
# When we grow everyone grows

Integrated Report 2018


# In 2018 we prevented R2.1 billion of price increases from reaching our customers by keeping price increases below inflation. We continued our subsidy of staple products in 2017/18 at a cost of R190 million.

## Table of contents



### Defining our capitals

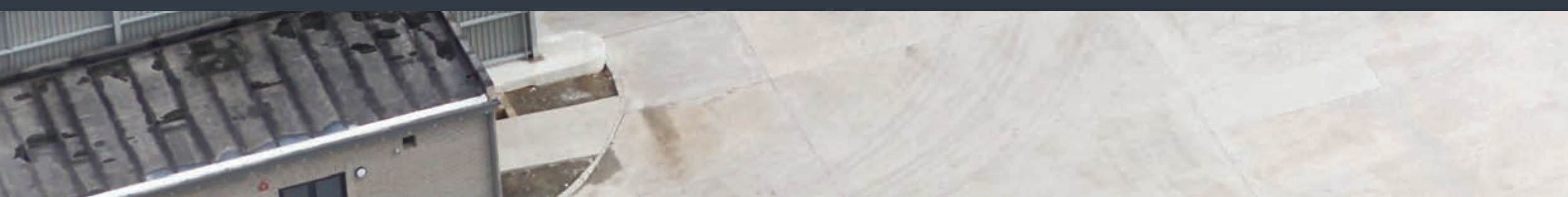
| | |
|---|---|
| Intellectual capital | Our brands, experience and know-how |
| Human capital | Our people |
| Financial capital | Equity and funding from our shareholders and debt providers |
| Manufactured capital | Our stores, distribution centres, fleet and manufactured products |
| Social capital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

### 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



# About this report

**Shoprite Holdings Limited ("Shoprite" or "the Company") is pleased to present its 2018 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 1 July 2018. The information in this report has been selected to cater for the interests of all stakeholders who require a broad overview of the Shoprite Group, but with specific emphasis on investors and funders. We believe the report will provide stakeholders with an overview and better understanding of the Group's business model, how we add value to society, 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 the Shoprite Group.

## Reporting comparability

There has been no change in the scope and boundary of this report relative to the 2017 report. The Group disposed of its interest in Hungry Lion Fast Foods (Pty) Ltd on 1 July 2018 with operating units in Lesotho, Namibia, South Africa and Swaziland. There have been no further significant changes in the structure of the Group during the current reporting period, other than through ongoing store openings and closures.

## New disclosure

Readers should take note of the following new accounting policy and disclosure practice:

### Hyperinflation

The currency devaluation in Angola, together with high levels of consumer inflation over the past three years, has resulted in a requirement for the Shoprite Group to account for the results of its Angola operations on a hyperinflationary basis in accordance with IAS 29 (Financial Reporting in Hyperinflationary Economies) from 3 July 2017.

## Frameworks applied

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 IV™).

### Assurance

The Shoprite Group utilises a combination of assurance services and functions to optimise risk and governance oversight, to support the integrity of external reports and the overall assurance provided to stakeholders. Internally, assurance is required from the organisation's line functions that own and manage risks, the organisation's specialist functions that facilitate and oversee risk management and compliance, internal auditors, internal forensic fraud examiners and auditors, safety and process assessors and statutory actuaries. In addition, independent external assurance is sought from external auditors, sustainability and environmental auditors or external actuaries, external forensic fraud examiners and auditors and lastly from regulatory inspectors. The Shoprite Group was the first South African retailer to receive the much-acclaimed ISO 9001 accreditation for import and export handling from DEKRA, a European inspection company, in 2009. In 2018, the Group successfully updated the accreditation to the ISO 9001:2015 standard.

A list of the external assurance providers is provided below:

| Assurance provider | Aspect assured | Scope of assurance |
|---|---|---|
| Pricewaterhouse-Coopers Inc. | Annual Financial Statements | The audit of the Group and Company annual financial statements and notes and significant accounting policies. |
| AQRate Verification Services (Pty) Ltd, a South African National Accreditation System (SANAS) accredited B-BBEE verification agency | B-BBEE scorecard verification | The Shoprite Group is verified on the Amended Codes of Good Practice, Gazette No. 36928. |
| Dekra Certification GmbH | International Organisation for Standardisation (ISO) 9001 Quality Management System | The Shoprite Group's International Trade Department (ITD), responsible for imports and exports, has achieved ISO 9001:2015 certification. |
| Karen van der Wath – Carbon & Energy Management Consultant – based on the ISO14064-3 International Standard for GHG verifications | Carbon Footprint Assessment Project | All GHG Inventory assertions and public disclosure through the CDP (formerly the Carbon Disclosure Project), in accordance with the GHG Protocol Corporate Accounting and Reporting Standard. |

## Suite of reports

The Integrated Report forms part of and should be read in conjunction with a suite of reports available online on our website. Other reports available are:

- Annual financial statements
- King IV™ compliance register
- Carbon Disclosure Project report
- Risk report
- Sustainability report 2018

## Forward-looking statements

This report may contain forward-looking statements with respect to the Shoprite Group'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.

## 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 2018 Integrated Report for publication.

On behalf of the board

**CH Wiese**
**Chairman**

**PC Engelbrecht**
**Chief Executive Officer**

20 August 2018

## We are Shoprite

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

### Our Group


**2 843** stores

**147 478** employees

**19 974** suppliers

**16** trusted brands

**27** distribution centres

**15** countries

More than **35 million** shoppers

More than **1 billion** transactions

More than **7.6 billion** items sold


## Profile

Shoprite Holdings Limited is an investment holding company whose combined subsidiaries constitute the largest fast-moving consumer goods (FMCG) retailer on the African continent and the Indian Ocean Islands, with operations in 15 countries.

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 in a world-class shopping environment to people of all income levels across Africa.**

## Our purpose

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

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

**Aiming to be Africa's most accessible and affordable food retailer.**

## Our values

### Doing the right thing and doing it right

At the Shoprite Group, we are passionate about:

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

### Saving to share

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

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

### Developing local

At the Shoprite Group, we contribute by:

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

# The value we add

| The value we add | Outputs and outcomes of our business model |
|---|---|

## Shareholders and funders

- Conservative capital allocation
- Sustained margins
- Sustainable long-term shareholder value

**R145.3 billion** turnover

**R8.0 billion** trading profit

## Employees

- Training and career development
- Productive working environment
- Dignity and a way of earning a decent living


**75 000** jobs created in the last 10 years

## Customers

- Trusted brands
- Affordable food
- Best value
- A world-class trading environment

**31.7% RSA market share**

## Environment

- Sustainable practices
- Minimum waste
- Reduced footprint

**100%** post consumer recycled material used for all plastic bags


Generated 2 393 MWh of renewable energy in 2018

## Society

- Responsible citizenship
- Social upliftment of communities
- Crisis support
- Hunger alleviation

1 114 fresh produce suppliers of which 241 are small farmers

**R99m** surplus food donated

**2018 Zip Cola awarded PETCO's**

- "Recycled product of the year"

**2017/18 Icon Brands Survey**

- winner of the Food Retail category
- overall winner

**2017/18 Ask Africa Kasi Star Brands Survey**

- winner of the Food Retail category
- overall winner

**2017/18 The Times Sowetan Retail Awards**

- most used and recognised retailer

**R5.4 billion** headline earnings

**R2.9 billion** declared dividends

**5.5%** trading margin

**3 458 139**
training hours in 2018

469 618 customer service training interventions


**Over 1 000 items under R5**

**2 843 stores**

**124 net new corporate stores**

Private label participation increased to 16.2%

103 tons of plastic diverted from landfill by Zip Cola bottles using 25% post consumer waste

**Reduced carbon emission intensity per unit revenue by 4.49%**

Flagship new distribution centre aiming for **Green Star accreditation**

**>12 850** unemployed youth trained in retail in the past 3 years

**Value of community investment now 2.7% of net profit after tax**

**2018 Honeywell – with MakeMeMobile**
- Global Project of the year for voice-enabled solution at Cilmor distribution centre

**2017 The Times & Sowetan Shopper Survey**
- Shopperbrand Prizewinner – South Africa's favourite retailer

**2018 SAP Gold Award**
- for business transformation for IS Retail implementation

**2018 Sunday Times TopBrands**
- winner of the Best Grocery Store category

**2018 DSV's Abacus award**
- for unlocking significant value in the Supply Chain

# Our brands

| Supermarket brands | Summary | Target market | Store count RSA | Non-RSA | Total |
|---|---|---|---|---|---|
| SHOPRITE | 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 the rest of Africa. | LSM 4 – 7 | 471 | 168 | 639 |
| Usave | The chain's simple philosophy – "When we save, Usave" is backed by an innovative strategy of small-format stores offering a limited range of basic foods at everyday low prices to lower-income consumers. The small-format stores are an ideal vehicle for the Group's expansion into the rest of Africa and allow far greater penetration into previously underserved communities in South Africa. | LSM 1 – 5 | 335 | 65 | 400 |
| Checkers | Convenience, quality and freshness define the Checkers brand. Time-pressed upper-income consumers in search of a world-class shopping experience enjoy great value on a wide selection of groceries, household products and speciality lifestyle ranges of meat, cheese, wine and coffee. Located in shopping malls and other convenient premises across South Africa and some neighbouring countries, the brand caters to discerning shoppers in affluent residential areas. | LSM 8 – 10 | 213 | 8 | 221 |
| Checkers Hyper | Checkers Hyper offers the same specialty food selections and great value as Checkers, but within large-format stores that encourage bulk rather than convenience shopping. The general merchandise ranges are far wider in Hyper stores, focusing on categories like small appliances, pet accessories, garden and pool care, outdoor gear, home improvement, homeware, baby products, toys and stationery. Checkers Hyper stores operate in South Africa only and are found in areas with high population densities. | LSM 8 – 10 | 37 | – | 37 |

| Furniture brands | Summary | Target market | Store count RSA | Non-RSA | Total |
|---|---|---|---|---|---|
| OK Furniture / OK Power Express | 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 shopping experience. | LSM 5 – 7 | 346 | 84 | 430 |
| House & Home | House & Home offers consumers quality homeware at affordable prices. Goods include a large selection of exclusive and well-known ranges of furniture, bedding, soft furnishings, appliances, home entertainment and floor covering products. Stores are located throughout South Africa, Namibia and Botswana. | LSM 7 – 10 | 50 | 4 | 54 |

| Liquor brands | Summary | Target market | Store count RSA | Non-RSA | Total |
|---|---|---|---|---|---|
| LiquorShop Checkers; LiquorShop Shoprite | Checkers LiquorShop offers a full assortment of local and international wines, an array of craft beers, wide variety of spirits, as well as their exclusive House of Fine Whisky selection. Positioned near Group supermarkets, outlets feature separate entrances and also appeal to passing trade. Shoprite LiquorShop offers a wide range of local favourites from ice-cold beers, top branded whiskies as part of their House of Fine Whisky selection, premium spirits – all at their famous low supermarket prices, right next door to Shoprite supermarkets. | Same as Shoprite and Checkers | 424 | 16 | 440 |

| Pharmaceutical brands | Summary | Target market | Store count RSA | Store count Non-RSA | Store count Total |
|---|---|---|---|---|---|
| MEDIRITE PHARMACY | 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. Customers can fill their prescriptions while doing their grocery shopping. Many MediRite pharmacies are located in previously disadvantaged communities where few pharmaceutical services are available. | Same as Shoprite and Checkers | 145 | 18 | 163 |
| TRANSPHARM | Transpharm Pharmaceutical Wholesalers distributes a wide range of pharmaceutical products and surgical equipment to pharmacies, hospitals, clinics, dispensing doctors and veterinary surgeons across South Africa. The Shoprite Group is expanding this dynamic company to improve its existing national distribution network. | Targets pharmacies, vetenarians, clinics, hospitals and dispensing doctors. | | | |

| Franchise brands | Summary | Target market | Store count RSA | Store count Non-RSA | Store count Total |
|---|---|---|---|---|---|
| OK FRANCHISE DIVISION | The OK Franchise Division franchises three different types of retail formats (OK Foods, OK MiniMark & OK Express), a liquor outlet (OK Liquor) and a wholesale outlet (Megasave). Each of these stores has its own identity and personality and offer shopping facilities appropriate to the market in which they trade. This includes a wide range of fresh and non-perishable food items, as well as general merchandise. The OK Franchise continuously strives to cement the brand as a retailer that can be counted on and today they have 418 stores in neighbourhoods and communities across South Africa, Namibia and Swaziland. | The various store formats, with their different identities and facilities, cater to the needs of the community in which they are located. | 362 | 56 | 418 |

| Hospitality brands | Summary | Target market |
|---|---|---|
| CFS Checkers Food Services | Checkers Food Services is the B2B brand of the Shoprite Group delivering a wide range of quality products at the lowest prices to the hospitality and catering industry. Leveraging off the Group's bulk-buying power and centralised distribution network, Checkers Food Services distributes to its customers in South Africa with dedicated warehouses and logistical fleets.<br><br>Checkers Food Services gives restaurants and caterers throughout the Western Cape and Gauteng world-class service and free delivery of an extensive range of more than 8 000 quality products, including their exclusive CaterClassic range. CFS supplies to operators such as chefs, restaurants, hotels, hostels, guesthouses, caterers, redistributors as well as industrial kitchens. | Targets a range of businesses in the hospitality and catering industry. |

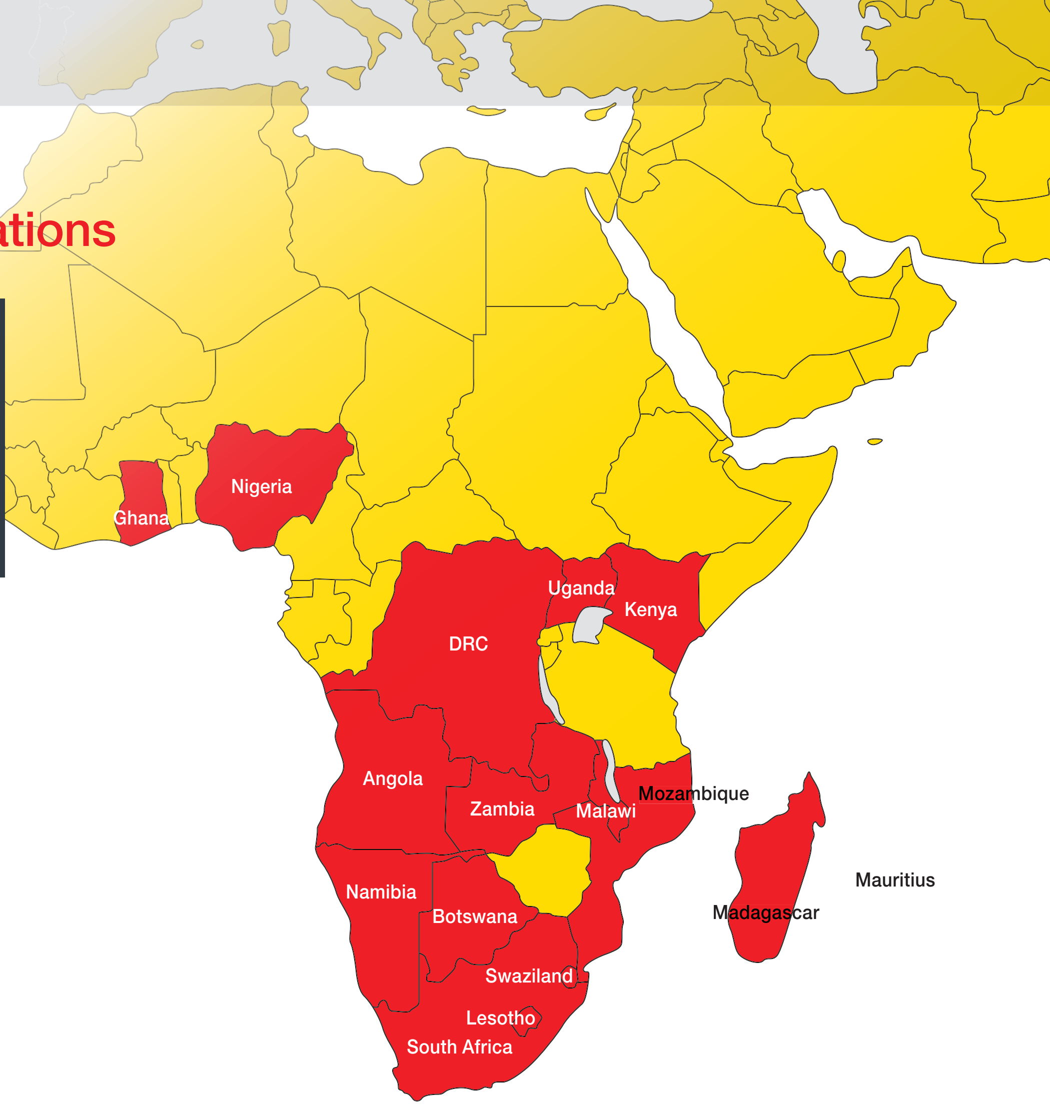
| Ticketing brands | Summary | Target market |
|---|---|---|
| Computicket<br>Computicket Travel | Computicket is the largest provider of ticketing services in South Africa with a footprint in key countries across Africa.<br><br>We cover a wider variety of things to do, ranging from theatre, concerts, festivals and sporting events to travel, which includes bus and flight tickets, car rental and accommodation both nationally and internationally.<br><br>In addition to enabling experiences, we also facilitate a range of business solutions which are geared towards making the most of our offerings to our business partners. These business solutions include stadium management, capacity management, travel management and access control. | LSM 4 – 10 |

# Distribution of operations

**2425**
**Corporate stores**

| Country | Number of stores |
|---|---|
| Angola | 57 |
| Botswana | 41 |
| Democratic Republic of Congo | 1 |
| Ghana | 6 |
| Lesotho | 25 |
| Madagascar | 9 |
| Malawi | 7 |
| Mauritius | 2 |
| Mozambique | 31 |
| Namibia | 110 |
| Nigeria | 24 |
| South Africa | 2 006 |
| Swaziland | 26 |
| Uganda | 4 |
| Zambia | 76 |

We are also on track to open stores in Kenya by December 2018.




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

## Economic highlights

| Countries of operation | Angola | Botswana | DRC | Ghana | Kenya | Lesotho | Madagascar | Malawi |
|---|---|---|---|---|---|---|---|---|
| Gross domestic product, constant prices (% change) | 0.7 | 2.2 | 3.4 | 8.4 | 4.8 | 3.1 | 4.1 | 4.0 |
| Inflation, average consumer prices (% change) | 31.7 | 3.3 | 41.5 | 12.4 | 8.0 | 5.6 | 8.1 | 11.5 |
| Population (millions) | 28.2 | 2.2 | 86.7 | 28.3 | 46.7 | 1.9 | 25.6 | 19.2 |

| Countries of operation | Mauritius | Mozambique | Namibia | Nigeria | South Africa | Swaziland | Uganda | Zambia |
|---|---|---|---|---|---|---|---|---|
| Gross domestic product, constant prices (% change) | 3.9 | 3.0 | -1.2 | 0.8 | 1.3 | 0.2 | 4.5 | 3.6 |
| Inflation, average consumer prices (% change) | 3.7 | 15.3 | 6.1 | 16.5 | 5.3 | 6.3 | 5.6 | 6.6 |
| Population (millions) | 1.3 | 29.5 | 2.3 | 188.7 | 56.5 | 1.1 | 37.7 | 17.2 |

Source: International Monetary Fund, World Economic Outlook Database, April 2018

# Financial highlights

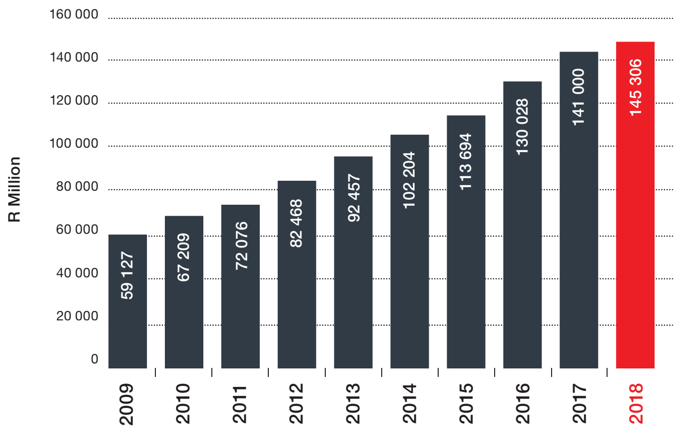
| | % increase/ (decrease) | 52 weeks 2018 Rm | 52 weeks 2017 Rm |
|---|---|---|---|
| Sale of merchandise | 3.1 | 145 306 | 141 000 |
| Trading profit | (1.4) | 8 011 | 8 127 |
| Earnings before interest, income tax, depreciation and amortisation (EBITDA) | 1.0 | 10 114 | 10 013 |
| Profit before income tax | (3.7) | 7 334 | 7 615 |
| Basic headline earnings | (2.8) | 5 398 | 5 554 |
| **Performance measures** | | | |
| Diluted headline earnings per share (cents) | (3.8) | 968.7 | 1 007.4 |
| Dividends per share declared (cents) | (4.0) | 484.0 | 504.0 |
| Dividend cover (times) | | 2.0 | 2.0 |
| Trading margin (%) | | 5.5 | 5.8 |
| Return on average shareholders' equity (%) | | 16.5 | 19.4 |

## Definitions

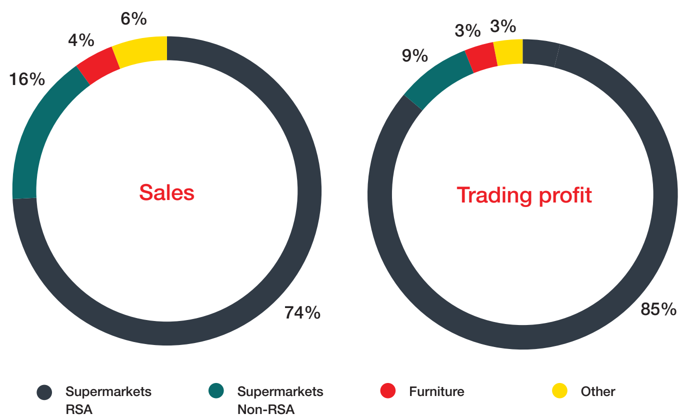
**Return on average shareholders' equity**

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.

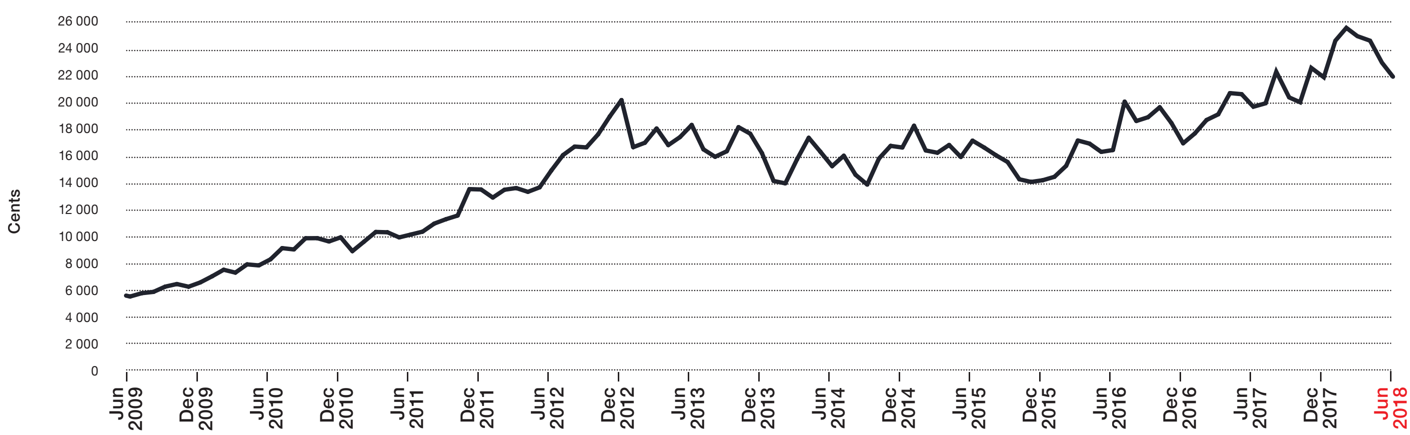
## Sales




## Contribution per segment




## Shoprite Holdings Ltd share price



# Our business model explained

## What we need to execute

**Intellectual capital**
With strong brands and almost 40 years of retailing experience

**Human capital**
Well trained, committed people

**Societal capital**
Loyal customers and strong community support

**Financial capital**
A strong and healthy balance sheet

**Manufactured capital**
State-of-the-art infrastructure, stores and distribution centres

**Natural capital**
Environmentally sound practices that minimise our environmental footprint

## A singular focus on our customer

## Our operating model

**Low prices**
- Centralised distribution
- Advanced supply chain
- Sophisticated sourcing
- ‘Lean’ operations

**World-class shopping experience**
- State-of-the-art stores and channels
- Advanced technology, data and analytics
- A keen assessment of customers’ needs

For more detail about our capitals, refer to pages 40 to 46.

For more detail about the value we add refer to page 4 and page 5.


## Our outputs – benefits to the customers

- Consistent value for money
  – RSA internal food inflation of 0.1% vs official food inflation of 4.5%
- A diversified product range
  – sold 7.6 billion items in 2018
- Acting for change in our communities – 2.7% of Net Profit After Tax to community projects
- An obsession with affordability and assisting cash-strapped consumers – we have subsidised 110 039 061 loaves of bread since 2016 and provided 64 815 002 R5 deli meals since last year

For more detail about our financial performance refer to the financial report on pages 36 to 38.


## The result of what we do

- Satisfied customers who support our brands
- A significant and growing customer base of > 35 million shoppers
- SA's largest private sector employer – employee benefits of R12 billion
- Significant new job creation – 75 000 new jobs since 2008
- Alleviating hunger in our communities
- Consistent shareholder returns
- A healthier environment for our children

For more detail about our business drivers, refer pages 26 and 27.

# Stakeholder engagement

## Our stakeholders

Stakeholder engagement is critical to the Shoprite Group's long-term performance and continued sustainability. Engagement aimed at establishing and maintaining mutually beneficial relationships creates both opportunities to enhance performance and manages emerging risks to the business.

The Group maintains relationships with a range of interested parties to continuously improve the alignment of interests between the Group and its key stakeholders. We remain committed to maintaining the highest standards of integrity and ethical conduct in dealing with all our stakeholders. The primary stakeholders that are most likely to influence the sustainability of the business have been identified based on the following criteria:

- the extent to which they can influence or benefit from the financial and operational performance of the Group;
- the degree to which we depend on their support to achieve our strategic goals;
- the extent to which they can influence the reputation and brands of the Group; and
- the risks and opportunities that may present themselves through our engagement, or lack thereof.


### Customers

## Engagement methods

Engagement with customers is primarily through these platforms:

- The BrandHealth Tracker survey – 1 500 interviews annually, looking at price, value quality, freshness and services;
- Social media platforms – where engagement has increased notably in recent times; and
- Direct interaction with customers in the stores, suggestion boxes and extensive call centres.

A new digital strategy is currently being explored, to extend personalised engagement to customers.

## Quality of relationship

We have a strong and loyal customers base, as evidenced by our market share and a range of customer awards in the current year.

**Social media followers**

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

**Social media interaction**

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 use social media as a marketing channel and customer response, retention and recovery mechanism, as well as a brand-building medium.

| Issues highlighted | Our response |
|---|---|
| **Affordability**<br>Our customers depend on us to stretch every rand to assist them to feed their families. | '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**<br>Our customers rely on the Group to provide them with the right product at the right time and at the right price. Recent drought conditions in South Africa and import restrictions in other African countries have again highlighted the importance of a diversified supplier base to fulfil this promise to customers. | We continuously engage with a broad and diversified range of suppliers to ensure on-shelf availability of product in all our stores. We use close to 20 000 suppliers in 47 countries to provide customers with the greatest choice and consistent availability. |
| **Quality complaints and safety concerns**<br>The Listeriosis outbreak in 2018 raised food safety concerns for customers. | The Shoprite Group maintains extensive quality control programmes to ensure product quality and safety and an efficient compliance and recall system should it become necessary. 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 and wellness options**<br>According to IRI (2017) research, South African shoppers buy more healthy and organic food than their European counterparts. | We have added 104 lines to our Fresh Convenience Foods and our industry-leading Gordon Ramsay endorsed kids' meal range, OMG, continues to grow. We have also enhanced our Wellness offer with new product ranges and promotions which focuses on healthy substitutes. |
| **Sustainable products**<br>While our shoppers are more focused on pricing, quality and health and wellness, there is increased market demand, especially in the premium brands, for transparency and information in respect of provenance and ethical or health claims. | The Group focuses strongly on the usage of recycled materials, as well as on reducing packaging and waste and minimising its carbon footprint. Its leading innovation in the fully recycled and recyclable shopping bag which is now available in all supermarkets, has significantly reduced landfill. All food safety, labelling and nutritional claims are checked in-house, including country of origin and organic certification. There is also an increased focus on identifying sustainable practices along the entire supply chain. |

## Key risks and opportunities identified through the stakeholder engagement process

| Risk | Opportunity |
|---|---|
| ■ Customer concerns may lead to damage to our brands.<br>■ Lack of appropriate engagement mechanisms that keep track of emerging communication trends may lead to reduced awareness of customer concerns. | ■ Identify and participate in emerging trends;<br>■ Early warning system to protect against brand damage;<br>■ Resolve customer complaints quickly and effectively; and<br>■ Social media monitoring is proving to be an effective early detection tool for emerging concerns. |

# Stakeholder engagement (continued)

## Shareholders and financiers

### Engagement methods

The Group engages with investors through stock exchange announcements, meetings, investor days, webcasts, conference calls, perception studies and surveys, an investor website, the Integrated Report, conferences, presentations, roadshows and the Annual General Meeting.

### Quality of relationship

Good quality, mutually beneficial relationship, robust and healthy engagement.

| Issues highlighted | Our response |
|---|---|
| **Africa growth opportunities and disclosure** | More information is provided on the investment case and economic outlook for Africa. |
| **Independence from Steinhoff** | Any historic links to Steinhoff have been tenuous and indirect, with neither Steinhoff International nor Steinhoff Africa Retail being direct shareholders in Shoprite Holdings Limited. The Group maintains an independent board and oversight mechanisms and has a longstanding and well-established track record of strong governance and accountability. |
| **Executive remuneration in alignment with shareholder value creation** | The Group hosted a conference call and invited shareholders to engage on remuneration concerns. Issues highlighted by shareholders were discussed and explanations provided where appropriate. The areas of concern were also tabled at the remuneration committee for further consideration. |

### Key risks and opportunities identified through the stakeholder engagement process

| Risks | Opportunities |
|---|---|
| ■ Lack of investor confidence.<br>■ Reputational damage. | ■ A strengthened investment case.<br>■ Identifying opportunities for improved disclosure and value add. |


## Employees

### Engagement methods

Through our weekly store staff meetings, a CEO video initiative, our internal newspaper #OurShoprite, information sharing via Trade Unions, suggestion boxes, in-store training, induction manuals, in-store communication materials, Super Service awards and the Top Stars singing competition across Africa, we create an environment where staff are well-informed and engaged.

