



**SHOPRITE**   
HOLDINGS LTD

Integrated Annual Report 2020

Enter

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[Annual Financial Statements](#)

[Sustainability Report](#)

[Form of proxy](#)



# We are pleased to present this 2020 Integrated Annual Report for Shoprite Holdings Limited and its subsidiaries.

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| Supply chain configuration and cost structure                            | Develop future-fit channels          | Shareholders and financiers | Intellectual    |
| Impact of COVID-19   | Enable precision retailing           | Communities                 | Human           |
| Growth and development of the Shoprite Group business                    | Trusted, profitable private labels   | Trade unions                | Manufactured    |
| Governance – Board effectiveness (Board composition and key Board roles) | Grow share in premium food and fresh | Employees                   | Natural         |
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For further information on this Integrated Annual Report, please contact Sarita van Wyk on [svwyk@shoprite.co.za](mailto:svwyk@shoprite.co.za).

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## About this report

### The report demonstrates our ongoing commitment to improving transparency and striving for the highest reporting and disclosure standards.

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

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

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

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

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

- the International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee,
- the interpretations issued by the South African Institute of Chartered Accountants (SAICA),
- Financial Reporting Guidelines issued by the Accounting Practices Committee and the Financial Pronouncements issued by the Financial Reporting Standards Council,
- Relevant financial reporting requirements of the JSE, as contained in the JSE Listing Requirements, and reporting requirements of the Companies Act, 2008.

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

#### Scope and boundary

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

The financial reporting boundary covers the results of the Group's subsidiaries. The report provides an overview of the Group's operating environment in the current reporting period, its approach to value creation through the implementation of its strategic growth drivers, and risks and opportunities. It also covers its stakeholder engagement activities and performance for the year.

#### Materiality determination and our material issues

We have applied the principle of materiality in developing the scope and content of this Integrated Annual Report, with a focus on disclosing information that the Directors believe is most material to stakeholders' understanding of the Group's ability to create value in the short, medium and long term. The Group's Executive team, in consultation with management, has identified the Group's most material issues, which are also informed by the Group's material risks and opportunities. The materiality test applied by the Board is based on consideration of matters both internal and external to the Group businesses, positive and negative.

Following from this exercise, we have assessed our most material issues as set out below:

|  |   |
|--|---|
|  | <b>Impact of COVID-19</b><br>COVID-19 special report  |
|  | <b>Trade performance and growth opportunities (incl. Non-RSA)</b><br>CEO report, CFO report   |
|  | <b>Supply chain structure and cost configuration</b><br>Manufactured Capital report   |
|  | <b>Information and Technology</b><br>Intellectual Capital report  |
|  | <b>Quality and Safety (esp. Health and Safety in the COVID-19 environment)</b><br>Intellectual and Social Capital reports                         |
|  | <b>Social licence to operate (incl. environmental, social and governance (ESG) aspects; especially climate change)</b><br>Natural Capital report  |
|  | <b>Employees</b><br>Human Capital report  |
|  | <b>Leadership transformation and employment equity</b><br>Human Capital report  |
|  | <b>Governance – Board effectiveness (Board composition and key Board roles)</b><br>Social Capital report (as it relates to reputation management) |
|  | <b>Growth and development of the Shoprite Group business</b><br>CFO report  |
|  | <b>Regulatory environment</b><br>Social Capital report (as it relates to stakeholder relationship with regulators/customers)                      |
|  | <b>Socio-economic contribution</b><br>Social Capital report   |

Materiality report page 44; Enterprise risk management page 46

#### Stakeholder relationships

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

Capitals report pages 52 to 63

#### Value creation

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

Business model page 36; Capitals report pages 52 to 63

#### Assurance and overview of the Group's external reporting suite

The Group applies a combined assurance model to support the integrity of information contained in the Group's external reports, the effectiveness of which is subject to Board oversight. For more information, refer to page 73.

The content of the Integrated Annual Report has been reviewed and approved by the Board, with management's internal assurance processes applied to verify the report content derived from the management processes and information applied to develop the report. The report has not been externally assured.

The Group's consolidated and separate annual financial statements have been audited by the Group's appointed external auditor, PricewaterhouseCoopers (PwC). The independent auditor's report is included in the published annual financial statements and PwC has expressed an unmodified opinion on those financial statements. Shoprite's management has also reviewed the accuracy of financial information extracted from the annual financial statements that appear within this Integrated Annual Report.

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

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

These reports are all available as published reports on our website, [www.shopriteholdings.co.za](http://www.shopriteholdings.co.za).

#### Forward-looking information

This report contains forward-looking statements regarding the Group's operations and its performance and prospects. These statements involve risk and uncertainty as they relate to events and depend on circumstances that will occur in the future and, unless otherwise indicated, reflect our best judgement and estimates informed by the Group's Board-approved business plans as at the time of publication of this report. In particular, the impact of the current COVID-19 pandemic is still unfolding, not only in South Africa, but across the globe and raises levels of risk and uncertainty that we have never before encountered in the life of Shoprite's business to date. Hence, as various factors can cause outcomes to differ from our forward-looking statements, we note some of these forward-looking statements may not be achievable in what is currently a very fast-changing and uncertain environment. In this context, we note that the Group does not take responsibility for updating or revising any forward-looking statements except as required by applicable legislation or regulation.

#### Report approval

The Board of Directors of Shoprite Holdings has acknowledged its responsibility for ensuring the integrity of this Integrated Annual Report and in that context, has delegated responsibility to the Audit and Risk Committee to review the report. The Audit and Risk Committee has recommended the Integrated Annual Report for approval by the Board.

The Board has applied its collective mind to the preparation and presentation of the report and in the Board's view, the report addresses all the issues that are material to, or could materially affect the Group's ability to create value on a sustainable basis over the short, medium and long term, in a transparent and balanced manner and complies with the <IR> Framework in all material respects.

The Board is of the opinion the report is presented in accordance with the International Integrated Reporting Council's <IR> Framework and that it fairly represents the performance of the Group for the reporting period ended on 28 June 2020. The Board has approved the report on 30 September 2020.

**Christo Wiese**  
Chairperson

**Pieter Engelbrecht**  
Chief Executive Officer

#### Abbreviations and acronyms

|          |   |         |  |        |   |       |   |
|----------|---|---------|--|--------|---|-------|---|
| AOA      | Angola Kwanza   | FMCG    | Fast-moving consumer goods   | LID    | Lead independent director                             | SAP   | Systems, Applications and Products in Data Processing |
| AGM      | Annual General Meeting  | FY      | Financial year   | LTI    | Long-term incentive                                   | NERSA | National Energy Regulator of South Africa             |
| B-BBEE   | Broad-based black economic empowerment                              | GDP     | Gross domestic product   | NPO    | Non-profit organisation                               | SARS  | South African Revenue Service                         |
| CDP      | Carbon Disclosure Project   | GHG     | Greenhouse Gas   | ROIC   | Return on invested capital                            | SDG   | Sustainable Development Goal                          |
| CEO      | Chief Executive Officer   | GRI     | Global Reporting Initiative  | RSA    | Republic of South Africa                              | SEC   | Social and Ethics Committee                           |
| CFS      | Checkers Food Services  | HR      | Human resources  | PDI    | Previously disadvantaged person                       | SENS  | Stock Exchange News Service                           |
| CFO      | Chief Financial Officer   | IFRS    | International Financial Reporting Standards  | STI    | Short-term incentive                                  | SME   | Small and medium enterprise                           |
| COO      | Chief Operating Officer   | <IR>    | Integrated Reporting   | TGP    | Total guaranteed pay                                  | SMS   | Short Message Service                                 |
| COVID-19 | Coronavirus (SARS-CoV-2)  | IT      | Information and technology   | tCO2e  | Tons of carbon dioxide equivalent                     | UN    | United Nations  |
| CSI      | Corporate social investment   | JSE     | Johannesburg Stock Exchange  | UNFCCC | United Nations Framework Convention on Climate Change | USD   | United States dollar                                  |
| DC       | Distribution centre   | King IV | King IV Code on Corporate Governance 2016, published as part of the King IV Report   | VAT    | Value-added tax                                       | YES   | Youth Employment Services                             |
| DSTI     | Deferred short-term incentive                                       | kWh/MWh | Kilowatt-hour and Megawatt-hour  | SAICA  | South African Institute of Chartered Accountants      |       |   |
| DTMC     | Domestic Treasury Management Company                                | kWp/MWp | Solar electricity systems are given a rating in kilowatts/Megawatts peak (this is essentially the rate at which it generates energy at peak performance; for example, at noon on a sunny day). |        |   |       |   |
| EBITDA   | Earnings before interest, income tax, depreciation and amortisation |         |  |        |   |       |   |
| ESG      | Environmental, social and governance                                |         |  |        |   |       |   |
| ERP      | Enterprise resource planning  |         |  |        |   |       |   |
| ESP      | Executive share plan  |         |  |        |   |       |   |

## About Shoprite Holdings

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

Venessa Snyders  
Pharmacist's Assistant  
**MEDI + RITE**  
PHARMACY

## Purpose and values

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

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

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

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



  
**Doing the right thing:**  
excellence, integrity and care

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



  
**Saving to share:**  
efficiency and commitment

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



  
**Developing local:**  
growth, opportunity and transformation

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

Performance highlights

**Business**

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

**R634 million**  
Capital investment in information technology (FY 2019: R681 million)

**2 829** Total store footprint

**3 878** Number of private label products

**R12.5 billion EBITDA**  
(FY 2019 restated: R12.5 billion)

**767.0 cents HEPS**  
from continuing operations  
(FY 2019 restated: 747.7 cents)

■ Supermarkets RSA ■ Furniture  
■ Supermarkets Non-RSA ■ Other operating segments

**Environment**

**3 298 MWh**  
Renewable energy generated  
(FY 2019: 2 637 MWh)

**Diverted 9 400 tons**  
of plastic waste from landfills and the environment through  
**684 million** recycled and recyclable plastic carrier bags sold

**COVID-19**

**R327.2 million**  
Cost of COVID-19

**STAY HOME**

**Employees**

**141 452**  
Total employees  
(FY 2019: 147 268)

**97% PDIs** **65% Female**

**R491 million**  
Invested in training

**Customers and communities**

**24 million**  
Customers served

**4.7 million**  
Rewards card customers

**1.04 billion**  
Transactions during the year

**R136.0 million**  
Invested in communities

■ Food donations ■ Early Childhood Development  
■ Communities ■ Hunger relief

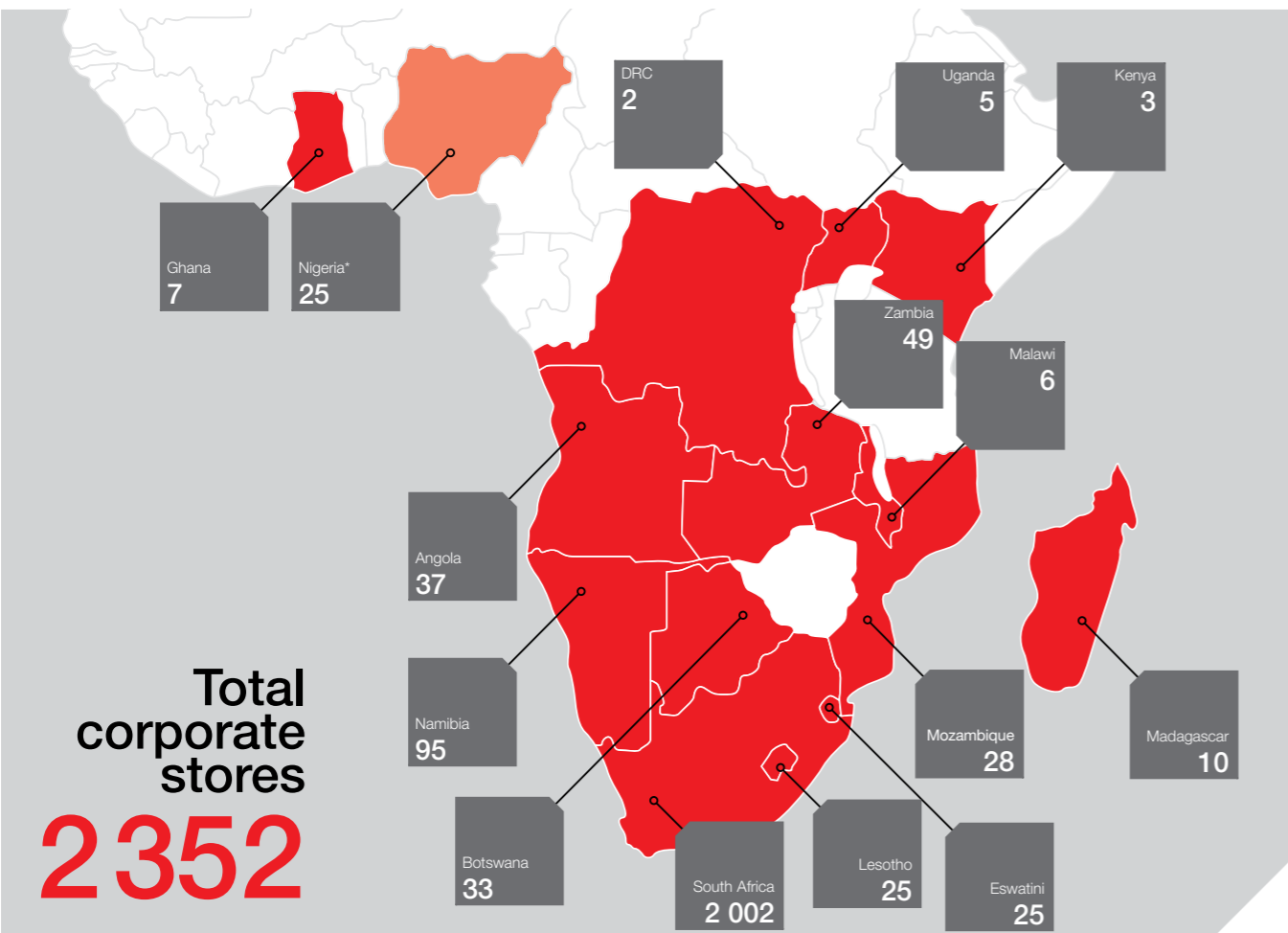
## Our business

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

### Operational structure and footprint

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

### Distribution of operations



\* Classified as discontinued operation. CFO report page 26

### Operational structure

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



### Brand portfolio

#### Corporate stores

Shoprite  
Shoprite Hyper  
Usave  
Checkers  
Checkers Hyper  
OK Furniture  
House and Home  
Shoprite LiquorShop  
Checkers LiquorShop

#### Cellular

K'nect

#### In-store

MediRite  
TechX

#### OK Franchise division

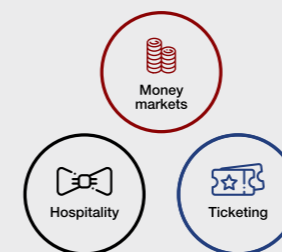
OK Foods  
OK MiniMark  
OK Express  
Sentra  
OK Liquor  
Megasave (wholesale)

#### Branded private labels

**Low price leadership (supermarket private labels):** Ritebrand (Shoprite), Ubrand (Usave) and Checkers Housebrand (Checkers and Checkers Hyper)  
**Best value (branded products):** Pot-o-Gold (tinned products), Farmer's Choice (poultry), Zip (cola), Lovies (nappies), Cape Point (frozen seafood), and Foreign Ground (coffee)  
**Full range:** entire product range within one private label: Simple Truth  
**General merchandise:** Essentials (small appliances), Ottimo and Platinum (premium appliances), Bushbaby (outdoor products including tents and gazebos), Jolly Tots (baby accessories), Super Power (batteries) and Schultz (power tools)  
**Fresh Foods:** Bella Vita, Café Culture, Simply Great, Ready to Cook, Ready to Braai, Oh My Goodness  
**Fruit and Vegetables:** Freshmark, Padkos  
**Meat Market:** Championship Boerewors, Steakhouse Classic, Certified Natural Lamb, Farmstead (pork), Kalahari Biltong, Old Smokehouse (pork and poultry), Cattleman (beef)



### Branded value-added services available in-store and online.



#### Financial services and customer rewards

Money Market  
Xtra Savings Rewards Programme

#### Ticketing and hospitality

Computicket  
Computicket Travel



### Operational support functions servicing third party customers, stores and online customers.



#### B2B and customer-facing logistics services

CFS  
Transpharm (pharmaceutical distribution)  
Sixty60

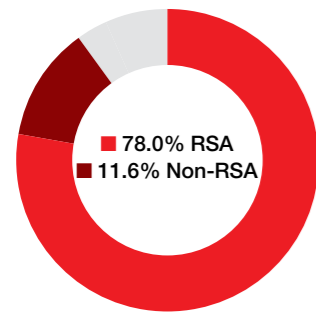




## Brand overview

### Supermarkets

#### Revenue contribution



#### Value add

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

#### 2020 achievements

Despite the negative impact of COVID-19, the Supermarkets RSA operation grew sales by 7.5% during the second half of the financial year.

#### Brand

### SHOPRITE

Our flagship brand, serving customers in the mass middle-income market.

### Usave

Small-format stores serving customers in the lower-income market, mostly in non-urban areas.

### Checkers

Serving more affluent customers who prioritise convenience, quality and freshness.

### CheckersHyper

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

### LiquorShop LiquorShop

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

Employees 75 413 RSA 503 Non-RSA 180

19.3m shoppers

Employees 4 945 RSA 374 Non-RSA 51

Introduced mobile eKasi truck stores

Employees 29 487 RSA 224 Non-RSA 9

Launched and rapidly scaled the Sixty60 digital shopping mobile application

Employees 8 937 RSA 37

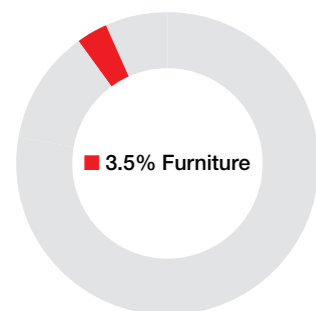
Rolled out an enhanced shopper experience at the new refurbished Sandton Hyper FreshX concept store

Employees 2 913 RSA 500 Non-RSA 23

1.8% market share gained

### Furniture

#### Revenue contribution



#### Value add

Providing homeware, furniture, electric appliances and more.

#### 2020 achievements

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

#### Brand

### House & Home

Providing quality homeware, furniture, electrical appliances to serve more affluent customers.

### OK Furniture

Includes Power Express, providing quality furniture, electrical appliances and more to serve customers in the middle-income market.

Employees 1 069 RSA 41 Non-RSA 4

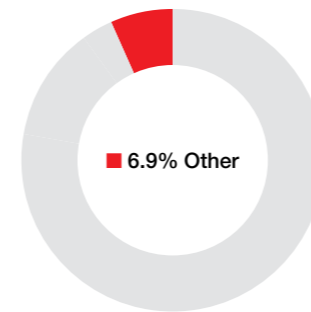
Launched new-look online-shopping site

Employees 4 994 RSA 314 Non-RSA 83

Launched new-look online-shopping site

### Other

#### Revenue contribution



#### Value add

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

#### 2020 achievements

CFS and Computicket specifically showed the businesses' agility and ability to adapt and innovate during the national lockdown in South Africa, which resulted in second half sales increasing by 3.5%.

#### Brand

### Pharmaceutical Medirite+ Pharmacy

Located inside supermarkets, MediRite is well positioned to meet the growing needs for easily accessible and affordable healthcare to customers across all income levels.

### Transpharm

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

#### Franchise

### OK FRANCHISE DIVISION

Servicing customers across all income levels with recognised community-based formats including OK Foods, OK MiniMark, OK Express, Sentra, OK Liquor and Megasave (wholesale).

#### Hospitality

### CFS Checkers Food Services

Servicing customers in the catering and hospitality industries; and door-to-door consumer deliveries.

#### Ticketing

### COMPUTICKET Computicket Travel

Online and call centre ticketing agent, situated in most supermarkets and furniture stores, and servicing all supermarket and corporate customers' event, travel ticketing and related solutions.

#### Financial and cellular services

### k'nect SHOPRITE

Servicing customers in the low- to middle-income markets.

Employees 840 RSA 144

Preparing 44 000 repeat prescriptions per month through the very convenient Prep-My-Script platform

Employees 780 DC 2 Fleet 108

Delivering 325 000 parcels per month with a service level for in time and in full delivery of 99.98%

Employees 163 RSA 410 Non-RSA 67

Fully integrated with the Group's central supply chain

Employees 50 Fleet 51

Enhanced to include Sixty60 boxed, a consumer-facing offering

Employees 225

Introduced and rolled out virtual vouchers during COVID-19, adding to the product portfolio while supporting the Supermarket business

Employees 53 RSA 9

Extended from a stand-alone financial services and cellular store to offer the latest smart and feature phones at the Money Market counter of all Group supermarkets

## Operating environment

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

### Macro environment

#### South African economy

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

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

#### Indicators

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

#### Response

- Retail offerings focused on value across all income segments: from low-income communities served by Usave to a premium shopping experience at the new Checkers FreshX concept stores.
- New digital shopping channel: Sixty60 ordering and delivery app launched in FY 2020.
- Taking ownership of external costs by reducing the Group's reliance on grid electricity and impact of power outages: rolling out the installation of renewable solar photovoltaic (PV) plants at certain locations.

📄 Strategic drivers and Investment case page 38;  
📄 2020 Sustainability Report  
[www.shopriteholdings.co.za](http://www.shopriteholdings.co.za)

#### Non-RSA economies

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

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

#### Indicators

Brent crude average price per barrel:  
**2020 US\$51.62 (2019: US\$68.61)**  
Food inflation:  
**2020 7.2% (2019: 3.3%)**  
Rand reported sales:  
**2020 -1.4% (2019 Restated: -8.8%)**  
Constant currency sales:  
**2020 6.6% (2019: 0.2%)**

#### Response

- De-risk African exposure: Reviewing African footprint while retaining a competitive position on the continent.
- Reduce the overall cost of operations (rent reductions).
- Productivity improvements.
- Reduce exposure to dollar-based costs, specifically rentals.
- Reduce capex allocated to the region.

📄 CEO report page 18; CFO report page 26

#### Food security

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

#### Indicators

People at risk: 1.7 million South African households (10.5%) are deemed 'vulnerable to hunger', while 2.5 million South African households (15.8%) reported their food access is inadequate (source: Stats SA, Food Security in South African. 2019 (p 14, 18).

Due to the loss of income during COVID-19, more than one in 10 people reported experiencing hunger, indicating the loss of income may further increase food insecurity in the country. (Source: Stats SA, May 2020)

#### Response

- Provide accessibility to affordable food: 63 million R4.99 bread loaves in FY 2020 and 155.8 million R5 deli meals since 2017 sold.
- Community assistance: 3.9 million soup kitchen meals.
- Minimising our impact on climate change: managing and reducing our own carbon footprint.
- Diversifying the Group's supply base across a variety of suppliers across the various jurisdictions in which we trade.
- Building climate-resilient communities by supporting 119 community food gardens in the communities in which we operate.

📄 Social and Natural Capital reports pages 58 to 63

### Retail environment

#### Digitalisation

Technology is changing retail, with integrated ERP systems being applied through the value chain to improve efficiencies and digital platforms facilitating omnichannel shopping. More retailers are using technology to seamlessly engage with customers across channels in an attempt to improve their retail experience.

#### Indicators

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

#### Response

- Our Sixty60 on-demand, one-hour grocery delivery service helped drive a seven times increase in online revenue for the Group.
- Adoption of innovative methods of payment providing more secure, immediate and safe transaction options: introduced QR code payments.
- Investment in and development of IT infrastructure: integrated all channels, brands and products into one seamless data process.
- Using data analytics: optimised marketing spend with a targeted online and more personalised marketing approach.

📄 Intellectual Capital report page 52

#### Innovation

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

#### Indicators

Africa's young, millennial population is comfortable using mobile applications for services and payments. This has seen a dramatic rise in mobile commerce platforms for things like home delivery of fast foods. Familiarity with digital media has also brought social media and chat platforms like WhatsApp to the fore as critical methods of marketing, customer service and transacting.

#### Response

- Invested in an integrated and central ERP system to facilitate a more strategic and future-fit approach towards retail.
- Launch of digital customer-facing channels and rewards platform.

📄 Intellectual Capital report page 52

#### Diversifying revenue streams

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

#### Indicators

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

#### Response

- Providing a one-stop-shop destination for customers: provide services and products across nine industries.
- Enhancing products and service offerings towards convenience and an improved shopping experience.
- Developed new media services for FMCG product supply partners.

## Leadership reports

“Words don’t do justice to applaud all the Shoprite teams that pulled together to ensure we kept our staff and customers safe.”

## Chief Executive Officer's report



**Pieter Engelbrecht**  
Chief Executive Officer

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

2020 confirmed the resilience of this great company, the Shoprite Group. This will forever be remembered as a devastating and defining year for South Africa and the world. Faced with operating on the front line of a pandemic, our 141 452 people unhesitatingly came together to serve our customer base of over 24 million people across the 15 countries we operated in this year. It was my great honour to lead this team whose tireless commitment behind the scenes, across our 2 352 corporate stores and throughout our communities, will undoubtedly stand the test of time.

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

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

**“We ended 2020 having gained R4.9 billion in market share in our core Supermarkets RSA business.”**

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

### **Moving towards a simpler, smarter Shoprite**

Despite the obvious adversity and challenges presented during the latter part of our 2020 year, the months that preceded it are worthy of reflection and commendation as they featured the execution of several key strategic and innovation initiatives. However, they did require the completion of the implementation of our ERP systems to come to fruition.

The first of these was the October 2019 launch of our Checkers Xtra Savings Rewards Programme in our Checkers business. Designed to save our customers money, Checkers Xtra Savings Rewards is transparent, simple and premised on instant savings at the checkout. It has surpassed our expectations and, by year end has established a phenomenal base of 4.7 million members who have benefitted from a billion rand in savings. In a short time, we have learnt a considerable amount about our customers' shopping patterns and preferences.



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

### **Checkers and Checkers Hyper reinvention continues**

Shortly after the launch of Checkers Xtra Savings Rewards, Checkers reopened its flagship Checkers Hyper in Sandton, Johannesburg in its latest FreshX format.

This was shortly followed by the long-awaited opening of Checkers Constantia Emporium in Cape Town in a Shoprite Group-developed centre in which we partnered with local landowners. Constantia Emporium is a landmark development for the Group, pioneered 12 years ago by our former CEO Whitey Basson and houses, in our view, a world-class Checkers FreshX supermarket.

The Checkers FreshX format continues to be met with great customer acceptance as evidenced by the chain's overall growth in sales (including Checkers Hyper) of 13.5% in South Africa this year. To date, we have 28 stores in this format and we are working our way towards our 80 store target with increasing momentum. In alignment with our Group strategy, we continue to close the gap in fresh and convenience with our Checkers and



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

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

From top: Checkers Hyper in Sandton, Johannesburg; Checkers Constantia Emporium, Cape Town

Chief Executive Officer’s report (continued)



**Innovation increasingly a common thread throughout the business**

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

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

**Unsurpassed execution strength across the business**

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

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

First and foremost, a salute to our health and safety, supply chain, security, human resources, IT and Non-RSA teams, which were formidable. Your resilience, execution and solution-driven dedication is second to none and has set the tone for us to not only survive the initial and ongoing challenges as a company, but to emerge stronger. That being said, your approach was unilaterally echoed throughout the business. Not a day or hour passed when I wasn’t humbled by how our Shoprite people tackled the challenge of operating and complying with the confines of constantly changing nationwide lockdown regulations across 15 African countries. My thanks extend to every single employee in our company across our Supermarket, Liquor, Franchise, Furniture, Money Market, Computicket, Checkers Food Services and Pharmacy businesses as well as the incredible teams – in marketing, communications, operations, finance, sourcing, strategy and



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

**Core operations hold the fort**

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

The capability demonstrated by Shoprite and Usave during the COVID-19 nationwide lockdown was unsurpassed. The restrictions pertaining to work and travel impacted customer visits to Shoprite as many of its stores are located near transport and work nodes. Conversely, Usave – which is intentionally positioned where our customers live – fulfilled a great need during lockdown. Both chains have met different needs at different times with Shoprite, in particular, doing the heavy lifting at month end and over grant payments days which – fortunately for grant recipients – are now being paid over several days as opposed to the two days previously.

