SHOPRITE HOLDINGS LTD

# INTEGRATED REPORT

FOR THE YEAR ENDED 2 JULY 2023





















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**www.shopriteholdings.co.za**

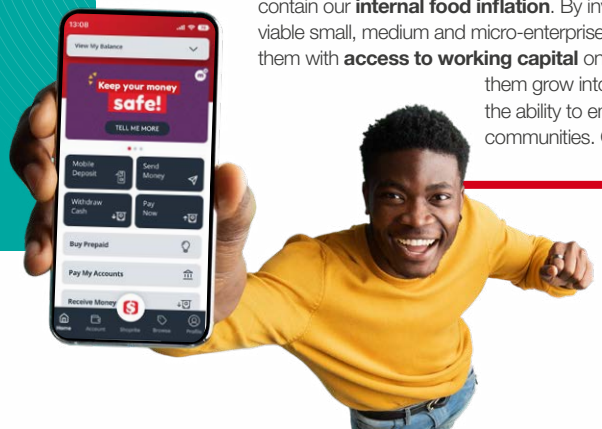
# About this report

Shoprite Holdings Limited (the Shoprite Group, or the Group or the Company) is an investment holding company headquartered in Cape Town, South Africa. The Company's primary listing is in the Food Retailers and Wholesalers' Sector of the Johannesburg Stock Exchange (JSE). The Company has three secondary listings on the A2X, the Namibian Stock Exchange (NSX) and the Lusaka Stock Exchange (LuSE).

Our Integrated Report provides insight into the Group's business model, governance processes and strategy. It evaluates our economic and environmental, social and governance (ESG) outcomes to provide a balanced, transparent and integrated view of our creation of value in the year under review, and our prospects of creating sustainable enterprise value in the medium and long term.

This year's theme of our report, **Investing through the cycle**, reflects the Group's commitment, despite the enormous cost burden of load-shedding, to maintain its business-as-usual customer price and value proposition while continuing to invest in our medium-to-long-term strategic objectives. We believe sustaining our investment in our customers via prices, promotions and stock availability, store refurbishments, new stores, store operations, our supply chain, learning and skills development, our people, technology and digital, which will protect and extend our market-leading position in the future.

We are doubling down on our digital investment to maximise our share-of-wallet and unlock alternative income. We are investing in **additional supply chain capacity** to meet the organic growth demands of our expanding store network, which includes new store formats, supplying the new stores we acquired, and **transforming our fresh foods supply chain** to support our substantial market share gains. We invest in and empower our people and unemployed youth through **learning and skills development**. Our investment in the sustainability and growth of our business provides additional employment opportunities, and through our investment in the **Shoprite Employee Trust**, we can improve our employees' financial status. **Our investment in lower prices** shields our price-sensitive customers and contributes to food security, as does our tireless efforts to contain our **internal food inflation**. By investing in local, commercially viable small, medium and micro-enterprises (SMMEs), we are providing them with **access to working capital** on favourable terms and helping them grow into larger-scale suppliers with the ability to employ more people from local communities. Our efforts to **reduce our impact on the planet** include investing in renewable energy and programmes to reduce our water and electricity consumption.




This report is supplemented by our reporting suite, online communications and publications, stakeholder communications and additional information available on our website www.shopriteholdings.co.za.

## Reporting scope and boundaries

The Group's integrated reporting boundary covers the Group's operations in South Africa and the nine African countries in which it operates. The financial reporting boundary covers the results of the Group's operations and includes its subsidiaries.

## The reporting frameworks applied in the preparation of our report

Our integrated reporting is guided by the:
- Principles and requirements of the International <IR> Framework (2021)
- Sustainability Accounting Standards Board's (SASB) Standards
- United Nations Global Compact (UNGC)

Adheres to the:
- Companies Act 71 of 2008, as amended (Companies Act)
- JSE Listings Requirements
- Principles of the King IV Report on Corporate Governance™* for South Africa, 2016 (King IV™*)
- International Financial Reporting Standards (IFRS)

Includes information on:
- How we have delivered against the three United Nations Sustainable Development Goals (SDGs) we have identified as being the goals to which we can make the most meaningful contribution.

## Our approach to materiality

We apply the principle of materiality and the concept of double materiality in assessing what information should be included in our Integrated Report. We define material matters as being those most material to the Group's ability to create, maintain or erode enterprise value through our annual materiality determination process, and base our reporting on the results of this process.

The process we followed is set out in the section Material matters and the risks and opportunities they create of this report.

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## Navigate the report

This page reference icon is applied throughout the report to improve usability and shows the integration between relevant elements of this report

Indicates where further information can be found online

## Capitals

Financial capital
Manufactured capital
Intellectual capital
Human capital
Natural capital
Social and relationship capital




## Providing information required by the readers for whom this report has been prepared

Our reporting is intended to provide the information that the investment community and providers of debt require to make an informed assessment of our performance in terms of creating, sustaining or eroding value during the year under review, and what our performance in this regard is likely to be in the mid to long term. However, we intend to provide information relevant to our other key stakeholders, including our employees, customers, government, regulators and society as well.

## Assuring the integrity of our report

We use a combined assurance model to ensure the information we provide, and our underlying processes support the credibility and integrity of our reporting. Execution of our assurance plan and reporting is monitored by the Audit and Risk Committee, which reports to the Board quarterly on its execution and to shareholders annually (see pages 7 to 9 of the Annual Financial Statements). Material sustainability information has been approved internally by the Board, based on the recommendation of the Social and Ethics Committee.

| Assurance provided on our Integrated Report | Assurance providers and assurance functions |
|---|---|
| Auditing of our Annual Financial Statements | External auditors: PricewaterhouseCoopers Inc. |
| Financial, operating, compliance and risk management controls | Internal audit function<br>Group Risk<br>Group Compliance |

## Reporting suite




### Integrated Report

Available online at
www.shopriteholdings.co.za/shareholders-investors.html




### Annual Financial Statements

Available online at
www.shopriteholdings.co.za/shareholders-investors.html




### Sustainability Report

Available online at
www.shopriteholdings.co.za/sustainability.html

### Our application of King IV™

Available online at www.shopriteholdings.co.za/governance.html

## Forward-looking information

This report contains certain information which may constitute forward-looking statements regarding the Group's operations and its performance prospects. These statements, by their nature, involve an inherent level of uncertainty because they relate to future events and circumstances that may be beyond the Group's control. 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. Within this context, the directors advise readers to use caution in the interpretation of any forward-looking statements contained in this report. The Group cannot take responsibility for updating or revising any forward-looking statements except as required by applicable legislation or regulation. Any forward-looking information has not been reviewed or reported on by the Group's auditors.

# Board approval

## To our valued stakeholders

Welcome to our Integrated Report for the year ended 2 July 2023, which is one of our primary vehicles for communicating with our stakeholders. It has been prepared with the aim of providing a balanced, transparent, and integrated review of the Group's financial performance and our material sustainability matters during the financial year.

The Board of Directors acknowledges its oversight of the integrity of the Group's reporting. The Audit and Risk Committee is tasked with the role of overseeing the preparation of this report and interrogating the content, process and assurance in respect of the integrity of the report. The other Board committees also provided oversight of the content related to their respective mandates. The Audit and Risk Committee recommended the 2023 Integrated Report for approval by the Board.

The Board reviewed the 2023 Integrated Report to satisfy itself as to its veracity and the balance achieved in the report and to consider whether the report is reflective of the collective mind of the Board.

The Board considered materiality for the purposes of the Integrated Report and the effect that the presence or absence of information might have on the accuracy or validity of a statement in the Integrated Report, or a decision by stakeholders. The Board satisfied itself of the authenticity of information used for internal decision-making by management, the Board and its committees, as well as the integrity of the Integrated Report.

The Board is of the view that, to the best of its knowledge and belief, the Integrated Report addresses matters material to stakeholder decision-making by explaining the impact of the Group's value-creation process over time. It takes into consideration the Group's impact on its stakeholders and the environment in which it operates.

The Board approved the report on 29 September 2023.

**Wendy Lucas-Bull**
Chairman

**Nonkululeko Gobodo**
Lead Independent Director

**Pieter Engelbrecht**
Chief Executive Officer

**Anton de Bruyn**
Chief Financial Officer

**Peter Cooper**
Independent
Non-executive Director

**Linda de Beer**
Independent
Non-executive Director

**Graham Dempster**
Independent
Non-executive Director

**Dawn Marole**
Independent
Non-executive Director

**Sipho Maseko**
Independent
Non-executive Director

**Prof. Hlengani Mathebula**
Independent
Non-executive Director

**Paul Norman**
Independent
Non-executive Director

**Eileen Wilton**
Independent
Non-executive Director

**Dr Christo Wiese**
Non-executive Director

# Delivering on our purpose and our SDG commitment

The Shoprite Group recognises the importance of delivering on the SDGs by 2030. While all SDGs are relevant to the Group, it has identified three of them to which it makes the most meaningful contribution. These three SDGs align closely with the Group's purpose, strategic objectives and role as a responsible corporate citizen.

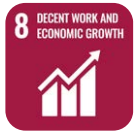



### SDG 2

**End hunger, achieve food security and improved nutrition, and promote sustainable agriculture**

Our key purpose of pioneering access to the most affordable goods and services is to contribute to **food security** by **keeping essential and nutritious foods affordable.**

Our corporate social investment (CSI) programme focuses on **providing hunger relief** and contributing to **food security**. We contribute to the promotion of **sustainable agriculture** through our **enterprise and supplier development (ESD) programme**.




### SDG 8

**Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all**

Through the growth of our business, we are promoting sustainable economic growth. By employing more than 153 000 people, to whom we pay salaries and on which they pay taxes, we contribute to productive employment and decent work. Our CSI focus on addressing **youth unemployment** is contributing to full and productive employment and decent work for its beneficiaries. Our purpose includes **creating economic opportunities**. These include the efforts of our **ESD programmes** and our **discretionary procurement**, to create economic opportunities for historically disadvantaged SMMEs and the people they employ in their businesses. They include the opportunities created by our investments in new stores and formats, our supply chain, and technology as well.




### SDG 12

**Ensure sustainable consumption and production patterns**

Our purpose is to protect our planet, which includes the Group's commitment to sustainable resource management throughout our operations. We focus on increased efficiencies regarding energy, emissions, and water; reducing waste (in particular reducing **food waste** in our own operations and at an agricultural level), recycling and reusing waste; diverting **packaging waste** from landfills to recycling facilities, and our **management of biodiversity**. Through our Supplier Code of Conduct we encourage our suppliers to adopt sustainable practices.

# Our purpose is to uplift lives every day by

- pioneering access to the most affordable goods and services
- creating economic opportunity
- protecting our planet.



*These large reusable and recyclable bags are designed to reduce the number of bags shoppers have to pay for when they travel in a taxi.*

## Pioneering access to the most affordable goods and services

SHOPRITE Shoprite focuses on affordability by providing lower prices you can always trust on the things you need most. As a responsible corporate citizen, Shoprite addresses affordability through its **R5 bread** and **R5 meal solutions**, as well as providing **hunger relief** through its **Mobile Soup Kitchens**, **community food gardens, surplus donations** and **meals for children** in early childhood development (ECD) centres.

Usave Usave is South Africa's thriftiest retailer, ensuring access to the lowest possible prices through simple, no-frills retail solutions on your doorstep. This limited assortment retail format is based in community areas, close to where our customers live.

Checkers Checkers Hyper Checkers and Checkers Hyper offer customers better value, choice and range. Positioned in the mid-to-upper segment, they aim to democratise premium food retail by making it accessible to more people. The Checkers Sixty60 on-demand one-hour delivery app makes shopping effortless and in-store product partnerships and formats such as **Petshop Science, Little Me (baby), Outdoor and UNIQ (clothing)** illustrate our investment in retail adjacencies to increase our share of spend.

## Creating economic opportunity

As the largest private sector employer in South Africa, the Shoprite Group is a meaningful contributor to employment and employment growth. We also contribute to youth employment via our bursary programme, the Retail Readiness skills programme (RRP) and the YES4Youth work experience programme. Our Shoprite Employee Trust pays a distribution to our employees and encourages retention, as to qualify as a beneficiary an employee must have worked for the Group for two years.

We create economic opportunity through our **supplier development programme** by procuring from small and medium companies, as well as those that are owned by previously disadvantaged individuals.

## Protecting our planet

As a responsible retailer, we are constantly looking for opportunities to reduce our impact on the environment through our environmental sustainability programmes, which include mitigating climate change; reducing food waste, reusing and recycling waste; sourcing products responsibly; and protecting water resources. In addition, we are constantly increasing the installed capacity of our solar PV systems at our current and new distribution centres and at our stores, where it is possible for us to install PV systems.

The Group has validated science-based targets to ensure that its climate-related actions are impactful and meaningful.

# Our values

**Our values guide our behaviour to fulfil our purpose, and they define how we do business.**

## Doing the right thing

- Putting our customers first
- Acting ethically and with integrity
- Making a difference beyond our own doors

## Saving to share

- Relentlessly focusing on improving productivity and managing costs to provide our customers with the lowest prices
- Helping others where we can

## Developing local

- Investing in our people
- Creating opportunities
- Embracing economic transformation
- Supporting communities where our customer needs are the biggest



# Our history

The Shoprite Group was established in 1979 when Pepkor (formerly known as PEP Stores) purchased an eight-store Western Cape grocer for R1 million. Pepkor saw this purchase as an opportunity to meet the needs of underserved middle-to-lower income customers by providing them with access to affordable food. Meeting this critical need remains Shoprite's focus today. The Group unbundled from Pepkor in 2000.

## The first 20 years

**1979** Shoprite Group founded

**1986** Listed on the JSE

**1990** Grand Bazaars acquired

**1991** Checkers acquired

**1995** African expansion begins

**1995** Start of franchising operations

**1997** OK Bazaars Group acquired for R1

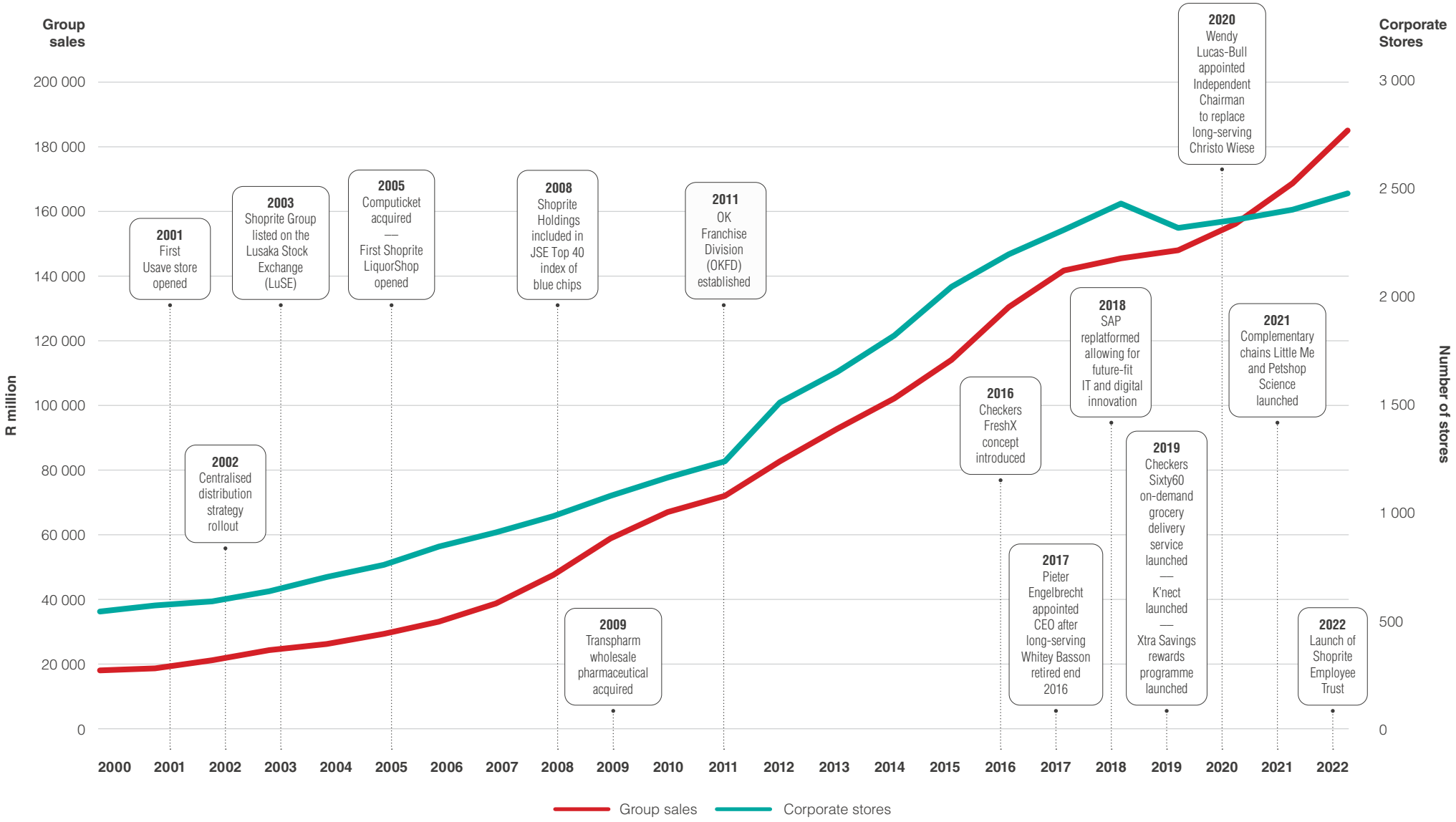
**1998** Money Market financial services counters launched

**1999** Medirite in-store pharmacies launched



**Our history** continued

## The following years: 2000 – 2022



# The Shoprite Group today

Everything we do is intrinsically linked to our core supermarket business and how we make grocery retail more affordable and accessible. Our **platform thinking** underpins our **ambition** to provide seamless engagement across physical and digital channels and leverage our scale, network and data to create value for our customers and unlock new revenue for the Group.

### Low-price leadership

Our low-price leadership is made possible by our long-term investment in our centralised supply chain at the heart of which are our distribution centres and our focus on availability and affordability.

### Customer rewards

The knowledge we gain from the more than 27.8 million rewards members swiping their Xtra Savings rewards cards when they shop in our stores or on our online channels allows us to personalise customer experiences.

### Private label innovation

The significant product development and innovation we invest in our private label brands offers our customers better choices and value from low prices to premium offerings.

### Adjacencies

To increase our total share-of-wallet in adjacent product categories, such as outdoor, baby and pet, at minimal capital cost, we use our existing supermarket's logistics and employees to establish logical adjacencies and offer our customers the convenience of one-stop-shopping.

### Value-added services

While our in-store financial and lifestyle services cater for all our customer segments, they are specially designed to assist those with limited access to formal transactional banking or other payment options to achieve financial inclusion through our Money Market Account.

**South Africa's low price grocery leader**
**Investing through the cycle to win in the long term**




**Our approach to sustainability** is addressed in the Enablers of sustainable enterprise value section on pages 68 to 87 of this report and in our Sustainability Report, available online on our website at: www.shopriteholdings.co.za/shareholders-investors/reports-documents.html

## Our platform advantage

### Omnichannel shopping experiences

Connecting the digital and physical shopping experience provides our customers with a seamless shopping experience, which ultimately results in higher customer spend. The convenience of Checkers Sixty60's on-demand home delivery makes shopping more accessible, and saves our customers time and travel costs.

### Data analytics

The data analytics we gather when our customers shop with us allow us to personalise their experiences and influences our decision-making around pricing and promotions and on-shelf availability. It allows us to predict trends and helps us optimise efficiencies.

Through platforms like Rex, data analytics allows our suppliers to adapt their sales and marketing strategies to optimise the sale of their products in our stores.

### Retail media

Our ability to analyse customer data enables precision targeting, which minimises marketing wastage. Our suppliers benefit because their advertising spend is used to target the right customer, in the right place, at exactly the right time. The Group benefits from using its Rainmaker Media retail media network to advertise its own products and private label brands.

### Supplier partnerships and development

We partner with the best in the business to offer their products in our stores, providing our customers with a broader range of choices and contributing to our brands' premiumisation.

Through Shoprite Next Capital, we help our SMME suppliers build sustainable businesses, which enables us to provide a better offering to our customers.

# Our ecosystem of value for customers

## Customer rewards

The Xtra Savings rewards programme, which gives our customers instant savings on thousands of products daily, allows us to gain valuable insights into who our customers are. Today we have 27.8 million Xtra Savings rewards members telling us:

- what they prefer
- what they are likely to buy
- when they are likely to shop
- when they read our digital communications.

### Outcome

Improved and personalised shopping experiences and operational efficiencies.

## Value-added services

Our in-store value-added services cater for all our customer segments. However, they are specially designed to assist those with limited access to formal transactional banking or other payment options to achieve financial inclusion through a Money Market account. These accounts have no transaction fees, except for the R5 fee charged for a cash withdrawal.

### Outcome

Customers can use the in-store Money Market counters to pay utility bills, buy airtime, data and savings stamps, receive and send money via Shoprite Send. The account also allows customers to transact online and access Computicket services, such as booking bus tickets and tickets for live shows.

To assist our customers in difficult financial times k'nect mobile, the Group's cellular network, has slashed its data prices by more than 35% to offer the lowest data rates in South Africa, with 1GB starting from as little as R19.50 for Money Market account holders.

## Data and analytics

Our data-focused teams, products and external data partners transform the data we gather from over one billion grocery transactions per year, 15 million monthly digital users, over 3 000 stores and 27.8 million Xtra Savings rewards members into actionable insights using data analytics for our business and its suppliers.

### Outcome

**Business:** Data analytics ensure decision-making regarding pricing, promotions and on-shelf availability. They enable trend prediction and efficiency optimisation.

**Suppliers:** Use data analytics accessible through Rex to adapt their sales and marketing strategies and optimise the sale of their products in our stores.

## Retail media

The data from the Xtra Savings rewards programme enables precision targeting, which minimises advertising wastage by ensuring customers only receive the communications they want.

We predominantly use our owned channels to communicate with our customers.

### Outcome

We can identify which advertising works by providing closed-loop measurement all the way to the sale.

Our suppliers enjoy the benefit of applying this information to obtain the best possible value from their advertising spend.

## Supplier partnerships and development

We partner with the best to give our customers a wider choice of premium brand products by offering them in our stores.

Shoprite Next Capital helps our SMME suppliers access finance that helps them build sustainable businesses, which in turn helps us provide a better offering to our customers in the stores they supply.

### Outcome

We can provide our customers with a broader choice of premium brand products and unlock additional alternative revenue for the Group.

## Digital commerce and delivery

Digital commerce delivers value to both our customers and our business.

Our one-hour delivery service, Sixty60, picks from Checkers and LiquorShop stores. Picking from stores enables rapid delivery to consumers at low cost. In 2023 Sixty60 started establishing dark stores to enhance its offering. Pingo, a joint venture between RTT On-Demand and the Shoprite Group, handles last-mile logistics.

### Outcome

The customer has the convenience of home delivery, more accessible shopping and saves money on transport costs. They also enjoy a more personalised seamless experience now that the Group essentially has more control over the complete customer journey.

The business has built an omnichannel offering for our customers that ultimately results in higher customer lifetime value as omnichannel shoppers spend 2.5x more.

## Other adjacencies

The Group is well positioned to provide our customers with affordable access to a wide selection of products in adjacent categories such as Checkers Outdoor, Little Me, Petshop Science and UNIQ. We can open adjacent retail stores with minimal capital cost when located near an existing supermarket. Our customers benefit from a one-stop offering with a supermarket at its core and a wide variety of choices in close proximity.

### Outcome

Our customers have access to one-stop-shopping. This is in line with the focus on giving customers what they want, which is driving our leadership in retail, and we benefit from an increase in our total share of the customer's wallet.

# How we create value

Our purpose defines the value we wish to create and protect. Our value creation, preservation or erosion over time contributes to the increase, decrease or transformation of the Group's stock of capitals through our business activities and outputs.

We are immensely proud of our ability to grow our stock of capitals and create value for our shareholders, which is inextricably linked to the value we create for our customers and employees as well as other stakeholders, including suppliers, regulators, lenders, landlords, governments and the broader society in which we trade.

## Financial capital*

**R215 billion**
sales (restated FY 2022: 184 billion)

**R18.8 billion**
EBITDA (restated FY 2022: 16.6 billion)

**+10.0%**
earnings per share (EPS) (restated FY 2022: 23.9%)

**R56.5 billion**
total income (restated FY 2022: R48.9 billion)

**R11.9 billion**
trading profit (restated FY 2022: R11.3 billion)

** Continuing operations*

## Manufactured capital

**94 stores**
acquired from Massmart

**340**
corporate stores opened (FY 2022: 139)

**112**
Euro 5 compliant distribution centre (DC) delivery trucks introduced, which represent 11.2% of fleet

**1 001 trucks**
in DC fleet

## Social and relationship capital

**273 264 meals**
served per day to vulnerable communities through our CSI programme (FY 2022: 185 732)

**7.1 million hot meals**
served by our Mobile Soup Kitchens (FY 2022: 5.6 million)

**416.8 million loaves**
of 600g bread subsidised since April 2016 (FY 2022: 374 million)

**204.8 million R5 deli meals**
subsidised since mid-2017 (FY 2022: 114.5 million)

**222 food gardens**
supported (FY 2022: 183)

## Human capital

**153 726 employees**
(FY 2022: 145 595)

**R645 million**
spent on learning and development (FY 2022: R560 million)

**8 131 new team members onboarded**
(FY 2022: 2 993)

**R291 million**
distributed to employees since the inception of the Shoprite Employee Trust and equivalent awards in May 2022

## Natural capital

**32 845 $tCO_2e$**
reduction in carbon emissions due to own rooftop solar PV (FY 2022: 30 069 $tCO_2e$)

**98% of in-store packaging**
is reusable, recyclable or compostable (FY 2022: 91%)

**52 061 tonnes of cardboard**
reused and recycled (FY 2022: 46 102 tonnes)

## Intellectual capital

**Sixty60**
the No. 1 grocery delivery app in SA

**Rainmaker Media**
our retail media network completed 4 654 media campaigns for advertisers by the 2023 year end

**Rex**
our own customer insights platform for supplier partners launched in October 2022

# Unlocking alternative income for the Group

Investing in digital commerce and leveraging our platform advantage of 27.8 million customers and more than 3 000 stores to unlock alternative income in the media, data and services space.






## Customer-centricity through data science

**Rainmaker Media** network unlocks an alternative income powered by rich customer data from the Xtra Savings rewards programme by:

- Connecting brands with customers through precision targeting and omnichannel advertising solutions
- Monetising our digital and physical media assets through campaign management and measurable uplift for advertisers of fast-moving consumer goods (FMCG) and other third parties
- Powering personalised advertising and improving **customer data** relevant to customers, helping them to save more

## Accelerating digital commerce

Our digital acceleration is focused on the 'race for reach' and building profitable omnichannel customer relationships.

Our vast store network allows us to fulfil online orders from retail stores used as micro-fulfilment hubs. This creates unparalleled speed of delivery given our proximity advantage.

For customers, it means a lower cost to serve than any other delivery player in the market.

We also look to monetise our last-mile logistics platform, Pingo, as the driver network of choice.

## Rapid data-led decision-making

Our investment in data, advanced analytics and cloud technology provides fresh customer insights at scale for our FMCG partners and **enables better customer experiences**.

Our continuous measurement loop drives down costs while putting value back into the ecosystem to benefit our customers and partners.

## One-stop shop for value-added services

Focused on the unbanked and underbanked population, we are building low-cost digital and financial services to become a one-stop shop for customers who can conveniently pay bills, transfer money, or purchase mobile phones, airtime and data, Lotto tickets, concert and travel tickets, electricity, and funeral insurance, both in-store and online.

# Our business


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*Usave Colorado, Mitchell's Plain, Western Cape province*

# Our strategic priorities

**The strategy driving our business is underpinned by our Group purpose.**

Our commitment to investing through the cycle has enabled the achievement of our strategic objectives, unlocked alternative income streams and enabled our efforts as a force for good.

Our three strategic pillars, **a smarter Shoprite, targeting headroom opportunities** and **winning in the long term** are underpinned by nine strategic drivers that provide our framework for growth, while ensuring our business remains relevant, a force for good in our operating context and benchmarked best-in-class against global retail practices.

Our vision is to create **a smarter Shoprite** through advanced analytics and technology to optimise our core retail business and personalise experiences for customers. We will **target headroom opportunities** in growth segments to increase share-of-wallet and leverage our retail platform to **win in the long term.**

1

## A smarter Shoprite

**Smarter decisions. Fewer mistakes. Optimised for customers.**

### A truly customer-first culture

Customer-centric decision-making is driving our leadership in retail. It keeps us obsessed about what our customers want in our core business activities. Customer data powers decision-making at all levels of the organisation and drives continuous improvement. Personalisation is ultimately how customers experience a more seamless shopping experience.

### Develop future-fit channels and talent

We are taking our people on a journey to embrace all the opportunities that artificial intelligence (AI) and digital technologies present to remain a fit-for-the-future business.

Our expanded store penetration and leading brand portfolio caters to a wide range of customer needs and, together with our digital commerce platforms, forms a strong foundation for more seamless omnichannel customer experiences. Our ongoing investment in digital and closer-to-home store formats ensures we win the race for space and reach.

### Enable precision retailing

Investments into advanced analytics on our digital transformation journey enable rapid action in a fast-changing environment. Customer insights are improving our business processes and helping our supplier partners improve products and services to benefit customers more than ever before. Smarter pricing, promotions, forecasting and ranging are the outcomes that keep us ahead.

2

## Targeting headroom opportunities

**We focus on closing the opportunity gaps where we have headroom for revenue growth.**

### Trusted, profitable private labels

Our scale allows us to build a meaningful private-label brand portfolio and route to market.

We develop and distribute products more efficiently, offering unrivalled choice and affordability, creating win-win partnerships with suppliers. We have established leadership positions in both our value and premium tier private label brands. Through our product innovation capability, we are able to develop new convenience foods to serve our customers' changing needs.

### Grow share in premium and fresh food

Higher-income customers are increasingly looking for value without compromising on quality and freshness. We are serving this market segment in South Africa through an enhanced range of premium, convenience, and fresh foods. Meaningful market share gains have been made and an in-store food theatre is now a key differentiator for Checkers, while retaining our value foundation.

### Stronger partnerships

We are building broad and diverse relationships with our franchisees, SMMEs and businesses through Shoprite Next Capital, and our supply chain finance offer CredX. We are collaborating with our suppliers and partners to provide better choices and product innovation through access to our store footprint and customer base to target headroom opportunities.

3

## Winning in the long term

**Technology will amplify our ability to continue providing operational excellence and outstanding customer experiences at scale.**

### Unlock alternative income

Our platform of 27.8 million engaged customers in South Africa (FY 2022: 24.7 million) – combined with investment in digital commerce – gives us the opportunity to unlock alternative income in the media and services space. Customer data powers the design of products that customers love and allows us to make better, more affordable options available to customers in new adjacent categories. In addition, it creates income opportunities in retail media through Rainmaker Media, as well as financial services and data ecosystems.

### Force for good

The work we do uplifting lives in our communities, contributing to hunger relief, fighting waste, protecting our planet by taking action to reduce our carbon footprint and our use of water, as well as our role as the largest private sector employer in South Africa, all contribute to the long-term sustainability of people, the planet and our business. Our practice of good governance, which includes embedding an ethical culture, maintaining effective control and achieving compliance and legitimacy, positions the Group to win in the long term.

### Leverage platform advantage

Our vast customer, store and digital presence enables us to offer customers access to a wide range of relevant products and services in a seamless manner at any time and from anywhere. Leveraging our platform allows us to commercialise our various physical, digital and customer assets to create more value through partnerships and new services for customers. Through this approach we aim to empower best-in-class partners to co-create value for our customers across the ecosystem on the back of the scale advantage in our core supermarkets.

# Chairman's letter



Wendy Lucas-Bull
Chairman

**The Group's ability to deliver on its strategy and gain market share in an economy reporting marginal growth can be attributed to its unwavering commitment to providing customers with the lowest prices, its execution and leadership strength, operational agility and continuous focus on innovation.**

## Our operating environment

Globally, the operating environment continues to be challenging, with economies struggling to contain inflation as the Russia-Ukraine conflict continues. In South Africa, efforts to reduce inflation have been hampered by high petrol and diesel prices, high food inflation and a weak rand. In addition, our progress towards achieving our net-zero carbon emission target was affected by the need to use diesel generators during load-shedding, however, we remain committed to achieving this target by 2050.

Last year, I reported that from an external environment perspective; 2022 was probably the most challenging year the Group had ever faced. It gives me little comfort to report that for different reasons, 2023 was equally hard if not more so, due to the significant increase in Eskom's load-shedding, failing infrastructure and poor municipal service delivery, which contributed to the overall challenges.

In this report, you will read about the impact of load-shedding on our value creation, our suppliers' productivity, and our actions to preserve our cold chain and serve our customers from well-stocked stores, including increasing our inventory levels. We discuss the negative impact on climate change of having to use diesel generators in our business during load-shedding. As is to be expected under these circumstances, business confidence is low and exacerbated by concerns about risks to the African Growth and Opportunity Act, which is vital to the South African economy.

For South African citizens, it has been a particularly challenging few years. Our core South African supermarkets business has remained focused on assisting our customers to stretch their budgets to cope with the ever-increasing cost of living. Food inflation has remained well ahead of wage inflation; transport and utility costs have all increased; and to get inflation under control, the South African Reserve Bank (SARB) has been steadily raising interest rates since November 2021. Extreme weather conditions have affected communities, as has the high level of crime. The poorly performing economy has resulted in some companies needing to reduce their workforce, with those affected joining the unemployed when unemployment is already unacceptably high.

## Delivering despite the operating environment

Despite the challenges presented by the external environment, the Group continues to deliver consistently on its Smarter Shoprite strategy, which provides the basis for our continued investment through the cycle. The Group's ability to deliver on its strategy and gain market share in an economy reporting marginal growth can be attributed to its unwavering commitment to providing customers with the lowest prices, its execution and leadership strength, operational agility and continuous focus on innovation. Recent examples of our innovation are the result of the excellent work done by our Shoprite[X] digital innovation hub. They include the Xtra Savings rewards programme; the Checkers Sixty60 on-demand grocery delivery service; Rex, the Group's own customer insights platform (our suppliers use data analytics accessible through Rex to optimise the sale of their products in our stores); and Rainmaker Media, which uses data analytics for precision advertising.

## An inclusive approach

The Board has adopted a stakeholder-inclusive approach to addressing the interests and expectations of stakeholders. This included engaging with shareholders on ESG and remuneration, which is addressed in the Remuneration review on pages 92 and 93 of the Integrated Report.

Our shareholders continue to communicate their expectations that our focus as an organisation extends beyond improving profits and returns to non-financial aspects that contribute to our value creation and sustainability. The Group's purpose to uplift lives every day by pioneering access to the most affordable goods and services, create economic opportunity and protect our planet, and the inclusion in our strategy of the driver, a force for good, indicates that our approach is aligned with their expectations.

More specifically, the priorities conveyed to us by our shareholders during the year fall into two broad categories.




The first of these being environmental sustainability and climate change, which includes our use of renewable energy, our plans regarding a just transition to net-zero carbon emissions, water scarcity, sustainable packaging, our food waste policy and recognition of biodiversity within our sustainability plan. Our performance against these priorities achieved recognition by the Carbon Disclosure Project (CDP). The Group was the only African company to earn a place on the CDP FY 2022 Supplier Engagement Leaderboard for taking action to measure and reduce climate risk within our supply chain. Further information can be found in the Environmental stewardship section on page 85 of this report and our online Sustainability Report 2023. Our Company achieved an A-level assessment for its consistent implementation of best practices, and we were one of only 27% of companies globally to reach leadership level in the convenience retail category.

To complement our strategic objective of expanding our key environmental programmes we have taken out R5.5 billion in sustainability-linked loans. To meet the terms associated with these loans, we need to achieve the targets set for our performance against five key performance indicators we identified as being critical to improving our environmental performance and reducing our impact on climate change. In the year under review, we met all our targets.

The second focus category for shareholders incorporated race and gender diversity, with an increasing spotlight on the representation of women in our workforce, equality, inclusion, human rights and, specific to South Africa, addressing the wage gap. Our disclosures and information on the relevant policies can be found in this report's Our role in society section, our Remuneration review, and the Governance section of our Group website.

I want to acknowledge the impact Shoprite, as the biggest private sector employer, has in South Africa. With 39.8% of our employees under the age of 30, we are a significant employer and trainer of young people. This year alone, we added 8 131 new jobs to bring the total number of individuals employed by the Group to 153 726. More than 4 400 of these included the jobs we preserved as a result of our purchase of 94 Massmart stores. I am pleased to report that our Shoprite Employee Trust is proving itself in terms of the biannual distributions to our employees. Since the introduction of the Shoprite Employee Trust last year, R291 million was distributed to qualifying employees.

As a Group, Shoprite plays a part in work being done to reduce the structural inequities that exist in South Africa. The Company was founded on this premise, and 44 years later it continues to guide us. The multiplier we focus on is how many lives benefit from the impact of one job created – this positive systemic impact is what drives us as a business. In addition to the thousands of existing and new employment opportunities we offer people every year, we are committed to training and building future careers and hope to continue doing so for many years to come.

## Governance

I want to welcome our two new Board members, Prof. Hlengani Mathebula and Sipho Maseko, who joined the Shoprite Holdings Board as Independent Non-executive Directors on 27 June 2023. Their appointment completes the three-year process of restructuring the Board, which began in 2020.

The Board has continued to build on its collective approach to ESG, which is to equip all our directors with the requisite knowledge and understanding of the impact of climate change on our business, our impact on climate change in our external environment and the risks and opportunities associated with climate change. In line with this approach, all our Board

members participated in a World Wildlife Fund (WWF) engagement session on environmental sustainability and climate change. The purpose of the session, which encompassed global trends, benchmarking and the Group's response to environmental risks and opportunities, was to improve the Board's overall competency on this important topic.

The Social and Ethics Committee continues to receive detailed reporting on the Group's socio-economic contributions to communities and supplier development. The committee experienced first-hand the impact of the Group's socio-economic programmes when its members visited a CSI beneficiary organisation, which the Group has supported for the past 20 years.

The committee also visited one of the Group's strategic private label suppliers. Since the inception of Shoprite's support, this supplier's revenue has more than doubled, and has been able to increase its labour force by 71%, creating an additional 79 permanent jobs. As a result it has outgrown its SMME status. This is a remarkable success story, and we plan to continue providing the business with support to grow and create new employment.

Our newly incorporated entity, Shoprite Next Capital, is providing commercial support to SMMEs with access to working capital, favourable financing solutions, marketing support and specialised assistance, as they navigate the formal retail markets. In addition, we are proud that our discretionary procurement from B-BBEE compliant businesses during the year was R135.2 billion (FY 2022: R117.7 billion) and our expenditure with black-owned businesses was R23.3 billion (FY 2022: R18.7 billion), while our expenditure with black women-owned businesses was R16.8 billion (FY 2022: R12.6 billion). We aim to increase our procurement from these businesses and continue to build their scale and sustainability and consequently, their capacity to supply the Group.

The Remuneration review included in this report contains information on our executive management's ESG remuneration targets (see page 95 and pages 101 to 103), which will be adjusted for the next three-year cycle in the new financial year. We see these environmental targets as an urgent short-term business imperative. The high cost of diesel to run the many generators in our distribution centres and stores has significantly impacted our profitability this year. We need to recognise the context in which our business operates and reward superior performance, even within a context where external factors beyond our control impact the Group's profitability.

## Our role as a responsible corporate citizen

The Group's approach to its role as a responsible corporate citizen is expressed in its first value: *Doing the right thing*, which includes putting our customers first, acting ethically and with integrity, and making a difference beyond our doors. The Group, which has a significant market share in essential foods, recognises that for many of our customers, feeding their families is a major challenge, hence our obsession with being the most affordable and accessible retailer of essential foods on the African continent. During the year under review, the prices of essential foods increased significantly due to accelerating inflation. This led to financial hardship and food insecurity for some of our customers. To assist our customers, we keep our food inflation as low as possible and invest in lower prices to help our customers. Demand for R5 loaves of bread and R5 deli meals remained high during the year under review. We have maintained the price of these products since inception in 2016 and 2017, respectively. Our Usave brand's eKasi container stores provide access to essential foods near people's homes, saving them the costs on transport.

Our CSI programme's focus complements our in-store approach to supporting our customers in need. It provides hunger relief, contributes to food security, the development of unemployed youth and SMME development. In this regard, the Shoprite Foundation was established during the year under review to empower communities through focused support to SMMEs, education initiatives and skills development.

**I want to acknowledge the impact Shoprite, as the biggest private sector employer, has in South Africa. With 39.8% of our employees under the age of 30, we are a significant employer and trainer of young people. This year alone, we added 8 131 new jobs to bring the total number of individuals employed by the Group to 153 726. More than 4 400 of these included in the jobs we preserved as a result of our purchase of 94 Massmart stores.**

## Looking ahead

In the year ahead, the Board will continue to support the Executive team's efforts to achieve the Group's Board-approved strategy, cross-check and benchmark ourselves against global best practice, and maintain our focus on the sustainability of the business.

In relation to South Africa, we are concerned about increasing political instability and a lack of leadership and capacity that is affecting service delivery. Power, water, roads, ports, rail, and security remain worrisome. With 2024 being an election year, there is more cause for concern. In addition, as the Governor of the SARB pointed out, government's position regarding Russia could see South Africa exposed to additional economic and rand risk.

## In conclusion

My thanks to our shareholders, customers and suppliers for choosing us and for your support.

I thank Pieter Engelbrecht, the Group's leadership team, and all our employees for demonstrating commitment and excellence in serving our customers and communities in demanding circumstances. Every member of the Shoprite team deserves to be recognised for their ability to devise a smart plan to handle each new challenge and for always showing up to serve our customers to the best of their ability, regardless of how challenging that day may be.



**Wendy Lucas-Bull**

Chairman

29 September 2023

# Chief Executive Officer's review



Pieter Engelbrecht
Chief Executive Officer

**Reflecting on 2023 is a great privilege for me. The extent to which the Group's culture of commitment and service has resulted in achievements that continue to benefit and sustain so many customers, employees, shareholders, suppliers and communities is clear.**

The strength that comes from our corporate operating model, together with the operational experience acquired from many years of trading in our respective and often challenging markets, continues to place the business in good stead. Notwithstanding the difficult operating context that accompanied 2023, we worked together to produce a result of which I am extremely proud. Every year, our growth translates to us consistently improving the lives of more people in many ways, and to me, there can be no better measure of success.

The Group increased sales by 16.9% to R215.0 billion this year. The nature of reporting is such that sentences like this too often just wash over people, as though all percentages are created equal. Allow me for a moment to reflect on the fact that one percent growth on last year for the Group equates to an additional R1.8 billion in sales, and so the R31.1 billion we added by growing 16.9% from a high base in a low-growth economy deserves a pause to acknowledge the credit that's due. This achievement was not handed to us, it is the result of a clear plan, expert leadership across our operations, and world-class execution by a team that can only be described as the best in the business.

Our performance continues to be underpinned by our core South African supermarkets division, which makes up 80.8% of Group sales and is home to our principal trading brands: Checkers, Checkers Hyper, Shoprite and Usave. Our supermarket segmentation strategy, embarked upon some years ago, continues to guide us on all fronts, from our day-to-day execution and short-term planning to our long-term strategy. We remain solution-oriented and customer-centric, borne from the fact that we intrinsically understand our customers. They are our primary stakeholders and we strive to meet their needs with increasing precision by combining our "traditional" operational expertise and know-how with our data-led insights and digital initiatives. This, we believe, provides a best-in-class in-store and on-demand grocery retail experience, together with a full suite omnichannel product offering.

## Segmental performance

### Supermarkets RSA

Our clearly defined customer propositions in our Shoprite, Usave, Checkers and Checkers Hyper brands allow our teams to focus on our customers' specific needs. In a year of record market share gains, Shoprite and Usave increased sales by 15.6%, reaching 19.1% in market share, while Checkers and Checkers Hyper increased sales by 18.0% to a record 14.8% market share. Our on-demand one-hour grocery delivery app, Checkers Sixty60, commendably increased sales by 81.5% from a consistently high base established over a number of years.

All of our supermarket businesses remained resolute in terms of their clearly defined market position, delivering the lowest prices and best-in-class value while maintaining stock availability. With deteriorating supplier in-bound service levels impacted by load-shedding, this was easier said than done, but given our customers also managed load-shedding, took the time to get to our stores, incurring significant transport costs to do so, meeting their expectations and getting what they came for was imperative. In terms of pricing, it is pleasing to report that our selling price inflation of 10.1% remained lower than official food inflation despite the fact that we over-index in high-inflation commodity lines. Customer visits increased by 14.1% with basket size up 3.3%. Contrary to the industry, the Group managed to grow volumes by 4.9% equating to 335 million additional items sold compared to the previous year.

Our investment in our core operations continued unabated this year as we continued to refurbish and upgrade stores, invest in our private labels and brand partnerships as well as expanding our core bricks and mortar store base. Our considerable base of 2 791 corporate-owned and managed stores, combined with our enterprise-wide IT system

(SAP ERP), provides us with a proximity and platform advantage when it comes to executing our daily operations and delivering on strategic plans. In this regard, for example, excluding the opening of our first dark store based in Cape Town, we increased the number of stores from which we deliver on-demand, via Checkers Sixty60, to 466 locations.

In terms of acquisitions, specific credit is due to our Shoprite team for their incredibly swift and seamless integration of 92 of the 94 stores acquired from Massmart during our all-important festive season trading (two stores have liquor licences pending). This is one of many examples of incredible commitment and teamwork this year. As a result of the prolonged transaction period, a number of sites had lacked maintenance, stock and investment, resulting in lost customer equity, but to date we are pleased with the impact our processes and procedures have had on the stores and we will continue to invest and further increase sales and improve margins in the year ahead.

### Supermarkets non-RSA

Our business outside of South Africa has been consolidated over the past few years as a result of our decision to reduce our exposure to many factors that eroded our profitability and returns. These included logistical and operational challenges, currency volatility, lack of customer affordability, rampant inflation and an inability to repatriate cash. For the nine countries that remain, we are pleased to report an increase in local currency sales of 9.6% and trading profit of R594 million this year. From here, we will continue to restrict our capital allocation while applying our supply chain, buying and store execution experience in an attempt to improve our return on investment in the region over time.

### Furniture segment

Our furniture businesses, House & Home and OK Furniture, had a difficult year, in particular during the second half period when sales growth slowed considerably but cost growth did not. Consumers are under considerable pressure and discretionary spending is challenged. The division increased its credit participation in terms of sales mix, which should allow it to sell more (higher reported margin) furniture in its mix versus appliances in a better consumer climate.

### Other operating segments

Our other operating segments are made up of a number of businesses – OK Franchise, Medirite Pharmacies, and Computicket. All of these operations have continued to raise the bar in terms of their own strategy and leveraging the Group's infrastructure this year. Our OK Foods supermarket franchise division, in support of independent retailers, continues to grow at a rate that is truly commendable considering the competitive nature of the market. OK Food's 535 stores increasingly leverage the skills and experience of the Group, which assist in improving franchisee business processes, products and services, including being able to offer its franchisees access to the Group's buying power and supply chain capabilities.

## The Group remained committed to investing in the business on a number of fronts this year

We invested significantly behind our core South African supermarket operations this year, opening a record number of stores. Aligned with that is our continued investment in our digital platform to improve our customer experience and increase sales and alternate revenue streams. The purchasing data provided by our 27.8 million Xtra Savings rewards members is invaluable when it comes to improving how we cater to our customers and manage promotions across the business. This year was no exception on that front, with our Xtra Savings supermarket rewards programme saving customers R13.5 billion. The usage rate of our Xtra Savings card remains high at over 80%, exceeding the global benchmarks.

While our supply chain infrastructure and execution are considered world-class, it is so because we don't rest on our laurels. We plan to extend our lead in this area and, as such this year embarked on a next-round supply chain capital expenditure programme specifically designed to ensure we have sufficient capacity to support our anticipated core business's future volume requirements and that we are agile enough to respond to down-the-line operating environment changes as well as changes in shopping behaviour.

## Force for good and protecting the planet

Our achievements in the sustainability and social impact of our operations are outlined in detail in our Sustainability Report. I am pleased that 98% of all our in-store packaging is either reusable, recyclable or compostable, and made from 73% recycled content. This year our better for the environment, private label range, Simple Truth, developed and produced its own biodegradable wet wipe which, given the devastating downstream effect of non-biodegradable wet wipes and nappies on the environment, was a great achievement.

The team is to be congratulated given that we have exceeded our 2023 target to source 5.5% of our energy from renewables. The nature of our business is such that we trade from mostly leased premises (i.e. we only own some of the buildings we occupy), and as such, we are limited in terms of our ability to install solar panels. We are experimenting with some alternatives in terms of coordination between generators and batteries, both to reduce our greenhouse gas (GHG) emissions and to reduce the exorbitant cost of running diesel generators. We are also currently trialling a new switching technology that bridges our existing battery and inverter system in nine Usave stores, extending our battery backup time, and we hope to begin the rollout of that to our Usave store base at the end of this year.

**In addition to our CSI programmes' incredible efforts to provide hunger relief, we continue to assist customers with our range of R5 deli meals in our Shoprite stores. We have again held the price of our R5 bread (600g brown bread loaf), a price we have maintained since its introduction in 2016 when a standard loaf of bread was already R10.**

## The people who make our business

The operating context over the past few years is such that we often find ourselves trading in challenging, unpredictable and unforeseen circumstances. As a Group, we have developed an innate ability to focus on what it is we can control to ensure we maintain our execution of day-to-day retail operations while advancing the progress of our equally important long-term strategic projects. This is not always easy when faced with adversity, and it starts and ends with our people, their solution-driven approach and commitment to our customers and the business at large. Our employees are fundamental to our operations and the Group's continued success, and as a key stakeholder, they continue to receive our uppermost attention.

At a time when many businesses have sadly needed or chosen to reduce their employee numbers, we have continued to create jobs reflected in our base of more than 153 000 employees this year (FY 2022: 145 595). Jobs change lives – beyond the immediate financial benefits, a job affords a person dignity, hope and opportunity. The positive, systemic multiplier effect created by the employment of just one person is profound, and I am incredibly proud that in 2023, we preserved 4 480 jobs as part of the operations we acquired from Massmart, and created a further 3 651 jobs from the growth and innovation associated with our existing operations.

During 2022, the Group took steps to recognise our employees' significant

**Our investment to ensure that at load-shedding levels five and six we were able to trade uninterrupted, together with our support teams whose expertise in crisis management – particularly in the areas of loss prevention and risk management, continues to set us apart and leaves me indebted to our people.**

contribution to the business by increasing our internal minimum wage to above the prescribed sectoral minimum, and in recognition of the critical role of our cashiers, we further increased our cashier minimum wage. This year, we negotiated a multi-year wage agreement with employees in the South African bargaining unit, which incorporates year-on-year adjustments up to 2026 and includes the introduction of medical health insurance. Separate from the negotiation process, the Group further adjusted our internal minimum wage and cashier's minimum wage for 2024.