### Quality of relationship

Strong relationship at management level. At storefront level additional work needs to be done to improve two-way communication and foster a sense of inclusiveness in the Shoprite “family”. In this regard we are investigating some mobile platforms as communication tools to be widely used by our staff.

| Issues highlighted | Our response |
|---|---|
| Career development and growth | 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.<br><br>We offer extensive training opportunities, attractive incentive programmes, a range of awards programmes to celebrate our people and create cohesion, as well as a variety of communication tools to engage in a meaningful way.<br><br>For more information about our staff initiatives refer to the Human Capital discussion on page 40 and the Sustainability report 2018 on www.shopriteholdings.co.za. |
| Education and training | |
| Healthy and safe working environment | |
| Transformation and empowerment | |
| Remuneration and incentives | |
| Study assistance | |

### Key risks and opportunities identified through the stakeholder engagement process

| Risk | Opportunity |
|---|---|
| Negative perceptions from employees may lead to disruption of operations and unproductive behaviour. | A loyal and engaged workforce supports satisfied customers and profitable growth. |

# Stakeholder engagement (continued)

## Trade Unions

### Engagement methods

Engagement occurs primarily through regular meetings, correspondence and trade union representation on various internal committees.

### Quality of relationship

We have recognition agreements and well-established relationships with 10 different unions across our operations. The relationship is generally one of open and honest discussion and collaboration to achieve mutually beneficial outcomes. We experienced industrial action this year, albeit of limited duration and impact, primarily targeting scheduling practices. We continue to investigate and implement equitable solutions to these issues.

| Issues highlighted | Our response |
|---|---|
| **Wages** | Proactive engagement, transparent disclosure and negotiating in good faith to agree one- to three-year wage settlements. |
| **Work scheduling practices, late trading and transportation** | Peak time scheduling is a common feature of the retail industry and we rely heavily on the flexibility of our people to meet the fluctuation in seasonal and customer shopping patterns. We continue to explore ways to adapt the scheduling to improve satisfaction levels and resolve member concerns raised. |

### Key risks and opportunities identified through the stakeholder engagement process

| Risk | Opportunity |
|---|---|
| A deteriorating relationship with unions may lead to labour disruptions. | Strong, collaborative relationships with trade unions support staff satisfaction levels and a conducive trading environment. |

Members of the Shoprite Group employees' representative trade union in South Africa, SACCAWU, during a contact session.

## Communities

### Engagement methods

Engagement occurs primarily through ongoing consultations, meetings and site visits with the affected community for the social initiatives that the Group undertakes, as well as through direct customer feedback as these communities also comprise our customers.

### Quality of relationship

Generally strong relationships

| Issues highlighted | Our response |
|---|---|
| **Focus on food security** | The Shoprite Group fights hunger through a variety of feeding schemes, food gardens and food donations. |
| **Empowerment, upliftment and access to the economy** | 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** | We not only provide a substantial number of direct employment opportunities related to our stores, but we also develop skills to create a pipeline for future job creation and opportunities for the unemployed. |
| **Disaster relief** | The Group frequently plays a key role to assist in natural disasters, ranging from donation of much needed food and basic products, to offering shelter, transport of goods or financial aid. |
| **Community development** | The Shoprite Group 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. |

### Key risks and opportunities identified through the stakeholder engagement process

| Risk | Opportunity |
|---|---|
| A breakdown in relationships in a community could harm the Group's brands and reputation. | Strong community relationships support mutually beneficial outcomes for community developments, as well as brand and staff loyalty. |

# Stakeholder engagement (continued)

## Regulators

### Engagement methods

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

### Quality of relationship

The Group focuses strongly on ethical leadership, cooperation and collaboration to sustainable develop the region, understanding that when we grow, everyone grows. This has been well received by authorities.

| Issues highlighted | Our response |
|---|---|
| **Ongoing compliance with regulatory frameworks** | We maintain a strong focus on ensuring that the Shoprite Group complies with all applicable regulation in all the countries we operate in. |
| **Job creation** | Governments of the countries in which we operate are particularly concerned with job creation and we own people-intensive businesses – we have a broad range of initiatives in place to attract, recruit and train large numbers of local staff. We also focus on sourcing as many products as possible from local suppliers. |
| **Collaboration to increase trade and grow regions** | The Shoprite Group is a participant in regional platforms that regulate preferential trade agreements and cross-border trade. We also work with customs agencies in various countries to improve customs processes and ease international trade processes. |

### Key risks and opportunities identified through the stakeholder engagement process

| Risk | Opportunity |
|---|---|
| The Group's licence to operate is jeopardised through non-compliance or a deterioration in relationships with regulators in relevant countries. | Our active participation in developing and growing the continent, as well as a well-established track record as a valued retailer and job creator has assisted us to obtain access to and cooperation from relevant regulators in the countries we expanded into. |

## Suppliers

### Engagement methods

Suppliers are engaged through ongoing direct interaction, farm, site and factory visits, agricultural and trade shows, market days, correspondence and our electronic platform. The Group undertook a roadshow in late 2017 to explain to farmers about the brand differentiation between Shoprite and Checkers and the varying specifications, packaging and cold chain management.

### Quality of relationship

We focus on building long-term, collaborative relationships with suppliers, many of whom have been with the Group for decades. Supplier relationships are based on trust and common understanding of values and principles. We focus on working together to ensure product availability at a good quality and price. Relationships would only be terminated for a significant contravention of regulations, compliance criteria or quality concerns, or in the case of dishonesty, which breaks the trust of the relationship. We understand that shifting suppliers has an effect on broader society though potential loss of jobs.

| Issues highlighted | Our response |
|---|---|
| **Opportunities to supply to the Shoprite Group** | The Group maintains a large and diverse set of suppliers. We focus on building long-lasting relationships with suppliers through direct interaction and communication. We stimulate local manufacturing and work closely with small suppliers to get products compliant and up to required standards. The Group works with 1 114 growers and 95% of fresh produce sourced locally, in support of the communities it serves. |
| **Transformation** | A high percentage of the Group's fresh produce suppliers are small and medium enterprises and in South Africa fresh produce worth more than R300 million is purchased from these suppliers annually. |
| **Growth and development** | The Group maintains several 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 providing transport for their products and reducing their travel time and costs. |
| **Cost of delivering to and congestion at stores** | The Group collaborates with suppliers to ease logistical arrangements, save costs and increase efficiencies. Our truck and trailer fleet collects products from suppliers and has significantly reduced individual supplier time on the road and idling due to congestion at stores. |
| **Improve efficiencies in packaging** | The Group implemented a returnable transit packaging system using plastic crates to reduce suppliers' packaging needs. |

### Key risks and opportunities identified through the stakeholder engagement process

| Risk | Opportunity |
|---|---|
| According to suppliers the Group is tough on price but good to do business with, as a transparent, honest customer, focused on long term relationships. The challenge is to obtain the best price for our customers, while ensuring sufficient margin for our suppliers to ensure long-term sustainability. | Maintain and build on our reputation to source the best quality suppliers.<br><br>Utilise our buying power to ensure best value for money for our customers.<br><br>Create employment and develop new entrepreneurs through our ongoing support for smaller local suppliers. |

# Operating context

## Operating environment

### South African outlook

- Improved political outlook and regulatory stability
- Emerging trends pointing to modest revival in GDP growth
- Cooperation between government and business to strengthen domestic institutions and SA investment case
- Young and growing population
- Structurally high unemployment
- Consumers remain under pressure

### Other African regions targeted by Shoprite are often characterised by:

- Large and growing populations
- Increasing urbanisation and affluency
- Economic growth that is consistently higher than the developed world
- Underpenetrated retail markets
- Lack of access to first world shopping experiences
- Challenging economic conditions over the shorter term
- Currency volatility and chronic shortages of foreign currency

### Our market place – long term trends

**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 2051, with a growing middle class forecasted to reach 1.1 billion people by 2061. 25 million people are moving to cities each year. This implies that by 2030 Africa's top 18 cities will have combined spending power of $1.3 trillion.

As the largest retailer in Africa, the Shoprite Group is well positioned to capitalise on this opportunity.

For more information refer to "Leverage African Advantage" in the Strategy and performance section on page 27.

**Changing trends in customer preferences and consumption behaviours**

There is a growing trend towards fresh food, healthier choices and pre-prepared but healthy convenience food. This trend is particularly evident in the more affluent communities who have a wider choice of lifestyles.

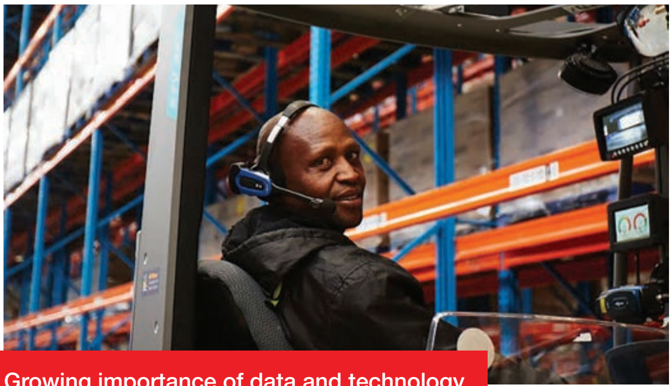
The Shoprite Group is strongly participating in this trend.

For more information refer to "Growing LSM 8 –10 share of wallet" in the Strategy and performance section on page 26.

**Food insecurity in parts of the African continent**

Lack of productive facilities raises the prospect of food shortages in parts of Africa. Climate change may exacerbate these challenges by potentially disrupting production patterns, increasing production costs and affecting product availability and price.

While focusing on local sourcing, the Group utilises close to 20 000 suppliers globally to ensure availability of products on a consistent basis.



**Growing importance of data and technology**

Technology and access to big data are key drivers in the changing retail landscape.

The Shoprite Group continues to invest to ensure that its technology platforms drives maximum efficiency and customer convenience.

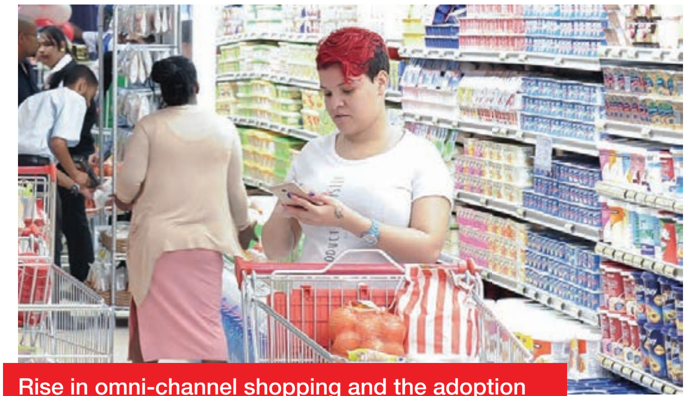
For more information refer to "Strategic footprint expansion" in the Strategy and performance section on page 27.

## Increase in regulation and standards

Governments' efforts to keep their citizens safe and healthy is leading to increasing compliance and regulation. This requires strong oversight and is adding significant complexity and cost for small suppliers. At the Shoprite Group, we strongly promote free trade and improved 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.

Food safety remains a key priority for the Group. We responded quickly and effectively to the recent Listeriosis outbreak in South Africa. Our food safety and recall processes are continually tested and refined.

Increased regulation related to nutrition, labelling, product safety and packaging needs to be implemented and adhered to.



## Rise in omni-channel shopping and the adoption of mobile phones as a key retail channel

When and how customers are using technology to improve their shopping experience is changing rapidly. Consumers are directing more of their retail spend online and using their mobile phones as shopping assistants. Although these trends are less prevalent in grocery retailing, consumers continue to drive this change and expect more from leading retailers.

It is the Group's intention to harness this trend as it unfolds across the African markets.

For more information refer to "Strategic footprint expansion" in the Strategy and performance section on page 27.


## Innovation in motion

Pioneering initiatives related to the reverse logistics component of the supply chain provide new opportunities and are fundamental in enhancing the Shoprite Group's sustainability profile. We introduced a backhaul system to reduce the number of supplier trucks on the road and diminish emissions. Our sophisticated fleet of temperature-controlled trucks reduces transport costs for suppliers while ensuring the quality of the product. Uptake of this has grown by 47% during the reporting period and backhaul is now the third biggest "supplier" into our distribution centres. An estimated 594 tons of carbon emissions have been saved from the reverse distribution model. Savings for suppliers include cheaper transport costs through use of the Shoprite Group fleet, as well as time in that queuing at stores for individualised delivery is negated. It also has the added benefit of improving the lead time of products into Group stores.

As part of its efforts for zero waste to landfill, the Group also employs reverse logistics to fetch used packaging from its stores for recycling at the distribution centres and implemented a returnable transit packaging system using plastic crates to reduce suppliers packaging needs. We introduced reusable equipment for moving products, including plastic totes, crates and roll-tainers, which has resulted in a large reduction in wooden pallets. We are currently working an innovative pilot to re-use cardboard packaging, eliminating the need for recycling and resources used in this process.

Innovation and sophisticated technology are both key to the ever-improving supply chain of our Group. We are one of the first retailers to use cryogenic refrigeration to any significant extent, to transport perishable products. This technology, which replaces diesel-fuelled transport refrigeration, is powered by liquid nitrogen and has zero carbon dioxide emissions. It also cuts noise pollution.

# Key risks

## The Shoprite Group's scale and diversification across economic spheres, regions and products, give it the ability to hedge the good as well as the bad times – be it economic conditions, regulatory changes, economic policy changes, regional upheavals or climatic impacts. Operations in different environments protect against unexpected and negative impacts and ensures group-wide sustainable financial performance through cycles.

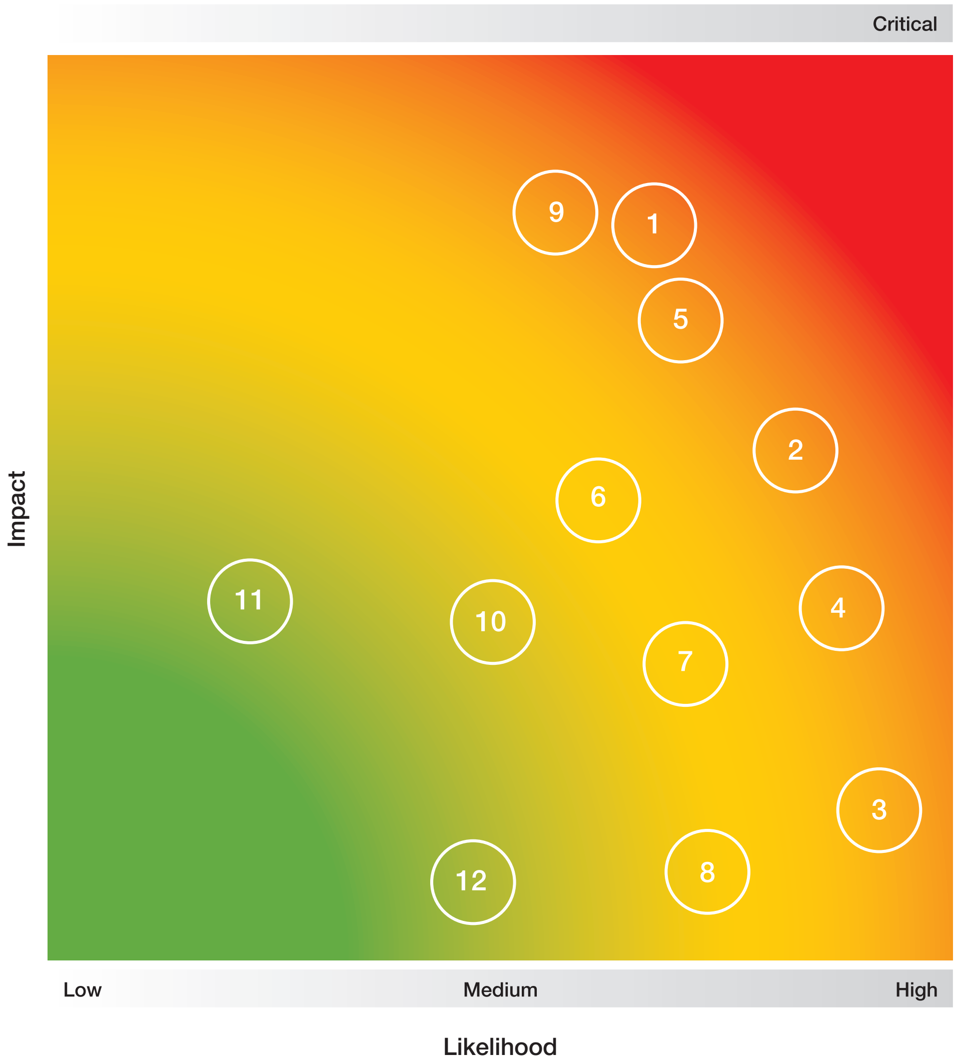
### Managing business risks

The Shoprite Group exists to provide value for our stakeholders. Our challenge is to embrace uncertainty that derives from circumstances that change daily, to determine the quantum of uncertainty to accept and to identify both the risk and opportunities presented by uncertainties, as we strive to grow and protect stakeholder value.

Shoprite's risk universe consist of 48 risks which may impede on the Group's ability to achieve its objectives and incorporates strategic, financial, operational, as well as compliance risk. To determine the key risks, the 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. Below are the key risks impacting the business.

Strong governance and enterprise-wide risk management helps to identify trends and events with potential value destruction attributes early and gives us the choice to maximise shareholder value through protecting the risk or capitalising on the opportunity.

Residual risk map



| Risk No | Risk Description | Risk Mitigation | Residual Risk |
|---|---|---|---|
| 1 | Cyber (Information Security) and Privacy Risk | ■ Access is restricted to systems, infrastructure and the network.<br>■ Security solutions are deployed to address key security risks.<br>■ Contracts with third parties are established that govern data handling.<br>■ Security reviews are conducted and vulnerabilities addressed.<br><br>Shoprite is implementing an Information Security Management System "ISMS" that is aligned to the ISO 27001 standard. Various workstreams are underway to improve and/or develop Shoprite's:<br><br>■ Security Operations Centre;<br>■ Identity and Access Management;<br>■ Vulnerability Management;<br>■ Formalise Information Management; and<br>■ Unified Endpoint Management. | High |
| 2 | Unavailability of Key systems | ■ A data center has been established compliant with industry good practices for data centres.<br>■ IT infrastructure is supplied by reputable IT vendors.<br>■ Assessments against a group Disaster Recovery standard is conducted on a regular basis and reported to the Audit and Risk Committee.<br>■ Disaster Recovery processes are tested twice a year to cater for disasters affecting IT systems.<br>■ Home Office production systems have been transitioned from Disaster Recovery to geo-located High Availability solution(s) to reduce business downtime. Disaster recovery plans will be re-aligned in line with the new high availability strategy and the effectiveness thereof tested once the process is completed.<br>■ Key systems are monitored 24/7 for uptime, performance and capacity.<br>■ Backup network communication channels have been established (3G, satellite).<br>■ Automated data backups are scheduled and stored off-site.<br>■ Incident management processes have been established. | High |
| 3 | Health and safety (Employees and non-employees) | ■ The business utilises a central platform to manage health and safety risks.<br>■ Business units conduct monthly self-assessments to ensure compliance with the Act and Regulations.<br>■ An external services provider performs health and safety risk assessments at stores.<br>■ Both Regional management and Internal Audit incorporate the health and safety requirements in their store audit programmes.<br>■ Training and awareness are done through an e-learning platform and specific health and safety training is conducted through external service providers as well as the internal Insurance Department with specific focus on fire.<br>■ Appointment of a dedicated Health and Safety specialist who is responsible to manage health and safety for the Group.<br>■ Collaboration and working closely with the Department of Labour to address any development areas. | High |
| 4 | Food safety | ■ Shoprite employs Food Technologists that ensure compliance with the relevant regulatory requirements and developing a QA system for the Group.<br>■ CGCSA Food Safety Initiative membership ensures that the business is kept abreast of all regulatory requirements and pro-active engagement with various governmental departments e.g. DAFF, DoH, DTI, DoL.<br>■ External service providers conduct annual food safety and hygiene audits at distribution centres and quarterly food safety and hygiene audits at all stores.<br>■ All reports are submitted to all Divisions for action and referred to senior management to ensure that repeat findings are avoided.<br>■ External service providers conduct food safety audits at all food processing sites once a year. | High |

# Key risks (continued)

| Risk No | Risk Description | Risk Mitigation | Residual Risk |
|---|---|---|---|
| 5 | Losses due to fraud | ■ Critical financial systems are subjected to regular risk based internal audits.<br>■ A formal approval system is embedded and reviewed annually for capital and operational expenditure.<br>■ Automated financial system controls are utilised within online banking.<br>■ All payments are processed through electronic funds transfers with reputable banks and are subject to be audited by the Group's independent external auditor PwC.<br>■ Monthly review of Income Statements at lowest entity level being Stores.<br>■ Monthly reconciliations of all ledger accounts.<br>■ Well-publicised Hotline managed by an independent external party.<br>■ Segregation of duties between the approval process of expenses and the payment thereof. | High |
| 6 | Strike action and deterioration of Trade Union relationships | Collaboration forms the foundation of improved and effective Trade Union relations. This is achieved through:<br>■ Understanding of the retail industry and culture, where customers come first;<br>■ regular and ongoing negotiations and engagement; as well as<br>■ exposure to the global retail employment environment every two to three years, by involving the recognised unions when visiting various trend setting countries to benchmark adequately. | High |
| 7 | Business continuity and breakdown in Supply Chain | ■ A comprehensive and formalised Business Continuity and Recovery Programme have been rolled out to all major Distribution Centres.<br>■ Distribution Centre IT disaster recovery plans have been successfully tested twice during the reporting period.<br>■ A new process involving the systematic conversion of open branch orders to direct supply reduces the associated IT lead time to a maximum of 24 hours.<br>■ Delivery of promotional items were tested by diverting to direct suppliers, relieving the dependence on Distribution Centre supply to store.<br>■ Collaboration between Shoprite and its suppliers' ability to respond to risks associated with major Distribution Centre disruption proved the effectiveness of team efforts.<br>■ Regular fire and risk reviews are undertaken and training provided.<br>■ All critical distribution centres have standby generators.<br>■ State-of-the-art security and fire prevention systems, including alarms, access control, closed-circuit television and sprinkler systems are in place and maintained. | High |
| 8 | Project and change management risk | ■ Processes have been established for initial project justification and business sponsor approval (PAC, board resolutions, IT Approval Framework).<br>■ The CEO, CFO and/or COOs, are involved in all major projects.<br>■ Projects are overseen by Steering Committees that include specific business unit heads, depending on the project.<br>■ In the SAP implementation, SAP provides expertise to manage the overall programme and independent external assurance providers provide overall governance assurance.<br>■ Projects are managed by the Project Management Office in accordance with project management best practices and tracked and monitored through the Value Management Office.<br>■ Project payments are structured on a milestone delivery basis and tracked accordingly. | High |

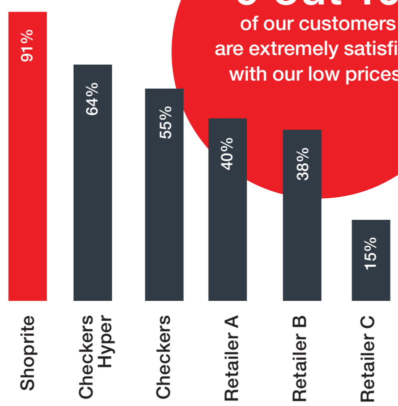
| Risk No | Risk Description | Risk Mitigation | Residual Risk |
|---|---|---|---|
| 9 | Foreign Exchange Risk/Hard currency availability<br><br>Exchange controls and forex shortages continue to create major obstacles; hence the objective is to minimise forex risks as far as possible. | ▪ USD stock loans and local currency cash positions are monitored and exposures are hedged, where possible, by capital injections and/or investments in USD-linked bonds and T-Bills.<br>▪ Financial managers of subsidiaries in Africa transfer “excess” cash to Shoprite International to settle short-term loans.<br>▪ Forex exposures in South Africa are hedged in accordance with Shoprite’s Treasury Policy.<br>▪ Shoprite International (a USD company) makes extensively use of USD banking facilities to mitigate the forex risks of its subsidiaries and to meet its debt factoring obligations.<br>▪ Given the volatility of the South African Rand and to mitigate the risk, the bulk of foreign currency reserves are kept in Shoprite Domestic Treasury Management Company (a USD company). | High |
| 10 | Brand deterioration and Reputation Risk | ▪ Shoprite utilises real time editorial media monitoring tools and internal escalation protocols upon negative sentiment/potential damaging press detected, with a process to implement strategic response messages.<br>▪ Annual research is conducted to track sentiment and brand preference of consumers.<br>▪ Obtaining a Net Promotor Score (NPS) every six months. (NPS is an index ranging from -100 to 100 that measures the willingness of customers to recommend a company’s products or services to others. It is used as a proxy for gauging the customer’s overall satisfaction with a company’s product or service and the customer’s loyalty to the brand.)<br>▪ Shoprite uses listening tools on social platforms to gauge sentiment around company brands and activity, with a customer engagement strategy and protocol in place to respond.<br>▪ Strict internal departmental approval measures are in place to ensure that all external brand communication is in-line with business objectives and group principles.<br>▪ Continuous efforts are made to build strong media relations with key opinion leaders and journalists. | Medium |
| 11 | Constantly changing regulatory landscape and compliance (will include environmental laws) | ▪ Embedded compliance framework in the business through all Shoprite’s internal assurance providers, namely: the Business who owns risk and opportunities, Legal, Risk and Compliance as well as Internal Audit.<br>▪ Internal Audit incorporates regulatory risk as part of its annual Internal Audit coverage plan.<br>▪ The appointment of a dedicated Group Risk and Compliance Manager.<br>▪ A defined and risk rated regulatory universe that includes critical, high, medium and low risk impact categories e.g. Competition Law, Occupational Health & Safety, Consumer Protection, Broad-Based Black Economic Empowerment, Employment Equity, Environmental and Sustainability, Labour and Employment, Skills Development and Training, Food Safety and Product Safety, Data Protection and Privacy, Anti-money laundering, Anti-bribery and corruption, Credit, Insurance, Intellectual Property, Pharmaceutical, Property and National Building Regulations, Corporate Governance (King IV™), Companies Law and JSE Listings Requirements, Ethics, Freight Laws, International Trade, Import and Export, Licences and Permits, Liquor, Tax and International Financial Reporting Standards (IFRS).<br>▪ Daily regulatory alerts on new or amended legislation through various subscription and utilising software to assist the business with their compliance risk management plans, monthly reporting and quarterly reporting to the Management Risk Forum, Audit and Risk Committee and bi-annual reporting to the Social and Ethics Committee.<br>▪ Compliance training facilitated through e-learning with specific focus on critical and high-risk impact legislation. | Medium |
| 12 | Broad-Based Black Economic Empowerment (B-BEEE) Transformation Risk | ▪ The B-BBEE Committee is chaired by the CEO.<br>▪ Appointment of dedicated B-BBEE Compliance Officer.<br>▪ Adoption of medium term strategy to achieve Level 4 by 2020.<br>▪ Bi-annual reporting to the Social and Ethics Committee. | Medium |

# Strategy and performance

The Company has identified a broad range of growth vectors, spanning new geographic regions, market segments and products ranges, as well as alternative business formats. Shoprite intends to seize opportunities across all these dimensions, while always remaining true to its core promise – on the delivery of low prices and a world-class shopping environment in every region it enters. The Company is confident that the competitive advantages inherent to its chosen business model, as well as the strategies implemented to drive growth, will continue to deliver sustainable value creation for all stakeholders for the next 40 years and beyond.

**Shoprite will continue to focus on its strategic growth drivers to strengthen and extend its leadership position as the foremost FMCG retail operation on the African continent.**

**9 out 10**
of our customers are extremely satisfied with our low prices.




Brand Health Tracker July 2018 n=1 500

## Drivers of growth

We do it all for our customers

### 1 Building a customer-first culture

We have a tremendous focus on cementing a culture shift to putting customers and their unique needs first and always striving to satisfy those needs. This resolve is strengthened across all dimensions of interaction with customers through employee engagement, training and reward systems. We have also restructured our operational teams so that each has a singular focus on their brand and the needs of their target customers and the brands have reaped the benefits.

Customer science and data is powering decision-making and data analytics are driving our initiatives to ensure our product offer is relevant to various customer segments, especially ensuring that we invest into prices on those items most important to our large contingent of price-sensitive shoppers.

The outcome of our efforts in this key strategic thrust is that customer satisfaction is at record levels. We have achieved customer growth of 3.3%, with 35 million additional customer transactions. The Shoprite brand has also again won multiple customer awards over the past year, indicating that our customers are taking notice of our efforts.

### 2 Growing LSM 8-10 share of wallet

Significant opportunity remains to further grow our share of wallet in premium food retail. This is a lucrative market for us with upmarket baskets being on average 25% more valuable than normal baskets. The Shoprite Group's business model is well suited towards an effective delivery in this segment, in terms of our supply chain, speed to the market and quality control.

We are focusing on enhancing the Checkers brand perception, improving on our fresh offering, gearing product innovation capability and accelerating FreshX store upgrades to enable growth in share of upmarket spend.

An illustration of how well this has been received is the fact that Brand Finance recently reported a 33% growth in the Checkers brand's value to R6.9 billion in their 2018 study of South Africa's most valuable brands and we are serving 670 000 new monthly Checkers customers.

We have experienced continued success in our Oh My Goodness brand and enhanced wellness ranges. We have launched 104 new convenience products and have outgrown the retail market in this category by 4.7 times. We continue to innovate and improve on this, as the first South African retailer to launch affordable, delicious, chef endorsed dinner kits.

We have invested in fresh – from our supply chain and our trucks to our cold chain and we have expanded the team of food technologists and launched a Chef's school to provide a pipeline of skills for this offering. A third of the market share gains in Checkers has been driven by our fresh departments according to Nielsen and we have achieved double the industry growth in this category.

We are accelerating FreshX store upgrades, with the sales growth in these stores post the launch of the store upgrade having increased well in excess of other stores. We have applied customer-led insights to change speciality ranges, pricing and the way we promote and we have a new look and feel to give a speciality experience inside a supermarket.

