



OUR GREATEST PRODUCT IS OUR COMMITMENT





# SHOPRITE

HOLDINGS LTD



Shoprite Holdings Limited is an investment holding company whose combined subsidiaries constitute the largest fast moving consumer goods (FMCG) retail operation on the African continent. We operate a total of 1 855 corporate and 359 franchise stores in 15 countries from Cape Town to Accra and the Indian Ocean islands.

While the Group's primary business is food retailing, our offering extends to a broad range of goods and services

including household products, furniture, pharmaceuticals and financial services amongst others. At the heart of our offering is an unwavering dedication to providing the lowest prices to people of all income levels across Africa.

We achieve this by pursuing efficiency in everything we do. Our advanced distribution centres and sophisticated supply line infrastructure give us greater control over our operations. This empowers us to overcome economic challenges without compromising on quality.

By setting the conditions for enduring success, we can continue to provide affordable food to our communities, invest in social upliftment and contribute to the African economy – all while creating value for all our stakeholders.

## SHOPRITE HOLDINGS LTD COMPRISES THE FOLLOWING BRANDS:

**SHOPRITE**

**U** **SHOPRITE**  
**save**

**Checkers**

**Checkers** *Hyper*

**OK**  
FRANCHISE DIVISION

**OH**  
Furniture  
NO PROBLEM

**OK**  
MORE FOR YOU

**OK**  
*dreams*

**LiquorShop**

**LiquorShop**

**Money Market**

**Money Market**

**Computicket**  
the ticket you can trust

**MEDI+RITE**  
PHARMACY

**TRANS** **OPHARM**

**Freshmark**

**HUNGRY** **LION**  
SHARE MORE

**GFS**  
Checkers Food Services

**House & Home**  
Making Your House a Home



**“AFRICA IS THE  
FUTURE AND  
WE ARE FULLY  
COMMITTED TO IT. IN  
THE NEW FINANCIAL  
YEAR, WE WILL NOT  
ONLY BE EXTENDING  
OUR PRESENCE IN  
THE COUNTRIES  
WHERE WE ALREADY  
TRADE, BUT WE  
SHALL CONTINUE  
INVESTIGATING  
POTENTIAL ENTRY  
INTO OTHER NEW  
MARKETS ON THE  
CONTINENT.”**

**JW BASSON**  
*Chief Executive*

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BUSINESS  
OVERVIEW

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THIS INTEGRATED REPORT IS PRINTED ON COCOON SILK.  
100% RECYCLED AND 100% FSC CERTIFIED.



The scope of the Integrated Report is equal to that of the summary consolidated financial statements. This Integrated Report is for the Shoprite Group, incorporating Shoprite Holdings Ltd and all its subsidiaries for the year ended June 2016.



# TOTAL 1 855 CORPORATE STORES



	CORPORATE STORES									ANCILLARY STORES				FRANCHISE
	SHOPRITE	CHECKERS	CHECKERS HYPER	USAVE	OK FURNITURE	OK POWER EXPRESS	OK DREAMS	HOUSE & HOME	HUNGRY LION	SHOPRITE LIQUORSHOP	CHECKERS LIQUORSHOP	SHOPRITE MEDIRITE	CHECKERS MEDIRITE	OK FRANCHISE
SOUTH AFRICA	439	196	37	292	328	31	21	50	125	189	137	53	92	320
ANGOLA	18			11	8				12			12		
BOTSWANA	6	1		5	8	2	1	1	7					
DRC	1													
GHANA	5													
LESOTHO	5			6	6	1			2	1				
MADAGASCAR	9													
MALAWI	4			3										
MAURITIUS	3													
MOZAMBIQUE	9			3	7									
NAMIBIA	21	5		27	16			2	18	9	1			39
NIGERIA	18			1										
SWAZILAND	9			6	7	1			1			3		
UGANDA	2													
ZAMBIA	28			1	7				22					
OUTSIDE SA	138	6		63	59	4	1	3	62	10	1	15		39
<b>TOTAL</b>	<b>577</b>	<b>202</b>	<b>37</b>	<b>355</b>	<b>387</b>	<b>35</b>	<b>22</b>	<b>53</b>	<b>187</b>	<b>199</b>	<b>138</b>	<b>68</b>	<b>92</b>	<b>359</b>

## ECONOMIC OVERVIEW




























	ANGOLA	BOTSWANA	DRC	GHANA	LESOTHO	MADAGASCAR	MALAWI	MAURITIUS
Gross domestic product, constant prices (% change)	2.998	-0.339	7.745	3.488	2.468	3.033	2.950	3.374
Inflation, average consumer prices (% change)	10.275	3.041	1.045	17.153	4.757	7.404	21.858	1.285
Population (millions)	25.115	2.129	81.680	26.886	1.932	24.235	18.111	1.259

	MOZAMBIQUE	NAMIBIA	NIGERIA	SOUTH AFRICA	SWAZILAND	UGANDA	ZAMBIA
Gross domestic product, constant prices (% change)	6.300	4.499	2.653	1.283	1.661	5.038	3.636
Inflation, average consumer prices (% change)	2.392	3.400	9.010	4.588	4.960	5.790	10.107
Population (millions)	27.978	2.221	178.721	54.957	1.283	39.890	16.212
























Source: International Monetary Fund, World Economic Outlook Database, April 2016



BRAND	SUMMARY	TARGET MARKET	STORE COUNT		
<b>SHOPRITE</b>	Affordable and accessible, Shoprite caters to the mass middle-income market by providing its lowest prices on basic goods, including groceries and household products. As the Group's original and flagship brand, Shoprite owns the most stores in South Africa, and is the main spearhead for growth into Africa.	LSM 4 – 7	RSA	Non-RSA	Total
					
			439	138	577
	The chain's simple philosophy – “When we save, Usave” is backed by an innovative strategy of small-format stores offering a limited range of basic foods at everyday low prices to lower-income consumers. The small-format stores are an ideal vehicle for the Group's expansion into Africa and allow far greater penetration into previously underserved communities in South Africa.	LSM 1 – 5	RSA	Non-RSA	Total
					
			292	63	355
	Convenience, quality and freshness define the Checkers brand. Time-pressed upper-income consumers in search of a world-class shopping experience enjoy great value on a wide selection of groceries, household products and speciality lifestyle ranges of meat, cheese, wine and coffee. Located in shopping malls and other convenient premises across South Africa and some neighbouring countries, the brand caters to discerning shoppers in affluent residential areas.	LSM 8 – 10	RSA	Non-RSA	Total
					
			196	6	202
	Checkers Hyper offers the same specialty food selections and great value as Checkers, but within large-format stores that encourage bulk rather than convenience shopping. The general merchandise ranges are far wider in Hyper stores, focusing on categories like small appliances, pet accessories, garden and pool care, outdoor gear, home improvement, homeware, baby products, toys and stationery. Checkers Hyper stores operate in South Africa only and are found in areas with high population densities.	LSM 8 – 10	RSA	Non-RSA	Total
					
			37	0	37
	The OK Furniture chain brings affordable quality to homes across Africa. With its vast geographic spread of stores, the brand offers a wide range of furniture, bedding, fitted and loose carpeting, electrical appliances and home entertainment products at the lowest prices, cash or on credit. Choice quality goods and exceptional service define the ‘no problem’ shopping experience.	LSM 5 – 7	RSA	Non-RSA	Total
					
			328	59	387
	This chain of small-format stores sells a carefully selected range of white goods and home entertainment products, as well as bedding and loose carpeting. Located mainly in high-density areas, shoppers can choose to pay with cash or take advantage of competitive credit options.	LSM 5 – 7	RSA	Non-RSA	Total
					
			31	4	35
	Catering for the middle to upper income groups, this new chain of concept stores provides all consumers needs relative to their bedrooms – with the widest and exclusive ranges of bedroom suites, base sets, robes and chests, occasional chairs, linen and accessories – everything and more for the discerning consumer.	LSM 5 – 8	RSA	Non-RSA	Total
					
			21	1	22





BRAND	SUMMARY	TARGET MARKET	STORE COUNT		
 Making Your House a Home	House & Home offers upper-income consumers quality homeware at affordable prices. Goods include a large selection of exclusive and well-known ranges of furniture, bedding, appliances, home entertainment and floor covering products. Stores are located throughout South Africa, Namibia and Botswana.	LSM 7 – 10	RSA	Non-RSA	Total
					
			50	3	53
	Located inside Shoprite and Checkers stores, MediRite is well-positioned to meet the growing need for easily accessible and affordable healthcare to customers across all income levels. Many MediRite pharmacies are located in previously disadvantaged communities where few pharmaceutical services are available.	Same as Shoprite and Checkers	RSA	Non-RSA	Total
					
			145	15	160
 	LiquorShop offers a full assortment of wine, beer and spirits at affordable prices to Checkers and Shoprite customers. Positioned near Group supermarkets, outlets feature separate entrances and also appeal to passing trade.	Same as Shoprite and Checkers	RSA	Non-RSA	Total
					
			326	11	337
	Transpharm Pharmaceutical Wholesalers distributes a wide range of pharmaceutical products and surgical equipment to pharmacies, hospitals, clinics, dispensing doctors and veterinary surgeons across South Africa. The Shoprite Group is expanding this dynamic company to improve its existing national distribution network.	Targets pharmacies, vets, clinics, hospitals and dispensing doctors.			
	The OK Franchise Division franchises three different types of retail formats (OK Foods, OK MiniMark & OK Express), a liquor outlet (OK Liquor) and a wholesale outlet (Megasave). Each of these stores has its own identity and personality and offer shopping facilities appropriate to the market in which they trade. This includes a wide range of fresh and non-perishable food items, as well as general merchandise. The OK Franchise continuously strives to cement the brand as a retailer that can be counted on, and today they have more than 300 stores in neighbourhoods and communities across South Africa and Namibia.	The various store formats, with their different identities and facilities, cater to the needs of the community in which they are located.	RSA	Non-RSA	Total
					
			320	39	359
	Hungry Lion prides itself on sharing MORE with its customers by delivering tasty fried chicken with MORE flavour and MORE value. Operating in seven African countries, the brand strives to provide high-quality fare at affordable prices in a modern fast-food environment.	LSM 4 – 7	RSA	Non-RSA	Total
					
			125	62	187
	Checkers Food Services is the B2B brand of the Shoprite Group delivering a wide range of quality products at the lowest prices to the hospitality and catering industry. Leveraging off the Group's bulk-buying power and centralised distribution network, Checkers Food Services distributes to its customers in Gauteng and Western Cape provinces of South Africa with dedicated warehouses and logistical fleets.	Targets operators in the hospitality and catering industry.			

## FINANCIAL HIGHLIGHTS

Shoprite Holdings Ltd and its Subsidiaries for the year ended June 2016

	% increase	53 weeks June 2016 Rm	52 weeks June 2015 Rm
Sale of merchandise	14.4	130 028	113 694
Trading profit	15.0	7 278	6 328
Earnings before interest, income tax, depreciation and amortisation (EBITDA)	16.2	9 373	8 065
Profit before income tax	14.4	6 845	5 982
Headline earnings	17.0	4 835	4 133

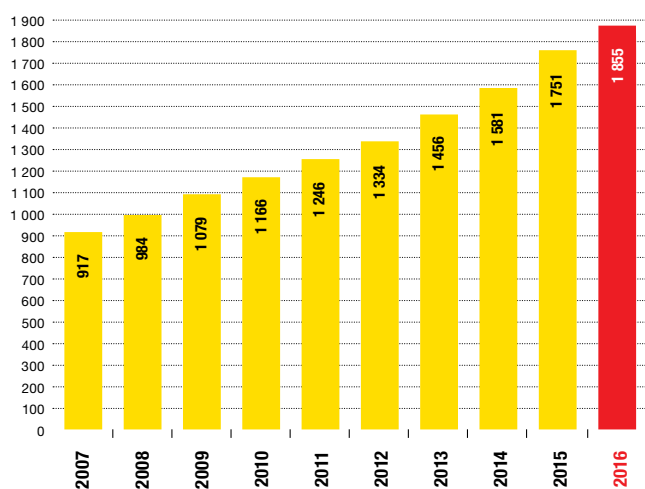
### PERFORMANCE MEASURES

Headline earnings per share (cents)	17.0	904.4	772.9
Dividends per share declared (cents)	17.1	452.0	386.0
Dividend cover (times)		2.0	2.0
Trading margin (%)		5.6	5.6
Return on average shareholders' equity (%)		19.2	18.0

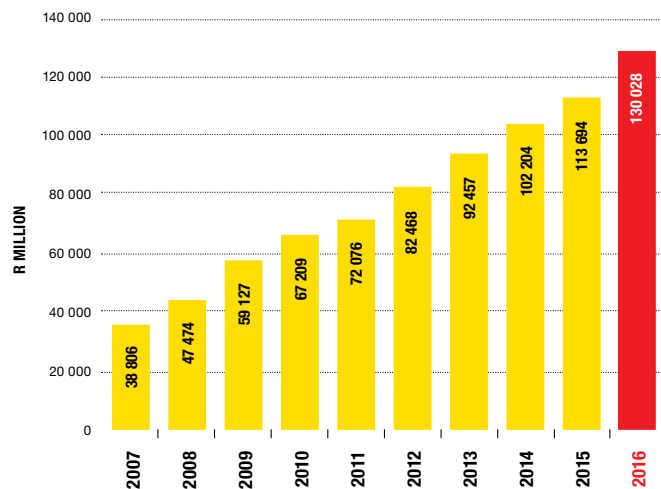
### DEFINITIONS

**Return on average shareholders' equity:** Headline earnings, expressed as a percentage of the average of capital and reserves and interest-bearing borrowings at the beginning and the end of the financial year.

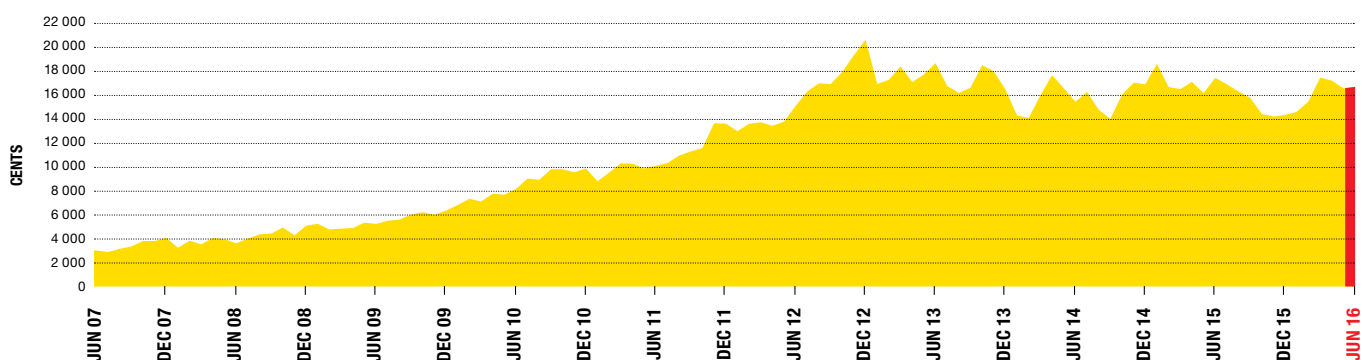
### NUMBER OF CORPORATE STORES



### SALES



### SHOPRITE HOLDINGS LTD SHARE PRICE





**GROUP  
TURNOVER  
GREW  
14.4%**

SERVED A RECORD  
**1 BILLION**  
CUSTOMERS  
IN A SINGLE  
YEAR

FOOD  
WORTH  
**R109 MILLION**  
DONATED



**1 774 734**  
TRAINING HOURS  
**INVESTED**  
IN EMPLOYEES

SHOPRITE CHECKERS  
INTERNAL FOOD  
**INFLATION**  
**3.5%**

**PRODUCTS  
TO THE VALUE  
OF R32 MILLION  
SUBSIDISED**

**4 833**  
NEW JOBS  
CREATED  
IN 2016

**108 NEW**  
CORPORATE  
STORES BY  
JUNE 2017

**4.5 MILLION**  
MEALS OF SOUP  
AND BREAD SERVED  
BY MOBILE  
SOUP KITCHENS



**89 TONNES**  
OF RECYCLED PAPER  
UTILISED TO MANUFACTURE  
ALL CONVENIENCE  
FOOD SLEEVES  
AND CARTONS

PROVIDES  
**137 775**  
PEOPLE WITH A  
REGULAR INCOME

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## EXECUTIVE DIRECTORS

**DR JW BASSON (70)**

BCom CTA CA(SA) DCom (hc)  
Chief Executive Officer

- Joined Pep Stores Ltd as financial manager in 1971.
- Appointed as Chief Executive Officer of Shoprite Holdings in 1979.
- Managing director of Shoprite Checkers (Pty) Ltd.

**MR CG GOOSEN (63)**

BCom Hons CA(SA)  
Deputy Managing Director

- Joined the Pepkor Group as financial manager in 1983.
- Served as financial director of Shoprite Holdings from 1993 to 2014.
- Director of Shoprite Checkers (Pty) Ltd.

**MR M BOSMAN (59)**

BAcc Hons CA(SA)  
Chief Financial Officer

- Appointed as Shoprite Holdings financial director in 2014.
- Served as executive alternate director of Shoprite Holdings from 2005 to 2014.
- Director of Shoprite Checkers (Pty) Ltd and various other Group subsidiaries.
- Serves on the Social and Ethics Committee.

**MR B HARISUNKER (64)**

Divisional Manager

- Joined Checkers in 1969.
- 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 Mauritius, Madagascar and Mozambique and international sourcing.

**MR AE KARP (57)**

General Manager: Furniture Division

- Joined OK Bazaars during 1990.
- Appointed to the board of Shoprite Holdings in 2005.
- Director of Shoprite Checkers (Pty) Ltd and various other Group subsidiaries.

**MR EL NEL (67)**

BCom CTA CA(SA)

General Manager: Retail Investments

- Joined the Shoprite Group in 1997.
- Appointed to the board of Shoprite Holdings in 2005.
- Director of Shoprite Checkers (Pty) Ltd and various other Group subsidiaries.

**MR BR WEYERS (64)**

General Manager: Product Development

- Joined the Shoprite Group in 1980.
- Appointed as director of Shoprite Holdings in 1997.
- Director of Shoprite Checkers (Pty) Ltd.
- Serves on the Social and Ethics Committee.

## ALTERNATE EXECUTIVE DIRECTORS

**MR JAL BASSON (40)**

BAcc

Chief Digital Officer

- Appointed as Shoprite Holdings alternate director in 2005.
- Director of Shoprite Checkers (Pty) Ltd and various other Group subsidiaries.

**MR PC ENGELBRECHT (47)**

BCompt Hons CA(SA)

Chief Operating Officer

- Appointed as Shoprite Holdings alternate director and as Chief Operating Officer of Shoprite Checkers (Pty) Ltd in 2005.
- Director of Shoprite Checkers (Pty) Ltd and various other Group subsidiaries.

## NON-EXECUTIVE DIRECTOR

**DR CH WIESE (74)**

BA LLB DCom (hc)

- Appointed as Chairman of Shoprite Holdings in 1991.
- Chairs the Nomination Committee.
- Serves on the Remuneration Committee.
- Chairperson of Pepkor Holdings (Pty) Ltd, Tradehold Ltd and Invicta Holdings Ltd.
- Serves as a non-executive director on the boards of Brait SE Ltd, Steinhoff International Holdings Ltd and Pallinghurst Resources Ltd.



## INDEPENDENT NON-EXECUTIVE DIRECTORS

**MR JF BASSON (64)**

BCom (Cum Laude) CTA CA(SA)

- Appointed as a director of Shoprite Holdings in 2014.
- Appointed as Chairman of the Audit and Risk Committee on 19 October 2015.
- Previously partner of PricewaterhouseCoopers.
- Chairman of the Audit and Risk Committee of Cape Consumers (Pty) Ltd.
- Member of the board of Cape Consumers (Pty) Ltd.

**MR JJ FOUCHÉ (68)**

BCom LLB

- Re-appointed as director of Shoprite Holdings in 2012.
- Member of the Audit and Risk Committee.

**MR EC KIESWETTER (57)**

BEd (Science Education)

MCom (cum laude) (SA and International Tax) Executive MBA (Strategy and Business Transformation) (UK)

MEd (Science Education – Cognitive Development)

NHD (Electrical Eng), PG Dip Ed (Mathematics and Engineering)

- Appointed as a director of Shoprite Holdings in 2010.
- Appointed as Lead Independent Director on 19 October 2015.
- Serves on the Nomination and Remuneration Committees.
- Group Chief Executive of Alexander Forbes Group Holdings Limited and holds various directorships within Alexander Forbes group subsidiaries.
- Previously Deputy Commissioner at SARS and member of National Treasury Tax Revenue Committee.
- Chancellor of the Da Vinci Institute, a private University in South Africa.

**MR JA LOUW (72)**

BSc Hons B(B&amp;A) Hons

- Appointed as a director of Shoprite Holdings in 1991.
- Chairs the Social and Ethics, and Remuneration Committees.
- Serves on the Audit and Risk, and Nomination Committees.
- Holds directorships in various private companies.

**DR ATM MOKGOKONG (59)**

MB ChB DCom (hc)

- Appointed as a director of Shoprite Holdings in 2012.
- Serves on the Nominations Committee.
- Executive Chairperson of Community Investment Holdings (Pty) Ltd and non-executive Chairperson of Rebosis Property Fund Ltd, Jasco Electronics Ltd and Afrocentric Investment Corporation Ltd.
- Non-executive Director of Adcock Ingram and Medscheme Ltd.
- Holds directorships in various other public/private companies.

**MR JA ROCK (46)**

BA Hons MA ACA AMP (Insead)

- Appointed as a director of Shoprite Holdings in 2012.
- Member of the Audit and Risk Committee.
- Qualified chartered accountant.
- Previously Group Executive at SARS.
- Currently General Manager at Exxaro Services.
- Director of Ferroland Grondtrust (Pty) Ltd

## ALTERNATE NON-EXECUTIVE DIRECTOR

**ADV JD WIESE (35)**

BA MIEM (Italy) LLB

- Appointed as alternate director of Shoprite Holdings in 2005.
- Serves on the boards of various listed companies.
- Advocate of the High Court of South Africa.





CH WIESE

### SOUTH AFRICA AND THE GLOBAL ECONOMIC ENVIRONMENT

It has been a tumultuous year for South Africa and some of its major trading partners. In December, almost halfway through the Group's reporting period, the country faced a financial crisis when the Minister of Finance was replaced and then a few days later, replaced again while the rand tumbled to one of its lowest levels ever and the country faced the spectre of a credit ratings downgrade. Investor confidence reached a low ebb while the political infighting continued. However, even before this upheaval, South Africa's economy was already on a slippery slope with industrial output stalling, unemployment rising higher and the ever-increasing danger of a recession. In the first quarter of 2016 the country's GDP in fact shrunk by 1.2% and by June this year foreign direct investment was down 69%, the lowest level in 10 years.

South Africa, like all other countries, emerging ones in particular, has been deeply affected by the global economy which is still struggling to rid itself of the last vestiges of the 2008 financial crisis to the extent where the World Bank recently again lowered its global growth forecast for this year. Recovery where it has occurred, including among some of South Africa's major trading partners, has been lacklustre. In addition, the low commodity prices on world markets and the slowdown in the Chinese economy have further stifled growth in a number of especially emerging economies.

Nevertheless, South Africa has to accept responsibility for the position in which it finds itself given the deep-rooted structural problems in the economy. These are not being sufficiently addressed, which is why in a recent report the IMF urged the country's leadership to start taking decisive action to revive the economy and return the country to a growth path.

Fortunately, a start is being made to achieve this, with the Ministry of Finance taking steps to curb expenditure. However, much more is needed.

I was a member of a team led by the Minister of Finance on a roadshow in March to the US and UK when we met a great many prominent investors. My overriding impression was that people really want South Africa to succeed. What came through very clearly is that if foreign investors are to regain confidence in the country's potential, we need political stability matched with policy certainty and fiscal consolidation, along with greatly improved governance of state-owned enterprises. The message was also that Government, *inter alia*, will need to resolve the dispute around the principle of "once empowered, always empowered".

Another opinion expressed on a number of occasions was that private sector people with business experience and acumen should be seconded to state-owned enterprises to help them restructure their operations so they can start to flourish in a free-market environment. I know for a fact that the private sector has frequently offered to work in partnership with the government to help remove some of the stumbling blocks impeding our economy. That invitation still stands.

Critical to igniting growth is the harnessing of the country's entrepreneurial spirit. For an example of what can be achieved, we can

look to the minor revolution in the mining industry where the few monolithic companies are being replaced by smaller, entrepreneurially-driven businesses with young leadership taking a very different approach to the role of this industry in our economy.

I have said much needs to be done before South Africa will again be a winning country but let me stress just how deeply impressed I was during the overseas roadshow by the world-class talent within the SA Reserve Bank and the Treasury. They are a measure of the South African expertise we have available to make the country a better place for all South Africans.

### THE GROUP IN AFRICA

We decided a long time ago that Africa would be the future for our business. This is a conviction that has only strengthened over time, underscored by the rate at which we have been expanding our operations on the continent and our plans for future growth. At present we are active in 14 markets beyond the borders of South Africa and we are constantly investigating other countries in Africa which we believe hold the potential for us to achieve economies of scale within a relatively short time.

We believe there are highly convincing reasons for our decision to treat the rest of Africa as our second home. The continent currently has a combined GDP of an estimated US\$3 trillion; it contains 60% of the world's uncultivated arable land; it is blessed with a wealth of natural resources; and it has a population of 1.2 billion, mainly of young people.

We are only too aware of the need to distinguish very clearly between potential and present-day realities, for Africa is still very much a continent in transition, comprising as it does a range of divergent economies all very much in the process of development.

Over our more than 20 years in Africa we have seen enormous changes taking place, including the growing sophistication of its consumers, with markets becoming far more nuanced. And despite present setbacks, the continent is still growing at a faster pace than most other regions of the world. The IMF expects Africa to grow between 2016 and 2020 at an annual growth rate of 4.3%.

Even if this is too optimistic a projection, what is important for Shoprite committing itself to Africa are facts such as that 21 million stable new jobs were created on the continent in the last five years. In addition, Africa is urbanising at a rapid rate. Over the next decade, according to a United Nations report, 187 million more Africans will move to the cities where productivity is three times higher than in rural areas. In our view this urbanisation should lead to a rapid growth in consumption by both households and businesses in the more advanced and diversified economies.

At the same time, we are only too aware of the fact that to realise its potential Africa will have to overcome formidable obstacles such as the lack of adequate infrastructure, not only in terms of roads, rail and harbours but also of a reliable and sustainable electricity supply. At the World Economic Forum in Africa, held earlier this year in Kigali, it was stated that 600 million people on the continent still don't have access to electricity.

Much progress has been made in rectifying this situation. What has not changed in any marked way is the endless red tape and bureaucracy and, as in so many other parts of the world, the graft and corruption. Bureaucratic red tape is still making moving goods across borders hugely frustrating.

Despite the existence of a number of trading blocs in sub-Saharan Africa a multitude of trade barriers remain and these, together with high import duties, are greatly inhibiting intra-African trade. We are still to see the benefits of the recently established 26-nation free-trade pact that is to create a common market spanning half the continent.

However, we have committed ourselves to Africa for the long term. Commodity markets are cyclical and those countries now suffering because of the global slump will in time blossom again when the market turns. The present drought in Southern and East Africa will end, and a country like Zambia will again flourish as food production returns to normal.



Through our presence in Africa, we are making a meaningful contribution. We have not only brought a new standard of food retailing to the countries on the continent where we trade, but we also employ over 20 000 locals in a range of positions. In addition, we have built up a network of local manufacturers with whom we work closely to ensure that their products meet the standards we demand in South Africa.

### THE BOARD

It was with considerable regret that we accepted the retirement of Mr JG (Gerhard) Rademeyer as a member of the Board at the last annual general meeting. My professional relationship with him goes back more than 30 years when he was a young chartered accountant with the auditing firm we employed. We have maintained a close relationship ever since. Fourteen years ago he became a director of the Shoprite Group and in time was appointed Lead Independent Director and chairperson of the Audit and Risk Committee. His contribution to our deliberations has at all times been insightful and authoritative. Mr EC Kieswetter has taken over his responsibilities as Lead Independent Director, while Mr JF Basson now chairs the Audit and Risk Committee. Mr Rademeyer, now 67, will be sorely missed. Our very best wishes and gratitude accompany him.

### ACKNOWLEDGMENT

Hardly a year goes by without noting how difficult and challenging it has been. But then, business is all about challenges. It is also what brings out the best in people. Even so, the past year has been particularly demanding. A year ago South Africa's economy was still growing at just under 2%; now it is down to nil. And yet we coped and survived it very well; in fact, reporting even better results than the year before. It has everything to do with people, at every level in our business, who have been toughened by the very conditions under which we operate. As a board we are only too aware of and grateful for the sacrifices all members of management and staff have made to achieve our results. At the same time as chairman I also want to recognise and extend my deepest appreciation for the incisive leadership my fellow directors have provided to make all of this possible.



**CH WIESE**  
Chairman

22 August 2016



Shoprite Palanca, Angola, re-opened in April 2016.



JW BASSON

Our results achieved in the 2016 reporting period, which covered 53 weeks against 52 in the preceding year, is testimony to the lessons learnt and experience gained over many years of operating successfully in the middle to lower end of the market. We increased total sales by 14.4% (11.6% on a comparative 52-week basis) while like-for-like growth was 5.5%.

There are many and complex factors which contributed to these results, but crucial amongst them has been an unwavering focus on ensuring the lowest prices while also subsidising the price of basic foodstuffs wherever possible. Rigorous cost control and more effective operating methods have enabled us to achieve this without compromising our trading profit margin which remained at 5.6%. Despite intense local competition we managed to keep market share above 30%.

The 12 months to June have been a challenging time for South Africa. The country is in a low-growth cycle due to external factors beyond our control such as the continued growth-slowdown in the Chinese and world economy and the uncertainty brought about by Brexit.

In the climate of political and economic challenges and high unemployment, domestic growth has slowed. The cost of living was compounded by the worst drought in 35 years which has impacted prices of basic agricultural products. As a result, the disposable income of especially lower-income consumers has come under increasing pressure.

On the other side of the spectrum, economic growth in countries such as Angola and Nigeria was stifled by the continued low price of crude oil on world markets and by ongoing political instability. We nevertheless remain confident of the potential of the continent in the longer term. The 15 markets in which we trade have a combined population of 500 million people and collectively R15 trillion in GDP.

The low commodity prices also have a positive effect over the longer term for these countries as they now are forced to reduce their dependence on oil and expand and diversify their economies into new areas and services. All the countries in which we trade, especially Angola, have vast agricultural potential which can be realised in a relatively short time to provide additional sources of income.

We have in the past year focused on customer centricity in our business approach. Fulfilling shoppers' basic requirement – every time finding on the shelf the product he or she wants at a competitive price – has major implications for the way we run the business. We took a decision very early on that the only way to ensure regular on-shelf availability would be for us to control the whole of the supply chain.

We have since created an ongoing network of distribution centres to which suppliers deliver their products and from where we service our stores in terms of their individual requirements as and when needed. We also use these centres to stock up on supplies in good times so that when prices go up, we are not immediately forced to pass on such increases to our customers.

We have greatly expanded our staff training programmes, building skills as well as a more service-orientated culture. In the 12 months to June we devoted 1.8 million hours to training members of our 137 775 staff complement to achieve these objectives. Since 2011 we have been able, through the growth in our business, to create almost 9 000 job opportunities a year on average, at a time when official unemployment has averaged more than 25%.

In our quest to satisfy customer needs, we have been rewarded by greater shopper loyalty. South Africans have voted us the top food retailer in most major consumer awards such as The Times Sowetan Retail Awards. In the most recent Deloitte Global Powers of Retailing survey, Shoprite Holdings was also named Africa's number one food retailer.

## OPERATIONAL REVIEW

### SUPERMARKETS IN SOUTH AFRICA

The South African supermarket operation, which is our core business representing more than 80% of total supermarket turnover, continues to dominate the South African food retailing sector in terms of its sheer size and customer support. It performed very well under the difficult prevailing circumstances. Boosted by a strong second half, it achieved a turnover growth of 10.9% (8.1% on a 52-week basis).

The majority of South African consumers still prefer the Group's supermarkets, which now has 29.1 million individual shoppers according to AMPS. This equates to 76% of the adult population and is double that of its nearest rival. During the year the Shoprite, Checkers and Usave supermarkets collectively served one billion customers in a single year for the first time, equating to 86 customers served per second.

