



DOING BUSINESS WITH TOMORROW IN MIND

Sustainability Report 2018

Doing business with tomorrow in mind

Report on Shoprite Holdings' sustainability approach over the 2017/18 financial year running to 1 July 2018. This report is best read in conjunction with the Shoprite Holdings Integrated Report 2018.

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Most of our corporate social investment initiatives are dedicated to fighting hunger. We supported 48 food gardens and provided 3.8 million hot meals to communities in need during the year.



CEO's Foreword

As the largest retailer in Africa, our responsibilities extend beyond our immediate stakeholders – that is, our shareholders, suppliers, employees and customers – to include the communities in which we operate.

Many of these communities face serious socio-economic problems on a daily basis. We realise that we, as a Group, will only be able to make a positive impact on the economies in which we trade and society at large if we run a successful business that enables us to make a substantial contribution to the fiscus.

Our purpose is to be Africa's most accessible and affordable retailer, with creating jobs and alleviating hunger high on our list of priorities. We have an unrelenting focus on keeping our promise to deliver household goods to our customers at the most affordable prices. We repay the loyalty of our customers by helping the communities from which our people and customers come, first, by doing business in a way that supports their long-term development, and second, by dedicating resources to help them overcome their difficulties in the short to medium term. Our investment in people extends beyond job creation, extensive staff training and career development.



PIETER ENGELBRECHT
CEO, SHOPRITE HOLDINGS

We provide workplace experience, internships and bursaries to enable entry for thousands of people into the retail job market. This provides broader societal benefits in South Africa.

We also realise that our sustainability depends, in part, on our ability to reduce our reliance on natural resources while minimising our negative effects on the environment. This is a hugely complex task for any organisation, but we are making progress and will keep looking for innovative ways to tread more lightly on this planet.

This report sums up our sustainability approach and efforts made so far. In a few years' time, this report will look quite different to what it does today as we track our progress and refine our approach. The current period will see the Shoprite Group appoint a dedicated Sustainability Manager to develop a more comprehensive sustainability strategy. It's the start of an exciting and necessary path to building a better, more sustainable business. ■

Executive Summary



The Shoprite Group is the largest supermarket retailer in Africa because of its steadfast commitment to providing affordable food to the communities in which it operates.

As a responsible corporate citizen, we realise that doing business at this scale demands that we carefully manage our impacts on our people, customers, communities and the natural environment. Understanding and monitoring these impacts are the first steps towards managing them.

We believe that, due to their ability to affect our financial health, operational performance and reputation, the issues most pertinent to our business are food safety, consumer awareness and regulatory compliance, rising unemployment and water scarcity. Some of these concerns are echoed in wider national and international frameworks such as South Africa's National Development Plan, which explicitly

targets unemployment, and the Sustainable Development Goals (SDGs) of the United Nations, which aim to achieve zero hunger (Goal 2), good health and well-being (Goal 3), responsible consumption and production (Goal 12), and climate action (Goal 13). As a responsible corporate citizen, we invest in lowering our carbon emissions to mitigate climate change in line with the 2016 Paris Agreement.

This report examines our approach to, and successes in, managing these issues during the year running to 1 July 2018. The discussion is framed within a greater review of how we managed our key resources, namely, our people, customers, communities, suppliers, supply chain and natural capital.

OUR PEOPLE

Our people are key to our success. We employ 147 478 people across 15 countries and strive to give them the incentives, skills and safe environment they need to perform. During the year, we created 3 676 new jobs.

Staff engagement and morale

We run several internal programmes to celebrate and motivate our people.

The key employee incentive programmes run during the year were the Customer Care Heroes and the Super Service Awards, two initiatives that aimed to showcase and encourage excellent service, as well as TopStars, a popular team-building singing competition.

Training

Retail Varsity, our registered private further education and training college, offers 22 accredited learning programmes and more than 1 500 retail-related courses. We have also rolled out more than 2 000 e-learning kiosks across the continent to provide access to learning curricula and facilitate remote learning.

Education

We continued supporting tertiary education during the year under review. In addition to allocating more than R16 million in bursaries to 291 students across the continent in the 2017 academic year (and an anticipated R18 million in 2018), we offered workplace experience to public technical and vocational education training colleges and universities across the continent.

Transformation

We strive to create a culture of development and inclusivity, as is demonstrated through our Decade of the Deaf programme, which is nearing the target of 1 000 learners. To improve on and entrench our transformational objectives, we have formed a Broad-based Black Economic Empowerment (B-BBEE) Committee, chaired by the chief executive officer. Our 2018 B-BBEE scorecard will be available on our website once verified. We believe that transformation and inclusive growth can only be achieved by partnering with exceptional people and businesses.

We care about our customers and remain committed to making our customers' money work as hard as they do. We prevented R2.1 billion in price increases from reaching our customers and subsidised staple products at a cost of R190 million.

OUR CUSTOMERS

We care about our customers and remain committed to making their money work as hard as they do. We prevented R2.1 billion in price increases from reaching our customers and subsidised staple products at a cost of R190 million. We have always put food safety first, as shown by our immediate, effective response to a Listeriosis outbreak in South Africa during the year (see p 31). Food safety training is ongoing.



Healthier food is becoming an important focus for our customers. During the year under review, we worked with our suppliers to ensure compliance with South Africa's new sugar tax and sodium reduction regulations; widened our range of healthier food options to help people manage their weight and food intolerances; expanded the *Oh My Goodness!* range of healthier eating and snacking options for children; and started developing a new Private Label range of healthier, affordable premium products.



We are in the process of formalising a volunteer strategy and programme to guide the volunteering efforts of our large and passionate staff complement.

OUR COMMUNITIES

Our communities are home to our employees and customers and, as such, are at the core of our business. We remain committed to supporting these communities through the way we do business and our corporate social investments (CSIs), which focus on fighting hunger, empowering women and supporting vulnerable communities. In the reporting period we spent R39.6 million on CSI initiatives, including hunger relief interventions, and donated surplus food to the value of R99.5 million. We also intensified our support for food gardens during the year, increasing the number we support from 19 food gardens in the previous year to 48 gardens across all South Africa's provinces and Zambia.

Empowering women

We strive to incorporate and promote woman-owned enterprises within our supply chain to empower them to enter the economy and take leadership roles in their communities. Our CSI interventions focus on supporting women who work in early childhood development, with particular emphasis on helping them improve food security for their communities and the children in their care (see p 36).

Supporting vulnerable communities

We dedicated R22 million towards building stronger communities during the year. The diverse projects ranged from raising funds and

making donations to community organisations, to installing water meters at Cape Town schools to help them adapt to a water-scarce future. Our Disaster Relief Fund continued supporting a range of worthy causes during the year, raising R361 428 in total (see p 38). We also launched a buying card that entitles registered non-profit organisations to a 5% discount on purchases from most of our stores (see p 37).

We are in the process of formalising a volunteer strategy and programme to guide the volunteering efforts of our large and passionate staff complement.

We increased our expenditure on black-owned SMEs, black-owned suppliers and black woman-owned enterprises.



OUR SUPPLIERS

We work with 19 974 suppliers across 47 countries. In this reporting period, we scaled up our efforts to facilitate access to the market for small and medium-sized enterprises (SMEs).

Compliance

Currently 6.95% of the products we sell in each country outside of South Africa are directly imported from abroad and 15.72% from South Africa. We require international transportation suppliers to provide their environmental policy and a calculation of their carbon footprint with their tender. In 2018, we successfully updated our accreditation for import and export handling standards from ISO 9001 to ISO 9001:2015.

SME transformation and development

We increased our expenditure on black-owned SMEs, black-owned suppliers and black woman-owned enterprises during the year under review (see p 39).

Supply chain management

We use a centralised distribution model with more than 629 000 square metres of space in 27 distribution centres. The Cilmor Distribution Centre in Brackenfell, Cape Town, became operational during the reporting period. Cilmor includes large ambient, frozen and chilled sections and has been put forward to the Green Building Council of South Africa for Green Star accreditation.

Our logistics fleet comprises 801 trucks and 1 147 trailers working day and night. The fleet travelled more than 70 million kilometres in the reporting period, making increasing use of reverse logistics to backhaul, for example, packaging from our stores back to distribution centres for recycling.



NATURAL CAPITAL

Climate change

We have reported on our carbon emissions since 2011 and continue to invest in energy-efficient and renewable energy alternatives where feasible. See p 49 for more detail on our initiatives in this regard.

Water

We submitted our first water usage report to the CDP (formerly the Carbon Disclosure Project) in August 2018. This report outlines the significant investments we have made to reduce water use throughout our operations, particularly in drought-stricken regions such as the Western Cape. Page 44 carries a detailed discussion on our response. We will continue adapting our business to meet the challenge of potential water shortages and cuts.

Waste management

During the year, we continued actively exploring additional ways to minimise waste going to landfills from our operations. We are aligning ourselves with the Industry Waste Management Plans for various waste streams (to be approved by the Minister of Environmental Affairs) to minimise waste going to landfills.

Biodiversity

Our partnership with the South African Sustainable Seafood Initiative (SASSI) was finalised in the reporting period, introducing sustainability criteria into our procurement of fish products. This partnership will see us work with suppliers to ensure alignment with SASSI's sustainable fishing principles (see p 51).



We will continue adapting our business to meet the challenge of potential water shortages and cuts.

CONCLUSION

Helping our communities overcome their challenges and develop, and upholding our responsibilities to our internal and external stakeholders, and our environment, will ensure the sustainability of our business. With this in mind, we will continue doing business responsibly and seeking innovative ways to scale up our positive effects on our people, our suppliers and our communities.

To help us better manage our sustainability journey in 2019 and beyond, we will develop a sustainability strategy that harnesses our resources more effectively and design a monitoring and evaluation framework that captures the impact of our work. ■



Sustainability Highlights

Our people

Trained **155 661** people 

Invested **3 458 139** training hours

Conducted **1 505 208** successful training interventions

Rolled out an **e-learning platform** across the continent to facilitate remote training

Our customers

Inspected and audited our stores for food safety compliance **every three months**

Tested about **4 800** random products from our shelves and supply chain for **food safety**



Prevented **R2.1 billion** in price increases

Natural capital


Submitted our **first water usage report** to the GDP

Invested **R27.5 million** in water storage tanks and water-booster pumps for 127 stores

Installed **349** water meters (44 at our stores and 305 at schools in the Western Cape)

Recycled or repurposed **30 084 tons** of cardboard, plastic and white paper 



Subscribed to the South African Sustainable Seafood Initiative and trained **3 971 store employees** in our new sustainable fishing policy 

Our communities

Provided employment for **147 478 people** and created **3 676** new jobs

Trained **4 040 black youth** through our Retail Readiness Programme

Invested **R39.6 million** in corporate social investment projects and programmes



Donated **R99.5 million** in surplus food

Served more than **3.8 million meals** to communities in need

Grew the number of food gardens supported from 19 in 2016/17 to **48 gardens** in 2017/18 

Trained **551** community members to grow food gardens

Provided **126 379** nutritious meals to early childhood development centres 

Trained **25** early childhood development practitioners, benefiting **809** children in five provinces.

Our suppliers

Took on **664** new suppliers

Directed **4.7%** of supplier spend to black woman-owned businesses

About this Report

This is the Shoprite Group's fourth stand-alone sustainability report. It marks an intensification of our journey to understand our effects on the social and environmental systems in which we operate and identify ways to deepen our positive contribution to these systems.

As the largest supermarket retailer in Africa and the largest private-sector employer in South Africa, we realise the need to understand and manage our impact on the people we employ, our customers, the communities in which we operate and our natural environment. In the past year, we have renewed our commitment to being a company with heart. In a time of economic, social and environmental uncertainty, we are intensifying our efforts to empower employees, uplift our communities and manage our effect on the environment. We are doing so to demonstrate that we are a responsible corporate citizen and to build our sustainability and resilience as a business.

This report aims to capture the sustainability work we have done to date, formally recognise the national and international frameworks with which our sustainability interventions are aligned, and outline the structures being put in place to guide our sustainability path going forward. It aligns with the principles of the King IV Code of Corporate Governance and was reviewed by the Social and Ethics Committee. The Audit and Risk Committee approved the report in August 2018.