## 3 Developing private labels

A focus on private labels is a win-win for both Shoprite and our customers – providing better choice at better value for customers and better margin for the Group. Our focus is not only on private label products for key commodity price points, but to also satisfying upmarket choice, with half of all new products launched in the latter category. The private label categories have outgrown store growth threefold and the Group has increased its participation of total business by 1.6% to 16.2%, with, 20 of our own brands now worth more than R100 million.

The Group also created an umbrella private label brand for Usave, called Ubrand, with a simple proposition – products will be of comparable quality to the brand leader, but at a significantly reduced price point. Customers have responded positively to the launch and it is expected that the range will span more than 300 products.

The Group will also be launching an umbrella private label range of more than 150 products called Simple Truth, aimed at the consumer looking for healthier or more environmentally friendly products. Products in this range will contain no artificial colorants, no added MSG, no preservatives, and will be uncompromising on taste.

## 4 A stronger franchise offer

We have continued our focus on growing this segment this year, with the rebranding of outlets continuing, as well as the enterprise-wide roll-out of the new SAP IS Retail system also being deployed to our franchise business. Franchisees are getting the pricing benefit as the Group continues to enhance support for members, more and more products are sourced from our distribution centres and delivery frequency to members is increased. We have refined the model and are doing express format stores, as well as forecourt stores at fuel stations. Strong opportunities for growth exist through private label, General Merchandise, Money Market services and our turn-key system solution.

## 5 Leverage African advantage

Shoprite has a well-established footprint in 15 African countries and has built an enviable reputation for the prosperity and infrastructure it can add to a region. We are committed to Africa's growing middle class and exploding population and our non-RSA operations remain both significant and profitable, as well as a portfolio hedge. After retailing across the continent for more than 27 years, our wealth of experience and track record is unsurpassed and a significant competitive advantage. Our market leadership is further entrenched by scale – with 475 stores outside South Africa, we can open distribution centres in these countries, which substantially improves efficiencies, range and service to our customers. Results tend to be volatile and cyclical in the short term with weaker African economies and currencies, however the long-term forecast growth for each region we have entered outside South Africa is higher than that of the South African economy, providing significant diversification benefits and growth prospects to the Company. We maintain our lead in Africa, having been voted Africa's #1 Retailer brand by Brand Africa and successfully executing more than 1 billion transactions in these territories in the past year.

## 6 Strategic footprint expansion

In South Africa we opened a net 116 new stores during the 2018 year and a further 102 new stores are planned for 2019. The Group opened a net 38 new stores in Non-RSA countries and 30 more are planned for 2019, including an entry into the large East African economy, Kenya, by the end of the year. We have also made a bid for 11 franchise stores in Botswana, for which we expect an outcome before the end of the calendar year. Significant further opportunities are available and we continue to consider expansion beyond the continent on our terms, at acceptable risk and without jeopardising investment.

Meaningful investment and 25 years of experience in centralised distribution continues to provide a sizable head start. Our state-of-the-art distribution centres and supply line infrastructure give greater control over inventory across all our operations, while lessening the overall carbon emissions of Group operations. The Group's distribution centre in Centurion, Gauteng is the largest of its kind under one roof on the continent. Our latest edition, the new 105 000 m² Climor distribution centre became operational in the reporting period. The Shoprite Group aims to receive a Green Star accreditation for this development. Cilmor is one of the most technologically advanced centres on the continent and, with enterprise mobility partner MakeMeMobile, recently won a global award from Honeywell for its innovative voice-enabled workflow solution. Efficiencies have already started manifesting within the first six months. We continue to transplant our supply chain expertise into Non-RSA regions, with the acquisition of land for an additional distribution centre in Angola and the Port Harport development in Nigeria.

We have made significant investments in the past year in implementing the right technology. The SAP IS Retail roll-out is almost complete. It provides the Shoprite Group's entire retail landscape on one platform, with a real time view of stock availability and line item profitability, amongst others. It will enable scalability, omni channel capabilities and e-commerce, as well as rich data across our 15 geographies and 16 brands. The implementation came in under budget and won a SAP Quality Gold Award for Business Transformation based on the success of this implementation. Our technology platform is being enhanced to allow for precision retailing, with real time personalisation at scale and predictive analytics to continue to serve the customer of tomorrow. We actively use 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.

In the future, omni-channel shopping will assist customers with a seamless shopping experience – including online, mobile and in stores. We are capitalising on bricks-and-mortar as an advantage for omni channel offerings, giving us the ability to get items to any city at a low cost. The Group has embarked on a digital transformation journey leading with data driven customer insights and growing the retail offer for mobile-savvy customers in our stores and across digital platforms. We recently launched our first mobile platform allowing customer to utilise a mobile wallet to transfer money via a mobile device and then cash out in our stores.

# Board of directors

## Non-executive directors

### Dr CH Wiese (76)
BA LLB DCom (hc)
Chairman

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

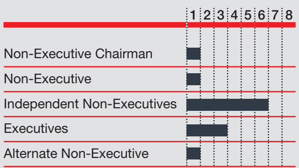
### Mr CG Goosen (65)
BCom Hons CA(SA)

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

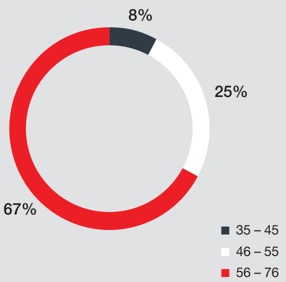
**Board composition**

The composition of the Shoprite Holdings 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 to complement the skills and experience of executive directors.

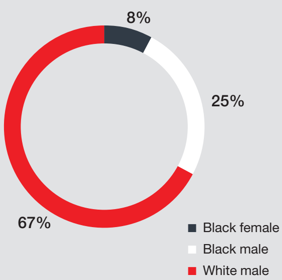
**Structure**



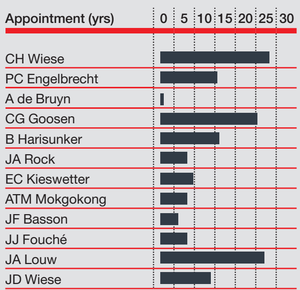

**Average age**




**Gender diversity**




**Length of tenure**




## Independent non-executive directors

### Mr JF Basson (66)
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 various unlisted companies.

### Mr JJ Fouché (70)
BCom LLB

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

### Mr EC Kieswetter (59)
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 Chairman of the Remuneration Committee on 29 May 2018.
- Appointed as Lead Independent Director on 19 October 2015.
- Serves on the Nomination Committee.
- Previously Deputy Commissioner-South African Revenue Services (SARS) and Group Chief Executive of Alexander Forbes Group Holdings Limited.
- Currently Chancellor of the Da Vinci Institute, a private University in South Africa, non-executive director of Transnet and non-executive director of GEMS Education Africa.

## Independent non-executive directors (continued)

### Mr JA Louw (74)
BSc Hons B(B&A) Hons

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

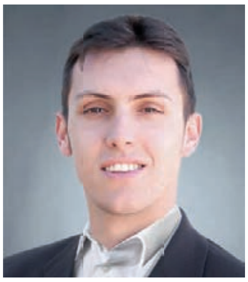
### Dr ATM Mokgokong (61)
MB ChB D Com (hc)
Bsc
MBCHB
Doc Honoris Causa Commerce

- 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 non-executive chair of Seriti Coal.
- Holds directorships in various other public/private companies.

### Mr JA Rock (48)
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 and General Manager at Exxaro Services.
- Currently Head: People Shared Services at Absa Group Limited.

## Alternate non-executive director



### Adv JD Wiese (37)
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.

## Executive directors

### Mr PC Engelbrecht (49)
BCompt Hons CA(SA)
Chief Executive Officer

- Appointed as Shoprite Holdings Chief Executive Officer in 2017.
- Appointed to the board of Shoprite Holdings 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.

### Mr A de Bruyn (46)
BCompt Hons CA(SA)
Chief Financial Officer

- Joined Shoprite Checkers in 2000.
- Appointed as Shoprite Holdings Chief Financial Officer from 2 July 2018.
- Appointed as a director of Shoprite Checkers (Pty) Ltd from 2 July 2018.
- Serves on the boards of various other Group subsidiaries.
- Serves on the Social and Ethics Committee with effect from 2 July 2018.

### Mr B Harisunker (66)
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 Swaziland and international sourcing.

# Chairman's report

CH Wiese

## We continue to play a significant role as the country's largest private sector employer, adding on average 7 500 new jobs each year and providing training interventions to enable thousands of individuals to make better lives for themselves and identifying and nurturing talented individuals.

People have been predicting the death of bricks and mortar retail for some years.

At the Shoprite Group, we are not denying the signs, evident at least in pockets of the retail industry globally.

But we do not foresee its demise – certainly where we operate – where retail, and our Group in particular, has many opportunities for growth.

Our belief is that in the future retailers need to be omni-channel operators, a trend which highlights the continuous and increasing pressure to innovate.

The Shoprite Group, with its young management team, is fully committed to the concept of innovation. Our innovation and digital transformation strategies are driving our plans for sustainability well into the future as we continuously look for opportunities to deliver benefits to our customers.

## Serving our customers

What we do see now, more than ever, is the customer being king. Those retailers that will succeed are those that best meet the needs and requirements of customers.

It is no secret that the South African consumer is having a particularly rough time, and we are doing our best to help where we can.

The VAT increase, record petrol prices, the effect of lingering drought conditions, poor gross domestic product growth, weakening rand and the stubbornly high and unacceptable level of joblessness continue to weigh heavily on our customers, whose expenses are rising faster than official inflation figures suggest.

Given the pressure on our customers' pockets, we are managing, through our concerted efforts and unrelenting focus, to contain inflation on the products we sell despite growing input costs.

In fact, we are in many respects in a period of internal price deflation, with 13 241 of our products selling at lower prices than a year ago.

We continue to be the market leader as we aim for optimal efficiencies and are positioning ourselves for growth opportunities while continuing to focus on our customers.

We fully understand that many of them work within very tight budgets, and that in meeting their needs, we should go the extra mile to make their basket as affordable as possible.

We do this through many initiatives developed over many years, which enable us to be the price leader in South Africa, and, in fact, in all the markets in which we operate.

## Africa commitment

The past financial year has been a difficult one across the continent. Many African economies are still suffering from the slow recovery in commodity prices, but here and there we are starting to see rays of light coming through, and this is being reflected in our sales.

We remain fully committed to Africa, continue to build on the successful base we have established, and continue to believe in its vast potential.

Demographic projections indicate that at the turn of the century, nearly 40% of the world's population, or four billion people, will live in Africa. Africa is a market you neglect at your peril.

As the Group continues to gain in expertise and strength in its operations across the continent, the time has come for us to look further at other emerging markets.

We will proceed with the utmost caution. We are not betting the farm on any one initiative and we are making sure all the relevant and important boxes are ticked.

## Our significant role in South Africa

While we have always been ambitious and successful, no matter the environment, we believe that leadership changes in South Africa herald a new and positive spirit in the country which is positive for our customers and for us as a business.

But we are not unaware of the challenges that government faces and we are committed to helping where we can to set South Africa on a new and winning course.

We are in favour of the introduction of a national minimum wage, which is one of many levers to pull to break the cycle of dire poverty in South Africa.

However, the only real way to break the cycle is to get the economy to grow – it is the rising tide that floats all boats.

South Africa cannot become the country it should be unless we dramatically, and in a short space of time, reduce unemployment, and we expect government to take the lead by increasing the ease of doing business.

For our part, we continue to play a significant role as the country's largest private sector employer, adding on average 7 500 new jobs each year, providing training interventions to enable thousands of individuals to make better lives for themselves and identifying and nurturing talented individuals.

We are committed to the youth employment scheme and offer bursaries and future employment to talented individuals.

On completion of the Group's Retail Readiness Programme, which transfers skills to young unemployed black people, participants receive a NQF-level 3 qualification, equipping them with the skills to enter the retail sector or start their own business. The programme has trained 12 850 people over the past three years – 4 040 within the reporting period.

We have extensive programmes in enterprise development, we add a growing number of entrepreneurial businesses to our 20 000-strong supply chain year after year and we help suppliers to grow their businesses.

We work hard to alleviate the burden on consumers through our low prices, subsidy of bread and other basic items, hunger relief programmes, donation of surplus food, Mobile Soup Kitchens, R5 meals, student discount weeks and food gardens.

## Acknowledgements

We are in transition into a whole new era of doing business and I am confident that we have built up a talented team to deal with it. Our efforts are spearheaded by the Group's youthful and highly experienced leadership team. Our leadership transition with the appointment of Pieter Engelbrecht as Chief Executive Officer continued this year. Marius Bosman, Chief Financial Officer, retired from the Board on 2 July 2018 after 25 years of service and board membership since 2014.

He is replaced by Anton de Bruyn who has more than 15 years of service within the Group, most recently as Deputy General Manager Group Finance.

General Manager: Retail Investments Etienne Nel, who joined the company in 1997 and served on the board since 2005, retired with effect 29 June. His alternate director, Adrian Basson, also retired from the Board.

Whitey Basson retired from the Board as Vice Chairman and a non-executive director with effect from 25 October 2017. He served in this capacity since 1 January 2017 after retiring as CEO at the end of 2016, leaving a brilliant legacy.

I would like to thank all of these colleagues sincerely for their service and exceptional contribution to the success of the Group.

The Shoprite Group's ability to weather many storms is a testament to its exceptional management and the depth of expertise, experience and commitment among all of our 147 478 employees, my fellow board members, our shareholders and our suppliers. Each one of them deserves our deepest gratitude and recognition.

The Shoprite Group is in business, first and foremost, for our customers, and I am most grateful that they continue to trust us to provide as best we can for them and their families.

**CH Wiese**
**Chairman**

20 August 2018

# Chief Executive's report

PC Engelbrecht

**Our focus on price, affordability and accessibility drives us and helps us to ensure the business operates optimally and maintains its lead as an African retailer poised for the future.**

## Primed for the future

In a year in which the durability of many companies was tested, our unwavering attention to our six drivers of growth – a customer first culture, growing LSM 8 – 10 share of wallet, developing private label, a stronger franchise offering, leveraging our African advantage and strategic footprint expansion has enabled us to show strength and resilience and has fortified our solid foundation for future growth.

I am pleased to report that we have grown customer volumes and market share. We employ absolute measures to our efforts to put the customer first, and these indicate increased support and acceptance that we provide the products they need at prices they can afford.

Our stand-out success over the past year was growing high-LSM share of wallet, which proved to be an invaluable strategic decision in a deflationary environment. Our Checkers FreshX stores are outperforming the market by about three times.

We have implemented a new staff structure with the appointment of individual Chief Operating Officers dedicated to the Shoprite and Checkers brands in South Africa, as well as in Non-RSA, to ensure we deliver a unique offer to each of our customer segments.

Continued improvement in our private label offering enabled us to bring better value to customers, reflected in private label participation of turnover increasing a further percentage point with a profitable increase of more than R300 million.

Our franchise division's enhanced brand and product offering saw it report strong sales growth with significant improvements in amount of stock through our distribution centre, introduction of more non-foods and keener pricing and an extended number of private label products now available to franchisees.

We are initiating expansion into Kenya, where we will open an initial two supermarkets this financial year as well as Botswana through opportunistic, but well-considered strategies.

Our scalability and growth depends on us expanding beyond Africa, and we have the skills and experience to enter a new country with an acquisition that is significant but small enough to absorb seamlessly.

We have made significant investments in our business and in new opportunities in line with our forward-looking strategy and to ensure we future-proof our business. We took a deliberate decision not to retract or make any short-term decisions in a difficult economic environment to boost profit.

The opening of a net 124 new corporate stores during the year and creation of 3 676 jobs reflects this, and points to the meaningful and intrinsic role we play in the South African economy and in its social fabric.

## Our role in society

We are the country's biggest private sector employer with 147 478 employees, having created some 75 000 new jobs over the last 10 years. We paid R11.4 billion in salaries and wages, more than R2.4 billion in income tax and spent R500 million on staff training in the period under review.

We provide a market to almost 20 000 suppliers including 1 000 growers, and we helped suppliers to grow their businesses by once again recording positive volume growth.

We are expediting our transformation goals and can report that since implementing our supplier tracking tool in 2017, we have verified an increase of 31% in expenditure with black-owned suppliers along with a 206% increase in expenditure with black-owned SME suppliers. We are aiming for Level 4 BEE by 2020 and are fast-tracking promising black and woman employees, whilst mindful that we need to go further in our transformation goals.

With our overriding focus on affordability and accessibility for customers, we keep our prices low and at the end of June 2018, 13 241 products were sold at less than last year. We bring stores nearer to our communities to provide affordable product and to save them transport costs.

We help to alleviate hunger through our Mobile Soup Kitchens, we subsidised R190 million of bread and staple products, we sold 2.5 million R5 Deli meals each week and donated R99 million of surplus food over the past year.

We help to set up sustainable food gardens, are active in disaster relief and respond to the needs of our communities, including recruiting staff from around our stores.

We are providing cheap financial services facilities for our customers, many of whom are unbanked, and our mobile banking account, Shoprite Money, has attracted almost 100 000 customers in just two months.

This is one of many new services made possible by our focus on technological innovation.

The biggest technology upgrade ever embarked upon by the Group is being successfully implemented in time and under budget, at all stores and distribution centres and in all countries.

This enables us to predict and react to changes in consumer behaviour and shifts in buying patterns. We can make informed decisions on pricing of every item and we expect continued efficiency gains in the future.

We are moving ahead with omni-channel concepts and other innovations and created a position for innovation and strategy at top level to make sure we remain ahead of the game.

The sustainability of our company depends on the socio-economic welfare of the communities around our stores and we discuss this in depth in our 2018 Sustainability report, which can be found on our corporate website.

## Appreciation

My fellow directors, management team and every one of our employees are moving swiftly to prepare for the future whilst meeting short-term challenges, and for that I am most grateful. Without the remarkable energy, dedication, determination, discipline and sheer hard work of our colleagues across all our businesses and 2 425 corporate stores in 15 countries, none of this would have been possible.

I extend my gratitude to them and to our shareholders, suppliers and all other stakeholders for believing in our vision.

Everything that we do is, first and foremost, geared towards improving our service to our customers. I thank them for continuing to trust in us and reconfirm our enduring, relentless efforts of almost 40 years' standing to bring them access to low-cost products across the continent and beyond.

We move forward to next year in the knowledge that we are future-proof, ready to tackle new opportunities and to take advantage of any economic upswing.

**PC (Pieter) Engelbrecht**
**Chief Executive**

20 August 2018

The garden at Star Upliftment Centre in Dimbaza, near King William's Town in the Eastern Cape, is one of 43 sustainable food gardens established through the Group's #ActForChange initiative.

# Operational review

## Supermarkets RSA

The core South African Supermarket operation, trading through 1 610 outlets and representing 74.0% of total sales, did well in an extremely tough environment, increasing sales by 5.7% and trading profit by 1.8%.

Taking into account the low levels of internal inflation, which dropped to only 0.3% from 5.9% last year, the improved pace on real turnover growth combined with positive volume and customer growth reflects a strong performance.

The South African operations continue to experience positive customer growth in terms of number of customers and number of customer trips to stores. We are also selling more products, with a 3% increase in units sold, a positive increase somewhat masked by the effect of deflation and cost pressures.

A total of 13 241 of our products were selling at lower prices than last year, easing the burden on our customers but putting some pressure on the Shoprite operation in particular. Integrated planning, strict cost disciplines and an extensive and sophisticated supply-line infrastructure have helped the Group to successfully manage the effect of deflation and the poor economy, although the sales increase at Shoprite was limited to 4.3% – a creditable performance given the circumstances.

The Group's strategy to capture a greater proportion of the higher LSM consumer segments' grocery expenditure has seen Checkers, excluding the larger format Hyper stores, increase sales by 8.2%.

Checkers' revamped stores and fresh and convenience offerings have been well received by customers, and our higher LSM shoppers are spending more and shopping with increased frequency.

Checkers has converted 13 stores to the new look FreshX concept, accelerating market share gains in the affluent market segment. The Group aims to revamp at least a third of its Checkers stores to the new look in the medium term.

Innovation, improved customer service and increases in convenience and fresh ranges have been significant draw-cards for Checkers, which continues to lead the Group's gain in market share.

The Shoprite brand, with its focus on middle and lower-income consumers, continued to subsidise basic food prices to assist the most vulnerable. Notwithstanding its shopper base being the hardest hit by prevailing economic conditions, Shoprite grew sales by 4.3% (2017: 6.0%) to R54.2 billion.

The Group's small format, hard discounter Usaves offering the lowest possible prices on a limited assortment, continued to perform well with a 7.5% increase in turnover, despite deflation in most of its major product categories. A net 33 new Usave stores were opened in the year as reach was extended to consumers in traditionally underserved areas.

The Group's LiquorShop stores in South Africa recorded a strong performance, with a 20.6% increase in sales and new store expansion which met our aspirations with a new store opening almost every week of the year.

The implementation of our new SAP IS Retail system, the biggest IT project ever embarked upon by the Group, has almost been completed which will see all stores and distribution centres in all countries on one common technology platform. The herculean effort to deploy such a significant change to our technology platform was not without growing pains, however it will enable better inventory accuracy and improved efficiencies whilst addressing scalability.

## Supermarkets Non-RSA

Trading in 14 countries in the rest of Africa and Indian Ocean Islands, the Group's Supermarkets Non-RSA operating segment produced disappointing results in line with those reported at the interim stage, mainly driven by the Angolan operation that faced many headwinds.

Supermarkets Non-RSA recorded a 7.0% decrease in turnover in rand terms which impacted overall Group sales performance. The slower Supermarkets Non-RSA sales are mainly attributed to the normalised performance of the Angolan Supermarkets operation, the Group's biggest operation outside South Africa, following the 65.0% compound growth in turnover over the prior two years and the 50.2% devaluation of the Angola kwanza against the US dollar since December 2017.

Trading in Nigeria continues to be hampered by foreign exchange fluctuations, although Nigerian stores are showing growth in local currency, albeit at reduced margins.

A significant drop off in Supermarkets Non-RSA internal inflation from 14.4% in the previous year to only 1.1% for the current year was also experienced.

The Group's imminent expansion into Kenya provides an exciting opportunity and reflects its ongoing commitment to the African continent, where it has a significant competitive advantage.

## Furniture

The Group's Furniture division's ongoing refinement continued to bear fruit and it achieved a pleasing 9.8% increase in sales and profit growth in excess of 100% for the period. This was achieved despite credit sales participation dropping by almost a third to 14.7% (2017: 20.8%) of total sales and only a marginal increase in product inflation.

Sales growth in its 396 South African stores was 9.5% up, while its 88 stores outside South Africa increased sales by 11.0% on the back of improved distribution and merchandising decisions. Angola recorded a particularly strong performance where the OK Furniture brand is establishing strong customer loyalty.

The division's enhanced integration into the wider Shoprite Group has been particularly beneficial outside South Africa, with it benefitting from opening stores in Shoprite shopping centres.

The division opened 20 new stores, but it is a net four stores lighter than the previous year as unprofitable stores were closed.

## Other operating segments

Other operating segments, which include OK Franchise, Computicket, MediRite Pharmacy and Checkers Food Services achieved turnover growth of 5.2%.

The OK Franchise division recorded a net gain of 30 new members as its restructuring continued to enhance the OK brand among customers as well as potential and existing franchisees.

The Group has seen a strong uptake of its extended number of private label products and general merchandise ranges available to franchisees.

# Three-year financial review

Shoprite Holdings Ltd and its subsidiaries for the year ended 1 July 2018

| | | 2018 Rm | 2017 Rm | 2016 Rm |
|---|---|---|---|---|
| **Statement of comprehensive income** | | | | |
| Sale of merchandise | | 145 306 | 141 000 | 130 028 |
| Trading profit | | 8 011 | 8 127 | 7 281 |
| Exchange rate losses | | (251) | (236) | (46) |
| Items of a capital nature | | (246) | (166) | (11) |
| Operating profit | | 7 514 | 7 725 | 7 224 |
| Interest received | | 215 | 226 | 174 |
| Finance costs | | (422) | (340) | (498) |
| Share of profit/(loss) of equity accounted investments | | 27 | 4 | (52) |
| Profit before income tax | | 7 334 | 7 615 | 6 848 |
| Income tax | | (2 121) | (2 180) | (1 998) |
| Profit for the year | | 5 213 | 5 435 | 4 850 |
| **Statement of financial position** | | | | |
| **Assets** | | | | |
| Property, plant and equipment | | 21 218 | 18 407 | 16 908 |
| Other investments | | 3 408 | 2 448 | 694 |
| Deferred income tax assets | | 876 | 859 | 698 |
| Intangible assets | | 2 994 | 2 355 | 1 857 |
| Current assets | | 32 490 | 31 151 | 27 368 |
| Non-current trade and other receivables | | 856 | 503 | 476 |
| **Total assets** | | 61 842 | 55 723 | 48 001 |
| **Equity and liabilities** | | | | |
| Capital and reserves | | 27 386 | 27 658 | 21 074 |
| Non-controlling interest | | 91 | 91 | 65 |
| Permanent capital | | 27 477 | 27 749 | 21 139 |
| Borrowings | | 6 977 | 3 274 | 5 124 |
| Other liabilities | | 27 388 | 24 700 | 21 738 |
| **Total equity and liabilities** | | 61 842 | 55 723 | 48 001 |
| **Statistics per ordinary share and financial ratios** | | | | |
| Net asset value per share | (cents) | 4 937.3 | 4 905.2 | 3 941.8 |
| Basic earnings per share | (cents) | 934.3 | 999.8 | 906.0 |
| Basic headline earnings per share | (cents) | 969.6 | 1 023.2 | 905.0 |
| Diluted headline earnings per share | (cents) | 968.7 | 1 007.4 | 900.3 |
| Dividend per share | (cents) | 484.0 | 504.0 | 452.0 |
| Dividend cover (based on dilutive headline earnings) | (times) | 2.0 | 2.0 | 2.0 |
| Trading margin | (%) | 5.51 | 5.76 | 5.60 |
| Basic headline earnings on average total permanent capital | (%) | 19.5 | 22.7 | 24.0 |
| Inventory turn | (times) | 6.2 | 6.5 | 6.9 |
| Borrowings: Total equity | (:1) | 0.254 | 0.118 | 0.242 |
| Net finance costs cover | (times) | 48.86 | 87.83 | 28.94 |

## 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

The results have been prepared taking into account the effect of hyperinflation in Angola. The currency devaluation in Angola, together with high levels of consumer inflation over the past three years have necessitated that the Group account for the results of its Angola operations on a hyperinflationary basis in accordance with IAS 29: Financial Reporting in Hyperinflationary Economies, effective from 3 July 2017. Comprehensive pro forma information has been included on pages 88 to 91 of the Integrated Report.

## Statement of comprehensive income

### Sale of merchandise

- Turnover growth for the 12 months to 1 July 2018 was 3.1% (3.6% excluding the hyperinflation adjustment) to R145.306 billion. Excluding the Angola operation, the Group managed to increase turnover by 5.5% with the Supermarkets RSA operating segment delivering a strong performance with a 5.7% growth on the back of low inflation. Even though the Group had to trade in a climate of increased labour action, the Listeriosis outbreak, high unemployment and currency devaluations, the Group managed to deliver a strong performance. Turnover growth during the second half of the year came under pressure, especially in Non-RSA with the devaluation of the Angola kwanza by 50.2% against the US dollar since December 2017.
- The following table gives the relevant turnover per segment:

| | 52 weeks Sales Growth % | 52 weeks 2018 Rm | 52 weeks 2017 Rm |
|---|---|---|---|
| Supermarkets RSA | 5.7% | 107 547 | 101 734 |
| Supermarkets Non-RSA | (7.0%) | 23 106 | 24 840 |
| Furniture | 9.8% | 5 967 | 5 432 |
| Other Segments | 5.2% | 9 463 | 8 994 |
| Total Operating Segments | 3.6% | 146 083 | 141 000 |
| Hyperinflation effect | | (777) | — |
| Total Sales | 3.1% | 145 306 | 141 000 |

- Supermarkets RSA reported a 5.7% growth in turnover to R107.547 billion. Average internal food inflation decreased from 5.9% in 2017 to 0.1% in 2018 with no increase in the foreseeable future. This in comparison to the official food inflation of 4.5% for the 2018 financial year, which confirms that customers were shielded from price increases. In real growth terms the Supermarkets RSA division delivered a strong performance taking into account that the Group subsidised the 1% VAT increase as well as the introduction of the Health Promotion levy (sugar tax). The very successful Little Garden as well as the Black Friday and Red Friday promotions made headlines during the year. The Checkers brand is continuing to improve its fresh offering through the FreshX concept stores of which there are already 13 stores open. Supermarkets RSA opened a net 105 outlets during the year.
- Supermarkets Non-RSA recorded negative turnover growth of 7.0% mainly attributed to the normalised performance of the Angola operation following the 65.0% compound growth in turnover over the prior two years and the 50.2% devaluation of the Angola kwanza since December 2017. Excluding Angola supermarkets, Supermarkets Non-RSA managed to achieve a positive sales growth of 3.0%. A significant drop-off in Supermarkets Non-RSA internal inflation from 14.4% in the previous year to only 1.1% for the current year was also experienced. In constant currencies the growth in turnover was 1.2%. Supermarkets Non-RSA opened a net 23 new outlets during the year.
- Trading conditions for the furniture business remained challenging, but it managed to increase turnover by 9.8% to R5.967 billion. The strongest turnover growth was again reported by OK Furniture at 11.4%, which targets middle- to lower income consumers, while House & Home saw an increase of 4.9%. Credit participation reduced to 14.7% of sales, due to the new compulsory affordability assessments with the resultant negative effect on finance and insurance income. The division opened 20 new stores during the period, but ended the year with four less outlets as unprofitable stores were closed.

### Gross profit

- Gross profit comprises primarily gross margin after markdowns and shrinkage. In line with IFRS (IAS 2: Inventory and IFRIC Circular 9/2006), the Group deducted settlement discounts and rebates received from the cost of inventory.
- The Group is in the process of rolling out the SAP IS Retail system to all its stores changing the valuation of stock from the retail method of accounting to moving average cost, both methods approximate cost as described in the Group's accounting policy. The SAP IS Retail system enables the Group to manage gross margin by line item.
- 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 enabled the Group to keep the gross profit margin at 23.9% compared to 24.0% in the previous year. Gross profit increased by 2.7% to R34.7 billion, in line with 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 6.3% to R2.8 billion, mainly due to an increase in franchise fees received, commission received and investment income. Net premiums earned had a 14.8% reduction, while finance income increased by 9.2%, both a direct consequence of the reduction in the credit sales business that flowed from the changes made to the affordability assessments. Investment income increased as a result of the investment in USD Index Linked Angola Government Bonds and Angola Treasury Bills to act as a hedge against anticipated future currency devaluations.

