

THE LARGEST SUPERMARKET RETAILER ON THE AFRICAN CONTINENT

INTEGRATED ANNUAL REPORT

**SHOPRITE**   
HOLDINGS LTD

2021

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## WEB REFERENCE

Click to link to external information on the Shoprite Holdings website



Website

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GRI



King IV

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**OPERATING ENVIRONMENT | continued**

Retail environment	Digitisation	Innovation	Diversifying revenue streams
<p>Emerging technologies and shifts in consumer expectations are dramatically changing the retail landscape, with systems applied to all parts of the value chain driving efficiencies and precision retailing. Economic, social and environmental aspects are also challenging continuity of supply chains. Communication is more direct and immediate, with customers wanting more convenience across a spectrum of products and services. Retailers must, therefore, innovate to enhance the customer experience across both physical and digital interactions.</p> <p><b>Indicators</b></p> <ul style="list-style-type: none"> <li>The COVID-19 pandemic has changed online shopping behaviour, according to a UNCTAD survey of about 3 700 consumers in nine emerging and developed economies. Following the pandemic, more than half of the survey's respondents now shop online more frequently and rely on the internet more for news, health-related information and digital entertainment. Consumers in emerging economies have made the greatest shift to online shopping.<sup>6</sup></li> <li>Shopping behaviour has changed as a result of the COVID-19 pandemic. Online shopping grew exponentially as consumers have become omni-channel shoppers, shopping both online and in-store.</li> </ul> <p><b>Addressing material matters:</b></p> <ul style="list-style-type: none"> <li>#6 MATERIAL MATTER Strategy, trade environment and growth</li> <li>#1 MATERIAL MATTER Information and technology management</li> <li>#7 MATERIAL MATTER Customer centricity</li> </ul> <p><b>Case studies:</b></p> <ul style="list-style-type: none"> <li>Checkers Sixty60, page 67</li> <li>Xtra Savings, page 71</li> </ul> <p><small><sup>6</sup> <a href="https://unctad.org/news/covid-19-has-changed-online-shopping-forever-survey-shows">https://unctad.org/news/covid-19-has-changed-online-shopping-forever-survey-shows</a></small></p> <p><small><sup>7</sup> <a href="https://www.businessinsider.co.za/half-of-sa-could-be-shopping-online-by-2024-if-data-costs-and-deliveries-improve-2020-11">https://www.businessinsider.co.za/half-of-sa-could-be-shopping-online-by-2024-if-data-costs-and-deliveries-improve-2020-11</a></small></p>	<p>Technology is changing retail, with integrated enterprise resource planning (ERP) systems applied through the value chain to improve efficiencies and digital platforms facilitating omni-channel shopping. More retailers are using technology to seamlessly engage with customers across channels in an attempt to improve their retail experience.</p> <p><b>Indicators</b></p> <ul style="list-style-type: none"> <li>South Africa's e-commerce spend increased by 30% on average in the first half of 2020 compared to the prior year. Rand Merchant Bank expects the sector's value to surge by 150%, to R225 billion, within the next five years. The market's growth in 2020 has been spurred by consequences of the COVID-19 pandemic.</li> <li>South Africa's online spend accounts for only 2% of all retail transactions, compared to the global average of 16%, according to Euromonitor. The South African online market therefore remains largely untapped. Statista market and consumer data projects that 31.6 million South Africans could be converted to online shopping by 2024.</li> </ul> <p><b>Response</b></p> <ul style="list-style-type: none"> <li>Expanded Checkers Sixty60 on-demand grocery delivery to 233 sites</li> <li>Offered customers convenient and seamless digital products to support their daily needs through our Xtra Savings rewards and Money Market app</li> <li>Optimised marketing spend with a targeted online and more personalised marketing approach using data analytics</li> </ul>	<p>Increased competition between retailers provides more product and shopping options to customers. This drives innovation in systems and support functions to deliver on high customer expectations. In a dynamic retail environment, innovation is critical to maintaining a competitive advantage both in physical stores and digital platforms.</p> <p><b>Indicators</b></p> <ul style="list-style-type: none"> <li>As of January 2021 there were 38.1 million active internet users in South Africa. Among them, an overwhelming majority (over 36 million) also used mobile internet. During the same period it was found that nearly 99% of those using social media accessed their accounts through mobile phones.<sup>8</sup></li> </ul> <p><b>Response</b></p> <ul style="list-style-type: none"> <li>Expanded the scope of our customer offerings to include more digital solutions, leveraged Checkers Sixty60 further and continue to diversify revenue streams</li> <li>Continuous improvement and integration of the integrated ERP system allows for data analytics to be applied in future product and service development</li> <li>Extended the digital ecosystems by expanding and improving virtual vouchers and digital coupons to include loyalty rewards from extended partners including FNB and Old Mutual</li> </ul>	<p>A data-driven retail environment enables a deeper understanding of our customers and the ability to tailor services to meet customer needs. This customer-centric model uncovers opportunities to optimise decision-making, offer add-on services and adapt channels to market. New entrants are bypassing traditional channels, while those with established retail footprints are testing new channels and product offerings. Diversifying revenue streams enhances competitiveness within what remains a low-margin environment and provides added value services that support customer growth and long-term retention.</p> <p><b>Indicators</b></p> <ul style="list-style-type: none"> <li>The mobile payments market was valued at USD 1 449.6 billion in 2020 and expected to reach USD 5 399.6 billion by 2026 and grow at a CAGR of 24.5% over the forecast period (2021 – 2026). Owing to changing lifestyle, daily commerce and rapid growth in online retailing, this trend is expected to continue for many years.<sup>9</sup></li> <li>As of January 2021 there were 38.1 million active internet users in South Africa. Among them, an overwhelming majority (over 36 million) also used mobile internet. During the same period it was found that nearly 99% of those using social media accessed their accounts through mobile phones.<sup>9</sup></li> </ul> <p><b>Response</b></p> <ul style="list-style-type: none"> <li>Launched Rainmaker Media, providing specialised and focused media services for FMCG product supply partners using Group IP and technology</li> </ul> <p><small><sup>8</sup> <a href="https://www.mordorintelligence.com/industry-reports/mobile-payment-market">https://www.mordorintelligence.com/industry-reports/mobile-payment-market</a></small></p> <p><small><sup>9</sup> <a href="https://www.statista.com/statistics/685134/south-africa-digital-penetration/">https://www.statista.com/statistics/685134/south-africa-digital-penetration/</a></small></p>

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## Downloads

A4 print-friendly versions of the following documents available for download here:



Integrated Annual Report



Annual Financial Statements



Corporate Governance Report



Sustainability Report



Form of proxy



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### CAPITALS

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-  Natural
-  Social

### MATERIAL MATTERS

- # MATERIAL MATTER

### STRATEGY



### REFERENCE

-  Page
-  Website: [www.shopriteholdings.co.za](http://www.shopriteholdings.co.za)
-  GRI
-  King IV

For further information on this Integrated Annual Report, please contact Sarita van Wyk on [swyk@shoprite.co.za](mailto:swyk@shoprite.co.za).



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# ABOUT THIS REPORT

Welcome to our Integrated Annual Report (IAR) for the year ended 4 July 2021. This IAR forms part of our Integrated Reporting suite, which includes our annual financial statements, Sustainability Report and Corporate Governance Report where we provide information required by our stakeholders.

The Group is committed to creating long-term, ethical and collaborative relationships and we aim to provide a balanced view of how the Group creates, preserves and erodes value. This includes disclosures related to performance in the year under review as well as areas of future focus.

- Annual Financial Statements
- Our stakeholders, page 52
- Integrated business model, page 44

## Frameworks and guidelines

Shoprite Holdings Limited<sup>1</sup> (Shoprite or the Group or the Company) is an investment holding company, with its Home Office in South Africa. It is listed in the food retailers and wholesalers' sector on the JSE Limited, as well as on the Namibian and Zambian Stock exchanges.

This IAR, the Company's notice of the Annual General Meeting (AGM) and the audited annual financial statements are published in compliance with the relevant provisions of the JSE Listing Requirements and the South African Companies Act No. 71 of 2008.

Our IAR has been prepared in accordance with the International Integrated Reporting Council's <IR> Framework based on what we determined to be our material matters. This report, along with our Corporate Governance Report, is also aligned with King IV's recommended principles.

Shoprite enhances its communications on economic, social and environmental performance, by reporting against the Global Reporting Initiative (GRI) Standards: Core option, the UN Sustainable Development Goals (SDG) and the Task Force on Climate-Related Financial Disclosures (TCFD). Disclosures are made in our IAR and our Sustainability Report and the GRI Index can be found on page 75 of our Sustainability Report.

- Corporate Governance Report
- Sustainability Report
- TCFD Index, page 81

Financial disclosures contained in this report are aligned to the Group's annual financial statements. These statements comply with the following reporting guidelines and standards:

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

## Materiality determination

We have applied the principle of materiality in developing our report and determining what information is to be included. Our overarching objective with this report is to provide our stakeholders with a transparent and balanced view of the Group in respect of our strategy and business model, and the inputs thereto. This includes the capitals, and how they result in the outputs and ultimately the outcome for our Group. In our view, information is material both from a quantitative and qualitative perspective, and is, in our estimation, decision-useful to the readers of our integrated report.

- Our material matters, page 56
- Performance and outlook, pages 60–89

## Stakeholder relationships

The Group is committed to creating long-term, ethical and collaborative relationships, which is essential for the business' growth and continued success. We continually seek to improve channels for engaging stakeholders and integrating their feedback into how we identify material matters, risks and opportunities, and implement our strategy.

- Our stakeholders, page 52

## Value creation

The section on the Group's approach to value creation provides an overview of our operating environment, our strategy and investment case, stakeholders and material matters. The section details how value – created to benefit the business and its stakeholders – is created over time through the Group's business activities. The relationship between required inputs and desired outcomes, in line with the Group's strategic drivers, are represented in the business model and trade-offs section, as well as in the capitals-structured performance and outlook section.

- Approach to value creation, pages 38–59
- Performance and outlook, pages 60–89

<sup>1</sup> The Group's subsidiary structure is explained in detail in the Directors' report in the annual financial statements available on [www.shopriteholdings.co.za](http://www.shopriteholdings.co.za).

## Scope and boundary

The report covers the integrated performance of the Group's operations for the reporting period 29 June 2020 to 4 July 2021 (FY 2021). Information on the subsidiaries, operating segments and countries of operation included as part of the Group are reported on from pages 10 to 13.

The financial reporting boundary includes the Group's subsidiaries. During the second half of the financial year, the Group disposed of its interest in the Nigerian Supermarket business, closed its operations in Kenya and has subsequently also received binding offers for the sale of assets and leases for its operations in Madagascar and Uganda.

Our theme for this year's report is Affordability, which is our golden thread throughout. We explain this theme as follows:



## AFFORDABILITY

### EFFICIENCY

Operational efficiency is critical for us to stay competitive on affordability. If we can cut costs out of our supply chain through being efficient and mindful of waste, it means we can extend the consumer's spending ability.

### REWARDS

Our Xtra Savings rewards programme across our Checkers and Shoprite brands has the largest membership base in South Africa, giving customers instant cash-back rewards on their purchases, making shopping more affordable.

### VARIETY

Our wide range of products, services and private labels provide customers with variety, alternative solutions and affordability, that caters to their personalised and relevant needs.

## Assurance of the Group's external reporting suite

The Board takes primary responsibility for the overall consistency, relevance and reasonableness of the information throughout the report. Furthermore, the Board reviews and approves this integrated report for issue.

Internal and external assurance across our reporting suite include:

- 1 2021 Integrated Annual Report:** internally approved by the Board
- 2 2021 Annual financial statements:** externally audited by PricewaterhouseCoopers (PwC)
- 3 2021 Sustainability Report:** internally approved by the Board on the basis of the recommendation of Shoprite's Social and Ethics Committee (SEC)
- 4 Corporate Governance Report,** aligned to the King IV disclosures: internally approved by the Board
- 5 2021 Climate Change CDP Report:** externally verified
- 6 The Group's B-BBEE rating** and that of all its subsidiaries: externally verified by AQRate

- GRI 102-56

The Audit and Risk Committee evaluates the performance of the external auditor, PwC, against specified criteria and assesses the effectiveness of the external audit process. It is satisfied with the effectiveness of the external audit and the quality of the external auditor. A formal framework governs the process through which PwC renders non-assurance services to make sure audit independence is not compromised. The Audit and Risk Committee approved the terms of a master service agreement for the provision of such services by PwC as well as a pre-approval policy stating the nature and extent of non-assurance services that may be provided.

The Board is comfortable that the information in this report is transparent and reliable.

For a full understanding of the Group's performance in 2021, the Integrated Annual Report should be read alongside the reports listed before. These reports are all available as published reports on our website, [www.shopriteholdings.co.za](http://www.shopriteholdings.co.za).

## Other

It was a significant year given that we sold our Nigeria business, closed our operations in Kenya, and classified our operations in Madagascar and Uganda as discontinued. It is for this reason that the comparative statement of comprehensive figures has been restated.

Two additional Independent Non-executive Directors were appointed after year end on 11 August 2021. These members have been included as part of the Board of Directors.

## Forward-looking information

This report contains forward-looking statements regarding the Group's operations and its performance prospects. These statements involve an inherent level of uncertainty. They do, however, reflect our best judgement and estimates informed by the Group's Board-approved business plans as at the time of publication of this report. The COVID-19 pandemic continues to contribute to uncertainty in the short to medium term. Within this context, the Group cannot take responsibility for updating or revising any forward-looking statements except as required by applicable legislation or regulation.

## Report approval

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

The Board has reviewed the preparation and presentation of the report and is of the opinion the report addresses all the issues that are material to – or could materially affect – the Group's ability to create, preserve or erode value on a sustainable basis over the short, medium and long term, in a transparent and balanced manner. It has assessed the assurance obtained from the Group's combined assurance process and is satisfied the model enables an effective internal control environment for internal decision-making by management. The Board believes the report complies with the recommendations of the International Integrated Reporting Council's <IR> Framework and fairly represents the performance of the Group for the reporting period ended 4 July 2021. The Board has approved the report on 30 September 2021.

Signed on behalf of the Board

Wendy Lucas-Bull  
Chairman

Pieter Engelbrecht  
Chief Executive Officer



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## ABOUT SHOPRITE HOLDINGS

**Who we are and what we do**

“Shoprite is Africa’s largest fast-moving consumer goods retailer.”

2 093 trucks and trailers deliver products to more than 2 900 stores every day, providing more than 24 million customers with a wide range of products.

## PURPOSE AND VALUES



**Shoprite is Africa's largest fast-moving consumer goods retailer.** Our purpose is to be Africa's most affordable, accessible and innovative retailer and our customers are at the heart of what we do – the reason for our business.

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

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

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

### Doing the right thing

excellence, integrity and care

1



We are relentlessly focused on satisfying our customers' needs and concerns. We measure our success against our ability to give customers what they expect from our brands and our promise of affordability.

### Saving to share

efficiency and commitment

2



Since inception we have supported 146 community food gardens to build community-level food security. Our food gardens benefit communities by building community-level food security and climate resilience and by providing an income to beneficiaries in difficult times.

### Developing local

growth, opportunity and transformation

3



Farmer Kepas CB Melodi supplies Shoprite and Checkers stores in Gauteng with green beans, chillies and butternut, and is one of many small farmers who have grown his business because of the Group's hands-on involvement with small suppliers.

- Put our customers first. We do this through excellent service. Our employees are empowered to make sure our customers leave our stores happy.
- Act with integrity. We strive to treat everyone with respect. We are accountable for our actions and we behave in an ethical way to build trust with our stakeholders.
- Make a difference beyond our own doors. Through job creation, affordable products, hunger relief and other programmes, we work to create shared value for our communities.

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

- Invest in our people. We aim to transform our business, develop our people's careers and promote from within. We believe if we invest in our people, they will invest in us.
- Create opportunities. We support local and small suppliers through our scale and effective supply chains, giving them access to our markets where we can, helping them to grow and thrive.
- Embrace economic transformation. We continue to create jobs, develop skills and careers, source locally and contribute to social upliftment through our tax contributions and local community development.

## PERFORMANCE HIGHLIGHTS

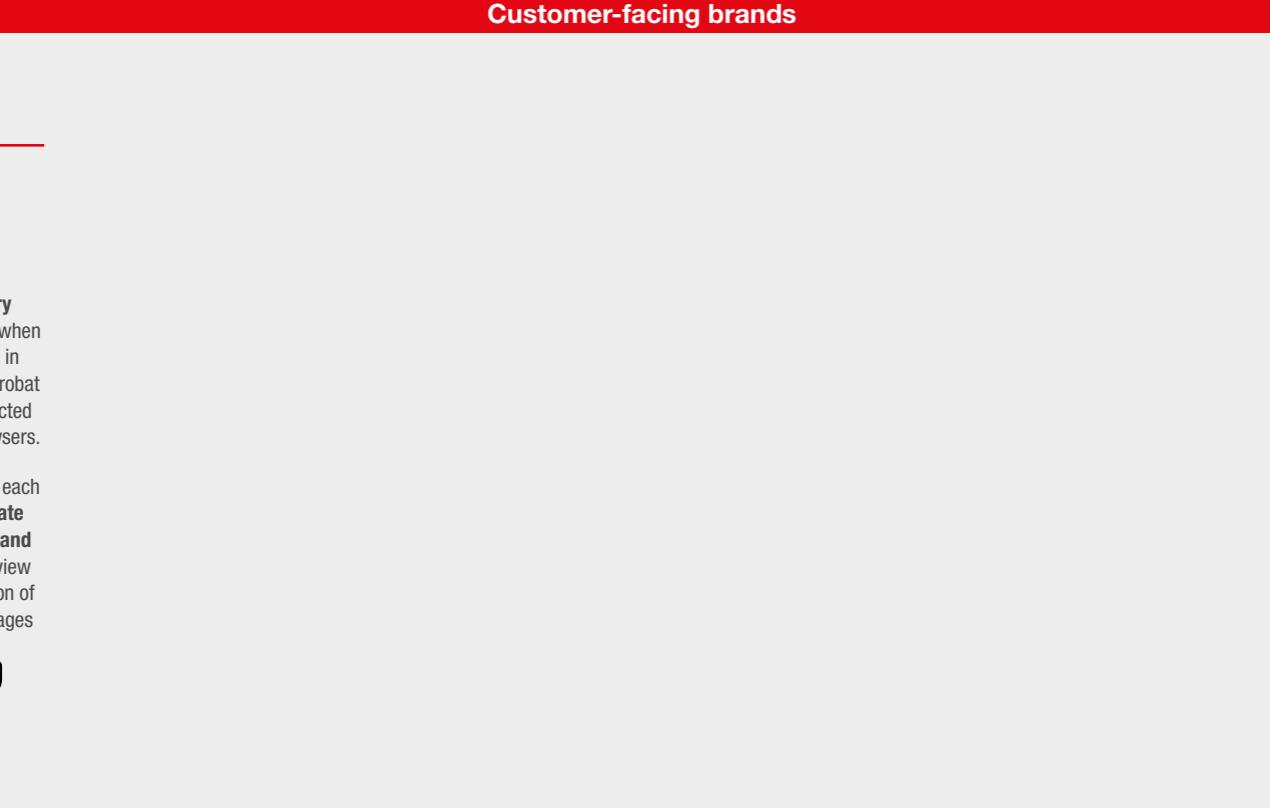


## OUR BUSINESS

As a Group, Shoprite is Africa's largest fast-moving consumer goods retailer. Its core business is in food retailing, complemented by furniture, pharmaceuticals, hospitality, ticketing, digital commerce, and financial and cellular services.

Through its wide range of customer-facing brands, value-added services and operational support functions, the Group operates across 13 industries to deliver our comprehensive product and services offering.  GRI 102-2

**Customer-facing brands**



**Gallery**  
available when viewed in Adobe Acrobat and selected web browsers.

'Click' on each **Corporate Store brand** logo to view a selection of store images



**OK Franchise division**  
OK Foods, OK MiniMark, OK Express, Sentra, OK Liquor, Megasave (wholesale)



### Branded private labels

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

### Branded value-added services

#### Financial services and customer rewards



#### Ticketing



### B2B and customer-facing logistics services

#### Hospitality



#### Pharmaceutical



 GRI 102-3/102-4/102-6



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## BRAND OVERVIEW

Shoprite Group gained R4.5 billion in market share across all our brands in South Africa and individually they each retain significant growth potential.

Our extensive store footprint provides economies of scale leveraged to serve each brand's loyal customer base across specific market segments.  GRI 102-6

### Supermarkets



**79.7%** Supermarkets RSA (FY 2020: 78.8%)

**9.2%** Supermarkets Non-RSA (FY 2020: 10.8%)

#### Value add

Creating a one-stop-shop customer experience, providing fresh food, groceries, service departments, wine, general merchandise, personal care and many other categories. Stores also offer the convenience of Money Market and financial services products, Computicket products and services, MediRite pharmacies, and technology and cellular products at TechX departments.

#### SHOPRITE



Shoprite is a full-service supermarket for our mass middle-income market customers where they can do their shopping, pay their bills, receive government grant payouts and get their monthly prescription medicine in a select number of stores.

12.7 million customers signed up to the Xtra Savings rewards programme.

75 895 Employees

RSA 523 | 158 Non-RSA

Usave extends the Group's footprint into rural/outlying areas, giving more people access to food and basic services in their communities.

5 046 Employees

RSA 398 | 50 Non-RSA

#### Checkers



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

31 275 Employees

RSA 230 | 9 Non-RSA

#### CheckersHyper



Checkers and Checkers Hyper are perfectly positioned to grow their share in the mid-to-upper segment of the market that prioritises convenience, quality, fresh and prepared products. There is opportunity to grow in this area as this market segment has traditionally been a focus for the Group.

Opened 13 new FreshX format stores, bringing the total to 41.

9 244 Employees

RSA 38

#### LiquorShop LiquorShop



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

Opened 38 new stores during the year.

3 168 Employees

RSA 537 | 23 Non-RSA

### Other



**7.1%** (FY 2020: 6.9%)

Virtual vouchers grew by 46.5% since its introduction as an additional service. This was impacted by COVID-19 and the launch of the Group's own mobile network.

#### Medirite+ Pharmacy



##### PHARMACEUTICAL

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

Medirite will open stand-alone pharmacies, called MediRite Plus, with new specialised ranges and a focus on mom and baby.



730 Employees

RSA 145

#### OK Franchise Division



##### FRANCHISE

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

Launched an online shopping app with 24 participating OK Franchise members.

168 Employees

RSA 444 | 69 Non-RSA

#### Computicket Travel



##### TICKETING

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

Updated online travel booking platform increasing access and improving the customer experience for the purchase and pricing of bus and flight tickets.

217 Employees

### Furniture



**4.0%** (FY 2020: 3.5%)

#### House & Home

#### OK Furniture OK Home Experts

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

1 048 Employees

RSA 39 | 4 Non-RSA

Providing quality furniture, electrical appliances and more to serve customers in the middle-income market.

4 906 Employees

RSA 301 | 82 Non-RSA

#### Value add

Trusted brands providing homeware, furniture, electric appliances and more, with sales derived predominantly from cash sales, although credit is available.

Online sales grew by 135%.



793 Employees

DC 3

#### I Transpharm



##### PHARMACEUTICAL

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

Transpharm expanded ranges catering for an e-commerce platform.



#### CFS Checkers Food Services



##### HOSPITALITY

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

An extended national online offering will be introduced in FY 2022 and will begin with wine and spirits.

41 Employees

DC 2 | Fleet 49

#### K'nect SHOPRITE



##### FINANCIAL AND CELLULAR SERVICES

Providing cellular products and services to customers in the low- to middle-income markets.

Launched K'nect mobile network.

38 Employees

RSA 7



# OPERATING ENVIRONMENT

As a result of the markets in which we operate, our business has become accustomed to contending with considerable economic and social challenges including unemployment, customer affordability, consumer confidence and lack of infrastructure/service delivery.

Our multi-brand strategy is able, for the most part, to deliver both value and affordability to all of our customers in varied economic circumstances. We are first and foremost focused on the defensive category of food retailing and continuously evolve our product and service offering as well as our channels to market.

"While the success of our strategy and strength of our South African operations are clearly shown in the reported metrics and profits, the day-to-day challenges faced by the Group's Non-RSA segment are still defined by challenging domestic markets that continue to be impacted by currency devaluation."

Economic environment	The South African economy	Non-RSA economies	Food security
<p><b>The Group's operating environment remained impacted by the relatively challenged state of the various economies it trades in, exacerbated by the COVID-19 pandemic. While economic growth in most instances was ahead of last year, the economic environment this year formed part of what has become a prolonged and disruptive period of economic growth as a result of recurring waves of infection. This has led to increased unemployment and constraints on people's ability to afford food and basic necessities.</b></p> <p>Strategy and investment case, page 40 COVID-19 overview, page 62 Performance and outlook, pages 60–89 Sustainability Report GRI 203-MA</p> <p><b>Addressing material matters:</b></p> <p>#6 MATERIAL MATTER Strategy, trade environment and growth #9 MATERIAL MATTER Socio-economic contribution</p>	<p>The South African economy is a significant market for the Group as it derives 89% of its sales from its South African operations, of which the majority is from food retail.</p> <p>South African retailers continue to struggle with service delivery, relatively low levels of food inflation (although currently higher than in the past few years), persistently high growth in administered costs and increasing levels of unemployment. COVID-19 continued to weigh on South Africa and its associated lockdown regulations required our liquor business to be closed for 144 days this year. We expect COVID-19 will continue to have a negative impact on economic growth for some time.</p> <p><b>Indicators<sup>1</sup></b></p> <ul style="list-style-type: none"> <li>South Africa's 2020 annual real GDP decreased by 7.0% following an increase of 0.2% in 2019. This result was significantly impacted by the 17.8% contraction in the 2020 second quarter GDP growth as a result of COVID-19 level five lockdown.</li> <li>Year to date, RSA GDP unadjusted year-on-year growth for Q1 2021 measured -3.2%.</li> <li>The South African Reserve Bank (SARB) forecasts RSA GDP growth to measure 4.2% in 2021, 2.3% in 2022 and 2.4% in 2023.</li> <li>South Africa's average annual consumer price inflation (CPI) rate for 2020 was 3.3%. This is the lowest annual average rate since 2004 (1.4%) and the second-lowest since 1969 (3.0%). The most recent measure on inflation is for the June 2021 quarter at 4.9%.</li> <li>The South African repo rate (the rate at which the SARB lends to commercial banks) measured 3.5% (July 2021). This is the lowest rate since the rate was introduced in 1998. It reached this level in July 2020 after cuts were made amid the COVID-19 lockdown in response to the ensuing economic downturn. The level of the repo rate has subsequently remained unchanged to the most recent July 2021 meeting.</li> <li>Total employment decreased by 8.5% year on year between December 2019 and December 2020, resulting in gross earnings decreasing 4.6% over the same period. South Africa's most recent reported measure on unemployment is the Q1 2021 rate of 32.6%.<sup>2</sup></li> <li>In response to the hardship caused by lockdown regulations, the South African Social Security Agency (SASSA) introduced a R350 Special COVID-19 Social Relief of Distress Grant (SRD). South Africans previously excluded from receiving social grants were eligible to receive R350 a month (to those people unemployed). This relief grant, introduced in May 2020, was extended to January 2021 and then again extended to April 2021. It is estimated that approximately seven million people receiving Child Support Grants on behalf of children were paid a fixed Care Giver Grant of R500 a month for the months of June 2020 to October 2020. These grants formed part of the R500 billion economic and social relief measures announced by President Cyril Ramaphosa in April 2020 in response to the COVID-19 pandemic. Post year end SASSA extended its COVID-19 relief for the eight-month period August 2021 until March 2022. The relief programme is application based.</li> </ul> <p><b>Response:</b></p> <ul style="list-style-type: none"> <li>Further entrenched our low-price leadership strategy across all our brands</li> <li>More than 24 million customers shopped at one of our 1 734 RSA supermarkets</li> <li>Increased workforce with no retrenchments</li> <li>Enhanced the Group's ability to manage own resources through an additional 7 695 MWh of electricity generated from solar PV installations</li> </ul>	<p>The Group's Non-RSA operations contribute 11.0% of Group sales. Africa remains an underserved market with a growing population. Despite the fact that the continent has the potential to further its development, harnessing the potential of its resources and its people, development in a number of regions is inhibited by country-specific challenges and relatively weak local currencies. Adding to this, the influence of oil prices, material currency devaluations and high inflation continued to negatively impact customer affordability and, in some cases, changed the local markets' ability to trade. Furthermore, all countries where the Group has a presence were adversely affected by COVID-19 as lockdown restricted travel and put economies under pressure.</p> <p><b>Indicators</b></p> <ul style="list-style-type: none"> <li>According to the IMF's projection, in 2020, real GDP declined in many of the countries where we trade.</li> <li>Inflation remains a challenge in countries such as Angola, Zambia and Malawi.</li> <li>These factors have a combined adverse effect on real income and consumer spending growth in general.</li> <li>Real GDP growth for 2020 for sub-Saharan Africa was reported at -1.8% and is projected to grow at 3.4% (2021) and 4.1% (2022).<sup>3</sup></li> </ul> <p><b>Response</b></p> <ul style="list-style-type: none"> <li>The Group concluded the sale of its Nigerian supermarket business to Persianas, a local retail property group</li> <li>The Group has closed the operations in Kenya and is in the process of selling the operations in Madagascar and Uganda</li> </ul>	<p>An increasing number of countries are facing growing levels of acute food insecurity, reversing years of development gains. Even before COVID-19, reduced incomes and disrupted supply chains, hunger was on the rise owing to various factors including socio-economic conditions and climate change. The primary risks to food security are higher retail prices, combined with reduced incomes, meaning more and more households are having to cut down on the quantity and quality of their food consumption.<sup>4</sup> Environmental changes in weather patterns are putting natural resources at risk as the impact of climate change grows, which has a bearing on sourcing of products and the ability to develop local suppliers.</p> <p><b>Indicators</b></p> <ul style="list-style-type: none"> <li>In the period September to December 2020, 9.34 million people in South Africa (16% of the population analysed) faced high levels of acute food insecurity. The introduction of lockdown measures saw movement restrictions of people, making them unable to access informal markets. Salary cuts and loss of employment negatively affected the purchasing power of households. With no income or social support, millions are unable to afford food.<sup>5</sup></li> </ul> <p><b>Response</b></p> <ul style="list-style-type: none"> <li>Introduced Shoprite's R5 bread in 2016 and deli meals to customers in 2017</li> <li>Provided community assistance through 4.9 million soup kitchen meals and 40.7 million meals from surplus food donations</li> <li>Reduced our impact on climate change: managing and reducing our own carbon footprint</li> <li>Built climate-resilient communities by supporting 146 food gardens in the communities in which we operate</li> <li>Supported 103 Early Childhood Development (ECD) centres with 291 837 meals during the year</li> <li>Price subsidies to consumers</li> </ul>

<sup>1</sup> Stats South Africa.

<sup>2</sup> Stats South Africa QRLS: Quarterly Labour Force Survey.

<sup>3</sup> <https://www.imf.org/en/Publications/WEO/Issues/2021/07/27/world-economic-outlook-update-july-2021>

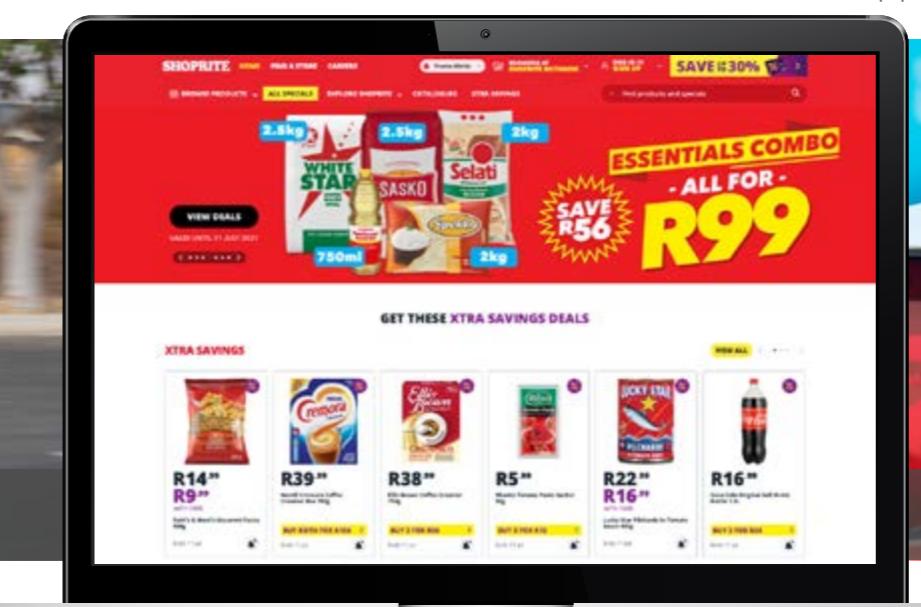
<sup>4</sup> <https://www.worldbank.org/en/topic/agriculture/brief/food-security-and-covid-19>

<sup>5</sup> [https://reliefweb.int/sites/reliefweb.int/files/resources/IPC\\_South\\_Africa\\_AcuteFoodInsec\\_2020Nov2021Mar\\_Report.pdf](https://reliefweb.int/sites/reliefweb.int/files/resources/IPC_South_Africa_AcuteFoodInsec_2020Nov2021Mar_Report.pdf)

Retail environment	Digitisation	Innovation	Diversifying revenue streams
<p><b>Emerging technologies and shifts in consumer expectations are dramatically changing the retail landscape, with systems applied to all parts of the value chain driving efficiencies and precision retailing. Economic, social and environmental aspects are also challenging continuity of supply chains. Communication is more direct and immediate, with customers wanting more convenience across a spectrum of products and services. Retailers must, therefore, innovate to enhance the customer experience across both physical and digital interactions.</b></p> <p><span style="color: #e6194b;">□</span> Strategy and investment case, page 40  <span style="color: #e6194b;">□</span> Performance and outlook, pages 60–89</p> <p><b>Addressing material matters:</b></p> <ul style="list-style-type: none"> <li>#6 MATERIAL MATTER Strategy, trade environment and growth</li> <li>#1 MATERIAL MATTER Information and technology management</li> <li>#7 MATERIAL MATTER Customer centricity</li> </ul> <p><b>Case studies:</b></p> <ul style="list-style-type: none"> <li><span style="color: #e6194b;">□</span> Checkers Sixty60, page 67</li> <li><span style="color: #e6194b;">□</span> Xtra Savings, page 71</li> </ul>	<p>Technology is changing retail, with integrated enterprise resource planning (ERP) systems applied through the value chain to improve efficiencies and digital platforms facilitating omni-channel shopping. More retailers are using technology to seamlessly engage with customers across channels in an attempt to improve their retail experience.</p> <p><b>Indicators</b></p> <ul style="list-style-type: none"> <li>• The COVID-19 pandemic has changed online shopping behaviour, according to a UNCTAD survey of about 3 700 consumers in nine emerging and developed economies. Following the pandemic, more than half of the survey's respondents now shop online more frequently and rely on the internet more for news, health-related information and digital entertainment. Consumers in emerging economies have made the greatest shift to online shopping.<sup>6</sup></li> <li>• Shopping behaviour has changed as a result of the COVID-19 pandemic. Online shopping grew exponentially as consumers have become omni-channel shoppers, shopping both online and in-store.</li> </ul> <p><b>Response</b></p> <ul style="list-style-type: none"> <li>• Expanded Checkers Sixty60 on-demand grocery delivery to 233 sites</li> <li>• Offered customers convenient and seamless digital products to support their daily needs through our Xtra Savings rewards and Money Market app</li> <li>• Optimised marketing spend with a targeted online and more personalised marketing approach using data analytics</li> </ul>	<p>Increased competition between retailers provides more product and shopping options to customers. This drives innovation in systems and support functions to deliver on high customer expectations. In a dynamic retail environment, innovation is critical to maintaining a competitive advantage both in physical stores and digital platforms.</p> <p><b>Indicators<sup>7</sup></b></p> <ul style="list-style-type: none"> <li>• South Africa's e-commerce spend increased by 30% on average in the first half of 2020 compared to the prior year. Rand Merchant Bank expects the sector's value to surge by 150%, to R225 billion, within the next five years. The market's growth in 2020 has been spurred by consequences of the COVID-19 pandemic.</li> <li>• South Africa's online spend accounts for only 2% of all retail transactions, compared to the global average of 16%, according to Euromonitor. The South African online market therefore remains largely untapped. Statista market and consumer data projects that 31.6 million South Africans could be converted to online shopping by 2024.</li> </ul> <p><b>Response</b></p> <ul style="list-style-type: none"> <li>• Expand the scope of our customer offerings to include more digital solutions, leveraged Checkers Sixty60 further and continue to diversify revenue streams</li> <li>• Continuous improvement and integration of the integrated ERP system allows for data analytics to be applied in future product and service development</li> <li>• Extended the digital ecosystems by expanding and improving virtual vouchers and digital coupons to include loyalty rewards from extended partners including FNB and Old Mutual</li> </ul>	<p>A data-driven retail environment enables a deeper understanding of our customers and the ability to tailor services to meet customer needs. This customer-centric model uncovers opportunities to optimise decision-making, offer add-on services and adapt channels to market. New entrants are bypassing traditional channels, while those with established retail footprints are testing new channels and product offerings. Diversifying revenue streams enhances competitiveness within what remains a low-margin environment and provides added value services that support customer growth and long-term retention.</p> <p><b>Indicators</b></p> <ul style="list-style-type: none"> <li>• The mobile payments market was valued at USD 1 449.6 billion in 2020 and expected to reach USD 5 399.6 billion by 2026 and grow at a CAGR of 24.5% over the forecast period (2021 – 2026). Owing to changing lifestyle, daily commerce and rapid growth in online retailing, this trend is expected to continue for many years.<sup>8</sup></li> <li>• As of January 2021 there were 38.1 million active internet users in South Africa. Among them, an overwhelming majority (over 36 million) also used mobile internet. During the same period it was found that nearly 99% of those using social media accessed their accounts through mobile phones.<sup>9</sup></li> </ul> <p><b>Response</b></p> <ul style="list-style-type: none"> <li>• Launched K'nect mobile, our own mobile virtual network operator, offering competitive rates and other rewards to customers</li> <li>• Launched Rainmaker Media, providing specialised and focused media services for FMCG product supply partners using Group IP and technology</li> </ul>



Checkers Sixty60 won three awards at the 2020/21 Marketing Achievement Awards for Excellence in new product or brand launch, Excellence in Marketing innovation and Excellence in Digital brand marketing.





K'nect launched with flat call and data rates while Shoprite, Checkers and Usave customers are rewarded with free data and airtime.

# GOVERNANCE IN ACTION

The Group is committed to high standards of corporate governance and applies principles of fairness, transparency and integrity at all levels across the business. We manage the Group through a governing structure where responsibility and reporting roll up from operational management to the Board of Directors. Operational responsibility resides with the Executive Management while the Board holds oversight at a strategic and compliance level.

 King IV Principle 6    King IV Principle 4

The Group comprises several operating subsidiaries. We recognise each of these operational businesses and encourage alignment with Group governance principles, processes and practices to achieve common governance performance objectives. Those objectives include clearly demonstrating our performance as a responsible business and good corporate citizen that takes into consideration the needs of our stakeholders across the business.

Strategy, risk, performance, compliance and long-term sustainability are integrated throughout the business and against these our material matters are monitored by the Board.

The role of the Board of Directors is to review performance and provide guidance on strategic implementations, aligning shareholder expectations with long-term value creation and applying the principles of good corporate governance. As the custodian of corporate governance, the Board has adopted formal Terms of Reference setting out its responsibilities, duties and accountability.

## King IV

The Board is satisfied the recommended practices underpinning a proper application of King IV principles are entrenched within the Group's governance and management activities, including the Board's governance oversight of the Group's:

- ethics
- performance as a responsible business
- formulation of strategy and strategic planning
- governance functions and structures
- relationships with the CEO and key Executive functions
- risk, compliance, and information and technology (IT) management; and
- assurance, remuneration and the management of stakeholder relations.

## Board effectiveness and performance

The Board's focus areas this year have included processes to support governance quality and Board effectiveness. Board composition has received specific attention and will remain on the agenda.

