



**OUR CUSTOMERS ARE AT  
THE HEART OF OUR BUSINESS**

**INTEGRATED REPORT 2017**

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**“On our journey towards becoming the best retailer in the world, it is going to be important for us to continue building trust with our customers, by always giving them what they need at prices they can afford.”**

**Pieter Engelbrecht**  
Chief Executive

# Profile

Shoprite Holdings Limited is an investment holding company whose combined subsidiaries constitute the largest fast moving consumer goods (FMCG) retail operation on the African continent. We operate a total of 2 301 corporate (owned) and 388 franchise stores and 19 trusted brands. We provide employment to 143 802 people across our operations in 15 countries from Cape Town to Accra and the Indian Ocean islands.

While the Group's primary business is food retailing, our offering extends to a broad range of goods and services including household products, furniture, pharmaceuticals and financial services, amongst others. At the heart of our offering is an unwavering dedication to providing the lowest prices to people of all income levels across Africa.

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

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

**2 689**  
stores

**143 802**  
staff

**33** distribution centres

Annual turnover  
**R141 bn**

**31.9%**  
market share

Almost  
**40 years**  
in South Africa

More than  
**1 billion**  
transactions p.a.

More than  
**35 million**  
shoppers p.a.

**26 years**  
outside of  
South Africa

## Africa's largest fast-moving consumer goods retail company

Shoprite Holdings Ltd comprises the following brands:



# About this report

## Shoprite Holdings Limited (“Shoprite” or “the Company”) is pleased to present its 2017 Integrated Report.

### Scope and boundary

This Integrated Report covers all the operations and performance of the Shoprite Group, incorporating Shoprite Holdings Limited and all its subsidiaries for the year ended 2 July 2017.

### Subsidiaries of Shoprite Holdings Ltd

See subsidiary breakdown on opposite page.

The information in this report has been selected to cater for the interests of stakeholders who require a broad overview of Shoprite, but with specific emphasis on investors and funders.

We believe the report will provide stakeholders with an overview and better understanding of Shoprite’s business model, our operational and financial performance, our governance practices and strategy, as well as the risks and opportunities that manifest as the leading FMCG retailer in Africa.

### Materiality

The selection of issues to be covered in this report was informed by inputs from our stakeholders, including capital providers and regulators, and was further refined through engagement with the executive management and board of Shoprite.

### Reporting comparability

There has been no change in the scope and boundary of this report relative to the 2016 report, although the current report has been expanded to include a wider range of information about the Company. There have

been no changes in the structure of the Company during the current reporting period, other than through ongoing store openings and closures, as part of normal operations.

### Changes in disclosure

Readers should take note of the following changes in accounting policies and disclosure practices:

- During 2017, the Group changed its accounting treatment of advertising rebates, with certain rebates relating to advertising now being deducted from the purchase price of goods. Where historical data has been adjusted in this report, the relevant numbers have been annotated and a brief explanation included at the bottom of the tables.
- The Group discloses pro forma information in the Integrated Report related to:
  - constant currency sales performance for Non-RSA operations;
  - 52-week results for the 2016 financial year to facilitate comparisons against the current financial year which consisted of 52 weeks, since the published 2016 financial year incorporated trading for 53 weeks; and
  - like-for-like comparisons, to remove the impact of store openings and closures.

These changes and their impact are discussed in detail in the pro forma information on page 98.

### Frameworks and assurance

The information included in the Integrated Report has been provided in accordance with the International Financial Reporting Standards (“IFRS”), JSE Listings Requirements, the International Integrated Reporting Council’s (IIRC) framework (“the Framework”) and The King Code of Corporate Governance (King III).

No external assurance has formally been sought, other than from our external auditors PricewaterhouseCoopers Incorporated for the annual financial statements, summary consolidated financial statements and pro forma financial information. Aspects of our information are however assured through the following sources:

- B-BBEE scorecard verification – Shoprite is verified on the Amended Codes of Good Practice, Gazette No. 36928 and obtains its certification from AQRate Verification Services (Pty) Ltd, a SANAS accredited B-BBEE Verification Agency.
- Shoprite’s International Trade Department (ITD), responsible for imports and exports, has achieved a certificate for ISO (International Organisation for Standardisation) 9001 Quality Management System awarded by Dekra, which is accredited by IAF.

### Forward-looking statements

This report may contain forward-looking statements with respect to Shoprite’s future performance and prospects. While these statements represent our judgements and future expectations, several factors may cause actual results to differ materially from our expectations.

For further information, please contact Sarita van Wyk on 27 (0) 21 980 4269.

### How to navigate our report

Throughout our Integrated Report, the following icons are used to provide linkages to relevant aspects, or indicate where further detail is available.



This icon signifies related information elsewhere in this report.



This icon signifies related information available online at: [www.shopriteholdings.co.za](http://www.shopriteholdings.co.za)

### Our Capitals

|  |                             |   |
|--|-----------------------------|---|
|  | <b>Intellectual Capital</b> | Our brands, experience and know-how                               |
|  | <b>Human Capital</b>        | Our people  |
|  | <b>Financial Capital</b>    | Equity and funding from our shareholders and debt providers       |
|  | <b>Manufactured Capital</b> | Our stores, distribution centres, fleet and manufactured products |
|  | <b>Social Capital</b>       | Our customers, suppliers, communities and other stakeholders      |
|  | <b>Natural Capital</b>      | Our environment   |

The icons above signify each of the capitals employed by Shoprite to effectively execute our business model.

Where cross referenced, the icons signify information that is relevant to an understanding of the impact of each capital on our business.

## Subsidiaries of Shoprite Holdings Ltd



### Approval of the Integrated Report

The board of directors of Shoprite acknowledges its responsibility to ensure the integrity of this report and confirm that this Integrated Report addresses all material matters and provides a balanced overview of the Company and its prospects. The board has therefore approved the 2017 Integrated Report for publication.

On behalf of the board

**CH Wiese**  
Chairman

**PC Engelbrecht**  
Chief Executive Officer

21 August 2017

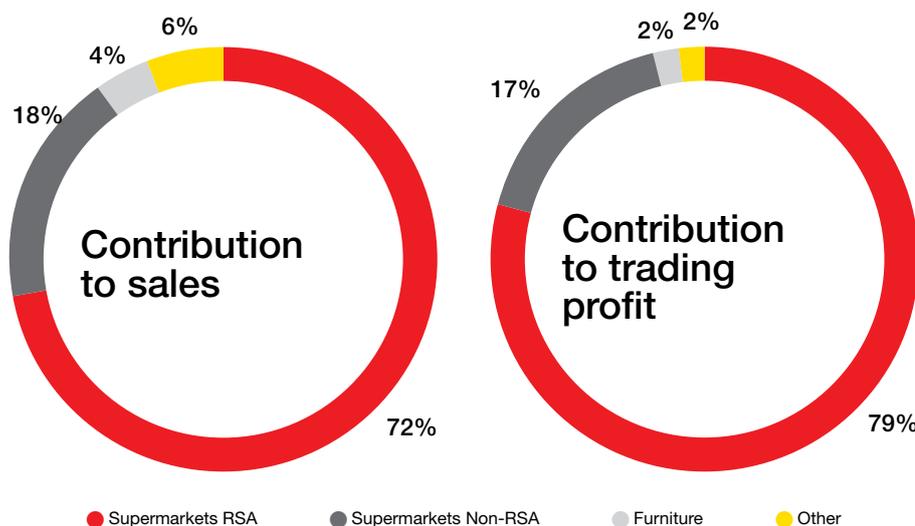
## Distribution of operations

Africa's leading retailer, importer and exporter of grocery products

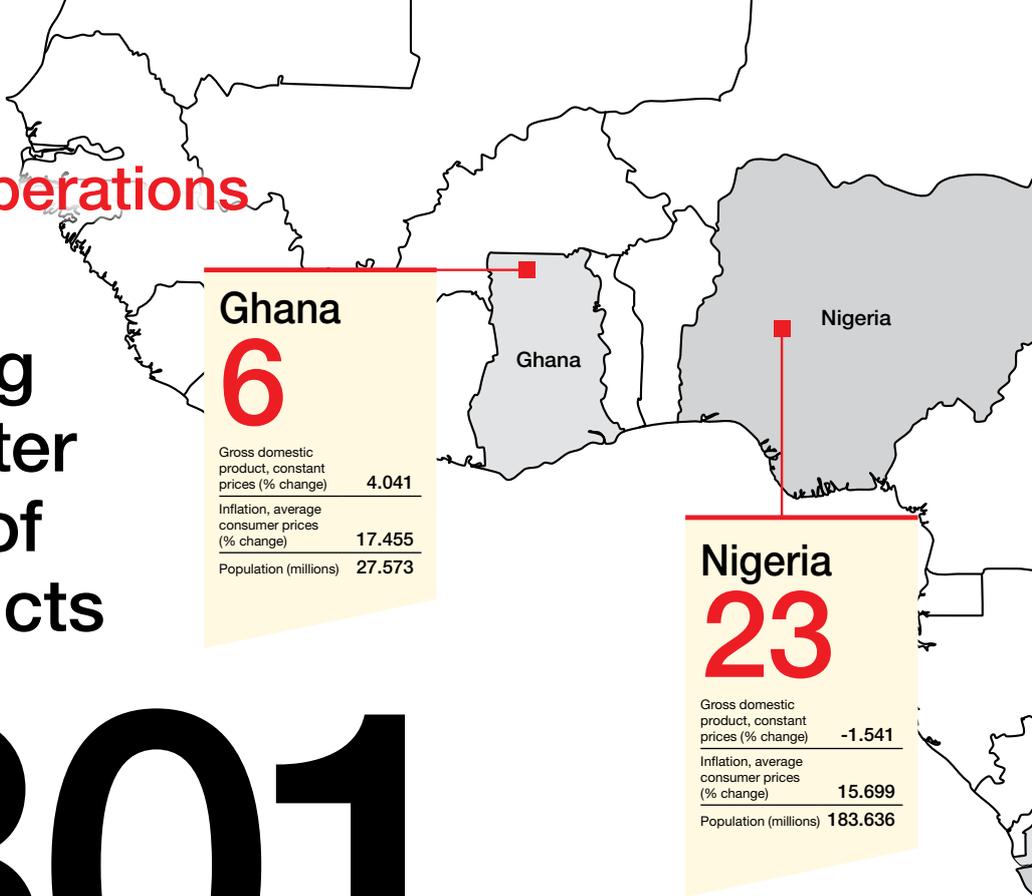
# 2301

Total corporate stores

## Contribution per operating segment



**Supermarkets RSA:** represents all Shoprite, Usave, Checkers, Checkers Hyper and LiquorShop stores in South Africa;  
**Supermarkets Non-RSA:** represents all Shoprite, Usave, Checkers, LiquorShop and certain Hungry Lion stores in countries outside of South Africa;  
**Furniture:** represents all House & Home, OK Furniture and OK Power Express stores;  
**Other (these businesses operate in South Africa as well as Non-RSA):** represents all Transpharm, Checkers Food Services (CFS), MediRite, OK Franchise and Computicket outlets/operations.



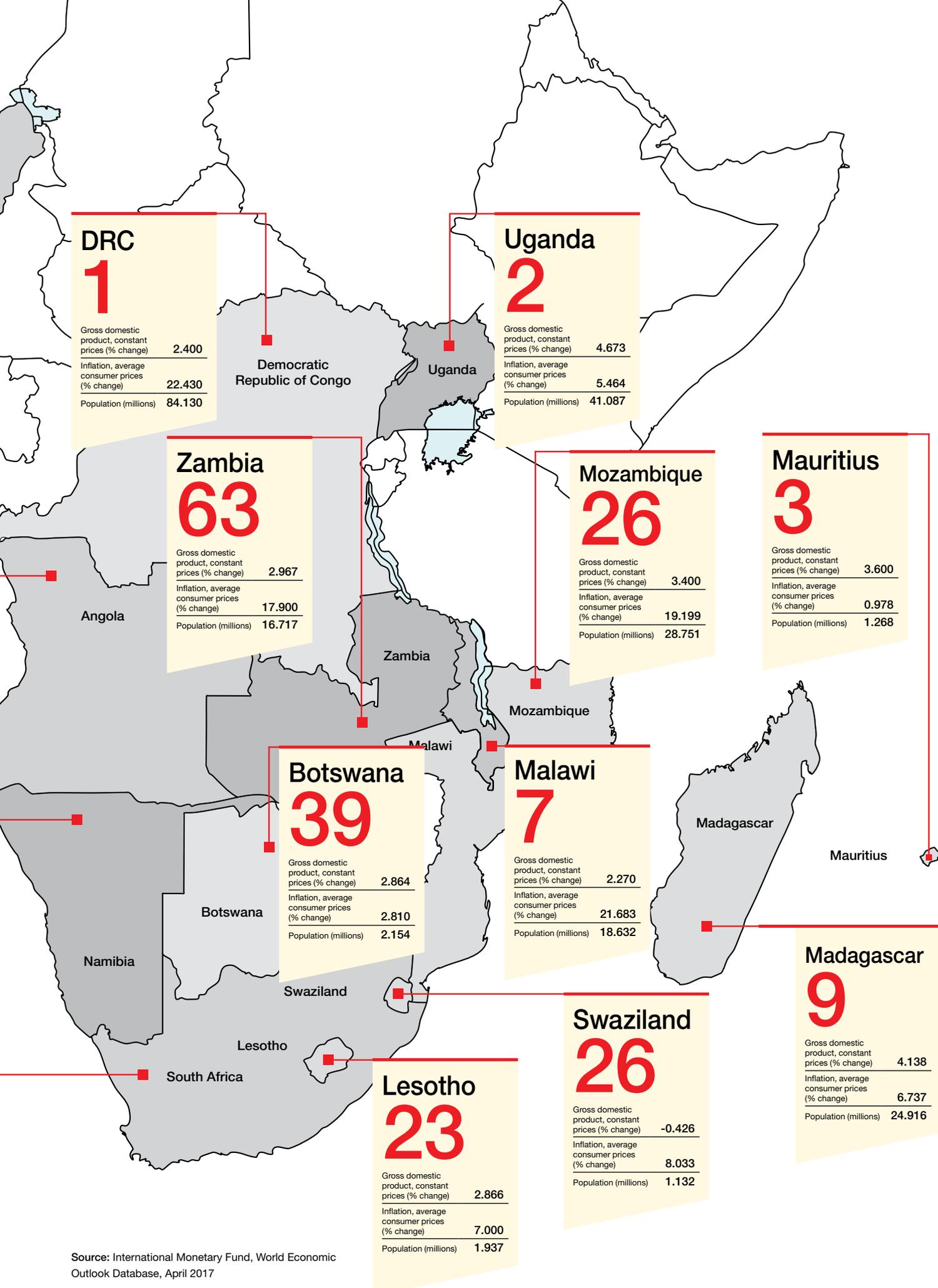
|  |        |
|--|--------|
| <b>Ghana</b>                                       |        |
| <b>6</b>   |        |
| Gross domestic product, constant prices (% change) | 4.041  |
| Inflation, average consumer prices (% change)      | 17.455 |
| Population (millions)                              | 27.573 |

|  |         |
|--|---------|
| <b>Nigeria</b>                                     |         |
| <b>23</b>  |         |
| Gross domestic product, constant prices (% change) | -1.541  |
| Inflation, average consumer prices (% change)      | 15.699  |
| Population (millions)                              | 183.636 |

|  |        |
|--|--------|
| <b>Angola</b>                                      |        |
| <b>51</b>  |        |
| Gross domestic product, constant prices (% change) | —      |
| Inflation, average consumer prices (% change)      | 32.378 |
| Population (millions)                              | 27.360 |

|  |       |
|--|-------|
| <b>Namibia</b>                                     |       |
| <b>106</b>   |       |
| Gross domestic product, constant prices (% change) | 0.100 |
| Inflation, average consumer prices (% change)      | 6.727 |
| Population (millions)                              | 2.300 |

|  |        |
|--|--------|
| <b>South Africa</b>                                |        |
| <b>1916</b>  |        |
| Gross domestic product, constant prices (% change) | 0.279  |
| Inflation, average consumer prices (% change)      | 6.341  |
| Population (millions)                              | 55.909 |



Source: International Monetary Fund, World Economic Outlook Database, April 2017

# The Group

| Brand   | Summary  | Target market | Store count |         |            |
|---|--|---------------|-------------|---------|------------|
|   |  |               | RSA         | Non-RSA | Total      |
|     | Affordable and accessible, Shoprite caters to the mass middle-income market by providing its lowest prices on basic goods, including groceries and household products. As the Group's original and flagship brand, Shoprite owns the most stores in South Africa, and is the main spearhead for growth into Africa.  | LSM 4 – 7     | 458         | 155     | <b>613</b> |
|    | The chain's simple philosophy – “When we save, Usave” is backed by a strategy of small-format stores offering a limited range of basic foods at everyday low prices to lower-income consumers. The small-format stores are an ideal vehicle for the Group's expansion into Africa and allow for greater penetration into previously underserved communities in South Africa.   | LSM 1 – 5     | 302         | 65      | <b>367</b> |
|     | Convenience, quality and freshness define the Checkers brand. Time-pressed upper-income consumers in search of a world-class shopping experience enjoy great value on a wide selection of groceries, household products, fresh and convenience foods and speciality lifestyle ranges of wine and coffee. Located in shopping malls and other convenient premises across South Africa and some neighbouring countries, the brand caters to discerning shoppers in affluent residential areas.                           | LSM 8 – 10    | 202         | 7       | <b>209</b> |
|   | Checkers Hyper offers the same speciality food selections and great value as Checkers, but within large-format stores that encourage bulk rather than convenience shopping. The general merchandise ranges are far wider in Hyper stores, focusing on categories like small appliances, pet accessories, garden and pool care, outdoor gear, home improvement, homeware, baby products, toys and stationery. Checkers Hyper stores operate in South Africa only and are found in areas with high population densities. | LSM 8 – 10    | 37          | –       | <b>37</b>  |
|  | The OK Furniture chain brings affordable quality to homes across Africa. With its vast geographic spread of stores, the brand offers a wide range of furniture, bedding, loose carpeting, electrical appliances and home entertainment products at the lowest prices, cash or on credit. Choice quality goods and exceptional service define the ‘no problem’ shopping experience.   | LSM 5 – 7     | 338         | 69      | <b>407</b> |
|  | This chain of small-format stores sells a carefully selected range of white goods and home entertainment products, as well as bedding and loose carpeting. Located mainly in high-density areas, shoppers can choose to pay with cash or take advantage of competitive credit options.   | LSM 5 – 7     | 24          | 5       | <b>29</b>  |
|  | House & Home offers upper-income consumers quality homeware at affordable prices. Goods include a large selection of exclusive and well-known ranges of furniture, bedding, appliances, home entertainment and floor covering products. Stores are located throughout South Africa, Namibia and Botswana.  | LSM 7 – 10    | 49          | 3       | <b>52</b>  |

| Brand  | Summary  | Target market   | Store count |         |       |
|--|--|---|-------------|---------|-------|
|  |  |   | RSA         | Non-RSA | Total |
|   | <p>Located inside Shoprite and Checkers stores, MediRite is well-positioned to meet the growing need for easily accessible and affordable healthcare to customers across all income levels. Many MediRite pharmacies are located in previously disadvantaged communities where few pharmaceutical services are available.</p>  | Same as Shoprite and Checkers   | 146         | 16      | 162   |
| <br> | <p>LiquorShop offers a full assortment of wine, beer and spirits at affordable prices to Checkers and Shoprite customers. Positioned near Group supermarkets, outlets feature separate entrances and also appeal to passing trade.</p>   | Same as Shoprite and Checkers   | 376         | 14      | 390   |
|   | <p>Transpharm Pharmaceutical Wholesalers distributes a wide range of pharmaceutical products and surgical equipment to pharmacies, hospitals, clinics, dispensing doctors and veterinary surgeons across South Africa. The Shoprite Group is expanding this dynamic company to improve its existing national distribution network.</p>   | Targets pharmacies, veterinarians, clinics, hospitals and dispensing doctors.   |             |         |       |
|   | <p>The OK Franchise Division franchises three different types of retail formats (OK Foods, OK MiniMark &amp; OK Express), a liquor outlet (OK Liquor) and a wholesale outlet (Megasave). Each of these formats has its own identity and personality and offer shopping facilities appropriate to the market in which they trade. This includes a wide range of fresh and non-perishable food items, as well as general merchandise. The OK Franchise continuously strives to cement the brand as a retailer that can be counted on, and today they have 388 stores in neighbourhoods and communities across South Africa, Namibia and Swaziland.</p>                                       | The various store formats, with their different identities and facilities, cater to the needs of the community in which they are located. | 336         | 52      | 388   |
|   | <p>Hungry Lion prides itself on sharing MORE with its customers by delivering tasty fried chicken with MORE flavour and MORE value. Operating in seven African countries, the brand strives to provide high-quality fare at affordable prices in a modern fast-food environment.</p>   | LSM 4 – 7   | 130         | 67      | 197   |
|   | <p>Checkers Food Services is the business-to-business (B2B) brand of the Shoprite Group delivering a wide range of quality products at the lowest prices to the hospitality and catering industry. Leveraging off the Group's bulk-buying power and centralised distribution network, Checkers Food Services distributes to its customers in South Africa (Gauteng and Western Cape provinces) through dedicated warehouses and logistical fleets.</p>   | Targets a range of businesses in the hospitality and catering industry.   |             |         |       |
|   | <p>Computicket is the largest provider of ticketing services in South Africa with a footprint in key countries across Africa.</p> <p>Computicket covers a wider variety of things to do, ranging from theatre, concerts, festivals and sporting events; to travel, which includes bus and flight tickets, car rental and accommodation both nationally and internationally.</p> <p>In addition to enabling experiences, Computicket also facilitates a range of business solutions which are geared towards making the most of its offerings to its business partners. These business solutions include stadium management, capacity management, travel management and access control.</p> | <p>LSM 4 – 10<br/> Bus: LSM 4 – 7<br/> Travel: LSM 7 – 10<br/> Events: LSM 4 – 10</p>   |             |         |       |

## Our mission

# We are the largest private sector employer in South Africa and a leading employer in Africa.

Our mission is to deliver low prices in a world-class shopping environment to customers across the African continent. We bring choice, quality products and job creation to communities in all the countries we serve. Our low-cost promise has been the foundation of our business for close to 40 years and we are relentless in our efforts to keep our business efficient and our prices low.

We have become the number one retailer in Africa through a steadfast commitment to the values we hold dear.

We aspire to become the global leader in customer service, putting the customer first in all things we do. Our mantra is that no customer leaves the store unhappy and our employees are empowered and have the full authority to do what is necessary to ensure our customers are satisfied.

We are a business with heart, always reminding ourselves that we are part of a broader community and demonstrating to ourselves and our customers that we #ActForChange. Whether it is through job creation,

ensuring the most affordable products available, lending a helping hand to those in need or feeding the most vulnerable in our society, we ensure that we remain relevant to and trusted by the communities we serve.

Finally, we believe in treating all people, be it our colleagues or our customers, with respect and integrity, keeping our promises and acting fairly in all our dealings.

# Our performance highlights

## Financial highlights

- R141 billion turnover
- R8.1 billion trading profit
- R5.6 billion headline earnings
- Dividends distributed of R2.6 billion
- Trading margin increased from 5.60% to 5.76%

## Manufactured capital performance

- 2 689 stores in 15 countries
- Net 138 new stores opened
- 5 new distribution centres opened

## Human performance

- Employment for 143 802 people
- 6 027 new jobs created in 2017
- 1 994 414 training hours invested in employees
- 46 000 employees trained on food safety in 2017

## Intellectual capital performance

- 19 trusted brands
- Gained 45 basis points market share in South Africa to 31.9%, equivalent to R1.5 billion in sales
- Smooth succession of key management
- Successful launch of Fresh Food category
- Extension of Private Label

## Social capital performance

- More than 29 million shoppers across SA
- Over 1 billion customer transactions in 2017
- Customer growth of 2.4%
- 3.9% volume growth
- Customer satisfaction at record levels
- More than 23 000 suppliers
- More than 1 000 growers utilised, of which 295 are small enterprises
- 3.6 million meals served by our mobile soup kitchens
- 3 000 bursaries awarded valued at R130 million to date
- Total CSI spend of R35.4 million
- R108 million in surplus food donations

## Environmental performance

- 7 350 tonnes of plastic diverted through recycled bags
- Generated 1 102 MWh of renewable energy in 2017
- Replaced more than 775 000 fluorescent tubes and 80 000 control gear with energy efficient alternatives
- Saved 27 810 tonnes of CO<sub>2</sub> valued at R32 million
- Flagship new distribution centre aiming for Green Star accreditation

## Awards in the reporting period

- 2016/17 Icon Brands Survey – winner of the Grocery Food Retail category
- 2016/17 Ask Afrika Youth Brands Survey – winner of the Food Retail category
- 2017/18 Kasi Star Brands Survey – winner of the Food Retail and Toy Retail categories
- 2016 The Times & Sowetan Shopper Survey – winner of the Grand Prix Award and Best Grocery Store category
- 2016 Sunday Times Top Brands – winner of the Grocery Store category
- Nielsen – Rated #1 in the world for ad recall on Facebook



For more detail about our capitals, refer to the section on Nurturing our capitals, on page 41 – 55.

# Our business model explained

## What we need to execute



**1.**  
Strong brands



**2.**  
Great people



**3.**  
Loyal customers



**4.**  
A strong balance sheet



**5.**  
State of the art infrastructure



**6.**  
Environmentally sound practices

**Low prices**

## Our operating model

Centralised distribution

Advanced supply chain

Sophisticated sourcing

Efficient operating model

State of the art stores

A keen assessment of customers' needs



For more detail about our capitals, refer to pages 41 – 55.



For our Value Added Statement refer to page 14.



## World-class shopping environment

### Our outputs – benefits to the customers

- Consistent value for money – Shoprite internal food inflation of 5.9% vs official food inflation of 10%
- A diversified product range – sold 7.4 billion items in 2017
- Acting for change in our communities – 2.6% of net profit after tax to community projects

### The result of what we do

- SA's largest private sector employer – wages, salaries and other staff benefits of R10.8 billion
- Significant job creation – 55 000 new jobs since 2010
- Development of small suppliers – R177.8 million contributed towards Enterprise and Supplier Development Initiatives in 2017
- Feeding those in need – 3.6 million people were fed in 2017, and R108 million of food donated
- Consistent shareholder returns – 20% p.a. compounded annual growth rate (CAGR) in total shareholder return over 10 years
- A cleaner environment for our children



For more detail about our financial performance refer to the financial report on page 35.

# How we add value

## Key strategic aspects of our business model drive our long term success



### Delivering the lowest prices through increased efficiency

We pursue efficiency in everything that we do. By streamlining our supply chain, upgrading our operations and driving down costs, we are better able to deliver the lowest prices in a first-world shopping environment to consumers across Africa.



### Our advanced supply chain

Shoprite improved its competitive advantage and sustainability by taking control of its supply chain in line with international best practices in retail and today not only commands a leadership position in the industry but has also become the African continent's largest distributor of grocery products.

Our state-of-the-art distribution centres and supply line infrastructure give us greater control over our inventory across 15 African countries. This empowers us to introduce a number of cost-saving efficiencies without decreasing margins or compromising on quality.

## Fully-owned fleet

Our large fleet of trucks and trailers operates 24 hours a day, seven days a week to ensure maximum availability of goods that are delivered on a time schedule. Sophisticated transport route planning and scheduling software optimises store deliveries and reduces the number of trucks on the road, thereby reducing congestion, lowering our carbon footprint and saving costs.

This efficient supply chain infrastructure also empowers small-to-medium sized suppliers to deliver merchandise directly to our centres and avoid the need to invest in either warehousing or vehicles. Our trading partners are a vital link in our supply chain and we work closely with them to create mutually beneficial relationships that go beyond simple supply and demand management.

We have been pioneering reverse logistics initiatives that enhance our sustainability and environmental position, in line with international best practices. Our focus is on re-use, recycle and the reduction of waste to landfill.





## Retail storage, availability and information technology

Our advanced supply chain also presents the opportunity to re-engineer our retail stores and optimise the use of retail space by dedicating the minimum area to storage and the maximum area to trading space.

Our technological platforms are continuously being refreshed to keep us abreast of technological developments. A new ERP system and investments in digital transformation have led to increased efficiencies, more collaboration and better innovation across our businesses. Continuous investment in customer science and big data allows for improved decision making in terms of promotions, products, store layouts and pricing.

## Centralised distribution

The Group has invested in an extended centralised distribution network that enables us to seamlessly manage the supply of products to our stores across the continent.

As the first South African retailer to receive the renowned ISO 9001 accreditation for import and export handling, we continue to pursue our strategic lead in supply chain management. Our International Trade Department sources products from anywhere in the world with extreme efficiency, assuring our customers of choice, availability of products and value for money. We have invested substantially to create a network of advanced distribution centres. Their accompanying transport operations are supported by sophisticated information management systems. A substantial portion of the investment in information technology and logistics infrastructure has been devoted to upgrading and expanding our distribution network.



# Financial highlights

Shoprite Holdings Ltd and its Subsidiaries for the year ended 2 July 2017

|  | %<br>increase | 52 weeks<br>2017<br>Rm | Restated<br>53 weeks<br>2016<br>Rm <sup>+</sup> |
|--|---------------|------------------------|---|
| Sale of merchandise  | 8.4           | 141 000                | 130 028   |
| Trading profit   | 11.6          | 8 127                  | 7 281   |
| Earnings before interest, income tax, depreciation and amortisation (EBITDA) | 6.8           | 10 013                 | 9 376   |
| Profit before income tax   | 11.2          | 7 615                  | 6 848   |
| Basic headline earnings  | 14.8          | 5 554                  | 4 838   |

## Performance measures

|   |      |         |       |
|---|------|---------|-------|
| Diluted headline earnings per share (cents) | 11.9 | 1 007.4 | 900.3 |
| Dividends per share declared (cents)        | 11.5 | 504.0   | 452.0 |
| Dividend cover (times)                      |      | 2.0     | 2.0   |
| Trading margin (%)                          |      | 5.8     | 5.6   |
| Return on average shareholders' equity (%)  |      | 19.4    | 19.3  |

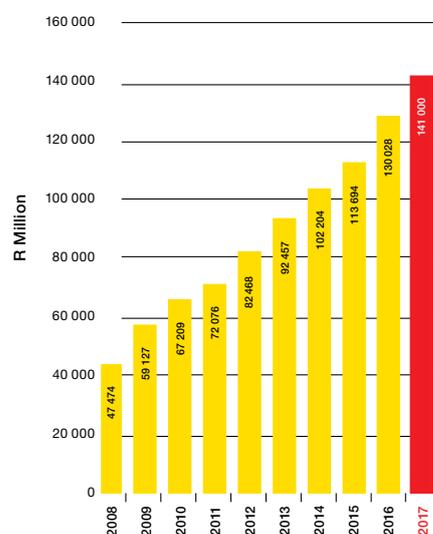
<sup>+</sup> The 2016 figures have been restated for the change in accounting treatment of advertising rebates. Refer to note 12 of the summary consolidated financial statements for more detail.

## Definitions

### Return on average shareholders' equity

Basic headline earnings, expressed as a percentage of the average of capital and reserves and interest-bearing borrowings at the beginning and the end of the financial year.

## Sales



# Value-added Statement

|                            | 52 weeks<br>2017<br>Rm | %            | Restated<br>53 weeks<br>2016<br>Rm <sup>+</sup> | %            |
|----------------------------|------------------------|--------------|---|--------------|
| Sale of merchandise        | 141 000                |              | 130 028   |              |
| Investment income          | 415                    |              | 285   |              |
| Cost of goods and services | (119 447)              |              | (110 329)                                       |              |
| <b>Value added</b>         | <b>21 968</b>          | <b>100.0</b> | <b>19 984</b>                                   | <b>100.0</b> |

Employed as follows:

## Employees

|                                      |        |      |        |      |
|--------------------------------------|--------|------|--------|------|
| Salaries, wages and service benefits | 11 563 | 52.7 | 10 356 | 51.9 |
|--------------------------------------|--------|------|--------|------|

## Providers of capital

|   |       |      |       |      |
|---|-------|------|-------|------|
| Finance costs to providers of funds     | 340   | 1.5  | 498   | 2.5  |
| Dividends to providers of share capital | 2 586 | 11.8 | 2 144 | 10.7 |

## Income tax

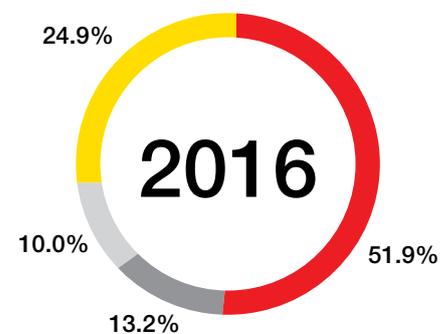
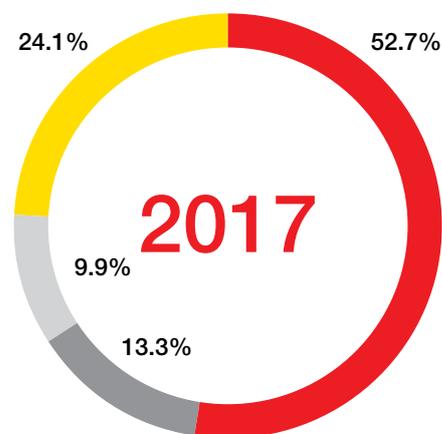
|                            |       |     |       |      |
|----------------------------|-------|-----|-------|------|
| Income tax on profits made | 2 180 | 9.9 | 1 998 | 10.0 |
|----------------------------|-------|-----|-------|------|

## Reinvested

|  |       |      |       |      |
|--|-------|------|-------|------|
| Reinvested in the Group to finance future expansion and growth | 5 299 | 24.1 | 4 988 | 24.9 |
| Depreciation and amortisation                                  | 2 457 | 11.2 | 2 288 | 11.4 |
| Retained earnings  | 2 842 | 12.9 | 2 700 | 13.5 |

|                                  |               |              |               |              |
|----------------------------------|---------------|--------------|---------------|--------------|
| <b>Employment of value added</b> | <b>21 968</b> | <b>100.0</b> | <b>19 984</b> | <b>100.0</b> |
|----------------------------------|---------------|--------------|---------------|--------------|

<sup>+</sup> The 2016 figures have been restated for the change in accounting treatment of advertising rebates. Refer to note 12 of the summary consolidated financial statements for more detail.



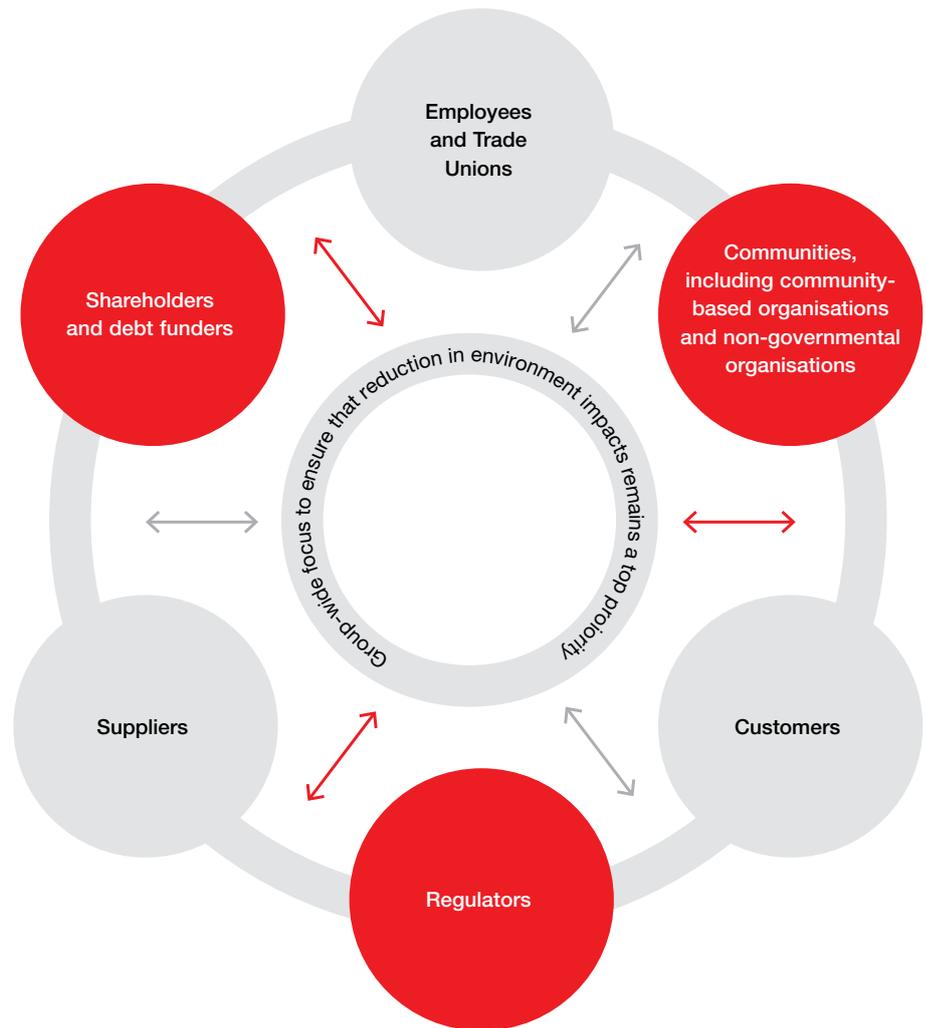
● Employees   
 ● Providers of capital   
 ● Income tax   
 ● Reinvested

# Stakeholder engagement



## Our stakeholders

Shoprite maintains relationships with a range of interested parties to continuously improve the alignment of interests between the Company and its key stakeholders. The stakeholder groups below have been identified based on the extent to which they can influence the financial and operational performance, as well as the strategic direction of the Group.



## Stakeholder engagement

### Shareholders and debt funders

#### Engagement methods

Shoprite engages with investors through meetings, investor days, webcasts, conference calls, perception studies and surveys, conferences and presentations.

#### Key issues raised

Africa growth opportunities and disclosure

Access to management

Understanding Shoprite's strategy

Management succession



#### Our response

We are providing more information on the investment case and economic outlook for Africa.

Access to management was improved this year by increasing the number of meetings with investors and by attending investor conferences locally and abroad.

In-depth strategy discussions have been incorporated in investor presentations and included in the Integrated Report.

CEO succession was well flagged and the new team have made themselves available to meet with investors. Succession seems to have been well-received.

# Stakeholder engagement (continued)

## Employees and Trade Unions

### Engagement methods

Through our weekly store staff meetings, a new CEO video initiative, our internal newspaper Baked Beans and Bully Beef, information sharing via Trade Unions, suggestion boxes, in-store training, Super Service awards and TopStars singing competition across Africa, we create an environment where staff are well-informed and engaged.

| Key issues raised              |  | Our response  |
|--------------------------------|--|---|
| Career development and growth  |  | <p>We maintain regular and consistent interaction with the people within our business to ensure that they are adequately challenged, continue to grow and develop and are rewarded based on key performance indicators.</p> <p> For more information about our staff initiatives refer to Human Capital discussion on page 41.</p> |
| Education and training         |  |   |
| Health and safety              |  |   |
| Transformation and empowerment |  |   |
| Remuneration and incentives    |  |   |
| Study assistance               |  |   |

## Communities

### Engagement methods

Engagement occurs primarily through the social initiatives that Shoprite undertakes, as well as through direct customer feedback as these communities also comprise our customers.

| Key issues raised      |  | Our response  |
|------------------------|--|---|
| Focus on food security |  | Shoprite fights hunger through a variety of feeding programmes, food gardens and food donations.  |
| Empowerment            |  | Women play a significant role in our business – they are our customers, employees and suppliers. We partner and assist with various initiatives to support this group. We also support a large number of small suppliers and growers.   |
| Job creation           |  | At Shoprite, we not only provide a substantial number of direct employment opportunities related to our stores, but we also develop skills among the unemployed to create a pipeline for future job creation.   |
| Community development  |  | Shoprite is committed to growing and developing the communities we serve and have a variety of initiatives in place to facilitate this. While our initial focus is on meeting immediate needs, our longer-term objective is always to put in place sustainable initiatives that will ultimately ameliorate the need. We often work in partnership with other organisations to deepen the impact of our interventions. |

## Customers

### Engagement methods

Engagement with customers is primarily through three platforms:

- The Brand Health tracker survey;
- Social media platforms – where engagement has increased notably in recent times; and
- Direct interaction with customers in the stores.

Our customers increasingly communicate with us via social media platforms – to follow specials, request store details or product information and provide their views on a range of topics. We initially used social media as a marketing channel and have since extended its functionality to a customer response, retention and recovery mechanism, as well as a brand-building medium.

| Brands           | Social media interaction |         |         |           |
|------------------|--------------------------|---------|---------|-----------|
|                  | Facebook                 | Twitter | YouTube | Instagram |
| Checkers RSA     | 944 106                  | 146 608 | 2 054   | 25 369    |
| Shoprite RSA     | 877 015                  | 109 233 | 1 420   | N/A       |
| Shoprite Nigeria | 1 223 624                | 209 000 | N/A     | N/A       |
| Shoprite Zambia  | 19 863                   | N/A     | N/A     | N/A       |

### Key issues raised

### Our response

#### Affordability



'Everyday low prices' is our overarching objective and our entire business model is structured and geared to deliver this on a consistent basis.

#### Availability of products

We continuously engage with a broad and diversified range of suppliers to ensure on-shelf availability of product in all our stores. We use more than 23 000 suppliers in 43 countries to provide customers with the greatest choice and consistent availability.

#### Quality complaints and safety concerns

Shoprite maintains extensive quality control programmes to ensure product quality and safety and an efficient compliance and recall system. This year, we have had an enhanced rollout of training on issues of food safety and hygiene. We also empower our staff to resolve all complaints and ensure maximum customer satisfaction.

#### Healthy options



We have added more than 100 lines to our Fresh Convenience Foods this year and launched an industry-leading Gordon Ramsay endorsed kids' meal range, which sold more than 200 000 meals in three months.

#### Environmental sustainability

Shoprite focuses strongly on the usage of recycled materials, as well as reducing packaging, reducing waste and minimising its carbon footprint. Its leading innovation in the recyclable Checkers shopping bag has significantly reduced landfill and will be rolled out to its other brands next year.

# Stakeholder engagement (continued)

## Regulators

### Engagement methods

Engagement occurs primarily through meetings, regulatory submissions and interaction via industry bodies.

| Key issues raised                             |  | Our response  |
|---|--|---|
| Ongoing compliance with regulatory frameworks |  | We maintain a strong focus on ensuring that Shoprite complies with all applicable regulations in all the countries we operate in.   |
| Job creation                                  |  | Governments of the countries in which we operate are particularly concerned with job creation and Shoprite is a people-intensive business – we have a broad range of initiatives in place to attract, recruit and train large numbers of staff. |

## Suppliers

### Engagement methods

Suppliers are engaged through direct interaction, farm visits, agricultural shows and our electronic platform.

| Key issues raised                   |  | Our response   |
|-------------------------------------|--|--|
| Opportunities to supply to Shoprite | <br> | Shoprite maintains a large and diverse group of suppliers. We focus on building long-lasting relationships with suppliers through direct interaction and communication. Shoprite works with over 1 000 growers and sources more than 90% of all products locally, in support of the communities it serves. |
| Transformation                      |  | A high percentage of Shoprite's fresh produce suppliers are small and medium enterprises and in South Africa more than half of the suppliers deliver on contracts worth less than R500 000 a year.   |
| Growth and development              |  | Shoprite maintains a number of small-enterprise development initiatives to develop and grow suppliers in local communities. Our continued significant investment in supply chain infrastructure, also assists these suppliers by reducing their travel time and costs.                                     |



For further detail of our engagement and interaction with these stakeholder groups, refer to our Chief Executive's report on page 30 and Nurturing our capitals on pages 41 – 55.

# Operating context and strategy

## Our market place – long term drivers

### A large and growing population on the African continent requiring food and staple products

Africa's population is set to DOUBLE to 2.4 billion people by 2050. Large scale and rapid urbanisation, strong population growth and economic growth that is persistently higher than that of developed economies, continue to make Africa an attractive long-term investment opportunity.

As the largest retailer in Africa, with almost 40 years of experience in South Africa and more than 26 years in the rest of Africa, Shoprite is ideally positioned to meaningfully participate in this growth.

Low commodity prices, weak currencies and pervasive drought conditions momentarily slowed our game plan for Africa in 2017, but we remain committed to the long-term opportunities presented by the continent. The 15 markets that Shoprite operates in, have a combined population of 500 million people and a collective gross domestic product (GDP) of R15 trillion.



### Significant levels of unemployment and food insecurity in parts of the African continent

Climate change may exacerbate these challenges by potentially disrupting production patterns and increasing production costs. Shoprite continues to diversify its sources and portfolio of suppliers to ensure availability of products on a consistent basis.

We are working tirelessly to provide customers with products that are affordable and accessible. In 2017, we subsidised over 44 million loaves of bread and rolled out our R5 meals project to specifically address these challenges. We also ensure ready availability of a range of staple foods for under R10.

### Muted economic growth outlook

Current trading conditions are characterised by limited macro-economic support and low consumer and business confidence. The defensive nature of our brands and our 'best value' proposition become most evident under these trading conditions. Shopping for staples and basic foodstuffs generally remain resilient throughout the economic cycle in the lower income groups. In addition, an increase in value seeking behaviour is benefiting our brands and market share in middle income groups. At the opposite end of the scale, our recent successes in respect of increased penetration of the upper LSM groups is providing robust growth opportunities despite the current economic challenges. Our differentiated portfolio provides us with significantly more competitive levers to weather current conditions.



# Operating context and strategy (continued)

## Increase in regulation and standards

Growing compliance requirements in every jurisdiction we operate require diligence and strong systems for oversight. Over-regulation is stifling entrepreneurship, and is adding significant complexity and cost to doing business for small suppliers.

At Shoprite, we believe that you get people out of poverty by creating free market conditions and ease of doing business. We provide ongoing support and guidance to small and medium enterprises, as part of our commitment to help overcome the challenges to comply with the required standards.

## Online shopping trends

Online shopping is rapidly growing on a global scale. In Africa, the trend is still in its infancy, not least because of limited logistics infrastructure. It is Shoprite's intention to participate in this trend as it matures on the continent.

An eCommerce project is currently being finalised.

## Changing trends in customer preferences and consumption behaviours

Consumers are increasingly making healthier food choices, opting for organic, low-fat, or low-carb options, or eliminating ingredients based on food sensitivities, allergies or personal convictions. There is a growing trend towards fresh food, healthy options and convenience. This trend is particularly evident in the more affluent communities who have a wider choice of lifestyles.

Shoprite is strongly participating in this trend with the Checkers brand, with the rollout of a wide range of fresh and ready-made options and investment in the cold chain, quality specifications and quality management. We have also expanded our ranges of healthier alternatives – gluten free, sugar free, banting and carbohydrate substitutes – and launched a range of healthy kids' foods with a "no junk" promise.

In tough economic times, customers tend to compromise on quantity but, to the extent possible, not on quality. They will generally continue to seek the premium quality product but buy a smaller quantity. Customers want a value exchange of great quality and an affordable price but within budget. To accommodate this trend, Shoprite has started selling single serving offerings of premium products, smaller sized options and 'loose served' products at counters, allowing customers to select the quantity they can afford.



## Fast pace of change in technology

Where and how retailers interface with customers is changing rapidly and technology and access to big data are key drivers in the changing landscape.

Shoprite is actively using basket data and advanced customer analytics to guide all customer centric decision-making, from product ranges per store, to pricing, timing, products to promote and layout of stores.