**Community moved top of the agenda**

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

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

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

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

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

## Chief Executive Officer's report (continued)

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

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

### Our future in the new normal

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

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

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

### Strategy and capital allocation

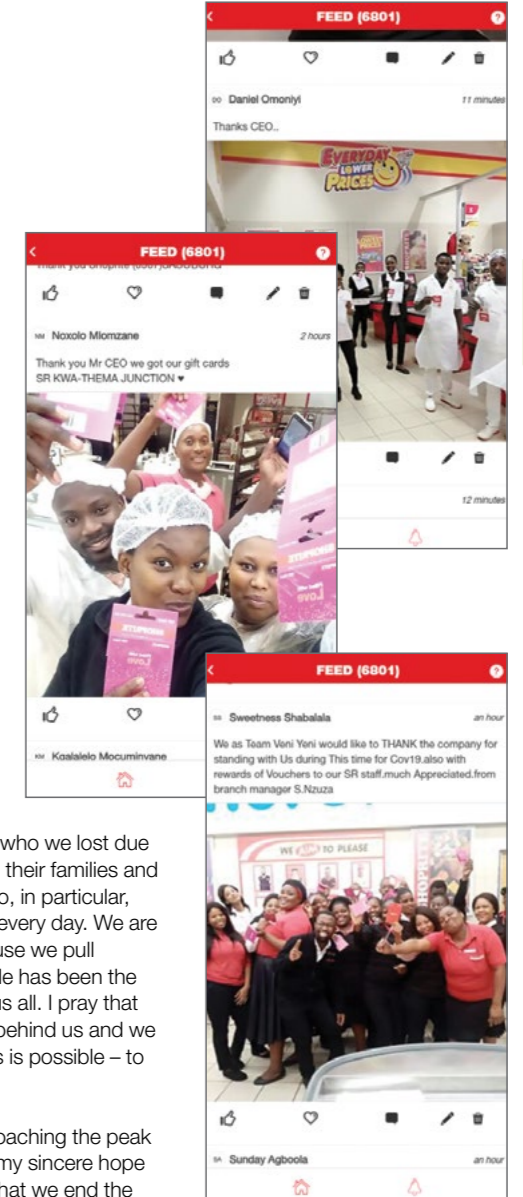
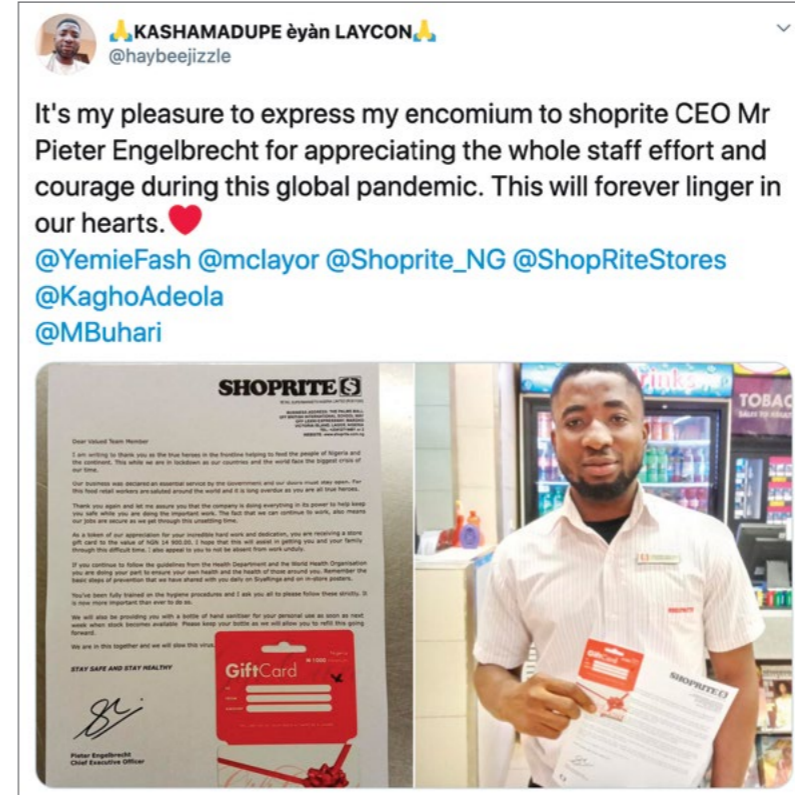
I expect history will mark this time as the end of an era, which in effect means we are standing at the beginning of a new dawn for humanity. We are a financially sound company and very fortunate, given the outlook, to be positioned in the value segment of food retail. But, like never before in our time as a business, times have changed and with that comes the need to relook, rethink and react in order to shape and future-proof Shoprite.

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

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

### In appreciation and looking ahead

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



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

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

Looking forward, it is clear 2020 will be forever etched in our collective memory. The Group's day-to-day execution and adaptability while remaining focused has been in a class of its own. Our inimitable culture, underscored by lifetimes of experience in adverse conditions, has resulted in what I can only describe as an unwavering battle-like execution. My sincere thanks to my generals who made it possible.

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

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

**Pieter Engelbrecht**  
Chief Executive Officer

30 September 2020

“We have worked hard to grow and promote employees throughout the business, following a talent-development strategy aimed at driving long-term value through a future-fit Shoprite talent pool.”

## Chairperson's report

**Christo Wiese**  
Chairperson

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

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

**The journey**

Shoprite (founded in 1967) was acquired by the Pep Group in 1979, when Shoprite owned eight small Western Cape grocery stores, for a net consideration of R1 million. I joined the company as Chairman in 1981. With the backing of a capable Executive team under the outstanding leadership of Whitey Basson, we put in place a strategy for growth. The growth was to be achieved organically as well as through acquisitions. Examples of this which shaped the Group over the past 40 years included acquisitions of Grand Bazaars – a company of similar size to Shoprite – in 1990, followed a year later by the acquisition of Checkers. Then, in 1997, we acquired OK Bazaars for a price of one rand, a price that reflected its loss-making position that was equivalent to our entire annual profit at the time. The relative size of these acquisitions could have been viewed as high risk, but each and every significant acquisition was successfully concluded and integrated with the core business. The outcome of this growth strategy was that Shoprite was quick to establish itself as one of the major players in the South African retail space and grew to be the largest retailer on the African continent.

Our decision to diversify beyond South Africa into the African continent was built on the premise that there was opportunity within this emerging market with a vast population and regions of high economic growth. We were always aware of the

challenges a move north of our borders would present and while recognising the complexity of this market, I believed the market potential justified the decision to diversify into other geographies. Over the years, volatility in interest and exchange rates, economic growth and operating conditions led to mixed fortunes in the performance of the Non-RSA business. Although we have had to continually adjust to respond to changing regional conditions, we remain steadfast in the belief that our efforts to establish a continental footprint will reward us over the long term and will consider a number of different strategies in this regard.

The Shoprite story could be viewed as a text-book business case. From a humble beginning, we have grown into a business that is the largest retailer and private sector employer in Africa. The investment of just R1 million in 1979 has translated into a business with an annual turnover of R156.9 billion. This growth could have been achieved only by having a Board that was highly supportive of an exceptional management team, on whom it relied absolutely to pursue the right initiatives and do the right things. Commitment at all levels was reinforced by the fact that both I and the Shoprite leadership were personally and substantially invested in the success of the business.

**Our values (or responsible business)**

Reflecting on what has enabled this success story, an overriding constant has been our focus on the people within and around our business. From the outset, we adopted a customer-centric focus, with operations structured to deliver value at competitive and affordable price points. Customer centricity was built on the back of affordability and this remains a key differentiator of the Shoprite business model. In today's retail environment, we need to go beyond affordability to address individual customer needs. Our investment in technology has ensured we have made excellent progress in response to this. Our social impact includes our contribution to food

security and to direct and indirect employment, and our investment in communities. We are aware that our business is anchored in communities where our customers and employees reside. We contribute to these communities through our CSI programmes, our enterprise and local sourcing initiatives and through food relief programmes. By way of example, we have provided more than 43.2 million meals since we commenced our Mobile Soup Kitchens in 2007. We invest in unemployed youth through our Retail Readiness programme and in association with the Youth Employment Services (YES). Our employees are developed through formal training programmes and blended learning curricula. Over the past 10 years, the Group created 52 169 new jobs and we continue to invest in people.

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

**Our way forward**

Whereas we built our foundation on a bricks-and-mortar retail model, technology has now become essential as a business enabler and alternative channel to market. Shoprite has invested heavily in enterprise management systems and the ability to securely collect data to better understand our customers over the past three years. We are now seeing the benefit of that investment, in enhanced efficiency and inventory management, which translates into an improved customer experience. I am pleased to have been part of the successful transformation of Shoprite's retail model, utilising technology to enable greater precision in matching our retail offering to customer preferences. I believe Shoprite's capability in this regard is in line with international retailing lead practice.

The ongoing innovation in new and adapted product and service offerings leverages our extensive retail footprint to improve reach and customer convenience. Shoprite is proving to be highly innovative in this regard. New and extended product and service offerings for customers not only preserve our market share, but provide exciting new opportunities for growth. Our flagship store in Constantia is just one example of how we are innovating, with many other plans and projects at various stages of implementation.

Shoprite has endured and indeed prospered through many uncertain times during its history. We have lived through the financial fallout stemming from the

Rubicon speech in 1985, an economic revival brought on by the political transition to democracy in 1994 and then a slow deterioration over the past decade. The COVID-19 pandemic is now causing economic hardship and uncertainty on top of what was already a fragile economy. Shoprite is again showing resilience in dealing with this crisis. It is notable that we assessed and acted on the threat to our supply chain when news of the virus emerged. We enabled about 2 500 employees to move to a work-from-home environment within three days of the shutdown while ensuring appropriate security measures were put in place. Subsequently, we have put in strong contingency measures to ensure continuity of business operations and retail activities. Always, our ability to adapt and respond quickly has served the business well. I am confident we will continue to operate effectively and profitably in this time of global uncertainty as evidenced, inter alia, by our growth in market share.

**Our Board and Executive team**

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

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

**Appreciation**

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

**CH Wiese**  
Chairperson

30 September 2020

**“By way of example, we have provided more than 43.2 million meals since we commenced our Mobile Soup Kitchens in 2007.”**

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

## Chief Financial Officer's report

**Anton de Bruyn**  
Chief Financial Officer

**“We are fortunate to be in food retail with a lifetime invested in being synonymous with low prices: a promise we will tirelessly execute in support of our customers.”**

**The year in review**

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

Group sales for the year increased by 6.4% to a record R156.9 billion. Diluted headline earnings per share (DHEPS) from continuing operations, adjusted for hyperinflation and exchange rate differences and related tax effects, increased by 16.6%. Dividends for the year increased by 20.1%. Our second half Group sales growth of 5.4% was achieved despite the complete closure of our Furniture and Liquor businesses, due to lockdown restrictions, for varied periods depending on the region of operation. While Furniture is reported as a separate segment, Liquor forms part of our Supermarkets RSA and Supermarkets Non-RSA operating segments. Despite this impact, Supermarkets RSA still increased sales by 7.5% during our second half to June from a very high base in Q4 last year.

Our Group performance was largely driven by our core Supermarkets RSA operation. The Supermarkets Non-RSA team's efforts are not reflected in the segment's sales when translated into our reporting currency, the rand. For the most part, currency continues to significantly impact the countries in which we trade and destroy much of the value we work hard to create. For this year in particular, managing lockdowns across 15 African countries (including Nigeria) was a monumental task and one that clearly demonstrated Shoprite's incredible grit and inimitable culture.

Despite facing numerous adversities during 2020, we progressed on a number of key focus areas: the sale and leaseback of our major distribution centres, our inventory reduction project and our Non-RSA invested capital review. As part of this endeavour, the Board has embarked on a process to consider the sale of either a majority stake or the entire shareholding in Retail Supermarkets Nigeria Ltd, the Group's operations in Nigeria. As such, Retail Supermarkets Nigeria Ltd is disclosed as a discontinued operation in the results for the year.

Areas of focus for the Group during the 2020 financial year included the following:

| Key driver   | Measurement  |
|--|--|
| Reducing capital expenditure   | Capital spend reduced by 38.8% to R3.2 billion.  |
| Disposing of selected assets to unlock balance sheet value and increase ROIC | Property, plant and equipment to the value of R1.3 billion were sold since the inception of the initiative to unlock value on the balance sheet. |
| Improving our cash flow  | Net cash increased by R6.4 billion to R10.0 billion and net debt reduced by R4.3 billion to R25.3 billion.                                       |
| Improving stockholding levels  | Inventory as a percentage of sales improved with 2.2 percentage points to 12.0%.   |
| Maintaining our lean cost structure  | Total expenses increased by 6.9% during the 2020 financial year to R32.3 billion.  |

**Sale of merchandise**

The following table gives the relevant sale of merchandise per segment from continuing operations:

|                          | Change % | 52 weeks 2020 Rm | 52 weeks 2019 Rm |
|--------------------------|----------|------------------|------------------|
| Supermarkets RSA         | 8.7      | 122 412          | 112 655          |
| Supermarkets Non-RSA     | (1.4)    | 18 153           | 18 407           |
| Furniture                | (11.9)   | 5 470            | 6 206            |
| Other operating segments | 3.9      | 10 820           | 10 409           |
| Total operating segments | 6.2      | 156 855          | 147 677          |
| Hyperinflation effect    | —        | —                | (199)            |
| Consolidated             | 6.4      | 156 855          | 147 478          |

**Supermarkets RSA**

The Group's core business, Supermarkets RSA, achieved 8.7% sales growth for the period to report sales of R122.4 billion. Like-for-like growth measured 6.8% with internal selling price inflation of 3.0% up from only 1.2% last year. The full-year performance should be viewed in the context of a strong performance in the first half of the year on the back of a low base in the 2019 financial year, and a strong second-half performance amid the South African COVID-19 lockdown regulations implemented from 27 March 2020. Trade was restricted in several categories within our Supermarket business and, as such, impacted the business differently at varying times. Across the board, the Checkers, Checkers Hyper, Shoprite and Usave brands performed admirably in what can only be described as incredibly challenging conditions for both our staff and customers. The two weeks preceding South Africa's initial 35 days of level 5 lockdown resulted in elevated sales growth across all three of our supermarket brands but noteworthy was the significant growth reported by our repositioned mid- to upper-end Checkers (including Checkers Hyper) business.

Our Checkers and Checkers Hyper supermarket chain outperformed our other major food retail brands with turnover growth measuring 13.5% for the year. Checkers inclusive of the Hypers now represents 39.6% of Supermarkets RSA sales. Its strategy to focus on improving its fresh offer among other areas continues to gain traction. Sales from the Checkers Hyper brand have been buoyed by the completion of revamps in four Checkers Hypers last year together with the reopening of our refurbished flagship Sandton Hyper in Johannesburg and the long-awaited opening of our Constantia Emporium Checkers FreshX store in Cape Town in the first half of 2020. The chain now operates 28 FreshX concept stores, up from 21 this time last year. After opening a net seven new stores, Checkers and Checkers Hyper ended the year with 261 stores in South Africa. The Checkers Xtra Savings Rewards Programme has gained considerable traction with 4.7 million members signed-up since its inception in November 2019. The launch of Checkers Sixty60 digital shopping app has been a phenomenal success and its ramp up during COVID-19 is to be commended.

The Shoprite and Usave brands remained focused on their low price promise in their respective markets growing sales by 5.5% and 16.5% respectively. This was despite the impact of COVID-19 lockdown regulations during the last quarter of 2020. Usave's business model, premised on being located within the communities it serves, was conveniently positioned during COVID-19 lockdown. Conversely, Shoprite did not benefit to the same extent as many of its stores are located near transport and work nodes where customers were restricted from due to lockdown regulations.

The sales growth momentum achieved in the segment's Liquor business during the first half continued up to February and accelerated, pre-lockdown, during March 2020. COVID-19 lockdown regulations required the complete closure of the Liquor business for 66 days and subsequently restricted trade to four days a week (Monday to Thursday) for the month of June 2020. The combined result of a first half during which sales increased by 20.5%, followed by a second half during which sales declined by 29.5%, resulted in a decline in sales of 3.3% for the year. LiquorShop represents 5.8% of Supermarkets RSA's sales. It opened a net 32 new stores and ended the year with 500 stores in South Africa.

**Supermarkets Non-RSA**

Given the aforementioned regarding the classification of Nigeria as a discontinued operation, Supermarkets Non-RSA (excluding Nigeria) contributing 11.6% to Group sales, recorded a decline in sales of 1.4% to R18.2 billion.

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

Our Angolan Supermarket business reported sales in constant currency 1.2% lower than last year. In rand terms, this translated to a 29.1% sales decline. Difficult conditions prevail in Angola; the combined impact of rampant inflation and currency devaluations in recent years continue to decimate customer spending power. While US dollar availability to secure in-stock levels remained constrained, we did manage to improve stock availability during the second half of the year.

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

**Furniture**

The Group's Furniture segment, representing 3.5% of Group sales, reported a decline in sales of 11.9% for the year. Second-half trade was significantly impacted by lockdown regulations which required our South African store base to close for 52 days and our Non-RSA regions to close, on average, for 31 days. Consequently, second-half sales declined by 23.1%. Credit participation increased to 13.3% (2019: 12.7%) of the business' R5.5 billion sales for the period.

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

**Other operating segments**

The Group's other operating segments, representing 6.9% of Group sales and comprising OK Franchise, Transpharm, MediRite Pharmacies, Checkers Food Services (CFS) and Computicket, achieved sales growth of 3.9% for the year.

This was achieved despite lockdown limitations impacting CFS – given that its primary customers (the restaurant and hospitality industry) were closed during lockdown – as well as Computicket, with lockdown restrictions significantly impacting events and travel-related ticketing. Notwithstanding these restrictions, the businesses' ability to adapt and innovate resulted in second-half sales increasing by 3.5%. OK Franchise opened 40 stores this year in South Africa with the base now totalling 410 stores throughout South Africa. Outside of South Africa, OK Franchise added a net five new stores and now has a base of 67 stores.

|                                | Change % |
|--------------------------------|----------|
| OK Franchise                   | 6.0      |
| MediRite Pharmacies            | (1.7)    |
| Checkers Food Services         | 8.2      |
| Total other operating segments | 3.9      |





## Chief Financial Officer's report (continued)

## Summary consolidated statement of comprehensive income

|   | Change % | 52 weeks 2020 Rm | Restated* 52 weeks 2019 Rm |
|---|----------|------------------|----------------------------|
| Sale of merchandise   | 6.4      | 156 855          | 147 478                    |
| Cost of sales   | 5.6      | (119 323)        | (113 028)                  |
| <b>Gross profit</b>   | 8.9      | 37 532           | 34 450                     |
| Other operating income  | (5.7)    | 2 326            | 2 467                      |
| Interest revenue  | (19.4)   | 598              | 742                        |
| Depreciation and amortisation   | 1.2      | (5 031)          | (4 971)                    |
| Employee benefits   | 6.2      | (12 585)         | (11 845)                   |
| Credit impairment (losses)/reversals  |          | (480)            | 23                         |
| Other operating expenses  | 5.8      | (14 189)         | (13 417)                   |
| Net monetary gain   |          | —                | 947                        |
| <b>Trading profit</b>   | (2.7)    | 8 171            | 8 396                      |
| Exchange rate gains/(losses)  |          | 566              | (110)                      |
| Profit on lease modifications   |          | 69               | —                          |
| Items of a capital nature   |          | (1 055)          | (419)                      |
| <b>Operating profit</b>   | (1.5)    | 7 751            | 7 867                      |
| Interest received from bank account balances  | 62.9     | 443              | 272                        |
| Finance costs   | 12.0     | (2 910)          | (2 599)                    |
| Share of loss of equity accounted investments   |          | (38)             | —                          |
| <b>Profit before income tax</b>   | (5.3)    | 5 246            | 5 540                      |
| Income tax expense  | 4.0      | (1 783)          | (1 715)                    |
| <b>Profit from continuing operations</b>  | (9.5)    | 3 463            | 3 825                      |
| Loss from discontinued operations (attributable to owners of the parent)                              |          | (87)             | (345)                      |
| <b>Profit for the year</b>  | (3.0)    | 3 376            | 3 480                      |
| <b>Earnings per share for profit from continuing operations attributable to owners of the parent:</b> |          |                  |                            |
| Basic earnings per share (cents)  | (9.5)    | 622.6            | 687.6                      |
| Diluted earnings per share (cents)  | (9.5)    | 621.6            | 686.9                      |
| Basic headline earnings per share (cents)   | 2.6      | 767.0            | 747.7                      |
| Diluted headline earnings per share (cents)   | 2.5      | 765.8            | 746.9                      |

\* Restated for the adoption of IFRS 16: Leases and discontinued operations in accordance with IFRS 5 as well as the reclassification of interest revenue previously included in other operating income.

**Gross profit**

Gross profit comprises primarily gross margin after taking into account shrinkage. In line with IFRS (IAS 2: *Inventory* and SAICA Circular 9/2006), the Group deducts settlement discounts and rebates received from the cost of inventory.

Gross profit growth of 8.9% year on year to R37.5 billion resulted in a gross margin of 23.9% for the Group. The increase of 50 basis points compared to last year's 23.4% is mainly due to:

- A 10.3% increase in Supermarkets RSA gross profit on the back of improved allowances recovered.
- The successful implementation of various cost-saving initiatives and a reduction in the cost of fuel on the back of a lower oil price.
- Gross margin levels improved under difficult circumstances in Supermarkets Non-RSA to make provision for the increased cost of imported goods to our customers in countries where we have experienced significant currency devaluation.

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

**Other operating income**

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

|   | Change %     | 2020 Rm      | 2019 Rm      |
|---|--------------|--------------|--------------|
| Commissions received                        | (3.4)        | 845          | 875          |
| Operating lease income                      | 0.6          | 507          | 504          |
| Premiums and other insurance income earned  | (12.0)       | 235          | 267          |
| Franchise fees received                     | 12.5         | 108          | 96           |
| Other income – insurance claims             | (80.2)       | 19           | 96           |
| Other revenue from contracts with customers | 0.7          | 611          | 607          |
| Dividends received                          | (95.5)       | 1            | 22           |
| <b>Total</b>                                | <b>(5.7)</b> | <b>2 326</b> | <b>2 467</b> |

Franchise fees increased in line with the new members signed and sales growth of existing members.

Other income consists of insurance claims raised and declined due to lower SASRIA claims lodged as well as settlement of various business interruption claims during the prior period.

**Interest revenue**

Interest revenue decreased by 19.4% to R598 million.

|  | Change %      | 2020 Rm    | 2019 Rm    |
|--|---------------|------------|------------|
| Finance income earned from instalment sale receivables | (20.3)        | 255        | 320        |
| Interest received from government bonds and bills      | (33.5)        | 210        | 316        |
| Interest received from associates                      | 8.3           | 52         | 48         |
| Interest received other                                | 39.7          | 81         | 58         |
| <b>Total</b>   | <b>(19.4)</b> | <b>598</b> | <b>742</b> |

Finance income earned from instalment sale receivables declined by 20.3% relating to lower sales resulting from lockdown restrictions in our Furniture division.

Interest received from government bonds and bills includes returns on amounts invested in AOA, USD Index Linked Angola Government Bonds and AOA, Angola Government Bonds as well as Angola Treasury Bills. Interest income of R210.1 million was R106.2 million lower than the previous year following a decrease in the investment as local funds realised on these investments were repatriated to settle offshore debt. These financial instruments serve as a hedge against anticipated future currency devaluations.

**Expenses**

The competitive nature of food retail requires vigilance when it comes to cost management, an area that remains a top priority for the Group. This year, total expense growth was 6.9%.

- From inception, our COVID-19 response placed the support, protection and safety of our employees and customers front and centre and the costs – while significant – were a non-negotiable responsibility for us as we determined our way forward. COVID-19-related costs amounted to a net total of R327.2 million spent across the areas of health and safety, security, mobile clinics, personal protective equipment, temperature scanners, store and distribution centre sanitation, staff meals, communication costs and remote network access for staff. The most significant spend pertained to R116.9 million paid to our staff, inclusive of an appreciation bonus to assist them with the difficulties we anticipated would accompany the nationwide lockdown.
- Depreciation and amortisation expenses increased by 1.2% as the Group continued its investment in information technology and infrastructure during the year. We also continue to open new stores while simultaneously refurbishing our existing store base on a seven- to eight-year cycle. Depreciation of right-of-use assets increased by 8.7% and depreciation on property, plant and equipment decreased by 5.1%. This year, the Group added a total of 102 new corporate outlets and closed 60. Included in depreciation for the year is a charge relating to the hyperinflation asset raised in prior years of R92.7 million.

- Employee benefits increased by 6.2%. Slower growth in this cost was due to productivity improvements.
- Other operating expense growth of 5.8% includes expenses such as electricity and water, repairs and maintenance, security and credit card commissions paid. The growth in other expenses was as a result of the increases in water and electricity of 12.4% due to electricity tariff increases being set by NERSA (National Energy Regulator of South Africa) of 13.7%. In an effort to reduce our long-term operating cost, the Group has introduced various energy-saving initiatives.

**Net monetary gain**

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

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

**Trading profit**

The Group's trading margin, excluding the impact of hyperinflation accounting, improved this year from 5.1% to 5.3%. In the previous year, the Group recorded a net monetary gain of R947 million resulting from the application of hyperinflation accounting in Angola up to 30 June 2019. Including the hyperinflation net monetary gain in the previous year, the Group reported a trading margin decline from 5.7% to 5.2%.

Supermarkets RSA's R8.0 billion trading profit increased 13.0% to report a 6.6% trading margin (2019: 6.3%). The significant improvement during a challenging period is a testament to the inherent strength of the core operations.

Supermarkets Non-RSA's R28.2 million trading loss showed a marginal improvement on last year, however, was notably impacted by the loss in our Kenyan business, the negative impact of restrictions and store closures due to COVID-19 and a R106.2 million reduction in interest income earned on government bonds and bills. This interest reduction is mainly because maturing AOA, USD Index Linked Angola Government Bonds are not being reinvested.

Trading profit by segment is outlined overleaf. The Group's Nigerian operations are excluded as it is disclosed as a discontinued operation and reported separately in terms of IFRS 5.



## Chief Financial Officer's report (continued)

|   | Change %     | 52 weeks 2020 Rm | Trading margin 2020 % | Restated* 52 weeks 2019 Rm | Trading margin 2019 % |
|---|--------------|------------------|-----------------------|----------------------------|-----------------------|
| <b>Trading profit</b>                     |              |                  |                       |                            |                       |
| Supermarkets RSA                          | 13.0         | 8 024            | 6.6                   | 7 100                      | 6.3                   |
| Supermarkets Non-RSA                      | (24.3)       | (28)             | (0.2)                 | (37)                       | (0.2)                 |
| Furniture                                 | (105.5)      | (15)             | (0.3)                 | 275                        | 4.4                   |
| Other operating segments                  | 76.5         | 316              | 2.9                   | 179                        | 1.7                   |
| <b>Total operating segments</b>           | <b>10.4</b>  | <b>8 297</b>     | <b>5.3</b>            | <b>7 517</b>               | <b>5.1</b>            |
| Hyperinflation effect                     |              | (126)            | —                     | 879                        | —                     |
| <b>Consolidated continuing operations</b> | <b>(2.7)</b> | <b>8 171</b>     | <b>5.2</b>            | <b>8 396</b>               | <b>5.7</b>            |

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

**Foreign exchange differences**

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

The Group recorded exchange rate gains of R566.4 million for the period. In essence, most of the foreign exchange differences are due to gains on AOA, USD Index Linked Government bonds; losses on US dollar-denominated short-term loans of operations outside South Africa and balances in US dollars held in offshore accounts.

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

The table below gives the approximate rand cost of a unit of the following major currencies at year end.

|                    | Change %    | 2020   | 2019   | 2018   |
|--------------------|-------------|--------|--------|--------|
|                    | 2019 – 2020 |        |        |        |
| US dollar          | 20.9        | 17.141 | 14.174 | 13.710 |
| Euro               | 19.4        | 19.234 | 16.106 | 15.972 |
| Zambia kwacha      | (13.6)      | 0.946  | 1.095  | 1.370  |
| Angola kwanza      | (29.3)      | 0.029  | 0.041  | 0.055  |
| Mozambique metical | 8.8         | 0.246  | 0.226  | 0.229  |
| Nigeria naira      | 12.8        | 0.044  | 0.039  | 0.045  |

**Net finance costs**

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

|   | 2020 Rm        | Restated* 2019 Rm |
|---|----------------|-------------------|
| Interest received from bank accounts                | 87             | 111               |
| Interest received from call accounts                | 356            | 161               |
| <b>Interest received from bank account balances</b> | <b>443</b>     | <b>272</b>        |
| Lease liability finance charges                     | (1 920)        | (1 754)           |
| Borrowings and other finance charges                | (1 001)        | ( 874)            |
| Borrowings costs capitalised                        | 11             | 29                |
| <b>Finance costs</b>                                | <b>(2 910)</b> | <b>(2 599)</b>    |
| <b>Net finance costs</b>                            | <b>(2 467)</b> | <b>(2 327)</b>    |

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

At the reporting date, the Group had lease liabilities of R23.3 billion. The average incremental borrowing rate is 8.7% and gave rise to an interest charge of R1.9 billion (2019: R1.8 billion) on the lease liabilities for the year under review.

