24 Integrated Report

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SHOPRITE HOLDINGS LTD

Shoprite Group's 2024 Reporting Suite

Integrated Report

Reviews the Group's business model, operating context, material risks and opportunities, governance practices and our performance in delivering on our strategy.

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

Annual Financial Statements

Provides a comprehensive review of our financial results, with audited financial statements prepared in accordance with the International Financial Reporting Standards (IFRS).

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

Sustainability Report

Reviews our governance and performance in managing our most significant impacts on people and the environment, and in addressing our material sustainability-related risks and opportunities.

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

Reporting frameworks informing our reports

Our reporting process complies with the following regulatory requirements:

- South African Companies Act, 71 of 2008 (as amended)
- King IV Code on Corporate Governance™ for South Africa, 2016 (King IV)
- The IFRS developed and maintained by the International Accounting Standards Board (IASB)

Our reporting has also been informed by the following disclosure standards and frameworks:

- The IFRS sustainability standards recently released by the International Sustainability Standards Board (ISSB): IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures
- The Food Retailers and Distributors Sustainability Accounting Standard issued by the Sustainability Accounting Standards Board (SASB)
- The Global Reporting Initiative (GRI) Sustainability Reporting Standards
- The Johannesburg Stock Exchange (JSE) Sustainability Disclosure Guidance and JSE Climate Disclosure Guidance

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Introduction

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 JSE. The Company has three secondary listings: on the South African A2X, the Namibian Stock Exchange (NSX) and the Lusaka Stock Exchange (LuSE).

Our values

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

- Doing the right thing
- Saving to share
- Developing local

Our purpose

Uplifting lives every day by pioneering access to the most affordable goods and services, creating economic opportunity, and protecting our planet.

Our strategy

Our strategy is to continuously create **a Smarter Shoprite** through advanced analytics and technology in order 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 scale and retail platform to **win in the long term.**

Our vision

Our vision is to be Africa's most profitable omnichannel retailer.

> "We are unapologetic when it comes to lowest prices. We think about how we can make products more affordable every day. There are millions of people who rely on the R370 monthly Social Relief of Distress (SRD) grant. That's why we offer a range of R5 meal solutions in our Shoprite delis, that close to one million customers benefited from each week this year."

Pieter Engelbrecht
Shoprite Group CEO

About this report

Report audience and purpose

Our Integrated Report (IR) is our primary annual report, written for all stakeholders who have an interest in the Group's capacity to create value over the short, medium and long term. Although this report may be of interest to many of our stakeholders – including customers, regulators, employees, suppliers, non-governmental organisations (NGOs) and the media – the primary purpose of this report is to inform the decisions of existing and prospective investors, lenders and other creditors relating to the provision of resources to the Group.

Report scope and boundary

The IR covers the Group's operations in South Africa and the nine African countries in which we operate. In identifying those matters that impact on value creation at Shoprite we have looked beyond the conventional financial reporting boundary to provide for the material interests of our key stakeholders, as well as for the significant impacts, risks and opportunities associated with our own operations and with the activities directly linked to our upstream and downstream value chain.

Our approach to materiality

Informed by the latest developments in global reporting standards and frameworks, we have adopted 'double materiality' across our reporting suite:

- **Financial materiality:** Our IR provides information on those matters that are likely to influence report users' assessment of the Group's future cash flows over the short term (less than 12 months), medium term (one to three years) and long term (beyond three years). Our Annual Financial Statements (AFS) reflect the effects on Company value and cash flow that have already taken place at the time of the financial year end.
- **Impact materiality:** Our Sustainability Report (SR) provides disclosure on the most significant impacts of our operations and activities on people, society and the environment over the short, medium or long term; this includes impacts caused by the Group's own operations, products or services, as well as the impacts directly linked to the Group's upstream and downstream value chain. We have also made provision in the SR for financially-material environmental, social and governance (ESG) risks and opportunities impacting the business, thus adopting a 'double materiality' perspective for our SR.

Our materiality process

To identify the matters for inclusion in our reports we ran a materiality workshop in which Group representatives considered the following issues:

- **Our business model** – reviewing the Group's revenue streams and cost structure, and identifying the most important resources and relationships ('capitals') that we depend on for value retention and growth across our value chain activities
- **Our dependencies and impacts on the capitals** – identifying where we have the most significant dependencies and impacts (positive and negative, direct and indirect) on each of the capitals
- **Our operating environment** – identifying recent trends in the operating context affecting our performance and reflecting on our latest internal risk assessment process
- **Our stakeholders' interests** – identifying the interests of our stakeholders
- **Our strategy** – reflecting on the robustness of our strategy

We believe that the information in this IR focuses on what is material, in that it should be reasonably capable of influencing the decision of any report-user looking to make an informed assessment relating to the provision of resources to the Group.

Our IR is structured in a manner to enable such an assessment by providing information on:

- **How we create value:** Our business (page 12) and business model (page 14)
- **What impacts on value:** The most significant trends, risks and opportunities in our operating context (pages 19 – 30)
- **How we protect and create value:** Our performance against our strategy (pages 33 – 46) and at an operational level (pages 55 – 63), and our governance approach (pages 65 – 69)

Approval and assurance

While this Integrated Report is not independently assured as a whole, certain information and the associated underlying processes to support the credibility and integrity of our reporting was subject to either an internal or external audit as follows:

• Annual financial statements – includes all financial information in this report	• External audit (Ernst & Young Inc. (EY))
• Sustainability data	• External assurance of selected sustainability metrics
• Operating and other financial and non-financial data, compliance and risk management	• Internal audit (overseen by the Audit and Risk Committee)

As members of the Shoprite Holdings Board, we acknowledge our responsibility for ensuring the integrity of this Integrated Report. The Board, supported by the Audit and Risk Committee, believes the report is presented in accordance with the Integrated Reporting Framework, and that it presents a balanced and fair account of the Group's performance, governance practices and operating context for the financial year ended 30 June 2024, as well as an accurate reflection of our strategic commitments.

The Audit and Risk Committee is tasked with overseeing the preparation of this report and for reviewing the content, reporting processes and assurance in respect of the integrity of the report. The Board has applied its collective mind to the preparation and presentation of the information in this report.

The report was prepared under the guidance and supervision of senior management and was subject to a rigorous internal and external review process before being submitted to the Audit and Risk Committee, which is responsible for oversight of the report. This committee, having reviewed the content and assurance processes, recommended it for approval by the Board.

The Board approved this Integrated Report on 4 October 2024.

Board Chairman
Wendy Lucas-Bull

Audit and Risk Committee Chairman
Linda de Beer

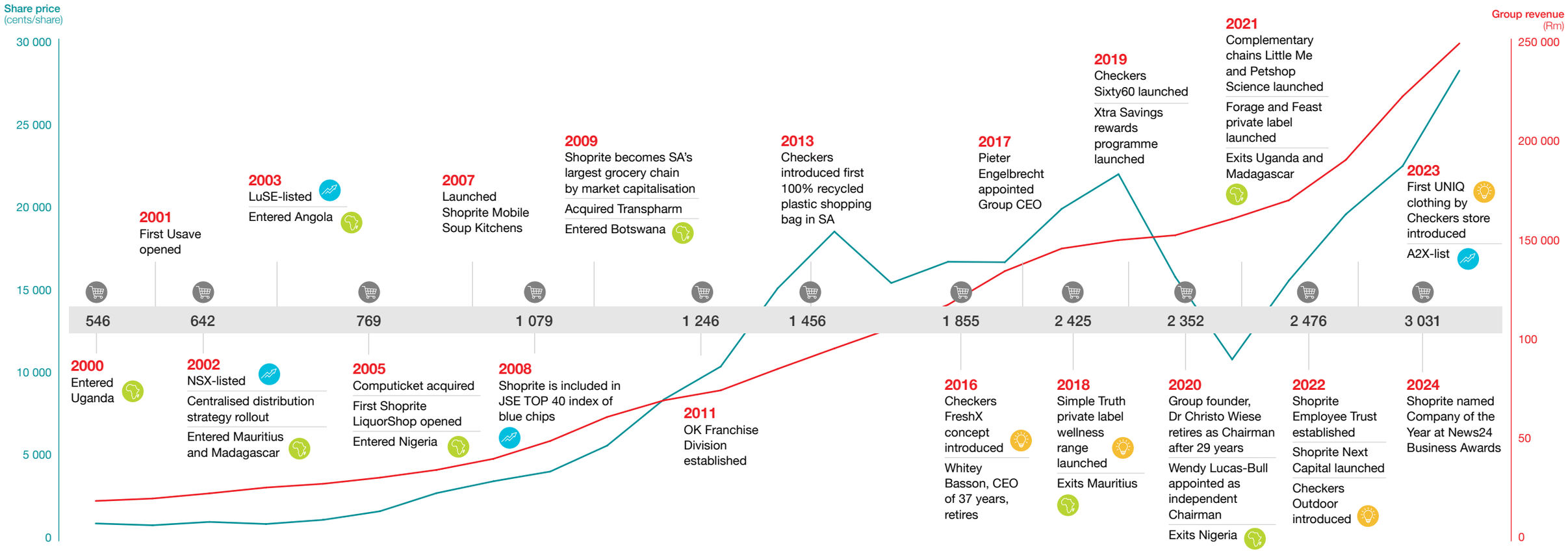
Independent Non-executive Directors
Nonkululeko Gobodo (Lead Independent Director), Peter Cooper, Graham Dempster, Dawn Marole, Sipho Maseko, Hlengani Mathebula, Paul Norman, Eileen Wilton

Non-executive Director
Christo Wiese

Executive Directors
Pieter Engelbrecht (Chief Executive Officer)
Anton de Bruyn (Chief Financial Officer)

Our history

Stores excl. OK Franchise | Share price | Group revenue | Innovation | Stock exchange | Operational activity in Africa



The first 20 years

1979
Shoprite Group established in the Western Cape, South Africa, when PEP stores purchased a small grocery company with eight stores from the Rogut family. The grocer, Shoprite, had fewer than 400 staff members and was valued at less than R1.0 million

1986
JSE-listed

1990
Shoprite opened in Windhoek, Namibia, marking the start of its expansion across Africa
Acquired Grand Bazaars

1991
Acquired Checkers

1992
Start of franchising operations

1995
Entered Zambia

1997
Acquired OK Bazaars Group in the legendary R1 deal
Entered Mozambique

1998
Money Market financial services counters launched

1999
Medirite in-store pharmacies launched

Key themes in recent years

2018
SAP implementation allowing for future-fit technology and digital innovation

2019
Embarked on Smarter Shoprite strategy, investing in advanced analytics and technology to optimise our core retail business
Xtra Savings rewards programme launched

2020
Embarked on strategy to exit Nigeria and reduce capital allocated to our Non-RSA segment in favour of investing behind our core RSA supermarket business

2021
Launched a portfolio of brands in adjacent product categories to increase total share-of-wallet

2023
Multi-year supply chain expansion

Our investment case

The Group's investment case is anchored in our core retail platform in the defensive food retail sector. Together with our world-class centralised supply chain capabilities and innovation in digital technology, the Group is leveraging our store footprint and customer reach to unlock opportunities for long-term growth.

Leveraging our scale through smart strategy, industry-leading innovation and expert execution

We believe there are various attributes that set the Shoprite Group apart from its peers, providing a compelling investment case.

Corporate-owned food retail business with large customer reach

- The Group's core business is positioned in the relatively defensive food retail category across South Africa, with a balanced portfolio of brands and supermarket formats delivering on a clear customer segmentation strategy.
- Over the past five years, the business has grown sales in both the lower- to mid-income category (serving price-sensitive customers through Shoprite and Usave), as well as growing in the mid-to-upper value segments (through Checkers and Checkers Hyper).
- As a centralised corporate-owned business we have access to world-class physical and digital infrastructure benefitting from scale efficiencies in our buying, distribution, logistics and corporate shared services.

World-class profitable supply chain and inventory management

- Our well-established centralised supply chain comprises 32 multi-temperature distribution centres (DCs) with expert inventory management systems delivering significant operational efficiencies and industry-leading in-stock levels across our store base. This is a particular achievement given recent supply chain volatility and with many local manufacturers being under-invested in new capacity.

Team Shoprite

- The Group has a committed, resilient, skilled employee team, underpinned by a strong workplace culture offering a compelling employee value proposition. Additionally It has a highly experienced leadership and management team.
- Shoprite^{X} has built up a team of globally competitive digital talent, and has a leading strategy in place to further attract, develop and retain this skills base.

Purpose-led business, making grocery retail more affordable and accessible

- Shoprite is a proudly purpose-led business, with the overriding ambition to be the leaders in making grocery retail more affordable and more accessible.
- Shoprite's track record of pioneering access to the most affordable goods and services; keeping our internal food price inflation below the official inflation rate subsidising over half a million R5 bread loaves each week; as well as R5 deli meals; subsidised sanitary pads; and our R99 essential bulk combos. We also foster financial inclusion by providing South Africa's most affordable entry-level bank account, as well as a one-stop financial services hub.
- We have improved customer access by investing in profitable customer relationships and providing compelling digital platforms and closer-to-home store formats. We are adding general merchandise and new larger delivery options to Checkers Sixty60, the Group's market-leading sixty-minute delivery platform.
- We have also been expanding our reach in the lower-income segment through our Usave eKasi container stores operating in the previously underserved rural areas of South Africa.

Leading innovation through our award-winning tech and innovation hub, Shoprite^{X}

- Our industry leading Xtra Savings rewards programme, with more than 31 million members and 2 500 swipes per minute, provides us with the largest consumer data set on the continent. This allows us to predict trends, identify new sales opportunities and optimise ranging and inventory, driving efficiencies and reducing wastage.
- Checkers Sixty60, our one-hour on-demand grocery delivery platform, operates from 539 stores across South Africa, translating to 1-hour delivery access to more than 80% of the addressable online market.
- We are realising various opportunities to unlock alternative income by monetising the purchase data generated through our rewards programme, including through Rainmaker Media (our retail media network) and Rex, our customer insights platform for suppliers.
- Our use of purchase data, advanced analytics and Artificial Intelligence (AI), supported by our technology and innovation teams at Shoprite^{X} underscores our ambition to become Africa's most profitable omnichannel retailer.

Industry-leading margins, strong balance sheet and disciplined capital allocation

- The Group is a highly cash generative, best-in-class retailer, driving cost efficiencies and generating globally competitive margins and returns. We have a considered approach to capital allocation, balancing dividend policy with capital spend to maintain and expand our operations and deliver our long-term strategy. This is supported by effective governance oversight systems on investments and projects.