### 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 continued its investment in information technology and logistics infrastructure during the year. 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, 166 new corporate outlets were opened during the year with 42 closing down.
- **Operating leases:** 124 net new corporate stores were opened during the year and the increase in turnover also saw a commensurate increase in turnover rentals paid. Increases in property taxes were above inflation which had a negative impact on the Group.
- **Employee benefits:** The increase in staff costs of 3.4%, which is higher than turnover growth, was mainly due to the resulting staff requirements of increased turnover as well as the number of new store openings, offset by a decrease in share-based payment arrangements. Productivity improvement continued with additional focus on improving and maintaining in-store service levels. Included in employee benefits are provisions for long-term incentives to retain staff.
- **Other operating expenses:** These costs, which increased by 5.7%, 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. The Group is investing in technology and energy saving hardware to ensure future cost reductions.

### Trading profit
Trading margins decreased from 5.76% to 5.51%, due to the softer performance of the Supermarkets Non-RSA operations.

### 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 weakened against the US dollar and in addition we also saw a devaluation of the Angola kwanza and the Zambia kwacha which affected the short-term loans. The result was a foreign currency loss of R251 million compared to a loss of R236 million in the previous financial year. The current year's loss resulted mainly from losses due to the devaluation of the Angola kwanza.

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

| | 2018 | 2017 | 2016 |
|---|---|---|---|
| US dollar | 13.710 | 13.038 | 14.775 |
| Euro | 15.972 | 14.916 | 16.393 |
| Zambia kwacha | 1.370 | 1.416 | 1.514 |
| Angola kwanza | 0.055 | 0.078 | 0.089 |
| Mozambique metical | 0.229 | 0.217 | 0.221 |
| Nigeria naira | 0.045 | 0.043 | 0.052 |

### Net interest paid
The Group utilised overnight call facilities for both short-term deposits and borrowings during the year and secured longer term offshore funding to fund its expansion outside the RSA borders.

Net interest expense, when compared to the corresponding period, increased due to additional funding required for capital projects in the current year, the specific buy-back and cancellation of ordinary shares to the value of R1.8 billion and due to the forfeiture of the last interest payment of the convertible bonds in the prior year.

### 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. In a few of the Non-RSA countries, a minimum tax is applicable, contributing to the higher overall tax rate.

### Headline earnings per share
Basic headline earnings per share decreased by 5.2% from 1 023.2 cents to 969.6 cents as a result of the weaker Supermarkets Non-RSA results. Diluted headline earnings per share decreased by 3.8% from 1 007.4 cents to 968.7 cents. This dilution results from the dilutive potential of full share grants awarded to employees in terms of the long-term incentive bonus plan.

## Statement of financial position

### Non-current assets

#### Property, plant and equipment and intangible assets
During the year, the Group spent R5.336 billion on property, plant and equipment and software compared to R5.167 billion in 2017. 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 R581 million on such land and buildings. The investment in refurbishments amounted to R1.060 billion, while R1.028 billion was spent on new stores (excluding land and buildings), R1.220 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 project is on time with the last store and distribution centre going live in January 2019. Capital commitments of R1.621 billion have been made relating to improvements for the next financial year.

# Financial report (continued)

The adoption of hyperinflation accounting resulted in an increase of R2.140 billion in property, plant and equipment, mainly impacted by the property portfolio of the Group's operations in Angola.

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

Software represents the Group's investment in certain computer software that is used in its daily operations. The Group continued its investment in new SAP software. Software is amortised over its useful life of three to ten 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 are subject to onerous local exchange control regulations. The Group is, however, still in an expansion phase in Angola and said cash can still be used for its local trade. The Group has invested surplus cash in Angola in USD Linked Angola Government Bonds as well as Treasury Bills as part of its hedging strategy against a future possible devaluation.

## Current assets

### Inventories

Inventories amounted to R18.0 billion, an increase of 0.9% on the previous year and in line with turnover growth. The inventory turn, based on cost of merchandise sold, was 6.2 times (2017: 6.5 times). The increase in inventory resulted mainly from the following:

- The provisioning for 124 net new corporate stores;
- The extension to the DCs in Centurion, Brackenfell and KZN with more suppliers and products now flowing through these facilities; partially countered by
- Improved inventory management outside South Africa.

### 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 debtors book is reviewed regularly.

The allowance for impairment and unearned finance income in respect of instalment sale debtors amounted to 24.0% comparable to the previous year at 23.8%.

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 (after deducting overdrafts) amounted to R3.5 billion compared to R2.7 billion in 2017, mainly due to a favourable month-end, which caused creditors to be paid after accounting month-end of 1 July 2018.

This increase was offset by the specific buy-back and cancellation of ordinary shares in the amount of R1.8 billion and a further increase in USD Index Linked Angola Government bonds and Angola Treasury bills to the value of R2.4 billion to hedge against a possible further devaluation of the Angola kwanza.

## Current liabilities

### Provisions

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

### Hire purchase sales

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

### Shoprite Insurance

The Group operates its own short-term insurance company as part of the furniture business and as an insurance vehicle for its own assets. During the year under review net premiums earned relating to third parties amounted to R327 million compared to R384 million the previous year. Net premiums for credit protection amounted to R210 million compared to R254 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 R142 million, with actual net statutory assets amounting to R762 million giving rise to a cover of 5.4 (2017: 3.9) before the declaration of dividends to the holding company.

Situated in the flourishing agricultural hub of Mbombela in the lowveld of Mpumalanga, the Timbali Technology Incubator is a company that has found access to a market for young, inexperienced and unemployed rural people through the Shoprite Group. These women from Timbali amaVeg farm and pack quality vegetables in large quantities for Freshmark, the Group's fresh produce procurement arm, on a weekly basis. Freshmark's growth plans have enabled amaVeg to flourish and its workers to provide for their families and the community.

Read more about the various ways in which the Group supports the long-term development of communities around it in the 2018 Sustainability Report on www.shopriteholdings.co.za

# Nurturing our capitals

## Human capital

The Shoprite Group is the largest private sector employer in South Africa and a leading employer in Africa. We focus on attracting, developing and retaining a loyal and committed workforce, dedicated to the Group's culture and organisational objectives. Our employees are key to our success. During the 2018 financial year, the Group employed 147 478 people, of which 65.2% are women. We also created 3 676 new jobs in the past year.

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.

Instilling the right culture that put our customers first, is core to all our people processes and instances of customer service excellence are celebrated and widely communicated as examples of what the Group strives for. Our Super Service Awards programme is the biggest and most successful of its kind in Africa, encompassing about 180 000 people in more than 2 300 stores in 15 countries. The programme rewards employees for delivering excellent service.

### Our inputs

| | 2018 | 2017 |
|---|---|---|
| Number of employees | 147 478 | 143 802 |
| % woman employees | 65.2% | 65.4% |
| % black African employees | 97.1% | 96.8% |
| Training hours | 3 458 139 | 1 994 414 |
| Number of accredited learning programmes | 7 833 | 12 343 |
| Value of bursaries awarded during the academic year | R18.0 million (planned) | R16 million |

### Our outcomes

| | 2018 | 2017 |
|---|---|---|
| Employee benefits | R10.9 billion | R10.5 billion |
| B-BBEE skills development score | 15.28 | 13.7 |
| New jobs created | 3 676 | 6 027 |
| Full-time turnover | 16.7% | 19.2% |
| Part-time turnover | 49.6% | 52.2 |
| Reported safety incidents | 10 | 8 |

### Key initiatives to deliver 2018 outcomes

- Provided 22 accredited training courses and more than 1 500 retail-related courses.
- Supported 7 833 learners on accredited learning programmes.
- Completed the rollout of 2 703 e-learning kiosks and devices to all stores, including those in other African countries.
- Extended our e-learning platforms to all the countries of operation.
- We trained 4 040 unemployed black youth in the skills necessary to enter the retail work environment through our Retail Readiness Programme during 2018, of which 57% were employed by the Group after completing the programme.
- Successfully provided accredited NQF level 2 training to 931 deaf learners to date in wholesale and retail chain store operations. The Group guarantees employment to those who successfully complete their competency evaluation.

For more detail on how we manage our relationship with our employees and Trade Unions, refer to the Stakeholders' engagement report on pages 12 to 19 and our Sustainability report 2018 at www.shopriteholdings.co.za.

**The Shoprite Group is one of a few retailers to successfully implement an e-learning platform in Africa.**

## Social and relationship capital

We focus on staying true to our lowest price promise and continuously meeting our customers' needs and expectations. 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. We maintain our position as a community destination by, among others, processing some 2 million social grant payments a month, without charging agents' fees. We collaborate and support government efforts to develop countries and grow trade.

### Our inputs

- A customer-first strategy and culture.
- Delivering on our affordable products promise.
- A well-developed social investment strategy focused on sustainable interventions with an emphasis on fighting hunger, empowering women and responding to the needs of communities.
- Long-term and supportive relationships with our suppliers.
- Specific focus on local sourcing and development of small suppliers.

Trading off the benefits of job creation and entrepreneurial development against potential efficiencies and improved pricing from large suppliers, is a choice we make almost daily when we choose to use and support small and local suppliers in addition to and sometimes instead of, scale players.

### Our outcomes

| | 2018 | 2017 |
|---|---|---|
| Number of customers | > 35 million | > 35 million |
| Customer growth | 3.3% | 2.4% |
| Customer satisfaction | 91% | 91% |
| Total successful interventions across methodologies for customer service training | 469 618 | 369 103 |
| Number of customer awards | 7 | 8 |
| Spend on corporate social investment | R39.6 million | R35.4 million |
| Money raised through CSI fundraising initiatives | R4.2 million | R5.4 million |
| Number of meals served through soup kitchens | 3.8 million | 3.6 million |
| Surplus food donated to charities | R99 million | R108 million |
| Number of food gardens established | 29 | 15 |
| % Verified spend on small enterprise suppliers | 3.7% | 2.1% |
| % Verified spend on black owned suppliers | 8.5% | 6.4% |
| % Verified spend on black woman-owned suppliers | 4.6% | 3.8% |

### Key initiatives to deliver 2018 outcomes

- Deepened our focus in the reporting period on providing a superlative customer experience.
- Launched a Customer Care Heroes initiative to celebrate employees who demonstrated excellent customer service.
- Conducted annual customer satisfaction surveys.
- Acted swiftly to protect customers health and safety in the Listeriosis outbreak, through recalls and a range of additional safety checks.
- We continue to invest strongly in transferring marketable skills to youth and women.
- We provided 25 early childhood development practitioners and 126 379 nutritious meals to early childhood development centres.
- Established 29 food gardens in South Africa and Zambia.
- We have verified an increase of 31% in expenditure with black-owned suppliers and a 206% increase in expenditure with black-owned SME suppliers.

For more detail on how we manage our relationship with our customers, our community, suppliers and regulators, refer to the Stakeholders' engagement report on pages 12 to 19 and our Sustainability report 2018 at www.shopriteholdings.co.za.

Over 35 million individual customers on the African continent

# Nurturing our capitals (continued)

Shoprite has delivered a total compounded annual return to shareholders over the past 10 years of 19% per annum.

For more detail on how we manage our relationship with our shareholders and financiers, refer to the Stakeholders' engagement report on pages 12 to 19.

For more detail on our shareholders, refer to the Shareholder analysis on page 92.

## Financial capital

We regard financial capital as the equity investment from our shareholders, funds generated from our operations, retained income and funding from our financiers. Financial capital is applied judiciously to provide the Group with the resources for expansion, maintain existing assets and invest in technological advances to maintain our retail and cost leadership.

The Shoprite Group maintains a comprehensive investor relations programme to maintain relationships and promote meaningful engagement with our shareholders and funders.

### Our inputs

- As at 1 July 2018, the Group had approximately 32 695 shareholders. Foreign shareholders owned 47.8% of the shares, with the remainder retained by South African investors.
- Funding is sourced in Rand or US dollar, from a range of local banks in the countries of operation.

| | 2018 | 2017 |
|---|---|---|
| Total equity | R27 477 million | R27 749 million |
| Net interest-bearing debt | R6 977 million | R3 274 million |

### Our outcomes

| | 2018 | 2017 |
|---|---|---|
| Cash generated from operations | R12 775 million | R8 347 million |
| Profit attributable to shareholders | R5 201 million | R5 428 million |
| Distributions per share | 484 cents | 504 cents |
| Total shareholder return | 13.3% | 0.41% |
| Closing market capitalisation | R122.4 billion | R112.4 billion |
| Debt to equity ratio | 0.254 | 0.118 |

### Definitions

**Total shareholder return**
The appreciation of the share price combined with dividends paid during the reporting period expressed as a percentage over the opening share price in the beginning of the financial year.

**Closing market capitalisation**
Market capitalisation was calculated excluding treasury shares.

### Key initiatives to deliver 2018 outcomes

- Continued strong focus on working capital management.
- Investments of cash in Angola in USD Index Linked Angola Government Bonds and Angola Treasury Bills as natural hedge against our foreign currency exposure.
- Increasing our long term US dollar denominated borrowings at favourable interest rates to reduce the pressure on the South African balance sheet and place less reliance on short term funding.
- Disposed of non-profitable business units to improve profitability.


Our fleet travelled more than 70 million kilometres this year – the equivalent of about 91 round trips to the Moon. We use fuel-efficient trucks fitted with safety cameras, drivers trained through our own learning programme and detailed route scheduling to operate at maximum efficiency.

## Manufactured capital

Our manufactured capital comprises our asset base of 2 843 outlets, as well as our network of distribution centres spanning 629 942m², to which suppliers deliver their products and from where we service our stores. Our truck and trailer fleet is integral to our continued success and operates 24 hours a day, seven days a week to ensure maximum availability of goods. We estimate that the use of our own fleet has saved the group R673 million in 2018.

Our state-of-the-art supply chain is a key competitive advantage and receives continued strong investment to sustain our operations, improve efficiencies and reduce our environmental impact.

We build and maintain strong relationships with a broad and diversified group of suppliers thereby ensuring sustainable supply, safe products and the best prices. Their ability to supply high-quality products, on time and at the best prices, enables us to continue to deliver the promise of low prices to our customers.

### Our inputs

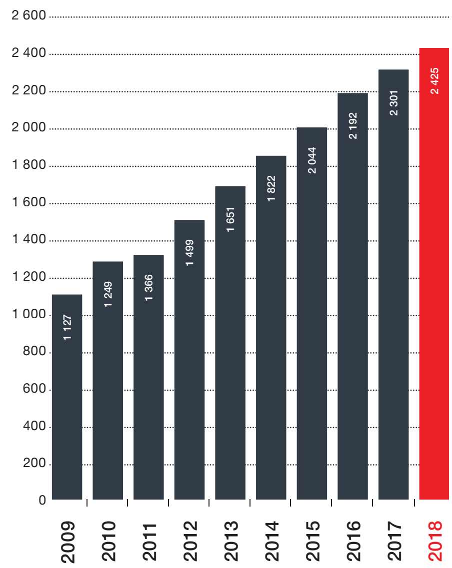
| | Shoprite | Checkers | Checkers Hyper | Usave | OK Furniture | House & Home | Hungry Lion* | Shoprite LiquorShop | Checkers LiquorShop | Shoprite MediRite | Checkers MediRite | OK Franchise |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| South Africa | 471 | 213 | 37 | 335 | 346 | 50 | 130 | 248 | 176 | 54 | 91 | 362 |
| Angola | 22 | | | 10 | 11 | | 14 | | | 14 | | |
| Botswana | 11 | 1 | | 5 | 15 | 1 | 8 | | | | | |
| DRC | 1 | | | | | | | | | | | |
| Ghana | 6 | | | | | | | | | | | |
| Lesotho | 6 | | | 7 | 8 | | 2 | 2 | | | | |
| Madagascar | 9 | | | | | | | | | | | |
| Malawi | 4 | | | 3 | | | | | | | | |
| Mauritius | 2 | | | | | | | | | | | |
| Mozambique | 17 | | | 3 | 11 | | | | | 1 | | |
| Namibia | 21 | 7 | | 29 | 18 | 3 | 18 | 10 | 4 | | | 48 |
| Nigeria | 23 | | | 1 | | | | | | | | |
| Swaziland | 10 | | | 6 | 9 | | 1 | | | 3 | | 8 |
| Uganda | 4 | | | | | | | | | | | |
| Zambia | 32 | | | 1 | 12 | | 31 | | | | | |
| Outside SA | 168 | 8 | – | 65 | 84 | 4 | 74 | 12 | 4 | 18 | – | 56 |
| | | | | | | | | | | | | |
| Total | 639 | 221 | 37 | 400 | 430 | 54 | 204 | 260 | 180 | 72 | 91 | 418 |

* The 204 Hungry Lion outlets include 151 which were sold on 1 July 2018 when the Group disposed of its interest in Hungry Lion Fast Foods (Pty) Ltd.

### Our outcomes

| | 2018 | 2017 |
|---|---|---|
| New stores opened | 223 | 212 |
| South African stores opened | 178 | 157 |
| Rest of Africa stores opened | 45 | 55 |
| Number of distribution centres | 27 | 33 |
| Number of trucks | 801 | 718 |
| Number of trailers | 1 147 | 996 |
| Depreciation of trucks and trailers (R million) | R141.3 million | R112.4 million |

### Number of corporate stores (excluding franchise stores)




For information on our key initiatives to deliver 2018 outcomes refer to "Strategic footprint expansion" in the Strategy and performance section on page 27 for more details on our initiatives.

# Nurturing our capitals (continued)

## 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, governance practices and continuous innovations.

The Group nurtures 16 trusted brands.

### Our inputs

- We use a differentiated marketing strategy for each brand to ensure an appropriate value proposition.
- We use customer data and track consumer behaviour to drive our customer offer – our national category management capability was scaled across more strategic product categories.
- We utilise brand tracking and customer satisfaction surveys to highlight areas of investment and protect the brands.
- Our strategic initiatives in private label and fresh and convenience foods are strongly led by innovation.
- We develop and own the intellectual property for most of our Private Label brands.

### Our outcomes

| | 2018 | 2017 |
|---|---|---|
| Number of customers | > 35 million | >35 million |
| Number of items sold | 7.6 billion | 7.4 billion |
| RSA market share | 31.7%* | 31.9% |
| Brand equity Shoprite | R12.6 billion | R11.1 billion |
| Brand equity Checkers | R6.9 billion | R5.2 billion |

* The Group gained market share to the level of 31.7%, even though it is lower than the 31.9% last year. This is because the universe being measured by Nielsen has changed from last year with the inclusion of more brands and change in methodology of measuring turnover in one of the contributors to the total universe. The universe being measured is thus not comparable between last year and this year.

### Key initiatives to deliver 2018 outcomes

- The Group launched a large and innovative range of new products in its private label, fresh and convenience foods – refer to the Strategy and performance section on page 26 for more information about "growing our LSM 8-10 share of wallet" and "developing private label".
- Implemented SAP IS Retail across the Group and various other technology platform enhancements – refer to the Strategy and performance section on page 27 for more information about our "strategic footprint expansion".
- We created a dedicated risk and compliance management position and formalised and approved an Enterprise Risk Management Policy and Framework Policy, which sets the thresholds for risk appetite and tolerance.
- We adopted and entrenched a combined assurance model for risk governance and oversight structures to protect.

For more detail on our brands, refer to pages 6 to 7, as well as our Operating context on pages 20 to 21 and strategy discussion on pages 26 to 27.

## Natural capital

The Shoprite Group acknowledges and supports international efforts aimed at managing and reducing carbon emissions, where possible, and to adapt our operations to ensure business continuity in an uncertain climate future. We are committed to building a resilience against climate change in the communities in which we operate, by reducing our water and energy dependency and implementing initiatives that will sustainably reduce costs across the value chain.

The Group 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 corporate brand sustainably.

### Our inputs

| | 2018 | 2017 |
|---|---|---|
| Water consumption (ML)* | 3 301 | 3 778 |
| Energy consumption (MWh) | 1 893 113 | 1 825 644 |

### Our outcomes

| | 2018 | 2017 |
|---|---|---|
| Renewable energy generated (MWh) | 2 393 | 1 580 |
| Plastic waste diverted (tons) | 3 000 | 1 750 |
| Number of recycled bags sold | 350 000 000 | 200 000 000 |
| Carbon emissions ($tCO_2e$) | 2 090 352 | 2 074 435 |

### Key initiatives to deliver 2018 outcomes

- Implemented water-saving initiatives to reduce water consumption and municipal water supply dependency in the Western Cape (see page 46).
- Initiated an ongoing project to replace conventional fluorescent tube lamps with LED tube lamps across stores in South Africa at a cost of R455 million, in order to reduce the Group's annual greenhouse gas emissions by 125 172 tons $CO_2$ equivalent ($tCO_2e$).
- Generated 2 393 MWh of renewable energy through rooftop photovoltaic systems, reducing greenhouse gas emissions by 2 345 $tCO_2e$ and committed to doubling it during the next reporting period.
- Converted 110 temperature controlled trailers to zero emission cryogenic refrigeration systems and installed hybrid photovoltaic systems on 110 trailers, in order to reduce its annual diesel consumption by 55 000 l and greenhouse gas emissions by 148 $tCO_2e$.
- Submitted environmental management plans and appointed an environmental officer at each property site developed.
- Joined the WWF-SASSI initiative to ensure the sustainability of marine life and approved a sustainable procurement policy for fish products.
- Recycled 30 084 tons of cardboard, white paper and plastic.
- Trained employees and suppliers in sustainable fishing practices.
- Introduced environmental criteria into our tender matrix for the transport (sea, land and air) of imported products. These suppliers must submit their environmental policy and calculation of their carbon footprint with the tender.
- There is a closer focus with premium brands, especially those developed in-house, on provenance and ethical or health claims to promote transparency and information.
- Extended the recyclable plastic shopping bags already provided in our Checkers stores, to Shoprite and Usave stores throughout South Africa.

For more detail on our carbon disclosure performance, refer to our Sustainability report 2018 and CDP report at www.shopriteholdings.co.za.

* Water consumption data extrapolated from a data sample weighted towards Western Cape stores.

** PETCO is the South African PET plastic industry's joint effort to self-regulate post-consumer polyethylene terephthalate (PET) recycling.

**Our soda house brand, Zip Cola, is the only South African carbonated soft-drink producer to use bottles that consist of 25% post-consumer waste. To date, this initiative has diverted 103 tons of plastic from landfill. Zip Cola was named "Recycled Product of the Year" in 2018 by PETCO**.**

# Nurturing our capitals (continued)

## Saving water, supporting our environment

The recent drought in the Western Cape has highlighted the reliance of businesses and communities on a reliable and affordable supply of potable water for drinking, hygiene, sanitation and, where applicable, food production. South Africa is a water-scarce country and the price of water is expected to rise in the coming years in attempts to curb consumption. The Group depends on a reliable supply of water to maintain hygiene and sanitation standards in its stores and distribution centres, provide drinking water for its extensive staff component and for production in its bakeries and fresh food departments. Water is also essential for our automatic fire sprinkler systems and some air-conditioning and refrigeration systems.

In response to the water crisis in the Western Cape, the Shoprite Group implemented a comprehensive water crisis strategy to reduce its dependence on municipal water supply in drought affected areas. The two-pronged strategy consists of short term, quick win water saving and water harvesting measures, as well as a long term plan to reduce reliance on municipal water supply. We are focussed on ensuring business continuity, intensifying the resilience of our operations to water shortages and reducing the costs associated with water use.

### Short term initiatives implemented include:

- suspension of all irrigation and non-critical washing activities such as trucks and machinery at distribution centres;
- reducing flow rates in all taps, showers and toilets, in service departments, preparation areas, kitchens and canteens and connecting toilet systems and refuse rooms to boreholes where possible;
- introducing chemical cleaning to supplement hygiene critical cleaning processes;
- diverting rain and waste water from refrigeration systems, air-conditioning systems and laundry to irrigation tanks and water treatment plants for purifying and reuse;
- educating and encouraging customers and staff to save water through electronic newsletters, social media, our internal newspaper, in store posters, bulletin boards, PR panels and Radio Retail;
- increasing the availability and range of water saving and water storage products; and
- investing more than R28 million in 2018 in water infrastructure through:
  - the installation of water meters to identify leaks and points of significant water usage at 97 stores across the Western Cape;
  - the installation of back-up water storage tanks and booster pumps at 127 sites to ensure three days' water supply to our Western Cape stores; and
  - installation of water savings devices at 183 Western Cape sites.

Further investment is planned for 2019 for the Western Cape and consideration is being given to extending this to other provinces with water constraints.

**1st** **The Shoprite Group became the first company to apply for water service intermediary licences from the City of Cape Town, Drakenstein, Cape Winelands, Breede Valley, Witzenberg, Theewaterskloof, Cederberg, Knysna, Langeberg, Swartland, Bergrivier, Saldanha, Matzikamma and Kannaland municipalities in order to lawfully transport water to mitigate the risks associated with municipal water supply suspensions. Furthermore, Shoprite is working with the City of Cape Town to lawfully take its sites off grid, where applicable and financially feasible, and are in the process of finding an effective and equitable way forward. The project, which will cost an estimated R18 million, entails sinking boreholes and installing water-treatment plants to meet the properties' demand for water, and obtaining applicable licences to use borehole water.**

**The Shoprite Group has recently submitted its seventh consecutive Climate Programme and its first Water Programme to the Carbon Disclosure Project. CDP's global disclosure platform encompasses the most comprehensive set of self-reported environmental-related data worldwide.**

### Long term

We are focusing on building the resilience of the Shoprite Group's properties, stores and distribution centres to water scarcity and future shortages. The lessons learned from the Western Cape drought will benefit a staged rollout of water-saving initiatives to other stores.

All new builds will include waterwise gardens and rain-, ground- and subsoil-water harvesting infrastructure, where applicable and financially feasible. Water captured from these three sources will be purified and used to supplement the properties' demand for water. We will also, where applicable and financially feasible, sink boreholes and install water treatment plants to meet the properties' demand for water and reduce the dependence on municipal water supply.

We also support water resilience in our communities through the installation and maintenance of 37 PlayPumps in rural areas, which supply clean drinking water to thousands of people across South Africa, as well as the installation of water tanks and greywater systems at the 43 food gardens we support in South Africa to ensure these gardens continue to produce food for their immediate communities.

We recently orientated our Disaster Relief Fund towards supporting drought-stricken communities in South Africa and are using our logistical infrastructure to effectively deliver water in bulk to where it is needed most.

For more detail on our water saving initiatives, refer to our Sustainability report 2018 at www.shopriteholdings.co.za.

# Corporate governance report

Shoprite Holdings and its subsidiaries ("the Group") are committed to high standards of governance, ethics and integrity.

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 King IV™ Report on Governance for South Africa 2016 ("King IV™") advocates an outcomes based approach, and defines corporate governance as the exercise of ethical and effective leadership towards the achievement of:

- effective control;
- good performance;
- ethical culture; and
- legitimacy.

The application of King IV™ is on an apply and explain basis. The practices underpinning the principles in King IV™ are entrenched in the majority of the Group's internal controls, policies and procedures governing corporate conduct. The Board is satisfied that in the main, the Group has applied the principles set out in King IV™. A full King IV™ narrative schedule can be found on our website at 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 has executive and non-executive directors (including non-independent non-executive directors) who represent a broad spectrum of demographic attributes and characteristics. 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. The Board has also adopted a diversity policy that takes into consideration various categories of diversity. Since race and gender are important attributes that contribute to a balanced composition, the Board recognises the need to improve the representation of women and previously disadvantaged individuals on the Board to ensure an appropriate mix of races is represented.

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 pages 28 and 29 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.

Combined Assurance which is closely aligned with King IV™ and assurance activities across all lines of assurance as follows:

- **1st line of assurance:** Line Management;
- **2nd line of assurance:** Legal, Risk and Compliance (independent);
- **3rd line of assurance:** Internal Audit (independent);
- **4th line of assurance:** External Auditors (independent) as well as other External Assurance Providers and Regulators.

### Board Responsibilities

The detailed responsibilities of the Board are set out in a formal terms of reference which forms the basis of their responsibilities and duties. This charter sets out the powers of the Board and provides a clear division of responsibilities and the accountability of board members, both collectively and individually and was reviewed and amended during the reporting period to be aligned with King IV™.

The general powers of the directors are set out in the 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. Special meetings are convened when necessary. One special Board meeting was convened during the year. The attendance of directors at Board meetings during the reporting period are recorded on the next page.

# Corporate governance report (continued)

## Attendance at Board Meetings

| Non-Executive Directors | 21 August 2017 | 30 October 2017 | 26 February 2018 | 28 May 2018 | (Special) 22 June 2018 |
|---|---|---|---|---|---|
| CH Wiese | ✓ | ✓ | ✓ | ✓ | ✓ |
| JW Basson* | ✓ | N/A | N/A | N/A | N/A |
| JF Basson | ✓ | ✓ | ✓ | ✓ | ✗ |
| JJ Fouché | ✓ | ✓ | ✓ | ✓ | ✓ |
| CG Goosen | ✓ | ✓ | ✓ | ✓ | ✓ |
| EC Kieswetter | ✓ | ✓ | ✓ | ✓ | ✓ |
| JA Louw | ✓ | ✓ | ✓ | ✓ | ✗ |
| ATM Mokgokong | ✓ | ✓ | ✓ | ✓ | ✗ |
| JA Rock | ✓ | ✓ | ✗ | ✓ | ✓ |
| **Executive Directors** | | | | | |
| PC Engelbrecht | ✓ | ✓ | ✓ | ✓ | ✓ |
| M Bosman** | ✓ | ✓ | ✓ | ✓ | ✓ |
| A De Bruyn+ | N/A | N/A | N/A | N/A | N/A |
| B Harisunker | ✓ | ✓ | ✓ | ✓ | ✓ |
| EL Nel++ | ✓ | ✓ | ✓ | ✓ | ✓ |

* Resigned with effect from 25 October 2017
** Retired with effect from 2 July 2018
\+ Appointed with effect from 2 July 2018
\++ Retired with effect from 29 June 2018

### Chairman and Chief Executive Officer

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

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

The chairman's role includes:

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

The chief executive officer, 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 enhance 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 eight (8) non-executive directors of which six (6) are independent as defined in the King IV™ Code. Dr CH Wiese is not independent in view of his material shareholding in Shoprite Holdings and Mr CG Goosen due to his employment with the Group within the last three years.

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

The full particulars of the directors of Shoprite Holdings are set out on pages 28 to 29 of this report.