The Shoprite Employee Trust (the Trust), established in May last year to financially improve the lives of our employees, has expensed R235 million (FY 2022: R128 million) in relation to employee distributions in South Africa and equivalent awards to qualifying employees in countries outside South Africa during 2023. The Trust was awarded Black Economic Empowerment Deal of the Year in 2022 by an independent panel established by Dealmakers SA, referring to it as a landmark transaction. I expect that, having now experienced the recurring nature of these payments, our people have come to understand that if the business continues to grow, they will continue to receive increasing distributions. Pleasingly, that is the alignment we were looking for. I would be amiss if I didn't note my extreme disappointment that comes with the fact that the R1.3 billion spent on diesel to power generators across our South African business this year has reduced our profit growth, which unfortunately flows through to reduced dividend growth for shareholders as well as reduced Trust distributions for employees.

## In conclusion

Following a year such as this when the entire food value chain was severely impacted by load-shedding (power outages), considerable thanks are due:

To our Chairman and Shoprite Holdings Board of Directors, thank you for your dedication to the business and your counsel as we navigate our future and invest behind it. We operate in a dynamic changing world with opportunities and risks and the degree to which the Group has evolved on a number of levels, including risk management in recent years, is enormously reassuring. My thanks specifically to Ram Harisunker who retired from the Board at the end of 2022 and left the Group in April this year after having served the business for more than 53 years in numerous positions in which his contribution was significant. Ram, thank you for your remarkable tenure and lifetime of service to the Group; I wish you only the best life can offer.

To our farmers and suppliers who require electricity for sustainable production and, as such faced enormous challenges this year, thank you for your perseverance; it assisted our buyers and supply chain teams as we prioritised on-shelf availability and, in turn, addressed food security concerns for our customers throughout the year.

As hard as it is to believe, we traded with 322 days of power outages this year in what can only be described as a crisis situation in terms of load-shedding. Fortunately, the Group invested many years ago to ensure we had sufficient diesel generators to service the entire store base that makes up our core South African supermarket business. As a result, we ensured that at load-shedding levels five and six, we were able to trade uninterrupted. This investment, together with our support teams whose expertise in crisis management, particularly in the areas of loss prevention and risk management – continues to set us apart and leaves me indebted to our people who ensure that despite the operating context, the store experience for our customers is seamless.

To our strong base of employees that make up Team Shoprite, many of whom operate at the front line in our stores, thank you for your commitment to ensuring no customer leaves a store unhappy. It was again a difficult operating context given the electricity crisis, which provided you with challenges not just in our stores but in your home lives as well. Thank you for managing the considerable adversities that present themselves in your day-to-day activities that in most markets in the world would not feature in a lifetime of service. You are the most incredible team who have proven that together, anything is possible.

To my executive and divisional management teams who bring a lifetime of expertise and experience to our business, thank you. You lead from the front, solution-oriented with a get-it-done approach, inspiring your teams to achieve greatness daily. Come what may, your unwavering commitment to the business is the wind at my back and my appreciation knows no bounds.

In closing, my sincere thanks are due to our customers for your continued support. We are acutely aware you have choices in terms of where you spend your hard-earned income and the value of your loyalty to our brands is immense. On behalf of the people of Shoprite, we look forward to serving you again in 2024; you have my assurance that meeting your needs remains our top priority.



**Pieter Engelbrecht**

Chief Executive Officer

29 September 2023

# Our operating environment

## South Africa

- The already challenging economic context deteriorated in 2023 as a result of a significant increase in load-shedding impacting supply chains and significantly increasing the operating costs due to diesel usage required for generators powering our store base.
- Food inflation remained elevated for most of the year contributing to reduced disposable spending power for our customers.
- Challenges pertaining to lack of investment and maintenance in certain areas of public infrastructure remained an issue, as did related service delivery protests.
- Transnet is not able to meet the needs of businesses to move goods and resources, leading to significant revenue loss for the South African economy.
- High unemployment remains a major challenge.
- As the largest private sector employer in South Africa, we increased our workforce by 5.6% (8 131 people) to 153 726 people in FY 2023. Unemployment figures released by STATS SA in May 2023 were 32.9%.
- The South African Reserve Bank (SARB) has been steadily increasing interest rates since November 2021 to reach a 14-year high.

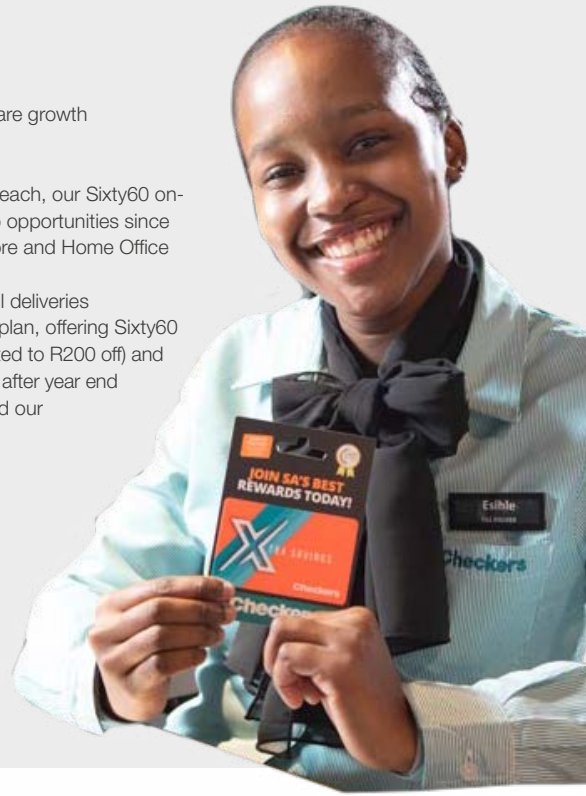


**80.8%**
**of Group sales is generated in Supermarkets RSA**
(restated FY 2022: 80.1%)

**91.0%**
**of the Group's trading profit is generated in Supermarkets RSA**
(restated FY 2022: 91.0%)

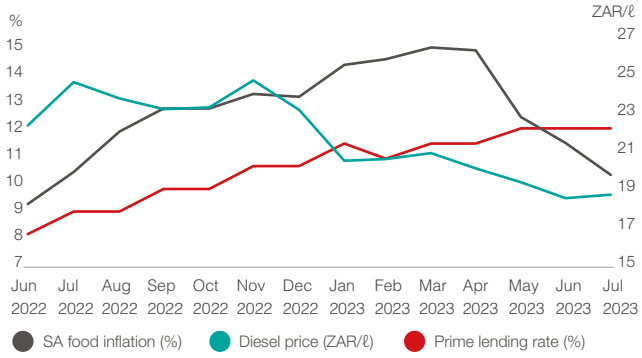
## Our response in FY 2023

- The Group achieved ongoing record levels of market share growth
- Preserved the jobs of 4 480 people by the purchase of 94 Massmart-owned stores
- Due to our investment in new stores and expanding its reach, our Sixty60 on-demand delivery service has created a total of 9 091 job opportunities since launch, which include owner-driver entrepreneurs, in-store and Home Office employees
- Sixty60 introduced a service guarantee for on-time in-full deliveries
- Piloted our Xtra Savings Plus monthly R99 subscription plan, offering Sixty60 customers free deliveries, 10% off one in-store shop (limited to R200 off) and double personalised offers, and launched it to customers after year end
- Through the Xtra Savings rewards programme, we saved our customers R13.5 billion (FY 2022: R9.4 billion)
- R5 loaf of bread (600g) still sold in Shoprite since 2016
- R5 deli meals available at Shoprite deli counters
- 7.1 million meals served by our Mobile Soup Kitchens (FY 2022: 5.6 million)
- Zero fee Money Market bank account launched (only fee is R5 for cash withdrawals)
- R645 million invested in employee training (FY 2022: R560 million)
- Increased our production of renewable energy through rooftop photovoltaic systems to 36 441 MWh (FY 2022: 31 552 MWh)



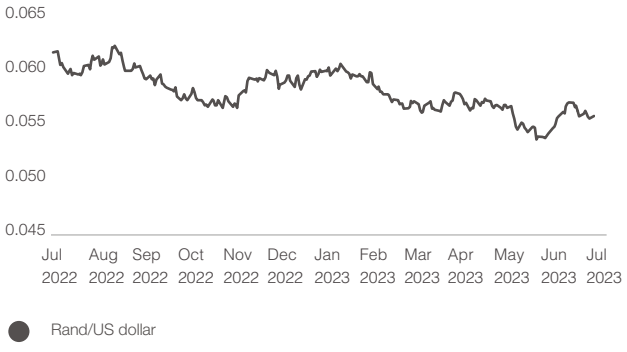

### Indicators

#### SA food inflation, diesel price and prime lending rate
One-year comparative



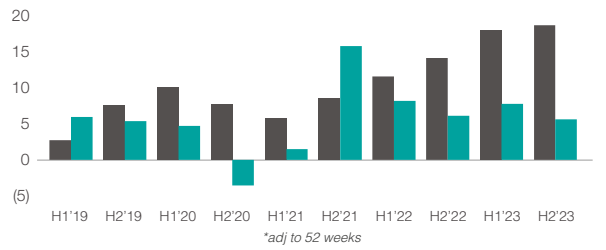

** Source: Investec*

#### Rand/US dollar




** Source: Investec*

#### RSA GDP versus Supermarkets RSA sales growth (%)
H1 vs H2 comparative (five years)




** Source: Investec*

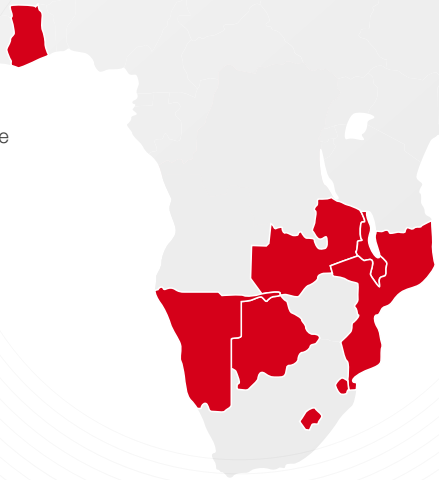
# Non-RSA

The dynamics of the macroeconomic fundamentals of the African countries in which we operate remain mixed and considerable challenges remain. Inflation and currency volatility continue to erode purchasing power, and as a result, lack of affordability continues to impede our ability to meaningfully improve profitability.

## Supermarkets Non-RSA

**9.1%**
**of Group sales**
(restated FY 2022: 9.2%)

**5.0%**
**of Group trading profit**
(restated FY 2022: 4.2%)



## The impact of currency volatility on the Non-RSA segment

The Group has been impacted by a substantial currency devaluation in Angola during the year under review. Angola's economy is dependent on oil exports and traditionally had managed exchange rate regimes. The Angolan kwanza saw an initial depreciation of approximately 12.6% to the rand in November 2022, driven by an easing of monetary conditions and negative developments in the oil sector. There was further significant depreciation against major currencies in May 2023 due to a deterioration in the trade balance and high external debt servicing costs. This followed the International Monetary Fund's review in March 2023, which encouraged local authorities to allow for a more flexible exchange rate regime.

The Angolan kwanza weakened approximately 68.7% to the rand during the financial year.

Our Ghana operations have been impacted by a depreciation of the Ghanaian cedi to the rand of approximately 26.2% during the financial year. The Ghanaian inflation rate increased by 33.8% during the financial year to a reported 42.5% for June 2023.

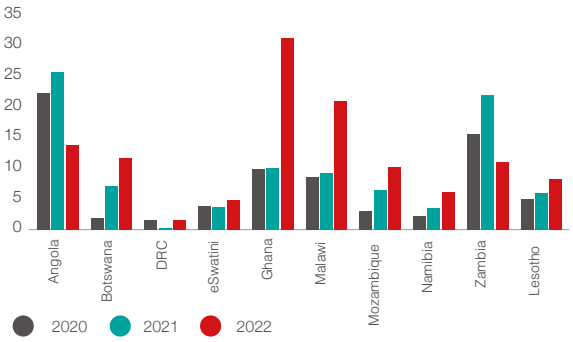
## Our response in FY 2023

- Maintained rigorous capital allocation throughout the region
- Procurement from local suppliers continues to increase
- Shoprite Mobile Soup Kitchens operating in Angola, Namibia and Zambia

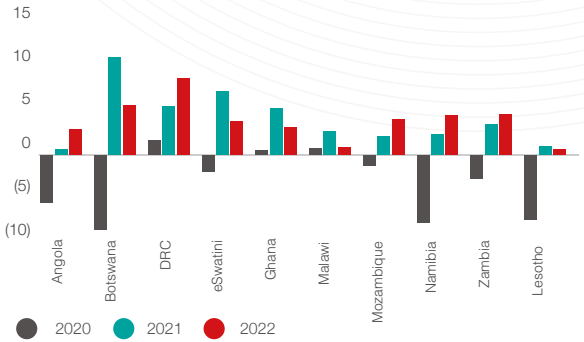



## Indicators

### CPI % change (year on year)
Three-year comparison




### GDP growth % (year on year)
Three-year comparison



# The business model

The Group's interactions with the resources and relationships on which our business model depends determine how successful we are at creating, preserving or eroding value over time. The factors influencing our ability to create value are both within our control and beyond our control and they present the Group with the risks and opportunities it needs to address to protect or create value. The availability, quality and affordability of the capital inputs into our business for the 2023 financial year were the results of the outcomes we had achieved at the end of our 2022 financial year, together with the financial capital available to us in the form of cash and debt facilities, and the manufactured capital available in the form of our extensive store base and supply chain infrastructure.

## Our inputs

### Financial capital

- R26.3 billion in equity (FY 2022: R25.6 billion)
- R6.4 billion borrowings (FY 2022: R5.5 billion)
- R28.6 billion in retained earnings (FY 2022: R26.1 billion)

### Manufactured capital

- 2 791 corporate stores (FY 2022: 2 476 stores)
- 759 275 $m^2$ across 30 national distribution centres (FY 2022: 673 843 $m^2$ across 29 national distribution centres)

### Intellectual capital

- 27 differentiating trusted brands (FY 2022: 23 trusted brands)
- Three-pillar strategy underpinned by nine strategic drivers
- Innovative solution-driven thinking and application of technology
- Effective governance, risk management and ethics structures
- Group culture

### Human capital

- 153 726 employees (FY 2022: 145 595)
- R8.9 billion invested in Shoprite Employee Trust
- R645 million spent on learning and development (FY 2022: R600 million)
- Continued to invest in our people by regularly reviewing the higher than prescribed national minimum wage established in Shoprite in South Africa in 2022
- Increasingly diverse Board and Executive skills

### Social and relationship capital

- R58 million CSI in South Africa (FY 2022: R43 million)
- R135 million invested in the RRP and participation in the Youth Employment Service (YES) initiative (FY 2022: R145 million)
- R108 million committed to supplier development (FY 2022: R94 million)

### Natural capital

- R76 million (FY 2022: R48 million) invested in efficient lighting project
- 95.3% of our private label products now have on-pack recycling labels (FY 2022: 77.0%), an increase of 18.3%
- 73 sites with solar PV systems installed (FY 2022: 62 sites)

## Our business activities

Using the scale and proximity to home advantage of the Group's core supermarket business, we transact with our base of 27.8 million customers – either in-store or online.




## Our outputs

Our outputs include the wide selection of products and services we offer our customers, both in-store and online.

**The waste and by-products we produce** while conducting our business activities include:

**Scope 1** greenhouse gas (GHG) emissions **0.7 million $tCO_2e$** (FY 2022: 0.5 million $tCO_2e$)

**Scope 2** GHG emissions **1.8 million $tCO_2e$** (FY 2022: 1.9 million $tCO_2e$)

**16 015 tonnes of plastic** waste diverted from landfill and the environment (FY 2022: 10 242 tonnes)

**Recycled 47 932 tonnes** of cardboard from stores and distribution centres (FY 2022: 43 355 tonnes)

# Our outcomes

### Financial capital

- R6.8 billion capital spend (FY 2022: R5.4 billion)
- R18.2 billion (FY 2022: R15.0 billion) cash generated from operations
- 10.5% (FY 2022: 10.3%) dividend growth to 663 cents (FY 2022: 600 cents) per share

### Manufactured capital

- Opened 340 corporate stores (FY 2022: opened 139 corporate stores)
- Next phase of supply chain transformation initiated including commencement of work on Riverfields distribution centre, Gauteng
- 11.4% increase in our store base

### Intellectual capital

- K'nect mobile offers South Africa's lowest data prices
- New store formats
- Xtra Savings is the largest supermarket rewards programme in RSA, facilitating precision retailing
- Xtra Savings Plus monthly subscription plan, piloted in May 2023 and launched to customers after year end
- Customer insights platform, Rex, launched to supplier partners
- Shoprite Send, an affordable remittance product, launched

### Human capital

- 14 130 employees promoted (FY 2022: 11 909)
- 25.7% Group employee turnover (FY 2022: 22.8%)
- 97.6% of our Group employees are black* (FY 2022: 97.4%)
- 36.3% of our top management team in South Africa are black (FY 2022: 11.5%)
- 27.1% of our top management team in South Africa are women (FY 2022: 25.9%)
- R252 million in distributions paid out from the Shoprite Employee Trust to our RSA employees and 39 million cash equivalent paid to Non-RSA employees
- R645 million invested in 2.2 million training interventions (FY 2022: R600 million invested in 2.5 million training interventions)

### Social and relationship capital

- By procuring from black-owned and black women-owned suppliers and investing in ESD, we are contributing to their sustainability and helping to reduce inequality
- 4 065 unemployed youth trained in the RRP (FY 2022: 4 116) and 2 185 provided with workplace experience through the YES initiative (FY 2022: 1 900)
- R226 million in surplus foods and goods donated to beneficiary organisations (FY 2022: R157 million)
- Our CSI investments include contributing to hunger relief, food security and community sustainability, which include our Mobile Soup Kitchens, food garden programmes and ECD nutrition feeding
- Subsidised 42.8 million R5 loaves of bread (FY 2022: 76.8 million) and 29.6 million R5 deli meals to assist cash-strapped customers
- R13.5 billion saved by Xtra Savings customers (FY 2022: R9.4 billion)

### Natural capital

- 1.1 billion recycled and recyclable plastic carrier bags sold (FY 2022: 772 million)
- 103 234 MWh renewable energy used (FY 2022: 54 138 MWh)
- In 2022, we submitted our annual water security disclosure to the CDP platform. We maintained our CDP water security rating of A-, which is considered a leadership-level disclosure within the industry
- Diverted 16 015 tonnes of plastic waste from landfills (FY 2022: 10 242 tonnes)

* *Throughout this report, black is defined as in schedule 1 to the Codes of the Good Practice on Broad-based Black Economic Empowerment published in terms of section 9(1) of the Broad-based Black Economic Empowerment Act, published in the Government Gazette of the Republic of South Africa on 9 February 2007, as amended from time to time, and/or any other persons of African, Coloured or Indian descent.*

# The material matters affecting the availability of our capitals

### Financial capital

- Capital allocation to support investing through the cycle in challenging economic conditions
- An unreliable power supply
- The impact of pricing pressure on our supply chain

### Manufactured capital

- The impact of failing infrastructure, poor service delivery

### Intellectual capital

- The impact of digitisation and advanced analytics
- The need to be customer-centric
- Cybersecurity risks associated with data theft and ransomware

### Human capital

- A responsible and respected employer
- A values-based ethical culture in our business
- The loss of scarce skills

### Social and relationship capital

- The need to be customer-centric

### Natural capital

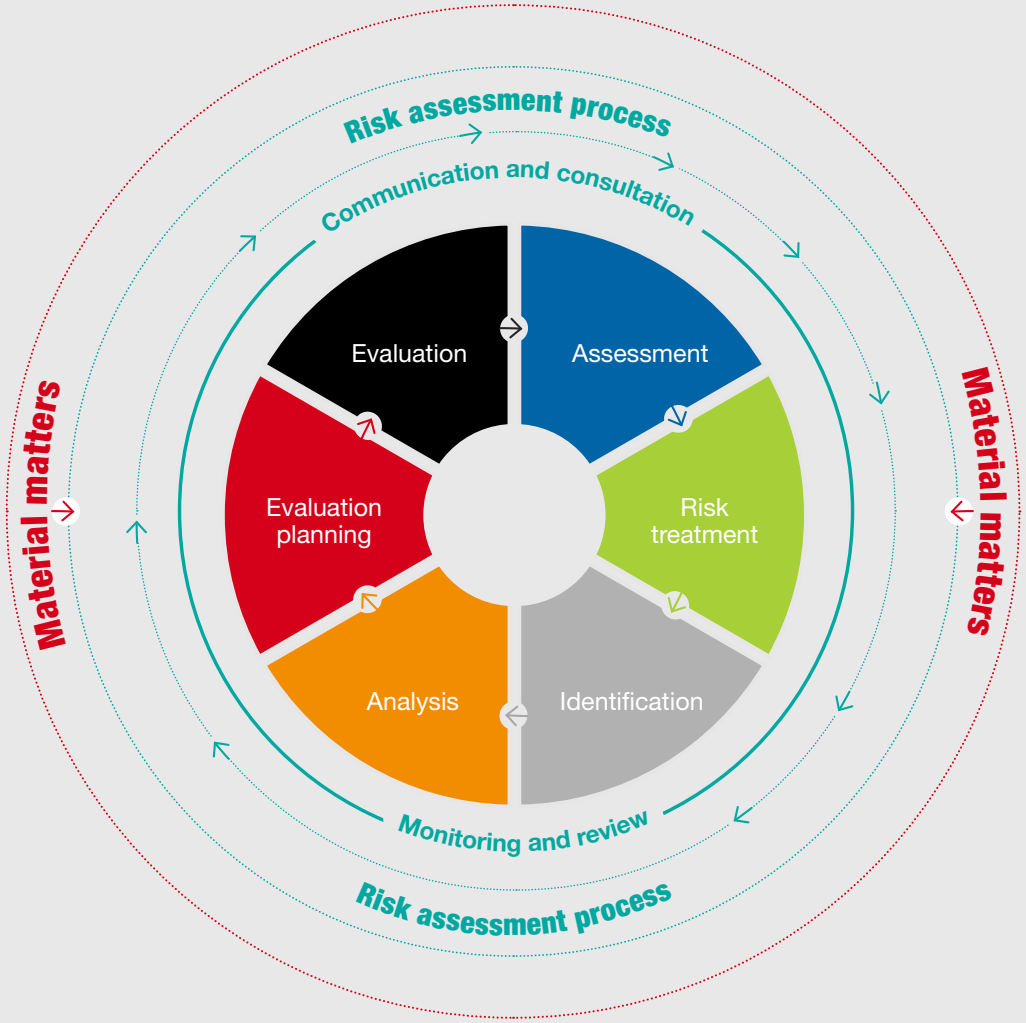
- The short, medium and long-term effect of climate change on our business operations, customers and communities

# Trade-offs

To keep our distribution centres and stores operational during load-shedding, we invested significantly in maintaining our long-established fleet of generators and the diesel required to run them. The result is lower profit and dividend growth.

The Group's substantial capital investment falls into two categories: capital allocated to store refurbishment and expansion and distribution centre expansion to support the current growth, and capital investment in the future growth and sustainability of the Group. The benefits of the distribution centre infrastructure investment will only be felt by stakeholders over the medium term.

# Material matters and the risks and opportunities they create




## Governance of risks and opportunities

### Setting the scene

At Shoprite, we identify the matters material to our business and the risks and opportunities they create, and recognise that managing our risks and opportunities is key to business sustainability and achieving our strategic objectives.

Our Board assumes responsibility for oversight of risk governance and opportunities. It sets the direction for how we approach and address risks and opportunities, and mandates the Audit and Risk Committee to exercise ongoing oversight of Group activities related to enterprise risk management (ERM).

Together, the risks and matters material to our business reflect the issues that impact our ability to create long-term enterprise value. Our material matters are reviewed annually. Our risks are managed through the Board-approved ERM policy and framework. Both the identified material matters and risks are considered by the Board.

### Revised ERM framework

The Shoprite Group reviewed its ERM framework during the year under review. Notwithstanding the ISO 31000 foundation of the ERM framework, the review recognised the technological capabilities unlocked through the digitisation of our ERM process.

Some of the key improvements include:

- risk levelling (formalised the *Joint assessment* concept included in our 2022 Integrated Report)
- risk aggregation capabilities
- risk interrelationship capabilities
- formalised risk ownership.

**Material matters and the risks and opportunities they create** continued

Our Integrated Report should provide current and prospective providers of financial capital and other stakeholders with the information they need to assess the Shoprite Group's ability to be resilient, adapt to unanticipated challenges and create future enterprise value. To ensure we achieve this, we identify the matters most material to the Shoprite Group's ability to create, maintain or erode enterprise value through our annual materiality process, and we base our reporting on the results of this process.

We recognise that materiality is a dynamic concept, and we consider this during our annual materiality review process.

During the year under review, a comprehensive stakeholder engagement assessment and materiality determination process was conducted, adopting a double materiality approach to identify and prioritise matters that create value (inward-focused) and identify the Group's impact on society, communities and the environment (outward-focused).

## Our process

### 1 Inputs

We analyse and distil the feedback we receive from engaging with key stakeholders, which include:

- internal interviews with members of the Executive team and Board members and engagement with in-office and in-store employees conducted by independent external specialists
- external engagement with customers, suppliers, shareholders and financiers, regulators, communities and trade unions.

### 2 Assessing trends

- In our operating environment
- Their possible impact on our stock of financial, manufactured, intellectual, human, social and relationship and natural capitals
- Other factors material to our short, medium and long-term enterprise value

### 3 Analysing and distilling

We analyse and distil the material matters identified into those that can impact our business, and those that may result in our business impacting society and our external environment, and their role in creating, sustaining or eroding value

### 4 Agreeing on what is material

Presentation of Executive-approved material matters to our Board for approval

### 5 Outcome

The outcome of our materiality process informs our reporting

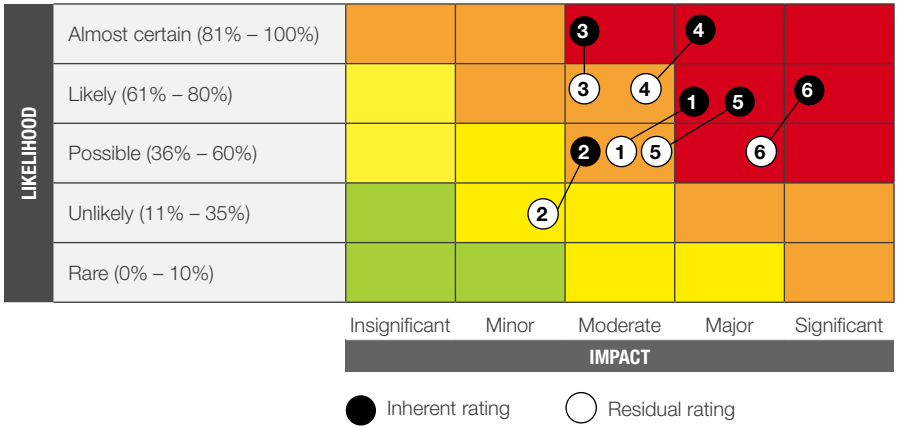
### 6 Our material matters

- The impact of technology, digitisation and data analytics
- The impact of failing infrastructure, poor service delivery, high unemployment and poverty
- An unreliable power supply
- A responsible and respected employer
- The need to be customer-centric
- Capital allocation to support investing through the cycle in challenging economic conditions
- A values-based ethical culture in our business
- The short, medium and long-term effect of climate change on our business operations, customers and communities
- The impact of pricing pressure on our supply chain
- The loss of scarce skills
- Cybersecurity risks associated with data theft and ransomware
- The continual increase in regulatory requirements

**The core risks associated with our material matters:**

| | |
|---|---|
| 1 | Non-compliance with laws and regulations |
| 2 | Weak internal controls over financial reporting |
| 3 | Stock losses (shrinkage and waste) |
| 4 | Breakdowns and interruptions in the supply chain |
| 5 | Unavailability of key systems |
| 6 | Information security including cyberrisk |

# Heat map of core risks




| Core risk | | Inherent risk rating | Residual risk rating | Risk distribution compared to the previous financial year: Residual risk trend |
|---|---|---|---|---|
| 1 | Non-compliance with laws and regulations | Critical 16 | High 9 | ⟷ |
| 2 | Weak internal controls over financial reporting | High 9 | Medium 4B | ⟷ |
| 3 | Stock losses (shrinkage and waste) | Critical 15A | High 12A | ⟷ |
| 4 | Breakdowns and interruptions in the supply chain | Critical 20A | High 12A | ↑ |
| 5 | Unavailability of key systems | Critical 16 | High 9 | ⟷ |
| 6 | Information security including cyberrisk | Critical 20B | Critical 12B | ⟷ |

## Core risk summary and general risk distribution

**Increased residual risk in focus**

### Impact

Pressure emanating from the energy crises on the operation of the Shoprite Group that affect both its upstream and downstream supply chains.

### Associated risk distribution

In addition to the impact of the energy crises on the residual risk of "Breakdowns and Interruptions in the Supply Chain", we have further recorded an increase in the following associated risk within our level 2 risk taxonomy:

| | | | | |
|---|---|---|---|---|
| 7 | Disruptions to energy supply and exposure to price volatility | Critical 20B | Critical 12B | ↑ |

**Core Risk Details (summative version)**

### Non-compliance with laws and regulations

Non-compliance with laws and regulations relevant to the business (incl. Consumer Protection laws, NCA, Competition law, Health and Safety laws, Pharmacy Act, Medicines Act, Companies Act, Employment Equity Act, Labour Relations Act and POPIA).

Risk tolerance: LOW

Control strength



### Weak internal controls over financial reporting

The risk of management and other financial reports being materially incomplete, inaccurate, or not being prepared timeously.

Risk tolerance: LOW

Control strength



### Stock losses (shrinkage and waste)

Stock losses may exceed tolerable thresholds because of inadequate physical security controls over inventory, failure to rotate stock, break in cold chain, equipment failure, etc.

Risk tolerance: LOW

Control strength



### Breakdowns and interruptions within the supply chain

Certain macro or internal events may result in supply chain disruptions.

Risk tolerance: LOW

Control strength



### Unavailability of key systems

Key IT systems may be offline (due to service provider service failure, internet, and cloud services down, crashed servers, telecoms/ hardware/software failure, etc.) resulting in disruption to normal business operations.

Risk tolerance: LOW

Control strength



### Information security including cyberrisk

The business may be exposed to any act of omission that could result in IT information and/or information security being breached.

Risk tolerance: LOW

Control strength



None Partial Substantial Full

**Material matters and the risks and opportunities they create** continued

## THE SHOPRITE GROUP'S MATERIAL MATTERS

### The impact of technology, digitisation and data analytics

The Group's reliance on IT for the day-to-day operation of its business, as well as to optimise the business and take advantage of new opportunities, is made possible by our investment in technology and data analytics.

### The impact of failing infrastructure, poor service delivery, high unemployment and poverty

The Group's ability to respond to issues caused by these factors include how we approach negative impacts such as social unrest, food security and affordability, interruptions in the supply chain impacted by failing infrastructure and supply constraints.

### An unreliable power supply

Ensuring we can operate during load-shedding has a material impact on our operating costs. Load-shedding is affecting our suppliers as well, for example, in the agricultural, manufacturing and processing sectors, which could disrupt food supply.

### A responsible and respected employer

Providing fair and responsible remuneration that considers several factors including diversity, gender equality, skills, and competitive remuneration, plays a critical role in our business, which is reliant on people for execution of our day-to-day operations as well as progress on our future growth plans.

**Our response to the risks and opportunities associated with the material matters**

| Core risks | Our response to the risks and opportunities | Core risks | Our response to the risks and opportunities | Core risks | Our response to the risks and opportunities | Core risks | Our response to the risks and opportunities |
|---|---|---|---|---|---|---|---|
| 5 **Unavailability of key systems** | Business impact analysis of systems performed<br>Disaster recovery and business continuity plans for critical systems in place<br>Disaster and business recovery technology and procedures in place<br>Use our agility and speed to react quickly and appropriately to customer demand | 4 **Breakdown/ interruptions in the supply chain and customer service** | Ongoing business continuity planning, impact assessment. Implementation and maintenance of controls around supply chain security<br>Active link to the Group's loss prevention command centre<br>Diversification of supply chain and closer collaboration with suppliers | 5 **Unavailability of key systems**<br>7 **Disruptions to energy supply and exposure to price volatility** | Various disaster and business recovery technologies and procedures in place<br>Ongoing investment in cybersecurity to protect key systems and data<br>Use our agility and speed to react quickly and appropriately to customer demand<br>Investing in talent to ensure we have the skills we need | 1 **Non-compliance with laws and regulations** | Ongoing daily responsible business actions where any legal matter is escalated to the legal compliance function |
| 6 **Information security including cyberrisk** | Ensure we have people with the necessary skills in place<br>Controls aligned with industry best practice are constantly enhanced<br>We use best-in-class service providers and technology to supplement our internal skills | 3 **Stock losses (shrinkage and waste in particular)** | Effective use of enterprise resource planning (ERP) system to monitor and manage stock levels and losses<br>Explore use of new technology solutions | 4 **Breakdown/ interruptions in the supply chain and customer service** | Ongoing business continuity planning, impact assessment. Implementation and maintenance of controls around supply chain security<br>Diversification of supply chain and closer collaboration with suppliers | | |

**Material matters and the risks and opportunities they create** continued

## THE SHOPRITE GROUP'S MATERIAL MATTERS

### The need to be customer-centric

To achieve customer-centricity, we relentlessly focus on understanding and addressing our customers' needs, including delivery channels, speed, efficiency and tailor-made marketing. By expanding, adapting, and securing our supply chain, we have enhanced its resilience and agility to serve our customers' growing needs.

Delivering on our role as a responsible corporate citizen includes our responsible approach to environmental stewardship and our approach to encouraging consumer sustainability awareness through our 'Better for our planet' campaign.

### Capital allocation to support investing through the cycle in challenging economic conditions

Our Group's focus and execution of our strict capital allocation framework guides future investments that align to our ecosystem strategy and provides improved returns to our shareholders. This framework is essential to how we respond responsibly to our uncertain and volatile operating environment.

### A values-based ethical culture in our business

By implementing business policies, processes and responsible and responsive business practices, we are maintaining a value-based ethical culture in our business that protects it from unethical and corrupt behaviour and ultimately contributes to our social licence to operate.

### The short, medium and long-term effect of climate change on our business operations, customers and communities

Our sustainability strategy is focused on actively addressing our impact on the environment and society. It drives efficiencies in our operations through the efficient use of electricity and water; responsible waste management, including recycling and reducing food waste; responsible sourcing and reducing our impact on biodiversity. Our focus on these efficiencies is intended to reduce both our costs and our environmental impact. Our contribution to hunger relief and food security is a key element of our strategy. Recent severe weather events in the provinces of KwaZulu-Natal and the Western Cape, during which we provided assistance to the communities affected, have brought home to us that climate change is not in the future, it is with us now.

## Our response to the risks and opportunities associated with the material matters

| Core risks | Our response to the risks and opportunities |
|---|---|
| 4 **Breakdown/ interruptions in the supply chain and customer service** | Ongoing business continuity planning, impact assessment. Implementation and maintenance of controls around supply chain security<br>Active link to the Group's loss prevention command centre<br>Diversification of supply chain and closer collaboration with suppliers |
| 1 **Non-compliance with laws and regulations** | Ongoing, daily responsible business actions<br>All projects overseen by a central project management office |

| Core risks | Our response to the risks and opportunities |
|---|---|
| 2 **Weak internal controls over financial reporting** | Internal financial controls formalised, implemented controlled and supported by a formal review and attestation programme<br>A project steering committee and the Value Management Office oversee all projects and project benefits<br>Ensure governance processes in place to address associated risks |

| Core risks | Our response to the risks and opportunities |
|---|---|
| 3 **Stock losses (shrinkage and waste in particular**) | Effective use of ERP system to monitor and manage stock levels and losses<br>Further embed an ethical corporate culture |
| 1 **Non-compliance with laws and regulations** | Ongoing daily responsible business actions<br>By complying with laws and regulations, we maintain the good reputation of the Group's brands |

| Core risks | Our response to the risks and opportunities |
|---|---|
| 4 **Breakdown/ interruptions in the supply chain and customer service** | Ongoing business continuity planning, impact assessment<br>Implementation and maintenance of controls around supply chain security<br>Active link to the Group's loss prevention command centre<br>Diversification of supply chain and closer collaboration with suppliers |
| 5 **Unavailability of key systems** | Disaster recovery and business continuity plans for critical systems in place<br>Disaster and business recovery technology and procedures in place |

**Material matters and the risks and opportunities they create** continued

## THE SHOPRITE GROUP'S MATERIAL MATTERS

### The impact of pricing pressure on our supply chain

Building resilience in our supply chain to address pricing pressures and global and local food shortages.

### The loss of scarce skills

Our focus is on attracting, developing and retaining the skills we need, as well as meeting our succession planning requirements.

### Cybersecurity risks associated with data theft and ransomware

The organisation's effective response to protect itself and stakeholders against cybercrime, data theft, and ransomware is essential as the use of technology expands within the organisation, and as cyber criminals develop more sophisticated means to commit cybercrimes. This includes compliance with regulations focusing on data security and customer privacy.

### The continual increase in regulatory requirements

Meeting the increasing legislator and regulatory requirements is costly. To ensure we meet our commitments in this regard, the Group's Compliance Manager, supported by the Group legal department, oversees our compliance with the complex regulatory environments across 13 industries and 10 countries and ensures we maintain the good reputation of our brands. We use our technology to aid and verify our compliance.

### Our response to the risks and opportunities associated with the material matters

| Core risks | Our response to the risks and opportunities | Core risks | Our response to the risks and opportunities | Core risks | Our response to the risks and opportunities | Core risks | Our response to the risks and opportunities |
|---|---|---|---|---|---|---|---|
| 4 **Breakdown/ interruptions in the supply chain and customer service** | Ongoing business continuity planning, impact assessment<br>Implementation and maintenance of controls around supply chain security<br>Supply chain expansion to support uninterrupted supply of goods<br>Diversification of supply chain and closer collaboration with suppliers | 5 **Unavailability of key systems** | Investing in talent to ensure we have the skills we need<br>Opportunities for the historically disadvantaged to become skilled members of our IT team | 6 **Information security including cyberrisk** | Ensure we have people with the necessary skills in place<br>Controls aligned with industry best practice and constantly enhanced<br>We use best-in-class service providers and technology to supplement our internal skills | 1 **Non-compliance with laws and regulations** | The appointment of a dedicated second-line Group Compliance function<br>Maintenance of a regulatory alert system<br>Review and advice obtained on key legal and compliance impact from our Group legal department<br>Use of technology to aid business understanding and verification of key regulatory compliance |

# Combined assurance model

The Audit and Risk Committee oversees the effectiveness of our King IV-aligned combined assurance framework, together with the Group Risk Manager, Group Compliance Manager and the Internal Audit Executive. The aim of the framework is to provide the Board and its committees with oversight of the Group's risk mitigation activities and ensure that the organisation's resources are deployed effectively to derive maximum benefit for the Group.

**Shoprite Holdings Board**
Ultimately accountable for risk management

↓

**Audit and Risk Committee (ARC)**
Responsible for risk management process oversight. Makes recommendations on risk strategies, policies, appetite setting and governance

| First line of assurance | Second line of assurance | Third line of assurance | External assurance |
|---|---|---|---|
| **Line management business units**<br><br>**Own and manage risk and opportunity**<br>› Risk identification<br>› Risk assurance<br>› Strategy and actions to mitigate risk within policy<br>› Ensure compliance with policy<br>› Provide affirmation on risk exposures and mitigation | › Risk governance<br>› Technology and information governance<br>› Compliance governance<br>› Management Risk Forum<br><br>**Facilitates and oversees risk and opportunity**<br>› Governance<br>› Policy and appetite implementation and coordination<br>› Risk assessment approach methodology and tools<br>› Monitor risk exposure status and report to the ARC | › Internal auditors<br>› Internal forensic fraud examiners and auditors<br>› Cyber reviews<br>› Safety and process assessors<br>› Statutory actuaries<br><br>**Provides independent internal assurance**<br>› Periodic evaluation of effectiveness and compliance<br>› Independent view of risk management process<br>› Cyber reviews<br>› Independent assurance to the ARC and the Board | **Independent external assurance providers (inclusive of other external assurance providers)**<br>› External auditors<br>› Sustainability and environmental auditors<br>› External actuaries<br>› External forensic fraud examiners and auditors<br>› Regulatory inspectors<br><br>**Provides independent external assurance**<br>Similar to third line of assurance in terms of objectives but provided externally to the Group |

**Material matters and the risks and opportunities they create** continued

# Our enterprise risk management maturity

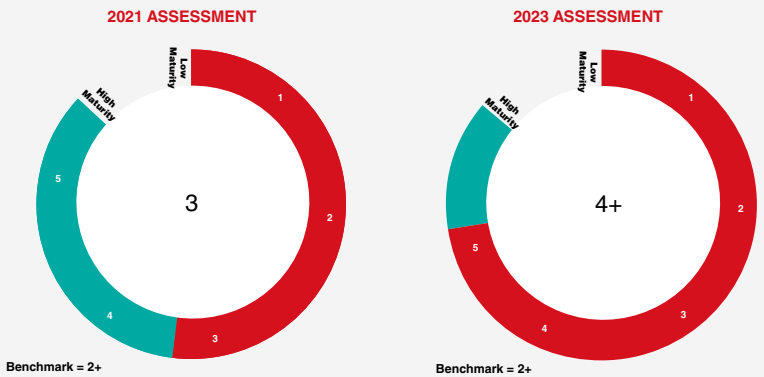
In line with our enterprise risk management (ERM) framework, the Shoprite Group performed a Gartner ERM maturity self-assessment to verify its current maturity and the progress we have made since the last survey in 2021. As we reported in the 2021 Integrated Report, our goal was to achieve an overall maturity assessment of level 4, which we have achieved in the year under review.

## Main assessment categories

The assessment result can be summarised across five main categories, and the improvement between 2021 and 2023 can be seen in the table below:

| Main assessment category | 2021 | 2023 |
|---|---|---|
| Align risk strategy and performance | 3 | 4+ |
| Ensure risk governance | 3- | 4+ |
| Manage ERM process | 4- | 5- |
| Ensure risk culture | 2 | 4- |
| Ensure regulatory compliance | 5 | 5 |

## Overall maturity improvement




## Manage risk management technologies

The Shoprite Group partnered with MetricStream, a global governance, risk and compliance software service provider to automate its ERM programme. The initial phase of this project was completed in FY 2023, which led to the implementation of five modules. In addition to the value of automation, we have been able to increase maturity in the following areas:

**Risk interrelationship management**

Formal relationships have been established between various risks, controls, objectives, areas of compliance, regulatory bodies, references, issues, internal audit findings, internal loss events, continuity arrangements and documented information. This provides for broad risk aggregation and more informed risk-based decision-making.

**Responsibility and accountability**

The system assigns formal accountability and responsibility at all levels that can be tracked and monitored.

## Maturity improvement programme

The Shoprite Group used the 2021 Gartner maturity assessment to develop an internal maturity improvement programme. The goal of the programme was to achieve a level 4 rating which has now been achieved. A basic overview of this programme has been included below:

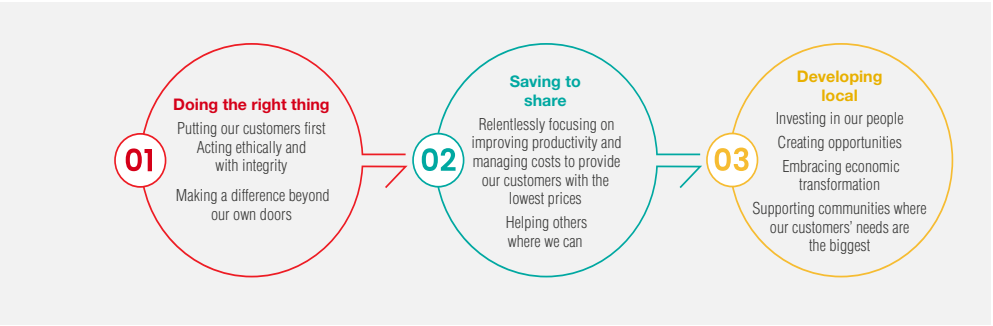
| Align risk strategy and performance | Ensure risk governance | Manage ERM process | Enhance risk culture |
|---|---|---|---|
| Engage in business resiliency (RP 01) | Design framework and policies (RP 02) | Manage emerging risks (RP 07) | Foster risk awareness (RP 09) |
| | Manage enterprise risk management staff (RP 03) | Report on risks (RP 08) | Assign accountability and ownership (RP 10) |
| | Manage liaison/champion network (RP 04) | | |
| | Develop enterprise skills and capabilities (RP 05) | | |
| | **Manage risk management technologies (RP 06)** | | |



# Stakeholder engagement

## Relationships are central to our purpose

Our values guide the behaviour necessary to fulfil our purpose and define how we do business.




The Shoprite Group identifies its key stakeholders, what matters to them and what matters to the Group, and the risks and opportunities arising from these matters through an independent survey and our assessment of relationships based on the outcome of our engagements. We address areas where our assessments indicate room for improvement in a relationship.

We design and implement engagement strategies and plans that will assist us in adding value to our business and stakeholders through our engagement.

## Our approach to engagement

Stakeholder engagement is a business imperative that requires participating and coordinating multiple functions and roles across the business. We apply integrated thinking and a strategic approach to maintaining and further developing our relationships in an increasingly complex environment.

## The value we want to deliver to our stakeholders



**Stakeholder engagement** continued




## Customers

**Saving to share:** Relentlessly focusing on improving productivity and managing costs to provide our customers with the lowest prices

### Why we engage

- To keep our customers informed
- To understand what our customers want in our core business activities
- To provide our customers with the opportunity to take advantage of special offers and new services

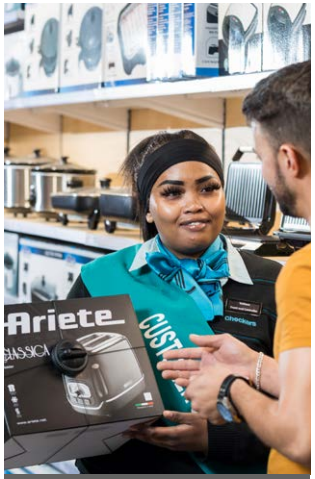
### How we engage

We use:

- traditional and new media channels
- daily in-store and online interaction
- Xtra Savings instant cash savings and personalised offers.

