<table>
<thead>
<tr>
<th>Objective</th>
<th>Link to strategy</th>
<th>Policy</th>
<th>Measurement period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aims to ensure the retention of mid-level managers in terms of leadership, continuity of skills and experience.</td>
<td>Retains managers by matching 75% of short-term incentive with deferred cash or shares.</td>
<td>Employees eligible every year, based on STI criteria, for awards in deferred cash or shares.</td>
<td>Full vesting after three years</td>
</tr>
</tbody>
</table>

**Variable pay ESP Deferred equity: Executives and senior managers**

The Executive share plan, which was approved by the JSE and shareholders in 2012, aims to retain key senior employees to ensure continuity. This incentive, previously known as the virtual option bonus, applied to approximately 290 Executives and senior managers in FY 2020. Values approved as at 1 July 2019 have been converted into ordinary shares under the rules of the scheme approved by shareholders.

Long-term financial targets for the next three years from 2020 linked to remuneration incentives include performance measures on return on invested capital and growth in headline earnings per share.

Qualifying participants receive three types of shares:

- **Performance shares**: If less than 80% of the targets are achieved, no performance shares are awarded.
- **Retention shares**: Awarded automatically if the participant remains at the Group for the full three years.
- **Co-investment shares**: The Group will match the purchase, up to 15% of the Executive share plan value per year, of Shoprite Holdings shares by participants (optional). The Group may assist with financing options for participants wishing to purchase co-investment shares.

**Proposed share mix and awards for executive share plan**

- **CEO**: 100% of total guaranteed pay
- **Senior Executives**: 70% of total guaranteed pay
- **Divisional and General Managers**: 50% of total guaranteed pay
- **Senior Managers**: 20% to 49% of total guaranteed pay

**Good governance and value creation**
Remuneration report (continued)

Pay mix for Executive Directors
CEO pay mix scenario CFO pay mix scenario Executive Director pay mix scenario

The CEO’s performance agreement was amended to align the performance criteria relating to his short- and long-term incentives to the same criteria set for the Group’s executives, ensuring consistent treatment across the Executive team. The CEO’s pay mix is being brought in line with best practice over a three-year period.

Provisions for termination of employment

<table>
<thead>
<tr>
<th>Type of Termination</th>
<th>Description</th>
<th>Base Salary</th>
<th>Benefits</th>
<th>STI</th>
<th>DTI</th>
<th>LTI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Voluntary resignation</td>
<td>Paid over the notice period as a lump sum</td>
<td>May be paid during the notice period (as applicable) but will not be paid as a lump sum</td>
<td>No payment</td>
<td>No payment or vesting</td>
<td>No payment or vesting</td>
<td></td>
</tr>
<tr>
<td>Overseas/ transfer for cause or early retirement</td>
<td>No payment</td>
<td>Benefits stop when employment ends</td>
<td>No payment</td>
<td>No payment or vesting</td>
<td>No payment or vesting</td>
<td></td>
</tr>
<tr>
<td>Normal retirement or death</td>
<td>Paid for a defined period based on cause and local policy as executives have different employment companies</td>
<td>Benefits stop when employment ends</td>
<td>Payment made pro rata</td>
<td>Awards vest or payments made</td>
<td>Outstanding awards forfeited at retirement</td>
<td>Pro rata vesting will take place on death</td>
</tr>
<tr>
<td>Mutual separation</td>
<td>Paid over the notice period as a lump sum</td>
<td>May be paid during the notice period (as applicable)</td>
<td>Depends on agreement</td>
<td>Depends on agreement</td>
<td>Depends on agreement</td>
<td></td>
</tr>
</tbody>
</table>

Statement on malus and claw-back
The Group’s policy relating to malus and claw-back applies to all recipients of short- and long-term incentive awards.

Remuneration for Non-executive Directors
Independent Non-executive Directors receive a retainer for the time required to prepare for and attend meetings. These Directors do not have employment contracts with the Group. However, the Group pays for travel and accommodation-expenses incurred to attend meetings. Based on independent benchmark reports regarding Non-executive Directors’ fees, the Group started a process that will incrementally adjust Non-executive Directors’ fees. In 2019, the Group proposed to move these fees closer to the median of the benchmark. This was not fully achieved in the 2019 fees proposed for the Chairperson of the Board as well as the lead Independent Director. Accordingly, the 2020 above-average adjustment proposed for these two roles continues the process of moving fees to the median of the benchmark. A special resolution at the 2020 AGM will propose the approval for the next tranche of increases. Subject to approval, these fees which exclude VAT, will be paid retrospectively for the period from 1 November 2019 to 31 October 2020.

The proposed Non-executive Director remuneration fees are summarised as follows:

<table>
<thead>
<tr>
<th>Director</th>
<th>Chairperson</th>
<th>Lead Independent Director</th>
<th>Non-executive Director</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>R1 535 000</td>
<td>R1 065 000</td>
<td>R470 000</td>
</tr>
<tr>
<td>2019</td>
<td>R1 209 000</td>
<td>R64 100</td>
<td>R445 000</td>
</tr>
</tbody>
</table>

Audit and Risk Committee
Chariperson | R34 000 | R161 000 | 6 |
Member      | R166 000 | R160 000 | 6 |

Remuneration Committee
Chariperson | R203 500 | R130 000 | 5 |
Member      | R97 000 | R92 000 | 5 |

Nominations Committee
Chariperson | R203 500 | R130 000 | 5 |
Member      | R97 000 | R92 000 | 5 |

Social and Ethics Committee
Chariperson | R203 500 | R130 000 | 5 |
Member      | R97 000 | R92 000 | 5 |

Going forward – shareholder engagement and voting procedures
The Group will table this year’s remuneration policy together with the implementation report for two separate, non-binding advisory votes by shareholders at the 2020 AGM, in line with best practice, King IV and the JSE Listing Requirements. If 25% or more of ordinary shareholders vote against either or both the policy and report, the Committee will engage shareholders to understand and address their concerns. The SENS announcement on the results of the AGM will include an invitation for shareholders to engage on the reasons for their dissent. The Committee will respond and provide feedback on shareholders’ queries and/or concerns. Following this engagement, the Committee may amend aspects of the remuneration policy.

Implementation of policy
The Remuneration Committee has oversight of the remuneration policy and its implementation. This implementation report outlines how the remuneration policy was applied to non-executive Directors, Executive, Non-executive and Alternate Directors. The Committee and the Board are satisfied with the implementation of the policy during FY 2020. No policy exceptions were requested during the reporting period.

Average growth in executive and employee remuneration
The Group comprises many subsidiaries operating in different markets, resulting in a large range of average remuneration increases primarily due to differences in roles and inflation.

The table below shows organisational performance for 2020 and the average increase in guaranteed executive pay. Executives who were promoted received an average increase of 14.1%. The Committee approved an average increase of 5.4% for management across the Group, excluding promotions- and market-related adjustments. Across countries, increases varied based on inflation and sales performance. An inflation-linked increase was approved for all employees across the Group. Unionised employees in South Africa received an average bargaining unit increase of 8.3%.