## Managing business risks

Our principal risks may impede on Shoprite's ability to achieve our objectives. To determine the key risks, our risk universe is assessed from a likelihood as well as an estimated impact perspective and risks are categorised according to its combined score on these two dimensions.

|   | Key risks  | Mitigation   |
|---|--|--|
| 1 | <p><b>Unavailability of key systems</b><br/>Key IT systems may be off-line resulting in disruption to business operations</p>  | <ul style="list-style-type: none"> <li>■ 24 hour monitoring of all key systems</li> <li>■ Formal Disaster Recovery programme that is tested on a regular basis</li> <li>■ In the process of migrating systems to the Cloud</li> <li>■ Identify, diagnose and resolve incidents with support teams</li> <li>■ Thorough testing of application changes</li> <li>■ Data protective mechanisms in place (automated data back-ups, IPS installations)</li> <li>■ Back-up communication channels (3G, satellite)</li> </ul>  |
| 2 | <p><b>Losses due to fraud</b></p>  | <ul style="list-style-type: none"> <li>■ Formal approval system embedded for capital and operational expenditure</li> <li>■ All payments are done via EFT systems with reputable banks</li> <li>■ Automated system controls with online banking systems</li> <li>■ The controls around significant EFT systems have been assessed by PwC, the Group's independent external auditor</li> <li>■ Critical financial systems subjected to regular risk based internal audit</li> <li>■ Monthly reconciliations of all ledger accounts</li> <li>■ Monthly review of Income Statements at lowest level entity (Branch)</li> <li>■ Well-publicised Hotline systems managed by independent external party</li> </ul>   |
| 3 | <p><b>Non-performance of outsourced service providers</b></p>  | <ul style="list-style-type: none"> <li>■ Establish multiple suppliers for key services to avoid over-dependency</li> <li>■ Conduct regular price and service benchmarking</li> <li>■ Develop in-house capabilities for key services</li> <li>■ Standard contract terms and conditions</li> <li>■ Establish process to implement and enforce contracts</li> </ul>   |
| 4 | <p><b>Foreign exchange losses</b><br/>The Group may be exposed to foreign currency losses as a result of operating in various countries and due to importing significant amounts of merchandise</p>  | <ul style="list-style-type: none"> <li>■ All imports and exports are executed in accordance with the Group's Treasury mandate that was independently reviewed and then approved by the Board</li> <li>■ Adoption of hedge accounting as part of accounting policies</li> <li>■ Weekly review of cash balances in the Group by Treasury forum during weekly foreign exchange meetings</li> <li>■ Investment in US\$ linked Angolan Government bonds</li> <li>■ Limit exposure by hedging in accordance with Treasury mandate, e.g. using Letters of Credit and Forward Foreign Exchange Contracts</li> <li>■ Convert surplus cash into hard currency as soon as possible</li> </ul>   |
| 5 | <p><b>Project and transformation failure</b><br/>Project implementations may be delayed, over budget and not meeting expectations</p>  | <ul style="list-style-type: none"> <li>■ Project payments are structured on a milestone delivery basis</li> <li>■ Projects overseen by Steering Committees that include various business heads. In major projects the CEO, CFO and/or COO will also be involved.</li> <li>■ In the SAP implementation, SAP also provides expertise to manage the overall programme. In addition, independent programme assurance forms part of the governance processes of the programme.</li> <li>■ Manage projects in accordance with project management best practices</li> <li>■ Track and monitor all projects through Value Management Office</li> <li>■ All new prospective projects subjected to a rigorous cost-benefit review before being submitted to a Project Approval Committee that consists of senior management members. Where material, the CEO and CFO will attend.</li> </ul> |
| 6 | <p><b>Non-compliance with laws and regulations relevant to the business</b><br/>Competition Act<br/>Occupational Health and Safety Act<br/>Pharmacy Act<br/>Medicines and Related Substances Act<br/>Companies Act<br/>Employment Equity Act<br/>Labour Relations Act<br/>National Environmental Management Waste Act<br/>Income Tax Act<br/>B-BBEE Act<br/>Consumer Protection Act<br/>Protection of Personal Information Act</p> | <ul style="list-style-type: none"> <li>■ Embedded compliance framework</li> <li>■ Regular reviews by Internal Audit</li> <li>■ Utilising software to assist in monthly reporting, compliance management and providing alerts on new/changes in legislation.</li> <li>■ Appointment of dedicated Compliance Officer</li> </ul>  |
| 7 | <p><b>Breakdown/interruptions in supply chain</b><br/>Certain macro or internal events may result in supply chain disruptions</p>  | <ul style="list-style-type: none"> <li>■ A comprehensive and formalised Business Continuity and Recovery Programme which is also in the process of being rolled out to all Distribution Centres</li> <li>■ In process of matching suppliers' capabilities</li> <li>■ Regular fire and risk reviews with training where required</li> <li>■ All critical centres have standby generators</li> <li>■ State of the art security and fire prevention systems, including alarms, access control, closed-circuit television and sprinkler systems</li> </ul>   |

# Operating context and strategy (continued)

## Strategic focus areas

Shoprite's strategic intent is to continue to strengthen and extend its leadership position as the foremost FMCG retail operation on the African continent. The Company intends to do this by unstintingly focusing on the delivery of low prices and a world-class shopping environment in every region it enters. The Company is confident that the unique aspects of its chosen business model, as well as the strategies implemented to exploit key drivers of growth, will continue to deliver sustainable value creation for all stakeholders for the next 40 years. The growth vectors are spread across various dimensions, ensuring that there are multiple opportunities to be seized.



| Strategic objective                             | Initiatives and progress   | Our customers' response   | Related risks   |
|---|--|---|---|
| <p><b>Building a customer-first culture</b></p> | <p><b>We make the customer our focus</b></p> <ul style="list-style-type: none"> <li>An organisation-wide understanding of customers' expectations</li> </ul> <div style="display: flex; align-items: center;"> <div style="background-color: red; color: white; padding: 10px; text-align: center; width: 200px;"> <p><b>OUR PROMISE TO OUR CUSTOMERS</b></p> </div> <div style="margin-left: 20px;"> <ol style="list-style-type: none"> <li>1. What you want, when you want it</li> <li>2. First time freshness</li> <li>3. Low prices you can trust</li> <li>4. World-class shopping experience (clean and simple to shop)</li> <li>5. Friendly, helpful staff</li> </ol> </div> </div> <ul style="list-style-type: none"> <li>Operational management aligned to the brands</li> <li>Invested two million training hours, mostly around customer service, up 12%</li> <li>Customer science and data capabilities supporting smarter decision-making, with more relevant ranging and pricing and a 2% improvement in on-shelf availability</li> <li>A team that is trained and empowered to do what is necessary – not a single customer leaves the store unhappy.</li> </ul>   | <p><b>New record levels of customer satisfaction</b></p> <div style="display: flex; justify-content: space-around; align-items: center;"> <div style="text-align: center;"> <br/> <b>SHOPRITE</b><br/> <br/> <b>91%</b> </div> <div style="text-align: center;"> <br/> <b>CheckersHyper</b><br/> <br/> <b>87%</b> </div> <div style="text-align: center;"> <br/> <b>Checkers</b><br/> <br/> <b>81%</b> </div> </div> <ul style="list-style-type: none"> <li>2.4% customer growth and 0.45% gain in market share – record high market share at year-end</li> <li>Eight customer awards in the past year</li> </ul> | <div style="display: flex; justify-content: space-around;"> <div style="border: 1px solid red; border-radius: 50%; width: 30px; height: 30px; display: flex; align-items: center; justify-content: center;">1</div> <div style="border: 1px solid yellow; border-radius: 50%; width: 30px; height: 30px; display: flex; align-items: center; justify-content: center;">2</div> <div style="border: 1px solid red; border-radius: 50%; width: 30px; height: 30px; display: flex; align-items: center; justify-content: center;">3</div> </div> <div style="text-align: center; margin-top: 20px;"> <div style="border: 1px solid blue; border-radius: 50%; width: 30px; height: 30px; display: flex; align-items: center; justify-content: center;">7</div> </div> <p style="text-align: right; margin-top: 20px;">  Refer to page 21 for related risks information.         </p>  |
| <p><b>Growing LSM 8-10 share of wallet</b></p>  | <ul style="list-style-type: none"> <li>Checkers has a significant opportunity to further grow share of wallet of high LSM customers.</li> <li>These customers are 4 times more valuable in terms of size of basket, than the average shopper</li> <li>An accelerating trend in this customer base towards fresh, convenient and added-value foods</li> <li>Checkers intends to compete strongly to take advantage of this growing market – we have visited and learned from the best Fresh Food suppliers globally and have implemented much of our learnings</li> <li>Management restructured to provide complete focus per brand</li> <li>We recruited a top team of developers (chefs and food technologists) to support the adoption of premium products, including a wider range of gourmet food offerings.</li> <li>Shoprite's business model is well suited towards an effective delivery in this segment in terms of its supply chain, speed to the market and quality control.</li> <li>Fresh has launched more than 100 new convenience products in the past year and more than 110 new products are currently in development.</li> <li>Products in Checkers' Ready to Cook range have received the seal of approval from the South African Chefs Association.</li> <li>The product offering is being supported by an award-winning store design, providing an attractive and high-quality shopping experience.</li> </ul> | <div style="display: flex; flex-direction: column; align-items: center;">   </div> <ul style="list-style-type: none"> <li>Checkers has seen the largest gain in LSM 8-10 shoppers since 2011 and was the fastest growing supermarket chain in this target segment in the last year.</li> <li>The introduction of a Fresh Foods category was met with great success.</li> <li>Fresh convenience foods sales have doubled this year</li> <li>Kids ready-to-eat category has doubled since launch</li> </ul>   | <div style="display: flex; justify-content: space-around;"> <div style="border: 1px solid blue; border-radius: 50%; width: 30px; height: 30px; display: flex; align-items: center; justify-content: center;">1</div> <div style="border: 1px solid red; border-radius: 50%; width: 30px; height: 30px; display: flex; align-items: center; justify-content: center;">3</div> <div style="border: 1px solid blue; border-radius: 50%; width: 30px; height: 30px; display: flex; align-items: center; justify-content: center;">5</div> </div> <div style="text-align: center; margin-top: 20px;"> <div style="border: 1px solid blue; border-radius: 50%; width: 30px; height: 30px; display: flex; align-items: center; justify-content: center;">6</div> <div style="border: 1px solid blue; border-radius: 50%; width: 30px; height: 30px; display: flex; align-items: center; justify-content: center;">7</div> </div> <p style="text-align: right; margin-top: 20px;">  Refer to page 21 for related risks information.         </p> |

# Operating context and strategy (continued)

| Strategic objective                      | Initiatives and progress   | Our customers' response  | Related risks  |
|--|--|--|--|
| <p><b>Developing private label</b></p>   | <ul style="list-style-type: none"> <li>Promoting private label is a win-win for both Shoprite and our customers – providing choice at better value for customers and better margin for the Company.</li> <li>It also provides the opportunity to deleverage power from multi-national suppliers</li> <li>341 new products have been launched since January 2017.</li> <li>There is further room to increase Shoprite's private label participation. The Food and Grocery categories currently have a 14.7% participation in South Africa in an industry worth R29.9 billion, relative to the industry participation of 18.5%, according to Nielsen (2017).</li> <li>The Non-RSA opportunity remains totally untapped.</li> </ul>   | <ul style="list-style-type: none"> <li>Shoprite has already had great success with difficult categories, with its Zip Cola and Lovies Nappies often outselling the original brands</li> <li>Private label participation improved by 1% in South Africa and 1.2% in Non-RSA this year</li> <li>Private label gross margin was up 2.3 percentage points year-on-year</li> </ul>  |  <p>Refer to page 21 for related risks information.</p>   |
| <p><b>A stronger franchise offer</b></p> |  <ul style="list-style-type: none"> <li>A part of the business that has received strong focus this year.</li> <li>We have refined our model and we are doing express format stores, as well as forecourt stores</li> <li>Strong opportunities for growth through private label, general merchandise, Money Market services and our turn-key system solution.</li> <li>We have redone the private labels and introduced general merchandise that the stores never had before</li> <li>The franchise business is getting more and more products from our distribution centres and getting the pricing benefit.</li> <li>Rebranded stores are growing at twice the pace of other stores</li> <li>Adding another 75 fuel station forecourt stores</li> </ul>  | <ul style="list-style-type: none"> <li>Franchise business is doing well, at 10.1% like-for-like sales growth.</li> <li>Increased appeal, with a net 29 new members</li> <li>Gained market share</li> <li>Money market service counters have experienced substantial turnover growth</li> <li>29% more products distributed from Shoprite DCs, improving retailer margins by 0.5%</li> <li>Trading profit growth ahead of turnover growth</li> </ul>                  |  <p>Refer to page 21 for related risks information.</p>  |
| <p><b>Leverage African advantage</b></p> | <ul style="list-style-type: none"> <li>Shoprite has operated in Africa for more than 26 years. Our wealth of experience and track record is unsurpassed and a significant competitive advantage</li> <li>Shoprite operates 437 stores outside South Africa. We have sufficient scale to open distribution centres in these countries, which will further assist to entrench our position as market leader</li> <li>African population is set to double to 2.4 billion people by 2050.</li> <li>The growing middle class is forecast to reach 1.1 billion people by 2060.</li> <li>Rapid urbanisation trends – 24 million people are moving to cities each year until 2045, which implies that Africa's top 18 cities will have combined spending power of \$1.3 trillion by 2030 – Shoprite is well positioned to capitalise on this opportunity.</li> <li>The long-term forecast growth for each region we have entered outside South Africa is higher than that of the domestic economy, providing significant diversification benefits and growth prospects to the Company.</li> <li>Current economic challenges and a slowdown in the number of properties being developed have reduced the pace of our store rollouts into Africa. In the long term, we remain confident of the investment proposition of the continent.</li> </ul> | <ul style="list-style-type: none"> <li>Shoprite has a well-established record in 15 African countries and is well-regarded. Governments, regulators and customers are generally very favourably disposed to the establishment of stores from the Shoprite Group in their countries and communities.</li> <li>55 new stores opened, 43 planned for 2018, significant further opportunities available.</li> </ul> <p><b>Africa is a long game with many cycles</b></p> |  <p>Refer to page 21 for related risks information.</p> |

| Strategic objective           | Initiatives and progress  | Our customers' response  | Related risks  |
|-------------------------------|---|--|--|
| Strategic footprint expansion | <p><b>New stores</b></p> <ul style="list-style-type: none"> <li>72 new supermarkets opened this year</li> <li>82 new supermarkets to open in 2018</li> </ul> <p><b>Store formats optimised</b></p> <ul style="list-style-type: none"> <li>Flexible formats are being introduced to better serve each market</li> </ul> <p><b>Capitalise on bricks-and-mortar</b></p> <ul style="list-style-type: none"> <li>Bricks-and-mortar an advantage for Omni Channel offerings – ability to get items to any city at a low cost</li> <li>Continue to extend our lead in Africa</li> </ul> <p><b>Own the supply chain</b></p> <ul style="list-style-type: none"> <li>Shoprite maintains a sizeable head start in centralised distribution, with 24 years' experience and an investment of more than R40 billion</li> <li>123 000m<sup>2</sup> Cape Town Cilmor DC – opening in September 2017</li> <li>Transplanting expertise into Non-RSA regions, including two new Distribution Centres in Angola and the purchase of a Distribution Centre in Nigeria</li> <li>International sourcing from 43 countries, supplying 15 countries</li> </ul> <p><b>Expanding borders</b></p> <ul style="list-style-type: none"> <li>Shoprite will not confine its growth to existing African countries</li> <li>New Non-RSA countries are being explored</li> <li>Other emerging markets are being investigated as a catalyst for our growth ambition, but expansion will be done cautiously</li> </ul> <p><b>Implementing the right technology for 2020</b></p> <ul style="list-style-type: none"> <li>We are on a drive to further modernise our technology landscape for rapid deployment and scalability</li> <li>SAP COR3 – the biggest technology project ever undertaken by Shoprite.</li> <li>4 years in the making – delivered on time and under budget</li> <li>Enables Omni Channel and e-commerce</li> <li>Access to data lake of 100 terrabytes</li> <li>Can run 20 million lines at point of purchase</li> <li>Cost reductions i.t.o. managing interface speed</li> <li>Introduction of Google's G Suite and Cloud-based solutions leads to enhanced collaboration and efficiencies</li> </ul> | <ul style="list-style-type: none"> <li>Customers welcome our low prices, wide range of products, job opportunities and community involvement.</li> <li>Optimised store size improve ROI</li> <li>Centralised distribution offers effective inventory management and a positive cash cycle, supporting the low cost promise.</li> </ul> |  <p>Refer to page 21 for related risks information.</p>  |

# Board of Directors

## Non-executive directors



**Dr CH Wiese (75)**  
BA LLB DCom (hc)  
Chairman

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



**Dr JW Basson (71)**  
BCom CTA CA(SA) DCom (hc)  
Vice-chairman

- Appointed as Shoprite Holdings non-executive Vice-chairman from 1 January 2017.
- Joined Pep Stores Ltd as financial manager in 1971.
- Served as Chief Executive Officer of Shoprite Holdings from 1979 up to 31 December 2016.



**Mr CG Goosen (64)**  
BCom Hons CA(SA)

- Non-executive director
- Joined the Pepkor Group as financial manager in 1983.
- Served as financial director of Shoprite Holdings from 1993 to 2014.

## Independent non-executive directors



**Mr JF Basson (65)**  
BCom (cum laude) CTA CA(SA)

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



**Mr JA Louw (73)**  
BSc Hons B(B&A) Hons

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



**Dr ATM Mokgokong (60)**  
MB ChB D Com (hc)

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



**Mr JJ Fouché (69)**  
BCom LLB

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

## Board composition

The composition of the Shoprite Board provides an appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively. Non-executive directors are appointed to provide an independent perspective and relevant industry experience, and to complement the skills and experience of executive directors.

## Independent non-executive directors (continued)



### Mr EC Kieswetter (58)

BEd (Science Education)  
MCom (cum laude) (SA and International Tax)  
Executive MBA (Strategy and Business Transformation) (UK)  
MEd (Science Education – Cognitive Development)  
NHD (Electrical Eng), PG Dip Ed (Mathematics and Engineering)

- Appointed as a director of Shoprite Holdings in 2010.
- Appointed as Lead Independent Director on 19 October 2015.
- Serves on the Nomination and Remuneration Committees.
- Previously Group Chief Executive of Alexander Forbes Group Holdings Limited.
- Chancellor of the Da Vinci Institute, a private University in South Africa.



### Mr JA Rock (47)

BA Hons MA ACA AMP (Insead)

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

## Alternate non-executive directors



### Adv JD Wiese (36)

BA MIEM (Italy) LLB

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



### Mr JAL Basson (41)

B Acc

- Managing Director: Hungry Lion
- Appointed as Shoprite Holdings alternate director in 2005.

## Executive directors



### Mr PC Engelbrecht (48)

BCompt Hons CA(SA)  
Chief Executive Officer

- Appointed as Shoprite Holdings Chief Executive Officer in 2017.
- Served as Shoprite Holdings alternate director and as Chief Operating Officer of Shoprite Checkers (Pty) Ltd from 2005 to 31 December 2016.
- Director of Shoprite Checkers (Pty) Ltd and various other Group subsidiaries.



### Mr M Bosman (60)

B Acc Hons CA(SA)  
Chief Financial Officer

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



### Mr B Harisunker (65)

Divisional Manager

- Joined Checkers in 1969.
- Appointed to the board of Shoprite Holdings in 2002.
- Director of Shoprite Checkers (Pty) Ltd and various other Group subsidiaries.
- Responsible for the Group's retail operations in Mauritius, Madagascar and Mozambique and international sourcing.



### Mr EL Nel (68)

BCom CTA CA(SA)

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

# Chairman's Report



CH Wiese

**Shoprite's success rests on its ability to maintain its position as a market leader and deliver on its low-cost promise and value proposition across diverse locations in Africa.**

## Our trading environment

There is little doubt that the absence of growth in the economy is putting South African consumers under enormous pressure. In the course of our work in the communities in which we operate, we are constantly aware of heightened levels of financial distress.

South Africans have recently had some cause to contemplate what has gone wrong in our society and economy to have resulted in this dismal outcome.

Government's new Inclusive Growth Action Plan and the South African Reserve Bank's decision to start cutting interest rates reflect a recognition by the state and regulators of the need to stimulate economic growth following the economy's descent into recession. But with a GDP growth outlook of less than 1% at best, and with our foreign currency debt downgraded to junk, these steps are widely acknowledged as palliative in a situation where intensive care is required, coupled with innovative thinking.

At the heart of South Africa's challenges is widening income disparity caused by rampant unemployment and poor education. The unemployment rate for the first quarter of 2017 was 27.7%, the highest it has been in 14 years. Of more concern is an unemployment rate among 15 to 34-year-olds of 38.6%. Various local and international organisations estimate South Africa's youth unemployment at over 50%.

Attempts to find practical solutions to our social and economic challenges have been futile simply because the wrong questions have been

asked. There is nothing structurally wrong with South Africa. The issue is that we are not following the policies that could so easily make life so much better for all South Africans.

The right question is not: "What do our people want?" Nor is it: "What do our people need?" The right question is: "What can our people not do without?" The answer is self-evident – our people need jobs.

Once we arrive at that answer, then everything else falls into place. Everything our government does should be determined by whether it creates or destroys jobs. If guided by this test, we will arrive at the right solutions and focus on implementing policies and actions which bring more people into the economy.

In our Group, we constantly ask ourselves if what we are about to do will be good for our customers, employees, suppliers, shareholders and the communities in which we operate.

In doing so, we can continue to operate a successful business which is able to create jobs.

The Shoprite Group is the country's largest private sector employer, employing over 143 000 people and creating between 5 000 and 12 000 new jobs a year. We walk the talk.

It is part of our DNA to play a very active role in society beyond creating jobs and advancing careers. Our wide ranging initiatives to support the communities we operate within are discussed in detail in this report.



Shoprite Mandalay, Khayelitsha, Cape Town.



Checkers Big Bay, Cape Town.

### Beyond South Africa

We are doing this, increasingly, across the continent. As the continent's largest food retailer, our commitment to African expansion and the provision of food and household goods at low prices remain our priorities.

In the bulk of the commodity-linked countries in which we trade, economies have experienced a downturn. Yet they are still among the highest growth regions in the world, and there is no reason at all to turn negative on what Africa has to offer. Anyone taking note of demographic projections knows that Africa will be the world's most populous region by the turn of the century. We remain committed to being a leading player in this huge market.

South Africa and the broader African region are going through a relatively tough time. But we have been through tougher times before, and it will get better.

Our continued faith in the future of this continent is borne out by the opening of a net 138 new stores in the past year. Including ancillary outlets, we are getting close to our aspiration of opening one outlet a day.

### The future

As a Group, we expect continued growth in the next year and in years to come. Simple arithmetic will tell you that to grow a R100 billion company by 10%, we must create additional turnover equal to more than the market capitalisation or turnovers of a large percentage of the companies on the JSE. This is the scale of the Shoprite Group, yet off this high base, we do continue to grow and to look for and exploit further growth opportunities.

### Management changes

Whitey Basson has retired as Chief Executive after 39 years with the Group, leaving a wonderful legacy. It is worth repeating that he started out his leadership role with a net R1 million of shareholders' funds and left a Group with a market capitalisation of over R98 billion. This is without doubt one of South Africa's greatest business achievements, and I am proud to be associated with him.

He built a young management team very ably led by Pieter Engelbrecht, who will no doubt leave his imprint in years to come. We are in transition into a whole new era of doing business and I am confident that we have built up a talented team within the business to deal with it.

Two esteemed board members, Messrs Brian Weyers and Aubrey Karp, who joined the Group in 1980 and 1990 respectively, also retired during the year. Brian Weyers served as a director of Shoprite Holdings since 1997 and Aubrey Karp was appointed to the board in 2005. We also thank them for their valuable contribution over the years.

### Acknowledgement

In what can only be described as an exceptionally challenging year, I would like to recognise and extend my deepest gratitude to Shoprite's management and staff, my fellow board members, our shareholders, our suppliers and our customers who put their trust in us every day.

CH Wiese  
Chairman

21 August 2017

# Chief Executive's Report



PC Engelbrecht

At the Shoprite Group, we no longer consider poor trading environments as exceptional, and accept that volatile and difficult trading conditions are, in fact, the prevailing milieu.

We choose to focus on serving our customers, remaining resilient, advancing our business, and creating growth opportunities.

The Group's financial and operational performance for the year to 2 July 2017 illustrates how our unique positioning and drive for excellence has enabled us to produce an industry-leading performance, notwithstanding economic headwinds.

- We have gained market share in a contracting economic environment, indicating growing customer trust in our products and services; and
- Our multi-brand strategy and geographic diversity has enabled us to achieve sales growth of 8.4% to R141 billion.

Our resilience is built on the energy, commitment, focus and determination of our 143 802 colleagues across all our businesses and 2 689 stores in 15 countries. We remain convinced that through customer service excellence, focusing on and being committed to our employees, working hard for our shareholders, and serving our communities, we will continue to grow.

## Customers

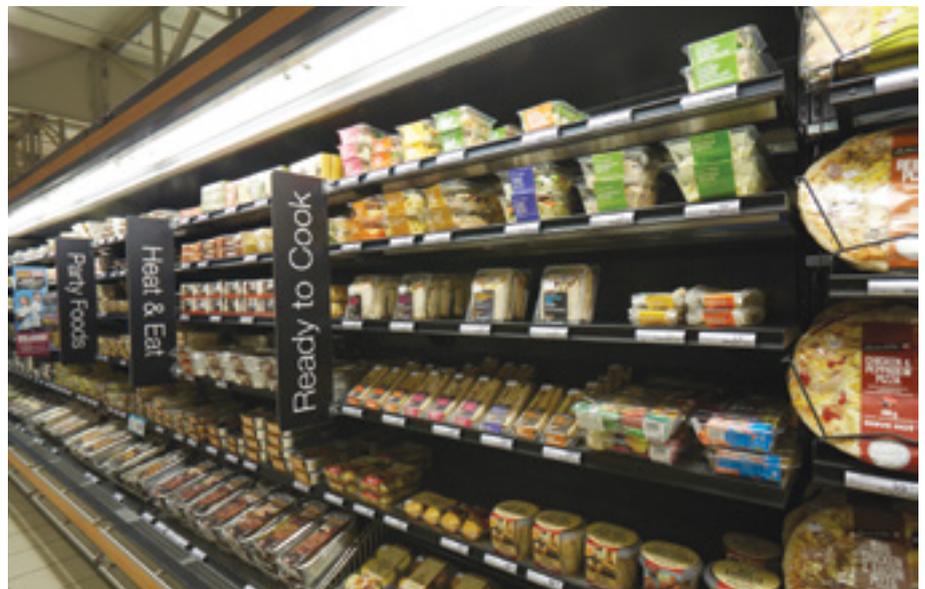
Everything that we do is, first and foremost, geared towards improving our service to our customers. This focus has made us Africa's most trusted retailer.

Off a high base of regular customers, which is more than double our nearest competitor, we were still able to grow market share in South Africa by 0.45 percentage points to 31.9%. Over the past year 2.4% more customers voted with their feet and wallets to buy at our stores and we processed over 1 billion transactions, or 100 per second. This proves that we are giving our customers what they need at prices they can afford.

Our efforts over many years have ensured that they trust us to provide for their households. Initiatives including our bread and food subsidies, R5 Deli meals and unflagging efforts to keep prices low are helping financially-stretched customers to survive.

Various fresh and convenience food initiatives and store upgrades have resulted in a significant increase in LSM 8 – 10 shoppers. We have more upmarket customers than ever before putting their trust in Checkers, and we have worked hard to gain that trust.

Everything that we do is, first and foremost, geared towards improving our service to our customers.



Checkers Okavango Crossing, Cape Town.



Yezanathi Community Upliftment Programme, Botha's Hill, KwaZulu-Natal.

## Employees

We are South Africa's largest private employer and one of only a few institutions that are still creating jobs in a recessionary environment with an unacceptable level of unemployment.

We created over 6 000 new jobs in the financial year and provided various job opportunities through an investment of over R130 million in bursaries since 1995. We ensure that team members are given every opportunity to progress through training interventions in-house and at academic institutions, and implemented 713 103 training interventions over the year.

We are striving for racial and gender equality; 65% of our employees are women and 97% of our employees are from designated groups. We are doing everything we can to bring promising black and female colleagues up through the ranks.

## Shareholders

We truly appreciate the support from our loyal shareholders and we have worked hard to achieve relatively strong top line growth across regions. We are particularly pleased with our trading margin which is exceptional, relative to the industry, both nationally and globally. We have delivered margin improvement consistently over many years through strict cost

control, improved planning, supply line efficiencies and increased innovation.

These and other achievements highlighted in the financial review have been acknowledged in the share price, which has increased 20% in the financial year against an almost flat performance of the JSE All Share index. We remain a high growth company and continue to look for growth opportunities in the markets where we operate and further afield.

We are considering the next leap we need to make to continue our growth trajectory.

## Society

Our extensive work in and commitment to the communities in which we operate is a critical element in sustaining our business. We strive to be a respected corporate citizen, to serve communities and plant a legacy.

Under the banner #ActForChange, we aim to help to alleviate hunger through a number of initiatives. These include our Mobile Soup Kitchens, subsidised bread and food and R5 Deli meals. We donated R310 million of surplus food over the past three years to hundreds of verified non-profit organisations for distribution to the underprivileged.

We help set up sustainable food gardens for schools, are active in disaster relief and respond to the needs of our communities, including recruiting staff from the communities where we establish stores. We work to empower women in small business and identify opportunities for them to become suppliers.

We continue to reduce energy consumption at our stores, reduced food waste by R250 million over two years, actively recycle at all of our distribution centres, and aim for zero waste to landfill. We are determined to reduce plastic waste and aim to have all shopping bags made from 100% recycled materials within a year. Checkers, which introduced the recyclable bag in 2013, has diverted an estimated 7 350 tonnes of plastic waste from landfill.

The Group has embarked on a sustainable seafood programme, joined regulatory bodies monitoring sustainable supply of product, and disclosed our carbon emission. We believe that reporting transparently and responsibly increases consumer and community trust in us as responsible corporate citizens.

# Chief Executive's Report (continued)

## Suppliers

We continue to enjoy a professional relationship with our more than 23 000 suppliers and supplier satisfaction remains at high levels as we continue to deliver positive volume growth in a weak market.

We are tough, but professional, and do everything we can to ensure the success of our suppliers, to the extent that we work with over 1 000 growers, encourage empowerment of women and promote entrepreneurial businesses and SMEs in our quest to deliver our ultimate promise of sustainable prices to the consumer.

We are sharing more statistical customer data with suppliers to the benefit of customers frequenting our stores.

We source products from 43 countries to supplement choice, but prioritise local procurement and source 90% of all products locally. Imports are, as much as possible, skewed towards African suppliers, from whom we source flowers, fish, fruit and vegetables.

## Innovation

We run an efficient business but continue to modernise and have invested in a new technology platform to improve our agility. In this process we expect better collaboration, information sharing and productivity increases.

Our selected product suite will give us world-class functionality, lower costs, reduce risk, and improve security and disaster recovery.

Continued investment in our central distribution network, including the R1.6 billion, 123 000 square metre Cilmor facility adjacent to our home office in Cape Town, enables us to further improve stock availability and bring additional benefits to small suppliers.

We continue to innovate with new private label products, convenience food, fresh food and healthy ranges.

## The future

The Group's diversified portfolio enables us to maximise business performance during bad times. We believe that no matter the environment, our unique structure and strategy means there is always more than one lever to pull.

There is no doubt, however, that momentum in the rest of Africa has slowed as economies, including the fast-growing Nigeria and Angola, have come under some strain. Currencies in the countries in which we operate devalued sharply against the rand.

We stand firm on our investment in Africa, with a population which is expected to double by 2050 and become increasingly urbanised, and we continue to invest where others won't.

We are not restricting internationalisation to Africa alone, and other emerging markets outside the continent are under investigation.

The implementation of our six drivers of growth – a customer first culture, growing LSM 8 – 10 share of wallet, developing private label, a stronger franchise offering, strategic footprint expansion and leveraging our African advantage – is gaining momentum.

Within six months we have seen palpable progress on all fronts, proving that with effort and innovation, there is still significant room for growth.

## Acknowledgement

My energy and enthusiasm have been driven and inspired by how each and every member of the Shoprite team has responded to the call for all of us to ensure that every single customer leaves our stores happy.

We continue to empower everyone in the company for the benefit of our customers and I would like to thank every one of our committed staff for rising to the challenge and living up to my very high expectations.

I am most grateful to our suppliers and stakeholders who continue to have trust in our business.

At the Shoprite Group, we first and foremost owe immense gratitude to our customers for trusting our brands and relying on us to provide for their families. We will continue to do everything we can to retain and grow that trust.



A handwritten signature in black ink, appearing to read 'PE'.

**PC (Pieter) Engelbrecht**  
Chief Executive

21 August 2017

Yiza Ekhaya Soup Kitchen, Khayelitsha, Cape Town.



We retain our competitive advantage by investing in innovation, staying abreast of international best practice, undertaking preventative measures, continually managing risk and staying true to our core business – providing quality, affordable food in a world-class shopping environment.

# Three-year Financial Review

Shoprite Holdings Ltd and its Subsidiaries for the year ended 2 July 2017

|  | 2017    | Restated<br>2016 | 2015    |
|--|---------|------------------|---------|
|  | Rm      | Rm*              | Rm*     |
| <b>Statement of comprehensive income</b>               |         |                  |         |
| Sale of merchandise                                    | 141 000 | 130 028          | 113 694 |
| Trading profit   | 8 127   | 7 281            | 6 328   |
| Exchange rate losses                                   | (236)   | (46)             | (132)   |
| Items of a capital nature                              | (166)   | (11)             | (13)    |
| Operating profit                                       | 7 725   | 7 224            | 6 183   |
| Interest received                                      | 226     | 174              | 216     |
| Finance costs  | (340)   | (498)            | (415)   |
| Share of profit/(loss) of equity accounted investments | 4       | (52)             | (2)     |
| Profit before income tax                               | 7 615   | 6 848            | 5 982   |
| Income tax   | (2 180) | (1 998)          | (1 848) |
| Profit for the year                                    | 5 435   | 4 850            | 4 134   |

## Statement of financial position

|   |               |               |               |
|---|---------------|---------------|---------------|
| <b>Assets</b>                           |               |               |               |
| Property, plant and equipment           | 18 407        | 16 908        | 15 374        |
| Other investments                       | 2 448         | 694           | 725           |
| Deferred income tax assets              | 859           | 698           | 469           |
| Intangible assets                       | 2 355         | 1 857         | 1 458         |
| Current assets                          | 31 151        | 27 368        | 25 434        |
| Non-current trade and other receivables | 503           | 476           | 460           |
| <b>Total assets</b>                     | <b>55 723</b> | <b>48 001</b> | <b>43 920</b> |

## Equity and liabilities

|                                     |               |               |               |
|-------------------------------------|---------------|---------------|---------------|
| Capital and reserves                | 27 658        | 21 074        | 19 092        |
| Non-controlling interest            | 91            | 65            | 68            |
| Permanent capital                   | 27 749        | 21 139        | 19 160        |
| Borrowings                          | 3 274         | 5 124         | 4 872         |
| Other liabilities                   | 24 700        | 21 738        | 19 888        |
| <b>Total equity and liabilities</b> | <b>55 723</b> | <b>48 001</b> | <b>43 920</b> |

## Statistics per ordinary share and financial ratios

|  |         |         |         |         |
|--|---------|---------|---------|---------|
| Net asset value per share                                  | (cents) | 4 905.2 | 3 941.8 | 3 570.9 |
| Basic earnings per share                                   | (cents) | 999.8   | 906.0   | 771.2   |
| Basic headline earnings per share                          | (cents) | 1 023.2 | 905.0   | 772.9   |
| Diluted headline earnings per share                        | (cents) | 1 007.4 | 900.3   | 769.1   |
| Dividend per share   | (cents) | 504.0   | 452.0   | 386.0   |
| Dividend cover (based on dilutive headline earnings)       | (times) | 2.0     | 2.0     | 2.0     |
| Trading margin   | (%)     | 5.76    | 5.60    | 5.57    |
| Basic headline earnings on average total permanent capital | (%)     | 22.7    | 24.0    | 22.7    |
| Inventory turn   | (times) | 6.5     | 6.9     | 6.9     |
| Borrowings: Total equity                                   | (:1)    | 0.118   | 0.242   | 0.254   |
| Net finance costs cover                                    | (times) | 87.83   | 28.94   | 40.53   |

\* The 2016 figures have been restated for the change in accounting treatment of advertising rebates and for the reclassification of prepaid land leases from current to non-current assets. Refer to notes 12 and 13 of the summary consolidated financial statements for more detail.

\* Not restated for the impact of the change in accounting treatment of advertising rebates. Restated for the reclassification of prepaid land leases from current to non-current assets.

## Definitions

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

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

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

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

# Financial Report

## Statement of comprehensive income

### Sale of merchandise

- As a general rule most international retailers report their results in full weeks. The Group also uses this accepted accounting practice, with the result that an extra week is included approximately every five to six years. This extra week was included in the previous year's results. This obviously distorts the growth on previous year and, where applicable, the effect of this extra week is indicated. Comprehensive pro forma information have been included on page 98 of the Integrated Report.
- Total turnover increased by 8.4% to R141.000 billion, a very good performance seen in context of the state of the economy in Africa, and the rest of the world for that matter, in general. Turnover grew by 10.6% when the extra week in the previous year is excluded. In a climate of political and economic instability and high unemployment, domestic growth has slowed even further. These factors, in itself, make the performance of the Group more impressive.
- Turnover growth during the second half of the year came under pressure, especially in Non-RSA when most of the currencies in countries the Group trades in depreciated against the rand and US dollar. In local currencies those countries continued to give a satisfactory return. In RSA the turnover growth was almost on par with the first semester, mainly due to a number of very successful promotions which ensured that customers remained loyal to our brands.
- The following table gives the relevant turnover per segment:

|                      | 52 weeks    | 53 weeks   | 52 weeks       | 53 weeks       |
|----------------------|-------------|------------|----------------|----------------|
|                      | Sales       | Sales      | 2017           | 2016           |
|                      | Growth      | Growth     | Rm             | Rm             |
|                      | %           | %          |                |                |
| Supermarkets RSA     | 10.5        | 8.0        | 101 734        | 94 167         |
| Supermarkets Non-RSA | 13.5        | 11.7       | 24 840         | 22 246         |
| Furniture            | 6.2         | 4.3        | 5 432          | 5 207          |
| Other Segments       | 7.7         | 7.0        | 8 994          | 8 408          |
| <b>Total Sales</b>   | <b>10.6</b> | <b>8.4</b> | <b>141 000</b> | <b>130 028</b> |

- Supermarkets RSA reported a 8.0% growth in turnover to R101.734 billion with a 10.5% growth when the extra week in the previous year is excluded. Although the average customer remained financially stressed, Supermarkets RSA had a number of highly successful promotions, such as Black Friday and Little Shop, which contributed to its turnover growth. The Group continues with its innovations in value added categories like cheese, wine, meat and during this year there was a big drive on ready-to-eat and ready-to-cook which is finding favour with the more affluent customers. Supermarkets RSA opened a net 90 outlets during the year.
- Average internal food inflation increased from 3.5% in 2016 to 5.9% in 2017 but has been decreasing steadily over the last number of months. This in comparison to the official food inflation of 10.0% for the 2017 financial year, which confirms that not all increases were passed on to the customers.
- Supermarkets Non-RSA continued to see headwinds with the continued low price of oil in world markets and a concurrent lack of foreign currency in the oil producing countries, such as Angola and Nigeria. However, the Group continued with its strategy of importing inventory to ensure that customers have a proper range of products available to them. This contributed to this segment's good performance with a reported growth of 11.7% (13.5% when measured against 52 weeks), contributing R24.840 billion to Group turnover after conversion to rand. In constant currencies the growth in turnover was 31.6% (33.8% compared to 52 weeks). Supermarkets Non-RSA opened a net 28 new outlets during the year outside of South Africa.

- Trading conditions for the furniture business also remained difficult, but it managed to increase turnover by 4.3% to R5.432 billion. When compared to 52 weeks the growth was 6.2%. The strongest turnover growth was again reported by OK Furniture at 10.4%, which targets middle- to lower income consumers, while House & Home saw a decrease of 11.3%. Credit participation reduced even further to 20.8%, due to the new compulsory affordability assessments with the resultant negative effect on finance and insurance income. The furniture division opened 23 new stores, but closed 32 loss making stores during the year.

### Gross profit

Gross profit comprises primarily gross margin after markdowns and shrinkage. In line with IFRS (IAS 2: Inventory and IFRIC Circular 9/2006), the Group deducted settlement discounts and rebates received from the cost of inventory. During the year the Group changed its accounting treatment of advertising rebates because of the additional guidance provided by IFRS 15. This is due to the fact that the advertising rebates result from a process of negotiating the best product price with the supplier and not a result of Shoprite providing a distinct good or service. The rebates reduce the revenue recognised by the supplier and therefore the rebates received by the Group should reduce the purchase price of inventories, resulting in a reduction in cost of sales when inventory is sold.

The Group continued to maintain its price competitiveness in the face of stiff competition, not only from existing players but also new entrants to the market. It also continued with its strategy of subsidising certain basic foodstuffs in an effort to ease the plight of customers battling with price increases on every front. Despite cutting the margins on basic foods the Group maintained gross profit margins as a result of efficiencies in systems and logistics infrastructure, the latter now able to handle bigger volumes due to the new and extended distribution centres. This resulted in the gross profit margin increasing to 23.99% compared to 23.58% in the previous year. Gross profit increased by 10.3% to R33.826 billion, higher than turnover growth. Shrinkage remains well under control, but crime (robberies, theft and burglaries) is increasing by the day, forcing the Group to increase its spend on security and loss control.

### Other operating income

Other operating income increased by 7.0% to R2.615 billion, mainly due to an increase in franchise fees received, commission received and investment income. Net premiums earned had a 7.69% reduction, while finance income decreased by 0.61%, both a direct consequence of the reduction in the credit sales business that flowed from the changes made to the affordability assessments.

### Expenses

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

- Depreciation and amortisation:** The Group is continuing to increase its investment in information technology. It is also opening new stores while simultaneously implementing an on-going refurbishment programme for older stores. On average, stores are revamped every seven to eight years. In addition, 160 new corporate outlets were opened during the year with 51 closing down.
- Operating leases:** 109 net new corporate stores were opened during the year and the increase in turnover also saw a commensurate increase in turnover rentals paid. Certain lease payments were reduced by head leases that were either not renewed or were renegotiated during the year.
- Employee benefits:** The increase in staff costs of 10.5%, higher than turnover growth, was mainly due to the resulting staff requirements of increased turnover as well as the number of new store openings. Productivity improvement continued with additional focus on improving and maintaining in-store service levels. Included in employee benefits are provisions for long term incentives to retain staff.

# Financial Report (continued)

- Other operating expenses:** These costs, which increased by 9.4%, cover expenses such as electricity and water, repairs and maintenance, security and credit card commissions paid. The Group maintained its provision for reinstatement of leased buildings where it has an obligation to maintain the exterior of such buildings. The growth in other expenses was mainly due to the increases in repairs and maintenance (revamps and other normal expenses) and security expenses growing more than turnover growth, the latter due to the need to safeguard our customers and stores against burglaries and armed robberies which is on the increase. During the year the increase in electricity was less pronounced than in previous years and only increased by 8.4%.

## Trading profit

Trading margins increased even further from 5.60% to 5.76%, due to the increase in gross profit and proper management of expenses.

## Foreign exchange differences

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

During the year the rand strengthened against the US dollar and in addition we also saw a devaluation of the Angola kwanza, the Nigeria naira and the Zambia kwacha which affected the short-term loans. The result was a currency loss of R236 million compared to a loss of R46 million in the previous financial year. The current year's loss resulted mainly from losses realised on forward foreign exchange rate contracts which were entered into in anticipation of a weakening of the rand against the US dollar.

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

|                    | 2017   | 2016   | 2015   |
|--------------------|--------|--------|--------|
| US dollar          | 13.038 | 14.775 | 12.126 |
| Euro               | 14.916 | 16.393 | 13.581 |
| Zambia kwacha      | 1.416  | 1.514  | 1.641  |
| Angola kwanza      | 0.078  | 0.089  | 0.100  |
| Mozambique metical | 0.217  | 0.221  | 0.282  |
| Nigeria naira      | 0.043  | 0.052  | 0.061  |

## Net interest paid

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

Net interest paid decreased to R114 million for the year compared to a net payment of R324 million in the previous year. The bulk of the convertible bonds converted to shares during the year and the last interest payment was thus forfeited.

In addition the Group is faced with the requirements of IAS 39 for the treatment of the interest on the convertible bonds. IFRS requires the debt component of the convertible bonds to be measured at amortised cost, using the effective interest method at the Internal Rate of Return. The interest expense calculated at the Internal Rate of Return of 10.09% amounted to R187 million for the year under review compared to the actual interest paid amounting to R147 million at the coupon rate of 6.5%.

## Income tax expense

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

## Headline earnings per share

Headline earnings per share increased 13.1% from 905.0 cents to 1,023.2 cents and result mainly from the increase in gross profits on top of a good turnover growth as well as the new stores opened. Diluted headline earnings per share increased by 11.9% from 900.3 cents to 1,007.4 cents. This dilution was due to the shares issued when the convertible bonds were converted. Should the effect of the extra week in the previous year be excluded, then this growth would have been 16.1%.

## Statement of financial position

### Non-current assets

#### Property, plant and equipment and intangible assets

During the year, the Group spent R5.167 billion on property, plant and equipment and software compared to R4.752 billion in 2016. The Group is also continuing with its policy to purchase vacant land for strategic purposes and building retail premises when no developers can be found. During the year, the Group spent R851 million on such land and buildings. The investment in refurbishments amounted to R740 million, while R1.068 billion was spent on new stores (excluding land and buildings), R1.276 billion on information technology and the balance on normal replacements. The Group is continuing with the process of upgrading its merchandising, master data and central stock ledger systems. The roll out of these systems has started in August 2017 and is expected to continue for the full financial year. Capital commitments of R1.807 billion have been made relating to improvements for the next financial year.

Intangible assets consist mainly of goodwill paid for acquisitions, trademarks acquired and software. Goodwill represents the premium paid for certain businesses and is tested for impairment annually based on the value-in-use of these businesses, calculated by using cash flow projections.

Software represents the Group's investment in certain computer software that is used in its daily operations. The Group continued its investment in new SAP software. Software is amortised over its useful life of three to seven years.

Trademarks mainly represent the purchased Computicket, Transpharm and Seven Eleven/Friendly Grocer trademarks and is amortised over 20, 16 and 20 years respectively.

#### Deferred income tax assets

Deferred income tax is provided, using the liability method, for calculated income tax losses and temporary differences between the income tax bases of assets and liabilities, and their carrying values for financial reporting purposes. This asset developed primarily from provisions created for various purposes as well as the fixed escalation operating lease accrual.

#### Held-to-maturity investments

Local currency cash and short-term deposits in Angola and Nigeria are subject to onerous local exchange control regulations. The Group is, however, still in an expansion phase in both countries and said cash can still be used for its local trade. The Group has invested some surplus cash in Angola in US dollar linked Angolan government bonds as part of its hedging strategy against a possible devaluation.