## Key matters in 2023 and how they were addressed

- **The impact of high inflation leading to food insecurity**
  *We have invested in lower prices to shield our most price-sensitive customers, and we offer a R5 loaf of bread and a range of R5 meals to our Shoprite customers, the price of which remained the same since 2016 and 2017, respectively.*
- **Shoprite's ability to manage the impact of global and local food shortages**
  *The Group has invested in additional inventory to protect its customers from food shortages.*
- **The Shoprite Group's ability to reduce risks and manage disruptions to the supply chain and customer service caused by an unreliable power supply (i.e. load-shedding)**
  *The Group has invested in a generator fleet in its stores and distribution centres (page 70), and teams managing the fleet. It has secured access to the diesel necessary to run the generators.*
- **The Shoprite Group's commitment to providing affordable products and services in a high-inflation environment**
  *The Group's Supermarket RSA internal food price inflation of 10.1% remains below the official food inflation of 12.3%.*
- **The availability of healthy and nutritious food choices across the Shoprite Group's food store brands**
  *Our supermarkets carry healthy and nutritious food such as the Simple Truth range in Checkers stores, including fresh fruit and vegetables, with a focus on plant-based ranges and the healthy food offered by our partners, Kauai in Checkers stores.*
- **Investing in and developing rewards programmes for all customers**
  *27.8 million Shoprite and Checkers customers signed up for our Xtra Savings rewards programme (page 72 and 73). In May 2023 we started piloting Xtra Savings Plus, a new monthly subscription plan that gives customers unlimited free deliveries from Checkers Sixty60, 10% off one in-store shop per month and double personalised offers, and launched it to customers after year end.*
- **Ensuring we constantly prioritise customer health and safety**
  *The Group focuses on providing a safe and healthy environment for both its employees and customers and prioritises food safety (page 80).*
- **The Shoprite Group's focus on ensuring the privacy of our customers**
  *The Group takes the privacy of its customers' data very seriously and continues to invest in industry best practice technologies and processes. These range from industry-leading identity platforms to an array of security technologies and processes that continue to protect, test and adapt across this ever-changing landscape.*
- **Promoting a culture that offers protection from unethical and corrupt behaviour, including theft**
  *Our Board endorses the Group's ethics in a way that supports the establishment of an ethical culture.*




## Employees

**Developing local:** Investing in our people

### Why we engage

- To keep employees informed, engaged and productive
- To understand and respond to their concerns and expectations
- To embed our Board-approved Code of Conduct
- To live our values

### How we engage

- SiyaRinga, an internal direct digital communications platform to which 91 782 employees signed up by 2023, a 12.1% increase (FY 2022: 81 877)
- Online information channels
- Operational management, with the support of the people team, address matters relevant to a particular operational area

## Key matters in 2023 and how they were addressed

- **The Group's commitment to its people, including growing and developing our employees**
  *The Group provided 2.9 million training hours in 2023*
- **Our commitment to employee diversity and equality**
  *3.6 percentage points growth year on year in black membership of our top management team in South Africa. 1.7 percentage points growth year on year in the number of women who make up our top management team. 0.2 percentage points increase year on year in the number of our employees who are black.*
- **The Group's focus on managing labour relations in a fair and consistent manner**
  *The Group engages in good faith with the bargaining unit.*
- **The Shoprite Group's commitment and contribution to job creation**
  *The Group created an additional 8 131 jobs this year and appointed 3 718 (FY 2022: 2 999) of the unemployed youth that we trained.*
- **The fair and responsible remuneration of our employees**
  *In 2022, the Group established an internal Shoprite minimum wage higher than the prescribed national minimum wage per hour and further increased the minimum wage of cashiers.*
- **Providing an engaging work environment for all employees**
  *The Group launched Our Shoprite Leadership Way to ensure that leaders understand and are equipped to create a more engaging environment.*
- **Promoting a culture that offers protection from unethical and corrupt behaviour, including theft**
  *The Group's values of doing the right thing include acting ethically and with integrity.*
- **Our commitment to responsible and responsive business practices**
  *The Group's Social and Ethics Committee is responsible for monitoring the Group's business practices and ensuring they are accountable and responsive.*
- **The Shoprite Group's ability to manage the impact of the talent war, resulting in scarcity of the labour pool and ensuring the Group is meeting its succession planning requirements**
  *The Group's talent acquisition team is being successful at attracting talent and leaders with the skills we need.*
- **Shoprite's efforts and commitment to employee transformation**
  *The racial diversity covered in the Our people section on page 75 talks to transformation, as does the Group's commitment to preparing previously disadvantaged South Africans for career opportunities through learning and development.*

**Stakeholder engagement** continued




## Communities

**Doing the right thing:** Making a difference beyond our own doors

**Developing local:** Supporting communities where our customer needs are the biggest

### Why we engage

- To maintain regular, open and transparent engagement through community engagement structures
- To avoid misunderstandings
- To understand community needs and communicate our ability to address them

### How we engage

- A dedicated social investment team engages with community members and structures through our community programmes

## Key matters in 2023 and how they were addressed

- **Shoprite's efforts and commitment to employee transformation**
  *The racial diversity covered in the Our people (page 75) section talks to transformation, as does the Group's commitment to preparing previously disadvantaged South Africans for career opportunities through learning and development.*
- **Shoprite's commitment to being a responsible corporate citizen and promoting environmental stewardship**
  *The Group's purpose includes protecting our planet, and we are making good progress with reducing our waste to landfill, increasing our use of renewable energy, reducing our GHGs and our water consumption.*
- **Contribution to hunger relief and food security, including the funding of community food gardens, Mobile Soup Kitchens and early childhood development centres**
  *Hunger relief and food security (page 81) is a focus of our CSI programme.*
- **The extent to which the Group supports unemployed youth through skills development and the creation of jobs**
  *The Group's investment and the outcome is reported on in the Our role in society (page 75) section of this report.*

## Suppliers

**Doing the right thing:** Acting ethically and with integrity

### Why we engage

- To communicate contractual terms and the Group's approach to ethics
- To inform suppliers of our commitment to environmental stewardship and our role in society and understand how they are doing on addressing their impact on climate change
- To help SMMEs and previously disadvantaged businesses take advantage of procurement opportunities

### How we engage

- One-on-one supplier/buyer relationships and a dedicated onboarding process
- Our integrated ERP system provides a platform for managing our ongoing contractual arrangements and transactions through a supplier portal
- The establishment of Shoprite Next Capital provides SMMEs with easier entry into the Group's retail market with direct access to buyers that understand their needs combined with personalised growth plans that will assist suppliers to gradually scale up their businesses
- Supplier Code of Conduct

## Key matters in 2023 and how they were addressed

- **Our ability to address pricing pressures at all stages of the supply chain**
  *Real-time integration between our business and suppliers helps both parties manage product supply and delivery effectively.*
- **The impact of load-shedding on agricultural production costs and food supply**
  *Load-shedding affects the ability of farmers to water their fields or process livestock timeously, which affects the food supply. The Group engages with suppliers to assist with these challenges.*
- **The impact of breakdowns or interruptions on our business and customer service**
  *Breakdowns or disruption in the supply of products to our business impact our ability to stock the shelves and serve our customers, which we are addressing through investing in increased inventory.*
- **Promoting a culture that offers protection from unethical and corrupt behaviour including theft**
  *The Group is committed to living its values, which include acting ethically and with integrity. It does not tolerate unethical behaviour and provides a toll-free, independently managed, anonymous hotline for reporting any unethical behaviour. During FY 2023 we introduced a Group-wide Supplier Code of Conduct.*

**Stakeholder engagement** continued



## Shareholders, investors and financiers

**Doing the right thing:** Acting ethically and with integrity

### Why we engage

- To understand and respond to the requirements of our shareholders and their value-creation expectations
- To identify shareholder concerns and in turn improve our interactions, reporting and engagements
- To effectively communicate the Group's business case to maintain our shareholder base, while also attracting new shareholders
- To achieve the best rating for our shares to create value for our shareholders

### How we engage

- SENS announcements via the JSE including first quarter, half-year and full-year operational (sales growth) updates, interim and annual webcast results presentations, and full results commentaries
- One-on-one and group investor meetings with our Group CEO, CFO, Chief of Strategy and Head of Investor Relations
- Store and site visits with fund managers and analysts
- Executive management attendance at fund manager conferences (both locally and offshore)
- Annual General Meeting (AGM)
- Board Chairman and RemCo Chairman engagements with shareholders ahead of AGM
- First quarter period market call post-AGM

## Key matters in 2023 and how they were addressed

- **Sustaining leading sales growth and market share growth, and improving the Group's returns**
  *The Group's customer-led segmentation strategy allows our major trading banners to focus on the needs of their respective customers and grow in their respective markets. The performance of the Group is outlined in the CEO's review (page 15), Our strategic priorities (page 11) and the Financial review (page 46).*
- **The Group's investment in technology and data analytics and how that translates to sales and other income growth for the Group**
  *The impact of the Group's innovation and investment in technology is addressed in the Digital strategy and mindset (page 72) section and how this translates to other income is also addressed in the CEO's review (page 15), Financial review (page 46) and Our strategic priorities (page 11). Our approach to information and cybersecurity is to be found in the Our digital strategy and mindset section of this report (page 72).*
- **Risk management and business continuity capabilities, particularly within the context of load-shedding**
  *The Group's investment in increased security around high-risk campuses, its investment in generators across its core supermarkets segment and the increase in our insurance cover to protect our business demonstrates our ability to address these conditions and support business continuity.*
- **The financial implications of load-shedding are significantly impacting our operating costs (diesel expense and repairs and maintenance) and to a lesser extent capital expenditure**
  *The financial implications of load-shedding are addressed in the CEO's review (page 15), Financial review (page 46), Supply Chain and Replenishment section on page 70 of this report.*
- **The fair and responsible remuneration of our employees accounting for minimum wage, gender and competitive remuneration**
  *This is addressed in Our people (page 78) and the Remuneration review (page 89).*
- **The risk and potential consequences of weak internal controls over financial reporting**
  *The Chairman of our Audit and Risk Committee has confirmed the effectiveness of our internal controls (page 40 and 44).*
- **The composition, integrity and effectiveness of our Board**
  *This is addressed in the Governance (page 39) section of the report.*
- **The impact of our operations on climate change and our commitment to environmental responsibility**
  *Our responsible approach and ongoing efforts to address this impact is addressed in the Environmental stewardship (page 85) section of the report.*

**Stakeholder engagement** continued




## Regulators

**Doing the right thing:** Acting ethically and with integrity

### Why we engage

- To provide input into policymaking and the development of regulations
- To ensure adherence to regulatory compliance
- To foster trust and maintain regulatory licences
- Collaboration opportunities with government

### How we engage

- Through a formal risk-based compliance process
- Participation in industry forums and provision of information to proactively contribute to policy developments

### Key matters in 2023 and how they were addressed

- **Shoprite's focus on information security including mitigating cyberrisks and protecting the personal information of our stakeholders**
  *Our approach to information security is addressed in the Digital strategy and mindset (page 72) section.*
- **Shoprite's efforts and commitment to employee transformation**
  *These are addressed in the Our people (page 75) section.*
- **The Group's commitment to ensuring occupational health and safety**
  *This is addressed under the Customers (page 79) and Our role in society (page 75) section.*
- **The risk and potential consequences of weak internal controls over financial reporting**
  *This has been addressed in the Shareholders, investors and financiers (page 33) section.*
- **The composition, integrity and effectiveness of our Board**
  *Addressed under the Shareholders, investors and financiers (page 33) section.*
- **The impact of our operations on climate change and our commitment to environmental responsibility**
  *Addressed under the Shareholders, investors and financiers (page 33) section.*
- **Shoprite's efforts to ensure compliance with complex regulatory environments**
  *We manage our compliance with legislation and regulations through formal risk-based compliance processes.*
- **Ownership and control of the business including transformation improvements**
  *Ownership and control of the business is handled under Shareholder analysis (page 115).*
- **Our efforts to ensure tax transparency**
  *These are addressed in the Governance (page 39) section of this report.*
- **Efforts to ensure environmental and socio-economic compliance**
  *We follow the compliance recommended by the Global Reporting Initiative (GRI), the Task Force for Climate-related Financial Disclosure (TCFD), the CDP and the SASB.*

## Trade unions

**Doing the right thing:** Investing in our people

### Why we engage

- To understand and respond to their concerns and expectations, we regularly engage with unions
- To maintain a healthy relationship with our bargaining unit

### How we engage

- Continuous consultation and engagement on relevant operational activities and changes
- As the only South African retailer who is a signatory of the UNI Global Union, a global union federation

### Key matters in 2023 and how they were addressed

- **Our commitment to employee diversity and equality**
  *Addressed under the Employees section and the Our people section.*
- **The Group's focus on managing labour relations in a fair and consistent manner**
  *Addressed through a continuous engagement process and the Group's focus on mitigating the risk of labour disputes.*
- **The Group's efforts and commitment to employee transformation and contribution to job creation**
  *Addressed through an aggressive growth plan for new store openings, supported by a robust and accredited framework of learning, youth preparedness programmes and enhanced succession planning to accelerate transformation.*
- **The Group's commitment to ensuring occupational health and safety**
  *The unions are informed of the Group's actions to ensure the occupational health and safety of employees.*
- **The fair and responsible remuneration of our employees**
  *Long-term substantive agreements have been reached in this regard with the bargaining unit.*
- **Promoting a culture that offers protection from unethical and corrupt behaviour, including theft**
  *Our values promote a culture of doing the right thing and acting ethically and with integrity.*

  *Our employees who need protection from reporting suspected corrupt or unethical behaviour have access to an anonymous, independently managed toll-free hotline.*

# Leadership


Our Board 36
Value-creating governance 40





*Checkers Foods Franschhoek, Western Cape province*

# Our Board

## Independent Non-executive Directors



### Wendy Lucas-Bull (70)

**Chairman:** Board and Nomination Committee

**Committee membership:** Finance and Investment, Remuneration, and Social and Ethics*

**Invitee:** Audit and Risk Committee

**Qualifications:** BSc

**Date of appointment:** 1 October 2020

**Skills and experience:** Wendy has extensive banking and widespread financial sector experience, as well as expertise as chairman and non-executive director on company boards across multiple industries in both the private and public sectors. Her professional experience includes being an international partner at Andersen Consulting (now Accenture), executive director of RMB Holdings Ltd and chief executive of FirstRand Ltd's retail businesses, including First National Bank, WesBank, OUTsurance, Firstlink and First National's African subsidiaries. Her most recent directorships include Chairman of ABSA Group and ABSA Financial Services.



### Nonkululeko Gobodo (63)

**Lead Independent Director**

**Chairman:** Social and Ethics Committee

**Committee membership:** Audit and Risk, and Nomination

**Qualifications:** CA(SA), BCompt (Hons)

**Date of appointment:** 11 May 2021

**Skills and experience:** Nonkululeko is a pioneer in her field, having established SizweNtsalubaGobodo (SNG), the largest black-owned accounting firm in South Africa. Recognition of her more than 36 years of executive experience in accounting and business includes the Lifetime Achievement Award: Excellence in Accountancy – SA Professional Services Award (2014). Her extensive experience as a board member includes serving on the boards of the Clicks Group Ltd and Mercedes Benz South Africa Ltd.

**Significant directorships:**
- PPC Ltd
- Lesaka Technologies Inc (listed on the Nasdaq)



### Peter Cooper (67)

**Chairman:** Remuneration Committee

**Committee membership:** Finance and Investment, and Nomination

**Qualifications:** CA(SA), BCom (Hons), H.Dip Tax Law

**Date of appointment:** 11 August 2021

**Skills and experience:** Peter retired from his 40-year career in financial services and corporate finance as the chief executive officer and chief financial officer of RMB Holdings and RMI Holdings. He has gained extensive board and governance experience during the 25 years that he served on the boards and committees of several major companies including Discovery, FirstRand, OUTsurance and Imperial Logistics.

**Significant directorships:**
- Momentum Metropolitan Holdings Ltd



### Linda de Beer (54)

**Chairman:** Audit and Risk Committee

**Committee membership:** Finance and Investment

**Qualifications:** CA(SA), MCom (Tax), CD(SA)

**Date of appointment:** 11 May 2021

**Skills and experience:** Linda's background is in technical accounting, corporate governance, JSE Listings Requirements and international standard setting. She currently chairs the Public Interest Oversight Board (PIOB), based in Spain, which oversees the setting of international standards for accountants and auditors, and serves on the board of trustees of the International Valuations Standards Council in London. She is an honorary professor (professor in practice) at the University of Johannesburg. Previously, she was a member of the King Committee on Corporate Governance and chairman of the Financial Reporting Investigations Panel of the JSE.

**Significant directorships:**
- Aspen Holdings Ltd as well as some subsidiaries in the Aspen Group
- Momentum Metropolitan Holdings Ltd



### Graham Dempster (68)

**Committee membership:** Audit and Risk and Finance and Investment

**Qualifications:** CA(SA), BCom, Harvard Business School AMP

**Date of appointment:** 15 November 2021

**Skills and experience:** Graham has over 35 years of experience in the banking and financial services industry both in South Africa and internationally. He served as an executive director of the Nedbank Group from 2009 to 2015.

**Significant directorships:**
- Lead independent director Sun International Ltd

** Stepped down as a member of the Social and Ethics Committee on 18 May 2023 but continues to attend meetings as an invitee.*

**Our Board** continued

## Independent Non-executive Directors continued



### Dawn Marole (63)

**Committee membership:** Social and Ethics

**Qualifications:** BCom (Acc), MBA, DTE

**Date of appointment:** 4 March 2022

**Skills and experience:** Dawn, an experienced corporate executive and human resources director, is the executive chairman of the investment holding company, Executive Magic. She has served on various boards, including the MTN Group Ltd, Kumba Resources Ltd, the Development Bank of Southern Africa, JP Morgan Sub-Sahara and the Presidential Review Committee. She is a member of the Presidential State-Owned Enterprises Council and serves as chairman of Datika Capital Investments, as well as being a board member of Richards Bay Minerals (Pty) Ltd.

**Significant directorships:**
- Resilient REIT Ltd
- Santam Group Ltd



### Sipho Maseko (55)

**Qualifications:** BA (LLB)

**Date of appointment:** 27 June 2023

**Skills and experience:** Sipho is an experienced executive, having held the position of chief executive officer at BP Africa for most of the over 10 years he spent with the company. He also held the position of chief executive officer of Telkom for nine years. He was chairman of SAPREF, a non-executive director of Afrox Ltd, is currently an advisory board member of the Centre for Development and Enterprises, serves on the board of Airlink and is the chairman of Heidrick & Struggles.



### Prof. Hlengani Mathebula (56)

**Qualifications:** BA, BTh (Hons), Master of Management, Entrepreneurship and New Venture Creation, PhD

**Date of appointment:** 27 June 2023

**Skills and experience:** Hlengani is an experienced executive, having held executive positions at South African Revenue Service (SARS), FNB, Absa and the South African Reserve Bank. He is currently Professor of Strategy, Finance and Investment at the University of Limpopo's Turfloop Graduate School of Leadership. He was previously a board member of BMW SA, chairman of the Eskom Pension and Provident Fund, chairman of the African Leadership Group and is a founding member of the Ignite Africa Advisory Group.

**Significant directorships:**
- Independent non-executive director of the Health Professionals Council of SA
- Chairman of the Media Development and Diversity Agency
- Chairman of the Black Business Executive Circle



### Paul Norman (57)

**Committee membership:** Audit and Risk**, Remuneration, and Social and Ethics***

**Qualifications:** MA Psych, MBA

**Date of appointment:** 4 March 2022

**Skills and experience:** Paul has extensive experience in the corporate affairs and human resources fields and has worked in the transport and telecommunications industries. He is currently the group chief human resources officer of the MTN Group and serves on several MTN Group subsidiary boards. He is a past board member of the Chartered Accountants Medical Aid Fund (CAMAF).



### Eileen Wilton (64)

**Committee membership:** Audit and Risk and Social and Ethics

**Qualifications:** BCom, PGDDB, CD(SA)

**Date of appointment:** 11 August 2021

**Skills and experience:** Eileen has served as the chief information officer of Anglo American Plc, Old Mutual Ltd and chief executive officer at Gijima Holdings (Pty) Ltd. She has over 20 years of working experience in various industries, including financial services, mining and ICT, resulting in her gaining extensive experience at both operational and strategic levels. She is an expert in enterprise ICT, outsourcing, SAP, cloud computing, digital strategies, digital marketing and innovation. She serves on the board the International Women's Forum of South Africa (IWFSA) to promote the interests of and debate around gender diversity, and she is chairman of Edulution, a non-profit company that has developed significant track record developing the mathematics and IT literacy skills of primary school children in the rural areas of southern Africa.

**Significant directorships:**
- Growthpoint Properties Ltd
- Sasfin Holdings Ltd
- Sasfin Bank Ltd
- Institute of Directors South Africa (IoDSA) NPC

** *Stepped down as a member of the Audit and Risk Committee on 1 September 2022.*
*** *Joined the Social and Ethics Committee as a member on 1 September 2022.*

**Our Board** continued

## Non-executive Directors



### Dr Christo Wiese (82)

**Chairman:** Finance and Investment

**Committee membership:** Nomination and Remuneration

**Qualifications:** BA, LLB, DCom (hc)

**Date of appointment:** 30 October 1991

**Skills and experience:** Christo has over 50 years of business experience, having served as an executive director of PEP Stores Ltd prior to practising law at the Cape Bar for some years. He has served as the chairman of Pepkor Holdings Ltd since 1981 and served as the Chairman of the Shoprite Holdings Board from 1991 to 16 November 2020.

**Significant directorships:**
- Brait SE Ltd
- Tradehold Ltd
- Invicta Holdings Ltd



### Adv. Jacob Wiese (42)

**Alternate director**

**Qualifications:** BA Stellenbosch, M International Economics (Milan), LLB UCT

**Date of appointment (as alternate director):** 19 September 2005

**Skills and experience:** Jacob was admitted as an Advocate of the High Court in 2009. He serves on various boards and is an alternate director of Tradehold Ltd. He is currently involved with the management of Lourensford Wine Estate.

**Significant directorships:**
- Invicta Holdings Ltd
- Fairvest Ltd

## Executive Directors



### Pieter Engelbrecht (54)

**Chief Executive Officer**

**Qualifications:** CA(SA), BCompt Hons

**Date of appointment:** 1 January 2017

**Experience with the Group:**
- Joined the Group in 1997
- Alternate Director of Shoprite Holdings Ltd and Chief Operating Officer of Shoprite Checkers (Pty) Ltd from 2005 to 31 December 2016
- Appointed to the Board of Shoprite Holdings and as Chief Executive Officer on 1 January 2017



### Anton de Bruyn (52)

**Chief Financial Officer**

**Committee membership:** Social and Ethics

**Qualifications:** CA(SA), BCompt Hons

**Date of appointment:** 2 July 2018

**Experience with the Group:**
- Joined the Group in 2000
- Appointed to the Board of Shoprite Holdings and as Chief Financial Officer on 2 July 2018
- Appointed as a director of Shoprite Checkers (Pty) Ltd in July 2018
- Serves on the boards of various other Group subsidiaries

**Our Board** continued

## Board and committee attendance

| | Board meetings | Annual General Meeting | Committee meetings: ARC | Nom Co | Rem Co | SEC | Invest Co |
|---|---|---|---|---|---|---|---|
| **Independent Non-executive Directors** | | | | | | | |
| Wendy Lucas-Bull | 6/6 | 1/1 | 5/5* | 2/2 | 4/4 | 3/3** | 2/2 |
| Nonkululeko Gobodo | 6/6 | 1/1 | 5/5 | 2/2 | | 3/3 | |
| Johan Basson*** | 1/1 | 1/1 | 3/3 | | | | 1/1 |
| Peter Cooper | 6/6 | 1/1 | | 2/2 | 4/4 | | 2/2 |
| Linda de Beer | 6/6 | 1/1 | 5/5 | | | | 2/2 |
| Graham Dempster | 6/6 | 1/1 | 5/5 | | | | 2/2 |
| Dawn Marole | 6/6 | 1/1 | | | | 3/3 | |
| Anna Mokgokong*** | 1/1 | 1/1 | | 1/1 | 1/1 | 1/1 | |
| Paul Norman | 6/6 | 1/1 | 2/2**** | | 4/4 | 2/2**** | |
| Joseph Rock*** | 1/1 | 1/1 | 3/3 | | 1/1 | | |
| Eileen Wilton | 6/6 | 1/1 | 5/5 | | | 3/3 | |
| **Non-executive Directors** | | | | | | | |
| Dr Christo Wiese | 5/6 | 1/1 | | 2/2 | 3/4 | | 2/2 |
| **Executive Directors** | | | | | | | |
| Pieter Engelbrecht | 6/6 | 1/1 | | | | | |
| Anton de Bruyn | 6/6 | 1/1 | | | | 3/3 | |
| Ram Harisunker*** | 1/1 | 0/1 | | | | | |

The Deputy CEO, Chief People Officer, Chief Innovation and Strategy as well as the Head of Investor Relations attend Board meetings as standing invitees, while other members of management and advisers attend relevant committee meetings by invitation as and when required.

* *Attend Audit and Risk Committee meetings by invitation.*
** *Stepped down as member of the Social and Ethics Committee, effective 18 May 2023 but continues to attend meetings as invitee.*
*** *Retired from the Board, effective 14 November 2022.*
**** *Redeployed from the Audit and Risk Committee to the Social and Ethics Committee, effective 1 September 2022.*

## Board performance

Board and committee performance reviews are conducted every second year. An independent service provider conducted a formal Board and Committee assessment in June 2022. This evaluation concluded that (i) the overall performance of the Board of Directors was good, and it functioned effectively, (ii) there was strong adherence to good corporate governance, and (iii) the restructuring of the Board over the previous two years had strengthened the independence of the Board significantly.

**An appropriate mix of knowledge, skills and experience to guide and support the Group's achievement of its purpose and long-term strategy**

The three-year process of restructuring our Board began with the appointment of Wendy Lucas-Bull as independent Chairman in 2020. The restructuring was completed in June 2023 with the appointment of two additional Independent Non-executive Directors, Sipho Maseko and Prof. Hlengani Mathebula.

Under the guidance of the Chairman, we added suitably experienced and skilled Independent Non-executive Directors. We built a knowledgeable, diverse and sufficiently independent Board to discharge its governance roles and responsibilities and lead the Group ethically and effectively.

The new members of our Board appointed during 2021 and 2022 benefited from the corporate knowledge of three of our Independent Non-executive Directors who only retired at the Annual General Meeting in November 2022.

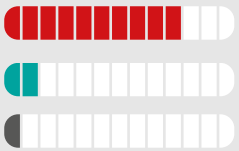
**Gender and race diversity**

The Group has adopted a Board gender and race diversity policy with voluntary targets for female and black/coloured Non-executive Director representation. In FY 2023, the Board approved a proposed increase in these targets from 30% to 40% for both female and black/coloured Non-executive Director representation.

With the appointment of two black male Independent Non-executive Board members towards the end of FY 2023, a near target representation was achieved on Total Board, while the target was exceeded for Non-executive Director representation.

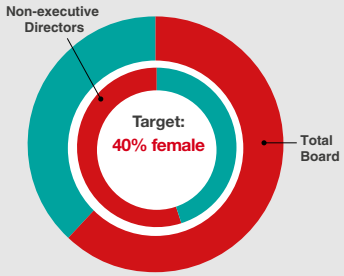
**Board tenure**

Experience and new insight




**The average age of our Board members is 62 years**

**Gender diversity**

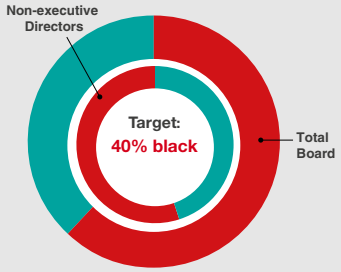



**Total Board**
**38%** Female (FY 2022: 40%)

**Non-executive Directors**
**45%** Female (FY 2022: 50%)

Female Male

**Racial diversity**

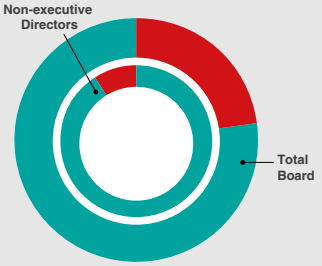



**Total Board**
**38%** Black/coloured (FY 2022: 40%)

**Non-executive Directors**
**45%** Black/coloured (FY 2022: 42%)

Black/coloured White

**The independence of our Board**




**Total Board**
**77%** Independent (FY 2022: 73%)

**Non-executive Directors**
**91%** Independent (FY 2022: 92%)

Independent Non-executive Directors
Executive/ Non-executive

# Value-creating governance

## The Board's governance philosophy

Shoprite views good governance as a business enabler and is committed to the highest governance standards, ethics and integrity.

We acknowledge the interdependent relationship between the Group and its stakeholders and have adopted a stakeholder-inclusive approach that balances the needs, interests and expectations of stakeholders with the best interests of the Group over time.

Our Board's governance oversight is guided by its commitment to its responsibilities and governance objectives achieved through applying the principles and practices articulated in the King IV Code and compliance with the JSE Listings Requirements.

We provide detailed disclosures in our full application of the King IV Principles online and the King IV Principles reference guide on page 127 of this report.

## The purpose of our approach to governance

The good governance that we aim to achieve by applying the King IV Code is:

- effective control
- an ethical culture
- good performance against strategy
- legitimacy through stakeholder inclusivity and the Group's role as a corporate citizen.

## The Board's leadership role

The Board of Shoprite Holdings sets the tone and leads the Group ethically, effectively and responsibly. When making decisions, individual Board members make sure they are well-informed, act independently, with courage, awareness and insight, and manage conflicts of interest, if any arise. The Board works together with the Executive team to deliver on our purpose. It steers the Group's strategic direction to create economic value for all our stakeholders in the short, medium and long term, and retains its flexibility to adapt rapidly to changing market conditions and to innovate. It guides and oversees the Group's performance in terms of the critical role the Group plays in society as a major employer, taxpayer, and contributor to transformation and economic growth.

## A clear balance of power and authority

Through the appointment of strong independent directors and the separation and clear definition of the roles and responsibilities of the Chairman and Chief Executive Officer, the Group has established a clear balance of power and authority at Board level.

## Governance structure

**The Board:**

- Approves the strategic direction taken by management and monitors its implementation
- Approves policy and planning
- Provides oversight and monitoring
- Ensures accountability
- Delegates authority to its committees through clearly defined mandates

**Providers of financial capital**

**Board of Shoprite Holdings**

**Company Secretary**

**Five Board committees**

**Committee charters**

The charters, which can be found on our website at www.shopriteholdings.co.za/governance.html, set out the committees':

- Composition
- Overall roles and responsibilities
- Delegated authority and reporting responsibilities

**Audit and Risk**
Monitors and oversees the integrity of the Group's financial and integrated reporting, the quality, integrity and reliability of its **risk and compliance management**, IT governance, information security and cyberrisk

**Social and Ethics**
Oversees the Group's performance as a responsible corporate citizen in the workplace and the **social and natural environments**

**Remuneration**
Monitors and oversees the Group's approach to remuneration is fair and responsible and that it promotes positive outcomes in the short, medium and long term

**Nomination**
Monitors and oversees that the preparation of formal succession plans are in place and identifies suitable candidates for the Board

**Finance and Investment**
Oversees major investments, disposals and acquisitions in line with Group strategy and capital allocation

## Our governance structures

Our governance framework positions the Board as the custodian of corporate governance and provides it with effective control of the business.

By effectively governing the Group and considering the interests of our stakeholders, our Board and management contribute to the Group's ability to create enterprise value in the short, medium and long term.

The Group comprises multiple operating platforms and subsidiaries. While encouraging alignment across our operating platforms and subsidiaries, our approach to governance recognises the separate juristic identity of our various legal entities. Our governance framework provides oversight of processes, policies and principles. It verifies that these are standardised as much as possible without deviating from the legal accountability of subsidiary boards and local jurisdictional obligations and requirements.

**Value-creating governance** continued

## The Board's collective responsibility for its primary governance roles

**Strategic direction** | **Accountability** | **Policy and planning** | **Oversight and monitoring**

### Board inputs




The Board's oversight and monitoring of performance **contribute value to the business and its stakeholders** by ensuring a fair and transparent approach

The Board sets and steers the strategic direction of the Group; delegates the formulation and development of the Group's short, medium and long-term strategy; sets the risk appetite and governs risk with the aim of supporting the achievement of a **good performance against strategic objectives**

Our governance framework provides the Board with **effective control**, which it uses to ensure business accountability

The Board approves business policies and plans that contribute to **value creation** through good governance, **corporate social responsibility** and an **ethical culture**

### Outcomes

**Effective governance leading to:**

- **Effective control**
- **Embedding an ethical culture**
- **Good performance against strategy**
- **Legitimacy**
- **Responsible corporate citizenship**
- **Stakeholder inclusivity**

**Value creation at a profit, planet and people level**

# Effective control

The Group's governance and delegation structures position our Board as the custodian of corporate governance and ensure Shoprite has adequate leadership structures in place.

These provide a solid foundation for our application of King IV, focusing on achieving the four corporate governance outcomes of an ethical culture, good performance, effective control and legitimacy.

Our governance practices facilitate the delegation of authority to the Board committees through which the Board provides guidance, monitors the functions of executive management and verifies that they apply its established governance policies and processes.

The Nomination Committee assessed the competence of the Company Secretary and recommended to the Board that he is sufficiently qualified to continue in this role.

All our directors are required to declare their interests through any shareholding or contracts with the Group, as well as any personal commercial interests that may relate to Board matters. They recuse themselves from any relevant discussions and meetings, in line with the requirements of the Companies Act.

## Governance designed to embed an ethical culture

Our Board is uncompromising regarding embedding and maintaining an ethical culture in our business. It mandates the Audit and Risk and Social and Ethics committees to monitor and oversee ethics management and the fight against fraud and corruption. The committees also ensure the relevant policies are embedded, revised where necessary, and, if deemed necessary, new Board-approved policies are drafted, and governance around the policies is measured.

The Group understands the power of ethical leadership to influence the actions of our employees and stakeholders and to support us in achieving our purpose. We have a zero-tolerance approach to corruption and unethical behaviour and will always act in good faith and as a responsible corporate citizen.

Ethics governance in Shoprite comprises several levels of defence:

- Board: ethical governance, oversight and approval of policies
- Executive management: setting the tone at the top and providing guidance, oversight, monitoring and control
- Management: implementing policies and managing employees' behaviour and continued compliance

The Social and Ethics Committee's role in promoting an ethical culture in the Group and providing oversight of the Group's efforts to embed an ethical culture is supported by our Code of Conduct. It meets the requirements of the Companies Act and various policies intended to embed an ethical culture, address conflicts of interest and protect whistle-blowers.

The Group's position on human rights has been formalised. We have reviewed our policy on sexual harassment to include broader aspects around good workplace practices, which is aligned with the South African Government's Code of Good Practice on the Prevention and Elimination of Harassment in the Workplace.

*Our ethics policies and guidance*

- Code of conduct
- Anonymous whistle-blower line
- Induction programme for new employees
- Group-wide Supplier Code of Conduct
- Policies designed to embed an ethical culture, address conflicts of interest and protect whistle-blowers
- Ethics awareness communication




*The fresh fish counter in Checkers, Rosebank Mall, Johannesburg.*

**Value-creating governance** continued

**Results of calls to our whistle-blower line**
Our employees understand that they are duty-bound to report any suspected breaches of our Code of Conduct. Our mature process includes an experienced investigation team in our loss prevention department that investigates and manages cases.

Our anonymous whistle-blowing line received 274 calls in the year under review, representing a 36.3% increase year on year. Most of the calls are related to human resources matters, irregularities in relation to Company policies and theft. Two hundred and forty-seven of the allegations received were investigated, and 25.5% of the calls proved to have merit and resulted in action being taken by our people department to address breaches of our Code of Conduct or were reported to the South African Police Service; 64.6% of calls had no merit. Developing a Group-wide Supplier Code of Conduct further embedded an ethical culture within the Group's value chain.

## Good performance

The Board is accountable for the performance of the Group; it considers all the elements of the value-creation process when steering the Group's strategic direction. It approves short, medium and long-term strategies and business plans. It maintains oversight of the Group's performance against its strategy and business plans, measuring its performance against agreed targets.

The Board also assumes responsibility for the Group's Integrated Report and Annual Financial Statements. It makes every effort to ensure that our reporting meets the needs of our stakeholders and complies with all legal and regulatory requirements. Information on our performance is available in How we create value and the Chief Executive Officer's review and Financial review.

## Legitimacy

### Stakeholder inclusivity

To achieve stakeholder inclusivity and contribute value to both the business and its stakeholders, our Board and management engage with the Group's stakeholders and take their interests, needs and expectations into consideration when making decisions that could impact our stakeholders and the Group.

### A responsible corporate citizen

The Social and Ethics Committee is responsible for monitoring and reviewing the Group's performance as a responsible corporate citizen, which includes focusing on:

- The human rights, safety, occupational health and wellness of our people
- Climate change and decarbonisation and our approach to environmental sustainability
- The future sustainability of the business
- Our interaction with and support of the communities in which we operate, including hunger relief, early childhood development, socio-economic development, skills development, employment and procurement from local historically disadvantaged South African businesses
- Ethical issues and the Group's ethics culture
- Monitoring and overseeing corporate risk in conjunction with the Audit and Risk Committee
- Compliance with relevant legislation and regulations

### Tax governance

The King IV Code's fundamental concept regarding tax is that the Board should be responsible for a tax policy compliant with the applicable laws, congruent with responsible corporate citizenship, and that takes account of reputational repercussions.

Our Group tax risk management policy outlines the Group's tax strategy and the fundamental principles applied to tax management across the Group. The Shoprite Group aims to achieve the following objectives:

- To pay the correct amount of tax legally due
- Not to take aggressive tax positions with a material risk of an adverse finding in court or which can cause damage to its corporate reputation
- Find opportunities to reduce the Group's overall tax burden within the parameters allowed by statutory regulations
- Submit and file all returns on time
- Identify and quantify risks and potential tax exposures as they arise and report to the correct level of assurance as stipulated in the Shoprite Group Risk and Escalation Policy
- To resolve queries and disputes from tax authorities timeously

The Group's transfer pricing policy, which addresses inter-group transactions across country borders, is reviewed annually.

The Shoprite Group manages all its tax risks in a manner intended to achieve compliance with all applicable tax legislation and reporting requirements and ensure that stakeholder value is created and sustained. Our goal is to ensure that we pay the correct amount of tax based on the most recent tax legislation applicable in the various jurisdictions in which we operate. We use several software tools in the Group to improve tax compliance and will continue to invest in tax compliance software improvements. We subscribe to several publications to keep us updated with the latest information.

The Group manages and reports on the effective tax rate in line with IFRS. Effective tax rates are reviewed quarterly, and significant deviations are investigated and reported.

**The governance and reporting structure in place to achieve and promote a responsible and transparent approach to tax**

**Shoprite Holdings Limited Board**

Our tax risk management policy derives its authority from the Board

**Audit and Risk Committee**

The committee oversees tax risk management

**Chief Financial Officer**

Accountable for the application of the Group's Board-approved tax policy in compliance with applicable tax legislation and reporting requirements

| Our tax contributions have significant economic and social impacts in the jurisdictions and communities we serve | |
|---|---|
| Total ZAR value paid in taxes | **R10.9 billion** |
| Profit taxes | **R2.7 billion** |
| Property taxes | **R48 million** |
| Product and services taxes | **R5.9 billion** |
| Planet taxes | **R111 390** |
| People taxes | **R2.2 billion** |
| ZAR amount collected through product, services and profit taxes on behalf of the government | **R4.8 billion** |
| Employment Tax Incentive scheme: ZAR amount claimed for qualifying employees | **R310 million** |
| Employment Tax Incentive scheme: Number of qualifying employees | **36 774** |

# What the Board's committees focused on in FY 2023

## Audit and Risk Committee

### Key focus areas in FY 2023

- During FY 2023, the committee, comprising mostly recently appointed members, made material strides in better understanding the control environment, systems and processes in relation to financial reporting and risk management. Enterprise risks were reviewed with core risks being identified by the Executive team and supported by the committee. Deep dives into each one of the six core enterprise risks were also undertaken to assess the controls and the role of the various assurance providers and functions in managing and mitigating these risks. This will become part of the committee's regular oversight role in FY 2024
- Cyberrisk and information security remain a focus area of the committee. To this end, the committee gained a deeper understanding of the key business systems and data, and the controls and business continuity plan in respect thereof. Ongoing emphasis was placed on responding to identified areas for improvement and to enhance the level of cyber maturity of the Group. In this regard, an Information Security Management Steering Committee was formed during the year

### Focus areas in FY 2024

- Enhancing the role of Internal Audit and optimising combined assurance functions and assurance providers
- Continuous focus on the political, economic and social environment in South Africa and its impact on the Group's core enterprise risks, financial performance and resilience

## Social and Ethics Committee

### Key focus areas in FY 2023

- A deep dive into environmental sustainability and climate change to gain an understanding of the impact of climate change on the Group as well as the impact of the Group's operations. This included an awareness and engagement session with the WWF on climate change and environmental sustainability
- Oversight of the Group's sustainability strategy and progress versus plan
- Compliance with the Ten Principles of the UN Global Compact
- Oversight of the Group's social impact in terms of community development and various initiatives assisting the communities where the business operates
- Deep dive into employment equity
- Monitoring of the Group's performance in terms of the Employment Equity Act and the B-BBEE Act
- Implementation of the Group's evergreen B-BBEE employee benefit trust (the Shoprite Employee Trust)
- Specific monitoring of the Group's employee transformation initiatives, targets and performance versus plan
- The activities in the enterprise and supplier development area including the establishment of Shoprite Next Capital
- Ensuring employees understand policies and the importance of complying with policies
- Monitoring of key health and safety measures including food safety and quality assurance
- Consumer relations and customer feedback
- Employee wellness, health and safety monitoring and employee feedback

### Focus areas in FY 2024

- Considering the various frameworks and guidelines with a view to deciding which of these are material to the Group's sustainability reporting
- Oversight of the Group's employment equity targets versus its plan together with continued monitoring of the Group's transformation initiatives
- Oversight of ongoing supplier development and Shoprite Next Capital
- Continuous focus on food safety and quality assurance
- Employee wellness, health and safety
- Monitoring the implementation of the leadership-centred cultural transition
- Development of the stakeholder framework

## Remuneration Committee

### Key focus areas in FY 2023

- Monitoring the financial impact for our employees of the distribution flows from the Shoprite Employee Trust, together with our efforts to further improve all pay levels above the legislated minimum wage
- Monitoring gender and race pay equity in the Group
- Engaging with shareholders on refinements to incentive schemes in areas where shareholders requested adjustment
- Continued refinement and adjustment of our remuneration structures to get to an outcome that drives our business best, with specific attention to the impact of major disruptors (e.g. load-shedding) on "in play" incentives
- Refinement of the future balance between short, medium and long-term incentive plans to give recognition to market realities
- Continued increase in all ESG remuneration targets, while recognising that our role as a responsible corporate citizen has become urgent short-term business imperatives in certain areas

### Focus areas in FY 2024

- Bedding down and implementing forward-looking long-term incentives that recognise current market imperatives
- Continued focus on the framework and model for gender and race pay equity
- Review strategic (critical skills) workforce plan, including forward-looking capacity requirements and its associated remuneration and retention strategies
- Engaging with shareholders on refinements to our incentive schemes

## Nomination Committee

### Key focus areas in FY 2023

- The committee continued to focus on succession plans for the CEO's direct reports and the Company Secretary, including transformation
- We identified and appointed two new Independent Non-executive Board members
- Board induction and continuous development at Board and Board committee level remained a focus of the committee

### Focus areas in FY 2024

- Oversight of the Executive succession plan, which includes transformation
- Continuous Board development
- Review strategic workforce plan (critical skills) and its associated remuneration and retention strategies
- Monitoring the leadership bench strength and capability required for the next three to five years

## Finance and Investment Committee

### Key focus areas in FY 2023

- Capital spend projects for 2023 – evaluate if in line with strategic objectives
- Investing through the cycle to support the achievement of our strategic objectives
- New business opportunities
- Sale of businesses in Africa
- Possible acquisition opportunities

### Focus areas in FY 2024

- Group annual budget and business plans
- Capital allocation to continue supporting the achievement of our strategic objectives

# Our performance


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*The Money Market counter in Shoprite Somerset Crossing, Somerset West, Western Cape province*

# Financial review

## for the 52 weeks ended 2 July 2023

**The success of the Group underscores its continued commitment to our agile business strategy and management of the challenging environment in which the Group trades.**



**Anton de Bruyn**
Chief Financial Officer

## The year in review

The Group delivered a commendable financial result in a year that was dominated by frequent load-shedding incidents, which significantly impacted the South African economic growth trajectory on the back of the COVID-19 pandemic and the social unrest experienced during July 2021. The success of the Group underscores the continued commitment to the agile business strategy and management of the challenging environment in which the Group trades. It required a team effort and my gratitude to my very competent and dedicated colleagues in finance, risk management, treasury, legal and IT who supported the business while maintaining our high reporting standards.

The results referred to in this commentary pertain to the Group's continuing operations after the restatement for the classification of the Group's Democratic Republic of the Congo (DRC) operations as discontinued operations in accordance with IFRS 5: Non-current Assets Held for Sale and Discontinued Operations as well as the reclassification of the Group's share of profit of equity-accounted investments, unless stated otherwise.

As a Group, we entrenched our lead as the largest and most profitable food retailer on the African continent in 2023, with sales increasing by 16.9% to R215.0 billion. Our gross margin remained resilient at 24.1% while cost growth of 18.6% was reported. The higher cost growth was on the back of a 36.7% increase in electricity and water costs for the period, as a result of a R1.3 billion spend on diesel costs in the Supermarkets RSA segment due to generator usage during higher stages of load-shedding (322 days of the year) experienced in South Africa. Cost management remains top of mind, and the growth excluding the additional diesel costs is testament to how management succeeded in balancing cost growth while not sacrificing the pursuit and execution of our plans to sustain, improve and grow our operations. For the period, the Group's earnings before interest, tax, depreciation and amortisation (EBITDA) measured R18.8 billion (restated FY 2022: R16.6 billion).

The Group follows a strict capital allocation model, and the 2023 financial year was no exception. During the period, the Group invested R6.8 billion back into the business, representing 3.1% of sales. If adjusted for the replacement capital spent relating to the social unrest of July 2021 and the initial refurbishments allocated to the operations as part of the acquisition of the 94 Massmart Holdings Ltd (Massmart) stores, the ratio was 3.0% which is in line with guidance. Return on invested capital (ROIC) excluding IFRS 16 measured 14.9% (restated FY 2022: 16.9%). The borrowings to equity ratio of 24.2% is below the Group's 25 to 30% target range and cash generated from operations in the amount of R18.2 billion reflects the Group's inherent cash-generative capability.

Headline earnings per share from continuing operations increased by 9.6% to 1 166.2 cents while diluted headline earnings per share (DHEPS) from continuing operations improved by 9.7% to 1 159.4 cents.

With this in mind, the Board has declared a final dividend of 415 cents per share, resulting in a full-year dividend of 663 cents per share. This is in line with the Group's 1.75 times dividend cover based on DHEPS from continuing operations and represents year-on-year dividend per share growth of 10.5%. The Group did not repurchase any shares under the authorised share buy-back programme in the current year in favour of preserving liquidity in the event of higher stages of load-shedding. Since the inception of the Group's share buy-back programme in our 2021 financial year, we have repurchased 8.4 million shares to the value of R1.5 billion. This equates to an average purchase price of R179.32 per share.

The Group was actively involved with various merger and acquisition transactions and divestments during the period and concluded the following key transactions:

- The Group acquired selected businesses from Massmart to expand its store footprint in South Africa with an effective date of 9 January 2023. The transaction led to the Group acquiring 94 stores, which have been rebranded as 51 Shoprite, 42 Shoprite LiquorShop and one Usave. Furthermore, the acquisition included 4 480 staff members joining the Group and contributed R2.4 billion to sales for the period. The fair value of the assets acquired is R662 million.
- In terms of the consolidation of our Supermarkets Non-RSA segment, the Group took the decision to exit its operations in the DRC during the year under review and the last store was closed at the end of December 2022. The loss for the period reported as part of discontinued operations was R185 million.

Areas of focus for the Group included the following:

| Key driver | Measurement |
|---|---|
| **Free cash flow** | The Group generated free cash flow of R11.5 billion after the impact of the additional R1.1 billion spent on diesel in the core Supermarkets RSA segment was taken into account. The operating cash flow conversion ratio for total operations, which is a representation of cash generated from total operations as a percentage of EBITDA from total operations, amounts to 99.1% for the year. A total of R3.4 billion was returned to shareholders through dividends, which amounts to a 10.5% increase on the prior year dividend. The Group remains dedicated to reinvesting in the business to bolster the sustained expansion of its long-term value proposition. |
| **Disposing of selected assets to unlock balance sheet value** | The Group has concluded the sale of its distribution centres in KwaZulu-Natal and Eastern Cape to the Retail Logistics Fund, the Group's property joint venture of which it owns 49.9%. The cash proceeds received for these transactions amounted to R882 million. |
| **Maintaining effective stockholding levels** | In-stock and on-shelf availability are two key metrics for the Group and in both cases, the operational teams were successful in achieving their targets. The impact of rising inflationary risk as well as the deterioration of supplier service levels cannot be ignored. Inventory as a percentage of sales improved to 11.7% driven by lower stock holding as a percentage of sales in Supermarkets RSA store outlets which improved to 8.0% (FY 2022: 9.0%). |
| **Maintaining trading margin** | Trading margin was 5.5% for the period compared to the restated 6.1% in the previous period. Excluding the impact of the additional diesel usage in Supermarkets RSA as explained previously, the trading margin was maintained at 6.1%. |

# Sale of merchandise

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

| | Growth % | 2023 Rm | Restated* 2022 Rm |
|---|---|---|---|
| Supermarkets RSA | 17.8 | 173 634 | 147 368 |
| Supermarkets Non-RSA | 16.4 | 19 622 | 16 857 |
| Furniture | 5.1 | 7 064 | 6 723 |
| Other operating segments | 13.3 | 14 636 | 12 920 |
| **Total continuing operating segments** | **16.9** | **214 956** | **183 868** |
| Discontinued operations | | 94 | 569 |
| **Total operating segments including discontinued operations** | **16.6** | **215 050** | **184 437** |

* *Restated for the classification of the Group's DRC operations as discontinued operations in accordance with IFRS 5: Non-current Assets Held for Sale and Discontinued Operations.*

## Supermarkets RSA

The Group's core business, Supermarkets RSA – making up 80.8% of sales from continuing operations – is represented by 2 037 stores across our major trading banners Shoprite, Usave, Checkers, Checkers Hyper and LiquorShop. As a segment, Supermarkets RSA achieved 17.8% sales growth, and on a like-for-like basis, grew sales by 10.3%. As a result of changed behaviour since the lifting of lockdown regulations, customer visits for the year increased by 14.1% with average basket spend increasing by 3.3%. Internal selling price inflation measured 10.1% for the year as a result of an acceleration in the second half measuring 10.8%.

The Checkers supermarket chain, inclusive of 38 larger format Checkers Hyper stores, increased sale of merchandise by 18.0%. Checkers, inclusive of Checkers Hyper, now operates from 299 stores in South Africa. Of this, the number of stores in the Checkers FreshX format has increased to 87 from 59 stores in the prior year. During the reporting period, these banners achieved market share gains of 100 basis points to 14.8%.

Sixty60, the Group's response to fulfil the need in the market for a fast and reliable on-demand grocery delivery service, has been rolled out to 466 stores, an increase of 166 stores since the previous financial year. The service continues to maintain its sales growth momentum and there has not been a drop in volumes as a result of a relaxing of the lockdown regulations.

The Shoprite and Usave brands collectively increased sales by 15.6%. Individually, Shoprite and Usave reported growth in sales for the year of 15.7% and 14.6%, respectively. Our price-fighting Shoprite supermarket business ended the period with a base of 615 stores, up by a net 81 stores. Our low-cost, no-frills, limited assortment discounter, Usave, opened a net 31 stores and ended the year with 441 outlets (including 42 Usave Ekasi box stores).

The segment's LiquorShop sales increased by 30.8%. First quarter growth was positively impacted by base effects arising from COVID-19 related store closures. In addition, the sales growth was boosted by the Group's liquor e-commerce offering, www.liquorshop.co.za. The liquor business represents 8.0% of Supermarkets RSA's sales and opened a net 112 stores inclusive, of which 40 stores were acquired through the Massmart acquisition. It ended the year with 682 stores in South Africa.

## Supermarkets Non-RSA

Supermarkets Non-RSA operations contributed 9.1% to Group sales from continuing operations. The segment, which now operates from nine countries, recorded a sales increase in constant currency of 9.6% and we estimate internal food inflation for the region averaged 6.1% for the period.

In rand terms, sales increased by 16.4% to R19.6 billion from continuing operations.

Our Angolan supermarkets business reported sales in constant currency 2.3% lower than last year. In rand terms, this translated to a 24.2% sales increase. The trading environment in Angola remains challenging and the currency devaluation of 68.7% against the rand experienced during the year, will put further strain on customer spending power which has consistently been eroded due to the continuing high inflation and currency devaluation cycle.

Our Zambian operations reported sales growth of 9.1% in constant currency for the year and sales growth of 27.8% in rand terms. The operations continued to benefit from a stronger trading environment.

Our operations in Ghana reported negative sales growth of 16.7% in rand terms on the back of currency movements and inflationary pressure. In constant currency terms, this translated to a 23.1% sales increase.

The region is continuously assessed in terms of the hyper-inflationary classification which was not met at the end of June 2023 as inflation during the last three years reached a level of 99.4%.

## Furniture

Sales in the Group's Furniture segment, representing 3.3% of sales from continuing operations, increased by 5.1% to R7.1 billion. Like-for-like sales increased by 2.0%. Credit participation increased to 14.9% (FY 2022: 13.4%).

The Furniture segment in South Africa remained subdued with sales growth achieved of 0.8%. Sales in the regions outside South Africa increased by 21.1%.

The segment's store base on a net basis increased by eight stores over the period to close with 434 stores (South Africa 345 stores; Non-RSA 89 stores).

## Other operating segments

The Group's other operating segments, representing 6.8% of sales from continuing operations and comprising OK Franchise, Transpharm, Medirite Pharmacies, Red Star Wholesale Catering Services and Computicket, achieved sales growth of 13.3% for the year.

The following table gives the sale of merchandise growth from other operating segments:

| | Growth % |
|---|---|
| OK Franchise | 13.7 |
| Medirite Pharmacies | 12.2 |
| Red Star Wholesale Catering Services | 13.3 |
| **Total other operating segments** | **13.3** |

Sales to our OK Franchise business increased by 13.7%. The OK Franchise ended the year with 535 stores. The Medirite and Transpharm operations increased sales by 12.2%. During the 2022 financial year, the Group launched its stand-alone Medirite Plus concept store, trading from a bigger store sales space and carrying a wider range of products that will appeal to a different market segment. Medirite Plus concept stores ended the year with six stand-alone sites. Nine additional opportunities have been identified and will open during the 2024 financial year.

## Summary statement of comprehensive income

| | Change % | 52 weeks 2023 Rm | Restated* 52 weeks 2022 Rm |
|---|---|---|---|
| Sale of merchandise | 16.9 | 214 956 | 183 868 |
| Cost of sales | 17.6 | (163 250) | (138 846) |
| **Gross profit** | **14.8** | **51 706** | **45 022** |
| Other operating income | 25.4 | 3 909 | 3 116 |
| Interest revenue | 22.2 | 665 | 544 |
| Share of profit of equity-accounted investments | 20.7 | 251 | 208 |
| Depreciation and amortisation | 17.1 | (6 305) | (5 384) |
| Employee benefits | 15.3 | (17 027) | (14 767) |
| Credit impairment losses | 52.6 | (264) | (173) |
| Other operating expenses | 21.6 | (21 019) | (17 288) |
| **Trading profit** | **5.7** | **11 916** | **11 278** |
| Exchange rate gains/(losses) | >100 | 384 | (260) |
| Profit on lease modifications and terminations | (9.1) | 60 | 66 |
| Items of a capital nature | (44.8) | (16) | (29) |
| **Operating profit** | **11.7** | **12 344** | **11 055** |
| Interest received from bank account balances | 67.8 | 453 | 270 |
| Finance costs | 22.5 | (3 665) | (2 993) |
| **Profit before income tax** | **9.6** | **9 132** | **8 332** |
| Income tax expense | 10.1 | (2 812) | (2 553) |
| **Profit from continuing operations** | **9.4** | **6 320** | **5 779** |
| **Profit for the year** | **2.8** | **5 901** | **5 740** |
| **Earnings per share for profit from continuing operations attributable to owners of the parent:** | | | |
| Basic earnings per share (cents) | 10.0 | 1 161.4 | 1 055.5 |
| Diluted earnings per share (cents) | 10.1 | 1 154.6 | 1 048.6 |
| Headline earnings per share (cents) | 9.6 | 1 166.2 | 1 063.9 |
| Diluted headline earnings per share (cents) | 9.7 | 1 159.4 | 1 056.9 |

** Restated for the classification of the Group's DRC operations as discontinued operations in accordance with IFRS 5: Non-current Assets Held for Sale and Discontinued Operations and the reclassification of the Group's share of profit of equity-accounted investments.*

## Gross profit

The Group managed to achieve a gross profit margin of 24.1%, 40 basis points lower than the previous year in an environment where we have seen accelerated cost inflation pressures as a result of the record load-shedding instances experienced in South Africa and the Group's continued price investment. Key focus areas in maintaining the margin were as follows:

- Data-led decision-making initiatives: enabling our procurement team to collaborate with suppliers to unlock additional revenue in our supply chain on the back of our supplier platform.
- More effective pricing and promotions optimisation: the launch of more personalised offerings to our 27.8 million customers on our Xtra Savings rewards programme.
- Improved in-store execution: the business had to introduce additional measures to take into account the impact of the load-shedding to ensure we maintain our waste and shrinkage levels.