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

### Board appointment

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

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

Directors are not appointed for a fixed term. In terms of the Memorandum of Incorporation ("MOI") of Shoprite Holdings, all non-executive directors retire by rotation at least once every three (3) years, but can make themselves available for re-election by shareholders. If eligible, available and recommended for re-election by the Nominations 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 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 and sub-committee terms of references 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 as required by section 75 of the Companies Act. 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 2018. 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 the 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 2017/2018 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
- 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 Board.

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

Directors engage with the company secretary regularly for governance and regulatory advice. All directors have unlimited access to the advice and services of the company secretary. 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 transfer secretaries and sponsors on relevant matters. As required by King IV™, the company secretary also acts as secretary to the various committees of the Board and attends all meetings.

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. Additional closed periods are enforced should Shoprite Holdings be subject to any corporate activity requiring a cautionary announcement. 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 in securities 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.

# Corporate governance report (continued)

## 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 pages 51 to 55. 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 30 October 2017, the appointment of PricewaterhouseCoopers Inc. as the external auditors of the Group until the 2018 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 Board accepts collective responsibility for defining how ethics and ethical behaviour should be implemented in the Group and is committed to achieving high standards of ethical behaviour.

All employees are expected to comply with the Group's code of ethics at all times. 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. New employees 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 2018 financial year a total of 129 incidents of suspected unethical behaviour within the Group were reported of which 18 resulted in disciplinary action, dismissals, resignations and/or criminal charges being laid against such employees.

No material breaches of the Group's code of conduct were reported during the 2017/18 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 IV™.

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

The Group's compliance function resorts under the company secretary and monitors and assesses the impact of legislation on the business. External specialists have been engaged to assist and advise the Group in this regard. 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 focussed on the following areas to support the directors, chief executive officer, management and employees to fulfil their compliance responsibilities:

- **Identification and implementation of changes in regulatory requirements**
  The Group operates in a dynamic and continuously evolving regulatory and supervisory environment. A regulatory universe is compiled annually for the Group with the assistance of a specialist service provider that identifies and reviews all current, proposed and impending legislation and the potential impact on the Group's various business units. Response to such legislation is addressed through the most efficient and effective channel. Compliance resources and 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 utilises a risk-based methodology for monitoring.

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

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

Pending legislation or legislation recently enacted that may have a potentially material impact on the Group includes:
- Protection of Personal Information Act;
- Labour and Employment legislation; and
- Various regulations relating to food and product safety.

Shoprite Holdings fully understands the role and responsibilities of its sponsor, Nedbank Capital, as stipulated in the JSE Listings Requirements. It is the opinion of Shoprite Holdings that Nedbank Capital 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 1 July 2018.

## 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.

# Audit and Risk Committee report

## 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 Audit Committee's terms of reference is formalised in a charter informed by the Companies Act and King IV™ which have been 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

### Membership

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 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 and information and technology also attended as required.

### Meetings

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. In addition, a special Audit Committee meeting was held on 17 August 2018 to approve the 2017/18 annual financial statements of the Company.

The attendance of the Committee members is recorded below:

| Committee member | 14 August 2017 | (Special) 18 August 2017 | 27 October 2017 | 16 February 2018 | 17 May 2018 |
|---|---|---|---|---|---|
| JF Basson (Chairman) | ✔ | ✔ | ✔ | ✔ | ✔ |
| JA Louw | ✔ | ✖ | ✔ | ✔ | ✔ |
| JJ Fouché | ✔ | ✔ | ✔ | ✔ | ✔ |
| JA Rock | ✔ | ✔ | ✔ | ✖ | ✔ |

The Audit Committee agendas provide for separate 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 IV™ and the Companies Act. All members of the Audit Committee continue to meet the independence requirements.

## Responsibilities and functions

The responsibilities and functions of the Audit Committee are set out in the charter. The following is a summary of the responsibilities of the Audit Committee and how the committee carried out its functions.

### Internal control framework

#### Internal Financial Controls

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 controls. No material breakdowns in the internal and financial controls came to the attention of management of the Group that required reporting.

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

#### Finance function

Mr M Bosman retired as financial director and Mr A De Bruyn was appointed as his successor, both with effect from 2 July 2018. The Audit Committee, through a formal process, has satisfied itself that both Messrs Bosman and De Bruyn have the appropriate expertise and experience to act in this capacity. Mr de Bruyn's curriculum vitae appears on page 29 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.

The Audit Committee is further satisfied that Shoprite Holdings has established appropriate financial reporting procedures and that these procedures are operating.

#### Risk governance

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.

Shoprite has, over the years, managed its risks in terms of the applicable enterprise risk management fundamentals by establishing the context in terms of its internal and external environments, developing its risk profile/ landscape, which includes its risk taxonomy in relation to its organisational structure, risk categories, processes and controls, setting its strategy, objectives and risk appetite and tolerance levels and implementing a Group risk register.

In order to mature Governance Risk and Compliance ("GRC") in the Group the business has embarked on this journey through the appointment of a dedicated Group risk and compliance manager during 2017/18.

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.

# Audit and Risk Committee report (continued)

Shoprite's Risk Governance policy and framework provides guidance to implement a consistent, efficient, and economical approach to identify, evaluate and respond to key risks that may impact its business objectives. The framework is based on the principles embodied in the Enterprise Risk Management Framework published by the Committee of Sponsoring Organizations ("COSO") of the Treadway Commission, the International Guideline on Risk Management ("ISO31000") and the King Code on Corporate Governance Principles ("King IV™"). Risk Governance also forms an integral part of strategy and objective setting.

The principles outlined support the establishment of the Group's Risk Governance framework and ensure that risk management is embedded into day-to-day management activities.

The Shoprite Group's Risk Landscape includes 48 risk category descriptions which remains key focus areas on an ongoing basis and is driven from its five strategic drivers namely:

- revenue growth;
- cost efficient and resilient operations;
- customer service excellence;
- optimise people engagement; and
- corporate governance and sustainability,

and linked to the four main risk categories: strategic, operational, financial and compliance.

The following key risks remain high priority for Shoprite for the reporting period namely:

- reputational risk and brand deterioration;
- interruption in supply chain;
- loss of DC facilities due to fire risk;
- food safety;
- injury to employees, contractors, customers and other third parties;
- deterioration of trade union relationships as well as the risk of third party supplier employee strike actions;
- cyber risk;
- internal fraud; and
- regulatory risk.

These risks are closely managed and monitored by the business on a daily basis. In some instances even though the most effective controls have been implemented, these risks remain high.

Shoprite has a low risk appetite and zero tolerance for non-compliance to Health and Safety regulatory requirements. A dedicated Group health and safety manager has been appointed to drive health and safety risk management in the Group, which risk is closely managed and monitored.

The Group risk and compliance manager annually reviews, in conjunction with each business unit, the business unit specific risks as well as related controls, to determine the relevant residual risk. Critical and high residual risks are reported on a quarterly basis to ensure adequate management and transparency. Shoprite's combined assurance model is utilised to monitor the effectiveness of risk management and its internal control systems report utilised to track material defects in line with agreed deadlines to adjust, implement and test new control measures.

An internal operational risk loss database will be utilised going forward to enable the quantification of losses at a granular level in real time. This will highlight internal control failures other than those identified through internal and external planned audits.

Focus will continue and be enhanced in respect of losses due to fraud, whether internal by employees or external by any trade or expense vendor, as Shoprite has a low risk appetite and zero tolerance in this regard.

Shoprite's approach to risk governance remains consistent and within its current risk appetite and tolerance levels, with limited risks where the risk appetite is high. When identifying new or additional opportunities the same approach will be followed in terms of risk assessment and rating, whereby the relevant risk appetite and tolerance levels will be agreed and set.

## Compliance governance

Compliance Governance, as an integral part of Corporate Governance, is embedded throughout the Group. Each business unit manages and mitigates its own specific regulatory compliance risks on a daily basis, with oversight from Legal, Risk and Compliance, as second line of assurance.

Each business unit has its own unique regulatory universe, which have been categorised and risk assessed, rated in terms of critical, high, medium and low likelihood and compliance risk impact to the business.

The constantly changing regulatory landscape is carefully monitored to ensure that key regulatory changes and any other significant compliance matters are escalated to the relevant management and executive teams. If required, and after consultation, the risk and compliance manager engages South African Regulators through the Industry Body, Consumer Goods Council South Africa ("CGCSA"), in an attempt to influence legal and regulatory reform and requirements.

Compliance monitoring is conducted to ensure that adequate assurance is provided to the Board. It is very similar in nature to that of auditing, with the main difference that compliance monitoring relates specifically to legislation and other regulatory requirements as well as related internal policies, processes and procedures. This monitoring is conducted through various assurance providers, namely:

- **1st line of assurance:** Line Management;
- **2nd line of assurance:** Legal, Risk and Compliance (independent);
- **3rd line of assurance:** Internal Audit (independent);
- **4th line of assurance:** External Auditors (independent); Other External Assurance Providers; and Regulators.

Due to limited resources, the 2nd line of assurance utilises the services of Internal Audit in certain instances, whereby the two lines of assurance collaborate to ensure that priority regulatory categories are incorporated into the internal audit plan.

Compliance monitoring takes on different forms, from substantive monitoring to management self-assessments. The business is assessed to verify its compliance and to measure the effectiveness and adequacy of the implemented controls, to mitigate regulatory compliance risk. Significant findings are reported to the Audit Committee. The Audit Committee is enabled to form its own opinion on the effectiveness and adequacy of compliance management control measures in the business through reports received from various lines of assurance on compliance monitoring; regulatory updates; material consumer complaints and regulatory inspections, fines and breaches (if any).

Collectively the above assurance providers, provides combined assurance to the Board in respect of all activities monitored.

Training and awareness of key legislation is important for the business. Specific training initiatives are prioritised to ensure that management and employees are aware of regulatory requirements, affecting their business units.

The following regulatory areas were identified as key for the reporting period:

- consumer protection;
- food safety;
- health & safety;
- labour and employment equity;
- B-BBEE;
- Protection of Personal Information ("POPI");
- competition;
- environmental; and
- tax.

These regulatory compliance risks are closely managed and monitored by the various assurance providers, as well as in combination, on a daily basis to ensure effective controls are in place and maintained.

The Group risk and compliance manager annually reviews, in conjunction with each business unit, the business unit specific regulatory risks as well as related controls to determine the relevant residual risk. Critical and high residual regulatory risks are reported on a quarterly basis to ensure adequate management and transparency. Shoprite's combined assurance model is utilised to monitor the effectiveness of compliance risk management and is an internal control systems report utilised to track material defects in line with agreed deadlines to adjust, implement and test new control measures.

Planned future focus areas are: health and safety, food safety, anti-bribery and corruption, competition, environmental, POPI and tax.

There were no material or repeated regulatory penalties, sanctions or fines for contraventions of, or non-compliance with, statutory obligations, whether imposed on the Group or on board members.

There were no material monitoring and compliance inspections by environmental regulators, findings of non-compliance with environmental laws, or criminal sanctions and prosecutions for such non-compliance.

### Information Technology (IT) governance

The Board Charter and Audit Committee Charter define the Board's and Audit Committee's responsibility for the governance of IT, as well as reporting lines and reporting requirements. The IT Charter defines the Board's responsibility for ensuring the responsible use of IT. Within the Charter:

- the Board accepts its accountability for the overall governance of IT;
- authority is delegated for managing the use of IT (including the setting of Group-wide minimum standards) and the mandates provided for IT decision-making; and
- certain frameworks are endorsed for the establishment of controls aimed at mitigating the risks associated with IT.

Frameworks of control (including minimum standards, policies, procedures and rules) govern specific areas of risk.

IT Governance is implemented and operationalised through various control processes, gates, bodies and reporting. These include the Project Approval Committee, Project Steering Committees, Architecture Committee, Change Approval Board, supplier selection process, contracting processes and procurement processes, disaster recovery trials and IT financial analysis reports.

IT risks are identified and managed through the IT Risk Register and related Action Tracker. The approach adheres to the Group ERM Policy.

IT reporting is provided to the Group Risk Forum, the Audit and Risk Committee and to the Board.

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

In addition, the Audit Committee focussed on the following key areas during the reporting period:

- **SAP IS Retail system implementation**
  The major IT system change during the reporting period was the preparation for and implementation of the SAP IS Retail system. Implementation started in August 2017 and is ongoing with the target date for completion by January 2019. The Audit Committee was informed about the progress of the implementation of the project, the implementation risks and how the risks were managed on a continuous basis. The Audit Committee also monitored the cost of the project against the original budget.

- **Information security**
  The Group recognises the significant threat that cybersecurity presents and how successful cybersecurity attacks can cause significant damage to a Group'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.

  Following the review, management embarked on a process of developing an Information Security Management System ("ISMS") as part of the process to improve the management of Cyber and other Security risks identified and to ensure the confidentiality, integrity and availability of information to the Group.

- **Business recovery**
  The Audit Committee received and reviewed reports on the status of the Group's Business Recovery plans regularly.

## Combined assurance

### Combined assurance model

Shoprite has adopted a combined assurance approach which is closely aligned with King IV™. The Board delegated the responsibility of oversight to the Audit Committee which is required to ensure that implementation of the combined assurance model results in, fully integrated (combining, co-ordinating and aligning) assurance activities across all lines of assurance, which include:

- line functions that own and manage risk and opportunity;
- specialist functions that facilitate and oversee enterprise risk management and compliance;
- internal assurance providers i.e. internal auditors, internal forensic fraud examiners and auditors, safety and process assessors, and statutory actuaries;
- independent external assurance service providers such as external auditors;
- other external assurance providers such as sustainability and environmental auditors, external actuaries, and external forensic fraud examiners and auditors; and
- regulators.

The risk and compliance manager, in conjunction with the internal audit manager, is continually striving to enhance the combined assurance model.

#### 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.

# Audit and Risk Committee report (continued)

During the reporting period a formal independent quality review was performed of the Internal Audit function. The review highlighted certain areas for improvement of the effectiveness of the Internal Audit function. The internal audit manager is in the process of formalising plans to address aspects highlighted by the review and aligning the internal audit plan with the Combined Assurance model.

**External Audit**

The Audit Committee evaluates the performance of the external auditor, PricewaterhouseCoopers (PwC), 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.

The Audit Committee has requested from and consulted with PwC, as necessary, to obtain on an annual basis:

- all necessary decision letters, findings, reports and proposed remedial action on the audit firm and/or individual auditor;
- summaries and descriptions of monitoring procedures and conclusions drawn; and
- outcomes and summaries of any legal and disciplinary proceedings instituted in the past seven years by any legislation or professional body, in terms of paragraph 22.15(h) of the JSE Listings Requirements.

In consultation with the Group's executive management, the Audit Committee agreed to the terms of the PwC audit engagement letter, audit plan and budgeted audit fees in respect of the 2017/18 financial year.

The Audit Committee is satisfied with the quality of the external audit.

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

A breakdown of audit, audit-related and non-audit fees paid to PwC in the 2017/18 financial year is summarised as follows:

| Description | Amount |
|---|---|
| Audit services | R34 363 085 |
| Audit related services | R3 790 000 |
| **Total audit and audit related services** | **R38 153 085** |
| Tax advisory and compliance services | R4 497 000 |
| Other non-audit services | R5 004 000 |
| **Total non-audit services** | **R9 501 000** |
| **Total** | **R47 654 085** |

The Audit Committee annually assesses the independence of the external auditor. 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. Mr MC Hamman acted as the designated audit partner for the year under review;
- 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 2017, more than one half of the members remain in 2018;
  - (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 is satisfied that PwC is independent of the Group.

The Independent Regulatory Board for Auditors (IRBA) has issued a rule prescribing that auditors of public interest entities (PIEs) in South Africa must comply with mandatory audit firm rotation (MAFR) with effect from 1 April 2023.

Based on the above conclusions on PwC's independence and taking into account the fact that MAFR will be required with effect from 1 April 2023, the Audit Committee re-nominates PwC as independent external auditor for the 2018/19 financial year with Mr MC Hamman performing the functions of the designated external auditor partner, until the 2019 annual general meeting of Shoprite Holdings. Shareholders are therefore requested to re-elect PwC as independent external auditor for the 2018/19 financial year at the annual general meeting on 29 October 2018 with Mr Hamman as the designated audit partner.

## Reporting

### Financial statements and accounting practices

During the reporting period, the Audit Committee reviewed the interim and annual financial reports of the Group which includes the review of significant accounting policies, key accounting items and areas of significant judgement, together with any material assumptions and estimates adopted by management and confirmed that these were appropriate and recommended the acceptance and approval thereof to the Board.

The Audit Committee considered, amongst others, the following significant matters in relation to the annual financial statements:

- **Use of the official exchange rate in Angola**
  IFRS requires the use of the official exchange rate for accounting of foreign investments. Other views are that the unofficial rate should rather be used. It was agreed with management that more information on the impact of the use of the official rate will be disclosed in the annual financial statements.

- **Risk of investment in Angola**
  The Audit Committee discussed the investment in Angola and the associated risk. The Audit Committee is satisfied that the associated risks are adequately managed and addressed within the current regulatory framework.

- **Hyperinflation in Angola**
  IAS 29: Financial Reporting in Hyperinflationary Economies, requires financial statements of entities operating in a hyperinflationary economy to take full account of the effects of inflation using a "current purchasing power" approach. The Audit Committee considered the applicability of this standard in respect of the Group's investment in Angola and the impact of the application of IAS 29 on the disclosures required in the financial statements.

- **Classification of cash and bank balances in Angola**
  Local currency cash and short-term deposits held in Angola are subject to onerous local exchange control regulations. Management assessed the restrictions on the utilisation of the assets imposed by the regulations and the appropriate classification of those assets in the light of the restrictions. The Audit Committee challenged management assessment and is in agreement with management on the classification of those assets.

- **Provisions**
  The Audit Committee discussed with management and the external auditors and evaluated the major provisions made or required to be made for purposes of the annual financial statements. The Audit Committee is satisfied that sufficient provisions have been made and that the provisions are not excessive.

- **Impairments**
  The Audit Committee considered the policy for impairment of assets and the requirements of IAS 36: Impairment of Assets and is satisfied that the policy is appropriate and has been applied consistently in line with the requirements of IAS 36. The key assumptions to the impairment tests performed were discussed.

- **Taxes**
  The Audit Committee reviewed management's reports on the status of tax compliance in the Group as well as the status of disputes with and investigations by the relevant tax authorities to ensure that sufficient provision has been made for any potential income and other tax liabilities.

- **Inventory valuation**
  In the past, inventories were valued through the use of the retail inventory method as an approximation of weighted average cost. With the implementation of the SAP IS Retail system, the Group is now in a position to apply the moving average cost method. The SAP IS Retail system is however not yet fully implemented in all the branches and distribution centres. Management assessed the impact of this change in method on the valuation of inventory in respect of those branches and distribution centres where the SAP IS Retail system has not been implemented at year-end to account for the estimated impact of the change in method on those branches and distribution centres. The Audit Committee considered management assessment and is satisfied that the effect of the change in method is appropriately accounted for.

- **Rebates from suppliers**
  The Audit Committee discussed the accounting treatment of rebates from suppliers.

  The Audit Committee considered the work and recommendations of the Group's finance function and received reports from the external auditor on their findings, including any control observations relevant to their audit work.

- **Revenue recognition**
  The Audit Committee discussed the potential impact of the implementation of the revised standard IFRS 15: Revenue from contracts with customers, on the financial statements of the Group. It is expected that the implementation of the revised IFRS 15 will mainly affect the revenue classification of OK Franchise.

- **Leases and Financial Instruments**
  The Audit Committee discussed the impact of the implementation of IFRS 16: Leases and IFRS 9: Financial Instruments on the financial statements of the Group.

## 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 2018 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 financial 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.

## Recommendation to the Board

The Audit Committee has reviewed and considered the Integrated Report, including the annual financial statements and has recommended it for approval by the Board.

**JF Basson**
**Chairman**

20 August 2018

# 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 financial year to 1 July 2018:

- 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 | 21 August 2017 | 26 February 2018 |
|---|---|---|
| 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 2018

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 and race diversity at board level;
- recommended the appointment of Ms Shirley Zinn as an independent non-executive director; and
- complied with its terms of reference.

## Annual general meeting 2018

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. Messrs JF Basson, JJ Fouché, JA Rock and Dr ATM Mokgokong will retire in terms of this provision but have offered themselves for re-election.

The Nominations Committee annually reviews the independence of non-executive directors that retire, based on the independence indicators of King IV™.

Having considered the circumstances of the retiring non-executive directors, the Nominations Committee is of the view that they can be considered as independent.

On 31 August 2018 the Board appointed Ms S Zinn as an independent non-executive director. She will however retire in terms of Article 33.3 of the MOI at the annual general meeting on 29 October 2018. Being eligible for election, Ms Zinn has offered herself for re-election.

## Promotion of gender and race diversity at board level

During 2017, the Nominations Committee established a board diversity policy to ensure gender diversity at board level. In appointing Ms Zinn, the Board achieved its stated objective that at least 15% – 20% of the Board will consist out of women. After this appointment, the female representation is 17%.

The Nominations Committee also broadened the scope of its diversity policy at board level to include race diversification. In reviewing the composition of the Board, the Nominations Committee will consider gender and race diversity to effectively discharge its duties and responsibilities. The Board's objective in this regard is to ensure that at least 30% of the Board consist out of previously disadvantaged individuals of which 50% will be female.

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 assists the board and management in ensuring that the Group's reputation is based on a solid ethical foundation and that it is a responsible and ethical corporate citizen.

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 and amended during the period under review to comply with the requirements of King IV™.

## 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 2017/18 financial year:

- Mr JA Louw: Independent non-executive director and chairman;
- Dr ATM Mokgokong: Independent non-executive director; and
- Mr M Bosman: Executive financial director.

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 | 10 August 2017 | 15 February 2018 |
|---|---|---|
| JA Louw | ✓ | ✓ |
| ATM Mokgokong* | ✓ | ✓ |
| M Bosman** | ✓ | ✓ |
| C Burger+ | ✓ | N/A |

* Appointed with effect from 21 August 2017
** Resigned with effect from 2 July 2018
+ Resigned with effect from 21 August 2017

The 2017/18 fees of non-executive members are disclosed in the notice of the annual general meeting.

## Key activities in 2018

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;
- the Group's B-BBEE strategy review and performance in respect of Black Economic Empowerment as measured against the Department of Trade and Industry generic Broad-Based Black Economic Empowerment scorecard;
- the activities of the newly constituted BEE committee under the chairmanship of the CEO;
- 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 IV™ and the Companies Act.

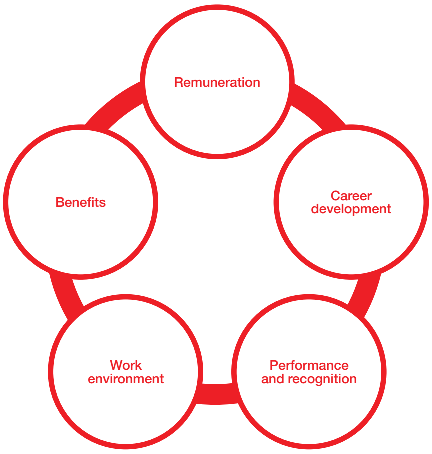
**JA louw**
**Chairman**

# Remuneration report

## Glossary

| | |
|---|---|
| AGM | annual general meeting |
| CEO | chief executive officer |
| Company | Shoprite Checkers (Pty) Ltd |
| 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 |

### Our remuneration philosophy is broadly based on the following pillars:




## Part 1
## A letter from the Chairperson of the Remuneration Committee

### Dear Shareholders

I present to you our remuneration report for the 2018 financial year (FY2018) on behalf of the Remuneration Committee and Shoprite's board of directors ("the Board"). The report is aligned to best practice reporting standards, including King IV™, to the extent that it supports our business strategy and sets out an overview of our company wide remuneration policy (part 2) and implementation report (part 3) for FY2018.

### Context

We have experienced testing trading conditions in a year in which the durability of many companies was tested with a noticeable decrease in consumer spending. Positive customer and volume growth as well as local market share gains however reflect a strong underlying performance by the Group.

More information on our annual financial performance is contained in the Chief Executive Officer's ("CEOs") report on pages 32 to 33 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 40 to 46 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 2018 financial year.

Our remuneration philosophy is further detailed in part 2 of this report. During FY2018, the Remuneration Committee, in consultation with the Board, made several decisions which are in line with this remuneration philosophy.

**Activities of the Remuneration Committee**

- The 2019 financial year increases in guaranteed pay for executives, management and other employees were approved;
- The NED fees for the forthcoming year were considered taking into account the average increases approved for executives and the median of large cap service companies and recommended to shareholders for approval at the 2018 AGM;
- The STI on-target bonus pool was approved in principle for payment after the 2018 year-end;
- The Remuneration Committee reviewed best market practice pertaining to LTIs in accordance with market benchmarks obtained for purposes of making LTI awards;
- The Remuneration Committee engaged with dissenting shareholders via telephone conference on 7 November 2017 after release of the AGM results. Further details are contained in this letter;
- The Remuneration Committee considered the comments raised by shareholders and any resulting actions;
- The Remuneration Committee Charter was reviewed and aligned with King IV™; and
- The remuneration report was reviewed and approved for publication in the 2018 Integrated Report.

**Forward-looking actions**

The Remuneration Committee is committed to continued improvement to give effect to the principle of fair, responsible and transparent remuneration. Although we made no policy changes during FY2018, our forward-looking remuneration considerations include:

| Considerations | Forward-looking action | Rationale |
|---|---|---|
| Fair and responsible remuneration | The Remuneration Committee will continue to consider the principle of fair and responsible remuneration as an agenda point and ensure that the principle of equal pay for work of equal value is applied in all new appointments and promotions as well as during the annual remuneration review. | Best practice and alignment with King IV™. Ensures that Shoprite remain an employer of choice. |
| Alignment with six capitals (financial, manufactured, intellectual, human, social and relationship, and natural) | The Remuneration Committee will review the alignment between Shoprite's incentives and the capitals that the Group uses or affects. | In line with King IV™ and the International Integrated Reporting Council's Integrated Reporting Framework, to ensure integrated thinking, ethical leadership and sustainable value creation. |

During FY2018, we obtained the services of independent remuneration advisors, PwC, to advise on matters related to remuneration and we are satisfied that their services as rendered were independent and objective at all times.

**Announcements**

We bid farewell to Mr Marius Bosman who retired as CFO after more than 25 years of service. He will remain involved as a consultant to Shoprite inter alia to assist in the completion of the financial statements for the year-end to 1 July 2018. He will also continue to share his knowledge and experience in a consultancy capacity. Mr Bosman's consultancy fee will be based on a market related rate per hour spent. He will receive no other benefits or incentives. With regards to outstanding incentives at the time of his retirement, Mr Bosman will be treated as a good leaver and awards will vest in line with the plan rules.

We welcome Mr Anton de Bruyn as the new CFO of the Group from 2 July 2018. He is a qualified chartered accountant and holds BCom Accounting and BCompt Hons degrees. He also has more than 15 years' service within the Group, most recently in the capacity of deputy General Manager Group Finance and currently serves on the boards of various subsidiaries of Shoprite. The Audit and Risk Committee has considered the experience and expertise of Mr de Bruyn and supports his appointment. Mr de Bruyn's package has been benchmarked against an appropriate peer group and incentives determined in line with the Group's policy.

**Shareholder engagement and voting**

At the AGM held on 30 October 2017, our remuneration policy received a vote of 70.11% in its favour and our implementation report received a vote of 71.42% 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 | Response from the Remuneration Committee |
|---|---|
| The companies used for remuneration benchmarking purposes are not disclosed. | In South Africa we are limited with options against which to benchmark ourselves in terms of similar size and operations. As such we have conducted a closeness metric looking at South African retailers and FMCG companies. We consider the companies used for benchmarking purposes as set out in part 2 under heading "Benchmarking and position in the market" to be appropriate. |
| A once-off retention amount of R11 million was paid to executive director Mr Etienne Nel during 2017. | Mr Nel heads up the Gauteng retail supermarket operations (one of our largest contributors) and is considered a strategically key employee. Upon mutual agreement between the parties, this retention award was made to him as part of the smooth transition (considering continuity and the provision of sufficient support) to Mr Pieter Engelbrecht as CEO in 2017. This once-off retention award vested in full on 29 June 2018. |
| Regular annual LTI awards have not been made to senior employees over the last 3 years, and with the 2017 LTI awards, the vesting period is shorter than 3 years. | We acknowledge that, although the LTI has been in place for a while, only one award has been made which vested in 2017. As part of the change in leadership with the new CEO and recognising strategic talent, the Board acknowledged that Shoprite is exposed in terms of retention risk. The shorter than normal vesting period is a once-off "ad-hoc" arrangement for executives. As from 2018 all awards will have the normal vesting periods of 3, 4 and 5 years. |
| LTI awards do not have prospective financial or non-financial performance conditions attached for vesting (continued employment only). | LTI awards will be made based on the achievement of financial performance targets set based on trading profit for the financial year preceding the 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. We do not consider setting performance conditions 5 years in advance in a volatile economic environment to be efficient. In our view, rolling periods of 12 months performance stack up to long-term performance and we prefer to pay key strategic employees in equity for 12 months performance over which they have line of sight with the condition that they remain shareholders for up to 5 years. This aligns their interests with shareholders in terms of share price exposure. Furthermore, the size of Shoprite's LTI awards is conservative in comparison with other retail companies. |
| Historically only trading profit has been applied as a measure for performance. Consider using other performance conditions and/or a combination of performance conditions. | The Remuneration Committee considered the comments received from shareholders. At this time we continue to believe trading profit is the most accurate measure of performance and over which management has line of sight. We will however continue to monitor the appropriateness of performance conditions as part of our annual review of the remuneration policy. |

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 2018 AGM to be held on 29 October 2018. We look forward to engaging with you and receiving your support on the remuneration policy and the implementation report at the AGM.

**EC Kieswetter**
**Chairperson of the Remuneration Committee**

# Remuneration report (continued)

## 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 during the reporting period it was updated to align with King IV™.

The Remuneration Committee is established to consider Shoprite's remuneration policy and the implementation thereof where appropriate and 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 | 26 February 2018 | 18 June 2018 |
|---|---|---|---|
| JA Louw | Chairman (for period 1 July 2017 to 29 May 2018)/ Member/Independent NED | ✔ | ✔ |
| EC Kieswetter | Chairman (for period 29 May to date) Member/Independent NED | ✔ | ✔ |
| CH Wiese | Member/NED | ✔ | ✔ |

The Remuneration Committee met twice during the 2018 financial year. The following persons in addition to the Remuneration Committee members were invited to attend and give input at meetings in FY2018:
- CEO;
- Company Secretary; and
- Head of Human Resources.