## Current assets

### Inventories

Inventories amounted to R17.794 billion, an increase of 18.2% on the previous year. The inventory turn, based on cost of merchandise sold, was 6.5 times (2016: 6.9 times). The increase in inventory resulted mainly from the following:

- The provisioning for a net 109 new corporate stores; and
- The extension to the DCs in Centurion, Brackenfell and KZN with more suppliers and products now flowing through these facilities.

### Trade and other receivables

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

The allowance for impairment and unearned finance income in respect of instalment sale debtors amounted to 23.8% compared to 19.4% the previous year. This increase was to take cognisance of the general debt environment, additional provisions in Non-RSA where instalment sales are in its infancy and to maintain the Group's conservative approach.

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

### Cash and cash equivalents and bank overdrafts

Net cash and cash equivalents amounted to R2.709 billion at year-end, compared to R3.819 billion in 2016. This movement was mainly due to the capital expenditure, including land and buildings, of R5.167 billion as well as the unfavourable month-end which saw creditors being paid before the accounting month-end. The Group has also invested in US dollar linked Angolan bonds. See held-to-maturity investments above.

## Current liabilities

### 6.5% Convertible bonds

These convertible bonds converted during the year when R4.587 billion of bonds were converted and R108 million of bonds were redeemed. 27 149 869 new shares were issued in the process.

### Provisions

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

### Hire purchase sales

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

### Shoprite insurance

The Group operates its own short-term insurance company as part of the furniture business and as an insurance vehicle for its own assets. During the year under review net premiums earned relating to third parties amounted to R384 million compared to R416 million the previous year. Net premiums for credit protection amounted to R254 million compared to R270 million in the previous year. As in the past, the Group accounts for premiums earned and extended guarantee fees over the life of the policy. In South Africa insurance premiums are invoiced and earned on a monthly basis. This is in line with the National Credit Act.

At year-end the insurance company had a Capital Adequacy Requirement as per the Insurance Act of R161 million, with actual net statutory assets amounting to R628 million giving rise to a cover of 3.9 (2016: 3.5) before the declaration of dividends to the holding company.

# Operational Review

## Supermarkets in South Africa

|                |                |          |
|----------------|----------------|----------|
| Total sales    | R101.7 billion | Up 8.0%  |
| Trading profit | R6.4 billion   | Up 10.2% |
| Trading margin | 6.31%          |          |

The core South African supermarket operation, which represents 72% of total sales and 79% of trading profit, increased sales by 8.0% in a tough operating environment. It has a 31.9% market share, which continues to grow.

The majority of South Africans continue to prefer shopping at our supermarkets as they trust our service and our market-leading prices. Our basket is mostly cheaper than our competitors and our internal food inflation has been running at half of official food inflation for the better part of the year. We have shielded customers from R1.8 billion of additional expenses, had our prices tracked inflation.

Our private label sales have been growing at 2.5 times the pace of total sales. At 14.7% of total sales, we are still below the industry average of 18.5%, indicating significant potential for continued growth in private label sales. We added 341 new private label products and continue to develop products to take advantage of the potential.

We have a relentless focus on our customers, we speak to our customers and implement customer-first decision-making and try to ensure that no customer leaves the store unhappy. Customer satisfaction is at record levels, according to our latest brand tracker research, as our customers continue to trust us to provide them with low cost, quality products.

While the pace of turnover growth has slowed, we continue to outperform the industry and we are extracting more value per customer through larger basket sizes.

There are significant opportunities in Checkers to continue to grow high margin products. We are aware of the trend towards more frequent and fresh shopping and towards wellness and healthier eating. Taking this into consideration, we are providing healthier and more convenient options, doubling the value of convenience food sales in a year.

Shoprite's ability to source products from any part of the world and distribute it to even the most remote parts in Africa provides an unmatched level of competitiveness that enhances its trading capability. For more than two decades Shoprite has invested substantially in its supply chain making Shoprite the market leader on the African continent. The Company operates about 750 000m<sup>2</sup> of distribution space and it has recently launched its next generation of distribution centres at Cilmor in Cape Town.

Supply chain is fundamental in the retail mix. We are preparing for a changing world where consumers have options to buy things electronically and collect at the store. Our aim is to enable the consumers to live the lifestyle they want in an affordable manner and are engaging our supply chain to do that in the future.

Our **LiquorShop** chain provides a wide range of well-priced, quality products. We continue to expand, and opened one store a week (54 outlets) during the year to bring the total to 376 in South Africa and 14 Non-RSA operations. LiquorShop's performance has been excellent, with an exceptional ROI and growth in excess of 20% in turnover. Market share is now 18.2%, a 0.72 percentage point increase year-on-year.

The **Money Market** operation deals with a number of financial transactions including payments to 2 million South African Social Security Agency recipients, sales of handsets, airtime and data, money transfers and account payments, Christmas savings books, gift vouchers, gift cards and lottery tickets.

We are a meaningful player in the cash remittance space and have begun a cross-border pilot.

## Supermarkets Non-RSA

|                |               |          |
|----------------|---------------|----------|
| Total sales    | R24.8 billion | Up 11.7% |
| Trading profit | R1.4 billion  | Up 14.7% |
| Trading margin | 5.66%         |          |

Supermarkets outside of South Africa in 14 countries in Africa and on Indian Ocean Islands continued to perform well. Despite the devaluation of most currencies against the rand, slowing economies, lower commodity prices and foreign exchange shortages impacting on performance, the 308 stores generated an 11.7% increase in turnover. Turnover growth of 31.6% at constant currencies remains strong, albeit at a lower rate than the previous year, which accentuates the effect of devaluations of Non-RSA currencies against the rand.

The fast-growing operations in Angola now account for the largest share of Non-RSA sales. Our 30 supermarkets are well ahead of expectations. We opened one store in the financial year and are planning an additional two over the next 12 months. Customer numbers for the year were up by 36%. Expectations of some currency devaluation later this year could make next year challenging, but we are still perceived to be the cheapest grocery chain with the widest range of products. This country continues to offer significant growth potential. We have also purchased a distribution centre which will improve supply chain efficiencies and on-shelf availability.

Nigeria remains a region with significant growth potential for the Group, despite short-term issues including the oil price, a devaluing currency and a ban on imports to stem the outflow of dollars. We have 23 stores with a further two under construction. With less than 50 shopping malls catering for a population of 160 million, the growth potential is significant. There is a huge demand for our products and customer numbers increased by 38% during the year. We source 75% locally from manufacturers and distributors and have 140 farmers supplying our stores.

With a relatively small population, an economy in distress and mines largely closed, Zambia has become overtraded with the entry of numerous competitors, but we remain the preferred brand.

There was significant expansion in Mozambique, with five new supermarkets over the past year bringing the total to 17. The currency was seriously affected by the suspension of loans to government by the IMF and World Bank, resulting in almost all food being imported and an almost doubling of food prices. Customers cut back dramatically and consumer spending dropped 12% year-on-year, which affected turnover and profitability.

## Furniture division

|                |                |          |
|----------------|----------------|----------|
| Total sales    | R5.4 billion   | Up 4.3%  |
| Trading profit | R123.0 million | Up 35.2% |
| Trading margin | 2.26%          |          |

The division, trading under the OK Furniture, OK Power Express and House & Home brands, consolidated its store base after some years of footprint expansion, ending the year with 488 stores, representing a net closure of nine.

The division has done well in a difficult year characterised by heightened competition in a depressed durable goods market, and reported a net profit. The increase in turnover was mainly due to the 77 stores outside South Africa which increased sales by 21.6%. Our nine stores in Angola are trading particularly well and we plan to expand our operation in the country.

Plans are in place to reposition the House & Home brand, which continues to experience challenges. OK Furniture, by far the biggest divisional brand, traded relatively well and grew sales in a market which has declined and where competition has increased.

# Operational Review (continued)

## Other divisions

|                |                |          |
|----------------|----------------|----------|
| Total sales    | R9.0 billion   | Up 7.0%  |
| Trading profit | R173.0 million | Up 28.1% |
| Trading margin | 1.92%          |          |

### Franchise division

The OK Franchise division is an important extension of our business as it gives us access to neighbourhoods and smaller communities where about 60% of the stores are currently located. A future focus will include the mainstream convenience market in metropolises.

The ongoing restructuring over several years – from 14 different brands into fewer trading platforms – continued, and the division now trades largely under the OK Foods, OK MiniMark and OK Express brands, as well as wholesale division Megasave, which enables franchisees to benefit from the Group's buying power. The consolidation has helped to develop the OK brand, which is gaining visibility, and prepared the division for growth. We now have 388 members in South Africa, Namibia and Swaziland, gaining 29 over the past year.

Almost without exception, franchised stores have performed above expectation and we continue to receive significant interest by potential franchisees across the continent. We have started our first perishable deliveries as part of our drive to offer franchisees a one stop shop in terms of logistics and distribution.

Divisional operating performance was enhanced by improvements in supply chain and information sharing and improved service to our members. OK introduced refreshed house brands and increased promotion activity, and customer frequency has increased. The franchise division remains focused on concluding the rebranding and on growth.

### Complementary services

The Group extends its commitment to customers through several ancillary services which enable them to conduct various transactions at our stores – from getting medicine to buying tickets and making account payments.

The 146 MediRite pharmacies in South Africa filled 5.4 million prescriptions during the financial year and provided valuable healthcare support in rural and underserved areas. We have increased our footprint in Angola, where we now have 13 pharmacies, but turnover growth is hampered somewhat by unavailability and high pricing of medicines. This is expected to be alleviated by the opening of our first Transpharm wholesale operation in Angola later this year.

Computicket, which sells tickets for events, bus tickets for long distance carriers and flight tickets, operates in 1 200 locations around the country and grows in line with store growth. Cash-strapped customers have scaled back on discretionary purchases and Computicket experienced a decline in sales. There has, however, been some improvement in the number of events on offer, and we are cautiously confident that we will be able to reverse the decline.

# Nurturing our Capitals

At Shoprite, we understand that our business will be unable to grow and prosper without the ongoing support and input from our capitals. As Africa's leading retailer and importer/exporter of food products and general merchandise, we have a responsibility to oversee the impacts of our operations to ensure the long-term sustainability of the Group and the capitals we depend on. We have a strong focus on protecting and growing our capitals and fostering long-term relationships as a foundation for long-term sustainable growth. Our continued success rests on effective engagement with our customers and their communities, our employees and suppliers, and access to a healthy and stable natural capital base.

## Human Capital

**We focus on attracting, developing and retaining a loyal and committed workforce who work within the same organisational culture with personal alignment to our Group's objectives.**

Shoprite is the largest food retailer in Africa and, according to research by Deloitte, the 110th biggest retailer in the world. Our employees are key to our success. During the 2016/17 financial year, Shoprite employed 143 802 people, of which 65% are women, and we created 6 027 new jobs.

We work hard to attract and retain talented people and to provide skills training and support to enable them to reach their potential. We focus on ensuring that recruitment and skills development aligns with our goals of empowering women, enabling access to the South African economy and supporting transformation aligned with the Broad-Based Black Economic Empowerment (B-BBEE) Codes of Good Practice.

### Recruitment and retention

South Africa is the biggest employer at 120 280 people, followed by Angola (5 289), Namibia (4 656), Zambia (3 840) and Nigeria (2 650). The table below indicates growth in employee numbers in the reporting period, new jobs created and the percentage of employees who are women and black Africans. Shoprite's number of disabled employees increased by 11.01% to 504 people in the reporting period.

| All countries | Total employees | Management | Staff   | New jobs created | % Total women employees | % Total black african employees |
|---------------|-----------------|------------|---------|------------------|-------------------------|---------------------------------|
| 2015          | 132 942         | 12 503     | 120 439 | 9 842            | 65.8                    | 96.1                            |
| 2016          | 137 775         | 13 323     | 124 452 | 4 833            | 65.6                    | 96.6                            |
| 2017          | 143 802         | 13 966     | 129 836 | 6 027            | 65.4                    | 96.8                            |

Succession planning is in place for key positions, with a focus on filling positions from within the Group. Managerial-level turnover remains stable and staff turnover, while still high, is on par with national and international turnover rates, particularly for part-time workers.

| All countries | Management turnover | Full-time staff turnover | Part-time staff turnover |
|---------------|---------------------|--------------------------|--------------------------|
| 2015          | 16.72%              | 19.96%                   | 54.46%                   |
| 2016          | 16.73%              | 19.12%                   | 55.22%                   |
| 2017          | 14.69%              | 19.21%                   | 52.21%                   |

We aim to ensure that stores can access a pool of talent through an innovative human resources management process that attracts, identifies and pre-screens candidates with the necessary skills for all levels, in different languages, cultures and locations.

**Job seekers apply for entry-level positions through our website and mobile application. We received 173 097 applications via these platforms in the reporting period. In June 2016, we launched a 12-month recruitment drive on LinkedIn for mid- to senior-level positions. Successful use of this platform has helped us significantly reduce agency costs while promoting awareness of the Shoprite Employer brand. The number of non-employee followers on our LinkedIn platform increased to 27 099 by the end of the reporting period, and we saw a marked increase in applications via this platform.**

## Nurturing our Capitals (continued)

In the year under review, the Retail Varsity launched a series of programmes focused on the development of management competencies in our operational environment:

- the Controller Action Plan Programme,
- the Management Training Scheme for trainee managers,
- the Management Action Plan Programme for branch managers and
- the Regional Action Plan Programme for regional teams.

Customer-centricity forms the cornerstone of our approach to training. A total of 832 branch managers have attended the Management Action Plan Programme since inception, with 282 (including 69 stock administrators) attending in the reporting period. In addition, 292 of our trainee managers were enrolled in the W&RSETA Operations Supervision Learnership in the 2016/17 financial year. The trainee management programme is our source for branch managers, which feeds into regional management and other operational positions. By April 2017, 86% of trainees on board were black, exceeding our target of 80%, and there were 314 trainee managers available for positions in 223 branches outside South Africa. Furthermore, we successfully implemented the Regional Action Plan Programme in the Eastern Cape, the Western Cape and Gauteng in the reporting period – all 101 delegates were found competent. To date, 99 controllers have completed the Controller Action Plan Programme, with a further 343 controllers earmarked to attend in the 2017/18 financial year.

### Broad-based black economic empowerment

| Previous codes of good practice |                  |                |                | Amended codes of good practice                 |                  |                |
|---------------------------------|------------------|----------------|----------------|--|------------------|----------------|
| B-BBEE element                  | Weighting points | 2014           | 2015           | B-BBEE element                                 | Weighting points | 2016           |
| Ownership                       | 20.0             | 8.8            | 7.9            | Ownership                                      | 25.0             | 7.9            |
| Management Control              | 10.0             | 4.8            | 3.3            |  |                  |                |
| Employment Equity               | 15.0             | 6.7            | 12.3           | Management Control                             | 19.0             | 8.9            |
| Skills Development              | 15.0             | 10.6           | 8.3            | Skills Development                             | 20.0             | 13.7           |
| Preferential Procurement        | 20.0             | 17.8           | 14.1           | Enterprise & Supplier Development              | 40.0             | 22.2           |
| Enterprise Development          | 15.0             | 15.0           | 15.0           | Socio-Economic Development                     | 5.0              | 5.0            |
| Socio-Economic Development      | 5.0              | 5.0            | 5.0            | <b>Total points</b>                            | <b>109.0</b>     | <b>57.7</b>    |
| <b>Total points</b>             | <b>100.0</b>     | <b>68.7</b>    | <b>65.9</b>    | <b>B-BBEE Status (prior to discounting)</b>    |                  | <b>Level 7</b> |
|                                 |                  |                |                | <b>Final B-BBEE Status (after discounting)</b> |                  | <b>Level 8</b> |
| <b>B-BBEE Status</b>            |                  | <b>Level 4</b> | <b>Level 4</b> |  |                  |                |

At the time of printing, Shoprite was in the process of completing the 2017 B-BBEE verification and therefore could not reflect the final outcome. A SENS announcement will be made as soon as the process has been completed.

In 2016 Shoprite was required to be verified under the Amended B-BBEE Codes of Good Practice for the first time. The Amended Codes have increased both the required weighting points needed to achieve a certain level of compliancy, as well as the required targets needed to achieve these weighting points. In addition to this, sub-minimum targets have been set for three Priority Elements and this has made it increasingly difficult to achieve good compliance levels. As a result, most businesses experienced lower scores post implementation.

Shoprite however remains dedicated to transformation and we will endeavour to maintain our strong commitment to sustainability and broadening of the formal economy.

We continued to increase our black representation in the Group and we are proud to be the largest private sector employer. Our commitment towards developing skills has increased significantly, as we strongly feel that education is a key element to changing people's lives.

We continue to strive to develop black owned businesses through our Enterprise and Supplier Development (ESD) initiatives and our Corporate Social Investment (CSI) programs remain committed to assisting communities that are most in need.

## Skills development

Shoprite's employer value proposition is *BeMore* because we understand that our success is built on the hard work, passion and skills of our people. We lead the sector in providing training opportunities for our employees and those looking to enter the retail sector.

Shoprite has re-registered as a private further education and training college to ensure that a portion of its learning curricula provides learners with industry-recognised qualifications. The Group's 26 learning sites underwent an extensive occupational health and safety audit during the reporting period, emerging with a 91% compliance rate. The Group has forged partnerships with public technical and vocational education training colleges and universities of technology to provide workplace experience to learners who need to complete practical workplace experience modules. We also partner with government departments to help address challenges around unemployment and scarce and critical skills, in line with the objectives and targets set out in the National Development Plan, the National Skills Development Strategy, the New Growth Path and the W&RSETA Skills Plan. These public-private partnerships help ensure a sustainable supply of talent for positions at both entry and middle-management levels.

The Shoprite Retail Varsity offers a range of courses and programmes that can be delivered through classroom-based learning, e-learning, in-store training, self-study or coaching/mentoring programmes. It aims to become the most cost-effective and efficient retail varsity in the world, delivering cutting-edge learning on the demands created by the Group's growth and transformational strategies. It offers more than 1 700 courses (of which 71 are accredited programmes/courses) to employed and unemployed learners. Some courses, such as the secure load strapping course, directly reduce losses or make operational processes more efficient, which helps us to reduce costs.

The goal is to convert 80% of all entry- and intermediate-level courses to e-learning for easy access and continuous learning at store level. Shoprite will become one of the first retailers to successfully implement e-learning in Africa. More importantly, it will allow us to further provide standardised, integrated and stable learning content that can be delivered continuously and efficiently to large numbers across a geographically dispersed workforce, at a reduced cost. A *GroupZone* e-learning platform was implemented in 2014 to cater for groups of up to 20 learners and used primarily for induction, customer service, compliance and product knowledge training. The *MyZone* e-learning platform is currently being implemented and has been specifically designed for systems and process training. In the reporting period, 2 100 individual e-learning

kiosks were manufactured and delivered – 705 have been installed in South Africa and Malawi to date. By February 2018, the *MyZone* e-learning platform will be up and running in all supermarket stores and distribution centres to support the SAP COR3 project, which will implement standard SAP functionality across all operational areas.

We launched several initiatives in the reporting period in our supermarket environment, aimed at improving our service culture to enhance customer experiences and comply with consumer legislation. These included the freshness training campaign, new customer service e-learning courses, customer service case study training and an accredited customer service skills programme. The table below illustrates the number of training interventions directly related to customer service conducted in the period under review:

|   |                |
|---|----------------|
| <b>Customer service training interventions 2016/17 financial year</b>   | <b>141 986</b> |
| <b>Total e-learning (formal)</b><br>(Service culture, customer experience, customer communication, complaints handling, consumer legislation) | 106 670        |
| <b>Total classroom (instructor-led and DVD)</b><br>(Customer care skills programme, building customer relations, etc.)                        | 23 940         |
| <b>Total e-learning (case studies)</b><br>(BeMore Diaries – five episodes)  | 11 376         |
| <b>Freshness training interventions 2016/17 financial year</b>  | <b>121 499</b> |
| <b>Total e-learning</b>   | 102 130        |
| <b>Total classroom (DVD)</b><br>(Food safety and hygiene DVD)   | 19 369         |

The Shoprite Retail Varsity has successfully rolled out an unfunded Customer Care Skills Programme to 5 966 front-end staff during the reporting period. In addition, the W&RSETA funded a further 1 150 employees to be trained on this programme of which 957 employees completed the course by year-end. Other focused training interventions included accredited training programmes for our trainee bakers and trainee butchers, a mandatory blended learning curriculum for trainee and junior buyers, a comprehensive induction programme for newly appointed business analysts, and competency-based management and leadership development interventions. We also partnered with SAP Skills for Africa to help build the scarce and critical SAP skills needed in our business and the broader sector. We provided training to 514 disabled beneficiaries in the reporting period: a 27% increase from the 2015/16 financial year.

|                                | Beneficiaries | Training days | Training hours | Interventions |
|--------------------------------|---------------|---------------|----------------|---------------|
| <b>South Africa</b>            |               |               |                |               |
| 2015                           | 90 946        | 164 890       | 1 319 120      | 406 519       |
| 2016                           | 106 256       | 210 173       | 1 681 384      | 593 702       |
| 2017                           | 115 141       | 235 057       | 1 880 452      | 690 546       |
| <b>Other African countries</b> |               |               |                |               |
| 2015                           | 6 887         | 11 096        | 88 769         | 20 041        |
| 2016                           | 6 405         | 11 669        | 93 350         | 18 078        |
| 2017                           | 8 430         | 14 245        | 113 962        | 22 557        |

**More than 123 500 learners have benefited from the Retail Varsity offering, with a record number of 713 103 successful training interventions reported for the year.**

# Nurturing our Capitals (continued)

**“The skills programme ... really equips learners to grasp how business works, and when learners do the practical component in the store, they are able to understand and apply the knowledge and skills learnt. The practical component provides store management with a window into the learner’s potential to work in a retail environment. This programme is therefore proving invaluable as it provides for better recruitment of the calibre of staff we want in our business.”**

Moga Pillay,  
Training Manager, Gauteng

## Developing human capital

Shoprite is committed to developing human capital by creating access to employment and developing skills to drive its business and the broader economy.

### Retail Readiness Programme

Stats SA’s 2017 figures indicate that 38.6% of South African youth are unemployed. Shoprite launched its intensive Retail Readiness Programme through the Shoprite Development Trust early in 2016. It is a two-month accredited training programme. To date, 11 861 learners have registered, 76% have graduated and 5 894 learners have been employed by Shoprite. The target for 2017 is to provide 5 200 unemployed youth in the Western Cape, Limpopo and the North West with skills relevant to the retail market. In the reporting period, 6 488 were registered, 5 092 were found competent and 3 375 found employment within the Group. This initiative has helped ensure a supply of trained employees for new store openings, while contributing to broader skills development for the economy.

### Decade of the Deaf

More than 700 000 South Africans are deaf. Most struggle to gain employment. Shoprite’s 2009 Decade of the Deaf initiative aimed to train 1 000 learners by 2019 in partnership with Employ and Empower Deaf (eDeaf). It has successfully trained 800 learners in wholesale and retail chain store operation (accredited NQF level 2 qualification) to date.

Trainees complete a one-year practical learnership in a Shoprite or Checkers supermarket and, on successful completion of their competency evaluation, are guaranteed employment in identified positions within administration or store operations. This ensures the sustainability of the initiative and contributes to making employment accessible to the deaf community.

## Shoprite bursaries

Shoprite provides young students with bursaries to study the skills that address its business risks and provide future business advantages. We awarded 315 bursaries for the 2016 academic year, to the value of R16.6 million. For the first six months of 2017, 191 bursaries to the value of R11.9 million have already been awarded, with a further 116 provisionally approved, which will take the total bursaries for the 2017 academic year to 307 and the spend up to a potential R18.2 million. The bursaries are awarded for BPharm, Retail Business Management, B Acc, Hospitality Management, Information Technology, Food Science, Logistics as well as B Admin. While most were awarded for study in South Africa, nine were awarded for study in Angola, four in Zambia and three in Malawi. All those who received bursaries enter full-time employment at Shoprite on completion of their studies. Of the bursaries awarded in South Africa, 65% were granted to individuals from designated groups and 61% to women.

Shoprite was voted a runner-up in the South African Graduate Employers Association “Retail employer of choice” in 2017. Current students and prospective bursary holders chose us based on our reputation, training and development opportunities, long-term career prospects, security of employment and mentoring offerings.

### Trainee Accountant Programme

There is a critical shortage of chartered accountants in South Africa. Shoprite’s Trainee Accountant Programme is registered with the South African Institute of Chartered Accountants (SAICA). The programme provides formal training to those looking to complete their qualification in a professional environment, and ensures qualified financial managers with a general business and retail focus. Since inception in 1999, 78 trainees have completed their articles at Shoprite: 66 qualified as chartered accountants and 12 as accountants, of which 60 were employed by the Shoprite Group. Twelve trainees graduated as chartered accountants at the end of 2016 (seven were women and six were from previously disadvantaged backgrounds) and nine trainees entered the programme in the reporting period.

### Shoprite’s working environment

Shoprite supports the United Nations Global Compact principles. We instituted a system in the reporting period to monitor alignment with the principles across all business units to ensure these are entrenched into business strategy, company culture and daily operations. The Company Code of Conduct supports a culture of observing human rights and behaving with dignity and respect for others.

## Occupational health and safety

The health and safety of our workers is a priority. We have systems in place to raise awareness of the necessary standards and safeguards, and to reduce risk in this regard. In the reporting period, 11 163 training interventions on risk management were rolled out through the Worktrainer Risk Solutions e-learning platform. Shoprite also uses peer educators to communicate to staff on health and safety issues. Compliance is monitored through an online reporting system; 189 432 occupational health and safety audit checklists were completed in the year. We conduct spot checks and inspections to ensure adherence to health and safety guidelines. Serious incidents are reported to the Chief Financial Officer for immediate action.

| All countries | Reported safety incidents |
|---------------|---------------------------|
| 2015          | 7                         |
| 2016          | 7                         |
| 2017          | 8                         |

## Employee health and safety

We provide our employees and their families with a range of health and safety services, including:

- Life Assistance programmes in every store and distribution centre in South Africa, including mental health services.

- An HIV/Aids programme that includes 24/7 call centre support, provision of post-exposure prophylactics medication and counselling services. The peer educator programme appointed a further 604 people in the reporting period to bring the total to 2 871 and these educators are regularly trained.
- A voluntary counselling and testing programme for tuberculosis, diabetes, cholesterol, high blood pressure and weight-related issues.

## Labour representation

Shoprite is committed to the principles of freedom of association and collective bargaining, as evidenced by a 27-year track record of recognising and interacting with Trade Unions. Employees in RSA are represented by the South African Commercial, Catering and Allied Workers Union who holds a membership in the region of 33 000. This Union actively participates in the employment equity, skills development and occupational health and safety committees, among others. Eight other Trade Unions are recognised by the Non-RSA operations of the Group for the purpose of collective bargaining and organisational rights. Our relationship with Non-RSA Trade Unions are healthy. We are also proud to be the only retailer on the continent who has a relationship agreement in place with the Uni Global Alliance movement. Management meets, on an annual basis, with representatives of the African leg of

the organisation, Uni-Africa. The objective of this engagement is to enhance transparency and strengthen our relationship with organised labour movements.

## Grievance mechanisms

Employees can report incidents that cause dissatisfaction through established grievance procedures to line management, who will make every attempt to resolve such grievances quickly and transparently. Line managers receive training on dealing with grievances as part of their development programme. Employees also have at their disposal a confidential hotline and a suggestions box that they may use to request work-related information.

## Performance incentives and rewards

Financial and non-financial reward mechanisms are in place to incentivise staff to excel in their work. These are discussed in the Remuneration report.



For more detail on engagement practices and key concerns from our employees, refer to the Stakeholder Engagement section on page 16.



For more detail on our remuneration practices, refer to the Remuneration report on page 62.

## Celebrating our people

### Super Service Awards competition

The Super Service Awards competition rewards staff for providing outstanding customer service and giving customers a better shopping experience. As Africa's largest staff incentive programme, the Super Service Awards encompasses 180 000 contracted and sub-contracted staff in 2 301 branches across 19 brands trading in 15 countries.



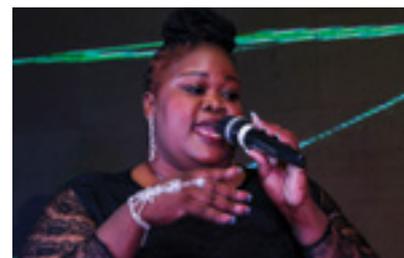
The competition measures participation and judges key areas of customer service over three rounds. It includes retail audits, food safety audits, stock management reports, sales reports, teamwork tasks and visits from mystery shoppers.

Each year we reward around 42 000 staff members over the three judging rounds, with

the 30 top-performing branches winning a VIP trip to Cape Town for their performance throughout the year. The trip includes visits to Cape Town landmarks. In many cases this will be a staff member's first flight or first visit to the ocean. Branches are invited to attend an awards ceremony where the winning branches from each brand are announced and rewarded with prize money.

### TopStars

Shoprite's TopStars singing competition is a growing success; it celebrated its 10th anniversary in October 2016. More than 1 800 Shoprite employees from 13 countries entered, hoping to reach the semi-finals where they receive performance coaching before competing in the exciting finals. TopStars has proven to be one of Shoprite's most effective team-building initiatives, building on the competitive spirit in and between stores in the Group, and involving more than 8 000 staff as participants and supporters in the 2016/17 financial year.



Mahadi Tskolbane, 2016 winner.

# Nurturing our Capitals (continued)

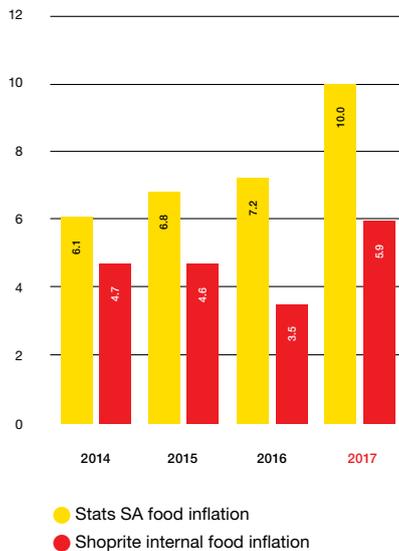
Over 35 million individual customers on the African continent



## Social and Relationship Capital

We focus on staying true to our lowest price promise and continuously meeting our customers' needs and expectations. We build and maintain strong relationships with a broad and diversified group of suppliers thereby ensuring sustainable supply, safe products and the best prices. We support and develop the communities within which we operate, as our welfare and prosperity are entangled, and members of these communities represent our current and future customers, suppliers and employees.

The Shoprite low-cost promise



We prevented R1.8 billion of price increases from reaching customers, had our prices tracked inflation.

### Focusing on our customers

Our primary stakeholders and capitals are our customers – more than 35 million African consumers. Maintaining our market position is dependent on meeting their expectations related to price and value for money. As a customer-facing company, our ongoing delivery of quality, low-cost food is validated directly by our customer base. We also conduct bi-annual surveys, test customer perception of new products through ad hoc focus groups and track our competitors daily. Shoprite's focus on embedding its customer-centric approach into operations has deepened in the reporting period to help ensure customer loyalty to its brand.

### The Shoprite low-cost promise

Our primary focus is to provide affordable, safe, quality food to our customers, helping people put food on the table. Food represents a significant portion of expenditure for households. Affordability is one of the key internal metrics of success of the Shoprite Group, while price leadership remains a focus throughout the business.

Our drive for price leadership is relentless and we meticulously monitor our internal price inflation against national averages. Shoprite continues to beat food price inflation. Bi-annual Brand Health Tracker surveys indicate that we still lead the low-price market and that 91% of our customers were satisfied with our offering in 2016/17. We extended our subsidy on the standard 600g loaf of brown bread, among other staple products, in 2016/17 and launched a range of discounted R5 convenience meals to help our customers' money go further in a tough economic climate.

We use our procurement strategy and supply chain management to increase efficiencies and reduce costs, all of which helps us to keep Shoprite's low-cost promise. As a result of our efforts, we have maintained the pace of internal food price increases consistently below official food inflation.

### A customer-centric approach

We go out of our way to extend the value of shopping at Shoprite through the added convenience of our MediRite pharmacies, the Money Market Kiosks and access to social grant payments in South African stores – about 2 million transactions a month. We are the only external agent that does not charge a fee for this facility. We take customer complaints seriously and have a customer service recovery plan in place. We are also often first responders when communities are hit by disasters, providing food packets, hot meals through our mobile soup kitchens or donations of money and necessary goods. These value-added services help to build Shoprite's brand and reputation, growing our customer base and their loyalty.

Our staff all understand the need for customer-centric service; a CEO video initiative that reaches out to store staff and empowers staff to ensure that every single customer leaves happy, has helped to drive this. Each department in the business remains focused on ascertaining consumers' current and future needs. Through a value chain analysis process, we determine how to meet that need within a model focused on improving efficiency and lowering costs.

### Product responsibility

Food safety is of the utmost importance for the Shoprite Group, a fundamental component of our offering and critical to our long-term viability. We are committed to providing safe and correctly labelled food, both in our own product ranges and those of our suppliers, to mitigate the risk of harm and illness and resultant brand damage. A dedicated unit comprising a national food safety manager and a team of food technologists ensures that suppliers and products are aligned with applicable legislation and comply with Shoprite's food safety requirements. All major food suppliers are audited annually by internationally accredited independent auditing and certification service providers. We also utilise external bodies to conduct unannounced food safety and quality audits of our

# Shoprite sold 7.4 billion items in 2017

convenience meals. We use these results to further improve our customer offerings. All private label products undergo rigorous testing, audits and compliance verification. We conduct in-house quality testing as well as external microbiological and chemical analysis through accredited laboratories. Our product labels undergo strict compliance verification.

Shoprite trained about 46 000 staff on food hygiene and safety in 2016/17. This investment has resulted in our audit figures improving over the last year by 3.5%. Shoprite proactively engages with the Consumer Goods Council of South Africa (CGCSA), the National Regulator for Compulsory Standards (NRCS) and government departments to ensure that it is prepared for changes in legislation and can help its suppliers prepare timeously. We consider customer complaints, media reports and panel reviews as part of our quality and safety assurance programme. We have an electronic recall system in place that enables effective and efficient recall of any item. We will further enhance our recall process to improve the response time in the next reporting period. Risks are identified and reported to the Risk Forum and senior management to take the necessary corrective action.

## Working with our suppliers

Shoprite uses an electronic platform to register and monitor supplier compliance, and suppliers are encouraged to maintain their portfolio to ensure that it has up-to-date information about their manufacturing sites, practices and product lines. To date, we monitor more than 3 000 supplier sites, of which 230 new suppliers were added and approved through our food safety process in the reporting period. Suppliers undergo an annual mandatory food safety audit. We pre-approve suppliers' food safety certification and provide advice when necessary to help them comply. Minor issues of regulatory non-compliance were dealt with during the reporting period – none were related to food safety or quality issues.

Our philosophy and practice regarding food safety is entrenched in the way that we work in other African countries. Food regulations in these locations are often inconsistent and there is limited capacity to undertake food safety testing or compliance auditing. Our International Trade Department manages quality and safety compliance for all imported and exported products. We will be putting resources in place in these countries to support suppliers, particularly smaller ones, in gaining compliance and entering the Shoprite supply chain. We conduct store audits in Namibia and Botswana and aim to put systems in place in Zambia before rolling them out to the rest of the countries in which we operate.

### Coega Dairy

In 2010, armed with just a letter of intent from the Shoprite Group, Coega Dairy's 13 founding farmers set out to build a brand new factory in order to supply Africa's largest food retailer with UHT milk.

Today, just seven years later, Coega Dairy has 200 employees and indirectly employs another 750 people.

The Group purchases between 80% – 90% of the 160 million litres of milk produced by Coega Dairy annually. This accounts for more than 50% of the retailer's total UHT milk and butter sales, reducing the need for large import quantities whilst creating a sustainable future for this dairy farming community.



Refer to the Focusing on our suppliers section on page 50 for more information.

## Focusing on our communities

Shoprite acknowledges its responsibility to manage the impact of its operations to ensure long-term economic, social and environmental sustainability. Although Shoprite operates in diverse African countries, most face similar challenges to South Africa, namely significant levels of unemployment and food insecurity at the household and community level. Climate change will exacerbate these challenges and potentially disrupt production patterns, as well as increase operational costs for the food retail sector. Shoprite is committed to fighting hunger, supporting food-insecure and disaster-struck communities, enabling access to the economy – particularly for women – and developing the skills needed to support its growth and that of the broader South African economy.

Communities are at the core of Shoprite's business. We create shared value by investing in the future of our communities because they are our customers, employees, suppliers and fellow citizens – the basis of our business success. In line with Shoprite's positioning as a "company with heart", we are amplifying our efforts to meet the needs of South Africans, with a focus on addressing hunger and food insecurity, developing needed skills and empowering women. By communicating the stories of the people and communities that we

work with, we also engage with our primary stakeholders: our customers. Corporate social investment is therefore also a way to build our brand and promote our customer-centric and low-cost value proposition to a broader audience.

## We act for change

Our corporate social investment strategy aligns with Shoprite's low-cost promise and customer-centric approach. It is increasingly shaped by the desire to put in place longer-term initiatives that will help resolve more immediate challenges. We follow an interactive approach to interventions based on using pilot projects and incorporating lessons learnt in project decision-making processes. Our approach is necessarily tailored to the unique and diverse contexts in which we work and is designed using community consultation to determine needs and solutions. All interventions are audited and have defined exit strategies. We work in partnership with others, such as schools and community organisations, to deepen the extent and impact of our work. We have formalised our goals and objectives and are looking to further embed our corporate social investment messaging into Shoprite's corporate ethos. Edible food waste is one area in which we have been able to leverage a

challenge for South Africa into a benefit for society, and we are exploring other potential synergies within Shoprite's operational areas. A goal for the next reporting period is to customise and start applying our strategy to the other African countries in which we operate, including monitoring and evaluating interventions.

### In 2017:

- R35.4 million was spent on corporate social investment initiatives in South Africa (a 30% increase from 2015/16).
- We donated a further R108 million in surplus food from our stores, resulting in 2.6% of net profit after tax going towards building stronger, better connected communities.

### We also:

- Fed several million people through our mobile soup kitchens;
- Donated R857 706 through our Disaster Relief Fund and
- Raised over R4.5 million through corporate social investment fundraising initiatives.

# Nurturing our Capitals (continued)

In 2017 our mobile soup kitchen programme served 3.6 million warm meals to vulnerable communities in South Africa.

More than 31 million meals have been served since 2007.

4 000 people accessed fresh food from 23 food gardens in 9 provinces in South Africa.

Almost 300 people trained in permaculture gardening techniques.

## We fight hunger

Given the high levels of food insecurity at the community and household level, Shoprite focuses a significant portion of its corporate social investment spend on hunger relief (39% of spend). We fight hunger by providing food to thousands of people each day through FoodForward South Africa, which works through 600 beneficiary organisations to feed 250 000 South Africans a day with surplus food collected from retailers. In 2016/17, FoodForward rescued 95 tonnes of food from Shoprite distribution centres, and a further 285 tonnes from stores through the Virtual FoodBanking model.

We view our mobile soup kitchens as a short-term measure until we can help support the implementation of medium- and longer-term sustainable solutions, such as initiating and supporting community garden schemes. Shoprite works with Food & Trees for Africa to

establish and maintain sustainable food gardens. We initiated 19 more gardens across South Africa in the reporting period, an increase from four gardens in four provinces at the end of June 2016.

We have extended this approach to our communities in Zambia. The mobile soup kitchen programme fed about 1 000 learners at Linda Community School in Zambia each day until a sustainable food garden, completed during the reporting period, could meet this need. It continues to feed 928 Zambian learners at Chipata Community School while the food garden project is underway. We developed a blueprint model for our engagement with Food & Trees for Africa during the reporting period, which will enable us to set up more sustainable food gardens in food-insecure communities. Our short-term goal is to help these food gardens gain access to markets.

## Investing in sustainable food gardens

Shoprite, in partnership with Food & Trees for Africa, works with community garden projects to help them upskill and increase production capacity – supporting enhanced food security in local communities and helping them generate an income from their growing activities.

### Kgaugelo Permaculture Project

“I’m happy to be part of this workshop [Business Box]. I’ve learned a lot and this training has revitalised my mind. I can’t read but the facilitator presented in my language so it was easy to understand.”

Mrs Elisa Mmolutsi,  
Kgaugelo Ya Sechaba project member

We helped the Thabo Community Action Trust develop a sustainable food garden project – Kgaugelo Ya Sechaba – in Botshabelo, Free State province. We provided support for training in permaculture techniques and the growing of medicinal herbs, as well as intensive business training through the Market Day and Business Box module to help the five growers transition to small-scale producers able to enter the market. The project currently grows food for a

feeding scheme run through the local clinic and produces seedlings for sale to the local community.

In May 2017, the growers were able to sell their fresh vegetables at the Shoprite store in the Botshabelo Mall. This Shoprite initiative aimed to raise awareness of World Hunger Day and enabled several community food garden projects to access their customers. Kgaugelo Ya Sechaba aims to start supplying local supermarkets at the Botshabelo Mall and establish its own nursery.



### Mutshidzi Permaculture Project

In Siloam, Limpopo, Shoprite has helped to upskill 14 people from the Mutshidzi Community Centre who had established a food garden and a small chicken hatchery. We provided permaculture design training to help them overcome the challenge of limited water supply through the installation of an irrigation system, and to expand their chicken production. The workshops have empowered community members to identify obstacles to their success and ways around them using a design framework. Their efforts could fulfill the need for fresh produce in the area, which currently has no fresh produce supplier. We plan to expand production to additional land, install water storage tanks and grow the poultry offering.

### We empower women

We recognise the significant role that women play in South Africa and in Shoprite as customers, employees and suppliers. We work to empower women who have or are starting small businesses or home industries and identify opportunities for those with the potential to supply Shoprite, helping them develop the relevant skills to grow their businesses into successful operations. We also partner with those exceptional women who are making a significant difference in their communities, such as Mirriam Cele, founder of the Gozololo Centre for Children and the NGO Makotse Women's Club, which initiates community projects to increase the standard of living of women in rural communities.

### We develop skills

We develop skills to build a talent pipeline for Shoprite and help drive the South African economy. We create educational opportunities linked to work opportunities in Shoprite and we work in communities to develop skills. Shoprite partnered with the South African Entrepreneur Trust in the last reporting period to pilot a South African Teen Entrepreneur Programme in the Western Cape. We supported about 200 learners to complete a 10-module course in this intervention, which formed part of a larger project. This led to the establishment of 35 viable businesses, of which nine were feasible. In this reporting period, Shoprite scaled up its involvement to support investment in youth entrepreneurial skills at 10 schools.

### We make a difference in our communities

In addition to our formalised initiatives, we run a variety of annual fundraising events that aim to resolve specific challenges faced by South Africans. These include:

- The Disaster Relief Fund, which was launched in early 2016 in response to customer requests that we facilitate support to communities in distress or those affected by natural disasters. Customers donate at the till to the Fund, which is managed by the Shoprite Group, and this money is channelled via organisations to beneficiaries. We prioritise projects that fight hunger in a sustainable way, and those that have clearly defined goals, have monitoring measures and outcomes in place, are preferably scalable and are able to continue past the funding cycle. In the reporting period funds were directed to, among others:
  - A fund to help rebuild a school kitchen in Imizamo Yethu after it was destroyed in a fire.
  - The Lunchbox Fund, enabling it to adopt two more beneficiary organisations.
  - FoodForward, enabling it to extend its work to additional beneficiaries.
  - Food & Trees for Africa to support its work in establishing sustainable food gardens.



Care Alicedale, Eastern Cape.

- The #YellowPacketChallenge, which overlaps this reporting period and the next, asked South Africans to fill a Shoprite shopping bag with essentials, take a photograph of the handing over of the bag to a charity or someone in need, share the image and challenge others to do the same. By the end of June 2017, shoppers had given 588 shopping bags of essential products to those in need. Shoprite met this donation, distributing the equivalent value of food to charities.
- Cuppa for CANSA, run in June and July 2017, which raised R1 352 352 towards cancer patient care at its facilities. Shoprite is the main sponsor of this event and hosts in-store events to raise awareness and funds for the initiative.
- Providing space for public organisations to raise funds by hosting Christmas gift-wrapping stations and Pancake Day at Shoprite and Checkers stores, and, for the first time, enabling community projects supported by Shoprite to sell their food produce in selected Shoprite and Checkers stores in support of World Hunger Day in May 2017. These initiatives raised more than R2.4 million during the reporting period.

**Our customers gave R857 706 in 2017 to help communities in distress.**

# Nurturing our Capitals (continued)



Using advertising space on billboards to fund the PlayPump initiative, in partnership with Roundabout Water Solutions. The initiative has helped 300 000 people at 34 South African rural sites easily access clean water. Water is pumped into a reservoir whenever children play on the merry-go-round.

Through our Freshmark division, we work with more than 1 000 growers, including 686 from other African countries and 12 from Israel, Turkey, Spain and New Zealand. Out of the 480 growers that deliver to South African stores, 295 are small and medium-sized enterprises, and of those, 209 deliver on contracts worth less than R500 000 a year.

We continue to invest significantly in supply chain infrastructure: R1.4 billion in the 2016/17 financial year. Shoprite's world-class supply chain was developed through the early adoption of Efficient Consumer Response (ECR) principles and strategies that were in line with international best practice. Shoprite has invested in distribution infrastructure including transportation, sophisticated integrated information system technology, and the development of supply chain skills. Our ability to ensure product availability through an extensive network of distribution centres mitigates the risk posed by supplier shortages, volatile trading patterns or extreme weather events, and enables us to buy and store product as a guard against price increases. This control over product inventory enables us to introduce cost-saving measures at scale without compromising quality. The shift from direct-to-store delivery to a centralised distribution model has increased product availability by 30%, while substantially reducing travel distance, time, and costs for suppliers – a saving that is passed on to customers.

A new 123 000m<sup>2</sup> flagship distribution centre in Cape Town will service the region more effectively and the added capacity allows the centralisation of more suppliers and products. The centre started operating during September 2017. Shoprite aims to receive a Green Star accreditation for this development. Environmental aspects are taken into consideration for the construction of all new distribution centres. Aspects such as energy and water consumption are considered and designed for efficiency, while recycling is exercised wherever possible.

## Focusing on our suppliers

Our continued success relies on that of our suppliers and their ability to deliver good-quality products on time, in the quantities we need and at a price that enables us to continue to deliver on our low-cost promise. We have strong, long-lasting relationships with suppliers, including packaging and distribution companies. These relationships are vital to ensuring a sustainable supply of products at the best prices. We deal directly with suppliers and consciously try to work with smaller enterprises. We are in the process of producing an extensive B-BBEE strategy and starting to track B-BBEE and gender status, not only for ourselves, but also in our supplier database. This helps us to play a role in transforming the economy and to spread our risk between multiple growers and growing areas. This will become increasingly important in the light of predicted climate change impacts that could disrupt production patterns.

We worked with 16 211 suppliers in South Africa and 7 202 in other African countries during the reporting period. In turn, these suppliers work with a range of suppliers of their own. Shoprite's supply chain continued developing its collaborative initiatives with suppliers to deliver customer value in two key attributes; availability and product cost. This was fundamental, especially during these challenging economic times. The frequency of engagement with suppliers is determined by need. For example, we engage with our fresh produce suppliers through bi-annual farmer days and with packaging suppliers at least once a month.

## Homemade Supplier Programme

Our Homemade Supplier Programme supports 80 small enterprises with big dreams but limited capacity to meet the requirements of a national supplier. We provide coaching to each business, help them comply with regulatory requirements and support them to enter the retail market. Since inception we have purchased R12 million from this group, which currently supplies Shoprite with about 260 products. Fifteen suppliers were taken on during the reporting period and three were able to register as national suppliers.