Activities included:

- Ongoing overview of the COVID-19 impact on the business
- A Board remuneration review
- Identifying a potential successor for the Chairman of the Audit and Risk Committee
- Strategic overview session with Executive Management
- Board recompositioning of Non-executive Board



- The appointment of our new Independent Non-executive Chairman
- The appointment of four new Non-executive Directors (two appointed during the 2021 financial year and two appointed in August 2021)
- Strengthening of the Audit and Risk Committee with the appointment of additional members

Future focus areas include:

- The constitution of an Investment and Finance Committee
- Review the Board structure with reference to committees and roles to be filled
- A skills and expertise analysis of our Board and Executive Management
- Appointing additional Independent Non-executive Board members with the following skills and expertise:
  - Corporate and investment banking
  - Human resources
- Governance focus:
  - Health and safety
  - Board composition
  - Environmental sustainability
  - IT governance

The Board is also satisfied the Group has appropriately applied all the necessary King IV principles in the context of its business and governance functions.

The Group's application of King IV listed in the Corporate Governance Report and each principle is noted where it is covered.

### Corporate Governance Report

for a detailed review on the Group's corporate governance and ethical management practices. The separate report includes the King IV Principles, Board committee reports and the Remuneration Report.

## Board composition and responsibility

The respective roles of the Board Chairman and the Chief Executive are formalised and clearly defined with respect to their separate but related leadership roles.

The Board has delegated particular roles and responsibilities to Board committees and each has Board-approved Terms of Reference that set out the nature and extent of responsibilities and decision-making authority.  King IV Principle 8



## Board



**The Board Chairman**  
leads the Board in its performance of governance functions.



Wendy  
Lucas-Bull



Johan  
Basson



Joseph  
Rock



Alice  
le Roux



Nonkululeko  
Gobodo



Linda  
de Beer



Eileen  
Wilton\*



Peter  
Cooper\*



Dr Christo  
Wiese



Adv. Jacob  
Wiese

**The Chief Executive**  
is accountable to the Board for the performance of the Executive in implementation of the strategy and achievement of the Group's strategic objectives.



**Chief Executive Officer**  
Pieter Engelbrecht



**Chief Financial Officer**  
Anton de Bruyn



**Executive Director**  
Ram Harisunker

**The Chief Executive**  
leads the Executive Management of the Group in execution of the approved business strategy and ongoing management of the Group businesses.

 Independent Non-executive Directors |  Non-executive Directors |  Alternate Non-executive Director |  Executive Directors  
\* Appointed after year end on 11 August 2021.

## Operational Executive Management team

**Chief Operating Officers (COO) and divisional Management** oversee the operations of Supermarkets RSA, Supermarkets Non-RSA and Furniture, while General Managers head the operations of Other operating segments.

 Corporate Governance Report for full CVs of the Board

# 3

## LEADERSHIP MESSAGES

How we respond to the world we operate in

“The Group, we believe, has an unmatched ability to execute at an exceptional standard.”



## CHAIRMAN'S MESSAGE



The Shoprite Group has faced numerous obstacles throughout its history, which have required our people to work together. It has always succeeded against adversity, staying true to its purpose and values. This was again emphasised in the past year, where the focus has been on keeping employees and customers at the centre of our response to the COVID-19 pandemic, but even more so after the events that transpired after our year end in the week of 12 July 2021, when people took to the streets in areas of KwaZulu-Natal and Gauteng to unlawfully loot and destroy businesses and public infrastructure.

It was a devastating week for South Africa and one we expect will have a lasting impact on several fronts. Very few retailers escaped unharmed and our operations in the affected areas were directly impacted. Only due to the heroic efforts of our competent people were we reopening stores in desperate communities during that same week. This extreme challenge has highlighted the strength, depth and commitment of the business, underpinned by its decisive leadership and extraordinary culture. This was evidenced in many social media examples of our solution-oriented employees coming together to protect our business and serve our customers. I know Shoprite will forever be remembered for how it managed this disaster and came out the other side. My sincere thanks to each and every employee for their commitment to the Company during this exceptionally tough time.

### Doing the right thing

When level five lockdown was announced in March 2020, the Group set the tone for resilience and relief. This has been reflected in the way management rewarded and looked after our employees; the relentless perseverance of our frontline employees who served customers through the various waves, lockdown levels and restrictions, and in reaching out to the people in our communities who needed assistance the most. I believe it is thanks to our people and the Group's belief in its purpose that we have been able to maintain the level of performance we have.

The way in which our Group responded during the pandemic required agility and out-of-the-box thinking. In many instances COVID-19 accelerated and amplified the Group's response.

Keeping our stores open, and employees and customers safe involved new protocols of work that were seamlessly implemented. We increased the number of Mobile Soup Kitchen meals served, scaled our on-demand Checkers Sixty60 grocery delivery app; launched digital vouchers to enable people and

companies to support their families, friends and employees, and we opened more eKasi container stores in communities to serve them better. Our response throughout the pandemic was a two-way street. Shoprite led the market by demonstrating its support and commitment towards our people by paying an appreciation bonus at the onset of the pandemic, keeping our employees in jobs despite certain stores being closed for periods during lockdown restrictions and simultaneously creating new jobs. Our employees in turn went out of their way to remain at work and serve our customers, understanding that getting to work during lockdown was a great challenge for many.

- COVID-19 overview, page 62
- Sustainability Report

### Leadership

Last year Dr Christo Wiese announced his retirement as Shoprite's Board Chairman after 40 years. He played a founding role between 1979 and 1981 when the Pep Group acquired the first few Shoprite stores and then took over as Chair in 1991 to guide the Group through its development and exponential growth. It has been an incredible period over which he presided, and I look forward to working with him as a Non-executive Director of the Group.

Last year the Board undertook a detailed review of its composition and functioning by an independent external party. The recommendations from this were in line with and support the principles of the King IV Code on Corporate Governance. Adherence to the code sets the tone for ethical behaviour throughout the Group. The independence, skills and succession plan of Board members have been identified as areas of improvement. My appointment was part of this process as the Board reviewed and agreed on recommendations made through the independent review process. I was able to pick up from there and we have since appointed four additional Directors.

Linda de Beer and Nonkululeko Gobodo are Independent Non-executive Directors. Both these appointments include membership of the Group's Audit and Risk Committee and both Directors are highly qualified and experienced to succeed the current Chair of that committee. Eileen Wilton and Peter Cooper

joined the Board on 11 August 2021. Adding depth through skills and experience, and planning for succession of Board members will remain on the Board's agenda.

### Corporate Governance Report

The Board has actively engaged with the Executive to understand and interrogate the Group's future plans. As part of this process, the Group's strategy was independently benchmarked against global peers, providing further insight. The outcome, I believe, demonstrated that the Group has both its current and future position in hand. The Group's capital allocation framework prioritises organic growth, returns to shareholders and growth through acquisition if appropriate. Organic growth includes ongoing investment in the core supermarket business, technology and adjacent revenue streams. Initiatives in this regard include new stores and store formats, refurbishments, growing private labels, continuing to build on Checkers' positioning, and extending the reach of Shoprite and Usave. Adjacent to these – further extending our reach and service offering with Checkers Sixty60 grocery delivery solution – are, among others, the Xtra Savings rewards programme, Money Market accounts and the recent launch of the Group virtual network operator.

### Strategy and investment case, page 40

### Case studies:

- Checkers Sixty60, page 67
- Xtra Savings, page 71

### Performance

We operate in an economic environment of low growth, elevated levels of unemployment and an extremely competitive sector. The period since March 2020 has been accompanied by unprecedented circumstances as all businesses incurred unforeseen costs in implementing additional protocols to respond to COVID-19 restrictions and regulations. Looking at the history of the Group, its ability to manage and function well despite adversity has made it resilient to shocks such as this pandemic.

Operationally, the business is sound and continues to gain market share month on month. This is a result of the absolute commitment, hands-on approach and deep retail skills, from management through to our thousands of store-based employees. While the success of our strategy and strength of our South African operations are clearly shown in the reported metrics and profits, the day-to-day challenges faced by the Group's Non-RSA segment are still defined by challenging domestic markets that continue to be impacted by currency devaluation. The Executive team has made significant strides in managing exposure to this by selling its Nigerian business and closing its Kenyan operations. We now aim to sustain the segment's profitability and, over time, improve it.

### CFO's Message, page 30

**"Organic growth includes ongoing investment in the core supermarket business, technology and adjacent revenue streams."**

### Good corporate citizenship

We recognise the increasing focus and requirements from stakeholders in the environmental, social and governance (ESG) space and the responsibility companies like Shoprite carry in ensuring responsible business practices.

While our societal context dictates we focus on hunger relief, poverty alleviation and education, we follow a broad-based approach to ESG and how we view our contribution to society. Our focus on food security and building operational resilience connects our operations with our supply chain. Investment in various community food garden projects aims to build food security on an individual and community level, while we support with food donations through our Mobile Soup Kitchens and assistance to ECD centres. We will continue to work on mitigating our environmental impact, for example, by building on our solar power-generation capacity.

This year we have improved our reporting against the GRI Standards, refined the relevance and link to the United Nations Sustainable Development Goals, and have developed a position statement to address our influence on biodiversity and responsible sourcing.

### Sustainability Report

### Conclusion

The Group is positioned as a leader in our industry and on the African continent. This is evident in our infrastructure, systems and intellectual property, and is reflected in the way our customers respond to the Group's offering. The numerous industry, brand, consumer and innovation awards achieved this past year are a testament to the Group's relentless focus on being customer centric and future focused.

### Performance and outlook, pages 60–89

The Executive Management together with their teams have demonstrated true leadership strength in the toughest of times, looking after the business, employees and our customers.

I am both humbled and privileged to witness the Group's purpose to be Africa's most affordable, accessible and innovative retailer at work every day. I thank each and every employee for their effort and commitment to this throughout a particularly challenging year.

**Wendy Lucas-Bull**  
Chairman

30 September 2021



## CHIEF EXECUTIVE OFFICER'S MESSAGE



Shoprite and Usave experienced a 12.0% sales growth in the second half of the year which can partly be contributed to the launch of the Shoprite Xtra Savings rewards card with 12.7 million sign-ups since the launch.

I am exceptionally proud of Shoprite and our achievements this year. We've honoured our commitment to keep our people in jobs; we've kept our promise to our customers to provide them with unbeatable prices in locations close to their work and communities; we've continued to raise the bar on execution across our business; and we've built on our plan for future success by investing further in customer-centric, data-led, digital and environmental projects.

All that, in a year in which the world, our country and its economy were challenged by a pandemic. In this context especially, words cannot express how thankful I am to my Shoprite colleagues who came together every day – often in the face of considerable adversity – to meet the needs of our customers and, in doing so, further strengthening this great Company.

I ended last year's report in the hope that we had the worst of the COVID-19 pandemic behind us but here we are, a year later, still living in the midst of various levels of lockdown owing to a third wave of infections. We have felt the loss of colleagues to the pandemic this year and there are no words to express my sorrow in this regard. It is my sincere hope, with the vaccination programme now gaining momentum, that there is light on the horizon.

For the business it's been a tumultuous cycle of managing the various lockdown levels and their impact on our operations but we are capable of managing that and more. What we cannot resolve is the toll this has taken in terms of loss of life and livelihoods for our fellow citizens and colleagues. The impact of this pandemic on an already languishing economy galvanises us towards our purpose to truly alleviate the challenges the majority of our customers face daily in terms of living, at the very least, an affordable life. The hardship we regularly witness has resulted in us becoming increasingly obsessed with affordability. It drives us to be more efficient and the best at what we do to make a meaningful difference in the lives of our millions of customers and thousands of employees, suppliers and shareholders.

People's fear was our biggest challenge to overcome but we worked hard at motivating our own people to focus on doing what they are good at and making a difference in the lives of our customers and communities. We also provided guidance to exactly what was needed and how we were going to execute on our own deliverables, as well as what was required from government. The fact that we were able and committed to looking after our people by paying the appreciation bonus, giving our employees job security and not retrenching anyone made a tremendous difference in our people's lives. We did this while living with the reality of COVID-19: implementing protocols, serving customers and even losing colleagues, friends and family.

Operationally, we have implemented and executed well, and we have also extended our ability to build on our competitive

**"As a Group we've achieved so much more than a commendable 8.1% increase in sales (5.9% on a 52-week basis) and 24.9% increase in trading profit (20.9% on a 52-week basis)."**

advantage, operational strength and customer base. The Group, we believe, has an unmatched ability to execute at an exceptional standard, and we are able to do so despite the challenges we encounter on our way. I can only commend our people for standing together. Every person and department contributed towards our collective purpose, were accountable for their contributions and delivered without hesitation.

### Understanding our operating environment and making a difference

We are in the business of sustaining lives through the products we sell. It is of utmost

importance that we give our customers more value and more savings, extending their purchasing power. Our objective is simple and clear: we want all South Africans to live a better life as a result of being Shoprite Group customers. Ultimately, we want to move from sustaining lives to making lives better but we cannot do it alone, although as South Africa's largest corporate employer we certainly try. Government must focus on enabling a sustained positive trajectory in economic growth resulting in improved living conditions, education, healthcare and employment.

From an industry perspective, the burden of increasing legislative complexity throughout the supply chain and the procurement process hinders the ability to bring affordable products to market as the requirements are burdensome to the point that they are counterproductive to growth. Overregulating the retail industry – particularly the food industry – has a direct impact on the development of suppliers and, ultimately, the cost to the consumer. Despite our own efforts to support start-up businesses that support community-based job creation, most of those small enterprises do not have the financial or human resources to fulfil all the requirements, many of which are not product related but rather relate to ancillary elements. We implore government to simplify the regulatory environment to promote growth in new and existing businesses and, in turn, create much-needed employment and encourage innovation. South Africa has so much to offer but there exists an inability to unlock this, in no small measure as a result of adopting developed country regulations we cannot afford. We, first and foremost, need a thriving economy from which point we can then aspire to achieve other ideologies.



## CHIEF EXECUTIVE OFFICER'S MESSAGE | continued

### Performance against our strategy

Our purpose is to be Africa's most affordable, accessible and innovative retailer. We strive to bring products at the lowest cost to our customers to ensure we deliver on this objective.

The significant 2018 IT implementation we undertook in order to operate from a core system of record, our central ERP system, has transformed how we run our business. It enables us to manage and improve our day-to-day operations while facilitating our strategic objective to win the race for reach.

In line with our strategy, our business is becoming more balanced in terms of sales and profits generated from our Shoprite and Usave businesses and our Checkers and Checkers Hypermarket business. All our brands are now managed with a singular focus on their specific consumer markets. Our operating model – where each brand knows its customer intimately – delivers on their needs and taps into an extensive and capable supply chain, making the Group highly efficient. Our approach has provided greater customer focus and, as a result, we are optimistic regarding the opportunities ahead.

Based on 53-week sales, Shoprite and Usave RSA contributed 54.3% of RSA Supermarkets sales and 43.2% of Group sales. The focus is increasingly on opening smaller and more localised stores, especially with our limited assortment supermarket format Usave. In many instances, our presence might be our customers' only formal retail option to basic staples, fresh produce and financial services.

This is important given the current economic situation is undoubtedly challenging as unemployment levels remain stubbornly high. We are fortunate to be positioned in the relatively defensive business of food retail but Shoprite and Usave customers, especially those relying on social grants, are increasingly pressured. This is as a result of several factors

**"Checkers provides unsurpassed value and range and, each year, we improve on our fresh and prepared meals as part of our strategy to improve our premium product offering and customer experience."**

but particularly this year given the muted growth (below inflation) in the South African Government's social grants programme. In this context, we doubled down on our low-price promise with our R5 bread, R5 deli meals and our 'Everyone has the right' campaign whereby we introduced the R5 sanitary packs to help keep girls in school.

In arguably one of the worst years in decades for our Shoprite and Usave customers, these RSA businesses jointly added R5.8 billion in additional sales to their 2020 base of R66.8 billion to generate R72.6 billion in sales for 2021. I am a firm believer that our authenticity is a big part of our success. We aren't operating in this segment because it is expected, sadly, to be a segment of the market that has the potential in the coming

years to add more rand food retail spend than others. We are here because of a deep sense of purpose and pride underscored by a lifetime of relationships and learnings. In my opinion, nobody understands this market and its customers better than we do. We get up every day to improve lives and it is this passion and determination that keeps us focused on growing our presence in our home market.

Our repositioning journey for Checkers and Checkers Hyper in RSA is exciting for us and our customers and continues to go from strength to strength as evidenced by sales growth of 10.9% this year from a very high base last year. Checkers provides unsurpassed value and range and, each year, we improve on our fresh and prepared meals as part of our strategy to improve our premium product offering and customer experience. We continue to develop our Checkers FreshX format, upgrade our stores and open in new locations. The Checkers Sixty60 on-demand grocery delivery app, operating from the Checkers store base, continues to increase its customer reach. The exponential growth of Checkers Sixty60 has been an incredible success for the Group and a life-changing solution for our Checkers customers. All credit goes to

the Checkers, Checkers Hyper and Checkers Sixty60 teams for their unsurpassed efforts which resulted in another year of market-leading growth.

In becoming a smarter Shoprite, our focus on developing future-fit channels, enhancing a customer-first culture and enabling precision retailing is paying off through the strategic initiatives we have put in place.

Growth in e-commerce and digital continues to provide us with opportunities. Digital in our world means so much more than just online shopping. It extends into the way we gather and use data through IT systems and platforms that connect to our integrated ERP system and supply chain, providing us with a singular and real-time view of the whole business. This granular detail means we know where and how to cut costs from our supply chain by being efficient and mindful of waste. This means we can extend our customers' purchasing power.

Investment in digital commerce and focus on our customers have already played a significant role in reaching them more effectively while giving them products and services they want and need. Our Checkers Sixty60 on-demand grocery delivery app and Xtra Savings rewards programme in Shoprite and Checkers are proof of this. Checkers Sixty60 has grown exponentially and the Xtra Savings rewards programme has saved customers R5.3 billion in the past year at a time when they needed it the most.

#### Case study:

 Xtra Savings, page 71

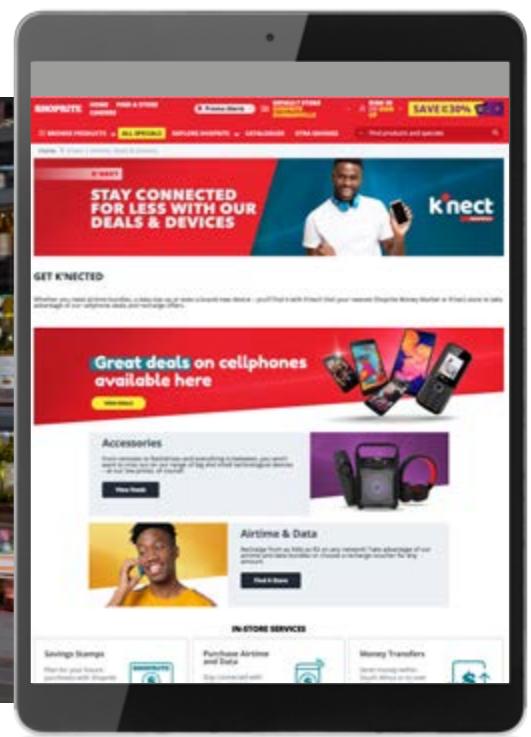
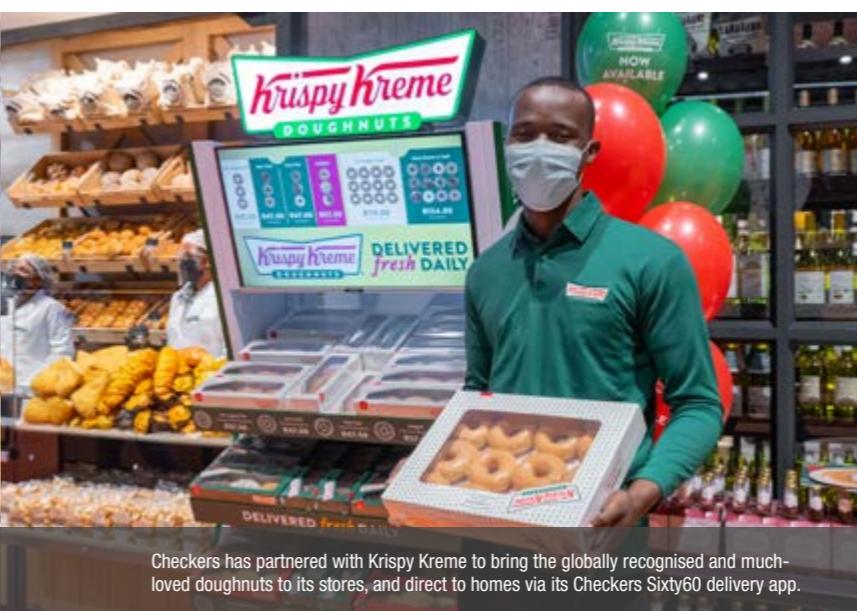
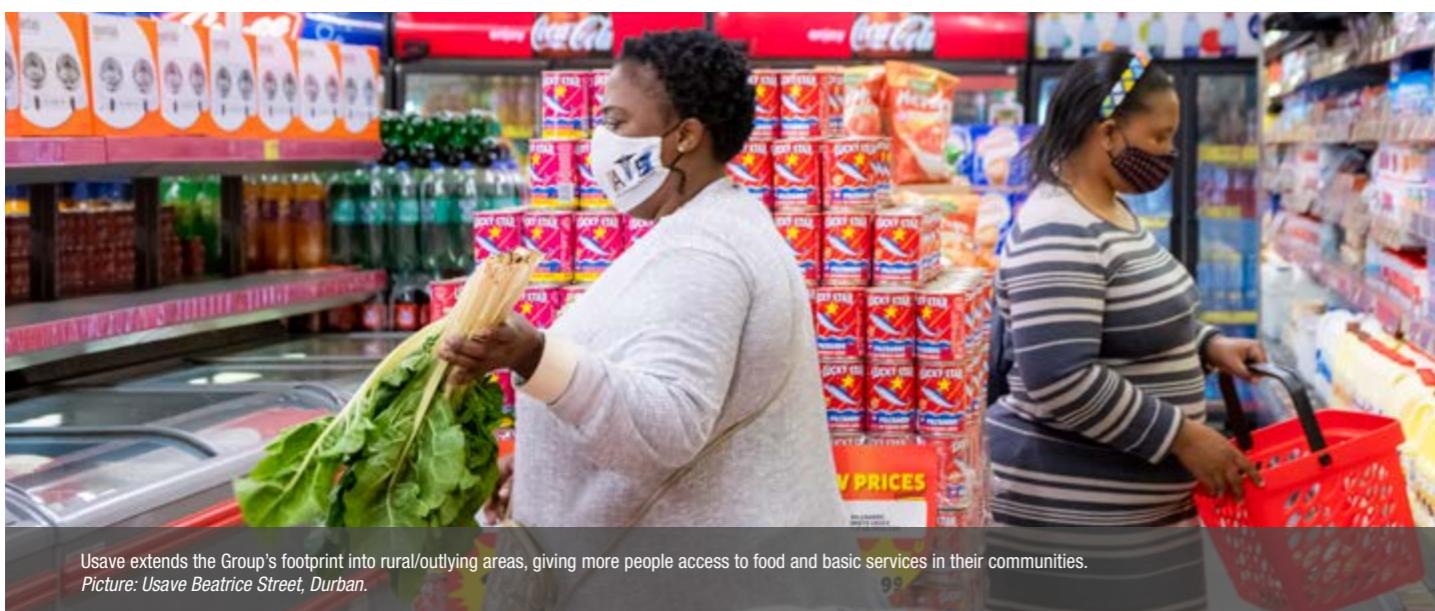
The Group is also looking to monetise its assets in numerous ways, exploring and unlocking opportunities in alternative revenue streams. During the year we launched K'nect mobile, our own virtual mobile operator network. Since the launch we signed up 33 944 voice and data customers.

During our previous reporting period we made good progress in refocusing our capital allocation approach. We divested from operational activities that are better managed through an outsourced model. We will invest in areas where we have scope to grow, specifically in our core market through store and product development and in our digital channels.

With regard to our Non-RSA operations, our business is a collective of countries; each with its own opportunities and challenges, and each at a different stage of investment and development. We remain committed to having a presence on the African continent but have chosen to focus on markets where we are profitable, significantly invested, have scale or believe, for specific reasons, that staying the course remains warranted. During the year we sold our Nigerian business to a local operator, the Persianas Group. We wish it success as it trades with the Shoprite brand under a franchise agreement. We have discontinued our operations in Kenya and have received binding offers for our operations in Uganda and Madagascar.

The result is that our Non-RSA segment is now 10 countries, which should reduce complexity and allow us an ability to focus on the regions that remain. We do all we can but, for the most part, the change we need – currency stability – is not in our hands. In Angola, specifically, our customers' purchasing power needs time to recover from the impact of years of rampant inflation that far outpaced wage growth. These are challenging markets in which to operate and it is disappointing to see the growth achieved in local currency eroded on translation into our reporting currency (the rand). I must commend our Non-RSA team. Despite significant headwinds, the business holds its own and I am very proud of our people and operations across the African continent.

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-  CFO's Message, page 30
-  Performance and outlook, pages 60–89



## CHIEF EXECUTIVE OFFICER'S MESSAGE | continued

### Our people

Having paid the appreciation bonus to all employees in FY 2020, and looking after our people during COVID-19, we still see the impact it has on people's lives. The bonus reaffirmed that we are one team, we are here for one another, and that everyone matters. The bonus was not limited to certain levels and job categories; every single person received the same. Throughout all the economic challenges, we have been able to keep everyone employed.

People are acutely aware of the economic hardship within the countries where we operate as unemployment continues to increase. Staff turnover decreased to 22.4% and throughout the business there is a sense that the Group is a safe haven.

Everything we do requires a team effort. We retained and grew our employee base and negotiated wage agreements to give our employees the ability to plan financially for at least the next two years. Our transformation strategy is not limited to race and gender: it includes a skills and experience aspect that will support our business transformation strategy in becoming a smarter Shoprite in the long term.

Achieving employment equity (EE) numbers in terms of regulatory requirements or industry practice will remain on our radar. We have been ahead of the industry (that includes food manufacturers and food retailers) across all levels of employment for some time and have again improved our numbers. Our 64% senior management and 79% middle management representation are where we outperform the retail and private sectors. Women make up 64% of our total employee base and 50% of our store management.

Our biggest challenge is finding enough skilled people to employ across our diverse operations. Retail requires a specific level of experience on all levels. We mostly recruit from outside at a junior level, addressing unemployment and

youth development; and then train, develop and promote from within as individuals gain the knowledge and experience required in our environment.

We acknowledge that we need to build our talent and succession pool with experts to stay ahead of the game. In recent years we have employed several senior Executives who contribute to strengthening our position as the largest retailer on the continent. They, too, are strengthening their own teams to be future fit and demographically relevant.

### In closing and in appreciation

Our daily mission is to keep our products and services affordable. This is not always easy. While, like the rest of the world, we operate with the complexities of COVID-19, our reality also includes challenges such as power outages (load shedding), disruptive protest action and crime requiring day-to-day management. It means we constantly make new plans and adjust existing ones to keep up with external factors that impact our business and our supply chain. We are adept, there is no doubt.

We still have so much to do and offer. The investments we have made in support of our strategy give us the opportunity to embrace developing our digital presence on the back of our still growing store-based business. We are extending product ranges; taking more stores and brands to where our customers are; making our financial services and platforms easier for customers to transact; and we are partnering with suppliers at varying levels to ensure we deliver the quantity and quality of products needed by our stores every day.

Long-term sustainability is becoming more important as countries and companies across the world are battling with increased pressure on resources given growing populations, global warming, natural disasters and pandemics ... the list goes on. We might not be able to change

**"Our transformation strategy is not limited to race and gender: it includes a skills and experience aspect that will support our business transformation strategy in becoming a smarter Shoprite in the long term."**



the world, but we are doing our best in our own business and communities to do what we can, to reduce our environmental impact and influence change. We address the challenges we see in the communities we serve by supporting early childhood learning, and developing and supporting community garden projects.

### Sustainability Report

Without the mutual respect we have for each person's contribution, this Company would not be where it is today. I thank each and every employee who gets up every morning to open a door, drive a truck, pack a shelf or serve a customer. Every smile we give our customers while assisting them is as important as every decision that gets made in running this Group.

To my loyal and capable Executive and regional management teams, thank you for your service and dedication to the business and our customers.

My sincere thanks go to our new Chairman, Wendy Lucas-Bull, and our Board of Directors for their unwavering commitment and support of the Group's Executive and the business as a whole. We are living in a world of change that brings with it unique challenges and opportunities, and we rely on the expertise and experience of our Board to assist us as we navigate our path towards our Shoprite of the future.

I would be remiss if I did not refer to the devastating impact of the events that took place in KwaZulu-Natal and parts of Gauteng shortly after the end of our financial year. We have reported separately in detail on the impact on our business, which certainly resulted in significant damage to our operations in the affected areas. While we are adequately insured, the damage to us and our country doesn't compare to the recompense from a claim. Much-needed infrastructure and access to basic services have been destroyed, livelihoods obliterated, schools and public facilities ruined. We condemn acts of this nature for many reasons but mostly owing to their impact on the incredible citizens of our country, many of whom were already struggling and deserve better.

As a Group, we were back serving customers that very same week, thanks in no small measure to our dedicated people, their expertise, commitment and resilience. We are acutely aware of the reliance our customers place not only on our supermarket business, but our ancillary services such as social grant payment points and financial services offerings, and we are rebuilding and restoring our operations as quickly as possible with this top of mind.

It is my hope that the coming year will allow us to at least regain one of the precious aspects of our lives we all took for granted: interacting with colleagues, business associates, friends and family. With this in mind, I hope 2022 is a year in which I see as many of you in person as I can. I can attest that without you all – our employees, customers, suppliers and shareholders – this great Company that sustains so many people in so many ways would not be where it is today.

It has been my honour to lead the Group during 2021 and I look forward to a better 2022 as we embrace our plans to grow the business and achieve greatness in all aspects of what we do.

I remain proudly Shoprite.

**Pieter Engelbrecht**  
Chief Executive Officer

30 September 2021



## CHIEF FINANCIAL OFFICER'S MESSAGE

GRI 201-MA



It is a privilege for me to report on Shoprite's 2021 performance. It was a team effort and all credit to my very competent and dedicated colleagues in finance, risk management, treasury, legal and IT who came together to report to the standard we are used to. As a finance team, we benchmark ourselves on global best practice and, in doing so, we strive to raise the bar every year. I can comfortably say we have achieved that and more this year.

### The year in review

From a reporting perspective 2021 requires some explanation. Shoprite follows a Julian calendar that requires us to include an extra week as part of our financial year every five years; this is referred to as the 53rd week. For ease of comparison, where we can, we report the 52-week equivalent.

The Group delivered an exceptional financial performance for the 53 weeks ending 4 July 2021 as evidenced by 8.1% growth in sales, a 55-basis point improvement in gross margin to 24.5% and expense growth of 6.7%. As a result the Group's earnings before interest, tax, depreciation and amortisation (EBITDA) measured R15.1 billion (52 weeks: R14.7 billion).

The balance sheet remains strong, with the capital allocation improvement programmes implemented over the past 24 months yielding the required results. We completed the sale and leaseback of our distribution centres (DC) and managed capital expenditure and inventory at 2.0% and 11.2% of sales respectively (calculated on a 52-week sales base). The borrowings/equity ratio of 24.9% is marginally below the Group's 25–30% target range, our return on average invested capital (ROIC) measured 12.4% (restated 2020: 9.7%) and cash generated from operations in the amount of R16.1 billion reflects the Group's inherent cash-generative capability.

Basic HEPS from continuing operations increased by 20.3% to 956.3 cents while DHEPS from continuing operations improved by 20.1% to 952.5 cents.

With this in mind, the Board has declared a final dividend of 353 cents per share, resulting in a full-year dividend of 544 cents per share. This is in line with the Group's 1.75 times dividend cover based on diluted HEPS (DHEPS) from continuing operations and represents year-on-year dividend per share growth of 42.0%. Furthermore, the Board has authorised a share buy-back programme that to date has resulted in the repurchase of 3.4 million shares at a value of R515 million including related costs.

It is noteworthy that the performance of our business in Nigeria, Kenya, Madagascar and Uganda have been classified as discontinued operations and has been excluded from our headline earnings performance measure. It is for this reason that the comparative statement of comprehensive income has been restated for the newly classified discontinued operations of Kenya, Madagascar and Uganda. In December 2020 the agreement to sell the entire shareholding in the Group's Nigeria subsidiary, Retail Supermarkets Nigeria Ltd, was concluded with conditions precedent met in May 2021. The total disposal consideration to be settled in naira, based on an enterprise value net of debt and cash, was R531 million. To date proceeds received amount to R441 million.



Areas of focus for the Group during the 2021 financial year included the following.

Key driver	Measurement
<b>Reducing capital expenditure</b>	Capital spend was in line with the 2020 financial year and below the guidance of 3.2% of sales. The underspending was as a result of the restrictions placed during the COVID-19 pandemic regarding store openings and information and technology expenditure.
<b>Disposing of selected assets to unlock balance sheet value and increase ROIC</b>	Property, plant and equipment (PPE) to the value of R1.4 billion was sold since the inception of the initiative to unlock value on the balance sheet.
<b>Improving our cash flow</b>	The Group's cash position ended on R6.7 billion for the year through cash generated from operations and after repayment of borrowings. This year's cut-off resulted in additional payments on creditors and income tax compared to the previous year. Taking this into account, the net cash flow position improved.
<b>Improving stockholding levels</b>	Inventory as a percentage of sales improved by 94 basis points to 11.2% on a 52-week basis.
<b>Maintaining our lean cost structure</b>	Total expenses increased by 6.7% during the 2021 financial year compared to the 6.9% expense growth reported in 2020. This was achieved despite the additional costs incurred in the 53rd week.

### Sale of merchandise

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

	Change %	53 weeks 2021 Rm	Restated* 52 weeks 2020 Rm
Supermarkets RSA	9.3	133 852	122 412
Supermarkets Non-RSA	(7.5)	15 453	16 707
Furniture	24.6	6 818	5 470
Other operating segments	10.0	11 907	10 820
<b>Total continuing operating segments</b>	8.1	168 030	155 409
Discontinued operations		3 591	4 180
<b>Total operating segments including discontinued operation</b>	7.5	171 621	159 589

\* Restated for newly classified discontinued operations, in accordance with IFRS 5: *Non-current Assets Held for Sale and Discontinued Operations*.



## CHIEF FINANCIAL OFFICER'S MESSAGE

continued

**Supermarkets RSA**

The Group's core business, Supermarkets RSA – making up 79.7% of sales from continuing operations – is represented by 1 726 stores across our major trading banners Shoprite, Usave, Checkers, Checkers Hyper and LiquorShop. As a segment, Supermarkets RSA achieved 9.3% sales growth (52 weeks: sales growth of 6.9%) and, on a like-for-like basis, grew sales by 7.3%. As a result of changed behaviour during the lockdown, customer visits for the year declined by 3.8%; however, average basket spend increased by 13.6%. Internal price inflation measured 3.8%, a result of second-half inflation declining to 3.4% from the 4.3% reported for the first half.

The full-year performance should be viewed in the context of a strong performance in the second half of the year on the back of a high base in the 2020 financial year, owing to pantry loading experienced during the March 2020 period amid the South African COVID-19 lockdown regulations implemented from 27 March 2020.

The Checkers supermarket chain, inclusive of 38 larger-format Checkers Hypers, increased sale of merchandise by 10.9%. Its strategy in South Africa, of focusing on establishing a fresh food theatre for its customer base, continues to improve year on year. The success of the launch of the Xtra Savings rewards programme during the previous financial year in the Checkers (including Checkers Hyper) chain, has gained traction and the 7.6 million Xtra Savings rewards programme customers – as at 4 July 2021 – contributed to the achievement of the record market share for the brands. Checkers, inclusive of Checkers Hyper, now operates from 268 stores in South Africa. Of this, the number of stores in the Checkers FreshX format has increased to 41 from 28 stores in the prior year.

Checkers Sixty60, the Group's response to fulfil the need in the market for a fast and reliable on-demand grocery delivery service, has outperformed all initial estimates and has been rolled out to 233 stores, an increase of 146 stores since the previous financial year. The service has won numerous accolades, disrupting the online grocery sales market in South Africa.

The Shoprite and Usave brands collectively increased sales by 8.8%. Notably, sales growth accelerated from 5.6% during the first half to 12.0% during the second half. Individually, Shoprite and Usave reported growth in sales for the year of 8.9% and 7.4% respectively. The accelerated growth experienced during the second half of the year of 12.0% was achieved on the back of the launch of the Shoprite Xtra Savings rewards card with 12.7 million sign-ups since the launch. Our price-fighting Shoprite supermarket business ended the year with a base of 523 stores, up by a net 17 new stores. Our low-cost, no-frills limited assortment discounter Usave opened a net 26 new stores and ended the year with 398 outlets (including 37 Usave Ekasi box stores).

The segment's LiquorShop sales growth of 4.4% for the year was a result of the impact of COVID-19 lockdown regulations that impacted trade both throughout the 2021 year and during the second-half base in 2020. It required the complete closure of the liquor business for 144 days (2020: closed for 66 days) during the reporting period. The liquor business represents 5.5% of Supermarkets RSA's sales and opened a net 37 new stores. It ended the year with 537 stores in South Africa.

**Supermarkets Non-RSA**

Given the classification of Nigeria, Kenya, Madagascar and Nigeria, Supermarkets Non-RSA recorded a decline in sales in rand terms of 7.5% to R15.5 billion (52 weeks: decline by 9.5% to R15.1 billion) from continuing operations. As a segment, Supermarkets Non-RSA's continuing operations contributed 9.2% to sales from continuing operations. In constant currency, sale of merchandise from continuing operations for the year increased by

6.8%. We estimate internal food inflation for the region averaged 9.2% for the period.

Trading in the various regions was negatively impacted as COVID-19 restrictions were highly variable. The Group reacted to these challenges by making changes to its operating model and implemented various initiatives that included range optimisation and source of supply adjustments.

Our Angolan and Zambian businesses were both impacted by currency devaluation, as demonstrated by our Zambian operations 25.2% sales growth in constant currency, translating to a decline of 11.8% in rand terms. In Angola, our supermarkets business' 12.6% decline in constant currency sales translated to a 37.2% decline in rand terms. The trading environment in Angola has not improved and the combined impact of rampant inflation and currency devaluations in recent years has significantly eroded customer spending power. Access to US dollar availability to secure in-stock levels of imported lines remained constrained, necessitating an increased reliance on locally sourced products. This, in turn, resulted in an improved stock holding ratio at year end, without sacrificing margin.

For the most part, the remainder of our Supermarkets Non-RSA continuing operations traded well.

**Furniture**

The Group's Furniture segment, representing 4.0% of sales from continuing operations, benefited from a combination of ongoing work-from-home spending shifts and the lower base created in the fourth quarter of the previous year as a result of COVID-19 lockdown store closures.

Sales for the 53-week period increased by 24.6% to R6.8 billion (52 weeks: sales growth of 22.1% to R6.7 billion). Like-for-like sales for the year increased by 13.5%. Credit participation decreased to 12.6% (2020: 13.3%). We continued with the consolidation of our furniture business footprint throughout the year, resulting in OK Furniture closing a net 13 stores in South Africa and one store in Non-RSA. House and Home closed a net two stores in South Africa. The division ended June 2021 with 340 stores in RSA and 86 stores in Non-RSA.

**Other operating segments**

The Group's other operating segments, representing 7.1% of sales from continuing operations and comprising OK Franchise, Transpharm, MediRite Pharmacies, Checkers Food Services (CFS) and Computicket, achieved sales growth of 10.0% for the year.

	Growth %
OK Franchise	8.2
MediRite Pharmacies	17.2
Checkers Food Services	(8.1)
<b>Total other operating segments</b>	<b>10.0</b>

This was an excellent achievement, notwithstanding the impact of lockdown limitations, specifically on both CFS and Computicket. CFS' primary customer, the restaurant and hospitality industry, was severely impacted by the various phases of lockdown regulations implemented during the year. Computicket was impacted as lockdown disallowed events and travel and their related ticketing.

Notwithstanding these limitations, the businesses' ability to adapt and innovate resulted in second-half sales increasing by 10.1%.

The OK Franchise business increased sales by 8.2%. Our franchisees are to be commended, given the operating environment as a result of COVID-19 was exceptionally challenging. Over the year we added a net of 36 new stores to end the year with 513 franchises.

