

ESTABLISHMENT OF THE SHOPRITE EMPLOYEE TRUST

AN EVERGREEN B-BBEE EMPLOYEE BENEFIT TRUST

18 MAY 2022

SHOPRITE 
HOLDINGS LTD

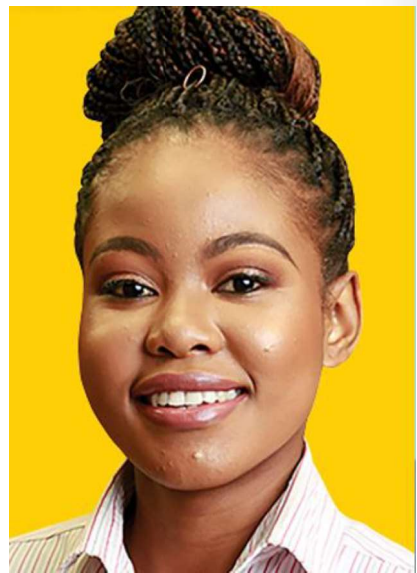


PRESENTATION OUTLINE

PIETER ENGELBRECHT, CEO

ANTON DE BRUYN, CFO

OVERVIEW



TERMS



STRUCTURE



FINANCIAL IMPACT





TRANSACTION OVERVIEW

 FINANCIAL IMPACT

 STRUCTURE

 TERMS

- The Shoprite Employee Trust ("**Employee Trust**") has been established to acknowledge the valued role of our employees in terms of our Group's operations and future success
- Aims to retain, motivate and financially recognise the contribution of our employees
- A non-vesting, 'evergreen' trust
 - The Employee Trust is a permanent investment vehicle
 - The capital issued to the Employee Trust remains within the Employee Trust
- Eligible RSA employees will be allocated units in the Employee Trust and receive a distribution in line with the dividend received by our shareholders
- Non-RSA employees to receive an equivalent bonus payment through their payroll, based on the same eligibility criteria
- First payment, aligned with our 2022 interim dividend, will be made shortly
- Effective B-BBEE ownership in Shoprite Checkers increases from 13.5% to 19.2%



TRANSACTION TERMS



FINANCIAL IMPACT



STRUCTURE



Employee Trust objectives

- Recognise employees' valued contribution

Eligible employees

- Permanent RSA employees with 24 calendar months continued employment
- Excludes employees eligible for LTI or STI benefits

Beneficiaries

- RSA employees: participate via the Employee Trust (aligned to B-BBEE framework)

Features

- Distribution to unit holders equal to Group's dividend per share (value and frequency)
- Employees forfeit units if/when they leave the Group
- Capital retained by the Employee Trust

Investment mandate

- Unallocated units will create surplus funds which the trustees will be able to use to:
 - reduce the Notional Vendor Funding ("**NVF**"); or
 - invest in approved investments, with the intention of growing capital and/or generating ancillary dividends (outside of dividends from Shoprite Checkers)

Condition precedent

- Class A Subscription Agreement, Class B Subscription Agreement and implementation of the Transaction are subject to the acceptance by the CIPC of the amendments to the MOI of Shoprite Checkers





TRANSACTION TERMS



FINANCIAL IMPACT



STRUCTURE

FUNDING OF 40 MILLION TRUST SHARES

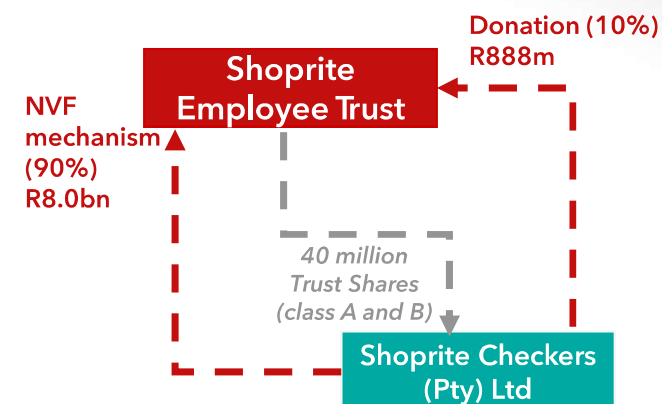
Shoprite Checkers donation (10%)

- **R888m** (4 million class A shares x R222.05*)
- Not subject to the NVF mechanism redemption below

NVF mechanism (90%)

- **R8.0bn** (36 million class B shares x R222.05*)
– R3.60 subscription price
- NVF provided by Shoprite Checkers with a **10-year term**
- NVF extinguished through the redemption of Shoprite Checkers class B shares held by the Employee Trust ("**Redemption**")
- NVF **escalation rate of 3%** determined with reference to Group dividend yield and the Group cost of borrowing