Invitees to the Remuneration Committee meetings are not present 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 relevant parts of the Remuneration report are tabled for 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.

### 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. No policy changes were made during the reporting period. The following non-exhaustive principles apply:
- Awarding remuneration that is fair and just on an organisation-wide basis for general employees and 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 at all levels 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 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.

## Fair and responsible remuneration

The Remuneration Committee takes responsibility for ensuring that executive remuneration is justifiable in the context of overall employee remuneration. Taking into account the Group's strategic objectives, the Remuneration Committee gives due consideration, in consultation with management, independent remuneration advisors and any relevant parties, to the practical implementation of the principle of fair and responsible remuneration, and recommends appropriate actions to the Board.

Some of the activities undertaken during the year in reviewing fair and responsible remuneration include:

- Regularly benchmarking roles against the market using PwC's REMchannel™ survey; and
- Applying the principle of equal pay for work of equal value as contained in the Employment Equity Act in all new appointments and promotions as well as when annual remuneration reviews are conducted.

Through the activities above the Company is able to examine possible pay disparities amongst the various employment arrangements within the Group, investigate the underlying reasons for any such pay disparities and consider whether differentiation is justifiable.

In an effort to improve working conditions, Shoprite:

- provides skills development opportunities for general and junior employees, thereby empowering them to improve their skills and gain the experience necessary to progress their careers within Shoprite;
- regularly reviews the Employee Value Proposition;
- provides a discount to all its employees on goods purchased at the Group's stores;
- provides pension backed housing loans through a financial institution to assist employees in buying a residence or conduct improvements to their existing residence; and
- provide assistance to employees and their relatives in the form of loans and bursaries to further their education.

At Shoprite, in addition to TGP, benefits and our efforts to ensure the implementation of fair and responsible remuneration across the organisation, we offer the following to our employees below management level:

- sales commission to qualifying sales employees;
- 13th cheques to employees on bargaining unit level after certain years of service; and
- performance based bonuses based on KPIs/divisional performance.

## Benchmarking and position in the market

Executive positions are periodically evaluated. Remuneration (which includes TGP, STI and LTI) in the Group is generally positioned at the market median, however may exceed the market median in the case of exceptional and/or critical/scarce skills. Shoprite uses PwC's REMChannel™ survey for benchmarking of roles.

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.

## Remuneration framework

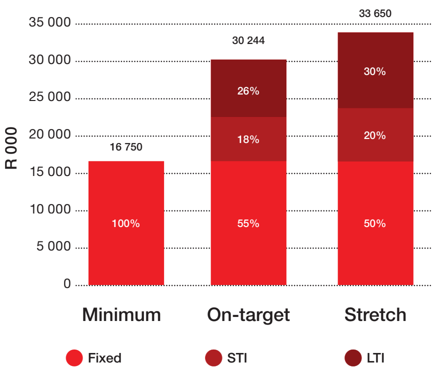
The different components of remuneration, their objectives and their link to the business strategy are summarised in the table below.

| 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 competiveness 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 120%. If actual profit falls below 70% of Group trading profit target, a modest bonus may be paid. |

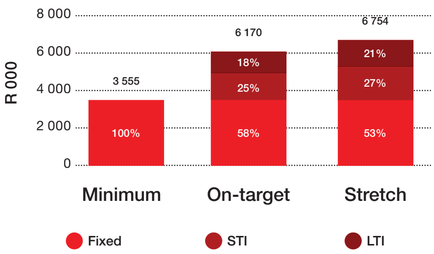
# Remuneration report (continued)

| Component | Nature | Objective | Link to business strategy | Policy |
|---|---|---|---|---|
| **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 is 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 executives 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 senior executives, the September 2017 VOB award for such executives will vest in years 1, 2, and 3 after the award date in 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 open market for delivery and does not result in any 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 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 vesting condition. |

## CEO




## CFO




## Pay mix scenario graphs

The Remuneration Committee has considered the pay mix of the CEO, CFO and other executives (in rand value) at minimum, on-target and stretch performance, as would be applicable for the 2019 financial year. The illustration indicates that a greater weighting is placed on variable pay (more specifically LTIs) but that executive directors do not receive variable pay at minimum performance. The graphs assume the following:

| Element | Minimum | On-target | Stretch |
|---|---|---|---|
| **TGP** | TGP as at 1 July 2018 | | |
| **STI** | Nil | **CEO:** 33.3% of TGP<br>**CFO:** 42.8% of TGP | **CEO:** 40.0% of TGP<br>**CFO:** 50.6% of TGP |
| **LTI** | Nil | **CEO:** Awards equal to 100% of TGP<br>**CFO:** Awards equal to 70% of TGP<br>October 2017 grant used as approximation, valued using fair value on grant. | **CEO:** Awards equal to 100% of TGP<br>**CFO:** Awards equal to 70% of TGP<br>October 2017 grant used as approximation, valued using face value on grant. |

## 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. Factors that may be taken into account include average and estimated inflation, budgeted sales growth, actual sales growth and minimum wage as required by legislation.

## Variable pay

### Introduction

Variable pay refers to STI and LTI, which are linked to Group 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, and then moderated by the financial performance of each operational/ business unit within the Group. The table below sets out the interaction of Group and operational/business unit targets and the impact of the bonus.

| Achievement of Group level profit target | Achievement of operational/business unit target | Impact on operational/ business unit bonus pool | Impact on individual bonuses |
|---|---|---|---|
| <70% | Any | Bonus pool adjusted down to reflect achievement of operational/business unit 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. |
| 70% – 100% Or >100% | Equal to or greater than Group level achievement | Bonus pool equal to actual percentage of operational/business unit profit budget achieved. | Can achieve up to 120% of on-target incentive capped at 100% if current year performance does not exceed prior year. |
| 70% – 100% Or >100% | Less than Group level achievement | Bonus pool adjusted down to reflect achievement of operational/business unit 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. |

Due to the diversified nature of the Group, 19 operational/business units exist. It is therefore not possible to provide the exact breakdown per operational/business unit. The list below provides examples of the individual criteria that may be included 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.

Employees from all of the 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.

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 CEO and CFO) will have exposure to Group performance in the determination of their bonuses.

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

### 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 and CFO 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 | 42.8% | 50.6% |

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

# Remuneration report (continued)

## 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 and should be 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. Performance will be tested "on the way in" based on the prior financial year's trading profit achieved against budget set.

The award levels is informed by market bench-marks and vary from 100% of TGP for the CEO to 70%, 50%, 35% and 25% of TGP for other employees 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 that they are invested in equity. VOB benefits vest 3, 4 and 5 years after award date in equal tranches.

### 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 percentage 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 open 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.

### Dilution limit
In terms of the plan 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 the limits will not be impacted.

Shoprite takes care not to destroy shareholder value by unnecessarily issuing shares to settle LTI awards. Accordingly, where shares are used to settle VOB or LTIB awards, the shares are purchased on the open market.

## 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 (1) calendar month, except for the CEO who has a notice period of six (6) months. Normal retirement age ranges between 60 and 65 years, unless the executive is requested to extend this term. 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 (2) 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 but contractual restraints.

Mr E Nel was employed by the Group by way of a term contract up to 30 June 2018 and, similarly, Mr B Harisunker is employed by the Group by way of a term contract up to 31 December 2018. Mr M Bosman will be employed by the Group by way of a consultancy agreement.

## Termination provisions
The following applies in the event of termination of employment:

| Reasons for termination | Voluntary resignation | Dismissal/ termination for cause/early retirement | Normal retirement and death | Mutual separation |
|---|---|---|---|---|
| **Base salary** | Paid over the notice period or as a lump sum. | No payment. | Base salary is paid for a defined period based on cause and local policy as executives have different employment entities. | Paid over the notice period or as a lump sum. |
| **Benefits** | Applicable benefits may continue to be provided during the notice period but will not be paid on a lump sum basis. | Benefits will fall away at such time that employment ceases. | Benefits will fall away at such time that employment ceases. | Applicable benefits may continue to be provided during the notice period but will not be paid on a lump sum basis. |
| **STI** | No payment. | No payment. | Payment made. | Depends on agreement made. |
| **LTI** | No payment or vesting. | No payment or vesting. | Awards vest/ payment made. | Depends on agreement made. |

## 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 has decided that independent NEDs should be remunerated on a retainer basis which encompasses the time required to attend and prepare for all meetings.

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. Fees are paid exclusive of VAT.

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

### Non-independent non-executive directors

Shoprite has two (2) 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) Mr CG Goosen who was appointed as a non-executive director with effect from 21 August 2017.

### Non-executive directors

The table below sets out the proposed fees payable to NEDs from 1 November 2017 to 30 October 2018. These fees, which are exclusive of VAT, will be tabled before shareholders for approval by a special resolution at the 2018 AGM in line with the Companies Act, No 71 of 2008. NED fees will only be paid after the 2018 AGM.

Based on the PwC 2018 non-executive director remuneration report, Shoprite concluded that the fees for the Chairperson of the Board, the lead independent and director fees are significantly below the median for large service companies. As a result and after careful consideration, the Remuneration Committee considered it prudent to steadily adjust the fees over the next few years. Accordingly, the Chairperson of the Board, lead independent and directors' fees for 2018 were increased by bigger percentages than previous years to bring the fees closer to aligning with the median for large service companies as reported in the PwC 2018 non-executive director remuneration report. Chairpersons of committees and committee members' fees are increased by the same percentage as the approved normal increases for executive management.

| | 2018 | 2017 | Increase % |
|---|---|---|---|
| **The Board** | | | |
| Chairperson* | R598 000 | R397 000 | 51% |
| Lead independent director | R466 000 | R245 000 | 90% |
| NED** | R424 000 | R234 000 | 81% |
| **The Audit and Risk Committee** | | | |
| Chairperson | R301 000 | R279 000 | 8% |
| Member | R152 000 | R141 000 | 8% |
| **The Remuneration Committee** | | | |
| Chairperson | R78 500 | R72 500 | 8% |
| Member | R47 000 | R43 500 | 8% |
| **The Nominations Committee** | | | |
| Chairperson | R78 500 | R72 500 | 8% |
| Member | R47 000 | R43 500 | 8% |
| **The Social and Ethics Committee** | | | |
| Chairperson | R102 000 | R94 500 | 8% |
| Member | R47 000 | — | — |

* The median for remuneration of chairpersons of large cap service companies is R886 000 – the 11th edition of the PwC Non-executive directors: Practices and fees trends report, January 2018.

** The median for remuneration of non-executive directors of large cap service companies is R809 000 – the 11th edition of the PwC Non-executive directors: Practices and fees trends report, January 2018.

## 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 at the 2018 AGM. 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 communication via email, telephone calls, face to face 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.

# Remuneration report (continued)

## 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 2018 financial year.

### 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 four years. The financial performance for the 2018 financial year is contextualised in the CEO's letter on page 32 of the Integrated Report.

| | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|
| Average increase in executive guaranteed pay levels | +7.8% | +7.9% | +7.0% | +7.2% |
| Growth in basic headline earnings per share | -5.2% | +13.1% | +17.0% | +10.8% |
| Trading profit | -1.4% | +11.6% | +15.0% | +10.7% |
| Turnover | +3.1% | +8.4% | +14.4% | +11.2% |
| Dividend per share | -4.0% | +11.5% | +17.1% | +10.3% |
| Earnings before interest, tax, depreciation and amortisation | +1.0% | +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 2018 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.

The Remuneration Committee approved an average increase of 7.8% for executives and an average increase of 17.5% for executives being promoted. Furthermore, the Remuneration Committee approved an average increase of 6.0% for management employees with an additional margin of 0.5% for exceptional performance.

The average annual bargaining unit increase for unionised employees was 7.2% resulting in an increase of 13.0% to Shoprite's bargaining unit wage bill (of which 5.9% is as a result of Sector Determination and minimum wage increases).

### STI outcomes

This table sets out the STI of prescribed officers in the 2018 financial year based on the achievement of the performance conditions, i.e. trading profit budget. For the 2018 financial year the Group achieved a trading profit of R8.0 billion which equated to a 89.2% achievement of the budgeted trading profit amount.

| Executive/Alternate Directors | On-target STI earning potential (as % of guaranteed package) | Maximum STI earning potential (as % of guaranteed package) | FY2018 actual STI (expressed as R'000) | Actual 2018 STI (as % of guaranteed package) |
|---|---|---|---|---|
| PC Engelbrecht | 33.3% | 40.0% | 4 524 | 29.0% |
| M Bosman | 62.8% | 75.3% | 2 380 | 55.3% |
| B Harisunker | 51.0% | 61.2% | 1 615 | 43.3% |
| EL Nel | 58.5% | 70.2% | 2 035 | 52.4% |
| JAL Basson | 69.9% | 83.9% | 1 679 | 59.4% |

### LTI outcomes

As set out in part 2 of this report, LTI awards are granted to participants based on performance "on the way in" and as such there are no prospective performance conditions attached. Based on the methodology set out in King IV™, the awards therefore included in the single figure of remuneration are those which were granted in the year.

| Executive/ Alternate Directors/ Prescribed Officer | Value granted under the VOB (R'000) | Value granted under the VOB (% of TGP) | Total value granted under LTI to be included in the single figure of remuneration | Value to be settled in cash | Value to be settled in shares |
|---|---|---|---|---|---|
| PC Engelbrecht | — | — | — | — | — |
| M Bosman | 2 685 | 62.4% | 2 685 | — | 2 685 |
| B Harisunker | — | — | — | — | — |
| EL Nel | — | — | — | — | — |
| JAL Basson | — | — | — | — | — |
| A de Bruyn | 1 249 | 44.6% | 1 249 | — | 1 249 |

## Dilution limit

There is currently no shareholder dilution as no fresh issue of shares were made during the year.
The current policy is to purchase all shares awarded in terms of the VOB and LTIB in the open market.

## Remuneration paid to executive and alternate directors

The table below reflects the comparison of remuneration paid/payable (expressed as R'000) to executive and alternate directors in the 2017 and 2018 financial years respectively.

| | Executive/Alternate Directors | Guaranteed pay | Benefits | STI | LTI | Other | TOTAL |
|---|---|---|---|---|---|---|---|
| 2018 | PC Engelbrecht | 15 007 | 330 | 4 524 | — | 503 | 20 364 |
| | CG Goosen | 38 | 12 | — | — | 2 | 52 |
| | M Bosman | 3 791 | 341 | 2 380 | 2 685 | 618 | 9 815 |
| | B Harisunker | 3 553 | — | 1 615 | — | 790 | 5 958 |
| | EL Nel** | 3 708 | — | 2 035 | — | 11 271 | 17 014 |
| | JW Basson* | 12 414 | 17 | — | — | 7 029 | 19 460 |
| | JAL Basson | 2 468 | 153 | 1 679 | — | 245 | 4 545 |
| | Total | 40 979 | 853 | 12 233 | 2 685 | 20 458 | 77 208 |
| 2017 | PC Engelbrecht | 9 713 | 685 | 4 324 | 10 586*** | 527 | 25 835 |
| | CG Goosen | 206 | 194 | 293 | — | 803 | 1 496 |
| | M Bosman | 2 601 | 487 | 2 216 | 3 124*** | 259 | 8 687 |
| | B Harisunker | 3 339 | — | 1 572 | — | 2 418 | 7 329 |
| | EL Nel | 3 452 | — | 2 185 | — | 301 | 5 938 |
| | JW Basson | 49 656 | 64 | — | — | 394 | 50 114 |
| | JAL Basson | 2 189 | 300 | 2 360 | —*** | 332 | 5 181 |
| | Total | 71 156 | 1 730 | 12 950 | 13 710 | 5 034 | 104 580 |

* 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 received guaranteed pay until 30 September 2017.
** Mr Nel was awarded a once-off retention cash amount of R11 million with effect from 1 July 2017 which vested on 30 June 2018.
*** Reinstatement of prior year figures in terms of King IV™ single figure reporting requirement.

| Prescribed officer R'000 | | Guaranteed pay | Benefits | STI | LTI | Other | Total |
|---|---|---|---|---|---|---|---|
| 2018 | A de Bruyn | 2 445 | 173 | 1 023 | 1 249 | 255 | 5 145 |

## NED fees

The table below sets out the NED fees paid to NED (exclusive of VAT) for the 12 month period from 1 November 2016 – 31 October 2017.

| NED | Fees paid |
|---|---|
| CH Wiese | R513 000 |
| CG Goosen | R0 |
| JF Basson | R513 000 |
| JJ Fouché | R375 000 |
| EC Kieswetter | R332 000 |
| JA Louw | R585 000 |
| ATM Mokgokong | R277 500 |
| JA Rock | R375 000 |

## Table of unvested awards and cash settled values

The tables below provides information on long-term incentives granted and accepted during the year and the indicative value of those outstanding at the year-end. It also illustrates the cash value of awards settled during the year.

| Date of grant | Number of instruments awarded (if shares) | Price on grant (if shares) R | Total face value on grant R | Total fair value on grant R | Settle-ment method | Final vesting date | Number of instruments vested | Number of instruments settled in year | Cash value of instruments settled in year[1] R | Closing number of unvested instruments | Indicative fair value of unvested instruments R |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **P Engelbrecht** | | | | | | | | | | | |
| 24 October 2017 | 50 873 | 208.08 | 10 585 654 | 10 305 740 | Shares | 30 September 2020 | — | — | — | 50 873 | 7 964 306 |
| **M Bosman** | | | | | | | | | | | |
| 24 October 2017 | 15 012 | 208.08 | 3 123 697 | 3 123 697 | Shares | 16 May 2018 | 15 012 | 15 012 | 3 591 771 | — | — |
| **A de Bruyn** | | | | | | | | | | | |
| 24 October 2017 | 6 983 | 208.08 | 1 453 023 | 1 403 209 | Shares | 30 September 2020 | — | — | — | 6 983 | 1 086 468 |

[1] Awards were settled on the 16 May 2018 at a share price of R239.26.

## Approval

The 2018 remuneration report was approved by the Remuneration Committee of Shoprite Holdings Limited.

# Summary consolidated financial statements

## Contents



The summary consolidated financial statements comprise a summary of the audited annual financial statements of the Group for the year ended 1 July 2018. The annual financial statements of the Group for the year ended 1 July 2018 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 A de Bruyn, CA(SA). A copy of the full audited annual financial statements is available on www.shopriteholdings.co.za or may be requested from the company secretary (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 1 July 2018

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 1 July 2018, from which these summary consolidated financial statements have been derived, were prepared in accordance with International Financial Reporting Standards (IFRS) 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 73. 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 20 August 2018 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 1 July 2018, 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

20 August 2018

# Directors' report

Shoprite Holdings Ltd and its subsidiaries for the year ended 1 July 2018

## 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.
**Franchise:** The OK Franchise division's stores offer a wide range of perishable and non-perishable food items through supermarket/convenience outlets primarily under the OK brand. Wholesale franchise partners trade under the Megasave brand and retail buying partners under the Sentra brand. Add-on retail liquor outlets operate mainly under the OK Liquor brand.
**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, Mozambique 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.

### Shoprite DTMC (Pty) Ltd

Registered as a domestic treasury management company with the South African Reserve Bank with the USD as functional currency.

### Other Group Subsidiaries

The interests of Shoprite Holdings in other subsidiaries are set out on page 87 of the Integrated Report.

## Financial review

The Group's diluted headline earnings per share amounts to 968.7 cents for the year (2017: 1 007.4 cents). Details of the profit of Shoprite Holdings and its subsidiaries are contained in the statement of comprehensive income on page 75 with reference to the operating segment information on page 79. The financial position of Shoprite Holdings and its subsidiaries are recorded in the statement of financial position on page 74. Further details are furnished in the notes to the summary consolidated financial statements on pages 78 to 86. The Group's net asset value per share as at 1 July 2018 was 4 937 cents (2017: 4 905 cents).

## Distribution to shareholders

### Ordinary dividends

An interim cash dividend (no 138) of 205 cents per share was paid on 19 March 2018. A final dividend (no 139) of 279 cents per share, is payable on 10 September 2018, bringing the total dividend for the year to 484 cents (2017: 504 cents) per ordinary share.

## Share capital

At the annual general and general meetings of shareholders on 30 October 2017, shareholders approved the:

- Conversion of 650 000 000 ordinary shares of 113.4 cents each into 650 000 000 ordinary shares having no par value;
- Increase in authorised ordinary share capital to 1 300 000 000 ordinary shares having no par value;
- Increase in the number of authorised deferred shares from 360 000 000 to 720 000 000 deferred shares.

During the period under review Shoprite Holdings purchased 8 683 327 ordinary shares from Bassgro (Pty) Ltd which were delisted on 15 September 2017 and cancelled. Subsequent to the delisting the issued ordinary share capital of Shoprite Holdings is 591 338 502 shares.

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

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

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

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

The Group's overall level of debt increased from R3.274 billion to R6.977 billion during the financial year under review.

## Special resolutions
At the annual general meeting of Shoprite Holdings held on 30 October 2017, 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 authority to repurchase shares;
- **Special resolution number 5:** Conversion of par value shares; and
- **Special resolution number 6:** Increase in authorised share capital.

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 28 and 29 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.

Messrs JF Basson, JJ Fouché, JA Rock and Dr ATM Mokgokong 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.

Ms S Zinn was appointed as an independent non-executive director on 31 August 2018 but retires in terms of Article 33.3 of the MOI at the annual general meeting on 29 October 2018. Being eligible for election, Ms Zinn offers herself for re-election.

The Board supports the re-election of these directors.

Mr JW Basson resigned as non-executive vice chairman with effect from 25 October 2017 whilst Mr A de Bruyn was appointed as executive director from 2 July 2018.

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

### Non-executive directors

| | Direct beneficial | Indirect beneficial | Total 2018 | Total 2017 |
|---|---|---|---|---|
| CH Wiese | — | 82 232 795 | 82 232 795 | 101 315 275 |
| JF Basson | — | 1 000 | 1 000 | 1 000 |
| JW Basson* | n/a | n/a | n/a | 9 104 122 |
| JJ Fouché | 472 171 | — | 472 171 | 472 171 |
| CG Goosen | 3 000 | 1 014 202 | 1 017 202 | 1 117 202 |
| EC Kieswetter | 9 509 | — | 9 509 | 7 924 |
| JA Louw | — | 50 000 | 50 000 | 50 000 |
| ATM Mokgokong | — | — | — | — |
| JA Rock | — | — | — | — |
| JD Wiese** | — | 14 674 | 14 674 | 14 074 |

* Resigned as non-executive vice chairman on 25 October 2017
** Alternate director

### Executive directors

| | Direct beneficial | Indirect beneficial | Total 2018 | Total 2017 |
|---|---|---|---|---|
| PC Engelbrecht | 313 555 | 201 039 | 514 594 | 463 720 |
| M Bosman# | 136 410 | 60 000 | 196 410 | 208 147 |
| B Harisunker | 407 379 | — | 407 379 | 407 379 |
| EL Nel+ | — | 148 727 | 148 727 | 148 727 |
| JAL Basson++ | 66 044 | 89 201 | 155 245 | 155 245 |

\# Retired with effect from 2 July 2018
\+ Retired with effect from 29 June 2018
++ Appointment as alternate director ended with effect from 29 June 2018

There were no changes in the shareholdings of directors in ordinary shares between the 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 2018 | Total 2017 |
|---|---|---|
| CH Wiese | 305 621 601 | 305 621 601 |

## 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 47 to 50.

## Board committees
The reports of the various board committees are included in the corporate governance section of the Integrated Report on pages 51 to 67.

## 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.

# Directors' report (continued)

Shoprite Holdings Ltd and its subsidiaries for the year ended 1 July 2018

## 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 1 July 2018 to the date of this report.

## Holding company

Shoprite Holdings has no holding company. An analysis of the main shareholders appears on page 92 of this report.

## Litigation statement

Save for the referral to the National Consumer Tribunal and the judgement delivered in the Nigeria High Court 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.

# Currency of the summary consolidated financial statements

Shoprite Holdings Ltd and its subsidiaries for the year ended 1 July 2018

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:

| | 2018 | 2017 |
|---|---|---|
| US dollar | 13.710 | 13.038 |
| Pound sterling | 17.979 | 16.969 |
| Euro | 15.972 | 14.916 |
| Zambia kwacha | 1.370 | 1.416 |
| Mozambique metical | 0.229 | 0.217 |

| | 2018 | 2017 |
|---|---|---|
| Botswana pula | 1.318 | 1.278 |
| Uganda shilling | 0.004 | 0.004 |
| Malawi kwacha | 0.019 | 0.018 |
| Mauritius rupee | 0.392 | 0.376 |
| Angola kwanza | 0.055 | 0.078 |

| | 2018 | 2017 |
|---|---|---|
| India rupee | 0.200 | 0.202 |
| Ghana cedi | 2.862 | 2.940 |
| Madagascar ariary | 0.004 | 0.004 |
| Nigeria naira | 0.045 | 0.043 |
| DRC franc | 0.008 | 0.009 |

# 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 74 to 87 of the Shoprite Holdings Limited Integrated Report 2018, which comprise the summary consolidated statement of financial position as at 1 July 2018, 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 1 July 2018.

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 20 August 2018. 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 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
20 August 2018

# Summary consolidated statement of financial position

Shoprite Holdings Ltd and its Subsidiaries as at 1 July 2018

| | Notes | 2018 Rm | 2017 Rm |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | 29 352 | 24 572 |
| Property, plant and equipment | 3 | 21 218 | 18 407 |
| Equity accounted investments | | – | 27 |
| Held-to-maturity investments | 4 | 2 090 | 1 311 |
| Loans and receivables | 5 | 1 318 | 1 110 |
| Deferred income tax assets | | 876 | 859 |
| Intangible assets | | 2 994 | 2 355 |
| Trade and other receivables | | 856 | 503 |
| **Current assets** | | 32 306 | 31 032 |
| Inventories | | 17 959 | 17 794 |
| Trade and other receivables | | 4 931 | 5 105 |
| Derivative financial instruments | | – | 1 |
| Current income tax assets | | 120 | 154 |
| Held-to-maturity investments | 4 | 1 600 | – |
| Loans and receivables | 5 | 231 | 211 |
| Cash and cash equivalents | | 7 465 | 7 767 |
| **Assets held for sale** | | 184 | 119 |
| **Total assets** | | 61 842 | 55 723 |
| **Equity** | | | |
| **Capital and reserves attributable to owners of the parent** | | | |
| Share capital | 6 | – | 681 |
| Share premium | | – | 8 585 |
| Stated capital | 6 | 7 516 | – |
| Treasury shares | 6 | (554) | (446) |
| Reserves | | 20 424 | 18 838 |
| | | 27 386 | 27 658 |
| **Non-controlling interest** | | 91 | 91 |
| **Total equity** | | 27 477 | 27 749 |
| **Liabilities** | | | |
| **Non-current liabilities** | | 3 567 | 1 492 |
| Borrowings | 7 | 1 371 | – |
| Deferred income tax liabilities | | 697 | 96 |
| Provisions | | 264 | 232 |
| Fixed escalation operating lease accruals | | 1 235 | 1 164 |
| **Current liabilities** | | 30 798 | 26 482 |
| Trade and other payables | | 20 621 | 17 414 |
| Borrowings | 7 | 5 606 | 3 274 |
| Current income tax liabilities | | 481 | 582 |
| Provisions | | 95 | 154 |
| Bank overdrafts | | 3 995 | 5 058 |
| **Total liabilities** | | 34 365 | 27 974 |
| **Total equity and liabilities** | | 61 842 | 55 723 |

# Summary consolidated statement of comprehensive income

Shoprite Holdings Ltd and its subsidiaries for the year ended 1 July 2018

| | Notes | % change | 52 weeks 2018 Rm | 52 weeks 2017 Rm |
|---|---|---|---|---|
| Sale of merchandise | | 3.1 | 145 306 | 141 000 |
| Cost of sales | | 3.2 | (110 580) | (107 174) |
| **Gross profit** | | 2.7 | 34 726 | 33 826 |
| Other operating income | | 6.3 | 2 779 | 2 615 |
| Depreciation and amortisation | | 16.3 | (2 530) | (2 176) |
| Operating leases | | 11.9 | (4 272) | (3 819) |
| Employee benefits | | 3.4 | (10 851) | (10 498) |
| Other operating expenses | | 5.7 | (12 494) | (11 821) |
| Net monetary gain | | | 653 | — |
| **Trading profit** | | (1.4) | 8 011 | 8 127 |
| Exchange rate losses | | | (251) | (236) |
| Items of a capital nature | | | (246) | (166) |
| **Operating profit** | | (2.7) | 7 514 | 7 725 |
| Interest received | | (4.9) | 215 | 226 |
| Finance costs | | 24.1 | (422) | (340) |
| Share of profit of equity accounted investments | | | 27 | 4 |
| **Profit before income tax** | | (3.7) | 7 334 | 7 615 |
| Income tax expense | | (2.7) | (2 121) | (2 180) |
| **Profit for the year** | | (4.1) | 5 213 | 5 435 |
| | | | | |
| **Other comprehensive income, net of income tax** | | | (689) | (933) |
| Items that will not be reclassified to profit or loss | | | | |
| Re-measurements of post-employment medical benefit obligations | | | 2 | 3 |
| Items that may subsequently be reclassified to profit or loss | | | | |
| Foreign currency translation differences including hyperinflation effect | | | (678) | (822) |
| Share of foreign currency translation differences of equity accounted investments | | | (2) | (103) |
| Gains/(losses) on effective cash flow hedge | | | (11) | (11) |
| For the year | | | 3 | (11) |
| Reclassified to profit for the year | | | (14) | — |
| | | | | |
| **Total comprehensive income for the year** | | | 4 524 | 4 502 |
| | | | | |
| **Profit attributable to:** | | | | |
| Owners of the parent | | | 5 201 | 5 428 |
| Non-controlling interest | | | 12 | 7 |
| | | | 5 213 | 5 435 |
| | | | | |
| **Total comprehensive income attributable to:** | | | | |
| Owners of the parent | | | 4 512 | 4 495 |
| Non-controlling interest | | | 12 | 7 |
| | | | 4 524 | 4 502 |
| | | | | |
| Basic earnings per share (cents) | 9 | (6.6) | 934.3 | 999.8 |
| Diluted earnings per share (cents) | 9 | (5.2) | 933.4 | 984.8 |
| Basic headline earnings per share (cents) | 9 | (5.2) | 969.6 | 1 023.2 |
| Diluted headline earnings per share (cents) | 9 | (3.8) | 968.7 | 1 007.4 |