**Summary statement of comprehensive income**

	Change %	53 weeks 2021 Rm	Restated* 52 weeks 2020 Rm
Sale of merchandise	8.1	168 030	155 409
Cost of sales	7.3	(126 817)	(118 145)
<b>Gross profit</b>	10.6	41 213	37 264
Other operating income	13.6	2 616	2 303
Interest revenue	(9.4)	542	598
Depreciation and amortisation	7.3	(5 336)	(4 972)
Employee benefits	8.5	(13 553)	(12 492)
Credit impairment losses	(53.8)	(222)	(480)
Other operating expenses	7.0	(14 928)	(13 949)
<b>Trading profit</b>	24.9	10 332	8 272
Exchange rate (losses)/gains	(>100)	(27)	577
Profit on lease modifications and terminations	>100	187	69
Items of a capital nature	4.3	(828)	(794)
<b>Operating profit</b>	19.0	9 664	8 124
Interest received from bank account balances	(39.5)	268	443
Finance costs	7.5	(3 095)	(2 878)
Share of profit/(loss) of equity accounted investments	(>100)	120	(38)
<b>Profit before income tax</b>	23.1	6 957	5 651
Income tax expense	26.3	(2 241)	(1 774)
<b>Profit from continuing operations</b>	21.6	4 716	3 877
Profit/(loss) from discontinued operations (attributable to owners of the parent)	(>100)	143	(501)
<b>Profit for the year</b>	43.9	4 859	3 376
<b>Earnings per share for profit from continuing operations attributable to owners of the parent:</b>			
Basic earnings per share (cents)	22.1	851.6	697.5
Diluted earnings per share (cents)	21.8	848.2	696.5
Basic headline earnings per share (cents)	20.3	956.3	794.7
Diluted headline earnings per share (cents)	20.1	952.5	793.4

\* Restated for newly classified discontinued operations, in accordance with IFRS 5: *Non-current Assets Held for Sale and Discontinued Operations*.

**Gross profit**

The Group gross profit margin increased by 55 basis points to 24.5% (restated 2020: 24.0%). In rand terms this equates to a 10.6% increase in gross profit of the Group to R41.2 billion. We attribute this growth to:

- Contribution mix: the increasing contribution from our higher-margin Checkers and Checkers Hyper RSA supermarket business to our core Supermarkets RSA segment. Checkers and Checkers Hyper in RSA now represent 40.2% of Supermarkets RSA's sales.
- Collective impact of collaboration across our various corporate teams: resulting in improved buying and more effective promotions facilitated by the Xtra Savings rewards programme.
- Improved operational execution: resulting in improvements in the areas of waste and shrinkage.
- Ongoing supply chain efficiencies: resulting in increased recoveries of DC allowances.
- Non-RSA gross margin improvement: owing to an increased contribution to goods sold from local (versus imported) products.

In addition to the above, the benefits derived from the ERP system implemented during 2019 cannot be underestimated. It continues to result in significantly improved maturity on utilisation of the level of data available for management decision-making.

**Other operating income**

Other operating income increased by 13.6%. This increase relates to an 8.3% increase in franchise fees received that was in line with increased franchise revenue as well as higher sundry income, which includes Checkers Sixty60 delivery recoveries and marketing income. Insurance cell income also increased with the Group's new investment in an insurance cell captive arrangement. Commissions received from our Computicket business was lower as a consequence of the pandemic restricting live events and travelling.

	Change %	2021 Rm	Restated* 2020 Rm
Commissions received	2.6	867	845
Operating lease income	(12.6)	423	484
Premiums and other insurance income earned	11.9	263	235
Franchise fees received	8.3	117	108
Marketing	>100	189	55
Delivery recoveries	>100	205	87
Sundry income	12.9	552	489
<b>Total</b>	13.6	2 616	2 303

\* Restated for newly classified discontinued operations, in accordance with IFRS 5: *Non-current Assets Held for Sale and Discontinued Operations*.



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**Interest revenue**

Interest revenue decreased by 9.4% to R542 million. Interest received on government bonds and bills is earned on amounts invested in the USD Index Linked Angola Government bonds, Angolan bonds and Angolan treasury bills for which income was R48 million lower, reducing to R162 million as a result of investments maturing during the year. These financial instruments serve as a hedge against anticipated future currency devaluations.

	Change %	2021 Rm	2020 Rm
Finance income earned from instalment sale receivables	3.1	263	255
Interest received from government bonds and bills	(22.9)	162	210
Interest received from associates	7.7	56	52
Interest received other	(24.7)	61	81
<b>Total</b>	(9.4)	<b>542</b>	<b>598</b>

**Expenses**

Total expense growth for the year measured 6.7% (restated first-half expense growth 4.3%; second-half expense growth 9.2% inclusive of the extra week).

Expenses are attributed to the following:

- COVID-19-related costs of R234 million, net of a R98 million employment tax incentive allowance from government, spent on health and safety, security, mobile clinics, personal protective equipment, temperature scanners, store and DC sanitation, store employee meals, communication costs and remote network access.
- Depreciation and amortisation increased by 7.3%. Depreciation on right-of-use assets increased by 24.6% to R3.2 billion, mainly driven by the sale and leaseback transaction of the three DCs to Retail Logistics Fund (RF) (Pty) Ltd of which the Group holds a 49.9% share. Depreciation on PPE decreased by 7.2% to R2.2 billion.
- Employee benefits expense growth of 8.5% reflects overall employee cost growth but was also impacted by two factors relating to COVID-19 in the prior year: government incentives received and the impact of lower spending on employee

development costs and the Youth Employment Services (YES) initiative. During the year the Group created 3 897 new job opportunities.

- Other operating expense growth of 7.0% includes increases in the amount of 4.2% for electricity and water, 4.8% for security, 8.0% for repairs and maintenance, 15.5% for cleaning and 23.5% for advertising. In line with Shoprite's environmental and long-term cost-saving strategies, the Group has introduced various energy-saving initiatives.

**Trading profit**

Group trading profit increased by 24.9% to R10.3 billion (52 weeks: 20.9% to R10.0 billion) due to strong sales growth and gross margin expansion. As a result the Group trading margin improved from 5.3% to 6.1% (52 weeks: trading margin 6.1%).

Supermarkets RSA's trading profit increased by 17.2% to report a 7.0% trading margin. The continued improved performance during a disruptive trading period – resulting in our LiquorShop business closing for 144 days throughout the year – is testament to the inherent strength of our core business' operations.

Supermarkets Non-RSA reported a R307 million trading profit (restated 2020: R73 million profit) that we see as a positive signal for the segment. The focus for the past 18 months was to rightsize the operations and, in doing so, identify those regions that should either be sold or discontinued. Simultaneously, various changes have been made to the operating model to take into account the fact that the trading environment has changed substantially over time in the region. As stated, the Group closed its Kenyan operations, sold its Nigerian business and classified the regions of Madagascar and Uganda as discontinued during the period. We are confident we will conclude transactions pertaining to the sale of assets for both Madagascar and Uganda during the 2022 financial year.

The Furniture segment's 2021 trading profit of R382 million has normalised to pre-2020 COVID-19 levels, following last year's R324 million IFRS 9: *Financial Instruments* expected credit loss charge that resulted in the segment reporting a R15 million loss. Based on an IFRS 9 external assessment of expected credit losses for the 2021 year, the Furniture division's debtor book provision declined to 45.9% (2020: 50.5%).

The following table gives the relevant trading profit, per segment, for continuing operations:

	Change %	53 weeks 2021 Rm	Trading margin 2021 %	Restated* 52 weeks 2020 Rm	Trading margin 2020 %
Supermarkets RSA	17.2	9 401	7.0	8 024	6.6
Supermarkets Non-RSA	>100	307	2.0	73	0.4
Furniture	>100	382	5.6	(15)	(0.3)
Other operating segments	(7.9)	291	2.4	316	2.9
<b>Total operating segments</b>	23.6	<b>10 381</b>	<b>6.2</b>	8 398	5.4
Hyperinflation effect	61.1	(49)		(126)	
<b>Consolidated continuing operations</b>	24.9	<b>10 332</b>	<b>6.1</b>	8 272	5.3

\* Restated for newly classified discontinued operations, in accordance with IFRS 5: *Non-current Assets Held for Sale and Discontinued 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 owing to US dollar-denominated short-term loans of operations outside South Africa and balances in US dollar held in offshore accounts.

The rand currency has shown unprecedented strength since the COVID-19 outbreak in March 2020 and has recovered to levels before the outbreak. We have, however, experienced substantial currency devaluation of the Angolan kwanza and the Zambian kwacha that negatively affected the short-term loans. The hedging policy applied resulted in a foreign currency loss of R27 million compared to a gain of R577 million in the previous financial year.

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

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

	Change % 2020–2021	2021 R	2020 R	2019 R	2018 R
US dollar	(15.5)	<b>14.486</b>	17.141	14.175	13.710
Euro	(10.8)	<b>17.156</b>	19.234	16.106	15.972
Zambia kwacha	(32.6)	<b>0.638</b>	0.946	1.095	1.370
Angola kwanza	(24.1)	<b>0.022</b>	0.029	0.041	0.055
Mozambique metical	(9.3)	<b>0.223</b>	0.246	0.226	0.229
Nigeria naira	(20.5)	<b>0.035</b>	0.044	0.039	0.045

**Net finance costs**

Net finance costs increased by 16.1% to R2.8 billion (restated 2020: R2.4 billion).

Interest on the Group's R27.7 billion lease liabilities was R2.5 billion (restated 2020: R1.9 billion).

Included in finance costs on borrowings is a one-off R178 million breakage cost on early settlement of a US\$250 million fixed interest rate loan.

	Change %	2021 Rm	Restated* 2020 Rm
Interest received from bank account balances	(39.5)	<b>268</b>	443
Finance cost: lease liabilities	29.2	<b>(2 471)</b>	(1 912)
Finance cost: borrowings	(35.4)	<b>(624)</b>	(966)
<b>Net finance costs</b>	16.1	<b>(2 827)</b>	(2 435)

\* Restated for newly classified discontinued operations, in accordance with IFRS 5: *Non-current Assets Held for Sale and Discontinued Operations*.

**Equity accounted investments**

Our share of post-acquisition profits from equity accounted investments is R120 million. This includes profits from Retail Logistics Fund (RF) (Pty) Ltd, in which the Group acquired a 49.9% shareholding through a sale and leaseback transaction during the financial year.

**Income tax expense**

The Group's effective income tax rate of 32.2% is 82 basis points higher than the prior year (restated 2020: 31.4%).

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

addition to the statutory tax rates being higher than 28% in most cases, all contributing to the higher effective tax rate.

**PPE, right-of-use assets and intangible assets**

The Group's PPE decreased by R3.9 billion to R14.4 billion owing to a combined result of the sale and leaseback transaction relating to our three DCs (R2.0 billion), the sale of mature, non-strategic properties (R250 million) and impairments (R860 million from continuing operations).

The Group's total capital spend amounted to R3.2 billion for the period (2020: R3.2 billion). The capital expenditure represented 2.0% of sales calculated on a 52-week basis (restated 2020: 2.1% of sales) due to a prudent stance taken on spending given the pandemic, and the pandemic itself constraining our ability to execute certain projects.

	Change %	2021 Rm	2020 Rm
Store maintenance and refurbishments	(8.0)	<b>1 217</b>	1 321
New stores	88.8	<b>761</b>	403
Information and technology	17.8	<b>746</b>	634
Land, buildings and leasehold improvements	(50.5)	<b>299</b>	604
Supply chain	(27.2)	<b>196</b>	268
<b>Total capital expenditure</b>	(0.4)	<b>3 219</b>	3 230

Right-of-use assets increased by R3.4 billion to R20.5 billion on the back of the impact of the sale and leaseback transaction for the period and new leases signed together with lease renewals.

The Group performs a review of loss-making stores and considers the need for impairment of assets under these circumstances. For the 12 months reported, impairments to the value of R1.1 billion (including hyperinflation impairment of R477 million) were accounted for, mainly in the Supermarkets Non-RSA segment as a result of the deterioration in the current and future economic outlook. Of this, R860 million related to PPE, R198 million to right-of-use assets and R30 million to intangibles.

## CHIEF FINANCIAL OFFICER'S MESSAGE | continued

Impairments form part of items of a capital nature and net of income tax impact earnings per share (EPS) but not HEPS.

Capital commitments of R4.8 billion have been made relating to improvements for the next financial year. This includes additional expenditure for our POS upgrade (R0.3 billion) as well as delayed expenditure (R0.5 billion).

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 and costs capitalised for software in development. Software is amortised over its useful life of three to 10 years.

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

### Government bonds and bills

Local currency cash and short-term deposits in Angola are subject to onerous local exchange control regulations and limit the repatriation of surplus cash. The Group is utilising said cash for its local trade and has invested surplus cash in AOA, USD Index Linked Angola Government Bonds and AOA, Angola Government Bonds as well as Treasury Bills. The AOA, USD Index Linked Angola Government Bonds form part of the hedging strategy against future possible devaluation.

The investment in government bonds and treasury bills reduced by a net R1.0 billion as a result of investments maturing during the year exceeding the amount of new investments in these instruments.

	Change %	2021 Rm	2020 Rm
AOA, USD Index Linked Angola Government Bonds	(60.9)	876	2 238
AOA, Angola Government Bonds	112.1	560	264
Angola Treasury Bills	-	58	-
<b>Total government bonds and bills</b>	(40.3)	<b>1 494</b>	2 502

### Inventories

Inventories declined by 2.4% to R18.4 billion. This represents an inventory to sales ratio of 11.2% on a 52-week basis, an improvement of 94 basis points compared to the 12.1% for the previous year. This marked improvement is primarily a result of the following factors:

- Supermarkets RSA 52-week inventory to sales ratio improving to 11.0% (2020: 11.4%).
- Supermarkets Non-RSA reducing stock levels by R990 million due to a combination of sourcing more local product rather than imported lines, the closure of Kenya during the reporting period, as well as the classification of Madagascar and Uganda under assets held for sale in the current reporting period.

The Group accepts its responsibility to support local supplier and enterprise development in the regions we trade and have various programmes to develop and grow these enterprises.

	Change %	2021 Rm	2020 Rm
Supermarkets RSA	3.5	14 382	13 902
Supermarkets Non-RSA	(35.3)	1 818	2 808
Furniture	8.9	1 629	1 496
Other operating segments	(11.3)	567	639
<b>Total inventory</b>	(2.4)	<b>18 396</b>	18 845

### Trade and other receivables

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

Collections from contracts with customers improved and, based on the assessment of expected credit losses for the year in terms of IFRS 9: *Financial Instruments*, the provision against the debtor book normalised from 45.9% to approximately 50.5% compared to the previous year.

### Cash and cash equivalents and bank overdrafts

Net cash and cash equivalents (after deducting overdrafts) amounted to R6.7 billion (2020: R10.0 billion). The decrease was largely as a result of the payment of trade payables and income tax due to cut-off on 4 July 2021 to the value of R5.9 billion in the Supermarket RSA segment. It was further impacted by the net repayment of borrowings to the value of R5.9 billion, the R1.2 billion generated from the sale and leaseback transaction of the DCs and the initiation of the share buy-back programme to the value of R515 million including related costs.

	Change %	2021 Rm	2020 Rm
Cash and cash equivalents	(34.4)	7 950	12 114
Bank overdrafts	(41.7)	(1 221)	(2 095)
<b>Net cash and cash equivalents</b>	(32.8)	<b>6 729</b>	10 019

### Borrowings and lease liabilities

Total borrowings decreased by R6.7 billion to R5.3 billion (2020: R12.0 billion). The borrowings/equity ratio improved from 60.1% to 24.9%. Most of the debt is rand denominated. The Group's lease liabilities increased by R4.5 billion owing to new leases, renewals and largely relating to the DC sale and leaseback transaction.

	Change %	2021 Rm	2020 Rm
Borrowings	(56.0)	5 279	12 009
Lease liabilities	19.1	27 722	23 271
<b>Total debt</b>	(6.5)	<b>33 001</b>	35 280

#### Borrowings consist of:

ZAR-denominated funding	(0.9)	4 004	4 039
USD-denominated funding	(86.6)	991	7 421
Other local currency funding	(48.3)	284	549
<b>Total borrowings</b>	(56.0)	<b>5 279</b>	12 009

#### Lease liabilities consists of:

Non-current	23.0	24 801	20 168
Current	(5.9)	2 921	3 103
<b>Total lease liability</b>	19.1	<b>27 722</b>	23 271

### Provisions

Adequate provision is made for post-retirement medical benefits, reinstatements, long-term employee benefits and outstanding insurance claims.

	Change %	2021 Rm	2020 Rm
Provision for post-employment medical benefits	(23.1)	20	26
Provision for outstanding claims	(72.7)	3	11
Provision for long-term employee benefits	19.1	392	329
Reinstatement provision	73.6	151	87
<b>Total provisions</b>	24.9	<b>566</b>	453

### Looking ahead

In terms of our operating environment, the most significant factor we contend with remains the prolonged impact of COVID-19 on our business (our people and our customers) and the economy at large. The trajectory of the virus is impossible to predict and our approach will remain to monitor the situation closely and adjust our embedded protocols as necessary. Operating within the confines of the pandemic has become our new normal. We have successfully navigated three waves of infection and the business has demonstrated resilience throughout. To date, for the 2022 financial year, our LiquorShop business has remained closed for 21 days because of lockdown regulations and, from 27 July 2021, it was able to commence trade four days a week (Monday to Thursday).

Outside of the (not insignificant) impact of lockdown liquor trade closures, we seem to have settled into a pattern of differing levels of lockdown that have not, for some time, significantly impacted the remainder of our Group. Our core business of food retail has proven to be a relative safe haven in terms of consumer spending and we have been fortunate in that respect. However, it wasn't all luck; strategic foresight, good planning and even better execution played a critical role in terms of how well we have fared. Both Checkers Sixty60 and Xtra Savings have been instrumental in terms of facilitating home delivery of groceries and personalised promotions communication with the rewards programme.

As is well understood, the start to our 2022 year was marred by the impact of unprecedented political and civil unrest in South Africa in KwaZulu-Natal and Gauteng provinces during the week commencing 12 July 2021. The unrest caused significant damage to 231 of the Group's stores and, in addition, resulted in all our remaining stores in these regions being closed for precautionary reasons for a period ranging from a few days to a week or more in certain instances, depending on circumstances.

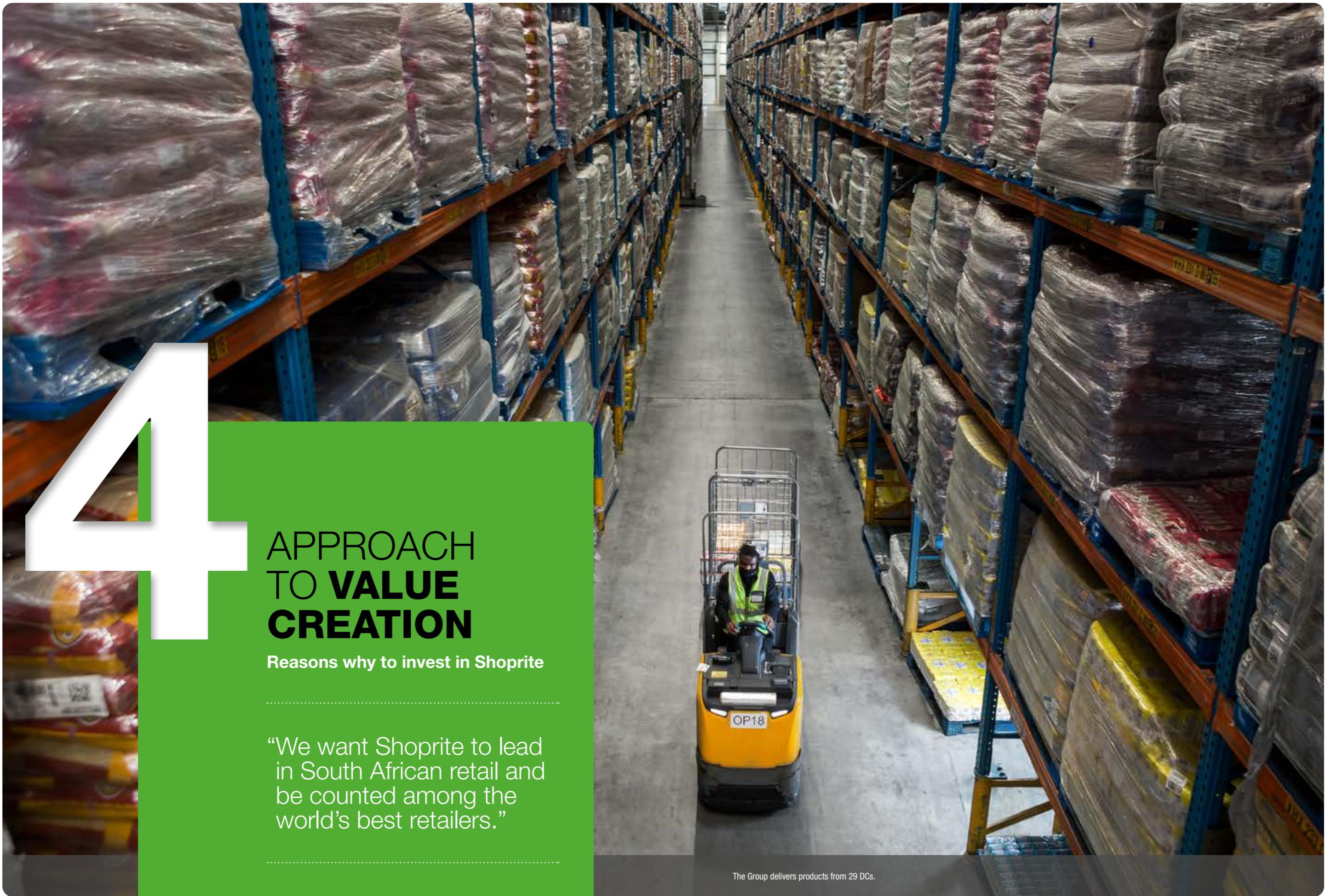
The period following the unrest has been a busy one with the Group focused on recoveries and reopenings and up to 22 August 2021 the Group has only 83 stores closed as a result of the unrest. Of these, 47 stores have been significantly impacted by fire and the process of reopening for these stores will be mixed: some may open in the coming months, some may take a year, others will require new premises. Our corporate structure incorporates a capable properties team who are actively working with our brands to expedite the plan in these locations. Of the total stores impacted we have taken the decision to not reopen in six locations.

As a Group we are clear on our intent to be the most customer-centric retailer on the continent and accessibility for our customer is of paramount importance, as is our core customer in the Shoprite and Usave segment. For these reasons, the Group is pleased with its proposed acquisition and integration of the Masscash Cash & Carry, Cambridge Food and Massfresh businesses into our operations. This acquisition will accelerate our plans to expand our physical reach in these businesses and, in turn, bolster our brand presence and low-price promise at a time when our customers need it most.

Shoprite is on an exciting growth path, which we are executing with razor-sharp focus. Our Supermarkets RSA business' growth is founded on a considered and well-articulated strategy spanning all facets of operations. Given significant changes to our Non-RSA operating model, the region has returned to profitability. Despite the difficult start to 2022, we foresee a plethora of opportunities for our businesses – both individually and collectively – as we build and leverage the vast retail ecosystem that our brands and their combined physical and digital presence represent.

Given the Group's strong balance sheet and increasing growth and innovation focus, it is important that assessing the cost of capital and our required return is embedded in our process. The Group generates significant cash and, in terms of spend, we prioritise investment in our store base (new stores, upgrades and refurbishments) and our information and technology infrastructure (maintenance, upgrades and business of the future projects), digital/e-commerce projects, as well as our supply chain initiatives. In addition, our capital allocation framework favours maintaining a reasonable level of gearing and prioritises the return on capital to shareholders by way of dividends (as articulated by our policy of 1.75 times dividend cover based on DHEPS from continuing operations and share buy-backs).

**Anton de Bruyn**  
Chief Financial Officer  
30 September 2021



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Approach to value creation

Performance and outlook

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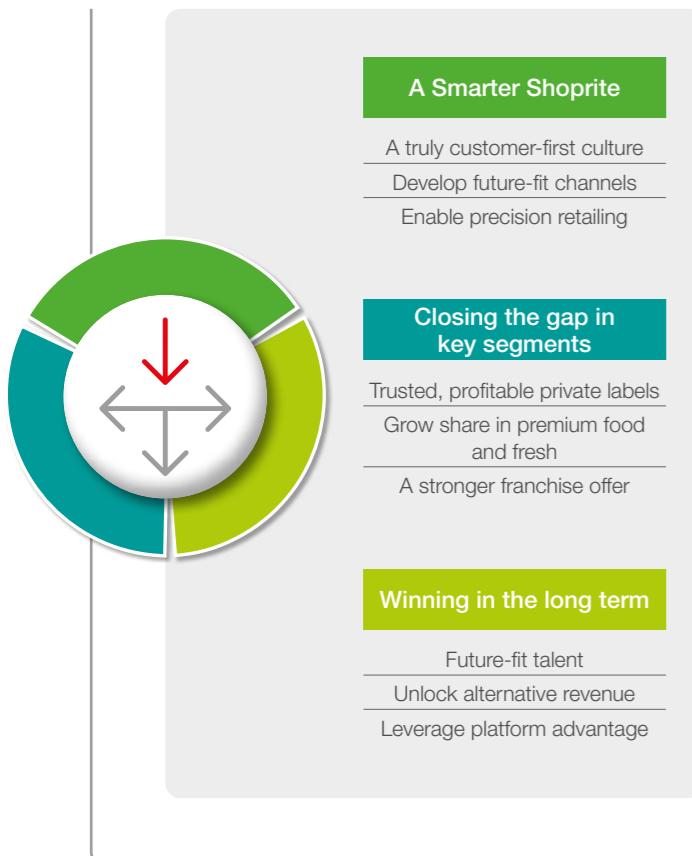
# STRATEGY AND INVESTMENT CASE

The Group's vision is distilled into a future-fit strategy.

Although we continuously evolve and adapt, we remain resolute in our commitment to customers to be Africa's most accessible, affordable and innovative retailer. We have revised our strategic drivers to be more aligned with how the world around us has changed. The race for reach through digital technologies has become more critical and moved the dial on how we enable precision retailing. We are beginning to realise a return on investment as strategic initiatives underpinning this commitment become meaningful in terms of their impact on the business.

We want Shoprite to lead in South African retail and be counted among the world's best retailers. To achieve this we will focus on optimising and growing our core retail activities in our existing markets while we capitalise on opportunities to unlock incremental growth by becoming a smarter, more customer-driven business, closing the gaps in key segments and investing in long-term opportunities to unlock alternative revenue streams. We will leverage Shoprite's scale advantage to build the dominant consumer omni-channel ecosystem in Africa, creating unrivalled reach and entrenching customer loyalty.

The food retail business is our foundation and provides broadscale customer reach and high transactional frequency. Our investment in technology provides increased reach and engagement, digital commerce capability and operational efficiencies while opening up new revenue opportunities as customer expectations and behaviours change.



## A Smarter Shoprite

A truly customer-first culture  
Develop future-fit channels  
Enable precision retailing

## Closing the gap in key segments

Trusted, profitable private labels  
Grow share in premium food and fresh  
A stronger franchise offer

## Winning in the long term

Future-fit talent  
Unlock alternative revenue  
Leverage platform advantage

### Accelerating digital transformation

In the past year we have unveiled ShopriteX, the Group's new agile digital business capability aiming to reimagine grocery retail in a future, customer-inspired era. Marrying the best of data science and technology, ShopriteX aims to save customers time and money through innovation and creating more personalised shopping experiences. Following global trends in omni-channel retail, ShopriteX encompasses the development of digital commerce capability, digital channels to extend our reach, personalisation at scale, and data and insight monetisation to unlock precision retailing. It also focuses on customer innovation and introduced a new unmatched reach business, Rainmaker Media, a precision retail media business that leverages our consumer data.

ShopriteX is home to a digital team of 250 of South Africa's leading data science, technology, e-commerce and personalisation experts, playing a leading role in the Group's drive to attract and retain future-fit talent, and becoming a more customer-centric business.

After a period of incubation, ShopriteX already boasts industry-leading innovations, namely Xtra Savings, South Africa's fastest-growing rewards programme, and Checkers Sixty60, Checkers' pioneering 60-minute grocery delivery service, which met with unrivalled customer response. The team has been awarded 17 innovation and digital awards in the past year. Some noteworthy trading milestones during the year include:

- The Xtra Savings rewards programme signing up more than 20 million members.
- Checkers Sixty60 became the number one grocery app in the country, with over 1.5 million app downloads.

Continued investment into expansion of precision retail capabilities and alternate revenue streams remains a priority to ensure we can unlock the full benefits to customers from combining the strengths of physical retail and digital customer experience.

- CEO's Message, page 24  
 Performance and outlook, pages 60–89

### Addressing material matters:

- |                    |  |
|--------------------|--|
| #1 MATERIAL MATTER | Information and technology management      |
| #3 MATERIAL MATTER | Supply chain resilience and sustainability |
| #6 MATERIAL MATTER | Strategy, trade environment and growth     |

### Case studies:

- Xtra Savings, page 71  
 Checkers Sixty60, page 67



## A Smarter Shoprite

### A truly customer-first culture

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

### How? Focus on customer data to drive experience

Our strategy to enable precision retailing and unlock alternative revenue streams relies on effective application of our digital infrastructure and data-driven customer profiling. Technology-based solutions will allow us to connect directly with our customers by concentrating on their personal needs and preferences.

### Initiatives:

Xtra Savings rewards programme

### How? Through smaller stores in our customers' neighbourhoods

Growing the Shoprite Mini and Usave store base and rolling out the smaller Checkers neighbourhood store format.

### Initiatives:

Usave eKasi container stores, OK Express

### How? Through digital channels

Shoprite has the largest store footprint of any supermarket in Africa. Our range of physical stores, our on-demand delivery and digital services form a strong foundation for the omni-channel shopping experience that is fast becoming the retail norm.

### Initiatives:

Checkers Sixty60, virtual vouchers



### Enable precision retailing

Our investment in digital transformation enables us to leverage our data assets from across our retail platform to embed insight and analytics into our processes, enabling us to make smarter business decisions, further optimise our supply chain and become even more relevant to our individual customers.

### How? Investing in technology

Operational efficiency is critical for us to stay competitive on affordability. We are shifting our focus to invest into data systems and analytics technology to optimise trading activities, personalise every customer interaction, continuously driving innovation for our customers – thereby optimising efficiency and improving long-term returns.

### How? Being data-driven to improve operational and supply chain efficiency

Our investment in our integrated ERP system has allowed us to consolidate all critical information into a single source, providing consistent and accurate business intelligence. The system has been transformational in terms of how the Group manages, views and uses information and will prove more significant as we continue to integrate more processes.

We are now building on this foundation to optimise the business, creating a truly differentiated customer experience by leveraging advanced analytics, and becoming more precise in managing inventory and in making customer-centric merchandising decisions.

### Initiatives:

Investment in data science capabilities through establishing a data science hub and employing and growing technology talent





## Closing the gap in key segments

### Trusted, profitable private labels

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

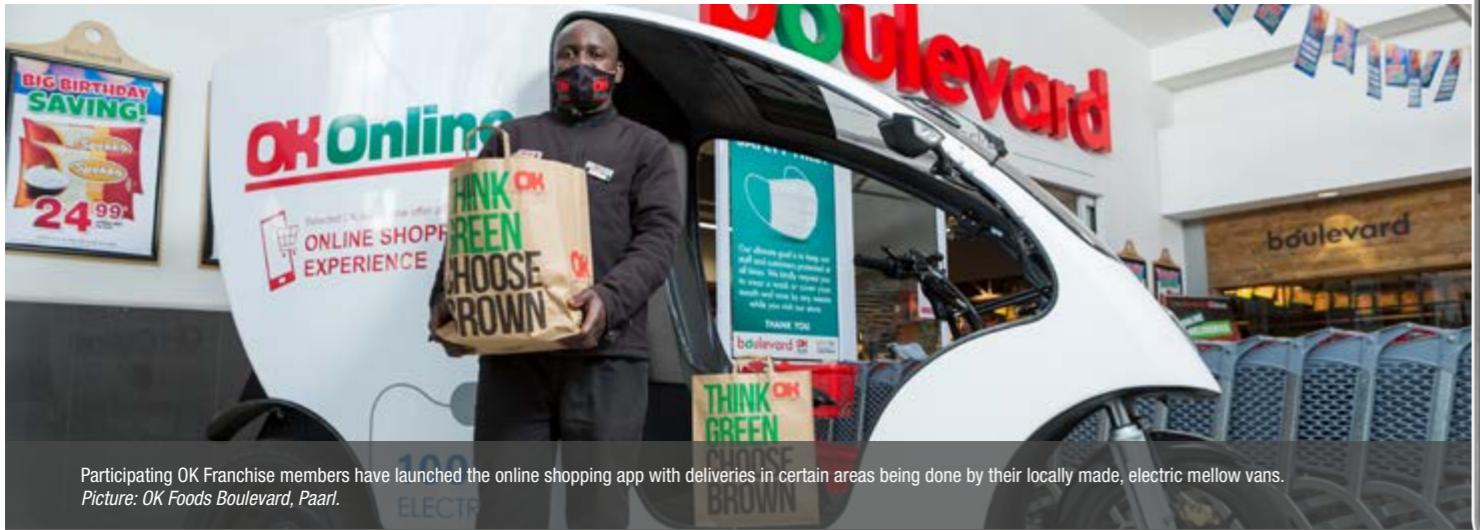
### How? Expanding our private-label offering as part of our growth strategy

Our private-label brands provide value propositions across the scale from low prices to premium segments. It has become an avenue for significant product development and innovation, and provides customers with better choice and better value. Our scale and efficient supply chain allow us to develop, produce and distribute these private labels more cost-effectively. While our low-price and best value-branded products are focused for quality and affordability, the pace of development is accelerating for premium cross-category product ranges that incorporate health, wellness and environmental benefits, general merchandise and convenience/ready-made meals.

#### Initiatives:

382 new private labels with a focus on premium: Oh My Goodness, Forage and Feast, Simple Truth

335 new value and affordable private-label products



### Grow share in premium food and fresh

Higher-income customers are increasingly looking for value but without compromising on quality and freshness. We can serve this market segment (in South Africa) with an improved offering, resulting in upper market share of wallet gains without compromising our industry-leading value position.

### How? Checkers and Checkers Hyper

Through improving product offerings and customer experience at Checkers and Checkers Hyper, we are providing an alternative shopping destination to South African shoppers for fresh and premium food. The Checkers FreshX stores are bespoke and have elevated the brand to credibly cater for the premium and fresh market segments. The continued focus on value as well as an improved range of fresh products and healthier options provide significant upside growth potential.

#### Initiative:

Increased Checkers FreshX store rollout

### A stronger franchise offer

The franchise brands offer entrepreneurs from South Africa and neighbouring countries access to a superior franchise proposition, while giving customers a smaller, convenient and more 'local' shopping destination. The franchise offer provides a level of flexibility to the partners while giving them the opportunity to benefit from our fully integrated planning, procurement and logistics functions, in the same way as our corporate stores.

### How? Supporting the growth of OK Franchise stores providing group support services and supply chain access

The Group will continue to consolidate its franchise business by rebranding stores – mostly under the OK brand – and integrating operations into the Group's supply chain. This consolidation allows our franchise partners and buying partners like Megasave (a wholesale brand) to benefit from the Group's wide-reaching supply chain network and range of product and services.

#### Initiatives:

22 OK Foods and OK Express (Forecourt) formats rolled out during the period



## Winning in the long term

### Future-fit talent

The demand for experienced data and technology talent is increasing as the world of retail rapidly transforms. Changing consumer expectations, buying behaviour and channel development requires emerging retail capabilities and a talent pool that is agile, adaptive and digitally oriented.

### How? Investing in new skill sets to create a multiskilled workforce that is developed for the Fourth Industrial Revolution and its impact on retailing

Attracting, developing and retaining talent to build a pipeline for new strategic positions and succession across the Group's diverse operations. By investing in people and growing our capabilities, we will drive and develop the digital transformation agenda.

#### Initiatives:

Establishing a digital business unit to accelerate the Group's drive to attract new future-fit technology talent

### Unlock alternative revenue

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

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

In-store financial and value-added services cater for customers who have limited access to formal banking or other payment platforms or who choose more affordable payment methods as a means of reducing high transaction fees. Shoprite is a one-stop-shop for our customers to conveniently pay bills, buy cell phones, make money transfers and buy airtime and data, Lotto tickets, electricity and even funeral insurance.

#### Initiatives:

Launched K'nect mobile network, Rainmaker Media, Money Market account

### Leverage platform advantage

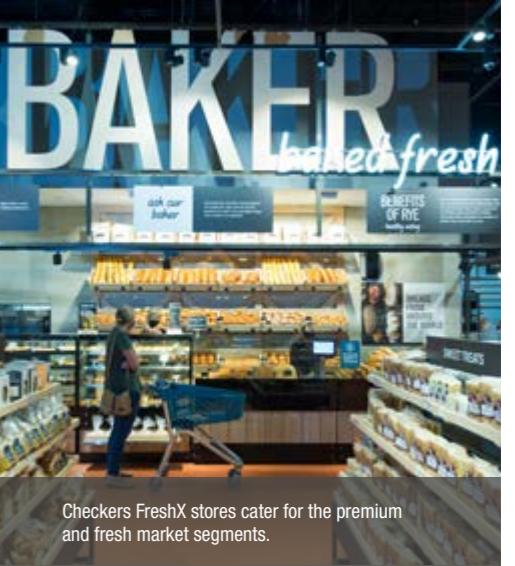
Consolidation of the Group's unrivalled customer base, store and distribution network, and merchandising expertise with new, fit-for-the-future digital capabilities provides an opportunity to meet customer demand more effectively. With more points of engagement across physical and digital points, we can be open to transact any time, exchange richer information with our customers, leading to deeper customer relationships from discovery phase to transaction, and ultimately fulfil customer demand better. Customers want access to a wide selection of products and services at anytime, anywhere, an expectation for which the Group is uniquely positioned to meet at scale through an increasingly frictionless shopping experience.

### How? By building an ecosystem

Using our channels, supply chain, products and services, we are able to build an ecosystem extending digital reach and enabling customers to engage and transact more seamlessly and more frequently.

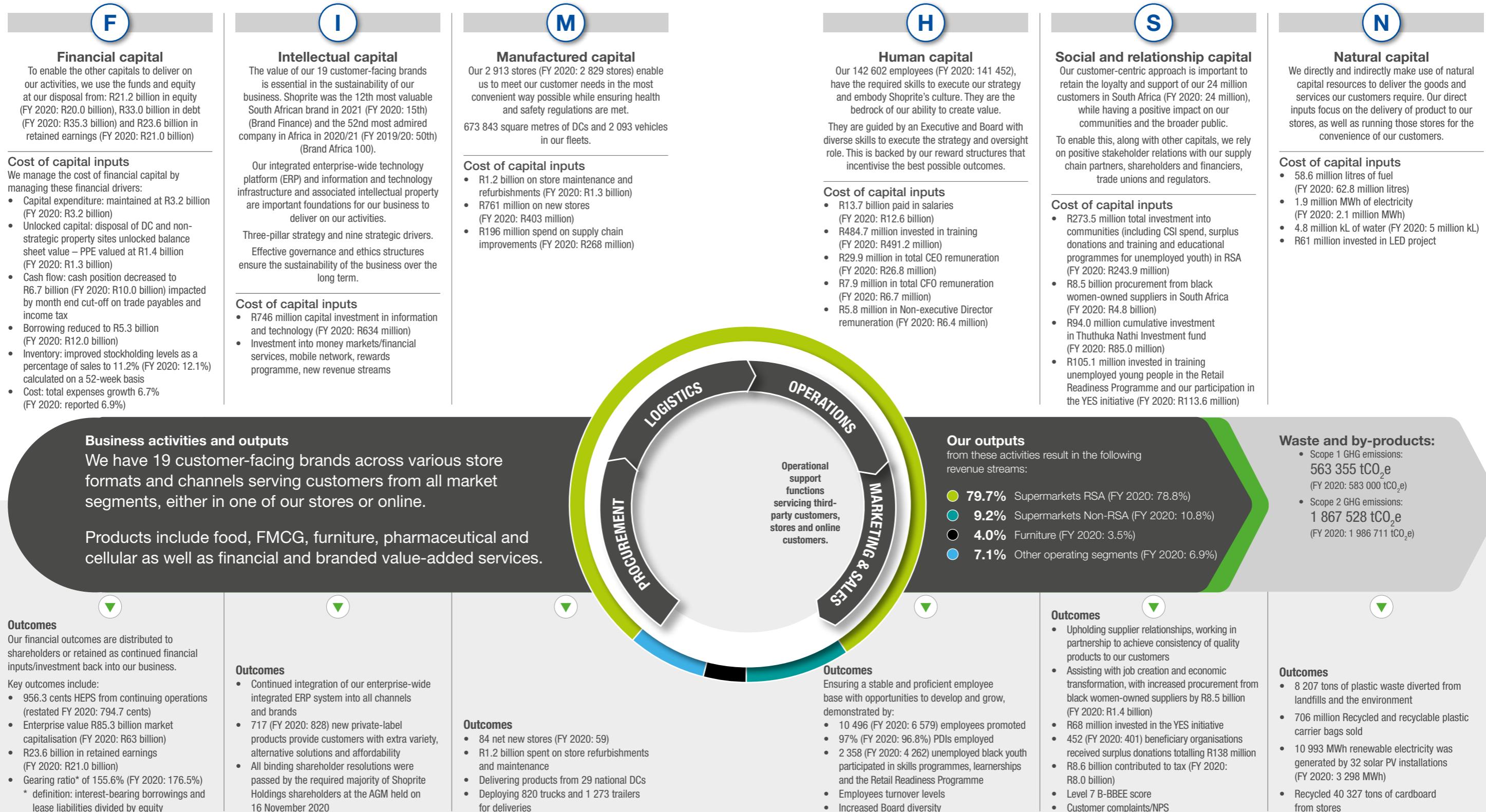
#### Initiatives:

Expanded e-commerce, product partnerships, retail media, customer rewards



# INTEGRATED BUSINESS MODEL

The business model illustrates to what extent the Group has achieved its strategic objectives for the period under review and what the outcomes were in terms of the various capital inputs. The business model is a summary representation of detailed reports and must be read together with other sections in the IAR, the separate Sustainability Report and the Corporate Governance Report.  GRI 203-2



# RISKS AND OPPORTUNITIES

The Group's Board oversees the management and performance of enterprise-wide and compliance risks that are managed through a Board-approved Enterprise Risk Management (ERM) Policy and Framework. The risk landscape is reviewed monthly against the ERM Policy and within the current operational context. This ensures the Group remains fully aware of the relevant risks, its risk appetite and tolerance levels for each risk.