## Other operating income

Other operating income increased by 25.4%. Franchise fees received increased by 13.7%, linked to increased franchise sales. Delivery recoveries from our Sixty60 offering increased significantly with the expansion to 466 stores. Commissions received from our Computicket business continue to increase with demand for travelling back to pre-COVID-19 pandemic levels and a demand for entertainment. Included in the current period is a R244 million insurance loss of profit settlement pertaining to the July 2021 social unrest. All claims relating to the unrest have now been settled.

| | Change % | 2023 Rm | Restated* 2022 Rm |
|---|---|---|---|
| Commissions received | 15.6 | 1 141 | 987 |
| Franchise fees received | 13.7 | 166 | 146 |
| Marketing and media | >100 | 383 | 185 |
| Delivery recoveries | 48.9 | 627 | 421 |
| Other revenue | 9.7 | 635 | 579 |
| Operating lease income | 7.1 | 468 | 437 |
| Premiums and other insurance income earned | (14.4) | 137 | 160 |
| Other income | >100 | 273 | 57 |
| Dividends received from unlisted share investments | (45.1) | 79 | 144 |
| **Total other operating income** | **25.4** | **3 909** | **3 116** |

** Restated for the classification of the Group's DRC operations as discontinued operations in accordance with IFRS 5: Non-current Assets Held for Sale and Discontinued Operations.*

## Interest revenue

Interest revenue increased by 22.2%. An analysis is tabled below.

| | Change % | 52 weeks 2023 Rm | Restated* 52 weeks 2022 Rm |
|---|---|---|---|
| Finance income earned from instalment sale receivables | 29.9 | 343 | 264 |
| Interest received from government bonds and bills | (3.8) | 153 | 159 |
| Interest received from associates | 10.7 | 62 | 56 |
| Interest received other | 64.6 | 107 | 65 |
| **Total interest revenue** | **22.2** | **665** | **544** |

** Restated for the classification of the Group's DRC operations as discontinued operations in accordance with IFRS 5: Non-current Assets Held for Sale and Discontinued Operations.*

## Expenses

Total expense growth for the year measured 18.6%. Expenses are attributed to the following:

- Depreciation and amortisation increased by 17.1% to measure 2.9% (restated FY 2022: 2.9%) of Group sales.
- Employee benefits increased by 15.3% reflecting the overall growth of the business, our increased headcount and additional factors, specifically:
  - Distributions amounting to R235 million to eligible employees in South Africa from the Shoprite Employee Trust and equivalent awards granted by subsidiaries in countries outside South Africa.
  - R285 million of employee benefits relating to 4 480 new positions created as a result of the stores acquired from Massmart.
  - Employee tax incentive rebates received from government were R101 million lower year on year due to the COVID-19 and social unrest incentives received from government in the prior year.
  - R91 million was spent on training 2 185 participants in the YES initiative, which trains unemployed youth and provides them with workplace experience.
- Other operating expenses increased by 21.6% before the allocation to cost of sales, inclusive of:
  - A 36.7% increase in electricity and water expense as a result of the increase in electricity costs impacted by an 8.6% National Energy Regulator of South Africa (NERSA) increase and the surge in diesel costs due to generator usage during higher stages of electricity load-shedding (322 days of the year), which resulted in a R1.3 billion diesel expense to ensure our Supermarkets RSA stores traded uninterrupted. As such, the increase in diesel cost as a result of load-shedding in our core Supermarkets RSA business resulted in the business incurring an additional R1.1 billion charge compared to the prior year.
  - A R185 million increase in insurance costs predominantly due to an increase in the insurance premium following the 2021 period of social unrest and the Group's subsequent decision to secure insurance coverage beyond what Sasria offers. As a result, we have bolstered our Canelands (KwaZulu-Natal) and Centurion (Gauteng) distribution centre perimeters in order to potentially reduce premiums going forward.
  - Delivery expenses increased by 63.7%, repairs and maintenance by 17.6%, advertising expenses by 15.2% and the cost of security services increased by 12.5%.

## Trading profit

Group trading profit increased by 5.7% to R11.9 billion and, as a result, the Group's trading margin measured 5.5% (restated FY 2022: 6.1%).

Supermarkets RSA's trading profit increased by 5.6% to measure R10.8 billion (restated FY 2022: R10.3 billion). The segment's 6.2% trading margin compares to a restated 7.0% trading margin in the prior year, heavily impacted by the diesel spend. Supermarkets Non-RSA reported a R594 million trading profit (restated FY 2022: R479 million), which was bolstered by currency movements during the period which led to the recovery trajectory target being ahead of initial estimates. Our customer base in the Non-RSA segment remains under pressure with the recent currency devaluations in our key markets leading to further affordability concerns.

The Furniture segment's FY 2023 trading profit of R104 million is lower than the R211 million reported during the 2022 financial year, predominantly as a result of the slowdown in sales experienced and the expected credit losses (ECL) provisioning in terms of IFRS 9: Financial Instruments driven by the increase in credit sales. Based on the assessment of ECL for the 2023 financial year, the Furniture division's debtor book provision declined to 40.3% (FY 2022: 44.7%).

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

| | Change % | 2023 Rm | Trading margin 2023 % | Restated* 2022 Rm | Restated* trading margin 2022 % |
|---|---|---|---|---|---|
| Supermarkets RSA | 5.6 | 10 841 | 6.2 | 10 263 | 7.0 |
| Supermarkets Non-RSA | 24.0 | 594 | 3.0 | 479 | 2.8 |
| Furniture | (50.7) | 104 | 1.5 | 211 | 3.1 |
| Other operating segments | 17.6 | 427 | 2.9 | 363 | 2.8 |
| **Total continuing operating segments** | **5.7** | **11 966** | **5.6** | **11 316** | **6.2** |
| Hyperinflation effect | – | (50) | – | (38) | – |
| **Consolidated continuing operations** | **5.7** | **11 916** | **5.5** | **11 278** | **6.1** |

** Restated for the classification of the Group's DRC operations as discontinued operations in accordance with IFRS 5: Non-current Assets Held for Sale and Discontinued Operations and the reclassification of the Group's share of profit of equity-accounted investments.*

## 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, government bonds and bills and balances in US dollars held in offshore accounts.

Both the Angolan kwanza and the Nigerian naira have weakened 68.7% and 56.5%, respectively, against the rand during the financial year that positively affected the hedging strategies followed by the Group. 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 have applied hedge accounting since.

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

| | Change % | 2023 | 2022 | 2021 | 2020 |
|---|---|---|---|---|---|
| US dollar | 14.5 | 18.744 | 16.372 | 14.486 | 17.141 |
| Euro | 19.0 | 20.383 | 17.126 | 17.156 | 19.234 |
| Zambia kwacha | 10.2 | 1.071 | 0.972 | 0.638 | 0.946 |
| Angola kwanza | (42.1) | 0.022 | 0.038 | 0.022 | 0.029 |
| Mozambique metical | 14.6 | 0.291 | 0.254 | 0.223 | 0.246 |
| Nigeria naira | (35.9) | 0.025 | 0.039 | 0.035 | 0.044 |

## Net finance costs

Net finance costs increased by 18.0% to R3.2 billion (restated FY 2022: R2.7 billion).

This was a result of the 350-basis point increase in South Africa's prime lending rate over the period, together with the increase in the Group's lease liability to R35.6 billion (FY 2022: R31.6 billion) following the sale and leaseback of our Canelands and Wells Estate (Eastern Cape) distribution centres and the new lease agreements for the acquired Massmart stores.

| | Change % | 2023 Rm | Restated* 2022 Rm |
|---|---|---|---|
| Interest received from bank balances and investments | 67.8 | 453 | 270 |
| Finance cost: lease liabilities | 68.6 | (3 070) | (2 640) |
| Finance cost: borrowings | 16.3 | (595) | (353) |
| **Net finance costs** | **18.0** | **(3 212)** | **(2 723)** |

** Restated for the classification of the Group's DRC operations as 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 R251 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. The Group acquired a 50% interest in Pingo Delivery (Pty) Ltd during the prior financial year.

| | Change % | 2023 Rm | 2022 Rm |
|---|---|---|---|
| Associate share of post-acquisition profits | 3.0 | 208 | 202 |
| Joint venture share of post-acquisition profits | >100 | 43 | 6 |
| **Post-acquisition profits from equity-accounted investments** | **20.7** | **251** | **208** |

## Income tax expense

The Group's effective income tax rate measured 30.8% (restated FY 2022: 30.6%).

The effective tax rate is higher than the nominal income tax rate of South Africa (27.0%), 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 27.0% in most cases, all contributing to the higher effective tax rate.

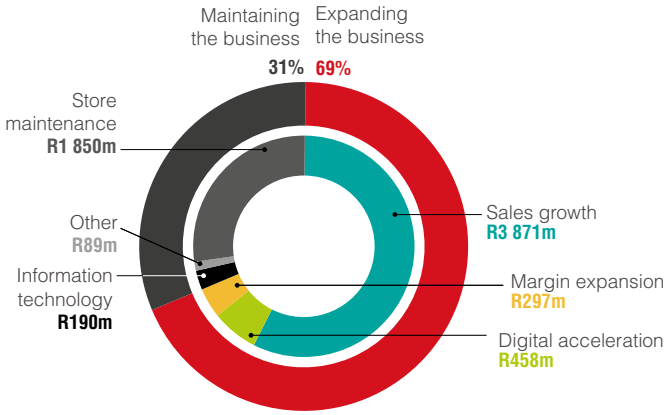
# Statement of financial position

## Non-current assets

### Property, plant and equipment (PPE), right-of-use assets and intangible assets

The Group's total capital spend amounted to R6.8 billion (FY 2022: R5.4 billion) and represented 3.1% (restated FY 2022: 2.9%) of sales. Included in this amount are certain once-off items, such as maintenance capital relating to the July 2021 unrest and capital spend linked to the acquisition of the Massmart operations purchased. Excluding these areas of spend, capital expenditure measured R6.4 billion and represented 3.0% of sales.

The increased spend supports the investment in expanding the store portfolio as well as the Group's commitment to digital acceleration.



The right-of-use asset class increased by R3.1 billion to R26.8 billion, owing to new leases signed on the back of the record 340 corporate stores opened during the year together with lease renewals.

The Group reviews trading stores and considers the need for impairment of assets. For the 12 months reported, impairments to the value of R208 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, R96 million related to PPE, R75 million to right-of-use assets and R37 million to intangibles. Impairments form part of items of a capital nature and, net of income tax, impacts earning per share but not headline earnings per share.

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 used in its daily operations and costs capitalised for software in development. Software is amortised over its useful life of one to 10 years.

Trademarks largely represent the purchased President Hyper trademark valued at R250 million and will be depreciated over 20 years.

### 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 Angola Treasury Bills. The AOA, USD Index Linked and Angola government bonds form part of the hedging strategy against future possible devaluation.

| | Change % | 2023 Rm | 2022 Rm |
|---|---|---|---|
| AOA, USD Index Linked Angola government bonds | (13.8) | 637 | 739 |
| AOA, Angola government bonds | (43.5) | 338 | 598 |
| Angola Treasury Bills | – | 162 | – |
| **Total government bonds and bills** | **(15.0)** | **1 137** | **1 337** |

## Current assets

### Inventories

Inventories increased by 14.7% to R25.1 billion (FY 2022: R21.9 billion) driven by new store openings, the acquisition of stores from Massmart, the inflationary impact on inventory values and increased inventory holding in the distribution centres to support elevated levels of sales growth. Inventory growth was lower than sales growth and, as a percentage of the last 12 months' sales, improved to 11.7% (restated FY 2022: 11.9%).

| | Change % | 2023 Rm | 2022 Rm |
|---|---|---|---|
| Supermarkets RSA | 17.6 | 20 272 | 17 241 |
| Supermarkets Non-RSA | (4.1) | 2 243 | 2 338 |
| Furniture | 5.0 | 1 751 | 1 667 |
| Other operating segments | 30.2 | 824 | 633 |
| **Total inventories** | **14.7** | **25 090** | **21 879** |

Excluding the impact of the Massmart acquisition inventory as a percentage of the last 12 months' sales, the Supermarket RSA segment improved to 11.4%.

The improvement in the inventory as a percentage of the last 12 months' sales ratio in the Supermarket Non-RSA segment was driven by the Angola kwanza currency devaluing approximately 68.7% against the rand during the financial year and the disinvestment from DRC in the current year.

The Group accepts its responsibility to support local supplier and enterprise development in the regions. Shoprite Next Capital provides SMMEs with access to the market and assists them with preferential trading terms throughout their journey to becoming established businesses. During the 2023 financial year, Shoprite Next Capital supported 77 SMMEs.

CredX, a division of the Shoprite Group of Companies, enables suppliers to obtain crucial working capital funding at the lowest industry rates. During the 2023 financial year, CredX assisted 80 suppliers with R4.1 billion funding.

### Trade and other receivables

Trade receivables consist mainly of amounts receivable for the sale of merchandise to franchisees, medical aid schemes, pharmacies, doctors and buying aid societies. Other receivables consists of various operational debtors, such as rental and municipal deposits refundable and insurance claims receivable. Adequate allowance is made for potential bad debts and the outstanding debtors' book is reviewed regularly. Based on the assessment of expected credit losses for the year in terms of IFRS 9, the provision against the instalment sale receivable debtor book for household furniture declined to 40.3% (FY 2022: 44.7%).

### Cash and cash equivalents and bank overdrafts

Net cash (including restricted cash and after deducting bank overdrafts) amounted to R6.6 billion. The increase in the Group's cash balance was a direct result of an improved cash generation through its operations, but were negatively impacted by the cash outflows relating to the acquisition of the Massmart stores (R630 million).

| | Change % | 2023 Rm | 2022 Rm |
|---|---|---|---|
| Cash and cash equivalents | 17.7 | 12 548 | 10 665 |
| Restricted cash | >100 | 650 | 300 |
| Bank overdrafts | 32.1 | (6 604) | (4 998) |
| **Net cash** | **10.5** | **6 594** | **5 967** |

# Non-current liabilities

## Borrowings and lease liabilities

Total borrowings increased by R856 million to R6.4 billion (FY 2022: R5.5 billion). The borrowings-to-equity ratio increased from 21.5% to 24.2%. Most of the debt is rand-denominated. The Group's lease liabilities increased by R4.0 billion owing to new leases and renewals.

| | Change % | 2023 Rm | 2022 Rm |
|---|---|---|---|
| Borrowings | 15.5 | 6 368 | 5 512 |
| Lease liabilities | 12.5 | 35 582 | 31 623 |
| **Total debt** | **13.0** | **41 950** | **37 135** |
| | | | |
| **Borrowings consist of:** | | | |
| ZAR-denominated funding | 23.3 | 5 554 | 4 506 |
| USD-denominated funding | (23.3) | 540 | 704 |
| Other local currency funding | (9.3) | 274 | 302 |
| **Total borrowings** | **15.5** | **6 368** | **5 512** |
| | | | |
| **Lease liabilities consist of:** | | | |
| Long term | 14.1 | 32 482 | 28 458 |
| Short term | (2.1) | 3 100 | 3 165 |
| **Total lease liability** | **12.5** | **35 582** | **31 623** |

# Current liabilities

## Provisions

Adequate provision is made for post-employment medical benefits, reinstatement provision and long-term employee benefits.

| | Change % | 2023 Rm | 2022 Rm |
|---|---|---|---|
| Post-employment medical benefits | (11.1) | 16 | 18 |
| Long-term employee benefits | 13.9 | 410 | 360 |
| Reinstatement provision | 10.0 | 198 | 180 |
| **Total provisions** | **11.8** | **624** | **558** |

# Looking ahead

The Group continues to trade uninterrupted at current higher stages of load-shedding as a result of the Group's considerable diesel generator infrastructure and solar PV installations in place across our South African supermarket operations. The Group's investment in expanding its supply chain capabilities is progressing well with over 210 000 $m^2$ approved to be added to our distribution centre capacity before the end of the 2025 financial year. Our supply chain infrastructure roadmap has been designed to ensure our network can support the growth of the Group while providing flexibility and agility within the network.

It is clear that our customers' disposable incomes are under enormous pressure and there is an increasing need for us to sustain our focus on the lowest prices and best value across our various supermarket formats. Shoprite was founded on this ideal and we continuously refine our operating model to improve how we meet this need in the most efficient, accessible and convenient way possible. This translates over the medium term to extensive plans that include continued store growth and refurbishments across all supermarket formats, a next phase multi-year supply chain expansion to meet our next decade volume and logistics requirements, further digital and ecommerce initiatives as well as growing our ancillary income from alternate revenue sources. In executing these plans, we strive to be globally competitive and relevant in terms of retail best practice while sustaining our market leading position domestically by being uniquely local in terms of supermarket segmentation, customer-centricity and best-in-class operational execution.



**Anton de Bruyn**

Chief Financial Officer

29 September 2023

# Overview of our operations

## Supermarkets

Revenue contribution RSA 80.8% Non-RSA 9.1%

| Brand | Employees | Stores RSA | Stores Non-RSA |
|---|---|---|---|
| **Core supermarket business** | | | |
| SHOPRITE<br>Our flagship brand, serving customers in the mass middle-income market. | 73 191 | 615 | 147 |
| Usave<br>Small-format stores serving customers in the lower-income market, mostly in non-urban areas. Introduced mobile eKasi truck stores. | 5 638 | 441 | 46 |
| Checkers<br>Serving more affluent customers who prioritise convenience, quality and freshness and demand great value. Checkers Sixty60 is South Africa's #1 on-demand grocery delivery service. | 37 586 | 261 | 9 |
| Checkers Hyper<br>Serving a cross-section of customers with large-format stores offering a wider range of products than Checkers. | 9 863 | 38 | |
| LiquorShop LiquorShop<br>Serving the same Shoprite and Checkers customers, 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. | 3 914 | 682 | 28 |
| **Other adjacencies** | | | |
| Checkers Little Me<br>Serving more affluent consumers, Checkers Little Me is a specialist baby store offering a wide range of top baby brands at great prices. | 38 | 9 | |
| Outdoor<br>Serving more affluent consumers, Checkers Outdoor is a specialist outdoor store offering a range of top outdoor brands at great prices. | 34 | 8 | |
| Petshop Science<br>Serving more affluent consumers, Petshop Science is a specialist pet store offering a wide range of top pet brands at supermarket prices. | 158 | 53 | |
| UNIQ<br>Serving more affluent consumers, UNIQ is a clothing brand that is fashioned on simplicity, superior fabrics and great value. Catering for the entire family, the UNIQ range consists of premium basics. | 106 | 9 | |
| **Financial cellular services** | | | |
| k'nect SHOPRITE<br>Servicing customers in the low- to middle-income markets. | 27 | 5 | |

## Furniture

Revenue contribution Furniture 3.3%

| Brand | Employees | Stores RSA | Stores Non-RSA |
|---|---|---|---|
| House & Home<br>Providing quality homeware, furniture, electrical appliances to serve more affluent customers. | 1 013 | 40 | 4 |
| OK Furniture<br>Includes Power Express, providing quality furniture, electrical appliances and more to serve customers in the middle-income market. | 4 920 | 305 | 85 |

## Other operating segments

Revenue contribution Other 6.8%

| Brand | Employees | In-store pharmacies RSA | Medirite Plus stand-alone stores RSA |
|---|---|---|---|
| **Pharmaceutical** | | | |
| Medirite+ Pharmacy<br>Located inside supermarkets, Medirite is well-positioned to meet the growing needs for easily accessible and affordable healthcare to customers across all income levels. | 1 208 | 134 | 6 |
| Transpharm<br>Our wholesale brand distributes pharmaceutical products and surgical equipment across South Africa. | 917 | DC 3 | Fleet 130 |
| **Franchise** | | | |
| OK Franchise Division<br>Servicing customers across all income levels with recognised community-based formats including OK Foods, OK MiniMark, OK Express, Sentra, OK Liquor and Megasave (wholesale). | 215 | 456 | 79 |
| **Ticketing** | | | |
| Computicket<br>Computicket is the leading ticketing agent in South Africa, specialising in selling tickets for concerts, sports events, theatre performances, sport entries, flights, accommodation and bus tickets. | 92 | | |

# Operating review

## Supermarkets RSA

Using our platform advantage, we leverage the scale of our core supermarket business to provide seamless engagement across physical and digital channels to millions of customers every day.

Constant product and service innovation aimed at making shopping and saving more effortless creates value for our customers and unlocks new revenue.

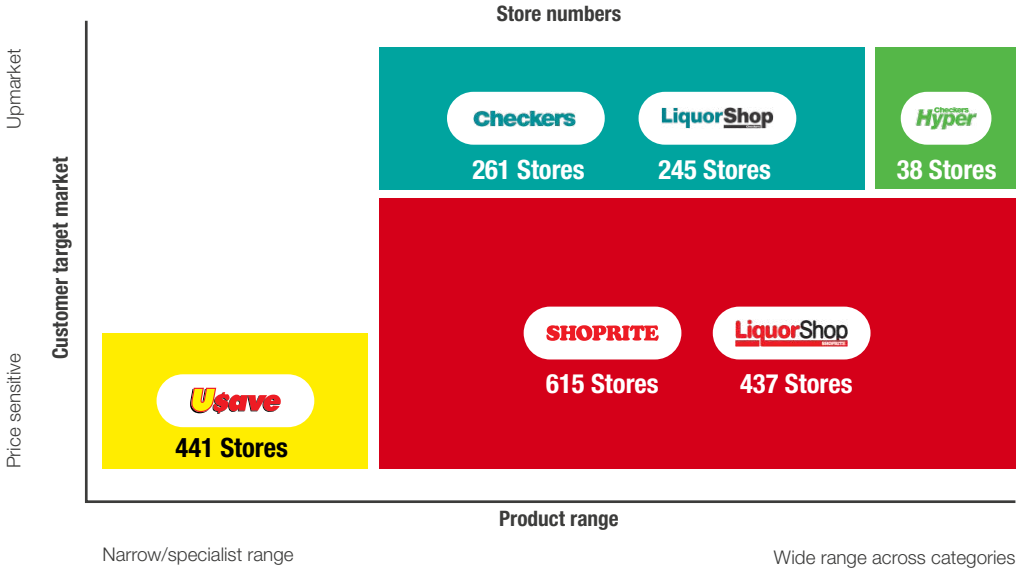
**Record multi-year market share gains**

**33.9%**
RSA market share for 2023

**19.1%**
Shoprite and Usave

**14.8%**
Checkers and Checkers Hyper

**1.4 percentage points**
gain in FY 2023, equating to
**+R8.1 billion**




**Xtra Savings remains the largest supermarket rewards programme**

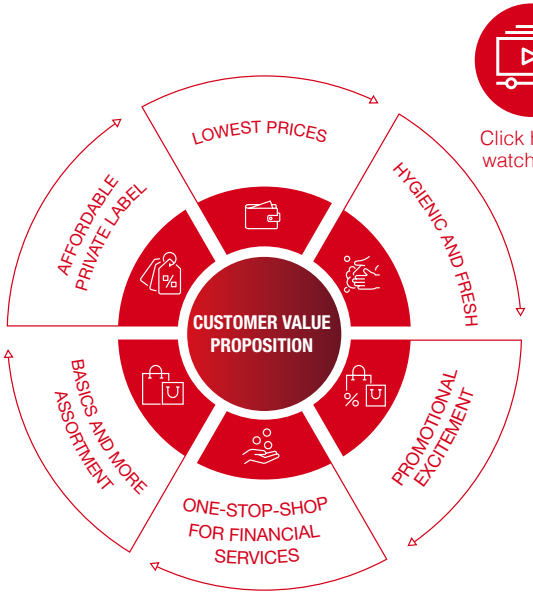
**R13.5 billion**
in instant cash savings for Xtra Savings members (FY 2022: R9.4 billion)

**R1.4 billion**
Xtra Savings promotional offers redeemed by consumers



# Supermarkets RSA

SHOPRITE




Click here to watch video

**AFRICA'S LOW PRICE GROCERY LEADER**

**615** (FY 2022: 534 stores)
**stores**

**Average product range:**

**11 000**

Lowest prices on trusted grocery brands without compromising on customer service and product quality for price-conscious customers

## Our performance against the Group's strategy

### A Smarter Shoprite

*A truly customer-first culture in Shoprite and Usave*

The availability of affordable products on the shelf is paramount. Our customers' budgets are under extreme pressure and transport costs make up a large part of their expenses. We have been lowering prices on essential foods and offering more relevant promotions for customers.

*One-stop-shopping*

Access to one-stop-shopping is critical to our customers. That is why we ensure the minimum core assortment of products is always available in all Shoprite stores. We use our investment in technology to achieve freshness and on-shelf availability, which during 2023 was 97.0% in Supermarkets RSA. This is despite the challenges of procuring stock from producers impacted by ongoing load-shedding.

Our in-store Money Market counter is a one-stop financial services hub, where our Shoprite and Usave customers can pay bills, receive government grant payouts, send vouchers and cash, buy airtime, data and pre-paid electricity. The Money Market Account, a low-cost pin-protected bank account, enables the financial inclusion of our unbanked and underbanked customers. This bank account can be used from the app on peoples' phones to deposit or withdraw cash, in addition to all the services available from a Money Market counter. The only fee payable is R5 for cash withdrawals.

Shoprite customers can also collect their monthly prescriptions from the Medirite counters in several of our stores when they do their shopping eliminating the need to visit multiple stores.

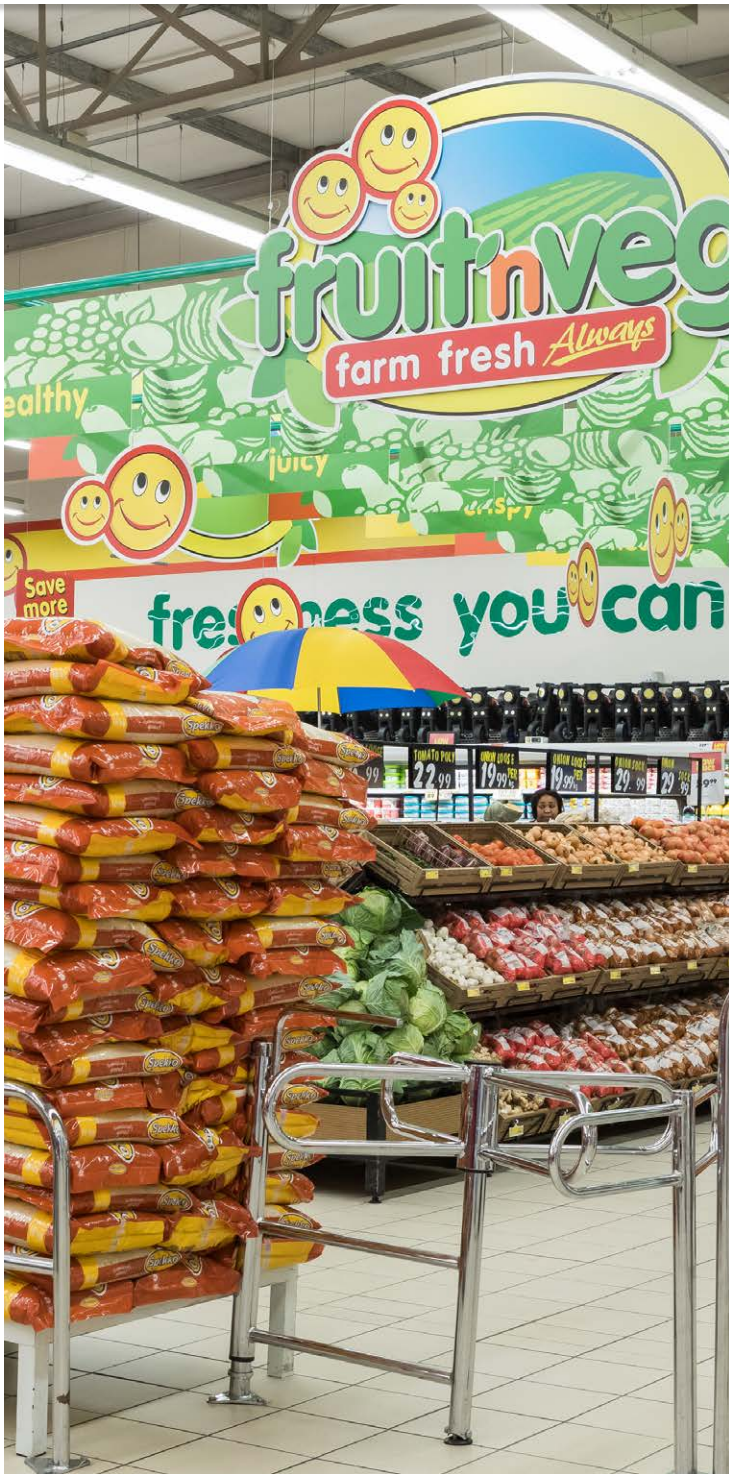
*Enjoying instant savings*

Membership of the Shoprite Xtra Savings rewards programme increased to 17.2 million (FY 2022: 15.3 million) by year end as our customers took advantage of the instant cash savings and promotional offers.

*Accelerated opening of stores acquired from Massmart*

On 12 December 2022, we were advised that our acquisition of various stores from Massmart had been approved by the South African Competition Tribunal and would become effective on 9 January 2023. In less than a month, we prepared these stores and their teams to open under our brands on 9 January this year.

Shoprite's store footprint rapidly grew to include 94 of the Massmart stores acquired by the Group. Fifty-one of these are now operating as Shoprite supermarkets, one as a Usave and 40 as Shoprite LiquorShop stores. Two of the 42 acquired liquor stores are still awaiting liquor licences while the rest are trading as Shoprite LiquorShop stores. We have achieved exponential growth in turnover since we opened the rebranded Shoprite stores, with some excellent results in the Eastern Cape and KwaZulu-Natal provinces. Despite some of the stores being near our existing stores, we have been able to profitably grow the turnover of the stores previously owned by Massmart.



## Targeting headroom opportunities

*Trusted, profitable private labels*

During late 2022, we added the Homegrown range to our private label products. Selected products in the Homegrown range are produced by SMME suppliers, some of whose branding is carried on the packaging – all of which is recyclable.

## Winning in the long term

*Unlock alternative income*

The in-store Money Market counter is the primary source of alternate income in Shoprite and Usave stores. There are 3.3 million (FY 2022: 1.6 million) users of Shoprite's low-cost bank account, the Money Market Account.

## Impact

**Providing SMME suppliers with the opportunity to offer products that are part of the Homegrown range**

The products in Shoprite's Homegrown private label range are 100% South African and 10% of the range is sourced from SMMEs that are already suppliers to the Group. One of the SMMEs is Khayelitsha Cookies, which has been supplying Shoprite with handmade biscuits since December 2022. To meet its Homegrown commitments, the company, which prides itself on empowering women in Khayelitsha, created an additional 12 jobs. The Road to Exotic Taste, which has been supplying Shoprite with a range of sauces and atchar for five years, also created another 12 jobs to meet its Homegrown commitments. Wonder Snacks and Gordon Sweets are also companies that were already suppliers to Shoprite before supplying products for the Homegrown private label range. Between them, these four SMMEs (that employ 164 people) employed an additional 26 people in their local communities since becoming part of Homegrown.




*Shoprite is the first South African retailer to introduce an exclusive private label product range locally sourced from primarily SMMEs.*



Operating review: **Supermarkets RSA** continued

# U$ave

Click here to watch video

## LIMITED ASSORTMENT FOODS HARD DISCOUNTER

**Proximity-to-home** advantage offering a limited assortment of the most popular grocery items at **unrivalled affordability** for the most price-sensitive customers

**Usave average product range:**
**1 900**

**Usave eKasi average product range:**
**990**

South Africa's **thriftiest no-frills** supermarket

Invested in **lower prices** to shield our most sensitive customers

**487 Usave stores**

**441 in RSA**
(FY 2022: 410)

**46 in Non-RSA**
(FY 2022: 47)

**42 Usave eKasi stores in RSA**
(FY 2022: 36 stores)




*No compromise on lower prices*

Usave and Usave eKasi have the same focus on providing their customers with lowest prices on basic products they really need.

The Usave eKasi stores, constructed out of containers, and operating in the previously unserviced rural areas of South Africa, are providing customers with easy access to basic consumer products on their doorstep. Shoppers pay for transport to the nearest shop; now they have more money to spend on essential food.

The number of eKasi stores has increased as we bring them closer to rural consumers. By year end, they had risen to 42.

**OUR FUTURE FOCUS IS ON:**

Continuing to expand our **Ubrand private label offering,** products similar to leading brands, **but at a lower price point**

Ensuring we have the **most comprehensive range available** and continuing to innovate on the **one-stop-shop concept**

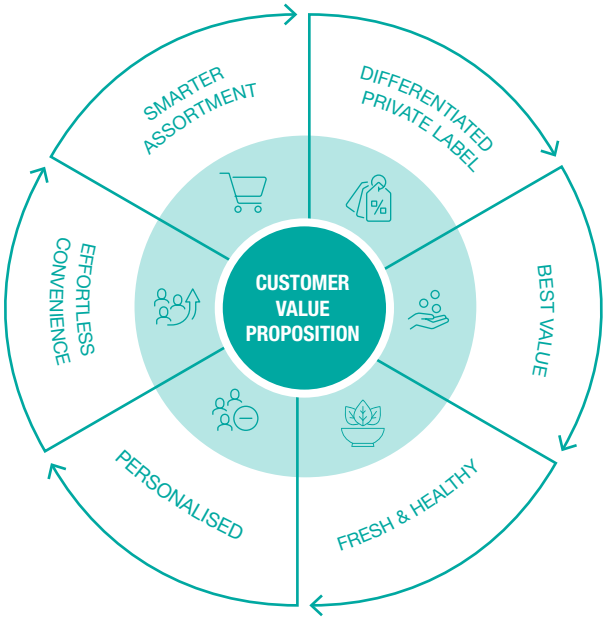
**Supporting the small business** wholesalers that were previously part of Massmart by introducing them to the **Shoprite Xtra Savings rewards programme** and the Shop-to-Shop cash payments solution




*The 1 911 products carried in Usave stores include 334 Ubrand lines, most of which are included in the product range of 987 lines carried in the Usave eKasi stores.*

# Checkers

## BEST VALUE IN FRESH AND PREMIUM FOODS




Click here to watch video

## Our performance against the Group's strategy

### A Smarter Shoprite

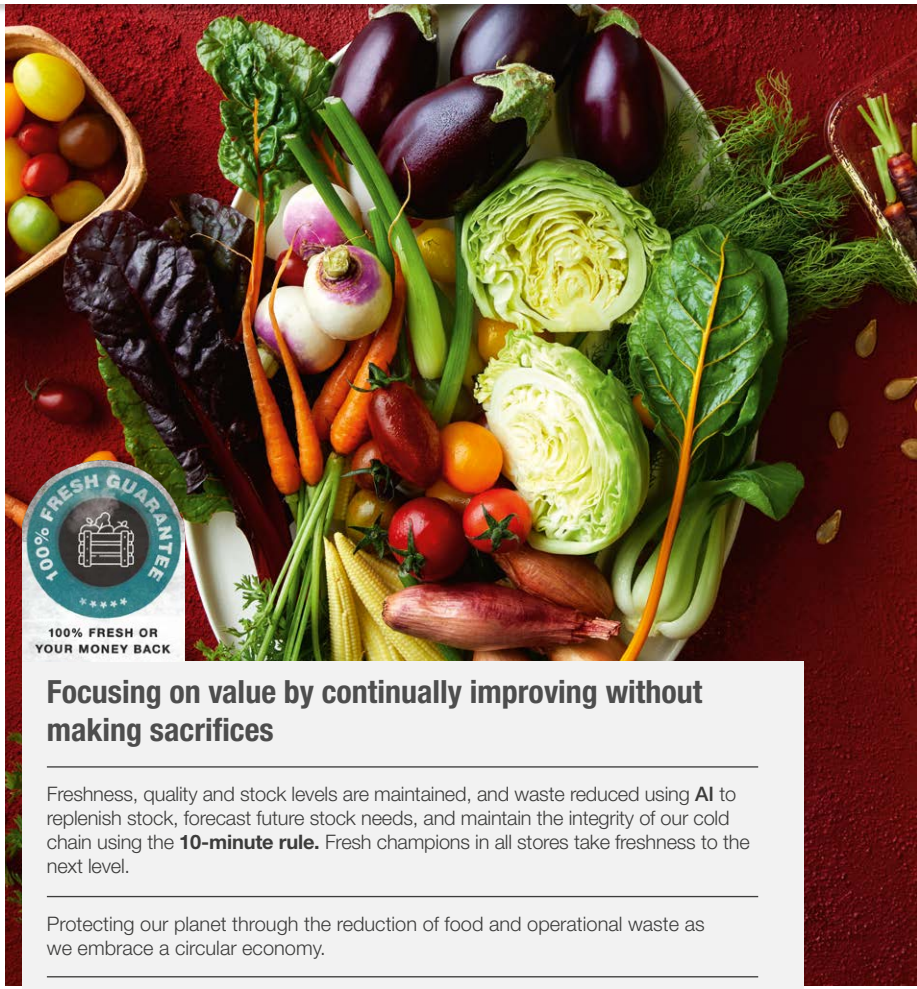
*A truly customer-first culture*

We use customer data to power our decision-making, keep us focused on what our customers want, and to drive continuous improvement and our leadership in retail.

During the 2023 financial year, we continued our focus on entrenching the one-stop-shopping experience that Checkers created through the inclusion of health and wellness sections and upmarket international brands in our stores, and the expansion of Checkers LiquorShop stores, Petshop Science, Checkers Little Me, Checkers Outdoor and the launch of UNIQ clothing outlets adjacent to our Checkers stores.

*The FreshX premium and interactive retail offering*

By year end, 30% of our stores were FreshX stores, either through existing stores being refurbished to provide the FreshX superior retail experience, or through the construction of new stores featuring the FreshX concept, which amplifies fresh food, convenience and food theatre.




### Focusing on value by continually improving without making sacrifices

Freshness, quality and stock levels are maintained, and waste reduced using **AI** to replenish stock, forecast future stock needs, and maintain the integrity of our cold chain using the **10-minute rule.** Fresh champions in all stores take freshness to the next level.

Protecting our planet through the reduction of food and operational waste as we embrace a circular economy.

Putting our customers first and saving them time and money by ensuring they can enjoy one-stop-shopping through our ongoing focus on product availability, food theatre and freshness.

Customer-centricity, which includes a focus on reducing customer complaints, and a Sixty60 service guarantee that will refund the R35 delivery fee if an order is more than 30 minutes late, or if a customer receives less than 80% of their first-choice products.

### GROWING THROUGH OUR ONE-STOP-SHOPPING OFFERING

**261** **stores**
(FY 2022: 239 stores)

**Average product range:** **30 000**

Omnichannel market leader in value on fresh groceries and premium food for upmarket customers

Increased surplus donations from Checkers and Checkers Hyper stores by 49.8%

Ranked the fastest growing brand in South Africa in 2022

## Checkers Hyper

### AMPLIFIED VALUE ON WIDER RANGES

**38** **stores**
(2022: 36 stores)

**Average product range:** **33 000**

A larger Checkers format offering amplified value on more comprehensive ranges in bulk groceries, general merchandise and key categories like pet, baby and electronics

Making every day better by offering **better value, better choice, effortlessly for our customers.**






*Hyper value in a fully one-stop shop*

Checkers Hypers, which attract bulk buyers, have a new look and feel of shops within a shop, while providing hyper value in a fully one-stop-shop. The month-end shop has become an outing, with areas for customers to relax and enjoy a coffee and something to eat from Starbucks, Krispy Krème or Kauai. The Checkers Hyper offering includes a wine section, an outdoor section, a party shop, Little Me baby section, a pet shop, a TechX store, a pool shop (selected Hypers), a ToolX (selected Hypers), and a pharmacy. A full Lindt shop was launched in our Brackenfell Hyper as a pilot just before year end and more will be rolled out to selected stores in future.

As part of the Checkers sustainability drive, we support using less plastic by offering customers purified water when they bring their own containers. Self-help purified water on tap at R1 per litre is now offered in 75% of Checkers and Checkers Hyper stores.

## Develop future-fit channels and talent

We are investing through the cycle in becoming increasingly more accessible to our customers with a more seamless omnichannel customer experience, which includes:

**Sixty60 – breaking new records every week in the on-demand grocery delivery market**

Customers enjoy the convenience and time-saving of having their groceries delivered to their door in under 60 minutes using our **Sixty60** on-demand grocery delivery service. Their orders are picked and dispatched from 466 locations (FY 2022: 300). We made an investment to own last mile logistics intellectual property through a 50/50 partnership in Pingo, **the last-mile logistics platform for Sixty60**.

Our **Xtra Savings** rewards programme, the largest supermarket rewards programme in South Africa, gives our 10.6 million Checkers Xtra Savings members instant cash savings at a time when the search for value is amplified. With the new Xtra Savings Plus monthly subscription plan, we help Checkers customers save even more with unlimited free deliveries with Checkers Sixty60, 10% off one in-store shop per month and double personalised offers. The rewards programme is the foundation of our customer platform, providing a better understanding of our customers' shopping behaviour and enabling a more personalised savings experience for customers.

## Targeting headroom opportunities

*Trusted, profitable private labels*

Our scale has allowed us to build a meaningful private label brand portfolio and supply chain. Most of the new Checkers private label products are positioned to more affluent consumers, such as our Simple Truth range, which includes plant-based products, and the Forage and Feast range, which is made with best quality authentic ingredients that are sourced responsibly. The shopping baskets of Checkers customers buying private label brands are on average larger than our average customers. The shopping baskets of Forage and Feast customers are 3.5 times bigger than that of the average Checkers customer.

*Grow our share in premium and fresh food*

Increasingly, higher-income customers seek value without compromising quality and freshness. By serving this market segment in South Africa through our differentiated offering in premium, convenience and fresh food, while offering exceptional customer service, we have made meaningful gains in our customers' share-of-wallet while retaining our industry-leading value position.

## Winning in the long term

During the year under review, we continued to expand our store network with two new store formats, Checkers Foods (introduced in FY 2022) and Checkers Small, leveraging accessible stores offering premium products at affordable prices, close to our customers' homes.




## Impact

### Impact of investing through the cycle

**Due to investment in new stores and expanding** Checkers Sixty60's reach, our on-demand delivery service has created a total of 9 091 job opportunities since launch, which include owner-driver entrepreneurs, in-store and Home Office employees

**Ownership** of last mile logistics know-how

**Investing in ongoing improvements in technology** that keep **Sixty60** in a leadership position online

**Investing in forecasting technology** using AI to ensure freshness and appropriate stock levels

### OUR FUTURE FOCUS IS ON:

Aggressive store opening and refurbishment programmes

**Putting our customers first** by ensuring they can enjoy one-stop-shopping through our ongoing focus on always having stock available on our shelves

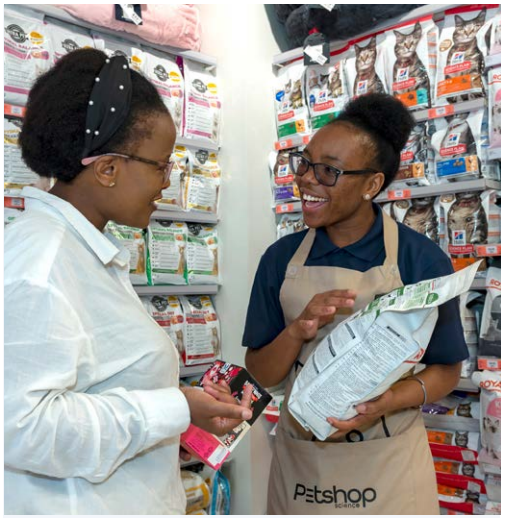
**Building on our existing omnichannel** availability by expanding our on-demand delivery capacity

Ongoing focus on **reducing our waste** in our **Checkers and Checkers Hyper stores**

**Operating review: Supermarkets RSA** continued

# More product choices through adjacencies

To increase our total share-of-wallet in adjacent product categories, we use an existing supermarket's logistics and employees to establish logical adjacencies and offer our customers the convenience of one-stop-shopping.




## 53 Petshop Science stores
(FY 2022: 22 stores)

Checkers is the first South African supermarket to launch a specialist pet shop that sells a comprehensive range of specialist pet products at supermarket prices. By year end, there were 53 Petshop Science stores.

Petshop Science Online (www.petshopscience.co.za) is another e-commerce offering from the Group, which offers a broad selection of more than 2 000 pet-related products, including food, treats, toys, and more from premium brands. Petshop Science customers can now create online profiles for their pets, including their pet's name, birth date, type and breed. Customers can access these store profiles, enabling Petshop Science to serve loyal shoppers with special offers tailored to their pets' needs.

## 9 Checkers Little Me stores

Checkers Little Me, a destination baby store with specialist in-store employees, offers customers a range of top baby brands and maternity wear (www.checkers.co.za/littleme). By year end 2023, there were nine Little Me stores (FY 2022: one store). Another five Little Me stores are planned for FY 2024.







## 8 Outdoor stores
(FY 2022: 1 store)

The first Checkers Outdoor store opened in 2022. By year-end 2023, there were eight Outdoor stores and we plan to open another three Outdoor stores in FY 2024.

## 9 UNIQ stores

Our new clothing brand, UNIQ, opened its first stand-alone store in Cape Town at the end of March 2023 and demonstrates innovation and a commitment to South Africa. Eight more stores had opened across the country by year end and 11 are planned for FY 2024. Catering for the entire family, the UNIQ range consists of premium basics. It is the first local clothing retailer to introduce Supima cotton to the mass market. In keeping with the Group's commitment to convenience through innovation, UNIQ is also the first local clothing retailer to offer self-service checkout. Using smart tags and advanced radio-frequency identification, customers easily scan and pay for their purchases themselves.



# LiquorShop

GROWING THROUGH INVESTING IN FUTURE-FIT CHANNELS

**682**
**stores in RSA**
(FY 2022: 570 stores)

**28**
**stores in Non-RSA**
(FY 2022: 24 stores)




## Developing future-fit channels and talent

Expanding our footprint

We are on a strategic drive to become the largest liquor retailer in South Africa. Over the past six years, we have managed to open on average a store a week. We opened 113 new stores in FY 2023, bringing our total store count to 682.

We currently have 102 pending liquor licence applications at the various provincial liquor boards. We are constantly investigating strategic acquisition opportunities to further extend our reach.

## Winning in the long term

*Leverage platform advantage*

Checkers, through LiquorShop Online, is leveraging our platform advantage to provide our customers with the convenience of a delivery service.

Through projects with Rainmaker Media, we have created an additional income stream for the Group by connecting our brands and suppliers with relevant customers through precision targeting and innovative digital advertising solutions, which include the digital screen network in our stores. Using customer data to power personalised advertising improves affordability and accessibility for our customers.

## Our performance against the Group's strategy

### A Smarter Shoprite

*A truly customer-first culture*

Our customer-centric decision-making keeps us focused on what our customers want and ensures we optimise what our customers want in our core business activities.

This includes offering a one-stop-shopping experience by locating our LiquorShop stores adjacent to or near Shoprite and Checkers stores offering a range of local and international alcoholic and non-alcoholic beverages. LiquorShop stores are managed by the adjacent supermarket's management team.




*Checkers LiquorShop's exclusive Private Barrel range of selected premium whiskeys is available in-store and through LiquorShop Online.*

### Focusing on

Growing aggressively

Leveraging our platform advantage

Providing customers with **affordable private label** products

### OUR FUTURE FOCUS IS ON:

**Investing through the cycle and aggressively expanding the brand** by opening an **additional 61 stores** in FY 2024.

# Financial and cellular services

MoneyMarket · K'nect · SHOPRITE send Global money transfers



*Our Money Markets offer mobile phones and airtime where customers make their grocery purchases.*

## Focusing on

**Simplicity**
complexity is a barrier for entry for financial services

**Accessibility**
our ongoing investment in digital and in-store solutions provides a seamless omnichannel offering in-store, on the web, on our award-winning app, by USSD (unstructured supplementary service data, a global system used to send text messages), WhatsApp, etc.

**Reliability**
we work hard to ensure we test extensively and that the experience we deliver is consistent

**Affordability**
underpins everything. Our customers are under pressure financially, we work hard to ensure that our products carry the lowest costs possible. The need for affordable financial services is becoming as important as the need for affordable food

### CREATING ECONOMIC OPPORTUNITIES BY ENABLING FINANCIAL INCLUSION

The **Money Market Account**, hosted on the Shoprite app, was voted MTN app of the year

MTN Business App of the Year

### GROWTH THROUGH INVESTING IN THE CYCLE

## Our performance against the Group's strategy

### A Smarter Shoprite

*A truly customer-first culture*

Customer data powers our decision-making and keeps us focused on what our customers want. Our customers include our employees, the customers of all our brands, corporate companies, traders in the informal market and resellers.

*Developing future-fit channels and Winning in the long term*

We have invested through the cycle in replatforming our Money Market service to ensure it is future-fit, relevant and allows for a seamless omnichannel experience and product expansion. Our platform of 27.8 million Xtra Savings rewards members in South Africa (FY 2022: 24.4 million) together with our investment in digital commerce, gives us the opportunity to unlock alternate income in the digital and financial services spaces.

### OUR FUTURE FOCUS IS ON:

**Protecting** our core business

**Growing alternative income streams** through our fintech products

**Enabling our suppliers** through responsible credit

**Enabling** more ways to pay

### IN-STORE

- **Money Market counters:** in Shoprite, Usave, Shoprite Cash and Carry, Checkers, OK Furniture, House & Home and some franchise outlets
- Government **SASSA** and **SRD** grants paid out in-store
- Funeral and pet insurance in partnership with OUTsurance are available in-store

### FINTECH

- **Money Market Account:** low-cost bank account
- **Shoprite Send:** affordable and transparent remittance product
- **K'nect mobile:** offers low-cost airtime and data with long expiry dates in-store
- **Insurance products:** offer funeral and pet insurance products in partnership with OUTsurance

### CREDIT – A RESPONSIBLE APPROACH

- **CredX finance product** provides working capital funding to SMME and black-empowered suppliers
- It also provides wholesale credit through extended payment terms for wholesalers/traders

### BANKING AND PAYMENTS

- The Shoprite Group works with various payment providers to enable easy payment of third parties

Operating review continued

# Supermarkets Non-RSA

SHOPRITE

## UPLIFTING LIVES EVERY DAY

Our flagship supermarket brand, Shoprite, serving customers in the mass middle-income market

LiquorShop Usave Checkers LiquorShop

## INVESTING IN OPPORTUNITIES ALIGNED WITH OUR PLATFORM ADVANTAGE

**16.4%**
increase in rand sales

**2**
Shoprite Select stores
(FY 2022: 2 stores)

**46**
Usave stores
(FY 2022: 47 stores)

**147**
Shoprite stores
(FY 2022: 148 stores)

**725**
local Freshmark suppliers

**28**
LiquorShop stores
(FY 2022: 24 stores)

## Our performance against the Group's strategy

### A Smarter Shoprite

*A truly customer-first culture*

Our focus on what our customers want resulted in the development of the Shoprite Select stores which feature the FreshX concept of South Africa's Checkers brand.