* 3-day VWAP per the Shoprite (SHP) share at close of trade on 13 May 2022



Term	<ul style="list-style-type: none">• Structured as a perpetual scheme• Residual equity (post the NVF term and any Redemption, if required) held by the Employee Trust into perpetuity
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TRANSACTION STRUCTURE



FINANCIAL IMPACT

R8.9 billion

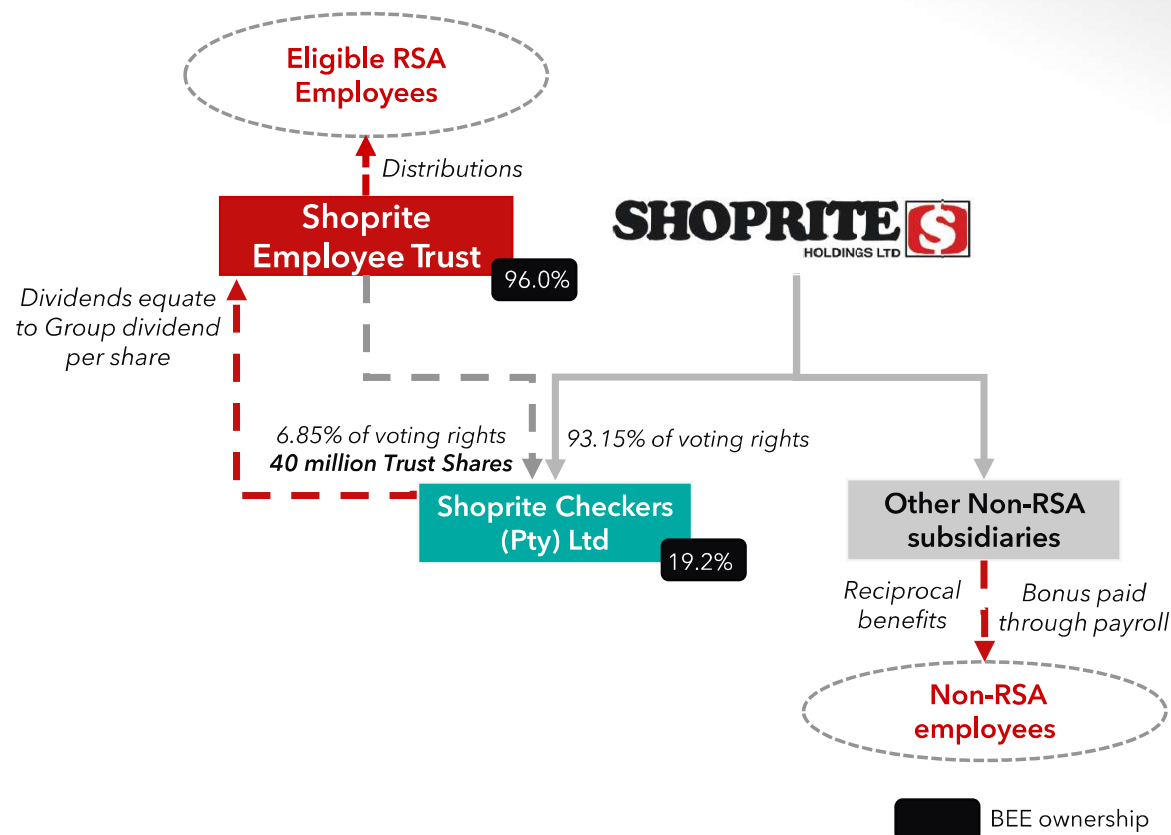
Transaction value

40 million

Total number of shares issued to the Employee Trust and units available for allocation

40 million Shoprite Checkers shares issued to the Employee Trust:

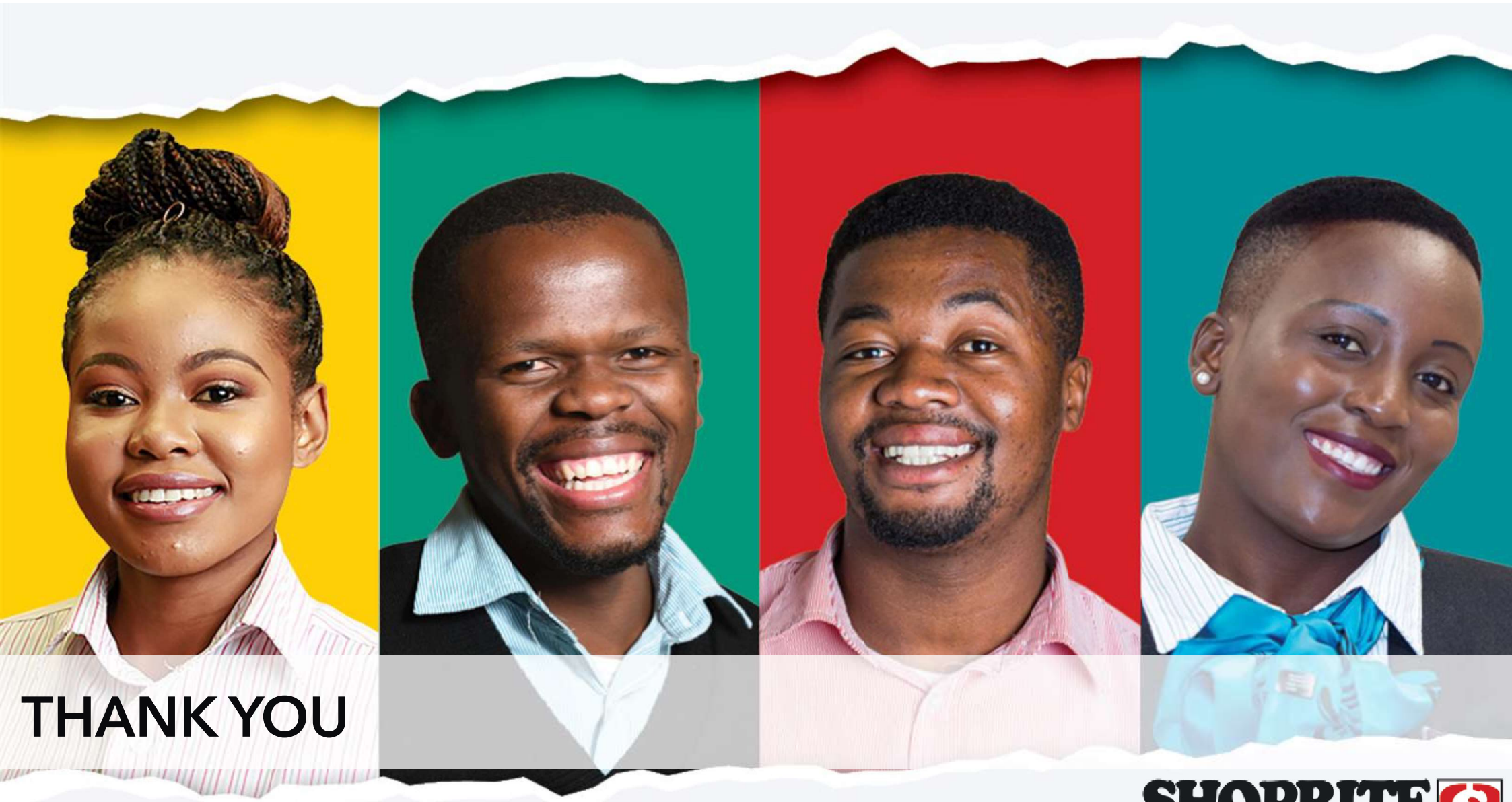
- **4 million class A shares**
Shoprite Checkers donation to the Employee Trust
- **36 million class B shares**
Funded through a NVF (Notional Vendor Funding) mechanism at an annual escalation rate of 3%





FINANCIAL IMPACT

- The Employee Trust will be consolidated as part of the Group financial results:
 - Consolidation does not impact the Group's capital structure
- Financial impact of implementation determined in accordance with IAS19 (Employee Benefits)
- Impact relating to FY2022 results:
 - Shoprite Checkers will pay an initial dividend to the Employee Trust based on the interim dividend of 233c. The Employee Trust will distribute this to eligible employees
 - Non-RSA employees will receive an equivalent payment as a cash bonus through payroll subject to the same eligibility criteria and terms applicable to beneficiaries of the Employee Trust
 - On a *pro forma* basis, the payment represents a 2.7% reduction in the Group's headline earnings (continuing operations) for the 6-month period ending 2 January 2022
 - The Employee Trust will provide for distributions payable to unit holders



THANK YOU



ANNEXURE: FINANCIAL IMPACT | BASIS OF CALCULATION

Assumptions

Dividend per share declared	A
Total eligible employees' equivalent units allocated	B
Total shares held by the Employee Trust (40 million)	C

Employee Trust dividend entitlement based on Trust Shares held in Shoprite Checkers

Employee Trust cash flow

Total Employee Trust dividend entitlement	A * C
Less: distribution paid to unitholders	A * B
Less: Employee Trust expenses	D
Plus: other income*	E
Less: reserves for approved investments	F
Additional benefits as defined in the SENS	Sum of the above

Impacts the Group's headline earnings

Assumed no impact for this illustration

Additional benefit applied to reduce the NVF

Headline earnings impact

RSA employee payment (as detailed above - IAS19 and other expenses)	X
Non-RSA equivalent payment through payroll**	Y
Total headline earnings impact	Z

Based on the Group's H1 2022 interim dividend of 233c per share the *pro forma* impact on the Group's headline earnings (continuing operations) for the 6-months ending 2 Jan 2022 is estimated to be R77 million or a 2.7% reduction

*Other income earned on approved investments held by the Employee Trust

**Equivalent payment to Non-RSA employees through payroll