## Combined assurance

The Group has adopted a combined assurance approach closely aligned with the recommended practices set out in King IV. The Board has delegated responsibility for governance oversight of the Group's combined assurance framework to the Audit and Risk Committee, which is required to ensure implementation of the combined assurance model results in fully integrated internal and external assurance activities across the business.

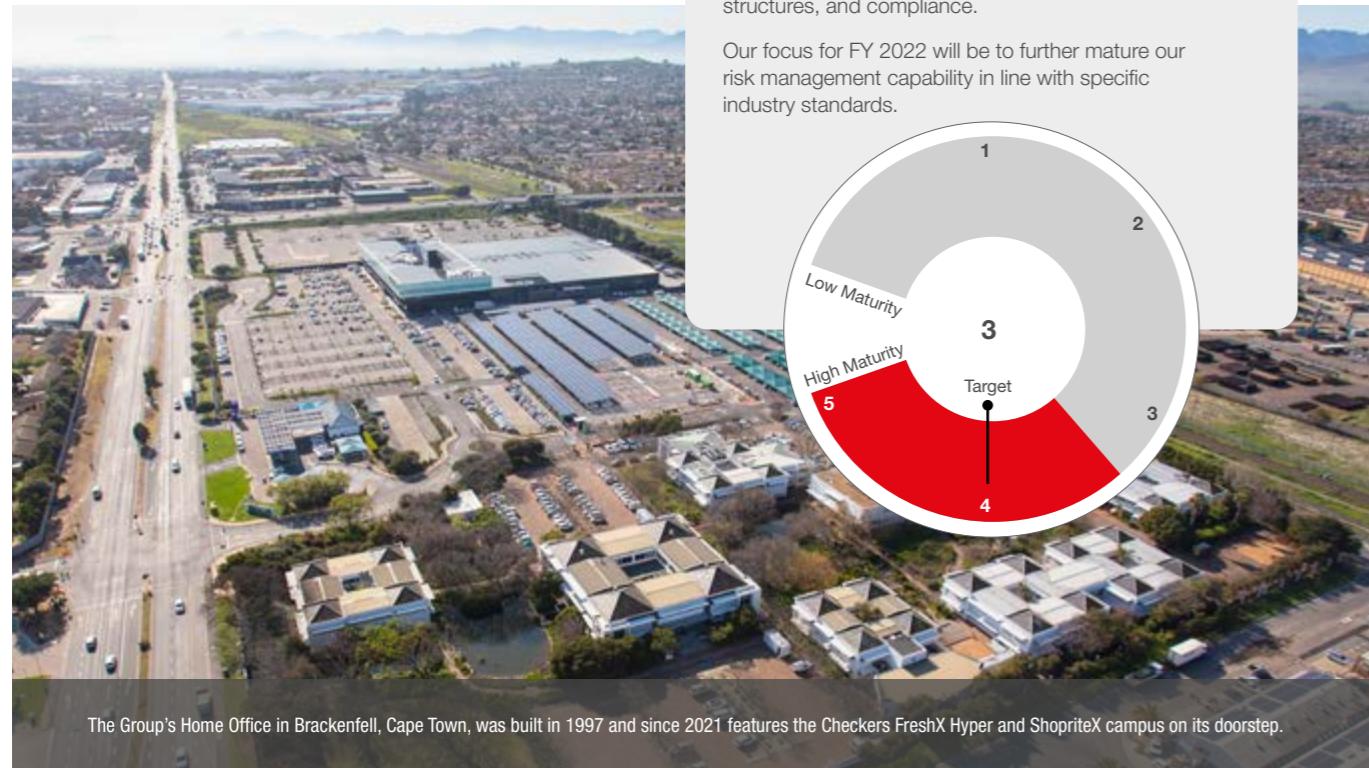
 King IV Principle 15

The Audit and Risk Committee has oversight over the effectiveness of the Group's combined assurance framework, in conjunction with the Group Risk and Compliance Manager and the Group Internal Audit Executive, to achieve the objectives of an effective combined assurance framework for the Group. More information on assurance is provided in the Audit and Risk Committee Report in the annual financial statements and in the Corporate Governance Report.

During the year under review we enhanced our combined assurance capability and strengthened our governance oversight of risks. Three new Board members with extensive risk experience were also appointed.

 Combined assurance model in the Corporate Governance Report, page 17

 Annual Financial Statements: Audit and Risk Committee Report



The table provides a combined overview of the risk management and assurance structure. The detailed assurance structure forms part of the Corporate Governance Report.

## Board-level governance and external assurance

The Audit and Risk Committee exercises governance oversight of Shoprite's application of its combined assurance arrangements.

 GRI 102-30  
 King IV Principle 11

### External assurance

#### Areas of responsibility:

- Approves Group-wide policies, processes and procedures that give effect to risk and compliance management principles. Policy approval is done within the context of the Group's risk appetite and tolerance levels.
- Provides direction to the Executive on strategic risk oversight and approach for risk-related opportunities.
- Oversees Executive performance of Group risk management and the integrity and approval of reporting on significant risks, internally and externally.

#### Area of development:

The Board appointed new members with significant risk management experience.

## Executive-level risk management and monitoring

The Executive Directors, through the CFO, take responsibility for designing and implementing a combination of internal assurance and external assurance appropriate for the Group and its various business operations (combined assurance arrangements).

## Group-level risk and compliance function

Group Internal Audit executes independent audits with either full or partial coverage in terms of the Audit and Risk Committee-approved annual Internal Audit Plan and reports to the CFO.

### Third line of assurance

Group Risk and Compliance Manager reports to the Company Secretary (who is also the head of Legal) on compliance governance, and to the CFO on risk governance, with material matters or findings escalated by the CFO and Company Secretary to the Executive team and the Audit and Risk Committee for attention. Risks are reported to the Audit and Risk Committee.

#### Area of responsibility:

- Independent internal assurance is obtained across all business units concerning the adequacy, effectiveness of and compliance with controls that mitigate key risks within the Group's context.
- Governance, risk management and compliance (GRC) project will roll out a platform in which a module for internal auditing will be created. The platform will aim to provide automation in some areas of the audit function, creating a more formal link to the risk universe. This should drive audit efficiency and provide better risk control analytics.

#### Area of development:

The Group Risk and Compliance Manager roles were split for dedicated focus between risk and regulatory compliance. This will provide for a more concentrated and specialised focus for these functions.

Group Health and Safety Manager: The Group Health and Safety Manager reports in to the Group Risk Manager. Second line of assurance.

#### Areas of responsibility:

Group health and safety is responsible for developing the health and safety systems, objectives and targets for the Group.

Group Insurance Manager: The Group Insurance Manager reports in to the CFO. Second line of assurance.

#### Areas of responsibility:

Assessing the Group's insurance needs including the procurement, processing and maintenance of all insurance activities within the Group. The Group Insurance Manager also has a team of specialists focused on fire risk controls and fire risk reduction.

Head of Group Security and Loss Prevention: The Head of Group Security and Loss Prevention reports to, and receives mandate from, the Security and Loss Prevention Steering Committee. The Steering Committee members comprise the three COOs, CFO and Company Secretary.

#### Areas of responsibility:

The Head of Group Security and Loss Prevention is responsible for developing and monitoring policies and procedures for security and loss prevention-related matters, investigating losses incurred due to criminal events, and proactively utilising data to mitigate future losses.

### Second line of assurance

## Business unit and functional-level risk management and monitoring

Business unit management teams, including divisional COOs, general managers and financial managers report on risk and compliance matters to the Group Risk and Compliance Manager through a Management Risk Forum.

### First line of assurance

#### Areas of responsibility:

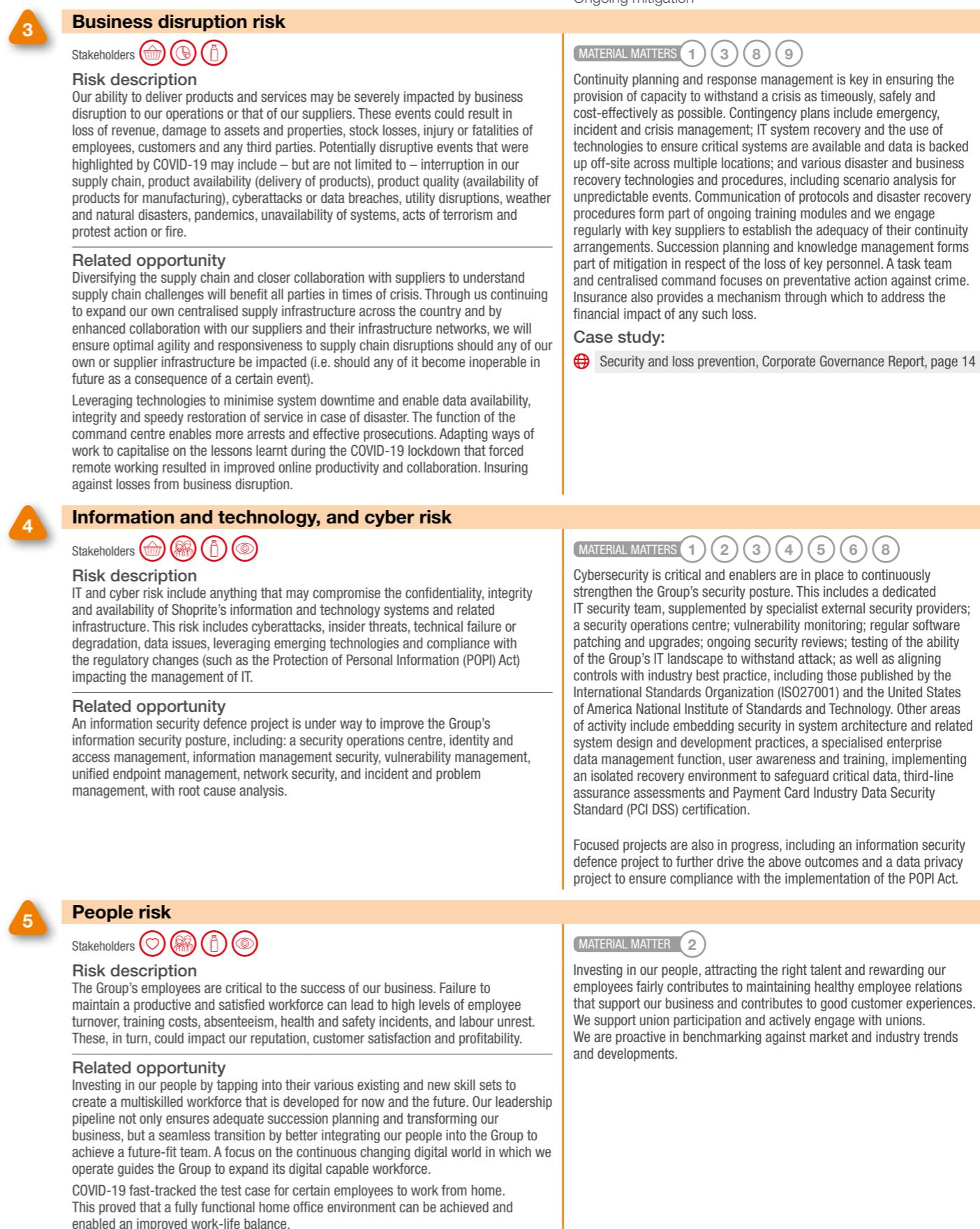
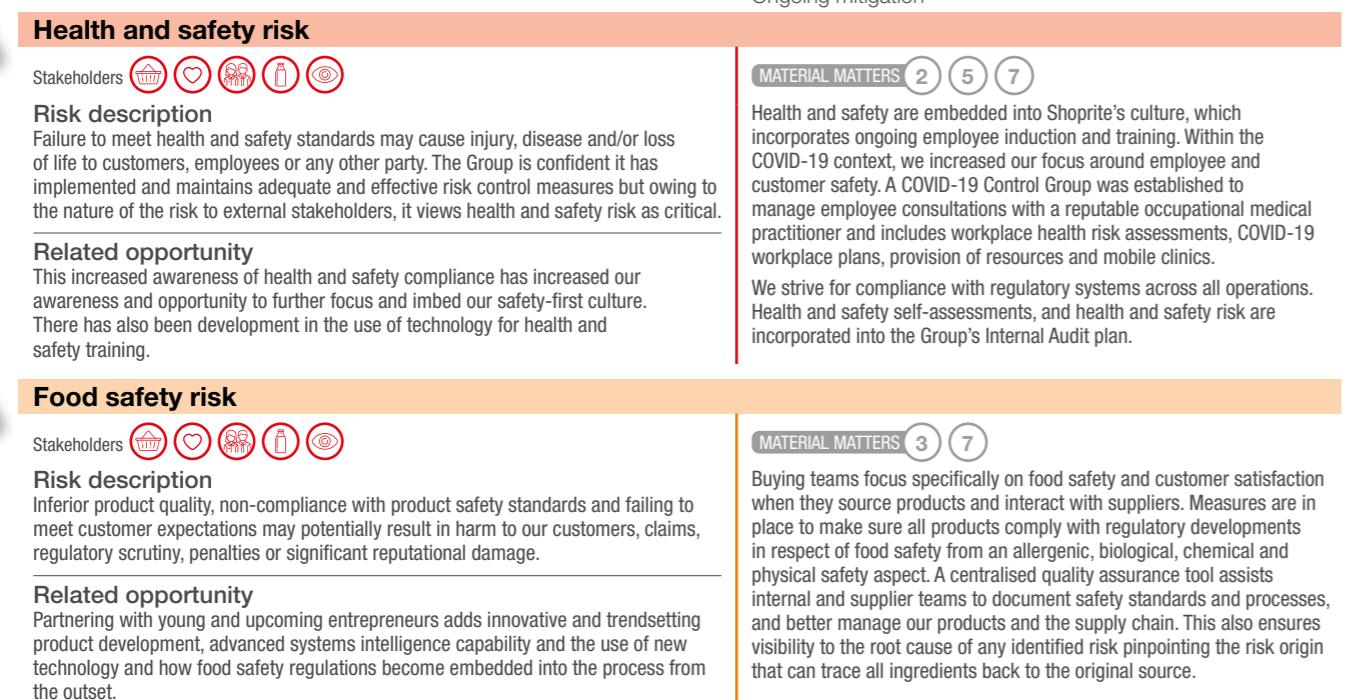
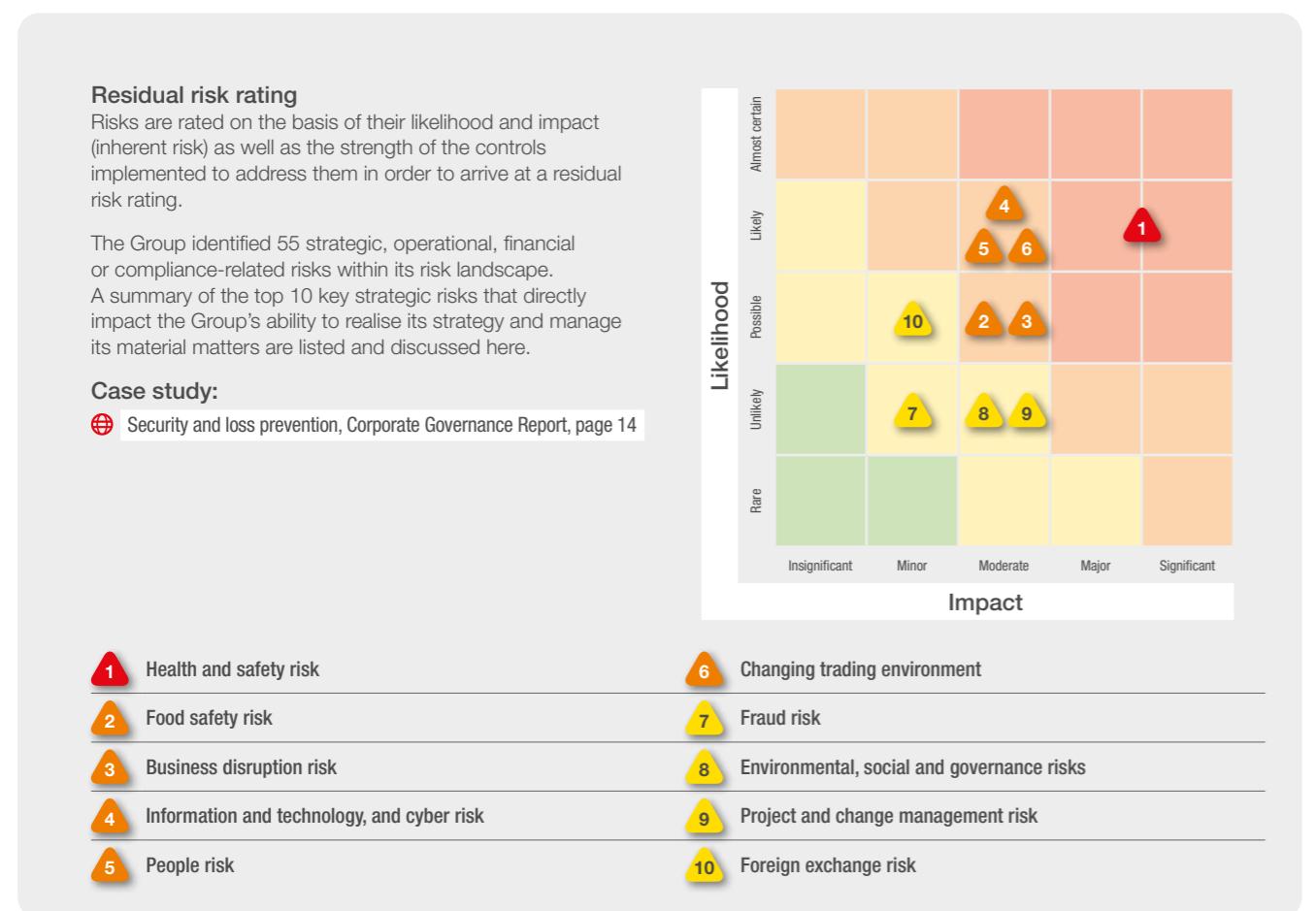
- Risks are identified and monitored, and operational losses tracked, quantified and reported on at business/functional level.
- Risk registers include management and control activities, and risks are reported monthly to the Group Risk and Compliance Manager at the Management Risk Forum.

#### Area of development:

Enhanced internal financial control project rolled out across operational teams as assistance with operational risk register establishment and training.



## RISKS AND OPPORTUNITIES | continued



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## RISKS AND OPPORTUNITIES | continued

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### Changing trading environment

Stakeholders 

#### Risk description

The Group is constantly subjected to external risk factors such as social, economic, regulatory and political conditions. These constantly changing conditions and associated risks may result in an increase or decrease in the cost of doing business as well as disposable income and purchasing power of consumers, which have been pronounced with the COVID-19 global pandemic. This affects Shoprite, our suppliers and customers.

#### Related opportunity

The business showed its ability to adapt quickly to changing conditions and we used the benefits of our scale and the ERP system to further enhance efficiencies in our supply chain. We opened more stores to be closer to our communities and serve our digital customers, creating employment and supplier demand.

Ongoing mitigation

MATERIAL MATTERS 

First and foremost, we focus on business continuity by monitoring and evaluating the impact of inflation to ensure fair pricing and affordability for our customers while remaining profitable. We therefore regularly conduct stress tests, and review and adjust business and cost-management strategies to improve efficiency and productivity. We maintain good relationships with our creditors and suppliers, supporting payment terms and supply chain stability. The extreme impact COVID-19 had on income and food security led to numerous events of public unrest. In many instances, this put our employees, customers and property in danger. The Group's central command centre and security operations are involved with certain aspects of safety and loss prevention. This changing social environment impacts on the livelihoods of our customers and safety of our employees. SASRIA and riot wrap insurance ensure protection against financial loss from acts of domestic and international political unrest, public disorder, strikes, riots and terrorism.

#### Case study:

 Security and loss prevention, Corporate Governance Report, page 14

7

### Fraud risk

Stakeholders 

#### Risk description

The vulnerability that the Group faces internally from individuals and externally through collusion, misappropriation of assets such as cash and inventory (shrinkage), and third-party fraud, armed robberies and theft. This includes the risk of reporting and financial misstatements.

#### Related opportunity

Strengthen organisational ethics and build a culture where every employee understands the role they play in upholding our reputation as an honest and trustworthy business. An internal financial control (IFC) evaluation project was launched to ensure that employees understand their responsibility and take ownership; and make sure controls are properly executed. The IFC was completed.

Ongoing mitigation

MATERIAL MATTERS 

Relevant policies that inform accepted behaviour are reviewed, updated and approved periodically by the Group's Board committees and communicated to employees. Regular risk-based internal audits of selected financial systems are conducted and there are clear areas of responsibility and management between operational and financial positions. External audits and stringent financial controls are in place, particularly in our financial services operations. New suppliers undergo a due-diligence verification process and all transactions, goods and services are tracked to reduce irregular transactions while improving budget control. New employees are vetted and a well-publicised fraud reporting hotline is managed by an independent third party. The central command centre plays a pivotal role in identifying, preventing and investigating unlawful acts.

Ongoing mitigation

MATERIAL MATTERS 

Policies and procedures are set up to manage compliance through a clearly defined combined assurance framework. Using a risk-rated regulatory universe ensures the business focuses on all applicable laws, regulations and international best practices that fall within critical, high and medium risk categories. Operationally, the Group receives alerts across jurisdiction on new and amended legislation; engages with regulators and industry forums; focuses on compliance training that addresses critical and high-risk impact legislation; and embeds sustainability principles and practices to address social and environmental issues with a focus on food waste, sustainable packaging, responsible sourcing, water security and climate change.

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### Project and change management risk

Stakeholders 

#### Risk description

The inability to implement strategic projects on time, within budget and/or fully realise intended benefits that may result in additional unplanned expenditure and/or unplanned write-offs after investment.

#### Related opportunity

Numerous projects are currently under way in support of the Group's strategic objectives. Particular areas of focus include expanding existing digital and e-commerce offerings, and improving operational visibility and efficiencies.

Ongoing mitigation

MATERIAL MATTERS 

A Shoprite Capability Framework identifies new and existing business capabilities and services. To align resources with the Group's strategic direction, an enterprise project delivery road map is used to plot projects against the Group's strategic objectives. A Project Approval Committee (PAC) assesses, prioritises and approves projects on the back of feasibility studies. Projects are managed by the Group's project management office that employs a variety of delivery methods to best achieve project outcomes. To track progress and manage risk, the Group's value management office monitors projects, independent third-party project assurance is obtained and project portfolio status updates are communicated to the Group's Management Risk Forum and Audit and Risk Committee.

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### Foreign exchange risk

Stakeholders 

#### Risk description

The Group operates in and imports from several countries globally. As a result exchange rate movements have a direct impact on the Group's ability to consistently provide customer affordability. Our Non-RSA operations are mostly in countries with under-developed financial markets marked with hyperinflation and, therefore, foreign exchange shortages and minimal foreign exchange controls may prevent repatriation of money and influence profitability. Most of our exposure is in markets linked to direct US dollar exposure.

#### Related opportunity

With the adverse implications of exchange rate risks, Shoprite increased its focus and awareness of financial and non-financial managers (both in the local and Non-RSA markets) to these risks and the importance of reducing exposures by aiming to increase trade in local currencies.

MATERIAL MATTERS 

Our financial managers and the treasury team monitor markets and hedge exposures where possible, in accordance with the Group's Treasury Policy. We keep foreign currency reserves to cover imports in Shoprite DTMC, a company that uses the US dollar as its functional currency; repatriate soft currency surpluses; aim for early settlement of foreign currency obligations, investments in US dollar-linked bonds and borrowing in soft currencies.

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### Environmental, social and governance risks

Stakeholders 

#### Risk description

Non-compliance to adhere to environmental, social and corporate governance regulation and best practice can lead to financial risk and reputational damage. Unsustainable consumption of natural resources, uncontrolled release of emissions and waste – coupled with social and ethical practices across the Group and our supply chain – can have an adverse environmental, social, financial, regulatory and reputational impact on the business.

#### Related opportunity

Improving the efficiency of our operations makes us more affordable. Efficient operations use less resources and produce less waste. This makes us more environmentally responsible. The growing awareness of environmental issues and the impact of COVID-19 fast-tracked some supply chain re-engineering activities to further reduce food waste. We use natural resources more efficiently, reduce waste, and embrace more efficient and cost-effective practices. The Group publicly discloses our climate change and water-security risks, opportunities and performances via the CDP platform.

Ongoing mitigation

MATERIAL MATTERS 

Policies and procedures are set up to manage compliance through a clearly defined combined assurance framework. Using a risk-rated regulatory universe ensures the business focuses on all applicable laws, regulations and international best practices that fall within critical, high and medium risk categories. Operationally, the Group receives alerts across jurisdiction on new and amended legislation; engages with regulators and industry forums; focuses on compliance training that addresses critical and high-risk impact legislation; and embeds sustainability principles and practices to address social and environmental issues with a focus on food waste, sustainable packaging, responsible sourcing, water security and climate change.



We continuously expand our centralised distribution network across the country and by enhanced collaboration with our suppliers and their logistical infrastructure, we will ensure optimal agility and responsiveness to mitigate supply chain disruption.



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# OUR STAKEHOLDERS

We have a responsibility towards our stakeholders to create shared value over the long term but we cannot do so without their support. We depend on continuous engagement to understand their needs and address their concerns while remaining cognisant of what is right for the business to achieve our strategic goals.



**Customers**



**Employees**



**Communities**

## Identifying our stakeholders

Our stakeholders affect, or are affected by, our activities. We have categorised them into seven groups according to their similar interests or expectations from the Group.

GRI 102-40/102-42

During the reporting period we conducted an independent stakeholder engagement exercise and engaged individuals from all our various stakeholder groups. In this exercise we tested the validity of our material matters and identified possible blind spots. While we engaged with them, we gained insight into the effectiveness of our communication with them. The results of this have been used in our materiality review and incorporated into this report.

GRI 102-43

Our stakeholders were ranked, taking into account the significance of their influence on our business and vice versa, answering the question: who will be most impacted if our business does not exist? Key matters of concern that were raised through the Group's materiality assessment process have been listed. How we address our material matters is discussed in detail in the Capital Reports.

GRI 102-44

Our material matters, page 56

Performance and outlook, pages 60–89

## Channels

- Direct
- Digital
- Indirect

## Being responsible towards our customers

Our customers make up our largest stakeholder group, and shop at and make use of the Group's wide range of brands, formats, products and services. They are the focus of everything we do and we interact with them every single day in our stores and through our digital platforms. They represent all socio-economic categories with an estimated 57.6% in LSM 4 to 6.

We will continue to address our customers' needs and concerns and connect with them on the various channels we have in place for their convenience. We use the feedback we get on customer experience as a key indicator to measure the success of our supply chain and strategy around customer focus.

### Matters of interest or concern

- Affordability and availability of product and service
- Healthy and nutritious food choices
- Good customer experience
- Healthy and safe store environments
- Product safety
- Protection of personal data

### Channels

- In person, in store; call centres; materiality engagement
- Websites, social media, e-newsletters
- Media, print marketing communications

### Special initiative

Our enhanced data analytics capability enables us to proactively enhance product availability in selected stores and specific areas based on weather, seasonality and particular events.

#7 MATERIAL MATTER Customer centricity

### Response

- 3.1 million customers following across social media channels
- Launched Rainmaker Media
- 2 820 store hygiene audits
- Internal food price inflation of 3.8% vs 5.4% food inflation<sup>10</sup>

### Matters of interest or concern

- Diversity and inclusion
- Transformation
- Talent attraction and retention
- Remuneration and benefits
- Rapidly evolving working environment
- Engaged employee culture
- Job creation
- Health and safety
- Training and development

### Channels

- Team meetings, training, surveys, incentive and recognition programmes
- #OurShoprite e-newspaper, CEO video messages, SiyaRinga, Intranet
- Trade union affiliations

### Special initiative

A new Learning Management Platform offers all our employees access to learning programmes based on our new job architecture-, talent- and performance frameworks which will be rolled out over the next two years, contributing to employee engagement, talent attraction and retention.

#2 MATERIAL MATTER Employees

### Response

- 406 e-learning courses available to employees
- 14 456 employees form part of formal LTI and STI bonus schemes
- 58 458 employees connected to SiyaRinga
- 2.9 million training hours provided
- Celebrating our people in various ways

## Doing the right thing

Our communities are home to our employees and customers and include anyone who may be in need of our assistance. To get the maximum benefit from our investment to provide the most impact in our community work, we focus on food security, ECD and youth employment. This focus largely determines how and where we invest our resources.

Our community work extends beyond corporate social investment (CSI). We continuously investigate ways in which our operations, supply chain and infrastructure can create economic opportunities, provide access to retail training, support entrepreneurial activities and enable small and medium enterprises (SME) to grow.

### Matters of interest or concern

- 146 food garden projects
- 291 837 meals served to children at ECD centres
- R1.4 million additional funds raised through ActForChange Fund customer contributions and fundraising initiatives
- R105 million invested on training and educational programmes for unemployed youth through the Retail Readiness and YES programmes

### Channels

- Meetings with community and CSI partners, project visits
- Support to ECD practitioners, improving the nutritional intake of children attending ECD centres

### Special initiative

The Group's CSI programmes and partnerships are being independently reviewed and benchmarked with peers. The outcome and recommendations from this review will be taken under advisement for any changes or improvements in the Group's CSI strategy and implementation.

#9 MATERIAL MATTER Socio-economic development

<sup>10</sup> Stats SA: Consumer price index (CPI) headline inflation was recorded at 3.2% in January 2021 and food inflation made up 28% of this, even though food and non-alcoholic beverages make up only 17.24% of the total CPI basket.



## OUR STAKEHOLDERS | continued



## Suppliers

## Ensuring business continuity

Suppliers include service providers, manufacturers and producers across our supply chain, property network, other asset owners (building owners, lessors and logistics providers) and local municipalities.

Across the Group we work with suppliers in more than 40 countries. We have built their trust over many years and believe in building long-term mutually beneficial partnerships.

We support small businesses and are committed to growing the local economy, providing opportunities for emerging enterprises to enter the retail market. In a complex supply chain, our integrated ERP system is providing us the platform to better manage arrangements with suppliers.

**Matters of interest or concern**

- Mutually beneficial supplier partnerships
- Supplier diversity and development
- Local supplier understanding and support
- Agility in centralised planning and distribution capabilities
- Food and product quality and safety
- Reliability of energy, water and product supply
- Human rights throughout the supply chain

**Channels**

- ➡ Meetings and ongoing in-person communication, site and farm visits
- ⓐ Supplier portal
- ↔ Supplier awards

**Special initiative**

Despite the ability we showed during COVID-19 to consistently provide products to all our stores, we did face a few hurdles. Our immediate focus as a next phase in our business continuity management is to work with our suppliers to understand their business continuity and contingency plans in view of possible disaster. We have become aware of how critical it is to work together to manage capacity in- and outflows.

## #3 MATERIAL MATTER

Supply chain resilience and sustainability



## Shareholders, investors and financiers

## Investing for the future

Our shareholders and financiers contribute to our ongoing success. We are focused on improving governance and transparency to give investors a clearer understanding of what we do and how our business works. Increasingly, we provide information on ESG performance through our Sustainability Report and CDP disclosures.

Our AGM and bi-annual results presentations are the Group's three most significant public engagement events and we welcome and value the feedback we get at these sessions. Shareholders are encouraged to attend and actively participate in the AGM. The Board ensures the chairpersons of the Audit and Risk, Social and Ethics, Remuneration and Nominations Committees and the designated external auditor are present at the AGM to respond to questions from shareholders.

The questions raised in these forums help us understand how to improve our investor communication and what their major concerns are.

**Matters of interest or concern**

- R3 billion invested over the past three years in our integrated ERP system
- 73 270 of B2B orders sent to vendors on average per day
- 338.8 million cases of products delivered to stores through our centralised network
- 727 Suppliers active on Quality Assurance Management system

**Response**

- Future strategy
- Performance against strategy
- Non-RSA strategy
- Capital allocation plans and outlook for return on capital
- Growth opportunities
- Innovation and digital
- Capex on technology vs stores vs other
- Board diversity, ownership and control, evidence of governance at work
- Risk and business continuity management
- Inclusion of ESG matters into strategy

**Channels**

- ➡ Investor meetings, conferences, interviews, presentations, supplementary updates and specific engagements where necessary
- ⓐ Corporate website, Stock Exchange News Service (SENS) announcements, Webcast results presentations
- ↔ Integrated reporting suite

**Special initiative**

After the AGM in November 2020 shareholders were invited to engage with the chairperson of the Remuneration Committee. The feedback from these meetings was particularly valuable and has assisted us in improving our Remuneration Report this year.

## #6 MATERIAL MATTER

Strategy, trade environment and growth



## Regulators

## Complying with laws and regulations

To ensure collaboration, alignment and quick response to changes or possible shortcomings we might have, we regularly engage with regulators and industry forums across the whole supply chain.

We strive to comply with regulations and provide information to proactively contribute to policy development. We collaborate with regulators and actively participate in new and amended regulations. The Group maintains a defined and risk-rated regulatory universe across legislation, regulations and international best practices.

**Matters of interest or concern**

- Compliance
- Participation in public policy
- Risk management, governance and ethical practices
- Transformation improvements
- Sourcing from local and/or sustainable suppliers

**Response**

- 45% of private-label products with on-pack recycling labels
- 795 974 Occupational health and safety audit checklists completed

**Channels**

- ➡ Meetings, audits, policy consultations
- ↔ Industry forums

**Special initiative**

The exploration and implementation of an electronic regulatory compliance survey and assessment tool.

## #5 MATERIAL MATTER

Regulatory environment



## Trade unions

## Finding ways of working together

We recognise our employees' rights to association and representation through recognised unions across our operations. Most of our employees are based in South Africa and our largest union representation is with the South African Commercial, Catering and Allied Workers Union (SACCAWU). Mitigating the risk for labour disputes is a primary focus area for the Group, and communication and negotiation with unions are ongoing.

We are the only South African retailer that is a signatory with Uni Global, promoting social dialogue in support of better management and trade union relationships. The Company regularly engages with the recognised trade unions on matters of mutual interest and ultimately culminates in collective bargaining agreements.

**Matters of interest or concern**

- Remuneration and benefits
- Job creation
- Labour relations management

**Response**

- 32% membership in South Africa
- 42% Non-RSA representation

**Channels**

- ➡ Meetings
- ↔ Representation on various internal committees

**Special initiative**

Ongoing initiatives to build relationships and an understanding of commercial/retail realities within the economic and retail market context.

## #5 MATERIAL MATTER

Regulatory environment



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# OUR MATERIAL MATTERS

It is important for the Group and all our stakeholders to have a sustainable long-term business. Our material matters have again been tested with stakeholders and considered by management and reflect those issues that have the most impact on how we need to manage our business.

The material matters listed in this report are what we believe and those we tested to have the greatest likelihood of affecting our ability to create sustained value for our stakeholders. These matters or their sub-themes might change over time as our stakeholders' needs evolve and new trends and developments influence our environment.

Our response and performance against our material matters are discussed in detail in each of the Capital Reports, with reference to the Sustainability Report and Corporate Governance Report. Each material matter and its sub-themes are linked to the Group's risks and have been listed as such in the risks and opportunities discussion.

Our stakeholders, page 52

Risks and opportunities, page 46

## Process of determination

Stakeholders were asked to comment on the importance and relevance of each of the Group's material matters while independent and anonymous one-on-one interviews interrogated possible blind spots. The result of this engagement was presented to management, which then rated the material matters and their sub-themes according to the possible influence it might have on the Group's ability to create value. An industry and peer review formed part of the process to identify gaps.

GRI 102-21

No distinction has been made between short- or long-term impacts. Management indicated these matters will be tested annually and managed on the basis that short-term focus will result in long-term benefit. The management team that was included in the materiality assessment processes were the Executive heads of departments who are responsible for the management of these matters in their areas of operation.

## Changes to material matters

In FY 2020, COVID-19 was introduced as a material matter. During this year's review process COVID-19 was taken off as a stand-alone material matter as it had become integrated throughout the Group's existing material matters.

Leadership transformation and EE were incorporated into governance and employees while quality and safety are relevant to all aspects of the business and all stakeholders. This has been included in information and technology management, customer centricity, regulatory environment, and supply resilience and sustainability. It was important for the Group to acknowledge the focus that the changing retail environment and customers' behaviour is receiving and customer centricity was therefore identified as a stand-alone material matter. The same occurred with environmental stewardship.

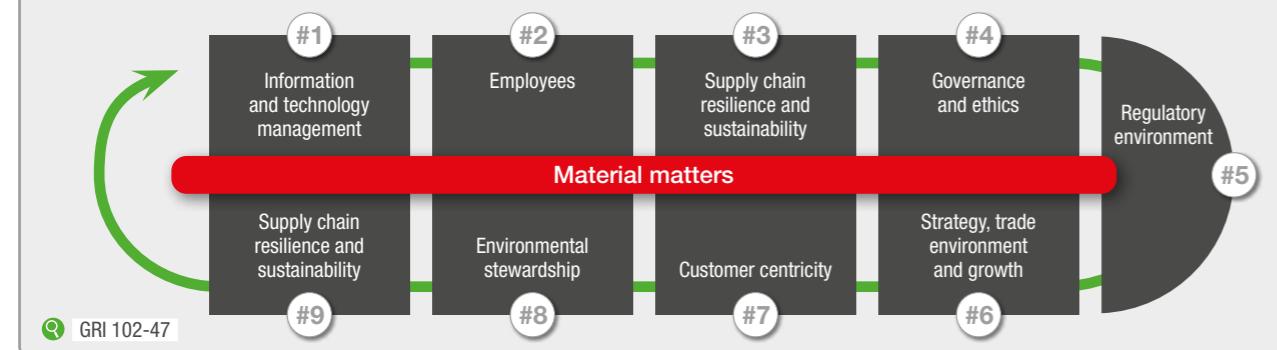
Performance and outlook, pages 60–89

Risks and opportunities, page 46

Corporate Governance Report

Sustainability Report

The rating that management applied in determining the material matters was based on financial investment and return to shareholders, impact and level of regulatory compliance, and the level of investment in innovation required to achieve strategic growth. Stakeholder feedback, depending on their level of influence or dependence on material matter, was also considered. The way in which the rating questions were positioned took the Group's strategic growth drivers and risks into consideration.



**#1**

### Information and technology management

Continued investment in technology and data analytics remains a priority as the Group strategically positions itself to optimise the business and take advantage of new opportunities. We have access to a significant amount of operational and customer data that we analyse to improve our offerings and increase efficiencies. It is critically important we protect our information and technology assets (including our data) and use them responsibly.