The Group's net borrowing position (before taking the lease liabilities into account) improved significantly by R6.1 billion to R2.0 billion, with interest on medium- to long-term funding increasing to R1.0 billion. The Group is committed to reducing debt levels overall and has made major strides in achieving this goal. Improved operational results during the first half, together with an improvement in working capital, resulted in an improved cash flow generated from operations.

The increase in finance costs was offset by an improvement in the cash generation of the Group during the year. Cash and cash equivalents increased during the year from R7.7 billion to R12.1 billion. We further intend to consolidate our financial position by optimising our capital invested, currently and in the future. The reduction in the cost of borrowings since the COVID-19 outbreak will benefit the Group with estimates that the lower rates will remain stable during the following 12 months.

**Income tax expense**

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

The effective tax rate is higher than the nominal income tax rate of South Africa (28%) mainly due to the write-back of deferred tax assets for Non-RSA countries with accumulated income tax losses where there is uncertainty regarding the future profitability to absorb these losses. In some of the Non-RSA countries, minimum taxes or rental income taxes are applicable in addition to the statutory tax rates being higher than 28% in most cases, all contributing to the higher effective tax rate.

**Discontinued operations**

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

**Headline earnings per share**

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

**Statement of financial position****Non-current assets****Property, plant and equipment, right-of-use assets and intangible assets**

The Group's property, plant and equipment decreased by R3.2 billion to R18.3 billion.

The Group's total capital spent on property, plant and equipment and software amounted to R3.2 billion for the period, a decline of 38.8% year on year. The reduced spend was mainly due to the lockdown regulations implemented during levels 4 and 5. The Group spent R603.5 million on leasehold improvements and the purchase of vacant land and buildings to secure future opportunities; R1.3 billion on store maintenance and refurbishments; and R403.0 million on new stores (excluding land and buildings). The balance of R902.0 million was spent on IT and supply chain projects.

The Group has embarked on a programme to divest from non-strategic real estate in an effort to unlock value in the balance sheet. Real estate to the value of R758.4 million – which excludes the transaction involving the distribution centres – has been sold and transferred during the period. The transaction involving the sale of our distribution centres to Equites Property Fund Limited, valued at R1.2 billion, is expected to be finalised during the first half of the 2021 financial year. In addition, the Group successfully embarked on a sale and leaseback of its commercial vehicle fleet.

The cumulative hyperinflation adjustment resulted in an increase of R1.7 billion (2019: R2.7 billion) in property, plant and equipment and right-of-use assets, mainly impacted by the property portfolio of the Group's operations in Angola.

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

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

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

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

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

**Deferred income tax assets**

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

**Government bonds and bills**

|  | 2020 Rm      | 2019 Rm      |
|--|--------------|--------------|
| AOA, USD Index Linked, Angola Government Bonds | 2 238        | 2 567        |
| AOA, Angola Government Bonds                   | 264          | 433          |
| Angola Treasury Bills                          | —            | 16           |
| <b>Total government bonds and bills</b>        | <b>2 502</b> | <b>3 016</b> |

Local currency cash and short-term deposits in Angola are subject to onerous local exchange control regulations. The Group is utilising said cash for its local trade and has invested surplus cash in AOA, USD Index Linked, Angola Government Bonds and AOA, Angola Government Bonds as well as Angola Treasury Bills as part of its hedging strategy against a future possible devaluation. Government bonds to the value of R2.4 billion will mature during the next 12 months and the aim is to reinvest in yielding financial instruments. The Angola Treasury Bills matured during the financial year.



## Chief Financial Officer's report (continued)

### Current assets

#### Inventories

|                                     | Change % | 2020 Rm | 2019 Rm |
|-------------------------------------|----------|---------|---------|
| Supermarkets RSA                    | (10.1)   | 13 902  | 15 471  |
| Supermarkets Non-RSA                | (19.5)   | 2 808   | 3 490   |
| Furniture                           | 0.2      | 1 496   | 1 493   |
| Other operating segments            | 59.0     | 639     | 402     |
| Total continuing operating segments | (9.6)    | 18 845  | 20 856  |
| Hyperinflation effect               |          | —       | 33      |
| Total inventories                   | (9.8)    | 18 845  | 20 889  |

Inventories amounted to R18.8 billion, a decrease of 9.8% on the previous year, representing an inventory to sales ratio of 12.0%. The marked improvement is a result of the drive from management to achieve the short-term target of a 12.4% inventory to sales ratio. The 10.1% improvement in Supermarkets RSA inventories is a result of improved turns on fast-moving lines and a reduction in the stock levels of general merchandise.

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

Various programmes are underway to support South African supplier and enterprise development.

#### Trade and other receivables

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

|   | 2020 Rm | Restated* 2019 Rm |
|---|---------|-------------------|
| Trade receivables from contracts with customers           | 2 268   | 2 169             |
| Instalment sale receivables from contracts with customers | 803     | 1 028             |
| Other receivables   | 788     | 666               |
| Prepayments and indirect taxes receivable                 | 410     | 376               |
| Fixed escalation operating lease accruals                 | 51      | 55                |
| Amounts receivable from joint ventures                    | —       | 31                |
| Total trade and other receivables                         | 4 320   | 4 325             |
| Non-current portion                                       | 214     | 169               |
| Current trade and other receivables                       | 4 106   | 4 156             |

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

Collections from instalment sale receivables from contracts with customers were hampered during the lockdown period in South Africa, as well as the other territories where credit is granted and are expected to deteriorate in line with the anticipated economic downturn. Based on the assessment of anticipated credit losses for the year in terms of IFRS 9: *Financial Instruments*, the provision against the debtor book increased from 35.8% to 50.5% compared to the previous year. The movement in the provision equates to an income statement charge of R324 million.

#### Cash and cash equivalents and bank overdrafts

|                               | 2020 Rm | 2019 Rm |
|-------------------------------|---------|---------|
| Cash and cash equivalents     | 12 114  | 7 707   |
| Bank overdrafts               | (2 095) | (4 124) |
| Net cash and cash equivalents | 10 019  | 3 583   |

Net cash and cash equivalents (after deducting bank overdrafts) amounted to R10.0 billion compared to R3.6 billion in 2019. The increase was primarily due to an improvement in working capital of the Group; a lower capital spend following the slowdown during the lockdown regulations; and the proceeds from the sale of assets. AOA, USD Index linked, Angola Government Bonds, AOA, Angola Government Bonds and Angola Treasury Bills to the value of R924 million were sold/matured during the 12 months and not reinvested.

### Non-current liabilities

#### Borrowings and lease liabilities

|                   | 2020 Rm | Restated* 2019 Rm |
|-------------------|---------|-------------------|
| Borrowings        | 12 009  | 11 706            |
| Lease liabilities | 23 271  | 21 478            |
| Total debt        | 35 280  | 33 184            |

#### Borrowings consist of:

|                              |        |        |
|------------------------------|--------|--------|
| ZAR-denominated funding      | 4 039  | 4 051  |
| USD-denominated funding      | 7 421  | 7 431  |
| Other local currency funding | 549    | 224    |
| Total borrowings             | 12 009 | 11 706 |

#### Lease liabilities consist of:

|                         |        |        |
|-------------------------|--------|--------|
| Current                 | 3 103  | 2 320  |
| Non-current             | 20 168 | 19 158 |
| Total lease liabilities | 23 271 | 21 478 |

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

Total borrowings and lease liabilities increased by R2.1 billion to R35.3 billion (2019: R33.2 billion). The majority of the increase was due to an increase in lease liabilities, to the value of R1.8 billion. The Group's US dollar borrowings reduced from US\$524.2 million to US\$432.9 million, on the back of improved cash flows from the operations outside South Africa but did not reduce in rand terms due to the rand devaluation against the US dollar.

### Current liabilities

#### Provisions

|  | 2020 Rm | Restated* 2019 Rm |
|--|---------|-------------------|
| Provision for post-employment medical benefits | 26      | 28                |
| Provision for outstanding claims               | 11      | 23                |
| Provision for long-term employee benefits      | 329     | 275               |
| Reinstatement provision                        | 87      | 64                |
| Total provisions                               | 453     | 390               |

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

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

#### Shoprite Insurance

With respect to the Furniture business, net premiums earned relating to third parties amounted to R201 million (2019: R254 million). Net premiums for credit protection amounted to R112 million (2019: R148 million). As in the past, the Group accounts for premiums earned and extended guarantee fees over the life of the policy. In line with the South African National Credit Act, insurance premiums are invoiced and earned on a monthly basis.

With respect to Shoprite Insurance Company Limited, at year end, the Company had a Solvency Capital Requirement (SCR) as per the Insurance Act of R304 million, with actual own funds/equity available to meet SCR of some R976 million. This gives rise to SCR cover of 3.2 times (2019: 2.9 times; the new Insurance Act effective from 1 July 2018) before the declaration of dividends to the holding company. No dividends were declared during the year (2019: R350 million).

#### In appreciation

Reflecting on this extraordinary year is humbling and the efforts of many people require acknowledgement and my sincere thanks. To my Shoprite finance team, you are all incredible and your devotion to the business is unsurpassed.

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

To our Shoprite security, health and safety teams, your tireless dedication to protect our people, customers, stores and not insubstantial investment in inventory does not go unnoticed and is integral to our success.

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

To our bankers and suppliers without whom we would not have a business, thank you for your support. May we all share in continued success now and into the future.

### The year ahead

While the full impact of COVID-19 is still to be determined, as things stand, National Treasury's latest forecasts indicate the South African economy will contract by 7.2% in 2020 with possible further deterioration, should the global economy continue to weaken. GDP growth forecasts vary widely but very few point to a scenario in the coming financial year that is better than that of the National Treasury and, in fact, many are far worse. Unemployment in South Africa measured 30.1% for Q1 2020 and the outlook from here, short to medium term, is of great concern.

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

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

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

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

Aside from managing day-to-day operations, FY 2021 will incorporate continued work and efforts on improving our return on capital by focusing on working capital (specifically inventory) and continuing with our Non-RSA invested capital review.

2021 will be no different from any other year for us at Shoprite. We will come together to give our very best and our capable and experienced people throughout the company will continue to adapt and respond to what transpires. We are fortunate to be in food retail with a lifetime invested in being synonymous with low prices: a promise we will tirelessly execute in support of our customers.

Anton de Bruyn  
Chief Financial Officer

30 September 2020

## Value creation and performance

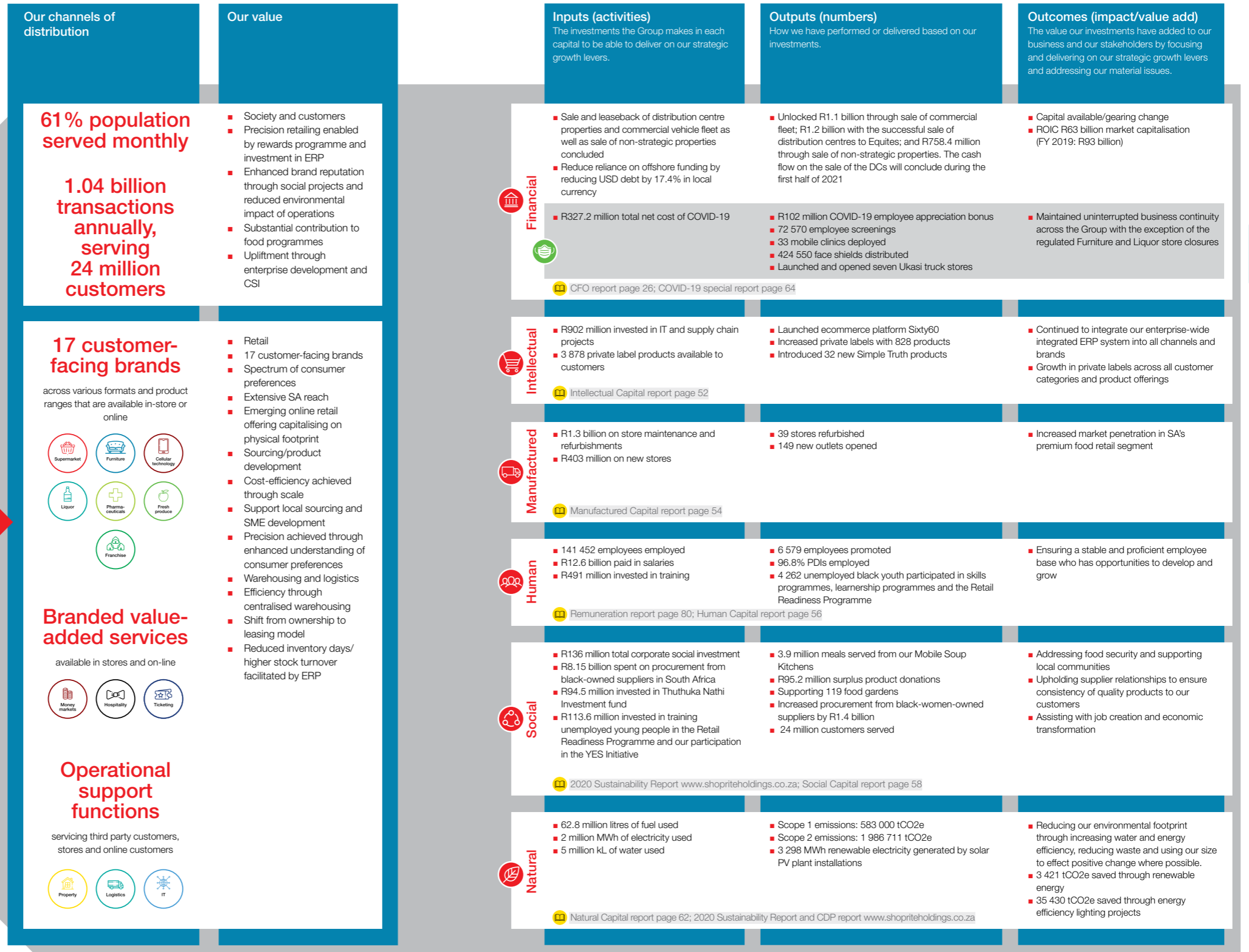
**“Shoprite is defined by its people, their loyalty and their endurance. Our culture is like none other: priceless and irreplaceable.”**

# Integrated business model

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



Our strategic drivers page 38





## What sets us apart

### Our strategic drivers

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

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

|   |  |   |
|---|--|---|
|    |   |   |
| <b>A smarter Shoprite</b>   | <b>Closing the gap in key segments</b>   | <b>Winning in the long term</b>   |
| <p><b>1 A truly customer-first culture</b></p> <p><b>2 Develop future-fit channels</b></p> <p><b>3 Enable precision retailing</b></p> | <p><b>4 Trusted, profitable private labels</b></p> <p><b>5 Grow share in premium food and fresh</b></p> <p><b>6 A stronger franchise offer</b></p> | <p><b>7 Assess position in Africa</b></p> <p><b>8 Refocus capital allocation</b></p> <p><b>9 Unlock alternative revenue</b></p> |

### A smarter Shoprite

- 1 A truly customer-first culture**

Following the re-platforming of our integrated ERP system, we have set our sights on an ambitious digital transformation programme that will place customers at the centre of every business decision, deepen our customer intelligence and personalise every customer experience. We are also embedding and incentivising customer-centric behaviour across the organisation.

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

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

**Highlights:**  
**2018:** Expanded into smaller convenience store formats  
**2019:** Grew online sales by 386%  
**2020:** Launched and rapidly scaled the Sixty60 home delivery service to operate from 87 stores by year end  
**2021:** Grow our digital commerce propositions to expand access to a broader merchandising offering
- 3 Enable precision retailing**

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

**Highlights:**  
**2018:** We expanded management capacity and employed new generation talent to future-proof the business and lead innovation in customer experience, e-commerce, analytics, supply chain, financial services and sustainability  
**2019:** Fifty-seven merchandising categories were revised and adjusted using customer data  
**2020:** Our growth is increasingly data-driven to extend our pricing and promotional leadership and to refine inventory management  
**2021:** Accelerate investment into building advanced analytics capabilities to entrench our lead in price and promotional leadership

### Closing the gap in key segments

- 4 Trusted, profitable private labels**

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

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

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

**Highlights:**  
**2018:** Focused on procurement, food safety and quality controls across the business and supply chain to successfully address our expansion plans  
**2019:** Introduced 100 new fresh and convenience products; introduced our Checkers FreshX concept store  
**2020:** Introduced innovation that improved access to healthier, value-adding food to more customer groups; opened seven additional FreshX stores  
**2021:** Expansion of Checkers FreshX concept stores and launch of an additional 224 fresh product pipeline
- 6 A stronger franchise offer**

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

**Highlights:**  
**2018:** Started improving franchise offering with closer Group integration and rebranding of stores  
**2019:** We accelerated franchise integration into our corporate distribution channels; growing options through 44 new express formats and forecourt stores and 42 new franchise stores  
**2020:** Completed the shift towards full supply chain integration and access to fresh and private label products  
**2021:** Roll-out of Group's financial services technology to franchise member stores to expand its market opportunity

### Winning in the long term

- 7 Assess position in Africa**

We remain committed to Africa over the long term and are still well positioned to serve the continent's growing population in the long term.

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

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

**Highlights:**  
**2018:** The 105 000 m<sup>2</sup> Climor distribution centre became operational  
**2019:** Opened 23 Usave eKasi stores, moving us closer to customers' homes, as we continue to find ways to serve them efficiently and effectively  
**2020:** Concluded the sale of certain non-strategic properties and the sale and leaseback of distribution centres, becoming more agile in the longer term and improving our ability to adapt to changing legislation and retail trends in the future  
**2021:** Increasing investments into technology, data and alternate sources of revenue
- 9 Unlock alternative revenue**

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

**Highlights:**  
**2018:** Launched our first mobile platform allowing customers to utilise a mobile wallet to transfer money via a mobile device and then cash out in our stores  
**2019:** Launched K'nect stores offering a range of cellular products and accessories  
**2020:** OUTsurance partnership that allows customers to buy funeral cover in store  
**2021:** Accelerate investment into digital to unlock Shoprite as a platform for future alternative revenue streams

What sets us apart (continued)

The Shoprite investment case

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

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

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

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



**Competent team, clear structure and people-focused culture**

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

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

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

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

Human and Social Capital reports pages 56 to 61

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

Supermarket retail is the Group's core business with its three major trading brands aligning with all customer segments. A low-price leadership strategy is adopted across all our brands and is evident with more than 24 million customers shopping at one of our 1 647 supermarkets including LiquorShop and K'nect every week. The unique positioning of each brand, supported by an effective supply and logistics infrastructure,



provides a solid foundation for continued growth. Collectively, the Shoprite Group's brands command 31.8% of the formal food retail market share in South Africa, but individually they all retain significant growth potential. The size of the Shoprite brand provides economies of scale which, along with our store footprint, is leveraged to serve each brand's loyal customer across specific market segments.

**Shoprite**

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

**Checkers and Checkers Hyper**

Checkers and Checkers Hyper, which now operate 261 supermarkets, are perfectly positioned to grow market share in the more affluent consumer segment that has been underserved by the Group. Through improving product offerings and customer experience at Checkers and Checkers Hyper – and introducing the new FreshX store format – we are providing alternative shopping destinations. FreshX stores are more bespoke and have elevated the

brand to cater for the premium and fresh markets consumer segments. The focus on affordability as well as a larger range of fresh products and healthier options provide significant upside growth potential.

**Usave**

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

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

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

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

**Retailers must proactively innovate to simplify the customer experience across both physical and digital interactions.**



## What sets us apart (continued)

### The Shoprite investment case (continued)



#### Extending market reach and share of consumer wallet

Although the Group managed to grow market share across our three core brands, there remains additional growth potential from the extension of our product and service offering. Our priority will shift from opening more large format stores to smaller and more accessible formats and channels, adapting our product offering and capitalising on our existing footprint by providing customers with one-stop-shop alternatives, thereby capturing additional revenue streams and entrenching customer loyalty.

#### Franchise brand: OK

The Group has been consolidating its franchise business for several years by rebranding stores – largely under the OK brand – and integrating operations into the Group's supply chain. This consolidation allows our franchise partners and buying partners like Megasave (a wholesale brand) to benefit from the Group's scale and integrated planning, procurement and logistics capabilities and through the association to Shoprite's widely recognised and established brand name.

The franchise brands also offer entrepreneurs from South Africa and neighbouring countries access to a superior franchise proposition. We continue to grow our OK store base, OK Express and Forecourt formats and during the year, we opened a net 17 stores and plan to open 24 in the coming year.

#### Liquor

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

#### Introduction/growth of private labels

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

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

#### In-store financial and value-added services

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

Financial services include:

- Paying utility bills, selected municipal accounts, SABC licences, Telkom accounts and Multichoice DStv subscriptions
- Buying Lotto tickets, airtime and data and cellphone starter packs
- Sending and receiving money, a saving stamp facility that allows individuals to save or redeem credits at any Shoprite, Checkers or Usave
- Administering Government's SASSA grant payments made to millions of customers every month

Value-added services include:

- K'nect stores, TechX in-supermarket departments: providing technology and mobile phone ranges and accessories purchases and, more recently, a wider product range that includes handsets from R139

- Computicket: the largest ticketing service provider allowing customers to book or collect travel (busses, flights) and event (concerts and sport) tickets
- Money Market: a new partnership with OUTsurance allows customers to buy life and funeral cover in store, with funeral insurance for as little as R2 a day
- MediRite and Transpharm: access to medicines in underserved communities via MediRite (our customer-facing brand), supported by Transpharm (the wholesale and distribution business)

#### Furniture

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

#### African footprint

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

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

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

#### Online channels

Shoprite has the largest store footprint of any supermarket in Africa. Our range of physical stores, our e-commerce delivery and digital services form a strong foundation for the omnichannel shopping experience that is fast becoming the retail norm. We have successfully launched our Checkers Sixty60 shopping app but will remain focused, over the next few years, on winning the 'race for reach' in digital.

#### Improving efficiency and return on capital

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

#### Investment in ERP to operational and supply chain efficiency

Our investment in digital transformation and specifically our Integrated ERP system has directly contributed to improved efficiency over the past year. We now consolidate all critical information into a single database, providing consistent and accurate business intelligence from a single source. The system has been transformational in terms of how the Group manages, views and uses information and will prove more significant as we start using it more critically. We are now building on this foundation to optimise the business and create a truly differentiated customer experience by leveraging customer data and advanced analytics, enabling us to be more precise in managing inventory, making merchandising decisions and offering a more personalised customer experience. Efficiencies achieved through scale, competency in logistics and supply chain management have contributed significantly this past year to achievement of our industry-leading food retail gross margin of 23.9% (FY 2020).

#### Focus on customer data to drive experience

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

#### Capital allocation

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

**To continue to drive efficiencies, we are investing extensively in systems and technology and shifting our focus on capital allocation.**



## Material issues

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

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

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

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

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

COVID-19 special report page 64

**2 Trade performance and growth opportunities**  
The global economy remains under pressure which has an influence on performance. COVID-19 introduced new challenges and additional, unplanned expenses. It also added to already high unemployment numbers which will have an impact on levels of consumer spending.

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

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

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

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

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

**Risk association**



**Strategic link**



**Risk association**



**Strategic link**



**Risk association**



**Strategic link**



**Risk association**



**Strategic link**



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

**Risk association**



**Strategic link**



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

**Risk association**



**Strategic link**



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

**Risk association**



**Strategic link**



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

**Risk association**



**Strategic link**



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

**Risk association**



**Strategic link**



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

**Risk association**



**Strategic link**



**12 Growth and development of the Shoprite Group business**  
Although Shoprite's success has been based on its traditional brick-and-mortar business, it must have the ability to adapt to changing retail and consumer markets. To build on its future-fit business strategy, having the capability, resources and financing available to respond, execute and lead with agility is becoming more important. Investment in developing our e-commerce and online businesses is already proving significant in our ability to continue to grow and develop the business for positive impact.

**Risk association**



**Strategic link**



## Enterprise risk management

**The Shoprite Group’s Board is accountable for governance oversight of the Executive team’s management and performance of enterprise-wide risk and compliance risks, to enable achievement of the Group’s strategic objectives. The Audit and Risk Committee approves the Group-wide policies, processes and procedures that give effect to risk and compliance management principles, as appropriate, to the Shoprite Group and its various businesses.**

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

The process and structures for governance and management of risk is shown in the diagram on the following page. The CEO, CFO and COOs and General Managers of all business units comprise the first line of assurance. Business unit-specific risk registers are maintained that include weighted risk-control measures which reduce the inherent risk ratings to arrive at the current residual risk rating for each risk. The Group has risk management action plans in place to further reduce residual risk ratings. The management teams of each Shoprite business routinely report on risk and compliance matters arising to the Management Risk Forum led by the CFO, who also fulfils the Chief Risk Officer role.