<table>
<thead>
<tr>
<th>2020</th>
<th>2019</th>
<th>Change %</th>
</tr>
</thead>
<tbody>
<tr>
<td>R1 656 000</td>
<td>R1 600 000</td>
<td>5.4%</td>
</tr>
</tbody>
</table>

Variable pay and other remuneration outcomes for 2020
The following are profiles of our three Executive Directors regarding their short- and long-term incentive outcomes in the FY 2020. Short-term incentives were linked to trading profit, which measured R8.171 billion in 2020, or 99% of the target. Long-term incentive awards were granted based on retrospective performance conditions based on King IV recommended practices. Also included in the profiles are their long-term incentives granted and accepted during the year, their indicative value at year end and the cash value of awards settled during the year.
Remuneration report (continued)

### Anton de Bruyn
Chief Financial Officer

**Total remuneration**

<table>
<thead>
<tr>
<th></th>
<th>2020 (R'000)</th>
<th>2019 (R'000)</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Guaranteed package</td>
<td>4 352</td>
<td>3 617</td>
<td>20.3</td>
</tr>
<tr>
<td>Salary</td>
<td>3 758</td>
<td>3 123</td>
<td>20.3</td>
</tr>
<tr>
<td>Benefits</td>
<td>249</td>
<td>207</td>
<td>20.3</td>
</tr>
<tr>
<td>Other</td>
<td>345</td>
<td>287</td>
<td>20.3</td>
</tr>
<tr>
<td>Short-term incentive</td>
<td>2 018</td>
<td>1 161</td>
<td>73.8</td>
</tr>
<tr>
<td>Long-term incentive</td>
<td>892</td>
<td>1 960</td>
<td>(53.5)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>7 262</td>
<td>6 738</td>
<td>7.8</td>
</tr>
</tbody>
</table>

Other remuneration, including unvested awards

- **Date of grant**: 24 October 2017, 5 September 2019
- **Number of instruments awarded**: 6 983, 23 579
- **Price on grant (if shares)**: R208.08, R115.50
- **Total fair value on grant**: R1 403 209, R1 881 036
- **Settlement method**: Shares
- **Final vesting date**: 30 September 2020, 5 September 2022
- **Number of instruments vested**: 4 654
- **Cash value of instruments settled in year**¹: R297 565
- **Indicative fair value of unvested instruments**²: R225 016

**STI outcomes**

- STI earning potential (% of total guaranteed pay): 53.5%
- Actual STI for 2020: R7 648

**LTI outcomes**

- **Value granted**: R892
- **Value to be settled**: R892

¹ Awards were settled on 21 September 2019 at a share price of R127.82.

---

### Pieter Engelbrecht
Chief Executive Officer

**Total remuneration**

<table>
<thead>
<tr>
<th></th>
<th>2020 (R'000)</th>
<th>2019 (R'000)</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Guaranteed package</td>
<td>16 871</td>
<td>16 835</td>
<td>0.2</td>
</tr>
<tr>
<td>Salary</td>
<td>16 121</td>
<td>16 130</td>
<td>0.0</td>
</tr>
<tr>
<td>Benefits</td>
<td>231</td>
<td>214</td>
<td>7.9</td>
</tr>
<tr>
<td>Other</td>
<td>519</td>
<td>491</td>
<td>5.7</td>
</tr>
<tr>
<td>Short-term incentive</td>
<td>7 648</td>
<td>4 436</td>
<td>72.4</td>
</tr>
<tr>
<td>Long-term incentive</td>
<td>4 188</td>
<td>—</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>28 707</td>
<td>21 271</td>
<td>35.6</td>
</tr>
</tbody>
</table>

Other remuneration, including unvested awards

- **Date of grant**: 24 October 2017, 5 September 2019
- **Number of instruments awarded**: 50 873, 132 752
- **Price on grant (if shares)**: R208.08, R115.50
- **Total fair value on grant**: R10 305 740, R1 881 036
- **Settlement method**: Shares
- **Final vesting date**: 30 September 2020, 5 September 2022
- **Number of instruments vested**: 33 910
- **Cash value of instruments settled in year**¹: R2 167 572
- **Indicative fair value of unvested instruments**²: R1 651 924

**STI outcomes**

- STI earning potential (% of total guaranteed pay): 50.1%
- Actual STI for 2020: R7 648

**LTI outcomes**

- **Value granted**: R4 188
- **Value to be settled**: R4 188

¹ Awards were settled on 21 September 2019 at a share price of R127.82.
Remuneration report (continued)

Non-executive Director remuneration and composition

The table below sets out the fees paid to Non-executive Directors, excluding VAT, for the period from 1 November 2018 to 31 October 2019.

<table>
<thead>
<tr>
<th>Name</th>
<th>Independent</th>
<th>Membership/role</th>
<th>Total fees paid</th>
<th>R</th>
</tr>
</thead>
<tbody>
<tr>
<td>Christo Wiese</td>
<td>No</td>
<td>Board Chairperson</td>
<td>1 208 000</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Chair, Nominations Committee</td>
<td>190 000</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Member, Remuneration Committee</td>
<td>92 000</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Total</strong></td>
<td><strong>1 494 000</strong></td>
<td></td>
</tr>
<tr>
<td>Johan Basson</td>
<td>Yes</td>
<td>Director</td>
<td>445 000</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Chair, Audit and Risk Committee</td>
<td>316 000</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Total</strong></td>
<td><strong>1 011 000</strong></td>
<td></td>
</tr>
<tr>
<td>Anna Mokgokong</td>
<td>Yes</td>
<td>Director</td>
<td>146 000</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Chair, Social and Ethics Committee</td>
<td>176 917</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Member, Nominations Committee</td>
<td>92 000</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Total</strong></td>
<td><strong>315 917</strong></td>
<td></td>
</tr>
<tr>
<td>Joseph Rock</td>
<td>Yes</td>
<td>Director</td>
<td>445 000</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Member, Remuneration Committee</td>
<td>38 333</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Member, Audit and Risk Committee</td>
<td>160 000</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Total</strong></td>
<td><strong>643 333</strong></td>
<td></td>
</tr>
<tr>
<td>Alice le Roux</td>
<td>Yes</td>
<td>Director</td>
<td>407 917</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Member, Audit and Risk Committee</td>
<td>146 667</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Total</strong></td>
<td><strong>554 583</strong></td>
<td></td>
</tr>
<tr>
<td>Edward Kieswetter</td>
<td>N/A</td>
<td>Lead Independent Director</td>
<td>320 500</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Chair, Remuneration Committee</td>
<td>96 500</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Nominations Committee</td>
<td>46 000</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Total</strong></td>
<td><strong>463 000</strong></td>
<td></td>
</tr>
<tr>
<td>Shirley Zinn</td>
<td>N/A</td>
<td>Director</td>
<td>222 500</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Chair, Remuneration Committee (Appointed Chair on 9 May 2019)</td>
<td>96 500</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Member, Remuneration Committee (Member from 30 November 2018 to 8 May 2019)</td>
<td>46 000</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Member, Nominations Committee</td>
<td>84 333</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Total</strong></td>
<td><strong>352 833</strong></td>
<td></td>
</tr>
</tbody>
</table>