#### Areas of management and focus include

- Continuous business optimisation through digitalisation that takes into account an increasingly digitalised retail environment and changing customer expectations
- Improving agility and speed to react more quickly and appropriately to changes in legislation, business innovation and customer demands
- Improving efficiencies through the operations (particularly in the supply chain) through data analysis
- Cybersecurity and data privacy
- Impact of digitalisation on skills and communications

Related capitals:

Relevant stakeholders:

Related capital:

Relevant stakeholders:

- Training and development across all employee levels (internally) and youth development (externally) to promote continuous improvement and employment opportunities
- Health and safety at work but also personal wellness
- Transformation, diversity and inclusion
- Talent attraction, development and retention
- Building leadership and management capabilities to enable long-term growth
- Remuneration and benefits
- Creating a culture of care and continuous engagement
- Labour relations management

Related capitals:

Relevant stakeholders:

- Reliability on infrastructure, systems and suppliers to consistently deliver quality products and service (manufactured)
- Agility in centralised planning and distribution capabilities with the ability to manage scale (manufactured)
- Optimising efficiencies to continuously manage costs to keep products as affordable as possible and reduce environmental impact (intellectual)
- Managing supplier relationships to promote mutually beneficial partnerships, transparency and accountability (social)
- Abiding by and promoting human rights (social)
- Promoting supplier diversity and development, especially local supplier understanding and support (social)
- Managing aspects around food and product quality and safety, including responsible and sustainable sourcing of products (social)

Related capitals:

Relevant stakeholders:

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- Reliability on infrastructure, systems and suppliers to consistently deliver quality products and service (manufactured)
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Related capitals:

Relevant stakeholders:

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## OUR MATERIAL MATTERS | continued

#4

**Governance and ethics**

Good governance and ethics throughout an organisation are driven by our Board and Executives. It is therefore important for the Group to have a robust and capable Board of Directors, attuned to Shoprite's business strategy, material risks and opportunities, and a fully accountable and hands-on leadership team. Governance is closely linked to the Group's risk management approach and oversight. Although governance and ethics is a Board responsibility, management is accountable to fully adhere to the directives set at Board level.

#5

**Regulatory environment**

Our operations across 13 industries and 13 countries deliver quality and affordable products and services to our customers through our store network and digital platforms. Our business exists within a complex regulatory environment and requires high levels of compliance. Compliance requires focus, resources and continuous engagement with regulators and external verification authorities.

GRI 307-MA

#6

**Strategy, trade environment and growth**

Although Shoprite's success has been built on its traditional brick-and-mortar business, its strategy is focused on adapting to the ever-changing retail, consumer and economic environments. The Group's nine strategic growth levers drive operational results and incentive schemes are aligned with the strategy.

#7

**Customer centricity**

We are relentlessly focused on satisfying our customers' needs and concerns. We measure our success against our ability to give customers what they expect from our brands and our promise of affordability. All stakeholders in our supply chain form part of our effort to continuously improve ways in which we can enhance their experience.

#8

**Environmental stewardship**

We are responsible for our impact on the environment in which we operate. As a food retailer with a dependency on agriculture, we are directly and indirectly influenced by the impacts of climate change. We are accountable to ourselves and our stakeholders to reduce our impact on our immediate environment through managing efficiencies and to our indirect environment by encouraging and supporting responsible sourcing throughout our supply chain.

#9

**Socio-economic contribution**

Our extensive footprint places us in a unique position of influence. We have a social responsibility to positively impact the communities in the areas where we have a presence. Our employees form part of many of these communities and gives us even more reason to participate in ways to support lives and provide opportunities.

**Areas of management and focus include**

- Oversight of policies, processes and practices to ensure responsible and responsive business practices that consider the needs and expectations of our stakeholders
- Having a Board of Directors and Board committees with diversity and experience, and structured in a way to best benefit the Group
- An ethical culture of anti-corruption and anti-competitive behaviour
- Ownership and control
- Risk management

Related capital: IRelevant stakeholders: 🛒 ⌚ 🏪 🧺 🕒

- Having the right management systems and due processes in place to comply with all regulations and support additional codes of best practice
- Our commitment to transparent and ethical tax practices is driven by our tax governance framework to guide timely, accurate and effective taxation compliance
- Ensuring our information systems are compliant with local legislation in all geographies in which the Group operates
- Public policy participation
- Voluntary compliance with, and in certain instances signatories to, industry frameworks
- Maintaining and managing our presence across a diverse African footprint

Related capital: SRelevant stakeholders: 🛒 ⌚ 🏪 🧺 🕒Related capital: FRelevant stakeholders: ⌚ ❤️ 🏪**Areas of management and focus include**

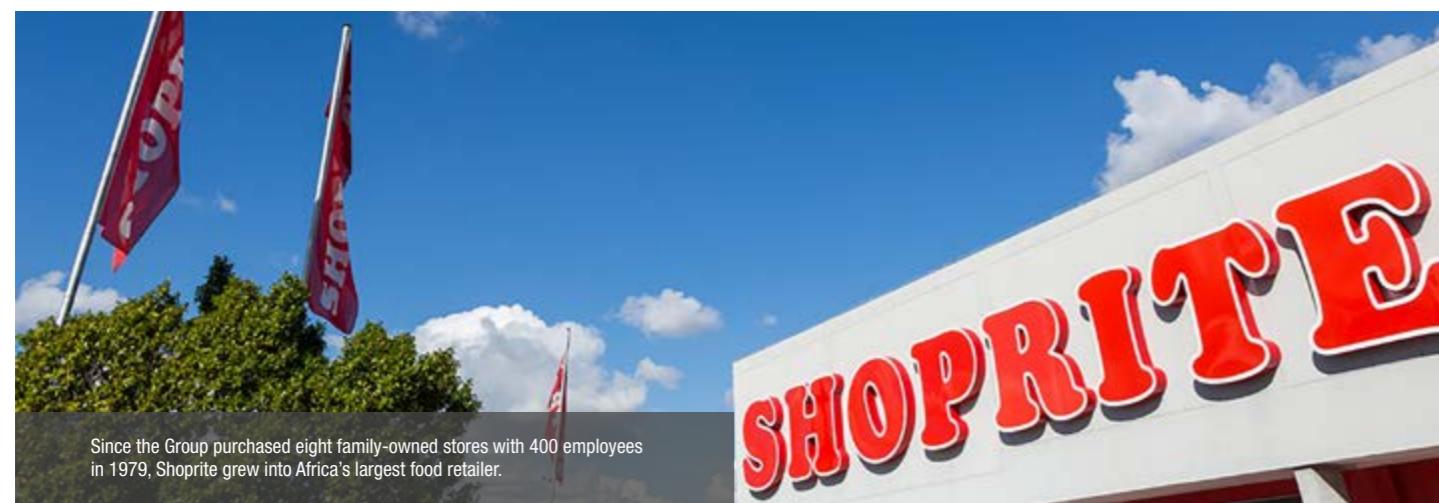
- Understanding of operating markets and the impact of the global economy on retail trading conditions, specifically focused on exchange rate impact in our Non-RSA operations
- Increased market presence in a changing retail environment through diversification and growth in new markets and services, and store formats
- Availability of funding, cost of capital and liquidity to guarantee ROIC
- Innovation across the business, with specific focus on growth opportunities in developing e-commerce
- Maintaining and managing our presence across a diverse African footprint

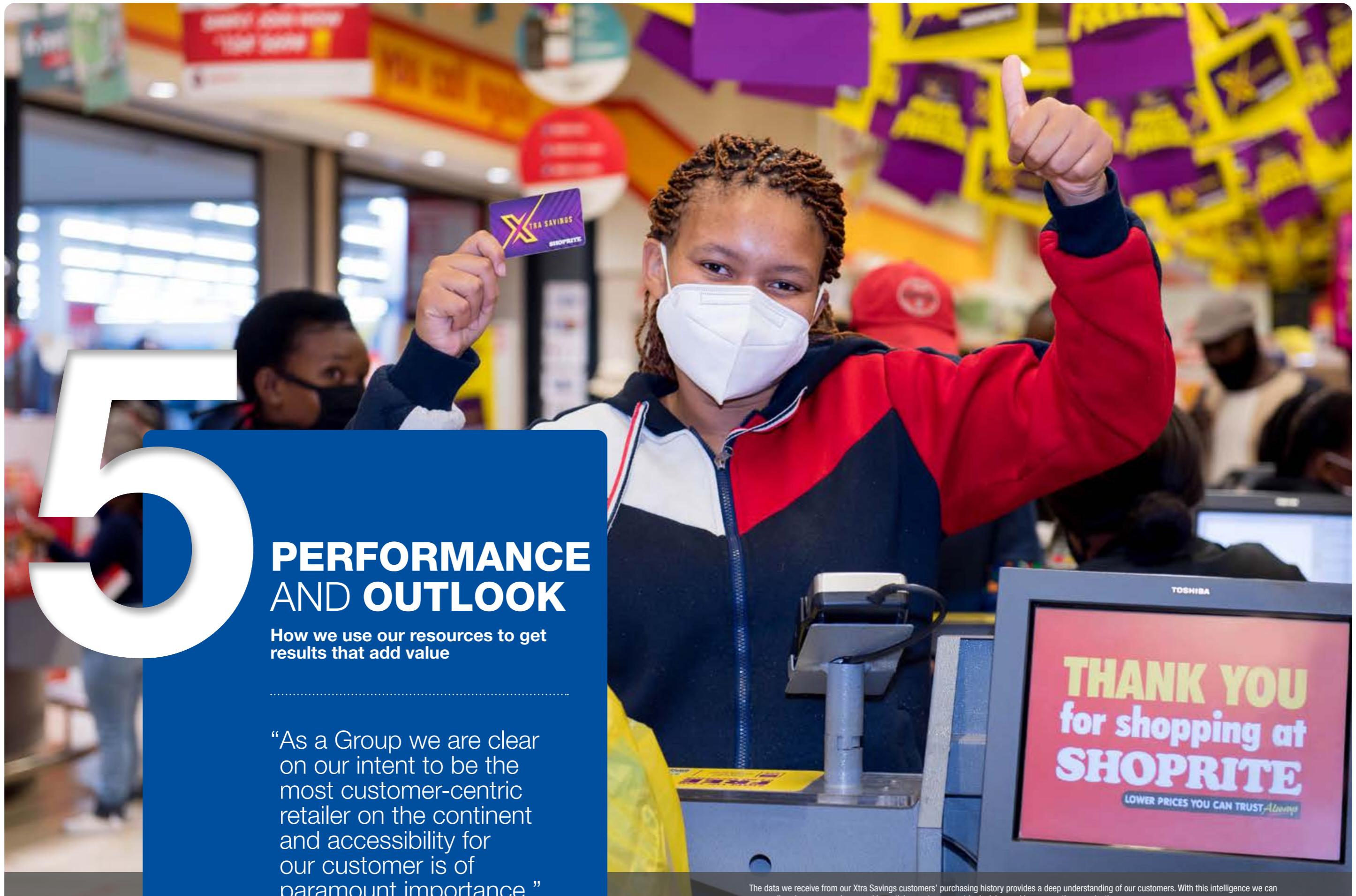
Related capital: SRelevant stakeholders: 🛒 ⌚ 🏪

- Providing healthy and nutritious food choices in a healthy and safe store environment
- Providing access to affordable products and services
- Responsible marketing practices and product labelling
- Understanding changes in shopping behaviour and customer expectation
- Protecting Shoprite's reputation and customers' perception of our brands

Related capital: NRelevant stakeholders: 🛒 ⌚ 🏪

- Climate change through decreasing our carbon emissions by managing our energy and fuel consumption
- Waste management, including food, operational, chemical and electronic waste, and specifically reducing waste to landfill
- The direct and indirect use of water
- Responsible practices with respect to the use and recycling of packaging
- Indirect impact on biodiversity and land management as a consequence of farming and deforestation
- Sustainable product sourcing and traceability

Related capital: SRelevant stakeholders: ❤️



**5**

## PERFORMANCE AND OUTLOOK

How we use our resources to get results that add value

“As a Group we are clear on our intent to be the most customer-centric retailer on the continent and accessibility for our customer is of paramount importance.”

The data we receive from our Xtra Savings customers’ purchasing history provides a deep understanding of our customers. With this intelligence we can personalise shopper experience and incentivise customer-centric decision-making across the organisation.


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## COVID-19 OVERVIEW



Fifteen months after the first COVID-19 lockdown and as we look back at one of the most incredible years in the Group's history, we realise how far we have come and we are incredibly proud of what we were able to achieve in this time.

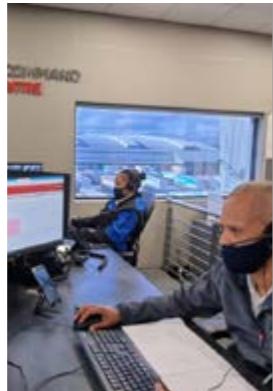
We turned adversity into an example of how our people came together as a team. We were able to keep jobs in place, not losing one person through retrenchments but gaining employees. We rallied together to do the right things with integrity and care for our communities and fellow citizens while we swiftly moved towards a Smarter Shoprite in our business execution.



### In our business

Winning the war on crime, keeping our customers and employees safe

During lockdown we encountered some challenges as increased unemployment led to more opportunistic crimes and mask-wearing made it more difficult to identify suspects. However, there were benefits because suspects couldn't move around freely, resulting in more arrests, while curfew hours also assisted in detecting criminal activity quicker and easier.



The success of our Loss Prevention team includes:

- Crime suspects making 880 court appearances, including postponements, bail, testifying and sentencing, in FY 2021. More than 69% more guilty findings and/or convictions were made, amounting to 313 years and three months of prison sentences and 54 years and six months of suspended sentences. The unit was instrumental in 225 arrests during FY 2021.

ⓘ Corporate Governance Report, page 14

What we will remember most

### For our customers

Innovation at its best – a market opportunity and investment paying off

We realised customers have a big appetite for ultra-convenience and that there wasn't another app built to deliver groceries. Using data from online shopping statistics and consumer behaviour trends, we identified a few gaps in the market of existing app offerings. We rolled out in November 2019 but with the onset of COVID-19, we were in the market, offering the right service at the right time.



Recognitions include:

- 2020 BCX Digital Innovation Awards that recognise excellence in digital innovation in the corporate category
- People's Choice Award and the Best Enterprise Solution at the 2020 MTN Business App of the Year Awards
- Winner: Marketing Achievement Awards 2020/21, Excellence in New Product or Brand Launch
- Winner: Stuff Magazine Awards 2021, Best Shopping App

ⓘ Financial Capital Report, page 64

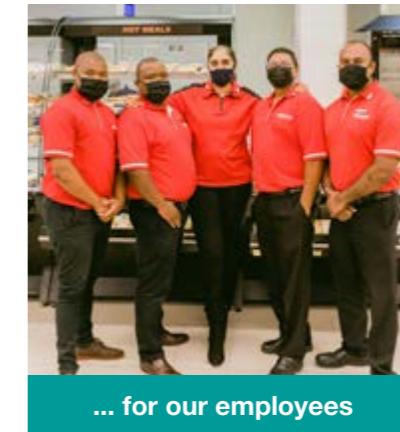
### What we have done ...



Despite lockdown restrictions, the Group increased sales by 8.1% and gained market share.

We were fortunate our business was able to weather most of the storm and as COVID-19 and various levels of lockdown persisted, we continued to provide products to customers.

- In August 2020 Shoprite launched our new Money Market Account.
- In mid-October 2020 Shoprite launched its Xtra Savings rewards programme, giving much-needed money back to customers through the rewards programme, now over 12.8 million members.
- Our own mobile network was launched in March 2021.



Staff turnover decreased by 3.1%.

Although we had temporary non-essential store closures, we did not have to retrench any employees; created opportunities as we redeployed employees to new locations or other positions; and appointed 3 897 new people, specifically in our recent areas of development.

- All employees were covered by our COVID-19 assistance programme.
- We retained and paid all existing employees in full while we filled vacancies and created new jobs.
- Our engagement increased with trade unions, which improved our relationship and their understanding of the realities of our business.



Over 15 866 care packages were donated to hospitals in the Eastern Cape, Gauteng, Free State, KwaZulu-Natal and the Western Cape.

- Shoprite continued its critical bread subsidy programme and sold 72.8 million loaves of R4.99 in-house bakery bread during FY 2021. This R5 offering was expanded, with sanitary pads added to the range.
- By the end of FY 2021 the Group had served 291 837 nutritious meals and delivered thousands of food packs to children at ECD centres during lockdown.
- Continued our support in serving meals to communities through our Mobile Soup Kitchens.

### In our communities

Caring for our communities

Our beneficiary organisations faced several challenges – including resource limitations in a time when more people needed them – and difficulty managing new regulations related to the pandemic.

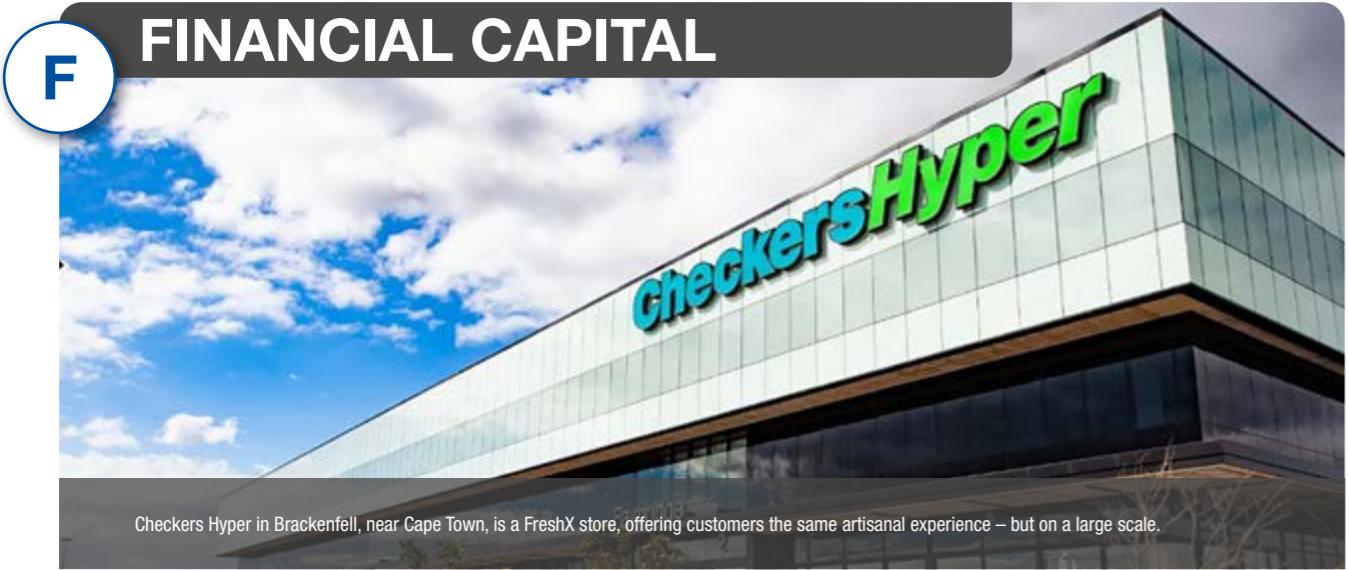
- We provided 46 ECD centres with personal protective equipment to support compliance with COVID-19 regulations. We provided 26 of these centres with additional COVID-19-related training. We supported hospital staff and patients through the donation of 15 866 care packages.
- We donated R138 million in food and goods to beneficiary organisations.
- We served 4.9 million hot and nutritious meals through our Mobile Soup Kitchens.



Our response was heartfelt and selfless but we are still thankful for the recognition our teams received for their hard work and effort. 2021 Africa SABRE Awards include:

- Winner: Corporate Image
- Winner: Crisis/issues management (how R5 turned into millions)
- Winner: Employee Communications
- Winner: Marketing to Consumer (new product – Checkers Sixty60)
- Certificate of Excellence: Financial communication (Virtual Vouchers)





## Highlights

**R21.2 billion** in equity  
(FY 2020: R20.0 billion)

**R23.6 billion** in retained earnings  
(FY 2020: R21.0 billion)

**R5.3 billion** in borrowings (FY 2020: R12.0 billion)/  
**56.0%** reduction in borrowings

Capital expenditure contained to **2.0%** of turnover calculated  
on a 52-week basis (restated FY 2020: 2.0% of turnover)

Improved inventory % of sales ratio from **12.1%** in the  
prior year to **11.2%** (calculated on a 52-week basis)

## Outlook

- Accelerating the Group's physical reach and brand presence with the proposed acquisition and integration of the Masscash Cash & Carry, Cambridge Food and Massfresh businesses into our operations
- Build and leverage the vast retail ecosystem that our brands and their combined physical and digital presence represent
- Share buy-backs and dividends to shareholders

For a full understanding of the Group's financial performance, this Capital Report must be read together with:

- CFO's Message, page 30
- Annual Financial Statements

## How we achieved our strategic objectives and the outcomes

#6 MATERIAL MATTER

### Strategy, trade environment and growth

During FY 2020 we unlocked capital for reinvestment and worked further on the review process of our Non-RSA operations while limiting further capital allocation to the regions.

During FY 2021, while our focus was on the impact that COVID-19 had on the business operationally, we remained focused on our pursuit of organic growth. The aim of most of our investment activities will be to maintain our low-price leadership promise. Our strategy drives all investment decisions and must cater for our customers' needs by providing them with the most affordable options, but also expand our business into markets where technology, convenience and premium are important.

We invested funds in various ways across all capitals and outcomes of this include:

F	I	M	H	S	N
<b>Financial capital</b> Improving our return on capital and balance sheet by focusing on improving our required inventory levels, the restructuring of our property portfolio and re-evaluating our Non-RSA operations. Stockholding levels as a percentage of sales improved to 11.2%.	<b>Intellectual capital</b> Leveraging the significant opportunities that exist as a result of our Xtra Savings rewards programme, and continuing to optimise our data-led business and creating value for both our customers and the Group via digital offerings, partnerships and products.	<b>Manufactured capital</b> Rolling out smaller, lower-capital expenditure Shoprite supermarkets in South Africa. A net 17 Shoprite, 7 Checkers and 26 Usave stores opened.	<b>Human capital</b> Invested in our SAP and data science academies to attract, develop and retain skills that will support our long-term growth strategy. Eight data scientists were trained and graduated through our new data science academy.	<b>Social capital</b> Focusing on growing Checkers' position in the mid-to-upper customer segment of the market, supported by the growth of the Checkers Sixty60 delivery app.	<b>Natural capital</b> Our focus on renewable energy reduces our dependence from unreliable sources and increasing electricity costs. 10 993 MWh renewable electricity used directly in our operations.



This year we operated 681 Shoprite supermarkets in South Africa and 10 countries on the rest of the African continent.



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## FINANCIAL CAPITAL | continued

### Areas of management and focus

#### Understanding of operating markets, the impact of the global economy on retail trading conditions, specifically focused on exchange rate impact in our Non-RSA operations

Over the past few years currency devaluations, high and even hyper-inflation, and export and logistics costs have made our costs of doing business in certain African regions unsustainable. The negative impact of the COVID-19-related oil price collapse and continued pressure on fiscal stimulus further impacted on currency devaluations that were already under pressure, especially in Angola and Zambia.

Owing to these ongoing factors and our focus to protect and improve our return on capital, we closed our last two Kenyan stores in February 2021, and disposed of our full equity stake in our Nigerian Supermarket business. We have also received binding offers for our operations in Uganda and Madagascar and we aim to conclude these transactions during the first half of FY 2022. It is for this reason we have classified these two regions as part of discontinued operations. Outside of this, our capital allocated to the region will remain at a minimum. We will continue to vigilantly manage costs, increase our presence in our core markets while diversifying into new and adjacent categories, services and store formats.

We believe the future will be data-led and, as such, we are strengthening and future-proofing our business and strategy by investing in our IT ecosystem and our people. Much of this is enabled by the use of the data from our integrated ERP system which increasingly informs our decisions.

We also plan to further our reach in our core RSA markets through continuing to expand our physical (store-based) presence. Our desire to be increasingly accessible in the markets in which we operate underpins our strategy to open stores organically and through focused acquisitions where we believe our expertise can be leveraged for the good of our customers and stakeholders. We successfully launched our Xtra Savings rewards programme across our Checkers and Shoprite brands. It is the fastest-growing supermarket rewards programme in South Africa and,



Packers in our DCs receive picking instructions via an advanced voice messaging system, using AI to determine where in the packing aisle they are and what to pick as they pass products.

while it is designed to instantly give our customers savings at the time of their purchase, we have access to data to assist us with strategically unlocking more growth opportunities across all market segments, product and service categories.

Focused on affordability and customers' needs, we will continue to roll out smaller store formats across Shoprite, Checkers and Usave, bringing our brands closer to them and their communities.

#### Availability of funding, cost of capital and liquidity to ensure ROIC

Over the past two years the Group implemented a capital allocation improvement programme that unlocked capital to strengthen our balance sheet. The main areas of focus were the sale and leaseback of our DCs which unlocked R1.2 billion, the strategic evaluation of our capital invested in Non-RSA and the subsequent sale of Nigeria, and management of capital expenditure and inventory levels to our targeted levels.

The Group is well positioned to generate cash and reached R16.1 billion cash from operations during the year, ROIC increased to 12.4% (2020: 9.7%) and the Group improved our borrowings/equity ratio from 60.1% to 24.9% with the repayment of USD debt.

#### Innovation across the business, with specific focus on growth opportunities in developing e-commerce

Our milestone achievement in terms of e-commerce development and growth has been the launch of Checkers Sixty60. It has been rolled out to 233 sites.

E-commerce opportunities will be enhanced by our investment in infrastructure and data-driven customer communication through the capabilities of Rainmaker Media.

Strategy and investment case, page 40

#### Case study:

Checkers Sixty60, page 67

#### Maintaining and managing our presence across a diverse African footprint

We remain committed to Africa and our business in Africa but, in order to maintain a profitable business, we had to re-evaluate our strategy for our Non-RSA operation. We will retain our footprint in ways that will not erode financial value of the Group. Therefore, we will not expand into new territories but rather put our effort into alternative ways of doing business that might include:

- entering into similar transactions like the Nigerian sale where we support local owners with management contracts, systems and product supply similar to a franchise agreement for the Shoprite brand to remain in Nigeria as well as an administration and services agreement to provide support to the new shareholders with operating the outlets
- renegotiating our usual operating expenses to decrease the impact of currency devaluation
- changing as much of our operating expenses into local currency agreements; and
- supporting more local procurement.

#### CAPITAL IN ACTION

#### Innovation at its best – a market opportunity and investment paying off



**Checkers Sixty60** won the 2020 BCX Digital Innovation Awards, which recognises excellence in digital innovation in the corporate category; and the People's Choice Award and the Best Enterprise Solution at the 2020 MTN Business App of the Year Awards.

"Our vision was to make it so easy to shop that with a few taps you're done in 60 seconds, and your order is delivered in just 60 minutes. We thought it was a very ambitious north star but I'm happy to say that 90% of all our deliveries are delivered within that 60-minute promise. We are delivering more volumes per store in a day now than we originally thought we would do in a month! The operational team has also been incredible in taking ownership of Checkers Sixty60, the training, the pickers and the level of service on the back of operational excellence."

– Neil Schreuder, chief of Strategy and Innovation

Using data from shopping and consumer trends, we identified the most critical expectation gaps in the market of existing delivery apps. We realised customers have a big appetite for ultra-convenience and that there wasn't another app built to deliver groceries to customers on demand.

With our increased focus on our investment in technology backed by data analytics capabilities and customer insight, we invested in developing the Checkers Sixty60 app. We rolled out in November 2019 but with the onset of COVID-19, we were in the market, offering the right service at the right time.

Unlike other apps Checkers Sixty60 provides customers with:

- 15 000 fast-moving grocery products
- visibility into our stock position in the store
- online order tracking from their home screen in real time
- ability to select a second option for every product they order
- best value – we don't charge more than we do in-store; and
- grocery delivery within 60 minutes to the customer's door.

#### Primary stakeholders

- Shareholders, investors and financiers directly involved in providing funds and receiving return on investment
- Employees, suppliers, customers and communities who participate and benefit from our activities

Our stakeholders, page 52

#### Associated risks

- Business disruption risk
- Information and technology (IT), and cyber risk
- People risk
- Changing trading environment
- Foreign exchange risk

Risks and opportunities, page 46

#### Governance

- The Board of Directors is responsible for oversight of the Group's strategy and performance with implementation being delegated to the Executive Directors and their operational management teams. King IV Principle 4

Corporate Governance Report

#### MATERIAL MATTERS

#### Strategy, trade environment and growth

Market presence in a changing retail environment, innovation, growth opportunities in developing e-commerce

#### Information and technology management

Changes in customer behaviour/expectations, increasingly digitised retail environment, data analysis

#### Customer centricity

Customer experience, changes in customer behaviour



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# INTELLECTUAL CAPITAL



The Group's intellectual capital primarily consists of our people, information and technology capability and data assets, and the ethical way in which we manage our business.

## Highlights

Checkers Sixty60 delivery expansion to **233** sites including **130** supermarkets and **103** liquor stores



**20.3 million** Xtra Savings rewards programme members in SA across Checkers and Shoprite brands, equating to 1 million sign-ups per month since initial launch in October 2019

**10 000** people using the ERP system each day

The Portfolio Management Office (PMO) was one of the top four finalists in the 2020 PMO Global Awards and won the PMO of the Year for Africa

The Group was fully compliant with the POPI Act that came into effect on 1 July 2021 after a two-year implementation and compliance process

PCI DSS certification was maintained for RSA stores. PCI DSS certification is now a focus area in Non-RSA countries

**6 911** number of dismissals due to misconduct

The Group's success is largely rooted in our ability to effectively run our operations and we rely heavily on technology to do this. Over the past four years we have invested in an integrated ERP system that forms the foundation of our business systems. We will continue to build on this platform to focus on the implementation and usage of information and technology systems to differentiate our organisational capabilities to become a Smarter Shoprite.

Our intellectual capital is also closely linked to our human capital, as IT systems need people to manage, review and improve on processes and manufactured capital as management of the Group's physical infrastructure relies on information derived from IT systems.

Governance and ethics are the Group's moral compass that directs our behaviour. An ethical management approach and the right leadership bring knowledge, experience and expertise to the business – and is the foundation for everything else.

During the year under review we focused our attention on managing the challenges of COVID-19 that inadvertently accelerated many of the projects already in our digital transformation programme and IT universe. We were well positioned to take advantage of the opportunities that came out of COVID-19. Our capabilities and infrastructure were tested but, more importantly, it proved our agility and readiness to react to fast-changing situations.

### Outlook

- Further development in machine learning and artificial intelligence to refine the forecasting, addressing waste and on-shelf availability, particularly in the Fresh categories.

## How we achieved our strategic objectives and the outcomes

#1 MATERIAL MATTER

### Information and technology management

Also see [M](#)

#### Areas of management and focus

**Continuous business optimisation through digitisation that takes into account an increasingly digitised retail environment and changing customer expectations**

The Group has seen a rapid increase in adoption of digitally enabled services across all customer groups.

Our investment in IT and expertise enabled us to fully support the supply chain and retail requirements of all our brands to maintain their ability to deliver to customers during COVID-19.

We also quickly scaled our digital commerce service via Checkers Sixty60 and Checkers Food Services.

The Computicket division that came to a near standstill during the initial lockdown in March 2020 has not recovered as large events are still not allowed. In response, Computicket expanded its virtual vouchers by offering Money Market top-ups and a secure, technology-based solution that enables people to send grocery vouchers via SMS. This new service has been developed to include additional benefits to our customers.

Our financial services division improved its Money Market options with new products and partnerships. Shoprite's financial services is driven by customer affordability and is on par, if not better, than global competitors, offering customers various transaction choices and the most affordable rates for banking services.

K'nect Mobile launched in March 2021, adding a new revenue stream to the Group's financial services and cellular division. Alongside handsets and data products that were already available at any K'nect store, Money Market counter or TechX counter, customers can now buy airtime and data from our own network.

The Xtra Savings rewards programme was launched in the Shoprite brand during the year. Xtra Savings gives customers instant savings on groceries, airtime deals, free monthly funeral grocery cover and more.

#### Case studies:

[D](#) Xtra Savings, page 71

**Data analysis and the importance of technology application throughout the supply chain to improve efficiencies**

The Group's integrated ERP system provides a consolidated, near real-time and single view of all information held within the supply chain. Analytics capability in our IT systems has been developed to overlay ERP data with data collected from our POS, e-commerce (mostly Checkers Sixty60), Xtra Savings and Money Market transactions to enable us to optimise our supply chain and personalise our product and service offering.

Using this data, our improved data analytics give us the ability to personalise every customer interaction at scale; curate product ranges based on customer needs; correctly manage stock levels; minimise waste and cost; and order and deliver the right products in time. This has proven especially advantageous during the COVID-19 lockdown periods when planning was critical.

The same data is used to gain insight into customer behaviour and preferences, and link to other impact factors including socio-economic measures, store locations, weather patterns and significant public/sporting events to better predict inventory and stock requirements, delivery frequencies and even marketing campaigns. It also allows us to reduce waste from our system and have more informed conversations with suppliers.

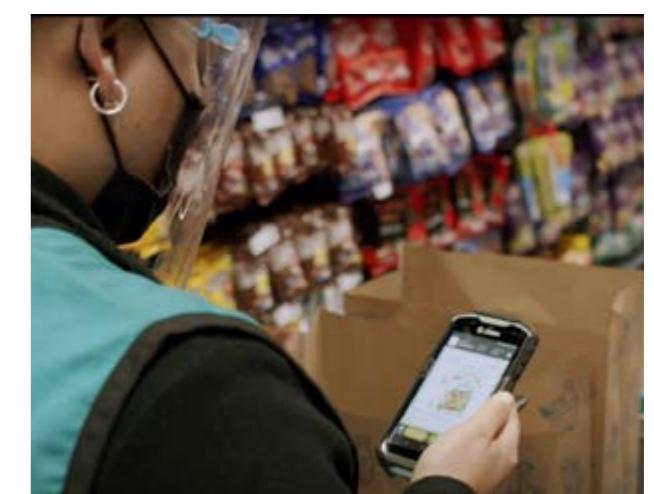
Marketing costs and waste are showing a decline as we, our advertising partners and our suppliers are using Rainmaker Media as a precision advertising stream.

Data science and analysis helps to build predictability models that inform our supply chain, making us more efficient and enabling us to maintain our low-price leadership. It will also help us to give our customers a more personalised and relevant experience that caters to their needs, from variety to affordability.

The amount of data the Group manages greatly increases cyber risks, emphasising the importance of using this information responsibly and protecting the data that exists in our systems.

Risks associated with information and technology are managed by a dedicated team. In addition to this, our PMO also assisted in a Group-wide data privacy project. Business analysts completed an analysis for remediation controls that looked at compliance for each business unit. On completion of the review, business engagement managers were instrumental in assuring awareness and prioritisation of data privacy initiatives rolled out together with operational business plans.

Our Security Centre and dedicated cybersecurity team enforces a zero-trust model that aims to strengthen safe access to our enterprise applications. Unless users or applications have been identified by a set of attributes, they are deemed untrustworthy and blocked from any access. Extensive checks and balances are in place whereby the Group tests the security of its systems and IT platforms.



Data scientists at the Group's new technology campus uses data analysis to build predictability models that inform our supply chain, making us more efficient and enabling us to maintain our low-price leadership.



## INTELLECTUAL CAPITAL | continued

### Impact of digitisation on skills and communications

There is a gap in the market for experienced digital and IT skills. With the Group's focus on being a future-fit organisation and having increased its access to data and digital channels – in line with digital requirements across brands and operations – there is a specific need for data scientists.

Most of the Group's IT employees are trained internally and deployed to manage operational functions. The IT function works closely with the Human Resources department to address the apparent skills shortage.

IT-relevant communication, particularly regarding cybersecurity and data privacy, is rolled out with the assistance of various teams: internally to employees by the internal communications department, and externally to customers through focused channels and campaigns compliant with the POPI Act and other consumer protection regulations.

#### Primary stakeholders

- Suppliers and employees who work directly with or within our information and technology universe
- Our customers who are the recipients of digital information and who specifically transact in financial, cellular and virtual products and services

 Our stakeholders, page 52

#### Associated risks

- Business disruption risk
- Information and technology, and cyber risk
- Project delivery risk

 Risks and opportunities, page 46

#### Governance

- IT governance is managed through the Group's IT structure and is reported at Board level.
- IT operates within a governance framework that has been adopted and is reviewed and approved by the Audit and Risk Committee.
- A dedicated cybersecurity team is responsible for the maintenance, continuous improvement and protection of the Group's IT universe that includes IT hardware, software, data, traffic (in and out) and relevant training across users.
- A dedicated IT risk, compliance and governance team reports directly to the chief information officer (CIO) and provides level 2 oversight/governance.
- Most projects across the Group have an IT component that links to the integrated ERP system. The IT department has a world-class PMO that assists operational divisions across the Group with the risk assessments, architecture, implementation and management of projects.

 Corporate Governance Report

#### SDGs



#4 MATERIAL MATTER

### Governance and ethics

#### Areas of management and focus

These sub-themes have been covered in detail in the Corporate Governance Report alongside the King IV principles.

#### Oversight of policies, processes and practices ensuring responsible and responsive business, risk management and an ethical culture

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

 King IV Principle 15

This oversight function includes the risk management process that is part of the Group's combined assurance, led by the Audit and Risk Committee, which considers and makes recommendations on risks, strategies, policies, appetite-setting and governance.

#### Having a Board of Directors and Board committees with diversity and experience, and structured in a way to best benefit the Group

The Board of Directors consists of 13 Board members. They come from varied backgrounds and bring with them years of business and management experience. The Board has delegated particular roles and responsibilities to Board committees that operate under Board-approved Terms of Reference, setting out the nature and extent of the responsibilities and decision-making authority that support the Group's Executive Management in executing the Group's strategy.  King IV Principle 8

"The Group supports the principles of the King IV Code on Corporate Governance. Adherence to the code sets the tone for ethical behaviour throughout the Group."

#### An ethical culture of anti-corruption and anti-competitive behaviour

The Group is guided by the leadership of the Board of Directors that, through the various Board committees, makes certain a culture of ethical behaviour is in place and maintained. The SEC is charged with this responsibility through the mandate of the Companies Act and its own Terms of Reference.

Special attention is given to policies regarding conflict of interest, anti-bribery and corruption, gifts and entertainment, and whistleblowing to address practices related to ethical conduct. The implementation and execution of the Code of Conduct, Company Rules and other company policies are delegated to management.

### Ownership and control

Although we comply with the King IV principles on corporate governance, the independence of the Group's governance structure – specifically its Board composition and control – has been under stakeholder scrutiny for some time. After due process, a new Chairman was appointed in November 2020 and two additional Independent Directors were appointed in May 2021, which coincided with changes to the Board committee structures.

### Risk management

The Board is accountable for governance oversight of management's performance of the enterprise-wide risk management and compliance function, and associated risk to enable the Group to achieve its strategic objectives.

 King IV Principle 11

The Group's risks, risk management structure and risk mitigation practices are discussed in detail in the Risks and opportunities on page 46.

#### Primary stakeholders

- Shareholders, financiers, regulators, employees and customers who rely on Shoprite to be a well-governed and ethical business

 Our stakeholders, page 52

#### Associated risks

- IT and cyber risk
- Changing trading environment
- Food safety risk
- Environmental, social and governance risks

 Risks and opportunities, page 46

#### Governance

- The Board of Directors is responsible for the Group's governance and is guided by the King IV principles and various regulations that ensure good governance practices and provide ethical leadership.
-  King IV Principle 6
- The Audit and Risk Committee has oversight of:
  - the Group's management of its IT function, policies and processes; and
  - the Group's application of its combined assurance plan and whether such plan is aligned to achieving the objectives outlined in the King IV Code.
- IT governance, corporate social investment, and health and safety, specifically relevant to COVID-19, were also high on the Board's agenda.

 Corporate Governance Report

 Audit and Risk Committee Report (included in the AFS)

### CAPITAL IN ACTION

Xtra Savings' instant cash savings makes a real difference in our customers' wallets



Zubaida Hosein, Shoprite Adderley Street, Cape Town

"Shoprite is close to where I work so in the week I shop there and on weekends I go to Checkers. I have an Xtra Savings card for both stores and can save up to R50 sometimes. It's a very good system, especially with all the other benefits and when you use the deals. I think the funeral benefit is a nice value add for people who can't really afford insurance. I really like the rewards and what I get back."

Our Xtra Savings rewards programme has signed up more than 20 million members since its launch. It is the critical link between the customer and with every swipe of a card we better understand our customers' needs – allowing us to create deeper customer understanding that allows us to curate more personalised shopping experiences.

The programme benefits customers by providing personalised deals on products they love to buy, and by only receiving communication that is relevant, which leads to better engagement and customer lifetime value. An exclusive funeral benefit underwritten by OUTsurance provides free month-to-month funeral benefits to beneficiaries of those who opt in and swipe their Xtra Savings cards four times during a calendar month.

The Xtra Savings rewards programme plays a central role in our drive to fast-track personalisation underpinning a Smarter Shoprite, and will be a key driver of future like-for-like sales growth.