Strong franchise model and partnership approach

- We have a competitive and sustainable franchise model enabling our franchise stores to leverage the Group's buying capabilities and supply chain technology and expertise.
- As a Group we have built up strong partnerships with suppliers at all levels. We have a particular focus on growing local suppliers, providing comprehensive support – including marketing opportunities, working capital at the lowest industry rates, and assistance with packaging and labelling – to selected small, medium and micro-enterprises (SMMEs) and black-owned and black-empowered suppliers.

Private label strategy meeting customer needs across income groups

- Our private labels provide value, quality and choice in food and general merchandise across all market segments – from our Usave Ubrand covering basic needs, to upmarket private labels delivering on specific criteria, such as healthy living (Simple Truth), or premium and indulgence (Forage & Feast).
- We believe there is scope for further private label growth across the board – from value to premium ranges.

Integration of sustainability-related impacts, risks and opportunities

- There is a strong record of integrating sustainability-related impacts, risks and opportunities in our activities as we seek to deliver on our purpose – to uplift lives every day and protect the planet.
- We have prioritised integration of three of the UN Sustainable Development Goals within our activities: United Nations Sustainable Development Goal (SDG) 2 – Zero hunger, SDG 8 – Decent work and economic growth, and SDG 12 – Responsible consumption and production.
- Our efforts are evidenced in our activities as the largest private sector employer in South Africa, providing access to affordable nutrition and groceries, investing significantly in supporting local SMMEs, black-owned and black women-owned suppliers and youth development activities, our various programmes on hunger relief and food security, and our environmental efforts on energy and climate change, water security, waste and recycling, sustainable packaging, responsible sourcing and biodiversity.

Our value contribution in 2024

The value created, preserved, or eroded for our stakeholders in 2024

Group sale of merchandise	Supermarkets RSA sales	Total income	Total expenses	Trading profit	EBITDA
^ 12.0% to **R240.7 billion**	^ 12.3% to **R195.0 billion**	^ 12.1% to **R63.5 billion**	^ 12.1% to **R50.1 billion**	^ 12.4% to **R13.4 billion**	^ 9.3% to **R20.5 billion**

Adjusted DHEPS	Total shareholders' return	Total dividend	New stores	Jobs created	RSA market share gains
^ 10.3% to **1 273.2 cps**	^ 28.8%	^ 7.4% to **712 cps**	343	6 490	1.1%

Providers of financial capital

R3.9bn paid in dividends (2023: R3.6bn)

Return on equity **26.0%** (2023: 24.8%)

Return on invested capital (ROIC) (excl. IFRS 16) **16.3%** (2023: 15.0%)

Cash generated from operations **R23.6bn** (2023: R18.2bn)

Customers

31m Xtra Savings rewards members, accessing **R16.9bn** in instant cash savings rewards

1 774 000 R5 subsidised products (bread, deli meals and sanitary pads) sold each week

6.0% internal RSA food inflation below official food inflation of **7.1%**

Customer visits ^ **4.5%**

Average basket size ^ **6.9%**

Employees

6 490 new jobs created

R19.2bn paid in salaries and benefits to **156 911** permanent employees

R245m expensed in favour of eligible employees in South Africa from the Shoprite Employee Trust and equivalent awards granted by subsidiaries in countries outside South Africa

R780m invested in employee training and development

2 work-related employee fatalities (2023: 4)

Suppliers

R143.8bn spend with B-BBEE-verified suppliers (2023: R135.2bn)

R25.2bn spend on >51% black-owned suppliers (2023: R23.4bn)

R18.3bn spend on >30% black women-owned suppliers (2023: R16.8bn)

Partners

73 net new franchised stores

158 black-owned franchised stores (2023: 110)

R20m invested in enterprise and supplier development (ESD) through Shoprite Next Capital

Communities and the environment

R423m corporate social investment (CSI) spend into communities in South Africa (2023: R409m)

195 659 meals served per day to vulnerable communities through our CSI programmes

2.4 million tonnes CO_2e in Scope 1 and Scope 2 greenhouse gas (GHG) emissions (2023: 2.5 million tonnes)

6.5% of total energy consumption from renewables (2023: 5.5%)

98.7% of in-store packaging reusable, recyclable, or compostable (2023: 97.8%)

Our business

Outlines the Group's geographic and portfolio diversity, presents our ecosystem of value, and describes our business model and our interdependencies with the six capitals.

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As South Africa's leading low-price retailer, Shoprite recognises the severe economic pressures facing many local households, as well as the gravity of the country's nutritional crisis.

This understanding fuels our drive to help our most price-sensitive customers put food on the table. In addition to our various R5 offerings – such as a 600g loaf of bread, a pack of sanitary pads and various deli meals – we have recently partnered with a local female-owned business supplier to create a meal that can feed a family of four for R20. Launched under our Homegrown private label range, each 350g Pasta & Me one pot meal includes a large portion of noodles, soya chunks, spices and dehydrated vegetables.

Chairman's review

Wendy Lucas-Bull
Chairman

> "The scope of the Group's responsibility is vast and increases each year. Delivering on this requires balancing the needs of millions of South Africans who need and trust Shoprite to deliver on their immediate day-to-day needs, while also innovating, planning and investing to meet the future growth and capacity requirements of a world-class retail business."

Reflecting on our past financial year to June and what remains of the 2024 calendar year, comes with a mix of relief, concern and hope: relief for South Africa as we move forward with an election process and outcome that held us in suspense, now behind us; concern regarding the global backdrop of environmental, technological and geopolitical risks that continue to cause havoc for the climate, countries, people, economies and markets; and hope, as with change comes opportunity.

South Africa specifically, post the elections, is at a crucial turning point after more than a decade of underperformance due to widespread chronic infrastructure mismanagement in key areas essential to economic growth and job creation namely electricity, ports, rail, roads and water. These infrastructure challenges have added layers of cost and complexity during periods of low growth to South African businesses who aspire to remain competitive, increase employment, grow profits and pay dividends. Facilitating economic growth requires urgent intervention, and for this reason we support the partnerships between business and government on energy, logistics, and law and order. Securing a turnaround in these areas is critical to restoring our economic growth trajectory and delivering on the country's enormous potential. Our newly formed Government of National Unity's Medium-Term Development Plan focusing on the three priorities of an inclusive growth and job creation; the reduction of poverty and cost of living, and building a capable, ethical and developmental state are transformational imperatives we endorse for South Africa.

Given the state of the world, and for us as South Africans, the overarching theme of the 2024 World Economic Forum (WEF) was apt – centred on rebuilding trust, generating new ideas, and developing partnerships that can improve outcomes for people, economies and the planet.

To quote Klaus Schwab, WEF Founder and Executive Chairman: "We must rebuild trust – trust in our future, trust in our capacity to overcome challenges, and most importantly, trust in each other. Trust is not just a feeling; trust is a commitment to action, to belief, to hope."

Shoprite is without doubt a business committed to action. Founded on trust – lowest prices you can trust, always – the Group has been exemplary in terms of generating new ideas and developing partnerships that improve outcomes for people, economies, and the planet. With our record of consistent execution, trust has built over time the established outcomes that for our many stakeholders are clear:

- **for our customers** – providing lowest prices and cost of living solutions, value, range, proximity and availability
- **for our employees** – job creation, job security, training and a career path
- **for our suppliers** – a route to market, growth in volumes, access to valuable insights on customer purchase data, and being a trusted partner that provides a world-class last-mile for their products
- **for our shareholders** – being a socially and environmentally responsible company that balances capital allocation to sustain profit and dividend growth
- **for communities** – our support to alleviate hunger with our mobile soup trucks, community gardens, food donations and immediate response during times of crisis with an overarching focus on supporting centres for early childhood development
- **for the environment** – our commitment to mitigating climate change, reducing packaging waste, managing scarce resources and reducing the impact of our operations
- **for independent entrepreneurs** – providing a compelling, well supported food retail franchise offering that shares the Group's scale benefits in our supply chain and logistics network, Information Technology (IT) systems, buying and support services

Chairman's review continued

The scope of the Group's responsibility is vast and increases each year. Delivering on this responsibility requires balancing the needs of millions of South Africans who need and trust Shoprite to deliver on their immediate day-to-day needs, while also innovating, planning and investing to meet the future growth and capacity requirements of a world-class retail business. Shoprite's commitment to price and innovation is applied universally to all our customers, be it through our market-leading on-demand grocery delivery service, our R5 meal solutions and the thousands of Shoprite items for under R10, our immediate store-led community in-need responses, or through holding our R5 (600 gram) bread price stable since 2016. In recent years, our customer commitment has extended to a non-negotiable position in terms of in-stock availability. This customer-led approach that acknowledges the hardship for the majority of our customers in terms of transport costs and time spent travelling sits at the core of our values, defines our approach in good and bad times, and has rightfully engendered a considerable level of trust in the core Shoprite brand.

On the innovation front, the Group's continued drive to improve accessibility across our customer base was notable this year with extensions to our in-store products and categories, our market-leading Sixty60 on-demand platform, and to our supply chain operations, where notable development and expansion will assist with product availability challenges while incorporating agility and future capacity needs.

As a Board, this year we have continued to focus on supporting the business by providing strong and consistent governance. Having welcomed Sipho Maseko and Professor Hlengani Mathebula to the Board towards the end of 2023, this concluded the process of reconstituting the Board that began in 2021. As with each year we have continued to examine what best practice is for the Group given the local and global considerations that are increasingly factored into its operations and future plans. In doing so, we endorsed the business's strategy, including incorporating feedback on shareholder metrics and focus areas, benchmarking global and emerging retail peers, and understanding our stakeholders' expectations.

In terms of the Group's sustainability strategy, as has become standard practice each year, the Social and Ethics Committee (SEC) visited a Group-supported small supplier, our community food gardens where the benefits extend far beyond simply addressing food security and, community outreach providers who – with the support of our Shoprite Mobile Soup Kitchens and Shoprite, Checkers and Usave food donations – provide thousands of individuals, sadly most of them children, with much-needed meals each week.

In terms of necessary employment growth in South Africa, the Group, already the largest private sector employer in South Africa, added 6 490 new jobs this year, 2 171 of these filled by young people. Shoprite provides young employees with skills, training, development and a much-needed start on the employment ladder.

In the context of operating in the markets we serve, meaningful positive impact on customers, suppliers, communities, shareholders and our environment is only possible with resilient, solution-driven people, and in this regard, numerous thanks are due. On behalf of the Board, I extend our sincere thanks to all Group employees, and most especially to our store staff for the role they play in meeting the daily needs of our customers. To our best-in-class management teams, thank you for your loyalty, preparedness, and consistent execution. To Pieter Engelbrecht and our executive management, your leadership, expertise and innovation is unmatched; we thank you for your commitment to serve and for raising the bar of this great company to the benefit of so many in 2024. And to my colleagues on the Board, thank you for your continued advice and support of Shoprite throughout the year.

In closing, to the Group's loyal customers, we thank you for your ongoing support of our business; we value this above all else.

Sincerely,

Wendy Lucas-Bull
Chairman

Chief Executive Officer's statement

Pieter Engelbrecht
Chief Executive Officer

Group sales
↗ 12.0%
to **R240.7 billion**

Group trading profit
↗ 12.4%
to **R13.4 billion**

Customer visits
↗ 4.5%

Xtra Savings rewards members
↗ 11.4%
to **31 million members**

Dividend paid to shareholders
↗ 6.9%
to **R3.9 billion**

Total dividend
↗ 7.4%
to **712.0 cents per ordinary share**

This has been another strong year for the Shoprite Group.

The Group gained market share for the fifth consecutive year, achieving sales and revenue growth at twice the pace of the rest of the market, maintaining an enviable trading margin of 5.6%, and consolidating our position as the largest food retailer in Africa. Group sales increased 12.0% to R240.7 billion, a remarkable annual increase of R25.8 billion in sales from an already high base and in a very low-growth economy, confirming that our customers value what we offer them. This exceptional performance is testament to the incredible dedication of Team Shoprite in ensuring world-class execution of our vision – to be Africa's largest and most profitable omnichannel retailer.

This year, the Group's core business, Supermarkets RSA – which houses our principal trading brands Shoprite, Usave, Checkers, Checkers Hyper and LiquorShop, – achieved sales growth of 12.3%, contributing 81.0% to Group sales off the back of a 4.5% annual increase in customer visits. We saw impressive growth at both ends of our targeted market segments. In the upper-income segment, Checkers remains the fastest-growing premium grocer in the country for a third consecutive year, with sales growth this year of 12.3%. Online sales from our industry-leading on-demand delivery platform, Checkers Sixty60, grew by 58.1%; it is continuing to disrupt South Africa's retail market as it expands beyond groceries to include general merchandise delivered by our new fleet of Checkers Hyper delivery vans. In our more price-sensitive segment, our Shoprite and Usave brands increased sales by 10.7%, expanding the Group's reach into underserved communities through our low-cost Usave discount stores and Usave eKasi container stores. Despite these sales growth rates, we fell just short of our own internal targets for 2024. This speaks to the culture of our business: we set a very high bar and believe that we can always improve and always do better.

Across the Group, we added a net 292 stores during the period; this includes 63 new format specialist stores in adjacent categories, as well as 73 OK Franchise stores, bringing our total footprint to 3 639 stores across our ten countries of operation. Checkers Sixty60 is now available in 539 stores, an increase of 73 stores year-on-year, providing us with one-hour delivery access to more than 80% of the addressable online market. We also saw pleasing growth in our Xtra Savings rewards programme, extending its lead as South Africa's largest rewards programme, with more than 31 million members and 2 500 swipes per minute, enabling us to provide personalisation at scale and delivering world-class levels of sales participation. Building on the success of this initiative, this year we launched Xtra Savings Plus, South Africa's first grocery subscription plan. By financial year end, we had reached three times our original target for subscriber numbers, entrenching our position with a cohort of customers whose basket spend is above our average.

As a result of the Group's strong cash generation, the Board approved a final dividend of 445.0 cents per share, resulting in a full-year dividend of 712.0 cents per share, representing a 7.4% year-on-year growth in dividend per share.

Despite operating under markedly different circumstances to many of our global counterparts, Shoprite has continued to demonstrate global competitiveness with consistent market share growth and sector-leading execution which allows us to fulfil our customer promise. We are the largest SAP retail customer by number of transactions in the world and one of the top retailers globally in terms of the volume of product moved. Our performance this year demonstrates our ability to deliver under challenging conditions. In South Africa, our primary market, operating in food retail has become increasingly expensive, with profound infrastructure challenges – in electricity, water, roads, rail and ports – having negative multiplier effects for our industry. In our markets in the rest of Africa, we are operating under high levels of political uncertainty, exchange rate volatility and inflation. I believe that our ability to operate under these conditions reflects the strength of our centralised supply chain and corporate-owned operating model and, most importantly, the dedication of Team Shoprite.