### Targeting headroom opportunities

*Trusted, profitable private labels*

*A local focus*

We continually seek out opportunities to produce private label products locally. During the year under review, we increased the number of locally produced private label products available in our stores. We now stock 263 locally produced private label products in Zambia and 18 in Botswana.

*Grow share in premium and fresh food*

To increase the resilience of our Freshmark supply chain through local procurement, we have shared our knowledge with farmers in Angola, Botswana, eSwatini, Ghana, Malawi, Mozambique, Namibia and Zambia to equip them to grow world-class produce. We now have 1 060 farmers supplying produce that meets our Freshmark standards. Not only are these farmers supplying our stores locally, some of them export produce to neighbouring countries.



*Sebokolodi Machines, a Freshmark supplier in the Francistown area of Botswana, has been a supplier to Shoprite stores in Botswana for the past nine months. Their main crop is tomatoes, and the cabbages in the photograph were planted as a crop rotation experiment. They started supplying Shoprite with five tonnes of tomatoes a week and are now delivering approximately 15 tonnes a week. They have the advantage of being one of the few growers that can supply tomatoes through the winter. Their cabbages have done so well that they are now providing us with cabbages as well. From left to right, the group inspecting Sebokolodi's cabbages are: Puti Masunga (a representative of the Botswana Local Enterprise Authority), Wally Mackriel (Trading Manager Designate, Non-RSA Freshmark Home Office), Humphrey Barnard (Owner, Sebokolodi Machines), Fellah Modipane (Operations Manager Designate, Freshmark Botswana), Tshupo Baitshoki (Trading Manager, Freshmark Botswana).*

### Focusing on

The ongoing development of locally produced private label products

Ensuring we have sufficient generator capacity and water supply

Our succession planning, which has transformed our management teams

### OUR FUTURE FOCUS IS ON:

Our obsession with price

Driving sales growth by expanding in current markets and identifying new opportunities for local production of private label products

Increasing our supply chain resilience through our support and development of local farmers




*The fresh produce section in the Shoprite store in Kabulonga, Zambia.*

# Furniture

House & Home

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

OK FURNITURE

Includes Power Express, providing quality furniture, electrical appliances and more to serve customers in the middle-income market.

## GROWTH IN A CHALLENGING ENVIRONMENT

**5.1%**
**growth year on year in furniture sales**

**305**
**OK Furniture RSA and 85 Non-RSA stores**
(FY 2022: 302 RSA and 82 Non-RSA stores)

**40**
**House & Home RSA and 4 Non-RSA stores**
(FY 2022: 38 RSA and 4 Non-RSA stores)

**1.5 percentage points**
**growth in credit sales participation**
(equates to 17.1% in rand value growth)

## Our performance against the Group's strategy

### A Smarter Shoprite

*A truly customer-first culture*

The furniture industry is under serious pressure in the current market. We recognise that our customers' budgets are suffering from food inflation, and interest rate hikes and have reduced costs in our value chain to make our furniture and appliances more affordable for our customers. We facilitate loans through Rainbow Finance that enable our customers to purchase our products today, while paying for them over time.

We installed generators in all our stores to ensure we can serve our customers during load-shedding, and we are also selling a range of products that our customers purchase to help them reduce the impact of load-shedding on their families.

### Targeting headroom opportunities

*Trusted, profitable private labels*

The value of our Furniture business' brands can be likened to that of a trusted profitable private label. By growing its sales by 5.1% year on year in a very challenging market, it delivered value in 2023.

TechX, the Group's in-store technology and cellular offering, has been rolled out to all House & Home stores, which have been given a facelift that matches the look and feel of TechX. The revamp of stores is still under way.

### Focusing on

- Investing through the cycle in stock to ensure that it is available in our stores
- Working with local suppliers who, because they have been badly affected by load-shedding, are struggling to meet their production targets. In addition, they are being affected by the shortage and increased cost of imported components not available in South Africa
- Continually looking for ways to contain our distribution costs, which fuel price increases have badly impacted
- Managing the impact of the costs incurred from running generators during load-shedding

### OUR FUTURE FOCUS IS ON:

- Addressing the impact of load-shedding, a poorly performing economy and inflation on the purchase of white goods and electrical appliances
- Providing House & Home customers with a broader selection of furniture and major appliances
- Finding innovative, affordable solutions to address load-shedding for our customers



# Other operating segments

The Group's Other operating segments include the OK Franchise division, Pharmaceuticals, which include Medirite in-store and Medirite Plus pharmacies and Transpharm, and Computicket.

## OK Franchise division

**GROWTH BY INVESTING THROUGH THE CYCLE**

**4.3%**
**growth year on year in store numbers to 535**
(FY 2022: 513)

**34.0%**
**increase in private label sales through franchises**

**110**
**black-owned franchises**
(FY 2022: 104)

## Our performance against the Group's strategy

### A Smarter Shoprite
*Enable precision retailing*

Customer insights are improving our business processes, products and services as we leverage the skills and experience in the Shoprite Group. Our franchisees are operating in an environment where efficiencies are critical to the sustainability of a business. As a buying and advisory group, it is essential that the advice we give our franchisees is sound and that the training they receive equips them and their employees for success. We are currently investing in the advancement of our training through a new training school, the expansion of our e-learning platform and the development of best-practice standard operating guidelines. We are further advancing our data analytical ability to ensure improved efficiencies.

### Targeting headroom opportunities
*Trusted, profitable private labels*

The guidance we provide our franchisees regarding the different product ranges avoids them being left with costly, obsolete stock on their shelves. We have increased our focus on incorporating private label brands into our offering, providing franchisees with higher margins, increased profitability and better price perception.

### A stronger franchise offering

We offer our franchisees the opportunity, in South Africa and neighbouring countries, to invest in a franchise proposition which leverages the Group's buying power and supply chain capabilities. We extend a range of resources and support structures to our franchisees and their employees and invest through margin to ensure the sustainability of our franchisees' operations. Our investment includes capital, working capital, incentives, systems and software and best practice.

### Focusing on

- Popular preferred OK Express forecourt franchise brand
- Roll-out of revised OK Grocer brand
- Discontinuing Sentra brand and conversion of Sentra stores to OK Grocer, OK Foods and OK MiniMark convenience stores
- Range rationalisation per brand to further enable precision retailing

**Servicing customers across all income levels with recognised community-based formats including:**

| | Number of stores |
|---|---|
| OKFD in South Africa | 453 |
| OKFD in Non-RSA | 79 |
| President Hyper | 3 |

### OUR FUTURE FOCUS IS ON:

- New OK urban upmarket franchise concept
- Expansion of the footprint of our brands
- Leveraging off the Group's ecosystem (such as Money Market counters, Xtra Savings and data analytics) to advance precision retailing to the advantage of franchisees




*The OK Franchise Division's new OK Urban upmarket franchise concept.*

# Pharmaceutical

Medirite+ Pharmacy

Located inside supermarkets Medirite has introduced stand-alone stores as well. It is well-positioned to meet the growing needs for easily accessible and affordable healthcare of customers across all income levels.

**PROVIDING AFFORDABLE AND ACCESSIBLE HEALTH AND WELLNESS PRODUCTS**

**6 Medirite Plus pharmacies**
(FY 2022: 2)

**134 Medirite counters in our supermarkets**
(FY 2022: 139)

## Our performance against the Group's strategy

### A Smarter Shoprite

*A truly customer-first culture*

The Medirite counters based inside supermarkets offer our customers a convenient one-stop-shopping experience.

**Develop future-fit channels**

The Medirite Courier Pharmacy Service is now integrated with our external courier partner's systems, providing us with better reporting, a seamless more efficient process, and a reduction in costs.

**Enabling precision retailing by investing through the cycle**

Based on customer insight gained from our investment in advanced analysis technology, we have established stand-alone Medirite Plus pharmacies in Gauteng, Western Cape and KwaZulu-Natal that offer a more private and personalised one-stop health and wellness destination adjacent to our supermarkets.

### Targeting headroom opportunities

*Trusted, profitable private labels*

Our private label medicines, available both in-store and at Medirite counters and stand-alone Medirite Plus pharmacies, are more affordable than similar branded products, which emphasises the value proposition in our pharmacies.

**OUR FUTURE FOCUS IS ON:**

- Growing organically through the addition of Medirite Plus pharmacies during FY 2024
- Finding ways to continually improve our customer service
- Growing our range of private label products by working with our partners to develop new private label medicines




*A Medirite pharmacy in the Checkers Hyper in Roodepoort, Gauteng province.*




*The standalone Medirite Plus Willowbridge in Bellville, Western Cape Province is a full-service one-stop health and wellness destination offering a wide product range that includes health, beauty, baby and skincare brands, in addition to pharmaceutical products.*

Transpharm

Our wholesale pharmaceutical business distributes and offers top-quality medical, front shop, surgical and veterinary products and world-class service.

## GROWING OUR MARKET SHARE

**Our 43 HealthFirst private label products have shown a steady average volume growth month on month since their launch. As a home brand not directly associated with a specific corporate identity, HealthFirst is being absorbed into the independent pharmacy market as a market competitive private label brand, bringing sought-after quality and profitability to this market segment.**

**Transpharm supplies 289 private hospitals including Mediclinic, Life Healthcare and Netcare.**



## Our performance against the Group's strategy

### A Smarter Shoprite

*Develop future-fit channels*

Transpharm's investment in its own e-commerce platform allows the business to manage the content on the platform and provides customers with an easy-to-use order placing and payment facility.

### Winning in the long term

Having established its first fulfilment centre in KwaZulu-Natal during 2023, Transpharm is well-positioned to fulfil multiple customer-facing businesses out of the same centre.

Transpharm's distribution to Medirite accounts for approximately 26% of its business.

### OUR FUTURE FOCUS IS ON:

Investigating opportunities for an additional fulfilment centre

Further streamlining our distribution processes

Establishing fulfilment centres in the Western Cape and Gauteng

# Lifestyle services (Ticketing)

COMPUTICKET

The Group's online and call centre ticketing business

### Computicket

*The Group's online and call centre ticketing business*

We have replatformed Computicket to future-proof our systems and ensure we are well-positioned for the changes in eventing that require online services, while maintaining our ability to serve customers in-store effectively and efficiently.

**Computicket Box Office** provides an easy-to-use and affordable self-service platform for event organisers and is available to customers who wish to buy their tickets in-store. There has been an exceptional uptake of this service with 5 574 events loaded during this financial year. This technology, which provides opportunities for the local entertainment industry, lends itself to the promotion of events in the less formal sector of the industry. The Computicket Box Office platform is available for both small and large events. Organisers can choose to use AI to help them write a description of the event, based on some key information they provide.

### OUR FUTURE FOCUS IS ON:

Completing the replatforming of Computicket, which includes Box Office and Entry Ninja



# Enablers of sustainable enterprise value


| | |
|---|---|
| Economic sustainability | 70 |
| Our role in society | 75 |
| Environmental stewardship | 85 |





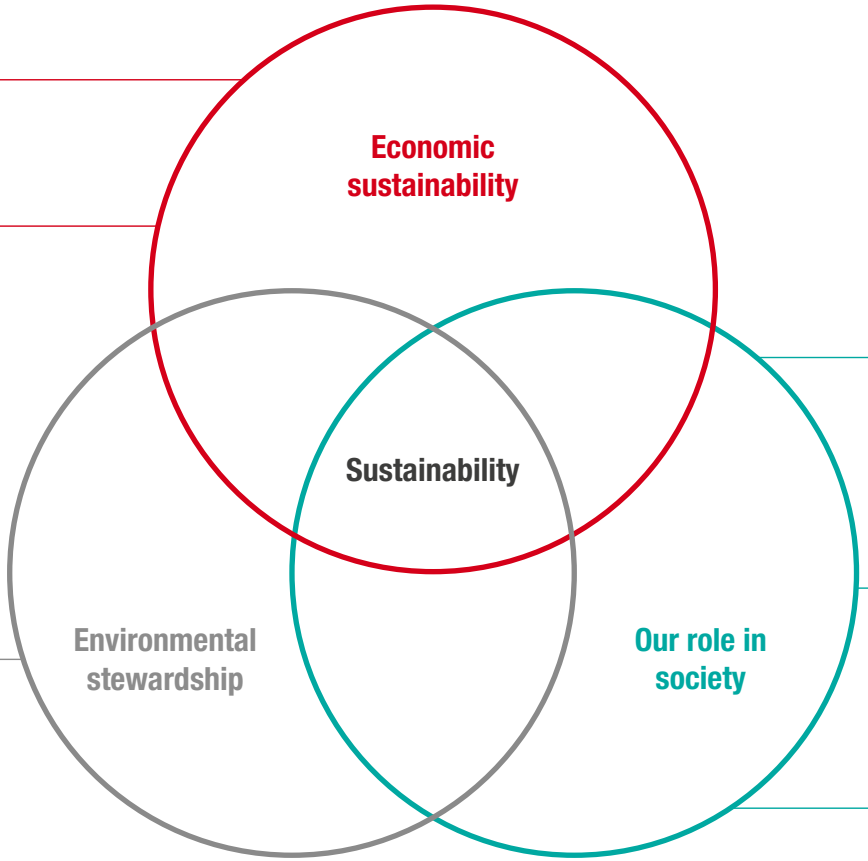
*A Shoprite Mobile Soup Kitchen, at Verulam in KwaZulu-Natal province.*

# Enablers of sustainable enterprise value

**Supply chain resilience**
- Unlocking significant opportunities to grow the business

**A digital mindset**
- Building the best customer experience end to end

**Protecting our planet**
- Addressing the short, medium and long-term effects of climate change
- Circularity and waste




**Customer-centricity**
- A relentless focus on affordability, accessibility and innovation

**A responsible and respected employer**
- Investing in our people who matter because they make it possible for us to feed millions of people every day
- Prioritising transformation, diversity and inclusion

**Socio-economic contribution**
- Investing in and supporting our communities

Delivering on our purpose to uplift lives every day by:
- Pioneering access to the most affordable goods and services
- Creating economic opportunity
- Protecting our planet

By delivering on our purpose we are making a meaningful contribution to the achievement of the United Nations SDGs:



# ECONOMIC SUSTAINABILITY

## Supply chain and replenishment

Steadfastly focused on availability and affordability

### GROWING A SMARTER SHOPRITE

On-shelf availability maintained at **97.0%** (FY 2022: 97.5%)

On average, **59 000** B2B orders are sent to vendors every day (FY 2022: 54 273)

**854** trucks fitted with real-time driver fatigue detection and management technology

**Almost 3 million litres** of diesel used in DC generators

**5.1%** reduction in average fuel consumption per kilometre through continuous roll-out of new Euro 5 compliant vehicles, enhanced driver training and through the implementation of fuel anomaly detection models




## Our performance against the Group's strategy

### A Smarter Shoprite

Our long-term investment in our centralised supply gives the Group better control of stock availability, the ability to maintain a broader range of stock and achieve cost savings.

We constantly improve our supply chain systems and invest in software that helps us meet our customers' expectations that the items on their shopping lists will be on our shelves, minimise waste on fresh, short shelf-life products and manage inventory more effectively.

The uncertainties in our current environment, and the impact of load-shedding have meant that suppliers are not always able to keep up with the demand for products, and as a result products are not always available. To address this, we continuously collaborate with our suppliers to identify opportunities to invest in additional inventory and maintain a high level of on-shelf availability.

### Finding ways to address the impacts of load-shedding

Because of the critical role our distribution centres play in our supply chain, with the majority of the products in our stores coming through our centralised distribution network, our distribution centres must always have electricity. Our Centurion distribution centre, which serves over 1 248 stores in the inland region, requires six generators to address its electricity requirements. The recent increase in load-shedding has meant that our generators are running longer and more frequently than expected, increasing the maintenance requirements of our generator fleet and the need to assess wear and tear and replace parts regularly. This has meant increasing the size of our facilities teams and introducing new skills. We need to have people on site 24 hours a day to maintain our fleet of generators and ensure we can generate electricity on site. We have increased the size of our solar PV systems at our distribution centres to 6 747 kWp (FY 2022: 2 260 kWp) and we are expanding our investment in management of refrigeration and utilities consumption.

### Load-shedding impacts on our suppliers

Liaising with our suppliers, understanding how they are impacted by load-shedding, factoring that in, planning with them and being flexible has become an essential part of how we keep product on the shelves. Managing relations requires people, and it takes time, so in addition to our investment in technology, which handles the forecasting and replenishing, we have intentionally invested in people to ensure that we continue to maintain the highest levels of on-shelf availability at our stores.

### Safer and smarter

Technology plays a part in keeping our drivers safe, and reducing accidents and fuel consumption. We have taken several steps to make our fleet as safe and economical as possible:

- We introduced 112 Euro 5 compliant trucks, which produce fewer GHGs and are more fuel efficient. Compared to standard Euro 3 compliant trucks in SA, the Euro 5 trucks deliver 19.3% better fuel efficiency, over 80.0% less particulate generation and over 60.0% less NOx emissions

**Economic sustainability** continued




*The solar panels on the roofs of these trucks keep their contents cool and reduce GHG emissions.*

- We are currently the first retailer to test a heavy-duty electric vehicle doing local deliveries, which is recharged using our solar installation
- We have trained our drivers to be frugal, cautious drivers both from a fuel efficiency and a safety perspective
- We rolled out real-time driver fatigue monitoring, detection and management technology on all our trucks
- We are optimising our fuel consumption using a fuel anomaly detection model, which tracks any anomalies that could have been caused by fuel theft or driving style

Following the social unrest riots of July 2021, we have invested in increased security around our high-risk campuses and upgraded to a higher grade of security personnel at these sites.

To further reduce transportation costs and environmental impacts, we make use of backhauling opportunities where we use empty trucks after they have completed a store delivery to collect product from suppliers.

## A responsible approach to the environment

A key focus for our distribution centres is achieving the goal of no organic waste to landfill by 2025. Waste is segregated on site, and our efforts towards a circular economy include composting organic waste and using it to fertilise the gardens at the distribution centre and diverting dry groceries no longer fit for human consumption to animal feed.

We have installed solar panels on the roofs of most of our refrigerated trailers to power the refrigeration units. In our refrigerated trailers, we use nitrogen, a natural refrigerant, and ammonia, another natural refrigerant, for refrigeration in the distribution centres.

### OUR FUTURE FOCUS IS ON:

- Being intentional about supply chain planning to ensure we remain in the best position to predict and respond to customer demands relative to supplier service levels. This will be further enabled through the current implementation of enhanced demand and fulfilment technology across our warehousing and store replenishment infrastructure
- Testing of Euro 7 vehicles for possible inclusion in our fleet
- Investing in people capacity and capability to support our supply chain growth and best serve the needs of the Group
- No organic waste to landfill by 2025
- Increasing the installed capacity of our solar PV systems at current and new distribution centres

We are increasing our supply chain capacity using our Retail Logistics Fund by:

- Adding regional distribution centre infrastructure that allow us to be more agile and responsive
- Building over 210 000 $m^2$ additional distribution centre capacity over the next two years to continue to advance our centralisation advantage
- Meeting organic growth demands and supplying new stores, including the Massmart stores we acquired
- Ensuring continued enhancement of cold chain management throughout the supply chain to support market share gains in the fresh food category

# Our digital strategy and mindset

## KEY STATISTICS

**Sixty60**
app downloads as at year end:
**3.9** million downloads
(FY 2022: 2.1 million)

**Sixty60**
delivery sites:
**466**
(FY 2022: 300)

**Xtra Savings**
retained its position as #1 loyalty programme for the second year at the 2022 South African Loyalty Awards

Shoprite[X] won
**39 awards** for customer innovations such as Xtra Savings and Sixty60

The first supermarket in South Africa to launch a monthly subscription plan,
**Xtra Savings Plus,** with unlimited free **Sixty60** deliveries, 10% off one in-store shop per month and double personalised offers

## IN THE TRUTH BRAND-MAPP LOYALTY WHITEPAPER 2022:

Checkers Xtra Savings was ranked the #1 retail rewards programme people can't live without in the high-income survey (income >R10k).

In the mass market survey, Shoprite Xtra Savings was ranked the #1 most used programme across all loyalty programmes.

## Our performance against the Group's strategy

### A Smarter Shoprite

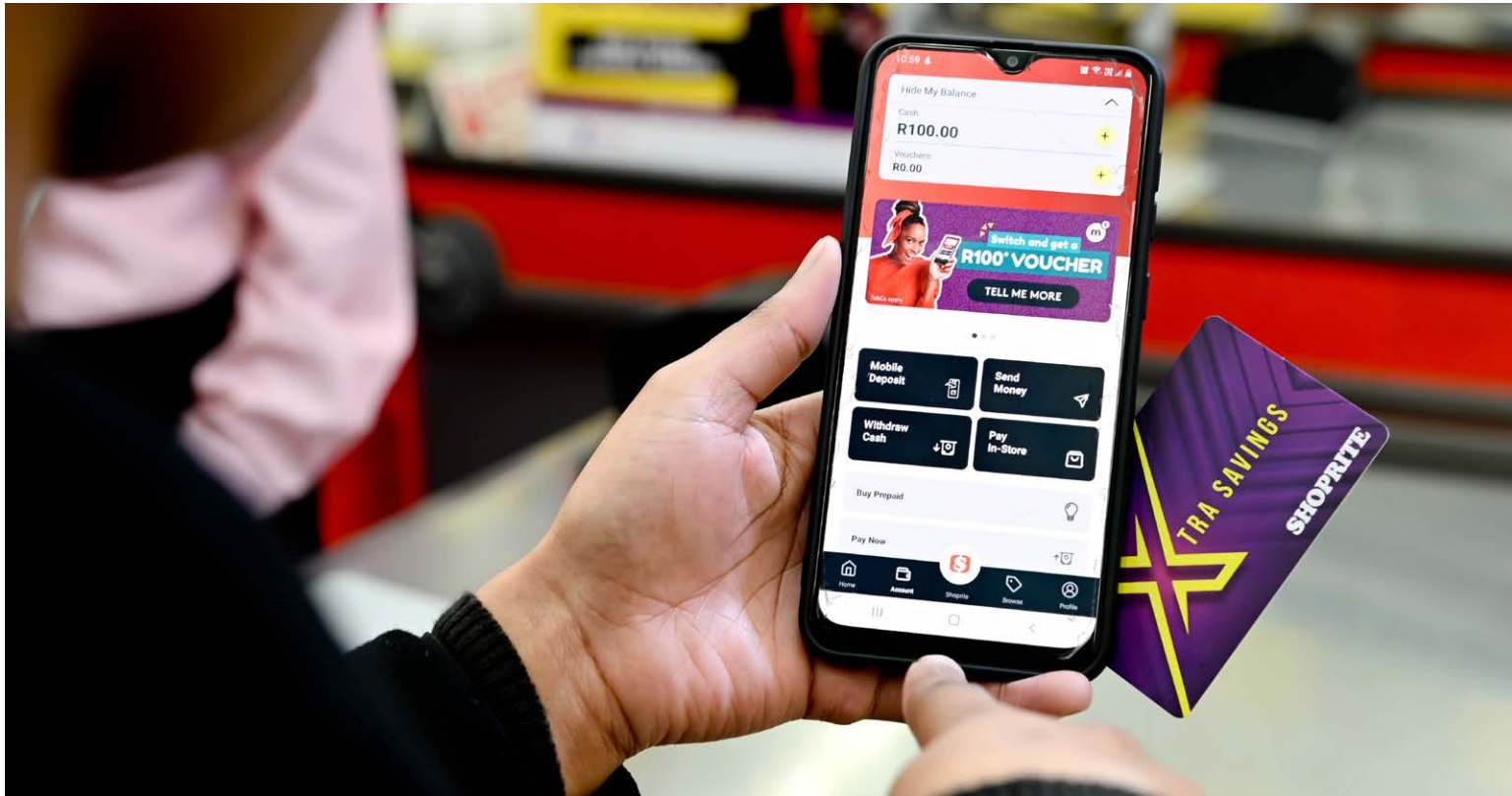
#### A truly customer-first culture

Our digital strategy builds on our primary business strategy, which is to become more customer-led in all of our decision-making. The Group has identified the need to be customer-centric, and the impact of technology, digitisation and data analytics as material matters. The Xtra Savings rewards programme plays a pivotal role in understanding our customers more intimately. The insight we gain from Xtra Savings customer data helps us execute smarter pricing and promotions, improve our ranging for customers, and unlocks key media and data monetisation opportunities as the Group diversifies its income streams. The power of our data enables us to identify trends in purchasing behaviour, respond rapidly to changing customer needs and create opportunities for growth within our retail ecosystem.

By building most of our digital solutions in-house, we have been able to create customer end-to-end experiences, identifying friction points and customer problems that our teams set out to solve. Our significant investment in the disruptive Xtra Savings rewards programme in the run up to its 2019 launch offers instant grocery discounts of more than R1 billion each month on things customers need, effortlessly.
It means we have a real-time understanding of the heartbeat and the voice of every customer. Advanced analytics then allow us to build precision retail capabilities and become more agile in responding to our customers' dynamic omnichannel behaviour.

#### Partnerships and building an omnichannel offering

Furthering our ambition to own the omnichannel customer experience, we have partnered with the RTT Group to form Pingo and combined the best of both businesses to offer class-leading last-mile logistics. Sixty60 has a leading market share in the online grocery delivery market, and putting customers first saw us introduce a new service guarantee. The guarantee ensures we keep delivering on time and in full to our customers, promising free delivery when we don't get it perfectly right for customers.



**Our digital strategy and mindset** continued

### Enable precision retailing

Serving our diverse customer base with excellence requires speed and agility. Our investment in advanced analytics ensures we use the best of technology and AI to personalise experiences on the right channel, with the right offer, at the right time, to 27.8 million Xtra Savings customers. Our insight into what our customers really want has helped us optimise our business processes and personalise more experiences for consumers.

## Targeting headroom opportunities

### Growing our share in premium and fresh food

Our significant investment over many years in multi-temperature, centralised supply chain capabilities is a critical scale and competitive advantage. Our ongoing optimisation efforts through AI are focused on product demand forecasting. More accurate demand forecasting also reduces food waste of fresh and short shelf-life products. Combined with our large product development and food technology team, it ensures our customers have access to high-quality, fresher-for-longer food products and better on-shelf availability. The introduction of new replenishment software that more effectively manages inventory will further improve customer experience in-store by providing an end-to-end view of inventory across our business.

## Winning in the long term

### Unlocking alternative income

New retail formats in adjacent categories such as baby and pet, were born from understanding the total ecosystem behaviour of our retail customers. The value of our large consumer data set also unlocks media and data monetisation in our broader ecosystem.

REX

### Data monetisation and a single customer view

The Group launched its own customer insights platform, Rex, that shares our rich customer insights with our suppliers while preserving privacy. It allows for a common customer language to better serve customers, improve joint planning and to support our ambition of becoming Africa's most customer-centric retailer. This also unlocks income for the Group by creating shared value growth opportunities for our partners.

rainmaker MEDIA

### Using data for precision advertising

Rainmaker Media, our retail media network, aims to provide the most measurable media platform for our suppliers and advertising partners. Using our rich first-party customer data set, as well as strong partnerships with platforms like Meta and Google, we can provide our clients with fully integrated 360-degree campaigns from customer online search through to shelf edge and point of purchase decision-making. Precision targeting capabilities ensure only relevant, customer-centric approaches to personalised ads are delivered. This ensures best-in-class return on ad spend for advertisers, with closed-loop measurement. We use our vast store and digital footprint combined with our unmatched customer scale to provide omnichannel media solutions to supplier partners and provide alternative income for the Group.

SHOPRITE X

### Future-fit talent

The establishment of Shoprite$^{X}$, our digital innovation hub, is aimed at adding value to the core business by bringing together the best of tech, data science and digital talent. It focuses on personalisation and digital commerce for a fitter Shoprite and accelerating from media and data monetisation efforts. The team, including scarce digital talent such as data scientists and software engineers, brought the award-winning Xtra Savings rewards programme and the Sixty60 on-demand delivery platform to market.







*Rainmaker precision digital advertising provides the most measurable media platforms for our suppliers and advertising partners.*

### Xtra Savings rewards programme recognition

The Xtra Savings rewards programme was recognised as the Best Programme of the Year: Retail, and for the Best Strategic Use of Data Analytics at the 2022 South African Loyalty Awards. In addition, Xtra Savings won a digital innovation award for their rewards and integration on the on-demand grocery delivery app, and seven MMA Smartie awards in the instant impact, customer lifecycle marketing, use of experimental technology, new tech channel and integrated e-commerce innovation categories.

**Our digital strategy and mindset** continued

## Recognition of Checkers' Sixty60 advertising campaigns

Checkers' Sixty60 advertising campaigns won 14 awards during the year under review, including an Orchid for its 2023 Mother's Day campaign. The Mother's Day ad, which was praised on social media, was recognised for capturing the bond between mother and child and gave children living away from home the opportunity to spoil their moms for Mother's Day, even when they are not able to deliver the gifts themselves.

Sixty60's Tinder Swindler campaign won multiple awards, including the Creative Circle Ad of the Year award for digital advertising and two Bronze Bookmark awards. It also won two Gold New Generation awards for the most innovative social and digital media campaign and two African Sabre Awards for superior achievement in research and planning. Finally, Sixty60 was awarded four MMA Smartie Awards for instant impact, integrated ecommerce offering and two Pendorings for multilingual marketing efficiency.

Over and above this award-winning advertising, Checkers Sixty60 also became the first South African retailer to advertise internationally with their "No price like home" campaign. With advertisements in both London and Sydney newspapers, Checkers Sixty60 targeted South Africans abroad with great prices on their favourite products, as well as encouraged them to send a care package home through Sixty60.

Checkers Sixty60 won the Creative Circle Ad of the Year award for its digital advertising and two Bronze Bookmark awards.

THE NEW GENERATION SOCIAL & DIGITAL MEDIA AWARDS

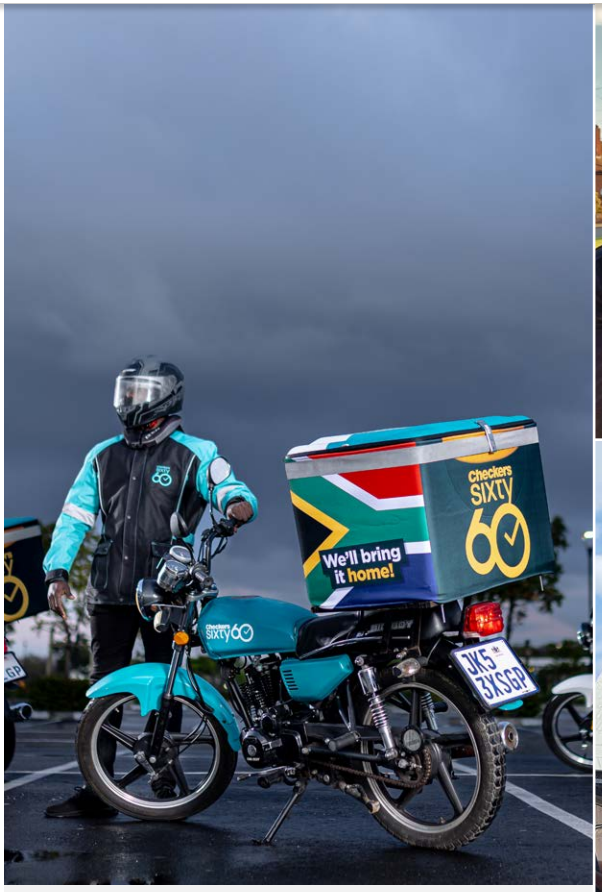
Two Gold New Generation awards for the most innovative social and digital media campaign by a small agency for successfully managing to tap into culture and deliver talkability and scalability, all for the benefit of the customer.

MMA MOBILE MARKETING ASSOCIATION SMARTIES

Four Smartie Awards from the Mobile Marketing Association.

SABRE Awards EMEA 2023

Two African Sabre Awards for superior achievement in research and planning.












## Investing in the future

Retailers are typically driven by short-term profitability. At Shoprite, we recognise that for the business to deliver sustainable enterprise value in the future, we need to make decisions regarding digital commerce investments today, from which the Company will benefit in the longer term. We are reinvesting the commercial benefits from our investments to date into a larger digital platform capability that will reap dividends in the long term.

## Investing in cybersecurity

We continually invest in technology and skills to strengthen our information and cybersecurity and engage external expertise to assess our approach and make recommendations of how we could further strengthen our security.

# OUR ROLE IN SOCIETY

## Our people

**With their Shoprite Matters mindset, all our team members turn ordinary tasks into extraordinary outcomes that make it possible for us to feed 27.8 million people every day.**

Our **153 726** people (FY 2022: 145 595) include full-time, part-time and fixed-term contract employees

**R7 million**
(FY 2022: R7 million) invested in supporting our employees and their families via Health 24/7

**R11.7 million**
(2021: R13.6 million) spent on bursaries awarded in the 2022 academic year

### Employee training

**R645 million** (FY 2022: R600 million) invested in employee training

**2.9 million**
hours invested in training (FY 2022: 3.3 million hours)

**171 442**
(FY 2022: 170 339) employees trained in retail concepts and formal qualifications

### Our investment in learning and development for unemployed youth

**R135 million**
(FY 2022: R145 million) invested in the Retail Readiness programmes and YES initiative

**68.0%**
of this spend was invested in YES4Youth (FY 2022: 59.9%)

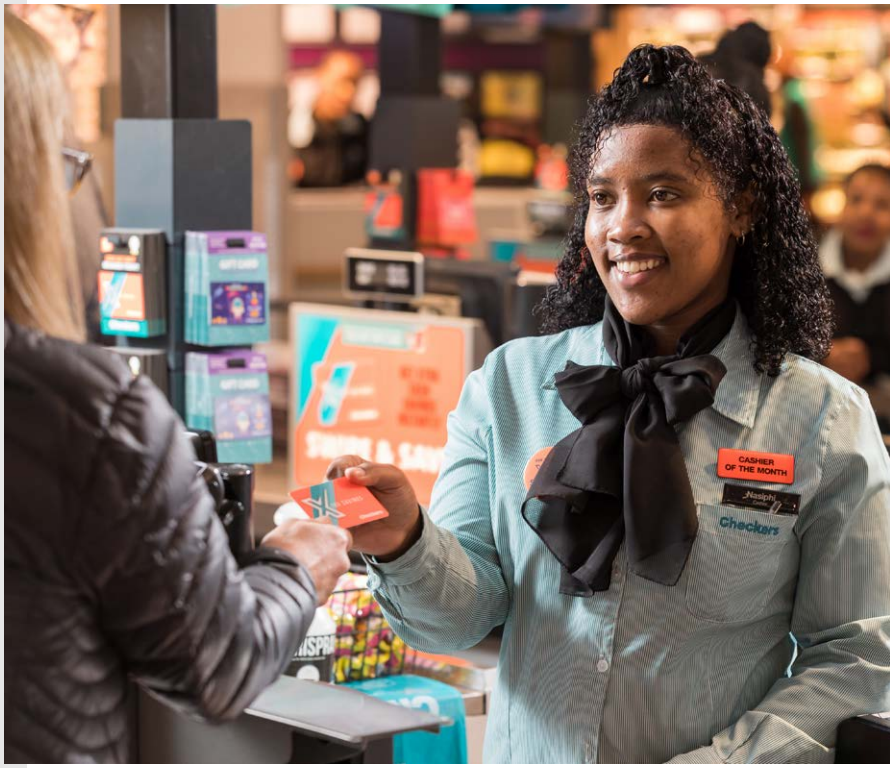
### The Shoprite People Plan strategy

The success of the Shoprite People Plan strategy is measured against three pillars designed and implemented to support the Group strategy:

- Attract and retain the right talent
- Enable our talent to do their best work (empowerment)
- Elevate the impact of our people team and people processes

We implemented our Leadership Framework enabling us to invest in our people through shaping our culture and developing future leaders during the year under review. The framework includes our set of capabilities, values and importantly 'How' we deliver, encompassed under the banner of *Our Shoprite Leadership Way*.

The Branch Manager Recognition Awards programme has been established to recognise and celebrate branch managers who display exceptional retail leadership and empowering leadership behaviours that enable their teams to do their best work.




*Cashier of the month in Checkers Uitzicht, Nasiphi Rwayi whose daily actions matter to the customers she puts first every day.*

### Optimised for our customers

#### A truly customer-first culture

Our people strategy is designed to empower our talent with the relevant technical and leadership capabilities to enable a continued focus on delivering a quality service for our customers.

#### Promoting an ethical culture

Our focus is on creating a working environment that prioritises respect for human rights and employee well-being in a safe and fair working environment that empowers our people to perform optimally, in line with our customer-first culture. We expect all our people to reflect our purpose, and values-based ethical culture. No cases of human rights abuses were reported in the period under review.

#### Transformation, diversity and inclusion

We support and adhere to the principles of the Employment Equity Act and through the adoption of our employment equity policy we hold ourselves accountable to promote diversity in our business. The Group has allocated targets for each business unit to ensure our progress is in line with our broader transformation objectives. We do not tolerate unfair discrimination, including discrimination in employment decisions.

**The table below reflects our current transformation progress at management levels in South Africa**

| | Black representation % | FY 2024 Target % |
|---|---|---|
| Top management | 36.3 | 39.0 |
| Senior management | 66.8 | 68.0 |
| Middle management | 82.3 | 83.0 |

**The table below reflects our gender representation at management levels in South Africa**

| | Female % | FY 2024 Target % |
|---|---|---|
| Top management | 27.1 | 26.0 |
| Senior management | 29.1 | 30.0 |
| Middle management | 47.9 | 48.0 |

## Winning in the long term

### Future-fit channels and talent

Winning in the long term requires substantial investment in both learning and leadership development capabilities.

Emerging retail technology trends and rapidly changing consumer expectations require talent that is skilled in developing future-fit channels. We link our success directly to the skills we attract. We focus on finding and retaining the right people with the right experience, skill and capabilities and being an employer of choice.

### Investing in future-fit learning infrastructure and technology




Developing the capabilities of our existing employees is an essential part of our succession planning and capacity-building initiatives. Through the diverse business segments within which we operate, we invest in our talent and create internal opportunities for harnessing new-found capabilities. Our People Plan details further skills development to ensure our workforce remains future-fit.

Learning and development help drive efficiencies, promote business growth and create a competitive advantage. We believe in easy access to learning which enriches the everyday experience of our employees. A newly constituted Talent and Learning Investment Committee, comprising key business leaders, guides the prioritisation of our learning outcomes and resources.

By leveraging e-learning technology, virtual learning and traditional forms of learning delivery, the learning and development team are able to develop our employees across all the countries in which we operate while supporting the Group in establishing critical capabilities.

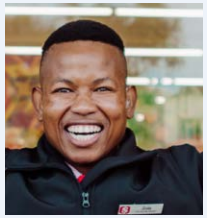
## Impact

### Our investment in youth

We have a young workforce, with 39.8% of our employees under the age of 30. Our investment in addressing youth unemployment is delivering on our need to develop future-fit talent and our future leaders and helping to reduce one of South Africa's most significant challenges.

Our various skills development programmes have, for example, profoundly impacted four young people, who are now making a valuable contribution to the Group.

Zola Memani (33), who took up a 12-month learnership as part of our Disability Programme and received a formal qualification after completing the programme, has been working as a Fruit & Veg Assistant for the past six years, ensuring only the freshest produce is sold in Shoprite Cradock. Zola taught his teammates sign language to overcome the difficulty he had communicating with them. His dream is to become a manager one day. In 2024, the Group will offer learnerships to 100 youths with disabilities.





Nombuso Bhengu (30) enrolled in our Fresh Foods learnership in 2019 after being unemployed for seven years and today she is a Deli Assistant at Checkers Hillcrest. Every year between 50 and 150 people complete this learnership with the opportunity to be permanently employed. Nombuso says she works in an amazing team who all have the same goal – providing good customer service and ensuring that people return to their store.

Silindile Mili (32) joined our accredited the RRP in 2016 after volunteering at a community radio station for two years. Today, she is a Trainee Manager at Checkers Waterfall Corner. The RRP provides business skills and a wholesale and retail accredited certificate.





Siyasanga Bangani (24), a Shoprite Tech Academy graduate, is a SAP Functional Analyst working at the Shoprite[X] Home Office. Siyasanga has found Shoprite Technology a great environment in which to learn and grow and says people are always willing to help if she gets stuck and to share their knowledge. The Tech Academy was launched in 2023 and offers programmes in SAP, data science, business analysis, software development and testing, which exposes students to many potential roles in the business.

**Our role in society** continued




*As part of the YES initiative unemployed youth were trained to become Sixty60 motorcycle riders. Lina Maga, who participated in the YES initiative is one of our female Sixty60 motorcycle riders.*

Shoprite invests in employed and unemployed youth through various development programmes and training and education linked to youth unemployment. Our opportunities include our RRP, the YES initiative, and bursaries aligned to the Group's skills agenda.

### Youth unemployment and development

We allocate resources to multiple youth development initiatives, with the aim of attracting and nurturing a diverse pool of talented individuals who align with our employment equity goals. These initiatives actively seek out young people from various locations to ensure a broad representation. The YES initiative and RRP prepare unemployed youth for a career in retail.

These initiatives are aimed at training and upskilling people not previously employed by the Group and are focused on helping unemployed youth gain the skills they need to secure jobs in the retail industry. We believe that skills development drives our business and the economy and positively impacts the lives of many job-seeking young people.

The RRP, which is understood to be the largest and most successful skills development initiative undertaken by a South African retailer, comprises five weeks of practical training in stores and two weeks of theoretical training to provide youth with the basic skills to work in a retail environment or start their own business. Successful participants receive a wholesale and retail accredited certificate.

The YES programme is a business-driven initiative that works together with government and labour to build economic pathways for youth to reduce unemployment. It is a high impact employment creator.

It is a strategic contributor offering employment for YES learners at the various new ventures that the Group is undertaking. Our Sixty60 drivers are included in the YES programme. We are pleased with our progress to enrol more female drivers and enable more women to gain employment and self-employment opportunities. Participants in the YES 12-month work experience programme are paid a stipend during this period.

### Learnerships for people with disabilities

During the year under review, we successfully ran a pilot programme that introduced 217 unemployed young people with disabilities on learnerships to our stores. Before the pilot began, we prepared the environment for them, which included sensitising our store employees to the challenges people with disabilities might face in the workplace. Participants will not only gain workplace experience but their learnerships will lead to formal qualifications. As a result of the success of the pilot, we will be taking on 100 young unemployed people with disabilities on learnerships in the 2024 financial year.

### Offering early careers to unemployed youth

Shoprite has invited unemployed and unskilled South Africans, aged 18 to 34 to apply for specialised training and educational programmes at the Group throughout the year. Youth unemployment is at a staggering 63.9%. Our talent attraction and development strategy strongly focuses on offering early careers to unemployed youth. Through our RRP, the Group has invested R585 million into learners since 2016. The seven-week programme equips unemployed youth with the basic skills they need to work in a retail environment or to start their own business. Young people who successfully complete the programme receive NQF level 3 part qualifications.

As the highest impact employment creator in the YES initiative, the Group has created 9 794 work opportunities for youth since 2019. YES learners receive 12 months of on-the-job training at various in-store service departments, including the bakery, deli and fresh foods.




*From left to right: Shuanah Frans, Benjamin Peter and Siphosethu Silinga started their careers at the Shoprite Group as part of the YES (Youth Employment Service) programme which led to employment at Checkers.*

**More information is available in our Sustainability Report on**

- Retail readiness
- Developing the youth through learning initiatives

**Our role in society** continued

## Our Shoprite Leadership Way

The Group believes in the power of effective leadership and deepened its focus on leadership development this year. To this end, we developed *Our Shoprite Leadership Way*, which consists of six leadership Signature programmes, the first of which is a programme for team leaders. Accelerate, the sixth programme, focuses on the accelerated development of talent and succession candidates. All of the Signature programmes were active by year end. The three-year process designed to embed *Our Shoprite Leadership Way* in the business has several key initiatives:

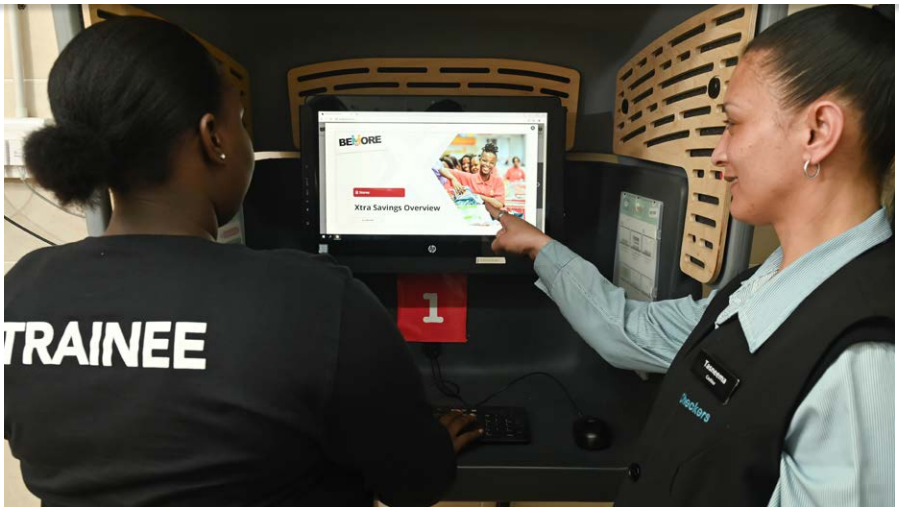
- Leadership onboarding
- Leadership Signature programmes
- Me and the Shoprite Leadership Way
- Us and the Shoprite Leadership Way
- Leadership coaching
- Leadership conversations
- Leadership connect sessions

## Labour relations management

A framework agreement between Shoprite Checkers and UNI Global Union Alliance, in place since 2010, is an important forum that encourages global social dialogue to promote sound industrial relations.

Employees have a right to freedom of association and to join trade unions of their choice. We recognise 15 trade unions that represent the interests of our employees. Most of the Group's employees are based in South Africa and our largest union representation is the South African Commercial, Catering and Allied Workers Union (SACCAWU).

The wage strike in the Western Cape distribution centre in December 2022 had little impact on our business operations/ service levels. The employees involved abandoned the strike action after six weeks and resumed work.




*A trainee is introduced to in-store e-learning programmes.*

## Remuneration and benefits

To attract and retain our talent we offer competitive remuneration and benefits. Our remuneration is benchmarked against the market using the third-party national and retail surveys for employees below Executive level, and the peer comparator group for Executives. Given the Group's competitive position in the market, adjustments may be made to attract and/or retain scarce or critical skills. Benefits can enhance remuneration packages and are allocated in appropriate formats, across different levels of employment, based on responsibilities and the Group's need to retain specific skills. These include incentives that encourage desired behaviours and support the Group's business and strategic objectives, as defined in individual performance criteria.

These are:

- all permanent employees: guaranteed salaries. Those with two years' service or longer and who are not benefiting from any short (STI) or long-term incentive (LTI) scheme, participate in the **Shoprite Employee Trust**, which holds 40 million Shoprite Checkers shares. The distributions paid out are aligned with Shoprite Holdings' declared dividends per share to ensure the benefits that flow to employees are transparent and employees enjoy the benefits flowing from the Group's continued achievement of strong operational and financial results
- managers: incentivised for enhanced business performance and can include STIs and LTIs
- qualifying employees: job-specific incentives, such as sales commission and monthly incentives
- managers and Executives: eligible for STIs and LTIs linked to Group and business unit or operational performance

Remuneration is guided by our remuneration policy that is presented annually to our shareholders and more detail on the policy is available in the Remuneration review that is included in this report.

Non-financial benefits include skills development opportunities, education loans and benefits of bursaries awarded, as well as employee discounts.

## Health and safety

We prioritise our workplace culture of care. We support the health and safety of all our employees through our Group Health and Safety Framework, which is based on the requirements of ISO 45001. The Group makes use of a tailored health, safety and compliance platform to deploy its framework and monitor compliance across all its various offices, depots, distribution centres and supermarkets.

We look to enable a safety-first culture through our 'Change the Culture' programme, and our 15 golden rules to safety continue to form part of the Group's health and safety training programme.

**The Group's Code of Conduct, policies and procedures align with:**

- The principles of the UNGC
- Chapter 2 of the Constitution of the Republic of South Africa
- United Nations' Universal Declaration of Human Rights
- International Labour Organization's core Conventions on Labour Standards

### OUR FUTURE FOCUS IS ON:

An engaged employee that creates the best customer experience is an outcome of effective leadership

Our focus will be on integrating *Our Shoprite Leadership Way* into our business, which will prioritise all leadership levels. The rollout began in February 2023

### More information is available in our Sustainability Report on:

- Investing in our people
- Employee profile
- Developing artisans to safeguard retail excellence
- Developing frontline employees
- Increasing sustainability-related capabilities
- Developing, attracting and retaining talent in digital and data science

# Customer-centricity

**We are stable, reliable, consistent and always there wherever our customers are whenever they need us.**

**39** awards won recognising customer innovation and brand excellence

Provided customers with over
**R13.5 billion** (FY 2022: R9.4 billion) in instant Xtra Savings discounts

**Paid R1 million**
(FY 2022: R1 million) in rebates to our customers for using our reusable and 100% recyclable planet bags since inception

**652 lines** (FY 2022: 584 lines) with new on-pack recycling labels included in packaging




*We continuously relook our R5 deli meals offering to bring an affordable meal to our Shoprite customers and have sold 29.6 million deli meals in this financial year. During winter we added a nutritious cup of warm soup and a bread roll to our range.*

## Our performance against the Group's strategy

### A Smarter Shoprite
### Optimised for our customers

#### A truly customer-first culture

Customer-centric decision-making is the driving force behind our leadership position in retail. It keeps us focused on what our customers want in our core business. Customer data is powering decision-making at all levels of the organisation and driving a culture of continuous improvement.

Our digital transformation journey has enabled deeper customer insights across the shopping journey, which help us and our supplier partners improve our products and services.

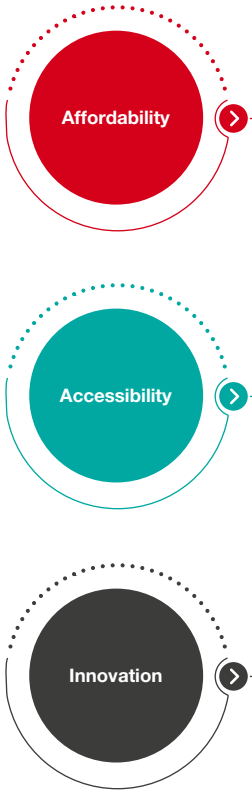
Meeting our evolving customers' needs is central to our business success. The current operating environment, marred by high inflation and chronic power outages, is causing socio-economic pressure that requires an obsession with affordability and accessibility for our customers.