This report can be read in conjunction with the Shoprite Holdings Integrated Report 2018 for a more comprehensive overview of our business, strategies and financial performance. ■



We realise the need to understand and manage our impact on the people we employ, our customers, the communities in which we operate and our natural environment. In the past year, we have renewed our commitment to being a company with heart.

About Us



Our focus is on food, but we also sell household products, furniture and pharmaceuticals, and offer a range of financial services. Our customers live in various countries and come from all income brackets.

WHO WE ARE

Shoprite Holdings Ltd is an investment holding company. Our combined subsidiaries constitute the largest fast-moving consumer goods retail operation in Africa. Our focus is on food, but we also sell household products, furniture and pharmaceuticals, and offer a range of financial services. Our customers live in various countries and come from all income brackets.

Our Home Office is in Cape Town. While most of our stores are in South Africa, our footprint extends across the continent, with outlets under various brands in Angola, Botswana, the Democratic Republic of the Congo, Ghana,

Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Nigeria, Swaziland, Uganda and Zambia. We will open in Kenya by December 2018.

As at 30 June 2018, we comprised the following brands: Shoprite, Checkers, Checkers Hyper, OK Franchise, OK Furniture, House & Home, Usave, Shoprite LiquorShop, Checkers LiquorShop, Computicket, Computicket Travel, MediRite Pharmacy, Transpharm, Freshmark, Checkers Food Services and Money Market.

Please refer to our corporate website for more information on the geographical distribution of each brand.



Market position in terms of size:
94th biggest retail group in the world
 62 places ahead of our nearest rival



We have become the number one retailer in Africa and the largest private-sector employer in South Africa through a steadfast commitment to the values we hold dear.

OUR PURPOSE

We aspire to be Africa's most accessible and affordable retailer. We enable access to quality consumer products and services as well as job opportunities to the communities in the countries we serve. Our low-cost approach enables our affordability promise and has been the foundation of our business for almost 40 years. We are relentless in our efforts to keep our business efficient and sustain our cost advantage and price leadership, while creating value for our stakeholders and maintaining focus on strong governance principles and on leading ethically.

We have become the number one retailer in Africa and the largest private-sector employer in South Africa through a steadfast commitment to the values we hold dear. We aspire to become a global leader in customer service, putting the customer first in everything we do.

Our values are predicated on everyday, actionable practices to ensure that every customer leaves the store happy.

OUR VALUES

Doing the right thing and doing it right

At the Shoprite Group, we are passionate about:

- **Good customer service:** We aim to be the global leader in customer service by putting the customer first in everything we do and ensuring that every customer leaves the store happy. We empower employees to do what is necessary to ensure our customers are satisfied.
- **Being a business with heart:** We are aware that we are part of a broader community and we #ActForChange. We ensure that we remain relevant to and are trusted by the communities we serve through job creation, providing affordable products, lending a helping hand to those in need and feeding the most vulnerable.
- **Integrity:** We believe in treating all people, whether they are colleagues or customers, with respect. We believe in being accountable, keeping our promises and dealing fairly and honestly. We believe in earning trust through responsible and ethical behaviour. We believe relationships are for the long term.

Saving to share

At the Shoprite Group, we don't waste. We:

- **Have an unrelenting focus on keeping costs low** to ensure that we deliver household goods to our customers at the most affordable prices.
- **Strive for efficiency** in everything we do. We can reduce our environmental footprint while saving costs for our customers by doing the most we can with as little as we can.
- **Utilise surplus** and distribute it to those in need.

Developing local

At the Shoprite Group, we contribute by:

- **Investing in people:** We invest in our people so that they invest in us. We believe that teamwork, career development, promoting from within and job security are foundations of a great workplace.
- **Sharing our success:** Our success allows us to impact positively on the economies of communities, regions and countries where we operate. We repay the support of our customers by giving back.
- **Giving access to market:** We are passionate about supporting and growing small local producers through procurement, providing access to our distribution network, education and logistical support.
- **Embracing transformation:** We believe in playing a role in the economic transformation of people in the countries we operate in through job creation, skills transfer, career development, local sourcing and social upliftment.



We are committed to achieving the highest standards of professional and ethical conduct, including adherence to legislative and regulatory frameworks, ethical working practices, good corporate governance, accountability and transparency.



GOVERNANCE

We are committed to achieving the highest standards of professional and ethical conduct, including adherence to legislative and regulatory frameworks, ethical working practices, good corporate governance, accountability and transparency. These aspects are important both to us and our stakeholders.

Our corporate governance structures consist of a Board of Directors, Board committees (supported by a Governance Department) and Executive Management. The Shoprite Holdings 2018 Integrated Report has more information on these structures.

Of relevance to this report is the Social and Ethics Board Committee, which ensures that we are a responsible corporate citizen that does business sustainably and ethically. This committee oversees:

- Our CSIs (including community development) and other sustainability interventions.
- Compliance with legislation and codes of best practice.
- The promotion of equality and prevention of discrimination within the Group.

- Prevention of fraud, bribery and corruption.
- The protection of human rights throughout all operations.
- Consumer relationships, including advertising, public relations and compliance with consumer protection laws.
- The impact of our activities, products and services on the environment, health and public safety.
- The conditions of labour and employment.

While there has not been a dedicated governance home for environmental sustainability, various components of sustainability have been managed by different business units, with oversight from the Social and Ethics Committee. We intend to appoint a dedicated Sustainability Manager to coordinate our efforts in 2019.

RISK MANAGEMENT

The Group aims to proactively identify and manage risk. We constantly evaluate our policies against relevant regulatory and legislative requirements in South Africa and use these as the baseline for managing risk in the other African countries where we trade. Increasingly, our risk assessment includes broader social and environmental threats. This is discussed in greater detail in “Our Sustainability Work” on p 18.

SHOPRITE ch



GLOBAL AND NATIONAL FRAMEWORKS

The Group's operations extend far beyond South Africa's borders.

We do our utmost to ensure compliance with all laws in the countries in which we trade and we subscribe to legislative and regulatory frameworks that govern our relationships with employees, trade unions, customers and the environment.

Our CSI goals explicitly support the United Nations Sustainable Development Goals of zero hunger and gender equality.

The Social and Ethics Committee is responsible for monitoring and overseeing our adherence to all laws and prevailing codes of best practice that specifically relate to sustainability. In the global arena, these include:

- The principles of the United Nations Global Compact, which relate to human rights, labour, the environment and the fight against corruption
- The Organisation for Economic Co-operation and Development's recommendations regarding corruption
- The International Labour Organization Protocol on decent work, working conditions, employment relationships and the educational development of employees
- The United Nations' SDGs, discussed in greater detail below.

In South Africa, they include, among others:

- The B-BBEE Act
- The Employment Equity Act
- The Consumer Protection Act
- The National Development Plan, discussed in greater detail below.

National Development Plan and SDGs

South Africa's National Development Plan aims to eradicate poverty, eliminate inequality and secure a "decent standard of living" for all South Africans by 2030. A decent standard of living includes access to quality education, to skills development, to employment and to adequate nutrition. Many of our employee, customer and supplier initiatives support achieving these objectives.

The National Development Plan's goals echo SDGs 2, 3, 4, 5, 8, 12, 13 and 14 (see p 14). These have been considered in our assessment of materiality.

Sustainable Development Goals relevant to our operations



Zero hunger

End all forms of hunger and malnutrition by ensuring all people, especially children, have access to sufficient and nutritious food year-round.



Good health and well-being

End the epidemics of HIV/Aids, tuberculosis, malaria and other communicable diseases, and provide access to safe and affordable medicines and vaccines.



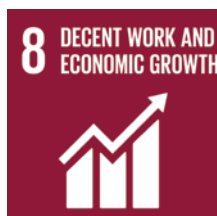
Quality education

Achieve inclusive, quality education for all, including affordable vocational training and access to quality higher education.



Gender equality

End all forms of discrimination against women and girls, and empower them to drive economic growth and development.



Decent work and economic growth

Achieve full and productive employment, and decent work for all.



Responsible consumption and production

Reduce our ecological footprint by changing production and consumption patterns.



Climate action

Limit the increase in global mean temperature to 2°C above pre-industrial levels.



Life below water

Sustainably manage and protect marine and coastal ecosystems from pollution and enhance conservation and sustainable use of ocean-based resources.

STAKEHOLDER ENGAGEMENT

Stakeholder groups

The following key stakeholder groupings were determined in consultation with divisions within the Group: our employees, customers, the communities in which we operate, suppliers, trade unions, regulators, shareholders and financiers. This consultation takes place annually.

Stakeholders are prioritised based on:

- The extent to which they can benefit from or influence the Group's financial and operational performance
- The degree to which we depend on their support to achieve our strategic goals
- The extent to which they can influence the Group's reputation and brands
- The risks and opportunities they may present through our engagement with them – or lack thereof.

Stakeholder relationship management and assessment

Customers and members of the public are able to connect directly with us through common feedback platforms such as social media and our call centres.

We are aware that other stakeholders, especially the communities in which we operate, do not necessarily have the platforms needed to directly interact with us as a Group. We do, however, interact with these communities through our CSI programmes.

We are constantly looking at ways to improve our engagement with stakeholders and are developing a methodology to measure our stakeholder relationships. The opinions of the broader public on issues such as climate change, waste management, health and nutrition are important to the Shoprite Group and should be considered as opportunities to make a difference. Table 1 outlines our engagement with stakeholders, their concerns and our responses.



Table 1: How we engage stakeholders, the issues that concern them and our response

Stakeholder group	Engagements	Concerns	Our response
147 478 employees in 15 countries	Our people are the basis of our success. We engage with them through team meetings, an internal newspaper, trade unions, our CEO video messages, training, surveys and incentive programmes. We are constantly seeking ways to deepen meaningful engagement, particularly with store-level employees (see p 21).	Transformation and empowerment: Our people want to “BeMore” (see p 24): they want rewarding work with career development paths, education and training opportunities, and a healthy and safe working environment.	<ul style="list-style-type: none"> ■ We offer extensive in-house training ■ We run incentive programmes ■ We piloted mobile and e-learning platforms ■ We constantly strive to ensure a safe working environment ■ We celebrate our people.
More than 35 million customers	Our customers come first. They interact with us directly at stores and through online feedback channels, call centres, social media platforms and BrandHealth Tracker surveys.	Access to safe, nutritious food: Our customers want healthy food that is affordable and safe.	<ul style="list-style-type: none"> ■ We work to source a wide range of healthier, affordable foods ■ We stock more than 100 lines aimed at healthier eating ■ We have a digital strategy that extends personal engagement ■ We emphasise food safety (see p 31 for our response to a Listeriosis outbreak in South Africa).
More than 19 900 suppliers in 47 countries	Our suppliers trust us. We visit their operations and farms, meet with them regularly, correspond frequently and work with them to ensure compliance with legislation and our standards.	Business growth opportunities: Our suppliers want new opportunities to enter the Group’s value chain and to grow their businesses.	<ul style="list-style-type: none"> ■ We maintain regular contact ■ We focus on building long-term relationships ■ We find ways to ease logistical arrangements ■ We support small-enterprise development initiatives.
Our communities We actively engage with thousands of communities in South Africa and other African countries through varied community projects.	Our communities are home to our employees and customers. We meet with communities, conduct visits of CSI sites and have undertaken research to understand community perceptions of the Group.	Community upliftment: Communities want to better themselves. They want to be empowered to develop themselves and they want access to the formal economy.	<ul style="list-style-type: none"> ■ We run empowerment and community development projects to enable economic participation ■ We support and develop food gardens through skills transfer and training ■ We host and support fundraising initiatives ■ We offer ad hoc disaster relief.
Regulators in the 15 countries in which we trade	We interact with a range of regulatory bodies through meetings and submissions.	Compliance and job creation: Regulators want to ensure ongoing compliance and encourage job creation.	<ul style="list-style-type: none"> ■ We monitor compliance with all relevant legislation on an ongoing basis ■ We run ongoing initiatives to transfer skills and provide job opportunities.