The level of efficiency with which we manage our business is also reflected in our internal food inflation. Based on a monthly measurement of 81 000 product lines, it averaged just 3.5% for the year, well below South Africa's official rate of food inflation according to Statistics SA at 7.2% for the same period.

During the reporting period we opened 79 new supermarkets of which 57 are in South Africa and 22 in the countries beyond its borders. We further streamlined our food-retailing formats to better serve the needs of their communities and do so profitably. Many of these new stores are located closer to shoppers' homes for greater convenience.

The Shoprite brand, as the flagship of the Group, despite its target market coming under some pressure delivered satisfactory results. Management embarked on a number of highly successful promotional programmes throughout the Group but particularly within the Shoprite chain. Its stores also serve as important centres for the monthly pay-out of grants and paid out 19 million grants over the year for children, the elderly and the unemployed.

Checkers, and the Checkers Hypers in particular, reported solid growth during the year. Work is ongoing in the Checkers stores to further upgrade its specialist departments for cheese, wine, meat and fresh foods to increase their appeal for higher-income urban professionals in particular.

Usave with its limited range of essential product lines and promise of everyday low prices, also enjoyed a good year, growing turnover and market share.

To support the growing number of outlets, the supply chain infrastructure is continually being expanded. In Cape Town a 120 000m<sup>2</sup> development is in progress that will accommodate regional distribution. This distribution node is scheduled to become operational before the end of 2017. It will consolidate the activities of five distribution centres spread throughout Cape Town and its environs and greatly improve efficiencies in the provisioning of stores in the area.

We are also continuing to extend our expertise in the area of digital marketing, with focus on mobile technology. The Group now has 3 million followers on social media, with more than 1.2 million of them in Nigeria, given that country's high smartphone penetration.





## COMPLEMENTARY SERVICES

As part of the process of becoming more customer-centric, we have looked critically at the extent to which we are servicing customer needs through the ancillary services we offer in our stores. We want to be a place where people can transact other business too, from filling a prescription at an in-store pharmacy to booking bus, theatre or cruise tickets, or sending money to family and friends. In each supermarket there is a Money Market kiosk at which this wide range of services is offered such as account payments, mobile-related products, electricity and Lotto sales. At the same time, Computicket, which also operates mainly from the Money Market kiosks, is being refocused to place a greater accent on holiday and travel services.

The 145 in-store pharmacies in our MediRite chain in South Africa filled 5.8 million prescriptions while also providing valuable healthcare support, especially in rural areas. We are cooperating closely with the South African Department of Health and, increasingly, our pharmacies serve as pick-up points for people receiving chronic medication from the State. This service will be rolled out to 58 pharmacies in the course of 2017. Operations outside of South Africa will be the focus of the pharmacy division in the new financial year. It now runs 12 pharmacies profitably in Angola. In addition to Angola, the division also operates in Swaziland. The SA Medical Control Council recently gave permission for MediRite's wholesale division, Transpharm, to export to those countries.

Our LiquorShop chain of which the outlets in most instances are located at the entrance to our supermarkets, forms part of the total shopping experience which we provide to customers. They offer not only excellent prices but a sophisticated, quality ambience. We opened 44 outlets during the year to bring the total to 337. A highly profitable component of the Group's overall consumer offering, it increased turnover by more than 32% during the year and like-for-like sales by 15.4%. We plan to open 38 LiquorShops in the new financial year.

## NON-RSA EXPANSION

We have always considered Africa a natural extension of our business in South Africa. What we have learned in our local market we could, to a large extent, apply elsewhere on the continent. In turn, Africa has taught us important lessons we have brought home with great success.

In the past year Africa has lost some of its investment appeal given stagnant commodity prices, political uncertainty and lower growth. Our Group nevertheless enjoyed an excellent year, with sales growth for the 53 weeks of 32.6% and on a constant currency basis by 39.0%.

We have performed well in Angola, supplying our 29 supermarkets across the country on an almost continuous basis, whereas competitors were almost without exception hampered by challenges that we managed to overcome. Consequently, sales mushroomed. Although trading conditions in Nigeria were challenging because of factors such as import restrictions, a collapsing oil industry and a



Checkers Hyper Mall of Africa, Gauteng Province, South Africa, opened in April 2016.

severe lack of foreign exchange, we have continued to grow our presence. We are doing so because of our confidence in the country's potential and its future. It is, after all, the biggest economy in Africa and is the country with the highest population.

Africa is the future and we are fully committed to it. In the new financial year, we will not only be extending our presence in the countries where we already trade, but we shall continue investigating potential entry into other new markets on the continent.

### FRANCHISE DIVISION

The OK Franchise Division is an important extension to our business in that it gives us access to smaller, mostly rural communities. During the past year the division was substantially restructured and the number of OK trading formats reduced, and a strong focus placed on upgrading the stores of every member to OK standards. At the same time a programme was launched to further improve and strengthen our relationship with members, an initiative that has yielded very pleasing results.

For the first time, management is now allowing potential franchisees to acquire standalone liquor outlets without owning a convenience supermarket.

These steps, coupled with an increased frequency of deliveries to their OK stores, have resulted in a marked improvement in the quality of customer service provided by members who are fully behind our new way of doing business. As a result, turnover started climbing throughout the division, reaching close to 27% in the final quarter.

We believe the OK brand is a much more competitive and assertive player today in the markets in which it operates. The increasing number of invitations from developers to take up space in new shopping malls is only one factor to support this view. We are looking forward to continued growth in the new financial year.

### FURNITURE DIVISION

The Division's turnover growth of 15.3% (12.5% on a 52-week basis) was boosted by a substantial increase in the number of outlets in the previous financial year when it expanded its footprint by 103 stores. Two of the three chains it operates – OK Furniture, by far the largest with 387 outlets, and OK Power Express – are focused on the middle to lower end of the market while the third – House & Home – caters mainly for the higher income categories.

Like the rest of the Group the Furniture Division is accelerating its push into Southern Africa where it now runs 67 outlets in seven markets which include Mozambique, Zambia and Angola in addition to the BLNS countries.

The latest amendments to the National Credit Act has legislated a more onerous calculation of affordability. This unfortunately had a material effect on credit sales, which in turn affected finance and insurance income. The fact that these amendments came on top of a depressed economy, had a material effect on this segment's profitability.



Shoprite Mandalay, Western Cape Province, South Africa, opened in June 2016.





## “DURING THE YEAR THE SHOPRITE, CHECKERS AND USAVE SUPERMARKETS COLLECTIVELY SERVED ONE BILLION CUSTOMERS IN A SINGLE YEAR FOR THE FIRST TIME, EQUATING TO 86 CUSTOMERS SERVED PER SECOND.”

### SUSTAINABILITY

We are continually refining the structures in our business to ensure that we can operate as efficiently as possible in South Africa and elsewhere on the continent. I have pointed out before that the lessons we have learnt in other countries where an often pioneering approach is required, have stood us in excellent stead in our home market. This applies as much to resourcefulness and innovative problem-solving as it does to being mentally tough and resolute.

We have learnt that in a highly competitive market an equally high level of self-sufficiency is required with reliance on external factors reduced to the minimum. It is often said that food retailing is a replenishment business, which implies that in addition to price, product availability on the shelf is of the most crucial importance. To reduce our dependence on others in achieving this objective, we have developed a highly efficient supply line that involves a network of distribution centres to fully control the flow of merchandise to our stores. With the help of our suppliers and backed by the most advanced information systems that provide us with real-time information 24/7, we are constantly reducing costs in the supply line to ensure an in-store price benefit.

Our extensive research in mapping the future growth of the business covers a wide range of areas, from studying and accommodating changing customer buying patterns and marketing via social media to demographic studies to determine future population growth areas in the light of which we acquire suitable land for eventual store locations.

We have implemented extensive programmes to reduce energy consumption in our stores and throughout the supply line which involves major transport fleets. In following the “nil to landfill” approach, we commissioned during the reporting period a compacting facility at our main distribution centre in Centurion near Johannesburg where cardboard and plastic containers from all the stores in our Northern Region are processed for recycling. It is measures such as these that demonstrate the extent of our environmental responsibility.

To reduce our reliance on imported fresh produce for our more than 200 supermarkets elsewhere on the continent we run an extensive support programme for small-scale local farmers. We supply them with assistance at every level to produce mostly vegetable crops to the required standards. Developed as an extension of what we run for emerging farmers in South Africa, this programme involves introducing farmers to professional agriculturists as well as the hosting of farmers' days where expertise, knowledge and latest trends are shared. In Zambia, where the Group has had a presence for 20 years, it now buys, depending on the time of year, almost 100% of its vegetable requirements from local growers while in Nigeria the figure has reached about 40%.

As the growth and success of our business is driven by the availability of a sufficient number of skilled employees at all levels, training is at the heart of what we do and in the past year members of staff attended just over 600 000 training interventions devoted to different areas of the business. We target young talent in particular through in-house training and at academic institutions to ensure a

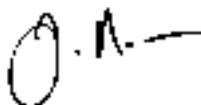
continuous and exceptional skills pipeline. To quote an example: In the light of an industry-wide shortage of trained pharmacists, several years ago we introduced a bursary scheme to ensure suitably qualified staff to propel the growth of MediRite, our in-store pharmacy chain. At present there are 83 students with bursaries studying at universities in South Africa and Angola while another 85 are either interning or fulfilling their year of community service before joining MediRite on a permanent basis. Some 70% of these students come from previously disadvantaged communities while 68% are women. The scheme has already produced almost 40% of MediRite's present complement of 172 pharmacists.

We see our extensive involvement in the community as an important part of sustaining our business, for the people of the communities in which we operate are our customers, our suppliers and our staff. We run our corporate social investment programmes in an integrated manner. Under the banner #ActForChange we focus particularly on helping to alleviate hunger in all the markets in which we have a presence. Over the past year we made surplus food from all our stores, valued at R109.3 million available to hundreds of verified non-profit organisations for distribution to thousands of people every day. At the same time our national fleet of mobile soup kitchens distributed almost 4.5 million meals this year while we are also subsidising basic food lines in our stores.

Also central to #ActForChange is the empowerment of women. We work closely with women in business to identify opportunities for those who have the potential to become suppliers to the Group. We help them develop the necessary skills and grow their businesses into sustainable operations while also partnering with them to fight hunger in their communities.

### ACKNOWLEDGMENT

Achieving the results we did in the year to June 2016 required enormous commitment and dedication from both management and staff across the spectrum. It demanded exceptional leadership at all levels, inspiring staff to give of their best in confronting what have been and remain extremely challenging market conditions. The Group is fortunate in having at its disposal a management team which has earned its spurs in a varied range of highly demanding markets. My grateful thanks go to all of them.



**JW “WHITEY” BASSON**  
Chief Executive

22 August 2016



# FIVE-YEAR FINANCIAL REVIEW

Shoprite Holdings Ltd and its Subsidiaries

	June 2016 Rm	June 2015 Rm	June 2014 Rm	June 2013 Rm	June 2012 Rm
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## STATEMENT OF COMPREHENSIVE INCOME

Sale of merchandise	130 028	113 694	102 204	92 457	82 731
Trading profit	7 278	6 328	5 714	5 392	4 665
Exchange rate losses	(46)	(132)	(9)	(4)	(8)
Items of a capital nature	(11)	(13)	3	(31)	(94)
Operating profit	7 221	6 183	5 708	5 357	4 563
Interest received	174	216	225	259	142
Finance costs	(498)	(415)	(461)	(430)	(224)
Share of (loss)/profit of associates and joint ventures	(52)	(2)	(5)	5	—
Profit before income tax	6 845	5 982	5 467	5 191	4 481
Income tax	(1 998)	(1 848)	(1 727)	(1 576)	(1 439)
Profit for the year	4 847	4 134	3 740	3 615	3 042

## STATEMENT OF FINANCIAL POSITION

### ASSETS

Property, plant and equipment	16 908	15 374	13 576	11 652	9 669
Other investments	694	725	471	179	108
Deferred income tax assets	599	469	440	420	414
Intangible assets	1 857	1 458	1 225	1 041	894
Current assets	28 181	25 885	24 803	20 176	19 988
Fixed escalation operating lease accruals	28	9	18	12	11
<b>TOTAL ASSETS</b>	<b>48 267</b>	<b>43 920</b>	<b>40 533</b>	<b>33 480</b>	<b>31 084</b>

### EQUITY AND LIABILITIES

Capital and reserves	21 338	19 092	17 217	15 184	12 745
Non-controlling interest	65	68	66	68	63
Permanent capital	21 403	19 160	17 283	15 252	12 808
Borrowings	5 124	4 872	4 684	4 152	4 035
Other liabilities	21 740	19 888	18 566	14 076	14 241
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>48 267</b>	<b>43 920</b>	<b>40 533</b>	<b>33 480</b>	<b>31 084</b>

## STATISTICS PER ORDINARY SHARE AND FINANCIAL RATIOS

Net asset value per share	(cents)	3 991.2	3 570.9	3 218.1	2 837.4	2 381.6
Basic earnings per share	(cents)	905.4	771.2	697.0	672.3	590.0
Basic headline earnings per share	(cents)	904.4	772.9	697.6	675.4	607.0
Diluted headline earnings per share	(cents)	899.7	769.1	697.6	675.4	607.0
Dividend per share	(cents)	452.0	386.0	350.0	338.0	303.0
Dividend cover (based on basic headline earnings)	(times)	2.0	2.0	2.0	2.0	2.0
Trading margin	(%)	5.60	5.57	5.59	5.83	5.64
Basic headline earnings on average total permanent capital	(%)	23.8	22.7	22.9	25.8	31.2
Inventory turn	(times)	7.1	6.9	7.1	7.7	8.4
Borrowings: Total equity	(:1)	0.239	0.254	0.271	0.272	0.315
Net finance costs cover	(times)	28.93	40.53	31.38	39.83	70.60

## DEFINITIONS

**Trading margin:** Trading profit expressed as a percentage of sales.

**Inventory turn:** Cost of merchandise sold, divided by the average of inventories at the beginning and the end of the financial year.

**Basic headline earnings:** Profit before items of a capital nature, net of income tax.

**Net finance costs cover:** Earnings before interest, income tax, depreciation and amortisation (EBITDA) divided by net finance costs.



## STATEMENT OF COMPREHENSIVE INCOME

## SALE OF MERCHANDISE

- As a general rule most international retailers report their results in full weeks. The Group also uses this accepted accounting practice, with the result that an extra week is included approximately every five to six years. This extra week is included in this year's results.
- Total turnover increased by 14.4% to R130.028 billion, a good performance seen in context of the state of the economy in Africa, and the rest of the world for that matter, in general. Turnover grew by 11.6% when the extra week is excluded. In a climate of political and economic instability and high unemployment, domestic growth has slowed even further. This was compounded by a severe drought, not only in RSA, but also beyond and this affected most of the Southern African countries we trade in. These factors in itself make the performance of the Group more impressive.
- Turnover growth during the second half of the year in particular was a lot more buoyant when compared to the first half, mainly due to a number of very successful promotions which ensured that customers remained loyal to our brands.
- The following table gives the relevant turnover per segment:

	52 weeks Sales Growth %	53 weeks Sales Growth %	53 weeks June 2016 Rm	52 weeks June 2015 Rm
Supermarkets RSA	8.1	10.9	94 167	84 945
Supermarkets Non-RSA	29.1	32.6	22 246	16 781
Furniture	12.5	15.3	5 207	4 516
Other Operating Segments	11.9	12.8	8 408	7 452
Total Sales	11.6	14.4	130 028	113 694

- Supermarkets RSA reported a 10.9% growth in turnover to R94.167 billion. Although the average customer remained financially stressed, Supermarkets RSA had a number of highly successful promotions, especially during the second half of the year, which contributed to its turnover growth. The Group continues with its innovations in value added categories like cheese, wine and meat. Supermarkets RSA opened a net 49 stores during the year.
- Average internal food inflation decreased from 4.6% in 2015 to 3.5% in 2016 but has been increasing steadily to about 5.5% in June 2016. This in comparison to the official food inflation of 7.2% for the 2016 financial year and 10.8% in June, which indicates that not all increases were passed on to the customers.
- The rand and most African currencies in which the Group trades maintained its relative weakness to the US dollar. Supermarkets Non-RSA continued to see headwinds with the continued low price of oil in world markets and a concurrent lack of foreign currency in the oil producing countries, such as Angola and Nigeria. However, the Group continued with its strategy of importing inventory to ensure that customers have a proper range of products available to them. This contributed to this segment's excellent performance (particularly in the second half of the year) with a reported growth of 32.6%, contributing R22.246 billion to Group turnover after conversion to rand. In constant currencies the growth in turnover was 39.0% (35.3% on a 52 week basis). The Group opened a net 18 new supermarkets during the year outside of South Africa and included in this number is the flagship Palanca store that re-opened.
- Trading conditions for the furniture business also remained difficult, but it managed to increase turnover by 15.3% to R5.207 billion. The strongest turnover growth was again reported by OK Furniture at 19.2%, which targets middle- to lower income consumers, while House & Home increased its turnover by 6.4%. Credit participation reduced even further to 24.2%, due to the new compulsory

affordability assessments with the resultant negative effect on finance and insurance income. The furniture division opened a net 26 new stores during the year.

## GROSS PROFIT

Gross profit comprises primarily gross margin after markdowns and shrinkage. In line with IFRS (IAS 2: Inventory and IFRIC Circular 9/2006), the Group deducted settlement discounts and rebates received from the cost of inventory.

The Group continued to maintain its price competitiveness in the face of stiff competition, not only from existing players but also new entrants to the market. The Group continued with its strategy of subsidising certain basic foodstuffs in an effort to ease the plight of customers battling with price increases on every front. Despite cutting the margins on basic foods the Group maintained gross profit margins as a result of efficiencies in systems and logistics infrastructure, the latter now able to handle bigger volumes due to the new and extended distribution centres. This resulted in the gross profit margin increasing to 20.9% compared to 20.7% in the previous year. Gross profit increased by 15.8% to R27.236 billion, slightly higher than turnover growth. Shrinkage remains well under control, but crime (robberies, theft and burglaries) is increasing by the day, forcing the Group to increase its spend on security and loss control.

## OTHER OPERATING INCOME

Other operating income increased by 8.3% to R3.711 billion, mainly due to an increase of only 1.7% in net premiums earned, a direct consequence of the reduction in the credit sales business that flowed from the changes made to the regulatory affordability assessments. The previous year also included a provision for the loss of profits for the Palanca store to be recovered from the insurers. This provision was greatly reduced this year when the ceiling for this type of insurance was reached.

## EXPENSES

Cost management remains a high priority for the Group as trading margins are always under pressure due to the increased competition in food retailing.

- Depreciation and amortisation:** The Group is continuing to increase its investment in information technology. It is also opening new stores while simultaneously implementing an ongoing refurbishment programme for older stores. On average, stores are revamped every seven to eight years. In addition 131 new corporate stores were opened during the year with 27 closing down.
- Operating leases:** 104 net new corporate stores were opened during the year and the increase in turnover also saw a commensurate increase in turnover rentals paid. Certain lease payments were reduced by head leases that were either not renewed or were renegotiated during the year.
- Employee benefits:** The increase in staff costs of 11.7%, which is less than turnover growth, was mainly due to the resulting staff requirements of increased turnover as well as the number of new store openings. Productivity improvement continued with additional focus on improving and maintaining in-store service levels. Included in employee benefits are provisions for long term incentives to retain staff.
- Other operating expenses:** These costs, which increased by 17.3%, cover expenses such as electricity and water, repairs and maintenance, security and credit card commissions paid. The Group maintained its provision for reinstatement of leased buildings where it has an obligation to maintain the exterior of such buildings. The growth in other expenses was mainly due to the increases in electricity (tariff increases), repairs and maintenance (revamps and other normal expenses) and security expenses growing more than turnover growth. Some of the other expenses also outgrew turnover due to the number of new stores opened.



**TRADING PROFIT**

Trading margins increased slightly from 5.57% to 5.60%, due to the increase in gross profit and proper management of expenses.

**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 (FCTR). 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 dollar held in offshore accounts.

During the year we had a devaluation of the Angola kwanza, the Nigeria naira and the Zambia kwacha which continued to affect the short-term loans. The result was a currency loss of R46 million compared to a loss of R132 million in the previous financial year.

The table below gives the approximate Rand cost of a unit of the following major currencies at year-end:

	2016	2015	2014
US dollar	14.775	12.126	10.617
Euro	16.393	13.581	14.478
Zambia kwacha	1.514	1.641	1.710
Angola kwanza	0.089	0.100	0.109
Mozambique metical	0.221	0.282	0.332
Nigeria naira	0.052	0.061	0.065

**NET INTEREST PAID**

The Group utilised overnight call facilities for both short-term deposits and borrowings for the year. As in the past, the Group funded all capital projects utilising short-term borrowings and cash reserves.

Net interest paid increased to R324 million for the year compared to a net payment of R199 million in the previous year. This is mainly due to higher interest rates and higher utilisation of short-term call borrowings.

In addition the Group is faced with the requirements of IFRS (IAS 39) for the treatment of the interest on the convertible bonds. IFRS requires the debt component of the convertible bonds to be measured at amortised cost, using the effective interest method at the Internal Rate of Return. The interest expense calculated at the Internal Rate of Return of 10.09% amounted to R449 million for the year under review compared to the actual interest paid amounting to R305 million at the coupon rate of 6.5%.

**INCOME TAX EXPENSE**

The effective income tax rate is higher than the nominal income tax rate due to certain non-deductible expenses such as leasehold improvements as well as income tax losses in certain non-RSA countries that cannot be utilised for Group purposes. The non-deductible expenses reduced this year, with the result that a slightly lower rate is reflected. In a number of the non-RSA countries a minimum tax is applicable, contributing to the higher overall tax rate.

**HEADLINE EARNINGS PER SHARE**

Basic headline earnings per share increased 17.0% from 772.9 cents to 904.4 cents and result mainly from the increase in turnover due to an improved second half as well as the new stores opened. Diluted headline earnings per share increased by 17.0% from 769.1 cents to 899.7 cents. This dilution was due to the share incentive scheme implemented two years ago. Should the effect of the 53<sup>rd</sup> week be excluded, then this growth would have been 12.7%.

**STATEMENT OF FINANCIAL POSITION****NON-CURRENT ASSETS****PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS**

During the year the Group spent R4.752 billion on property, plant and equipment and software compared to R4.631 billion in 2015.

The Group is also continuing with its policy to purchase vacant land for strategic purposes and building retail premises when no developers can be found. During the year the Group spent R660 million on such land and buildings. The investment in refurbishments amounted to R698 million, while R1.357 billion was spent on new stores (excluding land and buildings), R1.125 billion on information technology and the balance on normal replacements. The Group is continuing with the process of upgrading its merchandising, master data and central stock ledger systems. This will be continuing into the next financial year. Capital commitments of R1.682 billion have been made relating to improvements for the next financial 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 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. The Group continued its investment in new SAP software. Software is amortised over its useful life of three to seven years.

Trademarks mainly represent the purchased Computicket, Transpharm and Seven Eleven/Friendly Grocer trademarks and is 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 income tax bases of assets and liabilities, and their carrying values for financial reporting purposes. This asset developed primarily from provisions created for various purposes as well as the fixed escalation operating lease accrual.

**CURRENT ASSETS****INVENTORIES**

Inventories amounted to R15.4 billion, an increase of 12.6% on the previous year. The inventory turn, based on cost of merchandise sold, was 7.1 times (2015: 6.9 times). The increase in inventory resulted mainly from the following:

- The provisioning for a net 104 new corporate stores; and
- The extension to the DCs in Centurion, Brackenfell and KZN with more suppliers and products now flowing through these facilities.

**TRADE AND OTHER RECEIVABLES**

Trade and other receivables mainly represent instalment sale debtors, franchise debtors, buy-aid societies and rental debtors. Adequate allowance is made for potential bad debts and the outstanding debtor's book is reviewed regularly.

The allowance for impairment and unearned finance income in respect of instalment sale debtors amounted to 19.4% compared to 15.9% the previous year. This increase was to take cognisance of the general debt environment and to maintain the Group's conservative approach.

The allowance for impairment is now done by utilising a basic Chain Ladder Method with explicit allowance for expected write-offs while the Group is preparing for the implementation of IFRS 9 on Financial Instruments which will require the recognition of a potential impairment at the time of the initial credit transaction.





## CASH AND CASH EQUIVALENTS AND BANK OVERDRAFTS

Net cash and cash equivalents amounted to R3.8 billion at year-end, compared to R7.1 billion in 2015. This movement was mainly due to the capital expenditure, including land and buildings, of R4.752 billion as well as the unfavourable month-end which saw creditors being paid before the accounting month-end.

## CURRENT LIABILITIES

### 6.5% CONVERTIBLE BONDS

On 2 April 2012 Shoprite Investments Ltd issued 6.5% convertible bonds due April 2017 for a nominal amount of R4.5 billion. On 9 May 2012 a further issue in a nominal amount of R200 million was made to Shoprite Checkers (Pty) Ltd, to be utilised as part of an incentive scheme for its employees. This scheme was implemented during June 2014.

A specific authority was granted at an extraordinary general meeting held on 28 June 2012 for the issue of a maximum of 30 million new ordinary shares of Shoprite Holdings upon conversion of the convertible bonds. The initial conversion price is R168.94 per ordinary share. On 28 May 2012 these convertible bonds were successfully listed on the Johannesburg Stock Exchange.

In terms of the Memorandum of Incorporation of Shoprite Holdings Ltd its borrowing powers are unlimited.

In terms of IAS 39 the convertible bonds are classified as compound financial instruments and thus requires a split between equity and liability components.

The liability component (bond) is recognised initially at the fair value of a similar bond that does not have an equity conversion option, in other words a vanilla bond. The rate used is a market related borrowing rate which would normally be a swap rate plus a credit margin. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component is measured at amortised cost using the effective interest method. The equity component is not re-measured subsequent to initial recognition except on conversion or expiry.

The movement in the closing value of the liability as well as the difference in interest calculated and paid is demonstrated below:

	June 2016	June 2015
	Rm	Rm
Liability component at the beginning of the year	4 511	4 381
Calculated interest expense	449	436
Interest paid (6.5%)	(305)	(306)
Liability component at the end of the year	4 655	4 511

These convertible bonds are due for conversion in April 2017 and have thus been reclassified as current liabilities.

### PROVISIONS

Adequate provision is made for post-retirement medical benefits, reinstatements, onerous lease contracts, 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 mainly to pensioners and will be settled during the next financial years.

### HIRE PURCHASE SALES

The Group continued to supply credit facilities as part and parcel of its furniture business. The management and administration of this debtor's book is done in-house as the granting of credit is deemed an integral part of selling furniture.

### SHOPRITE INSURANCE

The Group operates its own short-term insurance company as part of the furniture business and as an insurance vehicle for its own assets. During the year under review net premiums earned relating to third parties amounted to R416 million compared to R409 million the previous year. Net premiums for credit protection amounted to R270 million compared to R269 million in the previous year. As in the past, the Group accounts for premiums earned and extended guarantee fees over the life of the policy. In South Africa insurance premiums are invoiced and earned on a monthly basis. This is in line with the National Credit Act.

At year-end the insurance company had a Capital Adequacy Requirement as per the Insurance Act of R168 million, with actual net statutory assets amounting to R592 million giving rise to a cover of 3.5 (2015: 3.0) before the declaration of dividends to the holding company.

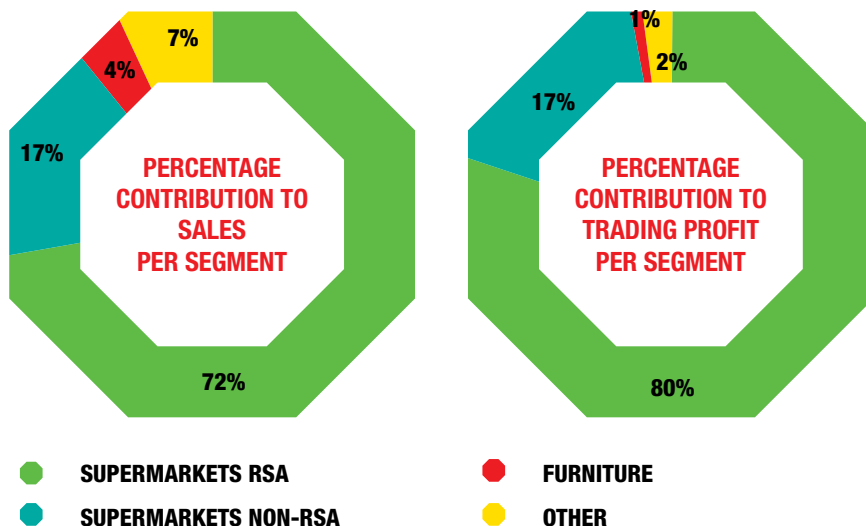


## HOW WE DO BUSINESS

**WHILE THE SHOPRITE GROUP'S PRIMARY BUSINESS IS FOOD RETAILING, OUR OFFERING EXTENDS TO A BROAD RANGE OF GOODS AND SERVICES INCLUDING HOUSEHOLD PRODUCTS, FURNITURE, PHARMACEUTICALS AND FINANCIAL SERVICES AMONGST OTHERS. AT THE HEART OF OUR OFFERING IS AN UNWAVERING DEDICATION TO PROVIDING THE LOWEST PRICES TO PEOPLE OF ALL INCOME LEVELS ACROSS AFRICA.**



Below we provide an analysis of sales and trading profit per segment to illustrate the relative size of each:



We achieve this by pursuing efficiency in everything we do. Our advanced distribution centres and sophisticated supply line infrastructure enable us to trade across the globe seamlessly, move products to remote areas of Africa and give us greater control over our operations. This empowers us to overcome economic challenges without compromising on quality.

By setting the conditions for enduring success, we can continue to provide affordable food to our communities, invest in social upliftment and contribute to the African economy – all while creating value for all our stakeholders.

The Group's history validates the sincerity of this objective. The steady growth in number of stores, number of countries we operate in and number of communities we serve attest to the continuous effort, disciplined processes, teamwork and ultimately the progress we've made.

To ensure that the Shoprite Group remains a long term viable and prosperous business on the African continent, we focus on the following:

- **Customers:** staying true to our lowest price promise and continuously meeting our customers' needs and expectations;
- **Employees:** attracting, developing and retaining a loyal and committed workforce who works within the same organisational culture with personal alignment to our Group's objectives;
- **Suppliers:** building and maintaining strong relationships with a broad and diversified group of suppliers thereby ensuring sustainable supply, safe products and the best prices;
- **Natural environment:** concentrating our environmental efforts on initiatives that will sustainably reduce costs across the value chain; and
- **Communities:** supporting and developing the communities within which we operate, as our welfare and prosperity are entangled, and members of these communities represent our current and future customers, suppliers and employees.

This report aims to detail the ways in which we create value for each of these stakeholder groups. We include metrics of progress and success that are internally used by the Group's senior management team as well as comparative numbers, evidencing that our performance is not extraordinary, but consistent.

As Supermarkets RSA is by far the most significant segment of the Shoprite Group, this report focuses mainly on the activities of the supermarket business in South Africa. However, certain functions, such as human resources, cover all operations.





Samantha Weber  
(Public Relations Officer,  
Shoprite Western Cape) and  
Mario Liedeman (Branch  
Manager, Shoprite Parow)  
hands over a R5 000 gift card  
to the lucky shopper,  
**SUZETTE JORDAAN**, to mark the  
**ONE BILLIONTH  
TRANSACTION.**

### 1. FOCUSING ON OUR CUSTOMERS

Our primary focus is to provide affordable, safe, quality food to our customers, helping people put food on the table.

Food represents a significant portion of expenditure for households. Affordability is one of the key internal metrics of success of the Shoprite Group and price leadership remains a focus throughout the business.

#### WHAT OUR CUSTOMERS SAY

**29 MILLION  
PEOPLE, OR  
76% OF  
THE ADULT  
SOUTH  
AFRICAN  
POPULATION,  
CURRENTLY  
SHOP AT ONE  
OF OUR  
SUPERMARKET  
BRANDS.**

The number of South Africans who choose to frequent Shoprite supermarkets is our greatest validation, but consumers have chosen the Shoprite chain in other ways as well. Shoprite won six national consumer brand awards in the last year, which we take as substantiation of the fact that we're delivering on our promise of lowest prices every day on the things our customers need most.

We also conduct two large customer satisfaction surveys, known as Brand Health Trackers, every year. Based on these surveys of 1 500 respondents, Shoprite remains South Africa's low-price leader, with 80% of our customers satisfied or extremely satisfied with our low prices relative to those of our competitors.