Chief Executive Officer's statement continued

Executing our growth strategy

An important part of our success is that we have a very clear strategic plan that guides our execution and informs our multi-year investments. Our strategy, at its core, is purposefully customer-centric and as a result it gives our customers what they need (lowest prices, range, availability), while raising the bar in making grocery retail more affordable and more accessible.

Our approach, outlined in our nine strategic drivers, provides our framework for growth, ensuring that our business is resilient, a force for good, and benchmarked best-in-class against global retail practices. Through these strategic drivers we are creating a Smarter Shoprite, using advanced analytics and technology to optimise our core retail business and personalise the customer experience, targeting headroom opportunities in specific growth segments to increase customer share-of-wallet, and leveraging our retail platform to ensure that we continue to win in the long term. For the past two years we allocated capital expenditure of approximately 3.0% of sales (equating to R14.5 billion) to invest behind our strategy, significantly strengthening our digital offerings, fast tracking our store and brand expansion, building out our supply chain and logistics network, and growing our omnichannel business.

The outcome of these investments in our strategic growth drivers is reviewed throughout this report. I believe that you will find this a compelling account of our performance, and that it should provide you with sufficient confidence in our ability to realise our ambition of being Africa's largest and most profitable omnichannel retailer. Our progress towards this ambition has been significantly enhanced by our investment in digital transformation; this includes – but is not limited to – our innovative customer rewards programme that provides us with the largest consumption data set on the continent, enabling us to be absolutely precise on who it is we serve and what their needs are, as well as assisting us to secure significant operational and environmental efficiencies. This, together with our successful online Checkers Sixty60 on-demand delivery service, our rapidly expanding store and online penetration across market segments, and our world-class supply chain and logistics capabilities, I believe demonstrates our capability to continue to win in the long term.

As you will see in this report, we are a company not afraid to experiment, try new things, fail fast, and learn and adapt rapidly when needed. Despite our size, the Group has proved remarkably agile, harnessing the scale benefits that come with our corporate model; when we take decisions, we are able to ensure effective and rapid execution across the entire business. Our ability to do so is underpinned by our company culture, by the quality of our people, upholding our commitment to the highest levels of customer service and respecting one another. This is the Shoprite way.

Ensuring our resilience in a challenging social context

The Shoprite Group operates predominantly in South Africa, in a country with one of the highest levels of inequality globally and with deeply worrying levels of unemployment and food insecurity, compounded by low economic growth, endemic corruption and poor delivery of basic services. This year, youth unemployment rose to a staggering 60%, with 47% of South Africans now relying on social grants, and an estimated 23% of households lacking adequate access to nutrition. Addressing these challenges – by making food more affordable and more accessible, and by stimulating job creation – is critical to maintaining social stability and the viability of the South African economy, and in turn to ensuring the resilience of our business. This imperative underpins our obsession to be the market leader in making grocery retail more affordable and more accessible to the consumer, driving us to be leaders in product and service innovation.

In delivering on this obsession, we subsidise over half a million R5 (600g) bread loaves every week, as well as providing R5 deli meals, subsidised sanitary pads and essential bulk combos for R99. To put this into context for global readers, despite input costs tripling in the past eight years, the price of our subsidised bread has remained unchanged since 2016, at less than 30 US cents per loaf. Having experienced first-hand the conditions in some of our communities, we have reintroduced our R379 Commodity Combo to help meet the nutritional needs of the low-income consumer, as well as snacking options for one rand. We are also continuing to expand our reach to consumers in previously unserved rural areas of South Africa through our Usave eKasi container stores, bringing essential consumer products closer to the rural consumer, allowing them to save on transport costs. Similarly, for the millions of customers without the means to take transport to larger-format supermarkets, our low-cost Usave discount store offers financial services and a wider assortment of products and services and bigger promotions. This year we opened 22 Usave stores, ending the year with 463 stores, including 44 Usave eKasi box stores across the country.

We are driving these initiatives informed by a clear understanding of our customers and the conditions they operate under. We see many of the 26 million grant recipients in this country, many of whom come to us each month to access their grants, and to use our bank account which is free of fees for customers transacting in the Shoprite ecosystem. We are able to provide these services because of our ability to execute on our strategy, bringing in income from our diversified brand offerings and increasingly from new income sources, and benefitting significantly from the enhanced efficiencies associated with the improved customer insights generated through Shoprite^{x}. Through these various initiatives, we have continued to maintain our Supermarkets RSA internal food price inflation below the official food inflation rate.

In addition to driving access to affordable nutrition, we are continuing to place a strong priority on creating and protecting jobs. We remain the largest private sector employer in South Africa, creating 6 490 new jobs and supporting thousands of indirect jobs through our local procurement spend and our significant investment in supplier and enterprise development. Through our Shoprite Employee Trust, established by Shoprite Checkers with 40 million shares in 2022, we are ensuring our employees are aligned to benefit from the Group performance. As things stand this year, 98% of the Trust beneficiaries are black and 69% were black women, reinforcing our commitment to transformation and equitable empowerment in line with South African demographics.

We are also working to ensure that our entry-level employees are paid a fair wage, ensuring that as a minimum they are paid on average 11% above the national regulated minimum wage. In a country with high unemployment, relatively low growth and poor service delivery – and with a shrinking tax base, where an estimated three million people pay 90% of the country's income tax – we are striving to find the right balance in meeting the drive to pay a 'living wage', with the benefits of providing a secure job that offers longer-term growth opportunities.

At Shoprite we are steadfast in our pursuit of creating and protecting jobs. We balance technology and what it brings to our operations with job creation, a good example being we successfully tested and rolled-out radio-frequency identification (RFID) self-checkouts in all of our new format UNIQ clothing by Checkers stores.

Chief Executive Officer's statement continued

Recognising this technology does not require cashiers, we invested rather in employing sales people to assist customers with product advice, fabric information and sizing. I believe that it is important to acknowledge the invaluable role Shoprite has been playing in addressing food security and contributing to social stability and employment in the country. With this role comes significant responsibility and I am confident that we have the team and commitment to fulfil this role into the future.

Outlook

Despite the deeply challenging social context in South Africa, we are optimistic about the country's economic prospects over the short to medium term. Sentiment has been boosted by the recent national election, with various political parties working together to establish a Government of National Unity. We are already seeing some of the benefits of this new government, with significantly improved levels of cooperation between key political parties. There is a hope that we will begin to see improvements in efforts to tackle corruption, strengthen service delivery, and address some of the profound infrastructure challenges facing the country, all which of have the power to stimulate investment growth, create employment and lower the cost of doing business in South Africa.

While it has been tough operating under the recent high interest rates, the South African Reserve Bank has remained steadfast in their goal of reducing inflation to protect in particular, the millions of vulnerable South Africans to whom inflation is enormously detrimental. Given the reduction in food inflation, their efforts appear to have paid off. In contrast with many other countries across the continent, South African inflation is under control and the currency has remained relatively stable. Looking to the immediate future, we anticipate interest rates in South Africa will decline, and that the recently introduced two-pot retirement system will inject money into the system, helping to lower the consumer debt burden and in turn increase disposable incomes.

Globally, the geopolitical environment remains uncertain, with ongoing tensions in Ukraine and the Middle East, and significant uncertainty in the run up to the US election, continuing to influence monetary policies, financial markets and sentiment on longer-term trading arrangements. In the past year, we have seen the effect of extreme weather events on global and regional supply chains, impacting the availability of certain raw materials and commodities, disrupting shipping routes, and contributing to higher raw material and logistics costs. While we prioritise supporting local producers and manufactures as best as we can, we face challenges in terms of the level of manufacturing capacity in the country. This has been compounded by the low levels of local and international investment and is further constrained by the exclusive supply arrangements that some of our competitors have with their suppliers, posing, in our view, a potential threat to the longer-term viability of some of these suppliers. Currently, the inbound supplier service level to our DCs is 91.6% which requires herculean efforts on the part of our supply chain operations to maintain our world-class outbound service level of 98.0%, ensuring we meet our own internal benchmark for on-shelf availability in order to not disappoint our customers when they shop with us in-store or on-demand.

Appreciation

The Group's strong performance this year is not possible without the contribution of all our stakeholders – our customers and suppliers, our Board and management teams, our employees, and the communities within which we operate. Specifically, I would like to thank our Chairman and the Shoprite Holdings Board of Directors for their oversight and counsel, and for their dedication in aiding the success of the business.

I am often asked about Shoprite, specifically what I believe defines our success. While it is a mix of factors, it is clear to me we would not be the business we are today without our committed people. In 2024, not dissimilar to recent years, we had 426 people with the Group serving for 30 years or more, through thick and thin, a lifetime in retail, in service of our customers. In particular, I would like to acknowledge the invaluable contribution of our Chief of Information Technology, David Cohn who retired this year after 20 years of service to Shoprite. Much of the Group's strength today is a result of our technology platform and data-led journey, incorporating in particular, the responsibility of the Group's game changing IT re-platform, superbly led and executed (in record time) by David. Extremely capable and equally humble, we are indebted to you David for not just your technology expertise but also for your calm hand, expert leadership and approach to teamwork.

To our incredible base of employees who make up Team Shoprite, thank you for continuing to do the extraordinary and deliver the incredible, year after year. Our Group executive and divisional management teams' expertise and experience are fundamental to our success. They lead from the front, inspiring our teams to find solutions with a get-it-done approach. To our colleagues across our store base, you are the face of our operations and your dedication to serve our customers is instrumental in us executing on our Group's purpose.

My final thanks and gratitude goes to our customers. The price of food has notably escalated in the past few years at a time when disposable incomes have not. We are aware customers have a wide range of retailers to choose from and that they continue to choose us is enormously validating in terms of our efforts to prioritise price, value, range, availability and proximity.

For the first time in many years, looking ahead, it feels as though there is some wind at our back as a result of the combined impact of a number of small incremental positives the result of which we expect will alleviate pressure on households. This view is defined by our expectation that interest rates decline, food inflation remains contained and our hope that load-shedding does not recur. As a Group, our 2025 efforts will be guided by our purpose, and our execution will be underscored by our vision to be Africa's most profitable omnichannel retailer. I look forward to reporting on it in due course.

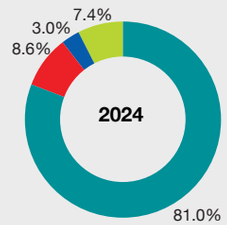
Pieter Engelbrecht
Chief Executive Officer

Group profile

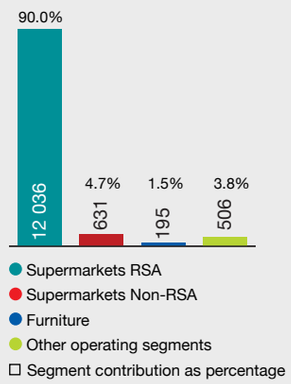
Our geographic and portfolio diversity

The Shoprite Group is Africa's largest food retailer. With supermarket retailing as our core business, we operate a clearly segmented brand strategy predominantly in South Africa.

Sale of merchandise (%)

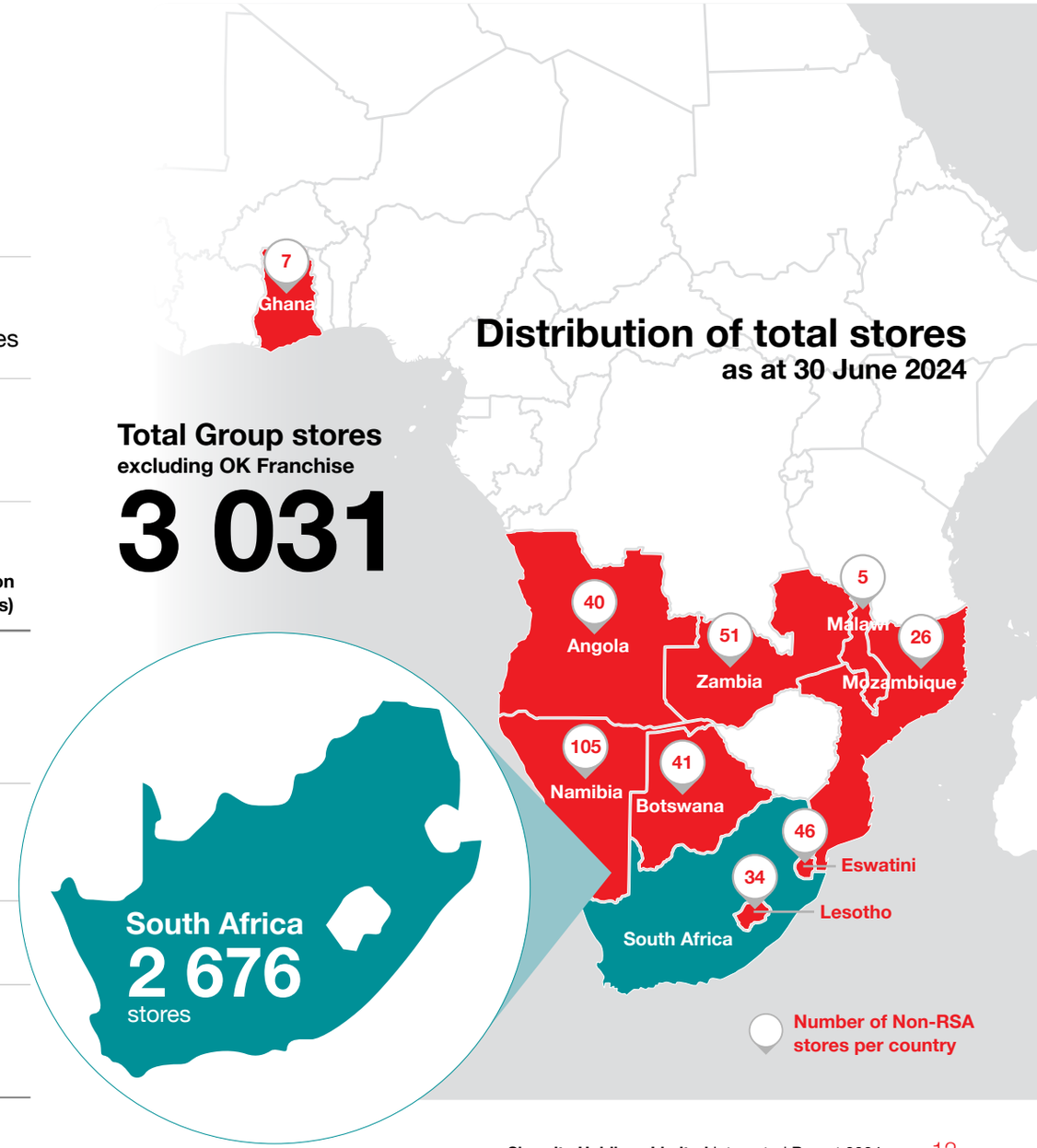


Trading profit per operating segment (Rm)



R240.7bn Sale of merchandise	31 million Xtra Savings rewards customers	160 216 Total Group employees
Total Group stores 3 639 This includes OK Franchise	OK Franchise stores 608	National DCs 32

Operating Segments	Brands	Sales growth percentage	Store expansion (net new stores)
Supermarkets RSA	Shoprite, Usave, Checkers, Checkers Hyper, LiquorShop, Little Me, Checkers Outdoor, Petshop Science, UNIQ clothing by Checkers	12.3%	201
Supermarkets Non-RSA	Shoprite, Usave, Checkers, LiquorShop	6.1%	15
Furniture	House & Home, OK Furniture	2.3%	(4)
Other operating segments	OK Franchise Division, Medirite, Transpharm, Computicket	21.1%	80



Group profile continued

Our ecosystem of value

Advanced analytics and insights

Our data-focused teams, specialist software and external data partners transform the data we gather from over one billion grocery transactions per year and 31 million Xtra Savings rewards members into actionable insights using data analytics for our business and suppliers. This includes (amongst other examples) using an AI pricing optimisation tool to help our buyers determine the best pricing, deploying a powerful end-to-end supply chain software solution to replenish and forecast stock needs, and maintaining the integrity of our cold chain.