Stakeholder group	Engagements	Concerns	Our response
Our broad range of shareholders and financiers	Our shareholders and financiers ensure our ongoing success. We engage with them through our Integrated Report, Stock Exchange News Service announcements, meetings, webcasts, conference calls, an online contact platform, perception studies and surveys, and national and international conferences and presentations.	Improved access to, and transparency of, strategic information: Our shareholders want to better understand our business strategy, particularly the business case and opportunities in African markets. They want clarity on remuneration policies, and ethics and governance approaches.	<ul style="list-style-type: none"> ■ We incorporate strategy discussions into investor presentations and our Integrated Report ■ We provide information on the investment case and economic outlook in Africa ■ We are working to increase the transparency and accessibility of the available information.
Ten recognised trade unions	The Group has recognised and engaged with unions for more than 30 years. Our people enjoy freedom of association and the right to join trade unions. We constantly engage with the unions through meetings and correspondence and through their representation on various committees.	Terms of labour: Trade unions have raised issues around wages; the work scheduling practices for full-time and part-time employees; late trading; and transportation. This is not uncommon in the retail industry.	<ul style="list-style-type: none"> ■ We proactively engage with unions to negotiate one- to three-year wage settlements and to address concerns raised by members to find equitable solutions ■ We work to ensure that unions are given access to relevant and transparent information during negotiations.
The broader public	We engage with the broader public through the same channels we use to communicate with our customers. Our Integrated Report, Stock Exchange News Service announcements and other resources are freely available for download on our corporate website.	Climate change, water scarcity and waste management: The government and the broader public are increasingly concerned about climate change, water and waste management, and health and nutrition.	<ul style="list-style-type: none"> ■ We report on our carbon emissions and water usage to the CDP ■ We respond to health and nutrition concerns by introducing new product lines ■ We are ensuring compliance with new legislation on sugar and salt content.



Our Sustainability Work

To determine our material sustainability issues, we explored which issues, if not addressed, could pose an economic, operational or reputational risk to the Group.



Our business success relies on our ability to ensure that:

- Products are always available and affordable to our customers.
- We comply with all relevant legislation and regulatory frameworks.
- Our customers trust us and the shopping experience.
- We maintain our reputation as a responsible corporate citizen.

To achieve these goals over the long term, we need to be able to ensure our sustainable, ongoing access to inputs – also known as the “six capitals” – in a way that meets our business growth needs. These inputs are:

- Financial capital: As discussed in our 2018 Integrated Report.
- Human capital: Our people (p 20).
- Social and relationship capital: Our customers (p 30) and our communities (p 33).
- Manufactured or grown capital: As provided by our suppliers (p 39).
- Natural capital: This includes how we affect the environment through our carbon emissions (p 49), water usage (p 44) and waste management (p 47), among other behaviours.
- Intellectual capital: Embodied in the way we manage our supply chain (p 42) and the innovative methods we use to maintain our market leadership position.

Material sustainability issues

Not all issues that relate to the broader concept of “sustainability” apply to our sustainability journey. To determine our material sustainability issues, we explored which ones, if not addressed, could pose an economic, operational or reputational risk to the Group while bearing in mind that, as a responsible corporate citizen, we have a responsibility to carefully manage our impacts on our people, customers, communities and the natural environment. This process identified the following sustainability focus areas:

- **Food safety.** It is expected that new food safety legislation will be adopted following the 2018 Listeriosis outbreak in South Africa. Food safety is a priority for the Shoprite Group. Our food safety and recall processes are continually being tested and refined (see p 31). We responded quickly and efficiently to the Listeriosis outbreak (see p 31).
- **Deepening poverty and social tension.** Rising levels of unemployment, particularly among South Africa’s youth, coupled with growing community and household food insecurity, have a negative effect on social stability and safety. This is affecting our employees, our customers and the communities they live in. We work to keep food prices affordable and continue to fight hunger through our CSI initiatives.
- **Growing consumer and investor awareness** of issues such as biodiversity, food waste, packaging and nutrition/health. New regulations could affect our operations and reputation (if we are not seen as compliant). New regulations in South Africa include those relating to sugar and salt content in products, as well as mandated waste-management plans.
- **Water scarcity.** The recent drought in several South African provinces highlighted how much communities and businesses across all sectors rely on water for drinking, cooking and hygiene. South Africa is a water-scarce country and the price of water is likely to rise in coming years to curb consumption. The Group depends on a reliable supply of water to maintain hygiene standards in its stores and distribution centres, to provide drinking water for its extensive staff complement, and for production in its bakeries and fresh food departments. We have invested significantly in making our business more resilient to water shortages and outages.
- **Climate change** could result in significant shifts in the location, intensity and duration of rainfall, and increase the frequency of extreme weather events. This has the potential to disrupt production patterns and our supply chains, affecting product availability and price. The Group’s extensive supplier network lowers this risk considerably. Climate change could also lead to increased incidents of natural disasters, negatively affecting our customers, employees and their communities. As a responsible corporate citizen, the Group is focusing on mitigating its carbon emissions in line with the 2016 Paris Agreement.

The following section outlines our approach to, and successes in, managing these issues to date. This discussion is framed within a greater review of how we managed our key resources, namely, our people, customers, communities, suppliers, supply chain and natural capital.



Our People

HIGHLIGHTS

Our contribution to achieving the SDGs as at 30 June 2018.

GOOD HEALTH AND WELL-BEING



- 5 296 employees used their access to voluntary and free testing and counselling services for HIV/Aids, tuberculosis and other physical and emotional ailments.

QUALITY EDUCATION



- We offered 22 accredited learning programmes.
- We supported 7 833 learners on accredited learning programmes.
- We extended e-learning platforms to all countries.
- We disbursed more than R16 million in bursaries to 291 students.

GENDER EQUALITY



- We employed 34 343 women on a full-time permanent basis and 61 851 women on a part-time permanent basis.

DECENT WORK AND ECONOMIC GROWTH



- We created 3 676 new jobs in the 2018 financial year.
- We supported 41 pre-graduation internships in human resources and retail-related programmes at our Home Office.



Our people are the key to our success. In 2018 the Shoprite Group appointed 60 645 people, 59% of them women, and created 3 676 new jobs. We invest in attracting, training and retaining employees and actively seek ways to engage more meaningfully with them, particularly at store level. We also invest in helping unemployed youth gain skills that enable them to enter the job market.

Table 2: Number of employees per significant region, 2015/16 to 2017/18

	Total Group employees	South Africa	Angola	Namibia	Zambia	Nigeria
2015/16	137 775	116 330	4 315	4 219	3 878	2 638
2016/17	143 802	120 280	5 289	4 565	3 840	2 650
2017/18	147 478	122 723	5 485	4 673	4 157	2 696

Table 3: Employees, management/staff ratios and new jobs created, 2015/16 to 2017/18

All countries	Total employees	Management	Staff	% women employees	% African employees	Jobs created
2015/16	137 775	13 323	124 452	65.6	96.6	4 833
2016/17	143 802	13 966	129 836	65.5	96.8	6 027
2017/18	147 478	14 693	132 785	65.2	97.1	3 676

We deepened our efforts to engage with our employees, particularly store-based workers, where engagement is weaker. We plan to put in place measures to enable two-way communication and foster a sense of inclusiveness in the Group.



Staff engagement and morale

During the year under review, we deepened our efforts to engage with our employees, particularly store-based workers, where engagement is weaker. We plan to put in place measures to enable two-way communication and foster a sense of inclusiveness in the Group. Among other measures, to date we have rolled out more than 2 000 e-learning platforms, which provide access to job-based curricula, the CEO’s videos and other corporate messaging.

The average age of our employees is 32 years. The average length of service is 8 years for management staff, 7 years for full-time workers and 2 years for part-time workers. Retaining part-time employees in the supermarket industry is a challenge globally.

According to the Convenience Store News’s 2016 *HR & Labour Study*, a 65% turnover for part-time employees is average in this sector. Other studies point to even higher rates.¹ Table 4 details our turnover rates for management, full-time and part-time staff.

Turnover of part-time staff dropped slightly in the year under review, from 52.21% in 2016/17 to 49.63%. To improve retention, part-time staff who have been with the Group for a year or more receive the following benefits:

- Pension or provident fund
- Bonuses
- Staff discounts
- Funeral assistance.

Table 4: Staff turnover, 2015/16 to 2017/18

All countries	Management turnover	Full-time staff turnover (excluding management)	Part-time staff turnover
2015/16	16.73%	19.12%	55.22%
2016/17	14.69%	19.21%	52.21%
2017/18	14.62%	17.31%	49.63%

¹British Columbia: WorkBC. 2016. Wholesale-Retail-Western-Convenience-Stores. [Online] Available: www.workbc.ca/getmedia/ebc0ee70-067a-46f9-90e4-22e0eee2a20c/Wholesale-Retail-Western-Convenience-Stores-Assn-Engage-Rep-Mar-2017.pdf.aspx.

Celebrating our people

We run several internal incentive programmes to encourage employees to do their best:

- The **Customer Care Heroes** initiative was launched in 2017 to celebrate employees who demonstrate commitment to our customer-centric approach. Their stories of going out of their way to deliver excellent service are profiled in our internal newspaper, #OurShoprite.
- 
 The **Super Service Awards** competition has been running since 2003 and aims to reward employees for excellent service. It is open to more than 180 000 permanent and subcontracted employees in more than 2 500 stores across 15 countries, making it one of the largest and most successful incentive programmes in Africa. From 2018 the competition is focusing on five areas that are key to achieving “super customer service”: friendliness, freshness, world-class experience, low prices and stock availability. Judging is done by mystery shoppers, in-house and independent store audits and stock and food safety reports. Three times a year, more than 16 000 employees from 190 stores are rewarded. Winning staff receive a range of prizes, from airtime vouchers to prize money to VIP trips to Cape Town, where the final winners are announced at a gala awards ceremony.
- Several **affiliate competitions** are run to include employees such as cashiers, furniture salespeople and logistics drivers who don't qualify for the Super Service Awards categories.

- The **TopStars** singing competition is a popular team-building initiative that has been running in our stores for 12 years. The competition has a dedicated website and mobile app and drew more than 2 000 entries from 14 countries in 2017. The 12 contestants who made it to the TopStars finals received vocal and performance coaching for the grand finale at GrandWest Casino in Cape Town. The winner of the 2017 competition – Abigail Madumbo, a cashier from Checkers Beaufort West – will act as an ambassador for the competition in 2018, touring the country to motivate contestants, performing as a guest artist and acting as a judge. For many participants, TopStars is a life-changing experience.

“How can I ever repay you for believing in me? I'm busy now putting things in order for my first show ever in July.” – Arno Matthews

“Baie dankie vir die pad waarmee julle saam met my dogter begin loop vanaf 2014. Julle het die beste uit haar gebring. Mag die Here julle ryklik seën.” – Arancia Gallant



Many of South Africa’s roughly 700 000 deaf people struggle to gain employment. In 2009, the Shoprite Group launched a Decade of the Deaf initiative to train 1 000 learners by 2019 in partnership with Employ and Empower Deaf (eDeaf).



B-BBEE and transformation

In recognition of our role in contributing to South Africa’s transformation objectives we formed a B-BBEE Committee, chaired by the CEO, that aims to improve on and entrench the Group’s transformational objectives. These objectives are guided by the following principles:

- Transformation must be broad-based.
- Transformation must be inclusive and to the benefit of all the organisation’s stakeholders.
- Transformation must be sustainable.

It is with this in mind that the Group has invested heavily in employment equity, skills development, enterprise and

supplier development, and socio-economic development. Our 2016 and 2017 B-BBEE scorecards are below. The 2018 figures will be available on the Group’s website once verified.

Transformation through inclusivity

Many of South Africa’s roughly 700 000 deaf people struggle to gain employment. In 2009, the Shoprite Group launched a Decade of the Deaf initiative to train 1 000 learners by 2019 in partnership with Employ and Empower Deaf (eDeaf). The initiative has successfully provided accredited NQF level 2 training to 931 learners to date in wholesale and retail chain store operations. The Group guarantees employment to those who successfully complete their competency evaluation.

Table 5: B-BBEE scorecard, 2016 and 2017

Amended codes of good practice			
B-BBEE element	Weighting points	2016	2017
Ownership	25	7.9	8.4
Management control	19	8.9	8.1
Skills development	20	13.7	15.28
Enterprise and supplier development	40	22.2	22.7
Socio-economic development	5	5	5
Total points	109	57.7	59.48
B-BBEE status		Level 7 (prior to discounting) Level 8 (after discounting)	Level 7 (prior to discounting) Level 8 (after discounting)

Ensuring a skills pipeline

The Group’s success is built on the work, loyalty, passion and skills of its employees. Our value proposition to employees is “BeMore”. We have invested significantly over the past decade in improving the accessibility and reach of our training platforms. Our learning programmes and initiatives aim to:

- Secure a pipeline of skilled talent for our operations.
- Upskill our current employees.
- Address areas of scarce and critical skills.