STI outcomes

STI earning potential (% of total guaranteed pay) Actual STI for 2020

<table>
<thead>
<tr>
<th>Minimum</th>
<th>On target</th>
<th>% of TGP</th>
<th>R'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nil</td>
<td>50.9</td>
<td>48.6</td>
<td>2 083</td>
</tr>
</tbody>
</table>

LTI outcomes

Value granted Value to be settled

<table>
<thead>
<tr>
<th>R'000</th>
<th>% of TGP</th>
<th>In cash</th>
<th>In shares</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
“The Board advocates strong ethics standards as the foundation for leadership accountability within the Group.”
Shareholders analysis
Shoprite Holdings Ltd as at 28 June 2020

Shareholder spread

<table>
<thead>
<tr>
<th>Shareholdings</th>
<th>No. of Shareholdings</th>
<th>%</th>
<th>No. of shares</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1–1 000 shares</td>
<td>41 668</td>
<td>84.11</td>
<td>10 422 329</td>
<td>1.76</td>
</tr>
<tr>
<td>1 001–10 000 shares</td>
<td>6 386</td>
<td>12.89</td>
<td>17 070 627</td>
<td>2.89</td>
</tr>
<tr>
<td>10 001–100 000 shares</td>
<td>1 073</td>
<td>2.17</td>
<td>35 850 419</td>
<td>0.66</td>
</tr>
<tr>
<td>100 001–1 000 000 shares</td>
<td>337</td>
<td>0.68</td>
<td>105 832 975</td>
<td>17.90</td>
</tr>
<tr>
<td>Over 1 000 001 shares</td>
<td>76</td>
<td>0.15</td>
<td>422 162 152</td>
<td>71.39</td>
</tr>
<tr>
<td>Totals</td>
<td>49 540</td>
<td>100.00</td>
<td>591 338 502</td>
<td>100.00</td>
</tr>
</tbody>
</table>

Shareholders' country classification

USA 62.1%
Singapore 7.5%
UK 9.4%
Namibia 3.4%
UAE 2.6%
Japan 2.5%
China 2.2%
Other* 10.3%

Beneficial shareholders

- South Africa 63.1%
- USA 20.4%
- Singapore 7.7%
- UK 5.6%

Foreign beneficial shareholders

- South Africa 2.8%
- Japan 2.7%
- Luxembourg 2.7%
- China 2.8%
- Namibia 4.3%
- UK 5.6%

* Other: Luxembourg, Netherlands, Australia, Switzerland, Denmark, Sweden, Canada, Ireland, France, Germany, Italy, Belgium, Norway, South Korea, Slovenia, Cayman Islands

Shareholders spread

<table>
<thead>
<tr>
<th>Shareholdings</th>
<th>No. of Shareholdings</th>
<th>%</th>
<th>No. of shares</th>
<th>%</th>
</tr>
</thead>
<tbody>
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<td>2.89</td>
</tr>
<tr>
<td>10 001–100 000 shares</td>
<td>1 073</td>
<td>2.17</td>
<td>35 850 419</td>
<td>0.66</td>
</tr>
<tr>
<td>100 001–1 000 000 shares</td>
<td>337</td>
<td>0.68</td>
<td>105 832 975</td>
<td>17.90</td>
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<tr>
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<td>76</td>
<td>0.15</td>
<td>422 162 152</td>
<td>71.39</td>
</tr>
<tr>
<td>Totals</td>
<td>49 540</td>
<td>100.00</td>
<td>591 338 502</td>
<td>100.00</td>
</tr>
</tbody>
</table>

Shareholders’ country classification

USA 49.1%
South Africa 54.4%

distribution of shareholders

<table>
<thead>
<tr>
<th>Shareholdings</th>
<th>No. of Shareholdings</th>
<th>%</th>
<th>No. of shares</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Banks/brokers</td>
<td>274</td>
<td>0.55</td>
<td>184 069 812</td>
<td>31.13</td>
</tr>
<tr>
<td>Close corporations</td>
<td>312</td>
<td>0.63</td>
<td>1 084 339</td>
<td>0.19</td>
</tr>
<tr>
<td>Endowment funds</td>
<td>277</td>
<td>0.56</td>
<td>2 714 037</td>
<td>0.46</td>
</tr>
<tr>
<td>Individuals</td>
<td>40 215</td>
<td>81.18</td>
<td>24 207 728</td>
<td>4.10</td>
</tr>
<tr>
<td>Insurance companies</td>
<td>214</td>
<td>0.43</td>
<td>28 462 016</td>
<td>4.81</td>
</tr>
<tr>
<td>Investment companies</td>
<td>11</td>
<td>0.02</td>
<td>3 555 906</td>
<td>0.60</td>
</tr>
<tr>
<td>Medical schemes</td>
<td>43</td>
<td>0.09</td>
<td>798 255</td>
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<td>Mutual funds</td>
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<td>1.10</td>
<td>74 905 834</td>
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<td>250</td>
<td>0.50</td>
<td>3 312 886</td>
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<td>Private companies</td>
<td>1 099</td>
<td>2.22</td>
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<tr>
<td>Public companies</td>
<td>15</td>
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<td>Retirement funds</td>
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<td>Sovereign wealth funds</td>
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<td>Treasury shares</td>
<td>5 619</td>
<td>11.34</td>
<td>13 561 489</td>
<td>2.29</td>
</tr>
<tr>
<td>Trusts</td>
<td>5 619</td>
<td>11.34</td>
<td>13 561 489</td>
<td>2.29</td>
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<tr>
<td>Totals</td>
<td>49 540</td>
<td>100.00</td>
<td>591 338 502</td>
<td>100.00</td>
</tr>
</tbody>
</table>

Public/non-public shareholders

<table>
<thead>
<tr>
<th>Shareholdings</th>
<th>No. of Shareholdings</th>
<th>%</th>
<th>No. of shares</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public shareholders</td>
<td>49 513</td>
<td>99.55</td>
<td>426 894 118</td>
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<tr>
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<td>0.05</td>
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<tr>
<td>Directors of the company</td>
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<td>Shares held for benefit of participants to equity settled share based payments arrangements*</td>
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<td>36 436 572</td>
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<td>Total non-public shareholders</td>
<td>49 540</td>
<td>100.00</td>
<td>591 338 502</td>
<td>100.00</td>
</tr>
</tbody>
</table>

* Other: Namibia, UAE, Japan, China, Luxembourg, Netherlands, Australia, Switzerland, Denmark, Sweden, Canada, Ireland, France, Germany, Italy, Belgium, Norway, South Korea, Slovenia, Chile