Our customers are increasingly environmentally aware in their consumption choices. To this end, the Checkers Better for the Planet campaign focuses on making better choices today for a better tomorrow through responsible sourcing, reduction in food waste, saving water, fighting climate change and the reuse and recycling of packaging. We are constantly working towards making our private label brands' packaging more environmentally sustainable. Our various value propositions are tailored to unique customer segments, influenced by geographic location and affluence.

#### Affordability and accessibility across brands

As socio-economic realities worsen, we understand the continued cost of living pressures our customers are experiencing. Rising interest rates and high food inflation, compounded by the war in Ukraine, have dramatically impacted the affordability of basic products. They increased the cost of agricultural inputs, packaging, manufacturing and transport, and impacted both local and imported products.

To support our customers in these challenging times, we have focused on ensuring affordability and accessibility across our brands. We continue to promote affordable, nutritious and protein-rich foods (meat, eggs, dairy and beans), and kept prices on nutritional essentials as low as possible and at times subsidise pricing to promote affordability – ensuring nutritional value for money to customers. Each of our brands has a distinct purpose, providing value for money across a range of income groups. This includes our R5 loaves of bread and R5 deli meals available to Shoprite customers.




The Group's internal food price inflation of 10.1% remains below the official food inflation of 12.3%

Consistently offer a 600g loaf of bread at R5 and a range of R5 deli meal solutions to Shoprite customers

Ubrand and Ritebrand products sold close to home in our Usave retail stores

**487** Usave and Usave eKasi stores (FY 2022: **457** stores)

**R13.5** billion in instant cash savings for Xtra Savings members

Increased national reach of our Sixty60 offering to **466 locations**

Increased scope of our private label products – **95.0%** of customers purchase one of our private label brands

Linked customers' Xtra Savings profiles and benefits to online purchases on Sixty60 and to the Money Market Account, Shoprite's low-cost bank account

Piloted the Xtra Savings Plus subscription plan, which gives customers unlimited free Sixty60 deliveries, 10% off one in-store shop per month and double personalised offers, and launched it to customers after year end

Opened **56** adjacent brand retail stores to cater for customer needs in headroom growth segments near supermarkets

#### Maintaining inflation-beating low prices

As food price inflation in South Africa increases to 12.3%, we have kept our internal food price inflation at 10.1% (FY 2022: 3.9%). The prices of agricultural inputs and fuel price increases, directly impact pricing, consumers affordability and food insecurity.

Our efforts to mitigate the inflationary impacts include managing our stock levels and negotiating the best prices with our suppliers, considering the basket of goods purchased. Efficiencies in our own operations play a critical role in keeping internal food price inflation low.

**Our role in society** continued

## Food safety

**Food safety remains a key priority.**

We have instituted multiple food safety training interventions:

**Food safety interventions**

Shoprite food safety is built on:

- a focus on food safety when onboarding new suppliers
- ensuring food safety in our stores and distribution centres through independent audits and subsequent mitigation measures
- reviewing customer complaints to identify potential issues every week
- 154 727 food safety interventions were conducted (FY 2022: 176 884 interventions).

**Employee training**

- Our food safety training courses support our operations, protect our customers and upskill our employees. 49 318 employees were trained on food safety this year (FY 2022: 176 884 employees trained)

**Store hygiene audits**

- We did not receive any significant negative food safety audit outcomes through diligent compliance with our food safety protocols
- We conducted 3 625 store hygiene audits (FY 2022: 3 214 audits)

**Product recalls**

- We recorded one product recall in the year under review resulting in 4 512 units being withdrawn from market, of which 0% were private label products. Our Quality Assurance department manages the upliftment of impacted products from our stores

**Customer incidents**

- No customer incidents related to products were reported (FY 2022: 0)

** We have revised the definition of product recalls to better align with the SASB Standards. Our reporting now focuses specifically on recalls related to food safety, as opposed to the previous practice of reporting on all types of recalls. A food safety-related recall is defined as the withdrawal of a marketed product where there is reason to believe that a food could result in harm to consumers' health. Owing to this revised definition, the comparative figures for FY 2022 are not available.*

## Customer health and safety

We prioritise customer health and safety by ensuring all products meet specific quality and safety standards.

We monitor various aspects of health and safety, by focusing on our stores, delivery channels and supply chain.

## Store health and safety

We endeavour to meet all regulatory requirements by maintaining the internal health and safety standards in all our stores

**Health and safety training**

Our health and safety training courses support our operations and upskill our employees

**Supply chain**

Multiple stakeholders influence our ability to safeguard food and product quality in our supply chain. Through continued engagement with these stakeholders, we are able to meet regulatory standards in the countries in which we operate and international best practice standards




*The 10-minute rule, which is applied in our stores, protects our cold chain by ensuring that within 10 minutes of delivery at one of our stores products requiring refrigeration have been stored in a fridge.*

## More information is available in our Sustainability Report on

- Affordability and accessibility across brands
- Maintaining low prices
- Customer health and safety
- Marketing and brand management

# Our socio-economic contribution

## Our CSI programme investments

**R274 million** invested in CSI programmes in South Africa during the year (FY 2022: R190 million)

**R585 million** invested in the RRP since its inception

**6 490** (FY 2022: 6 016) unemployed youth were trained through our RRP and participated in the YES Initiative

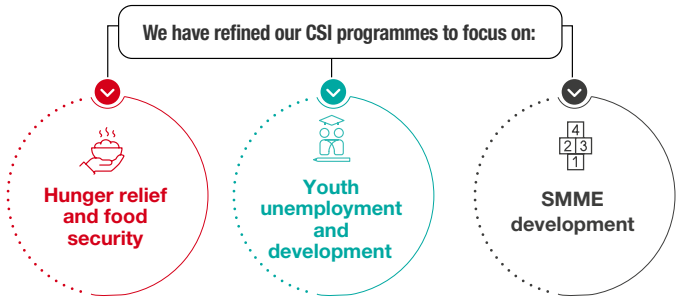
**43.6%** increase in surplus donations for the Group (FY 2022: 14.1% increase)

These donations enabled **67 201 192** meals to be served in South Africa (FY 2022: 45 957 844 meals)

**R8 million** invested in food gardens during the year under review (FY 2022: R8 million) and 38 food gardens established (FY 2022: 31 food gardens), bringing the total number of food gardens to 215 (FY 2022: 177 food gardens)

Our food gardens provided **1 104 864** meals in FY 2023 (FY 2022: 954 408 meals), while our household garden programme provided 180 336 meals (FY 2022: 164 976 meals) to beneficiaries

Our food garden programmes have indirectly impacted 61 064 beneficiaries (FY 2022: 53 515 beneficiaries) since inception, with 7 529 beneficiaries benefiting in this year (FY 2022: 8 035 beneficiaries)




We are committed to actively serving, investing in, and supporting our communities while recognising the more significant support role that our organisation must play. Supporting sustainable and inclusive economic growth within our communities is imperative for our business. Our goal is to assist communities in need and uplift the lives of the most vulnerable members. Our CSI programmes support our communities and create mutual value for our communities and ourselves.

Our CSI programmes are implemented at Group level to leverage our scale and bring about necessary change. It is demand-driven and is aligned to the needs of communities and our business. These CSI programmes strengthen community relationships and achieve long-term measurable socio-economic and mutual benefits.

### Hunger relief and food security

This year marks the 15th year we have served nutritious meals through our Mobile Soup Kitchens. More than 61.1 million meals have been served since 2007. We have 27 Mobile Soup Kitchens in South Africa, one each in Angola and Zambia and two in Namibia. Despite the number of meals served, we are aware that the demand for meals outweighs the supply and we continue to expand the programme as community members battle high unemployment and inflation.

We deploy our Mobile Soup Kitchens in times of disaster (such as extreme weather events or social unrest) as well and are often among the first to respond to communities in distress. In total, 7.1 million warm meals were served by our Mobile Soup Kitchens this year (FY 2022: 5.6 million meals), representing a year-on-year increase of 26.5%.

Surplus food is donated to community benefit organisations that the Group has verified. These donations help our communities while reducing the environmental impact of surplus food being sent to landfill.

By collaborating with our suppliers, we offer them an opportunity to implement their CSI through our CSI programme network, and we secure product donations from suppliers to help our network of beneficiaries. By creating this collaborative space, we can offer more support and impact to our beneficiaries.




*Jacob Ndlovu sells the produce from his food garden at Market Day at the Checkers Hyper in Vanderbijlpark, Gauteng province.*

**Our role in society** continued

### Contributing to food security through sustainable gardens

We assist with food security through community and household food gardens. These gardens address food security and build resilience against climate disasters, while building skills and creating income-generating opportunities at community and household levels. The training and employment opportunities provided by these gardens further help communities by creating income-generating opportunities.

| | | |
|---|---|---|
| Production gardens | **18** | (FY 2022: 15) |
| Social gardens | **19** | (FY 2022: 16) |
| Household gardens | **315** | (FY 2022: 884) |

## More information is available in our Sustainability Report on

- Mobile Soup Kitchens
- Food donations
- Community food gardens
- Early childhood development centres
- Community support

### Early childhood development support

Access to nutrition creates an environment where learning can take place because hungry children cannot learn. The focus of the support we provide to ECD beneficiaries, which enhances the day-to-day experience of children educated in these centres, is on nutritious and balanced meals supplied to young children who need them the most. Our contributions ensure adequate nutritional meals are served to children at our 114 ECD beneficiaries' facilities (FY 2022: 107). We have exceeded our target of serving one million nutritious meals during the year under review. In addition, we provide ECD centres with skills development and training, presented by the Early Care Foundation, which focuses on training practitioners to develop their daycare centres into safe, stimulating places.

## More information is available in our Sustainability Report on

- Early childhood development support
- ECD practitioner training
- ECD training programmes



## The Shoprite Foundation

**The recently established Shoprite Foundation addresses our role in society by empowering:**

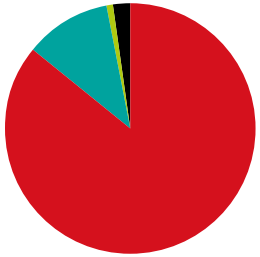
- Communities through **education** and **skills development**
- Employees through the **Shoprite Employee Trust**
- SMMEs to develop through both Shoprite Next Capital's grant funding to **SMMEs on favourable terms** and the **Foundation's funding** of ESD initiatives

## The Shoprite Employee Trust

In the year under review, two further financial distributions aligned with the dividend declared to the Group's shareholders were paid out to qualifying employees in South Africa. To qualify as a beneficiary of the Shoprite Employee Trust, an employee needs to have been with the Group for two years and should not qualify for any other short-term or long-term incentives. Employees based outside South Africa do not participate in the Trust, but they receive a bonus equivalent to the distributions received by their South African counterparts.

Through the implementation of the Shoprite Employee Trust, Shoprite Checkers (Pty) Ltd, our main subsidiary, obtained a Level 4 B-BBEE status in 2023, which is a further improvement from the Level 5 obtained in 2022 (FY 2021: Level 7).

**The demographics of the beneficiaries**



| | |
|---|---|
| Male | 30% |
| Female | 70% |
| African | 86% |
| Coloured | 11% |
| Indian | 1% |
| White | 2% |

**Distributions paid to beneficiaries who form part of the Shoprite Employee Trust (South Africa)**

| Payment month | May 2022 | Oct 2022 | April 2023 |
|---|---|---|---|
| Cents per unit | 233 | 367 | 248 |
| Distribution payment | R68m | R108m | R76m |

**Equivalent cash benefit to Non-RSA employees**

| Payment month | May 2022 | Oct 2022 | April 2023 |
|---|---|---|---|
| Cents per unit | 233 | 367 | 248 |
| Distribution payment | R11m | R17m | R11m |




*Brian Mbonambi from Checkers helps Thandeka Dube from the Canelands community, a candidate for the YES in-store workplace experience programme to complete her application.*

### The Shoprite Foundation empowering communities through education and skills development

During the year under review, the Foundation focused on supporting the Canelands community in which one of our distribution centres is situated. The Canelands community was selected because of the hardships it had suffered during the unrest and floods in KwaZulu-Natal.

We partnered with the Eyisizwe Mining Development Trust, which enabled us to provide 1 560 learners from five high schools with stationery packs. During our visit we informed learners about our bursary programmes as well as careers in retail. In addition, we informed the learners about our youth programmes and encouraged them to join the Shoprite family. Longer-term impact assessments were conducted at each school and we look forward to partnering with these schools in the future.

For the second year in succession, the Group received recognition from YES4Youth as being the largest contributor to the programme and as such they wished to partner with the Group. YES4Youth sponsored 50 learners to participate in the programme. These learners were all recruited in the Canelands area and will work in various stores around the area.

# Supplier development

**R135.2 billion** procured from B-BBEE-compliant suppliers (FY 2022: R117.7 billion)

**11.5%** of supplier spend procured from black-owned suppliers (FY 2022: 10.8%)

**8.3%** of supplier spend procured from black women-owned suppliers (FY 2022: 7.2%)

**R13.5 million** in funding made available to suppliers through Shoprite Next Capital (FY 2022: R3 million)

## Our performance against the Group's strategy

### Winning in the long term
### A force for good

**Supplier diversity and development**

We promote transformation through our ESD initiatives, which benefit our industry and help to create a transformed and inclusive society. Our network and scale offer us a unique opportunity to grow SMMEs into larger-scale suppliers by providing them with essential access to market. We support the diversity of our supply chain network by developing the capacity of SMMEs to supply goods on a larger scale and unlock their potential.

We intend to grow our SMME supplier network by procuring more from black-owned and black women-owned businesses. As these businesses grow, we indirectly create more employment opportunities for community members.

Shoprite Next Capital, established during the year under review, is dedicated to empowering and growing local commercially viable SMMEs by providing them with access to working capital, favourable payment terms and ancillary services through marketing opportunities, packaging and labelling, data sharing and support with geographical expansion, all of which are essential for the ongoing growth of any small business. Working capital and favourable payment terms are provided in conjunction with our CredX department that was also established during the year.

Our spend with SMME suppliers facilitated the expansion of a number of these suppliers, both geographically and via product extension. Shoprite also launched a private label range, Homegrown, in February 2023, aimed at sourcing products from SMMEs. To date, the Group has procured R7 million and created 26 jobs by collaborating with SMMEs on this programme.

One of our private label suppliers needed financial assistance when prices of polymer increased significantly during the COVID-19 pandemic and they also had challenges because of the Russia-Ukraine war. Since receiving a loan from Shoprite Next Capital, their service levels have improved substantially.

The Group aids various farmers who participate in our seasonal growing programmes and have access to our distribution centres. Through various procurement initiatives and support, 18 of our micro farmers have grown their businesses to over R1 million in sales annually and are no longer classified as micro farmers. A 100% black women-owned farmer that Shoprite Next Capital supported with funding has been able to substantially grow her business and increase the volumes she supplies to the Group. In addition to the Group's commitment to local procurement, Shoprite Next Capital awarded loans to two rose farmers which enabled Freshmark to replace imported roses with roses procured in South Africa. The Group continued to support Red Baron Agri in the Eastern Cape, which supplies us with hydroponic tomatoes, with additional funding to the value of R2 million.

**More information is available in our Sustainability Report on**

- Investing in SMMEs
- Supplier diversity and development

## Impact

**Growing SMMEs and creating employment**

Single mother, Amina Abrahams started Exotic Taste in her home kitchen in 2006. The business has since expanded into a 200 m² factory. Since Exotic Taste's delicious mango and vegetable atchars were included in Homegrown, Shoprite's private label that is 100% South African with several of the products sourced from SMMEs, Amina now employs over 30 people.



# ENVIRONMENTAL STEWARDSHIP

## Protecting our planet

**103 234 kWh**
renewable electricity used
(90.7% increase from last year)

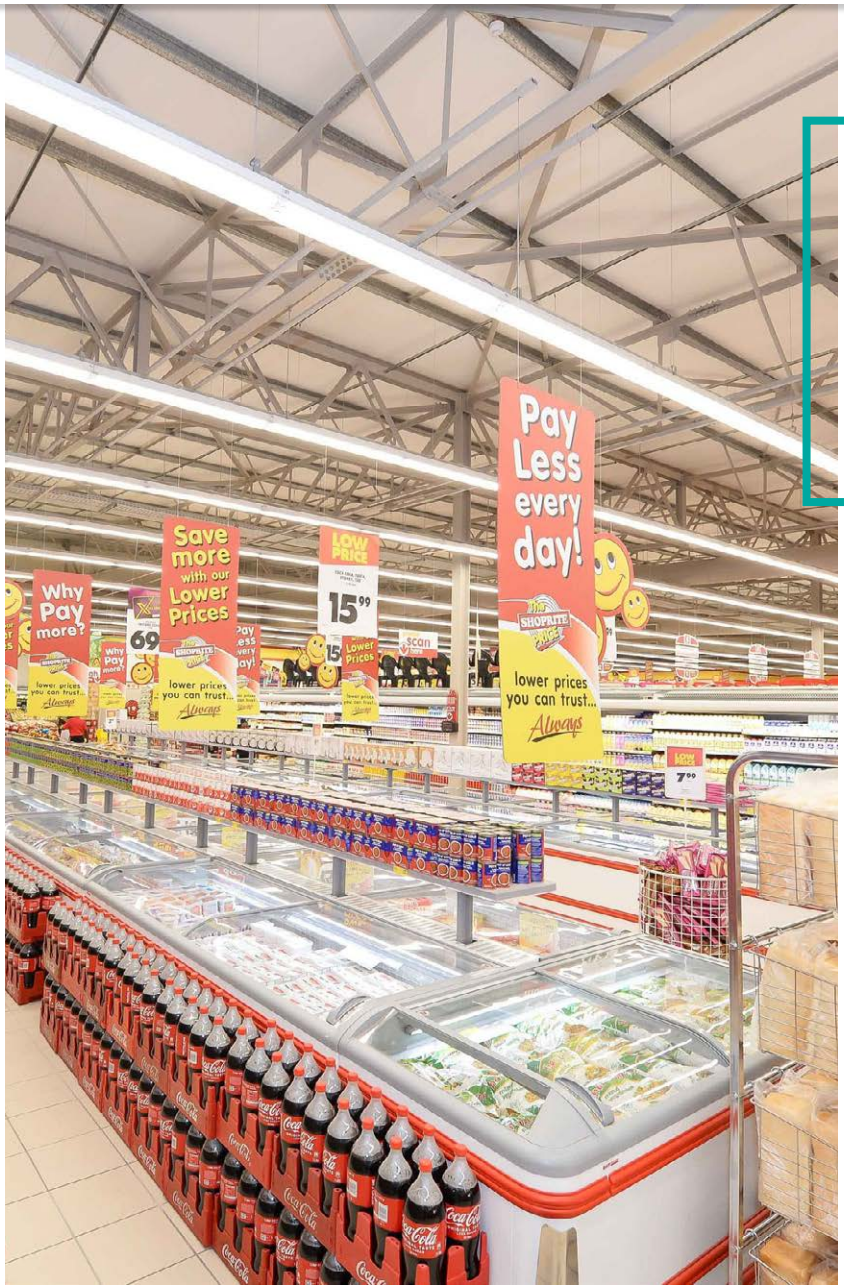
**52 061 tonnes** of cardboard reused and recycled (12.9% increase from last year)

The Shoprite Group's clear and ambitious environmental strategy aligns with our purpose: to protect the planet. We invest in programmes that support the achievement of our strategy. Underpinning our environmental strategy are our five position statements:

- Biodiversity and responsible sourcing
- Climate change
- Food losses and food waste
- Sustainable packaging
- Water security

which are available on our website at www.shopriteholdings.co.za/governance/our-position-statements.html.

One of the drivers of the third pillar of our business strategy, Winning in the long term, is Force for good, which focuses on the work we do in fighting waste, protecting our planet by taking action to reduce our carbon footprint and our use of water, and contributes to the long-term sustainability of the planet and our business. It also commits us to practising good governance, which includes embedding an ethical culture and achieving compliance with applicable environmental legislation and regulations.




*The Group's LED light replacement project, which started in 2017, accounts for a reduction of 11.7% and 161.2 million kWh in our annual electricity consumption. We have installed over one million energy-efficient LED light bulbs, which reduced our electricity use by 161 kWh a year and saved 6 576 $tCO_2e$ in FY 2023. This programme forms part of the Group's strategy to improve energy efficiency as much as possible and use renewable energy across our operations, including our distribution centres, trucks and trailers.*

**Ensure sustainable consumption and production patterns** is one of the three SDGs we have identified as aligning closely with the Group's strategic objectives, role as a responsible corporate citizen, and our purpose to protect our planet. This includes the Group's commitment to sustainable resource management throughout our operations, our focus on increased efficiencies and encouraging our suppliers to adopt sustainable practices through our Supplier Code of Conduct.

### Operating challenges

We remain committed to minimising our environmental impact through responsible environmental stewardship. This year, it has proved challenging to achieve this due to increased load-shedding and climate change crises that have materially impacted our business from a cost impact and environmental performance perspective, resulting in our diesel usage increasing by 364.6%.

### Expanding our investment in key environmental programmes

In support of our strategic objective of expanding our key environmental programmes, we finalised sustainability-linked loans valued at R5.5 billion in 2023. These loans will be used to expand our investment in the areas that we have identified as being critical to improving our environmental performance and reducing our impact on climate change over a three-year period, which are:

- renewable energy – to increase our use of energy from renewable sources as a percentage of our total electricity consumption
- recycling of cardboard and plastic
- sustainable packaging, including reusable, recyclable and compostable packaging containing recycled material
- energy efficiency, including energy-efficient LED lighting and a monitoring system for refrigeration to reduce energy consumption and waste

To meet the terms associated with our green loans, which were the first in the retail sector in South Africa, we need to achieve the targets set for our performance against five key performance indicators.

We remain on track to meet the three-year terms associated with the sustainability-linked loans, having achieved this year's targets.

**Environmental stewardship** continued

We have developed a clear and ambitious environmental strategy that aligns with our purpose. We invest in programmes that support the achievement of our strategy.

## Key performance indicators: Performance against targets

| Measure | | Description | Units | 2022 | 2023 | Target |
|---|---|---|---|---|---|---|
| Renewable energy | Electricity from renewables | kWh generated from renewable sources as a % of total electricity consumption | % | 2.8 | 5.5 ✓ | 5.0 |
| Waste recycling | Cardboard recycling | Volume of cardboard reused and recycled | Tonnes | 46 102 | 52 061 ✓ | 48 408* |
| | Plastic recycling | Volume of plastic recycled | Tonnes | 5 449 | 6 350 ✓ | 5 721* |
| Sustainable packaging | In-store packaging – reusable, recyclable or compostable | Packaging used in-store | % | 91.3 | 97.8 ✓ | 91.3 |
| | In-store packaging – recycled content | Packaging used in-store | % | 68.0 | 72.7 ✓ | 68.0 |

* *Represents a 5% increase on 2022 volumes.*

✓ *Target met.*

## Other environmental sustainability targets

### Energy and climate change

Reduce absolute Scope 1 and 2 GHG emissions **42%** by FY 2030 from a FY 2020 base year.

Reduce absolute Scope 3 GHG emissions from use of sold products **25%** by FY 2030 from a FY 2020 base year.

### Water security

Reduce water use intensity 20% by FY 2030, using FY 2020 base year.

**2% reduction per annum**

### Waste

**Zero organic waste** to landfill by 2025.

**Halve food waste by 2030**, using FY 2020 base year.

### Sustainable packaging

**100%** of packaging to be reusable, recyclable or compostable by 2025.

**30% average recycled** content across all packaging by 2025.

### Responsible sourcing

- **100% responsibly sourced palm oil** and cocoa in premium private labels by end 2021/22.
- **100% sustainable seafood** for all premium private label seafood by end 2022.

### Our position on climate change

Climate change can directly impact the sustainability of our business and erode value for our stakeholders and the countries in which we operate. We are committed to understanding how climate change affects our Company and how we contribute to climate change. We support the United Nations Framework Convention on Climate Change (UNFCCC) goal of limiting global temperature rise to below 1.5°C above pre-industrial levels. We have signed up to the Science Based Targets initiative (SBTi), and our targets have been approved as science-based. This includes how we consider risks and opportunities and adapt our disclosure in accordance with the recommendations set out by the TCFD while embracing a science-based approach. Our Climate Change CDP score is B.

### Renewable energy

We were able to exceed the target set for the use of electricity generated from renewable sources as a percentage of the Group's total electricity consumption. Consequently, we reduced our GHG emissions. Our installation of energy-efficient lighting also contributed to a reduction in our use of electricity generated from burning fossil fuels and the GHGs produced during this process.

### Circularity and waste

Our operations' primary waste source is secondary packaging (cardboard and plastic) and unsold food. Our approach is to focus on diverting waste from landfills by embracing the circular economy and aligning our efforts with the waste management hierarchy.

### Sustainable packaging

Our design-for-sustainability approach helps minimise our environmental footprint. To mitigate our packaging impacts, we have adopted a circular economy approach. We divert packaging waste from landfills to recycling facilities instead of the make-use and dispose-of approach.

### Recycling and waste

We have made substantial investments in ensuring our waste management plans are optimised to maximise recycling and minimise waste. We exceeded our target for increasing plastic recycling by over 12.0% in 2022 and our target for increasing our cardboard recycling.

## Innovative recycling initiatives

We use recyclable **plastic crates** to move produce from the farmer through our distribution centres to our stores. This reduces the number of cardboard boxes used.

**Checkers shopping trolley baskets**, which have contained at least 35% recycled content since 2018, are now made from 51% recycled plastic – mostly from old milk bottles.

**By supporting local community recycling** through the Packa-Ching community buy-back waste programme, more than 12.9 million kilograms of recyclable material have been collected since inception. Packa-Ching's mobile, static and pop-up centres buy recyclable packaging materials such as plastics, glass, cans and paper from surrounding communities. The material is weighed, and payment is given to contributors via a cashless e-wallet system. Packa-Ching's impact is far-reaching, servicing more than 80 communities and 105 schools across South Africa and has diverted more than 72 million kilograms of waste from landfill.

## Water

Responsible management of our water resources is a crucial concern for the Group from a moral and commercial perspective, despite not being a significant consumer of water, which is an essential resource for the Group. Our water strategy focuses on:

- minimising our water consumption wherever possible
- engaging with multiple stakeholders to better manage this critical resource.

We have implemented improved measures to account for all our water sources and monitor (using technology and smart meters) all withdrawal volumes, sources, consumption and recycling. Our Water Security CDP score is A.

### Community water resilience

We recognise that providing access to water to build resilience is critical for the rural communities in which we operate. We are increasing the availability of clean drinking water in rural communities by expanding our support of PlayPumps to 53 sites (FY 2022: 37 sites) across South Africa, which benefits more than 18 000 people.

### Own operations resilience

To maintain operational resilience, we have installed 2 160 water tanks and 1 730 water pumps, ensuring our operations can continue during water outages and disruptions.

### Biodiversity and responsible sourcing

Our position statement on biodiversity and responsible sourcing on our corporate website https://www.shopriteholdings.co.za/governance/our-position-statements.html sets out our approach. While the Group is directly dependent on ecological services, at the same time, we impact biodiversity through our supply chain and our direct operations. Our protection of biodiversity includes reducing food waste across our operations, using more sustainable packaging and fighting and adapting to climate change. Our Forestry CDP score is C.

**Innovative recycling initiatives**

We use **recyclable plastic crates** to move produce from the farmer through our distribution centres to our stores. This reduces the number of cardboard boxes used.




Checkers shopping trolley baskets, which have contained at least 35% recycled content since 2018, are now made from **approximately 51% recycled plastic** – mostly from old milk bottles, which diverted recyclable material from landfill. Read more online.

## More information is available in our Sustainability Report on

- Climate change governance
- Risk and opportunity management
- Metrics and targets
- LED replacement project
- Outsourcing of refrigeration as a service
- Increasing our use of renewable energy
- Other energy-efficient solutions:
  - Managing the energy consumption of the Group's fleet
  - Diesel and cost of load-shedding
  - Load-shedding and energy trading
  - New product packaging process
  - Water security
  - Water optimisation
  - Supporting sustainable agriculture in South Africa
  - Biodiversity




**Water infrastructure needs are assessed as part of our food garden programme. If the need exists, we support fixing any water-related infrastructure, issuing water tanks or establishing boreholes. Water conservation is included in the training programme.**

# Accountability and shareholder information


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# Remuneration review

## Part 1: Background statement

**Our variable remuneration structure is now based entirely on performance.**



**Peter Cooper**
Remuneration Committee Chairman

## Dear stakeholder,

I am pleased to present the remuneration review for FY 2023. We have navigated significant challenges during the year under review, specifically relating to the ongoing energy crisis and high inflation. Despite these challenges, we have remained committed to driving the Group's long-term success. Our commitment resulted in the achievement of our targets for the year under review. Group sales increased by 16.9%, with our trading profit increasing by 5.7% and dividends per share by 10.5%.

During the year under review, the Remuneration Committee undertook the following initiatives:

- Reviewed the Group's remuneration structure
- Reviewed and amended the STI (short-term incentive) performance measures from five to four, in response to input received from shareholders
- Reviewed and amended the LTI (long-term incentive) performance conditions
- Approved a standard approach to exercising discretion relating to targets in exceptional circumstances
- Approved the amendment of the Executive Share Plan (ESP) rules as they relate to retirement.

Despite the volatility and unpredictability of our operating environment, we believe that many opportunities lie ahead for the Group and we have therefore taken the decision to introduce the following in FY 2024:

- An Executive Deferred Incentive (EDI) for executives who participate in the Executive Share Plan (ESP). We believe this will assist in mitigating some of the risks involved with long-term planning in a highly volatile environment
- We have also listened to and acted on the concerns of our shareholders by removing the co-investment component in our reward structure. This resulted in a remuneration structure based entirely on performance
- We remain committed to achieving our 2026 transformation goals with succession planning being a key factor in achieving these goals. We have therefore introduced a succession planning performance measure into our LTI scheme
- Towards the end of FY 2022, we demonstrated our commitment to fair pay for bargaining unit employees by introducing an internal minimum wage above the national legislative minimum wage and a separate internal cashier minimum wage. We have maintained this approach by increasing these internal minimum wages for FY 2024
- We are pleased to announce a three-year wage increase settlement agreement with SACCAWU. This provides certainty to both our shareholders and employees.

In addition, we are in the process of developing a once-off Executive Super Stretch Incentive scheme for implementation during FY 2024. This scheme, which will be over and above the current suite of multi-year incentives, is intended to retain and motivate a select group of senior executives who are key to the delivery of the Group's long-term strategy. In the event that shareholders derive a superior return as a result of such strategy, the plan seeks to share an element of such out-performance with the executives. Consequently, it will be subject to specific stretch performance milestones which drive out-performance.

# Remuneration at a glance

Key performance and strategic highlights in FY 2023.

**R215.0bn**
**2023 sales**
Up 16.9% from FY 2022

**R11.9bn**
**2023 trading profit**
Up 5.7% from FY 2022

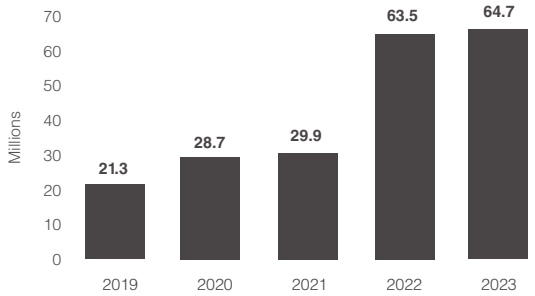
**1 159.4 cents**
**2023 DHEPS**
Up 9.7% from FY 2022

**10.5%**
**Dividend growth**
FY 2023 full-year dividend: 663 cents
FY 2022 full-year dividend: 600 cents

**102.7%**
**Achievement of ESG 2023 targets**
Renewable energy: 0.7% above target
Waste recycling: 1.0% above target
Sustainable packaging: 1.0% above target

**100%**
**Achievement of the 2023 Employment Equity target**
FY 2023 100% of the approved DoEL (Department of Employment and Labour) plan achieved

## CEO: Five-year remuneration trend






TGP 29%
STI 26%
LTI vested for FY 2023 45%

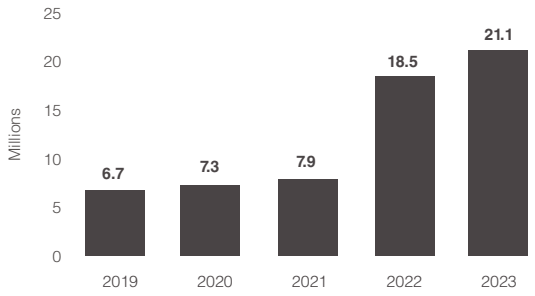
**29%**
2023 fixed remuneration

**71%**
2023 variable remuneration

FY 2023 actual*: **R64.7m**
FY 2024 target: **R64.7m**
FY 2024 stretch: **R72.1m**

** Single figure includes qualifying dividends.*

## CFO: Five-year remuneration trend






TGP 35%
STI 24%
LTI vested for FY 2023 41%

**35%**
2023 fixed remuneration

**65%**
2023 variable remuneration

FY 2023 actual: **R21.1m**
FY 2024 target: **R25.5m**
FY 2024 stretch: **R28.3m**

In respect of the Executive Share Plan (ESP), the vesting of the first performance share awards made in September 2019 was in September 2022.

# Remuneration governance

In line with best practice, the committee, which is appointed by the Board of Directors, has delegated authority in accordance with its terms of reference (available at https://www.shopriteholdings.co.za/governance.html.)

This is to ensure an appropriate remuneration policy is in place, effectively implemented and aligned with the principles of fair, transparent, responsible remuneration, legislative and regulatory requirements, and the needs of the Group. The remuneration policy covers remuneration at all levels, including that of Executive Directors.

During the year under review, Dr Anna Mokgokong and Joseph Rock retired as Independent Non-executive Directors of the Group and, consequently, are no longer members of the Remuneration Committee. Peter Cooper, who has been a member of the committee since 2021 took over as Chairman from Joseph Rock in FY 2023.

The committee consists of four Non-executive Directors, three whom are independent. Further details on these Non-executive Directors and the committee can be viewed from pages 36 to 38 of this Integrated Report. The committee met four times during the reporting period.

## Committee members



4/4

### Peter Cooper

Chairman
Independent Non-executive Director

Appointed to the committee as a member on 2 September 2021



4/4

### Wendy Lucas-Bull

Independent Non-executive Chairman

Appointed as a member of the committee on 12 March 2021



3/4

### Dr Christo Wiese

Non-executive Director

Appointed as a member of the committee on 28 June 2013



4/4

### Paul Norman

Independent Non-executive Director

Appointed as a member of the committee on 4 March 2022

In addition to committee members, the CEO, CFO, Chief People Officer, independent external advisers and other human resources executives attend meetings by invitation, as and when the committee requires. However, none of them are present when their own remuneration is discussed, nor do they participate in any voting.

The committee is satisfied that it has fulfilled its responsibilities for FY 2023 in accordance with its mandate and that the remuneration policy achieved its stated objectives.

### Independent advisers

The Shoprite Group uses external consultants to provide specific services, as needed. The Group engaged the services of REMchannel as remuneration consultants during FY 2023.

VASDEX Associates (Pty) Ltd serves as independent advisers to the committee. The committee is satisfied that the consultants were independent and objective in providing the relevant services.

## Shareholder engagement and voting outcomes

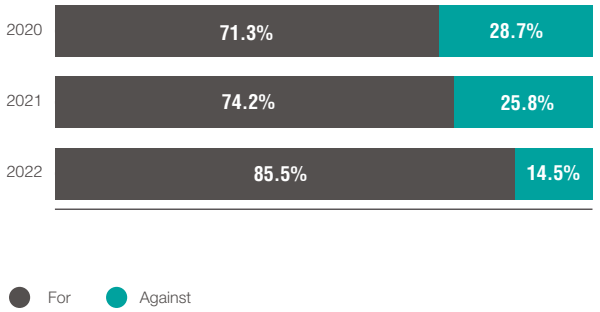
The committee held shareholder engagement sessions prior to the AGM in November 2022.

Our engagements included one-on-one sessions with major shareholders and group sessions with other shareholders. They covered several topics, including the Remuneration Committee's composition, performance targets, remuneration benchmarking, Executive remuneration and the independence of Non-executive Directors. These engagements were attended by shareholder representatives, relevant Group representatives, the Chairman of the Board and myself as the Chairman of the committee.

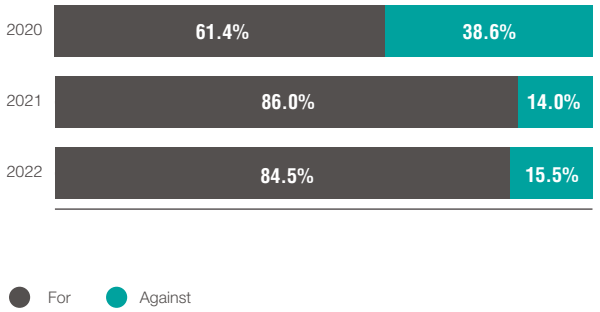
At the AGM in November 2022, the remuneration policy and implementation report received 85.5% (2021: 74.2%) and 84.5% (2021: 86.0%) of total votes in favour from shareholders.

# Voting outcomes

### Remuneration policy




### Implementation report




The remuneration policy and implementation report will be tabled for non-binding votes by shareholders at the AGM on 13 November 2023. If the remuneration policy or the implementation report of the Group is voted against by 25% or more of the voting rights exercised on the resolutions by shareholders present or represented by proxy at the AGM, the Group will – in its voting results announcement pursuant to paragraph 3.91 of the JSE Listings Requirements – extend an invitation to dissenting shareholders to engage with the Group to discuss their reasons for their dissenting votes. The manner and timing of this engagement will be specified in the SENS announcement following the AGM. The committee will:

- Address legitimate and reasonable objections raised
- If required, amend the remuneration policy or clarify and/or adjust the remuneration governance, processes or disclosure.

Areas of concern raised by our shareholders based on engagements during the year:

| Shareholder concerns | Action or response taken by the committee |
|---|---|
| **Independence of long-serving Board member Dr Christo Wiese** | Dr Wiese's knowledge of the business and his experience makes his continued committee membership invaluable. Shoprite has ensured that the rest of the committee is independent. |
| **Overlap between STI performance measures (trading profit, trading margin and EBITDA)** | The Shoprite Group is committed to maintaining an adequate link between pay and performance. In response to shareholder concerns, we have removed trading margin as a performance measure and increased the weightings of the remaining measures. |
| **Pay gaps across the Group** | The Shoprite Group continues to strive to pay above the stipulated national minimum wage and to maintain the separate minimum wage for cashiers. |
| **Co-investment component in the remuneration structure** | We have removed the co-investment component from our LTI structure, facilitating a remuneration structure entirely based on performance. |

## The year under review

The ongoing energy crises in South Africa which resulted in increased operating costs, significantly reduced our FY 2023 profit growth. Despite this, we have shown remarkable resilience in the face of the many challenges brought about by the ongoing energy crisis and the conflict between Russia and Ukraine. Group sales increased by 16.9%, with our trading profit increasing by 5.7% and dividends per share by 10.5%.

# Progress on our remuneration journey

Below we discuss our progress on the stated focus areas for the year under review.

| Focus area | Progress made during the year under review |
|---|---|
| **Remuneration report disclosure** | We continue to provide extensive disclosure on our remuneration practices. In particular, we have been transparent with changes to our remuneration structure in light of the challenging environment in which Shoprite operates. |
| **Shareholder engagement** | During the year under review, we have continued to engage with shareholders and conducted a shareholder roadshow in October 2022 to ensure that our remuneration practices are aligned with shareholder expectations. |
| **Fair pay** | We maintained our commitment to remunerating all our employees above the national legislated minimum wage. |
| **Variable remuneration structure** | In light of shareholder concerns and the difficult environment in which Shoprite operates, we have effected changes to our STI and LTI structures. The committee has undertaken a detailed review of the plans in the past few years in light of recent market practice, trends and feedback from shareholders. This began with the removal of retention shares for executives in 2022 and the removal of co-investment shares effective from 2024. |
| **ESG measures in LTI and STI constructs** | Over the past few years, sustainability, environmental and social issues have been well integrated into our business strategy through key ESG metrics in our STI and LTI. This year we have continued to enhance our ESG focus through the introduction of a succession planning performance measures which accounts for 10% of the LTI score. This is aligned with our Board focus on succession planning as an enabler of our transformation targets for top management. The metric is designed to ensure that management is focused on the 2026 transformation goals. |

# Decisions being implemented in the current cycle

| Focus areas | Details |
|---|---|
| **Fair pay** | We will continue to evaluate and embed fair and ethical remuneration practices and the concept of a living wage. |
| **Short-term incentive (STI) measures** | The Group amended the STI performance measure by removing the trading margin measure in line with shareholder expectations. |
| **EDI (Executive Deferred Incentive)** | Introduction of an executive deferred incentive based on achievement of one-year Group targets at which point the shares will be awarded based on the 30-day VWAP share price. Vesting will occur two years later. |
| **ESP Co-investment Retention Shares** | Removal of co-investments from LTI structure from FY 2024 to ensure 100% performance shares for senior executives. |
| **Amend the ESP rules to improve the appropriateness of the termination of employment provisions as they relate to retirement** | The retirement provisions will be updated to ensure alignment with market practice and the committee will attend to necessary updates during the reporting year. There will be no accelerated vesting of shares and the restraint of trade condition remains in place until all shares have vested. |
| **Remuneration report disclosure** | We will continue to ensure extensive disclosure on annual remuneration practices. |

The committee strives to produce a remuneration policy that achieves a positive approval from a majority of stakeholders (including shareholders) and which covers a broad spectrum of performance metrics – both financial and non-financial – aligning the pyramid of performance from Group down to individual. It is further committed to implementing this policy in a manner that motivates employees to drive organisational performance in a balanced and responsible manner.

We seek to establish an ongoing relationship with our stakeholders – including our shareholders – which results in an honest and critical evaluation of all remuneration-related issues and the continued improvement of the Group's remuneration governance through a process of ongoing revision.



**Peter Cooper**

Chairman

29 September 2023

# Part 2: Overview of the remuneration policy

**Given the often challenging and uncertain environment in which we operate, the committee acknowledges the need to ensure our remuneration structures achieve the objectives of attracting, motivating, retaining and rewarding employees while balancing the achievement of organisational performance and creating shareholder value.**

**The remuneration policy applies to all our permanent employees, and in this part of the review, in line with King IV, we have provided the remuneration elements and design principles applicable to Executive Directors and, on a high level, other employees.**

## Remuneration policy

Our remuneration policy is aligned with the Group's overall strategy. It aims to:

- **Improve the attraction, recruitment and retention of top talent**
- **Ensure fairness across the organisation, aligned with sustainable and regulatory-compliant remuneration**
- **Consider the context of a globally competitive retail industry**

**We regularly review our remuneration policy to ensure it aligns with best practice.**

### Remuneration philosophy

**Key principles of our remuneration include:**

**Attracting talent**

Attracting, motivating, retaining and rewarding employees at all levels, including key talent and critical skills.

**Remunerating employees**

Paying equally for work of equal value and for performance and relevant experience where appropriate.

**Incentivising behaviour**

Encouraging and rewarding employees who create sustainable value for the Group and all key stakeholders.

**Rewarding performance**

Measuring performance, in particular that of Executives and managers against key business objectives.

# Linking remuneration to our Group strategy

**All components of remuneration are linked to the Group's nine strategic drivers, which contribute to the creation of long-term, sustainable value for all stakeholders.**

| | Link to remuneration | | | | | Commentary on links to strategy |
|---|---|---|---|---|---|---|
| | Total guaranteed pay (TGP) | Short-term incentives (STI) | Deferred short-term incentives (DSTI) | Long-term incentives (LTI) | Individual performance | |
| **A Smarter Shoprite** | | | | | | |
| A truly customer-first culture | ✓ | ✓ | ✓ | ✓ | ✓ | Employees need to be paid living and market-aligned salaries and wages with individual and team performance requiring strong customer-focused elements. |
| Future-fit channels and talent | ✓ | ✓ | ✓ | ✓ | ✓ | These developments are needed in order to sustain improved margins (ROIC) and ensure earnings continue to be enhanced (HEPS). Employment equity and succession targets are included in the LTI scheme to ensure the business is appropriately staffed, ensuring longer-term business growth and sustainability. |
| Enable precision retailing | | ✓ | ✓ | | | Precision retailing requires that EBITDA margins are maintained and enhanced while ensuring inventory levels relative to sales are optimised. |
| **Closing the gap in key segments** | | | | | | |
| Trusted, profitable private labels | | ✓ | ✓ | | | Trading profit and Trading margin aligns with the segment strategy of profitable labels. |
| Grow share in premium and fresh food | | ✓ | ✓ | | | Sales growth in the STI scheme aligns with strategy of segment market share strategy. |
| Stronger partnerships | | ✓ | ✓ | | | The business offering must meet customer pricing and product needs. |
| **Winning in the long term** | | | | | | |
| Force for good (page 14) | | ✓ | ✓ | | | The Group includes non-financial measures on renewable energy, waste recycling and sustainable packaging as part of the business performance measures. |
| Unlock alternative income | | ✓ | ✓ | ✓ | | All forms of alternative revenue sources and platform leverage are required as traditional business margins come under pressure (return on invested capital (ROIC)) and to supplement earnings while customers are under spending pressure (headline earnings per share (HEPS)). |
| Leverage platform advantage | | ✓ | ✓ | ✓ | | |

# Overview: Organisation-wide elements of remuneration

| Element | Eligibility | Method of settlement | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 |
|---|---|---|---|---|---|---|---|---|
| **Fixed pay** | All employees | The fixed element of remuneration includes salary and benefits (including retirement benefits, employee discounts and risk and insurance benefits). | | | | | | |
| **STI** | Junior management and above | A cash STI that gives employees an incentive to achieve the Group's short- and medium-term goals linked to Group and divisional/business unit performance. STIs are paid annually in the next financial year after the prior year financial results are published. | | | | | | |
| **DSTI** | Middle management | The full DSTI value after the outcome has been determined in the following financial year after results announcement, is deferred into cash or shares (based on election) and vests after three years. | | | | | 100% | |
| **EDI** | Senior management and above | The EDI will be awarded based on achievement of one-year Group targets at the 30-day VWAP share price. Vesting will occur two years later. | | | | 100% | | |
| **ESP** | Executive management | Shares will vest in full after a three-year period subject to performance targets being met. E.g. Shares allocated in September 2023 will vest in September 2026. | | | | 100% | | |

| Element | Eligibility | Method of settlement |
|---|---|---|
| **Malus and clawback** | Junior management and above | The malus period spans from the commencement of the performance period up until the date on which STIs are paid or LTI awards (DSTI, ESP, EDI) vest. The clawback period commences on the date that STIs are paid or LTI awards are settled and expires on the third anniversary of the settlement date. |

Payout year Performance period Vesting period

# Fair, responsible and transparent remuneration

Remuneration is one pillar of our approach to providing a holistic employee value proposition. Other pillars are performance assessment, recognition, the work environment, career development and benefits. These encompass skills development opportunities, educational loans and bursary benefits, employee discounts and job-specific incentives for qualifying employees, such as sales commission and length of service bonuses.

The Group believes fair, responsible and transparent remuneration is essential to our business success and is committed to competitive remuneration. The committee is responsible for:

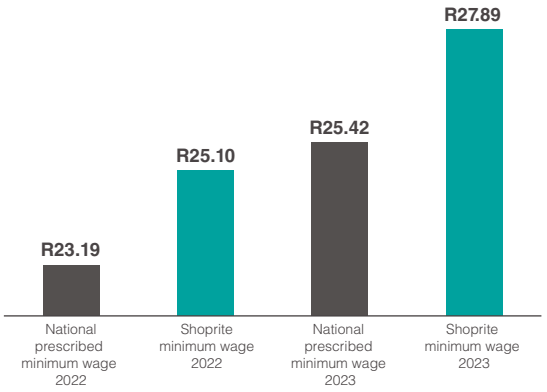
- Providing the Board with appropriate recommendations after discussion with management, independent remuneration advisers and relevant third parties
- Applying the principle of equal pay for work of equal value within its recommendations
- Benchmarking roles to balance the need for competitive and fair remuneration.

The Group strives to create an inclusive environment and to reward employees throughout the Group in a manner that is fair and reasonable. The principle of fair remuneration is entrenched in our remuneration policy and is based on practices free from prejudice or self-interest, and which are not inherently biased in any way.

The following initiatives were implemented/maintained:

## 1 Maintained a Shoprite internal minimum wage above legislation

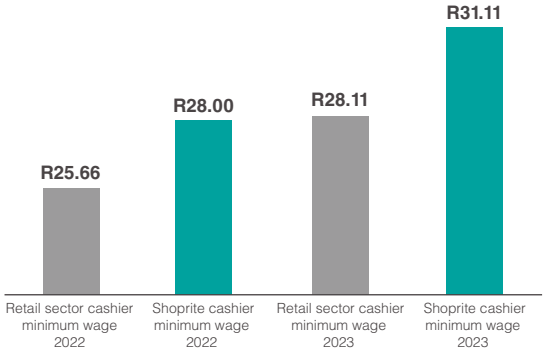
Shoprite increased its internal minimum wage per hour to R27.89 effective 1 May 2023, which is 9.7% higher than the prescribed national minimum wage of R25.42 per hour.




## 2 Continued focus on our frontline

Due to the success of the Group's focus on the Cashier as a driver of consumer satisfaction, we have decided to continue the initiative.

In line with this, an internal minimum for Cashiers was established in FY 2022, and was further enhanced in FY 2023 to R31.11 per hour, which is 10.7% higher than the prescribed retail sector minimum for cashiers of R28.11. The number of cashiers that are eligible to participate is 21 834, of which 88.4% are females.




## 3 The evergreen B-BBEE employee trust for Shoprite

Shoprite Checkers (Pty) Ltd, a subsidiary of the Group, established the Shoprite Employee Trust in 2022.

The Trust subscribed to 40 million Shoprite Checkers shares to the issue value of R8.9 billion at transaction date. Qualifying employees, who are employed in South Africa, benefit directly through the Trust as unitholders in the Trust, while non-RSA employees receive equivalent cash benefits through their respective payrolls.

Distribution entitlements are aligned with Shoprite Holdings' declared dividends per share to ensure the benefits that flow to employees are transparent, and employees recognise the tangible benefits of the Group's continued achievement of strong operational and financial results.

To qualify an employee needs to have been employed with the Group for two years and should not be eligible for an STI or LTI.

Details of distribution payouts to qualifying employees for FY 2023 are contained below:

| South African employees | Non-RSA employees | Total |
|---|---|---|
| R184 million | R28 million | R212 million |

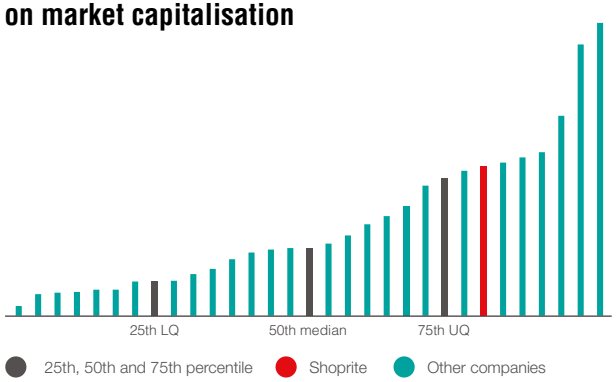
**Remuneration review Part 2** continued

# Benchmarking remuneration

The Group is by far the largest retailer in South Africa in terms of market capitalisation, turnover and employees and has one of the top 20 market capitalisations in South Africa overall.