For more detail on engagement practices and key concerns from our customers, suppliers and communities, refer to the Stakeholder Engagement section on page 15.



## Natural Capital

### We concentrate our environmental efforts on initiatives that will sustainably reduce costs across the value chain.

Shoprite recognises the environmental and social importance of reducing carbon emissions and using natural resources sustainably by, for example, conserving water, lowering the volume of food waste and promoting food security. Moreover, the environmental impact of our activities, and those of our value chain, has a direct effect on the current and future quality and price of our products and our ability to build the Shoprite brand sustainably.

#### Climate change

Shoprite recognises that it can contribute to efforts to combat climate change most effectively by reducing its most direct environmental impact. To this end, it continuously matures the way in which it collects, analyses and reports on its carbon emissions. The Carbon Disclosure Project is an internationally recognised non-profit organisation that facilitates a global environmental impact disclosure platform for companies and investors. We recently submitted our sixth consecutive Carbon Disclosure Project response, which is available on our website.

Comparing carbon emission data across South Africa's major food retailers is not possible, due to the lack of sector-specific guidelines for carbon emissions reporting. Comparisons are further complicated by significantly divergent business models; for example, some outsource distribution activities, some are franchise models and some include large offerings of clothing and footwear, the production of which is responsible for lower emissions than that of refrigerating fresh produce. We therefore encourage stakeholders to engage directly with us about our Carbon Disclosure Project submissions, should they have queries.

The influence of climate change on Shoprite's business strategy has intensified in recent years and is expected to continue. Historically, Shoprite's business strategy was relatively short term, focusing only on internal factors affecting its core business. It was later extended to the medium term and included external factors directly affecting its core business. We are in the process of broadening our strategic focus to include long-term complex, multidimensional and far-reaching external factors. Shoprite focuses on understanding and managing its environmental

impact, engaging policymakers on climate change, sharing its environmental impact with stakeholders, formally integrating climate change into its company-wide risk management processes and capitalising on opportunities and mitigating risks presented by climate change.

Our short- and long-term goals include:

- Reporting more comprehensively on our carbon emissions.
- Expanding our carbon footprint reporting boundaries and scope.
- Setting science-based emission reduction targets.
- Contracting a third party to verify carbon emission data.
- Reducing carbon emission intensities.
- Appointing a dedicated sustainability manager.
- Establishing a committee, comprising internal resources and external subject matter experts, to identify climate change risks and opportunities over a six-year horizon.

Shoprite's carbon emission reduction projects, some of which are in exploratory phases, are aligned with our target and, when fully implemented, will reduce Shoprite's annual carbon footprint by about 500 000 tonnes of CO<sub>2</sub>e. Projects include:

- Replacing more than 775 000 conventional fluorescent tubes and 80 000 control gear with more energy-efficient options across more than 1 100 retail outlets.
- Generating 1 102 MWh of renewable energy from rooftop solar photovoltaic panels at Kathu and Kimberley retail outlets.

#### Water and deforestation

Shoprite has, to date, elected against reporting on the water and forest programmes of the Climate Disclosure Project. Instead, it focuses on the climate programme where its direct environmental impact is best addressed. Shoprite is, however, committed to improving disclosure on the financial and material risks posed by challenges regarding water resources and deforestation when its climate programme reporting has sufficiently matured.

#### Waste

The National Environmental Management Waste Act and the Consumer Protection Act place a responsibility on producers like Shoprite to reduce, re-use, recycle and recover waste, and to dispose of waste responsibly. A core principle is that the volumes of waste reaching landfill should be reduced, and this is a sustainability goal for Shoprite. We have made significant investments in waste management strategies throughout our supply and distribution chains. Our return centres (facilities for returning equipment, packaging and sorting recyclable materials) are key to implementing our waste management plan. Shoprite will further implement initiatives that aim to minimise and monitor packaging and food waste.



### Only recycled paper utilised to manufacture all convenience food sleeves and outer packaging.

Shoprite remains committed to reduce carbon emissions by setting a carbon emission intensity target to reduce tonnes CO<sub>2</sub>e per square metre by 25% by 2025, with a base year of 2016.

We have also set a renewable energy consumption target to grow our 2016 consumption of renewable energy TENFOLD by 2025.

# Nurturing our Capitals (continued)

7 350 Tonnes of plastic waste diverted by the introduction in 2013 of the recyclable Checkers shopping bag, which is also made from recycled materials.

It is the first of its kind in South Africa.

**We project that we will use 147 tonnes of post-consumer waste, in 12.6 million bottles, by 2017.**

## Packaging

Packaging – while essential in our business model for ensuring safe and hygienic food, increasing product shelf life, attracting customer attention and supporting safe handling and transportation – adds to product costs and increases the levels of post-consumer waste found in landfills. Shoprite works continuously to source innovative packaging solutions and reduce packaging costs.

Building on the success of the Checkers brand, the Shoprite brand released the first recycled bags in the Western Cape in 2017. As Shoprite customers purchase about half a billion bags a year, this leading innovation will dramatically reduce the amount of non-recyclable plastic going to landfill each day.

Shoprite has made the choice to supply the bulk of packaging to its fresh food suppliers and to its convenience food and deli counters, at a cost of about R1.7 billion. All carton sleeves on our convenience foods are made from recyclable material. About 90% of the packaging sourced is recyclable and we are constantly interacting with local and international suppliers to find new innovations that will reduce the amount of product packaging needed, including standardisation of packaging across a range of products and new designs that limit plastic. Packaging ratios currently comprise 60% plastics, 20% paper and board, and the balance foil and polystyrene; a short-term goal is increasing the proportion of paper and board-based packaging by 15% by the end of 2017. A formal strategy for packaging is being finalised and will be adopted in the coming year.

Shoprite engages informally with industry associations, such as PETCO, to stay abreast of developments in the field. It sources new suppliers when needed and actively looks for small suppliers that can meet its cost and quality criteria. Compliance to relevant regulatory requirements is overseen by the regulatory and compliance food safety technical departments.

We have initiated a process to track packaging waste, which will allow us to better monitor and manage waste of this nature. Return trips from stores by our vehicles are used to collect cardboard and plastic waste, which can be recycled and redeemed against operational costs. Our introduction of returnable-transit-packaging, at a cost of more than R300 million, also reduces the amount of packaging needed in our supply chain and reduces costs to our stores and our suppliers.

We have used food-safe post-consumer waste to replace 25% of the virgin polyethylene terephthalate (PET) material in our Zip Cola bottles (the first bottled carbonated drink to contain this percentage of recycled PET material). We are also increasing the number of bottles in our vinegar and dishwashing private label lines that include 25% recycled PET. We are looking to extend this initiative to bottled packaging for cordials, mayonnaise, water and household cleaning products.

Using this material has several benefits: it helps lower the volumes of waste going to landfill, it creates jobs in waste collection and it lowers the amount of energy used during the polymer manufacturing process.

- We used 72 tonnes of recycled PET in 6.1 million Zip Cola two-litre bottles to date, with a goal of increasing this to 198 tonnes (in 16.8 million bottles) in the next financial year.
- We aim to use 323 tonnes of recycled PET in bottled packaging in various lines by 2018.

Most labels contain the recycling logo with resin identification numbers to help with the collection and sorting of material. We are in the process of applying the recycling label on all packs to encourage more consumers to recycle, and anticipate completing this process by 2018.

## Food waste and food security

We track food waste on a daily basis and partner with FoodForward South Africa to distribute surplus food that is still fit for consumption. This forms part of our waste reduction strategy. We aim to ensure that food fit for human consumption is used to fight hunger and build food security rather than ending up at landfill. We donate as much consumable products as possible to local community hunger relief organisations that are vetted by FoodForward South Africa. These donations are recorded electronically. Shoprite works with its supply chain and has invested in stringent food safety processes and equipment to minimise food waste. Supermarket waste is calculated at about only 5%. We also work on extending the shelf life of products through technological innovations. Shoprite invests in ongoing innovations to comply with the relevant legislation, minimise waste and feed hungry people.



For more detail on our carbon disclosure performance, refer to the CDP report on [www.shopriteholdings.co.za](http://www.shopriteholdings.co.za)



## Intellectual Capital

**Intellectual capital refers to our intellectual assets such as our brands, as well as our way of doing business, which includes our knowledge, systems and continuous innovations.**

The Group nurtures 19 trusted brands.

The number of South Africans who choose to frequent Shoprite supermarkets is our greatest validation, but consumers have chosen the Shoprite chain in other ways as well. Supermarkets RSA increased its market share by 0.45% (equivalent to R1.5 billion in turnover), which we take as substantiation of the fact that we're delivering on our promise of lowest prices every day on the things our customers need most. The Shoprite brand won eight consumer brand awards in the last year.

Checkers' Little Shop received international recognition as the best short-term loyalty programme in the Loyalty Magazine Awards 2016 in London.

Our Private Label participation increased to 14.7% of total Private Label sales from 13.7% a year ago.

The use of customer data and tracking consumer behaviour to drive our customer offer has been gaining significant traction. Category management driven by customer analytics was launched in the first category during 2017, with two further categories to be launched early in the new financial year. Customer-data-led store clustering has also been completed for all stores.

We use a differentiated marketing strategy for each brand to ensure that we present an appropriate value proposition, including in other African markets, where we work with local agencies to ensure the correct positioning.



For more detail on our brands, refer to the Group profile section on page 6, as well as our Operating context and strategy discussion on page 19.

**The Shoprite store brand was recently awarded South Africa's most valuable retail brand by Brand Finance, valued at R11.1 billion.**

## Case study

### We are committed to fighting hunger

We are constantly looking at ways to assist our customers to stretch their wallet. Tough economic conditions in South Africa have made it even more difficult for our average customer to make ends meet and put food on the table for their families.

Shoprite has subsidised more than 60 million loaves of bread over the past 18 months and have shielded our consumers from R1.8 billion in cost price increases.

In addition to these efforts to maintain affordable prices, we have this year launched a range of nutritious discounted meals for R5 or under (equivalent to 40 US cents). From a high protein sandwich with an egg and tomato on brown bread or a cup of wholesome soup for R3.50, to a hot dog for even less, we are working hard to make food affordable. Over 15 million meals have been sold in the two months since launch. We not only focused on these R5 meals, but have also ensured the ready availability of basic items under R10 throughout our business.



# Nurturing our Capitals (continued)



## Manufactured Capital

Our manufactured capital comprises of 2 689 stores in 15 countries as well as our distribution centres with more than 750 000m<sup>2</sup> of distribution space. We have a network of distribution centres to which suppliers deliver their products and from where we service our stores.

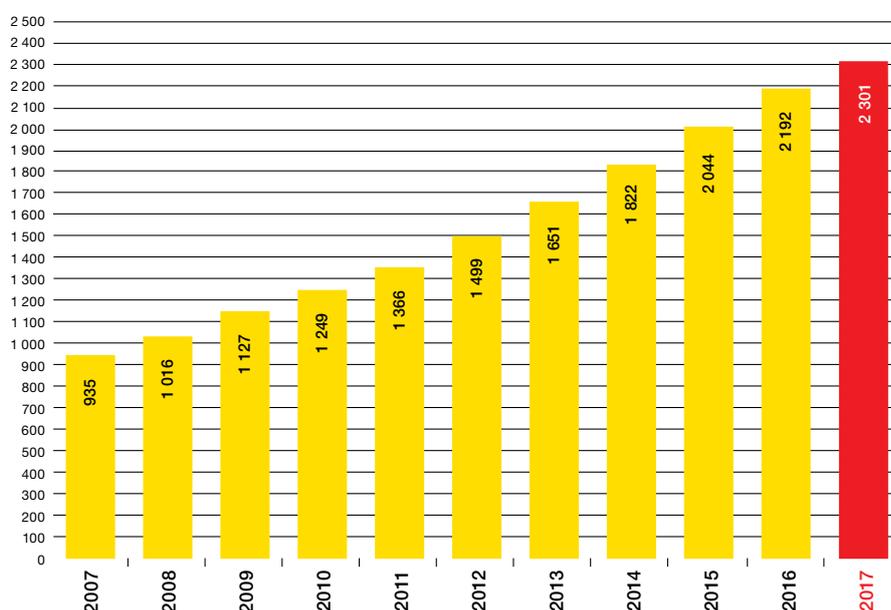
During the period, we opened 212 new stores, of which 72 are supermarkets. 55 stores were opened in countries beyond our borders. For 2018, 176 new stores have been confirmed, of

which 43 will be outside of South Africa. We opened two distribution centres in Angola, acquired the first distribution centre in Nigeria and developed our flagship Cilmor distribution centre in the Western Cape.

Our supply chain is a key competitive advantage and strong investment in customer science and intelligent data capabilities in the past year has improved on-shelf availability of products (an important determinant of customer satisfaction) by 2%.

|                     | Shoprite   | Checkers   | Checkers Hyper | Usave      | OK Furniture | OK Power Express | House & Home | OK Dreams | Hungry Lion | Shoprite LiquorShop | Checkers LiquorShop | Shoprite MediRite | Checkers MediRite | OK Franchise |
|---------------------|------------|------------|----------------|------------|--------------|------------------|--------------|-----------|-------------|---------------------|---------------------|-------------------|-------------------|--------------|
| <b>South Africa</b> | <b>458</b> | <b>202</b> | <b>37</b>      | <b>302</b> | <b>322</b>   | <b>24</b>        | <b>49</b>    | <b>16</b> | <b>130</b>  | <b>216</b>          | <b>160</b>          | <b>54</b>         | <b>92</b>         | <b>336</b>   |
| Angola              | 19         |            |                | 11         | 9            |                  |              |           | 12          |                     |                     | 13                |                   |              |
| Botswana            | 9          | 1          |                | 5          | 12           | 3                | 1            |           | 8           |                     |                     |                   |                   |              |
| DRC                 | 1          |            |                |            |              |                  |              |           |             |                     |                     |                   |                   |              |
| Ghana               | 6          |            |                |            |              |                  |              |           |             |                     |                     |                   |                   |              |
| Lesotho             | 6          |            |                | 6          | 7            | 1                |              |           | 2           | 1                   |                     |                   |                   |              |
| Madagascar          | 9          |            |                |            |              |                  |              |           |             |                     |                     |                   |                   |              |
| Malawi              | 4          |            |                | 3          |              |                  |              |           |             |                     |                     |                   |                   |              |
| Mauritius           | 3          |            |                |            |              |                  |              |           |             |                     |                     |                   |                   |              |
| Mozambique          | 14         |            |                | 3          | 9            |                  |              |           |             |                     |                     |                   |                   |              |
| Namibia             | 21         | 6          |                | 29         | 17           |                  | 2            |           | 18          | 10                  | 3                   |                   |                   | 46           |
| Nigeria             | 22         |            |                | 1          |              |                  |              |           |             |                     |                     |                   |                   |              |
| Swaziland           | 10         |            |                | 6          | 8            | 1                |              |           | 1           |                     |                     | 3                 |                   | 6            |
| Uganda              | 2          |            |                |            |              |                  |              |           |             |                     |                     |                   |                   |              |
| Zambia              | 29         |            |                | 1          | 7            |                  |              |           | 26          |                     |                     |                   |                   |              |
| <b>Outside SA</b>   | <b>155</b> | <b>7</b>   | <b>—</b>       | <b>65</b>  | <b>69</b>    | <b>5</b>         | <b>3</b>     | <b>—</b>  | <b>67</b>   | <b>11</b>           | <b>3</b>            | <b>16</b>         | <b>—</b>          | <b>52</b>    |
| <b>Total</b>        | <b>613</b> | <b>209</b> | <b>37</b>      | <b>367</b> | <b>391</b>   | <b>29</b>        | <b>52</b>    | <b>16</b> | <b>197</b>  | <b>227</b>          | <b>163</b>          | <b>70</b>         | <b>92</b>         | <b>388</b>   |

### Number of corporate stores



For more detail on our store footprint, refer to the brand discussion on page 6 and location map on page 4.

## Financial Capital

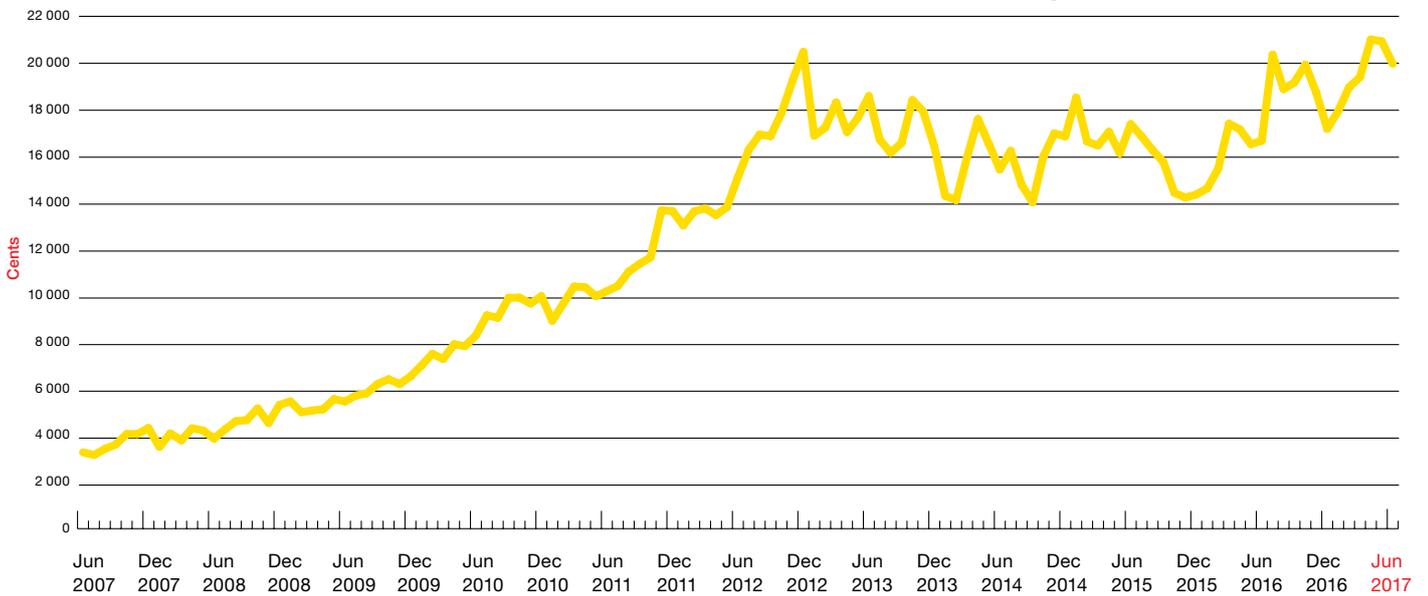


We regard financial capital as the equity investment from our shareholders and funding from our debt providers.

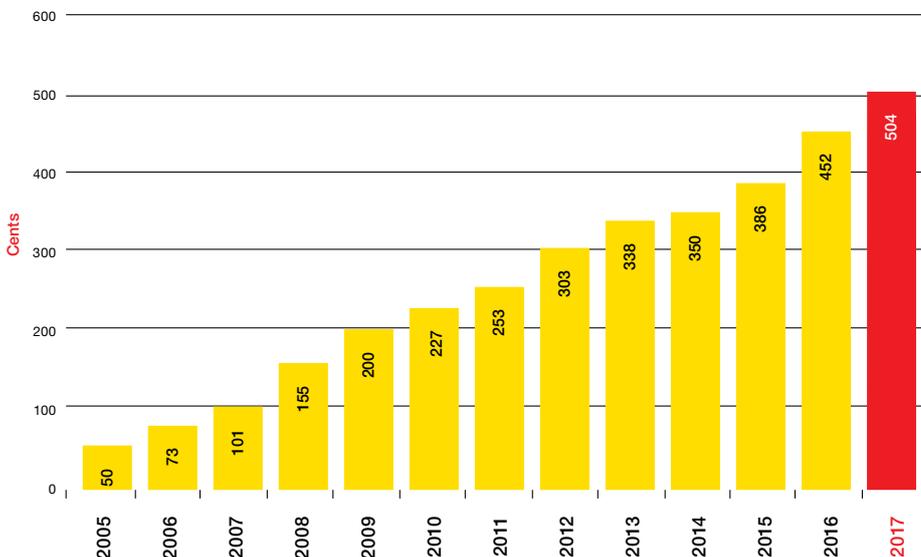
At year-end, the Group had 28 413 shareholdings. Foreign shareholders own 47.3% of the shares, with the remaining 52.7% owned by South African investors. Shoprite maintains a comprehensive investor relations programme to maintain relationships and promote meaningful engagement with our shareholders and funders.

**Shoprite has delivered a total compounded return to shareholders of 20% p.a. over the past 10 years.**

### Shoprite Holdings Ltd share price



### Distributions per share – 10 year CAGR of 17%



For more detail on our shareholders, refer to the Shareholder analysis on page 101 and Stakeholder engagement on page 15.



For further detail on our funding liabilities, refer to the Financial report on pages 35 – 37.

# Corporate Governance Report

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

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

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

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

## The board of directors

The Board currently consists of nine (9) non-executive directors and four (4) executive directors. The directors are diverse in their academic qualifications, industry knowledge and experience. This diversity enables directors to provide the Board with relevant judgement to work effectively when conducting and determining the business affairs of the Company.

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

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

Biographical details of all directors appear on page 26 and 27 of the Integrated Report.

## Governance framework

The Board is the custodian of corporate governance and is structured to perform this function effectively. A number of committees have been established to ensure effective oversight of significant strategic and operational matters.

1. The Audit and Risk Committee assists the Board in monitoring the integrity of the Group's financial statements and oversees integrated reporting. It also assesses the effectiveness of internal financial controls as well as the external and internal audit functions. In addition, it ensures that the Group has implemented an effective risk management process that identifies and monitors the management of the Group's key risks.
2. The Social and Ethics Committee performs the social and ethics functions required by the Companies Act 2008, as amended.
3. The Nominations Committee assists with the appointments of directors and, guided by the company secretary, ensures a transparent process to determine Board and committee composition.
4. The Remuneration Committee ensures the adoption of remuneration policies that retain and attract talent, are aligned to the Group's strategy, market-related and drives performance in the short and long term.
5. The Group's executive management are responsible for the day-to-day management of the various business operations.
6. The governance department comprising of legal, compliance and the company secretary, provides support and guidance to the committees.
7. Assurance providers provide a level of assurance on integrated reporting, including the annual financial statements and the B-BBEE scorecard.

## Board responsibilities

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

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

The Board's principle responsibilities include:

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

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

## Meetings of the Board

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

## Attendance at board meetings

|                                | 22/08/2016 | 31/10/2016 | 09/12/2016 | 20/02/2017 | 29/05/2017 |
|--------------------------------|------------|------------|------------|------------|------------|
| <b>Non-Executive Directors</b> |            |            |            |            |            |
| CH Wiese                       | ●          | ●          | ●          | ●          | ●          |
| JF Basson                      | ●          | ●          | ●          | ●          | ●          |
| JJ Fouché                      | ○          | ○          | ●          | ●          | ○          |
| EC Kieswetter                  | ●          | ●          | ●          | ●          | ●          |
| JA Louw                        | ●          | ●          | ●          | ●          | ●          |
| ATM Mokgokong                  | ●          | ●          | ●          | ●          | ●          |
| JA Rock                        | ●          | ●          | ○          | ●          | ●          |
| <b>Executive Directors</b>     |            |            |            |            |            |
| JW Basson*                     | ●          | ●          | ●          | ○          | ●          |
| PC Engelbrecht**               |            |            |            | ●          | ●          |
| M Bosman                       | ●          | ●          | ●          | ●          | ●          |
| CG Goosen*                     | ●          | ●          | ●          | ●          | ●          |
| B Harisunker                   | ●          | ●          | ●          | ●          | ●          |
| AE Karp*                       | ●          | ○          | ●          |            |            |
| EL Nel                         | ●          | ●          | ●          | ●          | ●          |
| BR Weyers**                    | ●          | ●          | ●          | ●          | ○          |

\* Appointed as non-executive vice chairman with effect from 1 January 2017

\*\* Appointed as CEO with effect from 1 January 2017

\* Resigned 1 February 2017

\*\* Retired 30 June 2017

\* Appointed as non-executive director on 21 August 2017

## Chairman and chief executive officer

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

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

The chairman's role includes:

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

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

## Lead independent director

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

## Non-executive directors

The Board consists of nine (9) non-executive directors of which six (6) are independent as defined in the King III Code. Dr CH Wiese is not independent in view of his material shareholding in Shoprite Holdings and Dr Basson and Mr CG Goosen due to their employment with the Group.

The Board considers that a diversity of skills, backgrounds, knowledge, experience and gender is required to effectively govern the Company. Non-executive directors must have a

clear understanding of the Group's overall strategy, together with knowledge about the Group and the industries in which it operates. In addition non-executive directors must be sufficiently familiar with the Group's core business to be effective contributors to the development of strategy and to monitor performance.

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

## Board appointment

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

The appointment of directors is a matter for the Board as a whole. The Board is assisted by the Nominations Committee who considers the suitability of potential directors and makes recommendations to the Board in this regard.

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

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

## Induction of directors and on-going updates

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

New directors are also provided with details of applicable legislation and regulations, Shoprite Holdings' MOI, relevant mandates as well as documents setting out their duties and responsibilities as directors. In addition agendas and minutes of the two most recent Board and sub-committee meetings, latest annual financial statements, Integrated Report, board charter and sub-committee mandates are

provided to inform them of current matters and risks being addressed as well as to enable them to gain a general understanding of the Group.

Directors are invited to briefing sessions or are provided with written summaries to keep them abreast of pending new legislation, regulations and best practices affecting the business.

## Conflicts of interests and directors' personal financial interests

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

## Board effectiveness and evaluation

The annual evaluation of the Board was performed during July 2017. Directors were required to complete a questionnaire compiled by the company secretary in conjunction with the chairman. This evaluation covered the following topics:

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

The Board is provided with the results of the board effectiveness evaluation. The overall outcome of the 2016/17 evaluation was that:

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

# Corporate Governance Report (continued)

- the chairman's leadership and contribution and the company secretary's role and contribution were considered to be effective.

## Company secretary

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

In compliance with the JSE Listings Requirements, a detailed assessment was conducted by the Board to satisfy itself of the competence, qualifications and experience of the company secretary. This was performed through:

- a review of qualifications and experience: Mr du Preez holds BTech, LLB and LLM (International Trade Law) degrees with nine (9) years experience as company secretary of Shoprite Holdings;
- assessments by directors detailing all the legislative and King III requirements. This questionnaire included questions on his effectivity as gatekeeper of good corporate governance, the effectiveness of the arm's length relationship (including his advisory role) as well as how he performed his role and duties as company secretary.

The outcome of the assessment confirmed that all requirements were met, including competence, qualifications and experience.

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

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

In compliance with the JSE Listings Requirements, the Board annually evaluates the competence, qualifications and experience of the company secretary. The evaluation process includes an assessment by each board member of the eligibility, skills, knowledge and execution by the company secretary of his duties.

## Share dealings by directors and senior executives

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

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

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

## Accountability

### Audit and Risk Committee

A description of the responsibilities and work undertaken by the Audit and Risk Committee during this year is included in the report by the chairman of the committee on page 80. His report also deals with the Group's internal controls, governance of risk as well as the internal audit function.

### Group auditors

At the annual general meeting of Shoprite Holdings held on 31 October 2016, the appointment of PricewaterhouseCoopers Inc. as the external auditors of the Group until the 2017 annual general meeting was approved by shareholders. Further details on the external auditors are contained in the report of the chairman of the Audit and Risk Committee.

## Corporate ethics

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

The Tip-Offs anonymous hotline is independently managed by a third party service provider. Employees are encouraged to report any unethical behaviour identified, anonymously and confidentially. Although this hotline allows employees to make anonymous reports and guarantees the protection of their identity in accordance with the provisions of the Protected Disclosure Act, 2000, the Group prefers to create an open reporting environment through the various line managers. All cases are investigated by the Group Risk Manager in conjunction with internal audit and the Group legal department where required. During the 2017 financial year a total of 148 incidents of suspected unethical behaviour within the Group were reported of which 12 resulted in disciplinary action, dismissals, resignations and/or criminal charges being laid against such employees.

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

No material breaches of the Group's code of conduct were reported during the 2016/17 financial year.

## Legislative and regulatory compliance

The Shoprite Group acknowledges the importance of complying with the regulatory framework affecting its various business operations and its associated accountability to all stakeholders.

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

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

The Group's compliance function reports under the company secretary and monitors and assesses the impact of legislation on the business. External specialists have been engaged to assist and advise the Group in this regard. Given the quantum of regulatory promulgations and amendments, legislative compliance was a key area of focus during the period under review.

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

■ **Identification and implementation of changes in regulatory requirements**

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

■ **Regulatory frameworks**

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

■ **General guidance and support to business**

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

■ **Compliance monitoring**

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

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

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

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

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

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

No significant financial penalties of regulatory censure were imposed on the Group or any of its subsidiaries during the financial year to 2 July 2017.

**Investor and stakeholder relations**

The Group's relevance to the markets and societies in which it operates, depends on meaningful engagement with all stakeholders. Its stakeholder management approach involves the optimal application of resources to build and maintain good relationships with stakeholders. This assists the Group to

understand the expectations of its stakeholders, minimise reputational risk and form strong partnerships which ultimately underpins the sustainability of the Group.

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

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

The Board is not aware of any material requests made by any stakeholder under the Promotion of Access to Information Act during the reporting period that were either complied with or denied.

**Competitive conduct**

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

**Political party support**

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

# Nominations Committee Report

## Composition, current members and attendance

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

The following directors served on the Nominations Committee during the 2017 financial year:

- Dr CH Wiese: Non-executive Chairman
- Mr JA Louw: Independent non-executive director;
- Mr EC Kieswetter: Independent non-executive director; and
- Dr ATM Mokgokong: Independent non-executive director.

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

| Director      | 22 Aug 2016 | 20 Feb 2017 |
|---------------|-------------|-------------|
| CH Wiese      | ●           | ●           |
| JA Louw       | ●           | ●           |
| EC Kieswetter | ●           | ●           |
| ATM Mokgokong | ●           | ●           |

## Responsibilities

The Nominations Committee is responsible for:

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

## Key activities in 2017

During the reporting period the Nominations Committee:

- reviewed the composition of the Board and sub-committees;
- recommended directors' annual appointment and re-election at the AGM;
- reviewed and approved its formal terms of reference;
- adopted a policy to promote gender diversity at board level; and
- complied with its terms of reference.

## Annual general meeting 2017

As required by the Memorandum of Incorporation of Shoprite Holdings (MOI), at least one-third of the non-executive directors will retire by rotation at the forthcoming annual general meeting. Dr CH Wiese, Messrs EC Kieswetter and JA Louw will retire in terms of this provision but have offered themselves for re-election.

Mr CG Goosen was appointed as a non-executive director with effect from 21 August 2017 but retires in terms of Article 13.2 of the MOI at the annual general meeting on 30 October 2017. Being eligible for election, Mr Goosen has offered himself for re-election.

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

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

Having considered the circumstances of the non-executive directors, the Nominations Committee is of the view that Messrs Kieswetter and Louw can be considered as independent.

## Promotion of gender diversity at board level

The Nominations Committee has established a board diversity policy to ensure gender diversity at board level. In reviewing the composition of the Board, the Nominations Committee will consider gender diversity to effectively discharge its duties and responsibilities. In this regard the Nominations Committee will discuss and agree on an annual basis the objectives for achieving gender diversity at board level and duly recommend such objectives to the Board.

As at the date of this report, women made up 8% of the Board. The aim is to ensure that at least 15%-20% of the Board will consist of women.

The Nominations Committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference during the period under review.

**CH Wiese**  
Chairman

# Social and Ethics Committee Report

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

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

## Responsibilities

The Committee is responsible for:

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

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

- social and economic development;
- the promotion of equality and the prevention of unfair discrimination;
- the Group’s ethics and the prevention of fraud, bribery and corrupt practices;
- the deterrence of human rights violations;

- the contribution to the development of communities in which the Group’s activities are predominantly conducted;
- consumer relationships which includes advertising, public relations and compliance to consumer protection laws;
- the environment, health and public safety, and the impact of activities and products and services; and
- labour and employment.

## Membership and meeting attendance

The following members served on the Committee during the 2016/17 financial year:

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

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

| Member     | 4 Aug 2016 | 16 Feb 2017 |
|------------|------------|-------------|
| JA Louw    | ●          | ●           |
| BR Weyers* | ●          | ●           |
| M Bosman   | ●          | ●           |
| C Burger   | ●          | ●           |

\*Retired with effect from 30 June 2017

The fees of non-executive members during 2016/2017 are disclosed in the notice of the annual general meeting.

## Key activities in 2017

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

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

No substantive non-compliance with legislation and regulations relevant to the areas within the Committee’s mandate has been brought to its attention during the period under review. The Committee also has no reason to believe that any such non-compliance has occurred and is satisfied that it has considered and discharged its responsibilities for the financial year under review in line with its terms of reference, King III and the Companies Act.

**JA Louw**  
Chairman

# Remuneration Report

## Glossary

|          |   |
|----------|---|
| AGM      | annual general meeting                          |
| CEO      | chief executive officer                         |
| ESP      | executive share plan                            |
| FY       | financial year                                  |
| Group    | Shoprite Holdings Ltd and all its subsidiaries  |
| HEPS     | headline earnings per share                     |
| JSE      | Johannesburg Stock Exchange                     |
| King IV  | the 2016 King IV Report on Corporate Governance |
| LTI      | long-term incentive                             |
| LTIB     | long-term incentive bonus                       |
| MOI      | memorandum of incorporation                     |
| NED      | non-executive director                          |
| SENS     | Stock Exchange News Service                     |
| Shoprite | Shoprite Holdings Ltd                           |
| STI      | short-term incentive                            |
| TGP      | total guaranteed pay                            |
| VAT      | value added tax                                 |
| VOB      | virtual option bonus                            |

## Part 1

### A letter from the chairperson of the remuneration committee

#### Dear Shareholders

I present to you our enhanced remuneration report for the 2017 financial year on behalf of the Remuneration Committee and Shoprite's board of directors ("the Board"). The 2016 King IV Report on Corporate Governance ("King IV") was released on 1 November 2016 and its full effect will be applicable as from our 2018 financial year. We have, however, taken a proactive stance in aligning our remuneration policy and report to King IV to the extent it supports our business strategy. The report is aligned to the amended Johannesburg Stock Exchange ("JSE") Listings Requirements. In addition we have also reviewed the remuneration design and the link to performance. Our forward-looking policy changes are detailed in this report.

#### Context

We are experiencing a technical recession in an unsettled economy with a weakening currency and downgrades by international rating agencies. Consumer spending has noticeably decreased to the detriment of all businesses. However, Shoprite has outperformed the retail industry in terms of growth and shareholder return. One of our key measures of success is trading profit which increased by 11.6%. More

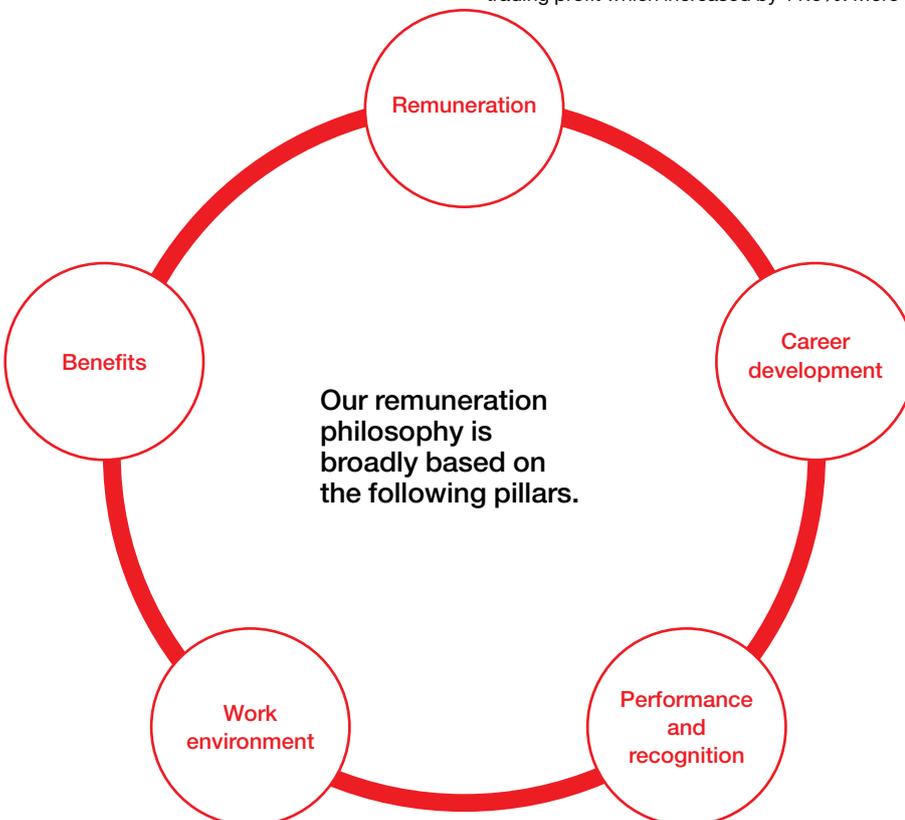
information on our annual financial performance is contained in the Chief Executive Officer's ("CEOs") report on page 30 of the Integrated Report.

The Group continuously strives to make an impact across the social, economic and environmental context through its corporate social investment initiatives, including training for its junior staff. More detail is set out on pages 41 – 55 of the Integrated Report. In realising its long-term strategic objectives, the Group actively aims at increasing its market share which will inevitably result in job creation in South Africa and the greater African continent. The Remuneration Committee is confident that Shoprite's remuneration policy and practices, as approved and set by the Board, are aligned to the Company's overall business strategy and that the remuneration policy achieved its objectives in the 2017 financial year.

Our remuneration philosophy is further detailed in part 2 of this report. The Remuneration Committee made several decisions (in consultation with the wider Board), during the 2017 financial year which are in line with this remuneration philosophy.

#### Activities of the Remuneration Committee

- The 2018 financial year increases in guaranteed pay for executives, management and other employees were approved;
- The NED fees for the forthcoming year were considered and recommended to shareholders for approval at the 2017 AGM;
- The STI on-target bonus pool was approved (in principle) for payment after 2017 year-end (subject to on-target trading profit budget being met);
- The Remuneration Committee reviewed best market practice pertaining to LTI (according to market benchmark quanta) for purposes of making LTI awards going forward;
- For future LTI awards the Remuneration Committee will review the trading profit targets set and achieved for the financial year preceding award date, if targets are met employees will receive long-term awards based on the financial performance ("performance on the way in"), subject to employment conditions and equal vesting over a 3, 4 and 5 year period. All employees eligible for LTI will be governed by the same design principles. However, executive directors of Shoprite and Shoprite Checkers (Pty) Ltd will be awarded the LTI value in Shoprite shares only, whereas other participants can receive either deferred cash or shares;
- The pay mix for the new CEO was determined and approved; and
- The remuneration report for publication in the 2017 Integrated Report was reviewed to address King IV principles on remuneration and the JSE Listings Requirements.



#### Forward-looking actions

The Remuneration Committee is committed to continued improvement and forward-looking remuneration principles which include:

| Considerations                                  | Forward-looking change   | Rationale   |
|---|--|---|
| Non-binding advisory shareholder voting process | From the annual general meeting (“AGM”) (30 October 2017) onwards, we will put our remuneration policy (part 2) as well as the implementation report (part 3) contained in the remuneration report to two separate non-binding advisory votes.   | Best practice, and alignment with King IV and the JSE Listings Requirements.  |
| Remuneration policy framework                   | The remuneration policy and framework were reviewed against market best practice and governance principles. King IV principles such as fair and responsible remuneration across the organisation; the positive outcomes of the variable pay performance conditions; and our shareholder engagement mechanisms were reviewed.   | Shoprite subscribes to the principles of good corporate governance.   |
| Fair and responsible remuneration               | The Remuneration Committee will consider the principle of fair and responsible remuneration as an agenda point for their FY2018 meetings and investigate methods to practically apply the same in the Company.   | Best practice and alignment with King IV.   |
| Remuneration structuring of the CEO             | In determining the remuneration package for the CEO we considered market benchmarks. Full details of his remuneration arrangement is detailed in this remuneration report.   | Shoprite keeps abreast of market benchmarks and is dedicated to the principle of fair and responsible remuneration.   |
| LTI award policy                                | Shoprite has not been making regular annual LTI awards to senior executives. To simplify the LTI design all participants’ LTI awards will be governed by the same principles (see part 2). The quantum of LTI awards will be based on employees’ role and line of sight and will only be made if trading profit targets were met the preceding year (“performance on the way in”). The vesting period of LTI awards will be 3, 4 and 5 years after award date (with only the first award having a shorter vesting period for critical retention purposes). | In a volatile retail environment setting 3 or 5 year prospective performance conditions is challenging. Therefore, Shoprite will test performance “on the way in” for LTI awards and will set longer vesting periods (up to 5 years) to align LTI participants’ interests with shareholders’. |

# Remuneration Report (continued)

## Announcements

We bid farewell to Dr JW Basson who retired as CEO at the end of December 2016, but remains in the employment of the Group until 30 September 2017. He had a remarkable career of 39 years with the Group and we will remain thankful for the immeasurable contributions he made and his leadership of the Group throughout. He played an integral part in growing the business from a small eight-store chain with a value of R1 million to a globally respected retailer with a market capitalisation of more than R98 billion, currently employing over 140 000 employees.

Dr Basson is an indirect shareholder through Bassgro Proprietary Limited ("Bassgro"). In terms of a contractual agreement with Shoprite, Dr Basson has a put option for all Shoprite shares directly or indirectly held by him whilst still in the employment of Shoprite. This put option was exercised by him on 2 May 2017. The shareholder circular published on 7 August 2017 contains the detailed information (and fairness opinion) regarding such put option and the repurchase of shares. Shareholders are required to approve this transaction at the General Meeting on 5 September 2017. Further information is disclosed in the 2017 annual financial statements.

We welcome PC Engelbrecht as the new CEO of the Group, from 1 January 2017. He formerly acted as the chief operating officer and alternate director of the Group. He has been with Shoprite for 20 years and we are confident that Shoprite will reach new heights under his leadership. His executive service contract and remuneration arrangements differ from that of the previous CEO, as further explained in this remuneration report.

We also said goodbye to Mr BR Weyers and Mr AE Karp. Mr BR Weyers retired as director with effect from 30 June 2017. Mr AE Karp retired as director and terminated employment for medical reasons with effect from 1 February 2017. We thank them both for their valued contribution to the Group during their respective tenures.

Mr CG Goosen was appointed as a non-executive director with effect from 21 August 2017 and retires at the AGM on 30 October 2017 (in line with the Group's MOI), but has offered himself for re-election.

## Shareholder engagement and voting

At the AGM held on 31 October 2016, our remuneration policy received a vote of 70.29% in its favour. We engaged with shareholders and took note of their comments and/or concerns. The outcomes are set out in the table below.

## Shareholder feedback

The guaranteed remuneration of the previous CEO is above market and has no element of variable remuneration (linked to company financial performance).

Although no long-term incentive awards have been made for the past 3 years, the long-term incentive awards which were made historically did not have financial performance conditions attached for vesting (continued employment only).

## Response from the Remuneration Committee

The total remuneration design of the current CEO was informed by a market analysis and contains a considerable emphasis on variable remuneration linked to financial performance.

LTI awards will be made based on the achievement of financial performance targets set (based on trading profit) for the financial year preceding award date. Therefore, performance is tested on the "way in" and the vesting periods of awards thereafter (up to 5 years) provide natural alignment between management and shareholders.

In accordance with King IV and the amendments to the JSE Listings Requirements, we will put our remuneration policy and our implementation report to shareholders for two separate non-binding advisory votes at the 2017 AGM to be held on 30 October 2017. We look forward to engaging with you and receiving your support on the remuneration policy and the implementation report at the AGM.

**JA Louw**

Chairperson of the Remuneration Committee

## Part 2 The remuneration policy

### Remuneration governance

In line with King IV, the Remuneration Committee is appointed by the Board and has delegated authority, in accordance with its terms of reference. The terms of reference are reviewed by the Board annually and no material changes were made during the reporting period.

The Remuneration Committee is established to consider Shoprite's remuneration policy and the implementation thereof (where appropriate in consultation with the Board).

In line with best practice, the majority of the Remuneration Committee members are independent NEDs. The Remuneration Committee members for the year under review, including their status and meeting attendances, are listed below:

| Member        | Designation/Status          | 20 February 2017 | 19 June 2017 |
|---------------|-----------------------------|------------------|--------------|
| JA Louw       | Chairperson/Independent NED | ●                | ●            |
| EC Kieswetter | Member/Independent NED      | ●                | ●            |
| CH Wiese      | Member/NED                  | ●                | ●            |

The Remuneration Committee met twice during the 2017 financial year. The following persons in addition to the Remuneration Committee members were invited to attend and give input at meetings in the FY2017:

- the Company Secretary;
- the Head of Human Resources; and
- the CEO.

Invitees to the Remuneration Committee meetings are not present and do not vote when their own remuneration is discussed and considered. Similarly, the Remuneration Committee members do not decide on their own remuneration.

The responsibilities of the Remuneration Committee include, but are not limited to:

1. Assisting the Board in establishing a remuneration policy for executive directors and management that will promote the achievement of the Group's strategic objectives and encourage individual performance;
2. Ensuring that the components of remuneration meet the Group's needs and strategic objectives;
3. Reviewing the components of remuneration to ensure continued contribution to shareholder value;
4. Determining any on-target and stretch performance criteria necessary to measure the performance of executive directors in discharging their functions and responsibilities;
5. Reviewing and recommending to the Board the relevant criteria necessary to measure the performance of executives, which plays a pivotal role in determining their remuneration;

6. Considering recommendations from management (based on external benchmarks and independent NED fees surveys) on the remuneration of the chairman and NEDs, whose remuneration is subject to shareholder approval;
7. Reviewing the outcomes of the remuneration policy post-implementation to determine if the objectives were achieved;
8. Reviewing and approving the remuneration policy as contained in the Remuneration Report, which in turn forms part of the Group's Integrated Report;
9. Overseeing the preparation of the Remuneration Report (as contained in the Group's Integrated Report) to ensure that it is clear, concise and transparent;
10. Ensuring that the Remuneration Report (or specific parts thereof) is put to non-binding advisory vote/s by shareholders and engaging with shareholders and other stakeholders on the Group's remuneration philosophy;
11. Ensuring that consideration is given to executive succession planning in the Group; and
12. Ensuring compliance with applicable laws and codes applicable to executive remuneration.

In doing its duty, the Remuneration Committee may appoint independent advisors in order to gain insight into market practice, and for assistance with matters and decisions relating to remuneration.

# Remuneration Report (continued)

## Remuneration policy and philosophy

The remuneration policy is aligned to Shoprite's approach of rewarding employees and management fairly and competitively, structuring remuneration packages in a manner commensurate with each employee's capabilities, skills, responsibilities and level of performance. The following non-exhaustive principles apply:

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

Shoprite aims to provide a level of remuneration that will attract, develop, retain and motivate its employees (from general staff level to executive level) to live the Company's values and execute its strategy in a highly competitive retail environment. In keeping with a global and competitive retail industry, particularly at executive level, Shoprite's remuneration policy encourages sustainable performance, employee motivation and retention.

The executive remuneration policy is underpinned by the principle of creating and sustaining a strong link between reward and performance, placing a significant portion of the remuneration "at risk" measured at Group and operational/business unit level. The "at risk" or variable pay include STI and LTI which align the interests of executives and shareholders.