### AFFORDABILITY

Our drive for price leadership is relentless and we meticulously monitor our internal inflation against national averages. Our competitiveness is the culmination of an unwavering focus on efficiencies, cost savings, optimal supply chain management and sourcing based on strong relationships with local suppliers in each country where the Group trades.

As a further mechanism to keep our promise to our customers, we have instituted a food subsidy campaign for the second year running. This involves us selecting basic foodstuffs every month and dropping its price as near as possible to cost – sometimes below for extended periods. Over the last year we have subsidised products to the value of R32 million.



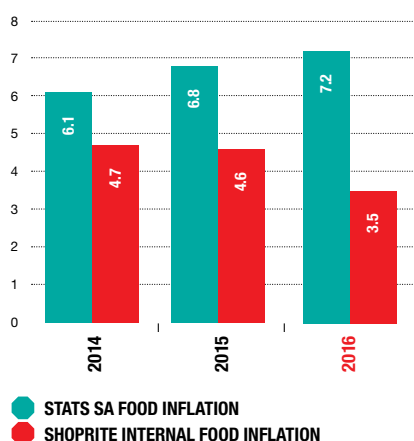




As a result of our efforts, we have maintained the pace of internal food price increases consistently below official food inflation. Below we compare our internal food inflation with official national average food inflation in South Africa:

FINANCIAL YEAR	STATS SA FOOD INFLATION (FOOD NAB*)	SHOPRITE GROUP INTERNAL FOOD INFLATION
2014	6.1%	4.7%
2015	6.8%	4.6%
2016	7.2%	3.5%

\*Non Alcoholic Beverages



## FOOD SAFETY

For the Shoprite Group, food safety is of utmost importance, a fundamental component of our offering and crucial for long term viability. We have a dedicated department responsible for maintaining and continuously improving processes that ensure food safety and quality, supported by internationally accredited auditing and certification service providers.

We have a collaborative approach

towards food safety and our food safety department engages with each role player in the supply chain, from the buyer, the technologist, supplier, distribution network and store as each has a role to play in food safety. All participants in this chain have to ensure that communication is optimum, such that information shared and transferred is correct during product development, production, transportation, distribution, point of sale and after purchasing, prior to consumption.

Our processes to ensure that every customer buys food that is safe and appropriately labelled, include the following:

1. We ensure that all our **suppliers**, including national brands and private labels adhere to food safety and quality standards. We achieve this through continuous verification that all suppliers have valid and appropriate food safety certificates in line with our requirements. Our audit requirements for suppliers take cognisance of the different type of suppliers we have, ranging from small scale, local suppliers to international suppliers with staggered food safety and quality standards. We currently have 3 000 supplier sites loaded on our system.
2. We **test products** to ensure that they meet all safety, legal and quality requirements and that labels accurately reflect the contents of the product and comply with legislation and labelling regulations. Our product tests include microbiological tests, chemical tests, labelling and quality compliance. We continuously evaluate our testing programme to identify any possible improvements in line with industry developments and any potential public health concerns. For the year under review, we added tests for veterinary drug residues used in food producing animals.
3. On 1 March 2015 we successfully launched a **product specification system** where technical product information for all our private label products are detailed. Private label suppliers have registered to upload product specifications on our system and while this is an ongoing process, we have since made significant progress on loading both suppliers and product specifications.
4. We **audit all our stores** quarterly and our distribution centres are subject to PPECB (Perishable Products Export Control Board) and Good Distribution Practice audits annually in accordance with food safety standards.

We benchmark and write non-RSA countries' legislation into useable and auditing documents in order for suppliers to use their local legislation to implement legal requirements and implement food safety. Zambia is the first country we

started with and the non-RSA programme will be rolled out to Angola and Nigeria next.

5. We have an electronic **recall system** in place that enables effective and efficient recall of any item.
6. We contribute to **industry associations and regulators** such as the Consumer Goods Council of South Africa and the National Regulator for Compulsory Standards (NRCS) and thereby ensure that we stay up to date on all developments and that our concerns are appropriately voiced.

Detailed reports on compliance are produced monthly and examined by local managers, divisional managers, and ultimately the COO. The continuous monitoring and broad visibility of food safety metrics ensure that a food safety culture is ingrained within the Group. Our continuous internal staff education programme that includes specific modules on food safety and quality supports this culture.

	REGISTERED SUPPLIERS SUBJECT TO FOOD SAFETY		
	RSA STORES INDEPENDENTLY AUDITED	REVIEWS OR AUDITS	CONFIRMED FOOD SAFETY INCIDENTS
	2014	2015	2016
	100%	100%	100%
	—	—	—

## 2. FOCUSING ON OUR EMPLOYEES

The continued success of our business relies on a strong culture of excellence and commitment amongst our workforce. Attracting and retaining the right people and maintaining healthy relations with our employees and labour representatives are essential to continuously improve our competitive positioning. The Shoprite Group's bursary programmes provide a pipeline of valuable skills, and our learning and development programmes ensure that employees are able to reach their potential and that our workforce is best able to support the Group's business objectives.

## ATTRACTION AND RECRUITMENT

The Shoprite Group is South Africa's largest private sector employer and our growth in all countries we operate in necessitates the continuous recruitment of staff across all levels, in different languages and cultures.

We pride ourselves in our human resources management processes and the annual growth in total staff complement serves as evidence that our team has developed appropriate institutional processes that facilitate the attraction and recruitment of staff.





Photo: Jacques Stander

Lizwe Mnyamana (25) formerly a deaf employee of Shoprite Checkers, has since joined eDeaf and today trains the Group's deaf learners.

The table below illustrates the growth in number of employees over the last three years:

		PERCENTAGE OF TOTAL BLACK REPRE- SENTATION
	NEW JOBS EMPLOYEES CREATED	
2014	123 100	95.9%
2015	132 942	96.1%
2016	137 775	96.6%

## LEARNING AND DEVELOPMENT

Continuous training of all employees remains a key focus to our Group, as it enables us to effectively communicate working standards, processes and practices, changes in legislation or regulatory requirements and to create the culture that encompasses the Shoprite Group's philosophies, work ethics and values.

The Group has made a substantial investment in people development over the last two years, with year-on-year growth of more than 43% in training interventions and more than 25% in training hours.

	BENE- FICIARIES	TRAINING DAYS	INTER- VENTIONS	TRAINING HOURS
2014	76 694	173 463	293 756	1 387 707
2015	97 833	175 986	426 560	1 407 889
2016	112 661	221 842	611 780	1 774 734

At branch level, our objective is to create a learning environment where the majority of staff has greater access to learning, with improved transparency regarding the Group's

learning offerings and opportunities. Our aim is to drive mobility through the optimum use of technology and double the amount of learners trained, but halve our training spend. We have successfully utilised our new Group e-Learning platform at store level and rolled out competency and job-based learning curricula at entry level. With the number of live e-Learning courses reaching 87, the Learning and Development Team continues to observe increased participation in e-Learning interventions.

## E-LEARNING VS CLASSROOM-BASED TRAINING INTERVENTIONS

	CLASSROOM	E-LEARNING
2014	1 387 707	—
2015	1 315 288	92 601
2016	1 418 198	356 536

After the successful implementation of e-Learning in our supermarket environment the need for standardised individual e-Learning for systems and process training still exists. Over the next 18 months, we will implement an end-to-end e-Learning solution that includes the installation of approximately 2 500 dedicated training kiosks in operations, covering all our supermarket brands and DCs in all countries. With this initiative, each store will be transformed into a learning hub, ensuring stable, standardised and integrated training. This initiative will result in significant savings as learning can reach a large number of people in a short period of time particularly in a geographically dispersed organisation such as the Shoprite Group.

The Group also offers numerous learning interventions to ensure a pipeline of talent in our scarce- and critical skills environment. Some of these critical learning interventions are:

- Focussed learning programmes for Artisans such as Trainee Bakers and Trainee Meat Technicians;
- The Trainee Accountant Programme focussing on the development of Chartered Accountants. In this regard, the Shoprite Group received acknowledgement from SAICA for the quality of our Trainee Accountant Programme in Commerce and Industry;
- A mandatory blended learning curriculum for Trainee and Junior Buyers;
- A comprehensive on-board programme and curriculum for newly appointed Business Analysts;
- Management/Leadership Development interventions and succession planning actively driving and supporting our Employment Equity strategy; and
- Technical skills training for truck, forklift and reach truck drivers in our distribution environment. Employee wellness for truck drivers was addressed through a very successful Fatigue Management programme.

Additionally, our skills development programmes focus on equipping people in our communities with the relevant skills to make them more employable in the retail industry. With this goal in mind, and in support of our B-BBEE Skills Development targets, we launched a new Retail Readiness Programme in early 2016 through the SC Development Trust. This programme saw 5 373 unemployed youth trained on a two-month accredited training programme. Permanent employment was offered to all learners who successfully completed the programme, filling existing entry-level vacancies within operations.

The Shoprite Group's overarching objective is to become the most cost-effective and efficient Retail Varsity in the World – delivering on the demands created by the Group's growth and transformational strategies.

## STAFF TURNOVER AND SUCCESSION PLANNING

Staff turnover is of key importance to the Group on managerial levels. Due to the working environment in the retail industry, lower level employees' turnover remains high, but we are proud of our stable turnover rate for more senior level employees.

### STAFF TURNOVER – MANAGERIAL LEVELS

2014	16.27%
2015	16.72%
2016	16.73%

Succession planning is in place for all key positions in the Group. Planning sessions are held at divisional level and development plans are identified for relevant individuals. The Group's practice is to fill vacancies from within. Senior levels are also filled from within and this has a major impact on the culture within the organisation – employees realise that there is a possible career path that they can aspire to.

## EMPLOYEE SAFETY

The health and safety of our employees and customers is of the utmost importance and we have in place robust systems and processes to reduce any health and safety-related risks.

At Group level, we strive for ongoing Occupational Health and Safety awareness and a delivery of standards that ensure a safer and healthier workplace environment. Delivered to our employees via the Worktrainer Risk Solutions platform, health and safety training interfaces with operational risk management to sustain our compliance and governance levels. The platform was rolled out to all South African operating sites in the Shoprite Group and we have now expanded the reach into all neighbouring countries and across Africa where the Group's footprint continues to grow. In the year under review, 10 250 specific training interventions were delivered online in the operational environments.

Adjacent to training, compliance risk management checklists are completed online, and serve not only to enhance the training and efficacy of our policies, but also to address areas of concern. A total of 184 688 audit checklists were completed in the year and this serves to highlight the diligence and commitment of Management staff to deliver on the established standards.

Our system further enables the appropriate reporting of any health and safety related incident, together with controls to ensure that appropriate follow-up action is taken when needed.

All serious incidents are reported to the Chief Financial Officer for immediate attention and action. Regular divisional inspections and spot-checks are conducted to ensure store-level adherence to company health and safety guidelines.

#### REPORTABLE INCIDENTS\*

2014	6
2015	7
2016	7*

\*In the year under review seven safety incidents occurred, four of which involved personnel from contractors.

#### HIV/AIDS AND HEALTH TESTING PROGRAMME

The Shoprite Group's HIV and AIDS Programme includes a 24/7 HIV and AIDS Call Centre; a Post-Exposure Prophylactics Medication Programme; and face-to-face trauma counselling. These services are also made available to the families of employees.

In 2015 testing for diabetes, cholesterol, high blood pressure and BMI were added to the Voluntary Counselling and Testing programme. The inclusion of these tests has increased the uptake of employees testing for HIV. The average HIV prevalence rate amongst employees who were tested was 8.4% during 2015/16, relative to our Actuarial Impact Analysis estimate of a 9.5% prevalence.

A programme to appoint 2 100 HIV peer educators was launched in 2015, and continued training of these peer educators remains vital to the success of the programme.

#### BROAD-BASED BLACK ECONOMIC EMPOWERMENT

Our Group supports the South African government in its efforts to broaden the formal economy to the benefit of all the people of South Africa.

We are proud to have had a track record of a 100% B-BBEE score over the past years. Notwithstanding the fact that the B-BBEE targets for the 2015 year increased, the Shoprite Group maintained its B-BBEE level of 100% and a B-BBEE recognition level 4. The level 4 certificate remained valid until May 2016 and we are currently busy with the verification process for the new certificate based on the new codes.

B-BBEE ELEMENT	MAXIMUM	2015	2014
Ownership	20	7.87	8.80
Management Control	10	3.34	4.80
Employment Equity	15	12.35	6.70
Skills Development	15	8.26	10.60
Preferential Procurement	20	14.07	17.80
Enterprise Development	15	15.00	15.00
Socio-economic Development	5	5.00	5.00
	100	65.89	68.70



#### CASE STUDY

**The Super Service Awards competition is our staff incentive programme that rewards staff for providing superior customer service. The Super Service Awards encompasses 180 000 staff, both employees and sub-contracted staff, in 1 855 stores, trading in a total of 15 countries.**

**Focusing on key areas of service – Staff, Store and Stock – the Super Service Awards competition requires all branches across all brands within the Group to participate in three rounds annually. Each of the rounds use operational measures such as retail audits, food safety audits, stock management reports, sales reports, as well as a visit from a mystery shopper to determine the top scoring stores. Staff then receives rewards for their participation and teamwork as well as for their branch's performance throughout the course of the year.**







The solar photovoltaic plants at Checkers Kathu, Northern Cape Province, South Africa, utilises 3 300m<sup>2</sup> of roof area and generates 2 306 kwh per day, enough to travel 10 000km in an electric car.

The targets set by the new codes and the sub-minimum requirements included therein shifted the B-BBEE goalposts considerably and will generally affect the scores of most corporates. This will challenge the industry and suppliers to maintain their previous B-BBEE standings.

The Shoprite Group managed to up its B-BBEE commitment to the extent that it will reach the sub-minimum targets required in the next verification cycle. Some of the Code requirements are not within our control, such as preferential procurement, for which a solution is being sought.

Ownership is one of the key challenges in improving our B-BBEE score and as a Group, we are actively dedicating time and resources to address this component.

### LABOUR RELATIONS

The Group strives to maintain positive, well-established relationships with all recognised trade unions in all its operations across Africa. There are currently nine trade unions who hold recognition with the Group and they represent 36 109 of the Group's eligible employees (or 30.38%) through their recognition. We also meet annually with the UNI Global Union federation to whom most of these trade unions are affiliated. We view the role and involvement of trade unions as a necessary mechanism to ensure a healthy labour relations environment.

Trade union representatives are also present in our formal Employment Equity, Skills Development, and HIV/Aids Committees in South Africa. These forums, together with the collective bargaining forums, serve as vehicles through which employee stakeholder concerns and expectations are addressed.

The Group maintains a neutral attitude towards trade union membership, and the

decision whether to join is for each employee to take based on own conviction.

We are currently two years into a three-year wage agreement with the South African trade union. Labour disputes in the Group were resolved without any notable incidents of unrest during the period under review.

### PERFORMANCE INCENTIVES AND REWARDS

The Remuneration Committee reports details on financial mechanisms for aligning employees' personal objectives with Group objectives. In addition to financial incentives and rewards, our Group has developed some incentive programmes that assist to identify excellence and reward business units with recognition and non-financial rewards.

### 3. FOCUSING ON OUR ENVIRONMENT

The environmental impact of our activities, and those of our value chain, has a direct effect on the current and future quality and price of our products and our ability to build the Shoprite brand sustainably. In alignment with our low price promise, we concentrate our environmental efforts on initiatives that will sustainably reduce inefficiencies, carbon footprint and costs across the value chain.

Environmental risks are managed as part of numerous multi-disciplinary company-wide risk management processes. Environmental risks and opportunities are prioritised based on materiality which is determined through a qualitative assessment of the potential likelihood and impact on the business. Material risks and opportunities are identified by all significant business units, and reported to the quarterly Risk Forum meeting as well as the Social and Ethics Committee.

Our analysis and evaluation of possible actions are prioritised based on the following:

- Comparative return on investment;
- The strategic benefit to the business;
- Legislative requirements; and
- Consumer impact.

### CLIMATE CHANGE

The Shoprite Group remains committed to supporting international efforts aimed at measuring and controlling carbon emissions. To this extent the Group has initiated its 5<sup>th</sup> consecutive CDP submission during the period under review. Through this process of measurement, the Group can accurately identify areas of high emissions and develop appropriate and specific strategies to reduce these.

From a long term perspective, the significant contribution of electricity towards both our operational cost and carbon footprint saw energy efficiency and related investment becoming a strategic lever over the last 5 years. The physical impacts of climate change such as drought-induced water shortages, flooding of stores and the associated loss of trading hours/income are further key influencing factors of the longer term strategy.

We are in the process of undertaking the following actions:

- Changing equipment procurement strategies to include and prioritise energy efficiency considerations;
- Changing new building development and refurbishment decision strategies to include and prioritise energy efficiency considerations;
- Changing the maintenance strategy from a predominately reactive nature to a more proactive maintenance approach. A direct consequence of this action is the investment in an enterprise refrigeration management solution detailed below;

- Implementing a strategy to reduce water and electricity consumption which has seen a team of dedicated resources aiming to achieve the targets set by the Group;
- A remuneration strategy which, among other things, incentivises staff to reduce waste to landfill, electricity and water consumption, fugitive emissions (refrigerant gases) and fossil fuel consumption; and
- Continuing to update the carbon disclosure and reporting strategy and engaging with policy makers on a regular basis.

The Group's absolute carbon emissions are approximately 1 650 000 tonnes of CO<sub>2</sub>e, where Scope 1, 2 and 3 contribute 9%, 91% and 1%, respectively. Refrigeration, air-conditioning and lighting form a significant part of the Group's operations with more than 17 000 refrigerated cabinets, 5 500 refrigerated rooms, 650 central air-conditioning plants and 1 000 000 lamps.

Emissions resulting from the loss of refrigerant, electricity consumed, and waste to landfill discarding are major contributors to the Group's Scope 1, 2 and 3 emissions, respectively.

The Group is in the process of implementing an Enterprise Refrigeration System that will monitor and control its refrigeration estate centrally. The long term strategy is to enhance the system to also monitor and control air-conditioning and lighting systems amongst others. We are also in the process of replacing all traditional lamp technologies with LED solutions and installing solar photovoltaic (PV) systems on the roofs of our outlets aimed at not only reducing the electricity consumed from the grid but also to be more self-sufficient.

These projects and system aim to reduce the Group's absolute carbon emissions by more

than 235 000 tonnes of CO<sub>2</sub>e and, as a fringe benefit, greatly save on maintenance cost.

Shoprite's drive towards centralised distribution plays a vital and fundamental role in continually reducing the carbon footprint for both Shoprite and the FMCG industry. Over 2 000 suppliers no longer deliver on a "direct-to-store" route to market. This eliminates millions of unnecessary and inefficient kilometres driven from store-to-store as well as alleviating the back-door congestion. This costly and inefficient route to market ultimately increases product pricing. Suppliers now focus on their core competency and not on unnecessary costly warehousing and transportation. This further empowers small and medium sized enterprises that utilise Shoprite's supply chain.

Carbon emission comparison between peers within our sector is complicated as the CDP lacks sector-specific reporting standards, and, as a consequence, submissions between peers are inconsistent. Factors such as space utilisation, i.e. food vs. clothing vs. appliances, in-sourcing or outsourcing of distribution networks, or the inclusion or exclusion of franchises, is critical to enable comparisons. We invite interested parties to contact us for further information and this will allow us the opportunity to enter into discussions and provide insight into carbon footprint calculations and factors to consider for comparative analyses.

#### **PACKAGING, RECYCLING AND WASTE RECOVERY**

While packaging is essential to our business for a variety of reasons, ranging from providing food safety and hygiene, to increasing the shelf life, supporting safe handling and transportation and making products visually attractive to customers, it inevitably adds to additional cost and generally ends up in post-consumer landfill.

The Shoprite Group continuously focus on reducing packaging cost and below we list some examples of our efforts during the past year:

- All convenience food cartons and sleeves are now made of recycled material, utilising 89 tonnes of recycled paper.
- The amount of board used in folded subsleeves of the deli sleeves has been reduced by 42% by making them smaller and in lighter material.
- The iconic Checkers Green Recycled Bag won a Silver Award from the South African Plastics Recycling Organisation in 2015. In the past year, 199 million bags went through our tills, amounting to 2 190 tonnes of material that we prevented from ending up in landfills. The bags are manufactured from 100% recycled material with a minimum of 75% post-consumer waste. Both of these claims are independently audited and verified by the SGS accreditation body.

We are furthermore continuously working on the packaging artwork to ensure that all packaging includes relevant recycling logos that both educate consumers on the materials used and the recyclability thereof. This also assists recycling companies with the sorting of materials in the recovery process.

Within distribution, we have a zero-to-landfill approach that focuses on the actions: Remove, Replace, Reuse, and Recycle.

Recycling initiatives with cardboard and plastic materials have been implemented in line with this approach. This was modelled on international best practices and the initiative forms part of Shoprite's reverse logistics strategy. Investment in this regard was undertaken at Centurion.

Removing the need for expensive cardboard packaging is another focal point at Shoprite. To provide this opportunity to suppliers, considerable investment has been undertaken to invest in "returnable-transit-packaging" (RTP) methods that are utilised by reputable multi-national retailers. The benefits of this initiative assist in reducing supply chain costs in a sustainable manner.

#### **4. FOCUSING ON OUR SUPPLIERS**

A focus on developing strong and long term relationships with suppliers, and careful consideration of their needs, results in several areas of mutual benefit including cost savings, reduced risk, increased food safety and an emphasis on continual improvement.

Our continued success is reliant on that of our suppliers. We support our suppliers and drive a growth culture through a number of ways, including advice from our food safety and quality department, assistance with product movement and inventory management from our supply chain department, planting programmes for our fresh produce suppliers and skills development for our smaller suppliers.

#### **WE HAVE SET AGGRESSIVE EMISSION REDUCTION TARGETS FOR 2025, AGAINST OUR 2014 BASELINE AS DETAILED BELOW:**

##### **EMISSION REDUCTION TARGETS AGAINST BASELINE**

**Reduce metric tonnes CO<sub>2</sub>e per unit revenue**

**50%**

**Reduce metric tonnes CO<sub>2</sub>e per square meter**

**40%**

**Reduce metric tonnes CO<sub>2</sub>e per full-time-equivalent employee**

**25%**



We buy from a large number of suppliers and our Freshmark division alone deals with 472 growers in South Africa, of which 31% have annual turnovers lower than R500 000 while 71% of suppliers have annual turnovers lower than R5 million.

Working with small suppliers not only diversifies climatic and other risks, it means that we are able to source locally while supporting small enterprises.

Our suppliers enjoy structural benefits associated with partnering with us. These include integration with our supply chain which includes transport and centralised delivery to our network of distribution centres and stores. We have also invested in a pool of returnable and recyclable plastic crates to reduce packaging costs and for better protection of the product. Suppliers are thus able to save on transportation costs, and we are able to ensure that we have control over the product and its costs for most of its journey. Today the Shoprite Group can move product from any part of the world to even remote parts on the African continent where the Group operates retail outlets. This ability to trade and source internationally provides a distinct competitive advantage to the Group.



#### CASE STUDY

**Biscuit and cake supplier PAM DORASAMY is an example of a Homemade supplier who has built a business that now has 15 permanent employees and supplies 40 Shoprite and Checkers stores in KwaZulu-Natal.**

Her Phoenix-based company, Pam's Home-made Treats, has its roots in a family biscuit recipe which inspired her to bake biscuits and cakes in her kitchen and sell at community markets, factories and at the Phoenix Mall. But it was in 2008, when she approached Shoprite, that she was able to build her business, increase turnover to R1.8 million and buy an adjoining property to house her bakery.

Pam, who is passionate about skills development, only employs unskilled and unemployed people who gain the necessary skills to empower them to start their own baking businesses.

#### HOMEMADE

Homemade is our small-enterprise development programme. Individuals who have a product to sell might not initially have the means to register as a national supplier. If we see potential in their product, they might be adopted into our Homemade programme, through a system driven by their local store manager. We coach them through each stage of their development journey with tangible challenges such as assistance to conform to health and hygiene standards, and evaluating sales patterns. The programme has seen consistent growth since inception, and we currently sell 218 lines from our 60 Homemade suppliers.

#### 5. FOCUSING ON OUR COMMUNITIES

As Africa's largest retailer, the Shoprite Group's commitment to communities is built on simple principles:

1. We use our scale and bulk buying power to bring consumers consistently low prices on a wide range of food and household items every day;
2. We offer great job opportunities ensuring that our workforce reflects the communities that we serve; and
3. We #ActForChange in the communities in which we operate by joining forces with local partners on high impact social investment initiatives that make a real difference in people's lives.

The concept of shared value underpins our approach to Corporate Social Investment. It is about investing in the future for our business and society. We fill the gap in local communities to uplift, develop and grow them because they are the foundation of our business' success. They are our customers, suppliers, employees and ultimately our partners. It's more than just a responsibility; it's a way of being, a constant and consistent #ActForChange.

Our actions are guided by four driving forces:

- WE FIGHT HUNGER by providing effective and sustainable solutions to address short, medium and long-term food scarcity needs across Africa;
- WE EMPOWER WOMEN by working to develop and grow the businesses of women throughout our supply chain, as well as partnering with women who are working to fight hunger in the communities in which we operate;
- WE DEVELOP SKILLS to enable employment within our business for thousands of people and we work to develop the skills of thousands more to make them employable in the retail industry; and
- WE #ACTFORCHANGE IN COMMUNITIES, joining hands with local partners to respond to the needs of communities.

#### WE FIGHT HUNGER

Food is our main business and as such we believe that we can play a significant role in providing assistance to communities in need. Our "We Fight Hunger" programme is by far the biggest focus of our CSI strategy and in monetary values represents 88% of our CSI expenditure for the 2016 financial year.

To address food security challenges faced by many people across the African continent on a daily basis, the sheer number of and geographical footprint of our community contributions forces us to have a robust programme with supporting processes in place. All Shoprite and Checkers supermarkets have a no-wastage policy and surplus food is donated to hundreds of non-profit organisations, collectively feeding thousands of hungry people daily.

Our Mobile Soup Kitchen Programme has been serving vulnerable communities on a daily basis for close on a decade. For the past year, our soup trucks served almost 4.5 million meals.

We're also focused on working with identified beneficiary organisations to establish longer term solutions, such as Sustainable Food Gardens to alleviate hunger in communities while generating income for individuals and organisations, making the model sustainable.

**DURING THE  
YEAR UNDER  
REVIEW, WE  
DONATED  
FOOD TO THE  
VALUE OF**







The 600m<sup>2</sup> sustainable community food garden established at Greenlands Primary outside of Cape Town in July 2015, yielded its first harvest three months later.

New partnerships and projects were implemented successfully to transform our mobile soup kitchens into more sustainable community soup kitchens. All of these new developments were based on a 5-point blueprint for sustainable initiatives.

Our approach starts with identifying a beneficiary organisation and appointing implementation partners in a Shoprite community. As an example, we identified a school in Cape Town, Greenlands Primary, who has almost 1 000 learners with a government-subsidised feeding scheme that feeds around 130 children.

We used our Shoprite mobile soup kitchen and served soup and bread to the neediest learners for 6 months while we developed a 600m<sup>2</sup> food garden at the school.

We also established a meaningful relationship between the school and the local Shoprite store through regular visits and assistance with fundraising activities. The initiative also includes a 12-month EduMaintenance phase where we ensure that skills transfer happens and that all elements are in place to ensure the long term sustainability of the project.

The current status is that produce of the garden is used in the school's feeding scheme to reduce the cost per meal with excess produce being sold to staff as an income generating activity.

The school is a beneficiary of the National School Nutrition Programme, who has agreed to pay the salary of a Garden Champion going forward. This means that the job created as a result of the establishment of the garden is now sustainable, with no cost needed from the school.

The school also established a "lunch

club" from May 2016 to cater for learners not covered by the government-subsidised school feeding scheme, teachers and parents. "The Green Deli" employs one garden cook that uses crops from the garden to prepare affordable, nutritious and delicious dishes that are sold at discount prices. The income will be ploughed back into garden maintenance.

The garden serves as an educational tool for the school, as this has been many learners' first interaction with a variety of crops.

The experience and insights we gained from the Greenlands Primary initiative are now used for design and roll-out of further projects. Examples of new projects for this year are detailed below:

- Wathint' Abafazi in Bethelsdorp in the Eastern Cape, a community project which

started off as a crèche, is now a beacon of hope in the community of Joe Slovo. The Shoprite Group invested in a container kitchen facility and the expansion of the organisation's food and flower garden. The result will be a sustainable garden that yields substantial crops and flowers at regular intervals, enabling the organisation to increase their weekly meal serving from three days to five and establishing an income generating business by selling crops and flowers.

- Yenzanathi Community Upliftment Project serves and uplifts vulnerable community members in Botha's Hill in KwaZulu-Natal. It all started when Mrs Hlophe, a domestic worker at the time, wanted to reach out to those in need around her and feed hungry people. The Group's support includes upgrading the kitchen, food garden



The Wathint' Abafazi Sustainable Food Garden in Bethelsdorp, Eastern Cape, was started in 2013 and today feeds over 200 people.



development and gardening training for volunteers, ultimately enabling Yenzanathi to increase feeding from two days to five days a week. Current sources of income generation include an internet café and a chicken den; Support from the Group will boost these activities through the sale of excess crops.

### WE EMPOWER WOMEN

Women play a significant role in our business – they are our customers, our employees and our suppliers. We're working with women in business, identifying opportunities for those who have the potential to supply into the Shoprite Group, helping to develop relevant skills as well as growing these businesses into successful operations. We are also partnering with exceptional women who are working to Fight Hunger in their communities, helping to support and enhance their efforts through our comprehensive hunger relief programme.

### WE DEVELOP SKILLS

As one of the largest employers in Africa, we believe that developing people's skills drives not only our business, but the economy. We work to develop the skills of youth by creating educational and job opportunities directly linked to our business, thereby continuously creating an exceptional talent pipeline.

Community skills development projects include:

- **Leap schools:** Leap currently has six schools and we support one learner per school and will further assist by a bursary offering to alumni who meet the requirements of the Shoprite Group's Bursary Scheme.
- **SA Teen Entrepreneur Foundation:** The Group is supporting the entrepreneur 'society' course at Ikamvalethu Secondary School in Langa where students work through a 10-module programme which culminates in an innovative business idea or model.



Volunteers starting up the Yenzanathi Community Upliftment Project in Botha's Hill, KwaZulu-Natal.



### CASE STUDY

**Mickey Winifred Linda is a woman based in Khayelitsha who founded the Yiza Ekhaya Soup Kitchen. Yiza Ekhaya is a community-based project that encompasses a crèche, food garden and sewing project. The project feeds around 250 children as well as elderly people whose dependence on medication makes it necessary for them to eat regularly.**

**Known in the community as "Nompilo", which is loosely translated as "Care Giver", Mickey is working not only to address the immediate needs around her, but to also put in place more sustainable solutions to address the food security challenges faced by the community.**

**When the Shoprite Group heard about the project, we became involved and assisted through the immediate donation of food hampers, kitchen equipment and chairs to assist the many elderly people being supported by the Soup Kitchen.**

**Now, more than a year later, the Group is extending its support of Yiza Ekhaya, working with other local partners to bolster the Soup Kitchen's existing food garden as well as helping to set up ten additional home food gardens for the project volunteers. Part of the produce grown at each of these gardens will be used to supplement the existing feeding scheme at Yiza Ekhaya, while the rest of the produce will be used to create additional Soup Kitchens or feeding schemes as well as a means of income generation for the volunteers.**

### WE REACH OUT TO LOCAL COMMUNITIES

The Shoprite Group is committed to community development. Through our extensive store network, we take hands with the communities in which we operate, joining forces with local partners to respond to needs quickly and effectively. We #ActForChange in communities to help them grow, develop and realise their full potential. We do this because communities are at the core of our business.

During the reporting period the Group assisted countless local non-profit organisations, community projects, schools and other worthy causes, including the following:

- Early in 2016 the Shoprite Group acted fast to help drought-stricken communities affected by water shortages and donated and/or transported 605 641 litres of water to various towns in the Free State, North West and KwaZulu-Natal.
- Furthermore, the Group has supported various community organisations with fundraising efforts such as Cuppa for Cansa, Christmas gift wrapping and Casual Day collections for persons with disabilities and a total amount of R4 459 378 has been collected for the needy.
- In January 2016 we launched the #ActForChange Fund following requests by consumers who want to make a difference in communities affected by natural disasters or experiencing serious challenges. Customers can now make a difference by simply adding R5 or more to their purchase at the till point of any Shoprite or Checkers supermarket in South Africa. The Fund provides relief to the people of South Africa in partnership with organisations like FoodBank SA, Agri SA, Gift of the Givers, SA Red Cross Society, Working on Fire, and other local NGOs.