#### MATERIAL MATTERS

##### Information and technology management

Integrated ERP system, digital infrastructure

##### Customer centricity

Buying behaviour, customer preference, deeper customer understanding

##### Supply chain resilience and sustainability

Insights, efficiencies, added value, money back



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## MANUFACTURED CAPITAL



**The Group's physical presence spans more than 3 117 sites over which we have full operational control. This includes our supply chain, store and IT infrastructure.**

### Highlights

**673 843 m<sup>2</sup> across 29 DCs**

**4 327 621 m<sup>2</sup> across 2 400 corporate stores**

**820 trucks and 1 273 trailers in distribution fleet**

The Group's largest dry goods DC in Centurion receives on average **6 950** orders on average per month resulting in **162** million cases for the year at an average of **184** million units per month being delivered to stores.

### Outlook

- We are currently remodelling and optimising our centralised supply chain network to ensure we continue to advance our centralised supply chain infrastructure so that it is future-fit to enable growth, deliver efficient service and mitigate risk.

The sophisticated nature of our supply chain management is a major contributing factor to our success and has enabled us to take a leadership position in this regard. We have invested heavily in our systems and infrastructure, aligning with international best practice.

With our focus on affordability we have to operate a lean cost structure. A centralised distribution system is important to maintain our trading margins. Our integrated ERP system is providing the outcomes for what is needed from a business intelligence perspective. This model saves costs, cuts waste out of the system for us and our suppliers, and generates financial and environmental benefits through resource use efficiencies.

Stores include a range of formats across numerous brands and market segments; from large Checkers Hypers in urban centra to small Usave stores in rural areas, all of which are appropriate for its context and customer base.

The physical aspects of our supply chain, from supplier to customer, are dependent on a symbiotic relationship with the technology back-end that ultimately connects the product source to the customer. Our brick-and-mortar footprint remains key to our ability to drive growth and expansion into new channels as we use our stores as initial contact points with customers.

## How we achieved our strategic objectives and the outcomes

#3 MATERIAL MATTER

### Supply chain resilience and sustainability

Also see [S](#)

#### Areas of management and focus

##### Reliability on infrastructure, systems and suppliers to consistently deliver quality products and service

The experience during the COVID-19 lockdown periods tested our supply chain in many ways.

It highlighted the upstream reliability of suppliers to be able to deliver certain core products when material resources are restricted or not available for manufacturing.

We have always relied on our good relationships with our suppliers but COVID-19 has opened up a new level of engagement. We now have the opportunity to proactively engage with our suppliers to work together to mitigate similar future risks.

Despite this, during times when certain product categories were under lockdown, like alcohol, it allowed us to open up our delivery streams and focus our resources towards getting critical items to stores quicker, acknowledging our capacity to react fast.

##### Agility in centralised planning and distribution capabilities with the ability to manage scale

Continuing to invest in our supply chain will have substantial advantages as we improve our business optimisation processes and move towards a more diversified and technology-driven Group. Our supply chain remains a key strategic advantage. Although we have released ownership of DCs and entered into lease agreements, these assets remain under our operational control. This arrangement still allows us control to manage our efficiencies.

Our store strategy has been refocused from developing fewer large-store formats to rolling out more smaller formats in outlying areas, closer to where our customers live. This not only requires less investment, but it gives us more options in terms of location. While Shoprite, Checkers and Usave have grown their footprint, there has also been an increase in demand for OK Franchise stores.

OK Franchise stores are neighbourhood stores and, because they are owner-managed, requires less investment from us and gives the owner members the freedom to support their local suppliers with access to a supply chain that can deliver at scale.

#### Primary stakeholders

- Suppliers that deliver into our infrastructure
- Customers who visit our store and use our digital products, services and channels

[↳ Our stakeholders, page 52](#)

#### Associated risks

- Food safety risk
- Business disruption risk
- IT and cyber risk
- Environmental, social and governance risks
- Foreign exchange risk

[↳ Risks and opportunities, page 46](#)

#### SDGs



#### Governance

- The Board of Directors is responsible for oversight of the Group's strategy and performance with implementation being delegated to the Executive Directors and their operational management teams.
- Risks relevant to the supply chain are managed through the Group's risk function and reported to the Board through the Audit and Risk Committee.

[🌐 Corporate Governance Report](#)



The OK Foods in Beaufort West benefits from regular Group deliveries and access to products within the Group's supply chain.



## MANUFACTURED CAPITAL | continued

### #1 MATERIAL MATTER

#### Information and technology management

Also see [I](#)

#### Areas of management and focus

##### Business optimisation through digitisation

The Group's strategic focus on digital and technology expansion requires that we increase our investment in digital infrastructure. Our IT infrastructure supports our entire supply chain, financial products and digital commerce capabilities.

At the core of our IT management lies our centralised ERP systems and its ability to collect data. We use critical real-time information, combined with our investment in data sciences and machine learning to add value to our supply chain, digital products and market development. Advanced forecasting software allows us to use space better (stock control in DCs and stores), improve logistics (route and fleet management), manage and reduce waste that saves costs, and forward plan store formats and locations to serve customer segments appropriately.

Increased activity in a digital space also means more risk from a cybersecurity perspective and responsibility with managing data. Our systems have been built to the best specifications and 24/7 checks are in place to continuously monitor for any system breaches.

A multi-layered approach to cybersecurity has been adopted: encompassing the ever-changing security perimeter of the Group's systems, the wide area and local area networks, endpoints and edge devices, systems and applications, users and training, as well as data. Security is embedded into our systems' development practices and comprehensive security validations are performed before new code is deployed to production. Regular vulnerability scans and penetration tests are performed and, together with patch management, these ensure our systems are well protected.

#### Primary stakeholders

- Employees who use our technology in their daily activities
- Customers who use our digital products, services and channels
- Suppliers who integrate with our ERP system

[I](#) Our stakeholders, page 52

#### Associated risks

- Business disruption risk
- IT and cyber risk

[I](#) Risks and opportunities, page 46

#### Governance

- IT governance is managed through the Group's IT structure and is reported at Board level through the Audit and Risk Committee.

[K](#) King IV Principle 12

[C](#) Corporate Governance Report



### CAPITAL IN ACTION

#### Using the Group's supply chain increases margin, customer experience and affordability



**Wynand Pretorius** (right), franchisee and **Anrich Titus** (left), manager of OK Foods, Beaufort West, Western Cape

"Buying directly from the DC in Brackenfell improved our ability to plan better. We now save on so many levels, from managing better stock levels to when we get in additional labour to pack the shelves. We have access to the full range of the Shoprite and Checkers product catalogue, including all private and premium ranges. We have visibility over real-time stock levels and can plan our orders around promotions more accurately. We don't have any minimum order quantity or have to worry about product quality. Although we only have one delivery every two weeks, we save on administration time. On average, we used to manually capture 27 different invoices in a week on different days. Now we do it once and all items are already loaded to a centralised ERP system that talks to ours. And the biggest benefit is our cash-back incentive that gives us the ability to bring more variety, better quality and consistency at affordable prices to our Karoo town."

Franchised stores have the opportunity to benefit from the fully integrated planning, procurement and logistics functions in the same way as our corporate stores, significantly contributing towards operational efficiencies. The Group's lean cost structure and centralised distribution network improves trading margins and, together with the cash-back incentive, increase the franchisee's ability to provide their customers with more value and affordable products.

Access to the centralised DCs also gives access to the Group's product catalogue, which means that most of the private-label and premium products are available to franchise customers, increasing their customer experience.

A stronger franchise offering providing Group support and supply chain access. Integration with the supply chain provides an average margin growth of 2% with a money-back incentive.

### MATERIAL MATTERS

#### Supply chain resilience and sustainability

Access to scale, merchandise variety and services, efficiency

#### Information and technology

Integrated ERP system, real-time stock visibility

#### Customer centricity

Product availability and variety, trusted quality, affordability, value-added services

# H

## HUMAN CAPITAL



Kulsum Sambo started as a cashier when she was 19 years old. Now, 40 years later, she is a Regional Manager for Shoprite's Western Cape division: "The thing that I love most about my job is that there's never a dull moment. Every day we're doing something new and different, and we're always being challenged to come up with new promotions and interesting ways to serve our customers. This job always keeps me going." Photo taken pre-COVID-19.

### Highlights

Environmental awareness and management are now part of training modules

**92.6%** customer-facing employees

**13 145** employees engaged with Health 24/7 through the EWP

**R7.3 million** invested in support of employees and their families via Health 24/7

**3 897** new jobs created in FY 2021

Employee turnover slowed down and at **22.4%** it is below the industry norm

**R25.3 million** paid towards educational loans and bursaries

**58 458** employees are connected on SiyaRингa

Signatory to a framework agreement between Shoprite Checkers and Uni Global Union Alliance since 2010 that aims to create a forum that promotes global social dialogue between the parties towards the promotion of sound industrial relations

### Outlook

- Critical skills and generic leadership development within the Group
- Implementing an integrated, cloud-based Learning Management System, namely Success Factors Learning across all brands and countries within the Group over the next three years that will enable self-directed and mandatory job-based competency development
- Based on active feedback we received via SiyaRингa, we are planning to launch functional features such as payslips, store card balances and applications for educational grants and loans via the app. The aim is to encourage subscription and active participation by the majority of employees

For a full understanding of the Group's social performance, this Capital Report must be read together with:

[R](#) Remuneration Report

[S](#) Sustainability Report



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## How we achieved our strategic objectives and the outcomes

#2 MATERIAL MATTER

### Employees

#### Areas of management and focus

##### Learning and development

Our employees are developed through formal training programmes and blended learning curricula. Learning programmes have been developed to enhance employee knowledge and understanding of the Group's strategic growth drivers, customer relations, stock management, revenue expansion and regulatory requirements.

Our customer-centric culture puts our customers first. Customer service principles have been integrated into all training and onboarding modules.

Digitisation of learning has increased exponentially during the year when social distancing prevented employees from participating in most group sessions. It also facilitates efficient employee participation and more people can participate.

In-store training now includes training around specific products or ranges such as our fresh produce, our private labels including Simple Truth and our partner products like Farmer Angus, making sure we have relevant product specialists in store.

Rapid learning bulletins have been designed to support quick business changes, marketing and financial campaigns. This includes new services, Money Market product launches or changes to regulations.



Expansion of training and development in technology skills have led to the Group's ability to innovate, having launched Xtra Savings and Checkers Sixty60 which have been recognised for 17 innovation awards in 2020.

We have also invested in expanding our internal academies to specifically address highly sought-after scarce skills where we need to compete for a new generation of employees who trade their skill on an international level. The first data scientists have graduated and been integrated into business units. In future, academies will focus on developing organisational capabilities and enterprise competencies that drive innovation and leadership.

Skills development includes activities to upskill unemployed youth through our Retail Varsity accredited learning programmes and the YES initiative. Most of these successful learners are offered permanent employment within the Group.

The health and safety of our employees receive the highest attention from management and the Board of Directors. Our health and safety policy guides all actions. Aspects of health and safety form an integral part of induction and ongoing training throughout all operations instils a safety-oriented culture.

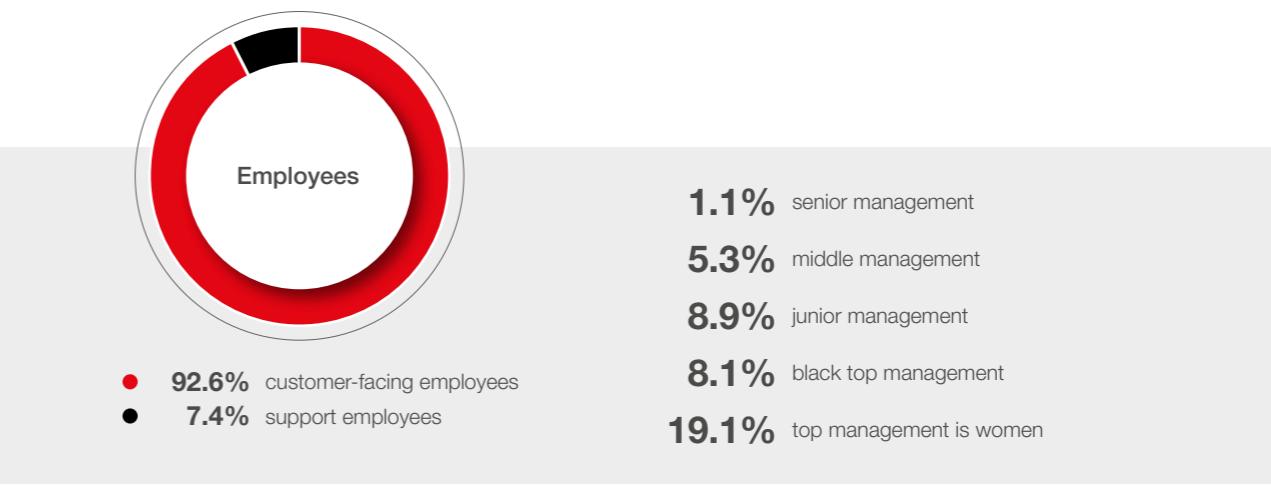
We have a zero-tolerance approach towards health and safety risks. Strict internal and external audits are performed periodically and as regulation requires. The Department of Employment and Labour and third-party service providers conduct regular hygiene and fire safety audits across the Group.

Investment in the integrated ERP system, training and infrastructure improvements have assisted greatly in quicker emergency response times, more awareness and fewer injuries. All related activities are monitored and reported immediately through a central control room. This has specifically helped during the year when some of our operations were subjected to public protest action owing to the backlash effects of COVID-19.

Additional health and wellness support is now given through an Employee Wellness Programme (EWP). This EWP supports our employees and their families, firstly in response to the impact of COVID-19 and secondly to support their overall wellbeing. In the long term, the EWP will integrate with personal development programmes.

Through the EWP, employees can call a toll-free number and receive assistance from professionally trained coaches. If assistance cannot be provided the employee will be referred to the appropriate medical practitioners, social workers or other professional. The Group pays for this service of up to three external consultations. Assistance is also provided for:

- Physical health and wellbeing
- Mental health
- Substance abuse
- HIV/Aids
- Trauma counselling
- Dietary help
- Legal and financial assistance



#### Transformation, diversity and inclusion

Transformation includes diversity across nationalities, gender, talent and skills, and forms part of the Group HR strategy under various people transformation initiatives.

To win in the long term, we need the right level of leadership and the right mix of diversity across all levels in our business. Across the Group, progress towards our black economic employment transformation is a top priority but remains a work in progress. We not only look at transformation from an EE perspective, but we address transformation as a broader theme that includes the Group's job architecture.

Although our employee numbers are dominated by PDIs, we are actively working on improving better representation at all levels. We still do not achieve acceptable B-BBEE and EE rating scores. Our previous five-year Group target was narrowly missed and results of the new period (started in 2020) look satisfactory. Overall Shoprite exceeds the retail sector benchmarks as per the Employment Equity Report which was unveiled by the Minister of Employment and Labour in June 2021. We have adopted a structured equity plan which will allocate targets to each operational business to help the Group meet its broader objectives and we are actively working with business unit heads in this regard. This will provide a more equitable approach and focus on race and gender appointments. Transformation has been included as a non-financial key performance indicator (KPI) that forms part of the Executive Share Plan.

The same approach to transformation and diversity applies to the Board of Directors.

#### Talent attraction, retention and building a leadership and management team for succession and long-term growth

We want to be an employer of choice and resonate with our employees in providing them with some level of job security. Despite high unemployment numbers, attracting and retaining the right talent remains a challenge while attrition is common in the industry.

We understand remuneration plays a critical role in any HR agenda and salaries, bonuses and incentives are what people look at first, but we also know non-financial aspects have become as important when people seek employment opportunities.

New recruits are increasingly aware of brand perception and how their personal ideals and values align with that of their employer. Personal development and career growth are high on the agenda. This is especially true in areas of new technology-focused jobs as we expand our markets and offerings to become a future-

fit organisation. We are actively attracting new competencies, complemented by upskilling our employees to prepare them for anticipated shifts in the business.

Development is part of our long-term retention and succession is directly linked to our transformation agenda. Although true and relevant across the whole business, there is a focus on management and scarce skills where the biggest risk of talent drain exists.

To enhance retention, we need to curb attrition. The CEO has taken a special interest in this and introduced an initiative to find the root cause of our staff turnover at store level. An in-depth analysis was launched to understand why employees choose to leave and, at the same time, link our intellectual/skills loss to the financial/investment impact. The aim is to address employee expectations and for the business to identify gaps in our training and development approach. The goal is to invest in the right people in the right places to build an engaged and long-term workforce.

Building strength in a management team remains a continuous work in progress. Over the past few years we have appointed and promoted a diverse number of team members to management positions; people who bring knowledge, depth of experience and a fresh view on our industry and business. We also placed responsibility on them to build strong teams and plan for future succession.

Leadership is not only reviewed at operational level, but emphasis has been placed on the Board as well. After a Board review in FY 2020, a new Chairman and two new Board members were appointed, addressing Board composition.

#### Remuneration and benefits

Remuneration is one pillar of our HR strategy to provide a holistic employee value proposition that considers performance and recognition, the work environment, career development and benefits.

Remuneration is guided by the Remuneration Policy that is approved annually by the shareholders. This policy is implemented and managed by the Board through the activities of the Remuneration Committee. Stakeholder concerns regarding remuneration are addressed at this committee level and forms part of the committee's annual work plan.

Remuneration is generally positioned around the market median using the REMchannel national and retail surveys for employees below Executive level and the peer comparator group for Executives, but this may be adjusted in order to attract scarce or critical skills given the Group's competitive position in the market.



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## HUMAN CAPITAL | continued

### Financial remuneration

All permanent employees receive guaranteed pay but managers are incentivised for enhanced business performance. Job-specific incentives for qualifying employees could include sales commission and monthly incentives.

Managers and Executives are eligible for short- and long-term incentives linked to Group and business unit or operational performance. These incentives encourage behaviour that supports the Group's business and strategic objectives as defined in the performance criteria.

Employee remuneration, from senior management level up to the CEO, is structured according to fixed annual pay, and short- and long-term incentives (participation in an Executive Share Plan). Non-executive Directors receive a retainer fee for the time required to prepare for and attend meetings.

The average increase in total guaranteed pay for Executives in FY 2021 was 6.3%. Executives who were promoted received an average increase of 12.1%. The Remuneration Committee approved an average increase of 5.3% for management across the Group, excluding promotion- and market-related adjustments.

The short-term incentive outcomes of our three Executive Directors were linked to a specific short-term incentive criteria for FY 2021. The actual outcome of the short-term incentive achieved was 112% of the target for the CEO and CFO. The Divisional Manager's actual outcome of the short-term incentive achieved was 107.3% of the target.

Below is a summary of our three Executive Directors' remuneration:

	Pieter Engelbrecht Chief Executive Officer	Anton de Bruyn Chief Financial Officer	Ram Harisunker Divisional Manager
(R'000)			
Guaranteed package	16 815 (FY 2020: 16 871)	4 536 (FY 2020: 4 352)	4 829 (FY 2020: 4 542)
Short-term incentive	11 984 (FY 2020: 7 648)	2 688 (FY 2020: 2 018)	2 414 (FY 2020: 2 083)
Long-term incentive	— (FY 2020: 1 824)	355 (FY 2020: 250)	—
Qualifying dividends	1 083 (FY 2020: 450)	312 (FY 2022: 123)	—
<b>Total</b>	<b>29 882 (FY 2020: 26 793)</b>	<b>7 891 (FY 2020: 6 743)</b>	<b>7 243 (FY 2020: 6 625)</b>

### Non-financial benefits

These include skills development opportunities, educational loans and bursary benefits, and employee discounts.

Remuneration Report in the Corporate Governance Report, page 23

### Creating a culture of care and continuous engagement

We believe in sharing all information with all employees and use various channels to build a unified and engaged employee culture that is inclusive. Themes during the year under review focused on educating and inspiring employees with content relating to employee success stories, innovation and awards, CSI, relevant commemorative days, benefit communication, company news, and COVID-19 information and reminders.

SyaRinga, the Group's data-free mobile app for employees, continues to elevate the voice of our people. We increased our

subscriptions and numbers of active employees through a campaign to attract more users. SyaRinga enables us to share success stories and testimonials, and focus on coronavirus education is ongoing. A vaccine education drive was launched to inform and empower employees with facts about the COVID-19 vaccine, and constant collaboration with internal departments focused on sustainability and brand campaigns. Employee participation and volunteerism supporting #ActForChange is also encouraged and communicated via SyaRinga.

We believe communication should support the business and add value to its audiences.

SyaRinga Buzz launched in March 2021 in collaboration with operational heads and management. This addition was designed to increase their responsiveness and communicate tasks directly and quickly with their management teams, saving them time and money.

Most of our internal communication is now digital and #OurShoprite newsletter went digital in May 2021. This move to digital was fast-tracked in response to COVID-19 but it underpins our continual drive towards cost savings and efficiency. Our CEO's Communication programme is channelled mainly through #OurShoprite and video messages.

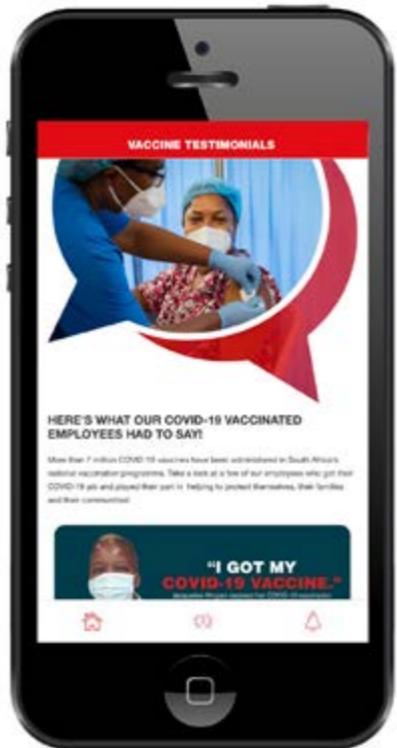
### Labour relations management

Employees have a right to freedom of association and to join trade unions of their preference. The Company recognises 17 trade unions that currently represent the interests of employees. Most of the Group's employees are based in South Africa and our largest union representation is with the South African Commercial, Catering and Allied Workers Union (SACCAWU).

Our Industrial Relations team has ongoing and open communication channels with the leadership of trade unions and shop floor representatives. This proactively identifies any potential labour concerns that they can address before it reaches the stage of a formal dispute.

The COVID-19 pandemic impacted our direct engagements with trade unions. In response, we increased our virtual engagement with trade unions and are currently having weekly virtual meetings with the leadership of SACCAWU to address member concerns. Having more frequent meetings has proven beneficial and will be maintained.

The greatest concerns in FY 2021 have been job security and remuneration in light of the impact that COVID-19 had on



the economy. In our RSA operations wage negotiations were successfully concluded with SACCAWU during May 2021 and a multi-year agreement – which will end in 2023 – was concluded. We are currently engaged in negotiations with trade unions in several of our Non-RSA operations and we are cautiously optimistic these will conclude cordially.

Unfortunately, we were the target of disputes and protest but these were effectively dealt with through a process of accurate information dissemination.

In Namibia our first negotiations with the Namibian Food and Allied Workers Union (NAFAU) reached a deadlock over wage increases and a subsequent dispute was declared by the union. The union and its members embarked on a lawful industrial strike in December 2020. It was regrettable that the industrial action was marred by several legal applications over the increased trade demands brought about by the December holiday and festive season. This practice was upheld by the Court. During negotiations our representatives remained committed to find a lasting solution to the dispute under the guidance of the authorities with whom we have fully co-operated. A settlement agreement was reached, despite unlawful conduct by some union supporters and a wage increase was negotiated for both full-time and part-time workers.

### Primary stakeholders

- All employees across all departments and other businesses in the Group
- Trade unions that our employees belong to
- Indirectly customers and suppliers with whom our employees interact

Our stakeholders, page 52

Sustainability Report

for more information on employee-specific initiatives from a sustainability perspective

### SDGs



- Health and safety risk
- IT and cyber risk
- People risk
- Food safety risk
- Environmental, social and governance risks

Risks and opportunities, page 46

### Governance

- Management of employee matters falls within the scope of the Human Resources Executive who reports directly to the CEO and the Remuneration Committee.
- The Remuneration committee's purpose is to ensure the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term.

King IV Principle 14

Corporate Governance Report that includes the Remuneration Committee's statement and the Remuneration Report

### CAPITAL IN ACTION

#### Learning and development



**Kimberly Soobramoney** is actively involved in the Shoprite Trainee Accountant programme and is currently a reviewer and mentor. Kimberly received the Shoprite bursary in 2009, completed her studies and joined the Group as a Trainee Accountant in 2013. After that she quickly advanced to Trainee Divisional Financial Manager, Deputy Divisional Financial Manager, Divisional Financial Manager and was appointed as Head of Financial Business Partners in April 2020. Kimberly is a role model to others and often acts as a coach and motivational speaker to current trainees.

"Having a bursary helped in so many ways. My parents didn't have to worry about university fees and I was able to focus 100% on my studies. It also put positive pressure on me. I was motivated to excel and to show Shoprite I was a great 'investment'. I wanted to show my value and strived for excellence all the time; which was not only a benefit to Shoprite, but to myself as well."

Training gives employees more opportunity for development and growth in the Group while our bursary programme builds a qualified pipeline for transformation, promotion and succession.

Training is one of the four pillars of the Group's HR strategy that addresses attraction and retention to develop a talent pipeline to encourage smooth succession and business growth while transformation is key to them all.

The Group offers comprehensive bursaries to support students studying or intending to study scarce skills such as pharmacy, chartered accounting, as well as IT and retail business management.

Bursaries provide financial assistance towards tuition and on-campus accommodation, and are also linked to work-back agreements – ensuring job opportunities upon graduation.

The right people in the right positions contribute to a sustainable and future-fit business, and attract and retain people as an employer of choice.

### MATERIAL MATTERS

**Employees**  
Training, development, succession, transformation, continuous improvement



**Customer centricity**  
Customers' needs and expectations, product and service responsibility

**Strategy, trade environment and growth**  
Changing consumer needs, growth in new markets and services





## SOCIAL AND RELATIONSHIP CAPITAL



With one in five households reporting weekly hunger and millions of unemployed people in South Africa, Shoprite has intensified its efforts to provide customers with products that are affordable and accessible. Shoprite is now expanding its R5 offering to include sanitary pads for women and girls – items that it believes is a basic human right.

**The right products at the right time, at the right price, play an important role in customer satisfaction and cost management. We have developed a deep understanding of our customers, our suppliers and our communities. Their needs have provided the guidance for our journey to become one of the largest and most successful retail groups.**

### Highlights

**3.8%** internal food inflation rate maintained

**R4.5 billion** market share gain in our supermarket stores

Xtra Savings rewards programme paid **R5.3 billion** back to customers

Provides **R5** breads and **R5** deli meals

**R5** offering extended to include sanitary pads for women and girls; items it believes are a basic human right

Private-label sales contribution in Supermarkets RSA of **18.3%**

Money transfers to **95** African countries

**3.1 million** followers reached on social media channels

**R1.4 million** in customer donations linked to the #ActForChange Fund

**R138 million** worth of surplus donations, most of which is food



**Shoprite:** WINNER: Supermarket of the Decade in Sunday Times Top Brands Awards

**Checkers:** MarkLives Most Admired Brand

### Outlook

- The Group's CSI programmes and partnerships are being independently benchmarked with peers. The outcome and recommendations from this report will be taken under advisement for any changes or improvements in the Group's CSI strategy and implementation.

## How we achieved our strategic objectives and the outcomes

#7 MATERIAL MATTER

### Customer centricity

#### Areas of management and focus

##### Providing healthy and nutritious food choices in a healthy and safe store environment

Customers came under more financial pressure during FY 2021 as a result of COVID-19 and everyone felt the impact of social change with regard to the protocols that were implemented, from wearing masks to travel regulations. It was critical for us to prioritise the safety of our customers and employees. The need for safety has been more pronounced and increased compliance and regulatory requirements such as following health protocols to additional security for people's physical safety and the protection of property.

Our buying teams focus on responsible sourcing and maintaining our targets to procure from certified sources, especially in terms of high-risk or endangered products such as seafood, palm oil and cocoa. There is also a greater awareness about seasonality and the availability of local fresh foods. We are working to improve our progress against traceability, transparency and labelling.

Policies and procedures are in place to promote compliance with all relevant food safety regulations. We are a member of the Consumer Goods Council South Africa Food Safety Initiative and have implemented sector-specific quality assurance systems. External service providers conduct annual food safety and hygiene audits at DCs, and quarterly food safety and hygiene audits at stores.

##### Providing access to affordable products and services

Our customers often have limited resources. In recognising this, we provide them with stores in their communities where many products and services are available to them under one roof. We see the Group as an enabler to put food on the table and we can do that by helping our customers to save money when they buy from us.

We were able to keep food prices under the inflation rate in our RSA supermarket operations in the year under review and we believe this was thanks to our focus on best-price leadership. Shoprite and Usave consistently delivered value for money to our lower-income group customers while Checkers afforded higher-income group customers access to value for money high-end private-label products and enhanced customer experience. Providing value across all markets has again increased our market share.

Managing an efficient supply chain keeps costs under control; the benefit of this is cost saving is shared with our customers. We carefully consider where we buy from and how we distribute products while managing waste throughout the system.

Our private labels continued to increase their contribution to sales by offering better value and choice to our customers across all brands and supermarket stores. Significant investment in our private labels enables us to adapt to changing trends and give customers the option of our choice-grade entry-level products and our premium products in a single store.

Many of the Group's business initiatives have been designed to improve the lives of our customers on a socio-economic level.

Those who live in hard-to-reach areas, for example, earn lower incomes and cannot afford the high fees associated with financial services. Using our technology infrastructure and strategic partnerships with industry leaders, our financial products and services are among the cheapest in the world.<sup>11</sup>

<sup>11</sup> <https://businesstech.co.za/news/banking/472524/shoprite-and-checkers-cash-deposits-how-much-it-costs-vs-south-africas-big-banks/>

##### Understanding changes in shopping behaviour and customer expectation

Customer behaviour and expectations have been steadily influencing the retail environment over the past few years.

COVID-19 has further forced consumers into adapting their behaviour and fast-tracked many changes as was evident with the exponential growth of our Checkers Sixty60 grocery delivery application. Initially, the demand for home deliveries increased as a consequence of lockdown restrictions; however, because COVID-19 influenced or changed many people's lifestyles, Checkers Sixty60 is still growing.

Although we serve customers from across all market segments with varying expectations, Checkers has become a one-stop-shop for higher-income customers who want to save money and still access organic produce. For our lower-income customers who need quality at an affordable price point and access to basic financial services, it is important to save money on transport and travel.

Our aim is to democratise quality products and make services available to a broader spectrum of South African shoppers. We will open smaller Checkers, FreshX stores and Usave stores closer to our customers.

##### Responsible marketing practices and product labelling

We are committed to consumer protection and responsible advertising practices that include all paid and unpaid communications.

Our approach is to be honest, fair and responsible; to protect our customer's privacy at all times; and to adhere to all standards and regulations. Material used to promote our products and services – including product labels and packaging – should prevent exploitation or harm and must not mislead or deceive consumers.

Thanks to the full integration of our ERP system into the business, we have access to data that provides us with great market intelligence and insight, but it also means great responsibility to use that data responsibly. Our data enables us to communicate with our customers on a personal level – concentrating on their needs and preferences – by adjusting promotions and pricing on a granular level. While we connect with them directly via digital channels using a variety of media platforms, customer data will not be used without their permission and we have high levels of data security in place.

### Protecting Shoprite's reputation and customers' perception of our brands

Our brand perception is measured by how well we deliver on our purpose to our stakeholders. We are judged by the products and services we provide, the way we treat our customers and suppliers, as well as the difference we make in our communities.

We believe our commitment to our customers has been particularly evident in:

- the way we support them by maintaining margins and keeping costs low
- how we innovate to address their needs with new products and services at affordable prices; and
- always giving back to them through rewards and their communities through our CSI programmes.

Customers vote with their wallet and their participation with brands and their loyalty and trust is showing through the sign-up and growth in our Xtra Savings rewards programme, our market share gains, increased social media following and the number of consumer awards.

#### Primary stakeholders

- Our customers who shop at any of the Group's brands or make use of any of our services
- Indirectly our suppliers who form part of our supply chain to provide our customers with products and services

 Our stakeholders, page 52

#### SDGs



#### Associated risks

- Health and safety risk
- Food safety risk
- Business disruption risk
- IT and cyber risk
- Project and change management risk
- Foreign exchange risk

 Risks and opportunities, page 46

#### Governance

- Communications with customers is managed by the Marketing department, which focuses on advertising.
- Marketing and related communication are governed by:
  - The Advertising Regulatory Board and its Code of Advertising Practice which regulates the content of South African advertising.
  - The International Chamber of Commerce Code for Responsible Food and Beverage Marketing Communication to comply with the South African Regulations relating to the Labelling and Advertising of Foodstuffs (R146/2010).
- Oversight of human rights and ethical behaviour falls into the scope of the SEC.
- Compliance is managed by operational management and is reported to the Board via the Audit and Risk Committee.

 Corporate Governance Report

 Sustainability Report

#9 MATERIAL MATTER

### Socio-economic contribution

The Group's Sustainability Report contains detailed information on all CSI programmes. This report provides highlights of that.

We partner with several community partners to help us deliver on our programmes while making sure our financial investments reach the right beneficiaries and have the most impact. Our key partners include:

- Food and Trees for Africa
- Gift of the Givers
- The Lunchbox Fund
- The Early Care Foundation

### Areas of management and focus

#### Contribution to hunger relief and food security through donations, community development and collaboration

Our support of hunger relief and food security is largely focused on providing ECD centres with food, donations and training, assisting communities to become self-sufficient food growers and diverting surplus food to communities.

We continued our support with CSI partners that required even more assistance as a result of the added pressures on charities and NGOs owing to COVID-19. Our food donations to people in need as well as our Mobile Soup Kitchen services played a significant role in helping the most vulnerable members of society.

We proactively manage food waste to make sure surplus food that cannot be sold – either because of non-harmful damage or approaching their sell-by dates – is distributed as food donations. The Group is abundantly clear that only food still fit for human consumption is donated for immediate use.



Paulina Ntontela from Goshen Village, near Cathcart in the Eastern Cape in front of her home garden. Through the Group's community food garden programme, enthusiastic members are identified and provided with a "garden in a bucket" starter kit which contains seedlings, hand tools, organic fertiliser and a training manual. Individuals are also invited to attend monthly training workshops presented by the retailer. More than 120 000 meals are served to households from these household food gardens.

Support for our food gardens is to provide food relief and build resilience and self-sufficiency. Initiatives include:

- 146 food gardens provide fresh produce on a community and individual level.
- 2 074 household food garden kits distributed in FY 2021 (including seedlings). When planted, these gardens can support a family of four for a year. Growing and maintenance instructions are provided via a mobile app. This initiative is specifically beneficial to people living in rural areas.

#### Providing support to communities in need and at times of disaster

Providing relief to communities in need is 'the right thing to do' and how we make a difference. We also have a direct impact on people and communities from low- to middle-income groups. The Group's corporate social investment extends beyond philanthropy and we aim to develop and support people in a sustainable way and to create shared value.

However, when disaster strikes it is even more critical to mobilise our efforts and act with urgency. Much of our disaster relief donations are supported by our suppliers, partners and customers. During the COVID-19 period, our food donations to vulnerable families and people in need, as well as our soup kitchen services played a significant role in helping the most vulnerable members of society.

As our CSI work continued as usual, we focused our attention on our employees; making them more aware of the work we do while encouraging them to get more involved in their communities by volunteering their time and/or raising funds. We activated them through an internal #ActForChange campaign using our SiyaRanga mobile communication channel.

#### Providing development and opportunities for work experience to youth and unemployed people and supporting small, micro and medium enterprises (SMME)

Building sustainability on an economic level is as important as helping communities with social relief. Our initiatives include:

- Saving stamps that provide income potential to women who become registered saving stamp agents, earning commission income from saving stamp sales.
- We provide business and trade opportunities to SMEs and entrepreneurs, giving them access to the Shoprite marketplaces or supply chains.
- Thuthuka Nathi Investments is our formalised SME development fund with a transformational and developmental focus. This investment programme provides funding and business mentorship. Currently, LBB Foods, Red Baron Agri and Zulzi on Demand form part of this investment. Collectively they employ 196 people.
- R8.5 billion is procured from women-owned suppliers.
- We provide training opportunities to:
  - 6 247 unemployed young people trained through our Retail Readiness Programme and our participation in the YES initiative
  - R484 million Retail Readiness: investment since inception; and
  - SMME members on venison meat processing in partnership with the Department of Forestry, Fisheries and the Environment and assistant chefs with training in our Checkers Hyper Division.



A percentage of the sale of each packet of Shoprite Ritebrand and Checkers Housebrand soup is going to the Lunchbox Fund. The Shoprite Group has a fundraising drive in all of its Shoprite, Checkers and Hyper supermarkets throughout South Africa in an effort to combat stunting, which impacts approximately 1.5 million South African children, with three out of every 10 children suffering chronic malnutrition.

### Understanding the impact of the salaries and taxes we pay

Our social reach and contribution are determined by the salaries and taxes we pay. The salaries directly contribute to the financial wellbeing of our employees who, in turn, actively contribute to the economy. Tax makes a fundamental difference in assisting governments in their quest to address poverty and provide social services.

We contribute by:

- Paying direct taxes and through indirect tax where we collect VAT, employees tax, dividend tax and UIF levies
- Avoiding aggressive tax practices that increase our liability and reputational risk
- Paying the correct amount of tax, compliant with relevant taxation laws of each jurisdiction, on time
- Ensuring profits cannot be artificially moved between different jurisdictions through an appropriate transfer pricing policy
- The Group contributed R8.6 billion in total in taxes to various tax authorities
- We use the Employment Tax incentive scheme in South Africa for employees between the ages of 18 and 29 years (inclusive) who earn less than R6 500 per month for tax relief. During FY 2021 we claimed R284.3 million for a monthly average 26 718 employees who qualified



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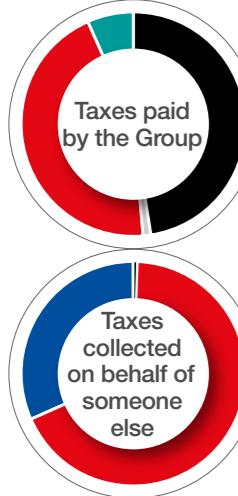
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## SOCIAL AND RELATIONSHIP CAPITAL | continued

- Our tax contribution stems from taxes paid by the Group (R4.6 billion) as well as taxes collected on behalf of other taxpayers (R4.0 billion). The type of taxes includes the following:



- Profit taxes (R2 179 million)
  - Property taxes (R62 million)
  - Product and services taxes (R2 053 million)
  - People taxes (R293 million)
- 
- 
- | Tax Type                   | Amount (R million) |
|----------------------------|--------------------|
| Profit taxes               | 31                 |
| Product and services taxes | 716                |
| Planet taxes               | 263                |

- Profit taxes (R31 million)
- Product and services taxes (R2 716 million)
- Planet taxes (R1 263 million)

### Primary stakeholders

- The communities in which our customers, employees and suppliers\* live and work
- Communities are the groups most in need of socio-economic assistance which we support through our CSI programmes
- SMME and other suppliers who we support in their development or who partner with us in support of our community outreach initiatives

\* Employees are discussed under human capital.

Our stakeholders, page 52

### Associated risks

- Business disruption risk
- Food safety
- Changing trade environment
- Environmental, social and governance risks

Risks and opportunities, page 46

### SDGs



### Governance

- Oversight of socio-economic contribution falls in the scope of the SEC including:
  - human rights and ethical behaviour
  - responsible business and good citizenship
  - social and economic development; and
  - CSI programmes.
- The Group is committed to transparent and ethical tax practices and we co-operate with tax authorities across our operating countries. We have a strong tax governance framework to guide timely, accurate and effective taxation compliance.

Corporate Governance Report

### #3 MATERIAL MATTER

#### Supply chain resilience and sustainability

Also see

#### Areas of management and focus

##### Reliability on infrastructure and product supply, product quality and safety, mutually beneficial supplier relationships

Our supply chain was put to the test as a result of the unpredictability of the COVID-19 pandemic, subsequent changes in regulations and a volatile operating environment. Our long-standing supplier relationships and clear communication, internally and externally, allowed us to overcome these difficulties.

Owing to some of the challenges we experienced during COVID-19, we increased our procurement from local suppliers. Farmers of fresh produce benefited most from this escalated demand for their products and it decreased lead times on many items for us.

While we have been able to manage existing and emerging problems in our supply chain, resulting in few disruptions during the year, we have become more aware of the obstacles our suppliers face and the direct impact this could have on our operations. We will therefore be working closely with them to better understand their contingency plans and how we might mitigate and manage potentially disruptive scenarios in the future.