Beneficial shareholders holding 1% or more

- Government Employees Pension Fund 84 556 613 14.30
- Wiese, CH 63 110 920 10.67
- Shoprite Checkers (Pty) Ltd 35 436 572 5.99
- T. Rowe Price 27 138 444 4.59
- Coronation Fund Managers 26 765 159 4.53
- Old Mutual 26 397 879 4.46
- Vanguard 17 920 369 3.03
- GIC Private Limited 12 887 161 2.18
- BlackRock 10 496 616 1.78
- Le Roux, JF 9 031 737 1.53
- Lazard 8 786 500 1.49
- Sanlam 8 727 819 1.48
- Namibian Government Institutions Pension Fund 6 320 441 1.07
- Eskom Pension and Provident Fund 6 024 577 1.02
<table>
<thead>
<tr>
<th>Beneficial shareholders holding 1% or more</th>
<th>No. of shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government Employees Pension Fund</td>
<td>84 556 613</td>
</tr>
<tr>
<td>Wiese, CH</td>
<td>63 110 920</td>
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<tr>
<td>Shoprite Checkers (Pty) Ltd</td>
<td>35 436 572</td>
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<tr>
<td>T. Rowe Price</td>
<td>27 138 444</td>
</tr>
<tr>
<td>Coronation Fund Managers</td>
<td>26 765 159</td>
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<tr>
<td>Old Mutual</td>
<td>26 397 879</td>
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<tr>
<td>Vanguard</td>
<td>17 920 369</td>
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<tr>
<td>GIC Private Limited</td>
<td>12 887 161</td>
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<td>BlackRock</td>
<td>10 496 616</td>
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<tr>
<td>Le Roux, JF</td>
<td>9 031 737</td>
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<td>Lazard</td>
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<td>Sanlam</td>
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<tr>
<td>Namibian Government Institutions Pension Fund</td>
<td>6 320 441</td>
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<tr>
<td>Eskom Pension and Provident Fund</td>
<td>6 024 577</td>
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<tr>
<td>Totals</td>
<td>349 588 541</td>
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</table>

* Other: Namibia, UAE, Japan, China, Luxembourg, Netherlands, Australia, Switzerland, Denmark, Sweden, Canada, Ireland, France, Germany, Italy, Belgium, Norway, South Korea, Slovenia, Cayman Islands
Notice to Shoprite Holdings shareholders: Annual General Meeting (“AGM”)

Shoprite Holdings Limited
(Incorporated in the Republic of South Africa)
(Registration number 1936/007721/06)

NSX share code: SPH
LUSE share code: SHOPRITE
BSE: ZSE0010128A
(“Shoprite Holdings” or “the Company”)

1. Notice of meeting

Impact of COVID-19 on the AGM
As a consequence of the impact of the COVID-19 pandemic, limitations are placed on public gatherings under the Disaster Management Act, 57 of 2002. As a socially responsible corporate citizen, Shoprite Holdings will conduct the AGM entirely by way of electronic participation, in accordance with the provisions of section 63(3) of the Companies Act and the Listing Requirements of the JSE as read with the Company’s Memorandum of Incorporation.

Notice is hereby given in terms of sections 61 and 62 of the Companies Act, of the AGM of Shareholders of Shoprite Holdings to be held on Monday, 16 November 2020 at 9.15 am, by way of electronic participation only.

2. Definitions

In the notice, unless otherwise stated or the context otherwise indicates, the words in the first column below shall have the meaning stated opposite them. Respectively, in the second column below, reference to the singular shall include the plural and vice versa, words denoting one gender shall include the other gender, and words denoting natural persons shall include juristic persons and assignees of persons.

- Notice of AGM or General Meeting of Shoprite Holdings Shareholders
- Ordinary shares
- Shareholder(s)
- Special resolution(s)

3. Electronic participation

3.1 Shoprite Holdings has retained the services of the Transfer Secretaries – being Computershare – to host the AGM on an interactive platform in order to facilitate electronic participation and voting by Shareholders. The online Shareholder Meeting Guide contains detailed information in this regard and is recommended to be attached to this notice.

3.2 Any Shareholder (or a representative or proxy for a Shareholder) who wishes to participate in and/or vote at the AGM by way of electronic participation, must either:
- register online on the online registration portal at www.smartagm.co.za, prior to the commencement of the AGM, or
- contact Computershare by sending an email to proxy@computershare.co.za no later than 12:00 on Thursday, 12 November 2020, in order for the Transfer Secretaries to arrange such participation for the Shareholder and for the Transfer Secretaries to provide the Shareholder with the details as to how to access the AGM by means of electronic participation. Shareholders may still register/apply to participate in and/or vote electronically at the AGM after this date; provided, however, that those Shareholders are verified (as required in terms of section 63(1) of the Companies Act) and are registered at the commencement of the AGM.

All Shareholders are entitled to attend and participate via the use of the electronic platform.

3.3 The cost of electronic participation in the AGM is for the expense of the Shareholder so participating and will be billed separately by the Shareholder’s own service provider.

3.4 Each Shareholder – by participation in the AGM – acknowledges that the electronic communication services are provided by third parties and indemnifies the Company against any loss, injury, damage, penalty or claim arising in any way from the use or possession of the electronic services, whether or not the problem is caused by any act or omission on the part of the Shareholder or anyone else. In particular, but not exclusively, each Shareholder participating in the AGM acknowledges that they have no claim against the Company, the Directors or any employees or representatives of the Company for any direct or indirect damages, or for consequential damages or otherwise, arising from the use of the electronic services or any defect in it from total or partial failure of the electronic services and connections linking the Shareholder who participates or wishes to participate via the electronic services to the AGM.

3.5 The Company does not and cannot guarantee there will not be a break in electronic communication.

4. Who may attend and vote?

4.1 If you hold dematerialised shares which are registered in your name or if you are the registered holder of certificated shares:
- you may participate in and/or vote at the AGM by way of electronic participation in the manner described in this notice,
- you may appoint a proxy to represent you and, on your behalf, participate in, speak and vote at the AGM by way of electronic participation in the manner described in this notice by completing the attached form of proxy in accordance with the instructions it contains.

We refer you to the Notice convening the Annual General Meeting of Shoprite Holdings Shareholders and Notice of AGM or General Meeting of Shoprite Holdings Shareholders for further information regarding the AGM.

For any questions about the AGM or for assistance with electronic participation, please contact Computershare on:**
- PO Box 215, Brackenfell, 7560 South Africa
- Email: cosa@shoprite.co.za

If you are a beneficial Shareholder, but not a registered Shareholder as at the record date and:
- wish to participate in the AGM, you must obtain the necessary letter of representation from your CSDP or broker to represent the registered Shareholder, or
- do not wish to attend the AGM but would like your vote to be recorded at the AGM, you should contact your CSDP or broker and furnish them with the following instructions:
  - you must not complete the attached form of proxy

4.3 In terms of section 63(1) of the Companies Act, any person participating in the AGM must present reasonably satisfactory identification and the person participating at the AGM must be reasonably satisfied that the right of any person to participate in and vote (whether as a Shareholder or as a representative or proxy for a Shareholder) has been reasonably verified by the Shareholders of the Company who wish to participate in the AGM electronically should provide such identification when making application to so participate.