Good corporate governance is an integral part of the sustainability of Shoprite Holdings and its subsidiaries ("the Group"). The board of directors ("the Board") of Shoprite Holdings Limited ("Shoprite Holdings" or "the Company") promotes and supports high standards of corporate governance, integrity and ethics that will contribute towards on-going sustainability and value creation for all the Group's stakeholders.

In an environment of increasing regulation, it is the Group's objective to maintain a balance between the governance expectations of investors and other stakeholders, and the expectation to deliver increasing financial returns.

The Board is ultimately responsible for ensuring that governance standards are met and is assisted in this regard by senior management. To achieve this objective, the Group continues to enhance and align its governance structures, policies and procedures to support its operating environment and strategy.

The Board endorses the King Report on Governance for South Africa 2009 ("King III") which prescribes sound governance, best practice principles of accountability, integrity, fairness and transparency. The directors confirm that Shoprite Holdings applied the principles as set out in the latest King Code with explanations where practical and appropriate. This report sets out the key governance principles adopted by the directors in governing the Company. The full King III narrative statement can be found on the Company's website at [www.shopriteholdings.co.za](http://www.shopriteholdings.co.za). The Company has furthermore complied with all the corporate governance provisions in the JSE Listings Requirements during the reporting period.

### THE BOARD OF DIRECTORS

The Board currently consists of seven (7) non-executive directors and seven (7) executive directors. The directors are diverse in their academic qualifications, industry knowledge and experience. This diversity enables directors to provide the Board with relevant judgement to work effectively when conducting and determining the business affairs of the Company.

Non-executive directors are required to dedicate sufficient time to the affairs of the Board and may serve on other boards provided that they continue demonstrating that such other directorships have not, or will not, impede the discharge of their duties to the Shoprite Holdings board but rather add value by bringing a broader dimension to board deliberations. The Board is satisfied that the chairman and each of the non-executive directors, in their respective roles, comply with this requirement.

The Board is collectively responsible to the shareholders of Shoprite Holdings for its performance and the Group's overall strategic direction, values and governance. It provides the leadership necessary for the Group to meet its business objectives within the framework of its internal controls. This role requires a high-performing board, with all directors contributing to the collective decision-making process.

### GOVERNANCE FRAMEWORK

The Board is the custodian of corporate governance and is structured to perform this function effectively. A number of committees have been established to assist the Board in its oversight function.

1. The Audit and Risk Committee assists the Board in monitoring the integrity of the Group's financial statements and oversees integrated reporting. It also assesses the effectiveness of internal financial controls as well as the external and internal audit functions. In addition, it ensures that the Group has implemented an effective risk management process that identifies and monitors the management of the Group's key risks.
2. The Social and Ethics Committee performs the social and ethics functions required by the Companies Act 2008, as amended.
3. The Nominations Committee assists with the appointments of directors and, guided by the company secretary, ensures a transparent process to determine Board and committee composition.
4. The Remuneration Committee ensures the adoption of remuneration policies that retain and attract talent, are aligned to the Group's

strategy, market related and drives performance in the short and long term.

5. The Group's executive management are responsible for the day-to-day management of the various business operations.
6. The governance department comprising of legal, compliance and the company secretary, provides support and guidance to the committees.
7. Assurance providers provide a level of assurance on integrated reporting, including the annual financial statements and the B-BBEE scorecard.

### BOARD RESPONSIBILITIES

The detailed responsibilities of the Board are set out in a formal board charter which forms the basis of their responsibilities and duties. This charter sets out the powers of the Board and provides a clear division of responsibilities and the accountability of board members, both collectively and individually and was reviewed during the reporting period.

The general powers of the directors are set out in the Company's Memorandum of Incorporation.

The Board's principle responsibilities include:

- providing effective leadership based on an ethical foundation;
- addressing all aspects that are of strategic importance for the Group;
- ultimate responsibility for the strategic direction of the Group;
- ensuring that the Group's strategy will result in sustainable outcomes;
- risk management and IT governance;
- monitoring compliance with laws, regulations and codes of good practice; and
- ensuring that the Group is and is seen to be a responsible corporate citizen.

The Board is of the opinion that it has adhered to the terms of reference as detailed in the board charter for the financial year under review.

### MEETINGS OF THE BOARD

The Board meets at least four (4) times per year or more often should circumstances require. The attendance of directors at board meetings during the reporting period are recorded below.

### ATTENDANCE AT BOARD MEETINGS

	17.08.2015	09.11.2015	22.02.2016	16.05.2016
<b>NON-EXECUTIVE DIRECTORS</b>				
CH WIESE	●	●	●	●
JF BASSON	●	●	●	●
JJ FOUCHÉ	●	●	●	●
EC KIESWETTER	●	●	●	●
JA LOUW	●	●	●	●
ATM MOKGOKONG	●	●	●	●
JG RADEMEYER*	●			
JA ROCK	●	●	○	●
<b>EXECUTIVE DIRECTORS</b>				
JW BASSON	●	●	●	●
M BOSMAN	●	●	●	●
CG GOOSEN	●	●	○	●
B HARISUNKER	●	●	●	●
AE KARP	○	○	○	●
EL NEL	●	●	●	●
BR WEYERS	●	●	●	●

\* Retired by rotation with effect from 19 October 2015 and did not offer himself for re-election as director





## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles and duties of the non-executive chairman and the chief executive officer are separated and clearly defined.

Dr CH Wiese is the non-executive chairman who provides guidance and leadership to the Board and also ensures that the Board functions effectively, focussed and as a unit.

The Chairman's role includes:

- leading the Board and ensuring that it operates to the highest governance standards;
- encouraging a culture of openness and debate to foster a high performing and collegial team of directors that operate effectively;
- setting agendas for board meetings in conjunction with the chief executive officer and the company secretary that focus on the strategic direction and performance of the Group's business;
- ensuring that adequate time is available for discussion on all agenda items;
- leading the Board's and individual director performance assessments; and
- facilitating the relationship between the Board and the chief executive officer.

The chief executive officer, Dr JW Basson, reports to the Board and is responsible for the day-to-day business of the Group as well as the formulation and implementation of strategies once approved by the Board. He is assisted in this regard by members of executive and senior management that heads the various divisions and departments within the Group.

## LEAD INDEPENDENT DIRECTOR

Due to the fact that the Chairman is a material shareholder in Shoprite Holdings, he is not considered to be independent. Mr EC Kieswetter is the lead independent director (LID) and succeeded Mr JG Rademeyer as LID on 19 October 2015. The function of the lead independent director is to provide leadership and advice to the Board when the Chairman has a conflict of interest without detracting from or undermining the authority of the Chairman. The expertise and broad international experience of Mr Kieswetter enhanced the skills and experience profile of the Board and he continues to make a substantial contribution as LID.

## NON-EXECUTIVE DIRECTORS

The Board consists of seven (7) non-executive directors of which six (6) are independent as defined in the King III Code. Dr CH Wiese is not independent in view of his material shareholding in Shoprite Holdings.

The Board considers that a diversity of skills, backgrounds, knowledge, experience and gender is required to effectively govern the Company. Non-executive directors must have a clear understanding of the Group's overall strategy, together with knowledge about the Group and the industries in which it operates. In addition, non-executive directors must be sufficiently familiar with the Group's core business to be effective contributors to the development of strategy and to monitor performance.

The full particulars of the directors of Shoprite Holdings are set out on pages 8 to 9 of this report.

The Board is satisfied that its current members possess the required collective skills and experience to carry out its responsibilities of achieving the Group's objectives and to create value to shareholders over the long term.

## BOARD APPOINTMENT

The Board regularly reviews its composition as well as the composition of board committees which are aligned with applicable legislation and regulations. In making an appointment the Board takes cognisance of the knowledge, skills, and experience of a potential candidate, as well as any other attributes considered necessary for the role.

The appointment of directors is a matter for the Board as a whole. The Board is assisted by the Nominations Committee who considers

the suitability of potential directors and makes recommendations to the Board in this regard.

Directors are not appointed for a fixed term. In terms of the Memorandum of Incorporation ("MOI") of Shoprite Holdings, all non-executive directors retire by rotation at least once every three (3) years, but can make themselves available for re-election by shareholders. If eligible, available and recommended for re-election by the Nomination Committee, their names are submitted for re-election by shareholders at the annual general meeting.

The appointment of new directors is subject to confirmation by shareholders at the first annual general meeting after their appointment.

## INDUCTION OF DIRECTORS AND ON-GOING UPDATES

A comprehensive induction programme has been developed for new directors to ensure that they are briefed and have the required understanding of their fiduciary and statutory duties, the Group's structure, operations and policies to enable them to fulfil their duties and responsibilities as directors. The company secretary is responsible for the administration of the Group's induction programme.

New directors are also provided with details of applicable legislation and regulations, Shoprite Holdings' MOI, relevant mandates as well as documents setting out their duties and responsibilities as directors. Directors are invited to briefing sessions or are provided with written summaries to keep them abreast of pending new legislation, regulations and best practices affecting the business.

## CONFLICTS OF INTERESTS AND DIRECTORS' PERSONAL FINANCIAL INTERESTS

The Group's policy in this regard is applicable to all directors and employees. Directors are required to declare their personal financial interests and those of related persons in contracts with the Group annually. A list in this regard is tabled annually and the register in which such interests are recorded is available for inspection at each annual general meeting of Shoprite Holdings.

## BOARD EFFECTIVENESS AND EVALUATION

The annual evaluation of the Board was performed during July 2016. Directors were required to complete a questionnaire compiled by the company secretary in conjunction with the Chairman. This evaluation covered the following topics:

- the size and composition of the Board and committees focussing on the blend of skills, experience, independence and knowledge of the Group and its diversity;
- directors' induction and development;
- effectiveness of board and committee meetings
- quality and timeliness of meeting agendas, Board and committee papers and secretarial support; and
- relationship between the Board and management, skills needed by the Board and its committees as well as stakeholder relations.

The Board is provided with the results of the board effectiveness evaluation. The overall outcome of the 2015/16 evaluations was that:

- the composition of the Board is sound and has a good mix of skills and experience;
- the agendas of the Board and the attention thereto include appropriate matters for review, monitoring and approval;
- the frequency of board meetings are sufficient to enable the Board to fulfil its responsibilities;
- the Board's review, approval, monitoring and oversight include both strategic matters and current operating performance and results;
- the Board has the appropriate committees to assist it and the committees have a clear terms of reference, appropriate leadership and composition and reported appropriately to the Board on their deliberations and decisions;
- board authority and leadership was separate from the executive leadership and authority; and
- the Chairman's leadership and contribution and the company secretary's role and contribution were considered to be effective.

**COMPANY SECRETARY**

Mr PG du Preez is the company secretary of Shoprite Holdings. He is not a director of Shoprite Holdings, although he serves as a director on the boards of various Group subsidiaries. This relationship does not affect his arm's length relationship with the Shoprite Holdings Board.

The company secretary is appointed and removed by the Board and acts as a central source of information and advice to the Board and within the Group on matters of ethics and good corporate governance. Independent advisory services are retained by the company secretary at the request of the Board or board committees.

All directors have unlimited access to the advice and services of the company secretary, supported by the legal department. The company secretary is responsible for the duties set out in section 88 of the Companies Act and for ensuring compliance with the listings requirements of the JSE Limited. The company secretary also provides a communication link with investors and liaises with the Group's transfer secretaries and sponsors on relevant matters. As required by King III, the company secretary also acts as secretary to the various sub-committees of the Board and attends all meetings of the Board and the committees. The company secretary is also the compliance officer and ensures that the Group complies with all the required legislation and regulations applicable to its various business activities.

In compliance with the JSE Listings Requirements, a detailed assessment was conducted by the Board to satisfy itself of the competence, qualifications and experience of the company secretary. Refer to principle 2.21 of the Group's King III compliance register for further details.

**SHARE DEALINGS BY DIRECTORS AND SENIOR PERSONNEL**

The Group has implemented a policy relating to share dealings by directors and senior personnel who, by virtue of their positions, have comprehensive knowledge of the Group's affairs. This policy imposes closed periods to prohibit dealing in Shoprite Holdings securities before the announcement of the interim and year-end financial results or during any other period that is considered to be price-sensitive. The company secretary disseminates written notices to all directors and senior personnel throughout the Group. This is in compliance with the market abuse provisions of the Financial Markets Act 19 of 2012 and the JSE Listings Requirements in respect of dealings by directors.

Dealings in Shoprite Holdings securities by directors and alternate directors of Shoprite Holdings and its main trading subsidiary are disclosed as required by the JSE Listings Requirements. The Board has also implemented a formal approval framework which governs the approvals required by these directors prior to their dealings in Shoprite Holdings securities.

During the period under review the Group complied with all Listings Requirements and disclosure requirements prescribed by the JSE.

**ACCOUNTABILITY****AUDIT AND RISK COMMITTEE**

A description of the responsibilities and work undertaken by the Audit and Risk Committee during this year is included in the report by the chairman of the committee on page 50. His report also deals with the Group's internal controls, governance of risk as well as the internal audit function.

**GROUP AUDITORS**

At the annual general meeting of Shoprite Holdings held on 19 October 2015, the appointment of PricewaterhouseCoopers Inc as the external auditors of the Group until the 2016 annual general meeting was approved by shareholders. Further details on the external auditors are contained in the report of the chairman of the Audit and Risk Committee.

**CORPORATE ETHICS**

The Group is committed to achieving high standards of ethical behaviour. All staff is expected to comply with the Group's code of ethics at all times. All new staff members are required to read, acknowledge and agree to adhere to the code of ethics as part of their induction.

The Tip-Offs anonymous hotline is independently managed by a third party service provider. Employees are encouraged to report any unethical behaviour identified, anonymously and confidentially. Although this hotline allows employees to make anonymous reports and guarantees the protection of their identity in accordance with the provisions of the Protected Disclosure Act, 2000, the Group prefers to create an open reporting environment through the various line managers. All cases are investigated by the Group Risk Manager in conjunction with internal audit and the Group legal department where required. During the 2016 financial year a total of 105 incidents of suspected unethical behaviour within the Group were reported of which 23 resulted in disciplinary action, dismissals, resignations and/or criminal charges being laid against such employees.

During the period under review the Group's code of conduct was reviewed by the Social and Ethics Committee and amended in line with best practices in this regard. The code of conduct sets out the standard expected from employees when dealing with customers, fellow employees, suppliers, competitors and other stakeholders. All employees are required to adhere to the code of conduct.

No material breaches of the Group's code of conduct were reported during the 2015/16 financial year.

**LEGISLATIVE AND REGULATORY COMPLIANCE**

The Shoprite Group encompasses operations in 15 countries, 14 outside of South Africa located on the African continent and the Indian Ocean Islands. In keeping up with its vision and strategy, the Group subscribes to and applies all the significant principles contained in the Code of Corporate Practices and Conduct by King III.

In the Non-RSA jurisdiction where the Group operates, governance developments are monitored on an on-going basis to ensure that local regulatory requirements are complied with. The Board monitors the compliance by means of committee reports, which include information on any significant interaction with key stakeholders, including regulators.

The Group's compliance function resorts under the company secretary and monitors and assesses the impact of legislation on the business. External specialists have been engaged to assist and advise the Group in this regard.

During the reporting period, the compliance function focussed on the following areas to support the directors, chief executive officer, management and employees to fulfil their compliance responsibilities:

**IDENTIFICATION AND IMPLEMENTATION OF CHANGES IN REGULATORY REQUIREMENTS**

The Group operates in a dynamic and continuously evolving regulatory and supervisory environment. A regulatory universe is compiled annually for the Group with the assistance of a specialist service provider that identifies and reviews all current, proposed and impending legislation and the potential impact on the Group's various business units. Response to such legislation is addressed through the most efficient and effective channel. Compliance resources and programmes are introduced by utilising a risk based approach where after on-going compliance is monitored and tested through various means. Compliance reports are presented to the Audit and Risk Committee.



## REGULATORY FRAMEWORKS

Frameworks are updated on a regular basis whilst controls are monitored continuously using a risk based approach. Any non-compliance is reported using the governance processes.

## GENERAL GUIDANCE AND SUPPORT TO BUSINESS

Management and business operations are assisted with the implementation of appropriate controls to comply with relevant regulatory obligations. Incidents of non-compliance are also managed.

## COMPLIANCE MONITORING

Compliance risks were monitored and tracked by regulators, management, internal audit and group compliance. Management monitors compliance as part of the day-to-day operations. Group compliance utilises a risk-based methodology for monitoring.

Legal compliance reports are presented to the Audit and Risk and Social and Ethics Committees on an on-going basis.

The Group's tax management framework, approved by the Board, is aligned with the Group's business strategy and risk management objectives. It seeks to achieve tax efficiency across the Group, in compliance with the applicable laws in all jurisdictions in which it operates.

Pending legislation or legislation recently enacted that may have a potentially material impact on the Group includes:

- Protection of Personal Information Act;
- Labour and Employment legislation; and
- Various regulations relating to food and product safety.

Shoprite Holdings fully understands the role and responsibilities of its sponsor, Nedbank Corporate and Investment Banking (CIB), as stipulated in the JSE Listings Requirements. It is the opinion of Shoprite Holdings that Nedbank CIB has discharged its responsibilities in this regard with due care during the period under review.

No significant financial penalties or regulatory censure were imposed on the Group or any of its subsidiaries during the financial year to June 2016.

## INVESTOR AND STAKEHOLDER RELATIONS

The Group's relevance to the markets and societies in which it operates, depends on meaningful engagement with all stakeholders. Its stakeholder management approach involves the optimal application of resources to build and maintain good relationships with stakeholders. This assists the Group to understand the expectations of its stakeholders, minimise reputational risk and forms strong partnerships which ultimately underpins the sustainability of the Group.

The Group appreciates the importance of dissemination of accurate information to all its stakeholders. Financial and non-financial information is disseminated timeously and accurately to all stakeholders.

Regular, pertinent communication with shareholders assists the Group to improve shareholder relationships. The chief executive officer, deputy managing and financial directors are designated investor spokespersons and meet with fund managers and analysts on a regular basis. Investor activities include the presentation of interim and annual results, participation in investor conferences and the issuing of regular operational updates. A corporate website also communicates all the latest financial and non-financial data to all stakeholders. Shareholders are also encouraged to attend the annual general meeting of Shoprite Holdings which provides an opportunity for shareholders to raise pertinent questions and to interact with directors. Committee chairpersons also attend the annual general meetings to respond to shareholder's questions.

The Board is not aware of any requests made by any stakeholder under the Promotion of Access to Information Act during the reporting period.

## COMPETITIVE CONDUCT

The Group operates in the retail sector which is a highly competitive industry. It is therefore highly protective of all its intellectual property and know-how. Interaction with other retailers is generally restricted to forums in which co-operation at industry level is required for purposes of making representation to government. The Group is a member of the Consumer Goods Council of South Africa.

## POLITICAL PARTY SUPPORT

Whilst the Group supports the democracy in South Africa, it does not make financial donations to individual political parties.



The Nominations Committee consists of four (4) non-executive directors of which three (3) are independent.

The following directors served on the Nominations Committee during the financial year to June 2016:

Dr CH Wiese: Non-executive Chairman;

Mr JA Louw: Independent non-executive director;

Mr EC Kieswetter: Independent non-executive director; and

Dr ATM Mokgokong: Independent non-executive director.

The Nominations Committee had two (2) meetings during the period under review. Details of attendance at the meetings are set out below:

DIRECTOR	22.08.2015	29.06.2016
CH WIESE	●	●
JA LOUW	●	●
EC KIESWETTER	●	●
ATM MOKGOKONG*	●	●

\* Appointed with effect from 18 August 2015

The Nominations Committee is responsible for:

- making recommendations to the Board on non-executive and executive director appointments as well as the Board's composition as a whole;
- reviewing and making recommendations on the Board's structure, size and balance between executive and non-executive directors;
- overseeing the formal induction programme for new directors;
- ensuring the development of succession plans for the Board, CEO and senior management; and
- assessing the effectiveness of the Board and its committees.

During the reporting period the Nominations Committee:

- reviewed the composition of the Board and board committees;
- recommended the appointment of Dr ATM Mokgokong as member of the Nominations Committee;
- reviewed the retirement by rotation of the non-executive directors;
- reviewed and approved its formal terms of reference; and
- complied with its terms of reference.

As required by the Memorandum of Incorporation of Shoprite Holdings (MOI), at least one-third of the non-executive directors will retire by rotation at the forthcoming annual general meeting. Dr ATM Mokgokong, Messrs JF Basson, JJ Fouché and JA Rock will retire in terms of this provision but have offered themselves for re-election.

The Nominations Committee annually reviews the independence of non-executive directors that retire, based on whether the director:

- was employed in an executive capacity within the Group in the previous three (3) years;
- served on the Board for a period of longer than nine (9) years. In this instance the Nominations Committee considers if the director's independence, judgement and contribution to the Board deliberations could be compromised, or appear to be compromised, by this length of services;
- is a representative of a major shareholder;
- is independent in character and judgement and whether there are any circumstances which may or is likely to affect the director's judgement; and
- is a shareholder in Shoprite Holdings and that his shareholding represents a material part of the director's personal wealth.

Having considered the circumstances of the abovementioned non-executive directors, the Nominations Committee is of the view that Dr Mokgokong, Messrs Basson, Fouché and Rock can be considered as independent.

#### CH WIESE

*Chairman*



As a statutory committee constituted by the board of Shoprite Holdings the Social and Ethics Committee ("the Committee") fulfils its duties in terms of section 72(4) of the Companies Act (read together with Regulation 43 of the Companies Regulations, 2011). The Committee additionally fulfils the role of a group committee and therefore no other Shoprite Holdings subsidiaries have established social and ethics committees.

A formal term of reference has been adopted and guides the Committee to perform its oversight role to ensure that the Group as a responsible corporate citizen, conducts its business in a sustainable manner with an ethical corporate culture at its core. The Committee remains committed to developing and reviewing policies, governance structures and practices to guide the Group's approach to emerging social and ethics challenges in line with its terms of reference. This charter was reviewed during the period under review.

The Committee is responsible for:

- monitoring activities with regard to legislation, other legal requirements and codes of best practice;
- drawing relevant social and ethics matters to the attention of the Board; and
- reporting to shareholders at the annual general meeting.

The Committee focuses in particular on the Group's strategy and performance in respect of:

- social and economic development;
- the promotion of equality and the prevention of unfair discrimination;
- the Group's ethics and the prevention of fraud, bribery and corrupt practices;
- the deterrence of human rights violations;
- the contribution to the development of communities in which the Group's activities are predominantly conducted;
- consumer relationships which includes advertising, public relations and compliance to consumer protection laws;
- the environment, health and public safety, and the impact of activities and products and services; and
- labour and employment.

The following members served on the Committee during the 2015/16 financial year:

Mr JA Louw: Independent non-executive director and chairman;  
Mr BR Weyers: Executive director;  
Mr M Bosman: Executive financial director; and  
Mr C Burger: General Manager Human Resources.

The Committee meets at least twice a year. Other attendees include subject-matter experts on each of the areas falling within the mandate of the Committee. The details of attendance of members during the reporting period are set out below:

MEMBER	05.08.2015	18.02.2016
JA LOUW	●	●
BR WEYERS	●	●
M BOSMAN	●	●
C BURGER	●	●

The fees of non-executive members during 2015/16 are disclosed in the notice of the annual general meeting.

The Committee received and considered the following reports by management during the period under review:

- the Group's compliance with the principles of the UN Global Compact Principles and the OECD Guidelines;
- skills and other development programmes aimed at the educational development of employees;
- corporate social investment programmes, including details of charitable giving;
- employment equity plans for the Group;
- labour practices and policies;
- compliance with the Group's code of conduct and ethics management and performance;
- performance in respect of Black Economic Empowerment as measured against the Department of Trade and Industry generic Broad Based Black Economic Empowerment scorecard;
- confirmation that the Group adheres to South African legislation aligned to compliance with the International Labour Protocol on decent work and working conditions;
- anti-corruption trends, legislation and information; and
- environmental, health and safety performance.

No substantive non-compliance with legislation and regulations relevant to the areas within the Committee's mandate has been brought to its attention during the period under review. The Committee also has no reason to believe that any such non-compliance has occurred.

**JA LOUW**

*Chairman*

## PART 1 – LETTER FROM THE CHAIRMAN OF THE REMUNERATION COMMITTEE TO THE SHAREHOLDERS

The board ("Board") of Shoprite Holdings Limited ("Shoprite Holdings" or "the Group") and the remuneration committee ("the Remuneration Committee") herewith present the remuneration report for the 2016 financial year. It sets out information applicable to the Group's remuneration policy and in particular executive remuneration, encompassing both the fixed and variable elements of the remuneration package, as well as fees paid to non-executive directors. As with previous years, a link is drawn between each element of the remuneration policy and the Group's strategic objectives.

It was another successful year for the Group, from a financial performance, growth and corporate responsibility perspective. We include all these factors as we believe they all play a role in shaping our approach to remuneration. The Group's total turnover grew by 14.4% (measured over 53 weeks), against the backdrop of an uncertain, and at times volatile, economic climate. Profit before tax increased by 14.4%, and headline earnings per share ("HEPS") increased by 17%. Shoprite is the largest private sector employer in South Africa and continues to focus on job creation with 137 775 employees (21 445 in non-RSA) across

the Group in the 2016 financial year. In terms of growth we opened 57 new supermarkets in RSA and 22 in Non-RSA and we continue our investment in stores despite often challenging trading circumstances (slower growth and less consumer income). Based on recent market research it was found that 76% of the SA adult population shops with us which is a clear indication of our market coverage.

The Group's contribution to the fiscus in income taxes amounted to approximately R5.5 million per day.

In light of this background, the remuneration policy is aimed at encouraging executives to build and continue to deliver short-term (12 month) financial success (which was achieved in the 2016 financial year), as well as the long-term strategic goals of growth and expansion into new markets (and sustained financial success in the future).

As was the case in the 2015 financial year, the Group did not amend the core elements of its short term incentive ("STI"/"bonus") policy, neither did the Group award share-based incentives in terms of the Executive Share Plan ("ESP") for the 2016 financial year, on the basis that the current levels of unvested long term incentives ("LTIs") in the hands of executives and key employees are sufficient to align their interests with those of the shareholders.

### SHAREHOLDER FEEDBACK ON THE 2015/2016 REMUNERATION POLICY

### RESPONSE FROM THE REMUNERATION COMMITTEE

The independence, constitution and attendance of the Remuneration Committee meetings is less than optimal.	The Remuneration Committee is made up of a majority of independent non-executive directors. The Remuneration Committee has two scheduled meetings per year, but considers matters related to remuneration throughout the year. All members of the Remuneration Committee attended meetings in the 2016 financial year.
The pay mix should be weighted towards variable pay (STIs and LTIs). The company and individual dilution limits for LTIs should be within an acceptable limit.	The average pay mix for executives was considered by the Remuneration Committee and was considered appropriate in the context of the Group's business. Although the company and individual limits were agreed in the ESP rules with shareholders (lower than South African best practice benchmarks), i.e. 3% (overall limit) and 0.5% (individual limit) in practice the actual dilution (overall) for LTI awards is only 0.4%. In the 2016 financial year, no LTIs were awarded and this point is therefore a hypothetical one.
There should be a limited retention component in the LTI plans.	Retention awards under the ESP are not made regularly. None were made in the 2016 financial year.
There should be appropriate performance hurdles for the LTI plans.	For the initial LTI awards in 2014 in terms of the ESP rules, the majority of awards required a co-investment element. Therefore, executives had to invest in the Group to receive LTI awards and on this basis prospective performance conditions were not deemed appropriate by the Remuneration Committee.  No LTI awards were made in the 2016 financial year. In terms of future LTI awards the Remuneration Committee will debate and consider financial performance conditions as the ESP rules provide flexibility to impose these.
There should be disclosure of proportional achievement of scaled performance targets.	The STI performance outcomes have been disclosed in part 3 of this report. There were no LTI vesting in the 2016 financial year.
The value of total remuneration awarded to, and realised by, executive directors during the financial year should be disclosed.	The remuneration report includes a single-figure table that sets out the value of each component of total guaranteed pay ("TGP"), the STIs paid, and the indicative value of the LTIs that vest for each executive (which was nil for financial year 2016).
The chief executive officer's ("CEO") TGP is higher than market levels in South Africa.	Shoprite is a major multinational retailer and the remuneration of the CEO is therefore geared to be internationally competitive. His shareholding in the Company, furthermore, aligns his interests with those of the shareholders over a long-term horizon.
There was a substantial cash payment made to one of the executive directors in the 2015 financial year.	This was a once-off restraint of trade payment, which was not repeated in the 2016 financial year.
The STI plan only has trading profit as a performance condition.	South African companies (in line with best practice) have profit-based performance conditions applicable to their STI plans; and this metric is most relevant to Shoprite's business. Hence, we have retained this as a performance condition for accruing the STI pool. A full description of the STI plan and the performance criteria applicable are included in part 2 under Variable Remuneration.





We have segmented the report into three parts:

- Part 1, which is this letter, provides an overview of the remuneration policy in the context of Shoprite's overall financial performance, growth and corporate citizenship;
- Part 2 sets out the forward-looking remuneration policy from the 2017 financial year onwards (largely unchanged); and
- Part 3 sets out the implementation of the remuneration policy in the 2016 financial year, which includes the performance outcomes for the short term incentives ("STI") and confirms that no LTI awards vested during the 2016 financial year.

As was the case last year, the Remuneration Committee engaged the services of external reward consultants to review disclosure in this report in line with best practice governance standards. We remain committed to observing best practice corporate governance standards, with specific focus on the King III Report on Corporate Governance.

In line with the principles set out in the draft King IV Report, we also engaged proactively with our shareholders on the 2015/2016 remuneration policy. We tabulated the comments made on our remuneration policy, as well as our responses to each comment. We welcome further engagement with shareholders on how we can further enhance the remuneration policy.

The Group also enhances its impact across the social, economic and environmental context through its corporate social investment initiatives, which include training for its junior staff. More detail is set out in the Non-Financial Report on page 20 of the Integrated Report. In line with the amendments to the Employment Equity Act, the Group is also taking progressive steps to align its remuneration practices with the principle of Equal Pay for work of Equal Value. In realising its long-term strategic objectives, the Group actively aims at increasing its market share which will inevitably result in job creation in South Africa and the greater African continent. We are positive that the Group remuneration policy supports this business strategy.

As in previous years, we will table the remuneration policy set out in part 2 of this report for a non-binding shareholder vote at the annual general meeting, to be held on 31 October 2016. We look forward to engaging with you and receiving your support on the remuneration policy at the annual general meeting.

#### JA LOUW

*Chairman of Remuneration Committee*

## PART 2 – REMUNERATION POLICY

### GOVERNANCE FRAMEWORK AND REMUNERATION COMMITTEE

#### MANDATE

In line with best practice as set out in King III and the draft King IV Report, the Group's Remuneration Committee is appointed by the Board and has delegated authority, in accordance with its terms of reference, to review and make decisions regarding the Group's remuneration policies and implementation thereof. During the reporting period the terms of reference were reviewed for compliance with best practice governance standards and legislation. No changes were made to the mandate and it was approved by the Board.

#### COMPOSITION, MANDATE AND ATTENDANCE

The Remuneration Committee members during the year under review were:

- Mr JA Louw (Chairman);
- Dr CH Wiese; and
- Mr EC Kieswetter.

All the members of the Remuneration Committee are non-executive directors and the chairman, Mr JA Louw as well as Mr EC Kieswetter, are both independent non-executive directors as defined in King III. The Committee had two (2) meetings during the reporting period.

The composition of the Committee and meeting attendance are set out in the table below.

#### REMUNERATION COMMITTEE COMPOSITION AND MEETING ATTENDANCE

DIRECTOR	STATUS	22.02.2016	29.06.2016
JA Louw	Independent non-executive director	●	●
EC Kieswetter	Independent non-executive director	●	●
CH Wiese	Non-executive director	●	●

The head of human resources of the Group reports to the Board on a quarterly basis, which report includes progress on retirement fund benefits/administration, talent management, training and development and employee well-being.

The Remuneration Committee's input and resolutions on executive remuneration proposals is sought on an ongoing basis during the year. The CEO, deputy managing director, chief operating officer, and head of human resources attend meetings, by invitation, to assist the Remuneration Committee with the execution of its mandate. The company secretary also attends the meetings. No executive or senior executive is present at meetings of the Remuneration Committee when his/her own remuneration is discussed or considered.