Customer and rewards

Our market-leading Xtra Savings rewards programme, which was launched to improve our understanding of customers' needs and save them time and money through personalisation, has more than 31 million members, saving a combined R16.9 billion on customers' grocery bills this year alone. With roughly 2 500 swipes per minute, we now have the largest consumer data set on the continent, informing our decision-making on pricing, promotions, ranging and digital communications, providing a highly personalised shopping experience. The programme allows us to predict trends, identify new sales opportunities in under-indexed categories, and it helps us – as well as our suppliers, through our Rex platform – to understand customer behaviour and improve efficiencies.

Lighthouse private labels

We are leveraging the Group's scale to invest in product development and innovation in our private label brand portfolio to differentiate the Group's offer and range. Our private label products provide customers with better choices and value, both through our low-price products such as our Ubrand entry-level lines, as well as our premium offerings informed by consumer preference on health, wellness and sustainability such as our Simple Truth and Forage & Feast range. Shoprite's Homegrown private label range supports local job creation by offering products that are 100% South African.

Other adjacencies

Given the scale of our core retail platform, and being the preferred anchor tenant in most new shopping mall developments, we are well positioned to open retail stores in adjacent categories, providing our customers with affordable access to a wide selection of products in categories such as baby, outdoor, pet, pharmacy and clothing. Our customers benefit from a one-stop offering with a supermarket at its core and a wide variety of affordable choices in close proximity.

Digital commerce and last-mile logistics

Leveraging the wide network of Checkers and LiquorShop stores, the Group's market-leading sixty-minute delivery service, Checkers Sixty60, is delivering significant value to both our customers and our business. Checkers Sixty60 is now available in 539 locations across South Africa, making use of the large store network as micro-fulfilment centres. We have recently launched a new Checkers Sixty60 app, offering customers over 10 000 larger Checkers Hyper general merchandise products, delivered same-day with an agreed 60 minute time slot. Pingo provides the last-mile logistics capabilities with more than 6 000 independent drivers.

Alternative income

To sustain growth, we are leveraging our platform advantage of customers and 2 322 core retail stores to unlock alternative income in the retail media, data monetisation and financial services space. Our Rainmaker Retail Media Network enables precision targeting and omnichannel advertising solutions by connecting brands with relevant customers, and we have launched our own customer insights platform, Rex, which provides supplier partners with access to the Group's alternate data to improve their business and unlocks new income opportunities. We have been rolling out various low-cost digital and financial services offerings, including our Money Market Account, the most affordable entry-level transactional bank account in South Africa.

Supplier partnerships and development

In our drive to improve the customer experience, we have entered supplier partnerships with leading global and local brands – such as Starbucks, Lindt, Krispy Kreme Doughnuts and Kauai – bringing their products to selected Checkers supermarkets and some of these brands directly to homes via our Checkers Sixty60 app. Through our recent partnership with Discovery Vitality Healthy Food, consumers will soon see the benefit of up to 75% cash back on healthy food items. We are empowering and supporting local entrepreneurs and suppliers through Shoprite Next Capital and our CredX supply chain finance offering.

Our business model

How we create value

We create stakeholder value through our core retail platform that makes grocery items more affordable and accessible to the public. Our platform thinking underpins our ambition to provide seamless engagement across physical and digital channels, and to leverage our scale, network and data to create value for our customers and unlock new income streams for the Group.

Inputs

Our ability to create value for our stakeholders depends on the nature of our access to the following resources and relationships (six capitals):

Social and Relationship Capital — A stable operating environment and trusted corporate brand based on positive relationships with key stakeholders

Human Capital — Our talent is made up of our committed, resilient and skilled employees, led by an experienced executive team, with oversight from an independent Board

Manufactured Capital — Our 3 031 stores, supported by our supply chain network of 32 DCs and our world-class digital infrastructure, inventory management and logistics capabilities

Intellectual Capital — Our portfolio of 27 differentiated trusted brands and private labels, serving different market segments, and our leading innovative application of data-led tech capabilities, underpinned by a strong company culture and established processes

Financial Capital — A strong balance sheet and considerable profit and cash generation facilitates access to financial capital (producers of debt and equity)

Natural Capital — Reliable and cost-effective access to energy and water for our stores and DCs, fuel for our distribution fleet, raw materials for our products and packaging (virgin and recycled), within a stable climate system

More detail on these capital inputs, and our activities to sustain and enhance these inputs, is provided on pages 15 – 17.

Our operating environment

For more detail on those trends that impact how we create and preserve value, refer to pages 5.

Value in

Our business activities

Procurement and private label: We procure products and develop private labels to meet forecast consumer demand, using advanced data analytics to predict trends and optimise efficiencies.

Supply chain logistics: We distribute products through our centralised supply chain, at the heart of which lies our 32 DCs, world-class inventory management and logistics capabilities, and efficient fleet of 1 111 trucks and 1 492 trailers.

Retail sales: We provide customers with best price and value on food and general merchandise products, either in-store or online. This is achieved through our clearly segmented store network and advanced online on-demand delivery platform.

Marketing and brand-building: We support our retail activities with our strategic marketing and branding programmes and our extensive corporate social investment activities.

Centralised corporate activities: Each of these value chain activities benefits from our centralised Group-level services, including digital innovation and IT management, people management, assets and risks management, sustainability management and properties finance.

Value out

Outputs

Refer to page 13 of Our Group profile for more detail

- **The core retail supermarket business**
- **Advanced analytics and insights**
- **Digital commerce and last-mile logistics**
- **Alternative revenue streams**
- **Supplier partnerships and development**
- **Lighthouse private labels**
- **Customer and rewards**

Outcomes

See pages 15 to 17

Our profit formula

Our ability to create and sustain value depends ultimately on the financial viability of our business. Understanding our revenue streams and cost structure as well as their interdependency with the six capitals is fundamental to sustained value creation.

Our revenue streams

- Product sales from our core supermarket business supported by other adjacencies
- Income from our Shoprite^{X} Retail Media and Insights businesses
- Investment income from our associates and joint venture partnerships
- Insurance and credit services revenue
- Properties rental income
- Fintech commissions from our Money Market service offerings
- Franchisee fees
- Delivery and subscription fees

Our revenue differentiators

- Corporate-owned food retail supermarket base with a large geographic footprint catering for consumers across all income categories
- World-class supply chain and logistics network, with expert inventory management supporting in-store in-stock position
- Award-winning tech and innovation unit (Shoprite^{X}) harnessing the value of data science and technology to deliver a frictionless, omnichannel retail experience
- Pioneering sixty-minute on-demand grocery and general merchandise delivery service
- Industry-leading Xtra Savings rewards programme, generating deep customer insights
- Loyal and experienced Shoprite team
- Focused private label strategy across income groups
- Supermarket Money Market ancillary services for customers
- Strong and growing franchise model

Our cost structure

- Product procurement (cost of goods sold)
- Supply chain costs (distribution, inventory management and logistics)
- Employee salaries and benefits
- Depreciation and amortisation of core assets
- Operating costs (repairs and maintenance, security, delivery expenses, cleaning)
- Electricity and water expense (with load-shedding-related costs)
- Capital expenditure on business expansion, business maintenance and replacements
- Insurance, advertising and finance charges
- Lease costs
- Taxation

Our cost differentiators

- Efficiencies of scale, benefitting our buying ability, our distribution and logistics activities, and our shared services (IT, human resources, finance, properties, loss prevention and security)
- Group management of key costs, ensuring strict discipline in optimising business expenses, capital allocation and inventory management
- Strong governance systems on investments and projects
- Group's stores are predominately corporate owned, therefore operating costs are for the Group's account (such as leases, employee benefits, depreciation and diesel used to power generators).

Our dependencies and impacts on the capitals

The Group's interactions with the resources and relationships on which our business depends has a direct impact on our ability to create value over time. The factors influencing these capital stocks and flows are both within and beyond our control, presenting the Group with the material risks and opportunities that we need to address to protect or create value.

Strong stakeholder relationships and a stable operating context

Social and relationship capital

Essential inputs 2024

- Stable operating context with strong levels of institutional trust
- Trusted Company brand and growing consumer base
- Constructive relationship with government and regulators
- Investor confidence
- Positive supplier relations

Challenges accessing these inputs

- High unemployment, low growth, and poor public service delivery is weakening levels of social trust across many stakeholder groups
- Impact of load-shedding and elevated inflation and interest rates on our business, customers and suppliers
- There are growing expectations across most stakeholder groups for business to get more directly engaged in managing its sustainability-related impacts, risks and opportunities
- Consistent challenges associated with deteriorating infrastructure (rail, ports, roads, energy and water)

Activities to enhance inputs

- Delivering on our purpose by pioneering access to the most affordable goods and services
- Significant investment in promoting socio-economic transformation
- Strengthening Shoprite's employee value proposition
- Strong risk control systems relating to regulatory compliance
- Regular investor communication
- Proactive supplier engagement with fair trading terms; investment in local and SMME supplier development
- 98.6% of procurement sourced locally, contributing to local economic development

Further details:

- Addressing stakeholder interests, IR page 22
- Risk management, IR page 26
- Our social impact, SR page 25
- Investing in our people, SR page 31
- Our environmental impact, SR page 51

Outcomes of our activities

✓ **Meaningful contribution to broader socio-economic wellbeing**

- » Largest private sector employer in the Republic of South Africa (RSA); 6 490 new jobs this year, mostly in lower-income sector
- » Maintained internal food price inflation consistently below RSA national average
- » Distribution of South African Social Security Agency (SASSA) and SRD grants
- » R143.8bn procurement from B-BBEE compliant businesses
- » R25.2bn procurement from black-owned businesses and R18.3bn from black women-owned businesses
- » R294 million on ESD
- » R423 million corporate social investment (CSI) spend into communities in South Africa, which focuses on hunger relief and food security (through our soup kitchens, food gardens and surplus food donations), addressing youth unemployment, and investing in promoting local entrepreneurship
- » Assisting communities during crises (such as extreme weather or social unrest) through rapid deployment of our mobile soup kitchens and tailored aid such as hygiene packs and blankets
- » 90.3% of private label products produced locally
- » 3 112 unemployed youth trained in our Retail Readiness Programme (RRP)

✓ **Sustained strong relationship with customers evidenced by:**

- » 1.1% growth in market share
- » 11.4% growth in number of Xtra Savings customers
- » >100% growth in Money Market Account holders
- » 36 awards for customer and brand excellence

Our employees

Human capital

Essential inputs 2024

- 156 911 permanent employees with the skill, motivation and workplace ethic to deliver world-class execution
- Experienced executive team
- Independent Board oversight
- Enabling workplace environment

Challenges accessing these inputs

- Heightened competition for scarce digital and fast-moving consumer goods (FMCG) skills
- Concerns with employee financial and mental wellbeing impacted by tough socio-economic context
- Changing employee career priorities

Activities to enhance inputs

- People strategy to attract, retain and develop future-fit talent base
- R19.2bn paid in wages and benefits
- R780m invested in employee development
- Comprehensive bursary programme
- Comprehensive employee assistance programme offering free, confidential counselling and advisory services to support individuals
- Leadership development interventions
- Continuing focus on diversity and employment equity
- Strengthening our succession planning
- Payments made through Shoprite Employee Trust

Further details:

- Investing in our people, SR page 31

Outcomes of our activities

✓ **Achieved further growth as RSA's largest private sector employer, underpinned by strong employee value proposition**

- » 6 490 jobs created this year
- » Maintain a rate of pay above the national prescribed minimum for all general and frontline staff.
- » R245 million expensed in favour of eligible employees in South Africa from the Shoprite Employee Trust and equivalent awards granted by subsidiaries in countries outside South Africa
- » Improvement in employee retention rate to 76.3%

✓ **Progress in diversity and inclusion**

- » 96.9% of our Group employees are black (FY 2023: 97.6%) and 63.2% is female (FY 2023: 63.9%)
- » 36.1% of top management team in RSA retail operations are black (FY 2023: 36.3%) and 29.7% female (FY 2023: 27.1%)

✗ **Challenges in some areas**

- » Two employee fatalities (2023: four) and 17 transport-related contractor fatalities amongst drivers in our Pingo joint venture (2023: eight)
- » 7.5 lost-time injury frequency rate (RSA) (2023: 7.6)
- » 13 hours lost due to industrial action

Further details are provided in our Sustainability Report available online at www.shopriteholdings.co.za/sustainability.html

Throughout this report, black is defined as in schedule 1 to the Codes of 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.