These goals align with those set out in various national skills development plans. We achieved our skills development (B-BBEE, Sector Education and Training Authority, and Group Training) targets in the reporting period.

Table 6: Overview of training statistics, 2015/16 to 2017/18

	Beneficiaries	Training days	Training hours	Interventions
South Africa				
2015/16	106 256	210 172	1 681 384	593 702
2016/17	115 141	235 057	1 880 452	690 546
2017/18	136 480	410 348	3 282 786	1 394 580
Other African countries				
2015/16	6 405	11 669	93 350	18 078
2016/17	8 430	14 245	113 962	22 557
2017/18	19 181	21 919	175 353	110 628



Internal training initiatives

We offer managerial, retail, customer service and artisanal training to existing employees, with further in-store retail training being offered to unemployed youth.

Managerial training

The Group offers extensive management training to its trainee, branch and regional managers to enhance the customer service on offer and provide a pipeline of talent for more senior positions.

Retail training

We offer relevant, industry-recognised retail training through Retail Varsity, our registered private further education and training college, to both employed and unemployed learners. Retail Varsity aims to be the most cost-effective and efficient retail university in the world, delivering cutting-edge learning geared to meet the demands of the Group. Retail Varsity offers more than 1 500 courses, of which 22 learning programmes are accredited with various Sector Education Training Authorities (such as the Wholesale and Retail Sector Education and Training Authority, W&RSeta).

Customer service and Freshness training

In the 2016/17 financial year, customer service training was prioritised, with a comprehensive customer care programme rolled out to 5 532 front-end staff (these figures are not included in the table below). To continue this drive, customer service principles were incorporated into front-end systems training to offer staff integrated training that depicts systems, processes and customer service standards.



These training courses were prioritised in 2017/18, resulting in increased participation.

During the 2017/18 financial year, we prioritised the SAP IS Retail strategic project, which affected the training volumes of other programmes.

Table 7: Customer service training, 2016/17 to 2017/18

	Training interventions		Training hours	
	2016/17	2017/18	2016/17	2017/18
Customer service-specific interventions	136 335	123 060	134 918	143 871
Cashier and Money Market training, incorporating customer service concepts	232 768	346 558	259 783	368 811
Total successful interventions across methodologies	369 103	469 618	394 701	512 682

Table 8: Freshness training, 2016/17 to 2017/18

	Training interventions		Training hours	
	2016/17	2017/18	2016/17	2017/18
Total successful interventions across methodologies	121 499	109 864	496 019	683 808

During the 2017/18 financial year, a new, four-month, accredited Assistant Chef Programme was launched in support of the Group's freshness drive. These figures are not included in the table on the previous page.

Artisanal training

We offer accredited artisanal training to our deli staff, bakers, meat technicians and fresh foods managers. The Assistant Chef Programme was launched in partnership with the International Hotel School. This programme offers high-quality food-preparation training to retail managers, fresh food managers and fresh food controllers to drive the ready-made meals section, promote quality and cleanliness and minimise food losses. A total of 270 employees participated in this highly successful programme.

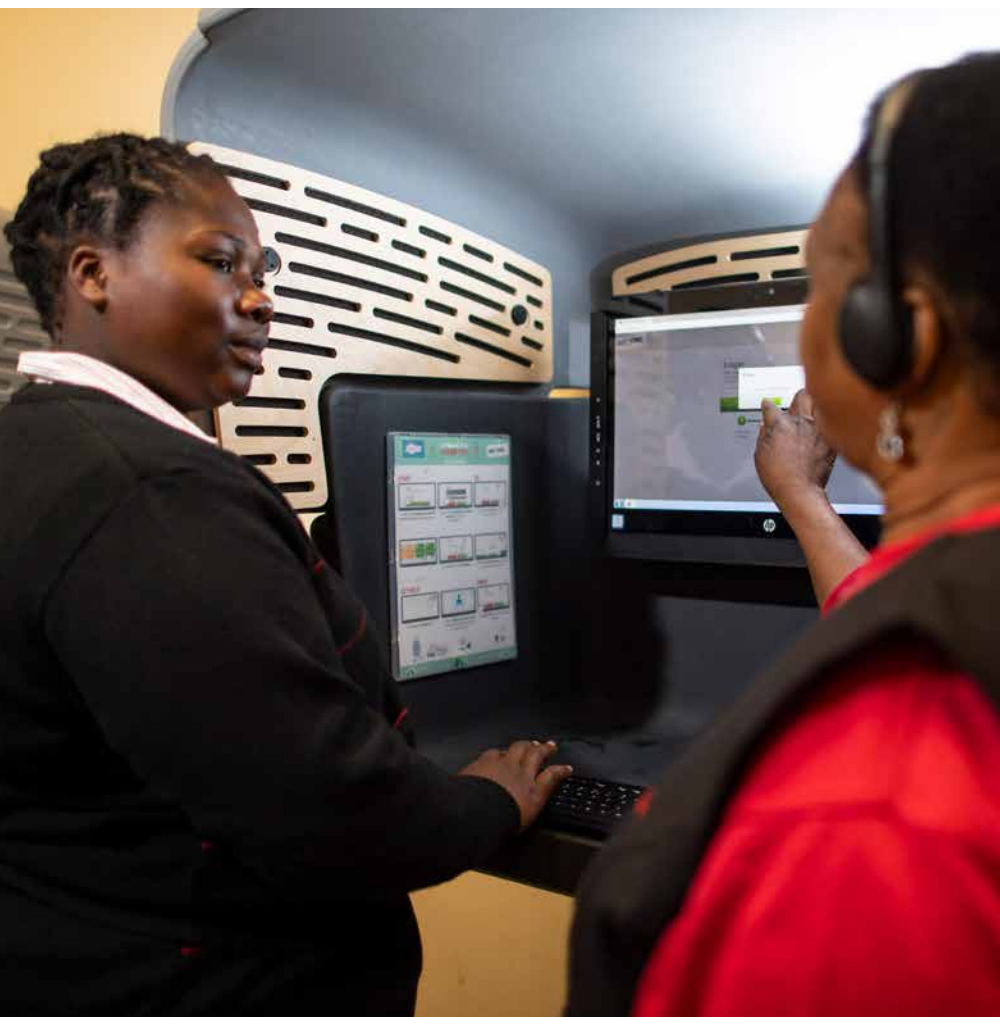
Due to its enthusiastic reception and positive impact on the business, we plan to roll this out to all Checkers and Shoprite stores in South Africa over the next three years. An evaluation system will be implemented to assess the quality and outcomes of the training and its impact on food waste at store level.

Trainee Accountant Programme

In 1998 we became the first South African retailer to receive accreditation as a training office with the South African Institute of Chartered Accountants. Our Trainee Accountant Programme enables qualifying accountancy graduates to complete their accounting articles with us while gaining financial management experience in the retail sector. We will continue to use the programme to feed our talent pipeline.

The programme has trained 105 candidates since inception, of which 71 qualified as Chartered Accountants and 69 were employed by the Group.

In December 2017, five trainees qualified as Chartered Accountants, of which three were women and four were black people. In February 2018, 13 new trainees joined the programme (four women and nine black people), bringing the total number of trainees in the current programme to 27, of which nine are women and 13 are black people.



Taking learning online

In 2016 we set ourselves the goal of converting 80% of all our entry- and intermediate-level courses to e-learning. We reached this goal in the supermarket environment in 2018 and are one of the few retailers to successfully implement an e-learning platform in Africa.

Our investment in e-learning enables us to provide store staff across the continent with standardised, integrated and stable learning content. Our GroupZone e-learning platform has been used for induction, customer service, compliance and product knowledge training since 2014. In 2017 we started rolling out our MyZone individual e-learning platform for systems and process training in preparation of the SAP IS Retail project, which will standardise functionality across all operations.



Skills transfer

During the year under review we continued investing in our Retail Readiness Programme, which transfers skills to unemployed people to enable them to get jobs in a retail environment and confirmed our support for the Youth Employment Service (YES) initiative – a partnership between government, business and civil society in South Africa that aims to prepare young people for employment and create a million jobs for young black South Africans by 2021.

Retail Readiness Programme

The Retail Readiness Programme develops the skills of unemployed young black people over eight weeks. It has successfully trained more than 12 850 young people over the past three years – 4 040 within the reporting period.

We work hard to identify Group vacancies that can be filled by Retail Readiness Programme graduates. Of the young black people who completed the programme in 2018, 57% were gainfully employed.

YES initiative

We are considering a commitment to the YES initiative, which will see us provide an extra 1 800 previously unemployed young black people with employment and workplace skills, adding to our contribution to the national priorities of job creation and skills development.

Education

In addition to offering accredited training, we offer tertiary-education bursaries and partner with education institutions to provide practical work experience.

Learnerships, internships and simulation stores

We have entered into relationships with public technical and vocational education training colleges and universities across the continent to offer their learners workplace experience or internships.

Simulation stores have also been set up at the Boland, Northlink and Motheo technical and vocational education training colleges during the past three years to support the practical component of their nationally accredited curricula.

Group bursaries

The Group enables access to the job market by providing bursaries for scarce skills and those that align with its business strategy. We allocated bursaries to the value of R15.67 million in the 2017 academic year to 274 students in the fields of Pharmacy, Accounting, Retail Business Management, Hospitality Management, Information Technology, Logistics and Food Science. Fifty-nine percent of the bursaries went to women. Forty-nine percent were allocated to black Africans, 13% to coloured students and 10.9% to Indian students. A further R363 264 was allocated to 17 bursaries for students from Malawi, Namibia, Zambia and Angola. The Group plans to spend some R18 million through the bursary programme in the 2018 academic year.

Recruitment

The company focuses on filling positions from within the Group first. Succession planning is in place for key positions. Job seekers can apply for entry-level positions through our website and mobile application. If needed, we use LinkedIn and other traditional media to recruit specialist and mid- to senior-level positions.

Table 9: Recruitment avenues

	2016/17	2017/18
Website and mobile application	173 097	126 213
LinkedIn applications	610	4 580
Non-employee followers on LinkedIn	27 099	30 242

Health and safety

We are committed to ensuring the safety of our people. We support the United Nations Global Compact principles and a culture of observing human rights and respect for others are embedded in our code of conduct. Department of Labour reportable incidents are escalated to the Chief Financial Officer for action.

Our approach to safety includes:

- Awareness-raising training interventions, including using e-learning platforms and peer educators to communicate with staff on health and safety issues.
- Putting systems in place to ensure compliance with necessary standards and safeguards.
- Conducting audits and spot checks at stores to enforce compliance.

Counselling and testing services

The Group offers employees a voluntary counselling and testing service for tuberculosis, diabetes, cholesterol, high blood pressure and weight-related issues. Our Life Assistance programme operates in every store and provides a range of services, including support for mental health matters. A 24/7 call centre provides counselling services, support for employees with HIV/Aids and access to post-exposure prophylactics. There is also a peer educator programme that provides invaluable support.

The Group offers employees a voluntary counselling and testing service for tuberculosis, diabetes, cholesterol, high blood pressure and weight-related issues.

Crime and safety

To ensure a safe environment for our customers and employees, we contract 52 security service providers throughout South Africa. All are in compliance with the Private Security Regulatory Authority. We also use security services, including highly trained specialised operators, to protect stores during protests and looting.

A total of 248 armed robberies took place during the reporting period. In seven of these, eight people lost their lives: four suspects, two bystanders, one customer and one security officer. The Group works closely with the South African Police Service to arrest perpetrators and ensure that they are successfully prosecuted. We are also investing heavily in a centralised monitoring system and additional highly trained security personnel to ensure safety at our stores.

We have extended our Life Assistance programme to include trauma support from a psychologist for all affected employees and customers within two hours of a crime incident, with ongoing support available if needed.

Table 10: Occupational health and safety, 2017/18

Occupational health and safety training interventions	32 486
Number of people trained in occupational health and safety	25 910
Occupational health and safety audit checklists	211 427



Our human resources practitioners work to ensure compliance with local labour legislation and regularly interact with local trade union leaders and representatives to ensure a cordial relationship and resolve potential disputes sooner rather than later.