At the general staff and junior employee levels, the Remuneration Committee aims to encourage the right behaviours and satisfy the different needs of employees at these levels.

The Remuneration Committee is guided by the following parameters:

- Internal equity;
- External competitiveness;
- Annual remuneration adjustments;
- Affordability;
- Reward for performance;
- Benefits;
- Reward for skills;
- Making employees aware of the Group employee value proposition (EVP) which contains monetary and non-monetary aspects;
- Free from discriminatory practices; and
- Sound reward management governance.

## Benchmarking and position in the market

Executive positions are periodically evaluated. TGP (which includes guaranteed pay and benefits) in the Group is generally positioned at the market median, however may exceed the market median in the case of exceptional and/or critical/scarc skill sets.

The Group believes that its remuneration policy plays an essential role in realising its business strategy; therefore, remuneration levels should be highly competitive in the challenging markets in which the Group operates.

## The remuneration arrangement of the CEO

### The previous CEO, Dr JW Basson

The previous CEO's remuneration arrangement was governed by an employment agreement entered into with the Board during 2003 (as reported in prior remuneration reports).

Dr Basson gave notice of his retirement on 30 September 2016, and stepped down as CEO with effect from 31 December 2016. He has an agreed notice period with Shoprite of 12 months and will therefore receive his guaranteed remuneration until 30 September 2017.

From 1 January 2017, Pieter Engelbrecht assumed the role of CEO and accepted all the day-to-day responsibilities associated with this role.

### The current CEO, PC Engelbrecht

The new CEO's remuneration design differs from that of the previous CEO. In determining the CEO remuneration design market benchmarks of similar sized retail companies were taken into account to set total guaranteed pay ("TGP").

The variable components of the CEO's remuneration package are as follows:

- **STI:** A cash bonus of up to a third of his annual TGP for on-target performance, with an appropriate bonus cap in the event of out-performance (limited to 40% of his annual TGP).
- **LTI:** Annual award of shares in terms of the VOB (100% of his TGP) based on whether performance targets set for the preceding financial year were achieved.

Further detail regarding the CEO's remuneration components are contained in the implementation report (part 3).

## Remuneration framework

The different components of remuneration, their objectives and their link to the business strategy are summarised in the table below.

| Component  | Nature                  | Objective   | Link to business strategy   | Policy  |
|--|-------------------------|---|---|---|
| TGP  | Fixed                   | TGP must reflect scope and nature of role, job content, performance and experience; and include basic employee benefits.  | TGP ensures competitiveness and rewards individuals fairly based on similar positions in the market. Benefits recognise employees' need for a holistic TGP package which includes retirement benefits and insured benefits. | TGP generally positioned at the median; exceptions are made where necessary to retain key and critical skills.<br><br>The Group contributes between 7.5% – 15% towards retirement benefits.<br><br>TGP includes risk and insurance benefits.  |
| STI  | Variable cash           | Rewards and motivates the achievement of Group and operational performance over a 12 month period.  | Rewards employees for contributing to growth in sustainable short term trading profit.  | Depends on trading profit. Bonus pool accrual is capped at 150%. If actual profit falls below 70% of Group trading profit target, a modest bonus may be paid.   |
| Long term VOB (previously reported as VOP) and LTIB (previously reported as DBP) | Deferred cash or equity | Both plans have the same design principles/policy.<br><br>VOB: Incentive and retention plan for the longer term. Where predetermined targets (for the preceding year) are achieved employees receive a % of TGP either in deferred cash or shares (most senior employees).<br><br>LTIB: Retention plan whereby a % of STI is matched by Shoprite either in deferred cash or shares. | Increased shareholder value through trading profit metric which needs to be achieved.<br><br>Longer term retention of all levels of management employees to deliver the Shoprite business strategy.                         | In both instances trading profit targets need to be achieved to warrant participation. For the VOB a % of TGP is awarded and for the LTIB a % of STI is awarded as a long-term bonus. Both VOB and LTIB are deferred either in cash or in shares.<br><br>For the most senior employees only deferral in shares is used.<br><br>VOB and LTIB benefits vest in equal tranches in years 3, 4 and 5 after award date with "performance measured on the way in" and subject to continued employment for vesting.<br><br>As Shoprite has not been making regular annual awards of share instruments to its most senior employees, only the September 2017 VOB award for such senior employees will vest in years 1, 2 and 3 after award date (equal tranches). All awards thereafter will be subject to the normal policy on vesting.<br><br>All shares awarded in terms of the VOB and LTIB are purchased in the market for delivery and does not result in shareholders dilution. |
| Long term ESP (not currently being used)   | Equity                  | Provides for a number of share instruments which can be awarded to employees in terms of a shareholder approved plan. This includes performance shares, co-investment shares and retention shares.  | Direct shareholding by management to create alignment with shareholders.<br><br>This alignment is created through the shares awarded to senior management in terms of the VOB detailed in this table.                       | Performance shares require the meeting of prospective performance conditions for vesting. Co-investment shares require a direct investment by employees to qualify for matching co-investment shares. Both of these also require continued employment for vesting, whereas retention/restricted shares only require continued employment as a vesting condition.  |

# Remuneration Report (continued)

## Changes during the 2017 financial year

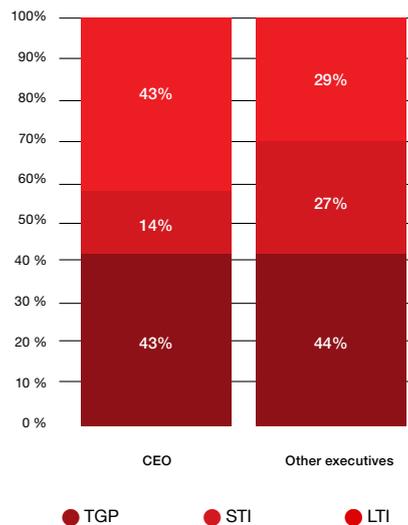
See detail in this regard as reported in part 1 relating to the Group's forward-looking remuneration changes. The key elements being:

1. A uniform approach across the Group to incentivise and motivate employees in the long term (3 – 5 years). To achieve uniform treatment we collapsed the VOB and LTIB principles into one long-term incentive approach. The ESP is currently not being used and the most senior employees (including the CEO) will be receiving long-term awards in terms of the VOB (in the form of shares). Participation in the VOB and the LTIB is based on trading profit targets being achieved and the vesting periods and settlement mechanisms are the same for both plans. Going forward, annual awards of long-term incentives will be made (subject to the meeting of trading profit targets); and
2. Alignment of the CEO's total remuneration design to market benchmarks.

## Pay mix

The Remuneration Committee has considered, as a forward-looking policy, the pay mix of the CEO and other executives as would be applicable for the 2018 financial year. The illustration indicates that a greater weighting is placed on variable pay, and more specifically LTIs.

## Forward-looking policy pay mix (on target)



## Guaranteed pay and benefits

Shoprite offers its employees a TGP structure as summarised in the remuneration framework of this report.

## Annual reviews and increases

Annual increases are awarded based on employees' TGP value. Annual increases in the TGP are determined with reference to:

- the scope and nature of an employee's role;
- market benchmarks;
- personal performance and competence;
- affordability;
- company performance and specifically sales growth; and
- actual and projected CPI figures.

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

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

## Variable pay

Variable pay refers to STI and LTI, which are linked to Company and/or individual performance, and support the achievement of Shoprite's strategic objectives.

## STI

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

The quantum of the bonus pool is determined at Group level, but is moderated by the financial performance of each operational/business unit within the Group. Therefore, on Group level, where between 70% and 100% of trading profit target is achieved and the operational/business unit achieves the same or a larger percentage of its trading profit budget, the operational/business units' bonus pool will be the actual percentage of trading profit budget achieved. However, where the operational/business unit performance does not match or exceed Group performance, participants may earn a portion of their on-target bonus based on the bespoke performance criteria applicable to each

operational/business unit, pre-determined at the beginning of the financial year. This ensures that each participant is measured against his specific area of responsibility.

Various weightings are also included in the criteria to encourage participants to maximise their role and functionality, and the criteria may include:

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

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

No incentive bonus will be payable if none of the bespoke performance criteria are met. The plan also makes provision for stretch targets above the trading profit target. Where more than 70% of target is achieved on a Group level and this performance is matched or exceeded on an operational/business unit level, participants can earn up to 150% of their on-target incentive. However, where the current year trading profit does not exceed the previous year trading profit, the bonus pool is limited to 100% of the trading profit target. The annual bonus pool is therefore capped at 150% of trading profit target in instances of financial outperformance.

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

### On-target earning potential for STI

STIs are based on a percentage of an employee's TGP. The on-target and stretch earning potentials of the CEO, CFO and other executives as a percentage of guaranteed remuneration are set out in the table below.

| Position                | On-target (as a % of TGP) | Stretch (as a % of TGP) |
|-------------------------|---------------------------|-------------------------|
| CEO                     | 33.3%                     | 40.0%                   |
| CFO                     | 62.8%                     | 94.2%                   |
| Executives (on average) | 61.8%                     | 92.8%                   |

The CEO has a modest STI earning potential as part of his pay mix (see "Pay mix" above), however the Shoprite policy is to place greater emphasis on LTI through annual VOB awards, creating long term alignment with shareholders.

### LTI

#### Performance alignment

Trading profit is the key metric of success which Shoprite measures itself against. In a volatile retail environment setting 3 to 5 year prospective performance conditions is challenging. Therefore, Shoprite will test performance "on the way in" for all LTI awards based on prior financial year trading profit achieved against budget set.

Currently LTIs are offered through participation in VOB and LTIB. The salient features are summarised below (read in conjunction with the "remuneration framework" above).

### VOB

The VOB is aimed at providing employees with an incentive to advance the interests of the Group over the long term. The strategic intent of the plan includes the retention of key employees, providing employees with an opportunity to earn variable remuneration, based on performance, and to create alignment with shareholders' interests.

In terms of this plan, an incentive amount is allocated to participants based on their TGP. Shoprite will test performance "on the way in" based on the prior financial year's trading profit achieved against budget set.

The award levels is informed by market benchmarks and vary from 100% of TGP (CEO) to 70%, 50%, 35% and 25% of TGP depending on the employment level.

VOB benefits can be delivered in terms of deferred cash or restricted shares. The most senior employees only receive restricted shares to ensure they are invested in equity. VOB benefits vest 3, 4 and 5 years after award date (equal tranches).

As a once-off arrangement for retention purposes (as Shoprite has not been making annual LTI awards to its most senior employees) the September 2017 award of VOB for certain critical talent will vest in years 1, 2 and 3 after award date.

### LTIB

The LTIB design principles are the same as the VOB, the only difference being that the benefit amount per employee is determined based on a % of STI earned for the preceding year. Both plans are subject to trading profit targets being achieved and have the same vesting periods and settlement mechanisms.

### Manner of settlement for VOB and LTIB

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

The settlement of the VOB and LTIB benefits in restricted shares provides employees with an opportunity to own Shoprite shares which fosters a culture of ownership and alignment with shareholders. It further entitles employees to the dividend and voting rights on the restricted shares for the duration of the vesting period. Restricted shares will be forfeited should the employee terminate employment prior to the vesting dates (except for certain "good leaver" provisions).

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

### ESP

This plan is approved by shareholders, but is currently not being used. This is as Shoprite has adopted a uniform approach for all employees in relation to LTI through the VOB and LTIB.

### Design

Three types of shares can be awarded in future. For detail in this regard refer to the "remuneration framework" earlier in this report.

### ESP vesting during the year under review

The 2014 ESP award vested on 15 June 2017. Detail regarding vesting of executive directors' ESP shares is disclosed in the implementation report (part 3 of this remuneration report). This vesting included co-investment as well as retention shares.

### Maturity of convertible bonds

Certain executive directors invested in Shoprite Investments Ltd convertible bonds (linked to the matching co-investment shares). These convertible bonds matured (for all holders thereof) in April 2017 and converted into Shoprite ordinary shares.

### Interest bearing loans

Shoprite Investments Ltd granted or extended interest bearing loans to certain executives.

### Dilution limit

In terms of the ESP rules an overall limit of approximately 3% (three percent) of the issued shares of Shoprite has been imposed when shares are allocated and issued in terms of the plan. An individual limit of approximately 0.5% (half a percent) has been imposed. If shares are purchased in the open market for settlement of allocations in terms of the ESP (or any other LTI), the limits will not be impacted.

Shoprite takes care not to destroy shareholder value by unnecessarily issuing shares to settle LTI awards.

There was no fresh issue of shares, and no LTIs were awarded, in the 2015, 2016 and 2017 financial years.

The settlement of the VOB and LTIB (where shares are settled) will be in terms of a market purchase of shares.

### Executive director service contracts

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

# Remuneration Report (continued)

Executive directors and executives do not have any contractual arrangements or benefits associated with the termination of their employment that would entitle them to “golden handshakes”, large once-off severance payments or paid restraints of trade.

No executive directors or executives of the Group have any contractual agreement with Shoprite in relation to vested shares such as put options or other buy-back arrangements.

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

Messrs E Nel and B Harisunker are employed by the Group by way of term contracts up to 30 June 2018 and 31 December 2017 respectively.

## Non-executive directors

### Independent non-executive directors

Independent NEDs do not have any employment contracts and do not receive any benefits associated with permanent employment. The Board, on recommendation by management, has decided that independent NEDs should not be remunerated by means of a base fee and attendance fee in respect of their Board and committee obligations. This is as NEDs are required to prepare for all meetings and feedback and inputs are required by the Board, even though the meeting may not actually be attended by the NED. The fee structure is therefore calculated on a retainer basis, which is also more comparable for benchmarking in the market against other companies’ NED fees and is supported by King IV principles.

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

Prior to payment, the fee structure is subject to approval by shareholders at the Group’s AGM. Therefore, all NED fees are only paid after the AGM for the preceding 12 (twelve) months.

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

### Non-independent non-executive directors

Shoprite has three non-independent NEDs namely:

- i. Dr CH Wiese, whose fees are paid by the Group to Chaircorp (Pty) Ltd, a management company of which Dr Wiese is an employee; and
- ii. Dr JW Basson was appointed as non-executive vice-chairman with effect from 1 January 2017.
- iii. Mr CG Goosen was appointed as a non-executive director with effect from 21 August 2017 and retires at the 2017 AGM (in line with the Group’s MOI), but has offered himself for re-election at the 2017 AGM.

### Non-executive directors

The table below sets out the proposed fees (excluding VAT) payable to NEDs from 1 November 2016 to 30 October 2017. These fees will be tabled to shareholders for approval by a special resolution at the 2017 AGM in line with the Companies Act, No 71 of 2008. NED fees will only be paid after the 2017 AGM.

|  | 2017     | 2016     | Increase % |
|--|----------|----------|------------|
| <b>The Board</b>                       |          |          |            |
| Chairperson                            | R397 000 | R367 500 | 8.0%       |
| Lead independent director              | R245 000 | R227 000 | 7.9%       |
| NED                                    | R234 000 | R216 000 | 8.3%       |
| <b>The audit and risk committee</b>    |          |          |            |
| Chairperson                            | R279 000 | R258 000 | 8.1%       |
| Member                                 | R141 000 | R130 000 | 8.5%       |
| <b>The remuneration committee</b>      |          |          |            |
| Chairperson                            | R72 500  | R67 000  | 8.2%       |
| Member                                 | R43 500  | R40 500  | 7.4%       |
| <b>The nomination committee</b>        |          |          |            |
| Chairperson                            | R72 500  | R67 000  | 8.2%       |
| Member                                 | R43 500  | R40 500  | 7.4%       |
| <b>The social and ethics committee</b> |          |          |            |
| Chairperson                            | R94 500  | R87 500  | 8.0%       |

### Shareholder engagement and voting procedures

In line with best practice, King IV and the JSE Listings Requirements, Shoprite will table its remuneration policy together with the implementation report for two separate non-binding advisory votes by shareholders from the 2017 AGM onwards. In the event of 25% or more of the shareholders voting against either or both the remuneration policy and implementation report, the Remuneration Committee will take the necessary steps to engage with shareholders so as to ascertain the reasons for their dissenting votes and address their legitimate concerns. The Remuneration Committee will:

1. Extend an invitation to dissenting shareholders in the Stock Exchange News Service (“SENS”) announcement with the results of the AGM, for them to engage with the Remuneration Committee regarding their reasons for voting against the relevant resolution; and

2. The invitation will reveal the manner and timing of engagement, which may include (but is not limited to) communication via email, telephone calls, meetings and roadshows.

The Remuneration Committee will ascertain the reasons for dissenting votes, respond and provide constructive feedback to shareholders’ questions, queries and legitimate concerns. After consideration of the results of shareholder engagement, the Remuneration Committee reserves the right to amend components of the remuneration policy to further align it to market practice and/or shareholder value creation.

### Part 3

#### The implementation report of the remuneration policy

The implementation report contains the detailed information and figures pertaining to the application of the remuneration policy in relation to the relevant prescribed officers. Shoprite views its executive and alternate directors as prescribed officers as defined in terms of the Companies Act.

The Remuneration Committee and the Board is satisfied with the application and implementation of the remuneration policy during the 2017 financial year and believe that the disclosure in this implementation report reflects Shoprite's commitment towards enhanced reporting.

#### Company performance versus average growth in executive remuneration

In the table below, company performance measures are compared against the average TGP increase percentages for executives over the past three years. The financial performance for the 2017 financial year is contextualised in the CEO's report on page 30 of the Integrated Report.

|  | 2017   | 2016   | 2015   |
|--|--------|--------|--------|
| Average increase in executive guaranteed pay levels          | +7.9%  | +7.0%  | +7.2%  |
| Growth in basic headline earnings per share                  | +13.1% | +17.0% | +10.8% |
| Trading profit   | +11.6% | +15.0% | +10.7% |
| Turnover   | +8.4%  | +14.4% | +11.2% |
| Dividend per share   | +11.5% | +17.1% | +10.3% |
| Earnings before interest, tax, depreciation and amortisation | +6.8%  | +16.2% | +8.9%  |

In keeping with the principle of fair and responsible remuneration, Shoprite has carefully considered the increases applicable across the organisation prior to its approval. During the 2017 financial year, Shoprite approved an overall guaranteed pay increase for all employees in line with the CPI of the various territories in which the Group operates.

#### STI outcomes

The table below sets out the STI of prescribed officers in the 2017 financial year (based on the achievement of the performance conditions, i.e. trading profit).

| Executive/Alternate Directors | FY2017 actual STI (expressed as R'000) | Actual 2017 STI (as % of guaranteed package) | On-target STI earning potential (as % of guaranteed package) | Maximum STI earning potential (as % of guaranteed package) | Margin by which the Group's performance exceeded the targeted trading profit    |
|-------------------------------|--|--|--|--|---|
| PC Engelbrecht                | 4 324                                  |  |  |  | 11.6% actual trading profit growth versus trading profit growth target of 10.1% |
| M Bosman                      | 2 216                                  | 72%  | 66%  | 94%  |   |
| B Harisunker                  | 1 572                                  | 47%  | 51%  | 76%  |   |
| EL Nel                        | 2 185                                  | 63%  | 59%  | 88%  |   |
| JAL Basson                    | 2 360                                  | 95%  | 70%  | 105%   |   |
| CG Goosen                     | 293                                    |  |  |  |   |
| AE Karp                       | 933                                    |  |  |  |   |

**Note:** PC Engelbrecht's actual (as % of TGP) versus his on-target STI (as % of TGP) are not reflected in the table above as he received a pro-rated STI payment for his performance in his previous position as chief operating officer and a pro-rated STI payment for his performance as CEO. Similarly, for CG Goosen and AE Karp who had flexible work arrangements or retired from employment part-way through the 2017 financial year, this information is not shown.

# Remuneration Report (continued)

## Dilution of share capital

In 2014, 0.4% (zero point four percent) of the total issued share capital comprised a fresh issue in terms of the ESP for awards to executives (made in the 2014 financial year). This fresh issue comprised 2,292,500 shares of the 15,000,000 shares approved by shareholders as overall limit for the ESP. No further fresh issue of shares were made since.

## Remuneration paid to executive and alternate directors

The table below reflects the comparison of remuneration paid (expressed as R'000) to executive and alternate directors in the 2016 and 2017 financial years respectively.

| Executive/Alternate Directors | Remuneration                | Benefits      | STI           | LTI**         | Other         | Total          |                |
|-------------------------------|-----------------------------|---------------|---------------|---------------|---------------|----------------|----------------|
| 2017                          | PC Engelbrecht <sup>1</sup> | 9 713         | 685           | 4 324         | 16 006        | 527            | 31 255         |
|                               | CG Goosen                   | 206           | 194           | 293           | —             | 803            | 1 496          |
|                               | M Bosman <sup>2</sup>       | 2 601         | 487           | 2 216         | 10 004        | 259            | 15 567         |
|                               | B Harisunker                | 3 339         | —             | 1 572         | —             | 2 418          | 7 329          |
|                               | EL Nel <sup>***</sup>       | 3 452         | —             | 2 185         | —             | 301            | 5 938          |
|                               | JW Basson*                  | 49 656        | 64            | —             | —             | 394            | 50 114         |
|                               | JAL Basson <sup>3</sup>     | 2 189         | 300           | 2 360         | 8 003         | 332            | 13 184         |
|                               | AE Karp <sup>4</sup>        | 1 178         | 275           | 933           | 12 004        | 79             | 14 469         |
|                               | BR Weyers                   | —             | —             | —             | —             | 162            | 162            |
|                               | <b>Total</b>                | <b>72 334</b> | <b>2 005</b>  | <b>13 883</b> | <b>46 017</b> | <b>5 275</b>   | <b>139 514</b> |
| 2016                          | PC Engelbrecht              | 4 096         | 755           | 2 997         | —             | 274            | 8 122          |
|                               | CG Goosen                   | 1 142         | 213           | 602           | —             | 28             | 1 985          |
|                               | M Bosman                    | 2 354         | 539           | 2 063         | —             | 195            | 5 151          |
|                               | B Harisunker                | 3 199         | —             | 1 617         | —             | 363            | 5 179          |
|                               | EL Nel                      | 3 249         | —             | 2 134         | —             | 299            | 5 682          |
|                               | JW Basson                   | 49 656        | 58            | 50 000        | —             | 386            | 100 100        |
|                               | JAL Basson                  | 1 878         | 321           | 1 394         | —             | 200            | 3 793          |
|                               | AE Karp                     | 4 101         | 857           | 1 444         | —             | 227            | 6 629          |
|                               | BR Weyers                   | 656           | —             | 383           | —             | —              | 1 039          |
| <b>Total</b>                  | <b>70 331</b>               | <b>2 743</b>  | <b>62 634</b> | <b>—</b>      | <b>1 972</b>  | <b>137 680</b> |                |

<sup>1</sup> Based on 80 000 LTI instruments which vested

<sup>2</sup> Based on 50 000 LTI instruments which vested

<sup>3</sup> Based on 40 000 LTI instruments which vested

<sup>4</sup> Based on 60 000 LTI instruments which vested

\* Dr Basson gave notice of his retirement on 30 September 2016 and has an agreed notice period with the Group of 12 months. He therefore receives guaranteed pay until 30 September 2017.

\*\* The vesting of LTIs awarded in terms of the ESP rules (co-investment and restricted shares) occurred on 15 June 2017 at VWAP of R200.07 per share.

\*\*\* Mr Nel was awarded a once-off retention cash amount of R11 million with effect from 1 July 2017 with a vesting date of 30 June 2018. Vesting is subject to continued employment and will only vest if he is in employment of the Group at vesting date.

## NED fees

The table below sets out the NED fees (approved at the 2016 AGM by shareholders) for the 12 month period from 1 November 2015 – 31 October 2016 and paid after the 2016 AGM.

| Role                                   | 2016     |
|--|----------|
| <b>The Board</b>                       |          |
| Chairperson                            | R367 500 |
| Lead independent director              | R227 000 |
| NED                                    | R216 000 |
| <b>The audit and risk committee</b>    |          |
| Chairperson                            | R258 000 |
| Member                                 | R130 000 |
| <b>The remuneration committee</b>      |          |
| Chairperson                            | R67 000  |
| Member                                 | R40 500  |
| <b>The nomination committee</b>        |          |
| Chairperson                            | R67 000  |
| Member                                 | R40 500  |
| <b>The social and ethics committee</b> |          |
| Chairperson                            | R87 500  |

## Non-binding shareholder voting

The table below provides an historic view of the shareholders positive voting pattern of the last three AGMs held in years 2014, 2015 and 2016.

| Remuneration policy | % For | % Against | % Abstained |
|---------------------|-------|-----------|-------------|
| 31 October 2016     | 70.29 | 29.71     | —           |
| 19 October 2015     | 71.09 | 28.91     | —           |
| 27 October 2014     | 68.89 | 31.11     | —           |

# Summary Consolidated Financial Statements

Shoprite Holdings Ltd and its Subsidiaries  
for the year ended 2 July 2017.

# Summary Consolidated Financial Statements

Shoprite Holdings Ltd and its Subsidiaries for the year ended 2 July 2017

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The summary consolidated financial statements comprise a summary of the audited annual financial statements of the Group for the year ended 2 July 2017. The annual financial statements of the Group for the year ended 2 July 2017 have been audited by PricewaterhouseCoopers Inc., in compliance with the applicable requirements of the Companies Act, 2008. The preparation of the audited annual financial statements of the Group was supervised by Mr M Bosman, CA(SA). A copy of the full audited annual financial statements is available on [www.shopriteholdings.co.za](http://www.shopriteholdings.co.za) or may be requested from the company secretary ([cosec@shoprite.co.za](mailto:cosec@shoprite.co.za), tel +27 (0) 21 980 4284) at PO Box 215, Brackenfell, 7561, South Africa.

# Statement of Responsibility by the Board of Directors

Shoprite Holdings Ltd and its Subsidiaries for the year ended 2 July 2017

The summary consolidated financial statements are the responsibility of the directors of Shoprite Holdings Ltd. The audited annual financial statements of the Group for the year ended 2 July 2017, from which these summary consolidated financial statements have been derived, were prepared in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Companies Act of South Africa.

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

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

The Group's external auditors, PricewaterhouseCoopers Incorporated, audited the summary consolidated financial statements, and their report is presented on page 83. The external auditors were given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders, the board of directors and committees of the board. The directors believe that all representations made to the independent auditors during their audit are valid and appropriate.

## Approval of the Summary Consolidated Financial Statements

The summary consolidated financial statements of the Shoprite Holdings Ltd Group were approved by the board of directors on 21 August 2017 and signed on its behalf by:



**CH Wiese**  
Chairman



**PC Engelbrecht**  
Chief Executive Officer

## Certificate of the Company Secretary

In terms of section 88(2)(e) of the Companies Act no 71 of 2008 (as amended) I, PG du Preez, in my capacity as Company Secretary, confirm that for the year ended 2 July 2017, the Company has lodged with the Companies and Intellectual Property Commission, all such returns as are required of a public company in terms of the Companies Act and that all such returns and notices are true, correct and up to date.



**PG du Preez**  
Company Secretary

21 August 2017

# Directors' Report

## Nature of business

Shoprite Holdings Limited ("Shoprite Holdings") is an investment holding company listed on the Johannesburg Stock Exchange Limited ("JSE") in the "food retailers & wholesalers" sector. Secondary listings are also maintained on the Namibian and Zambian Stock Exchanges. Cash income is derived mainly from dividends and interest. The consolidated annual financial statements of Shoprite Holdings and its subsidiaries also incorporate the equity accounted attributable income of associated companies and joint ventures.

## Shoprite Holdings comprises of the following main subsidiaries

### Shoprite Checkers (Pty) Ltd

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

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

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

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

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

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

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

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

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

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

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

### Shoprite Investments Ltd

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

### Computicket (Pty) Ltd

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

### Shoprite International Ltd

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

### Shoprite Insurance Company Ltd

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

### Other Group Subsidiaries

The interests of Shoprite Holdings in other subsidiaries are set out on page 97 of the Integrated Report.

## Financial review

The Group's diluted headline earnings per share amounts to 1,007.4 cents for the year (2016: 900.3 cents). Details of the profit of Shoprite Holdings and its subsidiaries are contained in the statement of comprehensive income on page 85 with reference to the operating segment information on page 89. The financial position of Shoprite Holdings and its subsidiaries are recorded in the statement of financial position on page 84. Further details are furnished in the notes to the summary consolidated financial statements on page 88 – 96. The Group's net asset value per share as at 2 July 2017 was 4,905 cents (2016: 3,942 cents).

## Distribution to shareholders

### Ordinary dividends

An interim cash dividend (no. 136) of 180 cents per share was paid on 20 March 2017. A final dividend (no. 137) of 324 cents per share, is payable on 11 September 2017, bringing the total dividend for the year to 504 cents (2016: 452 cents) per ordinary share.

### Share capital

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

During the period under review Shoprite Holdings issued 27 149 869 (twenty seven million one hundred and forty nine thousand eight hundred and sixty nine) ordinary shares in respect of conversion notices received from the holders of 458 671 Shoprite Investments convertible bonds. Accordingly, the issued share capital increased from 572 871 960 (five hundred and seventy two million eight hundred and seventy one thousand nine hundred and sixty) to 600 021 829 (six hundred million twenty one thousand eight hundred and twenty nine) ordinary shares of 113.4 cents each.

On 31 August 2016 and 19 June 2017, Shoprite Holdings issued 13 828 807 (thirteen million eight hundred and twenty eight thousand eight hundred and seven) non-convertible, non-participating, no par value deferred shares in the share capital of Shoprite Holdings to Thibault Square Financial Services (Pty) Ltd pursuant to the issue of 27 149 869 (twenty seven million one hundred and forty nine thousand eight hundred and sixty nine) ordinary shares as reported above. The total issued non-convertible, non-participating, no par value deferred shares therefore increased to 305 621 601 (three hundred and five thousand six hundred and twenty one thousand six hundred and one).

# Directors' Report (continued)

Shoprite Holdings Ltd and its Subsidiaries for the year ended 2 July 2017

## Going concern

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

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

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

## Borrowings

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

The Group's overall level of debt decreased from R5.124 billion to R3.274 billion during the financial year under review.

## Special resolutions

At the annual general meeting of Shoprite Holdings held on 31 October 2016, shareholders approved the following special resolutions:

- **Special resolution number 1:** Remuneration payable to non-executive directors;
- **Special resolution number 2:** Financial assistance to subsidiaries, related and inter-related entities;
- **Special resolution number 3:** Financial assistance for subscription of securities;
- **Special resolution number 4:** General approval to repurchase shares;
- **Special resolution number 5:** Approval of amendments to clauses 9.3 to 9.6 of the Shoprite Holdings MOI;
- **Special resolution number 6:** Approval of amendment to clause 15 of the Shoprite Holdings MOI; and
- **Special resolution number 7:** Approval of amendments to clauses 1.2.24, 1.2.25 and 48 of the Shoprite Holdings MOI.

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

### Shoprite Checkers (Pty) Ltd

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

### Shoprite Investments Ltd

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

## Directors and secretary

The directors' names and details are furnished on pages 26 and 27 and the company secretary's name, business and postal address on the inside back cover of the Integrated Report.

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

Dr CH Wiese and Messrs EC Kieswetter and JA Louw retire as directors, in terms of Article 33.5.1 of the MOI of the Company, at the annual general meeting. All these directors have offered themselves for re-election as directors of Shoprite Holdings.

Mr CG Goosen was appointed as non-executive director with effect from 21 August 2017 but retires in terms of Article 13.2 of the MOI at the annual general meeting on 30 October 2017. Being eligible for election, Mr Goosen offers himself for re-election.

The Board supports the re-election of these directors.

## Directors' and alternate directors' interests in ordinary shares

### Non-executive directors

|               | Direct beneficial | Indirect beneficial | Total 2017  | Total 2016 |
|---------------|-------------------|---------------------|-------------|------------|
| CH Wiese      | —                 | 101 315 275         | 101 315 275 | 91 252 531 |
| JJ Fouché     | 472 171           | —                   | 472 171     | 472 171    |
| JF Basson     | —                 | 1 000               | 1 000       | 1 000      |
| EC Kieswetter | 7 924             | —                   | 7 924       | 6 304      |
| JA Louw       | —                 | 50 000              | 50 000      | 50 000     |
| ATM Mokgokong | —                 | —                   | —           | —          |
| JA Rock       | —                 | —                   | —           | —          |
| JD Wiese**    | —                 | 14 074              | 14 074      | 14 074     |

\*\* Alternate director

### Executive directors

|                        | Direct beneficial | Indirect beneficial | Total 2017 | Total 2016 |
|------------------------|-------------------|---------------------|------------|------------|
| JW Basson*             | —                 | 9 104 122           | 9 104 122  | 9 104 122  |
| PC Engelbrecht         | 262 681           | 201 039             | 463 720    | 411 039    |
| M Bosman               | 148 147           | 60 000              | 208 147    | 175 000    |
| CG Goosen**            | 3 000             | 1 114 202           | 1 117 202  | 1 117 202  |
| B Harisunker           | 407 379           | —                   | 407 379    | 407 379    |
| AE Karp+               | 225 269           | —                   | 225 269    | 225 269    |
| EL Nel                 | —                 | 148 727             | 148 727    | 148 727    |
| BR Weyers <sup>#</sup> | 254 000           | —                   | 254 000    | 284 594    |
| JAL Basson**           | 66 044            | 89 201              | 155 245    | 129 201    |

\* Appointed as non-executive vice chairman with effect from 1 January 2017

\*\* Appointed as non-executive director with effect from 21 August 2017

+ Resigned with effect from 1 February 2017

<sup>#</sup> Retired with effect from 30 June 2017

\*\* Alternate director

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

## Non-executive director's interest in non-convertible, non-participating, no par value deferred shares

|          | Total 2017  | Total 2016  |
|----------|-------------|-------------|
| CH Wiese | 305 621 601 | 291 792 794 |

### **Corporate governance**

Statements of the Board's application of the codes of good corporate governance are set out in the Corporate Governance Report on pages 56 – 59.

### **Board committees**

The reports of the various board committees are included in the corporate governance section of the Integrated Report and on pages 80 – 82.

### **Auditors**

Subject to shareholder approval at the annual general meeting, PricewaterhouseCoopers Incorporated will continue in office in accordance with Section 90(1) of the Companies Act.

### **Events after the reporting date**

Other than the facts in this Integrated Report, there have been no material changes in the affairs or financial position of the Group and its subsidiaries from 2 July 2017 to the date of this report.

### **Holding company**

Shoprite Holdings has no holding company. An analysis of the main shareholders appears on page 101 of this report.

### **Litigation statement**

Save for the referral to the National Consumer Tribunal as stated in note 32.3 of the annual financial statements, the directors are not aware of any legal or arbitration proceedings, including proceedings that are pending or threatened, that may have or have had in the recent past, being at least the previous twelve (12) months, a material effect on the Group's financial position.

# Audit and Risk Committee Report

Shoprite Holdings Ltd and its Subsidiaries for the year ended 2 July 2017

## Introduction

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

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

The Audit Committee's terms of reference are formalised in a charter informed by the Companies Act and King III, and approved by the Board. The charter is reviewed on an annual basis.

During the period under review, the Audit Committee conducted its affairs in accordance with the charter and has discharged its responsibilities as required.

## Audit Committee members, meeting attendance and assessment

The Audit Committee consists of four (4) independent non-executive directors elected by the shareholders of Shoprite Holdings on recommendation by the Board and is chaired by Mr JF Basson who is a chartered accountant. All the Audit Committee members are suitably skilled and experienced.

Audit Committee meetings are held at least four (4) times a year as required by the charter. During the period under review, the committee met five (5) times.

The attendance of the committee members is recorded below:

| Committee member     | 15/08/2016 | 19/08/2016<br>(Special) | 28/10/2016 | 17/02/2017 | 19/05/2017 |
|----------------------|------------|-------------------------|------------|------------|------------|
| JF Basson (Chairman) | ●          | ●                       | ●          | ●          | ●          |
| JA Louw              | ●          | ●                       | ●          | ●          | ○          |
| JJ Fouché            | ●          | ●                       | ●          | ●          | ●          |
| JA Rock              | ●          | ●                       | ●          | ●          | ●          |

Audit Committee membership is restricted to independent non-executive directors. The financial director, internal and external auditors attended the Audit Committee meetings by invitation whilst the company secretary acted as secretary to the Audit Committee meetings. Other members of senior management responsible for finance and risk also attended as required.

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

## Audit Committee evaluation

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

## Roles and responsibilities

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

In addition and/or as part of the regular duties of the Audit Committee as discussed below, the following were key areas of focus during the accounting period:

- Group Enterprise Risk Management framework;
- SAP Merchandising project;
- Group approval framework;
- King IV gap analyses; and
- Cyber Security.

## External auditor appointment and independence

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

- Considering the external audit plan, in particular to get assurance that it addresses changes in circumstances from the prior year;
- Reviewing the terms of engagement of the external auditor;
- Monitoring the completion of the audit;
- Meeting with the audit partners; and
- Overseeing (and approving where relevant) non-audit services.

In consultation with the Group's executive management, the Audit Committee agreed to the terms of the PricewaterhouseCoopers (PwC) audit engagement letter, audit plan and budgeted audit fees in respect of the 2016/17 financial year.

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

A breakdown of audit, audit-related and non-audit fees paid to PwC in the 2016/17 financial year is summarised as follows:

| Description                               | Amount             |
|---|--------------------|
| Audit services                            | R30 808 000        |
| <b>Total audit services</b>               | <b>R30 808 000</b> |
| Tax compliance                            | R2 808 000         |
| Tax consulting services                   | R1 820 000         |
| Other non-audit advisory services         | R7 111 000         |
| <b>Total non-audit services</b>           | <b>R11 739 000</b> |
| <b>Total audit and non-audit services</b> | <b>R42 547 000</b> |

The Audit Committee annually assesses the independence of the external auditor, PwC. At the meeting on 18 August 2017, the following aspects were considered as part of the assessment of the independence of PwC:

- The fact that PwC does not receive any remuneration or benefits from the Group other than the fees for services as external auditors and permitted non-audit services;
- The quantum and nature of non-audit services performed;
- The existence of an audit partner rotation process which is in place in accordance with legal and regulatory requirements;
- The nature of the aspects reported on to the Audit Committee by PwC;
- The quality of the discussions with PwC regarding audit, accounting and reporting matters at Audit Committee meetings;
- The direct line of communication between the chairman of the Audit Committee and the designated external audit partner; and

- PwC's confirmation that they:
  - (i) are not precluded from re-appointment due to any impediment as listed in section 90(2)(b) of the Companies Act;
  - (ii) are in compliance with section 91(5) of the Companies Act, by comparison with the membership of the firm at the time of its re-appointment in 2016 and that more than one half of the members remain in 2017;
  - (iii) remain independent as required by section 94(8) of the Companies Act and the relevant provision in the JSE Listings Requirements; and
  - (iv) comply with the criteria specified by the Independent Regulatory Board for Auditors and internal regulatory bodies.

Based on the above assessment, the Audit Committee re-nominates PwC as independent external auditor for the 2017/18 financial year with Mr MC Hamman performing the functions of the designated external audit partner, until the 2018 annual general meeting of Shoprite Holdings. Shareholders are therefore requested to re-elect PwC as independent external auditor for the 2017/18 financial year at the annual general meeting on 30 October 2017 with Mr Hamman as the designated audit partner.

The Independent Regulatory Board for Auditors has issued a rule prescribing that auditors of public interest entities in South Africa must comply with mandatory audit firm rotation with effect from 1 April 2023. The Group will have to comply with this rule after such effective date. Until this rule becomes effective, the Group will continue to consider the reappointment of PwC annually as external auditors and will only consider a change in external auditors before the effective date when and if such change is in the best interest of the Group and its various stakeholders.

### Financial statements and accounting practices

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

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

- the accounting policies and financial statements, in order to ensure compliance with International Financial Reporting Standards and relevant requirements of the Companies Act and the JSE Listings Requirements;
- the JSE's latest report on the pro-active monitoring of financial statements for compliance with IFRS and has taken appropriate actions to apply the findings; and
- the audit report issued by the external auditors.

### Integrated and sustainability reporting

In fulfilling its oversight responsibilities, the Audit Committee has reviewed the sustainability information that forms part of the Group's Integrated Report and has assessed its consistency with operational and other information known to the Audit Committee members, as well as its consistency with the Group's 2017 annual financial statements.

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

### Going concern

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

### Governance of risk

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

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

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

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

During 2016 the Group initiated a process to review the Group's formal Enterprise Risk Management (ERM) Policy and Framework that aligns risk management to the strategic objectives of the Group. The ERM policy and framework articulates the principles and requirements for effective risk management as part of the Group's overall corporate governance. Periodic risk evaluations are performed in all business units across the Group and the most significant risks, the Top 20 risks, with key mitigating controls, are reported to the Audit Committee on a periodic basis.

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

Assurance on compliance with systems of internal control and their effectiveness is obtained through regular management reviews, testing of certain aspects of the internal financial control systems by the external auditors during the course of their statutory audit and regular reports to the Audit Committee by the external and internal auditors.

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

The Group recognises the significant threat that cybersecurity presents and how successful cybersecurity attacks can cause significant damage to a company's business and reputation. As a result, an independent expert review was undertaken to assess the effectiveness of the Group's current IT security measures.

The Audit Committee is satisfied that, during the course of the 2016/17 financial year, executive management was aware of and is addressing the material risks affecting their respective business units and the Group as a whole.

# Audit and Risk Committee Report (continued)

Shoprite Holdings Ltd and its Subsidiaries for the year ended 2 July 2017

## Internal audit

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

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

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

During the reporting period the Audit Committee:

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

## Governance of information technology (IT)

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

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

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

## Compliance

The Audit Committee is also responsible to review any major breach of relevant legal and regulatory requirements. In this regard it is satisfied that there has been no material non-compliance with laws and regulations.

## Evaluation of the expertise and experience of financial director and Group financial function

As required by JSE Listings Requirement 3.84(h), the Audit Committee, through a formal process, has satisfied itself that the financial director, Mr M Bosman, has the appropriate expertise and experience to act in this capacity. Mr Bosman's curriculum vitae appears on page 27 of the Integrated Report.

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

## Recommendation to the Board

The Audit Committee has reviewed and considered the Integrated Report, including the annual financial statements and recommended it for approval by the Board.

**JF Basson**  
Chairman

18 August 2017

# Currency of the Summary Consolidated Financial Statements

Shoprite Holdings Ltd and its Subsidiaries for the year ended 2 July 2017

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

|                    | 2017   | 2016   |                 | 2017  | 2016  |                   | 2017  | 2016  |
|--------------------|--------|--------|-----------------|-------|-------|-------------------|-------|-------|
| US dollar          | 13.038 | 14.775 | Botswana pula   | 1.278 | 1.383 | India rupee       | 0.202 | 0.219 |
| Pound sterling     | 16.969 | 19.685 | Uganda shilling | 0.004 | 0.004 | Ghana cedi        | 2.940 | 3.731 |
| Euro               | 14.916 | 16.393 | Malawi kwacha   | 0.018 | 0.021 | Madagascar ariary | 0.004 | 0.005 |
| Zambia kwacha      | 1.416  | 1.514  | Mauritius rupee | 0.376 | 0.415 | Nigeria naira     | 0.043 | 0.052 |
| Mozambique metical | 0.217  | 0.221  | Angola kwanza   | 0.078 | 0.089 | DRC franc         | 0.009 | 0.016 |

## Independent Auditor's Report on the Summary Consolidated Financial Statements

To the Shareholders of Shoprite Holdings Limited

### Opinion

The summary consolidated financial statements of Shoprite Holdings Limited, set out on pages 84 to 97 of the Integrated Report, which comprise the summary consolidated statement of financial position as at 2 July 2017, the summary consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of Shoprite Holdings Limited for the year ended 2 July 2017.

In our opinion, the accompanying summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements, in accordance with the JSE Limited's (JSE) requirements for summary financial statements, as set out in note 1 to the summary consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

### Summary Consolidated Financial Statements

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

### The Audited Consolidated Financial Statements and Our Report Thereon

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated 21 August 2017. That report also includes communication of key audit matters. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period.

### Director's Responsibility for the Summary Consolidated Financial Statements

The directors are responsible for the preparation of the summary consolidated financial statements in accordance with the requirements of the JSE's requirements for summary financial statements, set out in note 1 to the summary consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

### Auditor's Responsibility

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

*PricewaterhouseCoopers Inc.*

### PricewaterhouseCoopers Inc.

Director: MC Hamman  
Registered Auditor

Cape Town  
21 August 2017

# Summary Consolidated Statement of Financial Position

Shoprite Holdings Ltd and its Subsidiaries as at 2 July 2017

|  | Notes | 2017<br>Rm    | Restated<br>2016<br>Rm* | Restated<br>2015<br>Rm* |
|--|-------|---------------|-------------------------|-------------------------|
| <b>Assets</b>  |       |               |                         |                         |
| <b>Non-current assets</b>  |       | <b>24 572</b> | <b>20 633</b>           | <b>18 586</b>           |
| Property, plant and equipment                                    |       | 18 407        | 16 908                  | 15 374                  |
| Equity accounted investments                                     |       | 27            | 95                      | 178                     |
| Held-to-maturity investments                                     | 3     | 1 311         | —                       | —                       |
| Loans and receivables  |       | 1 110         | 599                     | 547                     |
| Deferred income tax assets                                       |       | 859           | 698                     | 569                     |
| Intangible assets  |       | 2 355         | 1 857                   | 1 458                   |
| Trade and other receivables                                      |       | 503           | 476                     | 460                     |
| <b>Current assets</b>  |       | <b>31 032</b> | <b>27 351</b>           | <b>25 053</b>           |
| Inventories  |       | 17 794        | 15 055                  | 13 321                  |
| Trade and other receivables                                      |       | 5 105         | 5 096                   | 4 568                   |
| Derivative financial instruments                                 |       | 1             | —                       | —                       |
| Current income tax assets  |       | 154           | 146                     | 44                      |
| Loans and receivables  |       | 211           | 270                     | 59                      |
| Cash and cash equivalents  |       | 7 767         | 6 784                   | 7 061                   |
| Assets held for sale   |       | 119           | 17                      | 13                      |
| <b>Total assets</b>  |       | <b>55 723</b> | <b>48 001</b>           | <b>43 652</b>           |
| <b>Equity</b>  |       |               |                         |                         |
| <b>Capital and reserves attributable to owners of the parent</b> |       |               |                         |                         |
| Share capital  | 4     | 681           | 650                     | 650                     |
| Share premium  |       | 8 585         | 4 029                   | 4 029                   |
| Treasury shares  | 4     | (446)         | (760)                   | (759)                   |
| Reserves   |       | 18 838        | 17 155                  | 14 905                  |
|  |       | 27 658        | 21 074                  | 18 825                  |
| <b>Non-controlling interest</b>                                  |       | <b>91</b>     | <b>65</b>               | <b>68</b>               |
| <b>Total equity</b>  |       | <b>27 749</b> | <b>21 139</b>           | <b>18 893</b>           |
| <b>Liabilities</b>   |       |               |                         |                         |
| <b>Non-current liabilities</b>                                   |       |               |                         |                         |
| Borrowings   | 5     | —             | 102                     | 4 305                   |
| Deferred income tax liabilities                                  |       | 96            | 128                     | 187                     |
| Provisions   |       | 232           | 267                     | 321                     |
| Fixed escalation operating lease accruals                        |       | 1 164         | 995                     | 846                     |
| <b>Current liabilities</b>                                       |       | <b>26 482</b> | <b>25 370</b>           | <b>19 100</b>           |
| Trade and other payables   |       | 17 414        | 16 590                  | 17 432                  |
| Borrowings   | 5     | 3 274         | 5 022                   | 567                     |
| Derivative financial instruments                                 |       | —             | 32                      | 2                       |
| Current income tax liabilities                                   |       | 582           | 574                     | 960                     |
| Provisions   |       | 154           | 187                     | 136                     |
| Bank overdrafts  |       | 5 058         | 2 965                   | 3                       |
| <b>Total liabilities</b>   |       | <b>27 974</b> | <b>26 862</b>           | <b>24 759</b>           |
| <b>Total equity and liabilities</b>                              |       | <b>55 723</b> | <b>48 001</b>           | <b>43 652</b>           |

\* The 2015 and 2016 figures have been restated for the change in accounting treatment of advertising rebates and for the reclassification of prepaid land leases from current to non-current assets. Refer to notes 12 and 13 for more detail.