Our dependencies and impacts on the capitals continued

Our stores, DCs and logistics fleet and IT infrastructure

Manufactured capital

Essential inputs 2024

- 3 031 Group stores (excluding OK Franchise)
- 32 DCs
- 819 711 m² in change to DC area
- 1 111 trucks and 1 492 trailers in DC fleet
- IT infrastructure and support services

Challenges accessing these inputs

- Load-shedding impact on store and DC operations
- Impact of extreme weather events and social unrest
- Potential disruption to IT services through network failure and/or cyber attacks

Activities to enhance inputs

- R7.8 billion capital expenditure in our stores, IT infrastructure and DCs
- Investment in IT infrastructure and support services
- Investment in back-up power solutions
- Installation of security measures to protect stores and DCs from social unrest

Further details:

- Group profile, IR page 12
- Operational performance, IR page 55

Outcomes of our activities

✓ **Growth in store footprint**
- » 292 net new stores opened

✓ **Growth in DCs**
- » With 200 000m² DC floor space in development to support improved product availability

✓ **Growth in our fleet**
- » 110 new trucks
- » 98 new trailers
- » 201 Euro 5 compliant low emission DC trucks introduced, bringing the total to 18.1% of fleet

✓ Six new rooftop solar photovoltaic (PV) systems installed this year, contributing to a reduction of 6 010 tonnes of CO_2

✓ Total of 1 488 solar PV systems installed on our trailers

Innovation and company culture

Intellectual capital

Essential inputs 2024

- 27 differentiated trusted brands
- Leading innovative approach and application of technology
- Effective governance, risk management and ethics structures
- Data on customers and their purchasing patterns through our Xtra Savings offering

Challenges accessing these inputs

- Heightened competition for scarce technology and digital talent
- Growing cyber risks associated with increased reliance on digital systems and increasing sophistication of cyber crime

Activities to enhance inputs

- Effective execution of our nine strategic drivers
- Invested in digital transformation through Shoprite^X, strengthening our position as a world-class omnichannel retailer

Further details:

- Our strategic growth drivers, IR page 32

Outcomes of our activities

✓ **Continued growth in innovation**
- » 65 new stores in adjacent business
- » 11.4% growth in Xtra Savings rewards members
- » Strong supplier uptake in our customer insights platform, Rex
- » Partnered with four global retailers to establish a pioneering collaborative venture fund, W23 Global, to transform grocery retail and address the sector's sustainability challenges

✓ **Recognition for our innovation**
- » Checkers Sixty60 recognised as top grocery delivery app in SA
- » 36 innovation and retail awards

Our dependencies and impacts on the capitals continued

Financial capital

Financial capital

Essential inputs 2024

- R27.7 billion in equity (FY 2023: R26.3 billion)
- R6.0 billion borrowings (FY 2023: R6.4 billion)
- R31.2 billion in retained earnings (FY 2023: R28.6 billion)

Challenges accessing these inputs

- Reduced consumer spend owing to tough economic conditions
- Inflation and interest rate impact

Activities to enhance inputs

- Effective execution of operational efficiency drive
- Formalised financial controls in place with clear oversight and review mechanisms

Further details:

- CFO review, IR page 48

Outcomes of our activities

- ✓ Generated R15.4 billion in free cash flow
- ✓ 117.1% operating cash flow conversion ratio for total operations as a percentage of earnings before interest, tax, depreciation and amortisation (EBITDA)
- ✓ R3.9 billion paid in dividends, up 7.6%
- ✓ R3.8 billion paid in net interest
- ✓ 26.0% return on equity
- ✓ ROIC excluding IFRS 16 of 16.3% exceeds weighted average cost of capital of 13.8%

Natural resource inputs

Natural capital

Essential inputs 2024

- 2 752 792 Megawatt-hour (MWh) energy consumed (covering Scope 1 and 2 GHG emissions)
- 125 567 MWh of renewable energy consumed
- 79 304 200 litres diesel consumed
- 4 221 826 Kl municipal water consumed
- Paper, cardboard and plastics for packaging

Challenges accessing these inputs

- Infrastructure challenges impacting energy and water security
- Extreme weather events and supply chain disruptions impacting availability and cost of certain key inputs

Activities to enhance inputs

- Climate change mitigation measures such as LED lighting, solar PV in stores and trailers, reverse logistics and refrigeration efficiencies
- Smart energy and water metering
- Upgraded fleet with Euro 5 compliant trucks
- Various innovations to reduce waste and increase use of sustainable packaging

Further details:

- Our environmental impact, SR page 51

Outcomes of our activities

- ✓ **Further progress in mitigating impacts**
  - » 10.3% reduction in GHG emissions intensity per square metre (gross leasable area)
  - » 6.5% of total electricity consumed from renewables, resulting in a reduction of 123 684 tonnes CO_2e
  - » 10.3% reduction in water use intensity per m^2 gross leasable area
  - » 60 170 tonnes of cardboard diverted from landfills this year
  - » 13 502 tonnes plastic waste diverted from landfill
- ✓ **External recognition**
  - » 'A-' leadership rating in CDP Climate Change and Water Security Disclosures

Our operating context

Reviews key trends in our operating context, summarises our approach to engaging our stakeholders and to addressing their interests, and describes our key risks and our approach to mitigating these risks.

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Shoprite's smaller-format Usave stores offer a limited range of essential products at the lowest possible price.

In expanding the reach of the Usave brand, the Group has introduced a container-store format branded Usave eKasi ('my community'). These flexible-format stores require only five or six shipping containers and have allowed the Group to open stores in previously unserved rural areas of South Africa, providing customers with more convenient access to essential consumer products. By reducing transport costs, consumers have more money to spend on essential food.

Our operating environment

As South Africa's largest food retail company – with a presence across nine other countries on the continent – we face a dynamic set of trends and challenges that present both risks and opportunities for innovation and growth.

We have identified **three broad trends** in our operating environment currently having varying levels of impact on our business. We believe we are well positioned to manage the risks and realise the opportunities associated with each of these trends.

Trend 1

A challenging trading environment

This has been a challenging year for business generally, both locally and globally.

- In South Africa, economic growth prospects are constrained by significant infrastructure challenges, including electricity load-shedding, unreliable water supply in various municipalities, and bottlenecks in the country's rail and port services. Coupled with continuing high levels of crime, corruption and unemployment, this has placed significant pressure on the cost of doing business in the country.
- The trading environment has been further constrained by low consumer demand and significant political and policy uncertainty in the lead up to South Africa's national election and the subsequent establishment of the Government of National Unity.
- RSA gross domestic product (GDP) growth has improved with the most recent forecast from the banks at 1.2% and 2.0% growth for 2024 and 2025 respectively (Citibank). The 12-month outlook has improved as a result of current lower inflation expected to be sustained, interest rates forecast to decline and pension regulation changes expected to result in flows into debt reduction and to support consumer spending. The combined impact of these factors should serve to increase the level of household consumption growth relative to the past few years. While sentiment and overall growth rates for South Africa have improved post-election, it is noteworthy that South Africa's deep structural challenges are reflected in its overall low growth rate relative to global averages of 4.2% for emerging and developing economies in both 2024 and 2025.
- At a global level, the projected global growth rate of above 3.0% for 2024 is steady but modest, and below pre-pandemic levels, reflecting high debt levels and restrictive monetary policies, with interest rates staying higher for longer, impacting consumer borrowing costs and potentially constraining spending.
- Ongoing geopolitical tensions in Ukraine, the Middle East, and the South China Seas continue to influence monetary policies, financial markets and supply chain stability, further constraining the broader macroeconomic outlook.
- Global and regional supply chains have been affected this year by the increased incidence of extreme weather events, impacting the availability of certain raw materials, disrupting trade routes, and contributing to higher raw material, transportation and logistics costs.

Our response

- The Group's core business is positioned in the relatively defensive food retail category, with a balanced portfolio of brands and supermarket formats covering the lower- to mid-income category (through Shoprite and Usave), as well as the mid to upper market value consumer category (through Checkers and Checkers Hyper).
- Our long-standing track record of making grocery retail more affordable and accessible coupled with our large store base, market-leading delivery presence and brand strength has contributed to our growth and resilience despite the context of sustained market pressures. This is being further enhanced by our vast customer purchase data resource and our recent investment in advanced analytics, positioning us well for future growth.
- To address South Africa's increasing energy and water infrastructure challenges we have made substantial investments in securing alternative energy and water supply, installing back-up systems and driving energy and water efficiency across our operations. To mitigate the risk of product supply disruption, we collect information on water-related risks from our suppliers annually, and we are diversifying our fresh produce and product supply from identified high-risk regions.
- Our world-class DCs and inventory management systems have helped us manage the uncertainties in delivery timelines and potential disruptions in the supply of products and packaging, enabling us to maintain an industry-leading in-stock levels of 98.0% across our stores for the past three years.

Our operating environment continued

Trend 2

Heightened pressure on consumers

- South African consumers remain under significant pressure in the face of low economic growth, high unemployment and sustained, high interest rates, and an elevated cost of living, particularly in essential items such as food and fuel.
- Pressure from the impact of prior years, inflation and interest rates is contributing to a decline in real incomes in South Africa, impacting household consumption expenditure and overall GDP growth. As discretionary income shrinks, South African consumers are becoming much more price sensitive, shifting towards more affordable and essential private label products and increasingly shopping on promotion.
- There is likely to be some relief for consumers over the short to medium term, with consumer price inflation expected to remain at levels that support cuts in interest rates.
- Addressing food insecurity is crucial to alleviating poverty, developing human potential and building social stability.

Our response

- With more and more consumers shifting towards lower-priced essential products, the Group remains well placed as a defensive food-retail company. The constrained economic environment has given added impetus to our long-standing record of pioneering access to the most affordable goods and services, evidenced by our ability to keep our internal food price inflation below the official inflation rate.
- Through our award-winning customer loyalty programme, Xtra Savings, we are harnessing data-driven insights on our customers' behaviour to develop and execute targeted pricing and promotional strategies.
- Recognising the increased pressure on consumers, we are continuing to adjust our product mix and drive innovation in our private label offerings and pricing strategies. We are also expanding the reach of our stores, and further growing our online shopping and delivery services, to enhance accessibility, affordability and convenience for consumers.
- In an effort to address some of the underlying contributors to the country's subdued economic outlook, we are working to stimulate local economic activity and promote further opportunities for job creation.
- In addition to being the country's largest corporate employer, we are promoting employment through our investment in supporting local SMMEs, black-owned and black women-owned suppliers, our partnership with franchisees, and our active support to various youth development programmes.
- CSI programmes aimed at promoting food security, youth employment and financial inclusion, leveraging our significant scale for maximum impact.
- We have a long-standing track-record of assisting communities, often the first to respond, during crises (such as extreme weather events and social unrest) through rapid deployment of our mobile soup kitchens, and tailored assistance such as hygiene packs and blankets.

Our operating environment continued

Trend 3

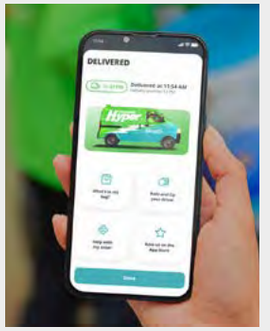
Digital technologies impacting the traditional retail model

Recent developments in digital technologies – such as AI, advanced analytics and online platforms – are transforming business models across all sectors, including retail and FMCG.

- There has been a substantial shift, globally and locally, to e-commerce and online grocery shopping, heightened initially by the Covid-19 pandemic. The entry of international e-commerce retailers into the South African market is disrupting the local retail environment as they take an increasing share of the South African wallet through their vast range and/or low-price offerings.
- In South Africa, a recent study[1] found that online sales grew by 29.0% in 2023, while traditional retail sales declined in the same period. The study also found that online sales now account for 6.2% of total retail sales.
- Globally, many FMCG brands are moving towards direct-to-consumer models to control their brand experience, bypass traditional retail channels, and gather valuable consumer data. Leading retailers are managing this shift by providing direct omnichannel offerings, informed by their more detailed data sets.
- Big data analytics and digital technologies are being used by leading global companies to analyse complex datasets and extract actionable insights enabling retail companies to offer personalised experiences at scale. AI is being used for predictive analytics, providing real-time insights that enhance decision-making and reduce operational costs, enabling retailers to forecast demand more accurately, tailor their marketing messages, manage stock levels across locations, and optimise delivery routes.
- AI is also being used in-store to optimise shelf stocking, layout planning and promotions, with algorithms analysing shopping patterns and store traffic to recommend the best strategies for product placement and promotion.
- With speed and convenience key competitive advantages in FMCG e-commerce, companies are exploring rapid delivery options, increasingly aided by digital tools that enhance app-based shopping and streamline store picking and distribution.
- Digital transformation is also facilitating more sustainable practices within the sector, for example by more accurately monitoring and analysing consumption data, and using blockchain technology to enhance supply chain transparency or AI algorithms to optimise logistics.

Our response

- Recognising the scale of the opportunities digital technologies present for the sector – and that retail success is increasingly about managing the knowledge-based environment rather than simple trading alone – the Group has invested significantly in data, advanced analytics and cloud technology, supplemented by cutting-edge technologies such as RFID and AI.
- We have been using the vast consumption data set generated from our Xtra Savings rewards programme to deliver precision retailing and a personalised customer experience, and we have been leveraging technology, machine learning and AI to optimise our performance in both the customer-facing and operational aspects of our business in areas of assortment and pricing.
- We are leveraging our large customer base and store presence to further expand our rapidly growing online channel – our 60-minute delivery service, Checkers Sixty60 – as we build Africa's largest, most profitable, omnichannel retailer. In addition to growing the reach of our traditional Checkers Sixty60 offering, we are augmenting our offering adding general merchandise picked directly from stores utilising our new fleet of Hyper delivery vans.
- To develop and maintain our position as a digitally fit platform business, we are working to attract, develop and retain globally competitive digital talent. We are also retraining our broader workforce to ensure employees are equipped to work alongside advanced technologies in a changing workplace.
- We have strengthened our data protection measures to manage cyber security risks, safeguard customer information, regulatory compliance and maintain trust.
- As South Africa's largest private sector employer, we recognise the importance of concerns relating to the potential impact of digital technologies on job security. Given the comparative costs of digital technologies with labour costs in the country, we do not foresee this to be a material driver on employee numbers over the short to medium term.



[1] World Wide Worx 2024; Online Retail in South Africa 2024

Our stakeholders' interests

The Shoprite Group's purpose is to uplift lives every day. To deliver on this purpose, we need to understand and be responsive to the concerns of those stakeholders affected by the Group's activities. We need also to identify and address the material interests of those stakeholders who have a direct bearing on our ability to create value and deliver on our purpose.

We are committed to engaging proactively with our priority stakeholders in a manner that seeks to foster stronger levels of institutional trust in the context of some often divergent and dynamic stakeholder interests. Our approach to engaging our stakeholders is informed by an appreciation of the significant value that positive relationships with our stakeholders brings both to the Company and to the broader community.

The table alongside lists those stakeholder groups that may be most affected by our activities or that may have a material impact on the Company's prospects. For each stakeholder group, we briefly outline their inter-relationship with the Company, our approach to engaging with them, their principal interests relating to our business activities, and our response to these interests.

We recognise that in many instances there will be a diversity of perspectives and interests within a specific stakeholder group; nevertheless, we believe that the interests listed below present a sufficiently accurate reflection of each group's most significant interests and expectations regarding the Group's decisions and activities.