The chairman of the Remuneration Committee, or in his absence, another member of the Remuneration Committee, is required to attend the annual general meeting to answer questions on remuneration.

The Group subscribes to a salary survey database to benchmark TGP and STIs, against the retail industry and the general South African market.

The terms of reference as set out in the mandate of the Remuneration Committee include:

- Assisting the Board in establishing a remuneration policy for directors and senior executives that will promote the achievement of strategic objectives and encourage individual performance;
- Ensuring that the mix of fixed and variable pay meet the Group's needs and strategic objectives;
- Reviewing STI and LTI plans to ensure continued contribution to shareholder value;
- Determining any on-target and stretch performance criteria necessary to measure the performance of executive directors in discharging their functions and responsibilities;
- Reviewing and recommending to the Board the relevant criteria necessary to measure the performance of executives, which plays a pivotal role in determining their remuneration;
- Considering recommendations from management (based on external benchmarks and independent non-executive directors' fees surveys) on the remuneration of the chairman and non-executive directors, whose remuneration is subject to shareholder approval;
- Reviewing the outcomes of the remuneration policy post-implementation to determine if the objectives were achieved;
- Reviewing and approving the remuneration policy as contained in the Remuneration Report, which in turn forms part of the Group's Integrated Report;
- Overseeing the preparation of the Remuneration Report (as contained in the Group's Integrated Report) to ensure that it is clear, concise and transparent;
- Ensuring that the Remuneration Report is put to a non-binding advisory vote by shareholders and engaging with shareholders and other stakeholders on the Group's remuneration philosophy;
- Ensuring that consideration is given to executive succession planning in the Group; and



- Ensuring compliance with applicable laws and codes applicable to executive remuneration.

#### ACTIVITIES OF THE REMUNERATION COMMITTEE FOR THE 2016 FINANCIAL YEAR

During the 2016 financial year, the Remuneration Committee reviewed components of the Group's remuneration policy and their link to the Group's strategic objectives. The following were the key activities for the past year:

- Approval of the TGP increases of the Group's management and senior management on the following terms: Management (general mandate of 7.5%) and Senior Management (general mandate of 7.0%);
- Reviewing and approving increase mandates for management level employees for other countries (apart from South Africa) on a per country basis; and
- Reviewing proposed increases for non-executive directors' fees.

#### REMUNERATION PHILOSOPHY

The remuneration policy is aligned to the Group's approach of rewarding directors and senior executives fairly and competitively, structuring their reward package in a manner commensurate with each executive's capabilities, skills, responsibilities and level of performance. It is based on the following underlying principles:

- Awarding remuneration that is fair and just;
- Retaining the services of key talent and critical skills necessary to realise the Group's strategic objectives over the long term;
- Attracting the key talent and skills required by the Group;
- Ensuring that remuneration structures are consistent with the Group's long-term value creation for shareholders;
- Remuneration that is sustainable in the long-term and does not encourage excessive risk taking by key decision makers;
- Key performance areas for executives which support an integrated approach, taking into account financial metrics, sustainability, risk management, governance and other strategic objectives; and
- Recognising and encouraging exceptional performance, both on an individual level as well as on a Group level.

It is the Group's objective to provide a level of remuneration that will attract, develop, retain and motivate its employees to execute its strategy in a highly competitive retail environment.

The Group's remuneration policy encourages sustainable performance and stimuli for employee motivation and retention. The executive remuneration policy is underpinned by the principle of creating and sustaining a strong link between reward and performance, placing a significant portion of the remuneration "at risk" measured at Group and operational/business unit level. The "at risk" or variable pay includes STIs and LTIs which align the interests of executives and shareholders. It should be noted that although LTIs are a key component of the Group's remuneration policy it is not our policy to make awards in terms of the ESP on an annual basis.

#### BENCHMARKING AND POSITION IN THE MARKET

To ensure that the Group remains competitive within the markets in which it operates, annual benchmarking exercises of its remunerative packages in comparison to the retail industry and the general South African market are performed. Executive positions are also periodically evaluated. Generally, TGP in the Group is placed at the median of the retail sector remuneration scale. For the retention of exceptional and/or scarce skills a premium may be paid on the remuneration package of these employees resulting in their TGP levels exceeding the market median.

Due to the size of the Group, its multiple brands and its large footprint on the African continent, executive TGP, together with on-target STIs are benchmarked at the upper quartile of the South African market (across industries and not retail exclusively). The Group believes that its remuneration policy plays an essential role in realising its business strategy; therefore, remuneration levels should be highly competitive in the challenging markets in which the Group operates.

The benchmarking comparator group was selected based on job size and industry.



## COMPONENTS OF REMUNERATION

The different components of remuneration, their objectives and their link to the business strategy as well as proposed changes to the remuneration policy are summarised below.

### SUMMARY OF COMPONENTS OF REMUNERATION

COMPONENT	NATURE	OBJECTIVE	LINK TO BUSINESS STRATEGY	POLICY	CHANGES DURING 2016
<b>TGP</b>	Fixed	TGP must reflect scope and nature of role, job content, performance and experience; and include basic employee benefits.	TGP ensures competitiveness and rewards individuals fairly based on similar positions in the market. Benefits recognise employees' need for a holistic TGP package which includes retirement benefits and insured benefits.	TGP is generally positioned at the median; exceptions are made where necessary to retain key and critical skills. The Group contributes between 7.5% – 15% towards retirement benefits. TGP includes risk and insurance benefits.	No changes
<b>Variable Pay</b> <b>STI</b> , LTI Virtual Option Plan ("VOP"), Deferred Bonus Plans ("DBP") and <b>ESP</b> .	Variable	<b>STI:</b> Rewards and motivates the achievement of Group and operational performance over a 12 month period. <b>VOP:</b> Incentive and retention plan for employees not part of the ESP and benefits realised are based on growth in the Group's trading profit. <b>DBP:</b> Employees defer a portion of their bonuses for up to 5 years. <b>ESP:</b> Aligning interests of executives with shareholders by encouraging executives to acquire and hold Shoprite Holdings shares. This could consist of co-investment shares (based on an investment made by senior employees) or performance based shares (subject to Group performance) or retention based shares which only have a continued employment condition for vesting.	<b>STI:</b> Rewards employees for contributing to growth in sustainable short term trading profit. <b>VOP:</b> Creates shareholder value and increases trading profit. <b>DBP:</b> Retention mechanism. <b>ESP:</b> Aligns behaviour of senior employees with shareholders' interests through direct shareholding of Shoprite Holdings shares.	<b>STI:</b> Depends on trading profit. Bonus pool accrual is capped at 150%. If actual profit falls below 70% of Group trading profit target, a modest bonus may be paid. <b>VOP:</b> Participants receive a bonus based on the growth in the Group's trading profit; tranche vesting in equal amounts in years 3, 4 and 5.* <b>DBP:</b> Same conditions as STI, with deferral of bonuses and tranche vesting in years 3, 4 and 5. A condition of continued employment applies for vesting.* <b>ESP:</b> Uses performance shares, retention shares and co-investment shares (on condition the underlying investment is retained for the period pending vesting), with vesting on all occasions subject to continued employment with the Group. Vesting conditions are agreed in the participant's individual award letter.  * For the DBP and VOP, employees can elect to receive their vested awards in restricted Shoprite Holdings Ltd shares rather than cash, to create greater alignment between employees and shareholders. Shares are bought in the market (outside of the ESP rules) resulting in no dilution to shareholders.	No changes

### TOTAL GUARANTEED PACKAGE

The Group offers its employees a total guaranteed package structure which includes all fixed pay components summarised above, namely:

- Guaranteed pay; and
- Benefits, which include:
  - Group life cover;
  - Medical aid; and
  - Retirement contributions.

The Remuneration Committee conducts an annual review of the Group's guaranteed packages to ensure that they remain aligned to the market.

### INCREASES

Annual increases are awarded based on employees' total guaranteed package value. Annual increases in the total guaranteed packages are determined with reference to:

- the scope and nature of an employee's role;
- market benchmarks;
- personal performance and competence;

- affordability;
- company performance and specifically sales growth; and
- actual and projected consumer price index figures.

Proposed increases to guaranteed packages are reviewed by the CEO of the Group and his recommendations are included in a formal proposal to the Remuneration Committee for approval. The average annual increase in guaranteed package levels for executives is reviewed and approved by the Remuneration Committee in terms of their mandate.

Collective bargaining agreements typically exclude performance based increases and uniform increases are normally granted which are based on the specific agreements reached between the Group and the bargaining units for predetermined periods of time.

### CEO ARRANGEMENT

Globally the retail environment is challenging and fast paced. Recently in South Africa it has become a trend for retailers to recruit their CEOs from multinational retailers outside of South Africa. Hence, it is evident that the war for talent in this space is not confined to the African continent.





It is common market knowledge that both locally and internationally the Group has outperformed its peer companies over the last ten years in terms of growth and shareholder return. This strong growth was the foundation for the Group's expansion into Africa, with Shoprite being the largest retailer on the African continent for a number of years. Such growth is spearheaded by strong leadership.

During December 2003, the Remuneration Committee and the Board therefore entered into an agreement with the Group's CEO which forms the basis of his TGP. Annual increases to TGP are based on the greater of the:

- Group's HEPS growth for the past financial year;
- Rand/US Dollar exchange rate for the past 12 months; or
- Consumer price index growth in South Africa.

This arrangement is in place until his employment contract terminates, which can be effected by giving twelve (12) months' written notice.

The Remuneration Committee and the Board have awarded the CEO with a once-off discretionary cash bonus of R50 million. Some of the factors considered in this regard are:

- **No increases during the 2014, 2015 and 2016 years:** The CEO did not claim any increases during the 2014, 2015 and 2016 years;
- **No variable pay component in recent years:** The CEO did not receive STI payments nor did he receive benefits from any LTI plan for the previous five (5) financial years. Where comparative CEO's may have some leveraged components in their total packages (especially outperformance share plans that render large value upon vesting) the Group's CEO has not benefitted from such plans for the previous five (5) financial years;
- **Length of service with the Shoprite Group:** The CEO has approximately 45 years of service; and
- **The excellent results achieved by the Group:** During the 2015/16 financial year the Group recorded diluted HEPS growth of 16.98% to 899.66 cents (12.73% to 867.01 cents for 52 weeks) during very challenging economic circumstances against a market consensus of 854.8 cents.

## VARIABLE REMUNERATION

### SHORT TERM INCENTIVE BONUS PLAN

The annual STI plan is designed to recognise the achievement of a combination of Group and operational/business unit objectives.

Executives and management participate in the STI plan which operates over a 12 month period (i.e. financial year). This is a self-funding scheme as the bonus pool is determined based on a trading profit target. The value of the on-target bonus earning potential (i.e. bonus pool) for the plan is included in the annual budget and is provided for in the financial statements.

The quantum of the bonus pool is determined at Group level, but is moderated by the financial performance of each operational/business unit within the Group. Therefore, on Group level, where between 70% and 100% of trading profit target is achieved and the operational/business unit achieves the same or a larger percentage of its trading profit budget, the operational/business units' bonus pool will be the actual percentage of trading profit budget achieved. However, where the operational/business unit performance does not match or exceed Group performance, participants may earn a portion of their on-target bonus based on the bespoke performance criteria applicable to each operational/business unit, pre-determined at the beginning of the financial year. This ensures that each participant is measured against his specific area of responsibility. Various weightings are also included in the criteria to encourage participants to maximise their role and functionality, and the criteria may include:

- market share growth;
- sales;

- controllable expenses;
- debtors' management;
- shrinkage;
- strategic transformation targets (B-BBEE);
- cost savings; and
- stock days, etc.

Due to the diversified nature of the Group, nineteen (19) operational/business units exist. Employees from all of these operational/business units participate in the STI plan. Employees falling under branch management have a choice to receive their bonus on a quarterly basis, in which case the bespoke performance criteria are measured against the quarterly results. If the employee elects to receive the bonus at the end of the fourth quarter, the results over all four quarters are considered. In the event that an annual bonus would exceed the sum of the four quarterly bonuses, the annual bonus will be paid to the employee, and vice versa.

No incentive bonus will be payable if none of the bespoke performance criteria are met.

The plan also makes provision for stretch targets above the trading profit target. Where more than 70% of target is achieved on Group level and this performance is matched or exceeded on an operational/business unit level, participants can earn up to 150% of their on-target incentive. However, where the current year trading profit does not exceed the previous year trading profit, the bonus pool is limited to 100% of the trading profit target.

The annual bonus pool is therefore capped at 150% of trading profit target in instances of financial outperformance.

Executive directors who have line of sight in terms of operational/business units have exposure to both Group performance and operational/business unit performance in the determination of their bonuses. Executive directors with line of sight to Group performance (like the Financial Director, Chief Operating Officer, Marketing Director and the Deputy Managing Director) will have exposure to Group performance in the determination of their bonuses.

On an individual executive level the earning potential as a percentage of guaranteed remuneration is expressed in the table below.

### STI EARNING POTENTIAL AS % OF GUARANTEED REMUNERATION

POSITION	TARGET AS % OF GUARANTEED REMUNERATION IN 2016	STRETCH AS % OF GUARANTEED REMUNERATION IN 2016
Financial Director	67%	100%
Executive Directors (on average)	60%	90%

### RETENTION

The Group recognises that key strategic talent, required to deliver the Group's business strategy, should be retained.

Therefore, the Remuneration Committee has the discretion to make retention payments to and/or impose a paid restraint of trade upon key talent which it deems necessary to retain in order to realise its business strategy. In exercising this discretion the Remuneration Committee members must satisfy themselves that such payments are fair and reasonable and are disclosed to shareholders as required by remuneration governance principles.

No cash retention payments were made to executive directors in the year under review.

In addition, executives who hold unvested co-investment and retention shares in terms of the ESP are subject to a restraint of trade for two (2) years post the vesting date. These are contractual restraint of trade agreements and not paid restraints.



## LONG TERM INCENTIVE PLANS

Currently LTIs are offered through participation in the ESP, VOP and DBP.

The salient features of the current LTIs are set out below:

### EXECUTIVE SHARE PLAN

Based on best practice locally and globally, the ESP was designed and approved at the 2012 Annual General Meeting by shareholders. This plan provides for considerable shareholder alignment as executives hold equity in the Group, subject to the meeting of performance hurdles and continued employment with the Group. The plan also provides executives with an opportunity to invest in the Group (with their own funds) and based on such investment they may receive matching co-investment shares.

The main characteristics of the instruments which can be awarded in terms of the ESP are set out below.

	CO-INVESTMENT SHARES	RETENTION SHARES	PERFORMANCE SHARES
Nature of instrument	Forfeitable, restricted shares allocated based on the value of the investment made by the participant in Shoprite Holdings shares or convertible bonds issued by the Group.  The co-investment shares have dividend and voting rights from date of award, however they can be forfeited by the employee in the event that the vesting conditions are not met.	Forfeitable, restricted shares which have dividend and voting rights from date of award. However, these shares can be forfeited by the employee in the event that the vesting conditions are not met.  Only used in ad-hoc circumstances where the Remuneration Committee recognises a need to retain key employees required to deliver the Group's business strategy.	Forfeitable, restricted shares allocated which are subject to pre-determined performance hurdles for vesting.
Vesting and Performance Conditions	Vesting after a pre-determined period and subject to continued employment. In addition, the underlying investment in Shoprite Holdings shares or convertible bonds should be held for the entire vesting period for the co-investment shares to vest.	Vesting after a pre-determined period and subject to continued employment for vesting.	The financial performance hurdles are set based on the Group's business strategy and the performance or value creation it seeks to create. The performance period could be three (3) years, but is determined in terms of the award letter. Performance shares are also subject to continued employment for the vesting period. The percentage of performance shares which vest is based on the extent to which the performance hurdles are met.

All these shares are forfeitable prior to vesting should participants terminate employment with the Group. In addition, any performance shares will be forfeited if the Group does not achieve the predetermined performance conditions set.

However, in line with King III, for "no-fault leavers" i.e. death, retirement and disability some pro-rata vesting may be allowed upon early termination of employment.

No ESP awards were made to executive directors during the year under review.

### VIRTUAL OPTION PLAN

The VOP is aimed at providing employees who do not participate in other executive share plans, for example middle management and other key employees and scarce skilled employees, with an incentive to advance the interests of the Group over the long term.

The strategic intent of the plan includes the retention of key employees, providing employees with an opportunity to earn variable remuneration, based on performance, to create alignment with shareholders' interests.

In terms of this plan, an incentive amount is allocated to participants. Subject to certain conditions, a bonus is determined each year by multiplying the incentive amount allocated with the actual percentage growth in the trading profit of the Group on a year to year basis (i.e. the calculation is based on the percentage growth in trading

profit between the current financial year and the previous financial year) and divided by a notional growth rate of 15%. For example if the eligible employee's incentive amount is R100 000 and the growth on prior year trading profit is 10% the VOP benefit will comprise –  $R100\,000 \times 10\%/15\% = R66\,667$ . The VOP determined in terms of this plan vests equally over the later of a three (3), four (4) and five (5) year period or payment date (as defined in terms of the policy document of the VOP), after which the employee becomes unconditionally entitled to the benefit.

The individual earning potential was increased in the 2015 financial year from 75% of on-target STI to 100% of on-target STI. The Remuneration Committee considered market best practice for middle management LTIs which informed its decision. No design changes were made during the 2016 financial year.

### DEFERRED BONUS PLAN

In terms of the DBP, participants are measured on the same criteria which are applicable to the STI plan. The pre-tax bonus determined as such, however, is deferred prior to accrual to the employee, and is paid in equal amounts after year three (3), four (4) and five (5) or on payment dates (as defined in terms of the policy document of the DBP). Deferred bonuses can be forfeited prior to payment in the event of the participant terminating employment with the Group (apart from death and disability).

The DBP therefore serves as a retention mechanism.

The individual earning potential was increased from 50% of the on-target STI to 75% of the on-target STI. For both the VOP and DBP, the increases followed a three (3) year phased approach and were completed in the 2015 financial year. No design changes were made during the 2016 financial year.

### SETTLEMENT MECHANISMS

Employees may receive settlement of their unvested VOP and DBP benefits in restricted shares where it is practical and allowed in terms of the local legislation of the employees' country of employment. Such shares are bought in the market (outside of the ESP rules) and therefore does not result in any dilution for shareholders.

The settlement of the VOP and DBP benefits in restricted shares provides employees with an opportunity to own Shoprite Holdings Limited shares which fosters a culture of ownership and alignment with shareholders. It further entitles employees to the dividend and voting rights on the restricted shares for the duration of the vesting period. Restricted shares will be forfeited should the employee terminate employment prior to the vesting dates.

In the event that employees elect not to settle their VOP and DBP benefits in restricted shares, their benefits will be paid in cash on the vesting date or payment date as defined by the policy document of these incentive plans.

### DILUTION AND SHARE PLAN LIMITS

In terms of the ESP rules an overall limit of approximately 3% (three percent) of the issued shares of Shoprite Holdings has been imposed when shares are allocated and issued in terms of the plan. An individual limit of approximately 0.5% (half a percent) has been imposed.

However, if shares are purchased in the open market for settlement of allocations in terms of the ESP, the limits will not be impacted.

Shoprite takes care not to destroy shareholder value by unnecessarily issuing shares to settle LTI awards. There was no fresh issue of shares, and no LTIs were awarded, in the 2015 or 2016 financial years.

The VOP and DBP are cash settled, and therefore settlement creates no dilution. The restricted shares required for purposes of settling the VOP and DBP benefits (where employees choose this manner of settlement as explained earlier in this report) were purchased by the Group in the open market (outside of the ESP rules). This market purchase of shares did not result in dilution and therefore did not impact the overall approved limit for the ESP.

### CONTRACTS OF EMPLOYMENT

Executive directors and executives of the Group do not have fixed term or bespoke executive contracts, but are employed in terms of the Group's standard contract of employment. The notice period for termination of service is one (1) calendar month, except for the CEO who has a notice period of 12 (twelve) months. Normal retirement age ranges between 60 and 65 years, unless the executive is requested by the Board to extend this term. Executive directors and executives do not have exceptional benefits associated with the termination of their employment.

Certain executives are subject to a restraint of trade for two (2) years after the ESP vesting date (i.e. 2 years after 15 June 2017) as they were recognised as instrumental in carrying out the Group's business strategy. However, these restraint of trade agreements are not paid restraints, but contractual restraints.

Mr E Nel's fixed-term contract was renewed for another year on 1 July 2015 while Mr B Harisunker who reached normal retirement age on 1 January 2015 renewed his contract for another year on 1 January 2016. These agreements can be terminated on 30 days' written notice and is renewable on an annual basis.

## NON-EXECUTIVE DIRECTORS' REMUNERATION

### INDEPENDENT NON-EXECUTIVE DIRECTORS

Independent non-executive directors do not have any employment contracts and do not receive any benefits associated with permanent employment.

The Board, on recommendation by management, has decided that independent non-executive directors should not be remunerated by means of a base fee and attendance fee in respect of their Board and committee obligations. This is as non-executive directors are required to prepare for all meetings and feedback and inputs are required by the Board, even though the meeting may not actually be attended by the non-executive director. The fee structure is therefore calculated on a retainer basis, which is also more comparable for benchmarking in the market against other companies' non-executive director fees.

The fee structure is reviewed annually and benchmarks for non-executive director fees for companies of similar size and comparable industries are considered when setting the proposed non-executive director fees for the following financial year.

Prior to payment, the fee structure is subject to approval by shareholders at the Group's annual general meeting. Therefore, all non-executive directors' fees are only paid after the annual general meeting for the preceding 12 (twelve) months.

Travelling and accommodation expenses actually incurred by directors to attend meetings are paid by the Group.

The proposed fee structure for the 2016 financial year (and the percentage increase levels) are set out below.

The proposed remuneration will be tabled for approval by shareholders in accordance with the Companies Act 71 of 2008 ("the Companies Act") and King III Report at the Group's annual general meeting to be held on 31 October 2016.

### NON-INDEPENDENT NON-EXECUTIVE DIRECTORS

Shoprite Holdings has one (1) non-independent non-executive director, Dr CH Wiese. The fees paid by the Group to Dr Wiese are paid to Chaircorp (Pty) Ltd, a management company of which Dr Wiese is an employee.

### NON-EXECUTIVE DIRECTORS

The table below sets out the proposed fees payable to non-executive directors in the 2016 financial year. These will be tabled before shareholders for approval by a special resolution at the 2016 annual general meeting on 31 October 2016 in line with the Companies Act, 2008.

#### PROPOSED BOARD AND COMMITTEE FEES IN 2016

	2016	2015	INCREASE %
<b>BOARD</b>			
Chairman of the Board	<b>R367 500</b>	R340 000	8%
Lead Independent Director	<b>R227 000</b>	R210 000	8%
Non-Executive Director	<b>R216 000</b>	R200 000	8%
<b>AUDIT AND RISK COMMITTEE</b>			
Chairman	<b>R258 000</b>	R239 500	8%
Member	<b>R130 000</b>	R120 000	8%
<b>REMUNERATION COMMITTEE</b>			
Chairman	<b>R67 000</b>	R62 000	8%
Member	<b>R40 500</b>	R37 500	8%
<b>NOMINATION COMMITTEE</b>			
Chairman	<b>R67 000</b>	R62 000	8%
Member	<b>R40 500</b>	R37 500	8%
<b>SOCIAL AND ETHICS COMMITTEE</b>			
Chairman	<b>R87 500</b>	R81 000	8%





## PART 3 – IMPLEMENTATION OF REMUNERATION POLICY IN 2016

### REMUNERATION PAID TO EXECUTIVE AND ALTERNATE DIRECTORS

The Group views its executive and alternate directors as prescribed officers as defined in terms of the Companies Act.

#### TOTAL REMUNERATION FOR THE FINANCIAL YEAR ENDING JUNE 2016

The single figure remuneration for the year under review for executive directors and alternative directors is disclosed in tabular format below:

R'000	June 2016					June 2015					
	Remu- neration	STI	Retirement and medical benefits	Other benefits	Total	Remu- neration	STI	Retirement and medical benefits	Cash retention payment	Other benefits	Total
<b>EXECUTIVE DIRECTORS AND ALTERNATES</b>											
JW Basson	49 656	50 000	58	386	100 100	49 656	—	54	—	382	50 092
JAL Basson	1 878	1 394	321	200	3 793	1 715	1 525	293	—	215	3 748
M Bosman	2 354	2 063	539	195	5 151	2 177	1 774	498	—	174	4 623
PC Engelbrecht	4 096	2 997	755	274	8 122	3 746	2 402	690	—	241	7 079
CG Goosen	1 142	602	213	28	1 985	2 977	2 205	760	—	111	6 053
B Harisunker	3 199	1 617	—	363	5 179	3 146	1 321	421	—	253	5 141
AE Karp	4 101	1 444	857	227	6 629	3 840	1 593	800	10 000	228	16 461
EL Nel	3 249	2 134	—	299	5 682	3 008	1 983	—	—	198	5 189
BR Weyers	656	383	—	—	1 039	2 321	1 471	585	—	160	4 537
	70 331	62 634	2 743	1 972	137 680	72 586	14 274	4 101	10 000	1 962	102 923

No LTIs were awarded in the financial year 2016, neither did any LTI awards vest in participant employees. The first vesting of LTIs (awarded in terms of the ESP rules) will be during the financial year 2017.

#### STI PERFORMANCE OUTCOMES

The following section sets out the STI performance outcomes, for the Group trading profit, in the 2016 financial year.

The STI for the financial director and executives (on average) for the 2016 financial year, expressed as a % of TGP versus on-target and (stretch) STI (expressed as a % of TGP) as well as the degree by which the Group achieved or exceeded its trading profit targets are set out below:

ROLE	FY 2016 STI AMOUNT	ACTUAL 2016 STI (AS % OF ANNUAL TGP)	POLICY: ON TARGET AND (STRETCH) STI EARNING POTENTIAL (AS % OF TGP)	MARGIN BY WHICH THE GROUP'S PERFORMANCE EXCEEDED THE TARGETED TRADING PROFIT
Financial director	R2 063 042	69%	67% (100%)	15% actual trading profit growth versus growth profit target of 11%
Executives (on average)	R1 571 800	62%	60% (90%)	

The table above illustrates that actual STI slightly exceeding on-target earning potentials were paid, whilst the Group exceeded its trading profit target set for the financial year 2016.

#### LTIS UNVESTED AT JUNE 2016

The following section sets out the indicative value (not audited value) of unvested share-based awards under the Group's ESP as an indication of the potential future LTI vesting for Executive Directors (and Alternate Executive Directors).

						INDICATIVE VALUE OF UNVESTED SHARE-BASED INSTRUMENTS – RETENTION SHARES**	INDICATIVE VALUE OF UNVESTED SHARE-BASED INSTRUMENTS – CO-INVESTMENT SHARES**
NAME	TITLE	RETENTION SHARES*	CO-INVESTMENT SHARES*	VESTED/ FORFEITED IN THE YEAR	CLOSING (TOTAL)		
PC Engelbrecht	Alternate Executive Director	27 365	52 635	—	80 000	R4 551 347	R8 754 253
AE Karp	Executive Director	20 376	39 624	—	60 000	R3 388 936	R6 590 264
M Bosman	Executive Director	16 882	33 118	—	50 000	R2 807 814	R5 508 186
JAL Basson	Alternate Executive Director	13 978	26 022	—	40 000	R2 324 821	R4 327 979

\* Award price of R156.96 and Award date of 15 June 2014

\*\* This indicative calculation is based on the number of Retention and Co-Investment Shares awarded on 15 June 2014 multiplied by the average closing share price on 30 June 2016 [R166.32]



## REMUNERATION REPORT (CONTINUED)

Shoprite Holdings Ltd and its Subsidiaries for the year ended June 2016

### FEES PAID TO NON-EXECUTIVE DIRECTORS

The non-executive director fees (approved at the 19 October 2015 annual general meeting) and paid after the annual general meeting were as follows:

#### FEES PAID TO NON-EXECUTIVE DIRECTORS IN 2015

##### BOARD

Chairman of the Board	R340 000
Lead Independent Director	R210 000
Non-Executive Director	R200 000

##### AUDIT AND RISK COMMITTEE

Chairman	R239 500
Member	R120 000

##### REMUNERATION COMMITTEE

Chairman	R62 000
Member	R37 500

##### NOMINATION COMMITTEE

Chairman	R62 000
Member	R37 500

##### SOCIAL AND ETHICS COMMITTEE

Chairman	R81 000
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# SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

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**SHOPRITE HOLDINGS LTD AND ITS SUBSIDIARIES  
FOR THE YEAR ENDED JUNE 2016.**





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The summary consolidated financial statements comprise a summary of the audited annual financial statements of the Group for the year ended June 2016. The annual financial statements of the Group for the year ended June 2016 have been audited by PricewaterhouseCoopers Inc., in compliance with the applicable requirements of the Companies Act, 2008. The preparation of the audited annual financial statements of the Group was supervised by Mr M Bosman, CA(SA). A copy of the full audited annual financial statements is available on [www.shopriteholdings.co.za](http://www.shopriteholdings.co.za) or may be requested from the company secretary ([cossec@shoprite.co.za](mailto:cossec@shoprite.co.za), tel +27 (0) 21 980 4284) at PO Box 215, Brackenfell, 7561, South Africa.



## STATEMENT OF RESPONSIBILITY BY THE BOARD OF DIRECTORS

Shoprite Holdings Ltd and its Subsidiaries for the year ended June 2016

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The summary consolidated financial statements are the responsibility of the directors of Shoprite Holdings Ltd. The audited annual financial statements of the Group for the year ended June 2016, from which these summary consolidated financial statements have been derived, were prepared in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Companies Act of South Africa.

The directors are responsible for the preparation and fair presentation of the summary consolidated financial statements and are satisfied that the systems and internal financial controls implemented by management are effective and that these summary consolidated financial statements are a true and accurate extract from the audited annual financial statements of the Group.

The directors believe that the Group have adequate resources to continue trading as a going concern in the foreseeable future. The annual financial statements support the viability of the Group.

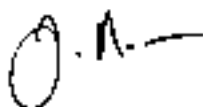
The Group's external auditor, PricewaterhouseCoopers Incorporated, audited the summary consolidated financial statements, and their report is presented on page 52. The external auditors were given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders, the board of directors and committees of the board. The directors believe that all representations made to the independent auditors during their audit are valid and appropriate.

### APPROVAL OF THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

The summary consolidated financial statements of the Shoprite Holdings Ltd Group were approved by the board of directors on 22 August 2016 and signed on its behalf by:



**CH WIESE**  
Chairman



**JW BASSON**  
Chief Executive Officer

## CERTIFICATE OF THE COMPANY SECRETARY

In terms of section 88(2)(e) of the Companies Act no 71 of 2008 (as amended) I, PG du Preez, in my capacity as Company Secretary, confirm that for the year ended June 2016, the Company has lodged with the Companies and Intellectual Property Commission, all such returns as are required of a public company in terms of the Companies Act and that all such returns and notices are true, correct and up to date.



**PG DU PREEZ**  
Company Secretary

22 August 2016

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## NATURE OF BUSINESS

Shoprite Holdings Limited ("Shoprite Holdings") is an investment holding company listed on the Johannesburg Stock Exchange Limited ("JSE") in the "food retailers & wholesalers" sector. Secondary listings are also maintained on the Namibian and Zambian Stock Exchanges.

## SHOPRITE HOLDINGS COMPRISES OF THE FOLLOWING MAIN SUBSIDIARIES:

### SHOPRITE CHECKERS (PTY) LTD

**Supermarkets:** Serves a broad customer base through our Shoprite, Shoprite Hyper, Checkers, Checkers Hyper and Usave store formats.

**Supply Chain Management:** Supplies the Group's outlets in South Africa and 14 Non-RSA countries. The Group prides itself in running a state-of-the-art distribution operation.

**Fast Foods:** The Hungry Lion chain now boasts modern, well-designed stores with a focus on fried chicken and operates outlets within South Africa, Botswana, Zambia, Lesotho, Swaziland, Namibia and Angola.

**Franchise:** The OK Franchise Division's stores offer a wide range of perishable and non-perishable food items through supermarket/convenience outlets under the OK Foods, OK Grocer, OK Minimark, OK Value, OK Express, Friendly Grocer and 7-Eleven brands. Wholesale franchise partners trade under the Megasave brand and the add-on retail liquor outlets under the OK Liquor and Friendly Liquormarket brands.