Based on market capitalisation, Shoprite is positioned above the 75th percentile of the selected comparator group.

## Comparator group size comparison based on market capitalisation




Based on these metrics and in line with the committee's commitment to competitive remuneration, all employees, including Executives, are remunerated appropriately to ensure we remain competitive in the market, taking into account financial performance and affordability.

The Group continuously monitors the competitiveness of employees' total remuneration through external benchmarking.

The comparator group consists of JSE-listed companies. This is made up of nine retail companies, as Massmart delisted from the JSE in November 2022, and 18 non-retail companies. This comparative group metric is used to ensure our Executives are remunerated fairly and in line with the market.

**The companies comprising the JSE-listed comparator group are as follows:**

### Retail companies

PEPKOR Holdings Limited, Dis-Chem, SPAR, TRUWORTHS, CLICKS, mr price, WOOLWORTHS, TFG, Pick n Pay

### Non-retail companies

vodacom, Bidvest, CAPITEC, Sanlam, aspen HOLDINGS, OLDMUTUAL, NORTHAM PLATINUM HOLDINGS LIMITED, Discovery, exxaro, Bidcorp, sasol, AVI, TIGER BRANDS, RCL FOODS, absa, MULTICHOICE, NEDBANK, MTN

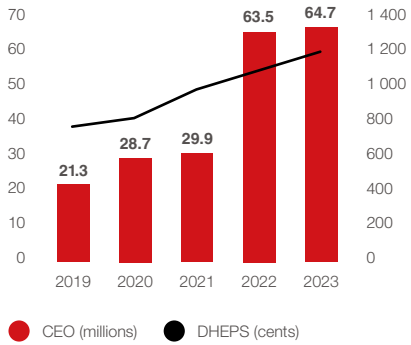
# Executive pay for performance

In setting and determining Executive remuneration, due consideration is given to providing for rewarding high levels of performance and effective decision-making for the long-term sustainability of the Group. This approach aims to align the interests of Executive Directors with those of shareholders and other stakeholders, as well as ensuring pay competitiveness relative to the market.

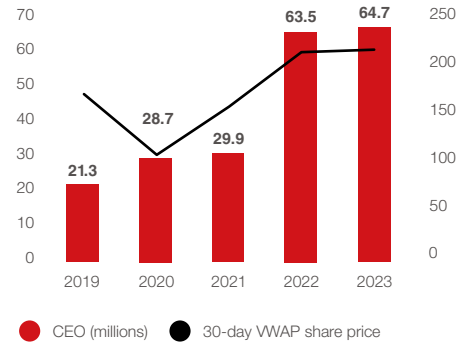
Executive remuneration consists of TGP, STI and LTI (EDI and ESP) participation. Given their line of sight and level of influence on the Group, the STI and LTI components of an Executive Director's remuneration make up a higher proportion of remuneration than that of other employees.

The graphs below illustrate the five-year remuneration overview of the CEO and CFO against DHEPS growth and share price growth using a 30-day VWAP price ending at each respective financial year end.

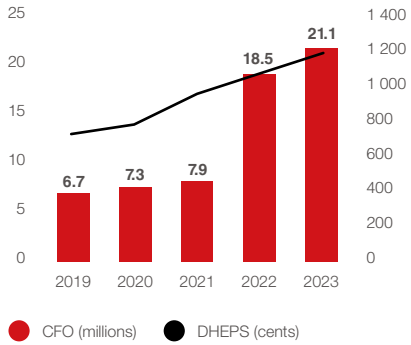
## CEO: Five-year remuneration vs DHEPS



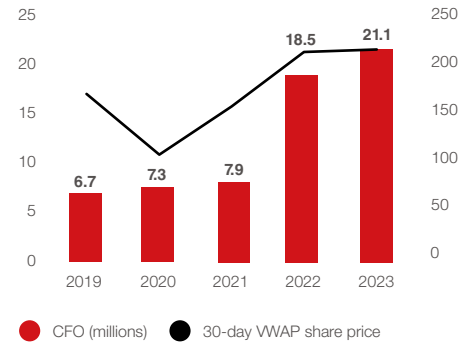

## CEO: Five-year remuneration vs share price




## CFO: Five-year remuneration vs DHEPS




## CFO: Five-year remuneration vs share price




# Remuneration Committee discretion for the adjustment of targets

The Remuneration Committee approved a standard approach in exercising discretion relating to the adjustments of targets in exceptional circumstances. Examples of these include unforeseen expenses such as diesel costs during the energy crisis. The Remuneration Committee did not exercise its discretion during the current financial year to adjust targets for the impact of diesel costs relating to the energy crises as the Group still reported growth despite this significant cost impact.

# Employees below Executive level

We use the REMchannel national surveys to benchmark remuneration against both the national and retail markets for employees below Executive level as and when required.

# Rewarding scarce and critical skills below Executive level

In continuing our commitment to developing internal talent, we have developed a framework for rewarding scarce and critical skills below executive level in the Group. The framework aims to:

- Facilitate and enhance the retention of scarce and critical skills
- Strengthen the role of the line manager in the retention process
- Invest proactively in the relationship with our people
- Promote a culture of development
- Motivate employees with a mix of both financial and non-financial rewards.

These employees are categorised in tiers from four (employees identified as having the potential to achieve significant value add to the business through the application of experience, skills, innovation and/or strategic initiatives) to one (employees with the requisite skills or potential to influence key strategic direction within the Group). Depending on the tier these employees are rewarded with bespoke remuneration and non-remuneration mechanisms.

# Detailed overview of the elements of Executive remuneration

The overall benchmarking for Executive remuneration as well as the composition of TGP (Total Guaranteed Package), STI (Short-term Incentive) and LTI (Long-term Incentive, which includes different incentive structures) are outlined in the following tables.

| Total remuneration | Description |
|---|---|
| **Positioning** | Since Shoprite is at or above the benchmarking comparator group in terms of Group size, the benchmarking position of total remuneration for Executives is the upper quartile for the benchmarking comparator group. |

| TGP | Description |
|---|---|
| **Components of remuneration** | The Group adopts a TGP approach to structured remuneration. The TGP includes the total fixed remuneration for the individual, consisting of a cash salary and benefits. These benefits include retirement benefits of between 7.5% and 10% of pensionable salary, a staff discount, and risk and insurance benefits. |
| **Annual reviews** | The annual review process assesses employee remuneration in relation to the market, as well as performance of the Group, so that necessary adjustments can be made in line with the remuneration policy, where warranted. The annual review commences in April and any changes become effective on 1 July. |
| **Annual increases** | Annual increases are determined based on the employee's role and personal performance as well as taking into account inflation, relevant benchmarks and the Group's performance and affordability. The committee annually reviews and approves Executive increases in terms of its mandate. |

| STI | Description |
|---|---|
| **Policy changes for FY 2024** | We sought to streamline the STI performance measures for FY 2024. We have therefore removed trading margin as a performance measure and subsequently increased the weighting of the remaining performance conditions. |
| **Overview** | The Group operates an STI plan, which incorporates financial measures (i.e. trading profit threshold and the Group achieving between 80% and 120% of target) and specific operational/business unit and home office department measures as communicated to each participant.<br><br>The main purpose of the Group's STI plan is to align the interests of eligible employees with those of the shareholders and other stakeholders in the short term. The STI serves to attract talent to key positions by means of appropriate and competitive remuneration. |
| **Operation** | At the beginning of the financial year, an annual bonus pool provision is provided for linked to financial performance. The provision is adjusted at year end against actual performance target levels achieved at Group and divisional level. This ensures the scheme is self-funded and within affordability limits.<br><br>The following formula is used for senior Executives:<br><br>**On-target STI (rand) value x**<br><br>**[(Group financial performance outcome x weighting)** + **(Group non-financial performance outcome x weighting)]** |
| **On-target STI (percentage of TGP)** | The on-target incentives are based on a fixed percentage of TGP, which was approved by the committee, and are set with reference to the seniority of the participant in line with market practice.<br><br>The following percentages apply to Executive Directors: |

| Position | FY 2024 On-target as a % of TGP | FY 2023 On-target as a % of TGP | FY 2022 On-target as a % of TGP |
|---|---|---|---|
| **CEO** | 89% | **89%** | 90% |
| **CFO** | 70% | **70%** | 70% |

| STI | Description |
|---|---|
| **Business performance measures (financial and non-financial) and score** | Each measure has a threshold, target and stretch level that determines the final score assigned to business performance.<br><br>Owing to the commercial sensitivity in disclosing prospective profit targets, we opt to disclose the financial targets on a retrospective basis in Part 3 of this report.<br><br>The following measures and weightings will be used for senior Executives for FY 2024: |

| Measures | Weighting | Threshold* (80%) | Target* (100%) | Stretch* (120%) |
|---|---|---|---|---|
| **Group financial** | **80%** | | | |
| Trading profit | 40% | | | |
| EBITDA margin | 15% | | | |
| Sales growth | 12.5% | | | |
| Inventory to sales ratio | 12.5% | | | |
| | | | | |
| **Group non-financial** | **20%** | | | |
| **Renewable energy**<br>Solar PV contribution (% of electricity consumption) | 10% | 5.0% | 5.5% | 6.0% |
| **Waste recycling**<br>Increase in cardboard recycling<br>Increase in plastic recycling | <br>2.5%<br>2.5% | <br>3.5%<br>3.5% | <br>4.0%<br>4.0% | <br>4.5%<br>4.5% |
| **Sustainable packaging**<br>% reusable, recyclable or compostable<br>% recycled content | <br>2.5%<br>2.5% | <br>96%<br>72% | <br>98%<br>73% | <br>100%<br>74% |
| **Total** | **100%** | | | |

* *Linear vesting applies between performance levels.*

| | |
|---|---|
| **Payment** | STIs are payable annually after being approved by the committee and release of the audited financial statements. Any annual performance-related incentive payouts received under the STI plan are paid in cash. |

## The introduction of an Executive Deferred Incentive (EDI) for Executive Share Plan (ESP) participants as part of LTI

The committee has taken the decision to decrease the ESP opportunity and introduce an EDI for ESP participants, which allows for exposure to the Shoprite share price over a three-year period, thus aligning participants interests with those of the shareholders. A portion of the ESP quantum was reallocated to the EDI. In the context of the current environment, which is highly volatile, the EDI allows the setting of near-term goals that enable longer-term business success.

Senior executives (including the CEO and CFO), divisional managers and general managers will have a mix of ESP and EDI. The performance of EDI will be measured using the same performance measures and targets as the STI. All other employee share scheme participants will have 100% of their ESP quantum transferred to the new EDI. Only senior executives will participate in the ESP for FY 2024. EDI will only be awarded to employees once performance targets have been achieved at the end of the 2024 financial year. Therefore no allocation for EDI will be made this year. Employees were given a 15% uplift on the EDI allocation to compensate for the one-year delay in allocation being made. In addition, the co-investment portion was re-allocated to the ESP quantum. For FY 2024 onwards, both EDI and ESP will be linked 100% to performance.

The EDI will be awarded in shares after the one-year performance period at the 30-day VWAP share price, and will vest two years later. The tax event of the deferred shares will take place on the vesting date.



**Remuneration review Part 2** continued

| LTI | Description |
|---|---|
| **Policy changes for FY 2024** | In response to shareholder feedback and market practice, the co-investment component was removed from the ESP and the ESP quantum was increased to accommodate this change. As a result of the introduction of EDI, 50% of the existing ESP quantum (before the increase to accommodate the removal of the co-investment portion) will be transferred to the EDI for senior executives (including the CEO and CFO), divisional managers and general managers. Employees were given a 15% uplift on the EDI allocation to compensate for the one-year delay in allocation being made as the first allocations will only be made in September 2024. Deputy divisional managers/heads of functions and senior managers will no longer participate in the ESP scheme. |

**Allocation percentages**

Participants will receive an annual allocation of performance shares (ESP and EDI). A maximum face value allocation percentage based on TGP has been approved by the committee.

The approved allocation percentages and overall maximum LTI allocation percentage are set out in the table below.

| Executive director | ESP as a % of TGP | EDI as a % of TGP | Total LTI as % of TGP |
|---|---|---|---|
| CEO | 80% | 77% | **157%** |
| CFO | 78% | 75% | **153%** |

**Performance conditions and vesting levels**

Further to the feedback received from our shareholders and as part of our journey of enhancing our disclosure practices, we have set out an overview of the performance conditions and targets for FY 2024 ESP awards below. Performance against these targets will be set out in Part 3 of this report as and when the different performance periods come to an end.

### FY 2024: ESP

The committee decided to add succession planning to the existing performance measures from FY 2024 and reduce the weighting of the ROIC excluding IFRS 16 by 10% to 30%.

| Performance measures | Weighting | Below threshold (0% vesting) | Threshold (50% vesting*) | Target (75% vesting*) | Stretch** (100% vesting*) |
|---|---|---|---|---|---|
| Return on invested capital (ROIC) excluding IFRS 16 | 30% | ROIC (excluding IFRS 16) < WACC +2% | ROIC (excluding IFRS 16) ≥ WACC + 2% | ROIC (excluding IFRS 16) ≥ WACC +2.5% | ROIC (excluding IFRS 16) ≥ WACC + 3.0% |
| Adjusted diluted headline earnings per share (adjusted DHEPS) | 40% | Adjusted DHEPS growth <CPI | Adjusted DHEPS growth = CPI | Adjusted DHEPS growth of CPI +1% | Adjusted DHEPS growth of CPI +2% |
| Employment equity (EE) | 20% | <80% of DoEL approved plan | 80% of DoEL approved plan | 90% of DoEL approved plan | 100% of DoEL approved plan |
| Succession | 10% | < 80% of approved plan | 80% of approved plan | 90% of approved plan | 100% of approved plan |
| **Total** | **100%** | | | | |

** Linear vesting applies between performance levels*
*** Each performance measure is measured separately and capped at 100%*

ROIC excluding IFRS 16, EE and succession planning will be measured at the end of the final year (year three) and adjusted DHEPS is measured over a three-year period based on the compounded annual growth rate method (CAGR).

Succession-approved plan:

- 95% of top management successors with at least one candidate ready in two years
- 75% of critical positions at senior management mapped (n=550) with 100% interim successors and 75% with at least one candidate ready in two years
- 75% of critical positions at senior management (n=550) successors' individual development plans in place and actioned

**Remuneration review Part 2** continued

| LTI | Description |
|---|---|
| **Overview** | The ESP provides for awards of forfeitable shares to be made to participating employees. These shares are registered in the names of participants following the award date and are held in escrow until the vesting date.<br><br>Participants receive full shareholder rights over the vesting period but are not able to dispose of their shares until vesting. |
| **Operation** | Qualifying participants may receive annual awards of forfeitable shares as approved by the committee.<br><br>Vesting is subject to continued employment and performance conditions measured over a three-year period. |

| LTI | Description |
|---|---|
| **Performance conditions and vesting levels** continued | **FY 2024: EDI**<br>Performance measures and targets for EDI awards are listed below. The EDI will be awarded at the end of year one at the 30-day VWAP share price based on the achievement of performance measures and vesting will occur two years later. |
| **Share usage limit** | The ESP rules limit the allocation of shares to 15 million in aggregate and 3.75 million shares per participant, representing approximately 2.5% and 0.6% of the current shares in issue, respectively. |
| **Committee discretion** | The committee may exercise its discretion in the following instances:<br>› Reduce the award in whole or in part when malus is invoked<br>› Under certain circumstances in the event of termination of employment<br>› In dealing with forfeited shares. |

| Measures | Weighting | Threshold (80% vesting*) | Target (100% vesting*) |
|---|---|---|---|
| **Group financial** | **80%** | | |
| Trading profit | 40% | | |
| EBITDA margin | 15% | | |
| Sales growth | 12.5% | | |
| Inventory to sales ratio | 12.5% | | |
| **Group non-financial** | **20%** | | |
| **Renewable energy** | | | |
| Solar PV contribution (% of electricity consumption) | 10% | 5.0% | 5.5% |
| **Waste recycling** | | | |
| Increase in cardboard recycling | 2.5% | 3.5% | 4.0% |
| Increase in plastic recycling | 2.5% | 3.5% | 4.0% |
| **Sustainable packaging** | | | |
| % reusable, recyclable or compostable | 2.5% | 96% | 98% |
| % recycled content | 2.5% | 72% | 73% |
| **Total** | **100%** | | |

** Linear vesting applies between performance levels.*

# Provisions for termination of employment and change of control

| | Base salary | Benefits | Short-term incentive (STI) | Deferred short-term incentive (DSTI) | Executive Deferred Incentive (EDI) | Executive Share Plan (ESP) |
|---|---|---|---|---|---|---|
| **Voluntary resignation** | Paid over the notice period or as a lump sum | May be provided during the notice period (as applicable) but will not be paid as a lump sum | All cash payments will lapse and be null and void | All deferred shares will be forfeited | All cash payments or unvested shares will lapse and be null and void | No vesting. All unvested awards will be forfeited |
| **Dismissal, termination for cause or early retirement or abscondment** | Payment until termination | Benefits stop when employment ends | All cash payments will lapse and be null and void | All deferred shares will be forfeited | All cash payments or unvested shares will lapse and be null and void | No vesting. All unvested awards will be forfeited |
| **Involuntary retrenchment** | N/A | Benefits stop when employment ends | No accelerated payment. Payment will occur on normal payment date subject to a pro rata adjustment for time served | **All unvested awards made prior to termination date:** Full accelerated vesting of shares or accelerated cash payments<br><br>**Current year award:** Payment will occur on normal payment date subject to a pro rata adjustment for time served | **All unvested awards made prior to termination date:** Full accelerated vesting of shares<br><br>**Current year award:** Payment will occur on normal payment date subject to a pro rata adjustment for time served | No vesting. All unvested awards will be forfeited |
| **Normal retirement** | Paid for a defined period based on cause and local policy | Benefits stop when employment ends | No accelerated payment. Payment will occur on normal payment date subject to a pro rata adjustment for time served | All deferred shares will vest on the normal vesting date | **All unvested awards made prior to termination date:** Full accelerated vesting of shares or accelerated cash payments<br><br>**Current year award:** Payment will occur on normal payment date subject to a pro rata adjustment for time served | **Retention shares:** Accelerated early vesting. Unvested co-investment shares and retention shares will be pro-rated on the award date to take into account time to be served from date of award to date of retirement<br><br>**Performance shares:** Employees continue to receive their full share award (no pro-rating) despite employees retiring before the end of the three-year vesting period. The vesting of the share awards will occur after three years |

**Remuneration review Part 2** continued

| | Base salary | Benefits | Short-term incentive (STI) | Deferred short-term incentive (DSTI) | Executive Deferred Incentive (EDI) | Executive Share Plan (ESP) |
|---|---|---|---|---|---|---|
| **Death** | Paid for a defined period based on cause and local policy | Benefits stop when employment ends. | No accelerated payment. Payment will occur on normal payment date subject to a pro rata adjustment for time served | **All unvested awards made prior to termination date:** Full accelerated vesting of shares or accelerated cash payments<br><br>**Current year award:** Payment will occur on normal payment date subject to a pro rata adjustment for time served | **All unvested awards made prior to termination date:** Full accelerated vesting of shares<br><br>**Current year award:** Payment will occur on normal payment date subject to a pro rata adjustment for time served | **Retention shares:** Full accelerated vesting of all unvested retention shares<br><br>**Performance shares:** Accelerated pro rata vesting of performance shares adjusted for performance and time served during the vesting period |
| **Ill health, injury or disability** | Paid for a defined period based on cause and local policy | Benefits stop when employment ends | No accelerated payment. Payment will occur on normal payment date subject to a pro rata adjustment for time served | No accelerated payment. Payment will occur on normal payment date subject to a pro rata adjustment for time served | Payment will occur on normal payment date subject to a pro rata adjustment for time served | No early vesting of shares – participant will continue to participate until vesting date and award will be pro-rated on the vesting date to take into account the time served during the vesting period |
| **Mutual separation** | Paid over the notice period or as a lump sum | May be provided during the notice period (as applicable) | Depends on agreement | Depends on agreement | | Forfeit all unvested awards, subject to committee discretion. Where discretion is applied, the maximum portion that will vest will be pro-rated for performance time served during the vesting period. |

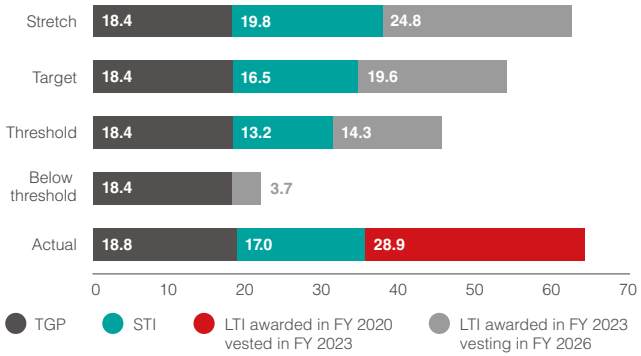
# Executive pay overview

The following scenario graphs for both CEO and CFO indicate below threshold, threshold, on-target and stretch (or maximum) levels of remuneration outcomes available to Executive Directors, depending on their performance under the STI and LTI for FY 2023 compared to FY 2024 (forward looking).

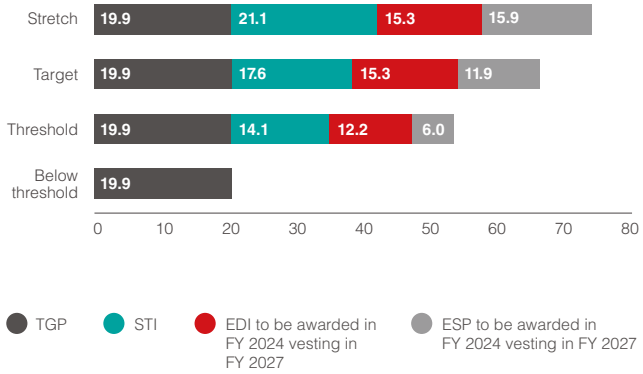
## CEO

The graphs below indicate the remuneration mix applicable to the CEO for FY 2023 and FY 2024.

### CEO pay mix per performance level – FY 2023 (Rm)



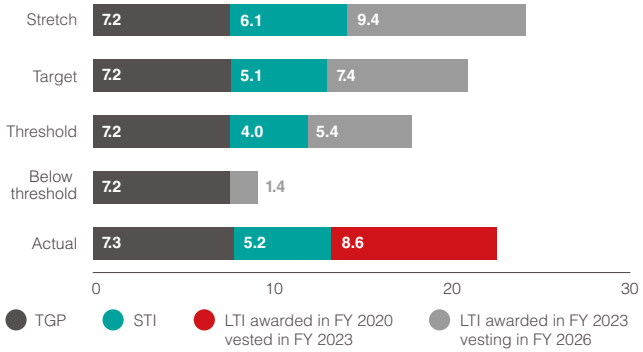

### CEO pay mix per performance level – FY 2024 (Rm)



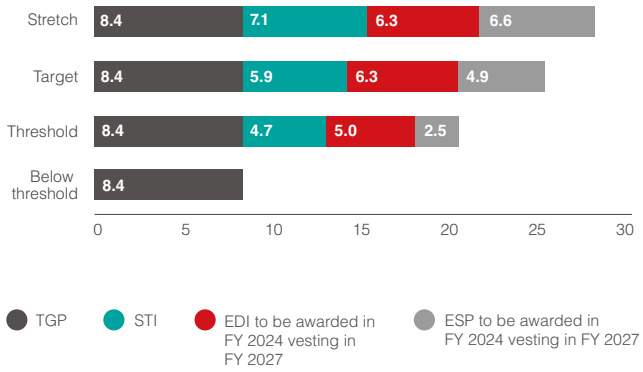

## CFO

The graphs below indicate the remuneration mix applicable to the CFO for FY 2023 and FY 2024. The findings of the executive benchmark conducted in the year under review illustrated that the CFO's TGP is below what is observed in the market and a 16% increase to his TGP was approved in light of this.

### CFO pay mix per performance level – FY 2023 (Rm)




### CFO pay mix per performance level – FY 2024 (Rm)



# Minimum shareholding requirement (MSR)

The committee approved an MSR policy that will apply to Executive Directors and senior Executives.

The policy will require Executives to build up a specific shareholding in Shoprite on a post-tax basis using directly owned shares in their personal capacity, shares vested in terms of other LTI plans, as well as shares held indirectly (e.g. in a family trust).

The target minimum shareholding to be built up by Executives would be:
- CEO – 250% of TGP
- CFO and Deputy CEO – 150% of TGP
- Other senior Executives – 100% of TGP.

Where a director signals his/her intention to sell shares, the Group will assess the director's progress toward achieving the target minimum shareholding if clearance is sought before the target date, or assess the director's continued compliance with the target minimum shareholding if clearance is sought after the target date.

| Executive Director | MSR target % to be met in 2027 | % shareholding at FY 2023 as a % of TGP | Rand value of shareholding* |
|---|---|---|---|
| **Pieter Engelbrecht** | **250%** | **520%** | **97.5m** |
| **Anton de Bruyn** | **150%** | **144%** | **10.5m** |

** Valued at 30-day VWAP share price of R212.27.*

# Malus and clawback policy

We endeavour to build appropriate safeguards into the remuneration structures to discourage behaviour that exposes the Group or shareholders to inappropriate and excessive risk-taking and that – in delivering the business strategy – the interests of the Group are at the forefront. The malus and clawback policy is an important risk mitigator and applies to all recipients of STI and LTI awards made on or after 1 July 2019.

The committee – in its discretion and in terms of the malus and clawback policy – may apply malus and/or clawback mechanisms to the STI and LTI awards where a trigger event, as provided for in the policy, has occurred. Malus is applied to reduce awards between the start of a performance period and payment (in the case of an STI) or vesting (in the case of all the categories of LTI), whereas clawback is applicable to recoup portions of awards for a period of up to three years post-payment or post-vesting, respectively.

Trigger events are set out in the malus and clawback policy, which is available upon request, include the following:
- Providing misleading information regarding the financial performance of the Group
- Fraud, dishonesty, misrepresentation of management accounts
- Error in management accounts or misstating of performance outcomes resulting in greater remuneration
- Reputational damage.

# Executive and senior management service agreements

| | Notice period | Restraint of trade |
|---|---|---|
| **CEO** | 6 months | 24 months |
| **CFO** | 6 months | 12 months |

# Sign-on awards

In certain instances, the Group may grant sign-on awards to an Executive Director or employee upon joining the Group in respect of the awards the employee forfeited upon joining the Group. Sign-on awards are subject to repayment terms and conditions if the Executive Director or employee leaves within a pre-defined period.

# Payments on termination of employment

The employment contracts of Executives do not compel the Group to make any payments in the event of termination of employment. Upon termination of employment, any payments to that Executive will be made in terms of legislation. The consequences of unvested variable remuneration will be governed by the rules of the incentive plans and the basis for the termination of employment.

# Remuneration for Non-executive Directors

Non-executive Directors' fees reflect the Directors' roles and membership of the Board and its committees. Non-executive Directors receive a retainer fee for serving on the Board and the subcommittees. This retainer fee is reflective of the time required to prepare for and attend meetings.

The Chairman of the Board receives an all-inclusive fee. The Non-executive Directors do not take part in either the STI or the LTI. The Group pays for travel and accommodation expenses incurred to attend meetings.

Non-executive Directors' fees are benchmarked against a JSE-listed comparator group comprising both retail and non-retail companies. The comparator group has been selected to represent both market sector as well as size and geography comparators.

**The following 20 companies represent the Non-executive Director comparator group:**

**Retail companies**

PEPKOR Holdings Limited
Dis-Chem
CLICKS
TFG
Woolworths
mr price
SPAR
TRUWORTHS
Pick n Pay

**Non-retail companies**

vodacom
Bidvest
CAPITEC
Sanlam
aspen
exxaro
AVI
Bidcorp
MTN
TIGER BRANDS
MultiChoice

The Group's approach is to position fees against the upper quartile of the comparator group. This is justified since the Group's size metrics are at or above the upper quartile of the comparator group across several size comparison factors, including market cap, number of employees, revenue and total assets.

Fees are paid to relevant Non-executive Directors quarterly in arrears. The proposed Non-executive Directors' remuneration fees (excluding VAT) for the period 1 November 2023 onwards are summarised as follows:

| Category | % change | 2023 current R | 2024 proposed R |
|---|---|---|---|
| **Board of Directors** | | | |
| Chairman | 6.5 | 3 618 000 | **3 853 170** |
| Lead Independent Director | 6.5 | 908 000 | **967 020** |
| Non-executive Director | 6.5 | 526 000 | **560 190** |
| **Audit and Risk Committee** | | | |
| Chairman | 8.0 | 441 000 | **476 280** |
| Member | 6.5 | 228 000 | **242 820** |
| **Remuneration Committee** | | | |
| Chairman | 6.5 | 300 000 | **319 500** |
| Member | 6.5 | 145 000 | **154 425** |
| **Nomination Committee** | | | |
| Chairman | 6.5 | 234 000 | **249 210** |
| Member | 6.5 | 122 000 | **129 930** |
| **Social and Ethics Committee** | | | |
| Chairman | 6.5 | 257 000 | **273 705** |
| Member | 6.5 | 132 000 | **140 580** |
| **Finance and Investment Committee** | | | |
| Chairman | 6.5 | 300 000 | **319 500** |
| Member | 6.5 | 145 000 | **154 425** |

The fees paid to Non-executive Directors during the reporting period are included in the implementation report that follows; while the proposed fees for FY 2024 are included for approval by way of special resolution in the notice of the AGM on page 116.

# Part 3: Implementation report

## Compliance with the remuneration policy

The committee has oversight of the remuneration policy and its implementation. This implementation report outlines how the remuneration policy was applied to prescribed officers including Executive and Non-executive Directors.

The committee and the Board are satisfied with the implementation of the policy during FY 2023 without deviation, details of which are provided below. There were no circumstances that warranted the application of any malus or clawback provisions.

## TGP adjustments

The Group comprises many subsidiaries operating in different markets, resulting in a large range of remuneration increases primarily owing to differences in roles and inflation.

The following increases were approved by the committee during the year for FY 2023:

- Executives received an average increase of 6.5%
- Management across the Group received an average increase of 6.5%
- Employees in the bargaining unit in South Africa received an average annual increase of 8.0%.

## STI outcomes for FY 2023

The following targets, together with the actual outcomes of the targets applied to the Executive Directors during FY 2023.

| Targets | Weighting | Threshold (80% achieved) | Target (100% achieved) | Stretch (120% achieved) | Actual outcome | Weighted vesting % achievement* |
|---|---|---|---|---|---|---|
| **Group financial** | | | | | | |
| Sales growth | 8% | 9.8% | 10.3% | 10.8% | 16.9% | 9.6% |
| Trading margin | 12% | 5.4% | 5.9% | 6.4% | 5.5% | 10.3% |
| Trading profit | 40% | 80% | 100% | 110% | 99% | 39.6% |
| EBITDA margin | 12% | 8.4% | 8.9% | 9.4% | 8.8% | 11.5% |
| Inventory to sales ratio | 8% | 12.5% | 12.0% | 11.5% | 11.7% | 9.0% |
| **Total financial** | **80%** | | | | | **80.0%** |
| **Group non-financial:** | | | | | | |
| **Renewable energy**<br>Solar PV contribution<br>(% of electricity consumption) | 10% | 4.0% | 5.0% | 6.5% | 5.5% | 10.7% |
| **Waste recycling**<br>Increase in cardboard recycling<br>Increase in plastic recycling | <br>2.5%<br>2.5% | <br>4.0%<br>4.0% | <br>5.0%<br>5.0% | <br>6.5%<br>6.5% | <br>12.9%<br>16.4% | <br>3.0%<br>3.0% |
| **Sustainable packaging**<br>% reusable, recyclable or compostable<br>% recycled content | <br>2.5%<br>2.5% | <br>86.0%<br>62.0% | <br>91.0%<br>67.0% | <br>96.0%<br>72.0% | <br>98.0%<br>72.0% | <br>3.0%<br>3.0% |
| **Total non-financial** | **20%** | | | | | **22.7%** |
| **Total STI outcome** | **100%** | | | | | **102.7%** |

** Linear interpolation is applied between performance levels*

**Remuneration review Part 3** continued

The final STIs payable to the Executive Directors were calculated as follows:

| Name | On-target STI (rand) value (A) | Group financial performance outcomes (B) | Outcome (A x B) |
|---|---|---|---|
| **Pieter Engelbrecht** | 16 536 000 | 102.7% | 16 982 472 |
| **Anton de Bruyn** | 5 060 000 | 102.7% | 5 196 620 |

## LTI vesting outcomes for FY 2023

Prior to awards made in September 2019, long-term incentive awards were made under the virtual option bonus (VOB) scheme. In terms of this scheme, awards were not subject to prospective performance conditions as performance was measured 'on the way in'; as such, the vesting of the VOB award was subject to continued employment only. The awards vesting in terms of the VOB scheme are set out in the table of outstanding and settled LTIs.

From September 2019, performance share awards in terms of the ESP are made subject to prospective performance conditions.

To qualify for the vesting of performance shares, the total weighted percentage achieved measured against the targets – across all three performance conditions – must be at least 80%. The performance measures are separately weighted, however, lower achievement in one measure can be compensated by a higher achievement in another measure.

Below is the incremental vesting table used to determine vesting of the performance shares.

| Total weighted percentage achieved | Vesting %* |
|---|---|
| **<80%** | 0.0% |
| **80%** | 50.0% |
| **85%** | 62.5% |
| **90%** | 75.0% |
| **95%** | 87.5% |
| **100%** | 100% |
| **105%** | 100% |

** LTI vesting is capped at 100% notwithstanding whether the total weighted performance achieved is more than 100%.*

Full details of the quantum and number of awards that vested are disclosed under the single figure of remuneration and the table of unvested LTIs.

| Performance measures for September 2020 awards vesting in September 2023 | Weighting | Stretch (100% vesting) | Actual performance | Outcome |
|---|---|---|---|---|
| **Return on invested capital (ROIC) excluding IFRS 16** | 40% | 14.5% | 14.9% | 40% |
| **Adjusted diluted headline earnings per share (adjusted DHEPS) three-year CAGR (compound annual growth rate)** | 40% | 7.4% | 16.4% | 40% |
| **Employment Equity (EE)** | 20% | 100% of DoEL approved plan | 100% | 20% |
| **Total LTI vesting** | | | | 100% |

| Executive Director | Award | Number of shares under award | Performance factor | Performance adjusted number of shares | Share price R | Value of shares vesting R |
|---|---|---|---|---|---|---|
| **Pieter Engelbrecht** | 2020 performance shares | 94 757 | 100% | 94 757 | 252.48 | 23 924 247 |
| | 2020 retention shares | 12 635 | – | – | 252.48 | 3 190 085 |
| | 2020 matching co-investment shares | 18 956 | – | – | 252.48 | 4 786 011 |
| **Total** | | | | | | 31 900 343 |
| **Anton de Bruyn** | 2020 performance shares | 21 121 | 100% | 21 121 | 252.48 | 5 332 630 |
| | 2020 retention shares | 4 526 | – | – | 252.48 | 1 142 724 |
| | 2020 matching co-investment shares | 4 526 | – | – | 252.48 | 1 142 724 |
| **Total** | | | | | | 7 618 078 |

# LTI awarded for FY 2024

Executive Directors will receive performance awards for FY 2024, with these awards being made in September 2023.

The overall quantum allocated at face value is as follows.

| | % of TGP |
|---|---|
| **Name** | **Total LTI quantum** |
| **Pieter Engelbrecht** | 157% |
| **Anton de Bruyn** | 153% |

# Total single figure of remuneration

| P Engelbrecht | | | |
|---|---|---|---|
| **In R'000** | **% change** | **FY 2023** | **FY 2022** |
| **Salary** | | 17 700 | 16 671 |
| **Benefits** | | 496 | 470 |
| **Other**[1] | | 556 | 301 |
| **Guaranteed package** | 7.5 | 18 751 | 17 443 |
| **STI**[2] | 5.7 | 16 982 | 16 068 |
| **LTI reflected**[3, 4] | (3.5) | 26 820 | 27 797 |
| **Qualifying dividends**[5] | (1.8) | 2 112 | 2 150 |
| **Total single figure of remuneration** | 1.9 | 64 666 | 63 458 |

| A de Bruyn | | | |
|---|---|---|---|
| **In R'000** | **% change** | **FY 2023** | **FY 2022** |
| **Salary** | | 6 607 | 5 988 |
| **Benefits** | | 394 | 403 |
| **Other**[1] | | 295 | 274 |
| **Guaranteed package** | 9.5 | 7 295 | 6 665 |
| **STI**[2] | 8.1 | 5 197 | 4 808 |
| **LTI reflected**[3, 4] | 23.3 | 7 881 | 6 393 |
| **Qualifying dividends**[5] | 15.1 | 753 | 654 |
| **Total single figure of remuneration** | 14.1 | 21 125 | 18 520 |

| R Harisunker[6] | | | |
|---|---|---|---|
| **In R'000** | **% change** | **FY 2023** | **FY 2022** |
| **Salary** | | 744 | 2 976 |
| **Benefits** | | | |
| **Other**[1] | | 66 | 544 |
| **Guaranteed package** | (77.0) | 810 | 3 520 |
| **STI**[2] | | | 1 241 |
| **LTI reflected**[3, 4] | | | |
| **Qualifying dividends**[5] | | | |
| **Total single figure of remuneration** | (83.0) | 810 | 4 761 |

1 *Other – includes car allowance, subsistence allowance, the staff discount benefit and leave pay.*
2 *The FY 2022 and FY 2023 short-term incentives are linked to performance in the 2022 and 2023 financial years respectively.*
3 *The long-term incentive reflected is calculated as follows:*
- *Awards without prospective performance conditions (virtual option bonus, ESP: retention shares and co-investment shares) that are due to vest within 12 months after year end are included at the 30-day VWAP at year end.*
- *Awards with prospective performance conditions (ESP: performance shares) with a performance period ending in the current financial year are included at the 30-day VWAP at year end x actual vesting outcome.*

4 *The FY 2022 and FY 2023 long-term incentives reflected include the virtual option plan awards made on 30 October 2018: tranche 3 and 30 October 2019: tranche 2 (FY 2022: 30 October 2018: tranche 2 and 30 October 2019: tranche 1) as well as the 2020 ESP awards that will vest within 12 months after the financial year end. The value is based on the 30-day year-end VWAP of R212.27 (FY 2022: R209.39) x number of awards granted.*
5 *Dividends relating to each executive's shares received during the FY 2022 and FY 2023 financial years were included in qualifying dividends for FY 2022 and FY 2023 respectively.*
6 *Ram Harisunker was on a post-retirement fixed-term contract and his remuneration is pro-rated based on a two-day week working arrangement from 1 January to 31 December 2022.*

# Outstanding and settled LTIs

| | FY 2023 | | | | | | | FY 2022 | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **P Engelbrecht** | **Opening balance (number)** | **Granted during 2023 (number)** | **Forfeited during 2023 (number)** | **Vested during 2023 (number)** | **Closing on 30 June 2023 (number)** | **Value of receipts during 2023[1] ZAR** | **Estimated closing fair value[2] ZAR** | **Opening balance (number)** | **Granted during 2022 (number)** | **Forfeited during 2022 (number)** | **Vested during 2022 (number)** | **Closing balance (number)** | **Value of receipts during 2022[1] ZAR** | **Estimated closing fair value[2] ZAR** |
| **ESP (performance shares)** | | | | | | | | | | | | | | |
| 5 September 2019 | 97 846 | | | (97 846) | – | 21 930 900 | | 97 846 | | | | 97 846 | 573 378 | 20 487 974 |
| 11 September 2020 | 94 757 | | | | 94 757 | 582 756 | 20 114 068 | 94 757 | | | | 94 757 | 555 276 | 14 880 876 |
| 10 September 2021 | 80 894 | | | | 80 894 | 497 498 | 12 878 527 | | 80 894 | | | 80 894 | 474 039 | 12 703 796 |
| 23 September 2022 | | 92 862 | | | 92 862 | 571 101 | 14 783 863 | | | | | | | |
| **ESP (retention shares)** | | | | | | | | | | | | | | |
| 5 September 2019 | 13 047 | | | (13 047) | – | 2 924 316 | | 13 047 | | | | 13 047 | 76 455 | 2 731 911 |
| 11 September 2020 | 12 635 | | | | 12 635 | 77 705 | 2 682 031 | 12 635 | | | | 12 635 | 74 041 | 2 645 643 |
| 10 September 2021 | 10 786 | | | | 10 786 | 66 334 | 2 289 544 | | 10 786 | | | 10 786 | 63 206 | 2 258 481 |
| **ESP (co-investment shares)** | | | | | | | | | | | | | | |
| 5 September 2019 | 21 859 | | | (21 859) | – | 4 899 409 | | 21 859 | | | | 21 859 | 128 094 | 4 577 056 |
| 11 September 2020 | 18 956 | | | | 18 956 | 116 579 | 4 023 790 | 18 956 | | | | 18 956 | 111 082 | 3 969 197 |
| 10 September 2021 | 16 179 | | | | 16 179 | 99 501 | 3 434 316 | | 16 179 | | | 16 179 | 94 809 | 3 387 721 |
| 23 September 2022 | | 16 387 | | | 16 387 | 100 780 | 3 478 468 | | | | | | | |
| **Total** | **366 959** | **109 249** | **–** | **(132 752)** | **343 456** | **31 866 880** | **63 684 609** | **259 100** | **107 859** | **–** | **–** | **366 959** | **2 150 380** | **67 642 655** |

[1] *Value received reflects the dividends received during the year on unvested shares and the cash value earned on the settlement of shares.*

[2] *Unvested shares are valued at the 30-day year-end VWAP of R212.27 (FY 2022: R209.39). The performance share awards were adjusted for the expected vesting as follows:*

- *5 September 2019 – 100% in FY 2022*
- *11 September 2020 – 75% in FY 2022 and 100% in FY 2023*
- *10 September 2021 – 75% in FY 2022 and 75% in FY 2023*
- *23 September 2022 – 75% in FY 2023*

# Outstanding and settled LTIs continued

| | FY 2023 | | | | | | | FY 2022 | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **A de Bruyn** | **Opening balance (number)** | **Granted during 2023 (number)** | **Forfeited during 2023 (number)** | **Vested during 2023 (number)** | **Closing on 30 June 2023 (number)** | **Value of receipts during 2023[1] ZAR** | **Estimated closing fair value[2] ZAR** | **Opening balance (number)** | **Granted during 2022 (number)** | **Forfeited during 2022 (number)** | **Vested during 2022 (number)** | **Closing balance (number)** | **Value of receipts during 2022[1] ZAR** | **Estimated closing fair value[2] ZAR** |
| **Virtual option bonus** | | | | | | | | | | | | | | |
| 30 October 2018 | | | | | | | | | | | | | | |
| Tranche 1 | | | | | | | | 2 290 | | | (2 290) | – | 430 879 | – |
| Tranche 2 | 2 290 | | | (2 290) | – | 513 275 | | 2 290 | | | | 2 290 | 13 419 | 479 503 |
| Tranche 3 | 2 291 | | | | 2 291 | 14 090 | 486 311 | 2 291 | | | | 2 291 | 13 425 | 479 712 |
| 30 October 2019 | | | | | | | | | | | | | | |
| Tranche 1 | 4 662 | | | (4 662) | – | 1 044 928 | | 4 662 | | | | 4 662 | 27 319 | 976 176 |
| Tranche 2 | 4 662 | | | | 4 662 | 28 671 | 989 603 | 4 662 | | | | 4 662 | 27 319 | 976 176 |
| Tranche 3 | 4 666 | | | | 4 666 | 28 696 | 990 452 | 4 666 | | | | 4 666 | 27 343 | 977 014 |
| **ESP (performance shares)** | | | | | | | | | | | | | | |
| 5 September 2019 | 16 225 | | | (16 225) | – | 3 636 623 | | 16 225 | | | | 16 225 | 95 079 | 3 397 353 |
| 11 September 2020 | 21 121 | | | | 21 121 | 129 894 | 4 483 355 | 21 121 | | | | 21 121 | 123 769 | 3 316 895 |
| 10 September 2021 | 27 476 | | | | 27 476 | 168 977 | 4 374 248 | | 27 476 | | | 27 476 | 161 009 | 4 314 900 |
| 23 September 2022 | | 35 155 | | | 35 155 | 216 203 | 5 596 764 | | | | | | | |
| **ESP (retention shares)** | | | | | | | | | | | | | | |
| 5 September 2019 | 3 474 | | | (3 474) | – | 778 652 | | 3 474 | | | | 3 474 | 20 358 | 727 421 |
| 11 September 2020 | 4 526 | | | | 4 526 | 27 835 | 960 734 | 4 526 | | | | 4 526 | 26 522 | 947 699 |
| 10 September 2021 | 5 888 | | | | 5 888 | 36 211 | 1 249 846 | | 5 888 | | | 5 888 | 34 504 | 1 232 888 |
| **ESP (co-investment shares)** | | | | | | | | | | | | | | |
| 5 September 2019 | 3 880 | | | (3 880) | – | 869 654 | | 3 880 | | | | 3 880 | 22 737 | 812 433 |
| 11 September 2020 | 4 526 | | | | 4 526 | 27 835 | 960 734 | 4 526 | | | | 4 526 | 26 522 | 947 699 |
| 10 September 2021 | 5 888 | | | | 5 888 | 36 211 | 1 249 846 | | 5 888 | | | 5 888 | 34 504 | 1 232 888 |
| 23 September 2022 | | 6 204 | | | 6 204 | 38 155 | 1 316 923 | | | | | | | |
| **Total** | **111 575** | **41 359** | **–** | **(30 531)** | **122 403** | **7 595 910** | **22 658 814** | **74 613** | **39 252** | **–** | **(2 290)** | **111 575** | **1 084 709** | **20 818 758** |

[1] *Value received reflects the dividends received during the year on unvested shares and the cash value earned on the settlement of shares.*

[2] *Unvested shares are valued at the 30-day year-end VWAP of R212.27 (FY 2022: R209.39). The performance share awards were adjusted for the expected vesting as follows:*

- *5 September 2019 – 100% in FY 2022*
- *11 September 2020 – 75% in FY 2022 and 100% in FY 2023*
- *10 September 2021 – 75% in FY 2022 and 75% in FY 2023*
- *23 September 2022 – 75% in FY 2023*

# Non-executive Director remuneration and composition

The table below sets out the fees paid to Non-executive Directors for the year under review.

| | FY 2023 | | | FY 2022 | | | | |
|---|---|---|---|---|---|---|---|---|
| | Board fees paid R'000 | Committee fees paid R'000 | Total fees R'000 | Board fees paid for 2021 R'000 | Committee fees paid for 2021 R'000 | Board fees paid for 2022 R'000 | Committee fees paid for 2022 R'000 | Total R'000 |
| WE Lucas-Bull | 3 561 | – | 3 561 | 3 810 | – | 2 642 | – | 6 452 |
| P Cooper (appointed 11/08/2021) | 518 | 506 | 1 024 | 139 | 22 | 384 | 251 | 796 |
| L de Beer | 518 | 574 | 1 092 | 277 | 146 | 384 | 422 | 1 229 |
| GW Dempster (appointed 15/11/2021) | 518 | 365 | 883 | – | – | 384 | 134 | 518 |
| NN Gobodo | 772 | 556 | 1 328 | 277 | 151 | 384 | 347 | 1 159 |
| MLD Marole (appointed 04/03/2022) | 518 | 129 | 647 | – | – | 192 | 47 | 239 |
| PD Norman (appointed 04/03/2022) | 518 | 286 | 804 | – | – | 192 | 134 | 326 |
| CH Wiese | 518 | 555 | 1 073 | 554 | 257 | 384 | 407 | 1 602 |
| EA Wilton (appointed 11/08/2021) | 518 | 353 | 871 | 121 | 50 | 365 | 246 | 782 |
| JF Basson (retired 14/11/2022) | 167 | 117 | 284 | 554 | 401 | 384 | 268 | 1 607 |
| AM le Roux (retired 15/11/2021) | – | –- | – | 554 | 343 | – | – | 897 |
| ATM Mokgokong (retired 14/11/2022) | 288 | 165 | 453 | 957 | 510 | 663 | 380 | 2 510 |
| JA Rock (retired 14/11/2022) | 167 | 165 | 332 | 482 | 432 | 334 | 331 | 1 579 |
| | **8 581** | **3 771** | **12 352** | **7 725** | **2 312** | **6 692** | **2 967** | **19 696** |

Non-executive Directors' remuneration for FY 2023 as disclosed reflects the approved fees paid during the current year, excluding VAT to the extent that VAT is apportioned to the taxable supplies of the Group.

During FY 2022 the payment frequency was changed from an annual payment to a quarterly payment in arrears. The Board and Committee fees paid for FY 2021 as disclosed are VAT inclusive and were paid annually in arrears for the period 1 November 2020 to 31 October 2021. The FY 2022 fees as disclosed are VAT inclusive and were paid quarterly in arrears for the 8 months period from 1 November 2021 to 30 June 2022.