We also acknowledge that there may be some strongly diverging priority expectations between different stakeholder groups. Our task is to find the right balance between these competing expectations in a manner that delivers long-term value for the Company and that is aligned with the broader interests of society.

Customers

Customers drive our revenue growth through their purchases and brand loyalty, and meeting their needs is at the heart of our business.

How we engage customers

- Daily in-store and online interactions
- Our Xtra Savings rewards programme
- Mass market and direct communication
- Promotional activities and competitions
- Our social media and online presence across various platforms
- Information on our packaging

What is important to customers

- Product affordability and value
- Convenience and accessibility
- Range and choice of products, meeting the needs of different customer groups
- A convenient omnichannel shopping experience in-store and online
- Availability of a compelling reward programme and promotions
- Protection of data privacy, health and safety
- Availability of healthy food
- Showing leadership on social and environmental matters

Addressing customers' interests

- Retain our internal food price inflation below official food inflation; shield the most price-sensitive customers through subsidised core offerings
- On-shelf availability of 97.0% owing to world-class distribution and inventory management, and our investment in advanced analytics
- Xtra Savings rewards programme delivering R16.9 billion in savings
- Healthy, nutritious food products such as our Simple Truth range
- Comprehensive health and safety risk system for stores and products
- Superior in-store experiences with FreshX store formats and in-store food theatre
- Opened new Usave and Checkers Foods stores that are closer to our customers' homes, providing improved accessibility and saving on customers' transport costs

Our stakeholders' interests continued

Employees and trade unions

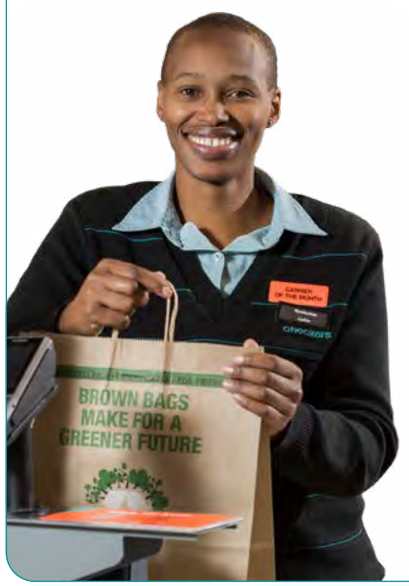
Employees provide the skills, experience, and innovation crucial to delivering our business strategy, while we offer expanded employment opportunities and invest in personal and professional development opportunities.

How we engage employees

- SiyaRinga, an internal direct digital communications platform
- #OurShoprite newspaper
- Online information channels
- Direct relationships and engagement on operational issues through our People team
- Social media presence (such as the Group's LinkedIn page, and the @weactforchange platform)
- Formal engagement processes in place with trade union bodies, including through collective bargaining processes, representation in disputes, advocacy and skills development activities

What is important to employees

- Talent and career development opportunities
- Competitive remuneration and rewards
- Employee inclusivity
- Fair labour practices
- Safety, security and wellbeing
- Job creation opportunities
- Work-life balance
- Recognition and feedback
- Cross-functional teamwork, collaboration and engagement



Addressing employee interests

- Created 6 490 new jobs this year
- Focus on career development: 15 465 employees promoted internally this year
- Established a compelling employee value proposition
- Launching a digital recruitment platform to match job seekers with local opportunities
- Comprehensive in-house and external upskilling programmes (16 467 employees trained on management programmes and/or short courses)
- Good progress on our diversity and inclusion targets
- Alignment with national minimum wage
- Remuneration aligned with market benchmarks
- Active engagement with relevant trade unions (30% of bargaining unit workforce is unionised)
- Secure whistleblowing facility for confidential reporting of potentially unethical, unlawful, or unsafe conduct or practices

Shareholders, investors and financiers

Shareholders, investors, and financiers provide the financial capital necessary for our long-term growth and are impacted by our financial performance and capital allocation framework.

How we engage investors

- Stock Exchange News Service (SENS) announcements via JSE, including first quarter Annual General Meeting (AGM) update, interim and year end operational results presentations, and full results commentaries
- One-on-one and group investor meetings with Group Chief Executive Officer (CEO), Chief Financial Officer (CFO), Chief of Strategy and Innovation and Head of Investor Relations
- Store and site visits with fund managers and analysts
- Executive management attendance at domestic and offshore fund manager conferences
- Board Chairman and Remuneration Committee Chairman pre-AGM engagements with shareholders
- AGM
- Annual and interim reports
- Shoprite Holdings' website

What is important to investors

- Consistent execution of market-leading strategy
- Sustaining leading sales growth and improving Group returns
- Growth opportunities arising from investment in technology and data analytics
- Cost management including load-shedding implications
- Risk management and business continuity capabilities
- Fair and responsible remuneration of employees, gender equality, competitive remuneration and retention of talent
- Ensuring strong internal controls over financial reporting
- Prudent balance sheet and cash flow management
- Capital allocation framework management including declaration of dividends
- Managing ESG-related risks and opportunities
- Composition, integrity and effectiveness of our Board

Addressing investor interests

- Regular and open engagement with investors, fund managers and analysts on our strategy, performance and prospects
- Delivered sector-leading sales and market share growth, with growth in profit and dividends
- Clear strategy with nine growth drivers aimed at unlocking new revenue opportunities by leveraging our scale, network and data to become Africa's most profitable, omnichannel retailer
- Structured risk management systems in place including identification and management of sustainability-related impacts, risks and opportunities
- Fair, responsible and competitive remuneration policies and performance
- Robust independent governance oversight mechanisms
- Strong sustainability/ESG performance and disclosure

Our stakeholders' interests continued

Government and regulators

Government and regulators shape the legislative and socio-economic conditions and priorities that frame the context for our activities, and which require our compliance and the contribution of fees and taxes.

How we engage government

- Direct engagement on policy and regulation
- Indirect engagement through industry forums, including the Consumer Goods Council of South Africa (CGCSA)
- Through a formal risk-based compliance process
- Provision of information to proactively contribute to policy developments

What is important to government

- Compliance with legislation
- Delivering on broad-based black economic empowerment (B-BBEE)
- Composition, integrity and effectiveness of the Board
- Boosting employment opportunities
- Economic development and growth of township economies
- Tax contribution and transparency
- Protect consumer interests
- Information security including mitigating cyber risks and protecting personal information
- Maintenance of competitive context
- Management and disclosure of ESG-related risks and opportunities

Addressing government interests

- Group Compliance and Group Legal oversee compliance with requirements across 13 industries in 10 countries, supported by specialist input and digital tools to aid in compliance
- Significant contribution to broad-based transformation as largest private sector employer delivering affordable goods and services, partnering with local suppliers to develop local economies including through our South African Homegrown private label
- Fair, responsible and competitive remuneration policies
- Good progress on our diversity and inclusion targets
- Transparent communication on tax policy and payments
- Structured risk systems in place
- Significant investment in transformation and socio-economic development by supporting black-owned and black women-owned suppliers, and investing in youth development and employment creation activities
- R438 million invested in our CSI programmes focusing on hunger relief and food security, addressing youth unemployment, and investing in promoting local entrepreneurship

Suppliers

Suppliers underpin our retail operations by providing products and services, and they rely on us for fair terms and market access.

How we engage suppliers

- Annual Shoprite Supplier Sustainability Survey
- One-on-one supplier/buyer relationships with onboarding process
- Integrated enterprise risk planning (ERP) platform to manage contractual arrangements and transactions
- Active engagement through our ESD programmes, and Shoprite Next Capital programme
- Supplier Code of Conduct

What is important to suppliers

- Fair contractual terms and timely payment
- Clear and effective communication on expectations
- ESD commitment
- Approach to applying health and safety standards
- Managing impact of load-shedding
- Promoting a culture that offers protection from unethical and corrupt behaviour

Addressing supplier interests

- As a Level 4 B-BBEE contributor Shoprite Checkers (Pty) Ltd procures preferentially from local, black-owned and black women-owned enterprises, and we provide financial assistance to emerging SMMEs through Shoprite Next Capital
- Regular engagement to agree mutually acceptable terms
- Our customer insights platform (Rex) enables suppliers to adapt their sales and marketing strategies to optimise their performance and grow sales in our stores. The platform is also designed to help them become more customer-centric
- Five-year localisation strategy to expand private label with preference to local suppliers, evidenced by our South African Homegrown private label

Our stakeholders' interests continued

Communities

Local communities influence our operating environment by hosting our DCs, stores, and customers, while we contribute to these communities through our value offerings and CSI programme.

How we engage communities

- Regular news posts on the Group website
- Shoprite Next Capital to develop SMME business
- A dedicated social investment team engages with community members and structures through our community programmes

What is important to communities

- Stimulate economic activity to support and sustain community enterprise development
- Promotion of food security and hunger relief
- Youth skills development and employment
- Commitment to transformation and black economic empowerment
- Evidence of effective environmental stewardship

Addressing community interests

- Our purpose-led CSI strategy promotes food security, youth employment and. financial inclusion, leveraging our scale for impact and building on our core contribution (job creation and affordable, accessible groceries)
- Programmes in place for ESD, and community investment
- This year our mobile soup kitchen delivered 7 885 610 meals across South Africa, Namibia, Zambia, Angola, Eswatini and Lesotho
- Operating one of South Africa's largest retail skills programme (RPP) for unemployed youth
- Supporting 248 community food gardens across South Africa, Lesotho and Namibia, and 124 early childhood development centres in South Africa and one in Lesotho
- During times of disaster, such as extreme weather events, we redirect our soup trucks to assist distressed communities

Further details are provided in our Sustainability Report available online at www.shopriteholdings.co.za/sustainability.html

Non-governmental organisations (NGOs)

NGOs strengthen our social and environmental practices, while we support their objectives through ethical business conduct, as well as CSI and sustainability programmes and partnerships.

How we engage NGOs

- News section on website, supported by media releases and interviews
- Engage with NGOs via our sustainability team
- Participate directly and through industry bodies in various NGO sustainability programmes
- Reporting on our management approach and performance in sustainability through the annual Sustainability Report and periodic press releases

What is important to NGOs

The specific interest relating to our performance will vary with the NGO, but may include:

- Our performance relating to human rights, social justice, consumer protection, health and/or environmental matters
- Regular transparent disclosure of performance information
- Providing timely access to management
- Fair treatment of stakeholders

Addressing NGO interests

- Delivering on our purpose of uplifting lives every day by pioneering access to the most affordable goods and services (maintained internal food price inflation consistently below RSA national average), creating economic opportunity (as largest private sector employer in RSA with a large supplier base), and protecting our planet (mitigating our most significant impacts)
- Media analysis to identify and anticipate NGO interests
- Strive to be accessible and address queries in a timely manner

Risk management

Our Enterprise Risk Management (ERM) framework

The underlying premise of Shoprite's ERM framework is that the Group exists to provide value for all its stakeholders. In the context of high levels of uncertainty and increasing complexity in our operating environment, management's challenge is to determine how much uncertainty we are willing to accept as we strive to grow and protect stakeholder value. Uncertainty presents both risk and opportunity, with the potential to either significantly erode or enhance value.

Our ERM framework empowers management to navigate uncertainty and strengthen our ability to safeguard and enhance value through the formulation of strategies and response measures that strike an optimal balance between risk and reward. Aligned with the standards outlined in ISO 31000:2018 and adhering to widely recognised best practices, our ERM framework is tailored to meet our specific needs. It is facilitated through MetricStream, an electronic risk-based solution engineered to automate certain risk functions, offer clear insights into risks and controls, and foster collaboration among risk and control stakeholders in a cohesive and efficient manner.

Governance of risks and opportunities

Our Board is responsible for overseeing the Group's risk governance and management processes, and for setting the direction in how we approach and address risks and opportunities. The Board has mandated the Audit and Risk Committee to provide oversight of the Group's ERM activities, monitor the effectiveness of the risk governance framework and processes, review and approve the ERM framework, provide oversight of the independent evaluation of the effectiveness of the ERM process, and ensure that corrective actions are taken.

The Group has adopted the lines-of-assurance model as the basis for risk governance and oversight structures. This approach summarises accountability and responsibility in terms of strategy execution and risk taking, oversight of risk, and independent assurance, and it highlights the different role players' responsibilities for internal controls and risk management.

Management is responsible for designing, implementing, and monitoring the process of risk management and integrating it into the Group's day-to-day activities. To facilitate the implementation of our ERM framework and risk management practices, we have established an ERM Department under the leadership of the CFO. The ERM Department is managed by a Group Risk Manager who receives support from the Group leadership team, a Management Risk Forum (MRF), internal audit, risk owners and various external service providers. The ERM Department and MRF continuously monitor and review any changes to the Group landscape that may have an impact on the relevancy of this framework. Any resulting improvements to the ERM are considered by the MRF and thereafter by the Audit and Risk Committee for input and sanction. Relevant employees are being trained on this ERM framework through an internal online programme.

Risk governance

First line of defence

IT management and cyber security processes

Regional management

Divisional management

Distribution centre managers

Store managers

- Risk management and monitoring of risks at business unit and functional level
- Achieving business objectives
- Risks are identified and monitored, and operational losses tracked, quantified and reported at business unit and functional level through risk registers, which include management and control activities

Second line of defence

Group risk

Group compliance

Group health and safety

Group insurance

Group security and loss prevention

Group information security

IT governance and compliance

Sustainability

- Monitoring and advisory function on control and action plans
- Providing an overview of risk compliance to the Executive Committee and the Audit and Risk Committee (ARC)

Third line of defence

Group internal audit executive

- Our combined assurance approach mitigates risks by integrating and aligning assurance across the lines of defence. The Group assurance process comprises, amongst other things, a combination of independent internal (Internal Audit) and external assurance (independent specialist service providers) that assess adequacy, effectiveness and compliance with controls in the Group, which include:
  - B-BEE audits
  - GHG emissions verification
  - Food safety and hygiene audits
  - Cyber security and IT control reviews
  - IT continuity arrangements
  - Health and safety audits
  - Information security assessments
  - Supply chain and construction audits
- **Internal audit**
  Offers independent assurance regarding the adequacy and effectiveness of internal controls crucial for managing and mitigating risks, as well as ensuring compliance with relevant guidelines and legal requirements.

Governance

Our risk governance is part of our day-to-day operations and standard reporting practices and includes:

Oversight of the core enterprise risks by the **Audit and Risk Committee.**

The **Management Risk Forum,** which meets monthly and considers emerging matters associated with each risk using analytics to monitor loss, events, near-miss events and control health.

Regular meetings including weekly management meetings chaired by the CEO where risk is reported and mitigation is discussed.

Various **operational and control steering committees,** special crisis and continuity control forums and Executive sessions (mostly chaired by the CEO) to control and manage unexpected events like Covid-19, the social unrest in 2021 and the KwaZulu-Natal floods in April 2022.