**Freshmark:** Freshmark is the Group's fruit and vegetable procurement and distribution arm and supplies fresh produce to the Group's retail outlets.

**Liquor Stores:** Trading under the Shoprite LiquorShop and Checkers LiquorShop brands respectively, the liquor shops have extended the Group's offering by providing a selection of wines, beers and a wide range of premium spirits to its customers.

**Meat Markets:** The Group's customers are served through in-store butcheries that employ qualified butchers and technicians.

**Money Markets:** The Money Markets offer a comprehensive range of financial services and products to the Group's customers through dedicated in-store service counters.

**Furniture:** The Furniture division offers furniture, electrical appliances and home entertainment products to customers for cash or credit through its OK Furniture, OK Power Express, OK Dreams and House & Home outlets in South Africa, Botswana, Namibia, Swaziland, Lesotho, Zambia, Mozambique and Angola.

**Pharmacies and wholesale distribution:** MediRite's in-store pharmacies offer consumers an easy access to affordable healthcare and healthcare professionals. These in-store dispensaries currently operate throughout South Africa and also in Angola and Swaziland. The Group's pharmaceutical wholesaler, Transpharm, sells and distributes pharmaceutical products and surgical equipment to hospitals and clinics, dispensing doctors, veterinary surgeons and private and corporate pharmacies.

**Properties:** This division is tasked with the responsibility to expand the Group's supermarket portfolio through the identification and leasing of new supermarket premises or developing new shopping centres to accommodate one of the supermarket formats. New retail developments and the redevelopment of existing properties are supervised through every stage of the planning-, design- and construction process.

### SHOPRITE INVESTMENTS LTD

As a wholly owned subsidiary of Shoprite Holdings, Shoprite Investments conducts the Group's treasury function and financing of credit sales to third parties.

### COMPUTICKET (PTY) LTD

As a premier ticketing solution provider and one of the most recognised brand names, Computicket offers theatre, concert, festival, sport and cinema tickets along with bus tickets and gift vouchers through a network of outlets located across South Africa, Botswana, Mozambique, Namibia and Zambia, a call centre as well as the Computicket website. Computicket Travel also offers a variety of travel packages.

### SHOPRITE INTERNATIONAL LTD

Incorporated in the Republic of Mauritius, Shoprite International is the holding company for the majority of the Group's non-South African retail and property investments.

### SHOPRITE INSURANCE COMPANY LTD

Provides first and third party short-term insurance to the Group and its customers.

### OTHER GROUP SUBSIDIARIES

The interests of Shoprite Holdings in other subsidiaries are set out on page 63 of the Integrated Report.

## FINANCIAL REVIEW

The Group's diluted headline earnings per share amounts to 899.7 cents for the year (2015: 769.1 cents). Details of the profit of Shoprite Holdings and its subsidiaries are contained in the statement of comprehensive income on page 55 with reference to the operating segment information on page 58. The financial position of Shoprite Holdings and its subsidiaries are recorded in the statement of financial position on page 54. Further details are furnished in the notes to the summary consolidated financial statements on page 58 to 62. The Group's net asset value per share as at 3 July 2016 was 3 991 cents (2015: 3 571 cents).

## DISTRIBUTION TO SHAREHOLDERS

### ORDINARY DIVIDENDS

An interim cash dividend (no. 134) of 156 cents per share was paid on 22 March 2016. A final dividend (no. 135) of 296 cents per share, is payable on 12 September 2016, bringing the total dividend for the year to 452 cents (2015: 386 cents) per ordinary share.

### SHARE CAPITAL

The authorised share capital of Shoprite Holdings remained unchanged at 650 000 000 (six hundred and fifty million) ordinary shares of 113.4 cents (one hundred and thirteen point four cents) each.

On 19 August 2016 Shoprite Holdings issued 1 571 555 (one million five hundred and seventy one thousand five hundred and fifty five) ordinary shares in respect of conversion notices received from the holders of 26 550 Shoprite Investments convertible bonds. Accordingly, the issued share capital increased from 572 871 960 (five hundred and seventy two million eight hundred and seventy one thousand nine hundred and sixty) to 574 443 515 (five hundred and seventy four million four hundred and forty three thousand five hundred and fifteen) ordinary shares of 113.4 cents each.

On 22 August 2016, Shoprite Holdings issued 800 473 (eight hundred thousand four hundred and seventy three) non-convertible, non-participating, no par value deferred shares in the share capital of Shoprite Holdings to Thibault Square Financial Services (Pty) Ltd pursuant to the issue of 1 571 555 (one million five hundred and seventy one thousand five hundred and fifty five) ordinary shares as reported above. The total issued non-convertible, non-participating, no par value deferred shares therefore increased to 292 593 267 (two hundred and ninety two million five hundred and ninety three thousand two hundred and sixty seven).

On 8 December 2015, Shoprite Holdings delisted the 5%, second 5% and third 5% cumulative preference shares through schemes of arrangement at a price of R2.10 per preference share.

## GOING CONCERN

The annual financial statements of the Group were prepared on a going concern basis.

The board has performed a formal review of the Group's results and its ability to continue trading as a going concern in the foreseeable future.

The directors of Shoprite Holdings confirm that they are satisfied that the Group has adequate resources to continue in business for the foreseeable future.





## BORROWINGS

Shoprite Holdings has unlimited borrowing powers in terms of its Memorandum of Incorporation (MOI).

The Group's overall level of debt increased from R4.872 billion to R5.124 billion during the financial year under review.

## SPECIAL RESOLUTIONS

At the annual general meeting of Shoprite Holdings held on 19 October 2015, shareholders approved the following special resolutions:

**Special resolution number 1:** Remuneration payable to non-executive directors;

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

**Special resolution number 3:** Financial assistance for subscription of securities;

**Special resolution number 4:** General approval to repurchase shares;

**Special resolution number 5:** Approval of scheme of arrangement relating to Shoprite Holdings 5% cumulative preference shares in terms of section 115(2) of the Companies Act;

**Special resolution number 6:** Approval of scheme of arrangement relating to Shoprite Holdings second 5% cumulative preference shares in terms of section 115(2) of the Companies Act; and

**Special resolution number 7:** Approval of scheme of arrangement relating to Shoprite Holdings third 5% cumulative preference shares in terms of section 115(2) of the Companies Act.

During the reporting period the following special resolutions were passed by main Group subsidiaries:

### SHOPRITE CHECKERS (PTY) LTD

**Special resolution number 1:** Financial assistance to subsidiaries, related and inter-related entities.

### SHOPRITE INVESTMENTS LTD

**Special resolution number 1:** Financial assistance to subsidiaries, related and inter-related entities.

## DIRECTORS AND SECRETARY

The directors' names and details are furnished on pages 8 and 9 and the company secretary's name, business and postal address on page 74 of the Integrated Report.

In terms of the Memorandum of Incorporation of Shoprite Holdings ("the MOI"), no less than one third of the non-executive directors shall retire by rotation at each annual general meeting.

Dr ATM Mokgokong, Messrs JF Basson, JJ Fouché and JA Rock retire as directors, in terms of Article 33.5.1 of the MOI of the Company, at the annual general meeting. All these directors have offered themselves for re-election as directors of Shoprite Holdings.

The Board supports the re-election of these directors.

## DIRECTORS' AND ALTERNATE DIRECTORS' INTERESTS IN ORDINARY SHARES

### NON-EXECUTIVE DIRECTORS

	DIRECT BENEFICIAL	INDIRECT BENEFICIAL	TOTAL 2016	TOTAL 2015
CH Wiese	—	91 252 531	91 252 531	90 212 531
JJ Fouché	472 171	—	472 171	472 171
JF Basson	—	1 000	1 000	1 000
EC Kieswetter	6 304	—	6 304	4 304
JA Louw	—	50 000	50 000	50 000
ATM Mokgokong	—	—	—	—
JA Rock	—	—	—	—
JD Wiese	—	14 074	14 074	14 074

### EXECUTIVE DIRECTORS

	DIRECT BENEFICIAL	INDIRECT BENEFICIAL	TOTAL 2016	TOTAL 2015
JW Basson	—	9 104 122	9 104 122	8 884 122
M Bosman	115 000	60 000	175 000	175 000
CG Goosen	3 000	1 114 202	1 117 202	1 177 202
B Harisunker	407 379	—	407 379	407 379
AE Karp	225 269	—	225 269	225 272
EL Nel	—	148 727	148 727	148 727
BR Weyers	284 594	—	284 594	404 594
JAL Basson	40 000	89 201	129 201	129 201
PC Engelbrecht	210 000	201 039	411 039	411 039

There were no changes in the shareholding of directors in ordinary shares between financial year-end and the date of this report.

## NON-EXECUTIVE DIRECTOR'S INTEREST IN NON-CONVERTIBLE, NON-PARTICIPATING, NO PAR VALUE DEFERRED SHARES

	TOTAL 2016	TOTAL 2015
CH Wiese	291 792 794	291 792 794

## GOVERNANCE

Statements of the Board's application of the codes of good corporate governance are set out in the corporate governance report on pages 30 to 33.

## BOARD COMMITTEES

The reports of the various board committees are included in the corporate governance section of the Integrated Report and on pages 50 and 51.

## AUDITORS

PricewaterhouseCoopers Incorporated will continue in office in accordance with Section 90(1) of the Companies Act.

## EVENTS AFTER THE REPORTING DATE

Other than the facts in this Integrated Report, there have been no material changes in the affairs or financial position of the Group and its subsidiaries from 3 July 2016 to the date of this report.

## HOLDING COMPANY

Shoprite Holdings has no holding company. An analysis of the main shareholders appears on page 64 of this report.

## LITIGATION STATEMENT

Save for the referral to the National Consumer Tribunal as stated in note 35.3 of the annual financial statements, the directors are not aware of any legal or arbitration proceedings, including proceedings that are pending or threatened, that may have or have had in the recent past, being at least the previous twelve (12) months, a material effect on the Group's financial position.



## INTRODUCTION

The Audit and Risk Committee ("the Audit Committee") is established as an independent statutory committee in terms of section 94(2) of the Companies Act 71 of 2008, as amended ("the Companies Act") and oversees audit and risk committee matters for all of the South African subsidiaries of Shoprite Holdings, as permitted by section 94(2)(a) of the Companies Act.

The main purpose of the Audit Committee is to assist the Board in monitoring the integrity of financial statements and overseeing the Integrated Report. It is also responsible to oversee the effectiveness of the Group's internal financial controls as well as the internal and external audit functions. The Companies Act furthermore requires the Audit Committee to perform specific duties.

The Audit Committee's terms of reference is formalised in a charter which is reviewed annually.

During the period under review, the Audit Committee conducted its affairs in accordance with the charter and has discharged its responsibilities as required by the charter, the Companies Act and the material requirements of King III.

## AUDIT COMMITTEE MEMBERS, MEETING ATTENDANCE AND ASSESSMENT

The Audit Committee consists of four (4) independent non-executive directors elected by the shareholders of Shoprite Holdings on recommendation by the Board and is chaired by Mr JF Basson.

Audit Committee meetings are held at least four (4) times a year as required by the charter. For the period under review, the Committee met five (5) times. A special Audit Committee meeting was held on 19 August 2016 to approve the 2015/16 annual financial statements of the Company.

The attendance of the Committee members is recorded below:

	30.10.2015	19.02.2016	09.05.2016	15.08.2016	19.08.2016 (SPECIAL)
<b>NON-EXECUTIVE DIRECTORS</b>					
JF BASSON	●	●	●	●	●
JA LOUW	●	●	○	●	●
JJ FOUCHÉ	●	●	●	●	●
JA ROCK	●	●	●	●	●

The financial director, internal and external auditors attended the Audit Committee meetings by invitation. Other members of management attended as required.

The Audit Committee agendas provide for meetings between the members and internal and external auditors.

## AUDIT COMMITTEE EVALUATION

As part of the annual evaluation, the performance of the Audit Committee and its members were assessed and found to be satisfactory. In addition, members were assessed in terms of the independence requirements of King III and the Companies Act. All members of the Audit Committee continue to meet the independence requirements.

## ROLES AND RESPONSIBILITIES

During the period under review, the Audit Committee fulfilled the statutory duties as required by the Companies Act and recommended in King III, as well as various additional responsibilities assigned to it by the Board.

## EXTERNAL AUDITOR APPOINTMENT AND INDEPENDENCE

The Audit Committee evaluates the performance of the external auditor during its term of appointment against specified criteria that include delivering value to shareholders and the Group, and also assesses the effectiveness of the external audit process by:

- Considering the external audit plan, in particular to get assurance that it addresses changes in circumstances from the prior year;
- Reviewing the terms of engagement of the external auditor;
- Following the completion of the audit;

- Meeting with the audit partners; and
- Overseeing (and approving where relevant) non-audit services.

The Audit Committee annually assesses the independence of the external auditor, PricewaterhouseCoopers (PwC). At the Committee's meeting on 15 August 2016, PwC were required to confirm that they:

- are not precluded from re-appointment due to any impediment as listed in section 90(2)(b) of the Companies Act;
- are in compliance with section 91(5) of the Companies Act, by comparison with the membership of the firm at the time of its re-appointment in 2015, more than one half of the members remain in 2016; and
- remain independent as required by section 94(7) of the Companies Act and the relevant provision in the JSE Listings Requirements.

In consultation with the Group's executive management, the Audit Committee agreed to the terms of the PwC engagement letter, audit plan and budgeted audit fees in respect of the 2016 financial year. The total fee paid to PwC during the reporting period amounted to R39.9 million of which R8.8 million was in respect of non-assurance services.

A formal framework governs the process through which PwC renders non-assurance services to ensure that the audit independence is not compromised. The Audit Committee approved the terms of a master service agreement for the provision of such services by PwC as well as the nature and extent of non-assurance services that may be provided in terms of a pre-approval policy. Non-assurance services rendered by PwC during the period under review comprised tax advisory and compliance services and other advisory services.

Based on the above assessment, the Committee re-nominates PwC as independent external auditor for the 2016/17 financial year. Having served as the designated audit partner for the past five (5) years, Mr A Wentzel retires by rotation as the designated partner with effect from 31 October 2016 as required by section 92(1) of the Companies Act. Mr MC Hamman will perform the functions of the designated external audit partner, until the 2017 annual general meeting of Shoprite Holdings. Shareholders are therefore requested to re-elect PwC as independent external auditor for the 2016/17 financial year at the annual general meeting on 31 October 2016 with Mr Hamman as the designated audit partner.

## FINANCIAL STATEMENTS AND ACCOUNTING PRACTICES

During the reporting period, the Audit Committee reviewed the interim and annual financial reports of the Group and recommended the acceptance and approval thereof to the Board.

During the review of the financial reports the Audit Committee considered:

- the accounting policies and financial statements, in order to ensure compliance with International Financial Reporting Standards and relevant requirements of the Companies Act and the JSE Listings Requirements; and
- the audit report issued by the external auditors.

## INTERNAL CONTROLS

The Group's systems of internal control are designed and implemented to support the identification, evaluation and management of risks affecting the Group. These include controls in respect of the financial reporting process but extend across all areas of operations.

During the reporting period an internal review was performed to assess the effectiveness of the Group's system of internal controls and risk management procedures. This assessment formed the basis for the Audit Committee's recommendation in this regard to the Board.

Management, internal and external auditors have agreed on a combined assurance model to enable these parties to report to the Audit Committee on the efficiency of the Group's internal financial controls. Assurance on compliance with systems of internal control and on their effectiveness is obtained through regular management reviews, assurance, testing of certain aspects of the internal financial control systems by the external auditors during the course of their statutory audit and regular reports to the Audit Committee by the external and internal auditors.



During the period under review, the Audit Committee reviewed the reports on the design, implementation and effectiveness of the Group's systems of internal, financial and risk controls. No material breakdowns in the internal and financial controls came to the attention of management of the Group that required reporting.

## INTEGRATED AND SUSTAINABILITY REPORTING

In fulfilling its oversight responsibilities, the Audit Committee has reviewed the sustainability information that forms part of the Group's Integrated Report and has assessed its consistency with operational and other information known to the Audit Committee members, as well as its consistency with the Group's 2016 annual financial statements.

The Audit Committee is satisfied that the above is consistent with the Group's financial results. As such the Audit Committee has recommended that the Group's Integrated Report be approved by the Board.

## GOING CONCERN

The Audit Committee has reviewed a documented assessment, including key assumptions, prepared by management on the going concern status of the Group. The Board's statement on the going concern status of the Group, as supported by the Audit Committee, is contained in the directors' report.

## GOVERNANCE OF RISK

Whilst the Board is ultimately responsible for the maintenance of an effective risk management process, the Committee assisted the Board in assessing the adequacy of the risk management process.

The risk forum (a management committee consisting of senior managers from all business units and chaired by the financial director) met four (4) times during the reporting period. During these meetings significant risks affecting the Group were considered and discussed to ensure that executive management is aware of the risks affecting the Group and their business units. Minutes of these meetings are submitted to the Audit Committee for consideration.

Each divisional unit within the Group has their own enterprise wide risk management (EWRM) plan which is updated regularly to ensure that risks affecting business units are current and that the necessary controls to mitigate these risks are in place.

The Group also has a top 20 risk document which details the material risks of the Group as well as the necessary controls to mitigate these risks. All business units are required to report on the risk control measures that they have implemented to address specific risks affecting their respective business units.

During the 2015/16 financial year the Group initiated a process to review the Group's formal Enterprise Risk Management (ERM) Policy and Framework that aligns risk management to the strategic objectives of the Group. The ERM policy and framework articulates the principles and requirements for effective risk management as part of the Group's overall corporate governance. Periodic risk evaluations are performed in all business units across the Group and the most significant risks, the Top 20 risks, with key mitigating controls, are reported to the Audit and Risk Committee on a periodic basis.

A combined assurance model has been adopted by the Group as the basis for risk management governance and oversight. This lines-of-defense based model highlights the different role players' responsibilities for internal controls and risk management and summarises accountability for the oversight of risks and independent assurance.

The Group recognises the significant threat that cybersecurity presents and how successful cybersecurity attacks can cause significant damage to a company's business and reputation. As a result, a special project with outside expert assistance was recently launched to mitigate this specific business risk.

The Audit Committee is satisfied that, during the course of the 2015/16 financial year, executive management was aware of and addressed the material risks affecting their respective business units and the Group as a whole.

## INTERNAL AUDIT

The Audit Committee is responsible to ensure that the Group's internal audit function is independent and has the necessary resources, standing and authority within the Group to enable it to discharge its responsibilities effectively. Furthermore, it oversees cooperation between the internal and external auditors, and serves as a link between the Board and these functions.

Internal audit activities, all of which are risk based, are performed by a team of appropriately qualified and experienced employees who are led by the internal audit manager. The internal audit department is responsible for reviewing and providing assurance on the adequacy of the internal control environment across all of the significant areas of the Group's operations. Internal audit's activities are measured against the Group's approved internal audit plan and the internal audit manager tables a progress report in this regard to the Audit Committee at each meeting.

The internal audit manager has direct access to the Audit Committee, primarily through the Chairman.

During the reporting period the Audit Committee:

- reviewed and agreed the internal audit charter and annual audit plan and evaluated the independence, effectiveness, performance of the internal audit function and compliance with its charter;
- considered the reports of internal audit on the Group's systems of internal control;
- reviewed significant issues raised by the internal audit process and the adequacy of corrective actions taken in response to findings; and
- formed an opinion that adequate, objective internal audit standards and procedures exist within the Group and that the Group's internal audit department has complied with the required legal, regulatory and other responsibilities as stipulated in their charter during the period under review.

## GOVERNANCE OF INFORMATION TECHNOLOGY (IT)

In executing the Board's mandate for IT governance, the Audit Committee successfully built on the foundations set in previous years under the direction of the General Manager IT.

During the financial year, the Audit Committee reviewed the implementation of all relevant IT governance mandates, policies, processes and control frameworks. Furthermore, the Audit Committee also provides assurance to the Board on all IT related matters, including significant IT investments, by engaging both internal and external assurance providers. This assurance forms part of the Group's combined assurance framework.

The Group's IT governance framework is formalised in an IT governance charter and policies were formulated and implemented. The charter and policies outline the decision making rights and accountability framework for IT governance within the Group. During the reporting period, the Audit Committee reviewed and agreed to certain amendments to the IT governance charter.

## EVALUATION OF THE EXPERTISE AND EXPERIENCE OF FINANCIAL DIRECTOR AND FINANCE FUNCTION

As required by JSE Listing Requirement 3.84(h), the Audit Committee, through a formal process, has satisfied itself that the financial director, Mr M Bosman, has the appropriate expertise and experience to act in this capacity. Mr Bosman is a chartered accountant and was appointed as financial director of the Group in 2014.

The Audit Committee also considered a written report that records the manpower, roles and responsibilities, qualifications and experience of senior members of the Group finance department. Based on this assessment, the Audit Committee is satisfied that the Group finance function has the required expertise and adequacy of resources to perform the Group financial function.

## JF BASSON

Chairman

22 August 2016



Shoprite Holdings Ltd and its Subsidiaries for the year ended June 2016

The summary consolidated financial statements are expressed in South African rand. The approximate Rand cost of a unit of the following currencies at year-end was:

	2016	2015		2016	2015		2016	2015
US dollar	14.775	12.126	Botswana pula	1.383	1.236	India rupee	0.219	0.191
Pound sterling	19.685	19.091	Uganda shilling	0.004	0.004	Ghana cedi	3.731	2.740
Euro	16.393	13.581	Malawi kwacha	0.021	0.027	Madagascar ariary	0.005	0.004
Zambia kwacha	1.514	1.641	Mauritius rupee	0.415	0.344	Nigeria naira	0.052	0.061
Mozambique metical	0.221	0.282	Angola kwanza	0.089	0.100	DRC franc	0.016	0.013

## INDEPENDENT AUDITOR'S REPORT ON SUMMARY FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF SHOPRITE HOLDINGS LIMITED

The summary consolidated financial statements of Shoprite Holdings Limited, set out on pages 54 to 63 of the Integrated Report, which comprise the summary consolidated statement of financial position as at 3 July 2016, and the summary consolidated statements of comprehensive income, changes in equity and cash flows for the period then ended, and related notes, are derived from the audited consolidated financial statements of Shoprite Holdings Limited for the period ended 3 July 2016. We expressed an unmodified audit opinion on those consolidated financial statements in our report dated 22 August 2016. Our auditor's report on the audited consolidated financial statements contained an Other Matter paragraph: "Other Reports Required by the Companies Act" (refer below).

The summary consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards and the requirements of the Companies Act of South Africa as applicable to annual financial statements. Reading the summary consolidated financial statements, therefore, is not a substitute for reading the audited consolidated financial statements of Shoprite Holdings Limited.

### DIRECTORS' RESPONSIBILITY FOR THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of a summary of the audited consolidated financial statements in accordance with the JSE Limited's (JSE) requirements for summary financial statements, set out in the notes to the summary consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements, and for such internal control as the directors determine is necessary to enable the preparation of summary consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### AUDITOR'S RESPONSIBILITY

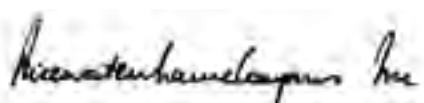
Our responsibility is to express an opinion on the summary consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810, Engagements to Report on Summary Financial Statements.

### OPINION

In our opinion, the summary consolidated financial statements derived from the audited consolidated financial statements of Shoprite Holdings Limited for the period ended 3 July 2016 are consistent, in all material respects, with those consolidated financial statements, in accordance with the JSE's requirements for summary financial statements, set out in the notes to the summary consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

### OTHER REPORTS REQUIRED BY THE COMPANIES ACT

The "Other Reports Required by the Companies Act" paragraph in our audit report dated 22 August 2016 states that as part of our audit of the consolidated financial statements for the period ended 3 July 2016, we have read the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated financial statements. These reports are the responsibility of the respective preparers. The paragraph also states that, based on reading these reports, we have not identified material inconsistencies between these reports and the audited consolidated financial statements. The paragraph furthermore states that we have not audited these reports and accordingly do not express an opinion on these reports. The paragraph does not have an effect on the summary consolidated financial statements or our opinion thereon.



### PRICEWATERHOUSECOOPERS INC.

Director: Anton Wentzel  
Registered Auditor  
Cape Town

22 August 2016





# VALUE-ADDED STATEMENT

Shoprite Holdings Ltd and its Subsidiaries for the year ended June 2016

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	53 weeks June 2016 Rm	%	52 weeks June 2015 Rm	%
Sale of merchandise	130 028		113 694	
Investment income	285		315	
Cost of goods and services	(110 332)		(96 411)	
<b>VALUE ADDED</b>	<b>19 981</b>	<b>100.0</b>	<b>17 598</b>	<b>100.0</b>

Employed as follows:

## EMPLOYEES

Salaries, wages and service benefits

10 356 51.8 9 249 52.6

## PROVIDERS OF CAPITAL

Finance costs to providers of funds

2 642 13.2 2 355 13.4

Dividends to providers of share capital

498 2.5 415 2.4

2 144 10.7 1 940 11.0

## INCOME TAX

Income tax on profits made

1 998 10.0 1 848 10.5

## REINVESTED

Reinvested in the Group to finance future expansion and growth

4 985 25.0 4 146 23.5

Depreciation and amortisation

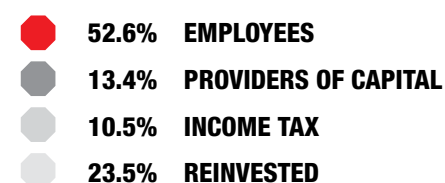
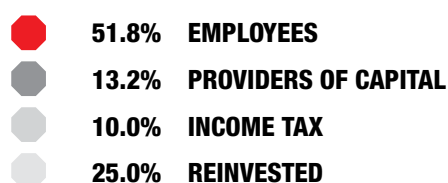
2 288 11.5 1 962 11.1

Retained earnings

2 697 13.5 2 184 12.4

## EMPLOYMENT OF VALUE ADDED

19 981 100.0 17 598 100.0



# SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Shoprite Holdings Ltd and its Subsidiaries as at June 2016

	Notes	June 2016 Rm	June 2015 Rm
<b>ASSETS</b>			
NON-CURRENT ASSETS			
Property, plant and equipment		16 908	15 374
Investment in associates and joint ventures		95	178
Loans and receivables		599	547
Deferred income tax assets		599	469
Intangible assets		1 857	1 458
Fixed escalation operating lease accruals		28	9
		20 086	18 035
CURRENT ASSETS			
Inventories		15 420	13 689
Trade and other receivables		5 544	5 019
Current income tax assets		146	44
Loans and receivables		270	59
Cash and cash equivalents		6 784	7 061
		28 164	25 872
Assets held for sale		17	13
<b>TOTAL ASSETS</b>		<b>48 267</b>	<b>43 920</b>
<b>EQUITY</b>			
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE PARENT			
Share capital	3	650	650
Share premium		4 029	4 029
Treasury shares	3	(760)	(759)
Reserves		17 419	15 172
		21 338	19 092
NON-CONTROLLING INTEREST		65	68
<b>TOTAL EQUITY</b>		<b>21 403</b>	<b>19 160</b>
<b>LIABILITIES</b>			
NON-CURRENT LIABILITIES			
Borrowings	4	102	4 305
Deferred income tax liabilities		130	188
Provisions		267	321
Fixed escalation operating lease accruals		995	846
		1 494	5 660
CURRENT LIABILITIES			
Trade and other payables		16 590	17 432
Borrowings	4	5 022	567
Derivative financial instruments		32	2
Current income tax liabilities		574	960
Provisions		187	136
Bank overdrafts		2 965	3
		25 370	19 100
<b>TOTAL LIABILITIES</b>		<b>26 864</b>	<b>24 760</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>48 267</b>	<b>43 920</b>



# SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Shoprite Holdings Ltd and its Subsidiaries for the year ended June 2016

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	Notes	% change	53 weeks June 2016 Rm	52 weeks June 2015 Rm
Sale of merchandise		14.4	130 028	113 694
Cost of sales		14.0	(102 792)	(90 180)
GROSS PROFIT		15.8	27 236	23 514
Other operating income		8.3	3 711	3 428
Depreciation and amortisation		16.8	(2 025)	(1 733)
Operating leases		16.6	(3 486)	(2 990)
Employee benefits		11.7	(9 499)	(8 507)
Other operating expenses		17.3	(8 659)	(7 384)
TRADING PROFIT		15.0	7 278	6 328
Exchange rate losses			(46)	(132)
Items of a capital nature			(11)	(13)
OPERATING PROFIT		16.8	7 221	6 183
Interest received		(19.4)	174	216
Finance costs		20.0	(498)	(415)
Share of loss of associates and joint ventures			(52)	(2)
PROFIT BEFORE INCOME TAX		14.4	6 845	5 982
Income tax expense		8.1	(1 998)	(1 848)
PROFIT FOR THE YEAR		17.2	4 847	4 134
OTHER COMPREHENSIVE INCOME, NET OF INCOME TAX			(579)	(387)
Items that will not be reclassified to profit or loss				
Re-measurements of post-employment medical benefit obligations			1	1
Items that may subsequently be reclassified to profit or loss				
Foreign currency translation differences			(680)	(413)
Share of foreign currency translation differences of associates and joint ventures			76	25
For the period			122	25
Reclassified to profit for the period			(46)	—
Gains on effective cash flow hedge			24	—
TOTAL COMPREHENSIVE INCOME FOR THE YEAR			4 268	3 747
PROFIT ATTRIBUTABLE TO:				
Owners of the parent			4 841	4 124
Non-controlling interest			6	10
			4 847	4 134
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the parent			4 262	3 737
Non-controlling interest			6	10
			4 268	3 747
Basic earnings per share (cents)	6	17.4	905.4	771.2
Diluted earnings per share (cents)	6	17.4	900.7	767.4
Basic headline earnings per share (cents)	6	17.0	904.4	772.9
Diluted headline earnings per share (cents)	6	17.0	899.7	769.1

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# SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Shoprite Holdings Ltd and its Subsidiaries for the year ended June 2016

Rm	Total equity	Non-controlling interest	Attributable to owners of the parent					
			Total	Share capital	Share premium	Treasury shares	Other reserves	Retained earnings
<b>BALANCE AT JUNE 2014</b>	<b>17 283</b>	<b>66</b>	<b>17 217</b>	<b>650</b>	<b>4 029</b>	<b>(680)</b>	<b>1 236</b>	<b>11 982</b>
Total comprehensive income	3 747	10	3 737	—	—	—	(388)	4 125
Profit for the year	4 134	10	4 124					4 124
Recognised in other comprehensive income								
Re-measurements of post-employment medical benefit obligations	1		1					1
Foreign currency translation differences	(388)		(388)				(388)	
Share-based payments – value of employee services	131		131				131	
Modification of cash bonus arrangement transferred from provisions	26		26				26	
Purchase of treasury shares	(79)		(79)			(79)		
Dividends distributed to shareholders	(1 948)	(8)	(1 940)					(1 940)
<b>BALANCE AT JUNE 2015</b>	<b>19 160</b>	<b>68</b>	<b>19 092</b>	<b>650</b>	<b>4 029</b>	<b>(759)</b>	<b>1 005</b>	<b>14 167</b>
Total comprehensive income	4 268	6	4 262	—	—	—	(580)	4 842
Profit for the year	4 847	6	4 841					4 841
Recognised in other comprehensive income								
Re-measurements of post-employment medical benefit obligations	1		1					1
Foreign currency translation differences	(604)		(604)				(604)	
Gains on effective cash flow hedge	33		33				33	
Income tax effect of gains on effective cash flow hedge	(9)		(9)				(9)	
Share-based payments – value of employee services	140		140				140	
Modification of cash bonus arrangement transferred from provisions	7		7				7	
Purchase of treasury shares	(28)		(28)			(28)		
Treasury shares disposed	9		9			9		
Realisation of share-based payment reserve	—		—			18	(18)	
Dividends distributed to shareholders	(2 153)	(9)	(2 144)					(2 144)
<b>BALANCE AT JUNE 2016</b>	<b>21 403</b>	<b>65</b>	<b>21 338</b>	<b>650</b>	<b>4 029</b>	<b>(760)</b>	<b>554</b>	<b>16 865</b>





# SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS

Shoprite Holdings Ltd and its Subsidiaries for the year ended June 2016

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	Notes	June 2016 Rm	June 2015 Rm
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Operating profit		<b>7 221</b>	6 183
Less: investment income		<b>(111)</b>	(99)
Non-cash items	8.1	<b>2 681</b>	2 912
Payments for cash settlement of share appreciation rights		<b>—</b>	(3)
Changes in working capital	8.2	<b>(3 331)</b>	(1 408)
Cash generated from operations		<b>6 460</b>	7 585
Interest received		<b>258</b>	294
Interest paid		<b>(426)</b>	(377)
Dividends received		<b>27</b>	21
Dividends paid		<b>(2 152)</b>	(1 947)
Income tax paid		<b>(2 724)</b>	(1 820)
<b>CASH FLOWS UTILISED BY INVESTING ACTIVITIES</b>			
Investment in property, plant and equipment and intangible assets to expand operations		<b>(3 304)</b>	(3 630)
Investment in property, plant and equipment and intangible assets to maintain operations		<b>(1 448)</b>	(1 001)
Proceeds on disposal of property, plant and equipment and intangible assets		<b>85</b>	71
Proceeds on disposal of assets held for sale		<b>—</b>	163
Other investing activities		<b>(263)</b>	(264)
Investment in associates		<b>—</b>	(6)
Proceeds on disposal of investment in associate		<b>197</b>	—
Acquisition of operations		<b>—</b>	(3)
<b>CASH FLOWS FROM/(UTILISED BY) FINANCING ACTIVITIES</b>			
Purchase of treasury shares		<b>(28)</b>	(79)
Proceeds from treasury shares disposed		<b>9</b>	—
Redemption of Shoprite Holdings Ltd preference share capital		<b>(2)</b>	—
Increase in borrowing from Standard Chartered Bank (Mauritius) Ltd		<b>216</b>	—
Repayment of borrowing from Standard Bank de Angola, S.A.		<b>(201)</b>	—
Increase in borrowing from First National Bank of Namibia Ltd		<b>8</b>	14
Increase in other borrowings		<b>8</b>	13
<b>NET MOVEMENT IN CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents at the beginning of the year		<b>7 058</b>	8 100
Effect of exchange rate movements on cash and cash equivalents		<b>41</b>	(76)
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>		<b>3 819</b>	7 058
Consisting of:			
Cash and cash equivalents		<b>6 784</b>	7 061
Bank overdrafts		<b>(2 965)</b>	(3)
		<b>3 819</b>	7 058

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# SELECTED EXPLANATORY NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

Shoprite Holdings Ltd and its Subsidiaries for the year ended June 2016

## 1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The summary consolidated financial statements are prepared in accordance with the requirements of the JSE Limited (JSE) for summary financial statements and the requirements of the Companies Act applicable to summary financial statements. The JSE requires summary financial statements to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34: Interim Financial Reporting.