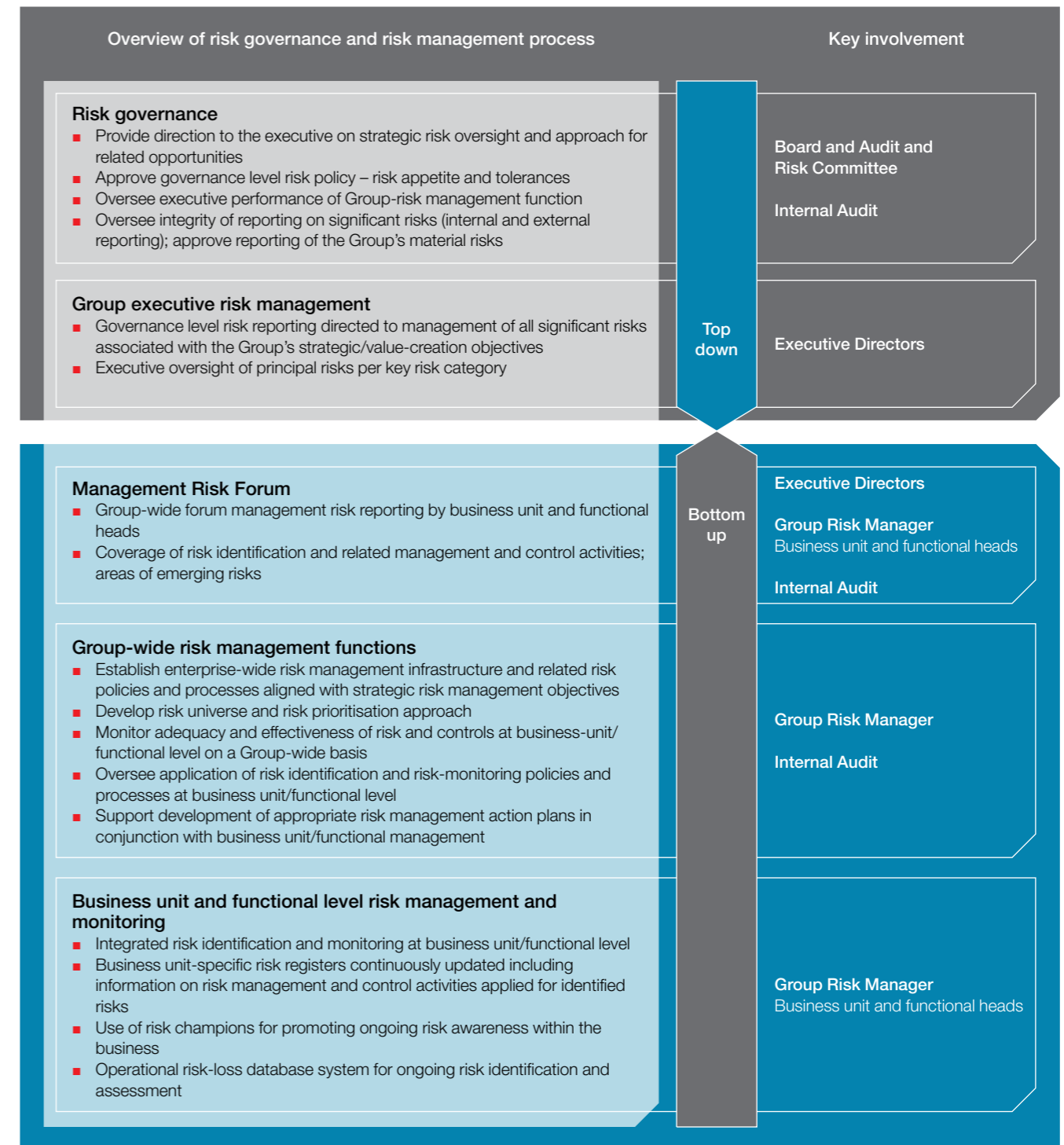
The Group-level risk and compliance function – the second line of assurance – reports to the Group Company Secretary, who is also the Head of Legal, on compliance governance and to the CFO on risk governance. Material risk and compliance management issues or findings are escalated by the CFO and Company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

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

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



### Risk governance and process overview



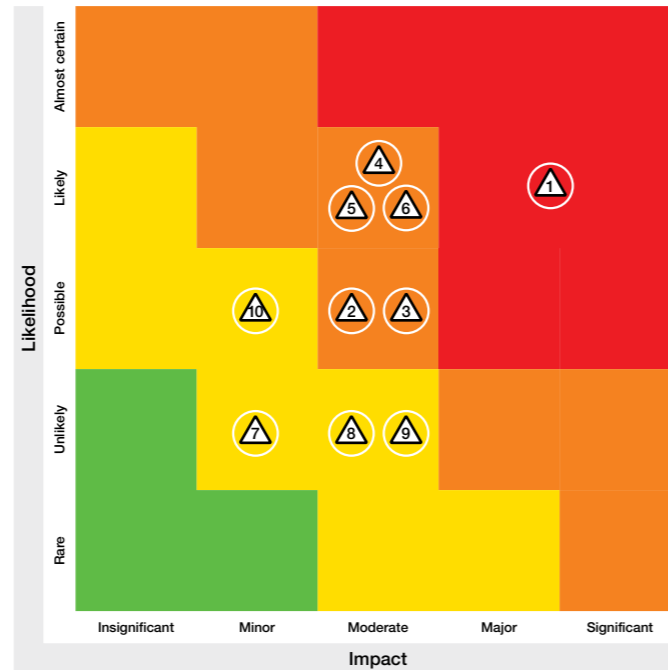
## Enterprise risk management (continued)

### Residual risk rating

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

### Residual risk rating scale

- |  |  |
|--|--|
| Health and safety risk                     | Changing trading environment               |
| Food safety risk                           | Fraud risk                                 |
| Business disruption risk                   | Environmental, social and governance risks |
| Information technology (IT) and cyber risk | Project and change management risk         |
| People risk                                | Foreign exchange risk                      |



| Risk no. | Risk name              | Risk trending | Residual risk |
|----------|------------------------|---------------|---------------|
|          | Health and safety risk | ↑             | Critical      |

**Stakeholders**

**Risk description**  
Failure to meet health and safety standards may cause injury, disease and/or loss of life to customers, employees or any other party.

The COVID-19 pandemic has significantly increased this risk for the business. Although the Group is confident it has implemented and maintains adequate and effective risk control measures, it still views health and safety risk as critical due to its nature.

**Risk mitigation**

- Having a dedicated centralised Occupational Health and Safety (OHS) team reporting to the CFO, including divisional OHS representatives.
- Embedding health and safety as part of Shoprite's culture which incorporates ongoing employee induction, training and providing employees with the necessary personal protective equipment.
- Continuous assessment of health and safety risks with the addition of COVID-19, within the supply chain, stores and home office.
- Maintaining regulatory compliance systems with reference to injury/disease, fall protection, disablement, construction and procurement.
- Incorporating health and safety self-assessments and health and safety risk into the Group's Internal Audit plan.
- Regularly engaging with the Department of Employment and Labour and Compensation Fund officials.

**Related opportunity**  
Partnering with young and upcoming entrepreneurs adds innovative and trendsetting product development, advanced systems intelligence capability and the use of new technology into the supply chain. Food safety regulations become embedded into the process from the outset.

|  |                  |   |      |
|--|------------------|---|------|
|  | Food safety risk | → | High |
|--|------------------|---|------|

**Stakeholders**

**Risk description**  
Inferior product quality, failing to meet customer expectations or non-compliance with product safety standards may potentially result in harm to our customers, claims, regulatory scrutiny, penalties or significant reputational damage.

**Risk mitigation**

- Having dedicated foods and fresh foods buying teams focus specifically on food safety and customer satisfaction.
- Focusing on product safety and quality through updating and maintaining control measures in line with any regulatory developments with regard to food safety from an allergenic, biological, chemical and physical safety aspect.
- Using a centralised quality assurance tool with established and documented safety standards and processes, applied by both Shoprite and our suppliers to better manage our products and the supply chain.
- Ensuring visibility to the root cause of an identified risk by using the quality assurance tool to pinpoint the risk origin and trace all ingredients back to the original sources.

**Related opportunity**  
Partnering with young and upcoming entrepreneurs adds innovative and trendsetting product development, advanced systems intelligence capability and the use of new technology and how food safety regulations become embedded into the process from the outset.

|  |                          |   |      |
|--|--------------------------|---|------|
|  | Business disruption risk | → | High |
|--|--------------------------|---|------|

**Stakeholders**

**Risk description**  
Our ability to deliver products and services may be severely impacted by business disruption to our operations or to those of our suppliers. Potentially disruptive events may include – but are not limited to – interruption in our supply chain caused by cyberattacks, data breaches or utility outages, protest action, bomb threats, adverse weather, natural disasters, pandemics, unavailability of systems, acts of terrorism or fire. These events could result in the loss of revenue, distribution centres and trading sites, damage to assets, stock losses, injury or fatalities of employees, customers and any other third parties.

**Risk mitigation**

- Assessing all forms of disruption-related risk, continuity planning and response management and ensuring the provision of capacity to withstand a crisis as timeously, safely and cost-effectively as possible.
- Implementing contingency plans and continued maintenance of emergency, incident and crisis management plans, and disaster and business recovery procedures, including scenario analysis for unpredictable events.
- Providing clear communication of business continuity management protocols to employees and conducting regular disaster recovery testing with staff.
- Establishing a resilient and adaptable supply chain comprising a wide variety of vendors both locally and internationally to ensure the business is not dependent on a single supplier per product category.
- Regular engagement with key suppliers on their business continuity arrangements and capabilities.
- Maintaining a succession plan at top management level and in each business unit and function.
- Having business interruption insurance to provide protection.

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

|  |  |   |      |
|--|--|---|------|
|  | Information technology (IT) and cyber risk | ↓ | High |
|--|--|---|------|

**Stakeholders**

**Risk description**  
IT and cyber risk includes any threat to Shoprite's business data, critical systems and business processes associated with the adoption of, operation, ownership and use of information technology. This risk includes compromised business data due to unauthorised access or use, failure to protect data and prevent cyberattacks, an inability to access IT systems needed for business operations, and reduced productivity due to slow or delayed access to IT systems.

**Risk mitigation**

- Employing a dedicated and increased IT security team with third party support services that provide ongoing security reviews and testing of the Group's IT landscape and address vulnerabilities.
- Improving access control to sensitive sites.
- Designing, configuring and implementing systems with security in mind.
- Classifying data and segregating duties to ensure access to systems and information is appropriate.
- Ensuring contracts are in place to regulate all aspects of third party service supply, including confidentiality, security and the return or destruction of information.
- Aligning controls to industry best practice including the International Organisation for Standardisation ISO 27000 and the United States of America National Institute of Standards and Technology.
- Utilising specialist security providers to perform security evaluations and, where required, ensuring accreditation against industry standards (such as the Payment Card Industry Data Security Standard) is obtained.
- Embarking on an Information Security Defence Project to further strengthen the Group's cybersecurity position and a Data Privacy Project to ensure appropriate data and information management in compliance with applicable legislation.

**Related opportunity**  
The Data Privacy Project, the capabilities built into the supply chain through the Group's integrated ERP system, and the data that has been provided through the Xtra Savings loyalty programme provides a platform from where the Group can further grow its alternative revenue streams.

|  |             |   |      |
|--|-------------|---|------|
|  | People risk | → | High |
|--|-------------|---|------|

**Stakeholders**

**Risk description**  
The Group's employees are critical to the success of our business. Failure to maintain a productive and satisfied workforce can lead to high levels of employee turnover, training costs, staff absenteeism, health and safety incidents and labour unrest. These, in turn, could impact our reputation, customer satisfaction and profitability.

**Risk mitigation**

- Investing in training and development and maintaining healthy employee relations to support future growth, operational efficiency and the best customer experience.
- Attracting the right talent and rewarding our employees fairly.
- Engaging and collaborating with trade unions to strengthen relations and find effective and practical solutions as part of the negotiation process.
- Involving recognised unions in a global retail employment environment benchmarking process to ensure Shoprite remains on top of market and industry trends and developments.

**Related opportunity**  
Investing in our people by tapping into their various existing and new skill sets to create a multiskilled workforce that is developed for now and the future. Our leadership pipeline not only ensures adequate succession planning and transforming our business, but a seamless transition by better integrating our people into the Group, to achieve a future-fit team. A focus on the continuous changing digital world in which we operate guides the Group to expand its digital capable workforce.

COVID-19 fast tracked the test case for certain employees to work from home, which proved that a fully functional home office environment can be achieved, which in turn enabled an improved work life balance.

## Enterprise risk management (continued)

| Risk no. | Risk name   | Risk trending | Residual risk |
|----------|---|---------------|---------------|
|          |  <b>Changing trading environment</b> | ●             | High          |

**Stakeholders**  



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

**Risk mitigation**

- Regularly reviewing and adjusting business and cost-management strategies.
- Conducting stress tests to assess the Group's ability to weather an economic downturn and to assist in improving efficiency and productivity.
- Maintaining good relationships with creditors to ensure reasonable credit payment terms.
- Building and maintaining long-standing relationships with multiple trusted suppliers in support of supply chain stability.
- Continuous monitoring and evaluation of the impact of inflation to ensure fair pricing and profitability.
- Adjusting marketing campaigns to reinforce messaging of high-quality affordable products for customers.
- Maintaining reasonable prices to support customer loyalty during economic fluctuation.
- Frequently attending in-country meetings with banks to better understand trends as well as the Central Bank and Ministry of Finance regulations.
- Staying abreast of and incorporating emerging and evolving regulations in South Africa and the Non-RSA countries in which we trade.
- Obtaining SASRIA and riot wrap insurance to ensure protection against financial loss from acts of domestic and international political unrest, public disorder, strikes, riots and terrorism.
- Maintaining generators at stores with maintenance and refuelling contracts in place to limit trading losses due to load shedding.

**Related opportunity**  
A variety of opportunities arose during the financial year despite the adverse trading conditions as a result of COVID-19. The business adapted well and managed to create employment and new and innovative products and services. A changing business environment provides the opportunity to use our scale, experience and agility to stay abreast and ahead of market trends, to adapt quickly and efficiently.

|  |   |   |        |
|--|---|---|--------|
|  |  <b>Fraud risk</b> | → | Medium |
|--|---|---|--------|

**Stakeholders**  


**Risk description**  
The vulnerability that the Group faces from individuals (whether internal or external) through collusion, shrinkage, misappropriation of assets such as cash and inventory, third party fraud, armed robberies and theft. This includes the risk that financial statements have material misstatement.

**Risk mitigation**

- Continuous monitoring and updating of the Gift and Conflict of Interest policies, which are communicated to employees.
- Segregation of duties between the approval and the payment of expenses that includes audit trails for capital and operational expenditure.
- Using automated financial system controls in online banking and using reputable banks, which are subject to external audit.
- Conducting regular risk-based internal audits of selected financial systems.
- Maintaining a well-publicised fraud reporting hotline that is managed by an independent party.
- Conducting supplier due diligence and conflict of interest verification.
- Conducting thorough vetting of new employees.
- Implementing an expense procurement project to track and manage suppliers, goods and services to ensure better visibility of expenditures, reduce the risk of irregular transactions and improve budget control.
- Implementation of a 24/7 central command centre which monitors stores and all high-risk sites including distribution centres.

**Related opportunity**  
Strengthen organisational ethics and build a culture where every employee understands the role they play in upholding a reputation as an honest and trustworthy business. Employee ethics training will receive specific focus in FY 2021 to further embed the Shoprite value system throughout the Group in all our operations.

• New risk identified in Shoprite risk universe during FY 2020.

| Risk no. | Risk name   | Risk trending | Residual risk |
|----------|---|---------------|---------------|
|          |  <b>Environmental, social and governance risks</b> | →             | Medium        |

**Stakeholders**  


**Risk description**  
Failure to adhere to corporate governance best practice, such as compliance with King IV and the JSE Listing Requirements, among others.


Significant environmental and social impacts resulting from factors such as unsustainable consumption of natural resources, uncontrolled release of emissions and waste – coupled with environmental practices across the Group and its value chain – can lead to environmental, social, financial, regulatory and reputational risks for the business.

**Risk mitigation**

- Implementation of the necessary structures to ensure compliance with policies and procedures.
- Utilising a risk-rated regulatory universe to ensure the business focuses its energy on all applicable laws, regulations and international best practices that fall within critical, high and medium risk categories.
- Daily regulatory alerts are received across various jurisdictions on new and amended legislation to ensure the business adjusts control measures as required.
- Regularly engaging with regulators and industry forums to ensure collaboration, alignment and quick response to changes or possible shortcomings.
- Compliance training is facilitated through e-learning with a focus on critical and high-risk impact legislation.
- A combined assurance framework which includes internal assurance providers is in place to manage and report on risk and compliance.
- Group sustainability functions are working to embed sustainability principles and practices into the Group's operations and supply chain to address social and environmental issues with a focus on food security, packaging, water and climate change.

**Related opportunity**  
To further position Shoprite as a good corporate citizen, various opportunities exist and are published in the annual Group Sustainability Report. The Group publicly discloses its climate change and water security risks, opportunities and performances via the CDP platform. Through these and other programmes, the Group is able to maintain its social licence to operate. Shoprite also works closely with suppliers which ensures supply chain re-engineering with respect to food security. The rising impact of environmental issues as well as COVID-19 issues continuously present opportunities to be explored. Being environmentally responsible means using natural resources more efficiently and reducing waste which translates into more efficient and cost-effective operations.

|  |   |   |        |
|--|---|---|--------|
|  |  <b>Project and change management risk</b> | → | Medium |
|--|---|---|--------|

**Stakeholders**  



**Risk description**  
An inability to successfully implement strategic projects, with specific focus on innovation, a paperless business environment, e-commerce, customer analytics and data science, and derive the desired results from new systems, processes and procedures.

**Risk mitigation**

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

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

|  |  |   |        |
|--|--|---|--------|
|  |  <b>Foreign exchange risk</b> | ↓ | Medium |
|--|--|---|--------|

**Stakeholders**  


**Risk description**  
The Group has operations in several countries and imports merchandise from different countries. As a result, exchange rate movements can have a material impact on the Group's profitability. We operate in countries with under-developed financial markets and, therefore, foreign exchange shortages and minimal foreign exchange controls may prevent repatriation of money and influence profitability.

**Risk mitigation**

- Monitoring of markets and exposures – and hedge exposures where possible – by financial managers and the treasury team in accordance with the Group's Treasury policy.
- Repatriation of soft currency surpluses, early settlement of foreign currency obligations, investments in USD-linked bonds and borrowing in soft currencies.
- Keeping foreign currency reserves to cover imports in Shoprite DTMC, a company which uses the US dollar as its functional currency.

**Related opportunity**  
With the adverse implications of exchange rate risks, Shoprite increased its focus and awareness of financial and non-financial managers (both in the local and non-South African markets) to these risks and the importance of reducing any exposures to negative foreign exchange movements.

## Capitals report

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

### Intellectual capital

#### Stakeholder engagement

Our primary stakeholder focus is internal, with the integrated ERP system providing an information backbone that connects all divisions, from planning, procurement and logistics (inventory management and distribution) to selling (in-store and digital and finance).

There is extensive ongoing engagement and communication within the business on the refinement and application of the integrated ERP system. Given the ongoing risk associated technology, our internal audit and risk management team is actively engaged in this issue.

The primary external stakeholders are the suppliers, vendors and customers who interact with our IT platform. We engage with those providing goods and services around effectiveness of application. Feedback on customer experience is used as a key indicator of the successful application of the integrated ERP system.

#### Primary concerns include:

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

#### Addressing material issues

Information and technology is in itself a material issue but is integral to addressing two other material issues:



- Enterprise risk management page 46;
- COVID-19 special report page 64

#### We have invested in becoming a future-fit business

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

The retail environment and customer expectations will continue to change as technology advances. The Group's investment in IT has given us the capabilities to accelerate our business growth, harnessing the power of data analytics and predictive insight while protecting data integrity and privacy. After completing the implementation of our new centralised enterprise-wide technology platform (ERP) in FY 2019, we continued with initiatives to transform Shoprite's business.

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

#### Information and technology ... as applied to supply chain structure and cost configuration

Our centralised supply chain – which controls the majority of local imports and cross-border export movements – is now fully merged with the Group's ERP system. This allows for greater collaboration across all aspects of the supply chain, creating benefits in planning, procurement, warehouse logistics and distribution, and enables us to manage efficiencies to keep costs to a minimum. When we planned our ERP integration, our intent was to become a forward-thinking and technology-driven business, enabling us to make more informed and

■ **10 500 average daily users** of the Integrated ERP system across stores, DCs and various offices

■ **4.7 million Xtra Savings rewards customers** linked to customer insight

■ **COVID-19 accelerated the roll-out of Sixty60** to support customer demand

relevant business decisions, have real-time line of sight to integrate planning, improve on-shelf availability, satisfy our customers and boost sales and growth.

We are able to continuously improve the process of prioritising and replenishing stock, ensuring we manage variations in demand and supply more effectively, both upstream and downstream. During COVID-19, consumer/shopping behaviour changed drastically and almost overnight, customers reprioritised their immediate needs. With real-time data and flexibility in our supply chain, we could immediately react to reallocate and redistribute stock appropriately.

Efficiencies have been improved as we can give suppliers real-time information of stock status across the supply chain with associated rate of sale information. This drives improved collaboration to ensure the highest priority areas are addressed timeously and ultimately enabling all parties to best meet the needs of the customer in the most efficient way possible.

#### Information and technology ... as applied to growth and development

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

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

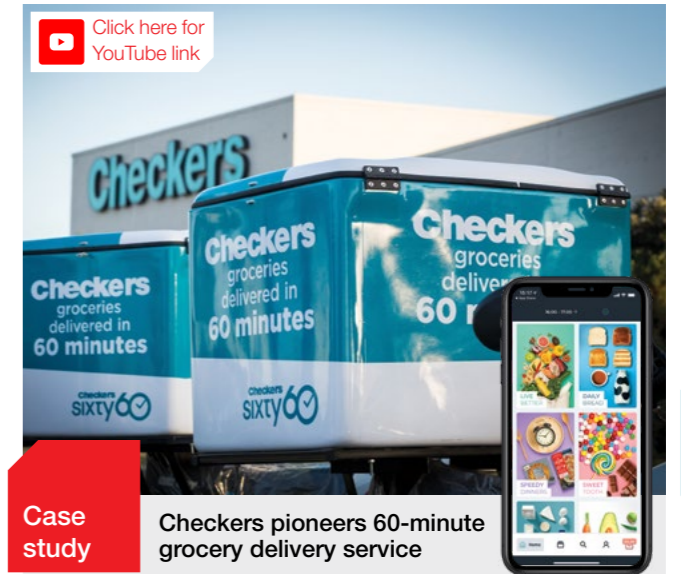
**Rewards card:** The customer-linked Xtra Savings Rewards Programme increased our ability to understand our customers better. The insight gained from our Xtra Savings database informs buying, product/stock allocation, and marketing decisions.

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

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

#### Top five outcomes

1. 1.3 million integrated source documents are generated daily
2. 240 000 unique active articles are sold in stores
3. 640 system jobs are automatically scheduled to process data through various SAP modules and these execute up to 140 000 times per day
4. Sixty60 was launched featuring a product catalogue of 6 394 grocery items
5. Maintain over 12 million metres of cable in stores, distribution centres and divisional offices, across 15 countries



Case study

#### Checkers pioneers 60-minute grocery delivery service

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

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

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

- **Delivering to suburban areas from 87 Checkers supermarkets at year end.**
- **6 394 grocery items available online.**
- **Purpose-built app developed by one of the Group's SME partners.**

#### Areas of future focus

##### Real-time customer feedback

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

##### Unlocking new revenue streams

The media platform opens up a variety of possibilities in terms of how we communicate with our customers but also how our supply partners can leverage off Shoprite's data mine. Our data is linked to more than one billion retail relevant transactions, ready to inform more focused, customer- and technology-driven marketing campaigns.



## Capitals report (continued)

### Manufactured capital

#### Stakeholder engagement

To manage our physical infrastructure, we engage largely with service providers and partners who form part of our supply chain and our customers – who are the recipients of our products and services – across our store footprint. Service providers and partners include regulators across the whole supply chain, property and other asset owners (building owners, lessors and logistics providers), local municipalities where we operate and financiers who support/underwrite our capital investments. We engage with them through meetings, forums, negotiations and during site visits.

Customers are discussed in the Social Capital report page 58.

#### Primary concerns include:

- Access to convenient locations and relevant store formats
- Access to safe stores
- Fire risk to buildings and stock

#### Addressing material issues



Enterprise risk management page 46;  
COVID-19 special report page 64

#### Our infrastructure enables our delivery to our customers

The Group's physical presence spans 15 countries and more than 2 300 sites over which we have full operational control.

Our store footprint and supply chain infrastructure give us the ability to effectively provide our customers with access to affordable products and an increasing bouquet of value-add services.

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

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

#### Addressing material issues

##### Supply chain structure and cost configuration

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

The right products at the right time, in the right place, play an important role in customer satisfaction and cost management. Our centralised ERP system fully integrates our supply chain with real-time POS data. Our improved data analytics and trend analysis give us the ability to correctly manage stock levels, minimise waste and cost, and order and deliver the right products in time. This has proven especially advantageous during the COVID-19 lockdown

102 new stores opened

855 trucks, 1 247 trailers of which 560 are refrigerated

COVID-19: Seven Usave eKasi truck stores

period when shopper behaviour was highly influenced by panic buying and rapidly changing priorities.

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

#### Growth and development of the Shoprite Group business

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

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

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

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

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



#### Case study

##### Silapho ukhoyo – We are where you are

Usave eKasi stores offer a limited range of the most essential foods, primarily to previously underserved and rural communities. During the COVID-19 lockdown, Shoprite rolled out its eKasi truck stores to extend the reach of Usave.

On 26 March, the day the official level 5 lockdown was announced in South Africa, the first Usave eKasi truck store started trading in Khayelitsha and then rolled into the streets of Oceanview in Cape Town the day after. The shop was set up close to where customers receive their social grant payments so shoppers could receive their money, do their shopping in a safe and regulated environment and go home while staying within walking distance of their own neighbourhood without the risk and costs involved with public transport.

The mobile stores can move to different locations every day of the week, thereby covering more distance, reaching more people. Existing container stores can be placed on trucks and located to bring much-needed staple items directly to customers, retaining everyday low prices and adding convenience to the shopping experience. Stock is reloaded every evening at local DCs.

- + 24m<sup>2</sup> – 32m<sup>2</sup> footprint
- + 140 basic items
- + 33% of stock is Ubrand private label
- + Provides basic value-added Money Market services
- + Four employees per mobile store (including the truck driver and security guard)
- + Seven truck stores opened since lockdown

#### Areas of future focus

##### Increase our customer reach

In the past year, we successfully incorporated an additional 61 OK Minimark stores into the Basson DC in the Western Cape and we see further opportunities for expanding the service network to the OK Foods Franchise members in the new year across our grocery categories.

##### Distribution centre (DC) development

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

#### Top five outcomes

- 46 new franchise destinations
- Over 329 million cases of product delivered to our stores
- Over 85 million kilometres travelled
- 24 private label brands worth more than R100m each
- 828 new private label products launched



## Capitals report (continued)

### Human capital

#### Stakeholder engagement

##### Employees

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

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

##### Primary concerns include:

- Talent attraction, career development, retention and succession
- Opportunity for growth, recognition and rewards
- Transformation and empowerment
- Healthy and safe working environment
- Group performance and growth

##### Trade unions

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

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

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

##### Primary focus areas for the trade unions include:

- Conditions of employment which includes wages and work scheduling
- Employee benefits
- General employment conditions such as health and safety

#### Addressing material issues



- Social Capital report page 58; COVID-19 special report page 64
- 2020 Sustainability Report [www.shopriteholdings.co.za](http://www.shopriteholdings.co.za)

#### Our business success depends on the wellbeing of our people

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

We aim to be an employer of choice and pride ourselves on being a job-creating company with a strong hire-to-retain model. To sustain our business and grow our talent pool in a globally competitive, rapidly changing retail environment, we approved an HR strategy in FY 2019 and are now in the process of finalising design principles for implementation. The main focus of the strategy is to attract, develop, reward and retain talented employees and to develop an internal talent pipeline to ensure smooth succession. Our overarching goal is to maintain a strong team of employees that consistently delivers on our customer-first approach. Ultimately, we want an energised, experienced, diversified and transformed employee base that is happy to settle in and be part of our business for the long term.

#### Addressing material issues

##### Employees

The Group employs more than 141 000 permanent full-time and permanent part-time employees in its corporate operations. The retail staff makes up 95% of employees who are directly involved in our customer-facing brands. The rest are staff who are involved in our supply and other support functions. Our employee complement is a diverse group of people representing a wide demographic. We aim to employ locally and provide opportunities to people who live within the immediate vicinity of our stores and other operational functions.

Our HR strategy has been redesigned to adapt our approach to managing our employees and align with our business strategy. With the Group's customer-first approach, our HR strategy specifically addresses the need for an engaged and empowered workforce, providing ongoing learning opportunities and promoting diversity.

**Attracting and retaining talent:** Attracting and retaining the right talent remains a challenge and is common in the industry. Despite high unemployment numbers, the employment market is more competitive and new recruits are increasingly aware of brand perception and are looking at their own future growth more holistically. To attract the people, we provide internship programmes, industry-related remuneration and flexible working hours, specifically pertaining to retail shift work. Succession planning and leadership development is part of our long-term retention strategy.

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

#### Areas of future focus

##### Enhance our customer-centric focus

Using the data capability of the Integrated ERP system will provide the HR team with real-time customer feedback and insight into customer service. This provides information to change/adapt training and development programmes to help employees increase customer-satisfaction levels.

##### To service the business better

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

■ **R491 million** invested in training FY 2020

■ **892 new positions** created to support the Group's growth in innovation and digital

■ **COVID-19: 2 996 Furniture and LiquorShop employees redeployed across supermarkets in SA during level 5 lockdown**

programmes. Digitisation of learning facilitates more efficient employee participation and has a greater reach.

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

#### Leadership, transformation and employment equity

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

Over the past few years, we have diversified our management team through promotions and new appointments. We are confident this team is well positioned to transform and lead the business for our future purpose. Currently, 7.25% of our top-management team is black and 1.55% are women. Since 2015, the combined black representation at management level has improved by 22% at top management level; 24% at senior management level; and 5% at middle management level.

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

#### Quality and safety

The health and safety of our employees, customers and suppliers are our most critical risk and receive the highest level of attention from management and the Board of Directors. Our health and safety policy guides all actions in this regard. Aspects of health and safety form an integral part of induction and ongoing training throughout all operations instils a safety-orientated culture.

Investment in the integrated ERP system, training and infrastructure improvements have assisted greatly in quicker emergency response times, more awareness and fewer injuries. We have a zero-tolerance approach towards health and safety risks. Strict internal and external audits are conducted periodically and as regulation requires. The Department of Labour and third party service providers conduct on average more than 27 000 hygiene and fire safety audits across the Group.

During the COVID-19 period, health and safety activities were increased at all levels. All employees were covered by our COVID-19 assistance programme.