4.4 The record date for purposes of determining which Shareholders are entitled to receive this notice is determined in terms of section 59(1)(a) of the Companies Act being Friday, 9 October 2020. The notice will be distributed to Shareholders on Friday, 16 October 2020.

4.5 The date on which Shareholders must be recorded as such in the register maintained by the Transfer Secretaries of the Company for purposes of being entitled to attend and vote at the AGM is determined in terms of section 59(1)(b) of the Companies Act being Friday, 6 November 2020 (voting record date). The last day to trade for purposes of being entitled to attend and vote at this AGM is Tuesday, 3 November 2020.

4.6 Votes at the AGM on all resolutions will be conducted by way of a poll. Every Shareholder present or represented by proxy shall have one (1) vote for every Shoprite Holdings Share held in the Company.

4.7 The Notice convening the Annual General Meeting of Shoprite Holdings Shareholders and Notice of AGM or General Meeting of Shoprite Holdings Shareholders is available at the AGM, on the Company’s website at www.shoprite.co.za, or on request by contacting Computershare or the Company Secretary.

The Company Secretary
Or William Dabbes Street and Old Paarl Road
PO Box 215, Brackenfell, 7560 South Africa
Email: cosa@shoprite.co.za

4.8 If you are in any doubt as to what action you should take arising from the following resolutions, please consult your stockbroker, banker, attorney, accountant or other professional advice immediately.

Shareholder information

Integrated Annual Report 2020

About the Company

Shareholder information

Integrated Annual Report 2020

About the Company

Shareholder information
5. Integrated Annual Report
A copy of the Company’s Integrated Annual Report for the year ended 28 June 2020 and the report of the Directors and independent auditors delivered herewith.

6. Purpose of the AGM
The purpose of the AGM is to:
- present the audited financial statements for the year ended 28 June 2020, the report of the Directors and the report of the independent registered auditors thereon;
- present the reports of the Audit and Risk as well as the Social and Ethics committees;
- consider any matters raised by Shareholders; and
- consider and, if deemed fit, to pass, with or without modification, the resolutions set out below.

7. The following resolutions will be considered at the AGM, and, if deemed fit, passed with or without modification:

7.1 Ordinary resolution number 1: Annual financial statements
“Resolved that the summarised annual financial statements of the Company and the Group for the year ended 28 June 2020, including the reports of the Directors and independent auditors, be and are hereby approved.

For ordinary resolution number 1 to be approved by Shareholders, it must be supported by more than 50% of the voting rights exercised on the resolution by Shareholders present or represented by proxy at this meeting.

7.2 Ordinary resolution number 2: Re-appointment of auditors
“Resolved that PricewaterhouseCoopers Inc. (PwC) be re-engaged as the independent auditors of the Company for the period until the next Annual General Meeting of the Company (noting that Mr MC Hamman is the individual registered auditor of PwC who will undertake the audit in respect of the financial year ending 28 June 2020) as recommended by the Company’s Audit and Risk Committee. For ordinary resolution number 2 to be approved by Shareholders, it must be supported by more than 50% of the voting rights exercised on the resolution by Shareholders present or represented by proxy at this meeting.

7.3 Ordinary resolution number 3: Re-election of Ms W Lucas-Bull
“Resolved that Ms W Lucas-Bull, who is required to retire as a Director of the Company at this AGM and who is eligible and available for re-election, is hereby re-appointed as Director with immediate effect.”

For ordinary resolution number 3 to be approved by Shareholders, it must be supported by more than 50% of the voting rights exercised on the resolution by Shareholders present or represented by proxy at this meeting.

7.4 Ordinary resolution number 4: Re-Election of Dr ATM Mokgokong
“Resolved that Dr ATM Mokgokong, who is required to retire as a Director of the Company at this AGM and who is eligible and available for re-election, is hereby re-appointed as Director with immediate effect.”

Age: 63
First appointed: 2012
Educational qualifications: MB ChB, DCom (hc) BSc
Directorships: Community Investment Holdings (Pty) Ltd,
Rebosis Property Fund Ltd, Jasco Electronics Ltd, Africentric Investment Corporation Ltd, Adcock Ingram, Sarti Coal and various other public/private companies.

For ordinary resolution number 4 to be approved by Shareholders, it must be supported by more than 50% of the voting rights exercised on the resolution by Shareholders present or represented by proxy at this meeting.

7.5 Ordinary resolution number 5: Re-Election of Mr JF Basson
“Resolved that Mr JF Basson, who is required to retire as a Director of the Company at this AGM and who is eligible and available for re-election, is hereby re-appointed as Director with immediate effect.”

Age: 69
First appointed: 2014
Educational qualifications: BCom CA(CA)SA
Other Directorships: Member of the boards of various unlisted companies

For ordinary resolution number 5 to be approved by Shareholders, it must be supported by more than 50% of the voting rights exercised on the resolution by Shareholders present or represented by proxy at this meeting.

7.6 Ordinary resolution number 6: Re-Election of Mr JF Rock
“Resolved that Mr JF Rock, who is required to retire as a Director of the Company at this AGM and who is eligible and available for re-election, is hereby re-appointed as Director with immediate effect.”

Age: 51
First appointed: 2012
Educational qualifications: BCom, MA ACA, AMP (Insaad)
CA(CA)SA
Other Directorships: None

For ordinary resolution number 6 to be approved by Shareholders, it must be supported by more than 50% of the voting rights exercised on the resolution by Shareholders present or represented by proxy at this meeting.

7.7 Ordinary resolution number 7: Appointment of Mr JF Basson as Chairperson and member of the Shoprite Holdings Audit and Risk Committee
“Subject to his re-election as Director, it is resolved that Mr JF Basson be elected as Chairperson and member of the Shoprite Holdings Audit and Risk Committee with immediate effect in terms of section 94(2) of the Companies Act.”

Age: 69
First appointed to Audit and Risk Committee: 2014
Educational qualifications: BCom CA(CA)SA
Other Directorships: Member of the boards of various unlisted companies

For ordinary resolution number 7 to be approved by Shareholders, it must be supported by more than 50% of the voting rights exercised on the resolution by Shareholders present or represented by proxy at this meeting.

7.8 Ordinary resolution number 8: Appointment of Ms AM le Roux as member of the Shoprite Holdings Audit and Risk Committee
“It is resolved that Ms AM le Roux be elected as member of the Shoprite Holdings Audit and Risk Committee with immediate effect in terms of section 94(2) of the Companies Act.”

Age: 46
First appointed to Audit and Risk Committee: 2019
Educational qualifications: BCom CA(CA)SA
Other Directorships: Member of the board of Shoprite Holdings, P/Com Investment Corporation Ltd

For ordinary resolution number 8 to be approved by Shareholders, it must be supported by more than 50% of the voting rights exercised on the resolution by Shareholders present or represented by proxy at this meeting.

7.9 Ordinary resolution number 9: Appointment of Mr JA Rock as member of the Shoprite Holdings Audit and Risk Committee
“Subject to his re-election as Director, it is resolved that Mr JA Rock be elected as member of the Shoprite Holdings Audit and Risk Committee with immediate effect in terms of section 94(2) of the Companies Act.”