Labour relations

We respect the right of employees to join a trade union and engage in collective bargaining, and have been engaging with trade unions in the countries in which we operate for the past 30 years. In South Africa, we recognise the South African Commercial, Catering and Allied Workers Union (SACCAWU), which has more than 30 000 members and has been the main union for retail workers since the early 1990s. Beyond South Africa's borders, we have recognition agreements in place with nine other trade unions, the most recent agreement being signed with the Swaziland Commercial and Allied Workers Union in April 2018. We were the first retailer in Africa to conclude a relationship agreement with the Uni Global Alliance and we meet with representatives of the Alliance each year to promote business transparency.

The limited industrial action we experienced in South Africa this year primarily related to work-scheduling practices of full-time and part-time employees. Like other retailers, we rely heavily on a flexible workforce to meet fluctuations in seasonal and customer shopping patterns. We are currently negotiating with SACCAWU to resolve this impasse.

We have noted the imminent implementation of a new minimum wage. Although the implementation date is unknown, we have factored the new minimum wage into the salary and wages review for 2018.

Labour relations in our other African operations are generally calm. Our human resources practitioners work to ensure compliance with local labour legislation and regularly interact with local trade union leaders and representatives to ensure a cordial relationship and resolve potential disputes sooner rather than later.

Grievance management

We have a well-established grievance procedure in place to ensure that employee complaints are dealt with quickly and transparently. A confidential hotline and suggestions boxes are in place to receive grievances or request work-related information and line managers regularly receive training on how to equitably deal with grievances and disciplinary matters.

Our Customers

We are committed to making our customers' money work as hard as they do. Our operations range from Usave outlets in the deepest rural areas to the new-look Checkers stores catering for higher-income urban consumers.



HIGHLIGHTS

Our contribution to achieving the SDGs as at 30 June 2018.



GOOD HEALTH AND WELL-BEING

- We worked with our suppliers to ensure compliance with legislation regulating sugar and salt levels in food.
- We run a Live Better campaign focusing on healthier food options to help people manage their weight and food intolerances.

We are committed to making our customers' money work as hard as they do. Our operations range from Usave outlets in the deepest rural areas to the new-look Checkers stores catering for higher-income urban consumers. Our value proposition for customers is based on our ability to:

- **Keep prices affordable.** In the reporting period, we prevented R2.1 billion in price increases from reaching our customers, because our prices do not always track inflation. We continued our subsidy of staple products in the reporting period at a cost of R190 million.
- **Ensure on-shelf availability** of affordable products across all brands.
- **Offer excellent customer service**, which we are constantly striving to improve by incentivising and rewarding staff.
- **Develop more innovative products** – especially healthier eating options – and properties to meet our customers' changing needs.
- **Provide in-store access to financial services** at our Money Market counters. Our financial services include processing about 2 million social grant payments each month, at no agent's fee.
- **Offer a pleasant shopping experience.** Selected Checkers supermarkets are being renovated to reduce noise, create a clutter-free environment with wider aisles and shelves, and present service departments such as the deli and bakery as "stores within the store".

Table 11: Social media followers as at 30 June 2018

Brands	Facebook	Twitter	YouTube	Instagram
Checkers RSA	1 038 699	179 871	3 287	30 980
Shoprite RSA	954 648	135 675	3 420	583 (new)
Shoprite Nigeria	1 238 084	217 446	1 700	N/A
Shoprite Zambia	67 462	N/A	N/A	N/A



Communicating with our customers

In addition to directly engaging with us at our stores, our customers interact with us through online feedback forms, various social media channels and a Customer Careline, which is open seven days a week. We deal with all complaints speedily; serious issues are escalated to executives. Each year we run a BrandHealth Tracker survey that polls 1 500 customers on their views on our prices, value, quality, freshness and service. In July 2018, this survey indicated that 91% of our customers are satisfied with our offering.

Consumer health and safety

Our stores are inspected and audited for food safety compliance every three months. Should a non-compliant product be identified, the bar code of that product is blocked at the till to prevent it from being sold.

A third-party service provider also tests about 400 random products from our shelves and supply chain on a monthly basis. All contraventions are taken seriously, with disciplinary action taken when necessary.

We are looking to further integrate food technologists and suppliers with our compliance systems to provide transparency on product compliance. In the reporting period, we trained about 300 regional managers in South Africa on food safety; they, in turn, train store managers.

Our reaction to South Africa's Listeriosis outbreak

South Africa experienced a Listeriosis outbreak during the period under review. Our response was immediate:

- We recalled and stopped exports of all Enterprise processed cold meats and Rainbow chicken products. Recalled items were bagged, sealed and labelled unfit for human consumption. Places where potentially affected products were displayed or stored were sanitised to prevent cross-contamination.
- We instituted an enhanced monitoring plan to determine the level of risk in our stores.
- We tested more than 500 products in all nine provinces. The Department of Health also took samples from our butcheries for testing.
- We published regular updates online and through the media. We also posted in-store notifications to keep customers informed.

Although most of our products were not sourced from the identified companies, our testing did find *Listeria monocytogenes* bacteria in our Farmer's Deli

viennas. The product was recalled. Other processed-meat suppliers were asked for food safety compliance certificates and test results for *Listeria monocytogenes*.

The outbreak affected our exports of all Enterprise and Rainbow products to other African countries, most of which temporarily closed their borders to food imports in response to the outbreak. While Zambia and Malawi subsequently reversed this, except for processed-meat products, Angola changed its permit system, asking for documentation for each product as opposed to category. The Group engaged with the Angolan government on this and reached an agreement. The trust we have built in these countries enabled us to react quickly to ensure that these markets stay open.

We spent R174 997 on testing more than 500 food samples, 4 water samples, and 233 swabs for internal audits and the Department of Health. We remain in close contact with the department regarding all food safety matters.

Protecting our customers' rights

We adhere to the Consumer Protection Act (2009) and have several policies, available on our website, to ensure that our customers' personal and financial information remains private.

Health and wellness

Healthier food is becoming an important focus for all demographic groups in South Africa, with shoppers at the premium end spending more on healthier and organic foods than their European counterparts. With this in mind, we launched our Wellness range, which includes low-carbohydrate and diabetic-friendly products in 2015 and the exclusive Banting Revolution range in 2016. In early 2017 we ran our first Health Month campaign, providing customers with cost savings across more than 400 product lines.

During the year under review, we continued building on these successes by:

- Working with our suppliers to ensure compliance with South Africa's new sugar tax and sodium reduction regulations.
- Running a *Live Better* campaign focusing on healthier food options to help people manage their weight and manage intolerances to foods like gluten and dairy.
- Expanding the *Oh My Goodness!* range of healthier eating and snacking options for children.
- Starting development on a new Private Label line of healthier, affordable premium products. This range is due to be launched in 2018.

We will keep identifying ways to address our customers' dietary needs and preferences.

Labelling

We are compliant with all labelling regulations. Our in-house team checks the validity of labelling claims to ensure transparency.

We will keep identifying ways to address our customers' dietary needs and preferences.



Our Communities

Communities, home to our employees and customers, are at the core of our business.



HIGHLIGHTS

Our contribution to achieving the SDGs as at 30 June 2018.

ZERO HUNGER



- We donated surplus food valued at R99.5 million to identified charities.
- We invested R6.1 million in the reporting period to establish 29 food gardens, bringing the total investment since inception to R11.9 million and the number of gardens to 48 in all South African provinces and Zambia.
- We established two food gardens in Zambia.
- We provided 3.8 million hot meals through our mobile soup kitchens (35.2 million since the programme's inception).
- In the past we enabled 60 small-scale farmers to enter the value chain by supplying Freshmark with produce.
- We provided 126 379 nutritious meals to early childhood development centres.

QUALITY EDUCATION



- We trained 25 early childhood development practitioners, benefiting 809 children in five provinces.
- We upgraded four early childhood development centres and one centre received a new structure.
- We trained 551 community members to grow food gardens.

Many of the African countries in which we operate face the same challenges at the community level – unemployment, poverty and food insecurity. These are exacerbated by a changing climate and an increased frequency of extreme weather events, which are affecting agricultural production systems.

Our corporate social investment

We do most of our community work through our CSI unit and its partners. Our CSI approach is guided by our desire to #ActForChange within three focus areas:

- We are committed to fighting hunger.
- We empower women, enabling them to access the economy and helping them develop skills.
- We support vulnerable communities.

Within these focus areas, we invest in both short-term solutions (such as our mobile soup kitchens and disaster relief) and longer-term, sustainable programmes that aim to increase communities' resilience to the challenges they face.

We design our community projects in continuous consultation with our beneficiaries and typically run a pilot project to test the methodology on the ground first, incorporating lessons learnt in subsequent iterations. We monitor, audit and report on all projects and tell positive stories about beneficiaries and the impact on their lives and communities. Each community project has a defined exit strategy that includes plans to scale up the programme to increase the number of beneficiaries.

Our partners are key to the success of our interventions. We work with schools, community groups and recognised, experienced non-governmental organisations, among others, to implement our projects.

CSI expenditure

Our CSI expenditure, excluding surplus food donations, has increased year on year over the past three years.

Building food security

About a quarter of South Africans do not have enough to eat each day and one in five children under the age of five is under/malnourished. We dedicate most of our CSI funding to fighting hunger through three initiatives that provide immediate, short-term and long-term support in the fight against hunger: mobile kitchens, food gardens and surplus food donations.

Food gardens

To provide long-term food security for these communities and many others, we initiated our food garden drive.



Many of these gardens were established in areas where we initially provided food relief through mobile soup kitchens. We launched the soup kitchens as a short-term measure to provide an immediate response to hunger in vulnerable communities and those affected by disasters. The fleet of 19 mobile soup kitchens is run by a dedicated team of 57 employees who travel to the furthest corners of South Africa to provide warm meals to those in need. We served 3.8 million meals in the reporting period, bringing the total number of meals since the project started in 2007 to 35.2 million.

We intensified our support for food gardens during the year, increasing the number we support from 19 to 48 food gardens, of which 43 have water tanks and grey water systems, across all South Africa's provinces. Two food gardens were established in Zambia during the 2018 financial year. We work with Food & Trees for Africa and others to establish and support these food gardens to reduce food insecurity and create income-generating opportunities for vulnerable communities.

Our implementation partners provide ongoing support, mentoring and training. We are increasing our investment in these projects with the ultimate aim of establishing a garden in every community in which we operate.

Table 12: Summary of Group CSI expenditure, 2015/16 to 2017/18 (R million)

	2015/16	2016/17	2017/18
Hunger relief (including surplus food donations)	120 185 821	122 023 883	114 109 962
Hunger relief (excluding surplus food donations)	10 858 181	13 724 982	14 649 211
Women empowerment	404 312	1 044 028	2 576 314
Reaching out to communities	15 841 512	20 585 881	22 386 879
Total expenditure	136 431 645	143 653 792	139 073 155
% Net profit after tax (NPAT)	2.81%	2.64%	2.67%

Note: As per last year, the "% of NPAT" figure is a reflection of total community investment (actual CSI spend and the total value of surplus food donations calculated as a % of NPAT for the Group)



Our partnership with Food & Trees for Africa

We want our investment in community food gardens to be sustainable in the long term. Food & Trees for Africa has almost three decades of experience in food-security projects and has an inclusive, transformative approach to community development.

Communities are consulted before a project is initiated to ensure a sense of community ownership and investment, and to ensure broader social development. We use a tried-and-tested methodology to identify potential beneficiaries based on their ability to improve the food security of their immediate community. Wherever possible, we empower women-headed gardens.

Once identified, our implementation partner trains, mentors and supports the beneficiaries. Its understanding of complex social and community relationships enables it to successfully navigate common challenges and ensure that our investment bears fruit. Our gardens support bio-intensive production, using minimal external inputs to reduce farming costs, conserve water, maintain soil and ecosystem health and produce nutritious food for consumption and sale.

Each project has an exit strategy to ensure its sustainability once funding stops.

CASE STUDY:

Makotse Women's Club

Maria Mello started the Makotse Women's Club in 1994 to empower the people of Makotse Village in Limpopo. About 85% of people living in the village are unemployed and 92% live on an income of R800 a month or less. The club has 30 people, 25 of them women. In 2017 it applied to us for funding to upscale its food garden project.