#### Top five outcomes

1. Fixed wage increase negotiated
2. Level 7 B-BBEE score
3. R358.3 million invested in Retail Readiness since inception in FY 2017
4. 6 on-site and 33 mobile clinics deployed to stores and DCs during the COVID-19 pandemic.
5. Work-related staff fatalities limited to one

Jul 2019

Launched SiyaRinga in South Africa, providing all employees with a direct channel to receive company news and information and provide feedback to the company

Nov 2019

Approved revised remuneration policy including KPIs for short-term incentives at all employee levels

Mar 2020

Paid R102 million appreciation bonus to all employees at the onset of COVID-19  
Launched SiyaRinga into an additional seven Non-RSA countries

May 2020

Launched employee wellbeing support and confidential counselling programme to support employees during COVID-19



Case study

**Adrian Swartz – senior meat technician at Checkers**

Adrian is one of our young stars and works at the Meat Market Checkers in Uppington. He was accepted into the YES apprenticeship programme in 2019. During the 12 months, he completed the Meat Processing and Production (MM) L3 Skills Programme and was so motivated that he also completed an additional nine classroom interventions and 30 e-learning courses.

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

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



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



**12 months of basic retail training and workplace experience**



**2 804 unemployed youth given workplace experience from inception**



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

## Capitals report (continued)

### Social capital

#### Stakeholder engagement

##### Customers

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

##### Primary concerns include:

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

##### Communities

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



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

##### Primary concerns include:

- Upliftment through access to job opportunities and the formal economy
- Assurance that they will not be exploited as community groups

#### Addressing material issues



 COVID-19 special report page 64  
 2020 Sustainability Report  
[www.shopriteholdings.co.za](http://www.shopriteholdings.co.za)

#### Making a difference every day

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

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

We have expanded our strategic growth levers to include and to unlock new ways to better service our customers. We want to grow our customer base through an enhanced business that leverages information technology to create value beyond our financial performance targets. Our business optimisation and transformation projects have opened up opportunities in our supply chain and service offerings.

The Shoprite Group's business philosophy is to give back to local economies by providing jobs, enabling access to market for small suppliers and paying taxes. We invest in community initiatives that boost food availability, empower suppliers and provide training and employment opportunities for unemployed youth.

#### Addressing materiality

##### Social licence to operate


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

##### Food quality, availability and affordability

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

 **R874.2 million** total rewards savings to customers

 **R136.0 million** contributed in CSI initiatives

 **COVID-19:** R1.7 million donated by customers to the Solidarity Fund through the Group's Act For Change Fund via more than 23 000 pay points across South Africa, and a corporate donation of **R2.0 million**

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

##### Responsible sourcing

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

##### Extended service offerings and accessibility

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

The initial roll-out of the Checkers Sixty60 digital shopping offering was fast tracked during COVID-19 as the demand for home deliveries increased. We will continue our footprint expansion of FreshX stores and the delivery service.

##### Supply chain structure and cost configuration

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

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

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

##### Quality, safety and regulation

Shoprite must protect its reputation as a supplier of high quality products and a safe environment for customers, suppliers and service providers who visit and share our premises. This year, the need for safety has been more pronounced by the COVID-19 pandemic and the increase in compliance and regulatory requirements: from following health protocols to additional security for people's physical safety and the protection of property.

Policies and procedures are in place throughout the business to assist with compliance with all food regulations. We employ food technologists who ensure compliance with relevant food safety regulations. We are a member of the Consumer Goods Council South Africa Food Safety Initiative and we have sector-specific quality assurance systems in place. External service providers conduct annual food safety and hygiene audits at distribution centres and quarterly food safety and hygiene audits at stores.

##### Areas of future focus

###### Design a seamless customer experience

With real-time customer feedback and customer data analytics, we will be able to track customer satisfaction to improve customer engagement through increasing personalisation.

###### Community focus

We will continue to expand the number of community gardens we support and increase our support to household gardens through our Garden in a Bucket Programme.

#### Stakeholder engagement

##### Suppliers

We have a broad range of suppliers providing products and services ranging from large to small enterprises. Our focus is to source as much from local suppliers as possible, but we do import from international suppliers for certain product ranges. We aim to promote access to the market for small and medium enterprises (SME), although we diversify supplier options to mitigate risks from climate change and high demand. We engage with them through direct correspondence, farm and factory visits, market days and an electronic supplier platform.

##### Primary concerns include:

- Sustainable (long-term) relationships
- Efficient and effective access to the Group's markets through our supply chain
- Business growth opportunities and SME development
- Climate change related to reliability of supply

##### Regulators

We collaborate with regulators through meetings, submitting comments on new and amended regulations and via industry bodies. We strive to comply with regulations and provide information to proactively contribute to policy development. The Group maintains a defined and risk-rated regulatory universe that includes critical-, high-, medium- and low-risk impact categories across legislation, regulations and international best practices. Engagement is ongoing through regular meetings, audits and industry forums.

##### Primary concerns include:

- Compliance with regulation
- Job creation and economic opportunity in the countries in which the Group operates

##### Top five outcomes

1. 155.8 million R5 deli meals subsidised since 2017
2. R94.5 million invested in our Supplier Development Investment Fund Thuthuka Nathi Ventures.
3. 119 community gardens of which 67 are gardens that produce for sale
4. 10 948 saving stamp agents
5. 4.2 million followers reached on social media channels



## Capitals report (continued)

### Social capital (continued)

#### Socio-economic contribution

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

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

#### Economic impact

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

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

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

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

#### Building resilient communities

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

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

#### Consumer recognition awards

|   |   |  |  |  |
|---|---|--|--|--|
| <b>Best Grocery Store</b><br>title in the <i>Sunday Times</i><br>Top Brands survey 2019 | <b>Best Grocery Store</b><br>title in the <i>Sunday Times</i> /<br><i>Sowetan</i> Retail survey<br>2019 | <b>Ask Afrika Icon Brands</b><br>Shoprite recognised as<br>an Icon brand (29th<br>overall) | <b>Ask Afrika Icon Brands</b><br>Shoprite was the<br>category winner for<br>Shopping for Groceries | <b>Ask Afrika Kasi Star<br/>Brands Survey<br/>2020/2021</b><br>Shoprite was awarded<br>the Kasi Star Brand and<br>winner of the Shopping<br>for Groceries category |
|---|---|--|--|--|

#### Tax makes a difference

It is fundamental to assist governments in their quest to address poverty by paying tax. Responsible taxation practices play an invaluable and positive role in enabling governments to budget and provide social services to their people. We contribute by paying our direct taxes and through indirect taxation where we collect taxes like VAT, pay-as-you-earn, dividend tax and UIF levies. In FY 2020, the Group contributed R8.0 billion in taxes, based on revenue of R156.9 billion, and profit before tax of R5.2 billion.

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

The Group:

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

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

|                              | Taxes borne<br>Rm | Taxes collected<br>Rm |
|------------------------------|-------------------|-----------------------|
| Profit taxes                 | 1 902.9           | 22.9                  |
| Property taxes               | 68.7              | —                     |
| Product and services taxes   | 1 378.7           | 3 201.9               |
| Planet taxes                 | 0.2               | —                     |
| People taxes                 | 285.4             | 1 176.6               |
| <b>Total tax contributed</b> | <b>3 635.9</b>    | <b>4 401.4</b>        |



## Capitals report (continued)

### Natural capital

#### Stakeholder engagement

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

#### Primary concerns include:

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

2020 Sustainability Report and CDP water security report [www.shopriteholdings.co.za](http://www.shopriteholdings.co.za)



#### Saving to share

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

Shoprite's impact on natural resources and our response to how we use those resources are discussed in detail in the Group's Sustainability Report. Our approach to sustainability is based on mitigation and adaptation. Mitigation is directly linked to reducing our environmental footprint while adaptation deals with our ability to be resilient under changing conditions. We measure our outcomes and our progress against how we manage food security and sourcing, carbon, water and packaging. Therefore, the Group's environmental efforts are focused on effectiveness and efficiencies.

Shoprite has an influence on a wide range of social and environmental issues. We operate in a region with high levels of food insecurity and nutritional deficiencies that is susceptible to environmental impact from climate change and scarce resources.

The management of our business supports the management of our natural capital. We use our systems and data analytics capabilities to measure our natural impact. Sustainability dashboards track relevant metrics across the Group's operations, allowing us to have an informed overview of sustainability and decision-making on aspects like procurement of packaging, energy and water.

#### Addressing material issues

##### Social licence to operate

We have a large store footprint with environmental impact inherent in our value chain. Therefore, we consider natural capital as core to our social licence to operate. Reducing the impression we leave on our environment and preserving our natural resources directly supports our strategy to build a smarter Shoprite and sustainable business in the long term. This year, we put a comprehensive sustainability strategy in place that is underpinned by four positioning statements on climate change, food losses and waste, sustainable packaging and water security.

##### Food losses and waste

The Group has adopted a hierarchical and holistic approach to minimise food losses and food waste by reducing food losses along the food chain. This includes waste reduction across the entire value

583 000  
tCO<sub>2</sub>e  
Scope 1  
emissions

2 million  
tCO<sub>2</sub>e  
Scope 2  
emissions

COVID-19:  
Donated  
R27.3 million  
of surplus  
food from our  
stores to 401  
registered  
beneficiary  
organisations

chain, training and awareness programmes, setting targets and reporting. Our Integrated ERP system is demonstrating improved results in our ordering systems, reducing excess and wasteful orders.

#### Climate change

Greenhouse gas emissions through fuel and electricity usage are the main contributors to the Group's carbon footprint. Although we have released ownership of distribution centres and entered into lease agreements during the reporting period, we retained the management of the supply chain functions including property and logistics efficiencies. Our emissions reporting and activities are aligned with the goals of the Paris Agreement, South Africa's Nationally Determined Contributions and the Carbon Disclosure Project.

#### Fuel

Trucks are chosen for their fuel efficiency and drivers undergo special training to keep within a 'green band' power range, enabling the vehicle to operate at maximum efficiency. Our refrigerated trailers are powered by solar energy, reducing costs, emissions and noise pollution; 51.9% of our refrigerated fleet uses cryogenics technology, which has a lower carbon footprint than diesel. Reverse logistics have become entrenched in managing our return trips from stores to DCs, thereby improving the efficiency of the fleet and reducing emissions.

#### Energy

To reduce our reliance on service providers for electricity and the additional costs for generators (used during load shedding), and our consumption of grid electricity, we have started rolling out a solar PV installation project. Eight sites have already been included which produced 3 298 MWh of renewable energy, reducing our carbon footprint.

#### Sustainable packaging

Packaging is a key driver of environmental degradation on land and in marine environments when it is not managed responsibly. Packaging is also a key component in protecting food and products. Therefore, we support a circular economy approach to packaging and have put a target in place to substantially reduce our own waste generation. Most of the initiatives will have a design-for-sustainability approach to packaging based on life-cycle thinking and innovation, particularly for our own brands.

#### Water security

Many of our operational sites in South Africa and other African countries are in water-scarce regions. Water shortages present a risk to business continuity as we depend on a reliable supply of potable water to our stores, distribution centres and food production activities (both internally and within our external supply chains). As part of a long-term plan, we are implementing water measurement systems and supply chain risk assessments. We disclose our water security risks and opportunities on the CDP platform. Our first disclosure was in 2018 and has assisted us in understanding our water universe.

#### Top five outcomes

1. Reduced carbon emissions by 35 430 tCO<sub>2</sub>e by using energy-efficient lighting and solar-generated electricity
2. Converted 938 656 litres of cooking oil recovered from stores
3. Trained 2 496 employees in our sustainable seafood practices
4. 51.9% of our fleet is fitted with solar PV panels to reduce emissions
5. Diverted 9 400 tons of plastic from landfills and the environment by using carrier bags made from 100% post-consumer plastic waste



#### Case study

#### Solar PV installations generate 3MWh

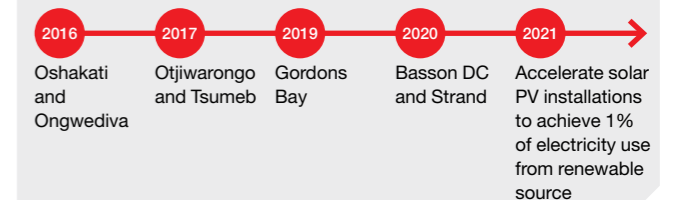
Directly or indirectly, climate change impacts our world which, in turn, impacts our business. As such, the Group supports the UNFCCC goal of limiting global temperature rise to below 2°C above pre-industrial levels and commits to setting science-based GHG emission reduction targets for the medium and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

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

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

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

Group solar installations started in 2015 in Kathu and Kimberley stores. Since then, the roll-out included:



## COVID-19 special report

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

### Distributed



**248 865**  
hand sanitisers



**424 550**  
face shields



**3.6 million**  
disposable  
face masks



**330 100**  
reusable  
face masks

Surplus food donations  
R27.3 million,  
equal to 9.1 million  
meals

Mobile Soup  
Kitchens served  
**1 million meals**

Donations issued  
to NPOs amounted  
to R1.65 million

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

The period since March 2020 has required an extraordinary response. The Group has managed these unprecedented conditions well, demonstrating our agility and resilience. The focus throughout this time was to maintain business continuity, minimise financial losses and keep our stores open and safe for our customers and employees. The foundation of our strategy has proved to be robust in enabling us to maintain operations and service customer needs. Our Integrated ERP system has enabled us to track all financial and non-financial COVID-19-related costs

and activities. We can report accurately on the effect and analyse trends to immediately implement changes to product supply, staffing requirements and regulatory changes in real time. All operational issues, activations and incidents are reported daily and attended to immediately.

The Group has incurred a net total spend of R327.2 million across the areas of health and safety, security, mobile clinics, personal protective equipment, temperature scanners, store and distribution centre sanitation, employee meals, communication costs and remote network access for employees. The most significant spend pertained to R102 million paid to our employees in the form of an appreciation bonus to assist them with the difficulties we anticipated would accompany the nationwide lockdown.

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



### Implementation highlights

| 16 March  | 19 March  | 24 March  | 27 March   | 30 March   | 3 April   | 5 April  | 6 April   | 7 April  | 8 April   | 6 May   | 8 May  | 10 May  | 28 June   |
|---|---|---|--|--|---|--|---|--|---|---|--|---|---|
| Clean-as-you-go principle reinforced, disinfectant at till points and store entrances | Special till points for elderly and vulnerable people | All employees thanked with an appreciation bonus, R102 million in total | Surplus food and Shoprite's Mobile Soup Kitchens start serving communities during lockdown | Announces support to the Solidarity Fund with a R1 million donation by the Group | Employees get extra personal protective equipment | Priority check-out for healthcare and law enforcement personnel; temperature checks and mobile clinics for store and distribution centre employees | Shoprite, Checkers and Usave launch virtual vouchers – contactless, sent to recipient via SMS | Checkers partners with Mr D Food to deliver medicine to customers' homes | Shoprite is the first retailer to offer contactless QR payments | The Group matched customer contributions donated to the Solidarity Fund with a further R1 million | Employee wellbeing programme updated to include more benefits, from mental health to financial support | Over R27 million worth of surplus food donated since lockdown | More than 10 million meals served through surplus food donations and our Mobile Soup Kitchens |

Our response to COVID-19 included:

### Employees

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

### Customers and communities

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

### Operational

- **Expenditure tracking:** All costs related to COVID-19 including HR, community, supply chain, security and store/customer costs are allocated to a special cost entry to facilitate tracking and accurate record-keeping.
- **Accelerating online delivery channels:** The roll-out of Sixty60 was brought forward to assist with the growing customer demand for home deliveries.
- **Direct distribution:** In certain instances (particularly within the franchise business), local suppliers delivered products directly to stores.
- **Increased consultation:** Ongoing consultation with government and regulators was undertaken to keep track and apply new regulation and health and safety measures.
- **Security and loss prevention:** The Group's Loss Prevention Department worked closely with the South African Police Service and tactical response units to mitigate the impact of offences, of which burglaries were the most reported violation.

**33 mobile clinics**

**72 570 screenings**

**R102 million special bonus paid to all employees**

**2 000 employees worked from home**

**R2 million donated to the Solidarity Fund and a further R1.7 million donated by customers via the Act For Change Fund till point facility**





Good  
governance  
and value  
creation

“Succession planning and management development forms a key part of the Group’s strategy to build a reliable leadership pipeline.”

## Governance report

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

### Governance approach

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

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

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

The Group comprises multiple operating platforms and subsidiaries. The Group governance approach rests on the recognition of the separate juristic identity of its various legal entities while encouraging alignment with common governance principles, processes and practices to achieve common Group-level governance performance objectives. Those objectives include clearly demonstrating Shoprite's performance as a responsible business and good corporate citizen across the various Group businesses and taking account of the needs of Shoprite's key stakeholder groups.

### Ethical and value driven

The Board aims to govern with integrity and in a way that supports an ethical organisational culture, from the tone at the top through to all levels of the business. It is also committed to align all decisions and activities with the Group's purpose and values of:

- **Doing the right thing:** We are focused on a strategic intent to drive long-term shared value, balancing the Group's needs and interests and that of our key stakeholders.
  - 📄 Purpose and values page 6; What sets us apart pages 38 to 43
- **Saving to share:** We are committed to building a sustainable business by acting on our social and environmental responsibilities and commitments.
  - 📄 Social and Natural Capital reports pages 58 to 63; 2020 Sustainability Report [www.shopriteholdings.co.za](http://www.shopriteholdings.co.za)
- **Developing local:** We contribute to economic and social development through the total tax contributions generated by our businesses, supplier access and the significant employment influence we have in the countries in which we operate.
  - 📄 Social Capital report page 58; 2020 Sustainability Report [www.shopriteholdings.co.za](http://www.shopriteholdings.co.za)

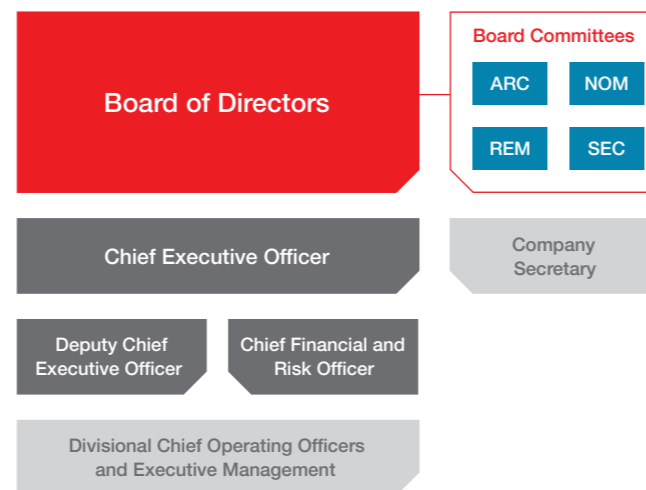
Our commitment to driving the achievement of positive impact and our performance against this objective is publicly reported through our communication with and reporting to our stakeholders. Our integrated reporting approach is aligned with international best practice, performance and impact reporting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

### Governance structure

The Board is guided by its terms of reference, which align with King IV, the Companies Act and the JSE Listing Requirements and encourages an integrated approach to governance. By fulfilling its terms of reference, internal code of conduct, ethical considerations, and legal and regulatory requirements, the Board can ensure sustainable value creation for investors and other stakeholders.

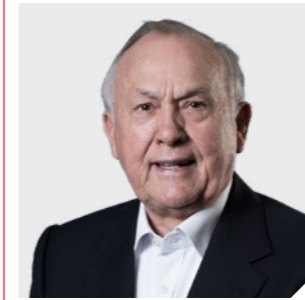
The Board and each committee perform a range of activities on an annual basis, such as assessing Board composition, monitoring risk governance, overseeing sustainability work and recommending remuneration for approval. These activities – and the conduct that each member commits to while performing them – are set out in the Board's terms of reference and each Committee Charter. These documents, which are reviewed annually, are aligned with King IV and with relevant legislation and regulations. They are available on the Group's corporate website at [www.shopriteholdings.co.za](http://www.shopriteholdings.co.za).

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



### Overview of Board composition

#### Non-executive Director



**Dr Christo Wiese (79)**  
BA LLB DCom (hc)

- Appointed as Chairperson in 1991**
- Chairs the Nominations Committee
  - Serves on the Remuneration Committee
  - Chair of Tradehold Ltd and Invicta Holdings Ltd
  - Serves as a Non-executive Director on the boards of Brait SE Ltd and Gemfield Group Ltd

#### Alternate Non-executive Director



**Adv. Jacob Wiese (39)**  
BA Stellenbosch, M International Economics (Milan), LLB UCT

- Appointed in 2005**
- Serves on the boards of various listed companies
  - Advocate of the High Court of South Africa

The Group has a unitary Board of Directors that consists of five Non-executive Directors – four of whom are independent – and three Executive Directors. All are South African.

Non-executive Directors bring diverse experience, including from other boards on which they sit and adds to robust discussion and involvement of all members.

The Executive Directors and their roles are discussed later in this report.

### Independent Non-executive Directors



**Johan Basson (69)**  
BCom (cum laude) CTA CA(SA)

- Appointed in 2014**
- Chairperson of the Audit and Risk Committee
  - Appointed as Member of the Nomination Committee on 14 November 2019
  - Ex-partner at PricewaterhouseCoopers, retired in December 2008
  - Member of the Board and Chairperson of the Audit and Risk Committees of various unlisted companies



**Alice le Roux (46)**  
BCompt Hons CA(SA)

- Appointed in 2018**
- Member of the Audit and Risk Committee
  - Appointed as a member of the Social and Ethics Committee on 14 November 2019
  - Director and shareholder of accounting firm Alice le Roux Incorporated and serves on the board of Afrocentric Investment Corporation Ltd as Non-executive Director



**Dr Anna Mokgokong (63)**  
BSc, MB ChB, DCom (hc)

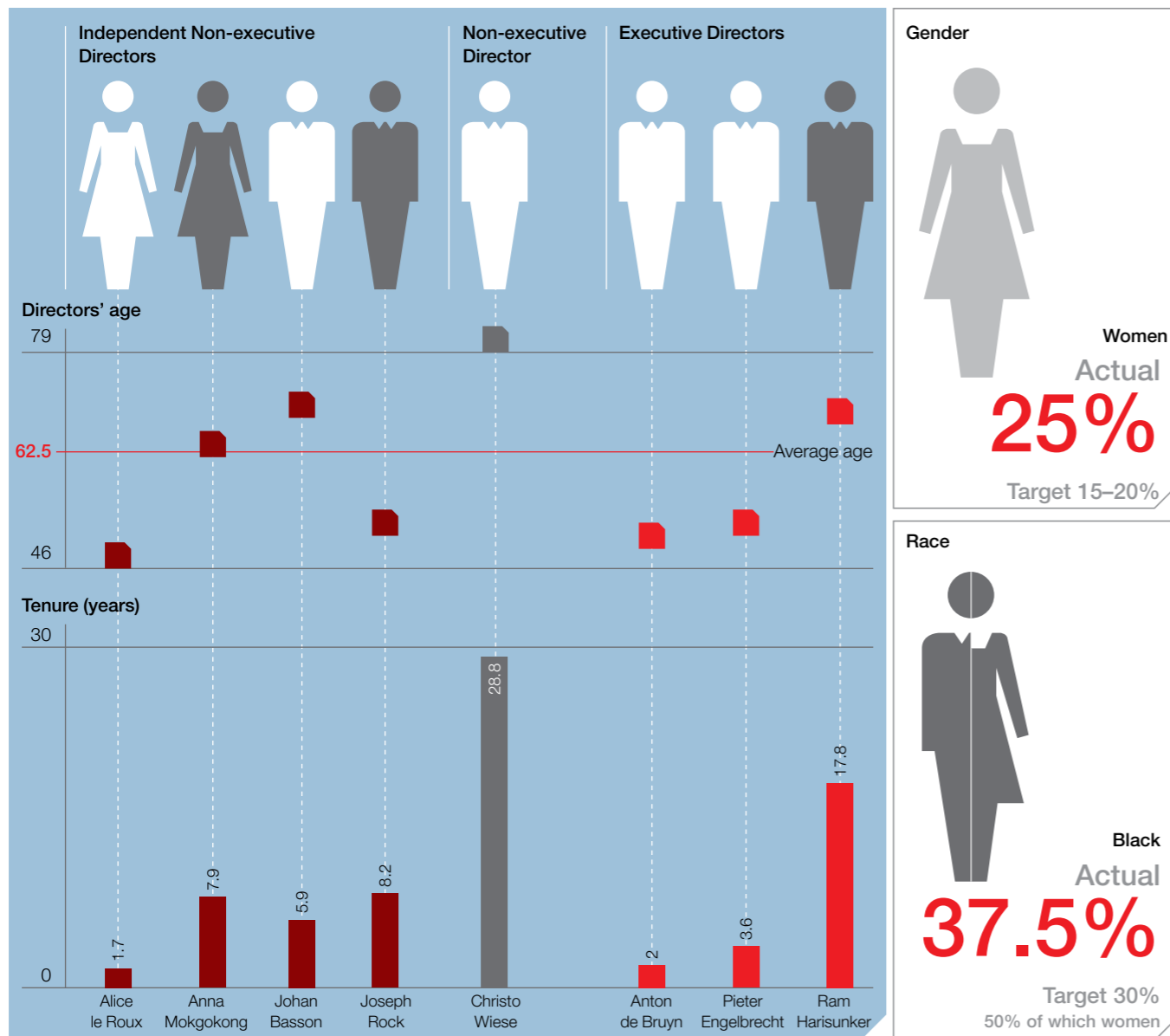
- Appointed in 2012**
- Appointed as Lead Independent Director of the Board on 14 November 2019
  - Chairperson of the Social and Ethics Committee
  - Serves on the Nominations Committee
  - Appointed as a member of the Remuneration Committee on 14 November 2019
  - Executive Chairperson of Community Investment Holdings (Pty) Ltd and Non-executive Chairperson of Rebois Property Fund Ltd, Jasco Electronics Ltd, Afrocentric Investment Corporation Ltd and Seriti Coal
  - Holds directorships in various other public/private companies
  - Appointed Honorary Consul General of Iceland in Pretoria in 2017
  - Appointed as Chancellor of NWU in June 2019



**Joseph Rock (51)**  
BA Hons MA ACA AMP (Insead)

- Appointed in 2012**
- Member of the Remuneration Committee
  - Appointed as Chairperson of the Remuneration Committee on 14 November 2019
  - Member of the Audit and Risk Committee
  - Previously Group Executive at SARS and General Manager at Exxaro Services
  - Currently Head: People Experience at Absa Group Limited

Governance report (continued)



**Significant roles**

The Board is responsible for corporate governance across the Group and for guiding the Group's strategic direction. The Board has delegated authority to the Group Chief Executive Officer, Pieter Engelbrecht, to execute the business strategy and business plans. It holds the CEO and Group Executive Management team accountable for performance through ongoing monitoring of the business performance.

Although the Board delegates certain governance responsibilities to its four Board committees, it retains collective responsibility for the Board's performance of its role and responsibilities set out in the Board Charter.

The Group CEO is supported by the Group Executive team who manage and report on performance of the various business operations. Joseph Brönn was appointed as Deputy CEO during the year.

The Board Chairperson, Christo Wiese, leads the Board in line with its terms of reference and co-ordinates effective performance of the Board's functions. The Board meets regularly and operates in an environment of respectful challenge, and rigorous and honest discussion as part of performing its oversight role. Dr Wiese has signalled his intention to retire as Chairperson at the forthcoming annual general meeting, having performed this function for the last 29 years.

The Board has appointed a Lead Independent Director (LID), Anna Mokgokong, to perform certain functions for the Board in line with good governance principles. This role ensures and oversees a balanced and supportive Board structure, strengthens its overall independence and complements the role of the Chairperson. Dr Mokgokong was appointed in November 2019, succeeding Shirley Zinn who resigned during the year.