Risk management continued

Our core risks

Through our ERM process, we have prioritised the following seven core risks for the Group as a whole, listed below in terms of their residual risk ranking:

1. Information security including cyber risk
2. Exposure to socio-political risks
3. Breakdowns and interruptions in distribution centre and logistics chain
4. Unavailability of key IT systems
5. Non-compliance with laws and regulations
6. Stock losses (shrinkage and waste)
7. Weak internal controls over financial reporting

Emerging risks

In addition to these core risks, we have identified the following key emerging risks:

- Continuing challenges in electricity supply
- Increasing incidence of extreme weather patterns
- Growing tension due to service delivery protests and social/civil unrest

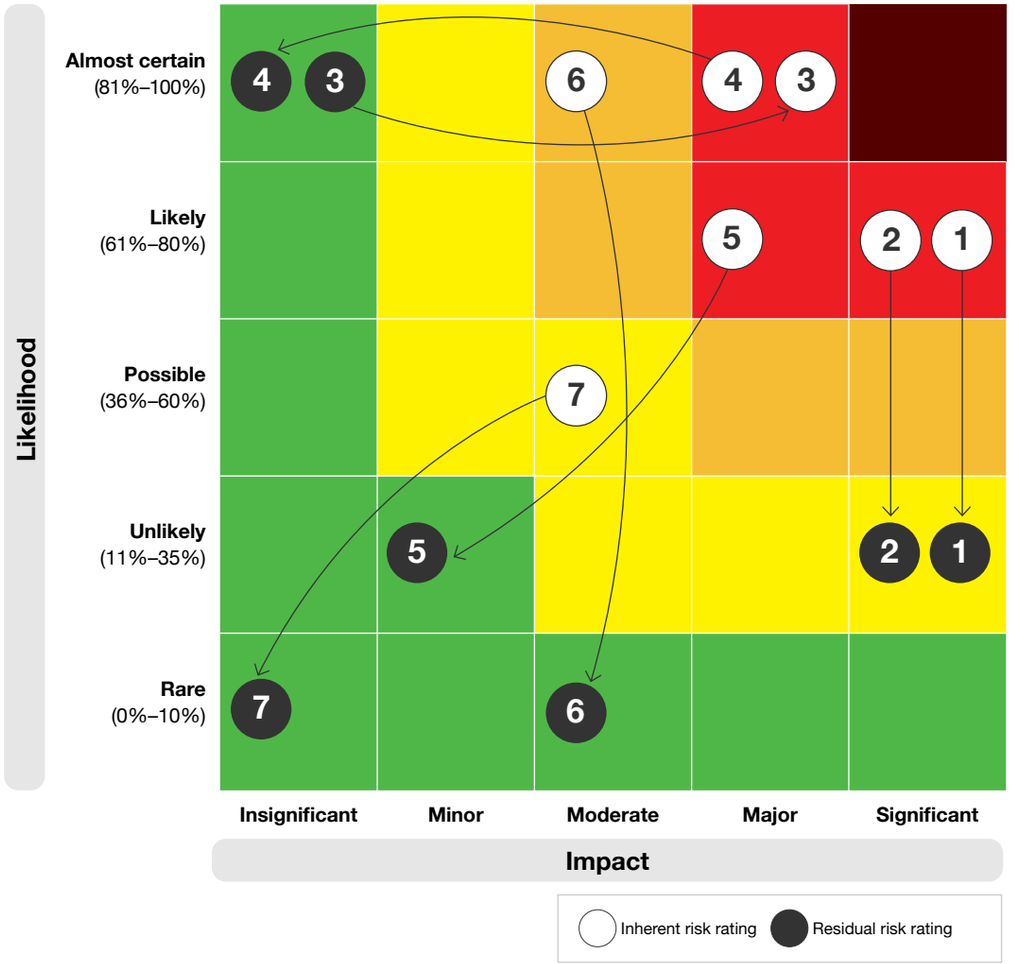
The following risk map shows the inherent and residual risk rating for each of these core risks. This rating is informed by an assessment of the respective impact and likelihood of each risk, the effectiveness of our control measures, and our risk appetite and tolerance for each risk.

Sustainability-related risks and opportunities

Through our ERM process, we have identified and prioritised the following sustainability-related risks:

- Disruption in service delivery (such as water, electricity and waste) as a result of weak governance and/or extreme weather events
- Physical impacts of climate change on assets, services and product availability
- Non-compliance with sustainability-related legislation
- Inability to appropriately identify, assess and address material sustainability impacts and/or risks
- Food security threats and exposure to social unrest
- Reputational risk associated with misrepresentation of sustainability response measures

Shoprite Group core risk distribution



Risk management continued

The following table describes each of our core risks, summarises the principal mitigation measures in place, and reviews the control effectiveness and year-on-year trend in the risk rating and control measures for each risk.

Core risk:

1 Information security including cyber risk

Control effectiveness: Partially effective

Inherent risk: Critical **Residual risk:** Medium

Risk trend: ↔

Risk description

The Group may be exposed to an act or omission that results in breaches in IT information and/or information security. Given the increased levels of digital connectivity and growing sophistication in cyber crime, there is greater likelihood of more frequent and severe cyber incidents. Exposure to these risks can compromise the integrity of IT resources, resulting in sensitive data and/or intellectual property breaches, as well as potentially significant disruptions to operations. Additionally, there is a risk of not being able to access information, which could further exacerbate these challenges and hinder effective response efforts.

Mitigating actions

- Strong control and review mechanisms for the development and implementation of IT solutions, and technology product and service sourcing, supported by rigorous security testing processes and compliance assurance measures.
- Regular solution patching to address known security vulnerabilities.
- In-store audits of technology systems.
- IT incident management oversight and reporting on service levels, and problem management review of root cause analyses.
- Round-the-clock specialised monitoring of systems.
- Oversight by the IT Procurement and IT Supplier and Service Level Management function.
- Minimum of bi-annual solution and data centre resilience testing.
- Project and programme Steering Committee reviews of project and programme progress.

Core risk:

2 Exposure to socio-political risk

Control effectiveness: Partially effective

Inherent risk: Critical **Residual risk:** Medium

Risk trend: ↑

Risk description

Shoprite faces the potential risk of financial losses due to changes in legislation affecting its operations, as well as disruptions caused by political or social unrest within its stores or DCs. Changes in regulatory frameworks or unpredictable socio-political conditions could adversely impact the Group's ability to conduct business smoothly and maintain operational stability. Such disruptions may lead to increased costs, supply chain interruptions, or decreased consumer confidence, all of which could ultimately affect the Company's financial performance and market reputation.

Mitigating actions

- Design and implementation of three-phase emergency response plan covering a month pre and post South African election.
- Physical security measures to protect our assets, including AI tools to assist with the early identification and reaction to threats.
- Intelligence-driven monitoring of events, using social media, news sources and information provided by agents and staff to identify and respond to threats.
- Established communication channels with local law enforcement agencies and national and provincial joint operations centres.
- CEO-led crisis committee established to make rapid risk-informed decisions to flexibly guide any response efforts.
- Detailed IT continuity and disaster recovery planning measures in place.
- People strategy in place to attract and retain globally competitive skills.

Core risk:

3 Breakdowns and interruptions in DCs and logistics chain

Control effectiveness: Substantially effective

Inherent risk: Critical **Residual risk:** Low

Risk trend: ↔

Risk description

Certain external or internal events and incidents may result in disruptions to the availability and integrity of our distribution centres and logistics activities. Potential incidents include fires, riots and vandalism, structural failure, and significant internal safety-related incidents. Our logistics chain is also facing increasing risks associated with declining road, rail and port infrastructure, resulting in disruptions in supply and increasing supply chain costs.

Mitigating actions

- Business continuity planning, impact assessments and review systems.
- Implementation and maintenance of control systems on supply chain security.
- Loss prevention command centre.
- Continual review of systems availability and key operational metrics, with on-going maintenance schedules and programs on all assets.
- Installation and maintenance of monitoring equipment, including CCTV platforms, and detection of leakages, pressure and smoke.
- Continual monitoring of security incidents and maintenance of security controls that include specialised security systems and riot walls at strategic distribution parks.
- Driver fatigue systems in place, and completion of rollout of electronic locks on all trailers.
- Various compliance capabilities exist within strategic business units that aid operations in compliance with relevant regulatory requirements and Group legal and compliance requirements.

Risk management continued

Core risk:

4 Unavailability of key IT systems

Control effectiveness: Substantially effective

Inherent risk: Critical **Residual risk:** Low

Risk trend: ↔

Risk description

Key IT systems may be offline resulting in disruption to normal business operations. This may be a result of service provider failures, failures in internet and cloud services, crashed servers, and unscheduled disruption in telecoms, hardware and software services.

Mitigating actions

- Comprehensive controls and independent assessments, review and approval functions in place with assigned responsibilities and compliance assurance mechanisms.
- Regular independent third-party audits of components within the Shoprite technology infrastructure, store technology systems and data centres.
- IT incident management oversight and reporting on compliance with the agreed service levels.
- IT problem management review and root cause analysis.
- Continuous monitoring by a specialised monitoring function.
- Proactive software code testing to identify code deficiencies.
- Use of specialist third parties to perform security testing and other security assurance activities.
- Implementing back-up systems to ensure business continuity.

(See also mitigating actions relating to cyber risks)

Core risk:

5 Non-compliance with laws and regulations

Control effectiveness: Substantially effective

Inherent risk: Critical **Residual risk:** Low

Risk trend: ↔

Risk description

Non-compliance with relevant laws and regulations – including consumer protection law, competition law, health and safety regulations, Pharmacy Act, Medicines Act, Companies Act, Employment Equity Act, Labour Relations Act, and Protection of Personal Information Act (POPIA) – can result in penalties, litigation costs, business disruption, and damage to reputation.

Mitigating actions

- Group Compliance Manager and Legal Department oversee compliance with the regulatory requirements in 13 industries and 10 countries, supported by specialist third-party input to interpret applicable laws and assist in engaging as needed with regulatory authorities.
- Regulatory alert system in place to identify and communicate regulatory alerts to key stakeholders.
- Weekly feedback to divisions on any breaches and/or notices that require action.
- All potential legal matters escalated to the Group Compliance and Group Legal Departments for input and assistance.
- Use of technology to aid business understanding and verification of key regulatory compliance.
- Compliance officers appointed in business units.
- Legal compliance training provided to relevant personnel.
- Annual attestation of compliance with statutory and other legal requirements.

Core risk:

6 Stock losses (shrinkage and waste)

Control effectiveness: Substantially effective

Inherent risk: High **Residual risk:** Low

Risk trend: ↔

Risk description

Stock losses may be above tolerable thresholds owing to inadequate physical security controls over inventory, failure to rotate stock, breaks in the cold chain, equipment failure, and related challenges.

Mitigating actions

- Regular management involvement and effective use of the SAP ERP system to monitor and manage stock losses.
- Comprehensive implementation and maintenance of loss prevention and security programmes.
- Physical security controls in place, including monitoring and management of alarm systems, CCTV, Electronic article surveillance (EAS), security audio and related.
- Data analytics initiative to develop shrinkage and loss events dashboarding and insights.

Risk management continued

Core risk:

7 Weak internal controls on financial reporting

Control effectiveness: Fully effective

Inherent risk: Medium **Residual risk:** Low

Risk trend: ⟷

Risk description

The risk of management and other financial reports being materially incomplete, inaccurate, or not being prepared on a timely basis, can result in regulatory penalties, reduced investor confidence and reputational concerns.

Mitigating actions

- Internal financial controls formalised, implemented, and controlled.
- Bi-annual assessments undertaken of internal financial controls.
- Bi-annual attestations of internal financial controls.
- Monthly divisional meetings to review and confirm results at a business unit level, and monthly reporting by CFO and executive team.
- External auditors provide an independent and objective assessment of the risks of material misstatement of the financial statements by obtaining an understanding of internal controls relevant to the audit.

Delivering on our strategy

Describes our strategic growth drivers and reviews our progress in delivering on our strategy.

Our strategic growth drivers	32
A Smarter Shoprite	33
Targeting headroom opportunities	38
Winning in the long term	41

The Group's Canelands DC in KwaZulu-Natal recently commissioned three new rooftop solar PV installations that will generate 1 900 000 kWh of electricity, equal to the electricity used to power more than 350 households for a year.

This forms part of the Group's accelerated solar rollout programme, which has boosted the capacity of our solar PV systems by 151.2% since 2022; this now extends to 73 sites in our RSA operations, easing pressure on the national electricity grid and helping us meet our GHG reduction ambitions.

Our strategic growth drivers

Our aim 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.**

Our **three strategic pillars**:

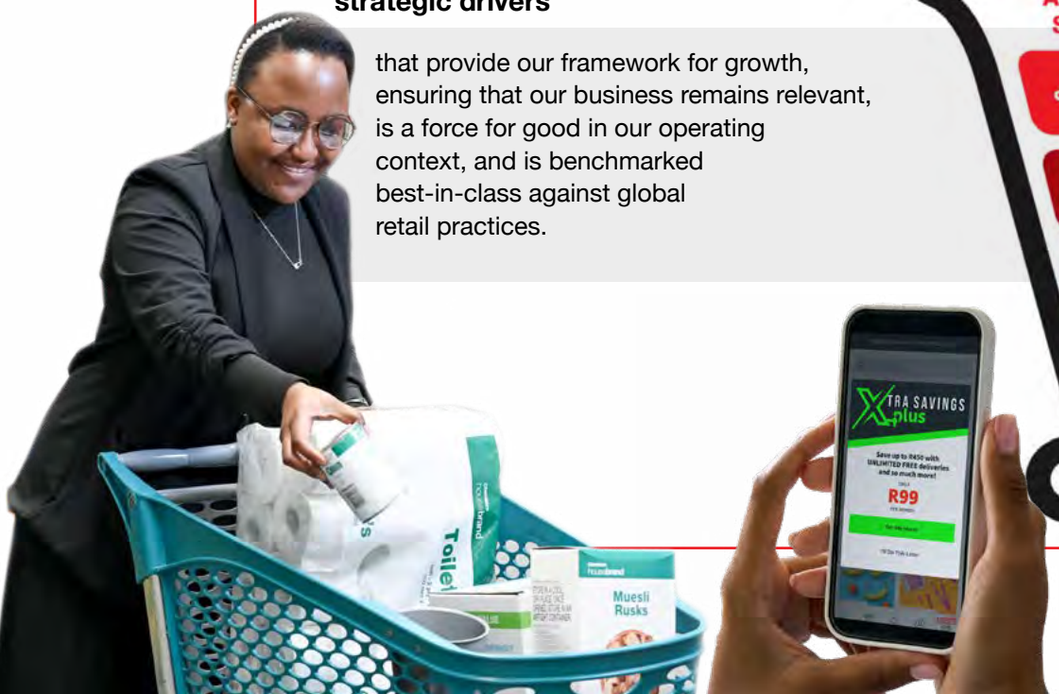
A Smarter Shoprite — Smarter decisions. Fewer mistakes. Optimised for customers.