Our approach

Food & Trees for Africa identified the following challenges:

- Poor water quality and management
- Poor and depleted soil from overuse of chemicals
- Lack of production and technical skills
- A fragmented agricultural system with ineffective integration of elements.

Our investment in the project allowed Food & Trees for Africa to hold 22 training workshops and provide the club with seeds, seedlings and planting material. A bio-intensive, integrated agricultural system was adopted: the club introduced subsoil drip irrigation and started mulching to reduce water use; made compost from chicken manure and organic material; and started planting fast-growing and nutritious crops to optimise production space.

The outcome

By 2018, the club employed 40 community members who farm 4 hectares of land, providing nutritious food for about 500 people: 120 children from a local day-care centre, 250 people at a community nutrition development centre and 135 people at a home-based care centre. The waste and recycling approach has significantly dropped the garden's running costs and water consumption. The project generates enough income to ensure its sustainability.



Surplus food donations

The Group's Surplus Food Donations Policy sees surplus, edible food being distributed to local community organisations via our partner, FoodForward South Africa. FoodForward is responsible for vetting the organisations and ensuring that the surplus food goes from our distribution centres to where it is needed most. This partnership not only provides thousands of people with food, but also lowers the volume of food waste sent to landfill in South Africa. Forty-two percent of our stores regularly donate surplus food directly to local beneficiary organisations.

In the reporting period we:

- Donated about 133 tons of surplus food from our supply chain.
- Donated about 590 tons of surplus food from our stores.

In total, the value of this surplus food is R99.5 million. Some stores donate food that is unfit for human consumption, but still fit for animal feed, to local pig farmers.

Empowering women in communities

We strive to incorporate and promote woman-owned enterprises within our supply chain to empower them to enter the economy and take leadership roles in their communities.

During the period under review, we refined our CSI interventions to focus on supporting women who work in early childhood development, with particular emphasis on helping them improve food security for their communities and the children in their care. The social, emotional and physical development of young children determines their ability to reach their potential as adults. Investment in this stage of their lives is an investment in the adults of tomorrow.

In February 2018, we initiated a pilot project that took a multi-pronged approach to ensuring that young children are given the support and nutrition they need in a safe environment while transferring empowering skills to women. The project involves several simultaneous interventions:

- We are providing accredited training to early childhood development practitioners.
- We are providing nutritious meals for 12 months through The Lunchbox Fund.
- We are upgrading kitchens and sanitation where needed
- We are establishing and supporting food gardens in partnership with Food & Trees for Africa to supplement meals and increase nutritional intake.

We launched the #ActForChange buying card for registered non-profit organisations. The card entitles these organisations to a 5% discount.



We consulted extensively with the relevant communities before launching these interventions to ensure support. Nearby care centres are welcome to attend the practitioner and food garden training to amplify the project’s benefits. We supply all training participants with a start-up gardening kit and follow-up support. The project was still in process at the time of writing, with positive early outcomes already being experienced.

Community development

We continued investing in community projects that help build stronger, better-connected communities during the year under review.

Community initiatives that we supported in 2017/18 include:

- PlayPumps to provide safe drinking water in rural communities around South Africa (see p 46).
- The Shoprite Community Network, where members of the public nominate worthy South African causes for us to support.
- The Smart Water Meter Challenge to support water saving in Cape Town schools (see p 46).
- Outreach initiatives during Easter and the festive season that see our stores partner with local communities to spread joy.

- Ad hoc donations to various local charitable organisations, including orphanages, old-age homes, homes for disabled people, shelters for the homeless, shelters for abused women and children, animal welfare organisations and humanitarian aid agencies.
- Various pensioner projects.

The #ActForChange card

During the year we launched the #ActForChange buying card for registered non-profit organisations. The card entitles these organisations to a 5% discount on all purchases at Shoprite, Checkers, Checkers Hyper, Usave, House & Home, MediRite and OK Furniture outlets.

Hosting fundraising events

We host several events that allow community organisations and schools to raise funds at our stores. These include Christmas gift-wrapping stations, food-related events like Pancake Day, and Market Days for community food gardens to sell their produce.

Raising funds for good causes

We run several annual fundraising events focused on specific challenges faced by South Africans. These initiatives raised R4.2 million for good causes in the reporting period.

Table 13: CSI contributions to local community projects, 2016/17 to 2017/18

	2016/17	2017/18
Spend on local community projects (R million)	20.6	22.4
% of total CSI spend (excluding surplus food donations)	58%	57%

Cuppa for CANSA

The Shoprite Group is the main sponsor for Cuppa for CANSA, which raises funds for patient care. In June 2018 we raised R1.58 million for this initiative.

Disaster Relief Fund

The Disaster Relief Fund, launched in 2016, raises funds to support communities struck by disaster. Customers can donate funds in R5 increments at till points and the money is allocated to where it is needed most.

Projects are prioritised according to need and impact, and should ideally have clearly defined goals, monitoring measures and outcomes in place. The Disaster Relief Fund raised R361 428 in the reporting period, with the following organisations receiving support:

- FoodForward SA
- Roundabout Water, which installs PlayPumps
- Plett's People Purse, which replaced fire-fighting equipment lost in the Knysna fires, among other support.
- Gift of the Givers, in aid of drought relief efforts to farmers and Beaufort West residents.
- The Lunchbox Fund.

Volunteerism

We are in the process of formalising a volunteer strategy and programme to harness the volunteering passion of our significant employee base and complement our annual company-wide volunteering initiative linked to Mandela Day (18 July).

In 2017, Home Office employees visited Neighbourhood Old Aged Homes (NOAH) and invested in two of its social enterprises – the Indoor Market in Woodstock and a spaza shop in Khayelitsha, both in Cape Town. This investment allowed NOAH to double its average turnover, supporting the important work this non-profit organisation does in the community.

Employees are encouraged to share their passion for particular causes with us, which we then profile in our internal newspaper. Profiled organisations also receive a donation.

Projects are prioritised according to need and impact, and should ideally have clearly defined goals, monitoring measures and outcomes in place.



Our Suppliers

HIGHLIGHTS

Our contribution to achieving the SDGs as at 30 June 2018.

GENDER EQUALITY



▪ 4.6% of supplier spend directed towards black woman-owned businesses.

DECENT WORK AND ECONOMIC GROWTH



▪ Increased percentage of expenditure on SMEs and black-owned suppliers.

The Shoprite Group has a network of 19 974 suppliers across 47 countries. We select our suppliers based on market need, combined with the quality and affordability of the products on offer. We seek out innovative imported products to differentiate our offering from our competitors. Our relationships with suppliers tend to be long term. In many cases, our success has enabled our suppliers to grow their businesses too.

We strive to support local and smaller suppliers to maximise our positive contribution to local economies. At the scale at which we operate, ending supplier relationships can negatively affect communities through job losses. As a result, relationships are typically only terminated because of significant compliance contraventions or dishonest dealings with the Group.

“When we started working with Shoprite we were forced to up our game. We have built our business around this relationship and over the last 20 years our turnover has grown five or sixfold. Thanks to Shoprite, we are the leaders in the market and in innovation.”

– Walter Anderson, KK Shelving



Thina Maziya

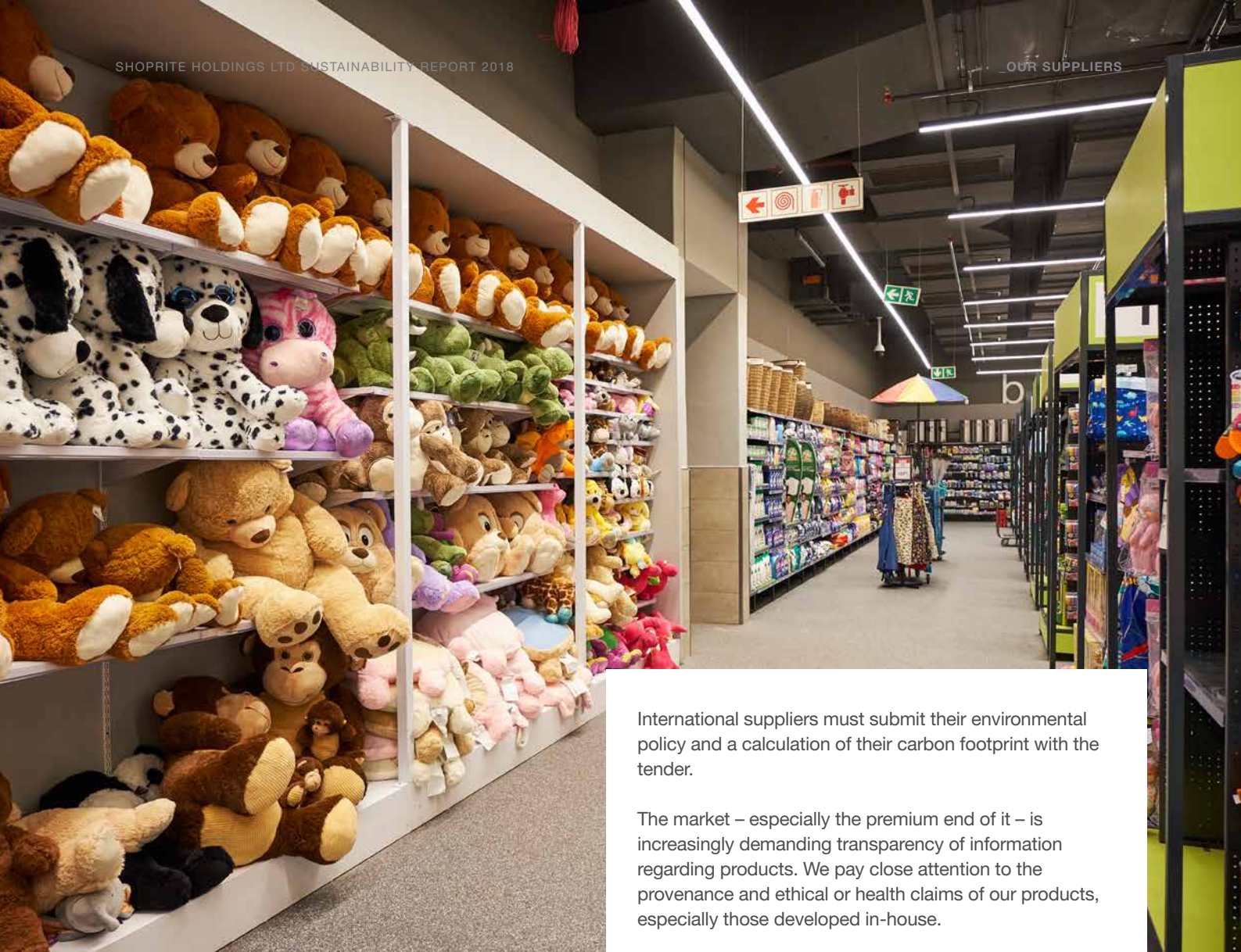
Achieving our goal of becoming the best retailer in the world depends, in part, on strong collaboration with our suppliers. Their ability to supply high-quality products, on time and at the best prices, enables us to continue to deliver the promise of low prices to our customers. We celebrate our most innovative and reliable suppliers through an annual awards ceremony. Ten product categories are scored on criteria such as stockholding and service levels, support at store and distribution-centre level, administration and contribution to the bottom line.

Compliance

All our suppliers must comply with their country’s legislation and the Group’s food safety criteria. We have introduced environmental criteria to our tender matrix for the transport of imported products by sea, land and air.

Table 14: Percentage of supplier spend on black woman-owned suppliers, 2016/17 to 2017/18

	2016/17	2017/18
Percentage spent on black, woman-owned suppliers	3.85	4.55



“Shoprite believed in our goal of creating employment for South Africans. We want to empower others to achieve their goals too. Through projects like Supa Mama, we are empowering the community in an environmentally friendly way. Shoprite has empowered us to empower black South Africans.”

– Thina Maziya, Verigreen

International suppliers must submit their environmental policy and a calculation of their carbon footprint with the tender.

The market – especially the premium end of it – is increasingly demanding transparency of information regarding products. We pay close attention to the provenance and ethical or health claims of our products, especially those developed in-house.