# Summary Consolidated Statement of Comprehensive Income

Shoprite Holdings Ltd and its Subsidiaries for the year ended 2 July 2017

|   | Notes | % change | 52 weeks<br>2017<br>Rm | Restated<br>53 weeks<br>2016<br>Rm <sup>+</sup> |
|---|-------|----------|------------------------|---|
| Sale of merchandise   |       | 8.4      | 141 000                | 130 028   |
| Cost of sales   |       | 7.9      | (107 174)              | (99 372)  |
| <b>Gross profit</b>   |       | 10.3     | <b>33 826</b>          | <b>30 656</b>                                   |
| Other operating income  |       | 7.0      | 2 615                  | 2 444   |
| Depreciation and amortisation   |       | 7.5      | (2 176)                | (2 025)   |
| Operating leases  |       | 9.6      | (3 819)                | (3 486)   |
| Employee benefits   |       | 10.5     | (10 498)               | (9 499)   |
| Other operating expenses  |       | 9.4      | (11 821)               | (10 809)  |
| <b>Trading profit</b>   |       | 11.6     | <b>8 127</b>           | <b>7 281</b>                                    |
| Exchange rate losses  |       |          | (236)                  | (46)  |
| Items of a capital nature   |       |          | (166)                  | (11)  |
| <b>Operating profit</b>   |       | 6.9      | <b>7 725</b>           | <b>7 224</b>                                    |
| Interest received   |       | 29.9     | 226                    | 174   |
| Finance costs   |       | (31.7)   | (340)                  | (498)   |
| Share of profit/(loss) of equity accounted investments                            |       |          | 4                      | (52)  |
| <b>Profit before income tax</b>   |       | 11.2     | <b>7 615</b>           | <b>6 848</b>                                    |
| Income tax expense  |       | 9.1      | (2 180)                | (1 998)   |
| <b>Profit for the year</b>  |       | 12.1     | <b>5 435</b>           | <b>4 850</b>                                    |
| <b>Other comprehensive income, net of income tax</b>                              |       |          | <b>(933)</b>           | <b>(579)</b>                                    |
| Items that will not be reclassified to profit or loss                             |       |          |                        |   |
| Re-measurements of post-employment medical benefit obligations                    |       |          | 3                      | 1   |
| Items that may subsequently be reclassified to profit or loss                     |       |          |                        |   |
| Foreign currency translation differences  |       |          | (822)                  | (680)   |
| Share of foreign currency translation differences of equity accounted investments |       |          | (103)                  | 76  |
| For the period  |       |          | (103)                  | 122   |
| Reclassified to profit for the period   |       |          | —                      | (46)  |
| (Losses)/gains on effective cash flow hedge                                       |       |          | (11)                   | 24  |
| <b>Total comprehensive income for the year</b>                                    |       |          | <b>4 502</b>           | <b>4 271</b>                                    |
| <b>Profit attributable to:</b>  |       |          |                        |   |
| Owners of the parent  |       |          | 5 428                  | 4 844   |
| Non-controlling interest  |       |          | 7                      | 6   |
|   |       |          | <b>5 435</b>           | <b>4 850</b>                                    |
| <b>Total comprehensive income attributable to:</b>                                |       |          |                        |   |
| Owners of the parent  |       |          | 4 495                  | 4 265   |
| Non-controlling interest  |       |          | 7                      | 6   |
|   |       |          | <b>4 502</b>           | <b>4 271</b>                                    |
| Basic earnings per share (cents)  | 7     | 10.3     | 999.8                  | 906.0   |
| Diluted earnings per share (cents)  | 7     | 9.3      | 984.8                  | 901.3   |
| Basic headline earnings per share (cents)   | 7     | 13.1     | 1 023.2                | 905.0   |
| Diluted headline earnings per share (cents)                                       | 7     | 11.9     | 1 007.4                | 900.3   |

<sup>+</sup> The 2016 figures have been restated for the change in accounting treatment of advertising rebates. Refer to note 12 for more detail.

# Summary Consolidated Statement of Changes in Equity

Shoprite Holdings Ltd and its Subsidiaries for the year ended 2 July 2017

| Rm   | Total equity  | Non-controlling interest | Attributable to owners of the parent |               |               |                 |                | Retained earnings |
|--|---------------|--------------------------|--------------------------------------|---------------|---------------|-----------------|----------------|-------------------|
|  |               |                          | Total                                | Share capital | Share premium | Treasury shares | Other reserves |                   |
| <b>Balance at 28 June 2015</b>   |               |                          |                                      |               |               |                 |                |                   |
| As previously stated   | 19 160        | 68                       | 19 092                               | 650           | 4 029         | (759)           | 1 005          | 14 167            |
| Effect of adjusted treatment of advertising rebates (note 12)                                      | (267)         |                          | (267)                                |               |               |                 |                | (267)             |
| <b>As restated</b>   | <b>18 893</b> | <b>68</b>                | <b>18 825</b>                        | <b>650</b>    | <b>4 029</b>  | <b>(759)</b>    | <b>1 005</b>   | <b>13 900</b>     |
| Total comprehensive income   | 4 271         | 6                        | 4 265                                | —             | —             | —               | (580)          | 4 845             |
| Profit for the year – as restated  | 4 850         | 6                        | 4 844                                |               |               |                 |                | 4 844             |
| As previously stated   | 4 847         | 6                        | 4 841                                |               |               |                 |                | 4 841             |
| Effect of adjusted treatment of advertising rebates (note 12)                                      | 3             | —                        | 3                                    |               |               |                 |                | 3                 |
| Recognised in other comprehensive income   |               |                          |                                      |               |               |                 |                |                   |
| Re-measurements of post-employment medical benefit obligations                                     | 1             |                          | 1                                    |               |               |                 |                | 1                 |
| Foreign currency translation differences   | (604)         |                          | (604)                                |               |               |                 | (604)          |                   |
| Gains on effective cash flow hedge   | 33            |                          | 33                                   |               |               |                 | 33             |                   |
| Income tax effect of gains on effective cash flow hedge  | (9)           |                          | (9)                                  |               |               |                 | (9)            |                   |
| Share-based payments – value of employee services  | 140           |                          | 140                                  |               |               |                 | 140            |                   |
| Modification of cash bonus arrangement transferred from provisions                                 | 7             |                          | 7                                    |               |               |                 | 7              |                   |
| Purchase of treasury shares  | (28)          |                          | (28)                                 |               |               | (28)            |                |                   |
| Treasury shares disposed   | 9             |                          | 9                                    |               |               | 9               |                |                   |
| Realisation of share-based payment reserve   | —             |                          | —                                    |               |               | 18              | (18)           |                   |
| Dividends distributed to shareholders  | (2 153)       | (9)                      | (2 144)                              |               |               |                 |                | (2 144)           |
| <b>Balance at 3 July 2016</b>  | <b>21 139</b> | <b>65</b>                | <b>21 074</b>                        | <b>650</b>    | <b>4 029</b>  | <b>(760)</b>    | <b>554</b>     | <b>16 601</b>     |
| Total comprehensive income   | 4 502         | 7                        | 4 495                                | —             | —             | —               | (936)          | 5 431             |
| Profit for the year  | 5 435         | 7                        | 5 428                                |               |               |                 |                | 5 428             |
| Recognised in other comprehensive income   |               |                          |                                      |               |               |                 |                |                   |
| Re-measurements of post-employment medical benefit obligations                                     | 4             |                          | 4                                    |               |               |                 |                | 4                 |
| Income tax effect of re-measurements of post-employment medical benefit obligations                | (1)           |                          | (1)                                  |               |               |                 |                | (1)               |
| Foreign currency translation differences   | (925)         |                          | (925)                                |               |               |                 | (925)          |                   |
| Losses on effective cash flow hedge  | (15)          |                          | (15)                                 |               |               |                 | (15)           |                   |
| Income tax effect of losses on effective cash flow hedge   | 4             |                          | 4                                    |               |               |                 | 4              |                   |
| Share-based payments – value of employee services  | 139           |                          | 139                                  |               |               |                 | 139            |                   |
| Modification of cash bonus arrangement transferred from provisions                                 | 6             |                          | 6                                    |               |               |                 | 6              |                   |
| Purchase of treasury shares  | (59)          |                          | (59)                                 |               |               | (59)            |                |                   |
| Treasury shares disposed   | 2             |                          | 2                                    |               |               | 2               |                |                   |
| Realisation of share-based payment reserve   | —             |                          | —                                    |               |               | 371             | (371)          |                   |
| Ordinary shares issued on conversion of convertible bonds  | 4 587         |                          | 4 587                                | 31            | 4 556         |                 |                |                   |
| Equity component of convertible bonds converted during the period transferred to retained earnings | —             |                          | —                                    |               |               |                 | (361)          | 361               |
| Non-controlling interest on acquisition of subsidiary  | 2             | 2                        | —                                    |               |               |                 |                |                   |
| Non-controlling interest on disposal of subsidiary   | 27            | 27                       | —                                    |               |               |                 |                |                   |
| Dividends distributed to shareholders  | (2 596)       | (10)                     | (2 586)                              |               |               |                 |                | (2 586)           |
| <b>Balance at 2 July 2017</b>  | <b>27 749</b> | <b>91</b>                | <b>27 658</b>                        | <b>681</b>    | <b>8 585</b>  | <b>(446)</b>    | <b>(969)</b>   | <b>19 807</b>     |

# Summary Consolidated Statement of Cash Flows

Shoprite Holdings Ltd and its Subsidiaries for the year ended 2 July 2017

|  | Notes | 2017<br>Rm     | Restated<br>2016<br>Rm* |
|--|-------|----------------|-------------------------|
| <b>Cash flows from operating activities</b>  |       | <b>3 339</b>   | <b>1 443</b>            |
| Operating profit   |       | 7 725          | 7 224                   |
| Less: investment income  |       | (189)          | (111)                   |
| Non-cash items   | 9.1   | 3 089          | 2 681                   |
| Changes in working capital   | 9.2   | (2 278)        | (3 334)                 |
| Cash generated from operations   |       | 8 347          | 6 460                   |
| Interest received  |       | 399            | 258                     |
| Interest paid  |       | (416)          | (426)                   |
| Dividends received   |       | 16             | 27                      |
| Dividends paid   |       | (2 595)        | (2 152)                 |
| Income tax paid  |       | (2 412)        | (2 724)                 |
| <b>Cash flows utilised by investing activities</b>                                       |       | <b>(6 985)</b> | <b>(4 733)</b>          |
| Investment in property, plant and equipment and intangible assets to expand operations   |       | (3 836)        | (3 304)                 |
| Investment in property, plant and equipment and intangible assets to maintain operations |       | (1 331)        | (1 448)                 |
| Proceeds on disposal of property, plant and equipment and intangible assets              |       | 40             | 85                      |
| Payments for held-to-maturity investments  |       | (1 370)        | —                       |
| Amounts paid to Resilient Africa (Pty) Ltd   |       | (612)          | (208)                   |
| Amounts received from Resilient Africa (Pty) Ltd   |       | 136            | —                       |
| Other investing activities   |       | (2)            | (55)                    |
| Proceeds on disposal of investment in associate  |       | —              | 197                     |
| Cash outflow on disposal of investment in subsidiary                                     |       | (9)            | —                       |
| Acquisition of subsidiary  |       | (1)            | —                       |
| <b>Cash flows from financing activities</b>  |       | <b>2 826</b>   | <b>10</b>               |
| Purchase of treasury shares  |       | (59)           | (28)                    |
| Proceeds from treasury shares disposed   |       | 4              | 9                       |
| Redemption of Shoprite Holdings Ltd preference share capital                             |       | —              | (2)                     |
| Convertible bonds settled at maturity date   |       | (108)          | —                       |
| Increase in borrowing from ABSA Bank Ltd   |       | 1 361          | —                       |
| Increase in borrowing from Barclays Bank Mauritius Ltd                                   |       | 1 224          | —                       |
| Increase in borrowing from Standard Chartered Bank (Mauritius) Ltd                       |       | 476            | 216                     |
| Repayment of borrowing from Standard Bank de Angola, S.A.                                |       | (111)          | (201)                   |
| Increase in other borrowings   |       | 39             | 16                      |
| <b>Net movement in cash and cash equivalents</b>   |       | <b>(820)</b>   | <b>(3 280)</b>          |
| Cash and cash equivalents at the beginning of the year                                   |       | 3 819          | 7 058                   |
| Effect of exchange rate movements on cash and cash equivalents                           |       | (290)          | 41                      |
| <b>Cash and cash equivalents at the end of the year</b>                                  |       | <b>2 709</b>   | <b>3 819</b>            |
| Consisting of:   |       |                |                         |
| Cash and cash equivalents  |       | 7 767          | 6 784                   |
| Bank overdrafts  |       | (5 058)        | (2 965)                 |
|  |       | <b>2 709</b>   | <b>3 819</b>            |

\* The 2016 figures have been restated for the change in accounting treatment of advertising rebates. Refer to note 12 for more detail.

# Selected Explanatory Notes to the Summary Consolidated Financial Statements

Shoprite Holdings Ltd and its Subsidiaries for the year ended 2 July 2017

## 1 Basis of preparation and accounting policies

The Group reports on the retail calendar of trading weeks which treats each financial year as an exact 52-week period, incorporating trade from Monday to Sunday each week. This treatment effectively results in the loss of a day (or two in a leap year) per calendar year. These days are brought to account approximately every six years by including a 53rd week. Accordingly the results for the financial year under review are for a 52-week period, ended 2 July 2017, compared to 53 weeks in the previous financial year.

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

The accounting policies applied in the preparation of the consolidated annual financial statements from which the summary consolidated financial statements were derived are in terms of International Financial Reporting Standards and are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements, except as set out below. Various new and revised accounting standards became effective during the year, but their implementation had no significant impact on the results of either the current or the previous year.

### Held-to-maturity investments

During the reporting period, the Group acquired AOA, USD Index Linked, Angola Government Bonds which are classified as held-to-maturity investments. The Group classifies investments as held-to-maturity if they are non-derivative financial assets with fixed or determinable payments and fixed maturities and the Group intends to, and is able to, hold them to maturity.

Held-to-maturity financial assets are recognised initially at fair value plus directly attributable transaction costs. Subsequent to initial recognition, held-to-maturity financial assets are measured at amortised cost, using the effective interest rate method. These financial assets are included under non-current assets unless it matures within 12 months after statement of financial position date. Interest on held-to-maturity financial assets is recognised in the statement of comprehensive income as part of other operating income.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the held-to-maturity investments' carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate applicable to the relevant held-to-maturity investments. The carrying amount will be reduced and the loss recognised in the statement of comprehensive income.

### Restatement

During the reporting period, the Group reconsidered its accounting policy with respect to the treatment of advertising rebates. The Group previously incorrectly reflected these rebates, net of advertising expenses, as part of other operating income. The correction to the accounting policy is effective for the year ended 2 July 2017 and has been applied retrospectively. This has therefore resulted in a restatement of the comparative 2016 figures on the statement of financial position and statement of comprehensive income. Refer to note 12 for further information and a summary of the effect of this restatement.

## 2 Operating segment information

### 2.1 Analysis per reportable segment

|  | 2017                      |                               |                 |                                   |                    |
|--|---------------------------|-------------------------------|-----------------|-----------------------------------|--------------------|
|  | Supermarkets<br>RSA<br>Rm | Supermarkets<br>Non-RSA<br>Rm | Furniture<br>Rm | Other operating<br>segments<br>Rm | Consolidated<br>Rm |
| Sale of merchandise                        |                           |                               |                 |                                   |                    |
| External                                   | 101 734                   | 24 840                        | 5 432           | 8 994                             | 141 000            |
| Inter-segment                              | 5 267                     | 27                            | —               | 6                                 | 5 300              |
|  | 107 001                   | 24 867                        | 5 432           | 9 000                             | 146 300            |
| Trading profit                             | 6 424                     | 1 407                         | 123             | 173                               | 8 127              |
| Interest income included in trading profit | 70                        | 78                            | 314             | 36                                | 498                |
| Depreciation and amortisation*             | 1 884                     | 421                           | 108             | 44                                | 2 457              |
| Total assets                               | 32 535                    | 16 407                        | 4 180           | 2 601                             | 55 723             |

|  | Restated 2016*            |                               |                 |                                   |                    |
|--|---------------------------|-------------------------------|-----------------|-----------------------------------|--------------------|
|  | Supermarkets<br>RSA<br>Rm | Supermarkets<br>Non-RSA<br>Rm | Furniture<br>Rm | Other operating<br>segments<br>Rm | Consolidated<br>Rm |
| Sale of merchandise                        |                           |                               |                 |                                   |                    |
| External                                   | 94 167                    | 22 246                        | 5 207           | 8 408                             | 130 028            |
| Inter-segment                              | 3 936                     | 17                            | —               | 28                                | 3 981              |
|  | 98 103                    | 22 263                        | 5 207           | 8 436                             | 134 009            |
| Trading profit                             | 5 828                     | 1 227                         | 91              | 135                               | 7 281              |
| Interest income included in trading profit | 62                        | 5                             | 316             | 28                                | 411                |
| Depreciation and amortisation*             | 1 737                     | 413                           | 96              | 42                                | 2 288              |
| Total assets                               | 29 985                    | 11 489                        | 3 965           | 2 562                             | 48 001             |

### 2.2 Geographical analysis

|                                | 2017               |                               |                    |
|--------------------------------|--------------------|-------------------------------|--------------------|
|                                | South Africa<br>Rm | Outside<br>South Africa<br>Rm | Consolidated<br>Rm |
| Sale of merchandise – external | 113 660            | 27 340                        | 141 000            |
| Non-current assets**           | 16 101             | 5 164                         | 21 265             |

|                                | Restated 2016**    |                               |                    |
|--------------------------------|--------------------|-------------------------------|--------------------|
|                                | South Africa<br>Rm | Outside<br>South Africa<br>Rm | Consolidated<br>Rm |
| Sale of merchandise – external | 105 603            | 24 425                        | 130 028            |
| Non-current assets**           | 14 274             | 4 967                         | 19 241             |

\* The 2016 figures have been restated for the change in accounting treatment of advertising rebates. Refer to note 12 for more detail.

\*\* The 2016 figures have been restated for the reclassification of prepaid land leases from current to non-current assets. Refer to note 13 for more detail.

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

\*\* Non-current assets consist of property, plant and equipment, intangible assets and non-financial trade and other receivables.

# Selected Explanatory Notes to the Summary Consolidated Financial Statements (continued)

Shoprite Holdings Ltd and its Subsidiaries for the year ended 2 July 2017

|  | 2017<br>Rm | 2016<br>Rm |
|--|------------|------------|
| <b>3 Held-to-maturity investments</b>          |            |            |
| AOA, USD Index Linked, Angola Government Bonds | 1 311      | —          |

The AOA, USD Index Linked, Angola Government Bonds earn interest at an average rate of 7.0% p.a. and are repayable within 36 months. Accrued interest is payable bi-annually. These bonds are denominated in Angola kwanza and no allowance for impairment has been made. The maximum exposure to credit risk at the reporting date is the carrying value. The Group does not hold any collateral as security.

## 4 Share capital and treasury shares

### 4.1 Ordinary share capital

Authorised:

650 000 000 (2016: 650 000 000) ordinary shares of 113.4 cents each

Issued:

600 021 829 (2016: 572 871 960) ordinary shares of 113.4 cents each

681

650

Reconciliation of movement in number of ordinary shares issued:

|                                      | Number of shares |             |
|--------------------------------------|------------------|-------------|
|                                      | 2017             | 2016        |
| Balance at the beginning of the year | 572 871 960      | 572 871 960 |
| Shares issued during the year        | 27 149 869       | —           |
| Balance at the end of the year       | 600 021 829      | 572 871 960 |

Treasury shares held by Shoprite Checkers (Pty) Ltd are netted off against share capital on consolidation.

The net number of ordinary shares in issue for the Group are:

|                               | Number of shares |              |
|-------------------------------|------------------|--------------|
|                               | 2017             | 2016         |
| Issued ordinary share capital | 600 021 829      | 572 871 960  |
| Treasury shares (note 4.3)    | (36 166 544)     | (38 246 183) |
|                               | 563 855 285      | 534 625 777  |

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

All shares are fully paid up.

|   | 2017<br>Rm       | 2016<br>Rm  |
|---|------------------|-------------|
| <b>4.2 Deferred share capital</b>   |                  |             |
| Authorised:   |                  |             |
| 360 000 000 (2016: 360 000 000) non-convertible, non-participating no par value deferred shares   |                  |             |
| Issued:   |                  |             |
| 305 621 601 (2016: 291 792 794) non-convertible, non-participating no par value deferred shares   | —                | —           |
| Reconciliation of movement in number of deferred shares issued:   |                  |             |
|   | Number of shares |             |
|   | 2017             | 2016        |
| Balance at the beginning of the year  | 291 792 794      | 291 792 794 |
| Shares issued during the year   | 13 828 807       | —           |
| Balance at the end of the year  | 305 621 601      | 291 792 794 |
| The unissued deferred shares are not under the control of the directors, and can only be issued under predetermined circumstances as set out in the Memorandum of Incorporation of Shoprite Holdings Ltd. |                  |             |
| All shares are fully paid up and carry the same voting rights as the ordinary shares.   |                  |             |
|   | 681              | 650         |
| <b>4.3 Treasury shares</b>  |                  |             |
| 36 166 544 (2016: 38 246 183) ordinary shares   | 446              | 760         |
| Reconciliation of movement in number of treasury shares for the Group:  |                  |             |
|   | Number of shares |             |
|   | 2017             | 2016        |
| Balance at the beginning of the year  | 38 246 183       | 38 221 703  |
| Shares purchased during the year  | 300 439          | 194 916     |
| Shares disposed during the year   | (19 259)         | (57 503)    |
| Shares utilised for settlement of equity-settled share-based payment arrangements   | (2 360 819)      | (112 933)   |
| Balance at the end of the year  | 36 166 544       | 38 246 183  |
| Consisting of:  |                  |             |
| Shares owned by Shoprite Checkers (Pty) Ltd   | 35 436 572       | 35 436 572  |
| Shares held by Shoprite Checkers (Pty) Ltd for the benefit of participants to equity-settled share-based payment arrangements   | 729 972          | 2 809 611   |
|   | 36 166 544       | 38 246 183  |

# Selected Explanatory Notes to the Summary Consolidated Financial Statements (continued)

Shoprite Holdings Ltd and its Subsidiaries for the year ended 2 July 2017

|  | 2017<br>Rm   | 2016<br>Rm   |
|--|--------------|--------------|
| <b>5 Borrowings</b>                                |              |              |
| Consisting of:                                     |              |              |
| Convertible bonds (note 5.1)                       | —            | 4 655        |
| ABSA Bank Ltd (note 5.2)                           | 1 304        | —            |
| Barclays Bank Mauritius Ltd (note 5.3)             | 1 173        | —            |
| Standard Chartered Bank (Mauritius) Ltd (note 5.4) | 652          | 222          |
| Standard Bank de Angola, S.A.                      | —            | 121          |
| First National Bank of Namibia Ltd                 | 134          | 105          |
| The Standard Bank of South Africa Ltd              | 11           | —            |
| Other borrowings                                   | —            | 21           |
|  | <b>3 274</b> | <b>5 124</b> |

## 5.1 Convertible bonds

The Group has issued 6.5% convertible bonds for a principal amount of R4.7 billion (2016: R4.7 billion). The bonds matured on 3 April 2017 at their nominal value. Bondholders had the option to convert their convertible bonds at the maturity date at the rate of 5 919.26 shares per R1 million. The values of the liability component and the equity conversion component were determined at issuance of the bonds.

The fair value of the liability component was calculated using a market interest rate for an equivalent non-convertible bond at initial recognition. The residual amount, representing the value of the equity conversion option, was initially included in shareholders' equity in other reserves, net of income taxes, and transferred to retained earnings upon conversion and redemption.

The convertible bonds recognised in the statement of financial position is calculated as follows:

|   |         |       |
|---|---------|-------|
| Liability component at the beginning of the year          | 4 655   | 4 511 |
| Ordinary shares issued on conversion of convertible bonds | (4 587) | —     |
| Convertible bonds settled at maturity date                | (108)   | —     |
| Interest expense  | 187     | 449   |
| Interest paid   | (147)   | (305) |
| Liability component at the end of the year                | —       | 4 655 |

## 5.2 ABSA Bank Ltd

This loan is denominated in US dollar, unsecured, payable within 12 months and bears interest at an average of 1.82% (2016: N/A) p.a.

## 5.3 Barclays Bank Mauritius Ltd

This loan is denominated in US dollar, unsecured, payable within 12 months and bears interest at an average of 2.16% (2016: N/A) p.a.

## 5.4 Standard Chartered Bank (Mauritius) Ltd

This loan is denominated in US dollar, unsecured, payable within 12 months and bears interest at an average of 2.47% (2016: 2.65%) p.a.

## 6 Fair value disclosures

The fair value of Angola Government Bonds included in held-to-maturity investments amounted to R1.3 billion (2016: N/A) at the statement of financial position date. The fair value is calculated using cash flows discounted at a rate based on the borrowings rate of 7.0% (2016: N/A) and is within level 2 of the fair value hierarchy.

The fair value of US dollar denominated amounts owing by Resilient Africa (Pty) Ltd included in loans and receivables amounted to R586 million (2016: N/A) at the statement of financial position date. The fair value is calculated using cash flows discounted at a rate based on the borrowings rate of 3.0% (2016: N/A) and is within level 2 of the fair value hierarchy.

The fair value of amounts owing by employees included in loans and receivables amounted to R102 million (2016: R217 million) at the statement of financial position date. The fair value is calculated using cash flows discounted at a rate based on the borrowings rate of 10.5% (2016: 10.5%) and is within level 2 of the fair value hierarchy.

The fair value of the liability component of the convertible bonds amounted to R4.7 billion at the previous statement of financial position date. The fair value was calculated using cash flows discounted at a rate based on the borrowings rate of 9.5% and was within level 2 of the fair value hierarchy.

The book value of all other financial assets and liabilities approximate the fair values thereof.

## 7 Earnings per share

|  | 2017<br>Rm   | Restated<br>2016<br>Rm <sup>+</sup> |
|--|--------------|-------------------------------------|
| Profit attributable to owners of the parent  | 5 428        | 4 844                               |
| Re-measurements  | 167          | 13                                  |
| Profit on disposal and scrapping of property   | —            | (1)                                 |
| Loss on disposal and scrapping of plant and equipment and intangible assets            | 79           | 59                                  |
| Impairment/(reversal of impairment) of property, plant and equipment                   | 19           | (16)                                |
| Impairment of intangible assets  | 70           | 66                                  |
| Insurance claims receivable  | (5)          | (25)                                |
| Profit on disposal of investment in associate  | —            | (71)                                |
| Loss/(profit) on other investing activities  | 3            | (1)                                 |
| Re-measurements included in share of profit/loss of equity-accounted investments       | 1            | 2                                   |
| Income tax effect on re-measurements   | (41)         | (19)                                |
| <b>Headline earnings</b>   | <b>5 554</b> | <b>4 838</b>                        |
| Profit attributable to owners of the parent:   |              |                                     |
| Used in calculating basic earnings per share   | 5 428        | 4 844                               |
| Add: Interest savings on convertible bonds   | 135          | —                                   |
| Used in calculating diluted earnings per share   | 5 563        | 4 844                               |
| Headline earnings  | 5 554        | 4 838                               |
| Add: Interest savings on convertible bonds   | 135          | —                                   |
| Used in calculating diluted headline earnings per share                                | 5 689        | 4 838                               |
| Number of ordinary shares  | '000         |                                     |
| – In issue   | 563 855      | 534 626                             |
| – Weighted average   | 542 927      | 534 636                             |
| – Weighted average adjusted for dilution   | 564 814      | 537 423                             |
| Reconciliation of weighted average number of ordinary shares in issue during the year: |              |                                     |
| Weighted average number of ordinary shares   | 542 927      | 534 636                             |
| Adjustments for dilutive potential of full share grants and convertible bonds          | 21 887       | 2 787                               |
| Weighted average number of ordinary shares for diluted earnings per share              | 564 814      | 537 423                             |
| Earnings per share   | Cents        |                                     |
| – Basic earnings   | 999.8        | 906.0                               |
| – Diluted earnings   | 984.8        | 901.3                               |
| – Basic headline earnings  | 1 023.2      | 905.0                               |
| – Diluted headline earnings  | 1 007.4      | 900.3                               |

\* The 2016 figures have been restated for the change in accounting treatment of advertising rebates. Refer to note 12 for more detail.

# Selected Explanatory Notes to the Summary Consolidated Financial Statements (continued)

Shoprite Holdings Ltd and its Subsidiaries for the year ended 2 July 2017

|  | 2017  | 2016  |
|--|-------|-------|
| <b>8 Dividends per share</b>   | Cents |       |
| <b>8.1 Dividends per share paid</b>                                    |       |       |
| No 135 paid 12 September 2016 (2016: No 133 paid 14 September 2015)    | 296.0 | 243.0 |
| No 136 paid 20 March 2017 (2016: No 134 paid 22 March 2016)            | 180.0 | 156.0 |
|  | 476.0 | 399.0 |
| <b>8.2 Dividends per share declared</b>                                |       |       |
| No 137 payable 11 September 2017 (2016: No 135 paid 12 September 2016) | 324.0 | 296.0 |

|   | Rm      | Restated<br>Rm <sup>+</sup> |
|---|---------|-----------------------------|
| <b>9 Cash flow information</b>  |         |                             |
| <b>9.1 Non-cash items</b>   |         |                             |
| Depreciation of property, plant and equipment                               | 2 146   | 1 993                       |
| Amortisation of intangible assets   | 311     | 295                         |
| Net fair value (gains)/losses on financial instruments                      | (33)    | 30                          |
| Exchange rate losses  | 236     | 46                          |
| Profit on disposal and scrapping of property                                | —       | (1)                         |
| Loss on disposal and scrapping of plant and equipment and intangible assets | 79      | 59                          |
| Impairment/(reversal of impairment) of property, plant and equipment        | 19      | (16)                        |
| Impairment of intangible assets   | 70      | 66                          |
| Profit on disposal of investment in associate                               | —       | (71)                        |
| Movement in provisions  | (52)    | 5                           |
| Movement in cash-settled share-based payment accrual                        | 11      | (10)                        |
| Movement in share-based payment reserve                                     | 139     | 140                         |
| Movement in fixed escalation operating lease accruals                       | 163     | 145                         |
|   | 3 089   | 2 681                       |
| <b>9.2 Changes in working capital</b>                                       |         |                             |
| Inventories   | (3 237) | (1 998)                     |
| Trade and other receivables   | (164)   | (588)                       |
| Trade and other payables  | 1 123   | (748)                       |
|   | (2 278) | (3 334)                     |

<sup>+</sup> The 2016 figures have been restated for the change in accounting treatment of advertising rebates. Refer to note 12 for more detail.

## 10 Related party information

During the year under review, in the ordinary course of business, certain companies within the Group entered into transactions with each other. All these intergroup transactions are similar to those in the prior year and have been eliminated in the annual financial statements on consolidation. Related party transactions also include key management personnel compensation, loans to directors and loans to associates and joint ventures. For further information, refer to the audited annual financial statements.

In terms of an employment agreement, Dr Basson is entitled to put all Shoprite Holdings Ltd shares directly or indirectly held by him against the Company whilst still in the employment of the Company. The specific repurchase will be subject to the provisions of the Memorandum of Incorporation of the Company, the Companies Act, No. 71 of 2008 (as amended) and the JSE Limited Listings Requirements, where applicable. Dr Basson formally notified the Company of the exercising of the put option on 2 May 2017 whereby a specific repurchase of 8 683 327 Shoprite Holdings Ltd shares was proposed at R211.01 per share. Subsequently the purchase price of each Put Option share was reduced to R201.07, being the 30-day VWAP of the ordinary shares up to and including 2 May 2017. The general shareholders meeting, where shareholders are required to approve this transaction, will be held on 5 September 2017.

## 11 Supplementary information

|                                   |       |       |
|-----------------------------------|-------|-------|
| Contracted capital commitments    | 1 807 | 1 682 |
| Contingent liabilities            | 85    | 146   |
| Net asset value per share (cents) | 4 905 | 3 942 |

<sup>+</sup> The 2016 figures have been restated for the change in accounting treatment of advertising rebates. Refer to note 12 for more detail.

## 12 Restatement

During the year, the Group reconsidered its accounting policy with respect to the treatment of advertising rebates. Although nothing has changed in “IAS 2 Inventories”, “IFRS 15: Revenue from contracts with customers” has provided a principle that management believes can be applied when determining which rebates should be deducted in determining the costs of purchase in accordance with paragraph 11 of IAS 2. IFRS 15 provides more clarity on how the supplier should treat the payment of rebates to its customers: “An entity shall account for consideration payable to a customer as a reduction of the transaction price and, therefore, of revenue unless the payment to the customer is in exchange for a distinct good or service that the customer transfers to the entity.”

As a result of reconsidering the accounting policy, the Group concluded that it previously incorrectly classified these rebates, net of advertising expenses, with its other operating income in the statement of comprehensive income. It was concluded that the Group’s inventory accounting policy should be changed in accordance with “IAS 8: Accounting policies, changes in accounting estimates and errors”.

In terms of IAS 2 paragraph 11, the Group now considers whether the good/service provided to the supplier in exchange for the advertising rebates is distinct from the purchase of the goods/services from the supplier. The Group’s advertising rebates result from the process of negotiating the best product price with the supplier and therefore the Group does not provide distinct goods or services to its suppliers in exchange for the rebates.

The correction to the accounting policy is effective for the year ended 2 July 2017 and has been applied retrospectively. This has therefore resulted in a restatement of the comparative 2016 and 2015 figures on the statement of financial position. The aggregate effect of the restatement for these periods is as follows:

|  | 2016                   |                     |             | 2015                   |                     |             |
|--|------------------------|---------------------|-------------|------------------------|---------------------|-------------|
|  | Previously reported Rm | Effect of change Rm | Restated Rm | Previously reported Rm | Effect of change Rm | Restated Rm |

### 12.1 Impact on statement of financial position

|                                     |               |              |               |               |              |               |
|-------------------------------------|---------------|--------------|---------------|---------------|--------------|---------------|
| Deferred income tax assets          | 599           | 99           | 698           | 469           | 100          | 569           |
| Inventories                         | 15 420        | (365)        | 15 055        | 13 689        | (368)        | 13 321        |
| <b>Total assets</b>                 | <b>48 267</b> | <b>(266)</b> | <b>48 001</b> | <b>43 920</b> | <b>(268)</b> | <b>43 652</b> |
| Reserves                            | 17 419        | (264)        | 17 155        | 15 172        | (267)        | 14 905        |
| Deferred income tax liabilities     | 130           | (2)          | 128           | 188           | (1)          | 187           |
| <b>Total equity and liabilities</b> | <b>48 267</b> | <b>(266)</b> | <b>48 001</b> | <b>43 920</b> | <b>(268)</b> | <b>43 652</b> |

|  | 2016                   |                     |             |
|--|------------------------|---------------------|-------------|
|  | Previously reported Rm | Effect of change Rm | Restated Rm |

### 12.2 Impact on statement of comprehensive income

|  |               |              |               |
|--|---------------|--------------|---------------|
| Cost of sales                                  | (102 792)     | 3 420        | (99 372)      |
| <b>Gross profit</b>                            | <b>27 236</b> | <b>3 420</b> | <b>30 656</b> |
| Other operating income                         | 3 711         | (1 267)      | 2 444         |
| Other operating expenses                       | (8 659)       | (2 150)      | (10 809)      |
| <b>Trading profit</b>                          | <b>7 278</b>  | <b>3</b>     | <b>7 281</b>  |
| <b>Profit for the year</b>                     | <b>4 847</b>  | <b>3</b>     | <b>4 850</b>  |
| <b>Total comprehensive income for the year</b> | <b>4 268</b>  | <b>3</b>     | <b>4 271</b>  |
| Basic earnings per share (cents)               | 905.4         | 0.6          | 906.0         |
| Diluted earnings per share (cents)             | 900.7         | 0.6          | 901.3         |
| Basic headline earnings per share (cents)      | 904.4         | 0.6          | 905.0         |
| Diluted headline earnings per share (cents)    | 899.7         | 0.6          | 900.3         |

### 12.3 Impact on statement of cash flows

|  |                |          |                |
|--|----------------|----------|----------------|
| Operating profit                                 | 7 221          | 3        | 7 224          |
| Changes in working capital                       | (3 331)        | (3)      | (3 334)        |
| <b>Net movement in cash and cash equivalents</b> | <b>(3 280)</b> | <b>—</b> | <b>(3 280)</b> |

# Selected Explanatory Notes to the Summary Consolidated Financial Statements (continued)

Shoprite Holdings Ltd and its Subsidiaries for the year ended 2 July 2017

## 13 Reclassification of disclosure items

Certain reclassifications of statement of financial position items in the current year resulted in changes to the relevant comparative information to ensure accurate comparability with the current year information. The affected line items are detailed below.

Reclassification of fixed escalation operating lease accruals to trade and other receivables and reclassification of prepaid land leases from current trade and other receivables to non-current. These reclassifications ensured that all operating lease receivables are classified together and that current and non-current trade and other receivables are reflected appropriately.

|   | 2016<br>Rm | 2015<br>Rm |
|---|------------|------------|
| Decrease in fixed escalation operating lease accruals | 28         | 9          |
| Increase in trade and other receivables               | 476        | 460        |
| Increase in non-current assets                        | 448        | 451        |
| Decrease in trade and other receivables               | 448        | 451        |
| Decrease in current assets                            | 448        | 451        |
| <b>Total assets</b>                                   | <b>—</b>   | <b>—</b>   |

# Annexure A – Interests in Subsidiaries

Shoprite Holdings Ltd and its Subsidiaries as at 2 July 2017

|                                       | Country of incorporation and place of business | Issued ordinary and preference share capital and premium Rm | Percentage shares held by Group % | Investment in shares |              | Amount owing by |              |
|---------------------------------------|--|---|-----------------------------------|----------------------|--------------|-----------------|--------------|
|                                       |  |   |                                   | 2017                 | 2016         | 2017            | 2016         |
|                                       |  |   |                                   | Rm                   | Rm           | Rm              | Rm           |
| <b>Direct subsidiaries</b>            |  |   |                                   |                      |              |                 |              |
| Shoprite Checkers (Pty) Ltd           | South Africa                                   | 1 129   | 100                               | 174                  | 174          | 1 748           | 1 847        |
| Shoprite Investments Ltd              | South Africa                                   | 400   | 100                               | 400                  | 100          | 3 819           | —            |
| Shoprite International Ltd            | Mauritius                                      | 7 314   | 100                               | 7 315                | 5 612        | 9               | 5            |
| Shoprite Insurance Company Ltd        | South Africa                                   | 20  | 100                               | 20                   | 20           | —               | —            |
|                                       |  |   |                                   | <b>7 909</b>         | <b>5 906</b> | <b>5 576</b>    | <b>1 852</b> |
| <b>Indirect subsidiaries</b>          |  |   |                                   |                      |              |                 |              |
| Africa Supermarkets Ltd               | Zambia*  | 229   | 100                               |                      |              |                 |              |
| Checkers Chatsworth Ltd**             | South Africa                                   | 2   | 48                                |                      |              |                 |              |
| Computicket (Pty) Ltd                 | South Africa                                   | 69  | 100                               |                      |              |                 |              |
| Medirite (Pty) Ltd                    | South Africa                                   | 500   | 100                               |                      |              |                 |              |
| Megasave Trading (Pvt) Ltd            | India*   | 118   | 100                               |                      |              |                 |              |
| Mercado Fresco de Angola Lda          | Angola*  | —   | 100                               |                      |              |                 |              |
| OK Bazaars (Lesotho) (Pty) Ltd**      | Lesotho*                                       | —   | 50                                |                      |              |                 |              |
| OK Bazaars (Namibia) Ltd              | Namibia*                                       | 1   | 100                               |                      |              |                 |              |
| OK Bazaars (Swaziland) (Pty) Ltd      | Swaziland*                                     | —   | 100                               |                      |              |                 |              |
| OK Bazaars (Venda) Ltd**              | South Africa                                   | 2   | 50                                |                      |              |                 |              |
| Shoprite Mozambique Lda               | Mozambique*                                    | 56  | 100                               |                      |              |                 |              |
| Retail Holdings Botswana (Pty) Ltd    | Botswana*                                      | 165   | 100                               |                      |              |                 |              |
| Retail Supermarkets Nigeria Ltd       | Nigeria*                                       | 883   | 100                               |                      |              |                 |              |
| Sentra Namibia Ltd                    | Namibia*                                       | 6   | 100                               |                      |              |                 |              |
| Shophold (Mauritius) Ltd              | Mauritius*                                     | 189   | 100                               |                      |              |                 |              |
| Shoprite (Mauritius) Ltd              | Mauritius*                                     | 266   | 100                               |                      |              |                 |              |
| Shoprite Angola Imobiliaria Lda       | Angola*  | 569   | 100                               |                      |              |                 |              |
| Shoprite Checkers Uganda Ltd          | Uganda*  | 148   | 100                               |                      |              |                 |              |
| Shoprite Egypt for Internal Trade SAE | Egypt*   | 42  | 100                               |                      |              |                 |              |
| Shoprite Ghana (Pty) Ltd              | Ghana*   | 108   | 100                               |                      |              |                 |              |
| Shoprite Lesotho (Pty) Ltd            | Lesotho*                                       | —   | 100                               |                      |              |                 |              |
| Shoprite Madagascar S.A.              | Madagascar*                                    | 191   | 100                               |                      |              |                 |              |
| Shoprite Namibia (Pty) Ltd            | Namibia*                                       | —   | 100                               |                      |              |                 |              |
| Shoprite RDC SPRL                     | DRC*   | 82  | 100                               |                      |              |                 |              |
| Shoprite Supermercados Lda            | Angola*  | 105   | 100                               |                      |              |                 |              |
| Shoprite Trading Ltd                  | Malawi*  | 127   | 100                               |                      |              |                 |              |

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

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

## Significant restrictions

Local currency cash and short-term deposits of R2.3 billion (2016: R1.3 billion) are held in Angola and Nigeria (2016: Angola and Nigeria) and are subject to onerous local exchange control regulations. These local exchange control regulations provide for restrictions on exporting capital from the country, other than through normal dividends.

## Note

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

# Pro Forma Financial Information

Shoprite Holdings Ltd and its Subsidiaries for the year ended 2 July 2017

Certain financial information presented in the Integrated Report constitutes pro forma financial information. The pro forma financial information is the responsibility of the board of directors of the Company and is presented for illustrative purposes only. Because of its nature, the pro forma financial information may not fairly present the Group's financial position, changes in equity, results of operations or cash flows.

An assurance report (in terms of ISAE 3420: Assurance Engagements to Report on the Compilation of Pro Forma Financial Information) has been issued by the Group's auditors in respect of the pro forma financial information included in this Integrated Report. The assurance report is presented on page 100 of the Integrated Report.

## Impact of the Group's pro forma constant currency disclosure

The Group discloses unaudited constant currency information in order to indicate the Group's underlying Non-RSA businesses performance in terms of sales growth, excluding the effect of foreign currency fluctuations. To present this information, current period turnover for entities reporting in currencies other than ZAR are converted from local currency actuals into ZAR at the prior year's actual average exchange rates on a country-by-country basis.

The table below sets out the percentage change in turnover, based on the actual results for the financial year, in reported currency and constant currency for the following major currencies. The total impact on Supermarkets Non-RSA is also reflected after consolidating all currencies in this segment.

|                            | Reported Currency                    |                                      | Constant Currency                    |                                      |
|----------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
|                            | % Change on prior period<br>53 weeks | % Change on prior period<br>52 weeks | % Change on prior period<br>53 weeks | % Change on prior period<br>52 weeks |
| Angola kwanza              | 47.4                                 | 49.2                                 | 78.6                                 | 80.9                                 |
| Nigeria naira              | (8.2)                                | (7.0)                                | 48.2                                 | 50.2                                 |
| Zambia kwacha              | (1.0)                                | 1.0                                  | (1.3)                                | 0.7                                  |
| Mozambique metical         | (18.4)                               | (16.9)                               | 20.1                                 | 22.3                                 |
| Total Supermarkets Non-RSA | 11.7                                 | 13.5                                 | 31.6                                 | 33.8                                 |

## Impact of the previous year's extra week on 2017 year-end financial reporting

The Group reports on the retail calendar of trading weeks which results in the inclusion of a 53rd week approximately every six years, as pointed out in the basis of preparation and accounting policies to the summary consolidated financial statements.

The results for the financial year under review are for a 52-week period, ended 2 July 2017, compared to 53 weeks in the previous financial year. It is therefore useful and good governance to report pro forma information for a 52-week 2016 comparative period, so as to facilitate comparisons against the prior and current period results.

The unaudited pro forma 52-week information for the previous financial year has been prepared for illustrative purposes only, to indicate how such information compares to the actual audited results of the Group for the 52-week period ended 2 July 2017.