The accounting policies applied in the preparation of the consolidated annual financial statements from which the summary consolidated financial statements were derived are in terms of International Financial Reporting Standards and are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements.

## 2 OPERATING SEGMENT INFORMATION

### 2.1 ANALYSIS PER REPORTABLE SEGMENT

	June 2016				
	Supermarkets RSA Rm	Supermarkets Non-RSA Rm	Furniture Rm	Other operating segments Rm	Consolidated Rm
Sale of merchandise					
External	94 167	22 246	5 207	8 408	130 028
Inter-segment	3 936	17	—	28	3 981
	98 103	22 263	5 207	8 436	134 009
Trading profit	5 814	1 231	99	134	7 278
Depreciation and amortisation*	1 737	413	96	42	2 288
Total assets	30 196	11 500	4 003	2 568	48 267

	June 2015				
	Supermarkets RSA Rm	Supermarkets Non-RSA Rm	Furniture Rm	Other operating segments Rm	Consolidated Rm
Sale of merchandise					
External	84 945	16 781	4 516	7 452	113 694
Inter-segment	3 250	11	—	87	3 348
	88 195	16 792	4 516	7 539	117 042
Trading profit	5 268	741	205	114	6 328
Depreciation and amortisation*	1 536	319	77	30	1 962
Total assets	28 056	9 726	4 019	2 119	43 920

### 2.2 GEOGRAPHICAL ANALYSIS

	June 2016		
	South Africa Rm	Outside South Africa Rm	Consolidated Rm
Sale of merchandise – external	105 603	24 425	130 028
Non-current assets**	14 193	4 600	18 793

	June 2015		
	South Africa Rm	Outside South Africa Rm	Consolidated Rm
Sale of merchandise – external	95 121	18 573	113 694
Non-current assets**	12 811	4 030	16 841

\* Represent gross depreciation and amortisation before appropriate allocations of distribution cost.

\*\* Non-current assets consist of property, plant and equipment, intangible assets and fixed escalation operating lease accruals.



June 2016 Rm

June 2015 Rm

3

SHARE CAPITAL AND TREASURY SHARES

3.1

ORDINARY SHARE CAPITAL

Authorised:

650 000 000 (2015: 650 000 000) ordinary shares of 113.4 cents each

Issued:

572 871 960 (2015: 572 871 960) ordinary shares of 113.4 cents each

650

650

Details of the shareholder spread and major shareholders are disclosed in the Shareholder Analysis contained in the Integrated Report.

Treasury shares held by Shoprite Checkers (Pty) Ltd are netted off against share capital on consolidation. The net number of ordinary shares in issue for the Group are:

	Number of shares	
	June 2016	June 2015
Issued ordinary share capital	572 871 960	572 871 960
Treasury shares (note 3.3)	(38 246 183)	(38 221 703)
	534 625 777	534 650 257

The unissued ordinary shares are under the control of the directors who may issue them on such terms and conditions as they deem fit until the Company's next annual general meeting.

All shares are fully paid up.

3.2

DEFERRED SHARE CAPITAL

Authorised:

360 000 000 (2015: 360 000 000) non-convertible, non-participating no par value deferred shares

Issued:

291 792 794 (2015: 291 792 794) non-convertible, non-participating no par value deferred shares

—

—

Reconciliation of movement in number of deferred shares issued:

	Number of shares	
	June 2016	June 2015
Balance at the beginning of the year	291 792 794	290 625 071
Shares issued during the year	—	1 167 723
Balance at the end of the year	291 792 794	291 792 794

The unissued deferred shares are not under the control of the directors, and can only be issued under predetermined circumstances as set out in the Memorandum of Incorporation of Shoprite Holdings Ltd.

All shares are fully paid up and carry the same voting rights as the ordinary shares.

650

650



# SELECTED EXPLANATORY NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Shoprite Holdings Ltd and its Subsidiaries for the year ended June 2016

	June 2016 Rm	June 2015 Rm						
<b>3 SHARE CAPITAL AND TREASURY SHARES (CONTINUED)</b>								
<b>3.3 TREASURY SHARES</b>								
38 246 183 (2015: 38 221 703) ordinary shares	760	759						
Reconciliation of movement in number of treasury shares for the Group:								
	<table> <tr> <th></th><th colspan="2">Number of shares</th></tr> <tr> <th></th><th>June 2016</th><th>June 2015</th></tr> </table>			Number of shares			June 2016	June 2015
	Number of shares							
	June 2016	June 2015						
Balance at the beginning of the year	38 221 703	37 729 072						
Shares purchased during the year	194 916	492 631						
Shares disposed during the year	(57 503)	—						
Shares utilised for settlement of equity-settled share-based payment arrangements	(112 933)	—						
Balance at the end of the year	38 246 183	38 221 703						
Consisting of:								
Shares owned by Shoprite Checkers (Pty) Ltd	35 436 572	35 450 975						
Shares held by Shoprite Checkers (Pty) Ltd for the benefit of participants to equity-settled share-based payment arrangements	2 809 611	2 770 728						
	38 246 183	38 221 703						
<b>4 BORROWINGS</b>								
Consisting of:								
Shoprite Holdings Ltd preference share capital	—	2						
Convertible bonds (note 4.1)	4 655	4 511						
Standard Chartered Bank (Mauritius) Ltd	222	—						
Standard Bank de Angola, S.A.	121	249						
First National Bank of Namibia Ltd	105	97						
Other borrowings	21	13						
	5 124	4 872						
<b>4.1 CONVERTIBLE BONDS</b>								
<p>The Group has issued 6.5% convertible bonds for a principal amount of R4.7 billion (2015: R4.7 billion). The bonds mature on 3 April 2017 at their nominal value of R4.7 billion (2015: R4.7 billion) or can be converted into shares at the holders' option at the maturity date at the rate of 5 919.26 shares per R1 million. The Group holds, subject to conditions, rights on early redemption. The values of the liability component and the equity conversion component were determined at issuance of the bonds.</p> <p>The fair value of the liability component was calculated using a market interest rate for an equivalent non-convertible bond at initial recognition. The residual amount, representing the value of the equity conversion option, is included in shareholders' equity in other reserves, net of income taxes.</p> <p>The convertible bonds recognised in the statement of financial position is calculated as follows:</p>								
Liability component at the beginning of the year	4 511	4 381						
Interest expense	449	436						
Interest paid	(305)	(306)						
Liability component at the end of the year	4 655	4 511						





	June 2016 Rm	June 2015 Rm
<b>5 FAIR VALUE OF FINANCIAL INSTRUMENTS</b>		
The fair value of amounts owing by employees included in loans and receivables amounted to R217.0 million (2015: R216.0 million) at the statement of financial position date. The fair value is calculated using cash flows discounted at a rate based on the borrowings rate of 10.5% (2015: 9.3%) and is within level 2 of the fair value hierarchy.		
The fair value of the liability component of the convertible bonds included in borrowings amounted to R4.7 billion (2015: R4.6 billion) at the statement of financial position date. The fair value is calculated using cash flows discounted at a rate based on the borrowings rate of 9.5% (2015: 8.5%) and is within level 2 of the fair value hierarchy.		
The book value of all other financial assets and liabilities approximate the fair values thereof.		
<b>6 EARNINGS PER SHARE</b>		
Profit attributable to owners of the parent	4 841	4 124
Re-measurements	13	15
(Profit)/loss on disposal and scrapping of property	(1)	313
Profit on disposal of assets held for sale	—	(39)
Loss on disposal and scrapping of plant and equipment and intangible assets	59	96
Reversal of impairment of property, plant and equipment	(16)	(1)
Impairment of intangible assets	66	12
Insurance claims receivable	(25)	(367)
Profit on disposal of investment in associate	(71)	—
Profit on other investing activities	(1)	(1)
Re-measurements included in equity-accounted loss of associates and joint ventures	2	2
Income tax effect on re-measurements	(19)	(6)
Headline earnings	4 835	4 133
Number of ordinary shares	'000	
– In issue	534 626	534 650
– Weighted average	534 636	534 816
– Weighted average adjusted for dilution	537 423	537 432
Reconciliation of weighted average number of ordinary shares in issue during the year:		
Weighted average number of ordinary shares	534 636	534 816
Adjustments for dilutive potential of full share grants	2 787	2 616
Weighted average number of ordinary shares for diluted earnings per share	537 423	537 432
Earnings per share	Cents	
– Basic earnings	905.4	771.2
– Diluted earnings	900.7	767.4
– Basic headline earnings	904.4	772.9
– Diluted headline earnings	899.7	769.1
<b>7 DIVIDENDS PER SHARE</b>	Cents	
<b>7.1 DIVIDENDS PER SHARE PAID</b>		
No 133 paid 14 September 2015 (2015: No 131 paid 15 September 2014)	243.0	218.0
No 134 paid 22 March 2016 (2015: No 132 paid 23 March 2015)	156.0	143.0
	399.0	361.0
<b>7.2 DIVIDENDS PER SHARE DECLARED</b>		
No 135 payable 12 September 2016 (2015: No 133 paid 14 September 2015)	296.0	243.0



# SELECTED EXPLANATORY NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Shoprite Holdings Ltd and its Subsidiaries for the year ended June 2016

	June 2016 Rm	June 2015 Rm
<b>8 CASH FLOW INFORMATION</b>		
<b>8.1 NON-CASH ITEMS</b>		
Depreciation of property, plant and equipment	1 993	1 754
Amortisation of intangible assets	295	208
Net fair value losses on financial instruments	30	3
Exchange rate losses	46	132
(Profit)/loss on disposal and scrapping of property	(1)	313
Profit on disposal of assets held for sale	—	(39)
Loss on disposal and scrapping of plant and equipment and intangible assets	59	96
Reversal of impairment of property, plant and equipment	(16)	(1)
Impairment of intangible assets	66	12
Profit on disposal of investment in associate	(71)	—
Movement in provisions	5	72
Movement in cash-settled share-based payment accrual	(10)	60
Movement in share-based payment reserve	140	131
Movement in fixed escalation operating lease accruals	145	171
	<b>2 681</b>	<b>2 912</b>
<b>8.2 CHANGES IN WORKING CAPITAL</b>		
Inventories	(1 995)	(1 483)
Trade and other receivables	(588)	(1 048)
Trade and other payables	(748)	1 123
	<b>(3 331)</b>	<b>(1 408)</b>
<b>9 RELATED PARTY INFORMATION</b>		
During the year under review, in the ordinary course of business, certain companies within the Group entered into transactions with each other. All these intergroup transactions are similar to those in the prior year and have been eliminated in the annual financial statements on consolidation. For further information, refer to the audited annual financial statements.		
<b>10 SUPPLEMENTARY INFORMATION</b>		
Contracted capital commitments	1 682	1 595
Contingent liabilities	146	13
Net asset value per share (cents)	3 991	3 571



## ANNEXURE A – INTERESTS IN SUBSIDIARIES

Shoprite Holdings Ltd and its Subsidiaries as at June 2016

	Country of incorporation and place of business	Issued ordinary and preference share capital and premium Rm	Percentage shares held by Group %	Investment in shares		Amount owing by	
				June 2016 Rm	June 2015 Rm	June 2016 Rm	June 2015 Rm
DIRECT SUBSIDIARIES							
Shoprite Checkers (Pty) Ltd	South Africa	1 129	100	174	174	1 847	2 600
Shoprite Investments Ltd	South Africa	100	100	100	100	—	—
Shoprite International Ltd	Mauritius	5 613	100	5 612	4 711	5	3
Shoprite Insurance Company Ltd	South Africa	20	100	20	20	—	—
				5 906	5 005	1 852	2 603

### INDIRECT SUBSIDIARIES

Africa Supermarkets Ltd	Zambia*	229	100
Checkers Chatworth Ltd**	South Africa	2	48
Computicket (Pty) Ltd	South Africa	69	100
Medirite (Pty) Ltd	South Africa	500	100
Megasave Trading (Pvt) Ltd	India*	118	100
Mercado Fresco de Angola Lda	Angola*	—	100
OK Bazaars (Lesotho) (Pty) Ltd**	Lesotho*	—	50
OK Bazaars (Namibia) Ltd	Namibia*	1	100
OK Bazaars (Swaziland) (Pty) Ltd	Swaziland*	—	100
OK Bazaars (Venda) Ltd**	South Africa	2	50
Shoprite Mozambique Lda	Mozambique*	56	100
Retail Holdings Botswana (Pty) Ltd	Botswana*	165	100
Retail Supermarkets Nigeria Ltd	Nigeria*	680	100
Royal Retail (Pty) Ltd**	South Africa	—	75
Sentra Namibia Ltd	Namibia*	6	100
Shophold (Mauritius) Ltd	Mauritius*	189	100
Shoprite (Mauritius) Ltd	Mauritius*	266	100
Shoprite Angola Imobiliaria Lda	Angola*	—	100
Shoprite Checkers Uganda Ltd	Uganda*	148	100
Shoprite Egypt for Internal Trade SAE	Egypt*	42	100
Shoprite Ghana (Pty) Ltd	Ghana*	108	100
Shoprite Lesotho (Pty) Ltd	Lesotho*	—	100
Shoprite Madagascar S.A.	Madagascar*	145	100
Shoprite Namibia (Pty) Ltd	Namibia*	—	100
Shoprite RDC SPRL	DRC*	82	100
Shoprite Supermercados Lda	Angola*	—	100
Shoprite Trading Ltd	Malawi*	127	100

\* Investments in subsidiaries outside South Africa are converted at historical exchange rates.

\*\* Non-controlling interests in respect of these subsidiaries are not material.

### SIGNIFICANT RESTRICTIONS

Local currency cash and short-term deposits of R1.3 billion (2015: R240 million) are held in Angola and Nigeria (2015: Angola and Nigeria) and are subject to onerous local exchange control regulations. These local exchange control regulations provide for restrictions on exporting capital from the country, other than through normal dividends.

### NOTE:

General information in respect of subsidiaries is set out in respect of only those subsidiaries of which the financial position or results are material for a proper appreciation of the affairs of the Group. A full list of subsidiaries is available on request.



## SHAREHOLDER SPREAD

	No of Shareholdings	%	No of Shares	%
1 – 1 000 shares	21 757	77.76	6 779 532	1.18
1 001 – 10 000 shares	5 209	18.62	14 440 794	2.52
10 001 – 100 000 shares	745	2.66	22 956 494	4.01
100 001 – 1 000 000 shares	191	0.68	61 451 014	10.73
Over 1 000 001 shares	78	0.28	467 244 126	81.56
Totals	27 980	100.00	572 871 960	100.00

## DISTRIBUTION OF SHAREHOLDERS

	No of Shareholdings	%	No of Shares	%
Banks	232	0.83	245 868 663	42.91
Brokers	47	0.17	7 717 276	1.35
Close Corporations	226	0.81	956 058	0.17
Endowment Funds	159	0.57	1 154 432	0.20
Government	5	0.02	118 807	0.02
Individuals	21 201	75.75	23 512 427	4.10
Insurance Companies	128	0.46	9 021 098	1.57
Investment Companies	18	0.06	3 996 358	0.70
Medical Aid Schemes	31	0.11	222 746	0.04
Mutual Funds	318	1.14	28 466 422	4.97
Other Corporations	175	0.63	204 120	0.04
Private Companies	647	2.31	75 487 751	13.18
Public Companies	17	0.06	895 073	0.16
Retirement Funds	273	0.98	89 436 922	15.61
Treasury Shares	5	0.02	35 436 572	6.19
Trusts	4 498	16.08	50 377 235	8.79
Totals	27 980	100.00	572 871 960	100.00

## PUBLIC/NON-PUBLIC SHAREHOLDERS

	No of Shareholdings	%	No of Shares	%
<b>Non-Public Shareholders</b>	<b>60</b>	<b>0.21</b>	<b>139 235 185</b>	<b>24.30</b>
Directors of the Company*	55	0.19	103 798 613	18.11
Treasury Shares	5	0.02	35 436 572	6.19
<b>Public Shareholders</b>	<b>27 920</b>	<b>99.79</b>	<b>433 636 775</b>	<b>75.70</b>
Totals	27 980	100.00	572 871 960	100.00

\* Includes shares held by directors in Shoprite Holdings Ltd Executive Share Plan.

## BENEFICIAL SHAREHOLDERS HOLDING 1% OR MORE

	No of Shares	%
Wiese, CH	91 252 531	15.93
Government Employees Pension Fund	63 317 013	11.05
Shoprite Checkers (Pty) Ltd	35 436 572	6.19
Capital Group	25 105 425	4.38
Lazard	19 567 654	3.42
T. Rowe Price	14 486 402	2.53
Vanguard	13 050 156	2.28
Namibian Government Institutions Pension Fund	12 415 193	2.17
BlackRock	9 866 160	1.72
JPMorgan	9 819 293	1.71
Government of Singapore Investment Corporation	9 706 668	1.69
Basson, JW	9 104 122	1.59
Fidelity	7 337 782	1.28
Le Roux, JF	7 060 585	1.23
Bank of New York Unrestricted Depositary Receipts	6 790 071	1.19
Sanlam	6 502 943	1.14
Totals	340 818 570	59.50

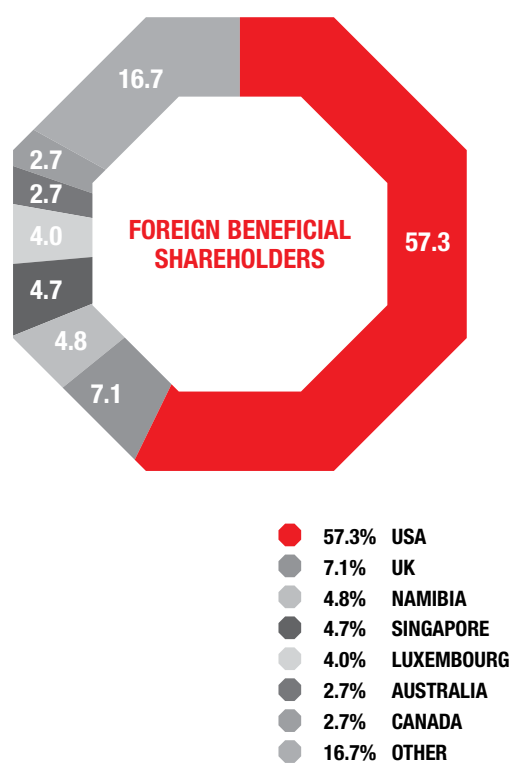
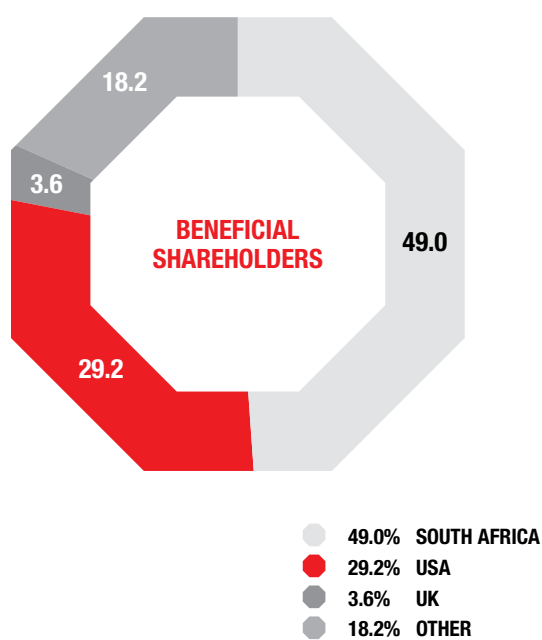
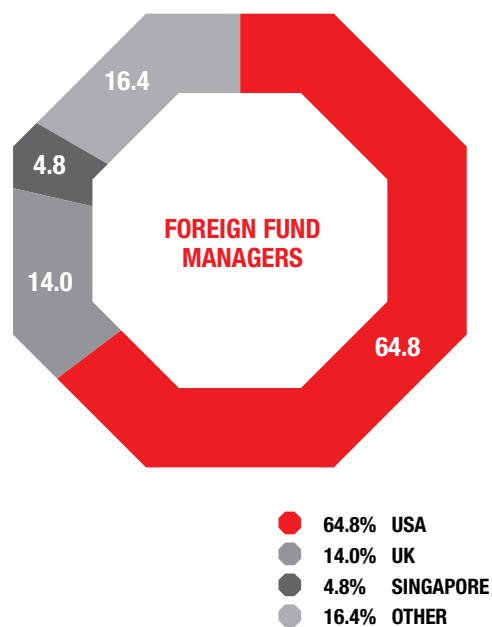
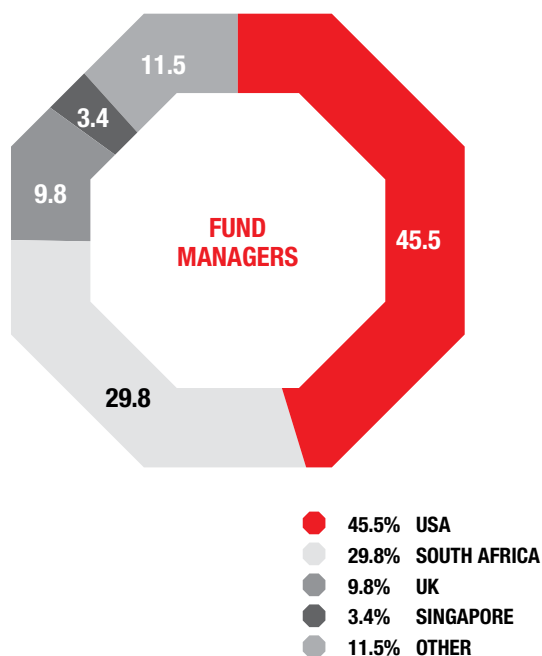




# SHAREHOLDERS

Country Classification

65



BUSINESS OVERVIEW

CORPORATE GOVERNANCE

FINANCIAL STATEMENTS

INVESTOR INFORMATION

# NOTICE TO SHAREHOLDERS: ANNUAL GENERAL MEETING (“AGM”)

Shoprite Holdings Ltd and its Subsidiaries for the year ended June 2016

SHOPRITE HOLDINGS LIMITED  
(Incorporated in the Republic of South Africa)  
(Registration number 1936/007721/06)  
JSE share code: SHP  
NSX share code: SRH  
LUSE share code: SHOPRITE  
ISIN: ZAE000012084  
("Shoprite Holdings" or "the Company")

## 1. NOTICE OF MEETING

Notice is hereby given that the AGM of Shoprite Holdings will be held at the Company's registered office, corner William Dabs and Old Paarl Roads, Brackenfell, South Africa on Monday, 31 October 2016 at 09:15 (South African time).

## 2. WHO MAY ATTEND AND VOTE?

- 2.1 If you hold dematerialised shares which are registered in your name or if you are the registered holder of certificated shares:
  - you may attend the AGM in person;
  - alternatively, you may appoint a proxy to represent you at the AGM and to attend, participate in, and speak and vote at the AGM in your place by completing the attached form of proxy in accordance with the instructions it contains and returning it to the company secretary or transfer secretaries at their addresses set out below to be received not later than 09:15 (SA time) on Friday, 28 October 2016. A proxy need not be a shareholder of the Company.
- 2.2 If you are a beneficial shareholder, but not a registered shareholder as at the record date and:
  - wish to attend 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 your voting instructions; and
  - you must not complete the attached form of proxy.
- 2.3 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, no 71 of 2008 ("the Companies Act") being 16 September 2016.
- 2.4 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 this meeting is determined in terms of section 59(1)(b) of the Companies Act being Friday, 21 October 2016 ("Voting Record Date").
- 2.5 In terms of section 63(1) of the Companies Act, any person attending or participating in the AGM must present reasonably satisfactory identification and the chairperson of the meeting must be reasonably satisfied that the right of any person to participate and vote has been reasonably verified. Suitable forms of identification will include a valid identification document, driver's license or passport.
- 2.6 Should any shareholder, or a representative proxy from a shareholder, wish to participate in the AGM by way of electronic participation, that shareholder should make an application in writing (including details on how the shareholder or its representative wish to participate) to the transfer secretaries or company secretary at their addresses listed below, to be received by them at least seven (7) business days before the AGM, to enable the transfer secretaries to arrange for the shareholder or its representative or proxy, to provide reasonably satisfactory identification to the transfer secretaries for purposes of section 63(1) of the Companies Act and to enable the transfer secretaries to provide details on how to access the

AGM by way of electronic participation. Please note that shareholders who wish to participate in the AGM by way of electronic participation must appoint a proxy to exercise his voting rights in terms of paragraph 2.1 above or furnish his CSDP or broker with voting instructions in terms of paragraph 2.2 above.

- 2.7 Votes at the AGM on all resolutions will be conducted by way of a poll and not on a show of hands. Every shareholder present in person or represented by proxy shall have one (1) vote for every share held in the Company.
- 2.8 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 adviser immediately.

## 3. INTEGRATED REPORT

A copy of the Company's Integrated Report for the year ended June 2016 and the reports of the directors and independent auditors are delivered herewith.

## 4. PURPOSE OF MEETING

The purpose of this meeting is to:

- present the audited financial statements for the year ended June 2016, the report of the directors and the report of the 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.

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

### 5.1 ORDINARY RESOLUTION NUMBER 1: ANNUAL FINANCIAL STATEMENTS

"Resolved that the annual financial statements of the Company and the Group for the year ended June 2016, 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.

### 5.2 ORDINARY RESOLUTION NUMBER 2: RE-APPOINTMENT OF AUDITORS

"Resolved that PricewaterhouseCoopers Inc. (PwC) be re-elected as independent registered 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 June 2017) 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.

### 5.3 ORDINARY RESOLUTION NUMBER 3: 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 reappointed as director with immediate effect."



Age: 59  
First Appointed: 2012  
Educational qualifications: MB ChB DCom (Honoris Causa)  
Directorship: Chairperson of Community Investment Holdings (Pty) Ltd, Rebosis Property Fund Ltd, Jasco Electronics Ltd and Afro Centric Investment Corporation Ltd and serves on the boards of Adcock Ingram and Medscheme Ltd.

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.

#### 5.4 ORDINARY RESOLUTION NUMBER 4: 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 for re-election and available, is hereby reappointed as director with immediate effect."

Age: 64  
First Appointed: 2014  
Educational qualifications: B Com CTA CA(SA)  
Other directorships: Cape Consumers (Pty) Ltd

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.

#### 5.5 ORDINARY RESOLUTION NUMBER 5: RE-ELECTION OF MR JJ FOUCHE

"Resolved that Mr JJ Fouché, who is required to retire as a director of the Company at this AGM and who is eligible for re-election and available, is hereby reappointed as director with immediate effect."

Age: 68  
First Appointed to Audit Committee: 2013  
Educational qualifications: BCom LLB  
Other directorships: None

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.

#### 5.6 ORDINARY RESOLUTION NUMBER 6: RE-ELECTION OF MR JA ROCK

"Resolved that Mr JA 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 reappointed as director with immediate effect."

Age: 46  
First Appointed: 2012  
Educational qualifications: BA Hons MA ACA AMP (Insead)  
Other directorships: Ferroland Grondtrust (Pty) Ltd

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.

#### 5.7 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: 64  
First Appointed: 2014  
Educational qualifications: B Com CTA CA(SA)  
Other directorships: Cape Consumers (Pty) Ltd

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.

#### 5.8 ORDINARY RESOLUTION NUMBER 8 : APPOINTMENT OF MR JA LOUW AS MEMBER OF THE SHOPRITE HOLDINGS AUDIT AND RISK COMMITTEE

"It is resolved that Mr JA Louw 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: 72  
First appointed to Audit Committee: 2011  
Educational qualifications: BSc Hons B(B&A) Hons  
Other directorships: Mr Louw serves as a director on the board of various private companies.

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.

#### 5.9 ORDINARY RESOLUTION NUMBER 9: APPOINTMENT OF MR JJ FOUCHE AS MEMBER OF THE SHOPRITE HOLDINGS AUDIT AND RISK COMMITTEE

"Subject to his re-election as director, it is resolved that Mr JJ Fouché 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: 68  
First Appointed to Audit Committee: 2013  
Educational qualifications: BCom LLB  
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.

#### 5.10 ORDINARY RESOLUTION NUMBER 10: 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: 46  
First Appointed: 2012  
Educational qualifications: BA Hons MA ACA AMP (Insead)  
Other directorships: Ferroland Grondtrust (Pty) Ltd

For ordinary resolution number 10 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.

#### 5.11 ORDINARY RESOLUTION NUMBER 11: GENERAL AUTHORITY OVER UNISSUED ORDINARY SHARES

"Resolved that 28.6 million (approximately 5% of the issued ordinary share capital that 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, without first offering those shares to shareholders pro rata to their shareholding, allot, issue and otherwise dispose of such ordinary shares 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 in their discretion deem fit, subject to the provisions of the Companies Act, the Memorandum of Incorporation ("MOI") of the Company and JSE Listings Requirements, when applicable, and any other exchange on which the shares of the Company may be quoted or listed from time to time."

For ordinary resolution number 11 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.

#### 5.12 ORDINARY RESOLUTION NUMBER 12: GENERAL AUTHORITY TO ISSUE SHARES FOR CASH

"Resolved that the directors of the Company be and are hereby authorised by way of a general authority, to issue all or any of the authorised, but unissued shares in the capital of the Company, for cash, as and when they in their discretion deem fit, subject to the Companies Act, the MOI of the Company, the JSE Listings Requirements and any other exchange on which the shares of the Company may be quoted from time to time, when 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 will only be made to "public shareholders" as defined in the JSE Listings 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 26 950 347 ordinary shares (excluding 35 436 572 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 sub-division 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 shall not extend beyond fifteen (15) months from the date that this authority is given;
- 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 number of shares in issue prior to the issue in terms of this authority;
- in determining the price at which an issue of 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 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 12 to be approved by shareholders it must in terms of the JSE Listings 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.

#### 5.13 ORDINARY RESOLUTION NUMBER 13: GENERAL AUTHORITY TO DIRECTORS AND/OR COMPANY SECRETARY

"Resolved that any one of the directors of Shoprite Holdings or the company secretary be and are 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 13 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.