We finalised our partnership with SASSI in the reporting period, introducing sustainability criteria into our procurement of fish products. This partnership has seen us train store staff and buyers on the new fish procurement practices, and start working down our supply chain to ensure alignment with SASSI principles. We will also train our small suppliers on sustainable fishing practices to ensure alignment with SASSI policies.

Imports and exports

An average of 6.95% of products sold in each country outside of South Africa are directly imported, with the bulk sourced locally – currently more than 77%. We import food and non-food products from 47 different countries into South Africa and a few of our other African country operations. We export some 15% of products to the 14 other African countries in which we operate from South Africa. For those countries with distinctive consumer preferences, such as Angola and Madagascar, we import items from Brazil, Portugal and France. When we start operating in Kenya, we will look to European products to satisfy local demand.

The Group worked hard in the reporting period to build trust with regulatory authorities in the African countries in which we operate.

We are active on platforms that regulate preferential trade agreements, for instance, the Southern African Development Community and the Southern African Customs Union. We lobby for regulatory reform to ease trading across African borders. The biggest challenge in Africa is ensuring speed to market while keeping costs down. We also work with customs agencies in Zambia, Uganda and Mozambique to implement accreditation programmes to speed up customs processes at borders. We employ third-party clearing agents and local logistical teams in African countries with complex customs and logistics.

We became the first South African retailer to receive ISO 9001 accreditation for import and export handling standards in 2009. In 2018 we successfully updated the accreditation to the ISO 9001:2015 standard.

In the reporting period, we consolidated three divisions focused on importing to South Africa and exporting to other African countries to enable a Group approach to the process and facilitate more comprehensive reporting.

Suppliers by product type

Fruit and vegetables

Our Freshmark division is one of the largest buyers of fresh produce on the continent, working through some 1 114 growers. It also imports fruit and vegetables from 21 suppliers in the United Kingdom, Turkey, Spain, Italy, Iran, Egypt, Israel, New Zealand, Mexico, Peru and Ecuador.

Meat

Our Meat Market operates, within our supermarkets, 727 butcheries in South Africa and 116 in other African countries. Meat Market makes an effort to source meat locally where possible, procuring meat through a weekly tender awarded on competitive pricing and meat quality. This year we imported about 15% of our meat in South Africa, mainly from countries like Argentina and Brazil. Even though there are quality suppliers in several African countries – particularly Namibia, Botswana and Malawi – they are often unable to provide the volumes we require. As a result, we export meat from South Africa to Mozambique, the Democratic Republic of the Congo and Namibia, and import meat from Brazil and Spain into Angola.

Convenience and processed foods

Our Fresh department works to produce quality convenience and processed foods with 31 suppliers, all of whom started as small suppliers that have grown their businesses in partnership with us.

Private Label

We offer our customers an extensive range of Private Label food and non-food products. These products are sourced from our existing supplier base or sought out for their innovative or niche offering. The Pot O' Gold range is an example of a Private Label line.

We develop and own the intellectual property for most of our Private Label brands and enter into exclusive marketing agreements with brand owners to support their entry to market. We launched 889 new Private Label food products in South Africa and other African countries in the reporting period.



General merchandise

We import about 80% of our general merchandise because of a lack of manufacturing capacity for our major product lines in South Africa. Where possible, we support smaller local suppliers trying to enter the market to stimulate local manufacturing and create jobs in the communities we serve.

SME transformation and development

In the past year, we instituted a tracking mechanism to quantify and disaggregate supplier expenditure by group. This has allowed us to determine where we need to focus our attention on developmental and transformational needs.

Table 15: % Verified expenditure on SMEs, black and black woman-owned enterprises, 2016/17 to 2017/18

% of total expenditure	2016/17	2017/18
Expenditure on SMEs	2.13%	3.68%
Expenditure on black-owned SMEs	0.47%	1.44%
Expenditure on black-owned suppliers	6.44%	8.47%
Expenditure on black, woman-owned suppliers	3.85%	4.55%



Cilmor Distribution Centre, Brackenfell, Cape Town

The technologically advanced Cilmor Distribution Centre in Brackenfell, Cape Town, became operational during the reporting period. Construction on the 105 000-square-metre centre started in February 2016. It includes large ambient, frozen and chilled sections and consolidates the activities of five other centres located in Cape Town. The centre has been put forward to the Green Building Council of South Africa for Green Star accreditation.

Homemade Supplier Programme

Our Homemade Supplier Programme supports suppliers that have limited capacity to meet our procurement requirements, but who wish to grow their businesses. We provide coaching, help them comply with regulatory requirements, and provide the support they need to enter the retail environment. During the year we purchased products to the value of R9.9 million from small-scale suppliers for a range of 191 items.

Managing our supply chain

We have invested heavily in supply chain management in recent years to ensure our ability to source products from around the world and distribute them efficiently throughout Africa. With the help of our suppliers, we are able to reduce costs throughout the supply chain to pass on these savings to our customers.

We use a centralised distribution model with more than 629 000 square metres of space in 27 distribution centres. Our three main distribution centres are in Centurion, Gauteng – the largest of its kind under one roof on the continent; Canelands in KwaZulu-Natal; and Brackenfell in the Western Cape. We also operate a distribution centre in Angola and plan to establish new facilities and distribution depots in Zambia, Nigeria and Madagascar.

A centralised distribution model allows us to transport products only on demand. In addition to ensuring the availability of products on shelves, delivering on demand allows us to:

- Use smaller space for our stores as limited inventory is kept on-site.
- Ensure consistent availability and quality of products, as quality can be rigorously checked prior to delivery to stores.
- Reduce the number of trucks on the road and idling time in delivery docks, so lowering overall carbon emissions.

Our fleet

Our fleet comprises 801 trucks and 1 147 trailers working day and night to transport goods from our distribution centres to our stores. Having nearly two trailers per truck facilitates 24-hour operation, with trailers continuously being loaded for delivery. The trailers are powered by solar energy, which reduces costs and noise pollution.

Trucks are chosen for their fuel efficiency and drivers are taught to drive in the “green band” power range, enabling the vehicle to operate at maximum efficiency. We provide our 1 208 drivers – 88% of whom have been trained through our learnership programme – with healthy food to combat fatigue on the road. Driver safety is monitored through internal cab and road cameras in all trucks. We implemented 5 582 driver training initiatives during the reporting period.

Our fleet travelled more than 70 million kilometres – the equivalent of about 91 round trips to the Moon – in the reporting period.

Cold-chain management

Advanced cold-chain management is used to monitor temperature from source through transit to delivery in order to preserve the quality of our products. Forty-five percent of our refrigerated fleet uses cryogenics technology, which replaces diesel-fuelled refrigeration with liquid nitrogen – which does not emit carbon dioxide or substantial noise pollution – as a coolant. We are one of the first retailers in South Africa to use this technology to a significant extent.

Reverse logistics

We are increasingly focusing on backhauling – using return trips from stores to collect and deliver produce, equipment, packaging and finished goods to the distribution centres for future redistribution. Reverse logistics reduces congestion at distribution centres and lowers the number of supplier trucks on the road. Uptake of reverse logistics grew by 47% in volume during the reporting period. Backhaul is now the third largest “supplier” to our distribution centres.

Trucks are chosen for their fuel efficiency and drivers are taught to drive in the “green band” power range, enabling the vehicle to operate at maximum efficiency.



Natural Capital

WATER

HIGHLIGHTS

Our contribution to achieving the SDGs as at 30 June 2018.



RESPONSIBLE CONSUMPTION AND PRODUCTION

- Installed water meters to monitor 97 stores across the Western Cape.
- Installed 3 154 water-saving devices, reducing annual water consumption by 90 408 000 litres, across the Western Cape.
- Installed 305 water meters at 299 schools.

We depend on a reliable, affordable supply of potable water for drinking, hygiene, sanitation and, where applicable, food production. Water is essential for our automatic fire sprinkler systems and some air-conditioning and refrigeration systems. We invest in water-treatment facilities to clean storm water of chemical compounds absorbed on the property before it enters the municipal drainage system.

South Africa is a water-scarce country. The price of water is likely to rise in years to come to curb consumption. This has already started in those parts of the country that recently experienced a drought. We are focusing on building resilience in all our operations to reduce reliance on municipal water and ensure business continuity in the face of water shortages and potential municipal water-supply suspensions.

We submitted our first response to the water programme of the CDP in August 2018.

During the review period we invested R27.5 million in water storage tanks and water-booster pumps for 127 Western Cape stores.

Western Cape drought response

In February 2018 the Western Cape was declared a national drought disaster area. Water restrictions that were already in place were intensified to stave off the indefinite suspension of municipal water supply and commercial water users were told to reduce their water consumption by 45% compared to pre-drought figures.

That same month we approved and implemented a comprehensive water crisis strategy to reduce our dependence on municipal water in drought-affected regions and ensure compliance with the restrictions. By then we had already been voluntarily reducing our water consumption by suspending all irrigation, including the use of both potable and borehole water at our Western Cape properties and truck washing at our distribution centres.

During the review period we invested R27.5 million in water storage tanks and water-booster pumps for 127 Western Cape stores to ensure three days' backup water supply, should municipal water supply be suspended. If necessary, these water-storage tanks can be filled with treated borehole water or potable water transported from outside drought-affected areas. To allow us to lawfully transport water from alternative drinking sources to our stores, we became the first company to apply for water service intermediary licences from the City of Cape Town, Drakenstein, Cape Winelands, Breede Valley, Witzenberg, Theewaterskloof, Cederberg, Knysna, Langeberg, Swartland, Bergrivier, Saldanha, Matzikamma and Kannaland municipalities.

If the risk of municipal water-supply suspension becomes critical in the Eastern Cape and Free State provinces, we will consider extending this initiative at a further estimated cost of R36 million.

We also installed water meters to monitor 97 Western Cape corporate outlets. These meters will enable us to quickly detect water leaks or significant water-usage spikes, allowing us to comply with water restrictions and better monitor our water consumption and billing.

Customers were also affected by water restrictions and consequently changed their buying patterns. This created an opportunity for us to provide a sufficient supply of bottled water and water-saving products.





Smart Water Meter Challenge

Late in 2017, we started the Smart Water Meter Challenge, the goal of which was to encourage the top 100 Cape Town schools in terms of water usage to collectively save 1 million litres a day by installing a smart meter that measures and reports on water use in real time via an online dashboard. The initiative was then taken up by other corporate companies, which collectively pledged to install a further 260 meters.

Knowing exactly when water usage spikes has enabled the schools to identify leaks and replace plumbing where necessary, and instil waterwise practices in school management, staff and learners. It has also resulted in the schools saving on their water bills.

The pilot project at Hector Peterson Secondary School in Wallacedene resulted in an average saving of 40 kilolitres of water a day and R52 000 on water bills a month. By June 2018, the initiative had helped the 299 participating schools collectively save more than 100 million litres of water and R9.8 million in water costs.

The initiative was implemented in partnership with Pragma, a company responsible for asset maintenance at Shoprite stores, and Bridgiot, a start-up affiliated with Stellenbosch University that designed and built the smart meter.

Building nationwide business resilience to a water-scarce future

The lessons learnt from the Western Cape drought will inform a staged nationwide rollout of water-saving initiatives. We are in the process of initiating a project to reduce our dependency on municipal water supply at properties, where applicable and financially feasible. The project, which will cost an estimated R18 million, entails sinking boreholes and installing water-treatment plants to meet the properties' demand for drinking water, and obtaining applicable licences to use borehole water.

All our new builds will include waterwise gardens and rain-, ground- and subsoil-water harvesting infrastructure (to be used only if necessary). Water captured from the three sources will be purified and used throughout the store. Large paved areas will be built to allow rainwater to be diverted back into underground sources.

Additional efforts to reduce municipal water consumption during the reporting period included:

- Reducing flow rates of taps and showers in service departments, preparation areas, ablution facilities, kitchens and canteens by fitting water-saving aerators.
- Reducing flush volumes of toilets by retrofitting cistern water-stop devices or putting bricks in toilet cisterns.
- Disabling automatic flushing of urinals by shutting off water supply and implementing a manual flushing regime.



- Restricting unauthorised access to taps on the outside of buildings by installing tap locks.