# Summary consolidated statement of changes in equity

Shoprite Holdings Ltd and its subsidiaries for the year ended 1 July 2018

| | | | Attributable to owners of the parent | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Rm | Total equity | Non-controlling interest | Total | Share capital | Share premium | Stated capital | Treasury shares | Other reserves | Retained earnings |
| **Balance at 3 July 2016** | 21 139 | 65 | 21 074 | 650 | 4 029 | — | (760) | 554 | 16 601 |
| 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) |
| **Balance at 2 July 2017** | 27 749 | 91 | 27 658 | 681 | 8 585 | — | (446) | (969) | 19 807 |
| Total comprehensive income | 4 524 | 12 | 4 512 | — | — | — | — | (691) | 5 203 |
| Profit for the year | 5 213 | 12 | 5 201 | | | | | | 5 201 |
| Recognised in other comprehensive income | | | | | | | | | |
| Re-measurements of post-employment medical benefit obligations | 3 | | 3 | | | | | | 3 |
| Income tax effect of re-measurements of post-employment medical benefit obligations | (1) | | (1) | | | | | | (1) |
| Foreign currency translation differences including hyperinflation effect | 177 | | 177 | | | | | 177 | |
| Income tax on foreign currency translation differences including hyperinflation effect | (857) | | (857) | | | | | (857) | |
| Gains on effective cash flow hedge | (15) | | (15) | | | | | (15) | |
| Income tax effect of gains on effective cash flow hedge | 4 | | 4 | | | | | 4 | |
| Cash flow hedging reserve transferred to receivables | (3) | | (3) | | | | | (3) | |
| Income tax effect of cash flow hedging reserve transferred to receivables | 1 | | 1 | | | | | 1 | |
| Share-based payments – value of employee services | 64 | | 64 | | | | | 64 | |
| Modification of cash bonus arrangement transferred from provisions | 9 | | 9 | | | | | 9 | |
| Buy-back and cancellation of ordinary shares | (1 750) | | (1 750) | (10) | (1 740) | | | | |
| Purchase of treasury shares | (142) | | (142) | | | | (142) | | |
| Treasury shares disposed | 6 | | 6 | | | | 5 | | 1 |
| Realisation of share-based payment reserve | — | | — | | | | 29 | (29) | |
| Conversion to stated capital | — | | — | (671) | (6 845) | 7 516 | | | |
| Transfer from capital redemption reserve | — | | — | | | | | (2) | 2 |
| Dividends distributed to shareholders | (2 981) | (12) | (2 969) | | | | | | (2 969) |
| **Balance at 1 July 2018** | 27 477 | 91 | 27 386 | — | — | 7 516 | (554) | (1 620) | 22 044 |

# Summary consolidated statement of cash flows

Shoprite Holdings Ltd and its subsidiaries for the year ended 1 July 2018

| | Notes | 2018 Rm | 2017 Rm |
|---|---|---|---|
| **Cash flows from operating activities** | | 7 418 | 3 339 |
| Operating profit | | 7 514 | 7 725 |
| Less: investment income | | (344) | (189) |
| Non-cash items | 11.1 | 2 919 | 3 089 |
| Changes in working capital | 11.2 | 2 686 | (2 278) |
| Cash generated from operations | | 12 775 | 8 347 |
| Interest received | | 493 | 399 |
| Interest paid | | (555) | (416) |
| Dividends received | | 49 | 16 |
| Dividends paid | | (2 980) | (2 595) |
| Income tax paid | | (2 364) | (2 412) |
| **Cash flows utilised by investing activities** | | (7 355) | (6 985) |
| Investment in property, plant and equipment and intangible assets to expand operations | | (3 720) | (3 836) |
| Investment in property, plant and equipment and intangible assets to maintain operations | | (1 616) | (1 331) |
| Proceeds on disposal of property, plant and equipment and intangible assets | | 132 | 40 |
| Proceeds on disposal of assets held for sale | | 121 | — |
| Payments for held-to-maturity investments | | (2 401) | (1 370) |
| Proceeds from held-to-maturity investments | | 490 | — |
| Amounts paid to Resilient Africa (Pty) Ltd | | (7) | (612) |
| Amounts received from Resilient Africa (Pty) Ltd | | — | 136 |
| Amounts paid to RMB Westport Osapa | | (182) | — |
| Amounts repaid by employees | | 102 | 123 |
| Other investing activities | | (99) | (125) |
| Investment in joint venture | | (150) | — |
| Cash outflow on disposal of investment in subsidiary | | — | (9) |
| Acquisition of subsidiaries and operations | | (25) | (1) |
| **Cash flows from financing activities** | | 1 426 | 2 826 |
| Purchase of treasury shares | | (142) | (59) |
| Proceeds from treasury shares disposed | | 6 | 4 |
| Buy-back and cancellation of ordinary shares | | (1 750) | — |
| Convertible bonds settled at maturity date | | — | (108) |
| Repayment of borrowings | | (7 895) | (111) |
| Increase in borrowings | | 11 207 | 3 100 |
| **Net movement in cash and cash equivalents** | | 1 489 | (820) |
| Cash and cash equivalents at the beginning of the year | | 2 709 | 3 819 |
| Effect of exchange rate movements and hyperinflation on cash and cash equivalents | | (728) | (290) |
| **Cash and cash equivalents at the end of the year** | | 3 470 | 2 709 |
| Consisting of: | | | |
| Cash and cash equivalents | | 7 465 | 7 767 |
| Bank overdrafts | | (3 995) | (5 058) |
| | | 3 470 | 2 709 |

# Selected explanatory notes to the summary consolidated financial statements

Shoprite Holdings Ltd and its subsidiaries for the year ended 1 July 2018

## 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 1 July 2018, compared to 52 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.

### IAS 29: Financial reporting in hyperinflationary economies

During the reporting period, the Group classified the economy of Angola as hyperinflationary, effective from 3 July 2017. Accordingly, the results and the financial position, including comparative amounts, of the Group's Angolan subsidiaries have been expressed in terms of the measuring unit current at the reporting date, as required by IAS 29. The carrying amounts of non-monetary assets and liabilities are adjusted to reflect the change in the general price index from the date of acquisition to the end of the reporting period. Gains or losses on the net monetary position are recognised in profit or loss. All items recognised in the statement of comprehensive income are restated by applying the change in the general price index from the dates when the items of income and expenses were initially earned or incurred while all items in the statement of cash flows are expressed in terms of the general price index at the end of the reporting period. At the beginning of the first period of application, the components of owners' equity, except retained earnings, are restated by applying a general price index from the dates the components were contributed or otherwise arose. These restatements are recognised in other comprehensive income. Restated retained earnings at the beginning of the first period of application are derived from all other amounts in the restated statement of financial position. As the presentation currency of the Group is that of a non-hyperinflationary economy, comparative amounts of the Group are not adjusted for changes in the price level or exchange rates in the current year.

## 2 Operating segment information

### 2.1 Analysis per reportable segment

| | 2018 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Supermarkets RSA Rm | Supermarkets Non-RSA Rm | Furniture Rm | Other operating segments Rm | Total operating segments Rm | Hyperinflation effect Rm | Consolidated Rm |
| Sale of merchandise | 112 383 | 23 163 | 5 967 | 9 464 | 150 977 | (777) | 150 200 |
| External | 107 547 | 23 106 | 5 967 | 9 463 | 146 083 | (777) | 145 306 |
| Inter-segment | 4 836 | 57 | — | 1 | 4 894 | — | 4 894 |
| Trading profit | 6 539 | 650 | 256 | 250 | 7 695 | 316 | 8 011 |
| Interest income included in trading profit | 59 | 245 | 355 | 34 | 693 | (29) | 664 |
| Depreciation and amortisation* | 2 201 | 455 | 105 | 41 | 2 802 | 80 | 2 882 |
| Total assets | 35 008 | 17 259 | 4 199 | 3 073 | 59 539 | 2 303 | 61 842 |

| | 2017 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Supermarkets RSA Rm | Supermarkets Non-RSA Rm | Furniture Rm | Other operating segments Rm | Total operating segments Rm | Hyperinflation effect Rm | Consolidated Rm |
| Sale of merchandise | 107 001 | 24 867 | 5 432 | 9 000 | 146 300 | — | 146 300 |
| External | 101 734 | 24 840 | 5 432 | 8 994 | 141 000 | — | 141 000 |
| Inter-segment | 5 267 | 27 | — | 6 | 5 300 | — | 5 300 |
| Trading profit | 6 424 | 1 407 | 123 | 173 | 8 127 | — | 8 127 |
| Interest income included in trading profit | 70 | 78 | 314 | 36 | 498 | — | 498 |
| Depreciation and amortisation* | 1 884 | 421 | 108 | 44 | 2 457 | — | 2 457 |
| Total assets | 32 535 | 16 407 | 4 180 | 2 601 | 55 723 | — | 55 723 |

### 2.2 Geographical analysis

| | 2018 | | | | |
|---|---|---|---|---|---|
| | South Africa Rm | Outside South Africa Rm | Total operating segments Rm | Hyperinflation effect Rm | Consolidated Rm |
| Sale of merchandise – external | 120 216 | 25 867 | 146 083 | (777) | 145 306 |
| Non-current assets** | 17 567 | 4 889 | 22 456 | 2 612 | 25 068 |

| | 2017 | | | | |
|---|---|---|---|---|---|
| | South Africa Rm | Outside South Africa Rm | Total operating segments Rm | Hyperinflation effect Rm | Consolidated Rm |
| Sale of merchandise – external | 113 660 | 27 340 | 141 000 | — | 141 000 |
| Non-current assets** | 16 101 | 5 164 | 21 265 | — | 21 265 |

* 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 1 July 2018

| | | 2018 Rm | 2017 Rm |
|---|---|---|---|
| **3** | **Property, plant and equipment** | | |
| | Carrying value at the beginning of the year | 18 407 | 16 908 |
| | Additions | 4 411 | 4 347 |
| | Borrowing costs capitalised | — | 44 |
| | Transfer to assets held for sale | (140) | (119) |
| | Acquisition of subsidiary | — | 33 |
| | Disposal | (212) | (106) |
| | Depreciation | (2 518) | (2 146) |
| | Impairment | (55) | (19) |
| | Reversal of impairment | 6 | — |
| | Foreign currency translation differences including hyperinflation effect | 1 319 | (535) |
| | Carrying value at the end of the year | 21 218 | 18 407 |
| **4** | **Held-to-maturity investments** | | |
| | AOA, USD Index Linked, Angola Government Bonds (note 4.1) | 3 008 | 1 311 |
| | Angola Treasury Bills (note 4.2) | 682 | — |
| | | 3 690 | 1 311 |
| | Analysis of total held-to-maturity investments: | | |
| | Non-current | 2 090 | 1 311 |
| | Current | 1 600 | — |
| | | 3 690 | 1 311 |

### 4.1 AOA, USD Index Linked, Angola Government Bonds

The AOA, USD Index Linked, Angola Government Bonds are denominated in Angola kwanza, earn interest at an average rate of 7.0% (2017: 7.0%) p.a. and mature after a period of 2 to 3 years. Accrued interest is payable bi-annually.

The maximum exposure to credit risk at the reporting date is the carrying value. None of the AOA, USD Index Linked, Angola Government Bonds are either past due or impaired. The Group does not hold any collateral as security.

### 4.2 Angola Treasury Bills

The Angola Treasury Bills are denominated in Angola kwanza, earn interest at an average rate of 22.8% (2017: N/A) p.a. and mature within 12 months. Accrued interest is payable at maturity.

The maximum exposure to credit risk at the reporting date is the carrying value. None of the Angola Treasury Bills are either past due or impaired. The Group does not hold any collateral as security.

| | | 2018 Rm | 2017 Rm |
|---|---|---|---|
| **5** | **Loans and receivables** | | |
| | Amounts owing by associate (note 5.1) | 990 | 953 |
| | Amounts owing by employees | — | 102 |
| | Amounts owing by franchisees | 334 | 266 |
| | Amounts owing by RMB Westport Osapa | 195 | — |
| | Other | 30 | — |
| | | 1 549 | 1 321 |
| | Analysis of total loans and receivables: | | |
| | Non-current | 1 318 | 1 110 |
| | Current | 231 | 211 |
| | | 1 549 | 1 321 |
| **5.1** | **Amounts owing by associate** | 990 | 953 |
| | ZAR denominated amounts owing by Resilient Africa (Pty) Ltd (note 5.1.1) | 373 | 367 |
| | USD denominated amounts owing by Resilient Africa (Pty) Ltd (note 5.1.2) | 617 | 586 |

**5.1.1** The ZAR denominated shareholder loan earns interest at an average rate of 6.6% (2017: 6.6%) p.a. and is repayable on demand, subject to certain conditions.

The maximum exposure to credit risk at the reporting date is the carrying value. An impairment allowance of R60 million (2017: R26 million) was recognised for the shareholder loan. The Group does not hold any collateral as security for this amount.

**5.1.2** The US dollar denominated amount earns interest at an average rate of 3.0% (2017: 3.0%) p.a. and is repayable after seven years, subject to certain conditions.

The maximum exposure to credit risk at the reporting date is the carrying value. No allowance for impairment has been made. The Group manages its credit risk by holding share pledges and cession agreements in the underlying subsidiaries of Resilient Africa (Pty) Ltd as collateral for this amount.

# Selected explanatory notes to the summary consolidated financial statements (continued)

Shoprite Holdings Ltd and its subsidiaries for the year ended 1 July 2018

| | | 2018 Rm | 2017 Rm |
|---|---|---|---|
| **6** | **Share capital and treasury shares** | | |
| **6.1** | **Stated capital** | | |
| | Conversion of share capital | 671 | – |
| | Conversion of share premium | 6 845 | – |
| | | 7 516 | – |

The Company converted its par value ordinary shares of 113.4 cents each to no par value ordinary shares and increased the number of authorised no par value ordinary shares from 650 000 000 to 1 300 000 000 during the year under review.

## 6.2 Ordinary share capital

| | 2018 Rm | 2017 Rm |
|---|---|---|
| Authorised: | | |
| 1 300 000 000 no par value ordinary shares (2017: 650 000 000 ordinary shares of 113.4 cents each) | | |
| Issued: | | |
| 591 338 502 no par value ordinary shares (2017: 600 021 829 ordinary shares of 113.4 cents each) | – | 681 |

Reconciliation of movement in number of ordinary shares issued:

| | Number of shares 2018 | Number of shares 2017 |
|---|---|---|
| Balance at the beginning of the year | 600 021 829 | 572 871 960 |
| Shares issued during the year | – | 27 149 869 |
| Buy-back and cancellation of ordinary shares | (8 683 327) | – |
| Balance at the end of the year | 591 338 502 | 600 021 829 |

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 2018 | Number of shares 2017 |
|---|---|---|
| Issued ordinary share capital | 591 338 502 | 600 021 829 |
| Treasury shares (note 6.4) | (36 659 642) | (36 166 544) |
| | 554 678 860 | 563 855 285 |

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.

| | 2018 Rm | 2017 Rm |
|---|---|---|

## 6.3 Deferred share capital

Authorised:

720 000 000 (2017: 360 000 000) non-convertible, non-participating, non-transferable no par value deferred shares

| | 2018 Rm | 2017 Rm |
|---|---|---|
| Issued:<br>305 621 601 (2017: 305 621 601) non-convertible, non-participating, non-transferable no par value deferred shares | – | – |

Reconciliation of movement in number of deferred shares issued:

| | Number of shares | |
|---|---|---|
| | 2018 | 2017 |
| Balance at the beginning of the year | 305 621 601 | 291 792 794 |
| Shares issued during the year | – | 13 828 807 |
| Balance at the end of the year | 305 621 601 | 305 621 601 |

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.

## 6.4 Treasury shares

| | 2018 Rm | 2017 Rm |
|---|---|---|
| 36 659 642 (2017: 36 166 544) ordinary shares | 554 | 446 |

Reconciliation of movement in number of treasury shares for the Group:

| | Number of shares | |
|---|---|---|
| | 2018 | 2017 |
| Balance at the beginning of the year | 36 166 544 | 38 246 183 |
| Shares purchased during the year | 689 219 | 300 439 |
| Shares disposed during the year | (25 342) | (19 259) |
| Shares utilised for settlement of equity-settled share-based payment arrangements | (170 779) | (2 360 819) |
| Balance at the end of the year | 36 659 642 | 36 166 544 |
| 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 | 1 223 070 | 729 972 |
| | 36 659 642 | 36 166 544 |

# Selected explanatory notes to the summary consolidated financial statements (continued)

Shoprite Holdings Ltd and its subsidiaries for the year ended 1 July 2018

| | | 2018 Rm | 2017 Rm |
|---|---|---|---|
| **7** | **Borrowings** | | |
| | Consisting of: | | |
| | ABSA Bank Ltd (note 7.1) | — | 1 304 |
| | Barclays Bank Mauritius Ltd (note 7.2) | 1 359 | 1 173 |
| | Standard Chartered Bank (Mauritius) Ltd (note 7.3) | 1 371 | 652 |
| | Standard Finance (Isle of Man) Ltd (note 7.4) | 4 113 | — |
| | First National Bank of Namibia Ltd | 134 | 134 |
| | The Standard Bank of South Africa Ltd | — | 11 |
| | | 6 977 | 3 274 |
| | Analysis of total borrowings: | | |
| | Non-current | 1 371 | — |
| | Current | 5 606 | 3 274 |
| | | 6 977 | 3 274 |

### 7.1 ABSA Bank Ltd

This loan was denominated in US dollar, unsecured, repaid during the period and carried interest at an average of 2.46% (2017: 1.82%) p.a.

### 7.2 Barclays Bank Mauritius Ltd

This loan is denominated in US dollar, unsecured, payable within 12 months and bears interest at an average of 2.51% (2017: 2.16%) p.a.

### 7.3 Standard Chartered Bank (Mauritius) Ltd

This loan is denominated in US dollar, unsecured, payable within 12 months and bears interest at an average of 2.69% (2017: 2.47%) p.a.

### 7.4 Standard Finance (Isle of Man) Ltd

This loan is denominated in US dollar and unsecured. R1.37 billion is payable after 36 months and bears interest at a fixed rate of 3.49% p.a. The remaining balance is payable within 12 months and bears interest at an average of 2.76% p.a.

## 8 Fair value disclosures

The Group has a number of financial instruments which are not measured at fair value in the statement of financial position. For the majority of these instruments, the fair values are not materially different to their carrying amounts, since the interest receivable/payable is either close to current market rates or the instruments are short-term in nature. Significant differences were identified for the following instruments at the end of the reporting period:

| | Carrying amount | | Fair value | |
|---|---|---|---|---|
| | 2018 Rm | 2017 Rm | 2018 Rm | 2017 Rm |
| Held-to-maturity investments | 3 690 | 1 311 | 3 681 | 1 311 |
| Loans and receivables | 1 549 | 1 321 | 1 418 | 1 321 |
| Borrowings | 6 977 | 3 274 | 6 892 | 3 274 |

| | | 2018 Rm | 2017 Rm |
|---|---|---|---|
| 9 | **Earnings per share** | | |
| | Profit attributable to owners of the parent | 5 201 | 5 428 |
| | Re-measurements | 246 | 167 |
| | Profit on disposal of assets held for sale | (20) | — |
| | Loss on disposal and scrapping of plant and equipment and intangible assets | 108 | 79 |
| | Impairment of property, plant and equipment | 49 | 19 |
| | Impairment of intangible assets | 51 | 70 |
| | Insurance claims receivable | — | (5) |
| | Loss on disposal of investment in joint venture | 80 | — |
| | (Profit)/loss on other investing activities | (22) | 3 |
| | Re-measurements included in share of profit/loss of equity-accounted investments | — | 1 |
| | Income tax effect on re-measurements | (49) | (41) |
| | Headline earnings | 5 398 | 5 554 |
| | | | |
| | Profit attributable to owners of the parent: | | |
| | Used in calculating basic earnings per share | 5 201 | 5 428 |
| | Add: Interest savings on convertible bonds | — | 135 |
| | Used in calculating diluted earnings per share | 5 201 | 5 563 |
| | | | |
| | Headline earnings | 5 398 | 5 554 |
| | Add: Interest savings on convertible bonds | — | 135 |
| | Used in calculating diluted headline earnings per share | 5 398 | 5 689 |
| | | | |
| | | ‘000 | ‘000 |
| | Number of ordinary shares | | |
| | – In issue | 554 679 | 563 855 |
| | – Weighted average | 556 643 | 542 927 |
| | – Weighted average adjusted for dilution | 557 172 | 564 814 |
| | | | |
| | Reconciliation of weighted average number of ordinary shares in issue during the year: | | |
| | Weighted average number of ordinary shares | 556 643 | 542 927 |
| | Adjustments for dilutive potential of full share grants and convertible bonds | 529 | 21 887 |
| | Weighted average number of ordinary shares for diluted earnings per share | 557 172 | 564 814 |
| | | | |
| | | Cents | Cents |
| | Earnings per share | | |
| | – Basic earnings | 934.3 | 999.8 |
| | – Diluted earnings | 933.4 | 984.8 |
| | – Basic headline earnings | 969.6 | 1 023.2 |
| | – Diluted headline earnings | 968.7 | 1 007.4 |
| | | | |
| 10 | **Dividends per share** | Cents | Cents |
| 10.1 | **Dividends per share paid** | | |
| | No 137 paid 11 September 2017 (2017: No 135 paid 12 September 2016) | 324.0 | 296.0 |
| | No 138 paid 19 March 2018 (2017: No 136 paid 20 March 2017) | 205.0 | 180.0 |
| | | 529.0 | 476.0 |
| | | | |
| 10.2 | **Dividends per share declared** | | |
| | No 139 payable 10 September 2018 (2017: No 137 paid 11 September 2017) | 279.0 | 324.0 |

# Selected explanatory notes to the summary consolidated financial statements (continued)

Shoprite Holdings Ltd and its subsidiaries for the year ended 1 July 2018

| | | 2018 Rm | 2017 Rm |
|---|---|---|---|
| **11** | **Cash flow information** | | |
| **11.1** | **Non-cash items** | | |
| | Depreciation of property, plant and equipment | 2 518 | 2 146 |
| | Amortisation of intangible assets | 364 | 311 |
| | Net fair value losses/(gains) on financial instruments | 2 | (33) |
| | Net monetary gain | (653) | — |
| | Exchange rate losses | 251 | 236 |
| | Profit on disposal of assets held for sale | (20) | — |
| | Loss on disposal and scrapping of plant and equipment and intangible assets | 108 | 79 |
| | Impairment of property, plant and equipment | 49 | 19 |
| | Impairment of intangible assets | 51 | 70 |
| | Loss on disposal of investment in joint venture | 80 | — |
| | Movement in provisions | (15) | (52) |
| | Movement in cash-settled share-based payment accrual | 21 | 11 |
| | Movement in share-based payment reserve | 64 | 139 |
| | Movement in fixed escalation operating lease accruals | 99 | 163 |
| | | 2 919 | 3 089 |
| **11.2** | **Changes in working capital** | | |
| | Inventories | (880) | (3 237) |
| | Trade and other receivables | (14) | (164) |
| | Trade and other payables | 3 580 | 1 123 |
| | | 2 686 | (2 278) |

## 12 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 and loans to associates and joint ventures. For further information, refer to the audited annual financial statements.

In the prior year, Dr Basson notified the Company of the exercise of his put option. This specific repurchase of 8 683 327 Shoprite Holdings Ltd shares at R201.07 per share was approved by shareholders at an extraordinary general meeting held on 5 September 2017, where after the shares were repurchased by the Company and cancelled with effect from 15 September 2017.

## 13 Supplementary information

| | 2018 Rm | 2017 Rm |
|---|---|---|
| Net asset value per share (cents) | 4 937 | 4 905 |
| Contracted capital commitments | 1 621 | 1 807 |
| Contingent liabilities | 356 | 85 |

Contingent liabilities consist mainly of outstanding legal matters including a judgment in Nigeria that has gone on appeal as well as possible tax exposures that the Group has submitted objections to.

# Annexure A – Interests in subsidiaries

Shoprite Holdings Ltd and its Subsidiaries as at 1 July 2018

| | Country of incorporation and place of business | Issued ordinary and preference share capital and premium Rm | Percentage shares held by Group % | Investment in shares 2018 Rm | Investment in shares 2017 Rm | Amount owing by 2018 Rm | Amount owing by 2017 Rm |
|---|---|---|---|---|---|---|---|
| **Direct subsidiaries** | | | | | | | |
| Shoprite Checkers (Pty) Ltd | South Africa | 1 129 | 100 | 174 | 174 | 3 262 | 1 748 |
| Shoprite DTMC (Pty) Ltd | South Africa* | 424 | 100 | 424 | — | — | — |
| Shoprite Investments Ltd | South Africa | 400 | 100 | 400 | 400 | 779 | 3 819 |
| Shoprite International Ltd | Mauritius* | 7 856 | 100 | 7 856 | 7 315 | 57 | 9 |
| Shoprite Insurance Company Ltd | South Africa | 20 | 100 | 20 | 20 | — | — |
| | | | | 8 874 | 7 909 | 4 098 | 5 576 |
| **Indirect subsidiaries** | | | | | | | |
| 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* | 149 | 100 | | | | |
| Retail Holdings Botswana (Pty) Ltd | Botswana* | 165 | 100 | | | | |
| Retail Supermarkets Nigeria Ltd | Nigeria* | 1 046 | 100 | | | | |
| Sentra Namibia Ltd | Namibia* | 6 | 100 | | | | |
| Shophold (Mauritius) Ltd | Mauritius* | 189 | 100 | | | | |
| Shoprite (Mauritius) Ltd | Mauritius* | 266 | 100 | | | | |
| Shoprite Angola Imobiliaria Lda | Angola* | 1 289 | 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* | 215 | 100 | | | | |
| Shoprite Namibia (Pty) Ltd | Namibia* | — | 100 | | | | |
| Shoprite RDC SPRL | DRC* | 82 | 100 | | | | |
| Shoprite Supermercados Lda | Angola* | 228 | 100 | | | | |
| Shoprite Trading Ltd | Malawi* | 127 | 100 | | | | |

* Investments in subsidiaries with functional currencies other than South African rands are converted at historical exchange rates.

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

## Significant restrictions

Local currency cash and short-term deposits of R1.4 billion (2017: R2.3 billion) are held in Angola (2017: 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. These balances held by the respective subsidiaries are not available for general use by the holding company or other subsidiaries in the Group.

**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 1 July 2018

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 91 of the Integrated Report.

## Impact of the Group's pro forma constant currency disclosure

The Group discloses unaudited constant currency information to indicate the Group's Supermarkets Non-RSA operating segment 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.
In addition, in respect of Angola, the constant currency information has been prepared excluding the impact of hyperinflation. For the year ended 1 July 2018, the economy of Angola was assessed to be hyperinflationary. Hyperinflation accounting was applied with effect from 3 July 2017.

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.

| % Change in turnover on prior period 52 weeks | Reported Currency | Constant Currency |
|---|---|---|
| Angola kwanza | (26.1) | (9.3) |
| Nigeria naira | (1.9) | 4.0 |
| Zambia kwacha | 3.1 | 8.8 |
| Mozambique metical | 21.9 | 12.3 |
| Total Supermarkets Non-RSA | (7.0) | 1.2 |

## 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. In addition, in respect of Angola, the like-for-like sales have been prepared excluding the impact of hyperinflation.

| References were made to the following subtotals of sale of merchandise | Change in Like-for-like % | 52 weeks to 1 July 2018 Audited Rm | 52 weeks to 1 July 2018 Like-for-like Rm | 52 weeks to 2 July 2017 Audited Rm | 52 weeks to 2 July 2017 Like-for-like Rm |
|---|---|---|---|---|---|
| Total | (0.1) | 146 083 | 137 159 | 141 000 | 137 259 |
| Supermarkets RSA | 1.9 | 107 547 | 102 619 | 101 734 | 100 699 |
| Supermarkets Non-RSA | (12.0) | 23 106 | 21 496 | 24 840 | 24 439 |

## Impact of Angola hyperinflation adjustment

For the year ended 1 July 2018, the economy of Angola was assessed to be hyperinflationary. As a result, the Group accounted for the results of its Angolan operations on a hyperinflationary basis in accordance with IAS 29: Financial Reporting in Hyperinflationary Economies (IAS 29) with effect from 3 July 2017.

It is therefore useful and good governance to report pro forma information for the current year under review which excludes the impact of hyperinflation.
It will also facilitate comparisons against the prior period's results which were prepared before the application of hyperinflation accounting.

The pro forma information was calculated through applying all the accounting policies adopted by the Group in the latest audited annual financial statements except for the hyperinflationary standard IAS 29.

The financial impact of hyperinflation on the current period's results is shown in the format of a pro forma statement of financial position and a pro forma statement of comprehensive income.