Age: 51
First appointed to Audit and Risk Committee: 2014
Educational qualifications: BA Hons MA ACA AMP (Insaad)
CA(CA)SA
Other Directorships: None

For ordinary resolution number 9 to be approved by Shareholders, it must be supported by more than 50% of the voting rights exercised on the resolution by Shareholders present or represented by proxy at this meeting.

7.10 Ordinary resolution number 10: General authority over unissued ordinary shares
“Resolved that 30 million (approximately 5% of the issued ordinary shares which includes treasury shares) of the authorised but unissued ordinary shares in the capital of the Company be and are hereby placed under the control and authority of the Directors of the Company until the next Annual General Meeting and that the Directors of the Company be and are hereby authorised and empowered to dispose of those shares to Shareholders pro rata to their shareholding – allot, issue and otherwise dispose of such ordinary shares or ordinary shares having no par value to a person or persons on such terms and conditions and at such times as the Directors of the Company may from time to time and at their discretion deem fit, subject to the provisions and requirements of the Companies Act, the MOI of the Company, the JSE Listing Requirements and any other exchange on which the ordinary shares of the Company may be listed from time to time, as applicable, subject to the following limitations, namely that:
- the equity securities which are the subject of the issue for cash must be of a class already in issue, or where this is not the case, must be limited to such securities or rights that are convertible into a class already in issue;
- any such issue shall be made only to "public Shareholders" as defined in the JSE Listing Requirements and not related parties, unless the JSE otherwise agrees, but may be made to such "public Shareholders" and in such quantities that the Directors in their discretion may deem fit;
- the number of ordinary shares issued for cash shall not in the aggregate in any one (1) financial year, exceed 5% (five percent) of the Company’s issued ordinary shares, being 27 719 870 ordinary shares (excluding 36 941 101 treasury shares).
- the number of ordinary shares which may be issued shall be based on the number of ordinary shares in issue at the date of this notice of AGM, less any ordinary shares issued in terms of this authority by the Company during the current financial year;
- in the event of a subdivision or consolidation of issued ordinary shares, during the period of this authority, the authority will be adjusted accordingly to represent the same allocation ratio;
- this authority be valid until the Company’s next Annual General Meeting, provided that it does not extend beyond 15 (fifteen) months from the date that this authority is given;
Notice to Shoprite Holdings shareholders: Annual General Meeting (“AGM”) (continued)

- a paid press announcement will be published giving full details, at the time of any issue representing on a cumulative basis within one (1) financial year, 5% (five percent) or more of the ordinary shares in issue prior to the issue in terms of this authority;
- in determining the price at which an issue of ordinary shares may be made in terms of this authority, the maximum discount permitted will be 10% (ten percent) of the weighted average traded price on the JSE of those ordinary shares measured over the thirty (30) business days prior to the date that the price of the issue is determined or agreed by the Directors of the Company.

For ordinary resolution number 11 to be approved by Shareholders, it must in terms of the JSE Listing Requirements be supported by more than 75% of the voting rights exercised on the resolution by Shareholders present or represented by proxy at this meeting.

7.12 Ordinary resolution number 12: General authority to Directors and/or Company Secretary

“Resolved that any one of the Directors of Shoprite Holdings or the Company Secretary be and is hereby authorised to do all things, perform all acts and to sign and execute all documentation necessary to implement the ordinary and special resolutions adopted at the AGM.”

For ordinary resolution number 12 to be approved by Shareholders, it must be supported by more than 50% of the voting rights by Shareholders present or represented by proxy at this meeting.

7.13 Resolution number 13: Non-binding advisory vote on the remuneration policy of Shoprite Holdings and the implementation of the remuneration policy

“Resolved that, through separate non-binding advisory votes, the Company’s:
- remuneration policy (excluding the remuneration of the non-executive Directors and members of Board committees for their services as Directors) as set out in the remuneration report in the Integrated Annual Report from pages 80 to 85 is approved; and
- the remuneration report in the Integrated Annual Report from pages 86 to 89 is approved.”

If the remuneration policy or the implementation report of the Company is voted against by 25% or more of the voting rights exercised on the resolution by Shareholders present or represented by proxy at this meeting, the Company will in its voting results announcement - pursuant to paragraph 3.91 of the JSE Listing Requirements – extend an invitation to disinterested Shareholders to engage with the Company to discuss reasons for their dissenting votes; and the manner and timing of such engagement will be specified in the SENS announcement following the AGM.

7.14 Special resolution number 1: Remuneration payable to non-executive Directors

Resolved by separate special resolutions in terms of section 64(9) of the Companies Act, that the annual remuneration of the non-executive Directors for 12 months from 1 November 2019 – 31 October 2020 be approved as follows:

<table>
<thead>
<tr>
<th>Shoprite Holdings Board and committee fees</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board Chairperson of the Board</td>
<td>R1 535 000</td>
<td>R1 200 000</td>
</tr>
<tr>
<td>Lead Independent Director</td>
<td>R1 265 000</td>
<td>R641 000</td>
</tr>
<tr>
<td>Non-executive Director</td>
<td>R470 000</td>
<td>R445 000</td>
</tr>
<tr>
<td>Audit and Risk Committee</td>
<td>R334 000</td>
<td>R316 000</td>
</tr>
<tr>
<td>Member</td>
<td>R169 000</td>
<td>R160 000</td>
</tr>
</tbody>
</table>

7.15 Special resolution number 2: Financial assistance to subsidiaries, related and inter-related entities

Resolved as a special resolution in terms of section 45(3)(a)(ii) of the Companies Act – subject to compliance with the requirements of the Company’s MOI and the JSE Listing Requirements as presently constituted and amended from time to time as a general approval – that the Board be authorised during a period of two (2) years from the date of this special resolution to authorise the Company to provide direct or indirect financial assistance to any related or inter-related company or corporation “any related or inter-related company or corporation” has herein the same meaning as in section 45 of the Companies Act and which meaning includes all the subsidiaries of the Company to any, in any form, including one or more of the following forms:
- the provision of credit to or the deferral of any payment due by,
- a guarantee of any obligation of,
- suretyship in respect any obligation of,
- indemnity undertaking in respect of obligations of,
- such a company or corporation which the Board may deem fit on the terms and conditions and for amounts that the Board may determine.

For special resolution number 2 to be approved by Shareholders, it must be supported by at least 75% of the voting rights exercised on the resolution by Shareholders present or represented by proxy at this meeting.

Reason for and effect of special resolution number 2

This special resolution will grant the Company’s Directors the authority to authorise financial assistance in any form to a related or inter-related company or corporation (“any related or inter-related company or corporation”) has herein the same meaning as in section 45 of the Companies Act and which meaning includes all the subsidiaries of the Company to the Company as contemplated in section 45 of the Companies Act.