**Overview of the Executive team**



**Pieter Engelbrecht (51)**  
BCompt Hons CA(SA)  
Chief Executive Officer

**Experience with the Group:**

- Served as Shoprite Holdings Alternate Director and as Chief Operating Officer of Shoprite Checkers (Pty) Ltd from 2005 to 31 December 2016
- Director of Shoprite Checkers (Pty) Ltd
- Appointed as Shoprite Holdings CEO in 2017
- Appointed to the Board of Shoprite Holdings in 2017



**Anton de Bruyn (49)**  
BCompt Hons CA(SA)  
Chief Financial Officer

**Experience with the Group:**

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



**Ram Harisunker (68)**  
Executive Director

**Experience with the Group:**

- Joined Checkers in 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 Eswatini (previously Swaziland) and international sourcing



**Joseph Brönn (43)**  
BAcc, Hons CA(SA)  
Deputy Chief Executive Officer

**Experience with the Group:**

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



**Pieter du Preez (53)**  
BTech (Security Management), LLB, LLM (International Trade Law)  
Company Secretary

**Experience with the Group:**

- Joined the Group in August 1998 as Risk Control Manager for Shoprite Checkers (Pty) Ltd
- Appointed as Legal Adviser for Shoprite Checkers (Pty) Ltd in July 2001
- Appointed in his current role in October 2008, and as Director and General Manager: Statutory and Legal Services for Shoprite Checkers (Pty) Ltd

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

Succession planning and management development forms a key part of the Group's strategy to build a reliable leadership pipeline. The Executive team ensures appropriate succession for all key executive and management positions throughout the business, to reduce any risk of business disruption or loss of momentum on execution of the business strategy if Executive and Management positions change or rotate. Among this year's changes in the Group Executive team is the retirement of Ram Harisunker, who celebrated a milestone tenure of 50 years in 2019.

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

## Governance report (continued)

### Board effectiveness and performance

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

### Chairperson

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

### Directors

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

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

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

Following this formal process, the Board will submit its nominees for approval at the forthcoming annual general meeting. The Board also identified its nominees for appointment of Independent Non-executive Directors, some of whom will take on the role of chairing the Board Committees. The current nominations, if approved, will ensure appropriate composition of the Audit and Risk Committee aligned with statutory/regulatory requirements and contemporary best practice.

### Executive management

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

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

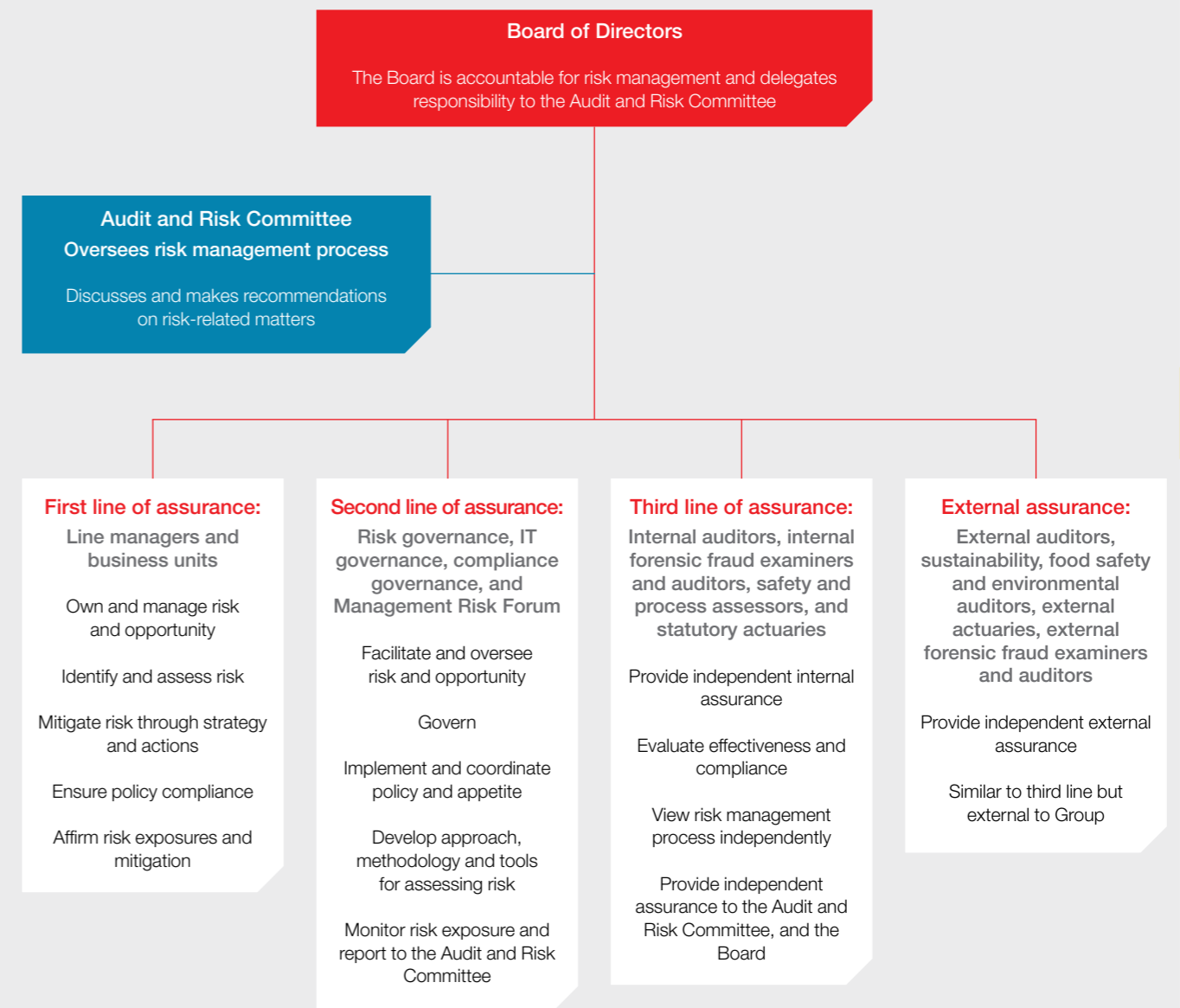
### Company Secretary

The Company Secretary focuses on supporting the operation of the Shoprite Holdings Board aligned with its Charter. This includes advising on adoption and implementation of governance policies to ensure compliance with governance requirements established in company law and JSE Listing Requirements and to align with evolving governance best practices. The Company Secretary retains independent advisory services per requests made by the Board, its committees and by individual Board members. He also oversees the induction of new Directors and ongoing Director development for the members of the Board.

The Board assesses the Company Secretary's eligibility, skills, knowledge and performance on an annual basis. The results of the Board's assessment in the current year have confirmed the Company Secretary's capacity and performance aligned with his role and functions during FY 2020.

### Overview of the Assurance Framework

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



### Statement by the Lead Independent Director

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

As a Board, our goal is to support the creation of long-term value aligned with shareholder expectations, applying the principles of good corporate governance. This requires ongoing oversight of the

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

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

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

The Board looks forward to welcoming the incoming Board Chairperson and continuing to work alongside the Executive team in delivering the refocused Group business strategy as described in this report. I am pleased to say all Board members have participated fully in an appropriate and independent process for the nomination of a

new Board Chairperson. On behalf of the Board I would like to take this opportunity to thank our outgoing Chairperson, Dr Wiese, for his outstanding visionary leadership over the past years.

**Dr Anna Mokgokong**  
Lead Independent Director



## Governance report (continued)

### Board report

#### Governance approach and role of the Board

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

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

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

#### Board and Executive relationship

The respective roles of the Board Chairman and the Chief Executive are formalised and clearly defined with respect to their separate but related leadership roles. The Board Chairman leads the Board in its performance of governance functions for the Group, and the Chief Executive leads the Executive management of the Group in execution of the approved business strategy and ongoing management of the Group businesses. The Chief Executive is accountable to the Board for the performance of the Executive in implementation of the strategy and achievement of the Group's strategic objectives. Board monitoring and engagement occurs through regular reporting by the Executive in the form of business and financial performance updates provided to the Board and to the various Board Committees at regular intervals. Non-executive Directors have direct access to members of the Executive as needed.

#### Overview of Board activities for the year

In overview, the Board's work plan for the year focused on performing the Board's governance and management oversight functions through the regular scheduled Board and Committee meeting programme, with additional special meetings as required to address more urgent or unforeseen matters occurring in between the scheduled meetings.

Among the Board's key focus areas this year were giving guidance to and acting as a governance sounding board for the CEO and Group Executive regarding refocusing of the Group's priorities and execution of the Group's strategic plans applied within the Group businesses as explained in this report.

In general, determining the Group's short-, medium- and long-term

strategic direction to achieve significant improvement in the Group's financial and business performance has occupied the major part of the Board's agenda, along with consideration of the Group's associated most material risks and opportunities as explained elsewhere in this report. The Board's work plan included evaluating business development initiatives and considering quarterly performance results by segment and department, guiding strategic direction by approving asset sales and considering business continuity matters. Other key matters that the Board has focused on this year are covered in the Board Committee reports on pages 76 to 79.

#### Governance functions

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

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

#### Governance focus areas in 2021

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

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

#### King IV

The Group's application of King IV is explained in the King IV disclosures available at <https://www.shopriteholdings.co.za/reports.html>. The Board is satisfied that the recommended practices underpinning a proper application of King IV principles are, largely speaking, entrenched within the Group's governance and management activities and governance functional areas, including with respect to the Board's governance oversight of the Group's ethics;

performance as a responsible business; formulation of strategy and strategic planning; governance functions and structures; relationships with the CEO and key executive functions; risk, compliance and information and technology management; assurance; remuneration and the management of stakeholder relations. The Board is also satisfied the Group has appropriately applied all of the applicable King IV principles in the context of its business and governance functions.

#### JSE Listing Requirements

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

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

#### Legal matters

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

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

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

**Dr Christo Wiese**  
Chairperson

#### Summary of Board and Committee meeting attendance in 2020

|  | Board meetings |                  | Audit and Risk Committee | Social and Ethics Committee | Nominations Committee | Remuneration Committee | AGM |
|--|----------------|------------------|--------------------------|-----------------------------|-----------------------|------------------------|-----|
|  | Attended       | Maximum possible |                          |                             |                       |                        |     |
| <b>Chairperson</b>                         |                |                  |                          |                             |                       |                        |     |
| Christo Wiese                              | ████████       | ████████         |                          |                             | ████                  | ██                     | █   |
| <b>Lead Independent Director</b>           |                |                  |                          |                             |                       |                        |     |
| Shirley Zinn <sup>†</sup>                  | ██             | ██               |                          | █                           | ██                    |                        | █   |
| Anna Mokgokong*                            | ████████       | ████████         |                          | ██                          | ████                  | ██                     | █   |
| <b>Independent Non-executive Directors</b> |                |                  |                          |                             |                       |                        |     |
| Johan Basson**                             | ████████       | ████████         | ████████                 |                             | ██                    |                        | █   |
| Alice le Roux***                           | ████████       | ████████         | ████████                 | █                           |                       |                        | █   |
| Joseph Rock****                            | ██████         | ██████           | ██████                   |                             |                       | ██                     | █   |
| <b>Executive Directors</b>                 |                |                  |                          |                             |                       |                        |     |
| Pieter Engelbrecht                         | ██████         | ██████           |                          |                             |                       |                        | █   |
| Anton de Bruyn                             | ██████         | ██████           |                          | ██                          |                       |                        | █   |
| Ram Harisunker                             | ██████         | ██████           |                          |                             |                       |                        | █   |

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

\* Appointed as LID and as member of the Remuneration Committee on 14 November 2019.

\*\* Appointed as member of the Nomination Committee on 14 November 2019.

\*\*\* Appointed as member of the Social and Ethics Committee on 14 November 2019.

\*\*\*\* Appointed as Chairperson of the Remuneration Committee on 14 November 2019.

<sup>†</sup> Resigned on 6 November 2019, effective immediately.



## Governance report (continued)

### Committee reports

#### Audit and Risk Committee report

##### Role and responsibility

The Audit and Risk Committee is responsible for performing the statutory audit committee responsibilities contained in the Companies Act, 2008, and also for performing the various governance oversight functions the Board has delegated to the Committee in its Charter, and informed by King IV. In addition to performing oversight of Shoprite's external reporting, including its statutory annual financial statements and the Integrated Annual Report, the Committee assists the Board with oversight of the Group's risk and compliance management performance, its combined assurance arrangements – including oversight of the internal audit function – and oversight of the Group's management of its information and technology function, policies and processes.

##### The Committee's key areas of focus during 2020

During the year, the Committee completed its approved work plan aligned with its Charter.

##### Internal control framework

The Committee reviewed management reporting on monitoring internal control effectiveness, and results of internal assurance applied in that area.

##### Group finance functions and key finance roles

The Committee assessed the finance function and key finance roles, including for appropriate resourcing and capacity to function optimally. The assessment informed the Committee's positive conclusion regarding those matters.

##### Risk and Compliance

The Committee provided strategic direction on further enhancing effectiveness of the Group risk and compliance management functions, including the systems, policies and processes.

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

The onset of the COVID-19 pandemic introduced the need for heightened risk identification and risk monitoring activity – in particular, business resilience and business continuity management – as part of proper positioning of the Group's risk response strategies to address several significant risk and compliance management challenges. No material or repeated regulatory penalties, sanctions or fines were imposed on the Group or on Board members for contraventions of, or non-compliance with, statutory obligations.

#### Information and technology

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

##### Reporting

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


##### Areas of future focus

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

I am satisfied the Committee has performed its responsibilities in accordance with its Charter in the year under review.



**Johan Basson**  
Chairperson

 Audit and Risk Committee report published within the Shoprite Group 2020 Annual Financial Statements, available at [www.shopriteholdings.co.za](http://www.shopriteholdings.co.za).

#### Social and Ethics Committee report

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

##### Role and responsibility

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

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

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

The following are some of the key focus areas addressed during the year:

- Maintaining high standards of organisational ethics
- Appropriate management of consumer relationships, including through activities in relation to advertising, public relations and compliance to consumer protection laws
- Risk-informed environment, health and public safety
- Responsible sourcing through the Group's supply chain
- Fair labour and employment
- Promotion of equality and employment equity within the Group's activities, and preservation of human rights
- Actively contributing to social and economic development, including with reference to the interests of our key stakeholders

##### The Committee's key areas of focus during 2020

During the year, the Committee completed its approved annual work plan aligned with its Board-approved Charter.

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

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

Other highlights of the year include:

- Further evolution of governance oversight of the Group-wide ethics management programme through adoption and implementation of a new Conflict of Interest policy.
- Partnering initiatives with three independent black-owned SMEs, through the Group's newly formed Thuthuka Nathi Venture (Pty) Ltd investment vehicle.

 Social Capital report page 58

##### Areas of future focus

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

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



**Dr Anna Mokgokong**  
Chairperson

#### Nominations Committee report

##### Role and responsibility

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

## Governance report (continued)

**The Committee's focus areas for 2020**

The Committee completed its approved annual work plan aligned with the Board-approved Charter.

During the year, the Committee recommended Anna Mokgokong's appointment to the role of Lead Independent Director, and Joseph Rock's appointment to the role of Chairperson of the Remuneration Committee. The Nominations Committee commenced a process to source and select candidates for consideration for appointment as Chairperson to the Board. The process caters for the sourcing of additional Non-executive Directors to strengthen the Board and its Committees.

The Committee appointed an external specialist service provider to conduct a formal, independently managed process to identify suitable Director candidates for the Board's nomination process aligned with the Board's policy on Board diversity.

The Committee also initiated a formal, independent Board performance effectiveness review as part of a periodic assessment process. The evaluation included coverage of the Board, each of its Committees, the Board Chairperson and the individual Directors across a number of performance effectiveness attributes. The resulting evaluation report, which included recommendations to enhance Board performance effectiveness, including the composition of the Board, was submitted for further consideration. The Board also evaluated the performance of the Company Secretary as part of the independent assessment process.

**Rotation and new appointments**

Three retiring Non-executive Directors – Anna Mokgokong, Johan Basson and Joseph Rock – were nominated for re-election at the AGM after confirming their availability and once the Committee had assessed their independence.

**Areas of focus for 2021**

- Conclusion of the Board and Board Committee appointments
- Onboarding and induction of newly appointed Board members and Board Committee Chairs
- Oversight of succession planning with respect to the CEO role, and for key executive management roles across the Group
- More frequent engagement with the Executive team concerning the Group's current and future strategy
- Review and updating of the Group's diversity policy to further align to the updated JSE Listing Requirements

I am satisfied the Committee has performed its responsibilities in accordance with its Charter in the year under review.



**Dr Christo Wiese**  
Chairperson

**Remuneration Committee Chairperson's report**

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

**Role and responsibility**

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

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

**Shareholder engagement**

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

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

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

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

**Operating environment**

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

The Group has shown great resilience in the face of the many challenges, as we grappled with changes in our operating environment brought about by the pandemic. We are pleased to report there have been no retrenchments in our businesses as a consequence of COVID-19, reflective of our strong commitment to our employees.

Recognising the significant resilience this period of uncertainty demanded of our workforce, the Board approved the payment of a special appreciation bonus to all, full-time and part-time, employees in the Group, as acknowledgement of their dedication and service. This bonus amounted to R102 million.

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

**The Committee's key areas of focus during 2020**

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

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

In addition, the Committee's activities during the year included:

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

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

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

We can confirm the following actions referred to in the 2019 report have been successfully implemented:

- New STI criteria were introduced for senior Executives
- The deferred STI was introduced to replace the long-term incentive bonus
- The Executive share plan was introduced to replace the virtual option bonus

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

The following further actions will be taken during FY 2021 reporting year:

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

**Areas of future focus**

The Committee intends to complete the remaining implementation changes during the coming year including:

- Continued focus on the implementation of the Group's remuneration policy as outlined above, concentrating on establishing updated STI policy criteria, including new non-financial criteria
- Establishing formal guidelines for Director use of derivative instruments for trading in the Company's ordinary shares, for the Board's consideration
- Continuing to enhance remuneration as required
- Continued review of the remuneration elements of retention strategies for key/strategic employees

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

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



**Joseph Rock**  
Chairperson

## Remuneration report

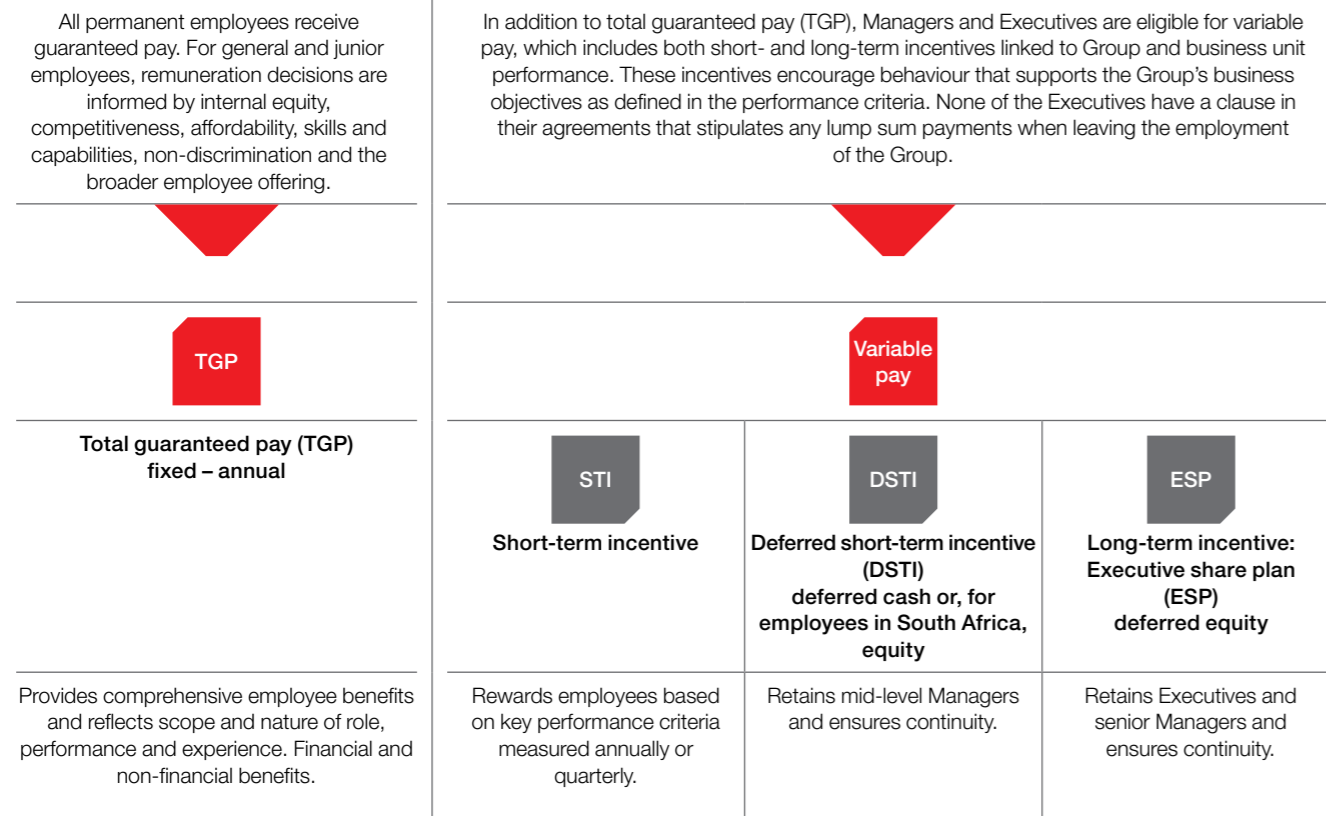
### Remuneration policy

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

### Remuneration principles

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

### Remuneration design and framework



### Fair, responsible and transparent remuneration

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

The Group believes that fair, responsible and transparent remuneration is essential to our business success and is committed to competitive remuneration. The Committee is responsible to:

- Provide the Board with appropriate recommendations, after discussion with management, independent remuneration advisers and relevant third parties
- Apply the principle of equal pay for work of equal value within its recommendations
- Benchmark roles to balance the need for competitive and fair remuneration

### Benchmarking remuneration

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

### Remuneration eligibility

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

Eligibility within the Group remuneration framework.

| Level                              | Variable pay |     |      |     |
|------------------------------------|--------------|-----|------|-----|
|                                    | TGP          | STI | DSTI | ESP |
| CEO                                | ■            | ■   | ■    | ■   |
| Executives                         | ■            | ■   | ■    | ■   |
| Divisional/general management      | ■            | ■   | ■    | ■   |
| Senior management                  | ■            | ■   | ■    | ■   |
| Middle management                  | ■            | ■   | ■    | ■   |
| Junior management                  | ■            | ■   |      |     |
| Employees outside bargaining units | ■            |     |      |     |
| Employees within bargaining units  |              |     |      |     |
| – In South Africa                  | ■            |     |      |     |
| – Outside South Africa             | ■            | ■   |      |     |

### Remuneration components

|            |   |                          |
|------------|---|--------------------------|
| <b>TGP</b> | <b>FIXED: All permanent employees</b><br><b>Total guaranteed pay: salaries and benefits</b> | <b>141 452 employees</b> |
|------------|---|--------------------------|

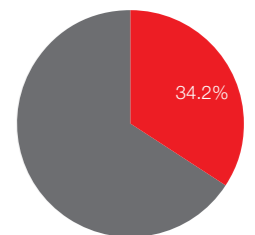
TGP includes retirement benefits of between 7.5% and 10%, a staff discount, and risk and insurance benefits. A percentage annual increase is in place based on the employee’s role, affordability, inflation, personal and company performance, and relevant benchmarks. The CEO proposes management increases to the Remuneration Committee for approval. The Committee also reviews and approves executive increases in terms of its mandate.

| Objective   | Link to strategy   | Policy  | Measurement period |
|---|--|---|--------------------|
| Provides comprehensive employee benefits and reflects scope and nature of role, performance and experience. | Rewards employees fairly and competitively through financial and non-financial benefits. | Generally at market median except for critical and scarce skills. Includes risk, insurance and retirement benefits. | Annual             |

### Bargaining unit participation

Collective bargaining agreements with recognised unions for specific periods of time are in place.

Wage negotiations were successfully concluded with SACCAWU during March 2020 and a one-year agreement was signed.



34.2% is represented by the majority union namely SACCAWU.

## Remuneration report (continued)

|              |     |  |                            |
|--------------|-----|--|----------------------------|
| Variable pay | STI | <b>Variable cash: Management and executives, including the CEO and CFO</b><br>short-term incentive: cash bonuses | <b>11 593</b><br>employees |
|--------------|-----|--|----------------------------|

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

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

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

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

|   |  |   |   |
|---|--|---|---|
| <b>Bonus criteria</b><br><b>Senior Executives</b>   | <b>Bonus criteria</b><br><b>Rest of management – the STI is calculated with reference to trading profit target.</b>  |   |   |
| <p><b>For senior executives the following criteria is used to determine their STI. Targets are based on a threshold, on-target, stretch principle</b></p> <p><b>Short-term financial targets</b><br/>Trading profit<br/>Trading margin<br/>EBITDA margin<br/>Sales growth<br/>Food stock turn<br/>Non-food stock turn</p> | <p><b>Less than 70% of target</b></p> <ul style="list-style-type: none"> <li>■ Bonus pool adjusted lower</li> <li>■ Participants may earn a portion of their on-target bonus based on operational or business unit-specific criteria determined at the beginning of the financial year.</li> </ul> | <p><b>More than 70% of target but less than Group achievement on business/divisional level</b></p> <ul style="list-style-type: none"> <li>■ Bonus pool adjusted lower</li> <li>■ Participants may earn a portion of their on-target bonus based on operational or business unit specific criteria determined at the beginning of the financial year.</li> </ul> | <p><b>More than 70% of target with business/divisional level equal to or above Group-level achievement</b></p> <ul style="list-style-type: none"> <li>■ Bonus pool equal to percentage of operational budget</li> <li>■ Participants can achieve up to 120% of on-target incentive, capped at 100% unless current performance exceeds previous year.</li> </ul> |

|              |      |  |                           |
|--------------|------|--|---------------------------|
| Variable pay | DSTI | <b>Deferred cash or, for employees in South Africa, equity: Middle management deferred short-term incentive (DSTI)</b> | <b>2 344</b><br>employees |
|--------------|------|--|---------------------------|

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

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

|              |     |   |                         |
|--------------|-----|---|-------------------------|
| Variable pay | ESP | <b>Deferred equity: Executives and senior managers</b><br>long-term incentive: executive share plan (ESP) | <b>255</b><br>employees |
|--------------|-----|---|-------------------------|

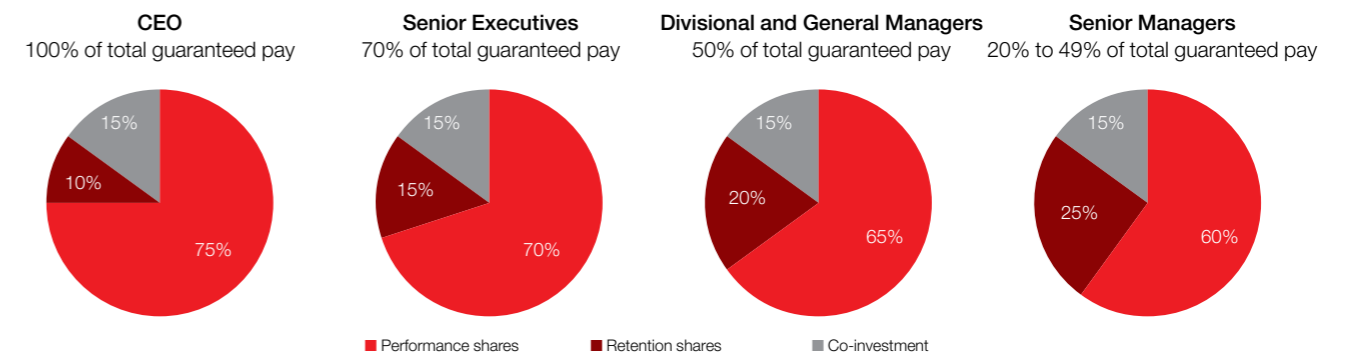
The Executive share plan, which was approved by the JSE and shareholders in 2012, aims to retain key senior employees to ensure continuity. This incentive, previously known as the virtual option bonus, applied to approximately 290 Executives and senior managers in FY 2020. Values approved as at 1 July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

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

Qualifying participants receive three types of shares:

|  |  |   |   |
|--|--|---|---|
| <b>Performance shares:</b><br>If less than 80% of the targets are achieved, no performance shares are awarded. | <b>Retention shares:</b><br>Awarded automatically if the participant remains at the Group for the full three years.              | <b>Co-investment shares:</b><br>The Group will match the purchase, up to 15% of the Executive share plan value per year, of Shoprite Holdings shares by participants (optional). The Group may assist with financing options for participants wishing to purchase co-investment shares. |   |
| <b>Objective</b><br>Retains Executives and senior Managers, and ensures continuity.                            | <b>Link to strategy</b><br>Retains Executives and senior Managers by offering direct shareholding through three types of shares. | <b>Policy</b><br>Employees eligible for performance shares (based on average three-year performance of three metrics), for retention shares (if they remain within the company) and for co-investment shares (if they purchase Shoprite Holdings shares).                               | <b>Measurement period</b><br>Full vesting after three years |