##### Promoting supplier diversity and development, especially local supplier understanding and support

We prioritise supporting local suppliers wherever possible. Supporting local suppliers not only enhances our ability to contribute to local economies and develop local and small suppliers, but it also reduces our environmental impact.

Currently, our supplier base consists primarily of large multinationals that do not contribute to preferential procurement.



In the absence of preferred B-BBEE suppliers that can supply at the scale we require, these challenges persist. In the medium to long term, we have set a 12-point procurement target compared to our current score of 9.5. In order to reach our target we must increase our spend with black-owned and women-owned SMEs.

In developing private-label ranges, we prioritise local suppliers. We have, however, moved procurement of private-label ranges to the value of R270 million to local suppliers. It is only when local supply does not meet demand – or where production is geographically bound, such as rice – that we source outside of South Africa.

##### Aspects around food and product quality and safety, including responsible and sustainable sourcing of animal products, seafood and other red-listed items

Multiple stakeholders influence our ability to guarantee food and product quality and safety. Through continued engagement with them we make sure our operations meet international best-practices standards. Various food safety interventions, employee training and store hygiene audits make certain food safety remains a key priority.

Our approach to food safety is built on three pillars through:

- Onboarding new suppliers
- Ensuring food safety in our stores through independent audits and mitigation measures
- Following up on customer complaints to identify potential issues

### Primary stakeholders

- Suppliers who deliver into our infrastructure
- Customers who visit our store and use our digital products, services and channels

Our stakeholders, page 52

### Associated risks

- Food safety risk
- Business disruption risk
- IT and cyber risk
- Environmental, social and governance risks
- Foreign exchange risk

Risks and opportunities, page 46

### SDGs



### Governance

- The Board of Directors is responsible for oversight of the Group's strategy and performance with implementation being delegated to the Executive Directors and their operational management teams.
- Risks relevant to the supply chain are managed through the Group's risk function and reported to the Board through the Audit and Risk Committee.

Corporate Governance Report

### CAPITAL IN ACTION

#### Premium product addresses a shift in product sourcing responsibility



**Angus McIntosh**, or "Farmer Angus" from Spier, says more than 99% of the beef sold in South Africa comes from feedlots where the cattle are fed grains and antibiotics. The cattle from Farmer Angus are raised on the Spier Wine Farm where they practise rotational grazing.

"There are so many benefits to farming the way we do. Everybody wins; nature, animals and people. Since we signed this deal with Checkers, we've been able to increase the number of cattle on our farm and, in doing so, employed four new staff members."

"The next soil carbon audit takes place in 2023 and with more cattle we expect to see bigger increases in the carbon absorption."

For many consumers who shop according to price, the current grass-fed burger range is sold for less per kilogram than the grain-fed range, making a premium product more affordable to a wider customer base.

Checkers has been working with Farmer Angus since late 2020 on an offering that gives customers access to beef that is nutrient dense, growth hormone and grain free, and is a major contributor to reversing climate change and promoting employment.

By not raising beef in feedlots, his cattle are rotated between fields to graze, as part of practising regenerative agriculture. This method of raising livestock ensures increased carbon in the soil. With more carbon in the soil, the farm is far more resilient against drought because the soil can retain more water. It also means there are a lot more requisite nutrients for healthy plant life.

By being environmentally responsible and increasing carbon in the soil, Farmer Angus has been able to sell carbon credits. This income is shared directly with staff of which his herdsman Kasango Murehwa Samkute earned R100 000.00, because his herd is the biggest on the farm.

We are accountable to ourselves and our stakeholders to reduce our impact on our immediate environment and to our indirect environment by encouraging and supporting responsible sourcing.

### MATERIAL MATTERS

#### Supply chain resilience and sustainability

Sustainable product sourcing, supplier partnership, local supplier support

#### Environmental stewardship

Reduced carbon footprint in supply chain

### Customer centricity

Changing customer expectations, healthy food choices, affordability



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## SOCIAL AND RELATIONSHIP CAPITAL | continued

#5 MATERIAL MATTER

## Regulatory environment

**How we achieved our strategic objectives and the outcomes**

Complying with regulation is a business imperative but it is more important for us to keep our employees and our customers safe, and to make sure our suppliers do the same. The Group's ERM Framework provides for all classes of risk and includes compliance risks.

**Areas of management and focus****Having the right management systems and due processes in place for compliance with all regulations and that additional Codes of Best Practice are supported**

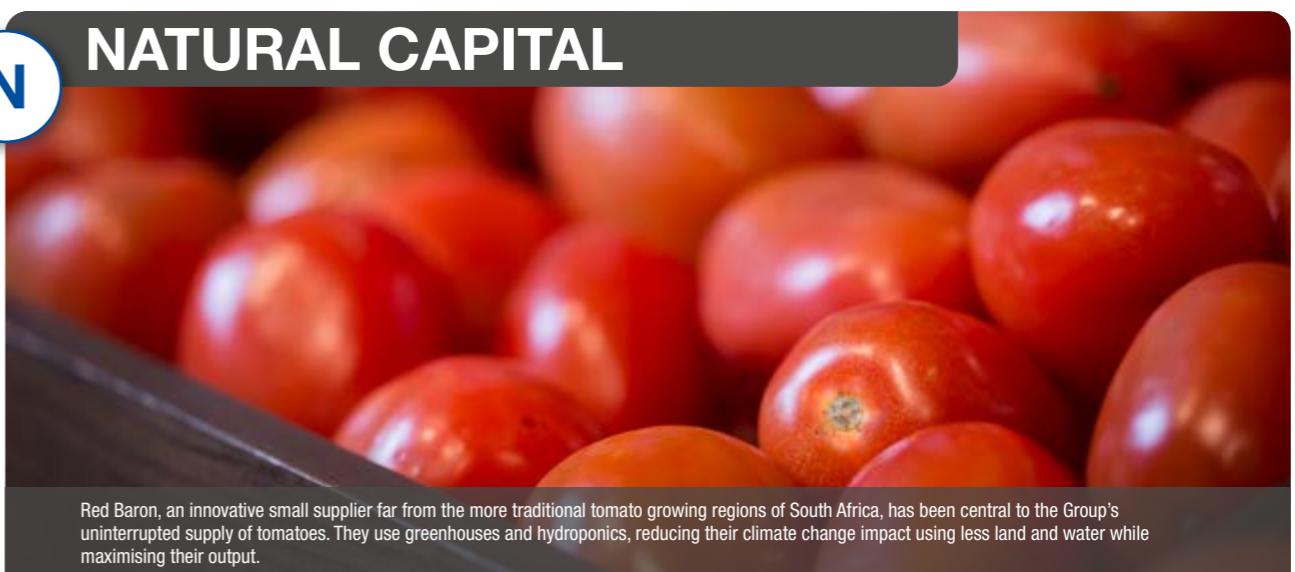
The Group operates in an increasingly complex regulatory and compliance environment. Our interaction with the regulatory environment across various industry sectors requires significant investment in compliance management systems. Compliance is also required to uphold the Group's status as a trusted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

Throughout the year we kept up with the rapid rate of changes in occupational health and safety legislation surrounding the COVID-19 pandemic while ensuring existing health and safety protocols were maintained. We managed this balance through regular proactive engagements with regulators. As a result we saw a reduction in the volume of enforcement notices we received.



Even under strict lockdown, our supermarkets remained open. This meant our employees had higher COVID-19 exposure risks than we would have ever thought we would ask of them. The Group therefore implemented strict compliance measures to keep employees and customers as safe as possible.

N

**NATURAL CAPITAL**

Red Baron, an innovative small supplier far from the more traditional tomato growing regions of South Africa, has been central to the Group's uninterrupted supply of tomatoes. They use greenhouses and hydroponics, reducing their climate change impact using less land and water while maximising their output.

**How natural capital connects and integrates within the business**

**The Group's approach to sustainability is based on mitigation and adaptation. Mitigation is directly linked to reducing our environmental footprint while adaptation speaks to our resilience under changing conditions. We measure our outcomes and progress against how we manage waste (including food waste), responsible sourcing, carbon, water and packaging.**

**Highlights**

**16 502 036 tCO<sub>2</sub>e total carbon emissions including Scopes 1, 2 and 3**

**28 226 tCO<sub>2</sub>e saved through recycling**

**3 305 tons of food waste diverted from landfill saving 8 391 tCO<sub>2</sub>e**

**11 249 tCO<sub>2</sub>e total emissions saved from own renewable energy generation**

**7 816 tons of recycled plastic used in 706 million recyclable shopping bags**

**1 477 496 reusable Planet bags sold**

**Outlook**

- Training our employees to have a more holistic understanding of environmental sustainability
- Increasing our generation and use of renewable energy

For a full understanding of the Group's environmental performance, this Capital Report must be read together with:

Sustainability Report

We have made significant progress to understand our contribution and put actions in place to drive change and minimise our environmental impacts as far as possible. We have developed position statements on climate change, sustainable packaging, food waste, water security and biodiversity that elaborate on our commitments in these areas.

Climate change has been described as one of the biggest risks of our time and the most pressing environmental, social and governance issue facing our global society, economy and natural environment today. We recognise that:

- Climate change will be a source of long-term financial risk with global greenhouse gas (GHG) emissions directly and indirectly impacting our business, environment, suppliers and our communities.
- Our business operations play a role in climate change.

Our response to climate change has two objectives:

- To reduce our GHG emissions by using renewable energy and to continuously improve energy efficiency in our direct operations and in our supply chain by engaging with suppliers
- To strengthen the resilience and adaptive capacity of our operations and that of the communities in which we operate

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

We operate in regions with high levels of food insecurity and nutritional deficiencies that are susceptible to environmental impact from climate change and scarce resources. With our position and access to our customers, we use our influence to make positive impacts on a wide range of social and environmental issues.

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## How we achieved our strategic objectives and the outcomes

#8 MATERIAL MATTER

### Environmental stewardship

#### Areas of management and focus

Our impact on natural resources and our response to how we use those resources are discussed in detail in the Group's Sustainability Report. This report provides a high-level summary.

#### Climate change through decreasing our carbon emissions by managing our energy and fuel consumption and waste to landfill, including food, operational and electronic waste

Our environmental efforts align with our strategy to become a Smarter Shoprite and are focused on being effective and efficient throughout our supply chain. We will use our initiatives to innovate, build resilience and create a competitive advantage.

Although we have released ownership of DCs and entered into lease agreements in FY 2020, we retained the management of the supply chain functions including property and logistics efficiencies.

#### Resources:

- Energy:** The consistent availability of electricity remains a challenge. The Group is on a journey to safeguard our operations from power disruptions as far as possible. We have increased the installed capacity of our renewable energy through rooftop solar photovoltaic (PV) systems and committed to procuring renewable energy from a specialist energy trader. The trailers in our logistics fleet are also equipped with PV solar panels to power the refrigeration systems and tailgate lifts while trucks are switched off.

- Fuel:** Reverse logistics have become entrenched in managing our return trips from stores to DCs, thereby improving the efficiency of the fleet and reducing emissions. By increasing the energy efficiency of our trucks and training drivers to conserve energy consumption, we are able to reduce the comparative impact of the distance our fleet travels every year.



We have increased the installed capacity of our solar PV systems by 350% across 32 sites. This has increased renewable energy generated through rooftop PV systems to 10 993 MWh (2020: 3 298 MWh).

- Water:** To better manage our water consumption we have installed water meters. We do not withdraw any water from non-renewable fresh or groundwater sources and continue to discharge all wastewater to municipal treatment facilities in South Africa.

#### Waste:

- Food:** The most important focus during the year under review was preventing food going to waste. The COVID-19 pandemic emphasised food security as a critical factor in our communities. A food waste minimisation strategy received special attention by reducing the amount of food waste we create. We do this by efficiently managing on-shelf availability; transforming food to be sold in a different format; and donating food to beneficiary organisations. Food not suitable for donation or transformation is used as animal feed or composted.
- Operational waste:** We have embraced the circular economy approach with plastic waste from our stores being recycled back into our 100% Recycled and recyclable carrier bags.
- Chemicals:** The chemicals we use, including cleaning supplies and disinfectants, are of food-grade quality. Only reputable suppliers that can provide certification in line with our regulatory compliance needs are used. This includes certification from the National Regulator for Compulsory Specifications (NRCS).
- E-waste:** Appliances, e-waste or obsolete equipment is donated, mostly to The Appliance Bank.

#### Responsible practices with respect to the use and recycling of packaging

Packaging is a major source of waste if it is not managed responsibly. Therefore, we support a circular economy approach to packaging and have instituted a target to substantially reduce our own waste generation. Most of the initiatives will have a design-for-sustainability approach to packaging based on life-cycle thinking and innovation, particularly for our own brands.

Initiatives include:

- Transitioning all packaging in our delis, bakeries and fish shops to recyclable materials
- Increasing the recycled content and recyclability of private-label products and standardising recycling labels on private-label packaging
- Shopping bags in our South African Shoprite, Checkers and Usave stores are 100% recyclable and made from 100% recycled material from post-consumer waste
- Backhauling cardboard and plastic from our stores to our DCs increases the amount of plastic and cardboard we are able to reuse or recycle

#### Sustainable product sourcing and traceability

This year we engaged with suppliers to understand what they monitor within their own supply chain and how they are reducing their impact. Understanding the issues our suppliers monitor and manage allows us to better understand the supporting role we could play as well as the risks and problems we may encounter in our supply chain.

Responsible sourcing is an imperative, not only from environmental and social perspectives, but it also plays an important role in providing the best-quality product to our customers.

- Our in-store fresh foods and private-label departments continue to prioritise responsibly sourced products wherever possible. Certifications include palm oil, cocoa powder and seafood.
- We have expanded our free-range offering from sustainable farming partners to include free-range chicken and eggs. This builds on our existing beef, lamb, venison and ostrich offering. Free-range farming includes regenerative agriculture which prioritises health, quality and environmental concerns.
- We continued our partnership with the World Wide Fund for Nature Southern African Sustainable Seafood Initiative (WWF-SASSI) to monitor movement on its sustainable seafood list.

#### Indirect impact on biodiversity and land management as a consequence of farming and deforestation

As a result of pressure on agriculture and our reliance on our growers, we have developed a position statement on biodiversity and responsible sourcing this year.

A biodiversity mainstreaming assessment was conducted for Shoprite's operations by the National Biodiversity and Business Network at the Endangered Wildlife Trust. This is the starting point of fully understanding and subsequently reducing our impact on biodiversity loss through our own operations and throughout our supply chain. At present we estimate that our own operations do not have a major impact but understand the impact that exists within the production of the goods we sell. Our first action was to develop the Group's position statement from which implementation and target commitments will be developed.

#### Primary stakeholders

- Suppliers who rely on resources and/or services that are dependent on natural resources
- Customers who are becoming more responsible towards environmental issues
- Communities who are impacted by climate change

Our stakeholders, page 52

#### Associated risks

- Changing trading environment
- Environmental, social and governance risks

Risks and opportunities, page 46

#### SDGs



#### Governance

- The Board ensures that the Group is, and is viewed to be, a responsible corporate citizen, which is reviewed and reported through the SEC having oversight of various sustainability matters.
- The GRI Standards: Core option, SDGs and TCFD.
- We participate in the Carbon and Water Disclosure projects and have been reporting to the CDP on climate change for 10 years.

Corporate Governance Report

### CAPITAL IN ACTION

Recycling encourages environmental stewardship, job creation and entrepreneurship



**Thembekile Havi** is a reformed gang member who has found employment and a new purpose at Packa-Ching, Gqeberha operating in Buffalo City.

"I started in 2016 to collect bottles and sold them to recyclers. Then I realised I can make some money and got a few guys to help me. In 2019 I saw Packa-Ching and joined. Now I understand recycling better and have started educating my community too."

Although the benefit may appear to be for those collecting recyclable materials, the innovative programme is also creating employment opportunities for the country's youth: the Gqeberha unit's five employees form part of the Shoprite Group's participation in the YES initiative.

Shoprite has a zero waste-to-landfill approach and is committed to reducing waste, creating awareness and changing consumer behaviour regarding recycling and reuse.

Through its long-term partnership with Packa-Ching, waste is recycled while creating income-generating opportunities for communities across South Africa. With a unique, entrepreneur-focused approach, Packa-Ching's network of owner-operated mobile buy-back centres consist of a truck and trailer that purchases recyclable packaging material from select communities. Residents bring recyclable packaging material (plastic, paper, cans and glass) on the collection day, the material is weighed and the value for their materials is then paid to them via a cashless eWallet system in real time.

This money can be spent at any participating merchants such as Shoprite, Usave and Checkers Supermarkets to purchase groceries, purchase airtime, withdraw cash or transfer funds to any cell phone number in South Africa.

Focused on our communities and customers we are embedding responsible behaviour and looking after our environment and pay more than R1.7 million into mobile wallets per year.

### MATERIAL MATTERS

#### Socio-economic contribution

Community support, opportunities for employment

#### Customer centricity

Awareness around recycling in customer communities, enhancing reputation as a responsible business

#### Environmental stewardship

Recycling awareness and education, less waste to landfill for reduced carbon footprint



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## SHAREHOLDERS ANALYSIS

Company: Shoprite Holdings Limited  
Register date: 25 June 2021  
Issued share capital: 591 338 502

Shareholder spread	Number of shareholdings	%	Number of shares	%
1 – 1 000 shares	44 408	85.19	10 078 332	1.71
1 001 – 10 000 shares	6 117	11.73	16 640 641	2.81
10 001 – 100 000 shares	1 187	2.28	40 223 790	6.80
100 001 – 1 000 000 shares	345	0.66	107 931 484	18.25
Over 1 000 001 shares	75	0.14	416 464 255	70.43
<b>Totals</b>	<b>52 132</b>	<b>100.00</b>	<b>591 338 502</b>	<b>100.00</b>

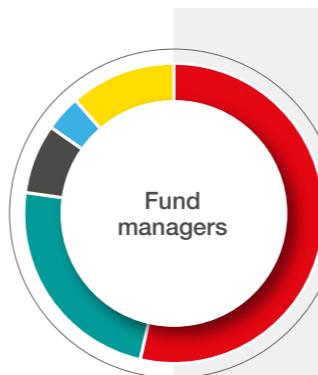
Distribution of shareholders	Number of shareholdings	%	Number of shares	%
Banks/brokers	268	0.51	155 829 270	26.35
Close corporations	291	0.56	1 080 629	0.18
Endowment funds	280	0.54	2 765 824	0.47
Individuals	42 856	82.21	24 608 453	4.16
Insurance companies	292	0.56	21 460 986	3.63
Investment companies	10	0.02	1 175 581	0.20
Medical schemes	53	0.10	1 310 629	0.22
Mutual funds	630	1.21	94 390 644	15.96
Other corporations	245	0.47	235 067	0.04
Private companies	1 131	2.17	73 526 267	12.44
Public companies	13	0.02	188 854	0.03
Retirement funds	713	1.37	149 227 982	25.24
Sovereign wealth funds	17	0.03	13 851 831	2.34
Treasury shares	6	0.01	38 789 545	6.56
Trusts	5 327	10.22	12 896 940	2.18
<b>Totals</b>	<b>52 132</b>	<b>100.00</b>	<b>591 338 502</b>	<b>100.00</b>

Public/non-public shareholders	Number of shareholdings	%	Number of shares	%
<b>Non-public shareholders</b>				
Directors of the company	25	0.05	178 414 764	30.17
Shares held for benefit of participants to equity settled share-based payments arrangements	19	0.04	64 564 373	10.92
Strategic holding more than 10%	1	0.00	3 147 798	0.53
Treasury shares**	1	0.00	71 913 048	12.16
<b>Public shareholders</b>				
<b>Totals</b>	<b>52 107</b>	<b>99.95</b>	<b>412 923 738</b>	<b>69.83</b>
	<b>52 132</b>	<b>100.00</b>	<b>591 338 502</b>	<b>100.00</b>

\* Excludes shares held by Directors in Shoprite Holdings Ltd Executive Share Plan.

Beneficial shareholders holding 1% or more	Number of shares	%
Government Employees Pension Fund	91 914 557	15.54
Wiese, CH	63 110 920	10.67
Shoprite Checkers (Pty) Ltd	38 789 545	5.56
T. Rowe Price	19 545 072	3.31
Old Mutual	18 721 398	3.17
Vanguard	17 677 663	2.99
Coronation Fund Managers	17 419 923	2.95
GIC Private Limited	15 729 563	2.66
Blackrock	11 867 470	2.01
Namibian Government Institutions Pension Fund	10 642 662	1.80
Le Roux, JF	7 581 737	1.28
Sanlam	7 233 763	1.22
People's Bank of China	6 896 637	1.17
Schroders	5 906 020	1.00
Eskom Pension & Provident Fund	5 885 521	1.00
<b>Totals</b>	<b>338 922 451</b>	<b>57.33</b>

## SHAREHOLDERS' COUNTRY CLASSIFICATION



- **53.8%** South Africa
- **23.6%** USA
- **7.4%** UK
- **4.0%** Singapore
- **11.2%** Other\*

\* Other: Namibia, Netherlands, Luxembourg, China, Japan, Australia, UAE, Canada, Sweden, Switzerland, Germany, Denmark, France, Ireland, Italy, Belgium, Slovenia, Norway, South Korea



- **51.1%** USA
- **16.0%** UK
- **8.7%** Singapore
- **3.5%** Namibia
- **3.1%** Netherlands
- **2.7%** Luxembourg
- **2.2%** China
- **12.7%** Other\*

\* Other: Japan, Australia, UAE, Canada, Sweden, Switzerland, Germany, Denmark, France, Ireland, Italy, Belgium, Slovenia, Norway, South Korea, Cayman Islands, Channel Islands, Austria



- **62.3%** South Africa
- **16.4%** USA
- **3.4%** Singapore
- **17.9%** Other\*

\* Other: UK, Namibia, Luxembourg, China, Netherlands, Ireland, Japan, Saudi Arabia, Australia, Canada, Switzerland, UAE, Norway, Sweden, Denmark, Germany, South Korea, Eswatini, France, Kuwait, Zambia, Taiwan, Belgium, Slovenia, Italy, Cayman Islands, Channel Islands, Thailand



- **43.5%** USA
- **9.0%** Singapore
- **8.8%** UK
- **6.3%** Namibia
- **5.1%** Luxembourg
- **3.4%** China
- **3.2%** Netherlands
- **2.8%** Ireland
- **2.1%** Japan
- **15.8%** Other\*

\* Other: Saudi Arabia, Australia, Canada, Switzerland, UAE, Norway, Sweden, Denmark, Germany, South Korea, Eswatini, France, Kuwait, Zambia, Taiwan, Belgium, Slovenia, Italy, Cayman Islands, Channel Islands, Thailand, Lesotho



# NOTICE TO SHOPRITE HOLDINGS SHAREHOLDERS: ANNUAL GENERAL MEETING (AGM)

Shoprite Holdings Ltd  
(Incorporated in the Republic of South Africa)  
(Registration number 1936/007721/06)  
JSE share code: SHP NSX share code: SRH  
LUSE share code: SHOPRITE ISBN: ZAE000012084  
("Shoprite Holdings" or "the Company")

## 1. NOTICE OF MEETING

### Impact of COVID-19 on the AGM

As a consequence of the impact of the COVID-19 pandemic, limitations are placed on public gatherings under the Disaster Management Act, 57 of 2002. As a socially responsible corporate citizen, Shoprite Holdings will conduct the AGM entirely by way of electronic participation, in accordance with the provisions of section 63(2) of the Companies Act and the Listing Requirements of the JSE as read with the Company's memorandum of incorporation.

Notice is hereby given in terms of sections 61 and 62 of the Companies Act, of the AGM of Shareholders of Shoprite Holdings to be held on Monday, 15 November 2021 at 09.15 am, by way of electronic participation only.

## 2. DEFINITIONS

In the Notice, unless otherwise stated or the context otherwise indicates, the words in the first column below shall have the meaning stated opposite them, respectively, in the second column below, reference to the singular shall include the plural and vice versa, words denoting one gender shall include the other gender, and an expression denoting natural persons shall include juristic persons and associations of persons.

<b>"2020 AGM"</b>	The Annual General Meeting of Shoprite Holdings held on 16 November 2020
<b>"Annual General Meeting of Shoprite Holdings Shareholders" or "AGM"</b>	The Annual General Meeting of Shoprite Holdings Shareholders to be held on Monday, 15 November 2021 at 09.15 am (South African time) by way of electronic participation, to consider and, if deemed appropriate, approve the ordinary and special resolutions as set out in the Notice of AGM
<b>"Board" or "Directors"</b>	The Directors of Shoprite Holdings
<b>"Business Day"</b>	A day other than a Saturday, Sunday or official public holiday in South Africa
<b>"Certificated Share(s)"</b>	Shoprite Holdings Share(s) represented by a share certificate(s) or other physical document(s) of title, which have not been surrendered for dematerialisation in terms of the requirements of Strate
<b>"Companies Act"</b>	The South African Companies Act, No. 71 of 2008, as amended
<b>"Companies Regulations"</b>	The Companies Regulations, 2011 in terms of the Companies Act, to regulate matters relating to companies
<b>"CSDP"</b>	A participant as defined in section 1 of the Financial Markets Act, No. 19 of 2012, as amended from time to time, authorised by a licensed central securities depository as a participant in that central securities depository in terms of the depository rules as contemplated in section 31 of the Financial Markets Act
<b>"Deferred Share"</b>	A Deferred Share as defined in the MOI
<b>"Dematerialised Shareholder(s)"</b>	Shoprite Holdings Shareholder(s) 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
<b>"Dematerialised Share(s)"</b>	Shoprite Holdings Share(s) that have been dematerialised through a CSDP or broker and are held on the sub-register of Shareholders administered by CSDPs in electronic form
<b>"Dematerialised Ordinary Shares"</b>	Ordinary share(s) that have been dematerialised through a CSDP or broker and are held on the sub-register of Shareholders administered by CSDPs in electronic form
<b>"Group"</b>	the Company and all its subsidiaries
<b>"Integrated Report"</b>	the Integrated Report referred to in clause 5 below
<b>"JSE"</b>	JSE Limited (Registration number 2005/022939/06), a public Company registered and incorporated in South Africa and licensed under the Financial Markets Act, No. 19 of 2012, as amended, to operate as an exchange
<b>"MOI" or "Memorandum of Incorporation"</b>	The memorandum of incorporation of Shoprite Holdings
<b>"Notice of Annual General Meeting of Shoprite Holdings Shareholders" or "Notice of AGM" or "Notice"</b>	This notice convening the Annual General Meeting of Shoprite Holdings Shareholders
<b>"Ordinary Shares"</b>	Ordinary Shares having no par value issued by the Company
<b>"Ordinary Shareholders"</b>	The holders of Ordinary Shares
<b>"Shareholder(s)" or "Shoprite Holdings Shareholder(s)"</b>	Registered holder(s) of Shoprite Holdings Shares
<b>"Shoprite Holdings Shares"</b>	Issued Ordinary Shares and Deferred Shares
<b>"Special Resolution(s)"</b>	A Special Resolution as defined in the Companies Act
<b>"Strate"</b>	Strate (Proprietary) Limited (Registration number 1998/022242/06), a private company registered and incorporated in South Africa, and the electronic settlement system for transactions that take place on the JSE and off-market transactions
<b>"Transfer Secretaries" or "Computershare"</b>	Computershare Investor Services (Proprietary) Limited (Registration number 2004/003647/07), a private company registered and incorporated in South Africa and the transfer secretaries of Shoprite Holdings

## 3. ELECTRONIC PARTICIPATION

- 3.1 Shoprite Holdings has retained the services of the Transfer Secretaries, being Computershare, to host the AGM on an interactive platform, in order to facilitate electronic participation and voting by Shareholders. The online Shareholder meeting guide contains detailed information in this regard and is attached to this Notice.
- 3.2 Any Shareholder (or a representative or proxy for a Shareholder) who wishes to participate in and/or vote at the AGM by way of electronic participation, must either:
  - register online using the online registration portal at [web.lumiagm.com](http://web.lumiagm.com), prior to the commencement of the AGM; or
  - contact Computershare by sending an e-mail to [proxy@computershare.co.za](mailto:proxy@computershare.co.za) by no later than 12:00 on Thursday, 11 November 2021, in order for the Transfer Secretaries to arrange such participation for the Shareholder and for the Transfer Secretaries to provide the Shareholder with the details as to how to access the AGM by means of electronic participation. Shareholders may still register/apply to participate in and/or vote electronically at the AGM after this date, provided, however, that those Shareholders are verified (as required in terms of section 63(1) of the Companies Act) and are registered at the commencement of the AGM).
- 3.3 All Shareholders are entitled to attend and participate via the use of the electronic platform.
- 3.4 The cost of electronic participation in the AGM is for the expense of the Shareholder so participating and will be billed separately by the Shareholder's own service provider.
- 3.5 Each Shareholder by their participation in the AGM acknowledges that the electronic communication services are provided by third parties and indemnifies the Company against any loss, injury, damage, penalty or claim arising in any way from the use or possession of the electronic services, whether or not the problem is caused by any act or omission on the part of the Shareholder or anyone else. In particular, but not exclusively, each Shareholder that participates in the AGM acknowledges that they will have no claim against the Company, the Directors or any employees or representatives of the Company for any direct or indirect damages or for consequential damages or otherwise, arising from the use of the electronic services or any defect in it or from total or partial failure of the electronic services and connections linking the Shareholder who participates or wishes to participate via the electronic services to the AGM.
- 3.6 The Company does not and cannot guarantee there will not be a break in electronic communication.
4. WHO MAY ATTEND AND VOTE?
- 4.1 If you hold Dematerialised Shares that are registered in your own name or if you are the registered holder of Certificated Shares:
  - you may participate in and/or vote at the AGM by way of electronic participation in the manner described in this Notice;
  - alternatively, you may appoint a proxy to represent you and, on your behalf, participate in, speak and vote at the AGM by way of electronic participation in the manner described in this Notice by completing
- 4.2 Forms of proxy to be delivered to one of these addresses:  
**TRANSFER SECRETARIES**  
 Computershare Investor Services (Pty) Ltd  
 Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196  
 Private Bag X9000, Saxonwold, 2132  
 Facsimile: +27 (0)11 688 5248  
 E-mail: [proxy@computershare.co.za](mailto:proxy@computershare.co.za)
- 4.3 If you are a beneficial Shareholder but not a registered Shareholder as at the record date and:
  - wish to participate in the AGM, you must obtain the necessary letter of representation from your CSDP or broker to represent the registered Shareholder; or
  - do not wish to attend the AGM, but would like your vote to be recorded at the AGM, you should contact your CSDP or broker and furnish them with your voting instructions, and you must not complete the attached form of proxy.
- 4.4 In terms of section 63(1) of the Companies Act, any person participating in the AGM must present reasonably satisfactory identification and the person presiding at the AGM must be reasonably satisfied that the right of any person to participate in and vote (whether as a Shareholder or as a representative or proxy for a Shareholder) has been reasonably verified. Shareholders of the Company who wish to participate in the AGM electronically should provide such identification when making application to so participate.
- 4.5 The record date for purposes of determining which Shareholders are entitled to receive this Notice is determined in terms of section 59(1)(a) of the Companies Act being Friday, 8 October 2021. The Notice will be distributed to Shareholders on Monday, 18 October 2021.
- 4.6 The date on which Shareholders must be recorded as such in the register maintained by the Transfer Secretaries for purposes of being entitled to attend and vote at the AGM is determined in terms of section 59(1)(b) of the Companies Act being Friday, 5 November 2021 (Voting Record Date). The last day to trade for purposes of being entitled to attend and vote at this AGM is Tuesday, 2 November 2021.
- 4.7 Votes at the AGM on all resolutions will be conducted by way of a poll. Every Shareholder present or represented by proxy shall have one (1) vote for every Shoprite Holdings Share held in the Company.
- 4.8 If you are in any doubt as to what action you should take arising from the following resolutions, please consult your stockbroker, banker, attorney, accountant or other professional adviser immediately.

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 9.15 am (South African time) on Friday, 12 November 2021. However, Shareholders are entitled to submit 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.



## NOTICE TO SHOPRITE HOLDINGS SHAREHOLDERS: ANNUAL GENERAL MEETING (AGM) | continued

### 5. INTEGRATED REPORT

A copy of the Company's Integrated Report for the year ended 4 July 2021 and the reports of the Directors and independent auditors are delivered herewith.

### 6. PURPOSE OF THE AGM

The purpose of the AGM is to:

- present the audited financial statements for the year ended 4 July 2021, the report of the Directors and the report of the independent registered auditors thereon;
- present the reports of the Audit and Risk as well as the Social and Ethics Committees;
- consider any matters raised by Shareholders; and
- consider and, if deemed fit, to pass, with or without modification, the resolutions set out below.

### 7. THE FOLLOWING RESOLUTIONS WILL BE CONSIDERED AT THE AGM, AND, IF DEEMED FIT, PASSED WITH OR WITHOUT MODIFICATION.

#### ORDINARY RESOLUTION NUMBER 1: ANNUAL FINANCIAL STATEMENTS

"Resolved that the summarised annual financial statements of the Company and the Group for the year ended 4 July 2021, 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.

#### 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 J de Villiers is the individual registered auditor of PwC who will undertake the audit in respect of the financial year ending 30 June 2022) as recommended by the Company's Audit and Risk Committee."

#### NOTE:

The Audit and Risk Committee, in conjunction with management and PwC, has developed a plan for the effective implementation of the mandatory audit firm rotation requirement of the Independent Regulatory Board for Auditors. This plan will be implemented over the next two financial years to ensure a smooth transition without exposing the Group to unnecessary risks and inefficiencies.

Invitations have been sent to four firms of auditors to submit proposals for the audit of the Group. A preferred firm of auditors will be selected after consideration of the proposals. At the Annual General Meeting after completion of the 2021/22 financial year, the selected firm of auditors will be nominated for approval by Shareholders at that meeting.

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.

#### ORDINARY RESOLUTION NUMBER 3: ELECTION OF DIRECTORS

"Resolved through separate ordinary resolutions that each of the Directors in 3.1–3.4 below, who have been appointed

by the Board after the 2020 AGM on the dates set out below and who are required to retire as Directors of the Company at this AGM and who are eligible and available for re-election, are hereby elected with immediate effect:

- 3.1 Linda de Beer appointed on 11 May 2021
- 3.2 Nonkululeko Gobodo appointed on 11 May 2021
- 3.3 Eileen Wilton appointed on 11 August 2021
- 3.4 Peter Cooper appointed on 11 August 2021."

Brief profiles of these Directors standing for election are set out in Annexure A to this Notice.

For ordinary resolutions number 3.1–3.4 to be approved by Shareholders, they 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.

#### ORDINARY RESOLUTION NUMBER 4: RE-ELECTION OF DR CH WIESE

"Resolved that Dr CH Wiese, who is required to retire as a Director of the Company in terms of the provisions of the MOI on director rotation, at this AGM and who is eligible and available for re-election, is hereby re-appointed as Director with immediate effect."

A brief profile of Dr Wiese is set out in Annexure A to this Notice.

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.

#### ORDINARY RESOLUTION NUMBER 5: APPOINTMENT AS MEMBERS OF THE SHOPRITE HOLDINGS AUDIT AND RISK COMMITTEE

"It is resolved through separate ordinary resolutions that the following members are elected as member of the Shoprite Holdings Audit and Risk Committee with immediate effect in terms of section 94(2) of the Companies Act:

- 5.1 Johan Basson
- 5.2 Joseph Rock
- 5.3 Linda de Beer (subject to election as Director)
- 5.4 Nonkululeko Gobodo (subject to election as Director)
- 5.5 Eileen Wilton (subject to election as Director)"

Brief profiles of the members of the Shoprite Holdings Audit and Risk Committee standing for election are set out in Annexure A to this Notice.

For ordinary resolutions number 5.1–5.6 to be approved by Shareholders, they 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.

#### ORDINARY RESOLUTION NUMBER 6: GENERAL AUTHORITY OVER UNISSUED ORDINARY SHARES

"Resolved that 30 million (approximately 5% of the issued Ordinary Shares 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 Listing 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 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.

#### ORDINARY RESOLUTION NUMBER 7: GENERAL AUTHORITY TO ISSUE ORDINARY SHARES FOR CASH

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

- the equity securities, which are the subject of the issue for cash must be of a class already in issue, or where this is not the case, must be limited to such securities or rights that are convertible into a class already in issue;
- any such issue will only be made to "public Shareholders" as defined in the JSE Listing Requirements and not to related parties, unless the JSE otherwise agrees, but may be made to such "public Shareholders" and in such quantities that the Directors in their discretion may deem fit;
- the number of Ordinary Shares issued for cash shall not in the aggregate in any one (1) financial year, exceed 5% (five percent) of the Company's issued Ordinary Shares, being 27 719 870 Ordinary Shares, (excluding 36 941 101 treasury shares). The number of Ordinary Shares, which may be issued shall be based on the number of Ordinary Shares in issue at the date of this notice of AGM, less any Ordinary Shares issued in terms of this authority by the Company;
- 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 is valid until the Company's next Annual General Meeting, provided that it shall not extend beyond 15 (fifteen) months from the date that this authority is given;
- an announcement will be published giving full details, at the time of any issue representing on a cumulative basis within one (1) financial year, 5% (five percent) or more of the number of Ordinary Shares in issue prior to the issue in terms of this authority;
- in determining the price at which an issue of Ordinary Shares may be made in terms of this authority, the

maximum discount permitted will be 10% (ten percent) of the weighted average traded price on the JSE of those Ordinary Shares measured over the 30 (thirty) business days prior to the date that the price of the issue is determined or agreed by the Directors of the Company."

For ordinary resolution number 7 to be approved by Shareholders, it must in terms of the JSE Listing Requirements be supported by more than 75% of the voting rights exercised on the resolution by Shareholders present or represented by proxy at this meeting.

#### ORDINARY RESOLUTION NUMBER 8: 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 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.

#### ORDINARY RESOLUTION NUMBER 9: APPROVAL OF THE RULES OF THE AMENDED SHOPRITE HOLDINGS EXECUTIVE SHARE PLAN

"Resolved that the amended rules of the Shoprite Holdings Executive Share Plan (the Plan), which rules have been initialled by the Company Secretary for identification purposes and the implementation of the Plan be and are hereby approved."

The background and salient features of the Plan, together with full details of the amendments, are attached to this Notice as Annexure B. The rules of the Plan initialled by the Company Secretary will be available for inspection at the registered office of Shoprite Holdings, cnr William Dabbs Street and Old Paarl Road, Brackenfell, Cape Town during business hours from Monday, 18 October 2021 to Monday, 15 November 2021. The amended rules of the Plan have been approved by the JSE.

For ordinary resolution number 9 to be approved by Shareholders, it must in terms of JSE Listing Requirements be supported by at least 75% of the voting rights exercised on the resolution by Shareholders present or represented by proxy at this meeting, excluding all votes attached to Shares owned or controlled by persons who are existing participants in the Plan.

#### NON-BINDING ADVISORY VOTES ON THE REMUNERATION POLICY OF SHOPRITE HOLDINGS AND THE IMPLEMENTATION OF THE REMUNERATION POLICY

"Resolved to endorse, through separate non-binding advisory votes, the Company's:

Vote 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 Corporate Governance Report from pages 23 to 40 is approved"; and

Vote 2 implementation report as set out in the remuneration report in the Corporate Governance Report from pages 41 to 45 is approved."



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## NOTICE TO SHOPRITE HOLDINGS SHAREHOLDERS: ANNUAL GENERAL MEETING (AGM) | continued

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 resolutions by Shareholders present or represented by proxy at this meeting, the Company will in its voting results announcement pursuant to paragraph 3.91 of the JSE Listing Requirements extend an invitation to dissenting Shareholders to engage with the Company to discuss their reasons for their dissenting votes; and the manner and timing of such engagement will be specified in the SENS announcement following the AGM.

### SPECIAL RESOLUTION NUMBER 1: REMUNERATION PAYABLE TO NON-EXECUTIVE DIRECTORS

"Resolved by separate Special Resolutions in terms of section 66(9) of the Companies Act, that the annual remuneration of the Non-executive Directors for the 12 months from 1 November 2020 – 31 October 2021 be approved as follows:

#### SHOPRITE HOLDINGS BOARD AND COMMITTEE FEES

	2020/2021	2019/2020
<b>BOARD</b>		
Chairman of the Board	R3 313 000	R1 535 000
Lead Independent Director (LID)	R832 000	R1 065 000
Non-executive Director	R482 000	R470 000
<b>AUDIT AND RISK COMMITTEE</b>		
Chairman	R380 000	R334 000
Member	R190 000	R169 000
<b>REMUNERATION COMMITTEE</b>		
Chairman	R242 000	R203 500
Member	R115 000	R97 000
<b>NOMINATION COMMITTEE</b>		
Chairman	R210 000	R203 500
Member	R108 500	R97 000
<b>SOCIAL AND ETHICS COMMITTEE</b>		
Chairman	R220 000	R203 500
Member	R108 500	R97 000

#### NOTES:

1. Fees stated above are exclusive of VAT as it may be applicable.
2. 2019/20 Chairman fee was not on an all-inclusive basis.
3. 2020/21 Chairman fee is on an all-inclusive basis and is aligned to the upper quartile.
4. LID fee is exclusive of payment for committee chairman and membership and is aligned to the upper quartile.
5. Proposed 2020/21 LID fee reduced in line with realignment of the role.