Notice to Shareholders of the Company in terms of section 45(9) of the Companies Act, of a resolution adopted by the Board authorising the Company to provide such direct or indirect financial assistance:
- if the notice of AGM is delivered to Shareholders, the Board would have adopted a written board resolution (“the Section 45 Board Resolution”) authorising the Company to provide at any time during the period of two (2) years from the date special resolution number 2 is adopted, any direct or indirect financial assistance as contemplated in section 45 of the Companies Act to any one or more related or inter-related companies or corporations of the Company;
- the Section 45 Board Resolution will only be subject to and only effective to the extent that special resolution number 2 is adopted by Shareholders and the provision of any such direct or indirect financial assistance by the Company, pursuant to such resolution, will always be subject to the solvency and liquidity test immediately after completing the date of the repurchase of such ordinary shares by the Company;
- the number of ordinary shares acquired in the aggregate in any one (1) financial year do not exceed 5% (five percent) of the number of the Company’s issued ordinary shares on the date that the special resolution is adopted, prior to entering the market to repurchase the Company’s securities, and the repurchase of any ordinary shares after the repurchase will have been passed in accordance with the requirements of section 46 of the Companies Act, and stating that the Board has acknowledged that it has applied the solvency and liquidity test as referred to in section 45 of the Companies Act and has reasonably concluded that the Company will satisfy the solvency and liquidity test immediately after completing the proposed repurchase;
- the Company’s financial statements for the year ended 31 December 2020 will not be classed as subsidiaries during a prohibited period as defined in paragraph 3.67 of the JSE Listing Requirements, unless there is a repurchase programme in place where the dates and quantities of securities to be traded during the relevant periods are fixed and announced in advance and the programme has been disclosed to the JSE prior to the commencement of the prohibited period;
- the Company has for the financial year ended 31 December 2020 not repurchased more than 3% (three percent) of the initial number of that class acquired thereafter, an announcement will be made; and
- the Company appoints only one agent to effect any repurchases on its behalf.”

For special resolution number 3 to be approved by Shareholders, it must be supported by at least 75% of the voting rights exercised on the resolution by Shareholders present or represented by proxy at this meeting.

7.16 Special resolution number 3: General authority to repurchase shares

“Resolved as a special resolution that the Company and/or any subsidiary of the Company and/or any related or inter-related company or corporation by way of a general authority to acquire the issued ordinary shares of the Company upon such terms and conditions and in such amounts as the Directors from time to time determine, but subject to the MOI of the Company, the provisions of the Companies Act, the JSE Listing Requirements and any other exchange on which the shares of the Company may be quoted or listed from time to time, where applicable, and provided that:
- the repurchase of shares will be effected through the main order book operated by the JSE trading system without any prior understanding or arrangement between the Company and the counterparty, or other manner approved by the JSE;
- this general authority shall be valid until the Company’s next Annual General Meeting, provided that it shall not extend beyond 15 (fifteen) months from the date of passing of this special resolution;
- in determining the price at which the Company’s ordinary shares are acquired by the Company or its subsidiaries in terms of this general authority, the maximum premium at which such ordinary shares may be acquired will be 10% (ten percent) of the weighted average of the market price at which such ordinary shares are traded on the JSE, as determined over the five (5) trading days immediately preceding the date of the repurchase of such ordinary shares by the Company;
- the number of ordinary shares acquired in the aggregate in any one (1) financial year do not exceed 5% (five percent) of the number of the Company’s issued ordinary shares on the date that the special resolution is adopted, prior to entering the market to repurchase the Company’s securities, and the repurchase of any ordinary shares after the repurchase will have been passed in accordance with the requirements of section 46 of the Companies Act, and stating that the Board has acknowledged that it has applied the solvency and liquidity test as referred to in section 45 of the Companies Act and has reasonably concluded that the Company will satisfy the solvency and liquidity test immediately after completing the proposed repurchase;
- the Company’s financial statements for the year ended 31 December 2020 will not be classed as subsidiaries during a prohibited period as defined in paragraph 3.67 of the JSE Listing Requirements, unless there is a repurchase programme in place where the dates and quantities of securities to be traded during the relevant periods are fixed and announced in advance and the programme has been disclosed to the JSE prior to the commencement of the prohibited period;
- when the Company has for the financial year ended 31 December 2020 not repurchased more than 3% (three percent) of the initial number of that class acquired thereafter, an announcement will be made; and
- the Company appoints only one agent to effect any repurchase(s) on its behalf.”

For special resolution number 3 to be approved by Shareholders, it must be supported by at least 75% of the voting rights exercised on the resolution by Shareholders present or represented by proxy at this meeting.

Shareholder information
The proposed general authority would enable the Company or any of its subsidiaries to repurchase such ordinary shares in the share capital of the Company as at 1 July 2020.

Paragraphs 5.72(c) and 5.76 of the JSE Listing Requirements forms part:

6.00.1.3  The reasons for and effect of special resolution number 3

Reasons for and effect of special resolution number 3

Paragraphs 5.72(c) and 5.76 of the JSE Listing Requirements require that shareholders of any subsidiary of the Company may only repurchase or purchase securities issued by the Company if approved by its Shareholders by way of a special resolution. The existing general authority granted by the Shareholders of the Company at the previous AGM on 4 November 2019 is due to expire, unless renewed.

The Directors are of the opinion that it would be in the best interest of the Company to extend such general authority.

The proposed general authority would enable the Company or any subsidiary of the Company to repurchase up to a maximum of 25,566,925 (twenty-five million, five-hundred and sixty-six thousand, nine-hundred and twenty-five) ordinary shares of the Company, representing 5% (five percent) of the issued ordinary share capital of the Company as at 1 July 2020.

7.17 Special resolution number 4: Approval of amendment to sub-clauses of clause 33 of the Memorandum of Incorporation of the Company

It is resolved as a special resolution proposed by the Board in accordance with section 66(4)(a)(i) of the Companies Act, that clauses 33.2, 33.6, 33.7.1 and 33.11 of the Memorandum of Incorporation be and is hereby amended to read as set out hereunder (additions have been highlighted in bold and deletions with strikethrough in clauses 33.2, 33.6 and 33.7.1 while the whole of clause 33.11 is replaced with the amended clause 33.11):

"33.2 Subject to clauses 33.3, 33.4 and 39, all of the Directors and any Alternate Directors shall be elected by an ordinary resolution of the Shareholders at a Shareholders Meeting. The provisions of section 68(2) of the Companies Act shall apply to the election of, provided that a Director may not be elected by written vote in accordance with clause 31. There shall be no ex officio Directors, as contemplated in section 66(4)(a)(ii) of the Companies Act, and no person, except the Board in terms of clauses 33.3 or 33.4 or 39 hereunder, shall have the right to effect the direct appointment or removal of one or more Directors as contemplated in section 66(6)(a) of the Companies Act.

33.3 A retiring Director who retires in terms of clause 33.5 ("retiring Director") is eligible for re-election and may be re-elected without having to be nominated for election in terms of clause 33.11 hereunder and, if re-elected, shall be deemed for all purposes other than clauses 33.5.1 to 33.5.3 not to have vacated his office.

33.4 The Directors nominate or recommend such person for election who wishes to be appointed as a Director at any Annual General Meeting.