The estimated financial impact of the extra week in the prior period is shown below:

|  | Change on<br>prior period<br>53 weeks<br>% | Change on<br>prior period<br>52 weeks<br>% | 52 weeks to<br>2 July 2017<br>Audited<br>Rm | 53 weeks to<br>3 July 2016<br>Audited<br>Rm | Extra week<br>adjustment<br>Rm | 52 weeks to<br>3 July 2016<br>Pro forma<br>Rm |
|--|--|--|---|---|--------------------------------|---|
| <b>Sale of merchandise</b>                       |  |  |   |   |                                |   |
| Total  | 8.4  | 10.6                                       | 141 000                                     | 130 028                                     | (2 591)                        | 127 437                                       |
| References were made to the following subtotals: |  |  |   |   |                                |   |
| Supermarkets RSA                                 | 8.0  | 10.5                                       | 101 734                                     | 94 167                                      | (2 073)                        | 92 094  |
| Checkers RSA                                     | 8.5  | 10.8                                       | 38 594                                      | 35 557                                      | (711)                          | 34 846  |
| Shoprite RSA                                     | 6.0  | 8.6  | 51 992                                      | 49 027                                      | (1 160)                        | 47 867  |
| Usave RSA  | 7.8  | 10.4                                       | 5 919                                       | 5 489                                       | (128)                          | 5 361   |
| LiquorShop RSA                                   | 20.4                                       | 22.7                                       | 4 838                                       | 4 018                                       | (75)                           | 3 943   |
| Supermarkets Non-RSA                             | 11.7                                       | 13.5                                       | 24 840                                      | 22 246                                      | (369)                          | 21 877  |
| Furniture  | 4.3  | 6.2  | 5 432                                       | 5 207                                       | (93)                           | 5 113   |
| <b>Cost of sales</b>                             | <b>7.9</b>                                 | <b>10.2</b>                                | <b>(107 174)</b>                            | <b>(99 372)</b>                             | <b>2 139</b>                   | <b>(97 233)</b>                               |
| <b>Gross profit</b>                              | <b>10.3</b>                                | <b>12.0</b>                                | <b>33 826</b>                               | <b>30 656</b>                               | <b>(452)</b>                   | <b>30 204</b>                                 |
| Other income and expenses                        | 9.9  | 10.9                                       | (25 699)                                    | (23 375)                                    | 198                            | (23 177)                                      |
| <b>Trading profit</b>                            |  |  |   |   |                                |   |
| Total  | 11.6                                       | 15.7                                       | 8 127                                       | 7 281                                       | (254)                          | 7 027   |
| References were made to the following subtotals: |  |  |   |   |                                |   |
| Supermarkets RSA                                 | 10.2                                       | 14.1                                       | 6 424                                       | 5 828                                       | (197)                          | 5 631   |
| Supermarkets Non-RSA                             | 14.7                                       | 18.9                                       | 1 407                                       | 1 227                                       | (44)                           | 1 183   |
| <b>Profit before income tax</b>                  | <b>11.2</b>                                | <b>15.4</b>                                | <b>7 615</b>                                | <b>6 848</b>                                | <b>(249)</b>                   | <b>6 599</b>                                  |
| Income tax expense                               | 9.1  | 13.2                                       | (2 180)                                     | (1 998)                                     | 72                             | (1 926)                                       |
| <b>Profit after tax</b>                          | <b>12.1</b>                                | <b>16.3</b>                                | <b>5 435</b>                                | <b>4 850</b>                                | <b>(177)</b>                   | <b>4 673</b>                                  |
| EBITDA   | 6.8  | 8.9  | 10 013                                      | 9 376                                       |                                | 9 194   |
| Diluted headline earnings per share (cents)      | 11.9                                       | 16.1                                       | 1 007.4                                     | 900.3                                       |                                | 867.6   |

#### Notes:

- The accounting policies adopted by the Group in the latest audited annual financial statements, which have been prepared in accordance with International Financial Reporting Standards, have been used in preparing the unaudited pro forma 52-week information.
- The extra week adjustments were calculated with reference to:
  - Actual sales of merchandise (which have been extracted from the Group's accounting records) and cost of sales for the extra week from 29 June 2015 to 5 July 2015;
  - Other income and expenses based on an assessment of management information and
  - The effective tax rate applicable to the extra week period.
- The calculation of diluted headline earnings per share for the pro forma 52-week period is based on the weighted number of shares for that period.
- The extra week adjustments, in the opinion of the directors, fairly reflect the results for the one week period from 29 June 2015 to 5 July 2015.

#### Like-for-like comparisons

Like-for-like sales is a measure of the growth in the Group's year-on-year sales, removing the impact of new store openings and closures in the current or previous reporting periods.

| References were made to the following subtotals of sale of merchandise | Change in<br>like-for-like<br>% | 52 weeks to<br>2 July 2017<br>Audited<br>Rm | 52 weeks to<br>2 July 2017<br>Like-for-like<br>Rm | 52 weeks to<br>3 July 2016<br>Pro forma<br>Rm | 52 weeks to<br>3 July 2016<br>Like-for-like<br>Rm |
|--|---------------------------------|---|---|---|---|
| Total  | 5.8                             | 141 000                                     | 131 258   | 127 437                                       | 124 063   |
| Supermarkets RSA   | 6.9                             | 101 734                                     | 97 679  | 92 094  | 91 360  |
| Supermarkets Non-RSA   | 1.0                             | 24 840                                      | 21 732  | 21 877  | 21 521  |

# Pro Forma Information (continued)

Shoprite Holdings Ltd and its Subsidiaries for the year ended 2 July 2017

Board of Directors  
Shoprite Holdings Limited  
PO Box 215  
Brackenfell  
7560

## Independent reporting accountant's assurance report on the compilation of Pro Forma Financial Information of Shoprite Holdings Limited

### Introduction

Shoprite Holdings Limited (the "Company") is including the presentation of the impact of the following information on the financial results:

- Illustrating growth in revenue, trading profit, earnings before interest, tax, depreciation and amortisation (EBITDA) and diluted headline earnings per share by adjusting the prior year from 53 weeks to 52 weeks;
- Illustrating revenue growth on a like-for-like basis as compared to the prior financial year (i.e. growth in stores that were trading in the prior year, this excludes new stores and stores closed during the year);
- Illustrating revenue growth in constant foreign exchange rates as compared to the prior financial year.

The information described above (collectively the "Pro Forma Financial Information") is presented in the Financial report, Operational review and the Pro Forma information section on pages 98 and 99 of its Integrated Report for the year ended 2 July 2017 (the "2017 Integrated Report") and the SENS announcement.

At your request and for the purposes of the 2017 Integrated Report to be dated on 21 August 2017, we present our assurance report on the compilation of the Pro Forma Financial Information of the Company by the directors. The Pro Forma Financial Information has been compiled by the directors on the basis of the applicable criteria specified in the JSE Limited (JSE) Listings Requirements and described in the Pro Forma information section on pages 98 and 99 of the 2017 Integrated Report and the SENS announcement.

The Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the additional week included in the 2016 financial year, separating growth in the existing business from growth as a result of new stores as well as the effect of exchange rate fluctuations on their results. As part of this process, information about the Company's financial position and financial performance has been extracted by the directors from the Company's financial statements for the year ended 2 July 2017, on which an audit report has been published.

### Directors' responsibility

The directors of the Company are responsible for the compilation, contents and presentation of the Pro Forma Financial Information on the basis of the applicable criteria specified in the JSE Listings Requirements and described in the Pro Forma information section on pages 98 and 99 of the 2017 Integrated Report and the SENS announcement. The directors of the Company are also responsible for the financial information from which it has been prepared.

### Our independence and quality control

We have complied with the independence and other ethical requirements of the Code of Professional Conduct for Registered Auditors issued by the Independent Regulatory Board for Auditors (IRBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Part A and B).

The firm applies International Standard on Quality Control 1 and, accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### Reporting accountant's responsibility

Our responsibility is to express an opinion about whether the Pro Forma Financial Information has been compiled, in all material respects, by the directors on the basis of the applicable criteria specified in the JSE Listings Requirements and described in the Pro Forma information section on pages 98 and 99 of the 2017 Integrated Report and the SENS announcement based on our procedures performed. We conducted our

engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3420, Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus. This standard requires that we comply with ethical requirements and plan and perform our procedures to obtain reasonable assurance about whether the Pro Forma Financial Information has been compiled, in all material respects, by the directors on the basis of the applicable criteria specified in the JSE Listings Requirements and described in the Pro Forma information section on pages 98 and 99 of the 2017 Integrated Report and the SENS announcement.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

As the purpose of Pro Forma Financial Information included in the 2017 Integrated Report is solely to illustrate the impact of the additional weeks results included in the 2016 financial year, separating growth in the existing business from growth as a result of new stores as well as the effect of exchange rate fluctuations on their results for purposes of the illustration, we do not provide any assurance that the actual outcome of the additional week results included in the 2016 financial year, separating growth in the existing business from growth as a result of new stores and the effect of exchange rate fluctuations on their results would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been compiled by the directors, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used in the compilation of the Pro Forma Financial Information provides a reasonable basis for presenting the significant effects directly attributable to the additional week included in the 2016 financial year, separating growth in the existing business from growth as a result of new stores as well as the effect of exchange rate fluctuations on their results, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

Our procedures selected depend on our judgment, having regard to our understanding of the nature of the Company, and the information they have provided in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

Our engagement also involves evaluating the overall presentation of the Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Opinion

In our opinion, the Pro Forma Financial Information has been compiled, in all material respects, on the basis of the applicable criteria specified by the JSE Listings Requirements and described in the Pro Forma information section on pages 98 and 99 of the 2017 Integrated Report and the SENS announcement.

*PricewaterhouseCoopers Inc.*

### PricewaterhouseCoopers Inc.

Director: MC Hamman  
Registered Auditor

Cape Town  
21 August 2017

# Shareholder Analysis

Shoprite Holdings Ltd as at 2 July 2017

| <b>Shareholder spread</b>  | <b>No of Shareholdings</b> | <b>%</b>      | <b>No of Shares</b> | <b>%</b>      |
|----------------------------|----------------------------|---------------|---------------------|---------------|
| 1 – 1 000 shares           | 22 524                     | 79.27         | 6 495 369           | 1.08          |
| 1 001 – 10 000 shares      | 4 652                      | 16.37         | 13 279 305          | 2.21          |
| 10 001 – 100 000 shares    | 914                        | 3.22          | 29 325 759          | 4.89          |
| 100 001 – 1 000 000 shares | 244                        | 0.86          | 77 850 511          | 12.98         |
| Over 1 000 001 shares      | 79                         | 0.28          | 473 070 885         | 78.84         |
| <b>Totals</b>              | <b>28 413</b>              | <b>100.00</b> | <b>600 021 829</b>  | <b>100.00</b> |

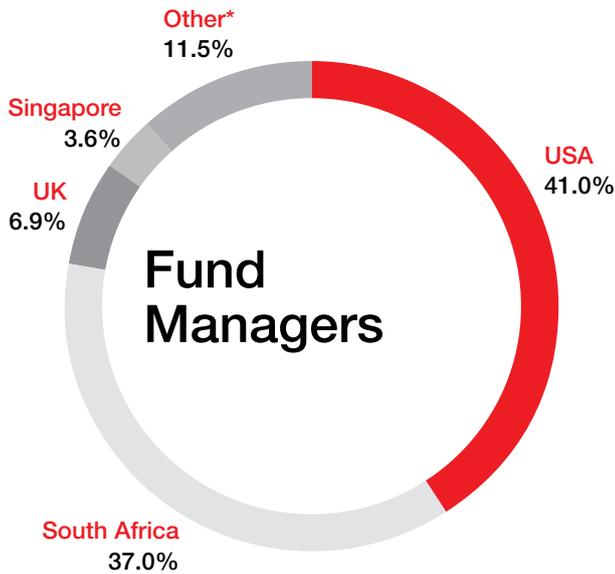
| <b>Distribution of shareholders</b> | <b>No of Shareholdings</b> | <b>%</b>      | <b>No of Shares</b> | <b>%</b>      |
|-------------------------------------|----------------------------|---------------|---------------------|---------------|
| Banks/Brokers                       | 274                        | 0.95          | 229 195 901         | 38.21         |
| Close Corporations                  | 204                        | 0.72          | 914 171             | 0.15          |
| Endowment Funds                     | 194                        | 0.68          | 5 501 011           | 0.92          |
| Individuals                         | 21 457                     | 75.52         | 18 666 067          | 3.11          |
| Insurance Companies                 | 76                         | 0.27          | 12 858 340          | 2.14          |
| Investment Companies                | 13                         | 0.05          | 1 796 747           | 0.30          |
| Medical Aid Schemes                 | 42                         | 0.15          | 443 508             | 0.07          |
| Mutual Funds                        | 463                        | 1.63          | 58 656 876          | 9.78          |
| Other Corporations                  | 162                        | 0.57          | 203 662             | 0.03          |
| Private Companies                   | 688                        | 2.42          | 85 591 423          | 14.26         |
| Public Companies                    | 19                         | 0.07          | 964 838             | 0.16          |
| Retirement Funds                    | 439                        | 1.55          | 102 803 546         | 17.13         |
| Treasury Shares                     | 5                          | 0.02          | 35 436 572          | 5.91          |
| Trusts                              | 4 377                      | 15.40         | 46 989 167          | 7.83          |
| <b>Totals</b>                       | <b>28 413</b>              | <b>100.00</b> | <b>600 021 829</b>  | <b>100.00</b> |

| <b>Public/non-public shareholders</b> | <b>No of Shareholdings</b> | <b>%</b>      | <b>No of Shares</b> | <b>%</b>      |
|---------------------------------------|----------------------------|---------------|---------------------|---------------|
| <b>Non-Public Shareholders</b>        | <b>60</b>                  | <b>0.21</b>   | <b>149 380 827</b>  | <b>24.90</b>  |
| Directors of the Company              | 55                         | 0.19          | 113 944 255         | 18.99         |
| Treasury Shares                       | 5                          | 0.02          | 35 436 572          | 5.91          |
| <b>Public Shareholders</b>            | <b>28 353</b>              | <b>99.79</b>  | <b>450 641 002</b>  | <b>75.10</b>  |
| <b>Totals</b>                         | <b>28 413</b>              | <b>100.00</b> | <b>600 021 829</b>  | <b>100.00</b> |

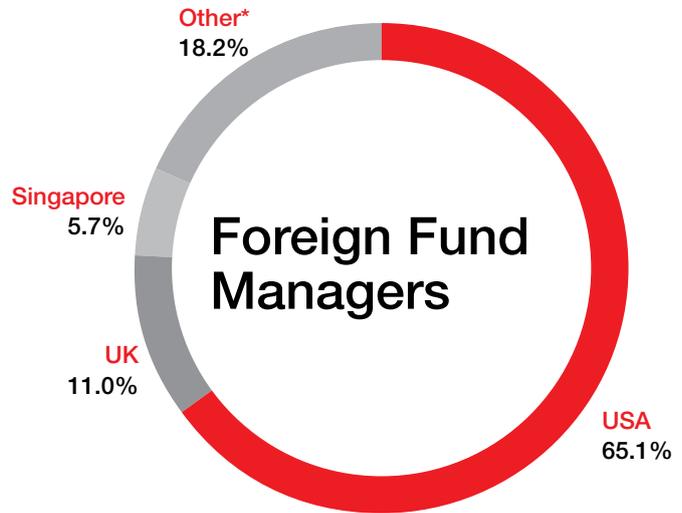
| <b>Beneficial shareholders holding 1% or more</b> | <b>No of Shares</b> | <b>%</b>     |
|---|---------------------|--------------|
| Wiese, CH   | 101 315 275         | 16.89        |
| Government Employees Pension Fund                 | 67 307 859          | 11.22        |
| Shoprite Checkers (Pty) Ltd                       | 35 436 572          | 5.91         |
| Capital Group                                     | 24 423 097          | 4.07         |
| Lazard  | 20 924 506          | 3.49         |
| Vanguard  | 14 753 296          | 2.46         |
| GIC Private Limited                               | 13 971 292          | 2.33         |
| Namibian Government Institutions Pension Fund     | 11 538 118          | 1.92         |
| Oppenheimer Funds                                 | 12 683 437          | 2.11         |
| BlackRock   | 11 475 904          | 1.91         |
| Basson, JW  | 9 104 122           | 1.52         |
| T. Rowe Price                                     | 8 936 531           | 1.49         |
| Le Roux, JF                                       | 8 487 281           | 1.41         |
| Government Pension Fund – Norway                  | 8 447 963           | 1.41         |
| <b>Totals</b>                                     | <b>348 805 253</b>  | <b>58.14</b> |

# Shareholders

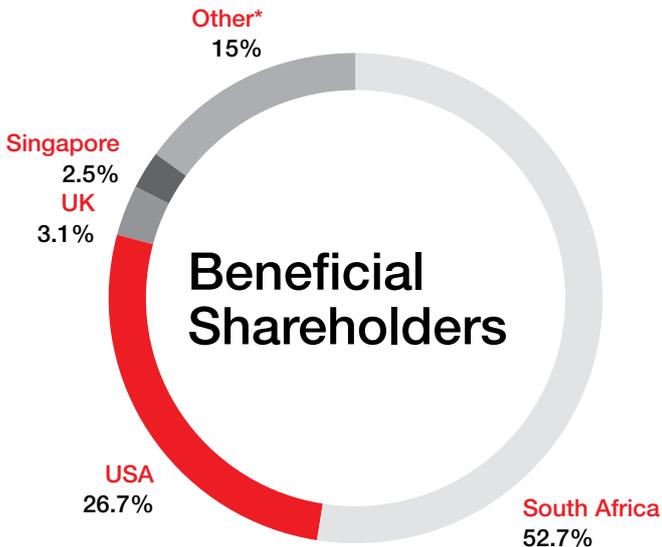
## Country Classification



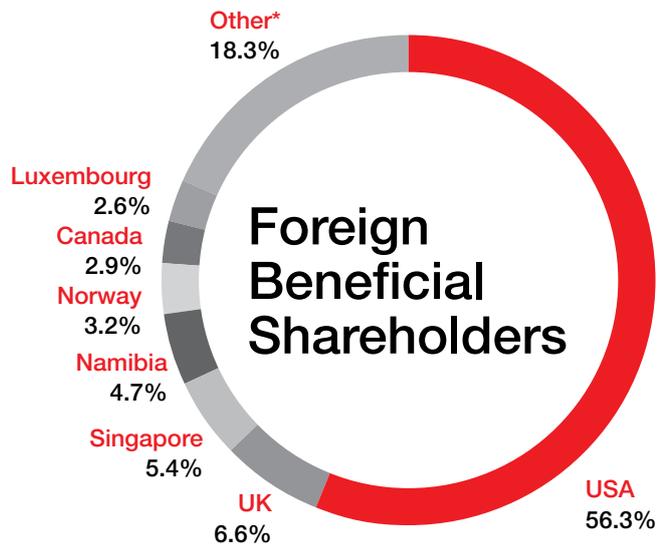
\*Other: Japan, Luxembourg, Namibia, Canada, Australia, Germany, UAE, Netherlands, Switzerland, China, France, Sweden, Denmark, Ireland, Norway, Belgium, Austria, South Korea, SA, Italy, Mauritius, Taipei, Cayman Islands, Spain



\*Other: Japan, Luxembourg, Namibia, Canada, Australia, Germany, UAE, Netherlands, Switzerland, China, France, Sweden, Denmark, Ireland, Norway, Belgium, Austria, South Korea, SA, Italy, Mauritius, Taipei, Cayman Islands, Spain, Hong Kong



\*Other: Namibia, Norway, Canada, Luxembourg, Australia, Japan, Ireland, UAE, Germany, China, Netherlands, Switzerland, Unidentified, Denmark, France, Cayman Islands, South Korea, Sweden, Kuwait, Saudi Arabia, Zambia, Belgium, Austria, Swaziland



\*Other: Namibia, Norway, Canada, Luxembourg, Australia, Japan, Ireland, UAE, Germany, China, Netherlands, Switzerland, Unidentified, Denmark, France, Cayman Islands, South Korea, Sweden, Kuwait, Saudi Arabia, Zambia, Belgium, Austria, Swaziland, Lesotho

# Notice to Ordinary Shareholders: General Meeting

Shoprite Holdings Ltd and its Subsidiaries for the year ended 2 July 2017

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

## 1. Notice of meeting

Notice is hereby given that the general meeting of the Ordinary Shareholders of Shoprite Holdings will be held at the Company's registered office, corner William Dabs and Old Paarl Roads, Brackenfell, South Africa on Monday, 30 October 2017 at 09:00 (South African time).

## 2. Definitions

In the Notice, unless otherwise stated or the context otherwise indicates, the words in the first column below shall have the meaning stated opposite them, respectively, in the second column below, reference to the singular shall include the plural and vice versa, words denoting one gender shall include the other gender, and an expression denoting natural persons shall include juristic persons and associations of persons:

|   |   |
|---|---|
| "Board" or "Directors"  | the Directors of Shoprite Holdings;   |
| "Business Day"  | a day other than a Saturday, Sunday or official public holiday in South Africa;   |
| "Certificated Shareholder(s)"                                   | Shoprite Holdings Shareholder(s) who hold Certificated Share(s);  |
| "Certificated Share(s)"   | Shoprite Holdings Share(s) represented by a Share certificate(s) or other physical Document(s) of Title, which have not been surrendered for dematerialisation in terms of the requirements of Strate;  |
| "Certificated Ordinary Share(s)"                                | Ordinary Shares(s) represented by a Share certificate(s) or other physical Document(s) of Title, which have not been surrendered for dematerialisation in terms of the requirements of Strate;  |
| "CIPC"  | the Companies and Intellectual Property Commission established by section 185 of the Companies Act;   |
| "Companies Act"   | the Companies Act, 71 of 2008, as amended;  |
| "Companies Regulations"   | the Companies Regulations, 2011 in terms of the Companies Act, to regulate matters relating to companies;   |
| "Conversion"  | the conversion of Ordinary Shares into Ordinary Shares having no par value by way of an amendment to the MOI;   |
| "CSDP"  | a participant as defined in section 1 of the Financial Markets Act, No 19 of 2012, as amended from time to time, authorised by a licenced central securities depository as a participant in that central securities depository in terms of the depository rules as contemplated in section 31 of the Financial Markets Act; |
| "Deferred Shares"   | non-convertible, non-participating, no par value deferred shares in the share capital of the Company, having the rights, limitations and other terms contemplated in the MOI;   |
| "Dematerialised Shareholder(s)"                                 | Shoprite Holdings Shareholder(s) that have dematerialised their Shoprite Holdings Share(s) through a CSDP and have instructed the CSDP to hold their Shoprite Holdings Share(s) on the sub-register maintained by the CSDP and forming part of the Shoprite Holdings Share register;  |
| "Dematerialised Share(s)"                                       | Shoprite Holdings Share(s) that have been dematerialised through a CSDP or broker and are held on the sub-register of Shareholders administered by CSDPs in electronic form;  |
| "Dematerialised Ordinary Shares"                                | Ordinary Share(s) that have been dematerialised through a CSDP or broker and are held on the sub-register of Shareholders administered by CSDPs in electronic form;   |
| "File"  | has the meaning assigned to it in the Companies Act and Filed shall be construed accordingly;   |
| "General Meeting of Ordinary Shareholders" or "General Meeting" | the general meeting of Ordinary Shareholders to be held at the Company's registered office, corner William Dabs and Old Paarl Roads, Brackenfell, South Africa on Monday, 30 October 2017 at 09:00 (South African time), to consider and, if deemed appropriate, approve the Conversion;                                    |

# Notice to Ordinary Shareholders: General Meeting (continued)

Shoprite Holdings Ltd and its Subsidiaries for the year ended 2 July 2017

|  |  |
|--|--|
| <b>“Annual General Meeting of Shoprite Holdings Shareholders” or “AGM”</b>                     | the annual general meeting of Shoprite Holdings Shareholders to be held at the Company’s registered office, corner William Dabs and Old Paarl Roads, Brackenfell, South Africa on Monday, 30 October 2017 at 10:00 (South African time) or immediately after the conclusion of the General Meeting of Ordinary Shareholders, to consider and, if deemed appropriate, approve the Conversion;   |
| <b>“JSE”</b>   | JSE Limited (Registration number 2005/022939/06), a public company registered and incorporated in South Africa and licensed under the Financial Markets Act, 19 of 2012, as amended, to operate as an exchange;  |
| <b>“MOI”</b>   | the memorandum of incorporation of Shoprite Holdings;  |
| <b>“Notice of Amendment”</b>   | Form CoR 15.2 issued in terms of Section 16 of the Companies Act and Regulations 15(2) and (3) of the Companies Regulations, being a Notice of Amendment of Memorandum of Incorporation and the required attachments thereto;  |
| <b>“Notice of General Meeting of Ordinary Shareholders”</b>                                    | the notice convening the General Meeting of Ordinary Shareholders;   |
| <b>“Notice of Annual General Meeting of Shoprite Holdings Shareholders” or “Notice of AGM”</b> | the notice convening the Annual General Meeting of Shoprite Holdings Shareholders;   |
| <b>“Notices”</b>   | collectively the Notice of Annual General Meeting of Shoprite Holdings Shareholders and the Notice of General Meeting of Ordinary Shareholders;  |
| <b>“Ordinary Share(s)” or “Shoprite Holdings Ordinary Share(s)”</b>                            | ordinary share(s) with a par value of 113.4 cents each in the share capital of Shoprite Holdings;  |
| <b>“Ordinary Shares having no par value”</b>   | the ordinary shares having no par value into which the Shoprite Holdings Ordinary Shares will have been converted after the adoption of Special Resolution Number 5 recorded in the Notice of Annual General Meeting of Shoprite Holdings Shareholders and the adoption of Special Resolution Number 1 recorded in the Notice of General Meeting of Ordinary Shareholders and after those Special Resolutions have been Filed with the CIPC; |
| <b>“Ordinary Shareholders”</b>   | the holders of Ordinary Shares or after the Conversion, the holders of Ordinary Shares having no par value;  |
| <b>“Shareholder(s)” or “Shoprite Holdings Shareholder(s)”</b>                                  | registered holder(s) of Shoprite Holdings Shares;  |
| <b>“Shoprite Holdings Shares”</b>  | issued Ordinary Shares and Deferred Shares;  |
| <b>“South Africa”</b>  | The Republic of South Africa;  |
| <b>“Special Resolution(s)”</b>   | a Special Resolution as defined in the Companies Act;  |
| <b>“Strate”</b>  | Strate (Proprietary) Limited (Registration number 1998/022242/06), a private company registered and incorporated in South Africa, and the electronic settlement system for transactions that take place on the JSE and off-market transactions; and  |
| <b>“Transfer Secretaries” or “Computershare”</b>   | Computershare Investor Services (Proprietary) Limited (Registration number 2004/003647/07), a private company registered and incorporated in South Africa and the Transfer Secretaries of Shoprite Holdings.   |

### 3. Who may attend and vote

- 3.1 If you hold Dematerialised Ordinary Shares which are registered in your name or if you are the registered holder of Certificated Ordinary Shares:
- you may attend the General Meeting in person;
  - alternatively, you may appoint a proxy to represent you at the General Meeting and to attend, participate in, and speak and vote at the General Meeting in your place by completing the attached form of proxy in accordance with the instructions it contains. It is recommended that the form of proxy is returned to the Company secretary or Transfer Secretaries at their addresses set out below to be received not later than 09:00 (South African time) on Friday, 27 October 2017. However, Shareholders are entitled to deliver voting proxies to the chairman of the General Meeting at any time prior to the vote. A proxy need not be a Shareholder of the Company.
- 3.2 Forms of proxy to be delivered to one of these addresses:
- |  |   |
|--|---|
| <b>The Company Secretary</b><br>Cnr William Dabs and Old Paarl Roads<br>PO Box 215, Brackenfell, 7560 South Africa<br>Facsimile: +27 (0) 21 980 4468<br>E-mail Address: cosec@shoprite.co.za; or | <b>South African Transfer Secretaries</b><br>Computershare Investor Services (Pty) Ltd<br>Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196<br>PO Box 61051, Marshalltown, 2107<br>Facsimile: +27 (0) 11 688 5238 |
|--|---|
- 3.3 If you are a beneficial Shareholder, but not a registered Shareholder as at the Voting Record Date and:
- wish to attend the General Meeting, you must obtain the necessary letter of representation from your CSDP or broker to represent the registered shareholder; or
  - do not wish to attend the General Meeting, but would like your vote to be recorded at the General Meeting, you should contact your CSDP or broker and furnish them with your voting instructions;
  - you must not complete the attached form of proxy.
- 3.4 The record date for purposes of determining which Ordinary Shareholders are entitled to receive this Notice is determined in terms of section 59(1)(a) of the Companies Act being Friday, 15 September 2017.
- 3.5 The date on which Ordinary Shareholders must be recorded as such in the register maintained by the Transfer Secretaries of the Company for purposes of being entitled to attend and vote at this General Meeting is determined in terms of section 59(1)(b) of the Companies Act being Friday, 20 October 2017 ("Voting Record Date").
- 3.6 In terms of section 63(1) of the Companies Act, any person attending or participating in the General Meeting must present reasonably satisfactory identification and the chairperson of the General Meeting must be reasonably satisfied that the right of any person to participate and vote has been reasonably verified. Suitable forms of identification will include a valid identification document, driver's license or passport.
- 3.7 Should any Ordinary Shareholder, or a representative or proxy of an Ordinary Shareholder, wish to participate in the General Meeting by way of electronic participation, that Ordinary Shareholder should make an application in writing (including details on how the Ordinary Shareholder or its representative or proxy wish to participate) to the Transfer Secretaries or the Company secretary at their addresses listed above, to be received by them at least seven (7) Business Days before the General Meeting, to enable the Transfer Secretaries to arrange for the Ordinary Shareholder or its representative or proxy, to provide reasonably satisfactory identification to the Transfer Secretaries for purposes of section 63(1) of the Companies Act and to enable the Transfer Secretaries to provide details on how to access the General Meeting by way of electronic participation. Please note that Ordinary Shareholders who wish to participate in the General Meeting by way of electronic participation must appoint a proxy to exercise his voting rights in terms of paragraph 3.1 above or furnish his CSDP or broker with voting instructions in terms of paragraph 3.3 above.
- 3.8 Votes at the General Meeting on all resolutions will be conducted by way of a poll and not on a show of hands. Every Ordinary Shareholder present in person or represented by proxy shall have one (1) vote for every Ordinary Share held in the Company.
- 3.9 If you are in any doubt as to what action you should take arising from the following resolutions, please consult your stockbroker, banker, attorney, accountant or other professional adviser immediately.

# Notice to Ordinary Shareholders: General Meeting (continued)

Shoprite Holdings Ltd and its Subsidiaries for the year ended 2 July 2017

## 4. Purpose of meeting

The purpose of this General Meeting is to consider and, if deemed fit, to pass, with or without modification, the resolutions set out below.

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

### 5.1 Special resolution number 1: conversion of par value shares

“Resolved, as a Special Resolution proposed by the Board of Shoprite Holdings in terms of Regulation 31(6) of the Companies Regulations, that the conversion of all the existing Shoprite Holdings Ordinary Shares (being the Ordinary Shares with a par value of 113.4 cents each in the Share capital of Shoprite Holdings and comprising of all such authorised, issued and unissued Shares) into Ordinary Shares having no par value, without altering the substance of the specific rights and privileges associated with each such Share, is approved so that with effect from the Conversion of those Shares, the Ordinary Shares having no par value will have the same rights and privileges associated with and granted to Shoprite Holdings Ordinary Shares in terms of the Memorandum of Incorporation of Shoprite Holdings, and that with effect from the date and time that the Notice of Amendment in respect of this Special Resolution Number 1 and Special Resolution Number 5, adopted at the Annual General Meeting of Shoprite Holdings Shareholders (and which Special Resolution Number 5 is recorded in the Notice of Annual General Meeting of Shoprite Holdings Shareholders), is Filed with the CIPC:

- clause 1.2.19 of the MOI of the Company be amended to read as follows:  
“**Ordinary Share**” an ordinary share in the capital of the Company having no par value and having the preferences, rights, limitations and other terms contemplated in clause 9.1 of the MOI”;
- clause 1 of Schedule 1 to the MOI of the Company be amended to read as follows:  
“650 000 000 Ordinary Shares, having no par value, and having the rights and limitations set out in the MOI”
- the first paragraph of clause 9.2.1.7 of the MOI of the Company be amended to read as follows:  
“the Permitted Holder shall only be entitled to own Deferred Shares for as long as it owns a number of Ordinary Shares that is not less than the number which represents at least 10% of the Original Number (“Minimum Holding”). In this clause 9.2.1.7 “Original Number” means a number equal to the number of issued ordinary shares (being ordinary shares in the share capital of the Company with a par value of 113.4 cents each) on the date of the first issue of the Deferred Shares to the Permitted Holder.”
- the following new clause be added to the MOI of the Company as clause 9.2.2:  
“9.2.2 The conversion of Ordinary Shares (being ordinary shares in the share capital of the Company with a par value of 113.4 cents each) into Ordinary Shares having no par value (as defined in clause 1.2.19 above) will not amend or vary any of the rights attaching to the Deferred Shares and the conversion will also have no effect on or consequence for the Deferred Shares or the Permitted Holder and in this clause 9 “Ordinary Share” will mean an Ordinary Share having no par value as more fully defined in clause 1.2.19 above.”

For Special Resolution Number 1 to be approved by Ordinary Shareholders, it must be supported by at least 75% of the voting rights exercised on that resolution by the Ordinary Shareholders present in person or represented by proxy at the general meeting.

### Reason for and effect of special resolution number 1

Regulation 31(5) of the Companies Regulations provides that the number of the authorised Ordinary Shares (being Ordinary Shares with a par value of 113.4 cents each) may not be increased. The only manner in which to increase the authorised Ordinary Shares of Shoprite Holdings will be to first convert those Ordinary Shares into Ordinary Shares having no par value.

The Board accordingly in terms of Regulation 31(5) of the Companies Regulations proposed that the existing authorised and issued Ordinary Shares (being Ordinary Shares with a par value of 113.4 cents each) be converted into Ordinary Shares having no par value.

The effect of the Conversion is that all the Shoprite Holdings Ordinary Shares (being the Ordinary Shares with a par value of 113.4 cents each in the Share capital of Shoprite Holdings and comprising of all such authorised, issued and unissued Shares) will be converted into Ordinary Shares having no par value.

Regulation 31(6) of the Companies Regulations provides that an amendment to the MOI to effect the Conversion will have been adopted only if it is approved by:

- a Special Resolution adopted by the holders of the class of Shares being converted which is the Ordinary Shareholders; and
- a further Special Resolution adopted by a meeting of the Shoprite Holdings Shareholders.

To comply with Regulation 31(6), Special Resolution 5, described in the Notice of Annual General Meeting of Shoprite Holdings Shareholders, will be proposed to Shoprite Holdings Shareholders. This Special Resolution 1 is also proposed to comply with that Regulation 31(6). The Conversion will accordingly be approved on the adoption of both Special Resolution 5 and this Special Resolution 1.

Regulation 31(7) of the Companies Regulations further requires that when the Company converts its Shares into Shares having no par value, the Board shall prepare a report in respect of the Conversion which, inter alia, evaluates whether there are any material adverse effects on the Shareholders of the Company. Regulation 31(8) provides that such a report be published to the Shareholders. The report prepared by the Board is set out in Annexure 1 to this Notice.

The amendments to clause 9 are made to clarify that the Conversion has no effect on or consequence for the Deferred Shares and to record the number of Ordinary Shares having no par value that will comprise the Minimum Holding defined in clause 9. Thibault Square Financial Services (Pty) Ltd, registration number 1992/004170/07, being the Permitted Holder and the only holder of Deferred Shares, has in terms of clause 10.3.9.1 of the MOI consented in writing to the amendments to clause 9 recorded in Special Resolution 1.

## 5.2 Ordinary resolution number 1: Signature of documents and authority

“Resolved that any of the Directors or the Company secretary of Shoprite Holdings be and are hereby authorised to File the Special Resolution Number 1 with the CIPC and to do all such things and sign all documents including Company forms and to take all such action as they consider necessary to give effect to and implement the resolutions.”

For Ordinary Resolution Number 1 to be approved by Ordinary Shareholders, it must be supported by more than 50% of the voting rights exercised on that resolution by the Ordinary Shareholders present in person or represented by proxy at the General Meeting.

## 6. Reports

6.1 The Report by the Board to Shareholders in terms of Regulation 31(7) of the Companies Regulations is attached as Annexure 1.

6.2 This Notice has also in terms of Regulation 31(8) of the Companies Regulations been filed with the:

- South African Revenue Service; and
- CIPC.

## 7. Documents available for inspection

The following documents, or copies thereof, will be available for inspection during normal business hours at the registered address of Shoprite Holdings from the date of this Notice up to and including 30 October 2017:

- the MOI of Shoprite Holdings.

## 8. Transaction of other business

For Shoprite Holdings Limited



**PG du Preez**  
Company Secretary  
26 September 2017

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

**South African Transfer Secretaries**  
Computershare Investor Services (Pty) Ltd  
15 Biermann Avenue, Rosebank, 2196  
PO Box 61051, Marshalltown, 2107  
Facsimile: +27 (0) 11 688 5238

# Annexure 1

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**Report prepared by the Board in relation to the conversion of Ordinary Shares with a par value of 113.4 cents each into Ordinary Shares having no par value in terms of Companies Regulations 31(7) and 31(8) in respect of the Special Resolutions to approve the Conversion set out in the Notice of Annual General Meeting of Shoprite Holdings Shareholders and in the Notice of General Meeting of Ordinary Shareholders**

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## 1. Introduction

- 1.1 Pursuant to the provisions of Regulation 31 of the Companies Regulations, the Board recommends the conversion of the Ordinary Shares with a par value of 113.4 cents each into Ordinary Shares having no par value.
- 1.2 The Notice of General Meeting of Ordinary Shareholders and the Notice of Annual General Meeting of Shoprite Holdings Shareholders record the requirements of Regulation 31 of the Companies Regulations for the conversion of the Ordinary Shares with a par value of 113.4 cents each into the Ordinary Shares having no par value.
- 1.3 This report is given in compliance with the provisions of Regulations 31(7) and 31(8) of the Companies Regulations and in respect of the Special Resolutions to approve the Conversion set out in the Notice of General Meeting of Ordinary Shareholders and the Notice of Annual General Meeting of Shoprite Holdings Shareholders.

## 2. Further information and effect

Set out below is the disclosure required to be made to Shareholders as contemplated in Regulation 31(7) of the Companies Regulations:

- 2.1 Information that may affect the value of Ordinary Shares when converted into Ordinary Shares having no par value**

The value of each of the existing Ordinary Shares will be unaffected by the conversion thereof into Ordinary Shares having no par value as none of the underlying rights of Ordinary Shareholders will be affected by such conversion.
  - 2.2 Classes of Shareholders of the Company's Shares affected by the Conversion**

The conversion of the Ordinary Shares into Ordinary Shares having no par value will only affect the Ordinary Shareholders.
  - 2.3 Material effects that the Conversion will have on the rights of Shareholders**

None of the rights that Ordinary Shareholders hold by virtue of the Ordinary Shares held by them will be affected by the conversion of the Ordinary Shares into the Ordinary Shares having no par value.
  - 2.4 Material adverse effects of the Conversion**

There will be no material adverse effects as a result of the conversion of the Ordinary Shares into the Ordinary Shares having no par value and no compensation will be payable by reason of such conversion.
- 3. General**

In terms of Regulation 31(8)(b) of the Companies Regulations, a copy of this report will be Filed with the CIPC and the South African Revenue Service at the same time that this report is published to the Shareholders.



**PG du Preez**  
Company Secretary

On behalf of the board of directors of Shoprite Holdings Limited

and



**M Bosman**  
Director

On behalf of the board of directors of Shoprite Holdings Limited

26 September 2017

# Notice to Shoprite Holdings Shareholders: Annual General Meeting

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

## 1. Notice of meeting

Notice is hereby given that the AGM of Shoprite Holdings will be held at the Company's registered office, corner William Dabs and Old Paarl Roads, Brackenfell, South Africa on Monday, 30 October 2017 at 10:00 (South African time) or immediately after conclusion of the General Meeting of Ordinary Shareholders that will commence at 09:00 (South African time) on Monday, 30 October 2017.

## 2. Definitions

In the Notice, unless otherwise stated or the context otherwise indicates, the words in the first column below shall have the meaning stated opposite them, respectively, in the second column below, reference to the singular shall include the plural and vice versa, words denoting one gender shall include the other gender, and an expression denoting natural persons shall include juristic persons and associations of persons:

|  |   |
|--|---|
| "Board" or "Directors"                     | the Directors of Shoprite Holdings;   |
| "Business Day"                             | a day other than a Saturday, Sunday or official public holiday in South Africa;   |
| "Certificated Share(s)"                    | Shoprite Holdings Share(s) represented by a Share certificate(s) or other physical Document(s) of Title, which have not been surrendered for dematerialisation in terms of the requirements of Strate;  |
| "Certificated Ordinary Share(s)"           | Ordinary Shares(s) represented by a Share certificate(s) or other physical Document(s) of Title, which have not been surrendered for dematerialisation in terms of the requirements of Strate;  |
| "CIPC"                                     | the Companies and Intellectual Property Commission established by section 185 of the Companies Act;   |
| "Companies Act"                            | the Companies Act, 71 of 2008, as amended;  |
| "Companies Regulations"                    | the Companies Regulations, 2011 in terms of the Companies Act, to regulate matters relating to companies;   |
| "Conversion"                               | the conversion of Ordinary Shares into ordinary shares having no par value by way of an amendment to the MOI;   |
| "CSDP"                                     | a participant as defined in section 1 of the Financial Markets Act, No 19 of 2012, as amended from time to time, authorised by a licenced central securities depository as a participant in that central securities depository in terms of the depository rules as contemplated in section 31 of the Financial Markets Act; |
| "Deferred Shares"                          | non-convertible, non-participating, no par value deferred shares in the share capital of the Company, having the rights, limitations and other terms contemplated in the MOI;   |
| "Dematerialised Shareholder(s)"            | Shoprite Holdings Shareholder(s) that have dematerialised their Shoprite Holdings Share(s) through a CSDP and have instructed the CSDP to hold their Shoprite Holdings Share(s) on the sub-register maintained by the CSDP and forming part of the Shoprite Holdings Share register;  |
| "Dematerialised Share(s)"                  | Shoprite Holdings Share(s) that have been dematerialised through a CSDP or broker and are held on the sub-register of Shareholders administered by CSDPs in electronic form;  |
| "Dematerialised Ordinary Shares"           | Ordinary Share(s) that have been dematerialised through a CSDP or broker and are held on the sub-register of Shareholders administered by CSDPs in electronic form;   |
| "File"                                     | has the meaning assigned to it in the Companies Act and "Filed" shall be construed accordingly;   |
| "General Meeting of Ordinary Shareholders" | the general meeting of Ordinary Shareholders to be held at the Company's registered office, corner William Dabs and Old Paarl Roads, Brackenfell, South Africa on Monday 30 October 2017 at 09:00 (South African time), to consider and, if deemed appropriate, approve the Conversion;                                     |

# Notice to Shoprite Holdings Shareholders: Annual General Meeting (continued)

|  |  |
|--|--|
| <b>“Annual General Meeting of Shoprite Holdings Shareholders” or “AGM”</b>                     | the annual general meeting of Shoprite Holdings Shareholders to be held at the Company’s registered office, corner William Dabs and Old Paarl Roads, Brackenfell, South Africa on Monday 30 October at 10:00 (South African time) or immediately after the conclusion of the General Meeting of Ordinary Shareholders, to consider and, if deemed appropriate, approve the ordinary and special resolutions as set out in the Notice of AGM; |
| <b>“JSE”</b>   | JSE Limited (Registration number 2005/022939/06), a public company registered and incorporated in South Africa and licensed under the Financial Markets Act, 19 of 2012, as amended, to operate as an exchange;  |
| <b>“MOI”</b>   | the memorandum of incorporation of Shoprite Holdings;  |
| <b>“Notice of Amendment”</b>   | Form CoR 15.2 issued in terms of Section 16 of the Companies Act and Regulations 15(2) and (3) of the Company Regulations, being a Notice of Amendment of Memorandum of Incorporation and the required attachments thereto;  |
| <b>“Notice of General Meeting of Ordinary Shareholders”</b>                                    | the notice convening the General Meeting of Ordinary Shareholders;   |
| <b>“Notice of Annual General Meeting of Shoprite Holdings Shareholders” or “Notice of AGM”</b> | the notice convening the Annual General Meeting of Shoprite Holdings Shareholders;   |
| <b>“Notices”</b>   | collectively the Notice of Annual General Meeting of Shoprite Holdings Shareholders and the Notice of General Meeting of Ordinary Shareholders;  |
| <b>“Ordinary Share(s)” or “Shoprite Holdings Ordinary Share(s)”</b>                            | ordinary share(s) with a par value of 113.4 cents each in the share capital of Shoprite Holdings;  |
| <b>“Ordinary Shares having no par value”</b>   | the ordinary shares having no par value into which the Shoprite Holdings Ordinary Shares will have been converted after the adoption of Special Resolution Number 5 recorded in the Notice of Annual General Meeting of Shoprite Holdings Shareholders and the adoption of Special Resolution Number 1 recorded in the Notice of General Meeting of Ordinary Shareholders and after those Special Resolutions have been Filed with the CIPC; |
| <b>“Ordinary Shareholders”</b>   | the holders of Ordinary Shares or after the Conversion, the holders of Ordinary Shares having no par value;  |
| <b>“Shareholder(s)” or “Shoprite Holdings Shareholder(s)”</b>                                  | registered holder(s) of Shoprite Holdings Shares;  |
| <b>“Shoprite Holdings Shares”</b>  | issued Ordinary Shares and Deferred Shares;  |
| <b>“South Africa”</b>  | The Republic of South Africa;  |
| <b>“Special Resolution(s)”</b>   | a Special Resolution as defined in the Companies Act;  |
| <b>“Strate”</b>  | Strate (Proprietary) Limited (Registration number 1998/022242/06), a private company registered and incorporated in South Africa, and the electronic settlement system for transactions that take place on the JSE and off-market transactions; and  |
| <b>“Transfer Secretaries” or “Computershare”</b>   | Computershare Investor Services (Proprietary) Limited (Registration number 2004/003647/07), a private company registered and incorporated in South Africa and the Transfer Secretaries of Shoprite Holdings.   |

### 3. Who may attend and vote?

- 3.1 If you hold Dematerialised Shares which are registered in your name or if you are the registered holder of Certificated Shares:
- you may attend the AGM in person;
  - alternatively, you may appoint a proxy to represent you at the AGM and to attend, participate in, and speak and vote at the AGM in your place by completing the attached form of proxy in accordance with the instructions it contains. It is recommended that the form of proxy is returned to the Company secretary or Transfer Secretaries at their addresses set out below to be received not later than 10:00 (South African time) on Friday, 27 October 2017. However, Shareholders are entitled to deliver voting proxies to the chairman of the AGM at any time prior to the vote. A proxy need not be a Shareholder of the Company.
- 3.2 Forms of proxy to be delivered to one of these addresses:
- |  |   |
|--|---|
| <b>The Company Secretary</b><br>Cnr William Dabs and Old Paarl Roads<br>PO Box 215, Brackenfell, 7560 South Africa<br>Facsimile: +27 (0) 21 980 4468<br>E-mail Address: cosec@shoprite.co.za; or | <b>South African Transfer Secretaries</b><br>Computershare Investor Services (Pty) Ltd<br>Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196<br>PO Box 61051, Marshalltown, 2107<br>Facsimile: +27 (0) 11 688 5238 |
|--|---|
- 3.3 If you are a beneficial Shareholder, but not a registered Shareholder as at the Voting Record Date and:
- wish to attend the AGM, you must obtain the necessary letter of representation from your CSDP or broker to represent the registered Shareholder; or
  - do not wish to attend the AGM, but would like your vote to be recorded at the AGM, you should contact your CSDP or broker and furnish them with your voting instructions;
  - you must not complete the attached form of proxy.
- 3.4 The record date for purposes of determining which Shareholders are entitled to receive this Notice is determined in terms of section 59(1)(a) of the Companies Act being Friday, 15 September 2017.
- 3.5 The date on which Shareholders must be recorded as such in the register maintained by the Transfer Secretaries of the Company for purposes of being entitled to attend and vote at this AGM is determined in terms of section 59(1)(b) of the Companies Act being Friday, 20 October 2017 ("Voting Record Date").
- 3.6 In terms of section 63(1) of the Companies Act, any person attending or participating in the AGM must present reasonably satisfactory identification and the chairperson of the AGM must be reasonably satisfied that the right of any person to participate and vote has been reasonably verified. Suitable forms of identification will include a valid identification document, driver's license or passport.
- 3.7 Should any Shareholder, or a representative or proxy of a Shareholder, wish to participate in the AGM by way of electronic participation, that Shareholder should make an application in writing (including details on how the Shareholder or its representative or proxy wish to participate) to the Transfer Secretaries or Company secretary at their addresses listed above, to be received by them at least seven (7) Business Days before the AGM, to enable the Transfer Secretaries to arrange for the Shareholder or its representative or proxy, to provide reasonably satisfactory identification to the Transfer Secretaries for purposes of section 63(1) of the Companies Act and to enable the Transfer Secretaries to provide details on how to access the AGM by way of electronic participation. Please note that Shareholders who wish to participate in the AGM by way of electronic participation must appoint a proxy to exercise his voting rights in terms of paragraph 3.1 above or furnish his CSDP or broker with voting instructions in terms of paragraph 3.3 above.
- 3.8 Votes at the AGM on all resolutions will be conducted by way of a poll and not on a show of hands. Every Shareholder present in person or represented by proxy shall have one (1) vote for every Shoprite Holdings Share held in the Company.
- 3.9 If you are in any doubt as to what action you should take arising from the following resolutions, please consult your stockbroker, banker, attorney, accountant or other professional adviser immediately.