## Pro forma statement of financial position

| | Including Hyperinflation Audited 2018 Rm | Hyperinflation Adjustment 2018 Rm | Excluding Hyperinflation Pro Forma 2018 Rm | Excluding Hyperinflation Audited 2017 Rm |
|---|---|---|---|---|
| **Assets** | | | | |
| **Non-current assets** | 29 352 | 2 253 | 27 099 | 24 572 |
| Property, plant and equipment | 21 218 | 2 140 | 19 078 | 18 407 |
| Equity accounted investments | — | — | — | 27 |
| Held-to-maturity investments | 2 090 | — | 2 090 | 1 311 |
| Loans and receivables | 1 318 | — | 1 318 | 1 110 |
| Deferred income tax assets | 876 | (359) | 1 235 | 859 |
| Intangible assets | 2 994 | 1 | 2 993 | 2 355 |
| Trade and other receivables | 856 | 471 | 385 | 503 |
| **Current assets** | 32 306 | 50 | 32 256 | 31 032 |
| Inventories | 17 959 | 60 | 17 899 | 17 794 |
| Trade and other receivables | 4 931 | (10) | 4 941 | 5 105 |
| Derivative financial instruments | — | — | — | 1 |
| Current income tax assets | 120 | — | 120 | 154 |
| Held-to-maturity investments | 1 600 | — | 1 600 | — |
| Loans and receivables | 231 | — | 231 | 211 |
| Cash and cash equivalents | 7 465 | — | 7 465 | 7 767 |
| **Assets held for sale** | 184 | — | 184 | 119 |
| **Total assets** | 61 842 | 2 303 | 59 539 | 55 723 |
| **Equity** | | | | |
| **Capital and reserves attributable to owners of the parent** | | | | |
| Share capital | — | — | — | 681 |
| Share premium | — | — | — | 8 585 |
| Stated capital | 7 516 | — | 7 516 | — |
| Treasury shares | (554) | — | (554) | (446) |
| Reserves | 20 424 | 1 692 | 18 732 | 18 838 |
| | 27 386 | 1 692 | 25 694 | 27 658 |
| **Non-controlling interest** | 91 | — | 91 | 91 |
| **Total equity** | 27 477 | 1 692 | 25 785 | 27 749 |
| **Liabilities** | | | | |
| **Non-current liabilities** | 3 567 | 611 | 2 956 | 1 492 |
| Borrowings | 1 371 | — | 1 371 | — |
| Deferred income tax liabilities | 697 | 611 | 86 | 96 |
| Provisions | 264 | — | 264 | 232 |
| Fixed escalation operating lease accruals | 1 235 | — | 1 235 | 1 164 |
| **Current liabilities** | 30 798 | — | 30 798 | 26 482 |
| Trade and other payables | 20 621 | — | 20 621 | 17 414 |
| Borrowings | 5 606 | — | 5 606 | 3 274 |
| Current income tax liabilities | 481 | — | 481 | 582 |
| Provisions | 95 | — | 95 | 154 |
| Bank overdrafts | 3 995 | — | 3 995 | 5 058 |
| **Total liabilities** | 34 365 | 611 | 33 754 | 27 974 |
| **Total equity and liabilities** | 61 842 | 2 303 | 59 539 | 55 723 |

# Pro forma financial information (continued)

Shoprite Holdings Ltd and its subsidiaries for the year ended 1 July 2018

## Pro forma statement of comprehensive income

| | 52 Weeks Including Hyperinflation Audited 2018 Rm | 52 Weeks Hyperinflation Adjustment 2018 Rm | 52 Weeks Excluding Hyperinflation Pro Forma 2018 Rm | 52 Weeks Excluding Hyperinflation Audited 2017 Rm |
|---|---|---|---|---|
| Sale of merchandise | 145 306 | (777) | 146 083 | 141 000 |
| Cost of sales | (110 580) | 430 | (111 010) | (107 174) |
| **Gross profit** | 34 726 | (347) | 35 073 | 33 826 |
| Other operating income | 2 779 | (39) | 2 818 | 2 615 |
| Depreciation and amortisation | (2 530) | (82) | (2 448) | (2 176) |
| Operating leases | (4 272) | (3) | (4 269) | (3 819) |
| Employee benefits | (10 851) | 50 | (10 901) | (10 498) |
| Other operating expenses | (12 494) | 84 | (12 578) | (11 821) |
| Net monetary gain | 653 | 653 | — | — |
| **Trading profit** | 8 011 | 316 | 7 695 | 8 127 |
| Exchange rate losses | (251) | 39 | (290) | (236) |
| Items of a capital nature | (246) | — | (246) | (166) |
| **Operating profit** | 7 514 | 355 | 7 159 | 7 725 |
| Interest received | 215 | — | 215 | 226 |
| Finance costs | (422) | (1) | (421) | (340) |
| Share of profit of equity accounted investments | 27 | — | 27 | 4 |
| **Profit before income tax** | 7 334 | 354 | 6 980 | 7 615 |
| Income tax expense | (2 121) | (176) | (1 945) | (2 180) |
| **Profit for the year** | 5 213 | 178 | 5 035 | 5 435 |
| | | | | |
| **Other comprehensive income, net of income tax** | (689) | — | (689) | (933) |
| Items that will not be reclassified to profit or loss | | | | |
| Re-measurements of post-employment medical benefit obligations | 2 | — | 2 | 3 |
| Items that may subsequently be reclassified to profit or loss | | | | |
| Foreign currency translation differences including hyperinflation effect | (678) | — | (678) | (822) |
| Share of foreign currency translation differences of equity accounted investments | (2) | — | (2) | (103) |
| Gains/(losses) on effective cash flow hedge | (11) | — | (11) | (11) |
| For the year | 3 | — | 3 | (11) |
| Reclassified to profit for the year | (14) | — | (14) | — |
| | | | | |
| **Total comprehensive income for the year** | 4 524 | 178 | 4 346 | 4 502 |
| | | | | |
| **Profit attributable to:** | | | | |
| Owners of the parent | 5 201 | 178 | 5 023 | 5 428 |
| Non-controlling interest | 12 | — | 12 | 7 |
| | 5 213 | 178 | 5 035 | 5 435 |
| | | | | |
| **Total comprehensive income attributable to:** | | | | |
| Owners of the parent | 4 512 | 178 | 4 334 | 4 495 |
| Non-controlling interest | 12 | — | 12 | 7 |
| | 4 524 | 178 | 4 346 | 4 502 |
| | | | | |
| Basic earnings per share (cents) | 934.3 | 32.0 | 902.3 | 999.8 |
| Diluted earnings per share (cents) | 933.4 | 31.9 | 901.5 | 984.8 |
| Basic headline earnings per share (cents) | 969.6 | 32.2 | 937.4 | 1 023.2 |
| Diluted headline earnings per share (cents) | 968.7 | 32.1 | 936.6 | 1 007.4 |

## Report on the assurance engagement on the compilation of pro forma financial information included in the Shoprite Holdings Limited Integrated Report 2018

To the directors of Shoprite Holdings Limited

We have completed our assurance engagement to report on the compilation of the pro forma financial information of Shoprite Holdings Limited and its subsidiaries (the "Group") by the directors. The pro forma financial information, as set out on pages 88 to 90 of the Shoprite Holdings Limited Integrated Report 2018, consists of the impact of the Group's pro forma constant currency disclosure, like-for-like comparisons and the impact of Angola hyperinflation adjustment for the year ended 1 July 2018. The applicable criteria on the basis of which the directors have compiled the pro forma financial information are specified in the JSE Limited (JSE) Listings Requirements and described in the pro forma financial information section of the Shoprite Holdings Limited Integrated Report 2018 for the year ended 1 July 2018 (the "2018 Integrated Report").

The pro forma financial information has been compiled by the directors to illustrate revenue growth in constant foreign exchange rates as compared to the prior financial year, 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 excluding new stores and stores closed during the current year) and the impact of hyperinflation on the consolidated statement of financial position and statement of comprehensive income. As part of this process, information about the Group's consolidated financial position and financial performance has been extracted by the directors from the Group's consolidated financial statements for the year ended 1 July 2018, on which an audit report has been published.

### Directors' responsibility

The directors of the Company are responsible for compiling the pro forma financial information on the basis of the applicable criteria specified in the JSE Listings Requirements and described in the pro forma financial information section of the 2018 Integrated Report.

### 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 financial information section of the 2018 Integrated Report 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 issued by the International Auditing and Assurance Standards Board. This standard requires that we plan and perform our procedures to obtain reasonable assurance about whether the pro forma financial information has been compiled, in all material respects, on the basis specified in the JSE Listings Requirements.

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.

The purpose of pro forma financial information is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, 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.

The procedures selected depend on our judgment, having regard to our understanding of the nature of the Group, the event or transaction 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 pro forma financial information section of the Integrated Report.

PricewaterhouseCoopers Inc.

**PricewaterhouseCoopers Inc.**
**Director: MC Hamman**
**Registered Auditor**

Cape Town
20 August 2018

# Shareholder analysis

Shoprite Holdings Ltd as at 1 July 2018

| Shareholder spread | No of shareholdings | % | No of shares | % |
|---|---|---|---|---|
| 1 – 1 000 shares | 26 719 | 81.72 | 6 884 860 | 1.16 |
| 1 001 – 10 000 shares | 4 597 | 14.06 | 12 893 544 | 2.18 |
| 10 001 – 100 000 shares | 1 023 | 3.13 | 34 661 489 | 5.86 |
| 100 001 – 1000 000 shares | 268 | 0.82 | 79 150 069 | 13.38 |
| Over 1 000 001 shares | 88 | 0.27 | 457 748 540 | 77.42 |
| **Totals** | **32 695** | **100.00** | **591 338 502** | **100.00** |

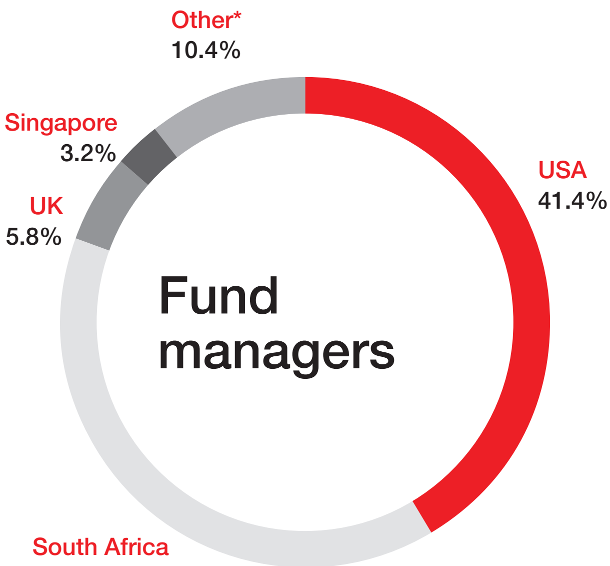
| Distribution of shareholders | No of shareholdings | % | No of shares | % |
|---|---|---|---|---|
| Banks/brokers | 325 | 0.99 | 273 331 822 | 46.22 |
| Close corporations | 229 | 0.70 | 948 766 | 0.16 |
| Endowment funds | 189 | 0.58 | 1 424 434 | 0.24 |
| Individuals | 25 422 | 77.76 | 18 635 539 | 3.15 |
| Insurance companies | 126 | 0.39 | 17 214 447 | 2.91 |
| Investment companies | 11 | 0.03 | 1 914 934 | 0.32 |
| Medical aid schemes | 40 | 0.12 | 731 846 | 0.12 |
| Mutual funds | 542 | 1.66 | 36 310 924 | 6.14 |
| Other corporations | 178 | 0.54 | 179 345 | 0.03 |
| Private companies | 773 | 2.36 | 74 484 808 | 12.60 |
| Public companies | 15 | 0.05 | 861 777 | 0.15 |
| Retirement funds | 519 | 1.59 | 101 085 663 | 17.09 |
| Treasury shares | 3 | 0.01 | 35 436 572 | 5.99 |
| Trusts | 4 323 | 13.22 | 28 777 625 | 4.87 |
| **Totals** | **32 695** | **100.00** | **591 338 502** | **100.00** |

| Public/non-public shareholders | No of shareholdings | % | No of shares | % |
|---|---|---|---|---|
| **Non-public shareholders** | **53** | **0.16** | **120 656 279** | **20.40** |
| Directors of the company | 50 | 0.15 | 85 219 707 | 14.41 |
| Treasury shares | 3 | 0.01 | 35 436 572 | 5.99 |
| **Public shareholders** | **32 642** | **99.84** | **470 682 223** | **79.60** |
| **Totals** | **32 695** | **100.00** | **591 338 502** | **100.00** |

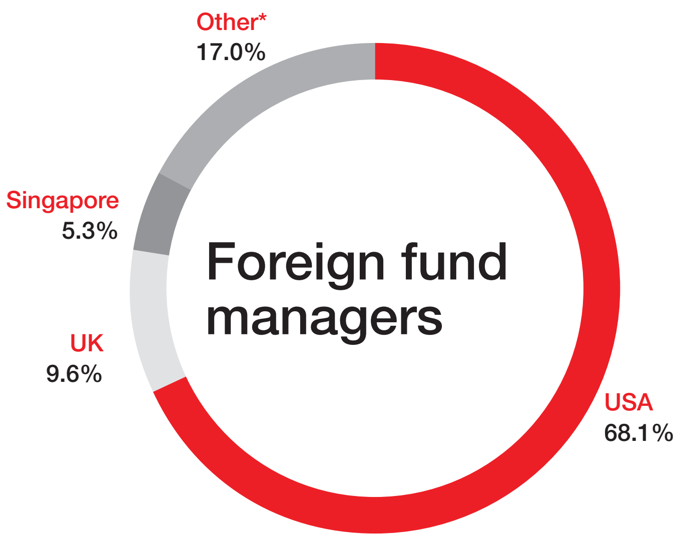
| Beneficial shareholders holding 1% or more | No of shares | % |
|---|---|---|
| Wiese, CH | 82 232 795 | 13.91 |
| Government Employees Pension Fund | 67 451 687 | 11.41 |
| Shoprite Checkers (Pty) Ltd | 35 436 572 | 5.99 |
| Capital Group | 22 773 782 | 3.85 |
| Oppenheimer Funds | 19 661 768 | 3.32 |
| T Rowe Price | 18 541 741 | 3.14 |
| Lazard | 18 333 320 | 3.10 |
| Vanguard | 15 420 392 | 2.61 |
| BlackRock | 14 691 771 | 2.48 |
| GIC Private Limited | 12 923 220 | 2.19 |
| Le Roux, JF | 8 861 281 | 1.50 |
| Government Pension Fund – Norway | 6 802 615 | 1.15 |
| Absa | 6 624 697 | 1.12 |
| Old Mutual | 6 095 611 | 1.03 |
| Liberty Group | 6 028 377 | 1.02 |
| **Totals** | **341 879 629** | **57.81** |

# Shareholders

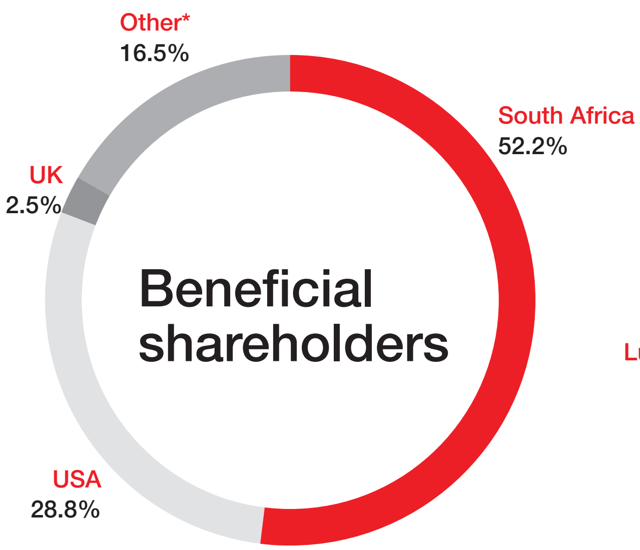
Country classification



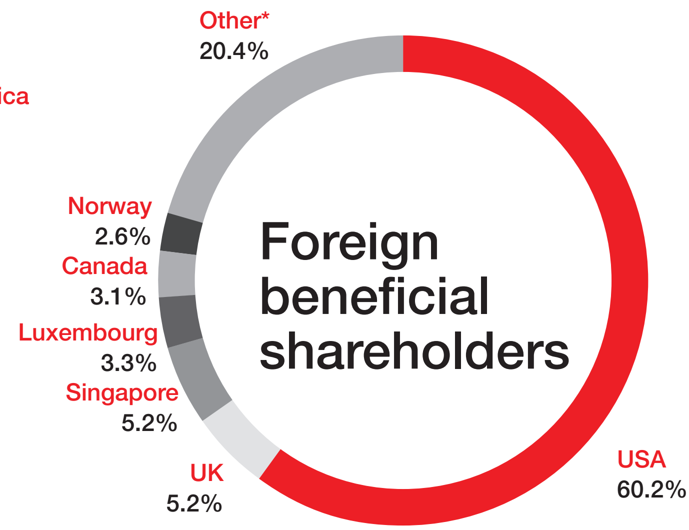

*Other: Luxembourg, Canada, UAE, Japan, Namibia, Australia, China, Germany, Switzerland, Netherlands, France, Sweden, Ireland, Denmark, Norway, Belgium, South Korea, SA, Austria, Malta, Italy, Mauritius, Hong Kong, Channel Islands, Finland, Slovenia




*Other: Luxembourg, Canada, UAE, Japan, Namibia, Australia, China, Germany, Switzerland, Netherlands, France, Sweden, Ireland, Denmark, Norway, Belgium, South Korea, SA, Austria, Malta, Italy, Mauritius, Hong Kong, Channel Islands, Finland, Slovenia




*Other: Singapore, Luxembourg, Canada, Norway, Namibia, Ireland, Japan, UAE, Unidentified, China, Australia, Germany, Switzerland, Netherlands, South Korea, Denmark, Sweden, France, Kuwait, Cayman Islands, Saudi Arabia, Zambia, Belgium, Thailand, Lesotho, Austria, Taiwan




*Other: Namibia, Ireland, Japan, UAE, Unidentified, China, Australia, Germany, Switzerland, Netherlands, South Korea, Denmark, Sweden, France, Kuwait, Cayman Islands, Saudi Arabia, Zambia, Belgium, Thailand, Lesotho, Austria, Taiwan, Malta

# Notice to Shoprite Holdings shareholders: Annual General Meeting

Shoprite Holdings Ltd and its subsidiaries for the year ended 1 July 2018

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 Annual General Meeting ("AGM") of Shoprite Holdings will be held at the Company's registered office, corner William Dabbs Street and Old Paarl Road, Brackenfell, South Africa on Monday, 29 October 2018 at 09:15 (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 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; |
| "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; |
| "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 Share" | a Deferred Share as defined 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; |
| "Annual General Meeting of Shoprite Holdings Shareholders" or "AGM" | the annual general meeting of Shoprite Holdings Shareholders to be held at the Company's registered office, corner William Dabbs Street and Old Paarl Road, Brackenfell, South Africa on Monday, 29 October 2018 at 09:15 (South African time), to consider and, if deemed appropriate, approve the ordinary and special resolutions as set out in the Notice of AGM; |
| "JSE" | 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; |
| "MOI" | the memorandum of incorporation of Shoprite Holdings; |
| "Notice of Annual General Meeting of Shoprite Holdings Shareholders" or "Notice of AGM" | the notice convening the Annual General Meeting of Shoprite Holdings Shareholders; |
| "Ordinary Share" | an Ordinary Share as defined in the MOI; |
| "Ordinary Shareholders" | the holders of Ordinary Shares; |
| "Shareholder(s)" or "Shoprite Holdings Shareholder(s)" | registered holder(s) of Shoprite Holdings Shares; |
| "Shoprite Holdings Shares" | issued Ordinary Shares and Deferred Shares; |
| "Special Resolution(s)" | a Special Resolution as defined in the Companies Act; |
| "Strate" | 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 |
| "Transfer Secretaries" or "Computershare" | 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 09:15 (South African time) on Friday, 26 October 2018. 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:

**The Company Secretary**
Cnr William Dabbs Street and Old Paarl Road
PO Box 215, Brackenfell, 7560 South Africa
Facsimile: +27 (0) 21 980 4468
E-mail address: cosec@shoprite.co.za; or

**South African Transfer Secretaries**
Computershare Investor Services (Pty) Ltd
Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196
PO Box 61051, Marshalltown, 2107
Facsimile: +27 (0) 11 688 5238

3.3 If you are a beneficial Shareholder, but not a registered Shareholder as at the Record Date and:

- wish to attend the AGM, you must obtain the necessary letter of representation from your CSDP or broker to represent the registered Shareholder; or
- do not wish to attend the AGM, but would like your vote to be recorded at the AGM, you should contact your CSDP or broker and furnish them with your voting instructions;
- 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, 14 September 2018.

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, 19 October 2018 ("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 satisfactorily 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 1 July 2018 and the reports of the Directors and independent auditors are delivered herewith.

## 5. Purpose of meeting

The purpose of the AGM is to:

- present the audited financial statements for the year ended 1 July 2018, 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)

Shoprite Holdings Ltd and its subsidiaries for the year ended 1 July 2018

## 6. The following resolutions will be considered at the AGM, 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 1 July 2018, 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 1 July 2019) 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 Mr JF Basson

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

Age: 66
First Appointed: 2014
Educational qualifications: BCom (cum Laude) CTA CA(SA)
Directorship: Member of the board of various unlisted companies

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 JJ Fouché

"Resolved that Mr JJ Fouché, 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: 70
First Appointed: 1991
Re-appointed: 2012
Educational qualifications: BCom LLB
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 Dr ATM Mokgokong

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

Age: 61
First appointed: 1991
Educational qualifications: MB ChB D Com (hc); BSc; MBCHB; Doc Honoris Causa Commerce
Other Directorships: Executive Chairperson of Community Investment Holdings (Pty) Ltd; non-executive Chairperson of Rebosis Property Fund Ltd, Jasco Electronics Ltd and Afrocentric Investment Corporation Ltd; Non-executive Director of Adcock Ingram; Non-Executive chair of Seriti Coal; holds directorships in various other public/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 JA Rock

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

Age: 48
First appointed: 2012
Educational qualifications: BA Hons MA ACA AMP (Insead)
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: Re-election of Ms S Zinn

"Resolved that Ms S Zinn who was appointed as a director by the Board on 31 August 2018 and is required to retire as a director of the Company at this AGM and who is eligible for re-election and available, is hereby reappointed as director with immediate effect."

Age: 57
First appointed: 2018
Educational qualifications: BA; B.Ed Honours; M.Ed, EdM (Harvard) and PhD
Education (Harvard)
Other Directorships: AdvTech, Sygnia Asset Management and MTN South Africa.

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 JF Basson as Chairperson and member of the Shoprite Holdings Audit and Risk Committee

"Subject to his re-election as director, it is resolved that Mr JF Basson be elected as Chairperson and member of the Shoprite Holdings Audit and Risk Committee with immediate effect in terms of section 94(2) of the Companies Act."

Age: 66
First appointed to Audit and Risk Committee: 2014
Educational qualifications: BCom (cum Laude) CTA CA(SA)
Other Directorships: Member of the board of various unlisted 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

"Subject to his re-election as director, it is resolved that Mr JJ Fouché be elected as member of the Shoprite Holdings Audit and Risk Committee with immediate effect in terms of section 94(2) of the Companies Act."

Age: 70
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

"Subject to his re-election as director, it is resolved that Mr JA Rock be elected as member of the Shoprite Holdings Audit and Risk Committee with immediate effect in terms of section 94(2) of the Companies Act."

Age: 48
First Appointed to Audit and Risk Committee: 2014
Educational qualifications: BA Hons MA ACA AMP (Insead)
Other Directorships: None

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.

# Notice to Shoprite Holdings shareholders: Annual General Meeting (continued)

Shoprite Holdings Ltd and its subsidiaries for the year ended 1 July 2018

### 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 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 Ordinary 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.

### 6.12 Ordinary Resolution number 12: General authority to issue ordinary shares for cash

"Resolved that the Directors of the Company be and are hereby authorised by way of a general authority, to issue all or any of the authorised, but unissued Ordinary Shares in the capital of the Company, for cash, as and when they in their discretion deem fit, subject to the provisions and requirements of the Companies Act, the MOI of the Company, the JSE Listings Requirements and any other exchange on which the shares of the Company may be quoted from time to time, when applicable, subject to the following limitations, namely that:

- the equity securities which are the subject of the issue for cash must be of a class already in issue, or where this is not the case, must be limited to such securities or rights that are convertible into a class already in issue;
- any such issue will only be made to "public Shareholders" as defined in the JSE Listings Requirements and not related parties, unless the JSE otherwise agrees, but may be made to such "public Shareholders" and in such quantities that the Directors in their discretion may deem fit;
- the number of Ordinary Shares issued for cash shall not in the aggregate in any one (1) financial year, exceed 5% (five percent) of the Company's issued Ordinary Shares, being 27 733 942 Ordinary Shares, (excluding 36 659 642 treasury shares). The number of Ordinary Shares which may be issued shall be based on the number of Ordinary Shares in issue at the date of this notice of AGM, less any Ordinary Shares issued in terms of this authority by the Company during the current financial year;
- in the event of a sub-division or consolidation of issued Ordinary Shares, during the period of this authority, the authority will be adjusted accordingly to represent the same allocation ratio;
- this authority be valid until the Company's next annual general meeting, provided that it shall not extend beyond fifteen (15) months from the date that this authority is given;
- a paid press announcement will be published giving full details, at the time of any issue representing on a cumulative basis within one (1) financial year, 5% (five percent) or more of the number of Ordinary Shares in issue prior to the issue in terms of this authority;
- in determining the price at which an issue of Ordinary Shares may be made in terms of this authority, the maximum discount permitted will be 10% (ten percent) of the weighted average traded price on the JSE of those Ordinary Shares measured over the 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 is hereby authorised to do all things, perform all acts and to sign and execute all documentation necessary to implement the ordinary and Special Resolutions adopted at the AGM."

For ordinary resolution number 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 separate non-binding advisory votes, the Company's:

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 60 to 65 is approved"; and

14.2 implementation report as set out in the remuneration report in the Integrated Report from pages 66 to 67 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 AGM.

## 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 2017 – 31 October 2018 be approved as follows:

| Shoprite Holdings Board And Committee Fees | 2017/18 | 2016/17 |
|---|---|---|
| **Board** | | |
| Chairman of the Board | R598 000 | R397 000 |
| Lead Independent Director | R466 000 | R245 000 |
| Non-Executive Director | R424 000 | R234 000 |
| **Audit and Risk committee** | | |
| Chairman | R301 000 | R279 000 |
| Member | R152 000 | R141 000 |
| **Remuneration committee** | | |
| Chairman | R78 500 | R72 500 |
| Member | R47 000 | R43 500 |
| **Nomination committee** | | |
| Chairman | R78 500 | R72 000 |
| Member | R47 000 | R43 500 |
| **Social and Ethics committee** | | |
| Chairman | R102 000 | R94 500 |
| Member | R47 000 | N/a |

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 2018.

## 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 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 or the deferment of any payment due by;
- guarantee of any obligation of;
- suretyship in respect any obligation of;
- indemnity undertakings in respect of obligations of;
- the securing (in any form) of any debt or obligations of; or
- payments to or for the benefit of.

such a person or company or corporation, director, prescribed officer or member which the Board may deem fit on the terms and conditions and for amounts that the Board may determine.

For Special Resolution number 2 to be approved by Shareholders it must be supported by at least 75% of the voting rights exercised on the resolution by Shareholders present or represented by proxy at this meeting.

# Notice to Shoprite Holdings shareholders: Annual General Meeting (continued)

Shoprite Holdings Ltd and its subsidiaries for the year ended 1 July 2018

### 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 Participant's investment in this regard. A Participant's investment in the shares will be financed by utilising his own funds or by way of a loan from the Company or the subsidiary employer. Loans could also be made in terms of the Plan to provide financial assistance in respect of the acquisition of shares in terms of the Plan. Loans to Participants are interpreted as financial assistance for the subscription of or purchase of securities in terms of section 44 of the Companies Act. Financial assistance by the Company (should it be granted) may fall within the exemption in section 44(3)(a)(i) of the Companies Act, which will mean that the Company may provide that financial assistance without the approval of a Special Resolution. However, to ensure that the Board is properly authorised to provide such financial assistance in cases where that exemption does not apply, this Special Resolution is required.

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

### 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 48 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

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

After having considered the effect of the repurchase of Ordinary Shares pursuant to this general authority, the Directors in terms of the relevant provisions of the Companies Act and the JSE 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 30 October 2017, is due to expire, unless renewed.

The Directors are of the opinion that it would be in the best interest of the Company to extend such general authority.

The proposed general authority would enable the Company or any subsidiary of the Company to repurchase up to a maximum of 29 566 925 (twenty nine million five hundred and sixty six thousand nine hundred and twenty five) Ordinary Shares of the Company, representing 5% (five percent) of the issued Ordinary Share capital of the Company as at 1 July 2018.

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 92
- share capital of Company page 82

### Material Change

Other than the facts and developments as referred to on page 72 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 28 to 29 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)

Shoprite Holdings Ltd and its subsidiaries for the year ended 1 July 2018

## 7. Transaction of other business

For Shoprite Holdings Limited

**PG du Preez**
**Company Secretary**

25 September 2018

**The Company Secretary**
Cnr William Dabbs Street and Old Paarl Road
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

# 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 corner William Dabbs Street and Old Paarl Road, Brackenfell, South Africa at 09:15 (South African time) on Monday, 29 October 2018 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 09:15 on Monday, 29 October 2018 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 Mr JF Basson | | | |
| **Ordinary Resolution number 4:** Re-election of Mr JJ Fouché | | | |
| **Ordinary Resolution number 5:** Re-election of Dr ATM Mokgokong | | | |
| **Ordinary Resolution number 6:** Re-election of Mr JA Rock | | | |
| **Ordinary Resolution number 7:** Re-election of Ms S Zinn | | | |
| **Ordinary Resolution number 8:** Appointment of Mr JF Basson as Chairperson and 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 ordinary 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 of Shoprite Holdings: | | | |
| **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 | | | |

*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) . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . 2018

. . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . .
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 Dabbs 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 Dabbs 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

### South Africa
Computershare Investor Services (Pty) Ltd
PO Box 61051, Marshalltown, 2107, South Africa
Telephone: +27 (0)11 370 5000
Facsimile: +27 (0)11 688 5238
Email: Web.Queries@Computershare.co.za
Website: www.computershare.com

### Namibia
Transfer Secretaries (Pty) Ltd
PO Box 2401, Windhoek, Namibia
Telephone: +264 (0)61 227 647
Email: ts@nsx.com.na

### Zambia
ShareTrack Zambia
Spectrum House, Stand 10 Jesmondine
Great East Road, Lusaka, Zambia,
PO Box 37283, Lusaka, Zambia
Telephone: +260 (0)211 374 791 – 374 794
Facsimile: +260 (0)211 374 781
Email: sharetrack@scs.co.zm
Website: www.sharetrackzambia.com

## Sponsors

### South Africa
Nedbank Corporate and Investment Banking
PO Box 1144, Johannesburg, 2000, South Africa
Telephone: +27 (0)11 295 8525
Facsimile: +27 (0)11 294 8525
Email: doristh@nedbank.co.za
Website: www.nedbank.co.za

### Namibia
Old Mutual Investment Services (Namibia) (Pty) Ltd
PO Box 25549, Windhoek, Namibia
Telephone: +264 (0)61 299 3347,
Facsimile: +264 (0)61 299 3500
Email: NAM-OMInvestmentServices@oldmutual.com

### Zambia
Pangaea Securities Ltd
1st Floor, Pangaea Office Park, Great East Road, Lusaka, Zambia
PO Box 30163, Lusaka 10101, Zambia
Telephone: +260 (0)211 220 707/238 709/10
Facsimile: +260 (0)211 220 925
Email: info@pangaea.co.zm
Website: www.pangaea.co.zm

## Auditors
PricewaterhouseCoopers Incorporated
PO Box 2799, Cape Town, 8000, South Africa
Telephone: +27 (0)21 529 2000
Facsimile: +27 (0)21 529 3300
Website: www.pwc.com/za

## Bankers
ABSA Bank Ltd
Citibank N.A.
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 | August | September | October | December | February | March |
|---|---|---|---|---|---|---|
| Financial year-end | Audited results | Publishing of Integrated Report<br><br>Payment of final ordinary dividend | Annual General Meeting | End of financial half-year | Interim results | Payment of interim ordinary dividend |

**Cover design:** ninety9cents
**Integrated report design and layout:** Fresh Identity
**Printing:** Hansa Digital and Litho Printing

We love our planet so this report is printed on
responsibly-sourced paper from well-managed forests.
**It is 100% recyclable.**

SHOPRITE HOLDINGS LTD

www.shopriteholdings.co.za