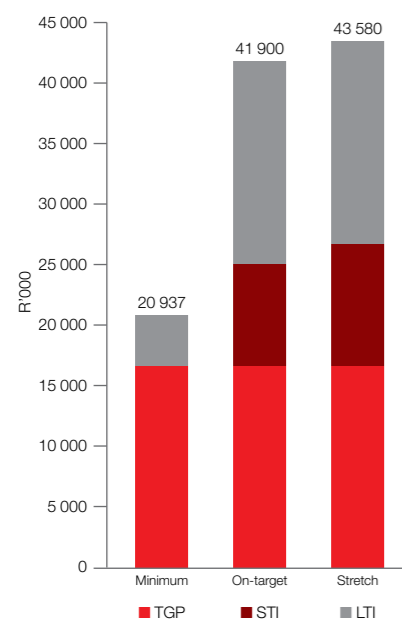
**Proposed share mix and awards for executive share plan:**



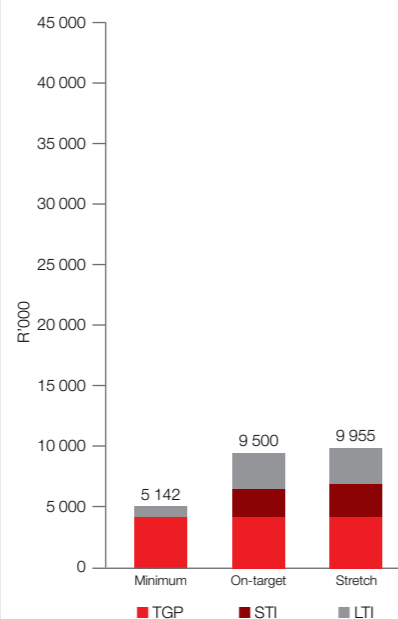
## Remuneration report (continued)

### Pay mix for Executive Directors

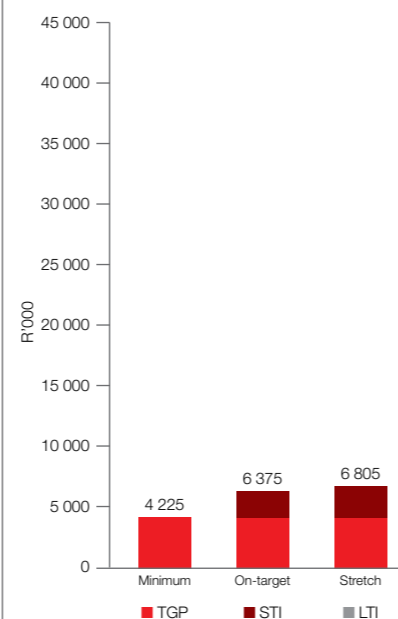
#### CEO pay mix scenario



#### CFO pay mix scenario



#### Executive Director pay mix scenario



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

### Provisions for termination of employment

|   | Base salary   | Benefits  | STI                   | DSTI                         | LTI   |
|---|---|---|-----------------------|------------------------------|---|
| <b>Voluntary resignation</b>                                | Paid over the notice period or as a lump sum  | May be provided during the notice period (as applicable) but will not be paid as a lump sum | No payment            | No payment or vesting        | No payment or vesting   |
| <b>Dismissal/ termination for cause or early retirement</b> | No payment  | Benefits stop when employment ends  | No payment            | No payment or vesting        | No payment or vesting   |
| <b>Normal retirement or death</b>                           | Paid for a defined period based on cause and local policy as executives have different employment companies | Benefits stop when employment ends  | Payment made pro rata | Awards vest or payments made | Outstanding awards forfeited at retirement<br><br>Pro rata vesting will take place on death |
| <b>Mutual separation</b>                                    | Paid over the notice period or as a lump sum  | May be provided during the notice period (as applicable)                                    | Depends on agreement  | Depends on agreement         | Depends on agreement  |

### Statement on malus and claw-back

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

### Remuneration for Non-executive Directors

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

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

|                                    | 2020       | 2019       | Change % |
|------------------------------------|------------|------------|----------|
| <b>Board of Directors</b>          |            |            |          |
| Chairperson*                       | R1 535 000 | R1 209 000 | 27       |
| Lead Independent Director**        | R1 065 000 | R641 000   | 66       |
| Non-executive Director             | R470 000   | R445 000   | 6        |
| <b>Audit and Risk Committee</b>    |            |            |          |
| Chairperson                        | R334 000   | R316 000   | 6        |
| Member                             | R169 000   | R160 000   | 6        |
| <b>Remuneration Committee</b>      |            |            |          |
| Chairperson**                      | R203 500   | R193 000   | 5        |
| Member                             | R97 000    | R92 000    | 5        |
| <b>Nominations Committee</b>       |            |            |          |
| Chairperson                        | R203 500   | R193 000   | 5        |
| Member                             | R97 000    | R92 000    | 5        |
| <b>Social and Ethics Committee</b> |            |            |          |
| Chairperson                        | R203 500   | R193 000   | 5        |
| Member                             | R97 000    | R92 000    | 5        |

\* The Group pays the Chairperson's fees to Grene Properties (Pty) Ltd, a company related to him. The median remuneration for the Board Chairperson at comparator companies is R1 782 762 (PwC Shoprite Holdings Ltd: INEC remuneration benchmark, which was conducted in July 2020).

\*\* The median remuneration at comparator companies is R1 011 000 (PwC Shoprite Holdings Ltd: Non-executive Directors remuneration benchmark, June 2019).

### Going forward – shareholder engagement and voting procedures

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

### Implementation of policy

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

### Average growth in executive and employee remuneration

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

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

| Average growth in executive guaranteed pay and organisational performance | 2020 % | 2019 % | 2018 % | 2017 % |
|---|--------|--------|--------|--------|
| Average increase in total guaranteed pay for Executives                   | 6.4    | 7.2    | 7.8    | 7.9    |
| Growth in basic headline earnings per share                               | 8.3    | (19.6) | 5.2    | 13.1   |
| Growth in trading profit  | (2.7)  | (14.3) | (1.4)  | 11.6   |
| Growth in turnover  | 6.4    | 3.6    | 3.1    | 8.4    |
| Growth in dividends per share   | 20.1   | (34.1) | (4.0)  | 11.5   |
| Growth in EBITDA  | 0.3    | (5.9)  | 1.0    | 6.8    |

As all newly appointed employees in the bargaining unit are appointed according to the minimum salaries specified by the Government's Sectoral Determination for the Wholesale and Retail Industry, the above negotiated increases will result in an overall increase of 8.3%.

The Group aims to structure its remuneration for executives on average at the median of the market, depending on years of experience and individual performance. In benchmarking Executives against the market data, it was necessary to make certain above-the-norm increases which resulted in an average increase of 5.5%.

### Variable pay and other remuneration outcomes for 2020

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

## Remuneration report (continued)



**Pieter Engelbrecht**  
Chief Executive Officer

### Total remuneration

| (R'000)              | 2020          | 2019          | Change %    |
|----------------------|---------------|---------------|-------------|
| Guaranteed package   | 16 871        | 16 835        | 0.2         |
| Salary               | 16 121        | 16 130        | 0.0         |
| Benefits             | 231           | 214           | 7.9         |
| Other                | 519           | 491           | 5.7         |
| Short-term incentive | 7 648         | 4 436         | 72.4        |
| Long-term incentive  | 4 188         | —             | —           |
| <b>Total</b>         | <b>28 707</b> | <b>21 271</b> | <b>35.0</b> |

### Other remuneration, including unvested awards

| Date of grant  | 24 October 2017   | 5 September 2019 |
|--|-------------------|------------------|
| Number of instruments awarded                              | 50 873            | 132 752          |
| Price on grant (if shares) (R)                             | 208.08            | 115.50           |
| Total fair value on grant (R)                              | 10 305 740        | 10 322 042       |
| Settlement method  | Shares            | Shares           |
| Final vesting date   | 30 September 2020 | 5 September 2022 |
| Number of instruments vested                               | 33 910            | —                |
| Number of instruments settled in year                      | 16 955            | —                |
| Cash value of instruments settled in year <sup>1</sup> (R) | 2 167 572         | —                |
| Closing number of unvested instruments                     | 16 963            | 132 752          |
| Indicative fair value of unvested instruments (R)          | 1 651 924         | 2 938 578        |

### STI outcomes

| STI earning potential (% of total guaranteed pay) |           | Actual STI for 2020 |          |
|---|-----------|---------------------|----------|
| Minimum   | On target | R'000               | % of TGP |
| Nil   | 50.1      | 7 648               | 45.3     |

### LTI outcomes

| Value granted |          | Value to be settled |           |
|---------------|----------|---------------------|-----------|
| R'000         | % of TGP | In cash             | In shares |
| 4 188         | 24.8     | —                   | 4 188     |

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



**Anton de Bruyn**  
Chief Financial Officer

### Total remuneration

| (R'000)              | 2020         | 2019         | Change %   |
|----------------------|--------------|--------------|------------|
| Guaranteed package   | 4 352        | 3 617        | 20.3       |
| Salary               | 3 758        | 3 123        | 20.3       |
| Benefits             | 249          | 207          | 20.3       |
| Other                | 345          | 287          | 20.3       |
| Short-term incentive | 2 018        | 1 161        | 73.8       |
| Long-term incentive  | 892          | 1 960        | (54.5)     |
| <b>Total</b>         | <b>7 262</b> | <b>6 738</b> | <b>7.8</b> |

### Other remuneration, including unvested awards

| Date of grant  | 24 October 2017   | 30 October 2018   | 30 October 2019   | 5 September 2019 |
|--|-------------------|-------------------|-------------------|------------------|
| Number of instruments awarded                              | 6 983             | 6 871             | 13 990            | 23 579           |
| Price on grant (if shares) (R)                             | 208.08            | 176.72            | 132.39            | 115.50           |
| Total fair value on grant (R)                              | 1 403 209         | 1 077 508         | 1 357 902         | 1 881 036        |
| Settlement method  | Shares            | Shares            | Shares            | Shares           |
| Final vesting date   | 30 September 2020 | 30 September 2023 | 30 September 2024 | 5 September 2022 |
| Number of instruments vested                               | 4 654             | —                 | —                 | —                |
| Number of instruments settled in year                      | 2 327             | —                 | —                 | —                |
| Cash value of instruments settled in year <sup>1</sup> (R) | 297 565           | —                 | —                 | —                |
| Closing number of unvested instruments                     | 2 329             | 6 871             | 13 990            | 23 579           |
| Indicative fair value of unvested instruments (R)          | 225 016           | 399 002           | 541 604           | 535 511          |

### STI outcomes

| STI earning potential (% of total guaranteed pay) |           | Actual STI for 2020 |          |
|---|-----------|---------------------|----------|
| Minimum   | On target | R'000               | % of TGP |
| Nil   | 53.5      | 2 018               | 46.4     |

### LTI outcomes

| Value granted |          | Value to be settled |           |
|---------------|----------|---------------------|-----------|
| R'000         | % of TGP | In cash             | In shares |
| 892           | 20.5     | —                   | 892       |

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

## Remuneration report (continued)



**Ram Harisunker**  
Divisional Manager

## Total remuneration

| (R'000)              | 2020         | 2019         | Change %    |
|----------------------|--------------|--------------|-------------|
| Guaranteed package   | 4 542        | 4 322        | 5.0         |
| Salary               | 4 033        | 3 794        | 6.3         |
| Benefits             | —            | —            | —           |
| Other                | 509          | 528          | (3.6)       |
| Short-term incentive | 2 083        | 1 402        | 48.6        |
| Long-term incentive  | —            | —            | —           |
| <b>Total</b>         | <b>6 625</b> | <b>5 724</b> | <b>15.7</b> |

## STI outcomes

| STI earning potential (% of total guaranteed pay) |           | Actual STI for 2020 |          |
|---|-----------|---------------------|----------|
| Minimum   | On target | R'000               | % of TGP |
| Nil   | 50.9      | 2 083               | 45.9     |

## LTI outcomes

| Value granted |          | Value to be settled |           |
|---------------|----------|---------------------|-----------|
| R'000         | % of TGP | In cash             | In shares |
| —             | —        | —                   | —         |

## Non-executive Director remuneration and composition

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

| Name   | Independent    | Membership/role  | Total fees paid R |
|--|----------------|--|-------------------|
| <b>Christo Wiese</b>   | No             | Board Chairperson  | 1 209 000         |
|  |                | Chair, Nominations Committee   | 193 000           |
|  |                | Member, Remuneration Committee   | 92 000            |
|  |                | <b>Total</b>   | <b>1 494 000</b>  |
| <b>Johan Basson</b>  | Yes            | Director   | 445 000           |
|  |                | Chair, Audit and Risk Committee  | 316 000           |
|  |                | Additional fee: payment for additional services rendered as Director (per special resolution approved at the 2019 AGM) | 250 000           |
|  |                | <b>Total</b>   | <b>1 011 000</b>  |
| <b>Anna Mokgokong</b>  | Yes            | Director   | 445 000           |
|  |                | Chair, Social and Ethics Committee   | 176 917           |
|  |                | Member, Nominations Committee  | 92 000            |
|  |                | <b>Total</b>   | <b>721 583</b>    |
| <b>Joseph Rock</b>   | Yes            | Director   | 445 000           |
|  |                | Member, Remuneration Committee   | 38 333            |
|  |                | Member, Audit and Risk Committee   | 160 000           |
|  |                | <b>Total</b>   | <b>643 333</b>    |
| <b>Alice le Roux</b>   | Yes            | Director   | 407 917           |
|  |                | Member, Audit and Risk Committee   | 146 667           |
|  |                | <b>Total</b>   | <b>554 583</b>    |
| <b>Edward Kieswetter</b><br>(resigned on 30 April 2019, effective from 6 May 2019) | N/A            | Lead Independent Director  | 320 500           |
|  |                | Chair, Remuneration Committee  | 96 500            |
|  |                | Member, Nominations Committee  | 46 000            |
|  |                | Additional fee: payment for additional services rendered as Director (per special resolution approved at the 2019 AGM) | 250 000           |
| <b>Total</b>   | <b>713 000</b> |  |                   |
| <b>Jimmy Fouché</b><br>(retired on 27 February 2019)                               | N/A            | Director   | 296 667           |
|  |                | Member, Audit and Risk Committee   | 106 667           |
|  |                | <b>Total</b>   | <b>403 333</b>    |
| <b>Shirley Zinn</b><br>(appointed on 9 May 2019)                                   | N/A            | Director   | 222 500           |
|  |                | Lead Independent Director  | 320 500           |
|  |                | Chair, Remuneration Committee (Appointed Chair on 9 May 2019)  | 96 500            |
|  |                | Member, Remuneration Committee (Member from 30 November 2018 to 8 May 2019)  | 46 000            |
|  |                | Member, Nominations Committee  | 84 333            |
|  |                | <b>Total</b>   | <b>854 167</b>    |



## Shareholder information

**“The Board advocates strong ethics standards as the foundation for leadership accountability within the Group.”**



## Shareholders analysis

Shoprite Holdings Ltd as at 28 June 2020

| Shareholder spread       | No. of Shareholdings | %             | No. of shares      | %             |
|--------------------------|----------------------|---------------|--------------------|---------------|
| 1-1 000 shares           | 41 668               | 84.11         | 10 422 329         | 1.76          |
| 1 001-10 000 shares      | 6 386                | 12.89         | 17 070 627         | 2.89          |
| 10 001-100 000 shares    | 1 073                | 2.17          | 35 850 419         | 6.06          |
| 100 001-1 000 000 shares | 337                  | 0.68          | 105 832 975        | 17.90         |
| Over 1 000 001 shares    | 76                   | 0.15          | 422 162 152        | 71.39         |
| <b>Totals</b>            | <b>49 540</b>        | <b>100.00</b> | <b>591 338 502</b> | <b>100.00</b> |

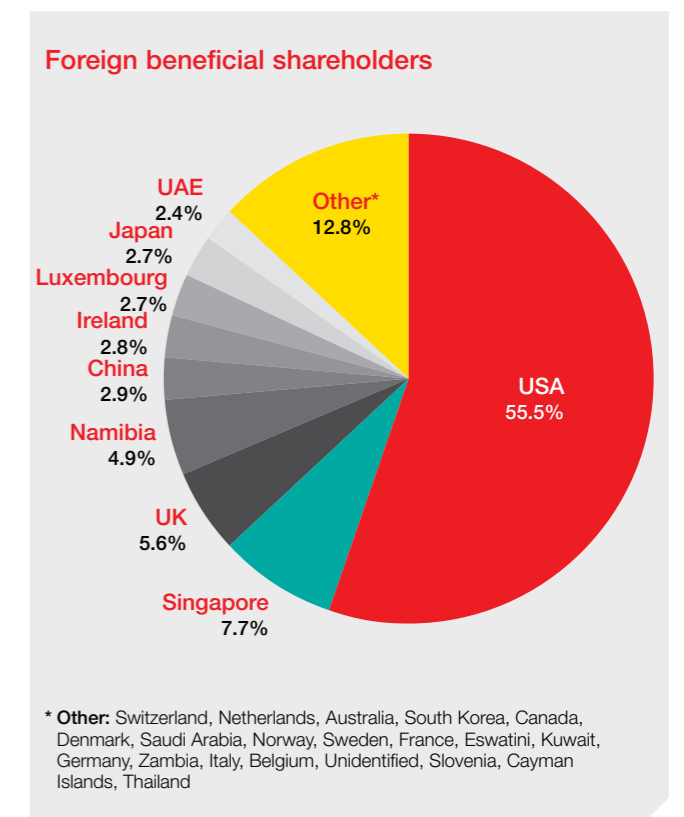
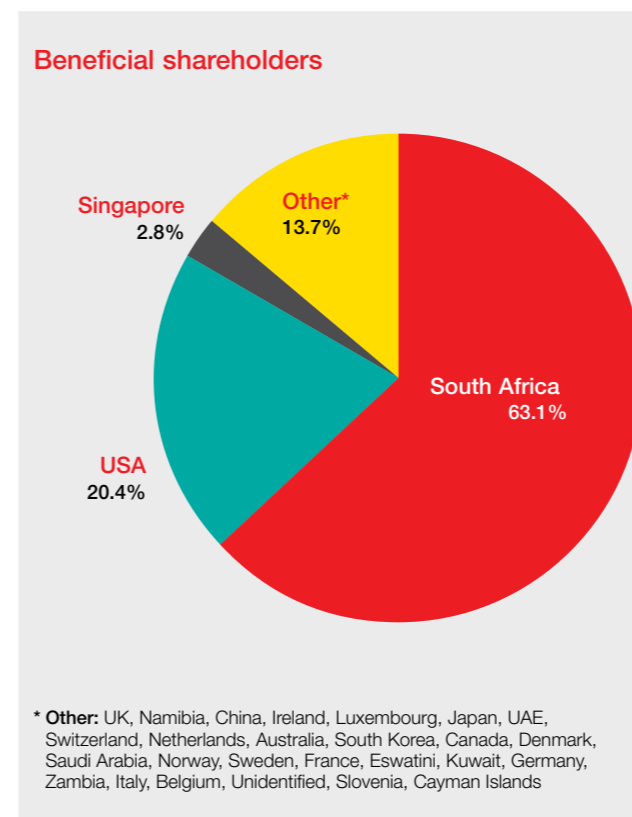
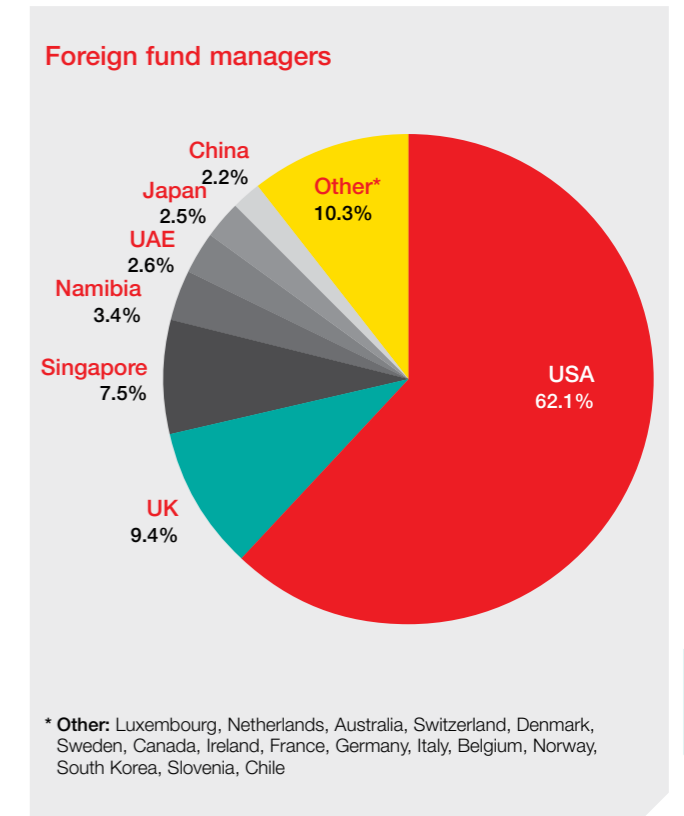
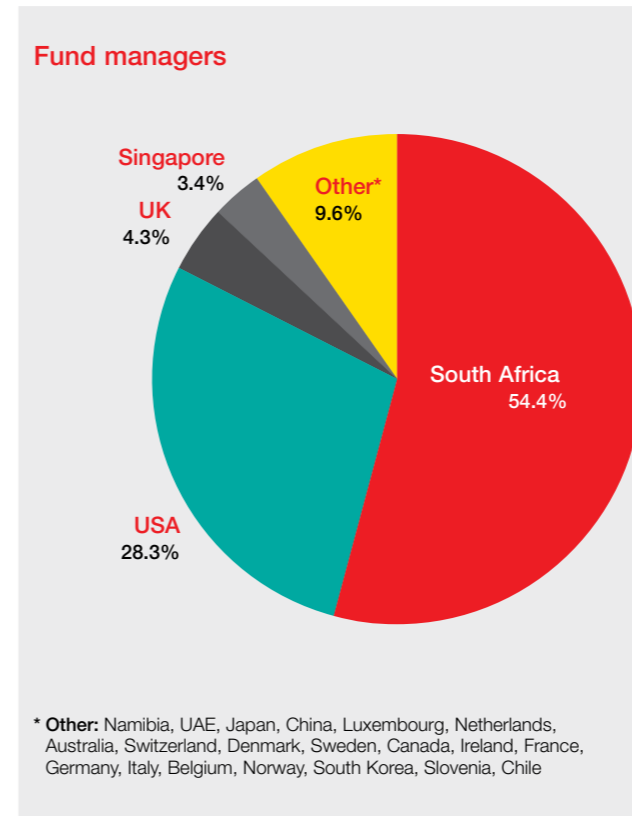
| Distribution of shareholders | No. of Shareholdings | %             | No. of shares      | %             |
|------------------------------|----------------------|---------------|--------------------|---------------|
| Banks/brokers                | 274                  | 0.55          | 184 069 812        | 31.13         |
| Close corporations           | 312                  | 0.63          | 1 084 339          | 0.19          |
| Endowment funds              | 277                  | 0.56          | 2 714 037          | 0.46          |
| Individuals                  | 40 215               | 81.18         | 24 207 728         | 4.10          |
| Insurance companies          | 214                  | 0.43          | 28 462 016         | 4.81          |
| Investment companies         | 11                   | 0.02          | 3 555 926          | 0.60          |
| Medical schemes              | 43                   | 0.09          | 798 255            | 0.13          |
| Mutual funds                 | 544                  | 1.10          | 74 905 834         | 12.67         |
| Other corporations           | 250                  | 0.50          | 3 312 886          | 0.56          |
| Private companies            | 1 099                | 2.22          | 73 792 618         | 12.48         |
| Public companies             | 15                   | 0.03          | 190 514            | 0.03          |
| Retirement funds             | 650                  | 1.31          | 135 589 075        | 22.93         |
| Sovereign wealth funds       | 13                   | 0.03          | 9 657 401          | 1.63          |
| Treasury shares              | 4                    | 0.01          | 35 436 572         | 5.99          |
| Trusts                       | 5 619                | 11.34         | 13 561 489         | 2.29          |
| <b>Totals</b>                | <b>49 540</b>        | <b>100.00</b> | <b>591 338 502</b> | <b>100.00</b> |

| Public/non-public shareholders   | No. of Shareholdings | %             | No. of shares      | %             |
|--|----------------------|---------------|--------------------|---------------|
| <b>Non-public shareholders</b>   | <b>27</b>            | <b>0.05</b>   | <b>164 444 384</b> | <b>27.81</b>  |
| Directors of the company   | 21                   | 0.04          | 64 401 742         | 10.89         |
| Shares held for benefit of participants to equity settled share based payments arrangements* | 1                    | 0.00          | 2 973 209          | 0.50          |
| Strategic holding more than 10%  | 1                    | 0.00          | 61 632 861         | 10.43         |
| Treasury shares  | 4                    | 0.01          | 35 436 572         | 5.99          |
| <b>Public shareholders</b>   | <b>49 513</b>        | <b>99.95</b>  | <b>426 894 118</b> | <b>72.19</b>  |
| <b>Totals</b>  | <b>49 540</b>        | <b>100.00</b> | <b>591 338 502</b> | <b>100.00</b> |

\* Excludes shares held by Directors in Shoprite Holdings Ltd Executive Share Plan.

| Beneficial shareholders holding 1% or more    | No. of shares      | %            |
|---|--------------------|--------------|
| Government Employees Pension Fund             | 84 556 613         | 14.30        |
| Wiese, CH                                     | 63 110 920         | 10.67        |
| Shoprite Checkers (Pty) Ltd                   | 35 436 572         | 5.99         |
| T. Rowe Price                                 | 27 138 444         | 4.59         |
| Coronation Fund Managers                      | 26 765 159         | 4.53         |
| Old Mutual                                    | 26 397 879         | 4.46         |
| Vanguard                                      | 17 920 369         | 3.03         |
| GIC Private Limited                           | 12 887 161         | 2.18         |
| BlackRock                                     | 10 496 616         | 1.78         |
| Le Roux, JF                                   | 9 031 737          | 1.53         |
| Lazard  | 8 786 500          | 1.49         |
| Sanlam  | 8 727 819          | 1.48         |
| Namibian Government Institutions Pension Fund | 6 320 441          | 1.07         |
| People's Bank of China                        | 6 024 577          | 1.02         |
| Eskom Pension and Provident Fund              | 5 987 734          | 1.01         |
| <b>Totals</b>                                 | <b>349 588 541</b> | <b>59.13</b> |

## Shareholders' country classification





## Notice to Shoprite Holdings shareholders: Annual General Meeting (“AGM”)

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

#### Impact of COVID-19 on the AGM

As a consequence of the impact of the COVID-19 pandemic, limitations are placed on public gatherings under the Disaster Management Act, 57 of 2002. As a socially responsible corporate citizen, Shoprite Holdings will conduct the AGM entirely by way of electronic participation, in accordance with the provisions of section 63(2) of the Companies Act and the Listing Requirements of the JSE as read with the Company's Memorandum of Incorporation.