### 4. Integrated Report

A copy of the Company's Integrated Report for the year ended 2 July 2017 and the reports of the Directors and independent auditors are delivered herewith.

### 5. Purpose of meeting

The purpose of this meeting is to:

- present the audited financial statements for the year ended 2 July 2017, the report of the Directors and the report of the independent registered auditors thereon;
- present the reports of the audit and risk as well as the social and ethics committees;
- consider any matters raised by Shareholders; and
- consider and, if deemed fit, to pass, with or without modification, the resolutions set out below.

# Notice to Shoprite Holdings Shareholders: Annual General Meeting (continued)

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

## 6.1 Ordinary resolution number 1: Annual financial statements

“Resolved that the summarised annual financial statements of the Company and the Group for the year ended 2 July 2017, including the reports of the Directors and independent auditors be and are hereby approved.”

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

## 6.2 Ordinary resolution number 2: Re-appointment of auditors

“Resolved that PricewaterhouseCoopers Inc. (PwC) be re-elected as the independent registered auditors of the Company for the period until the next annual general meeting of the Company (noting that Mr MC Hamman is the individual registered auditor of PwC who will undertake the audit in respect of the financial year ending June 2018) as recommended by the Company’s Audit and Risk Committee.”

For ordinary resolution number 2 to be approved by Shareholders it must be supported by more than 50% of the voting rights exercised on the resolution by Shareholders present or represented by proxy at this meeting.

## 6.3 Ordinary resolution number 3: Re-election of Dr CH Wiese

“Resolved that Dr CH Wiese, who is required to retire as a director of the Company at this AGM and who is eligible and available for re-election, is hereby reappointed as director with immediate effect.”

Age: 75

First Appointed: 1991

Educational qualifications: BA LLB DCom (Honoris Causa)

Directorship: Chairperson of Steinhoff International Holdings N.V, Pepkor Holdings (Pty) Ltd, Tradehold Ltd and Invicta Holdings Ltd and serves on the board of Pallinghurst Resources Ltd.

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

## 6.4 Ordinary resolution number 4: Re-election of Mr EC Kieswetter

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

Age: 58

First appointed: 2010

Educational qualifications: NHD (Electrical Eng), PG Dip Ed (Mathematics and Engineering), B.Ed. (Science Education), M Com (cum laude) (SA and International Tax), Executive MBA (Strategy and Business Transformation) (UK), MEd (Science Education)

Other Directorships: None

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

## 6.5 Ordinary resolution number 5: Re-election of Mr JA Louw

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

Age: 73

First appointed: 1991

Educational qualifications: BSc Hons B(B&A) Hons

Other Directorships: Mr Louw serves as a director on the board of various private companies

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

## 6.6 Ordinary resolution number 6: Re-election of Mr CG Goosen

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

Age: 64

First appointed: 1993

Educational qualifications: BCom Hons CA (SA)

Other Directorships: None

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

### **6.7 Ordinary resolution number 7: Appointment of Mr JF Basson as Chairperson and member of the Shoprite Holdings Audit and Risk Committee**

“Resolved that Mr JF Basson be elected as Chairperson and member of the Shoprite Holdings Audit and Risk Committee with immediate effect in terms of section 94(2) of the Companies Act.”

Age: 65

First appointed to Audit and Risk Committee: 2014

Educational qualifications: B Com CTA CA (SA)

Other Directorships: Cape Consumers (Pty) Ltd and Tafelberg Furniture Stores (Pty) Ltd

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

### **6.8 Ordinary resolution number 8: Appointment of Mr JA Louw as member of the Shoprite Holdings Audit and Risk Committee**

“Subject to his re-election as director, it is resolved that Mr JA Louw be elected as member of the Shoprite Holdings Audit and Risk Committee with immediate effect in terms of section 94(2) of the Companies Act.”

Age: 73

First appointed to Audit and Risk Committee: 2011

Educational qualifications: BSc Hons B (B&A) Hons

Other Directorships: Mr Louw serves as a director on the board of various private companies.

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

### **6.9 Ordinary resolution number 9: Appointment of Mr JJ Fouché as member of the Shoprite Holdings Audit and Risk Committee**

“Resolved that Mr JJ Fouché be elected as member of the Shoprite Holdings Audit and Risk Committee with immediate effect in terms of section 94(2) of the Companies Act.”

Age: 69

First appointed to Audit and Risk Committee: 2013

Educational qualifications: BCom LLB

Other Directorships: None

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

### **6.10 Ordinary resolution number 10: Appointment of Mr JA Rock as member of the Shoprite Holdings Audit and Risk Committee**

“Resolved that Mr JA Rock be elected as member of the Shoprite Holdings Audit and Risk Committee with immediate effect in terms of section 94(2) of the Companies Act.”

Age: 47

First appointed to Audit and Risk Committee: 2014

Educational qualifications: BA(Hons) MA ACA

Other Directorships: Ferroland Grondtrust (Pty) Ltd

For ordinary resolution number 10 to be approved by Shareholders it must be supported by more than 50% of the voting rights exercised on the resolution by Shareholders present or represented by proxy at this meeting.

### **6.11 Ordinary resolution number 11: General authority over unissued Ordinary Shares**

“Resolved that 30 million (approximately 5% of the issued ordinary share capital that includes treasury shares) of the authorised but unissued Ordinary Shares, or in the case that the Ordinary Shares are converted into Ordinary Shares having no par value, Ordinary Shares having no par value, in the capital of the Company be and are hereby placed under the control and authority of the Directors of the Company until the next annual general meeting and that the Directors of the Company be and are hereby authorised and empowered to, without first offering those shares to Shareholders pro rata to their shareholding, allot, issue and otherwise dispose of such Ordinary Shares or Ordinary Shares having no par value to a person or persons on such terms and conditions and at such times as the Directors of the Company may from time to time and in their discretion deem fit, subject to the provisions and requirements of the Companies Act, the MOI of the Company and JSE Listings Requirements, when applicable, and any other exchange on which the shares of the Company may be quoted or listed from time to time, when applicable.”

For ordinary resolution number 11 to be approved by Shareholders it must be supported by more than 50% of the voting rights exercised on the resolution by Shareholders present or represented by proxy at this meeting.

# Notice to Shoprite Holdings Shareholders: Annual General Meeting (continued)

## 6.12 Ordinary resolution number 12: General authority to issue shares for cash

“Resolved that the Directors of the Company be and are hereby authorised by way of a general authority, to issue all or any of the authorised, but unissued Shares in the capital of the Company, for cash, as and when they in their discretion deem fit, subject to the provisions and requirements of the Companies Act, the MOI of the Company, the JSE Listings Requirements and any other exchange on which the shares of the Company may be quoted from time to time, when applicable, subject to the following limitations, namely that:

- the equity securities which are the subject of the issue for cash must be of a class already in issue, or where this is not the case, must be limited to such securities or rights that are convertible into a class already in issue;
- any such issue will only be made to “public Shareholders” as defined in the JSE Listings Requirements and not related parties, unless the JSE otherwise agrees, but may be made to such “public Shareholders” and in such quantities that the Directors in their discretion may deem fit;
- the number of Ordinary Shares issued for cash shall not in the aggregate in any one (1) financial year, exceed 5% (five percent) of the Company's issued Ordinary Shares, or in the case that the Ordinary Shares are converted into Ordinary Shares having no par value, Ordinary Shares having no par value being 28 229 263 Ordinary Shares, or Ordinary Shares having no par value, (excluding 35 436 572 treasury shares). The number of Ordinary Shares, or Ordinary Shares having no par value, which may be issued shall be based on the number of Ordinary Shares in issue at the date of this notice of AGM, less any Ordinary Shares issued in terms of this authority by the Company during the current financial year;
- in the event of a sub-division or consolidation of issued Ordinary Shares, or Ordinary Shares having no par value, during the period of this authority, the authority will be adjusted accordingly to represent the same allocation ratio;
- this authority be valid until the Company's next annual general meeting, provided that it shall not extend beyond fifteen (15) months from the date that this authority is given;
- a paid press announcement will be published giving full details, at the time of any issue representing on a cumulative basis within one (1) financial year, 5% (five percent) or more of the number of Shares in issue prior to the issue in terms of this authority;
- in determining the price at which an issue of Shares may be made in terms of this authority, the maximum discount permitted will be 10% (ten percent) of the weighted average traded price on the JSE of those Shares measured over the thirty (30) business days prior to the date that the price of the issue is determined or agreed by the Directors of the Company.”

For ordinary resolution number 12 to be approved by Shareholders it must in terms of the JSE Listings Requirements be supported by more than 75% of the voting rights exercised on the resolution by Shareholders present or represented by proxy at this meeting.

## 6.13 Ordinary resolution number 13: General authority to Directors and/or Company Secretary

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

For ordinary resolution number 13 to be approved by Shareholders it must be supported by more than 50% of the voting rights exercised on the resolution by Shareholders present or represented by proxy at this meeting.

## 6.14 Resolution number 14: Non-binding advisory vote on the remuneration policy of Shoprite Holdings and the implementation of the remuneration policy

“Resolved that, through a non-binding advisory vote, the Company's:

- 6.14.1 remuneration policy (excluding the remuneration of the non-executive Directors and members of board committees for their services as Directors) as set out in the remuneration report in the Integrated Report from pages 65 – 70 is approved”; and
- 6.14.2 implementation report as set out in the remuneration report in the Integrated Report from pages 71 – 73 is approved.”

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

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

"Resolved as a Special Resolution in terms of section 66(9) of the Companies Act, that the annual remuneration of the non-executive Directors for the twelve months from 1 November 2016 – 31 October 2017 be approved as follows:

### Shoprite Holdings board and committee fees

|                                    | 2016/2017 | 2015/2016 |
|------------------------------------|-----------|-----------|
| <b>Board</b>                       |           |           |
| Chairman of the Board              | R397 000  | R367 500  |
| Lead Independent Director          | R245 000  | R227 000  |
| Non-Executive Director             | R234 000  | R216 000  |
| <b>Audit and risk committee</b>    |           |           |
| Chairman                           | R279 000  | R258 000  |
| Member                             | R141 000  | R130 000  |
| <b>Remuneration committee</b>      |           |           |
| Chairman                           | R72 500   | R67 000   |
| Member                             | R43 500   | R40 500   |
| <b>Nomination committee</b>        |           |           |
| Chairman                           | R72 500   | R67 000   |
| Member                             | R43 500   | R40 500   |
| <b>Social and ethics committee</b> |           |           |
| Chairman                           | R94 500   | R87 500   |

\*All amounts above are VAT exclusive.

For Special Resolution number 1 to be approved by Shareholders it must be supported by at least 75% of the voting rights exercised on the resolution by Shareholders present or represented by proxy at this meeting.

### Reason for and effect of Special Resolution number 1

The reason for and effect of Special Resolution number 1 is to grant the Company the authority to pay remuneration to its non-executive Directors for their services as Directors for the period ending on 31 October 2017.

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

Resolved as a Special Resolution in terms of section 45(3)(a)(ii) of the Companies Act, subject to compliance with the requirements of the Company's MOI and the JSE Listings Requirements as presently constituted and amended from time to time as a general approval, that the Board of the Company be authorised during a period of two (2) years from the date of this Special Resolution to authorise the Company to provide direct or indirect financial assistance to a director or prescribed officer of the Company or of any related or inter-related company, or to any related or inter-related company or corporation, ("any related or inter-related company or corporation" has herein the same meaning as in section 45 of the Companies Act and which meaning includes all the subsidiaries of the Company) to the Company or to a member of such a related or inter-related corporation, or to a person related to any such company, corporation, director, prescribed officer or member, in any form including one or more of the following forms:

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

such a person or company or corporation, director, prescribed officer or member which the Board of the Company may deem fit on the terms and conditions and for amounts that the Board of the Company may determine.

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

# Notice to Shoprite Holdings Shareholders: Annual General Meeting (continued)

## Reason for and effect of Special Resolution number 2

This Special Resolution will grant the Company's Directors the authority to authorise financial assistance in any of the forms described in the resolution to a director or prescribed officer of the Company (to be utilised as part of an incentive scheme, where applicable) or of a related or inter-related company, or to a related or inter-related company or corporation, ("any related or inter-related company or corporation" has herein the same meaning as in section 45 of the Companies Act and which meaning includes all the subsidiaries of the Company) to the Company or to a member of such a related or inter-related corporation, or to a person related to any such company, corporation, director, prescribed officer or member as contemplated in section 45 of the Companies Act.

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

- By the time that this notice of AGM is delivered to Shareholders, the Board would have adopted a written board resolution ("the Section 45 Board Resolution") authorising the Company to provide at any time during the period of two (2) years from the date the above Special Resolution number 2 is adopted, any direct or indirect financial assistance as contemplated in section 45 of the Companies Act to any one or more related or inter-related companies or corporations of the Company;
- The Section 45 Board Resolution will only be subject to and only effective to the extent that Special Resolution number 2 is adopted by Shareholders and the provision of any such direct or indirect financial assistance by the Company, pursuant to such resolution, will always be subject to the Board being satisfied that immediately after providing such financial assistance, the Company will satisfy the solvency and liquidity test as referred to in section 45(3)(b)(i) of the Companies Act and that the terms under which the financial assistance will be given are fair and reasonable to the Company as required in section 45(3)(b)(ii) of the Companies Act; and
- The Company hereby provides notice of the Section 45 Board Resolution to Shareholders of the Company.

## 6.17 Special resolution number 3: Financial assistance for subscription of securities

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

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

## Reason for and effect of Special Resolution number 3

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

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

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

## 6.18 Special resolution number 4: General authority to repurchase shares

"Resolved as a Special Resolution that, the Company and/or any subsidiary of the Company be and are hereby authorised by way of a general authority to acquire the issued Ordinary Shares of the Company, upon such terms and conditions and in such amounts as the Directors of the Company may from time to time determine, but subject to the MOI of the Company, the provisions of the Companies Act, the JSE Listings Requirements and any other exchange on which the shares of the Company may be quoted or listed from time to time, where applicable, and provided that:

- the repurchase of securities will be effected through the main order book operated by the JSE trading system without any prior understanding or arrangement between the Company and the counterparty, or other manner approved by the JSE;
- this general authority shall be valid until the Company's next annual general meeting, provided that it shall not extend beyond fifteen (15) months from the date of passing of this Special Resolution;
- in determining the price at which the Company's Ordinary Shares are acquired by the Company or its subsidiaries in terms of this general authority, the maximum premium at which such Ordinary Shares may be acquired will be 10% (ten percent) of the weighted average of the market price at which such Ordinary Shares are traded on the JSE, as determined over the five (5) trading days immediately preceding the date of the repurchase of such Ordinary Shares by the Company;
- the number of Ordinary Shares acquired in the aggregate in any one (1) financial year do not exceed 5% (five percent) of the number of the Company's issued Ordinary Shares on the date that this Special Resolution is adopted;
- prior to entering the market to repurchase the Company's securities, a Board resolution to authorise the repurchase will have been passed in accordance with the requirements of section 46 of the Companies Act, and stating that the Board has acknowledged that it has applied the solvency and liquidity test as set out in section 4 of the Companies Act and has reasonably concluded that the Company will satisfy the solvency and liquidity test immediately after completing the proposed repurchase;

- the Company or its subsidiaries will not repurchase securities during a prohibited period as defined in paragraph 3.67 of the JSE Listings Requirements, unless there is a repurchase programme in place where the dates and quantities of securities to be traded during the relevant period are fixed (not subject to any variation) and full details of the programme have been disclosed to the JSE prior to the commencement of the prohibited period;
- when the Company has cumulatively repurchased 3% (three percent) of the initial number of the relevant class of securities, and for each 3% (three percent) in aggregate of the initial number of that class acquired thereafter, an announcement will be made; and
- the Company only appoints one agent to effect any repurchase(s) on its behalf.”

For Special Resolution number 4 to be approved by Shareholders it must be supported by at least 75% of the voting rights exercised on the resolution by Shareholders present or represented by proxy at this meeting.

#### Statement by the Board of Directors

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

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

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

#### Reason for and effect of Special Resolution number 4

Paragraphs 5.72(c) and 5.76 of the JSE Listing Requirements require that the Company or any subsidiary of the Company may only repurchase or purchase securities issued by the Company if approved by its Shareholders by way of a Special Resolution. The existing general authority granted by the Shareholders of the Company at the previous AGM on 31 October 2016, is due to expire, unless renewed.

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

The proposed general authority would enable the Company or any subsidiary of the Company to repurchase up to a maximum of 30 001 091 (thirty million and one thousand ninety-one) Ordinary Shares of the Company, representing 5% (five percent) of the issued Ordinary Share capital of Company as at 2 July 2017.

The reason for the passing of Special Resolution number 4 is to authorise the Company and/or its subsidiaries by way of a general authority from Shareholders to repurchase Ordinary Shares issued by the Company.

Once adopted this Special Resolution will permit the Company or any of its subsidiaries, to repurchase such Ordinary Shares in terms of the Companies Act, its MOI and the JSE Listings Requirements.

#### Disclosures in terms of paragraph 11.26 of the JSE Listings Requirements

The JSE Listings Requirements require the following disclosures in respect of Special Resolution number 4, some of which are disclosed in the Integrated Report of which this Notice forms part:

- Major Shareholders of the Company – page 101
- Share capital of the Company – page 90

#### Material Change

Other than the facts and developments as referred to on page 79 of the Integrated Report, there have been no material changes in the affairs or financial position of the Company and its subsidiaries since the date of signature of the audit report and the date of this notice.

#### Directors’ Responsibility Statement

The Directors, whose names are given on pages 26 and 27 of the Integrated Report, collectively and individually accept full responsibility for the accuracy of the information and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading and that all reasonable enquiries to ascertain such facts have been made.

# Notice to Shoprite Holdings Shareholders: Annual General Meeting (continued)

## 6.19 Special resolution number 5: Conversion of par value shares

“Resolved, as a Special Resolution proposed by the Board of Shoprite Holdings in terms of Regulation 31(6) of the Companies Regulations, that the conversion of all the existing Shoprite Holdings Ordinary Shares (being the Ordinary Shares with a par value of 113.4 cents each in the Share capital of Shoprite Holdings and comprising of all such authorised, issued and unissued Shares) into Ordinary Shares having no par value, without altering the substance of the specific rights and privileges associated with each such Share, is approved so that with effect from the Conversion of those Shares, the Ordinary Shares having no par value will have the same rights and privileges associated with and granted to Shoprite Holdings Ordinary Shares in terms of the Memorandum of Incorporation of Shoprite Holdings, and that with effect from the date and time that the Notice of Amendment in respect of this Special Resolution Number 5 and Special Resolution Number 1, adopted at the separate General Meeting of Ordinary Shareholders (and which Special Resolution Number 1 is recorded in the separate Notice of General Meeting of Ordinary Shareholders), is Filed with the CIPC:

- clause 1.2.19 of the MOI of the Company be amended to read as follows:  
“Ordinary Share” an ordinary share in the capital of the Company having no par value and having the preferences, rights, limitations and other terms contemplated in clause 9.1 of the MOI”;
- clause 1 of Schedule 1 to the MOI of the Company be amended to read as follows:  
“650 000 000 Ordinary Shares, having no par value, and having the rights and limitations set out in the MOI”
- the first paragraph of clause 9.2.1.7 of the MOI of the Company be amended to read as follows:  
“the Permitted Holder shall only be entitled to own Deferred Shares for as long as it owns a number of Ordinary Shares that is not less than the number which represents at least 10% of the Original Number (“Minimum Holding”). In this clause 9.2.1.7 “Original Number” means a number equal to the number of issued ordinary shares (being ordinary shares in the share capital of the Company with a par value of 113.4 cents each) on the date of the first issue of the Deferred Shares to the Permitted Holder.”
- the following new clause be added to the MOI of the Company as clause 9.2.2:  
“9.2.2 The conversion of Ordinary Shares (being ordinary shares in the share capital of the Company with a par value of 113.4 cents each) into Ordinary Shares having no par value (as defined in clause 1.2.19 above) will not amend or vary any of the rights attaching to the Deferred Shares and the conversion will also have no effect on or consequence for the Deferred Shares or the Permitted Holder and in this clause 9 “Ordinary Share” will mean an Ordinary Share having no par value as more fully defined in clause 1.2.19 above.”

For Special Resolution Number 5 to be approved by Shoprite Holdings Shareholders, it must be supported by at least 75% of the voting rights exercised on that resolution by the Shoprite Holdings Shareholders present in person or represented by proxy at the AGM.

### Reason for and effect of Special Resolution number 5

Regulation 31(5) of the Companies Regulations provides that the number of the authorised Ordinary Shares (being Ordinary Shares with a par value of 113.4 cents each) may not be increased. The only manner in which to increase the authorised Ordinary Shares of Shoprite Holdings will be to first convert those Ordinary Shares into Ordinary Shares having no par value.

The Board accordingly in terms of Regulation 31(5) of the Companies Regulations proposed that the existing authorised and issued Ordinary Shares (being Ordinary Shares with a par value off 113.4 cents each) be converted into Ordinary Shares having no par value.

The effect of the Conversion is that all the Shoprite Holdings Ordinary Shares (being the Ordinary Shares with a par value of 113.4 cents each in the share capital of Shoprite Holdings and comprising of all such authorised, issued and unissued shares) will be converted into Ordinary Shares having no par value.

Regulation 31(6) of the Companies Regulations provides that an amendment to the MOI to effect the Conversion will have been adopted only if it is approved by:

- a Special Resolution adopted by the holders of the class of shares being converted which is the Ordinary Shareholders; and
- a further Special Resolution adopted at a meeting of the Shoprite Holdings Shareholders.

To comply with Regulation 31(6) and with clause 10.3.9 of the MOI, Special Resolution 1, described in the Notice of General Meeting of Ordinary Shareholders, will first be proposed to the Ordinary Shareholders. This Special Resolution 5 is also proposed to comply with that Regulation 31(6). The Conversion will accordingly be approved on the adoption of both the aforementioned Special Resolution 1 and this Special Resolution 5.

Regulation 31(7) of the Companies Regulations further requires that when the Company converts its Shares into Shares having no par value, the Board shall prepare a report in respect of the Conversion which, inter alia, evaluates whether there are any material adverse effects on the Shareholders of the Company. Regulation 31(8) of the Companies Regulations provides that such a report be published to the Shareholders. The report prepared by the Board is set out in Annexure 1 to this Notice.

The amendments to clause 9 of the MOI are made to clarify that the Conversion has no effect on or consequence for the Deferred Shares and to record the number of Ordinary Shares having no par value that will comprise the Minimum Holding. Thibault Square Financial Services (Pty) Ltd, registration number 1992/004170/07, being the Permitted Holder and the only holder of the Deferred Shares, has in terms of clause 10.3.9.1 of the MOI consented in writing to the amendments to clause 9 of the MOI recorded in Special Resolution 5.

## 6.20 Special resolution number 6: Increase in authorised share capital

"Resolved, as a Special Resolution proposed by the Board of Shoprite Holdings subject to the adoption of Special Resolution Number 5 above, and the adoption of Special Resolution Number 1 at the separate General Meeting of Ordinary Shareholders (which Special Resolution Number 1 is recorded in a separate Notice of General Meeting of Ordinary Shareholders) and that the Notice of Amendment in respect of that Special Resolution Number 5 and that Special Resolution Number 1 is Filed with the CIPC that:

- the number of authorised Ordinary Shares having no par value of the Company is increased from 650 000 000 to 1 300 000 000 Ordinary Shares having no par value by the creation of an additional 650 000 000 Ordinary Shares having no par value, having the same rights and privileges as the existing Ordinary Shares having no par value;
- the number of authorised Deferred Shares is increased from 360 000 000 to 720 000 000 Deferred Shares, having the same rights and privileges as the existing Deferred Shares; and
- that with effect from the date and time that the Notice of Amendment in respect of this Special Resolution is Filed with the CIPC, Schedule 1 to MOI be amended to read as follows:

### "Schedule 1 – share capital

The numbers and classes of Shares which the Company is authorised to issue are set out below.

1. 1 300 000 000 Ordinary Shares, having no par value, and having the rights and limitations set out in the MOI; and
2. 720 000 000 non-convertible, non-participating, non-transferable no par value, Deferred Shares and having the rights, limitations and other terms set out in the MOI."

For Special Resolution Number 6 to be approved by Shareholders, it must be supported by at least 75% of the voting rights exercised on that resolution by Shareholders present in person or represented by proxy at this meeting.

### Reason for and effect of Special Resolution number 6

As a result of the conversion of the 6.5% convertible bonds during April 2017 into Ordinary Shares, the number of Ordinary Shares currently in issue has increased to 600 021 829, with the authorised Ordinary Shares being 650 000 000. After the completion of the Conversion, the Company will have 600 021 829 issued Ordinary Shares having no par value, and 650 000 000 authorised Ordinary Shares having no par value. This will leave the Company with relatively few unissued authorised Ordinary Shares having no par value.

The Board is accordingly of the opinion that it will be prudent to increase the authorised Ordinary Shares having no par value to 1 300 000 000 Ordinary Shares having no par value.

The increase of authorised Ordinary Shares will also necessitate the increase in the authorised Deferred Shares to provide for the additional Deferred Shares that the Company may be obliged to issue to Thibault Square Financial Services (Pty) Ltd in the event that the Company issues additional Ordinary Shares. In terms of the MOI of the Company, Thibault Square Financial Services (Pty) Ltd becomes entitled, on the issue of Ordinary Shares, to subscribe for additional Deferred Shares to ensure that the ratio of Deferred Shares to Ordinary Shares after the issue of the Ordinary Shares remains the same as it were prior to the issue of such Ordinary Shares.

The Board is accordingly also of the opinion that it will be prudent to increase the authorised Deferred Shares.

## 7. Reports

- 7.1 The Report by the Board to Shareholders in terms of Regulation 31(7) of the Companies Regulations is attached as Annexure 1.
- 7.2 This Notice has also in terms of Regulation 31(8) of the Companies Regulations been filed with the:
  - South African Revenue Service; and
  - CIPC.

## 8. Documents available for inspection

The following documents, or copies thereof, will be available for inspection during normal business hours at the registered address of Shoprite Holdings from the date of this Notice up to and including 30 October 2017:

- the MOI of Shoprite Holdings.

## 9. Transaction of other business

For Shoprite Holdings Limited



**PG du Preez**  
Company Secretary  
26 September 2017

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

**South African Transfer Secretaries**  
Computershare Investor Services (Pty) Ltd  
15 Biermann Avenue, Rosebank, 2196  
PO Box 61051, Marshalltown, 2107  
Facsimile: +27 (0) 11 688 5238

# Annexure 1

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**Report prepared by the Board in relation to the conversion of Ordinary Shares with a par value of 113.4 cents each into Ordinary Shares having no par value in terms of Companies Regulations 31(7) and 31(8) in respect of the Special Resolutions to approve the Conversion set out in the Notice of General Meeting of Shoprite Holdings Shareholders and in the Notice of Annual General Meeting of Ordinary Shareholders**

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## 1. Introduction

- 1.1 Pursuant to the provisions of Regulation 31 of the Companies Regulations, the Board recommends the conversion of the Ordinary Shares with a par value of 113,4 cents each into Ordinary Shares having no par value.
- 1.2 The Notice of General Meeting of Ordinary Shareholders and the Notice of Annual General Meeting of Shoprite Holdings Shareholders record the requirements of Regulation 31 of the Companies Regulations for the conversion of the Ordinary Shares with a par value of 113.4 cents each into the Ordinary Shares having no par value.
- 1.3 This report is given in compliance with the provisions of Regulations 31(7) and 31(8) of the Companies Regulations and in respect of the Special Resolutions to approve the Conversion set out in the Notice of General Meeting of Ordinary Shareholders and the Notice of Annual General Meeting of Shoprite Holdings Shareholders.

## 2. Further information and effect

Set out below is the disclosure required to be made to Shareholders as contemplated in Regulation 31(7) of the Companies Regulations:

- 2.1 Information that may affect the value of Ordinary Shares when converted into Ordinary Shares having no par value**

The value of each of the existing Ordinary Shares will be unaffected by the conversion thereof into Ordinary Shares having no par value as none of the underlying rights of Ordinary Shareholders will be affected by such conversion.
  - 2.2 Classes of Shareholders of the Company's Shares affected by the Conversion**

The conversion of the Ordinary Shares into Ordinary Shares having no par value will only affect the Ordinary Shareholders.
  - 2.3 Material effects that the Conversion will have on the rights of Shareholders**

None of the rights that Ordinary Shareholders hold by virtue of the Ordinary Shares held by them will be affected by the conversion of the Ordinary Shares into the Ordinary Shares having no par value.
  - 2.4 Material adverse effects of the Conversion**

There will be no material adverse effects as a result of the conversion of the Ordinary Shares into the Ordinary Shares having no par value and no compensation will be payable by reason of such conversion.
- 3. General**

In terms of Regulation 31(8)(b) of the Companies Regulations, a copy of this report will be Filed with the CIPC and the South African Revenue Service at the same time that this report is published to the Shareholders.



**PG du Preez**  
Company Secretary

On behalf of the board of directors of Shoprite Holdings Limited

and



**M Bosman**  
Director

On behalf of the board of directors of Shoprite Holdings Limited

26 September 2017

# Form of Proxy

Shoprite Holdings Ltd

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

For use only by:

- certificated ordinary shareholders
- dematerialised ordinary shareholders with "own name" registrations

At the general meeting of ordinary shareholders of Shoprite Holdings to be held at Cnr William Dabs and Old Paarl Roads, Brackenfell at 09h00 on Monday, 30 October 2017 and any adjournment thereof ("the General Meeting").

Dematerialised shareholders holding shares other than with "own name" registration, must inform their CSDP or broker of their intention to attend the General Meeting and request their CSDP or broker to issue them with the necessary letter of representation to attend the General Meeting in person.

If you do not wish to attend the General Meeting, provide your CSDP or broker with your voting instruction in terms of your custody agreement.

I/We ..... (name/s in block letters) of .....

being a shareholder/shareholders of Shoprite Holdings and holding ..... ordinary shares in the Company, hereby appoint

1. .... of ..... or, failing him/her,
2. .... of ..... or, failing him/her,
3. the chairman of the General Meeting, as my/our proxy to attend speak and vote on my/our behalf at the General Meeting of the ordinary shareholders of the Company to be held at 09h00 on Monday, 30 October 2017 at Brackenfell, and at any adjournment thereof:

|   | Number of shares* |         |         |
|---|-------------------|---------|---------|
|   | In favour of      | Against | Abstain |
| Special resolution number 1 – Conversion of Par Value Shares        |                   |         |         |
| Ordinary resolution number 1 – Signature of Documents and Authority |                   |         |         |

\*Please indicate with an "X" in the appropriate spaces above how you wish your votes to be cast.

Unless otherwise instructed, my/our proxy may vote as he/she thinks fit.

Signed at (place) ..... on (date) ..... 2017

.....  
 Shareholder's signature

Please read the notes and instructions overleaf.

# Form of Proxy (continued)

Shoprite Holdings Ltd

## Notes to form of proxy

1. This form of proxy must only be used by certificated ordinary shareholders or dematerialised ordinary shareholders who hold dematerialised ordinary shares with "own name" registration.
2. Dematerialised ordinary shareholders are reminded that the onus is on them to communicate with their CSDP or broker.
3. Each shareholder is entitled to appoint one or more proxies (who need not be a shareholder(s) of the Company) to attend, speak and vote in place of that shareholder at the General Meeting.
4. A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space provided, with or without deleting "the chairman of the General Meeting". The person whose name stands first on the form of proxy and who is present at the General Meeting will be entitled to act as proxy to the exclusion of those whose names follow.
5. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that shareholder in the appropriate box(es) provided or to mark the relevant box(es). If a box is marked without inserting a number of votes it is deemed that the proxy may exercise all the votes of the shareholder. Failure to comply with the above will be deemed to authorise the chairman of the General Meeting to vote in favour of the ordinary and special resolutions at the General Meeting, or any other proxy to vote or to abstain from voting at the General Meeting as he/she deems fit, in respect of the shareholder's total holding.
6. Summary of rights established by section 58 of the Companies Act, 21 of 2008

At any time, a shareholder of a company may appoint any individual, including an individual who is not a shareholder of that company, as a proxy to:

- participate in, and speak and vote at, a shareholders meeting on behalf of the shareholder; or
- give or withhold written consent on behalf of the shareholder to a decision contemplated in section 60.

A proxy appointment:

- must be in writing, dated and signed by the shareholder; and
- remains valid for-
  - one year after the date on which it was signed; or
  - any longer or shorter period expressly set out in the appointment, unless it is revoked in a manner contemplated in subsection (4) (c), or expires earlier as contemplated in subsection (8) (d).

Except to the extent that the Memorandum of Incorporation of a company provides otherwise:

- a shareholder of that company may appoint two or more persons concurrently (please note that the Memorandum of Incorporation of the Company prohibits such an appointment) as proxies, and may appoint more than one proxy to exercise voting rights attached to different securities held by the shareholder (please note that the Memorandum of Incorporation of the Company prohibits such an appointment);
- a proxy may delegate the proxy's authority to act on behalf of the shareholder to another person, subject to any restriction set out in the instrument appointing the proxy and provided that right is granted in the Proxy Instrument and the delegation takes place by way of a further Proxy Instrument); and
- a copy of the instrument appointing a proxy must be delivered to the company, or to any other person on behalf of the company, before the proxy exercises any rights of the shareholder at a shareholders meeting.

Irrespective of the form of instrument used to appoint a proxy:

- the appointment is suspended at any time and to the extent that the shareholder chooses to act directly and in person in the exercise of any rights as a shareholder;
- the appointment is revocable unless the proxy appointment expressly states otherwise; and
- if the appointment is revocable, a shareholder may revoke the proxy appointment by:
  - cancelling it in writing, or making a later inconsistent appointment of a proxy; and
  - delivering a copy of the revocation instrument to the proxy, and to the company.

The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the shareholder as of the later of:

- the date stated in the revocation instrument, if any; or
- the date on which the revocation instrument was delivered as required in subsection (4) (c) (ii).

If the instrument appointing a proxy or proxies has been delivered to a company, as long as that appointment remains in effect, any notice that is required by this Act or the company's Memorandum of Incorporation to be delivered by the company to the shareholder must be delivered by the company to:

- the shareholder; or
- the proxy or proxies, if the shareholder has-
  - directed the company to do so, in writing; and
  - paid any reasonable fee charged by the company for doing so.

A proxy is entitled to exercise, or abstain from exercising, any voting right of the shareholder without direction, except to the extent that the Memorandum of Incorporation, or the instrument appointing the proxy, provides otherwise.

If a company issues an invitation to shareholders to appoint one or more persons named by the company as a proxy, or supplies a form of instrument for appointing a proxy:

- the invitation must be sent to every shareholder who is entitled to notice of the meeting at which the proxy is intended to be exercised;
- the invitation, or form of instrument supplied by the company for the purpose of appointing a proxy, must:
  - bear a reasonably prominent summary of the rights established by this section;
  - contain adequate blank space, immediately preceding the name or names of any person or persons named in it, to enable a shareholder to write in the name and, if so desired, an alternative name of a proxy chosen by the shareholder; and
  - provide adequate space for the shareholder to indicate whether the appointed proxy is to vote in favour of or against any resolution or resolutions to be put at the meeting, or is to abstain from voting;
- the company must not require that the proxy appointment be made irrevocable; and
- the proxy appointment remains valid only until the end of the meeting at which it was intended to be used, subject to subsection (5).

Subsection (8) (b) and (d) do not apply if the company merely supplies a generally available standard form of proxy appointment on request by a shareholder.

7. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy, unless previously recorded by the Company's transfer office or waived by the chairman of the General Meeting.
8. The chairman of the General Meeting may reject or accept any form of proxy which is completed and/or received other than in accordance with these instructions, provided that he is satisfied as to the manner in which a shareholder wishes to vote.
9. Any alterations or corrections to this form of proxy must be initialled by the signatory (ies).
10. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the General Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so.
11. A minor must be assisted by his/her parent guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the Company.
12. Where there are joint holders of any shares:
  - any one holder may sign this form of proxy;
  - the vote(s) of the senior shareholders (for that purpose seniority will be determined by the order in which the names of shareholders appear in the Company's register of shareholders) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint shareholder(s).
13. The proxy may not delegate any of the rights or powers granted to it.

# Form of Proxy

Shoprite Holdings Ltd

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

For use only by:

- certificated ordinary shareholders
- dematerialised ordinary shareholders with "own name" registrations

At the annual general meeting of shareholders of Shoprite Holdings to be held at Cnr William Dabs and Old Paarl Roads, Brackenfell at 10h00 on Monday, 30 October 2017 and any adjournment thereof ("the AGM").

Dematerialised shareholders holding shares other than with "own name" registration, must inform their CSDP or broker of their intention to attend the AGM and request their CSDP or broker to issue them with the necessary letter of representation to attend the AGM in person.

If you do not wish to attend the AGM, provide your CSDP or broker with your voting instruction in terms of your custody agreement.

I/We ..... (name/s in block letters) of .....

being a shareholder/shareholders of Shoprite Holdings and holding ..... ordinary shares in the Company, hereby appoint

1. .... of ..... or, failing him/her,
2. .... of ..... or, failing him/her,
3. the chairman of the Annual General Meeting, as my/our proxy to attend speak and vote on my/our behalf at the AGM of the shareholders of the Company to be held at 10h00 on Monday, 30 October 2017 at Brackenfell, and at any adjournment thereof:

|  | Number of shares* |         |         |
|--|-------------------|---------|---------|
|  | In favour of      | Against | Abstain |
| Ordinary resolution number 1 – Approval of Annual Financial Statements   |                   |         |         |
| Ordinary resolution number 2 – Re-appointment of Auditors  |                   |         |         |
| Ordinary resolution number 3 – Re-election of Dr CH Wiese  |                   |         |         |
| Ordinary resolution number 4 – Re-election of Mr EC Kieswetter   |                   |         |         |
| Ordinary resolution number 5 – Re-election of Mr JA Louw   |                   |         |         |
| Ordinary resolution number 6 – Re-election of Mr CG Goosen   |                   |         |         |
| Ordinary resolution number 7 – Appointment of Mr JF Basson as Chairperson and Member of the Shoprite Holdings Audit and Risk Committee |                   |         |         |
| Ordinary resolution number 8 – Appointment of Mr JA Louw as Member of the Shoprite Holdings Audit and Risk Committee                   |                   |         |         |
| Ordinary resolution number 9 – Appointment of Mr JJ Fouché as Member of the Shoprite Holdings Audit and Risk Committee                 |                   |         |         |
| Ordinary resolution number 10 – Appointment of Mr JA Rock as Member of the Shoprite Holdings Audit and Risk Committee                  |                   |         |         |
| Ordinary resolution number 11 – General Authority over Unissued Ordinary Shares  |                   |         |         |
| Ordinary resolution number 12 – General Authority to Issue Shares for Cash   |                   |         |         |
| Ordinary resolution number 13 – General Authority to Directors and/or Company Secretary  |                   |         |         |
| Ordinary resolution number 14.1 – Non-binding Advisory Vote on the Remuneration Policy of Shoprite Holdings                            |                   |         |         |
| Ordinary resolution number 14.2 – Non-binding Advisory Vote on the Implementation of the Remuneration Policy                           |                   |         |         |
| Special resolution number 1 – Remuneration Payable to Non-executive Directors  |                   |         |         |
| Special resolution number 2 – Financial Assistance to Subsidiaries, Related and Inter-related Entities                                 |                   |         |         |
| Special resolution number 3 – Financial Assistance for Subscription of Securities  |                   |         |         |
| Special resolution number 4 – General Authority to Repurchase Shares   |                   |         |         |
| Special resolution number 5 – Conversion of Par Value Shares   |                   |         |         |
| Special resolution number 6 – Increase in Authorised Share Capital   |                   |         |         |

\*Please indicate with an "X" in the appropriate spaces above how you wish your votes to be cast.

Unless otherwise instructed, my/our proxy may vote as he/she thinks fit.

Signed at (place) ..... on (date) ..... 2017

.....  
 Shareholder's signature

Please read the notes and instructions overleaf.

# Form of Proxy (continued)

Shoprite Holdings Ltd

## Notes to form of proxy

1. This form of proxy must only be used by certificated ordinary shareholders or dematerialised ordinary shareholders who hold dematerialised ordinary shares with "own name" registration.
2. Dematerialised ordinary shareholders are reminded that the onus is on them to communicate with their CSDP or broker.
3. Each shareholder is entitled to appoint one or more proxies (who need not be a shareholder(s) of the Company) to attend, speak and vote in place of that shareholder at the Annual General Meeting.
4. A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space provided, with or without deleting "the chairman of the Annual General Meeting". The person whose name stands first on the form of proxy and who is present at the Annual General Meeting will be entitled to act as proxy to the exclusion of those whose names follow.
5. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that shareholder in the appropriate box(es) provided or to mark the relevant box(es). If a box is marked without inserting a number of votes it is deemed that the proxy may exercise all the votes of the shareholder. Failure to comply with the above will be deemed to authorise the chairman of the Annual General Meeting to vote in favour of the ordinary and special resolutions at the Annual General Meeting, or any other proxy to vote or to abstain from voting at the Annual General Meeting as he/she deems fit, in respect of the shareholder's total holding.
6. Summary of rights established by section 58 of the Companies Act, 21 of 2008

At any time, a shareholder of a company may appoint any individual, including an individual who is not a shareholder of that company, as a proxy to:

- participate in, and speak and vote at, a shareholders meeting on behalf of the shareholder; or
- give or withhold written consent on behalf of the shareholder to a decision contemplated in section 60.

A proxy appointment:

- must be in writing, dated and signed by the shareholder; and
- remains valid for:
  - one year after the date on which it was signed; or
  - any longer or shorter period expressly set out in the appointment, unless it is revoked in a manner contemplated in subsection (4) (c), or expires earlier as contemplated in subsection (8) (d).

Except to the extent that the Memorandum of Incorporation of a company provides otherwise:

- a shareholder of that company may appoint two or more persons concurrently (please note that the Memorandum of Incorporation of the Company prohibits such an appointment) as proxies, and may appoint more than one proxy to exercise voting rights attached to different securities held by the shareholder (please note that the Memorandum of Incorporation of the Company prohibits such an appointment);
- a proxy may delegate the proxy's authority to act on behalf of the shareholder to another person, subject to any restriction set out in the instrument appointing the proxy and provided that right is granted in the Proxy Instrument and the delegation takes place by way of a further Proxy Instrument; and
- a copy of the instrument appointing a proxy must be delivered to the company, or to any other person on behalf of the company, before the proxy exercises any rights of the shareholder at a shareholders meeting.

Irrespective of the form of instrument used to appoint a proxy:

- the appointment is suspended at any time and to the extent that the shareholder chooses to act directly and in person in the exercise of any rights as a shareholder;
- the appointment is revocable unless the proxy appointment expressly states otherwise; and
- if the appointment is revocable, a shareholder may revoke the proxy appointment by:
  - cancelling it in writing, or making a later inconsistent appointment of a proxy; and
  - delivering a copy of the revocation instrument to the proxy, and to the company.

The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the shareholder as of the later of:

- the date stated in the revocation instrument, if any; or
- the date on which the revocation instrument was delivered as required in subsection (4) (c) (ii).

If the instrument appointing a proxy or proxies has been delivered to a company, as long as that appointment remains in effect, any notice that is required by this Act or the company's Memorandum of Incorporation to be delivered by the company to the shareholder must be delivered by the company to:

- the shareholder; or
- the proxy or proxies, if the shareholder has:
  - directed the company to do so, in writing; and
  - paid any reasonable fee charged by the company for doing so.

A proxy is entitled to exercise, or abstain from exercising, any voting right of the shareholder without direction, except to the extent that the Memorandum of Incorporation, or the instrument appointing the proxy, provides otherwise.

If a company issues an invitation to shareholders to appoint one or more persons named by the company as a proxy, or supplies a form of instrument for appointing a proxy-

- the invitation must be sent to every shareholder who is entitled to notice of the meeting at which the proxy is intended to be exercised;
- the invitation, or form of instrument supplied by the company for the purpose of appointing a proxy, must-
  - bear a reasonably prominent summary of the rights established by this section;
  - contain adequate blank space, immediately preceding the name or names of any person or persons named in it, to enable a shareholder to write in the name and, if so desired, an alternative name of a proxy chosen by the shareholder; and
  - provide adequate space for the shareholder to indicate whether the appointed proxy is to vote in favour of or against any resolution or resolutions to be put at the meeting, or is to abstain from voting;
- the company must not require that the proxy appointment be made irrevocable; and
- the proxy appointment remains valid only until the end of the meeting at which it was intended to be used, subject to subsection (5).

Subsection (8) (b) and (d) do not apply if the company merely supplies a generally available standard form of proxy appointment on request by a shareholder.

7. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy, unless previously recorded by the Company's transfer office or waived by the chairman of the Annual General Meeting.
8. The chairman of the Annual General Meeting may reject or accept any form of proxy which is completed and/or received other than in accordance with these instructions, provided that he is satisfied as to the manner in which a shareholder wishes to vote.
9. Any alterations or corrections to this form of proxy must be initialled by the signatory (ies).
10. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the Annual General Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so.
11. A minor must be assisted by his/her parent guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the Company.
12. Where there are joint holders of any shares:
  - any one holder may sign this form of proxy;
  - the vote(s) of the senior shareholders (for that purpose seniority will be determined by the order in which the names of shareholders appear in the Company's register of shareholders) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint shareholder(s).
13. The proxy may not delegate any of the rights or powers granted to it.

# Administration

Shoprite Holdings Ltd

## Registration number

1936/007721/06

## Registered office

Physical address: Cnr William Dabs and Old Paarl Roads  
Brackenfell, 7560, South Africa  
Postal address: PO Box 215, Brackenfell, 7561, South Africa  
Telephone: +27 (0)21 980 4000  
Facsimile: +27 (0)21 980 4050  
Website: www.shopriteholdings.co.za

## Company secretary

Mr PG du Preez  
Physical address: Cnr William Dabs and Old Paarl Roads  
Brackenfell, 7560, South Africa  
Postal address: PO Box 215, Brackenfell, 7561, South Africa  
Telephone: +27 (0)21 980 4284  
Facsimile: +27 (0)21 980 4468  
Email: cosec@shoprite.co.za

## Transfer secretaries

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Email: Web.Queries@Computershare.co.za  
Website: www.computershare.com

### Namibia

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### Zambia

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Email: info@pangaea.co.zm  
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## Auditors

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PO Box 2799, Cape Town, 8000, South Africa  
Telephone: +27 (0)21 529 2000  
Facsimile: +27 (0)21 529 3300  
Website: www.pwc.com/za

## Bankers

ABSA Bank Ltd  
Citibank N.A.  
First National Bank Ltd  
Investec Bank Ltd  
Nedbank Ltd  
The Standard Bank of South Africa Ltd  
Standard Chartered Bank PLC  
JP Morgan Chase Bank, N.A.

# Shareholders' Diary

## June

Financial  
year-end

## August

Audited results

## September

Publishing of  
Integrated Report

Payment of final  
ordinary dividend

## October

Annual General  
Meeting

## December

End of financial  
half-year

## February

Interim results

## March

Payment of  
interim ordinary  
dividend





[www.shopriteholdings.co.za](http://www.shopriteholdings.co.za)