# Shareholder analysis

Shoprite Holdings Ltd as at 2 July 2023

| Shareholder spread | No. of shareholdings | % | No. of shares | % |
|---|---|---|---|---|
| 1 – 1 000 shares | 44 677 | 85.82 | 8 937 608 | 1.52 |
| 1 001 – 10 000 shares | 5 796 | 11.13 | 16 052 696 | 2.71 |
| 10 001 – 100 000 shares | 1 167 | 2.24 | 38 080 632 | 6.44 |
| 100 001 – 1 000 000 shares | 351 | 0.67 | 97 595 251 | 16.50 |
| Over 1 000 001 shares | 72 | 0.14 | 430 672 315 | 72.83 |
| **Totals** | 52 063 | 100.00 | 591 338 502 | 100.00 |

| Distribution of shareholders | No. of shareholdings | % | No. of shares | % |
|---|---|---|---|---|
| Banks/brokers | 251 | 0.48 | 177 600 506 | 30.04 |
| Close corporations | 264 | 0.51 | 1 074 818 | 0.18 |
| Endowment funds | 315 | 0.61 | 2 543 263 | 0.43 |
| Individuals | 42 602 | 81.83 | 29 283 100 | 4.95 |
| Insurance companies | 286 | 0.55 | 16 783 401 | 2.84 |
| Investment companies | 12 | 0.02 | 788 101 | 0.13 |
| Medical schemes | 50 | 0.10 | 1 444 169 | 0.24 |
| Mutual funds | 672 | 1.29 | 86 394 183 | 14.61 |
| Other corporations | 308 | 0.59 | 208 473 | 0.04 |
| Private companies | 1 242 | 2.39 | 71 634 182 | 12.11 |
| Public companies | 13 | 0.02 | 163 509 | 0.03 |
| Retirement funds | 862 | 1.66 | 141 673 665 | 23.96 |
| Sovereign wealth funds | 13 | 0.02 | 5 983 087 | 1.01 |
| Treasury shares | 7 | 0.01 | 43 858 001 | 7.42 |
| Trusts | 5 166 | 9.92 | 11 906 044 | 2.01 |
| **Totals** | 52 063 | 100.00 | 591 338 502 | 100.00 |

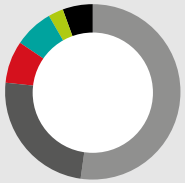
| Public/non-public shareholders | No. of shareholdings | % | No. of shares | % |
|---|---|---|---|---|
| Non-public shareholders | 27 | 0.05 | 185 998 806 | 31.46 |
| Directors of the Company | 19 | 0.04 | 64 090 781 | 10.84 |
| Shares held for benefit of participants to equity-settled share-based payments arrangements | 1 | 0.00 | 4 417 447 | 0.75 |
| Strategic holding more than 10% | 1 | 0.00 | 73 632 577 | 12.45 |
| Treasury shares | 6 | 0.01 | 43 858 001 | 7.42 |
| Public shareholders | 52 036 | 99.95 | 405 339 696 | 68.54 |
| **Totals** | 52 063 | 100.00 | 591 338 502 | 100.00 |

| Beneficial shareholders holding 1% or more | No. of shares | % |
|---|---|---|
| Government Employees Pension Fund | 94 205 214 | 15.93 |
| CH Wiese | 63 110 920 | 10.67 |
| Shoprite Checkers (Pty) Ltd | 43 858 001 | 7.42 |
| GIC Private Ltd | 32 770 657 | 5.54 |
| Vanguard | 19 522 874 | 3.30 |
| Old Mutual | 16 822 244 | 2.84 |
| BlackRock | 13 550 264 | 2.29 |
| Government Pension Fund – Norway | 9 825 832 | 1.66 |
| Fidelity | 9 719 397 | 1.64 |
| JF le Roux | 8 771 737 | 1.48 |
| Schroders | 8 407 525 | 1.42 |
| Sanlam | 8 247 253 | 1.39 |
| Namibian Government Institutions Pension Fund | 6 874 518 | 1.16 |
| JPMorgan | 6 866 141 | 1.16 |
| Alexforbes | 6 566 449 | 1.11 |
| Absa | 6 454 140 | 1.09 |
| People's Bank of China | 6 426 654 | 1.09 |
| Ninety One | 6 125 832 | 1.04 |
| **Totals** | 368 125 652 | 62.23 |

| Institutional shareholders holding 1% or more | No. of shares | % |
|---|---|---|
| Public Investment Corporation | 78 858 382 | 13.34 |
| Ninety One | 25 020 515 | 4.23 |
| BlackRock | 23 032 472 | 3.89 |
| GIC Asset Management | 22 445 178 | 3.80 |
| Vanguard | 19 294 709 | 3.26 |
| Old Mutual Investment Group | 18 042 026 | 3.05 |
| Schroder Investment Management | 16 965 620 | 2.87 |
| Coronation Fund Managers | 16 311 540 | 2.76 |
| Sanlam Investment Management | 12 510 375 | 2.12 |
| Federated Hermes | 11 862 243 | 2.01 |
| State Street Global Advisors | 7 892 689 | 1.33 |
| Wells Fargo Asset Management | 6 592 699 | 1.11 |
| Mazi Asset Management | 6 036 128 | 1.02 |
| **Totals** | 264 864 576 | 44.79 |

# Shareholders' country classification

## Fund managers



| | |
|---|---|
| South Africa | 52.5% |
| USA | 24.2% |
| Hong Kong | 7.9% |
| UK | 7.2% |
| Luxembourg | 2.8% |
| Other* | 5.4% |

** Other: Belgium, Namibia, Switzerland, Saudi Arabia, Kuwait, UAE, Japan, Sweden, France, Ireland, Singapore, Canada, Germany, Netherlands, Australia, Denmark, Norway*

## Foreign fund managers



| | |
|---|---|
| USA | 51.0% |
| Hong Kong | 16.6% |
| UK | 15.1% |
| Luxembourg | 5.8% |
| Belgium | 2.6% |
| Other* | 8.9% |

** Other: Namibia, Switzerland, Saudi Arabia, Kuwait, UAE, Japan, Sweden, France, Ireland, Singapore, Canada, Germany, Netherlands, Australia, Denmark, Norway, Botswana, Hungary, eSwatini, Israel*

## Beneficial shareholders



| | |
|---|---|
| South Africa | 63.4% |
| USA | 17.4% |
| Hong Kong | 5.8% |
| UK | 5.0% |
| Luxembourg | 2.1% |
| Other* | 6.3% |

** Other: Namibia, Belgium, Netherlands, Saudi Arabia, Switzerland, Ireland, UAE*

## Foreign beneficial shareholders



| | |
|---|---|
| USA | 47.4% |
| Hong Kong | 15.7% |
| UK | 13.6% |
| Luxembourg | 5.8% |
| Namibia | 4.3% |
| Other* | 13.2% |

** Other: Belgium, Netherlands, Saudi Arabia, Switzerland, Ireland, UAE, Kuwait, Singapore*

**Shoprite Holdings Limited**
(Incorporated in the Republic of South Africa)
(Registration number 1936/007721/06)
JSE share code: SHP
A2X share code: SHP
NSX share code: SRH
LUSE share code: SHOPRITE
ISIN: ZAE000012084
("Shoprite Holdings" or "the Company")

# Notice to Shoprite Holdings Shareholders: Annual General Meeting (AGM)

## 1. Notice of meeting

Shoprite Holdings will conduct its AGM as a hybrid meeting, in person, at cnr William Dabbs Street and Old Paarl Road, Brackenfell, Western Cape and online by electronic communication through the Computershare meeting platform (the platform), as permitted by the JSE Listings Requirements and in terms of the provisions of the Companies Act, 71 of 2008, as amended, and the Company's Memorandum of Incorporation (MOI).

Notice is hereby given, in terms of sections 61 and 62 of the Companies Act and the Company's MOI, of the AGM of the Shareholders of Shoprite Holdings to be held on Monday, 13 November 2023 at 09:15 at Shoprite Checkers Home Office, cnr William Dabbs Street and Old Paarl Road, Brackenfell. The AGM will be held as a hybrid meeting, meaning that Shareholders can attend the AGM either in person or by electronic communication (online) through the Computershare meeting platform.

## 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:

| | |
|---|---|
| **"2022 AGM"** | the Annual General Meeting of Shoprite Holdings held on 14 November 2022; |
| **"Annual General Meeting of Shoprite Holdings Shareholders" or "AGM"** | the Annual General Meeting of Shoprite Holdings Shareholders to be held on Monday, 13 November 2023 at 09:15 (South African time) by way of a hybrid meeting, to consider and, if deemed appropriate, approve the ordinary and special resolutions as set out in the Notice of AGM; |
| **"Board" or "Directors"** | the Directors of Shoprite Holdings from time to time; |
| **"Business Day"** | a day other than a Saturday, Sunday or official public holiday in South Africa; |
| **"Certificated Share(s)"** | Shoprite Holdings Share(s) represented by a Share certificate(s) or other physical Document(s) of Title, which have not been surrendered for dematerialisation in terms of the requirements of Strate; |
| **"Companies Act"** | the South African Companies Act, 71 of 2008, as amended, including the Companies Regulations; |
| **"Companies Regulations"** | the Companies Regulations, 2011, published in terms of the Companies Act, to regulate matters relating to companies, as amended from time to time; |
| **"Deferred Shares"** | a deferred share as defined in the MOI; |
| **"Dematerialised Shareholder(s)"** | Shoprite Holdings Shareholder(s) that have dematerialised their Shoprite Holdings Share(s) through a CSDP and have instructed the CSDP to hold their Shoprite Holdings Share(s) on the sub-register maintained by the CSDP and forming part of the Shoprite Holdings Share register; |
| **"Dematerialised Share(s)"** | Shoprite Holdings Share(s) that have been dematerialised through a CSDP or broker and are held on the sub-register of Shareholders administered by CSDPs in electronic form; |
| **"Dematerialised Ordinary Shares"** | Ordinary Share(s) that have been dematerialised through a CSDP or broker and are held on the sub-register of Shareholders administered by CSDPs in electronic form; |
| **"Group"** | the Company and all its subsidiaries; |
| **"Integrated Report"** | the Integrated Report referred to in clause 5 below; |
| **"JSE"** | JSE Limited (Registration number 2005/022939/06), a public company registered and incorporated in South Africa and the exchange licensed and operated by it in accordance with the Financial Markets Act; |
| **"JSE Listings Requirements"** | the rules issued and published by the JSE from time to time which apply to companies listed on the JSE exchange; |
| **"MOI" or "Memorandum of Incorporation"** | the Memorandum of Incorporation of Shoprite Holdings; |
| **"Notice of Annual General Meeting of Shoprite Holdings Shareholders" or "Notice of AGM" or "Notice"** | this notice convening the Annual General Meeting of Shoprite Holdings Shareholders; |
| **"Ordinary Shares"** | ordinary shares having no par value issued by the Company; |
| **"Ordinary Shareholders"** | the holders of Ordinary Shares; |
| **"Shareholder(s)" or "Shoprite Holdings Shareholder(s)"** | registered holder(s) of Shoprite Holdings Shares; |

# 2. Definitions continued

| | |
|---|---|
| **"Shoprite Holdings Shares"** | issued Ordinary Shares and Deferred Shares; |
| **"Special Resolution(s)"** | a Special Resolution as defined in the Companies Act; |
| **"Strate"** | Strate (Pty) Ltd (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; |
| **"Subsidiary"** | shall have the meaning ascribed to such term in the Companies Act; and |
| **"Transfer Secretaries" or "Computershare"** | Computershare Investor Services (Pty) Ltd (Registration number 2004/003647/07), a private company registered and incorporated in South Africa and the transfer secretaries of Shoprite Holdings. |

# 3. Participation

3.1 Shareholders will be entitled to choose to either attend the AGM in person or participate in the AGM through the Computershare meeting platform (details of which are provided in paragraph 3.3 below). Shareholders attending online will be able to view the AGM, vote and ask questions in real time. Shareholders are, however, encouraged to submit questions in advance of the AGM by emailing cosec@shoprite.co.za. A shareholders' guide containing meeting participation guidelines will be made available on the Company's website at Shareholders and Investors | Shoprite Holdings. Should you have any further questions concerning registration (as contemplated in paragraph 3.3) for or attending the AGM, please send an email to cosec@shoprite.co.za.

3.2 The Board recognises the importance of its Shareholders' presence at the AGM. This is an opportunity for you, as Shareholder, to participate in discussions relating to items included in the Notice of AGM. In addition, the chairmen of the various Board-appointed committees, senior members of management as well as the Company's external auditors will be present to respond to questions from Shareholders.

3.3 Shareholders wishing to participate in the AGM online will need to register on https://meetnow.global/za by clicking on the Shoprite Holdings logo or submitting a written notice to Computershare to proxy@computershare.co.za. The Transfer Secretaries will by no later than Friday, 10 November 2023, notify eligible Shareholders of the invitation code through which eligible Shareholders can participate electronically in and/or vote at the AGM. A shareholders' guide to assist and provide meeting participation guidelines is available on the Shoprite Holdings website at Shareholders and Investors | Shoprite Holdings.

3.4 Shareholders who attend the AGM in person and wish to vote thereat should bring an internet-enabled smartphone, tablet, or computer in order to simplify the voting process at the venue. A demonstration will be conducted during the AGM for the convenience of Shareholders attending the AGM in person on how to use the Computershare voting application. Please ensure that your compatible device's browser has the latest version of Chrome, Safari, Edge or Firefox. Shareholders are also referred to the "Electronic Participation Meeting Guide" available on the Shoprite Holdings website at Shareholders and Investors | Shoprite Holdings for instructions on electronic voting. Shareholders who attend the AGM in person will follow the same steps to vote at the AGM as Shareholders who attend the AGM via electronic communication. Should you have any further questions, kindly send a mail to cosec@shoprite.co.za.

# 4. Who may attend and vote?

4.1 If you hold Dematerialised Shares which 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 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 in person or by way of electronic participation in the manner described in this Notice by completing the form of proxy on page 131 of this report in accordance with the instructions contained therein. It is recommended that the form of proxy is returned to the Company Secretary of the Company or the Transfer Secretaries at their respective addresses set out below to be received not later than 09:15 (South African time) on Friday, 10 November 2023. However, Shareholders are entitled to submit voting proxies to the Chairman of the AGM at any time prior to voting taking place in respect of any resolution. A proxy need not be a Shareholder of the Company.

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
Email: proxy@computershare.co.za

**The Company Secretary**
Cnr William Dabbs Street and Old Paarl Road
PO Box 215, Brackenfell, 7561 South Africa
Email: cosec@shoprite.co.za

4.3 If you are a beneficial Shareholder, but not a registered Shareholder as at the record date (as set out in paragraph 4.6) and you:

- 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,

then you must **not** complete the inserted 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.

# 4. Who may attend and vote? continued

4.5 Shareholders:

4.5.1 can register to participate in the AGM using the online registration method contemplated above, by uploading the relevant documentation via the online registration portal; or

4.5.2 can register to participate in the AGM by submitting the written application contemplated above, by submitting the relevant documentation by email to proxy@computershare.co.za or cosec@shoprite.co.za; or

4.5.3 attending the AGM in person and who have not registered online, by furnishing the relevant documentation to the Transfer Secretaries at the AGM venue.

4.6 Salient dates and times

| | 2023 |
|---|---|
| Record date for purposes of determining which Shareholders are entitled to receive this Notice in terms of section 59(1)(a) of the Companies Act | Friday, 6 October |
| Notice distributed to shareholders | Monday, 16 October |
| Last day to trade for purposes of being entitled to participate and vote at the AGM | Tuesday, 31 October |
| Record date for purposes of being entitled to participate and vote at the AGM in terms of section 59(1)(b) of the Companies Act | Friday, 3 November |
| For administrative purposes, last day to lodge forms of proxy by no later than 09:15* | Friday, 10 November |
| AGM to be held at 09:15 | Monday, 13 November |
| Results of AGM published on SENS on or about | Monday, 13 November |

* *Forms of proxy may be handed to the Chairman at the AGM as well.*

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 1 (one) vote for every Shoprite Holdings Share held by such Shareholder.

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.

# 5. Integrated Report

A copy of the Company's Integrated Report for the year ended 2 July 2023 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 2 July 2023, 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: APPROVAL OF ANNUAL FINANCIAL STATEMENTS**

"Resolved that the summarised annual financial statements of the Company and the Group for the year ended 2 July 2023, 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 the AGM.

**ORDINARY RESOLUTION NUMBER 2: APPOINTMENT OF AUDITORS**

"Resolved that Ernst & Young Inc. (EY) be appointed as the independent registered auditors of the Company for the period until the next Annual General Meeting of the Company (noting that Mr A Cadman is the individual registered auditor of EY who will undertake the audit in respect of the financial year ending 30 June 2024), as recommended by the Company's Audit and Risk Committee."

For ordinary resolution number 2 to be approved by Shareholders, it must be supported by more than 50% of the voting rights exercised on the resolution by Shareholders present or represented by proxy at the AGM.

**NOTE:**

Following the completion of a comprehensive tender process by the Audit and Risk Committee during 2021, Ernst & Young Inc. was appointed by the Company with effect from the financial year ending 30 June 2024 following a comprehensive tender process managed by the Audit and Risk Committee. A SENS announcement was published in this regard on 17 November 2021.

# 7. The following resolutions will be considered at the AGM, and, if deemed fit, passed with or without modification: continued

## ORDINARY RESOLUTION NUMBER 3: ELECTION OF DIRECTORS

"Resolved through separate ordinary resolutions that each of the Directors in 3.1 and 3.2 below, who have been appointed by the Board after the 2022 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 election, are hereby elected with immediate effect:

3.1 Prof. Hlengani Mathebula, who was appointed on 27 June 2023; and

3.2 Sipho Maseko, who was appointed on 27 June 2023."

Brief profiles of these Directors standing for election are set out in Annexure A to this Notice.

For ordinary resolutions numbers 3.1 and 3.2 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 the AGM.

## ORDINARY RESOLUTION NUMBER 4: RE-ELECTION OF DIRECTORS

"Resolved through separate ordinary resolutions that each of the Directors in 4.1 – 4.4 (both inclusive) below, who are obliged to retire by rotation at the AGM in accordance with clause 33.5 of the MOI, and who are eligible and available for re-election, are hereby re-elected as Directors with immediate effect:

4.1 Dr Christo Wiese;

4.2 Wendy Lucas-Bull;

4.3 Linda de Beer; and

4.4 Nonkululeko Gobodo."

Brief profiles of these Directors standing for re-election are set out in Annexure A to this Notice.

For ordinary resolutions numbers 4.1 – 4.4 (both inclusive) 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 the AGM.

## 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 members of the Shoprite Holdings Audit and Risk Committee with immediate effect in terms of section 94(2) of the Companies Act:

5.1 Linda de Beer, subject to the passing of ordinary resolution number 4.3;

5.2 Nonkululeko Gobodo, subject to the passing of ordinary resolution number 4.4;

5.3 Eileen Wilton; and

5.4 Graham Dempster."

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 numbers 5.1 – 5.4 (both inclusive) 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 the AGM.

## ORDINARY RESOLUTION NUMBER 6: GENERAL AUTHORITY OVER UNISSUED ORDINARY SHARES

"Resolved that 30 million (representing approximately 5% of the issued Ordinary Shares, including 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 to a person or persons on such terms and conditions and at such times as the Directors of the Company may from time to time and in their discretion deem fit, subject to the provisions and requirements of the Companies Act, the MOI of the Company and JSE Listings Requirements, when applicable, and the rules and requirements of 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 the AGM.

## ORDINARY RESOLUTION NUMBER 7: 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 resolutions and Special Resolutions adopted at the AGM."

For ordinary resolution number 7 to be approved by Shareholders, it must be supported by more than 50% of the voting rights exercised on the resolution by Shareholders present or represented by proxy at the AGM.

## NON-BINDING ADVISORY VOTES ON THE REMUNERATION POLICY OF SHOPRITE HOLDINGS AND THE IMPLEMENTATION REPORT OF THE REMUNERATION POLICY

"Resolved that the Shareholders 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 Integrated Report from pages 94 to 108 is approved"; and

Vote 2 implementation report as set out in the remuneration report in the Integrated Report from pages 109 to 114 is approved."

If the remuneration policy or the implementation report of the Company is voted against by 25% or more of the voting rights exercised on the resolutions by Shareholders present or represented by proxy at the AGM, the Company will, in its voting results announcement pursuant to paragraph 3.91 of the JSE Listings Requirements, extend an invitation to dissenting Shareholders to engage with the Company to discuss their reasons for their dissenting votes. The manner and timing of such engagement will be specified in the voting results announcement following the AGM.

# 7. The following resolutions will be considered at the AGM, and, if deemed fit, passed with or without modification: continued

## ORDINARY RESOLUTION NUMBER 8: APPROVAL OF AN AMENDMENT TO THE RULES OF THE SHOPRITE HOLDINGS EXECUTIVE SHARE PLAN

"Resolved that the amendment to the rules of the Shoprite Holdings Executive Share Plan (the Plan), be and is hereby approved."

Details of the amendment 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, 16 October 2023 to Monday, 13 November 2023. The amendment was approved by the JSE on 18 September 2023.

For ordinary resolution number 8 to be approved by the Shareholders it must, in terms of the JSE Listings 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.

## ORDINARY RESOLUTION NUMBER 9: GENERAL AUTHORITY TO ISSUE ORDINARY SHARES FOR CASH

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

- the equity securities which are the subject of the issue for cash must be of a class already in issue, or where this is not the case, must be limited to such securities or rights that are convertible into a class already in issue;
- any such issue will only be made to "public Shareholders" as defined in the JSE Listings Requirements and not to related parties (as defined in the JSE Listings Requirements), subject to related parties being able to participate in a general issue of Ordinary Shares for cash through a bookbuild process where the related parties will participate at a maximum bid price at which they are prepared to take up Ordinary Shares or at the book close price. In the event of a maximum bid price and the book closing at a higher price, the relevant related party will be "out of the book" and will not be allocated shares;
- the number of Ordinary Shares issued for cash shall not in the aggregate in any 1 (one) financial year exceed 5% (five percent) of the Company's issued Ordinary Shares, being 27 374 025 (twenty-seven million three hundred and seventy-four thousand and twenty-five) Ordinary Shares, (excluding 43 858 001 treasury shares) as at the date of this Notice. The number of Ordinary Shares which may be issued shall be based on 5% (five percent) of 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 the issued Ordinary Shares, during the period of this authority, the authority will be adjusted accordingly to represent the same allocation ratio;
- this authority will be valid until the Company's next Annual General Meeting, provided that it shall not extend beyond 15 (fifteen) months from the date on which this authority is given;
- an announcement will be published giving full details, at the time of any issue representing on a cumulative basis within 1 (one) financial year, 5% (five percent) or more of the number of Ordinary Shares in issue as at the date of this Notice (i.e. prior to any 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 9 to be approved by Shareholders, it must in terms of the JSE Listings Requirements be supported by more than 75% of the voting rights exercised on the resolution by Shareholders present or represented by proxy at 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 period 1 November 2023 onwards, be approved as follows:

### SHOPRITE HOLDINGS BOARD AND COMMITTEE FEES

| | 2023 current R | 2024 proposed R |
|---|---|---|
| **BOARD** | | |
| Chairman of the Board | R3 618 000 | R3 853 170 |
| Lead Independent Director (LID) | R908 000 | R967 020 |
| Non-executive Directors | R526 000 | R560 190 |
| **AUDIT AND RISK COMMITTEE** | | |
| Chairman | R441 000 | R476 280 |
| Member | R228 000 | R242 820 |
| **REMUNERATION COMMITTEE** | | |
| Chairman | R300 000 | R319 500 |
| Member | R145 000 | R154 425 |
| **NOMINATION COMMITTEE** | | |
| Chairman | R234 000 | R249 210 |
| Member | R122 000 | R129 930 |
| **SOCIAL AND ETHICS COMMITTEE** | | |
| Chairman | R257 000 | R273 705 |
| Member | R132 000 | R140 580 |
| **INVESTMENT AND FINANCE COMMITTEE** | | |
| Chairman | R300 000 | R319 500 |
| Member | R145 000 | R154 424 |

**NOTES:**

1. *Fees stated above are exclusive of VAT as it may be applicable.*
2. *Chairman fees are on an all-inclusive basis.*
3. *LID fee is exclusive of payment for committee Chairman and membership.*

# 7. The following resolutions will be considered at the AGM, and, if deemed fit, passed with or without modification: continued

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 the AGM.

**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.

## SPECIAL RESOLUTION NUMBER 2: FINANCIAL ASSISTANCE TO SUBSIDIARIES, RELATED AND INTER-RELATED ENTITIES

Resolved as a Special Resolution in terms of section 45(3)(a)(ii) of the Companies Act, subject to compliance with the requirements of the Company's MOI and the JSE Listings Requirements as presently constituted and amended from time to time as a general approval, that the Board be authorised during a period of 2 (two) years from the date of this Special Resolution, to authorise the provision of the Company of 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 means it 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 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 the AGM.

**Reason for and effect of Special Resolution number 2**

This Special Resolution will grant the Company's Directors the authority to authorise financial assistance in any 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 2 (two) 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 3: GENERAL AUTHORITY TO REPURCHASE ORDINARY SHARES

"Resolved as a Special Resolution that the Company and/or any Subsidiary of the Company be and are hereby authorised by way of a general authority to acquire the issued Ordinary Shares of the Company upon such terms and conditions and in such amounts as the Directors of the Company may from time to time determine, but subject to the MOI of the Company, the provisions of the Companies Act, the JSE Listings Requirements and the rules and requirements of 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 Ordinary Shares 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 5 (five) 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 1 (one) 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 Ordinary Shares, a Board resolution to authorise the repurchase will have been passed in accordance with the requirements of sections 46 and 48 of the Companies Act, and stating that the Board has acknowledged that it has applied the solvency and liquidity test as set out in section 4 of the Companies Act and has reasonably concluded that the Company will satisfy the solvency and liquidity test immediately after completing the proposed repurchase;

# 7. The following resolutions will be considered at the AGM, and, if deemed fit, passed with or without modification: continued

- the Company or its Subsidiaries will not repurchase Ordinary Shares during a prohibited period as defined in paragraph 3.67 of the JSE Listings Requirements, unless there is a repurchase programme in place where the dates and quantities of Ordinary Shares to be traded during the relevant period are fixed (not subject to any variation). The Company must instruct only one independent third party, which makes its investment decisions in relation to the Company's securities independently of, and uninfluenced by, the Company and full details of the programme must be 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 only appoints one agent to effect any repurchase(s) on its behalf."

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 the AGM.

**Statement by the Board**

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

The Directors confirm that they will comply with the relevant provisions of the Companies Act and the JSE Listings Requirements in respect of any repurchase and that they will not approve, and the Company will not undertake, any repurchase in terms of this general authority 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 3**

Paragraph 5.72(c) of the JSE Listings Requirements requires that the Company or any Subsidiary of the Company may only repurchase or purchase Ordinary Shares issued by the Company if approved by its Shareholders by way of a Special Resolution. The existing general authority granted by the Shareholders of the Company at the 2022 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 2 July 2023.

The reason for the passing of Special Resolution number 3 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, when deemed appropriate by the Board.

Once adopted, this Special Resolution will permit the Company or any of its Subsidiaries to repurchase such Ordinary Shares in accordance with the requirements of the Companies Act, its MOI and the JSE Listings Requirements.

**DISCLOSURES IN TERMS OF PARAGRAPH 11.26 OF THE JSE LISTINGS REQUIREMENTS**

The JSE Listings Requirements require the following disclosures in respect of Special Resolution number 3, some of which are disclosed in the Integrated Report of which this Notice forms part and can be noted at:


- Major Shareholders of the Company page 115
- Share capital of Company page 115


**Material change**

Other than the facts and developments as referred to on page 6 of the Annual Financial Statements, there have been no material changes in the affairs or financial position of the Company and its subsidiaries since the date of signature of the audit report and the date of this Notice.

**Directors' responsibility statement**

The Directors, whose names are given on pages 36 to 38 of the Integrated Report, collectively and individually accept full responsibility for the accuracy of the information in the Directors' Report contained in the Annual Financial Statements at pages 4 to 6 and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading and that all reasonable enquiries to ascertain such facts have been made.

# 8. Transaction of other business

**FOR SHOPRITE HOLDINGS LIMITED**
PG du Preez
Company Secretary
13 October 2023

**THE COMPANY SECRETARY**
Cnr William Dabbs Street and Old Paarl Road
PO Box 215, Brackenfell, 7561 South Africa
Email: 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
Email: proxy@computershare.co.za

# Annexure A

## PROFILES OF DIRECTORS STANDING FOR ELECTION/ RE-ELECTION TO THE BOARD AND/OR APPOINTMENT TO THE ARC

**Board committees:**

| | |
|---|---|
| ARC | Audit and Risk Committee |
| InvestCo | Finance and Investment Committee |
| NomCo | Nominations Committee |
| RemCo | Remuneration Committee |
| SEC | Social and Ethics Committee |

### Linda de Beer, independent non-executive (54)

Qualifications: CA(SA), MCom (Tax), CD(SA)
Appointed: 11 May 2021
Board committees: ARC and InvestCo

Linda joined the Board as an Independent Non-executive Director and was appointed as a member of the ARC on 11 May 2021. She was appointed as a member of the InvestCo on 2 September 2021. Linda's background is in technical accounting, corporate governance, JSE Listings Requirements and international standard setting. She currently chairs the Public Investment Oversight Board, based in Spain, which oversees the setting of international standards for accountants and auditors, and serves on the board of trustees of the International Valuations Standards Council in London.

She is an honorary professor (professor in practice) at the University of Johannesburg. Previously, she was a member of the King Committee on Corporate Governance and chair of the Financial Reporting Investigations Panel of the JSE.

### Graham Dempster, independent non-executive (68)

Qualifications: CA(SA), BCom, Harvard Business School AMP
Appointed: 15 November 2021
Board committees: ARC and InvestCo

Graham joined the Board as an Independent Non-executive Director on 15 November 2021 and was appointed as a member of ARC and InvestCo on 4 March 2022. Graham has over 35 years of experience in the banking and financial services industry both in South Africa and internationally. He served as an executive director of the Nedbank Group from 2009 to 2015.

### Nonkululeko Gobodo, independent non-executive (63)

Qualifications: CA(SA)
Appointed: 11 May 2021
Board committees: ARC, SEC and NomCo

Nonkululeko joined the Board as an independent Non-executive Director on 11 May 2021 and was appointed as a member of the ARC. She was also appointed as a member of the NomCo on 2 September 2021. As a pioneer in her field, she established SizweNtsalubaGobodo (SNG), the largest black-owned accounting firm in South Africa. Recognition of her more than 36 years of executive experience in accounting and business includes the Lifetime Achievement Award: Excellence in Accountancy – SA Professional Services Award (2014). Her extensive experience as a board member includes serving on the boards of the Clicks Group Ltd and Mercedes Benz South Africa Ltd.

### Wendy Elizabeth Lucas-Bull, Chairman (70)

Qualifications: BSc
Appointed: 1 October 2020
Board committees: RemCo, InvestCo and NomCo

Wendy joined the Board as independent Non-executive Director on 1 October 2020. Wendy has extensive banking and widespread financial sector experience, as well as expertise as chairman and non-executive director on company boards across multiple industries in both the private and public sectors. Her professional experience includes being an international partner at Andersen Consulting (now Accenture); Executive Director of RMB Holdings Ltd and chief executive of FirstRand Ltd's retail businesses, including First National Bank, WesBank, OUTsurance, Firstlink and First National's African subsidiaries. Her most recent directorships include Chairman of ABSA Group and ABSA Financial Services.

### Sipho Maseko, independent non-executive (55)

Qualifications: BA (LLB)
Appointed: 27 June 2023

Sipho joined the Board as independent Non-executive Director on 27 June 2023. Sipho is an experienced executive, having held the position of CEO at BP Africa for most of the over 10 years he spent with the company, and he was CEO of Telkom for nine years. He was chairman of SAPREF and a non-executive director of Afrox Ltd and is currently an advisory board member of the Centre for Development and Enterprises, serves on the board of Airlink and is chairman of Heidrick and Struggles.

**Annexure A** continued

### Prof. Hlengani Mathebula, independent non-executive (56)

Qualifications: BA, BTh (Hons), Master of Management, Entrepreneurship and New Venture Creation, PhD
Appointed: 27 June 2023

Prof. Mathebula joined the Board as independent Non-executive Director on 27 June 2023. He is an experienced executive having held executive positions at South African Revenue Service (SARS), FNB, Absa and the South African Reserve Bank (SARB). He is currently a Professor of Strategy, Finance and Investment at the University of Limpopo's Turfloop Graduate School of Leadership.

He was previously a board member of BMW SA, chairman of the Eskom Pension and Provident Fund, chairman of the African Leadership Group and is a founding member of the Ignite Africa. He is currently serving on the boards of the HPCSA, Media Development and Diversity Agency and Black Business Executive Circle.

### Dr Christo Wiese, non-executive (82)

Qualifications: BA, LLB, DCom (hc)
Appointed: 30 October 1991
Board committees: InvestCo, NomCo, RemCo

Dr Wiese joined the Board as Non-executive Director on 30 October 1991. He has over 50 years of business experience, having served as the Executive Director of PEP Stores Ltd prior to practising law at the Cape Bar. He has served as the Chairman of the Shoprite Holdings Board from 1991 to 16 November 2020.

### Eileen Wilton, independent non-executive (63)

Qualifications: BCom, PGDDB, CD(SA)
Appointed: 11 August 2021
Board committees: ARC and SEC

Eileen joined the Board as an Independent Non-executive Director and was appointed as a member of the ARC and the SEC on 2 September 2021. Eileen has served as the CIO of Anglo American Plc, Old Mutual Ltd and CEO at Gijima Holdings (Pty) Ltd. She has over 20 years of working experience in various industries, including financial services, mining and ICT, resulting in her gaining extensive experience at both an operational and strategic level. She is an expert in enterprise ICT, outsourcing, SAP, cloud computing, digital strategies, digital marketing and innovation.

She serves on the board of the International Women's Forum of South Africa (IWFSA) to promote the interests of and debate around gender diversity, and she is chairman of Edulution, a non-profit company that has developed significant track record developing the mathematics and IT literacy skills of primary school children in the rural areas of southern Africa.

### Directors standing for re-election: Board and committee attendance for the reporting period to 3 July 2023

| | Board | ARC | NomCo | RemCo | SEC | InvestCo | Total | Total % |
|---|---|---|---|---|---|---|---|---|
| No. of meetings | 7 | 5 | 2 | 4 | 3 | 2 | 23 | |
| Linda de Beer | 7 | 5 | – | – | – | 2 | 14 | 100% |
| Graham Dempster | 7 | 5 | – | – | – | 2 | 14 | 100% |
| Nonkululeko Gobodo | 7 | 5 | 2 | – | 3 | – | 17 | 100% |
| Wendy Lucas-Bull | 7 | 5 | 2 | 4 | 3 | 2 | 23 | 100% |
| Dr Christo Wiese | 6 | – | 2 | 3 | – | 2 | 13 | 86.67% |
| Eileen Wilton | 7 | 5 | – | – | 3 | – | 15 | 100% |

# Annexure B

**SHOPRITE HOLDINGS LTD – PROPOSED AMENDMENT TO THE EXECUTIVE SHARE PLAN**

## Introduction

Shoprite Holdings Ltd ("the Company") adopted the Executive Share Plan (ESP) in 2012 (the 2012 rules), which was amended and approved by Shareholders in 2021. The Company wishes to effect a further amendment as set out in this document.

The purpose of this document and the accompanying resolution is to seek Shareholder approval for the proposed amendment to the ESP to ensure alignment with the current remuneration philosophy.

## Rationale

The Shoprite Group conducts periodic reviews of its People strategy to improve the attraction, recruitment, and retention of top talent. As such, a review of the long-term incentive components of the remuneration policy was undertaken insofar as it relates to the vesting of share awards of participants upon retirement.

## Brief overview of the proposed amendment

The termination of employment provision has been amended in line with best practice to delete the provisions relating to pro-rated early vesting of retention shares and co-investment shares in circumstances where employment is terminated prior to the vesting date by reason of retirement. There will no longer be early vesting and the participant will continue to participate in the ESP until the vesting date, subject to restraint of trade conditions.

# Appendices


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# Appendix 1: Reference guide to the Application of King IV Principles

See the full Application of King IV Principles **online** and additional disclosures in the Integrated Report 2023. The index below highlights where these disclosures can be found in this report.

## 1 Leadership

The governing body should lead ethically and effectively.

*Page 40: The Board's leadership role*

## 2 Organisational ethics

The governing body should govern the ethics of the organisation in a manner that supports the establishment of an ethical culture.

*Page 42: Governance designed to embed an ethical culture*

## 3 Responsible corporate citizenship

The governing body should ensure the organisation is and is seen to be a responsible corporate citizen.

*Page 43: A responsible corporate citizen*

## 4 Strategy and performance

The governing body should appreciate the organisation's core purpose, its risks and opportunities, strategy, business model performance and sustainable development are all inseparable elements of the value-creation process.

*Page 40: The purpose of our approach to governance and Governance structure*

## 5 Reporting

The governing body should ensure reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance, and its short-, medium- and long-term prospects.

*Page 2: Board approval*

## 6 Primary role and responsibilities of the Board

The governing body should serve as the focal point and custodian of corporate governance in the organisation.

*Page 41: The Board's collective responsibility for its primary governance roles*

## 7 Composition of the Board

The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to objectively and effectively discharge its governance role and responsibilities.

*Page 39: An appropriate mix of knowledge, skills and experience to guide and support the Group's achievement of its purpose and long-term strategy*

## 8 Committees of the Board

The governing body should ensure its arrangements for delegation within its own structures promote independent judgement and assist with balance of power and the effective discharge of its duties.

*Pages 40 and 42: Governance structure (40) and Effective control (42)*

## 9 Evaluations of the Board

The governing body should ensure the evaluation of its own performance and that of its committees, its Chairman and its individual members, support continued improvement in its performance and effectiveness.

*Page 39: Board performance*

## 10 Appointment and delegation to management

The governing body should ensure the appointment of, and the delegation to management contributes to role clarity and responsibilities.

*Pages 40 and 41: Governance structure and delegation that achieve effective control and a clear balance of power (40) and The Board's collective responsibility for the primary governance roles (41)*

## 11 Risk governance

The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives.

*Pages 22 and 44: Governance of risks and opportunities (22) and Audit and Risk Committee Key focus areas in FY 2023 (44)*

## 12 Technology and information governance

The governing body should govern technology and information in a manner that supports the organisation setting and achieving its strategic objectives.

*Pages 40 and 44: Governance structure (40) and Audit and Risk Committee Key focus areas in FY 2023 (44)*

## 13 Compliance governance

The governing body should govern compliance with applicable laws and adopted non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen.

*Page 43: A responsible corporate citizen and Tax governance*

## 14 Remuneration governance

The governing body should ensure the organisation remunerates fairly, responsibly and transparently to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term.

*Pages 40 and 44: Governance structure (40) and Remuneration Committee Key focus areas in FY 2023 (44)*

## 15 Assurance

The governing body should ensure assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation's external reports.

*Pages 1 and 28: Assuring the integrity of our report (1) and Combined assurance model (28)*

## 16 Stakeholder relationships

In the execution of its governance role and responsibilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time.

*Pages 40 and 43: The Board's governance philosophy (40) and Stakeholder inclusivity (43)*

# Appendix 2: Retail footprint

4 702 263 m² across our total retail footprint[1]

| Country | Employees | Shoprite | Checkers | Checkers Hyper | Usave | LiquorShop | K'nect | Petshop Science | Little Me | Outdoor | UNIQ | OK Furniture | House & Home | Medirite[1] and Medirite Plus | OK Franchise |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Angola** | 2 988 | 23 | – | – | 1 | – | – | – | – | – | – | 13 | – | – | – |
| **Botswana** | 1 409 | 12 | 1 | – | 2 | 1 | – | – | – | – | – | 16 | 1 | – | – |
| **eSwatini** | 1 157 | 15 | – | – | 7 | – | – | – | – | – | – | 8 | – | – | 16 |
| **Ghana** | 612 | 7 | – | – | – | – | – | – | – | – | – | – | – | – | – |
| **Lesotho** | 1 156 | 7 | – | – | 8 | 5 | – | – | – | – | – | 9 | – | – | – |
| **Malawi** | 367 | 4 | – | – | 1 | – | – | – | – | – | – | – | – | – | – |
| **Mozambique** | 1 228 | 15 | – | – | 1 | 1 | – | – | – | – | – | 10 | – | – | – |
| **Namibia** | 4 593 | 23 | 8 | – | 26 | 21 | – | – | – | – | – | 18 | 3 | – | 63 |
| **South Africa** | 136 332 | 615 | 261 | 38 | 441 | 682 | 5 | 53 | 9 | 8 | 9 | 305 | 40 | 140 | 456 |
| **Zambia** | 3 884 | 41 | – | – | – | – | – | – | – | – | – | 11 | – | – | – |
| **Total** | **153 726** | **762** | **270** | **38** | **487** | **710** | **5** | **53** | **9** | **8** | **9** | **390** | **44** | **140** | **535** |

[1] *134 Medirite pharmacies are located within supermarkets.*

# Appendix 3: Abbreviations and acronyms

| | |
|---|---|
| **AGM** | Annual General Meeting |
| **AI** | Artificial intelligence |
| **ARC** | Audit and Risk Committee |
| **B2B** | Business to Business |
| **B-BBEE** | Broad-based Black Economic Empowerment |
| **CDP** | Carbon Disclosure Project |
| **CEO** | Chief Executive Officer |
| **CFO** | Chief Financial Officer |
| **CFS** | Checkers Food Services |
| **COVID-19** | Coronavirus (SARS-CoV-2) |
| **CSI** | Corporate social investment |
| **DC** | Distribution centre |
| **DRC** | Democratic Republic of the Congo |
| **EBITDA** | Earnings before interest, tax, depreciation and amortisation |
| **ECD** | Early childhood development |
| **ECD** | Early childhood development |
| **EPS** | Earnings per share |
| **ERM** | Enterprise risk management |
| **ERP** | Enterprise resource planning |
| **ESD** | Enterprise and supplier development |
| **ESG** | Environmental, social and governance |
| **Exco** | Executive Committee |
| **FY** | Financial year |
| **GDP** | Gross Domestic Product |
| **GHG** | Greenhouse gas |
| **GRI** | Global Reporting Initiative |
| **HEPS** | Headline earnings per share |
| **HR** | Human Resources |
| **IFRS** | International Financial Reporting Standards |
| **InvestCo** | Finance and Investment Committee |
| **IT** | Information Technology |
| **JSE** | Johannesburg Stock Exchange |
| **King IV™** | King IV Report on Corporate Governance™ for South Africa, 2016 |
| **kWp** | kilowatt 'peak' power output of a system |
| **LSM** | Living Standards Measure |
| **Ltd** | Limited |
| **LTI** | Long-term Incentive |
| **LuSE** | Lusaka Stock Exchange |
| **MOI** | Memorandum of Incorporation |
| **MWh** | Megawatt-hour |
| **NomCo** | Nomination Committee |
| **NOx** | Nitrogen oxide pollutants |
| **NSX** | Namibian Stock Exchange |
| **POPIA** | Protection of Personal Information Act |
| **(Pty) Ltd** | Proprietary Limited |
| **PwC** | PricewaterhouseCoopers |
| **RemCo** | Remuneration Committee |
| **ROIC** | Return on invested capital |
| **RRP** | Retail Readiness Programme |
| **RSA** | Republic of South Africa |
| **SASB** | Sustainability Accounting Standards Board |
| **SASSA** | South African Social Security Agency |
| **SDG** | Sustainable Development Goal |
| **SEC** | Social and Ethics Committee |
| **SENS** | Stock Exchange News Service |
| **SMME** | Small, medium and micro-enterprise |
| **SRD** | Social Relief of Distress |
| **STI** | Short-term Incentive |
| **$tCO_2e$** | Tonnes of carbon dioxide equivalent |
| **TCFD** | Task Force on Climate-related Financial Disclosures |
| **TGP** | Total guaranteed package |
| **UNFCCC** | United Nations Framework Convention on Climate Change |
| **UNGC** | United Nations Global Compact |
| **SDGs** | United Nations Sustainable Development Goals |
| **USSD** | Unstructured Supplementary Service Data |
| **YES initiative** | Youth Employment Services |
| **YES4Youth** | YES4Youth work experience programme |

# Administration

## Shareholders' diary

**June**
Financial year end

**August**
Reviewed results

**October**
Payment of final ordinary dividend
Publishing of Integrated Report

**November**
Annual General Meeting

**December**
End of financial half-year

**March**
Interim results

**April**
Payment of interim ordinary dividend

**Please consult our website www.shopriteholdings.co.za for the latest published diary dates.**

### Registration number
1936/007721/06

### Registered office
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**Postal address:** PO Box 215, Brackenfell, 7561, South Africa
**Telephone:** +27 (0)21 980 4000
**Website:** www.shopriteholdings.co.za

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PG du Preez
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**Telephone:** +27 (0)21 980 4284
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### Transfer secretaries
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**AIRTEL:** +260 777 774 775
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**Facsimile:** +27 (0)21 814 2000
**Website:** www.pwc.co.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

**Shoprite Holdings Limited**
(Incorporated in the Republic of South Africa)
(Registration number 1936/007721/06)
JSE share code: SHP
A2X share code: SHP
NSX share code: SRH
LUSE share code: SHOPRITE
ISIN: ZAE000012084
("Shoprite Holdings" or "the Company")

# Form of proxy

For use only by:
- certificated ordinary Shareholders
- dematerialised ordinary Shareholders with "own-name" registrations

at the Annual General Meeting of Shareholders of Shoprite Holdings to be held as a hybrid meeting at 09:15 (South African time) on Monday, 13 November 2023, 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 09:15 on Monday, 13 November 2023, and at any adjournment thereof.

| | Number of shares* | | |
|---|---|---|---|
| | **In favour of** | **Against** | **Abstain** |
| **Ordinary resolution number 1** – Approval of annual financial statements | | | |
| **Ordinary resolution number 2** – Appointment of auditors | | | |
| **Ordinary resolution number 3** – Election of Directors: | | | |
| 3.1 Prof. Hlengani Mathebula | | | |
| 3.2 Sipho Maseko | | | |
| **Ordinary resolution number 4** – Re-election of Directors: | | | |
| 4.1 Dr Christo Wiese | | | |
| 4.2 Wendy Lucas-Bull | | | |
| 4.3 Linda de Beer | | | |
| 4.4 Nonkululeko Gobodo | | | |
| **Ordinary resolution number 5** – Appointment as members of the Shoprite Holdings Audit and Risk Committee | | | |
| 5.1 Linda de Beer | | | |
| 5.2 Nonkululeko Gobodo | | | |
| 5.3 Eileen Wilton | | | |
| 5.4 Graham Dempster | | | |

| | Number of shares* | | |
|---|---|---|---|
| | **In favour of** | **Against** | **Abstain** |
| **Ordinary resolution number 6** – General authority over unissued ordinary shares | | | |
| **Ordinary resolution number 7** – General authority to Directors and/or Company Secretary | | | |
| Non-binding advisory votes on the: | | | |
| Vote 1: Remuneration policy of Shoprite Holdings; and | | | |
| Vote 2: Implementation report of the remuneration policy | | | |
| **Ordinary resolution number 8** – Approval of an amendment to rules of the Shoprite Holdings Executive Share Plan | | | |
| **Ordinary resolution number 9** – General authority to issue ordinary shares for cash | | | |
| **Special resolution number 1** – Remuneration payable to Non-executive Directors | | | |
| a) Remuneration payable to Chairman of the Board | | | |
| b) Remuneration payable to Lead Independent Director | | | |
| c) Remuneration payable to Non-executive Directors | | | |
| d) Remuneration payable to Chairman of the Audit and Risk Committee | | | |
| e) Remuneration payable to members of the Audit and Risk Committee | | | |
| f) Remuneration Payable to Chairman of the Remuneration Committee | | | |
| g) Remuneration payable to members of the Remuneration Committee | | | |
| h) Remuneration payable to Chairman of the Nomination Committee | | | |
| i) Remuneration payable to members of the Nomination Committee | | | |
| j) Remuneration payable to Chairman of the Social and Ethics Committee | | | |
| k) Remuneration payable to members of the Social and Ethics Committee | | | |
| l) Remuneration payable to Chairman of the Investment and Finance Committee | | | |
| m) Remuneration payable to members of the Investment and Finance Committee | | | |
| **Special resolution number 2** – Financial assistance to subsidiaries, related and inter-related entities | | | |
| **Special resolution number 3** – General authority to repurchase ordinary 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) _____ 2023

Shareholder's signature _____

Please read the notes and instructions overleaf.

# Notes to form of proxy

1. 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.
2. Dematerialised ordinary Shareholders are reminded that the onus is on them to communicate with their CSDP or broker.
3. Each Shareholder is entitled to appoint one or more proxies (who need not be a Shareholder(s) of the Company) to attend, speak and vote in place of that Shareholder at the Annual General Meeting.
4. A Shareholder may insert the name of a proxy or the names of two alternative proxies of the Shareholder's choice in the space provided, with or without deleting "the Chairman of the Annual General Meeting". The person whose name stands first on the form of proxy and who is present at the Annual General Meeting will be entitled to act as proxy to the exclusion of those whose names follow.
5. A Shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that Shareholder in the appropriate box(es) provided or by marking 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.
6. Summary of rights established by section 58 of the Companies Act, 21 of 2008

   At any time, a Shareholder of a company may appoint any individual, including an individual who is not a Shareholder of that company, as a proxy to:

   - participate in, speak and vote at, a Shareholders' meeting on behalf of the Shareholder; or
   - give or withhold written consent on behalf of the Shareholder to a decision contemplated in section 60.

   A proxy appointment:

   - must be in writing, dated and signed by the Shareholder; and
   - remains valid for
     - one year after the date on which it was signed; or
     - any longer or shorter period expressly set out in the appointment, unless it is revoked in a manner contemplated in subsection (4)(c) or expires earlier as contemplated in subsection (8)(d).

   Except to the extent that the Memorandum of Incorporation of a company provides otherwise:

   - a Shareholder of that company may appoint two or more persons concurrently (please note that the Memorandum of Incorporation of the Company prohibits such an appointment) as proxies;
   - and may appoint more than one proxy to exercise voting rights attached to different securities held by the Shareholder (please note that the Memorandum of Incorporation of the Company prohibits such an appointment);
   - a proxy may delegate the proxy's authority to act on behalf of the Shareholder to another person, subject to any restriction set out in the instrument appointing the proxy and provided that right is granted in the proxy instrument and the delegation takes place by way of a further proxy instrument); and
   - a copy of the instrument appointing a proxy must be delivered to the company or to any other person on behalf of the company before the proxy exercises any rights of the Shareholder at a Shareholders' meeting.

   Irrespective of the form of instrument used to appoint a proxy:

   - the appointment is suspended at any time and to the extent that the Shareholder chooses to act directly and in person in the exercise of any rights as a Shareholder;
   - the appointment is revocable unless the proxy appointment expressly states otherwise; and
   - if the appointment is revocable, a Shareholder may revoke the proxy appointment by
     - cancelling it in writing or making a later inconsistent appointment of a proxy; and
     - delivering a copy of the revocation instrument to the proxy, and to the company.

   The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the Shareholder as of the later of:

   - the date stated in the revocation instrument, if any; or
   - the date on which the revocation instrument was delivered as required in subsection (4)(c)(ii).

   If the instrument appointing a proxy or proxies has been delivered to a company, as long as that appointment remains in effect, any notice that is required by this Act or the company's Memorandum of Incorporation to be delivered by the company to the Shareholder must be delivered by the company to:

   - the Shareholder; or
   - the proxy or proxies if the Shareholder has
     - directed the company to do so, in writing; and
     - paid any reasonable fee charged by the company for doing so.

   A proxy is entitled to exercise, or abstain from exercising, any voting right of the Shareholder without direction, except to the extent that the Memorandum of Incorporation or the instrument appointing the proxy provides otherwise.

   If a company issues an invitation to Shareholders to appoint one or more persons named by the company as a proxy, or supplies a form of instrument for appointing a proxy:

   - the invitation must be sent to every Shareholder who is entitled to notice of the meeting at which the proxy is intended to be exercised;
   - the invitation, or form of instrument supplied by the company for the purpose of appointing a proxy, must
     - bear a reasonably prominent summary of the rights established by this section;
     - contain adequate blank space, immediately preceding the name or names of any person or persons named in it, to enable a Shareholder to write in the name and, if so desired, an alternative name of a proxy chosen by the Shareholder; and
     - provide adequate space for the Shareholder to indicate whether the appointed proxy is to vote in favour of or against any resolution or resolutions to be put at the meeting, or is to abstain from voting;
   - the company must not require that the proxy appointment be made irrevocable; and
   - the proxy appointment remains valid only until the end of the meeting at which it was intended to be used, subject to subsection (5).

   Subsection (8) (b) and (d) do not apply if the company merely supplies a generally available standard form of proxy appointment on request by a Shareholder.
7. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy, unless previously recorded by the Company's transfer office or waived by the Chairman of the Annual General Meeting.
8. The Chairman of the Annual General Meeting may reject or accept any form of proxy which is completed and/or received other than in accordance with these instructions, provided he is satisfied as to the manner in which a Shareholder wishes to vote.
9. Any alterations or corrections to this form of proxy must be initialled by the signatory(ies).
10. The completion and lodging of this form of proxy will not preclude the relevant Shareholder from attending the Annual General Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such Shareholder wish to do so.
11. A minor must be assisted by his/her parent guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the Company.
12. Where there are joint holders of any shares:

    - any one holder may sign this form of proxy;
    - the vote(s) of the senior Shareholders (for that purpose seniority will be determined by the order in which the names of Shareholders appear in the Company's register of Shareholders) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint Shareholder(s).
13. The proxy may not delegate any of the rights or powers granted to it.

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