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

### 2. Definitions

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

|  |   |
|--|---|
| <b>Annual General Meeting of Shoprite Holdings Shareholders or AGM</b> | The Annual General Meeting of Shoprite Holdings Shareholders to be held on Monday, 16 November 2020 at 9.15 am (South African time) by way of electronic participation, to consider and, if deemed appropriate, approve the ordinary and special resolutions as set out in the notice of AGM.                                 |
| <b>Board or Directors</b>  | The Directors of Shoprite Holdings.   |
| <b>Business day</b>  | A day other than a Saturday, Sunday or official public holiday in South Africa.   |
| <b>Certificated share(s)</b>   | Shoprite Holdings share(s) represented by a share certificate(s) or other physical document(s) of title, which have not been surrendered for dematerialisation in terms of the requirements of Strate.  |
| <b>Companies Act</b>   | The South African Companies Act, 71 of 2008, as amended.  |
| <b>Companies Regulations</b>   | The Companies Regulations, 2011 in terms of the Companies Act, to regulate matters relating to companies.   |
| <b>CSDP</b>  | A participant as defined in section 1 of the Financial Markets Act, No 19 of 2012 – as amended from time to time – authorised by a licensed central securities depository as a participant in that central securities depository in terms of the depository rules as contemplated in section 31 of the Financial Markets Act. |

|  |   |
|--|---|
| <b>Deferred share</b>  | A deferred share as defined in the MOI.   |
| <b>Dematerialised Shareholder(s)</b>   | Shoprite Holdings Shareholder(s) who have dematerialised their Shoprite Holdings share(s) through a CSDP and have instructed the CSDP to hold their Shoprite Holdings share(s) on the sub-register maintained by the CSDP and forming part of the Shoprite Holdings Share register. |
| <b>Dematerialised share(s)</b>   | Shoprite Holdings share(s) that have been dematerialised through a CSDP or broker and are held on the sub-register of Shareholders administered by CSDPs in electronic form.  |
| <b>Dematerialised ordinary shares</b>  | Ordinary share(s) that have been dematerialised through a CSDP or broker and are held on the sub-register of Shareholders administered by CSDPs in electronic form.   |
| <b>Group</b>   | The Company and all its subsidiaries.   |
| <b>Integrated Annual Report</b>  | The Integrated Annual Report referred to in clause 5 below.   |
| <b>JSE</b>   | JSE Limited (Registration number 2005/022939/06), a public company registered and incorporated in South Africa and licensed under the Financial Markets Act, 19 of 2012, as amended, to operate as an exchange.   |
| <b>MOI or Memorandum of Incorporation</b>  | The Memorandum of Incorporation of Shoprite Holdings.   |
| <b>Notice of Annual General Meeting of Shoprite Holdings Shareholders or Notice of AGM or Notice</b> | This notice convening the Annual General Meeting of Shoprite Holdings Shareholders.   |
| <b>Ordinary shares</b>   | Ordinary shares having no par value issued by the Company.  |
| <b>Ordinary Shareholders</b>   | The holders of ordinary shares.   |
| <b>Shareholder(s) or Shoprite Holdings Shareholder(s)</b>  | Registered holder(s) of Shoprite Holdings shares.   |
| <b>Shoprite Holdings shares</b>  | Issued ordinary shares and deferred shares.   |
| <b>Special resolution(s)</b>   | A special resolution as defined in the Companies Act.   |
| <b>Strate</b>  | Strate (Proprietary) Limited (Registration number 1998/022242/06), a private company registered and incorporated in South Africa, and the electronic settlement system for transactions that take place on the JSE and off-market transactions.                                     |
| <b>Transfer Secretaries or Computershare</b>   | Computershare Investor Services (Proprietary) Limited (Registration number 2004/003647/07), a private company registered and incorporated in South Africa and the Transfer Secretaries of Shoprite Holdings.  |

### 3. Electronic participation

- 3.1 Shoprite Holdings has retained the services of the Transfer Secretaries – being Computershare – to host the AGM on an interactive platform, in order to facilitate electronic participation and voting by Shareholders. The online Shareholder Meeting Guide contains detailed information in this regard and is attached to this notice.
- 3.2 Any Shareholder (or a representative or proxy for a Shareholder) who wishes to participate in and/or vote at the AGM by way of electronic participation, must either:
- register online using the online registration portal at [www.smartagm.co.za](http://www.smartagm.co.za), prior to the commencement of the AGM; or
  - contact Computershare by sending an email to [proxy@computershare.co.za](mailto:proxy@computershare.co.za) by no later than 12:00 on Thursday, 12 November 2020, in order for the Transfer Secretaries to arrange such participation for the Shareholder and for the Transfer Secretaries to provide the Shareholder with the details as to how to access the AGM by means of electronic participation. Shareholders may still register/apply to participate in and/or vote electronically at the AGM after this date; provided, however, that those Shareholders are verified (as required in terms of section 63(1) of the Companies Act) and are registered at the commencement of the AGM).

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

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

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

### 4. Who may attend and vote?

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

recommended the **form of proxy** (📄) is returned to the Company Secretary or Transfer Secretaries at their addresses set out below to be received not later than 9:15 (South African time) on Friday, 13 November 2020. However, Shareholders are entitled to deliver voting proxies to the Chairman of the AGM at any time prior to the vote. A proxy need not be a Shareholder of the Company.

- 4.2 Forms of proxy to be delivered to one of these addresses:  
**South African Transfer Secretaries**  
Computershare Investor Services (Pty) Ltd  
Rosebank Towers, 15 Biermann Avenue, Rosebank,  
2196 South Africa  
Private Bag X9000, Saxonwold, 2132  
Facsimile: +27 (0)11 688 5248  
E-mail: [proxy@computershare.co.za](mailto:proxy@computershare.co.za)

#### The Company Secretary

Cnr William Dabbs Street and Old Paarl Road  
PO Box 215, Brackenfell, 7560 South Africa  
Email: [cosec@shoprite.co.za](mailto:cosec@shoprite.co.za)

- 4.3 If you are a beneficial Shareholder, but not a registered Shareholder as at the record date and:
- wish to participate in the AGM, you must obtain the necessary letter of representation from your CSDP or broker to represent the registered Shareholder; or
  - do not wish to attend the AGM but would like your vote to be recorded at the AGM, you should contact your CSDP or broker and furnish them with your voting instructions;
  - you must not complete the attached **form of proxy** (📄).
- 4.4 In terms of section 63(1) of the Companies Act, any person participating in the AGM must present reasonably satisfactory identification and the person presiding at the AGM must be reasonably satisfied that the right of any person to participate in and vote (whether as a Shareholder or as a representative or proxy for a Shareholder) has been reasonably verified. Shareholders of the Company who wish to participate in the AGM electronically should provide such identification when making application to so participate.
- 4.5 The record date for purposes of determining which Shareholders are entitled to receive this notice is determined in terms of section 59(1)(a) of the Companies Act being Friday, 9 October 2020. The notice will be distributed to Shareholders on Friday, 16 October 2020.
- 4.6 The date on which Shareholders must be recorded as such in the register maintained by the Transfer Secretaries of the Company for purposes of being entitled to attend and vote at the AGM is determined in terms of section 59(1)(b) of the Companies Act being Friday, 6 November 2020 (voting record date). The last day to trade for purposes of being entitled to attend and vote at this AGM being Tuesday, 3 November 2020.
- 4.7 Votes at the AGM on all resolutions will be conducted by way of a poll. Every Shareholder present or represented by proxy shall have one (1) vote for every Shoprite Holdings Share held in the Company.
- 4.8 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.

## Notice to Shoprite Holdings shareholders: Annual General Meeting (“AGM”) (continued)

### 5. Integrated Annual Report

A copy of the Company’s Integrated Annual Report for the year ended 28 June 2020 and the reports of the Directors and independent auditors are delivered herewith.

### 6. Purpose of the AGM

The purpose of the AGM is to:

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

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

#### 7.1 Ordinary resolution number 1: Annual financial statements

“Resolved that the summarised annual financial statements of the Company and the Group for the year ended 28 June 2020, including the reports of the Directors and independent auditors be and are hereby approved.”

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

#### 7.2 Ordinary resolution number 2: Re-appointment of auditors

“Resolved that PricewaterhouseCoopers Inc. (PwC) be re-elected as the 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 28 June 2020) as recommended by the Company’s Audit and Risk Committee.”

For ordinary resolution number 2 to be approved by Shareholders, it must be supported by more than 50% of the voting rights exercised on the resolution by Shareholders present or represented by proxy at this meeting.

#### 7.3 Ordinary resolution number 3: Re-election of Ms W Lucas-Bull

“Resolved that Ms W Lucas-Bull, who is required to retire as a Director of the Company at this AGM and who is eligible and available for re-election, is hereby reappointed as Director with immediate effect.”

Age: 67  
First Appointed: 2020  
Educational qualifications: BSc  
Directorships: Chairperson of Absa Group Limited and Absa Financial Services Limited

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

#### 7.4 Ordinary resolution number 4: Re-Election of Dr ATM Mokgokong

“Resolved that Dr ATM Mokgokong, who is required to retire as a Director of the Company at this AGM and who is eligible and available for re-election, is hereby reappointed as Director with immediate effect.”

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

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

#### 7.5 Ordinary resolution number 5: Re-Election of Mr JF Basson

“Resolved that Mr JF Basson, who is required to retire as a Director of the Company at this AGM and who is eligible and available for re-election, is hereby reappointed as Director with immediate effect.”

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

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

#### 7.6 Ordinary resolution number 6: Re-Election of Mr 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: 51  
First appointed: 2012  
Educational qualifications: BA Hons MA ACA AMP (Insead) CA(SA)  
Other Directorships: None

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

#### 7.7 Ordinary resolution number 7: Appointment of Mr JF Basson as Chairperson and member of the Shoprite Holdings Audit and Risk Committee

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

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

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

#### 7.8 Ordinary resolution number 8: Appointment of Ms AM Le Roux as member of the Shoprite Holdings Audit and Risk Committee

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

Age: 46  
First appointed to Audit and Risk Committee: 2019  
Educational qualifications: BCompt Hons CA(SA)  
Other Directorships: Alice le Roux Inc. and Afrocentric Investment Corporation Ltd

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

#### 7.9 Ordinary resolution number 9: Appointment of Mr JA Rock as member of the Shoprite Holdings Audit and Risk Committee

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

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

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

#### 7.10 Ordinary resolution number 10: General authority over unissued ordinary shares

“Resolved that 30 million (approximately 5% of the issued ordinary shares which includes treasury shares) of the authorised but unissued ordinary shares in the capital of the Company be and are hereby placed under the control and authority of the Directors of the Company until the next Annual General Meeting and that the Directors of the Company be and are hereby authorised and empowered to – without first offering those shares to Shareholders pro rata to their shareholding – allot, issue and otherwise dispose of such ordinary shares or ordinary shares having no par value to a person or persons on such terms and conditions and, at such times as the Directors of the Company may from time to time and at their discretion deem fit, subject to the provisions and requirements of the Companies Act, the MOI of the Company and JSE Listing Requirements and any other exchange on which the ordinary shares of the Company may be quoted or listed from time to time, when applicable.”

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.

#### 7.11 Ordinary resolution number 11: General authority to issue ordinary 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 ordinary shares in the capital of the Company, for cash, as and when they in their discretion deem fit, subject to the provisions and requirements of the Companies Act, the MOI of the Company, the JSE Listing Requirements and any other exchange on which the 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 be made only to “public Shareholders” as defined in the JSE Listing Requirements and not related parties, unless the JSE otherwise agrees, but may be made to such “public Shareholders” and in such quantities that the Directors in their discretion may deem fit;
- the number of ordinary shares issued for cash shall not in the aggregate in any one (1) financial year, exceed 5% (five percent) of the Company’s issued ordinary shares, being 27 719 870 ordinary shares (excluding 36 941 101 treasury shares). The number of ordinary shares which may be issued shall be based on the number of ordinary shares in issue at the date of this notice of AGM, less any ordinary shares issued in terms of this authority by the Company during the current financial year;
- in the event of a subdivision or consolidation of issued ordinary shares, during the period of this authority, the authority will be adjusted accordingly to represent the same allocation ratio;
- this authority be valid until the Company’s next Annual General Meeting, provided that it does not extend beyond 15 (fifteen) months from the date that this authority is given;

## Notice to Shoprite Holdings shareholders: Annual General Meeting (“AGM”) (continued)

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

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

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

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

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

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

“Resolved that, through separate non-binding advisory votes, the Company’s:

- 7.13.1 remuneration policy (excluding the remuneration of the Non-executive Directors and members of Board committees for their services as Directors) as set out in the remuneration report in the Integrated Annual Report from pages 80 to 85 is approved; and
- 7.13.2 implementation report as set out in the remuneration report in the Integrated Annual Report from pages 85 to 89 is approved.”

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

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

“Resolved by separate special resolutions in terms of section 66(9) of the Companies Act, that the annual remuneration of the Non-executive Directors for 12 months from 1 November 2019 – 31 October 2020 be approved as follows:

| Shoprite Holdings Board and committee fees | 2020       | 2019       |
|--|------------|------------|
| <b>Board</b>                               |            |            |
| Chairperson of the Board                   | R1 535 000 | R1 209 000 |
| Lead Independent Director                  | R1 065 000 | R641 000   |
| Non-executive Director                     | R470 000   | R445 000   |
| <b>Audit and Risk Committee</b>            |            |            |
| Chairperson                                | R334 000   | R316 000   |
| Member                                     | R169 000   | R160 000   |
| <b>Remuneration Committee</b>              |            |            |
| Chairperson                                | R203 500   | R193 000   |
| Member                                     | R97 000    | R92 000    |
| <b>Nomination Committee</b>                |            |            |
| Chairperson                                | R203 500   | R193 000   |
| Member                                     | R97 000    | R92 000    |
| <b>Social and Ethics Committee</b>         |            |            |
| Chairperson                                | R203 500   | R193 000   |
| Member                                     | R97 000    | R92 000    |

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 2020.

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

Resolved as a special resolution in terms of section 45(3)(a)(ii) of the Companies Act – subject to compliance with the requirements of the Company’s MOI and the JSE Listing Requirements as presently constituted and amended from time to time as a general approval – that the Board be authorised during a period of two (2) years from the date of this special resolution to authorise the Company to provide direct or indirect financial assistance to any related or inter-related company or corporation (“any related or inter-related company or corporation” has herein the same meaning as in section 45 of

the Companies Act and which meaning includes all the subsidiaries of the Company) to the Company, in any form, including one or more of the following forms:

- loan to,
- the provision of credit to or the deferment of any payment due by,
- guarantee of any obligation of,
- suretyship in respect 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 company or corporation which the Board may deem fit on the terms and conditions and for amounts that the Board may determine.

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

#### Reason for and effect of special resolution number 2

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

Notice to 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 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 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.

### 7.16 Special resolution number 3: General authority to repurchase shares

“Resolved as a special resolution that the Company and/or any subsidiary of the Company be and are hereby authorised by way of a general authority to acquire the issued ordinary shares of the Company upon such terms and conditions and in such amounts as the Directors 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 Listing Requirements and any other exchange on which the shares of the Company may be quoted or listed from time to time, where applicable, and provided that:

- the repurchase of 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 15 (fifteen) months from the date of passing of this special resolution;
- in determining the price at which the Company’s ordinary shares are acquired by the Company or its subsidiaries in terms of this general authority, the maximum premium at which such ordinary shares may be acquired will be 10% (ten percent) of the weighted average of the market price at which such ordinary shares are traded on the JSE, as determined over the five (5) trading days immediately preceding the date of the repurchase of such ordinary shares by the Company;
- the number of ordinary shares acquired in the aggregate in any one (1) financial year do not exceed 5% (five percent) of the number of the Company’s issued ordinary shares on the date that 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 Listing 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 appoints only one agent to effect any repurchase(s) on its behalf.”

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



## Notice to Shoprite Holdings shareholders: Annual General Meeting (“AGM”) (continued)

### Statement by the Board

The Directors 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 in terms of the relevant provisions of the Companies Act and the JSE Listing 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 12 (twelve) 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 12 (twelve) 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 12 (twelve) months after the date of the notice of the AGM.

### Reason for and effect of special resolution number 3

Paragraphs 5.72(c) and 5.76 of the JSE Listing Requirements 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 4 November 2019 is due to expire, unless renewed.

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

The proposed general authority would enable the Company or any subsidiary of the Company to repurchase up to a maximum of 29 566 925 (twenty-nine million, five-hundred and sixty-six thousand, nine-hundred and twenty-five) ordinary shares of the Company, representing 5% (five percent) of the issued ordinary share capital of the Company as at 1 July 2020.

The reason for the passing of special resolution number 3 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 Listing Requirements.

### Disclosures in terms of paragraph 11.26 of the JSE Listing Requirements

The JSE Listing Requirements require the following disclosures in respect of special resolution number 3, some of which are disclosed in the Integrated Annual Report of which this notice forms part:

- Major Shareholders of the Company – page 92
- Share capital of the Company – Annual Financial Statements

### Material change

Other than the facts and developments as referred to in the Annual Financial Statements, 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 69 and 71 of the Integrated Annual 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.

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

It is resolved as a special resolution proposed by the Board in accordance with section 16(1) (c) of the Companies Act, that clauses 33.2, 33.6, 33.7.1 and 33.11 of the Memorandum of Incorporation be and is hereby amended to read as set out hereunder (additions have been highlighted in bold and deletions with strikethrough in clauses 33.2, 33.6 and 33.7.1 while the whole of clause 33.11 is replaced with the amended clause 33.11):

“33.2 Subject to clauses 33.3, 33.4 and 39, all of the Directors and any Alternate Directors shall be elected by an ordinary resolution of the Shareholders at a Shareholders Meeting. The provisions of section 68(2) of the Companies Act shall apply to the election of, provided that a Director may not be elected by written vote in accordance with clause 31. There shall be no ex officio Directors, as contemplated in section 66(4)(a)(ii) of the Companies Act, and no person, except the Board in term of clauses 33.3 or 33.4 or 39 hereunder, ~~or Shareholders in terms of clauses 33.2 or 33.3.16 hereunder,~~ shall have the right to effect the direct appointment or removal of one or more Directors as contemplated in section 66(4)(a)(i) of the Companies Act.”

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

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

- ~~33.7.1 the Directors nominate or recommend such person for election (which may take place at any time prior to the Annual General Meeting);~~
- ~~or~~
- ~~33.7.2 that person has been nominated in accordance with clause 33.11.5.2.~~

“33.11 Nomination of candidates for election

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

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

33.11.3 In this clause 33.11, the following terms will have the following meanings: “Meeting date” means the date determined by the Board as the date on which an Annual General Meeting of the Company will be held;

“Notice” means the notice in terms whereof an Annual General Meeting is convened;

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

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

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

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

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

33.11.7 None of the provisions of clause 33.11 apply to a retiring Director who is eligible for re-election in terms of clause 33.6. The Board will, in the case that such a retiring Director is willing to continue to serve as a Director, insert a resolution proposing that such a retiring Director be elected as a Director in the relevant notice.”

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

The proposed amendments have been approved by the JSE.

### Reason for and effect of special resolution number 4

The Board proposes the additional clause 33.11 to provide for a process of nomination of candidates for election as Directors that will enable the Company to include a resolution in respect of the election of candidates as well as a curriculum vitae in respect of each candidate in the notice convening the AGM at which the resolutions in respect of their election will be put to Shareholders. The present clause 33.11 provides that nomination may be made up to four days before an AGM, with the effect that Shareholders may not have sufficient information in respect of the proposed candidates to enable them to make an informed decision on the election of such candidates. The date reserved for an AGM is published at least one year in advance on the Company's website with the effect that every Shareholder who wishes to nominate a candidate for election as a Director will be able to determine before which date his nomination must be received by the Company to be inserted as a resolution in the notice convening the relevant AGM. The effect of adoption of the amendment of clause 33.11 will be that Shareholders should at an earlier date receive notice of candidates that are nominated for election as well as with relevant information in respect of them to enable Shareholders to make informed decisions. Furthermore, should a nomination be delivered late (later than 45 days prior to the date of the AGM), a resolution in respect of the election of that candidate will be included in the notice in respect of the following AGM.

The remainder of the amendments are made to clarify certain aspects:

- 33.2 – is a rectification in that clauses 33.2 refer to the election of Directors by Shareholders and not the appointment of Directors by Shareholders, while there is no clause 33.3.16 in the MOI;
- 33.6 – wording amended to clarify what is meant by a retiring Director and to replace the reference “33.7 with “33.11”;
- 33.7.1 – the amendment to align with 33.7.1 in that a nomination of a candidate by the Board must also be made 45 days prior to the date of the AGM.

The amendments to the MOI have been approved by the JSE.

## Notice to Shoprite Holdings shareholders: Annual General Meeting (“AGM”) (continued)

### 8. Documents available for inspection

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

### 9. Transaction of other business

For Shoprite Holdings Limited



**PG du Preez**  
Company Secretary

19 October 2020

#### The Company Secretary

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

#### South African Transfer Secretaries

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



## Online Annual General Meeting guide

### Attending the AGM electronically

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

If you choose to participate online, you will be able to view a live webcast of the meeting, ask the Board questions and submit your votes in real time. To do this, you must:

- Download the Lumi AGM app from the Apple App or Google Play Stores by searching for Lumi AGM.
- Visit <https://web.lumiagm.com> on your smartphone, tablet or computer. You will need the latest versions of Chrome, Safari, Internet Explorer 11, Edge or Firefox. Please ensure your browser is compatible.

**Meeting ID: 172-839-995**

To login, have your **username** and **password** ready, which you can request from  
[proxy@computershare.co.za](mailto:proxy@computershare.co.za)

### Using the AGM online facility

#### Access

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

You will then be required to enter your:  
a) Username; and  
b) Password.

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

To register as a shareholder, select 'I have a login' and enter your username and password.

If you are a visitor, select 'I am a guest'.

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

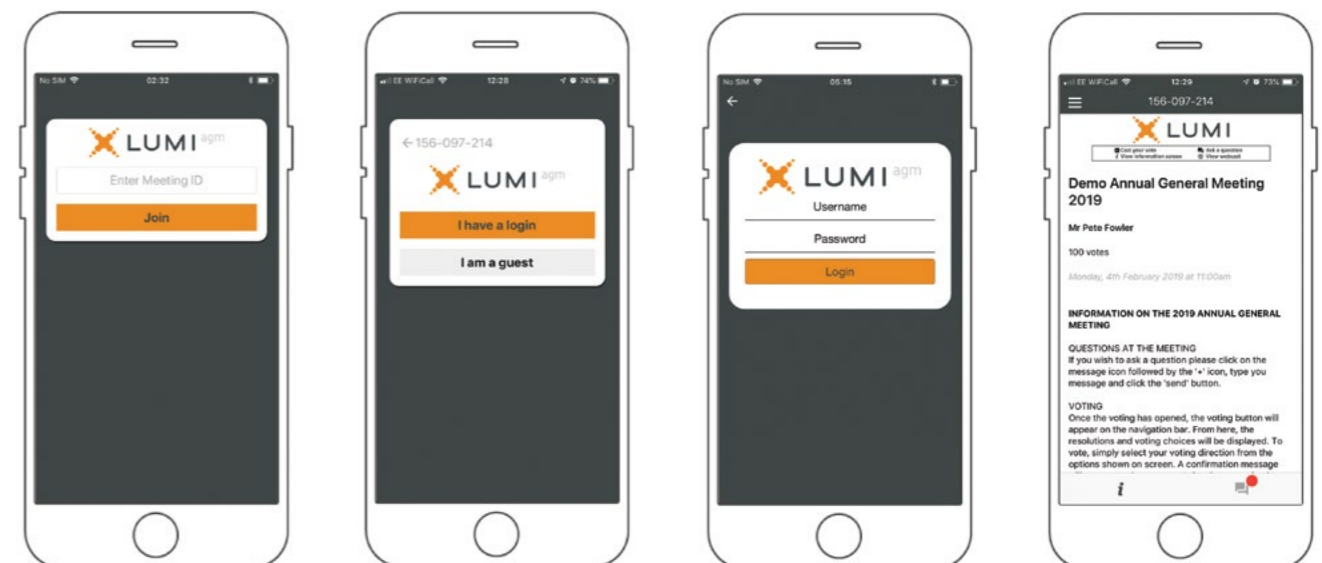
**Please note, visitors will not be able to ask questions or vote at the meeting.**

#### Navigation

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


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

If viewing on a computer, the webcast will appear to the side automatically once the meeting has started.



## Online Annual General Meeting guide (continued)

### Voting

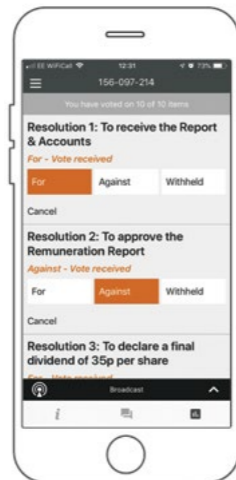
The Chairman will open voting on all resolutions at the start of the meeting. Once the voting has opened, the polling icon  will appear on the navigation bar at the bottom of the screen. From here, the resolutions and voting choices will be displayed.



To vote, select your voting direction from the options shown on screen. A confirmation message will appear to show your vote has been received.

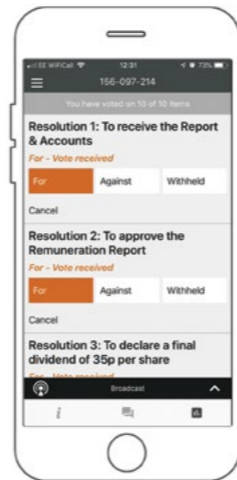
#### For – Vote received

To change your vote, simply select another direction. If you wish to cancel your vote, please press Cancel.




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

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



### Questions

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

If you would like to ask a question, select the messaging icon .

Messages can be submitted at any time during the Q&A session up until the Chairman closes the session.



Type your message within the chat box at the bottom of the messaging screen.

Once you are happy with your message, click the Send button.

Questions sent via the Lumi AGM online platform will be moderated before being sent to the Chairman. This is to avoid repetition and remove any inappropriate language.



### Downloads

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

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



## Administration

Shoprite Holdings Ltd

### Registration number

1936/007721/06

### Registered office

Cnr William Dabbs Street and Old Paarl Road Brackenfell, 7560, South Africa  
PO Box 215, Brackenfell, 7561, South Africa  
Telephone: +27 (0)21 980 4000  
Facsimile: +27 (0)21 980 4050  
Website: www.shopriteholdings.co.za

### Company Secretary

Mr PG du Preez  
Physical address: Cnr William Dabbs Street and Old Paarl Road Brackenfell, 7560, South Africa  
Postal address: PO Box 215, Brackenfell, 7561, South Africa  
Telephone: +27 (0)21 980 4284  
Facsimile: +27 (0)21 980 4468  
Email: cosec@shoprite.co.za

### Transfer secretaries

#### South Africa

Computershare Investor Services (Pty) Ltd  
Private Bag X9000, Saxonwold, 2132, South Africa  
Telephone: +27 (0)11 370 5000  
Facsimile: +27 (0)11 688 5238  
Email: web.queries@computershare.co.za  
Website: www.computershare.com

#### Namibia

Transfer Secretaries (Pty) Ltd  
PO Box 2401, Windhoek, Namibia  
Telephone: +264 (0)61 227 647  
Email: ts@nsx.com.na

#### Zambia

ShareTrack Zambia  
Spectrum House, Stand 10 Jesmondine  
Great East Road, Lusaka, Zambia  
PO Box 37283, Lusaka, Zambia  
Telephone: +260 (0)211 374 791 – 374 794  
Facsimile: +260 (0)211 374 781  
Email: sharetrack@scs.co.zm  
Website: www.sharetrackzambia.com

### Sponsors

#### South Africa

Nedbank Corporate and Investment Banking  
PO Box 1144, Johannesburg, 2000, South Africa  
Telephone: +27 (0)11 295 8525  
Facsimile: +27 (0)11 294 8525  
Email: doristh@nedbank.co.za  
Website: www.nedbank.co.za

#### Namibia

Old Mutual Investment Services (Namibia) (Pty) Ltd  
PO Box 25549, Windhoek, Namibia  
Telephone: +264 (0)61 299 3347  
Facsimile: +264 (0)61 299 2520  
Email: nam-ominvestmentservices@oldmutual.com

#### Zambia

Pangaea Securities Ltd  
1st Floor, Pangaea Office Park, Great East Road, Lusaka, Zambia  
PO Box 30163, Lusaka 10101, Zambia  
Telephone: +260 (0)211 220 707/238 709/10  
Facsimile: +260 (0)211 220 925  
Email: info@pangaea.co.zm  
Website: www.pangaea.co.zm

#### Auditors

PricewaterhouseCoopers Incorporated  
PO Box 2799, Cape Town, 8000, South Africa  
Telephone: +27 (0)21 529 2000  
Facsimile: +27 (0)21 529 3300  
Website: www.pwc.com/za

#### Bankers

Absa Bank Ltd  
Citibank N.A.  
FirstRand Ltd  
Investec Bank Ltd  
Nedbank Ltd  
The Standard Bank of South Africa Ltd  
Standard Chartered Bank PLC

## Shareholders' diary

#### June

Financial year end

#### August

Reviewed results

#### October

Payment of final ordinary dividend

Publishing of Integrated Annual Report

#### November

Annual General Meeting

#### December

End of financial half-year

#### February

Interim results

#### March

Payment of interim ordinary dividend

Please consult our website [www.shopriteholdings.co.za](http://www.shopriteholdings.co.za) for the latest published diary dates.