Supporting water resilience in our communities

We are constantly exploring innovative ways to improve water resilience in our communities. Below are a few examples of the projects we have supported in recent years:

- **PlayPumps** are specially designed merry-go-rounds that pump water into a reservoir when children play on them. We have been supporting the installation and maintenance of 37 PlayPumps in rural areas since 2002, supplying clean drinking water to thousands of people across South Africa.
- **Senwametsi** is a locally developed water-holding polymer that drastically reduces the amount of water required to grow food. We are using the polymer in two of our Western Cape gardens, Mokone and Siyabulela.
- **We installed 51 water tanks, 1 borehole, 11 hippo rollers and 2 greywater systems at food gardens** to ensure these gardens continue producing food for their immediate communities during times of drought.

We have been supporting the installation and maintenance of 37 PlayPumps in rural areas since 2002, supplying clean drinking water to thousands of people across South Africa.

Between February and May 2018, our Disaster Relief Fund was used to support drought-stricken communities in South Africa. We also used our logistical infrastructure to deliver water and animal feed in bulk to where it was needed most during the year.

WASTE MANAGEMENT

HIGHLIGHTS

Our contribution to achieving the SDGs as at 30 June 2018.



RESPONSIBLE CONSUMPTION AND PRODUCTION

- Almost 60% of packaging used for fresh fruit and vegetables is widely recyclable in South Africa.
- Sold 350 million plastic bags made from 100% post-consumer recycled material, diverting 3 000 tons of plastic from landfills.
- Recycled 3 225 tons of plastic and 26 859 tons of cardboard and white paper.
- Diverted 103 tons of plastic waste from landfills since February 2017 by using post-consumer waste in our house soda brand bottles.
- Reused 1 050 tons of cardboard packaging in a pilot project with another South African retailer.



Using safe post-consumer waste in Zip Cola bottles helps create jobs through waste collection, reduces the amount of energy needed to make new plastic resin and lowers the amount of waste going to landfills.

Africa's waste-management systems are increasingly strained due to rising consumption of packaged goods, urbanisation and low levels of investment in this sector. Like many countries on the continent, South Africa does not have a national recycling structure to divert waste from landfills, which are few and often lack compliant hazardous-waste-management facilities.

We support the South African government's guidelines regarding waste management, that is: avoid, reduce, reuse, recycle, recover and dispose as a last resort. We are committed to ensuring that we send as little waste as possible to landfills.

New legislation requires all South African companies to either submit their own industry waste-management plan or subscribe to an industry waste-management plan approved by the Minister of Environmental Affairs. We are committed to subscribing to an industry waste-management plan that is due to be approved by the Minister of Environmental Affairs in the 2019 financial year. Some regions, such as the Western Cape, have set a goal of banning certain waste streams (like organic waste) from landfill in the next few years.

In-store packaging

We procure our own packaging for a significant percentage of the products we sell across the Group. This includes packaging for Private Label products and for use at the fruit and vegetable, deli, bakery, fish and meat counters.

Almost 60% of the packaging we use for fruit and vegetables – punnets, trays, bags, pockets and cartons – is widely recyclable in South Africa. We meet with packaging suppliers at least once a month and are constantly searching for more efficient and innovative ways to package products to reduce waste.

In February 2017 we became the only South African carbonated soft-drink producer to use bottles that consist of 25% post-consumer waste. Our house soda brand is called Zip Cola. Using safe post-consumer waste in Zip Cola bottles helps create jobs through waste collection, reduces the amount of energy needed to make new plastic resin and lowers the amount of waste going to landfills. To date, this initiative has diverted 103 tons of plastic from landfill. Zip Cola was named PETCO's "Recycled Product of the Year" in 2018.

While we do not have a formal packaging policy in place, we are busy aligning with the requirements of the industry waste-management plan to which we intend to subscribe.

We are committed to:

- Supporting the goals set by various Producer Responsibility Organisations for specific waste streams.
- Integrating sustainability into the process of design, selection and sourcing of packaged products.

- Including waste-stream identification codes on packaging.
- Communicating recycling messages to customers at the point of sale.

We comply with all packaging regulations and have made strides across our operations to reduce the volumes of packaging we need, reuse packaging where possible, and recycle where not.

Shopping bags

In 2013 we became the first South African retailer to produce a plastic shopping bag made completely from recycled plastic. Currently all Shoprite, Checkers and Usave supermarkets in South Africa use these bags, which are South African Bureau of Standards-approved and free from all heavy metals, toxic colourants, chemicals and bleach. During the year under review, we sold 350 million recycled plastic bags, diverting 3 000 tons of plastic from landfills. We also provide reusable bags for sale in our Shoprite and Checkers stores.

Many African countries – including Botswana, Kenya, Malawi and Uganda – have banned the sale and use of plastic bags to curb plastic pollution in land and marine ecosystems. Our customers in these countries are (and in the case of Kenya, will be) required to bring their own bags or purchase reusable ones.

Supply chain waste reduction

Packaging is traditionally a major source of waste along the supply chain. In the early 2000s we started using reusable, returnable plastic crates to reduce our suppliers' reliance on disposable packaging and wooden pallets. Suppliers are given crates to transport their goods to our distribution centres and issued with new ones on delivery. In November 2017, we implemented a pilot project with another South African retailer to reuse cardboard packaging where feasible. Good condition, used cardboard packaging is supplied to the retailer for reuse, eliminating the need for recycling. To date, more than 1 050 tons of cardboard has been reused.

Recycling and waste disposal

All our stores have waste-sorting rooms where recyclable materials (cardboard, plastics and white paper) are separated from general waste and routed to major distribution centres via reverse logistics for baling and sale to recycling companies. The use of reverse logistics started in 2015 and uptake has been significant. Through our distribution centres, in the reporting period, we recycled:

- 26 859 tons of cardboard and white paper
- 3 225 tons of plastic.

Non-recyclable packaging is returned to our suppliers or appropriately disposed of. Every store has facilities to deal with substances that require specific disposal.





CLIMATE CHANGE

HIGHLIGHTS

Our contribution to achieving the SDGs as at 30 June 2018.



CLIMATE ACTION

- Invested in an extensive centralised distribution network and reverse logistics, reducing driving and idling time for store deliveries across the continent.
- Installed 80 509 LED lamps across 74 corporate outlets.
- Generated 2 393 MWh of renewable energy through rooftop photovoltaic systems.
- Increased the ratio of refrigerated fleet using the liquid nitrogen cooling system to 45%.

Traditionally, we have focused on factors that affect our core business. Climate change effects, such as significant shifts in weather patterns and an increased frequency and duration of extreme weather events such as droughts and floods, could negatively impact food production patterns in years and decades to come, affecting our supply chain and thus our ability to ensure

product availability in stores. Our extensive supply network mitigates this risk. However, in response to a growing awareness of climate-related matters and their implications for our operations and society in general, we have extended our strategic focus to include climate change as a material sustainability issue.

In line with the Paris Agreement, we have committed to managing and reducing our carbon emissions, where possible, and are adapting our operations to ensure business continuity in an uncertain climate future. We are also committed to building resilience against climate change in our business and in our communities.

Our contribution to mitigating greenhouse gas emissions is primarily through improving energy efficiency and sourcing alternative technologies where feasible.

Greenhouse gas emissions

We measure and manage our greenhouse gas emissions across all rand-based operations. Recently, we submitted our seventh consecutive annual report to the climate programme of the CDP. The 2017 and 2018 submissions are available on our website.

Comparing carbon emissions across South Africa's major food retailers is complicated due to a lack of sector-specific guidelines for carbon emissions reporting. The wide range of possible business models further thwarts comparison: some retailers outsource distribution;

some use a franchise model; and some focus on merchandise, such as clothing, more than on fresh food (refrigerating fresh produce produces higher emissions than, for example, the lighting requirements for merchandise). We therefore encourage stakeholders to engage directly with us about our CDP submissions should they have queries.

We initiated an ongoing project in 2017 to replace conventional fluorescent tube lamps with LED tube lamps across corporate outlets in South Africa, in order to reduce the Group’s annual greenhouse gas emissions by 125 172 tonnes CO₂ equivalent (tCO₂e).

Rooftop photovoltaic systems installed at six corporate outlets collectively reduced our greenhouse gas emissions by 2 345 tCO₂e during the reporting period. We are currently investigating the feasibility of installing rooftop photovoltaic systems at an additional 11 corporate outlets.

We are increasingly using liquid nitrogen cooling systems to maintain a stable temperature for perishable food for the duration of a delivery trip. This saves us from having to keep a truck’s engine running while goods are being loaded and nitrogen gas, which has no global warming properties, is released into the atmosphere instead of exhaust fumes.

When building new premises, we consider “green” aspects of architecture such as the optimal orientation of the building, ceiling heights, window placement and insulation to reduce store heat loads and associated energy consumption.

During the reporting period, we:

- Submitted our seventh consecutive climate programme report to the CDP.
- Improved our carbon emission-related data completeness.
- Performed third-party limited verification on our carbon emissions aligned with ISO 14064-3.
- Initiated several greenhouse gas emission reduction projects.



BIODIVERSITY

HIGHLIGHTS

Our contribution to achieving the SDGs as at 30 June 2018.



RESPONSIBLE CONSUMPTION AND PRODUCTION

- Sustainable procurement policy for fish and marine products.



LIFE BELOW WATER

- Joined the WWF-SASSI initiative.
- Approved a sustainable procurement policy.
- Trained 13 business owners in our sustainable seafood procurement practices.

Biodiversity refers to the range of plant and animal species on Earth, the ecosystems they inhabit, and the interaction within and between species and ecosystems. Biodiversity has diminished in recent decades due to unsustainable production and consumption patterns. This decreases the levels of ecosystem goods – such as food – that humans can extract.

We consider biodiversity when buying properties for new builds. If prescribed by law, comprehensive environmental impact assessments are conducted. It is customary that new builds have an environmental management plan in place, with a dedicated environmental control officer to ensure compliance. Funds are dedicated to landscaping to complement and enhance the surrounding natural environment.



We formalised our participation in the WWF-SASSI Retailer/Supplier Participation Scheme in 2017, effectively committing to:

- Only source products from fisheries and aquaculture operations undergoing credible and time-bound improvements in their environmental performance for our private and exclusive branded seafood products by end-December 2020.
- Sourcing sustainable seafood for all retail operations by end-December 2025.

We have developed a sustainable seafood position statement and a sourcing and procurement policy, and are working with our supply chain, including small and medium-sized fishers, to help them comply. To date:

- 80% of our frozen fish and seafood products meet our sustainability commitments.
- We have trained 3 971 store employees on our new sustainable seafood practices.

There were no violations or incidences of non-compliance with environmental legislation in the reporting period. ■

Keeping seafood sustainable

Established in 2004, SASSI raises consumer and supplier awareness about the over-exploitation of marine species and promotes sustainable procurement and consumption practices. It provides online and mobile platforms to inform people about which species to avoid.

Species are given a green, orange or red light:

- **Green-light** fish species are the most sustainable choice.
- **Orange-light** fish species are vulnerable species and should be eaten sparingly.
- **Red-light** fish species are under severe threat. It is illegal to buy or sell red-light species in South Africa.

Conclusion

We are proud of our contribution to the economies of our host countries, our employees and the communities in which we operate. As a significant employer and the largest supermarket retailer in Africa, we have an important contribution to make towards the achievement of national and global goals relating to ending poverty, creating jobs and transferring skills, boosting food security, empowering women and limiting the impact of our operations on natural systems. Achieving these goals will also ensure the sustainability of our business. We will continue innovating and expanding our existing initiatives and actively explore ways to scale up our impact in these areas.

To help us better manage our sustainability journey in 2019 and beyond, we will:

- Appoint a dedicated Sustainability Manager.
- Develop a sustainability strategy that harnesses our resources more effectively.
- Design a monitoring and evaluation framework that captures the impact of our work. ■

We will continue to do business with tomorrow in mind and seek innovative ways to scale up our positive effects on our people, our suppliers and our communities.



List of acronyms

B-BBEE	Broad-based black economic empowerment
CEO	Chief executive officer
CSI	Corporate social investment
NOAH	Neighbourhood Old Aged Homes
NPAT	Net profit after tax
SACCAWU	South African Commercial, Catering and Allied Workers Union
SASSI	South African Sustainable Seafood Initiative
SDGs	Sustainable Development Goals
SME	Small and medium-sized enterprise
W&RSeta	Wholesale and Retail Sector Education and Training Authority
YES	Youth Employment Service

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