#### 5.14 RESOLUTION NUMBER 14: NON-BINDING ADVISORY VOTE ON THE REMUNERATION POLICY OF SHOPRITE HOLDINGS

"Resolved that, through a non-binding advisory vote, 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 Report on pages 36 to 44 is endorsed."

For resolution number 14 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.

#### 5.15 SPECIAL RESOLUTION NUMBER 1: REMUNERATION PAYABLE TO NON-EXECUTIVE DIRECTORS

"Resolved as a special resolution in terms of section 66(9) of the Companies Act, that the annual remuneration of the non-executive directors for the twelve months from 1 November 2015 – 31 October 2016 be approved as follows:

##### SHOPRITE HOLDINGS BOARD AND COMMITTEE FEES

	2015/2016	2014/2015
<b>BOARD</b>		
Chairman of the Board	R367 500	R340 000
Lead Independent Director	R227 000	R210 000
Non-Executive Director	R216 000	R200 000

##### AUDIT AND RISK COMMITTEE

Chairman	R258 000	R239 500
Member	R130 000	R120 000

##### REMUNERATION COMMITTEE

Chairman	R67 000	R62 000
Member	R40 500	R37 500

##### NOMINATION COMMITTEE

Chairman	R67 000	R62 000
Member	R40 500	R37 500

##### SOCIAL AND ETHICS COMMITTEE

Chairman	R87 500	R81 000
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For special resolution number 1 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 1

The reason for and effect of special resolution number 1 is to grant the Company the authority to pay remuneration to its non-executive directors for their services as directors for the period ending on 31 October 2016.





## 5.16 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 Listings Requirements as presently constituted and amended from time to time as a general approval, that the board of the Company 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 a director or prescribed officer of the Company or of a related or inter-related company, or 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 or to a member of such a related or inter-related corporation, or to a person related to any such company, corporation, director, prescribed officer or member, in any form including one or more of the following forms:

- loan to,
- the provision of credit to the deferment of any payment due by,
- guarantee of any obligation of,
- suretyship in respect of any obligation of,
- indemnity undertakings in respect of obligations of,
- the securing (in any form) of any debt or obligations of, or
- payments to or for the benefit of,

such a person or company or corporation, director, prescribed officer or member which the board of the Company may deem fit on the terms and conditions and for amounts that the board of the Company 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 of the forms described in the resolution to a director or prescribed officer of the Company (to be utilised as part of an incentive scheme, where applicable) or of a related or inter-related company, or 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 or to a member of such a related or inter-related corporation, or to a person related to any such company, corporation, director, prescribed officer or member as contemplated in section 45 of the Companies Act.

Notice to the shareholders of the Company in terms of section 45(5) of the Companies Act, of a resolution adopted by the Board authorising the Company to provide such direct or indirect financial assistance:

- By the time that this 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 the above 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 Board being satisfied that immediately after providing such financial assistance, the Company will satisfy the solvency and liquidity test as referred to in section 45(3)(b)(i) of the Companies Act and that the terms under which the financial assistance will be given are fair and reasonable to the Company as required in section 45(3)(b)(ii) of the Companies Act; and

- The Company hereby provides notice of the Section 45 Board Resolution to shareholders of the Company.

## 5.17 SPECIAL RESOLUTION NUMBER 3: FINANCIAL ASSISTANCE FOR SUBSCRIPTION OF SECURITIES

“Resolved as a special resolution that the Company be and is hereby authorised, as a general authority contemplated in section 44(3)(a)(ii) of the Companies Act to provide direct or indirect financial assistance by way of a loan, guarantee, the provision of security or otherwise of the kind referred to in section 44 of the Companies Act to any employee of the Company or of a subsidiary of the Company or of a related or inter-related company (“related or inter-related company” has herein the same meaning as in section 44 of the Companies Act) to the Company, for the purpose of, or in connection with, the subscription of any shares or other securities to be issued by the Company or for the purchase of any shares or other securities of the Company or for the purchase of any convertible bonds issued by Shoprite Investments Limited or for the subscription of those bonds by such employees, on the terms and conditions that the Board of the Company may deem fit.”

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.

### REASON FOR AND EFFECT OF SPECIAL RESOLUTION NUMBER 3

The Shoprite Holdings Executive Share Plan (“the Plan”) approved by shareholders on 29 October 2012 provides selected senior executives of the Group (“Participants”) with the opportunity of receiving Shoprite Holdings securities through the awarding of forfeitable shares. Forfeitable share awards comprise three (3) types of instruments, namely Co-investment Shares, Performance Shares and Retention Shares.

Participants may for instance in terms of the Plan rules be required to purchase Shoprite Holdings shares and Co-investment Shares are then awarded to them based on the value of a Participant’s investment in this regard. A Participant’s investment in the shares will be financed by utilising his own funds or by way of a loan from the Company or the subsidiary employer. Loans could also be made in terms of the Plan to provide financial assistance in respect of the acquisition of shares in terms of the Plan. Loans to Participants are interpreted as financial assistance for the subscription of or purchase of securities in terms of section 44 of the Companies Act. Financial assistance by the Company (should it be granted) may fall within the exemption in section 44(3)(a)(i) of the Companies Act which will mean that the Company may provide that financial assistance without the approval of a special resolution. However to ensure that the Board is properly authorised to provide such financial assistance in cases where that exemption does not apply, this special resolution is required.

This special resolution will grant the Company the authority to provide financial assistance as contemplated by section 44 of the Companies Act.

## 5.18 SPECIAL RESOLUTION NUMBER 4: GENERAL APPROVAL TO REPURCHASE SHARES

“Resolved as a special resolution that, the Company and/or any subsidiary of the Company be and are hereby authorised by way

of a general approval to acquire the issued ordinary shares of the Company, upon such terms and conditions and in such amounts as the directors of the Company may from time to time determine, but subject to the MOI of the Company, the provisions of the Companies Act, the JSE Listings 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 securities 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 fifteen (15) 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 this special resolution is adopted;
- prior to entering the market to repurchase the Company's securities, a board resolution to authorise 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 set out in section 4 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 or its subsidiaries will not repurchase securities during a prohibited period as defined in paragraph 3.67 of the JSE Listings Requirements, unless there is a repurchase programme in place where the dates and quantities of securities to be traded during the relevant period are fixed (not subject to any variation) and full details of the programme have been disclosed to the JSE prior to the commencement of the prohibited period;
- when the Company has cumulatively repurchased 3% (three percent) of the initial number of the relevant class of securities, and for each 3% (three percent) in aggregate of the initial number of that class acquired thereafter, an announcement will be made; and
- the Company only appoints one agent to effect any repurchase(s) on its behalf."

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 resolution by shareholders present or represented by proxy at this meeting.

#### STATEMENT BY THE BOARD OF DIRECTORS

The directors of the Company have no specific intention to effect the resolution, but will continually review the Company's position, having regard to prevailing circumstances and market conditions, in considering whether to repurchase its own shares.

After having considered the effect of the repurchase of ordinary shares pursuant to this general authority, the directors of the Company in terms of the relevant provisions of the Companies Act and the JSE Listings Requirements confirm that they will not undertake such purchase unless:

- the Company and the Group are in a position to repay their debt in the ordinary course of business for the 12 (twelve) month period after the date of the notice of the AGM;
- the assets of the Company and the Group, being fairly valued in accordance with the accounting policies used in the latest annual financial statements are, after the repurchase, in excess of the liabilities of the Company and the Group for the twelve (12) month period after the date of the notice of the AGM;
- the ordinary capital and reserves of the Company and the Group are adequate for the twelve (12) month period after the date of the notice of the AGM;
- the available working capital is adequate to continue the operations of the Company and the Group for a period of twelve (12) months after the date of the notice of the AGM.

#### REASON FOR AND EFFECT OF SPECIAL RESOLUTION NUMBER 4

The JSE Listings Requirements 5.72(c) and 5.76 require that the Company or 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 19 October 2015, 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 28 643 598 (twenty eight million six hundred and forty three thousand five hundred and ninety eight) ordinary shares of the Company, representing 5% (five percent) of the issued ordinary share capital of Company as at June 2016.

The reason for the passing of special resolution number 4 is to authorise the Company and/or its subsidiaries by way of a general authority from shareholders to repurchase ordinary shares issued by the Company.

Once adopted this special resolution will permit the Company or any of its subsidiaries, to repurchase such ordinary shares in terms of the Companies Act, its MOI and the JSE Listings Requirements.

#### DISCLOSURES IN TERMS OF SECTION 11.26 OF THE JSE LISTINGS REQUIREMENTS

The JSE Listings Requirements require the following disclosures in respect of special resolution number 4, some of which are disclosed in the integrated report of which this notice forms part:

- Major shareholders of the Company . . . . . page 64
- Share capital of Company . . . . . page 59 to 60

#### MATERIAL CHANGE

Other than the facts and developments as referred to on page 49 of the Integrated Report, there have been no material changes in the affairs or financial position of the Company and its subsidiaries since the date of signature of the audit report and the date of this notice.

#### DIRECTORS' RESPONSIBILITY STATEMENT

The directors, whose names are given on pages 8 to 9 of the Integrated Report, collectively and individually, accept full responsibility for the accuracy of the information and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading and that all reasonable enquiries to ascertain such facts have been made.

#### 5.19 SPECIAL RESOLUTION NUMBER 5: APPROVAL OF AMENDMENT TO CLAUSES 9.3 TO 9.6 OF THE MEMORANDUM OF INCORPORATION OF THE COMPANY

"Resolved as a special resolution in accordance with section 16(1)(c) of the Companies Act, that the MOI of the Company be



and is hereby amended by way of the deletion of clauses 9.3, 9.4, 9.5 and 9.6 of the MOI of the Company and the deletion of clauses 2, 3, 4 and 5 of Schedule 1 to the MOI."

For special resolution number 5 to be approved by shareholders, it must be supported by at least 75% of the voting rights exercised on the special resolution.

#### REASON FOR AND EFFECT OF SPECIAL RESOLUTION NUMBER 5

The Company does not have any issued 6% cumulative preference shares or 5% cumulative preference shares or second 5% cumulative preference shares or third 5% cumulative preference shares anymore. Clauses 9.3 to 9.6 set out the rights attaching to those shares while clauses 2 to 5 of Schedule 1 authorised those preference shares.

The board of directors of the Company has resolved that the Company does not have any further need for those shares and accordingly to delete the provisions relating to those shares from the MOI of the Company and to propose this special resolution.

The effect of the adoption of this special resolution 5 will therefore be that the Company will not have any authorised 6% cumulative preference shares or 5% cumulative preference shares or second 5% cumulative preference shares or third 5% cumulative preference shares anymore.

#### 5.20 SPECIAL RESOLUTION NUMBER 6: APPROVAL OF AMENDMENT TO CLAUSE 15 OF THE MEMORANDUM OF INCORPORATION OF THE COMPANY

"Resolved as a special resolution in accordance with section 16(1)(c) of the Companies Act, that the Memorandum of Incorporation of the Company be and is hereby amended as follows:

- 5.20.1 that clause 15.3 of the MOI of the Company is deleted; and
- 5.20.2 that the following clause is added as clause 49 to the MOI of the Company:

#### CLAUSE 49

- 49.1 If pursuant to any corporate action or event, including any capitalisation issue or rights issue, Shareholders or other Security Holders would, but for the provisions of this clause 49 become entitled to fractions of Securities ("Fractional Entitlements"), such Fractional Entitlements shall be dealt with in accordance with the JSE Listings Requirements.
- 49.2 Subject to the JSE Listings Requirements, the provisions of clause 45 shall apply mutatis mutandis to any amounts that may become payable to Shareholders or other Security Holders in terms of this clause 49."

For special resolution number 6 to be approved by shareholders, it must be supported by at least 75% of the voting rights exercised on the Special Resolution.

#### REASON FOR AND EFFECT OF SPECIAL RESOLUTION NUMBER 6

Only whole shares and not fractional shares may be issued by the Company and traded on the JSE. Previously the JSE Listings Requirements provided that all allocations of securities by a listed company will be rounded up or down, based on the standard rounding conversion. In terms of an amendment to the JSE Listings Requirements, allocations of securities must now be rounded down to the nearest whole number and shareholders must receive a cash payment for the fractions of securities to which they would otherwise have become entitled. The CSDP's and brokers will then sell the securities constituted by the aggregation of the fractions on the open market. The MOI of the Company presently deals with the manner in which fractional entitlements are dealt with in clause 15.3. The JSE has granted the Company until 1 May 2017 to amend its MOI to bring it in line with the amendment to the JSE Listings Requirements.

The reason for this special resolution number 6 is to bring the

MOI in line with the latest amended JSE Listings Requirements. The effect of this special resolution 6 will be to align the MOI with the JSE Listings Requirements while clause 49.2 will provide that any payments to shareholders that become due by reason of the sale of fractions of securities will also be governed by the provisions of clause 49.

#### 5.21 SPECIAL RESOLUTION NUMBER 7: APPROVAL OF AMENDMENT TO CLAUSES 1.2.24, 1.2.25 AND 48 OF THE MEMORANDUM OF INCORPORATION OF THE COMPANY

"Resolved as a special resolution in accordance with section 16(1)(c) of the Companies Act, that the Memorandum of Incorporation of the Company be and is hereby amended as follows:

- 5.21.1 that reference to Securities Services Act No 36 of 2004 in clause 1.2.24 be deleted and replaced with Financial Markets Act No 19 of 2012;
- 5.21.2 that reference to Securities Exchange News Service in clause 1.2.25 be deleted and replaced with Stock Exchange News Service; and
- 5.21.3 by deleting the words "or increase their odd-lot holdings" in clause 48.

For special resolution number 7 to be approved by shareholders, it must be supported by at least 75% of the voting rights exercised on the Special Resolution.

#### REASON FOR AND EFFECT OF SPECIAL RESOLUTION NUMBER 7

The Financial Markets Act No 19 of 2012 replaced the Securities Services Act No 36 of 2004 with effect from 3 June 2013 whilst the amendment to clause 1.2.25 is purely cosmetic in nature.

The JSE Listings Requirements do not allow the increase in odd-lot holdings which will be treated as a specific issue of shares for cash. This deletion is required to ensure compliance with Listings Requirement 5.123.

The reason for this special resolution number 7 is to make reference in the MOI to the latest legislation and to align the MOI with the amended JSE Listings Requirements. The effect of this special resolution number 7 will be to align the MOI with the JSE Listings Requirements and to correct references to previous and outdated legislation.

## 7. TRANSACTION OF OTHER BUSINESS

FOR SHOPRITE HOLDINGS LIMITED



**PG DU PREEZ**  
Company Secretary

30 September 2016

#### THE COMPANY SECRETARY

Cnr William Dabs and Old Paarl Roads  
PO Box 215, Brackenfell, 7560, South Africa  
Facsimile: +27 (0) 21 980 4468  
Email Address: cosec@shoprite.co.za

#### SOUTH AFRICAN TRANSFER SECRETARIES

Computershare Investor Services (Pty) Ltd  
70 Marshall Street, Johannesburg, 2001  
PO Box 61051, Marshalltown, 2107  
Facsimile: +27 (0) 11 688 5238

**DISSENTING SHAREHOLDERS APPRAISAL RIGHTS**

1. This section does not apply in any circumstances relating to a transaction, agreement or offer pursuant to a business rescue plan that was approved by shareholders of a company, in terms of section 152.
2. If a company has given notice to shareholders of a meeting to consider adopting a resolution to:
  - (a) amend its Memorandum of Incorporation by altering the preferences, rights, limitations or other terms of any class of its shares in any manner materially adverse to the rights or interests of holders of that class of shares, as contemplated in section 37(8); or
  - (b) enter into a transaction contemplated in section 112, 113, or 114,

that notice must include a statement informing shareholders of their rights under this section.
3. At any time before a resolution referred to in subsection (2) is to be voted on, a dissenting shareholder may give the company a written notice objecting to the resolution.
4. Within 10 business days after a company has adopted a resolution contemplated in this section, the company must send a notice that the resolution has been adopted to each shareholder who:
  - (a) gave the company a written notice of objection in terms of subsection (3); and
  - (b) has neither:
    - (i) withdrawn that notice; or
    - (ii) voted in support of the resolution.
5. A shareholder may demand that the company pay the shareholder the fair value for all of the shares of the company held by that person if:
  - (a) the shareholder:
    - (i) sent the company a notice of objection, subject to subsection (6); and
    - (ii) in the case of an amendment to the company's Memorandum of Incorporation, holds shares of a class that is materially and adversely affected by the amendment;
  - (b) the company has adopted the resolution contemplated in subsection (2); and
  - (c) the shareholder:
    - (i) voted against that resolution; and
    - (ii) has complied with all of the procedural requirements of this section.
6. The requirement of subsection (5)(a)(i) does not apply if the company failed to give notice of the meeting, or failed to include in that notice a statement of the shareholders rights under this section.
7. A shareholder who satisfies the requirements of subsection (5) may make a demand contemplated in that subsection by delivering a written notice to the company within:
  - (a) 20 business days after receiving a notice under subsection (4); or
  - (b) if the shareholder does not receive a notice under subsection (4), within 20 business days after learning that the resolution has been adopted.
8. A demand delivered in terms of subsections (5) to (7) must also be delivered to the Panel, and must state:
  - (a) the shareholder's name and address;
  - (b) the number and class of shares in respect of which the shareholder seeks payment; and
  - (c) a demand for payment of the fair value of those shares.
9. A shareholder who has sent a demand in terms of subsections (5) to (8) has no further rights in respect of those shares, other than to be paid their fair value, unless:
  - (a) the shareholder withdraws that demand before the company makes an offer under subsection (11), or allows an offer made by the company to lapse, as contemplated in subsection (12)(b);
  - (b) the company fails to make an offer in accordance with subsection (11) and the shareholder withdraws the demand; or
  - (c) the company, by a subsequent special resolution, revokes the adopted resolution that gave rise to the shareholder's rights under this section.
10. If any of the events contemplated in subsection (9) occur, all of the shareholder's rights in respect of the shares are reinstated without interruption.
11. Within five business days after the later of:
  - (a) the day on which the action approved by the resolution is effective;
  - (b) the last day for the receipt of demands in terms of subsection (7)(a); or
  - (c) the day the company received a demand as contemplated in subsection (7)(b), if applicable, the company must send to each shareholder who has sent such a demand a written offer to pay an amount considered by the company's directors to be the fair value of the relevant shares, subject to subsection (16), accompanied by a statement showing how that value was determined.
12. Every offer made under subsection (11):
  - (a) in respect of shares of the same class or series must be on the same terms; and
  - (b) lapses if it has not been accepted within 30 business days after it was made.
13. If a shareholder accepts an offer made under subsection (12):
  - (a) the shareholder must either in the case of:
    - (i) shares evidenced by certificates, tender the relevant share certificates to the company or the company's transfer agent; or
    - (ii) uncertificated shares, take the steps required in terms of section 53 to direct the transfer of those shares to the company or the company's transfer agent; and
  - (b) the company must pay that shareholder the agreed amount within 10 business days after the shareholder accepted the offer and:
    - (i) tendered the share certificates; or
    - (ii) directed the transfer to the company of uncertificated shares.
14. A shareholder who has made a demand in terms of subsections (5) to (8) may apply to a court to determine a fair value in respect of the shares that were the subject of that demand, and an order requiring the company to pay the shareholder the fair value so determined, if the company has:
  - (a) failed to make an offer under subsection (11); or
  - (b) made an offer that the shareholder considers to be inadequate, and that offer has not lapsed.





15. On an application to the court under subsection (14):
- all dissenting shareholders who have not accepted an offer from the company as at the date of the application must be joined as parties and are bound by the decision of the court;
  - the company must notify each affected dissenting shareholder of the date, place and consequences of the application and of their right to participate in the court proceedings; and
  - the court:
    - may determine whether any other person is a dissenting shareholder who should be joined as a party;
    - must determine a fair value in respect of the shares of all dissenting shareholders, subject to subsection (16);
    - in its discretion may:
      - appoint one or more appraisers to assist it in determining the fair value in respect of the shares; or
      - allow a reasonable rate of interest on the amount payable to each dissenting shareholder from the date the action approved by the resolution is effective, until the date of payment;
    - may make an appropriate order of costs, having regard to any offer made by the company, and the final determination of the fair value by the court; and
    - must make an order requiring:
      - the dissenting shareholders to either withdraw their respective demands or to comply with subsection (13)(a); and
      - the company to pay the fair value in respect of their shares to each dissenting shareholder who complies with subsection (13)(a), subject to any conditions the court considers necessary to ensure that the company fulfils its obligations under this section.
- 15A. At any time before the court has made an order contemplated in subsection (15)(c)(v), a dissenting shareholder may accept the offer made by the company in terms of subsection (11), in which case:
- that shareholder must comply with the requirements of subsection 13(a); and
  - the company must comply with the requirements of subsection 13(b).
16. The fair value in respect of any shares must be determined as at the date on which, and time immediately before, the company adopted the resolution that gave rise to a shareholder's rights under this section.
17. If there are reasonable grounds to believe that compliance by a company with subsection (13)(b), or with a court order in terms of subsection (15)(c)(v)(bb), would result in the company being unable to pay its debts as they fall due and payable for the ensuing 12 months:
- the company may apply to a court for an order varying the company's obligations in terms of the relevant subsection; and
  - the court may make an order that:
    - is just and equitable, having regard to the financial circumstances of the company; and
    - ensures that the person to whom the company owes money in terms of this section is paid at the earliest possible date compatible with the company satisfying its other financial obligations as they fall due and payable.
18. If the resolution that gave rise to a shareholder's rights under this section authorised the company to amalgamate or merge with one or more other companies, such that the company whose shares are the subject of a demand in terms of this section has ceased to exist, the obligations of that company under this section are obligations of the successor to that company resulting from the amalgamation or merger.
19. For greater certainty, the making of a demand, tendering of shares and payment by a company to a shareholder in terms of this section do not constitute a distribution by the company, or an acquisition of its shares by the company within the meaning of section 48, and therefore are not subject to:
- the provisions of that section; or
  - the application by the company of the solvency and liquidity test set out in section 4.
20. Except to the extent :
- expressly provided in this section; or
  - that the Panel rules otherwise in a particular case,
- a payment by a company to a shareholder in terms of this section does not obligate any person to make a comparable offer under section 125 to any other person.

Shoprite Holdings Ltd

**REGISTRATION NUMBER**

1936/007721/06

**REGISTERED OFFICE**

Physical address: Cnr William Dabs and Old Paarl Roads  
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**COMPANY SECRETARY**

Mr PG du Preez  
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Email: cosec@shoprite.co.za

**TRANSFER SECRETARIES****SOUTH AFRICA**

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PO Box 61051, Marshalltown, 2107, South Africa  
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**BANKERS**

ABSA Bank Ltd  
Citibank N.A.  
First National Bank Ltd  
Investec Bank Ltd  
Nedbank Ltd  
Old Mutual Specialised Finance (Pty) Ltd  
The Standard Bank of South Africa Ltd  
Standard Chartered Bank PLC

**SHAREHOLDERS' DIARY**

JUNE	AUGUST	SEPTEMBER	OCTOBER	DECEMBER	FEBRUARY	MARCH
Financial year-end	Audited results	Publishing of Integrated Report  Payment of final ordinary dividend	Annual General Meeting	End of financial half-year	Interim results	Payment of interim ordinary dividend



# FORM OF PROXY

Shoprite Holdings Ltd

Shoprite Holdings Limited  
(Incorporated in the Republic of South Africa)  
(Registration number 1936/007721/06)  
JSE share code: SHP  
NSX share code: SRH  
LUSE share code: SHOPRITE  
ISIN: ZAE000012084  
("Shoprite Holdings" or "the Company")

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For use only by:

- certificated ordinary shareholders
- dematerialised ordinary shareholders with "own name" registrations

At the annual general meeting of shareholders of Shoprite Holdings to be held at Cnr William Dabs and Old Paarl Roads, Brackenfell at 09:15 on Monday, 31 October 2016 and any adjournment thereof ("the AGM").

Dematerialised shareholders holding shares other than with "own name" registration, must inform their CSDP or broker of their intention to attend the AGM and request their CSDP or broker to issue them with the necessary letter of representation to attend the AGM in person.

If you do not wish to attend the AGM, provide your CSDP or broker with your voting instruction in terms of your custody agreement.

I/We ..... (name/s in block letters) of .....

being a shareholder/shareholders of Shoprite Holdings and holding ordinary shares in the Company, hereby appoint

- ..... of ..... or, failing him/her,
- ..... of ..... or, failing him/her,
- the chairman of the Annual General Meeting, as my/our proxy to attend speak and vote on my/our behalf at the AGM of the shareholders of the Company to be held at 09:15 on Monday, 31 October 2016 at Brackenfell, and at any adjournment thereof:

	Number of shares*		
	In favour of	Against	Abstain
<b>Ordinary resolution number 1:</b> Approval of Annual Financial Statements			
<b>Ordinary resolution number 2:</b> Re-appointment of Auditors			
<b>Ordinary resolution number 3:</b> Re-election of Dr ATM Mokgokong			
<b>Ordinary resolution number 4:</b> Re-election of Mr JF Basson			
<b>Ordinary resolution number 5:</b> Re-election of Mr JJ Fouché			
<b>Ordinary resolution number 6:</b> Re-election of Mr JA Rock			
<b>Ordinary resolution number 7:</b> Appointment of Mr JF Basson as Chairperson and Member of the Shoprite Holdings Audit and Risk Committee			
<b>Ordinary resolution number 8:</b> Appointment of Mr JA Louw as Member of the Shoprite Holdings Audit and Risk Committee			
<b>Ordinary resolution number 9:</b> Appointment of Mr JJ Fouché as Member of the Shoprite Holdings Audit and Risk Committee			
<b>Ordinary resolution number 10:</b> Appointment of Mr JA Rock as Member of the Shoprite Holdings Audit and Risk Committee			
<b>Ordinary resolution number 11:</b> General Authority over Unissued Ordinary Shares			
<b>Ordinary resolution number 12:</b> General Authority to Issue Shares for Cash			
<b>Ordinary resolution number 13:</b> General Authority to Directors and/or Company Secretary			
<b>Resolution number 14:</b> Non-binding Advisory Vote on the Remuneration Policy of Shoprite Holdings			
<b>Special resolution number 1:</b> Remuneration Payable to Non-executive Directors			
<b>Special resolution number 2:</b> Financial Assistance to Subsidiaries, Related and Inter-related Entities			
<b>Special resolution number 3:</b> Financial Assistance for Subscription of Securities			
<b>Special resolution number 4:</b> General Approval to Repurchase Shares			
<b>Special resolution number 5:</b> Approval of Amendment to Clauses 9.3 to 9.6 of the Memorandum of Incorporation of the Company			
<b>Special resolution number 6:</b> Approval of Amendment to Clause 15 of the Memorandum of Incorporation of the Company			
<b>Special resolution number 7:</b> Approval of Amendment to Clauses 1.2.24, 1.2.25 and 48 of the Memorandum of Incorporation of the Company			

\* Please indicate with an "X" in the appropriate spaces above how you wish your votes to be cast.

Unless otherwise instructed, my/our proxy may vote as he/she thinks fit.

Signed at (place) ..... on (date) ..... 2016

.....  
Shareholder's signature

Please read the notes and instructions overleaf.



## NOTES TO FORM OF PROXY

1. This form of proxy must only be used by certificated ordinary shareholders or dematerialised ordinary shareholders who hold dematerialised ordinary shares with "own name" registration.
2. Dematerialised ordinary shareholders are reminded that the onus is on them to communicate with their CSDP or broker.
3. Each shareholder is entitled to appoint one or more proxies (who need not be a shareholder(s) of the Company) to attend, speak and vote in place of that shareholder at the Annual General Meeting.
4. A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space provided, with or without deleting "the chairman of the Annual General Meeting". The person whose name stands first on the form of proxy and who is present at the Annual General Meeting will be entitled to act as proxy to the exclusion of those whose names follow.
5. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that shareholder in the appropriate box(es) provided or to mark the relevant box(es). If a box is marked without inserting a number of votes it is deemed that the proxy may exercise all the votes of the shareholder. Failure to comply with the above will be deemed to authorise the chairman of the Annual General Meeting to vote in favour of the ordinary and special resolutions at the Annual General Meeting, or any other proxy to vote or to abstain from voting at the Annual General Meeting as he/she deems fit, in respect of the shareholder's total holding.
6. Summary of rights established by section 58 of the Companies Act, 21 of 2008

At any time, a shareholder of a company may appoint any individual, including an individual who is not a shareholder of that company, as a proxy to:

- participate in, and speak and vote at, a shareholders meeting on behalf of the shareholder; or
- give or withhold written consent on behalf of the shareholder to a decision contemplated in section 60.

A proxy appointment:

- must be in writing, dated and signed by the shareholder; and
- remains valid for:
  - one year after the date on which it was signed; or
  - any longer or shorter period expressly set out in the appointment, unless it is revoked in a manner contemplated in subsection (4)(c), or expires earlier as contemplated in subsection (8)(d).

Except to the extent that the Memorandum of Incorporation of a company provides otherwise:

- a shareholder of that company may appoint two or more persons concurrently (please note that the Memorandum of Incorporation of the Company prohibits such an appointment) as proxies, and may appoint more than one proxy to exercise voting rights attached to different securities held by the shareholder (please note that the Memorandum of Incorporation of the Company prohibits such an appointment);
- a proxy may delegate the proxy's authority to act on behalf of the shareholder to another person, subject to any restriction set out in the instrument appointing the proxy and provided that right is granted in the Proxy Instrument and the delegation takes place by way of a further Proxy Instrument; and
- a copy of the instrument appointing a proxy must be delivered to the company, or to any other person on behalf of the company, before the proxy exercises any rights of the shareholder at a shareholders meeting.

Irrespective of the form of instrument used to appoint a proxy:

- the appointment is suspended at any time and to the extent that the shareholder chooses to act directly and in person in the exercise of any rights as a shareholder;
- the appointment is revocable unless the proxy appointment expressly states otherwise; and
- if the appointment is revocable, a shareholder may revoke the proxy appointment by:
  - cancelling it in writing, or making a later inconsistent appointment of a proxy; and
  - delivering a copy of the revocation instrument to the proxy, and to the company.

The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the shareholder as of the later of:

- the date stated in the revocation instrument, if any; or
- the date on which the revocation instrument was delivered as required in subsection (4)(c)(ii).

If the instrument appointing a proxy or proxies has been delivered to a company, as long as that appointment remains in effect, any notice that is required by this Act or the company's Memorandum of Incorporation to be delivered by the company to the shareholder must be delivered by the company to:

- the shareholder; or
- the proxy or proxies, if the shareholder has:
  - directed the company to do so, in writing; and
  - paid any reasonable fee charged by the company for doing so.

A proxy is entitled to exercise, or abstain from exercising, any voting right of the shareholder without direction, except to the extent that the Memorandum of Incorporation, or the instrument appointing the proxy, provides otherwise.

If a company issues an invitation to shareholders to appoint one or more persons named by the company as a proxy, or supplies a form of instrument for appointing a proxy:

- the invitation must be sent to every shareholder who is entitled to notice of the meeting at which the proxy is intended to be exercised;
- the invitation, or form of instrument supplied by the company for the purpose of appointing a proxy, must:
  - bear a reasonably prominent summary of the rights established by this section;
  - contain adequate blank space, immediately preceding the name or names of any person or persons named in it, to enable a shareholder to write in the name and, if so desired, an alternative name of a proxy chosen by the shareholder; and
  - provide adequate space for the shareholder to indicate whether the appointed proxy is to vote in favour of or against any resolution or resolutions to be put at the meeting, or is to abstain from voting;
- the company must not require that the proxy appointment be made irrevocable; and
- the proxy appointment remains valid only until the end of the meeting at which it was intended to be used, subject to subsection (5).

Subsection (8)(b) and (d) do not apply if the company merely supplies a generally available standard form of proxy appointment on request by a shareholder.

7. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy, unless previously recorded by the Company's transfer office or waived by the chairman of the Annual General Meeting.
8. The chairman of the Annual General Meeting may reject or accept any form of proxy which is completed and/or received other than in accordance with these instructions, provided that he is satisfied as to the manner in which a shareholder wishes to vote.
9. Any alterations or corrections to this form of proxy must be initialled by the signatory(ies).
10. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the Annual General Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so.
11. A minor must be assisted by his/her parent/guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the Company.
12. Where there are joint holders of any shares:
  - any one holder may sign this form of proxy;
  - the vote(s) of the senior shareholders (for that purpose seniority will be determined by the order in which the names of shareholders appear in the Company's register of shareholders) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint shareholder(s).
13. The proxy may not delegate any of the rights or powers granted to it.