33.5 No person other than a retiring Director shall be eligible for election as a Director at any Annual General Meeting unless:

33.5.1 the Directors nominate or recommend such person for election who wishes to be appointed as a Director at any Annual General Meeting.

33.5.2 Such person has been nominated in accordance with clause 33.11.5.2.

"33.11 Nomination of candidates for election

33.11.1 Any Shareholder shall be entitled to nominate a person ("candidate") or persons ("candidates") for election as a Director or Directors.

33.11.2 A Shareholder may not nominate a candidate for election in any manner other than in accordance with the process recorded in this clause 33.11.

33.11.3 In this clause 33.11, the following terms will have the following meanings:

"Meeting date" means the date determined by the Board as the date on which an Annual General Meeting of the Company will be held.

"Notice" means the notice in terms whereof an Annual General Meeting is convened.

33.11.4 Subject to clause 33.11.7, no resolution in respect of the election of a candidate as a Director of the Company will be put to Shareholders at an Annual General Meeting of the Company for their consideration or be voted on by Shareholders unless that resolution is recorded in the notice convening that Annual General Meeting.

33.11.5 A proposed resolution for the election of a candidate as a Director of the Company will only be inserted in a notice in respect of an Annual General Meeting:

3.11.5.1 If the candidate is eligible for re-election in terms of clause 33.6 above; or

3.11.5.2 If a written nomination ("Nomination") for election of that candidate as a Director signed by a Shareholder plus a document, signed by the candidate, in terms whereof the candidate consents to be appointed and to serve as a Director of the Company, have been received by the Company Secretary of the Company by no later than 45 business days prior to meeting date of the Annual General Meeting in respect of which the notice has been sent.

33.11.6 In the event that a Shareholder delivers a nomination in respect of a candidate to the Company Secretary of the Company at a time less than 45 business days prior to the date of an Annual General Meeting, the resolution in respect of the election of that candidate as a Director of the Company will only be inserted as a resolution in the notice of the next Annual General Meeting after that meeting.

33.11.7 None of the provisions of clause 33.11 apply to a retiring Director who is eligible for re-election in terms of clause 33.6. The Board will on such a basis be elected as a Director in the relevant notice.

For special resolution number 4 to be approved by Shareholders, it must be supported by at least 75% of the voting rights exercised on the special resolution.

The proposed amendments have been approved by the JSE.

Notice to Shoprite Holdings shareholders: Annual General Meeting ("AGM") (continued)
Shareholder information
Notice to Shoprite Holdings shareholders: Annual General Meeting (“AGM”) (continued)

8. Documents available for inspection
The Memorandum of Incorporation will be available for inspection during normal business hours at the registered address of Shoprite Holdings from the date of this notice of AGM up to and including 16 November 2020.

9. Transaction of other business
For Shoprite Holdings Limited

PG du Preez
Company Secretary
19 October 2020

The Company Secretary
Cnr William Dabbs Street and Old Paarl Road
PO Box 215, Brackenfell, 7560 South Africa
E-mail: cosec@shoprite.co.za

South African Transfer Secretaries
Computershare Investor Services (Pty) Ltd
15 Biermann Avenue, Rosebank, 2196
Private Bag X9000, Saxonwold, 2132 South Africa
Fax: +27 (0)11 688 5238
E-mail: proxy@computershare.co.za

Meeting ID: 172-839-995
To login, have your username and password ready, which you can request from proxy@computershare.co.za

Online Annual General Meeting guide

Attending the AGM electronically

This year, we will be conducting a virtual AGM, giving you the opportunity to attend the AGM and participate online, using your smartphone, tablet or computer.

If you choose to participate online, you will be able to view a live webcast of the meeting, ask the Board questions and submit your votes in real time. To do this, you must:
- Download the Lumi AGM app from the Apple App or Google Play Stores by searching for Lumi AGM.
- Visit https://web.lumiagm.com on your smartphone, tablet or computer. You will need the latest versions of Chrome, Safari, Internet Explorer 11, Edge or Firefox. Please ensure your browser is compatible.

For Shoprite Holdings Limited
PG du Preez
Company Secretary
19 October 2020

The Company Secretary
Cnr William Dabbs Street and Old Paarl Road
PO Box 215, Brackenfell, 7560 South Africa
E-mail: cosec@shoprite.co.za

South African Transfer Secretaries
Computershare Investor Services (Pty) Ltd
15 Biermann Avenue, Rosebank, 2196
Private Bag X9000, Saxonwold, 2132 South Africa
Fax: +27 (0)11 688 5238
E-mail: proxy@computershare.co.za

Meeting ID: 172-839-995
To login, have your username and password ready, which you can request from proxy@computershare.co.za

Using the AGM online facility

Access

Once you have downloaded the Lumi AGM app or entered web.lumiagm.com into your web browser, you’ll be prompted to enter the Meeting ID.

You will then be required to enter your:
- Username; and
- Password.

You will be able to log into the site from 9.15 am, 16 November 2020.

To register as a shareholder, select ‘I have a login’ and enter your username and password.
If you are a guest, select ‘I am a guest’.

As a guest, you will be prompted to complete all the relevant fields including title, first name, last name and email address.

Please note, visitors will not be able to ask questions or vote at the meeting.

Navigation

When successfully authenticated, the info screen will be displayed. You can view company information, ask questions and watch the webcast.

If you would like to watch the webcast, click on the broadcast icon at the bottom of the screen.

If viewing on a computer, the webcast will appear to the side automatically once the meeting has started.
Online Annual General Meeting guide (continued)

Voting

The Chairman will open voting on all resolutions at the start of the meeting. Once the voting has opened, the polling icon will appear on the navigation bar at the bottom of the screen. From here, the resolution and voting choices will be displayed.

To vote, select your voting direction from the options shown on screen. A confirmation message will appear to show your vote has been received. For = Vote received
To change your vote, simply select another direction. If you wish to cancel your vote, please press Cancel.

Once the Chairman has opened voting, voting can be performed at anytime during the meeting until the Chairman closes the voting on the resolutions. At that point, your last choice will be submitted.

You will still be able to send messages and view the webcast while the poll is open.

Questions

Any Shareholder or appointed proxy attending the meeting is eligible to ask questions.

If you would like to ask a question, select the messaging icon. Messages can be submitted at any time during the Q&A session up until the Chairman closes the session.

Type your message within the chat box at the bottom of the messaging screen. Once you are happy with your message, click the Send button. Questions sent via the Lumi AGM online platform will be moderated before being sent to the Chairman. This is to avoid repetition and remove any inappropriate language.

Once the voting has opened, voting can be performed at anytime during the meeting until the Chairman closes the voting on the resolutions. At that point, your last choice will be submitted.

You will still be able to send messages and view the webcast while the poll is open.

Downloads

Links are present on the info screen. When you click on a link, the document will open in your browser.

Data usage for streaming the annual Shareholders’ meeting or downloading documents via the Annual General Meeting platform varies depending on individual use, the specific device being used for streaming or download (Android, iPhone, etc) and the network connection (3G, 4G).

Shareholders’ diary

Please consult our website www.shopriteholdings.co.za for the latest published diary dates.