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 1 November 2020 to 31 October 2021.

### SPECIAL RESOLUTION NUMBER 2: REMUNERATION PAYABLE TO NON-EXECUTIVE DIRECTORS

"Resolved by separate Special Resolutions in terms of section 66(9) of the Companies Act, that the annual remuneration of the Non-executive Directors for the 12 months from 1 November 2021 to 31 October 2022 be approved as follows:

#### SHOPRITE HOLDINGS BOARD AND COMMITTEE FEES

	2021/2022
<b>BOARD</b>	
Chairman of the Board	R3 445 500
Lead Independent Director	R865 000
Non-executive Director	R501 000
<b>AUDIT AND RISK COMMITTEE</b>	
Chairman	R416 000
Member	R215 000
<b>REMUNERATION COMMITTEE</b>	
Chairman	R281 000
Member	R135 000
<b>NOMINATION COMMITTEE</b>	
Chairman	R220 000
Member	R115 000
<b>SOCIAL AND ETHICS COMMITTEE</b>	
Chairman	R245 000
Member	R123 000
<b>INVESTMENT AND FINANCE COMMITTEE</b>	
Chairman	R281 000
Member	R135 000

#### NOTE:

1. Investment and Finance Committee fee aligned with Remuneration Committee fees.

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

#### Reason for and effect of Special Resolution number 2

The reason for and effect of Special Resolution number 2 is to grant the Company the authority to normalise the payment period and frequency of the remuneration to its Non-executive Directors for their services as Directors for the period starting on 1 November 2021 to 31 October 2022.

### SPECIAL RESOLUTION NUMBER 3: FINANCIAL ASSISTANCE TO SUBSIDIARIES, RELATED AND INTER-RELATED ENTITIES

Resolved as a Special Resolution in terms of section 45(3)(a)(ii) of the Companies Act, subject to compliance with the requirements of the Company's MOI and the JSE Listing Requirements as presently constituted and amended from time to time as a general approval, that the Board be authorised during a period of two (2) years from the date of this Special Resolution to authorise the Company to provide direct or indirect financial assistance to any related or inter-related company or corporation ("any related or inter-related company or corporation" has herein the same meaning as in section 45 of the Companies Act and

which meaning includes all the subsidiaries of the Company) to the Company, in any form, including one or more of the following forms:

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

such a company or corporation which the Board may deem fit on the terms and conditions and for amounts that the Board may determine.

For Special Resolution number 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

This Special Resolution will grant the Company's Directors the authority to authorise financial assistance in any form to a related or inter-related company or corporation, ("any related or inter-related company or corporation" has herein the same meaning as in section 45 of the Companies Act and which meaning includes all the subsidiaries of the Company) to the Company as contemplated in section 45 of the Companies Act.

#### Notice to the Shareholders of the Company in terms of section 45(5) of the Companies Act, of a resolution adopted by the Board authorising the Company to provide such direct or indirect financial assistance:

- By the time 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.

### 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 Listing Requirements and any other exchange on which the shares of the Company may be quoted or listed from time to time, where applicable, and provided that:

- the repurchase of securities will be effected through the main order book operated by the JSE trading system without any prior understanding or arrangement between the Company and the counterparty, or other manner approved by the JSE;
- this general authority shall be valid until the Company's next Annual General Meeting, provided that it shall not extend beyond 15 (fifteen) months from the date of passing of this Special Resolution;
- in determining the price at which the Company's Ordinary Shares are acquired by the Company or its subsidiaries in terms of this general authority, the maximum premium at which such Ordinary Shares may be acquired will be 10% (ten percent) of the weighted average of the market price at which such Ordinary Shares are traded on the JSE, as determined over the five (5) trading days immediately preceding the date of the repurchase of such Ordinary Shares by the Company;
- the number of Ordinary Shares acquired in the aggregate in any one (1) financial year do not exceed 5% (five percent) of the number of the Company's issued Ordinary Shares on the date that this Special Resolution is adopted;
- prior to entering the market to repurchase the Company's securities, a Board resolution to authorise the repurchase will have been passed in accordance with the requirements of section 46 of the Companies Act, and stating that the Board has acknowledged it has applied the solvency and liquidity test as set out in section 4 of the Companies Act and has reasonably concluded the Company will satisfy the solvency and liquidity test immediately after completing the proposed repurchase;
- the Company or its subsidiaries will not repurchase securities during a prohibited period as defined in paragraph 3.67 of the JSE Listing Requirements, unless there is a repurchase programme in place where the dates and quantities of securities to be traded during the relevant period are fixed (not subject to any variation) and full details of the programme have been disclosed to the JSE prior to the commencement of the prohibited period;
- when the Company has cumulatively repurchased 3% (three percent) of the initial number of the relevant class of securities, and for each 3% (three percent) in aggregate of the initial number of that class acquired thereafter, an announcement will be published; and
- the Company appoints only 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.



## NOTICE TO SHOPRITE HOLDINGS SHAREHOLDERS: ANNUAL GENERAL MEETING (AGM) | continued

After having considered the effect of the repurchase of Ordinary Shares pursuant to this general authority, the Directors in terms of the relevant provisions of the Companies Act and the JSE Listing Requirements confirm they will not undertake such repurchase unless:

- the Company and the Group are in a position to repay their debt in the ordinary course of business for the 12-(twelve) month period after the date of the Notice of the AGM;
- the assets of the Company and the Group, being fairly valued in accordance with the accounting policies used in the latest annual financial statements are, after the repurchase, in excess of the liabilities of the Company and the Group for the 12-(twelve) month period after the date of the Notice of the AGM;
- the ordinary capital and reserves of the Company and the Group are adequate for the 12-(twelve) month period after the date of the Notice of the AGM; and
- 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 repurchase or purchase securities issued by the Company only if approved by its Shareholders by way of a Special Resolution. The existing general authority granted by the Shareholders of the Company at the 2020 AGM, 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 Company as at 4 July 2021.

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 Listing Requirements.

### DISCLOSURES IN TERMS OF PARAGRAPH 11.26 OF THE JSE LISTING REQUIREMENTS

The JSE Listing Requirements require the following disclosures in respect of Special Resolution number 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 92 |

### Material change

Other than the facts and developments as referred to on page 3 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 page 19 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 that would make any statement false or misleading and all reasonable enquiries to ascertain such facts have been made.

## 8. DOCUMENTS AVAILABLE FOR INSPECTION

The rules of the amended Shoprite Holdings Executive Share Plan will be available for inspection during normal business hours at the registered address of Shoprite Holdings from the date of this Notice of AGM up to and including 15 November 2021.

## 9. TRANSACTION OF OTHER BUSINESS FOR SHOPRITE HOLDINGS LIMITED



PG DU PREEZ

Company Secretary

18 October 2021

### THE COMPANY SECRETARY

Cnr William Dabbs Street and Old Paarl Road  
PO Box 215, Brackenfell, 7560 South Africa  
E-mail address: cosec@shoprite.co.za

### SOUTH AFRICAN TRANSFER SECRETARIES

Computershare Investor Services (Pty) Ltd  
15 Biermann Avenue, Rosebank, 2196  
Private Bag X9000, Saxonwold, 2132, South Africa  
Facsimile: +27 (0)11 688 5238  
E-mail: proxy@computershare.co.za

### ANNEXURE A DIRECTORS' PROFILES

#### Board committees

ARC	Audit and Risk Committee
InvestCo	Investment and Finance Committee (established 2 September 2021)
NomCo	Nominations Committee
RemCo	Remuneration Committee
SEC	Social and Ethics Committee

### DIRECTORS STANDING FOR ELECTION/RE-ELECTION TO THE BOARD AND/OR RE-APPOINTMENT TO THE ARC

#### Johan Basson, Independent Non-executive (70)

Qualifications: BCom (cum laude), CTA, CA(SA)  
Appointed: 18 August 2014  
Board committees: ARC

Johan joined the Board as an Independent Non-executive Director and was appointed as Chairman of the ARC on 18 August 2015. He is a former partner of PwC and is a member of the boards of various unlisted companies.

#### Peter Cooper Independent Non-executive (65)

Qualifications: CA(SA), BCom (Hons), H Dip Tax Law  
Appointed: 11 August 2021  
Board committees: Remco, InvestCo

Peter joined the Board as an Independent Non-executive Director and was appointed as a member of the Remco and member of the InvestCo on 2 September 2021. He is a member of the boards of RMI Holdings, Momentum Metropolitan Holdings and Imperial Logistics and previously served on the boards of Discovery, FirstRand and OUTsurance. He is the past CEO of RMB Holdings and RMI Holdings.

#### Linda de Beer, Independent Non-executive (52)

Qualifications: CA(SA), MCom (Tax), CD(SA)  
Appointed: 11 May 2021  
Board committees: ARC

Linda joined the Board as an Independent Non-executive Director and was appointed as a member of the ARC on 11 May 2021 and member of the InvestCo on 2 September 2021. She is a member of the boards of Aspen, Momentum Metropolitan Holdings and Tongaat Hulett and was appointed Chairperson of the Public Interest Oversight Board (PIOB) in April 2020. She previously was a member of the King Committee on Corporate Governance and Chair of the Financial Reporting Investigations Panel of the JSE.

#### Nonkululeko Gobodo, Independent Non-executive (61)

Qualifications: CA(SA)  
Appointed: 11 May 2021  
Board committees: ARC

Nonkululeko joined the Board as an Independent Non-executive Director and was appointed as member of the ARC on 11 May 2021 and member of the NomCo on 2 September 2021. She is a member of the boards of PPC Ltd and Net 1 Technologies, Inc., a company listed on the Nasdaq stock exchange and has served on the boards of the Clicks Group Ltd, Mercedes-Benz SA and many other companies. She was jointly appointed by the Minister of Finance to act as caretaker at the IRBA (Independent Regulatory Board of Auditors) until a new board was appointed. She is a pioneer in her field, having established her own successful accounting and audit firm that grew to become SizweNtsalubaGobodo (SNG), the largest black accounting firm in South Africa and fifth-largest overall. In 2018, SNG acquired the Grant Thornton South Africa licence, testament to the business' leading position in the accounting profession in South Africa. She has also been acknowledged for her role in accounting and business including the Lifetime Achievement

Award: Excellence in Accountancy – SA Professional Services Award (2014).

#### Joseph Rock, Independent Non-executive (52)

Qualifications: BA (Hons), MA ACA, AMP (Insead)  
Appointed: 15 May 2012  
Board committees: ARC, Remco

Joseph joined the Board as an Independent Non-executive Director and was appointed as member of the ARC on 18 August 2014, member of the RemCo on 27 May 2019 and chairman of the RemCo on 15 November 2019. He was previously Group Executive at SARS and General Manager at Exxaro Services and is currently Head: People Experience at Absa Group Limited.

#### Christo Wiese, Non-executive (80)

Qualifications: BA, LLB, DCom (hc)  
Appointed: 30 October 1991  
Board committees: RemCo, NomCo, InvestCo

Christo joined the Board as a Non-executive Director on 30 October 1991 and served as Chairman of the Board from date of appointment to 16 November 2020, Chairman of the Remco from 2003 to 27 June 2013 and Chairman of NomCo from 2003 to 16 November 2020. He currently serves as a member of the Board, the Remco, the NomCo and was appointed as a member of the InvestCo on 2 September 2021. He is currently the Chairman of Tradehold Ltd and Invicta Holdings Ltd and serves as a Non-executive Director on the boards of Brait SE Ltd and Gemfield Group Ltd.

#### Eileen Wilton, Independent Non-executive (61)

Qualifications: BCom, PGDDB, CD(SA)  
Appointed: 11 August 2021  
Board committees: ARC, SEC

Eileen joined the Board as an Independent Non-executive Director and was appointed as member of the ARC and the SEC on 2 September 2021. She is a member of the boards of Sasfin Bank Limited, the Institute of Directors of South Africa (IoDSA); and on the Audit and Risk Committee of the Human Sciences Research Council (HSRC). She was appointed chair of Edulution in June 2021, a not-for-profit company which works with primary school learners across Southern Africa to enable them to master numeracy, literacy and digital skills. She was previously co-chair of the Cape Town Chapter of Business Engage/30% Club to promote women in leadership.

### Attendance for the reporting period to 4 July 2021

	BOARD	ARC	NomCo	RemCo	SEC	InvestCo	Total	Total %
Number of meetings	6	8	3	3	3	0	23	
Johan Basson	6/6	8/8	1/1	–	–	–	15/15	100%
Joseph Rock	6/6	8/8	–	3/3	–	–	17/17	100%
Christo Wiese	6/6	–	3/3	3/3	–	–	12/12	100%
Linda de Beer <sup>1</sup>	2/2 <sup>1</sup>	3/3 <sup>1</sup>	–	–	–	–	5/5	100%
Nonkululeko Gobodo <sup>1</sup>	2/2 <sup>1</sup>	3/3 <sup>1</sup>	–	–	–	–	5/5	100%
Peter Cooper <sup>2</sup>	–	–	–	–	–	–	–	–
Eileen Wilton <sup>2</sup>	–	–	–	–	–	–	–	–

<sup>1</sup> Date of appointment: 11 May 2021.

<sup>2</sup> Date of appointment: 11 August 2021.

## NOTICE TO SHOPRITE HOLDINGS SHAREHOLDERS: ANNUAL GENERAL MEETING (AGM) | continued

### ANNEXURE B

#### SHOPRITE HOLDINGS LIMITED – SALIENT FEATURES OF AMENDED EXECUTIVE SHARE PLAN

##### Introduction

Shoprite Holdings Limited (the “Company”) adopted the Executive Share Plan in 2012 (ESP) with the aim of replacing the old share appreciation rights plan. The purpose of the ESP is to incentivise participants to deliver the Company’s strategy over the long term by allowing participants to share in the success of the Company. Following the outcome of a detailed review of the existing ESP rules (the old rules), the Company has made a number of amendments to the Rules as set out in this salient feature document.

The purpose of this document and the accompanying resolution is to seek Shareholder approval for the minor amendments made to the ESP to bring it in alignment with our remuneration philosophy.

##### Rationale

The Shoprite Group is increasing transparency and its accountability to Shareholders and has revised its HR strategy to improve the attraction, recruitment and retention of top talent. As such, the Company decided to review (and where necessary revise) the long-term incentive components of the remuneration policy in line with the feedback received from Shareholders, in particular, regarding fostering a pay-for-performance culture among its Executives. It has been noted that Shareholders were not in favour of the virtual option bonus where performance was measured on-the-way-in but rather expect awards to be subject to prospective performance conditions which are appropriately stretching.

It was subsequently decided the Company will, going forward, make all long-term incentive awards in terms of the ESP. The Company wishes to ensure the old rules remain relevant and fit for purpose, and that the interests of Executives and Shareholders remain adequately aligned. In light hereof, the Company performed a review of the old rules against current best-practice corporate governance principles and the JSE Listing Requirements, which have been amended since the original adoption of the old rules.

Further to the review, it was established that there were a number of areas in the old rules where updates are required to enhance the old rules and align the Company’s long-term incentive practices with good corporate governance standards and the JSE Listing Requirements.

##### Brief overview of the amended plan

Existing awards will continue to be governed by the old rules but future awards will be made in terms of the amended ESP Rules (new rules). The instruments remain unchanged but the amended plan has been amended and updated in line with current good corporate governance standards, as summarised below:

- 1) The RemCo will now take into account the time remaining until an employee’s retirement and will pro-rate awards at date of award for the number of months to be served from the award date to the retirement date.
- 2) The termination of employment provision has been amended in line with best practice so as to:
  - a. include early retirement as a fault termination, and normal retirement as a no-fault termination;
  - b. allow for pro-rated early vesting of retention shares and co-investment shares, adjusted for time in circumstances of an employer company ceasing to be part of the Group;

c. allow for pro-rated early vesting of performance shares, adjusted for performance and time in circumstances of an employer company ceasing to be part of the Group;

d. allow for continued participation in the plan with regard to retention shares, co-investment shares and performance shares in circumstances of ill health, disability or injury. Pro-ratio for time served will occur at the vesting date and the achievement of the performance conditions (for performance shares) will be tested as usual;

e. allow for continued participation in the plan with regard to performance shares in circumstances where an employee retires. Pro-ratio for time served will occur at the award date and the achievement of the performance conditions will be tested as usual;

f. allow for early vesting of retention shares and co-investment shares on date of termination of employment where an employee retires. Pro-ratio for time served will occur at the award date; and

g. make provision for awards to lapse in instances of mutual separation.

*The termination of employment provisions as relates to death in service remain unchanged, with retention and co-investment shares vesting in full upon termination of employment due to death (subject to the fulfilment of the additional vesting condition at date of termination of employment in the instance of co-investment shares), and pro-rated early vesting of performance shares, adjusted for performance and time served upon termination of employment due to death.*

3) The vesting of all performance awards will be subject to the satisfaction of performance conditions, measured over the performance period as specified in the award letter or early tested over the shortened performance period in the event of death and an employer company ceasing to be part of the Group. Where the performance condition has to be reviewed before the end of the performance period, the RemCo will have regard to the results of the previous financial year.

4) The definition of “control” has been redrafted to align with International Financial Reporting Standard 10.

5) Awards made in terms of the new rules will be subject to malus and clawback based on the Company’s malus and clawback policy. Malus is now incorporated into the Rules. Clawback, as it refers to awards that have already been settled and have vested in terms of the new rules, will be regulated by the malus and clawback policy, not within the new rules.

6) The new rules specify that no shares intended for use in the settlement of awards in terms of the ESP may be purchased during a prohibited period unless a purchase programme is in place. The new rules also provide that, in the event where shares are purchased during a prohibited period in accordance with the provisions of a purchase programme, an announcement must be made pursuant to paragraphs 3.63–3.74 of the Listing Requirements.

##### Termination of employment 14.1(h)

Resignation, dismissal, dismissal based on operational requirements, early retirement and abscondment

Participants terminating employment owing to resignation, lawful dismissal from the employ of the Company in compliance with the provisions of the Labour Relations Act (including operational

requirements), early retirement or the employee absconding will forfeit all unvested awards.

##### Death

Upon the termination of a participant’s employment owing to the participant’s death, all of the participant’s unvested retention shares and co-investment shares will vest in full, subject to (in the instance of co-investment shares) the fulfilment of the additional vesting condition until the date of termination of employment.

Upon the termination of a participant’s employment owing to the participant’s death, a pro-rated portion of the participant’s performance shares will vest. This portion will be determined according to the extent to which the performance conditions have been met and the number of months in employment from the award date to the date of termination of employment, relative to the total number of months in the vesting period.

##### Employer company ceasing to be a member of the Group

Where a participant’s employment terminates owing to the employer company ceasing to be a member of the Group, a portion of the participant’s unvested awards will vest.

For unvested awards at the time of termination of employment, the vesting of the unvested awards will be on the date of termination of employment or on a date as soon as practical after the date of termination of employment. The portion of the retention shares and co-investment shares which will vest on date of termination of employment will be determined based on the number of complete months served since the award date to the date of termination of employment, over the total number of months in the vesting period. The vesting of the relevant portion of the co-investment shares will in addition be subject to the fulfilment of the additional vesting condition until the date of termination of employment.

The extent to which the performance conditions have been met will determine the number of performance shares to vest. Such number will further be pro-rated to reflect the number of months in employment from the award date to the date of termination of employment, relative to the total number of months in the vesting period.

##### Ill health, injury or disability

Where a participant’s employment terminates due to ill health, injury or disability, there will be no early vesting of retention shares, co-investment shares or performance shares, and participants will continue to participate in the plan until the vesting date. For performance shares, performance will be tested at the end of the performance period. The extent to which the performance conditions have been met will determine the number of performance shares to vest.

On vesting, the RemCo will take into account the number of months served from the award date to the vesting date and will accordingly pro-rate the awards.

##### Retirement

Where a participant’s employment terminates owing to retirement, the participant’s unvested co-investment shares and retention shares will vest on the date of termination of employment or on a date as soon as practical after the date of termination of employment.

With regard to performance shares, there will be no early vesting and participants will continue to participate in the plan until the vesting date. Performance will be tested at the end of the performance period. The extent to which the performance conditions have been met will determine the number of performance shares to vest.

The RemCo will take into account the number of months to be served from the award date to the date of termination of employment (retirement date) when the award is made and will accordingly pro-rate the award. As such, no further pro-ratio will occur on vesting.

##### Mutual separation

Participants terminating employment owing to a mutual separation agreement will forfeit all unvested awards.

The RemCo may, in its sole discretion, determine that a portion of the unvested awards may vest based upon the number of complete months served since the award date to the date of termination of employment over the total number of months in the vesting period and adjusted for the extent to which the performance conditions have been met at the immediately preceding financial year end.

##### Performance conditions

The vesting of an award of performance shares will in all instances be subject to the satisfaction of performance conditions over the performance period. In the event where the performance condition has to be reviewed before the end of the performance period (i.e. termination of employment or on a change of control), the RemCo will review the performance condition with reference to the preceding financial year’s results.

##### Control 14.1(g)

“Control” now means circumstances, as contemplated in International Financial Reporting Standard 10 and as validated by the auditors as and when required, where an investor has all three of the following elements:

- a) Power over the Company
- b) Exposure or rights to variable returns from its involvement with the Company
- c) The ability to use its power over the Company to affect the amount of the investor’s returns.

##### Malus and trigger events

In terms of the new rules, malus will apply up to the vesting date. Clawback will apply subsequent to the vesting date and will be regulated in terms of the Company’s existing policy in this regard. The trigger events that could result in malus and clawback being invoked are contained in the remuneration report.



## ONLINE ANNUAL GENERAL MEETING GUIDE

### Attending the AGM electronically

We will be conducting a virtual AGM, giving you the opportunity to attend the AGM and participate online, using your smartphone, tablet or computer.

If you choose to participate online you will be able to view a live webcast of the meeting, ask the Board questions and submit your votes in real time. To access the platform, you will need to:

Visit <https://web.lumiagm.com>

on your smartphone, tablet or computer. You will need the latest versions of Chrome, Safari, Edge or Firefox. Please ensure your browser is compatible.



#### Meeting ID: 120-856-810

To login you must have your Username and Password which you will receive from [smartagm-sa@lumiglobal.com](mailto:smartagm-sa@lumiglobal.com) after registering on <https://www.lumiagm.com/>

You will be able to log into the site from 8:45 on 15 November 2021

### Using the AGM online facility

#### Access

Once you have entered [web.lumiagm.com](https://web.lumiagm.com) into your web browser, you'll be prompted to enter the **Meeting ID**

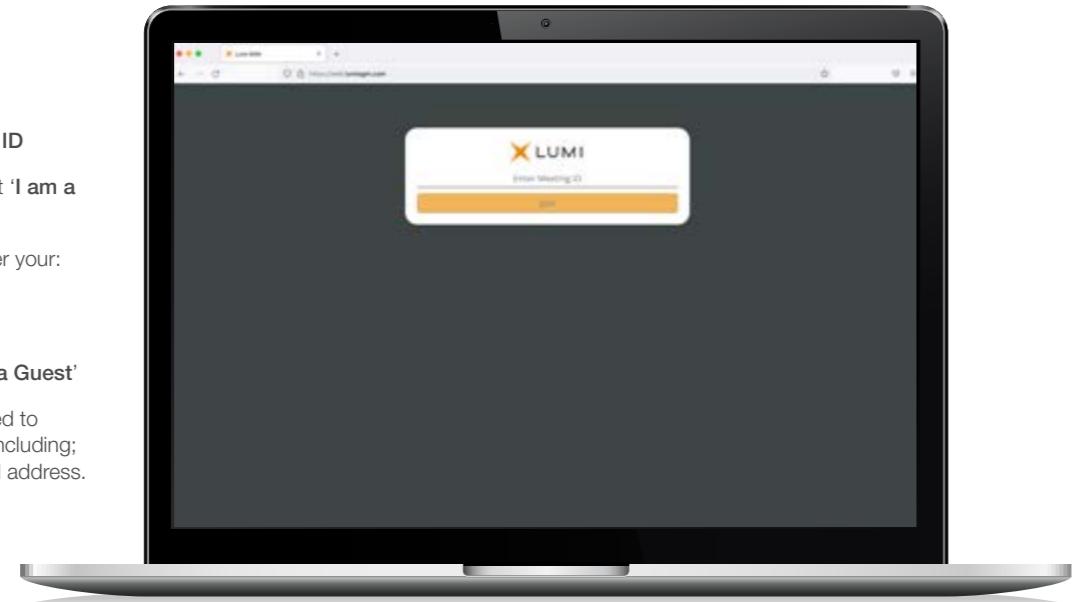
To login as a Shareholder, select '**I am a Shareholder**'

You will then be required to enter your:

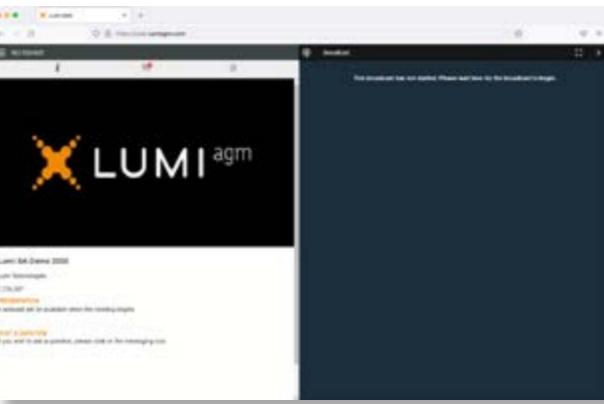
- **Username**; and
- **Password**

If you are a Guest, select '**I am a Guest**'

As a Guest, you will be prompted to complete all the relevant fields including; first name, last name and e-mail address.



*Please note, Guests are not able to ask questions at the meeting, and they will not be able to vote.*

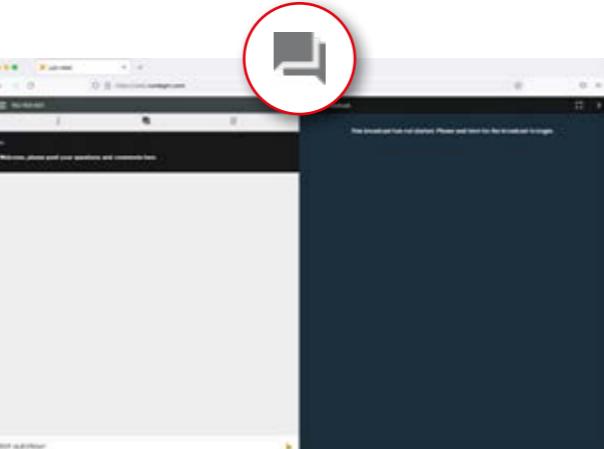


#### Navigation

When successfully authenticated, the info screen will be displayed. You can view company information, ask questions, view relevant documents and watch the webcast.

If you would like to watch the webcast on smaller devices select the broadcast icon at the bottom of the screen in the broadcast band.

If viewing on a computer, the webcast will appear at the side automatically once the meeting has started.



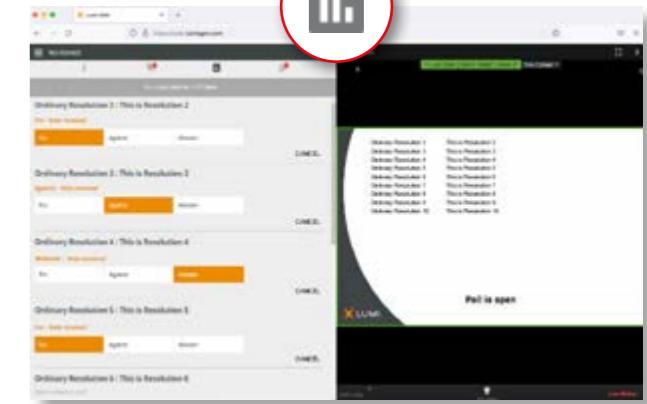
#### Questions

Any Shareholder or appointed proxy attending the meeting is eligible to ask questions.

Guests may not ask questions.

To ask a question, select the messaging icon at the top of the screen.

Type your message within the chat box at the bottom of the messaging screen and then press send.



#### Voting

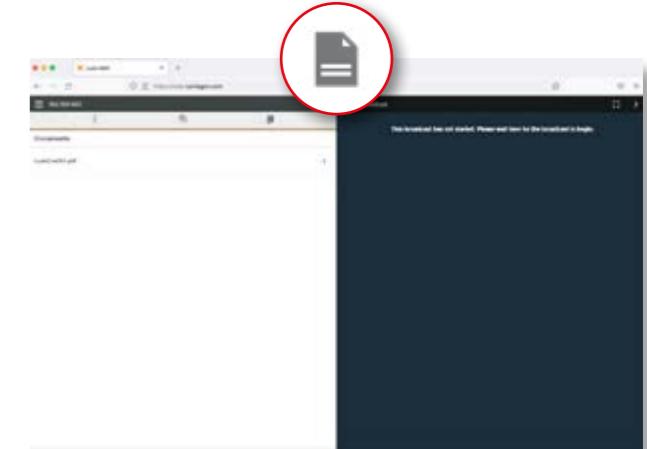
Once the voting has opened, the polling icon will appear on the navigation bar at the top of the screen. From here, the resolutions or motions and voting choices will be displayed.

To vote, simply select your voting direction from the options shown on screen. A confirmation message will appear to show your vote has been received.

If you wish to change your mind, simply select an alternate choice while the voting is open or select cancel if you wish to cancel your vote.

Once opened, voting can be performed at anytime during the meeting until the Chairman closes the voting on the resolutions. At that point your last choice will be submitted.

You will still be able to send messages and view the webcast whilst voting is open.



#### Documents

Documents will be available for you in the documents vault, just click on the Documents icon at the top of the screen.



About this report

About Shoprite Holdings

Leadership messages

Approach to value creation

Performance and outlook

Shareholder information

## ABBREVIATIONS AND ACRONYMS

<b>(Pty) Ltd</b>	Proprietary Limited
<b>&lt;IR&gt;</b>	Integrated Reporting
<b>&lt;IR&gt; Framework</b>	Integrated Reporting Framework
<b>AGM</b>	Annual General Meeting
<b>AOA</b>	Angola kwanza
<b>B-BBEE</b>	Broad-based black economic empowerment
<b>CAGR</b>	Compound annual growth rate
<b>CDP</b>	Carbon Disclosure Project
<b>CEO</b>	Chief Executive Officer
<b>CFO</b>	Chief Financial Officer
<b>CFS</b>	Checkers Food Services
<b>CIO</b>	Chief Information Officer
<b>COO</b>	Chief Operating Officer
<b>COVID-19</b>	Coronavirus (SARS-CoV-2)
<b>CPI</b>	Consumer price index
<b>CSI</b>	Corporate social investment
<b>DC</b>	Distribution centre
<b>DHEPS</b>	Diluted HEPS
<b>DTMC</b>	Domestic Treasury Management Company
<b>EBITDA</b>	Earnings before interest, income tax, depreciation and amortisation
<b>ECD</b>	Early childhood development
<b>EE</b>	Employment equity
<b>EPS</b>	Earnings per share
<b>ERM</b>	Enterprise risk management
<b>ERP</b>	Enterprise resource planning
<b>ESG</b>	Environmental, social and governance
<b>EWP</b>	Employee Wellness Programme
<b>FMCG</b>	Fast-moving consumer goods
<b>FY</b>	Financial year
<b>GHG</b>	Greenhouse gas
<b>GRC</b>	Governance, risk management and compliance
<b>GRI</b>	Global Reporting Initiative
<b>HEPS</b>	Headline earnings per share
<b>HR</b>	Human resources
<b>IFRS</b>	International Financial Reporting Standards
<b>IMF</b>	International Monetary Fund
<b>ISO</b>	International Organization of Standardization
<b>IT</b>	Information and technology
<b>JSE</b>	Johannesburg Stock Exchange
<b>King IV</b>	King IV Code on Corporate Governance 2016, published as part of the King IV Report™

<b>KPI</b>	Key performance indicator
<b>MWh</b>	Megawatt-hour
<b>LED</b>	Light-emitting diode
<b>LTI</b>	Long-term incentive
<b>MVNO</b>	Mobile virtual network operator
<b>NAFAU</b>	Namibian Food and Allied Workers Union
<b>PCI DSS</b>	Payment Card Industry Data Security Standard
<b>PDI</b>	Previously disadvantaged individual
<b>PMO</b>	Portfolio Management Office
<b>POPI Act</b>	Protection of Personal Information Act, No. 4 of 2013
<b>PV</b>	Photovoltaic (conversion of light into electricity)
<b>PwC</b>	PricewaterhouseCoopers Inc.
<b>Q1/Q2/Q3/Q4</b>	Period referring to the first, second, third or fourth financial quarter
<b>ROIC</b>	Return on invested capital
<b>RSA</b>	Republic of South Africa
<b>SACCAWU</b>	South African Commercial, Catering and Allied Workers Union
<b>SAICA</b>	South African Institute of Chartered Accountants
<b>SAP</b>	Systems, Applications and Products in Data Processing
<b>SARB</b>	South African Reserve Bank
<b>SASSA</b>	South African Social Security Agency
<b>SDG</b>	Sustainable Development Goal
<b>SEC</b>	Social and Ethics Committee
<b>SENS</b>	Stock Exchange News Service
<b>SME</b>	Small and medium enterprise
<b>SMME</b>	Small, medium and micro enterprise
<b>SMS</b>	Short Message Service
<b>SRD</b>	Social Relief of Distress Grant
<b>STI</b>	Short-term incentive
<b>tCO<sub>2</sub>e</b>	Tons of carbon dioxide equivalent
<b>UN</b>	United Nations
<b>UNCTAD</b>	United Nations Conference on Trade and Development
<b>USD</b>	United States dollar
<b>VAT</b>	Value-added tax
<b>WWF-SA</b>	World Wide Fund for Nature South Africa
<b>WWF-SASSI</b>	World Wide Fund for Nature Southern African Sustainable Seafood Initiative
<b>YES</b>	Youth Employment Services

## FORM OF PROXY

For use only by:

- certified ordinary Shareholders; and
- dematerialised ordinary Shareholders with "own-name" registrations

at the Annual General Meeting of Shareholders of Shoprite Holdings to be held by way of electronic participation only at 9.15 am (South African time) on Monday, 15 November 2021 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 participate in the AGM by way of electronic participation in the manner described in the Notice to Shareholders and request their CSDP or broker to issue them with the necessary letter of representation to participate in the AGM.

If you do not wish to participate in 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 9.15 am on Monday, 15 November 2021, and at any adjournment thereof.

	Number of shares*		
	In favour of	Against	Absent
Ordinary resolution number 1 – Approval of annual financial statements			
Ordinary resolution number 2 – Re-appointment of auditors			
Ordinary resolution number 3 – Election of Directors:			
3.1 Linda de Beer			
3.2 Nonkululeko Gobodo			
3.3 Eileen Wilton			
3.4 Peter Cooper			
Ordinary resolution number 4 – Re-election of Dr CH Wiese			
Ordinary resolution number 5 – Appointment of members of the Shoprite Holdings Audit and Risk Committee			
5.1 Johan Basson			
5.2 Joseph Rock			
5.3 Linda de Beer (subject to election as Director)			
5.4 Nonkululeko Gobodo (subject to election as Director)			
5.5 Eileen Wilton (subject to election as Director)			
Ordinary resolution number 6 – General authority over unissued ordinary shares			
Ordinary resolution number 7 – General authority to issue ordinary shares for cash			
Ordinary resolution number 8 – General authority to Directors and/or Company Secretary			
Ordinary resolution number 9 – Approval of the rules of the amended Shoprite Holdings Executive Share Plan			
Non-binding advisory votes:			
Vote 1 – Remuneration policy of Shoprite Holdings			
Vote 2 – Implementation of the remuneration policy			
Special resolution number 1 – Remuneration payable to Non-executive Directors for the period 1 November 2020 to 31 October 2021			
S1.1 Remuneration payable to Chairman of the Board			
S1.2 Remuneration payable to Lead Independent Director			
S1.3 Remuneration payable to Non-executive Directors			
S1.4 Remuneration payable to Chairman of the Audit and Risk Committee			
S1.5 Remuneration payable to members of the Audit and Risk Committee			
S1.6 Remuneration Payable to Chairman of the Remuneration Committee			
S1.7 Remuneration payable to members of the Remuneration Committee			
S1.8 Remuneration payable to Chairman of the Nomination Committee			
S1.9 Remuneration payable to members of the Nomination Committee			
S1.10 Remuneration payable to Chairman of the Social and Ethics Committee			
S1.11 Remuneration payable to members of the Social and Ethics Committee			
Special resolution number 2 – Remuneration payable to Non-executive Directors for the period 1 November 2021 to 31 October 2022			
S2.1 Remuneration payable to Chairman of the Board			
S2.2 Remuneration payable to Lead Independent Director			
S2.3 Remuneration payable to Non-executive Directors			
S2.4 Remuneration payable to Chairman of the Audit and Risk Committee			
S2.5 Remuneration payable to members of the Audit and Risk Committee			
S2.6 Remuneration Payable to Chairman of the Remuneration Committee			
S2.7 Remuneration payable to members of the Remuneration Committee			
S2.8 Remuneration payable to Chairman of the Nomination Committee			
S2.9 Remuneration payable to members of the Nomination Committee			
S2.10 Remuneration payable to Chairman of the Social and Ethics Committee			
S2.11 Remuneration payable to members of the Social and Ethics Committee			
S2.12 Remuneration payable to Chairman of the Investment and Finance Committee			
S2.13 Remuneration payable to members of the Investment and Finance Committee			
Special resolution number 3 – Financial assistance to subsidiaries, related and inter-related entities			
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) \_\_\_\_\_ 2021.

Shareholder's signature \_\_\_\_\_

Please read the notes and instructions overleaf.

## FORM OF PROXY | continued

Shoprite Holdings Ltd

### Notes to form of proxy

- This form of proxy must be used only by certificated ordinary Shareholders or dematerialised ordinary Shareholders who hold dematerialised ordinary shares with "own-name" registration.
- Dematerialised ordinary Shareholders are reminded that the onus is on them to communicate with their CSDP or broker.
- 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.
- 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 a proxy to the exclusion of those whose names follow.
- 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 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.
- Summary of rights established by section 58 of the Companies Act, 71 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, 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 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 the company.
13. The proxy may not delegate any of the rights or powers granted to it.

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 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.

- 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.
- 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 he is satisfied as to the manner in which a Shareholder wishes to vote.
- Any alterations or corrections to this form of proxy must be initialled by the signatory or signatories.

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 thereto at 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.

- 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

### Registration number

1936/007721/06

### Registered office

Cnr William Dabbs Street and Old Paarl Road,  
Brackenfell, 7560, South Africa  
PO Box 215, Brackenfell, 7561, South Africa  
Telephone: +27 (0)21 980 4000  
Website: www.shopriteholdings.co.za

### Company Secretary

PG du Preez  
Physical address: Cnr William Dabbs Street and Old Paarl Road  
Brackenfell, 7560, South Africa  
Postal address: PO Box 215, Brackenfell, 7561, South Africa  
Telephone: +27 (0)21 980 4284  
E-mail: cosec@shoprite.co.za

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E-mail: web.queries@computershare.co.za  
Website: www.computershare.com

### Namibia

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AIRTEL +260 777 774 775  
E-mail: sharetrack@scs.co.zm  
Website: www.sharetrackzambia.com

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E-mail: NAM-OMInvestmentServices@oldmutual.com

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Facsimile: +260 (0)211 220 925  
E-mail: info@pangaea.co.zm  
Website: www.pangaea.co.zm

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

#### Bankers

ABSA Bank Ltd  
Citibank N.A.  
FirstRand Ltd  
Investec Bank Ltd  
Nedbank Ltd  
The Standard Bank of South Africa Ltd  
Standard Chartered Bank PLC

## SHAREHOLDERS' DIARY

June	August	October	November	December	March
Financial year-end	Reviewed results	Payment of final ordinary dividend Publishing of Integrated Annual Report	Annual General Meeting	End of financial half-year	Interim results
					Payment of interim ordinary dividend

Please consult our website [www.shopriteholdings.co.za](http://www.shopriteholdings.co.za) for the latest published diary dates.

 Shoprite Holdings corporate website

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