Target headroom opportunities — We focus on closing the opportunity gaps where we have headroom for revenue growth.

Winning in the long term — Technology will amplify our ability to continue providing operational excellence and outstanding customer experiences at scale.

are underpinned by nine strategic drivers

that provide our framework for growth, ensuring that our business remains relevant, is a force for good in our operating context, and is benchmarked best-in-class against global retail practices.



A Smarter Shoprite	Target headroom opportunities	Winning in the long term
1. A truly customer-first culture	4. Trusted profitable private labels	7. Unlock alternative income
2. Future-fit channels and talent	5. Grow share in premium and fresh food	8. Force for good
3. Enable precision retailing	6. Stronger partnerships	9. Leverage platform advantage

A Smarter Shoprite

Smarter decisions. Fewer mistakes. Optimised for customers.

1. A truly customer-first culture

Customer-centric decision-making is driving our leadership in retail. It keeps us obsessed with what our customers want from 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.

Our overriding ambition is to be the market leader in making grocery retail more affordable and more accessible to the consumer. Doing this effectively requires a customer-centric culture at the core of our business. Our ability to deliver on this ambition has been significantly enhanced by the digital transformation activities undertaken by Shoprite^{X}, our digital retail innovation unit, underpinned by our innovative award-winning customer rewards programme.

> "In a country with high levels of inequality, we at the Shoprite Group have to find more affordable solutions for our customers to sustain their livelihoods, every day. This is the driving force behind our need to innovate faster than most retailers."
>
> **Pieter Engelbrecht**
> Shoprite Group CEO

Customer data through our Xtra Savings rewards programme

Launched in 2019, our Xtra Savings rewards programme has extended its lead as South Africa's largest rewards programme, with more than 31 million customers. The programme saved customers R16.9 billion this year alone. The sales contribution from members remains world class, contributing over 85% for the reporting period, evidence of a highly engaged customer base.

With roughly 2 500 swipes per minute, we have the largest consumption data set on the continent, providing invaluable insights on the products consumers prefer, when and where they shop in-store and online. It also helps measure the efficiency of our direct communications, creating a more personalised shopping experience and delivering valuable operational and environmental efficiencies.

The rewards programme encompasses fully digital onboarding, customer-centric, instant savings and discounts, using the latest advances in AI and machine learning to understand and meet consumers' needs and ultimately make groceries more affordable and accessible. The advanced analytics capabilities created in Shoprite^{X} optimise pricing, promotions and assortment, and enable the Group to be agile in our response to changing patterns in demand, identify growth opportunities early and cross-sell into logical adjacencies. Rex, our customer insights platform, offers the various business functions as well as suppliers an insights-as-a-service view on the 31 million Xtra Savings customers.

This year saw the national launch of Xtra Savings Plus, SA's first grocery subscription. Offering unlimited free Sixty60 deliveries, as well as additional in-store discounts and double personalised offers, the subscription plan gives customers the best bundle of value the Group has to offer. It quickly reached three times our original subscriber target.

Further details on how we are harnessing AI to improve the customer experience are reviewed under our strategic driver: Enable precision retailing (page 37)

Recognition for our **Xtra Savings rewards programme**

- South Africa's **largest grocery rewards programme with 31 million** members (Shoprite 19 million and Checkers 12 million)
- Judged **Best Retail Programme of the Year** for third consecutive year at 2023 South African Loyalty Awards (September 2023)
- **Xtra Savings awarded Best Rewards Programme in Africa,** and Xtra Savings Plus judged Best Loyalty Launch or Initiative globally at the International Loyalty Awards in Dubai (April 2024)

A Smarter Shoprite continued

Delivering affordability through low-price leadership

Driving affordability for consumers has been an underlying obsession that forms part of the Shoprite Group's DNA. As South Africa's leading low-cost retailer, we are acutely aware of the extent of economic pressure facing South African households, as well as the severity of the country's nutritional crisis and the scale of the intervention needed. This appreciation fuels our drive to help our most price-sensitive customers put food on the table.

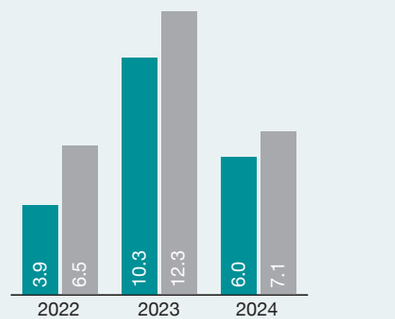
This year we have continued to deliver on our commitment to pioneer access to the most affordable goods and services, benefitting significantly from the enhanced efficiencies associated with the improved customer insights generated through Shoprite[x].

- Our internal food price inflation of 6.0%, remains below the official food inflation rate of 7.1%.
- We have subsidised 569 995 R5 loaves every week, as well as providing R5 deli meals, subsidised sanitary pads, and R99 essentials bulk combos.
- Despite input costs tripling in the past eight years, the price of our bakery bread has remained unchanged since 2016.
- The contribution of promotional sales rose from 32.7% in the prior year to 35.4% of total sales, reflecting customers' increasing deal-seeking behaviour. Our ability to create targeted promotions that deliver real customer value without unduly impacting long-term margins combined with our advanced AI pricing optimisation engine will balance margin and value for customers more optimally.
- Our Xtra Savings members received R16.9 billion in instant cash back savings.
- Despite the profound cost of living pressures on low-income consumers, sales growth in our Usave discount stores increased by 13.2%. The reintroduction of our R379 Commodity Combo, as well as our R1 snacking options have helped drive volumes and improve price perception.
- Our low-price Ubrand private label products delivered 19.9% sales growth, highlighting the demand for low-cost quality products.
- We have continued to see strong uptake in Shoprite's Money Market Account, the most affordable entry-level bank account in South Africa; since its launch in 2020, the account now provides close to four million previously unbanked or under-banked customers with access to basic transactional banking, making an important contribution to improved levels of financial inclusion.

Addressing South Africa's food insecurity challenge

The severity of South Africa's nutritional crisis was highlighted in the recent research report that the Shoprite Group commissioned as part of our commitment to UN SDG 2 – Zero hunger. Shoprite's Food Index report, released in October 2023, found that by 2025, 49% of South Africa's population will be food insecure, with 21% of South African children stunted through malnutrition. Addressing the challenge of food insecurity is crucial to alleviating poverty, boosting children's cognitive and physical development and building social stability, all of which in turn is fundamental to the resilience of our business. The Shoprite Group is committed to harnessing the benefits of its scale and technologies to address this urgent challenge by making food and groceries more affordable and more accessible to the consumer.

Supermarkets RSA internal inflation vs Official food inflation (%)



Accessibility: ensuring product availability with one-stop shopping

Meeting customer needs is not only about affordability; it is also about enhancing accessibility. It's about providing our customers with a one-stop-shopping experience, bringing the relevant products closer to them by expanding our store penetration and brand portfolio, and delivering an effective omnichannel experience that merges the best of 'bricks and clicks'.

As part of our commitment to enhancing consumer accessibility, we are using our investment in technology to identify the preferences of each of the store's targeted consumer group, accurately forecast and replenish stock, coordinate logistics for promotional and non-promotional stock, and handle seasonal inventory needs such as back-to-school orders. Aided by our world-class DCs and inventory management systems, this has helped us achieve our industry-leading in-stock levels of 98.0% across our stores for the past three years, ensuring that the core basket demands of our targeted consumer group are always met in our stores.

We are building on this strengthened availability of core basket items by bringing new products and services into our physical stores, enhancing consumer accessibility by providing a one-stop-shop. A leading example of this is the establishment of our in-store Money Market counter. Available in Shoprite, Usave, Shoprite Cash and Carry, Checkers, Checkers Hyper, OK Furniture, House & Home and some franchise outlets, the Money Market counter is a one-stop financial services hub where customers can pay bills, receive government grant payouts, send vouchers and cash, and buy airtime, data and pre-paid electricity. We also now offer funeral and pet insurance in-store in partnership with OUTsurance, and in several of our Shoprite and Checkers stores customers can also collect their monthly prescriptions from the Medirite counters.

In addition to improving in-store availability of core grocery items and developing one-stop-shopping given high transport costs for customers, we leverage our technology and scale to expand our closer-to-home store formats and grow penetration. We are investing in improving our digital commerce platform to ensure the continued success of Checkers Sixty60. Providing a seamless omnichannel customer experience ensures we continue to lead in making grocery retail more affordable and more accessible to consumers.

Our success in delivering a customer-first culture

Our success in delivering a truly customer-first culture is revealed in our performance across a range of metrics:

We have delivered **five years of consecutive market share gains, totalling close to R30.0 billion.**

Xtra Savings remains **South Africa's No. 1 rewards programme,** adding over three million members this year.

The Checkers and Shoprite Xtra Savings programmes were both ranked the most used loyalty programmes in South Africa in the **2023 Truth BrandMapp Loyalty Whitepaper** in the **Economically Active and Mass Market** consumer groups respectively.

Shoprite retained top position for 'Lower Prices', and Checkers was ranked first in 'Value for Money', 'Appealing Promotions' and 'Stocks the things I need' in our Customer Satisfaction Survey.

A Smarter Shoprite continued

2. Develop future-fit channels and talent

We are **taking our people** on the journey to embrace the opportunity that AI and other digital innovations present to remain fit-for-the-future. Our **expanded store penetration and leading brand portfolio** caters to a wide range of customer needs and together with our **digital commerce platform,** forms the foundation for pervasive and seamless omnichannel customer experiences. Our ongoing investment in **digital and smaller store formats** ensures we win the race for reach.

The Shoprite Group is investing significantly in building profitable omnichannel customer relationships and providing compelling digital and closer-to-home store formats. Our existing and expanding network of stores and brands allows us to fulfil our rapidly growing online customer base by using our retail stores as micro-fulfilment hubs for our online Checkers Sixty60 delivery service. Our established proximity advantage provides unparalleled speed of delivery for customers and gives us a lower cost-to-serve than other delivery players in the market.

Checkers Sixty60 delivering another exceptional year

Checkers Sixty60, the Group's market-leading sixty-minute delivery service, continues to maintain exceptional sales growth momentum. With 73 locations added this year, Checkers Sixty60 is now available in 539 locations across South Africa, as our stores act as micro-fulfilment centres. While this reach is a huge advantage, Checkers Sixty60 has also started establishing 'dark stores' to further enhance its capacity to serve consumers with speed.

Leveraging the Group's wide network of Checkers and Checkers LiquorShop stores, Sixty60 is providing customers with the convenience of home delivery and saving on transport costs. Customers also enjoy a personalised frictionless experience. Pingo, a joint venture between RTT On-Demand and the Shoprite Group, provides the last-mile logistics capabilities with more than 6 000 independent drivers. We are working to monetise our Pingo logistics platform as the driver network of choice. The Checkers Sixty60 offering is continually being improved with technology helping us, for example, streamline picking processes and dynamically define optimal delivery areas.

Living up to our customer-first commitment, Checkers Sixty60 includes a service guarantee that credits the customer's 'wallet balance' with the R35 delivery fee back if their order is more than 30 minutes late or if the customer receives less than 80% of their first choice products. Through Checkers Sixty60 we are building a compelling omnichannel offering for our customers that results in higher customer lifetime value as omnichannel shoppers typically spend 2.5x more than traditional in-store customers on average.

The Checkers Sixty60 app

Having defended our position as South Africa's No.1 online grocery delivery service, we recently added new General Merchandise and larger delivery vans. We have launched a new version of our app, enabling customers to shop for over 10 000 larger Hyper products, promising same day delivery within an agreed 60-minute time slot. With a new fleet of Hyper delivery vans, Checkers Sixty60's product offering now extends beyond groceries to include larger items, ranging from camping and outdoor gear to small appliances, baby products, toys, kitchen and home electronics, gardening and pool equipment – all at supermarket prices.

1 371 292
downloads this year

5 235 218
downloads since launch

1.6 billion
system calls every week

A Smarter Shoprite continued

Expanding our store penetration and leading brand portfolio

With the aim of winning the race for space and digital reach, we have continued to invest in expanding our store penetration and our brand portfolio that already caters to all income levels. This we year we opened 343 new stores across all brands and formats, with very encouraging growth in our new store formats.

In our core retail platform, our closer-to-home expansions have taken place at both ends of the consumer markets.

- In the lower- to mid-income consumer segment, we have further expanded our store penetration, opening 21 Shoprite stores and 29 Usave stores across the country. We have also grown our reach in the previously unserved rural areas of South Africa through our Usave eKasi stores. Constructed out of containers, these provide rural customers with more convenient access to basic consumer products, including our cost-effective Ubrand products. With reduced transport costs, consumers have more money to spend on essential food items.
- In our premium Checkers and Checkers Hyper stores – the fastest-growing retailer for the third successive year – we have been working to further enhance the in-store experience.
  - Our state-of-the-art Checkers FreshX supermarkets, which prioritise premium fresh food and convenience, offers an easy-to-navigate layout that takes customers through a world-class selection of premium products and specialist in-store service departments (see page 39). We have also partnered with various global and local brand leaders – such as Krispy Kreme Doughnuts, Starbucks coffee, Lindt and Kauai – bringing their quality products direct to selected Checkers supermarkets.
  - Our larger-format Checkers Hyper stores now include a wine section, an outdoor section, a Little Me baby section, a pet shop, a TechX store, a pharmacy, and (at selected Hypers) a pool shop and a ToolX.
  - We have developed a closer-to-home Checkers Foods format, with an expanded fresh food offering and premium convenience ranges at affordable prices in smaller neighbourhood-based retail outlets.

In addition to expanding the reach and enhancing the experience of our core retail stores, we have been leveraging our platform advantage to open a variety of non-grocery businesses in adjacent categories, including: Petshop Science, Checkers Little Me, Checkers Outdoor, Medirite Plus and UNIQ clothing by Checkers.

Expanding our store penetration and brand portfolio

In FY 2024, we opened the following new stores:

Our core retail platform – Supermarkets RSA

26 Checkers

21 Shoprite

29 Usave

71 LiquorShop

Other adjacencies

34 Petshop Science

3 Checkers Little Me

14 Checkers Outdoor

14 UNIQ clothing by Checkers

7 Medirite Plus

Developing future-fit talent

To prepare for the Group's transition to an omnichannel retailer, and to maintain our differentiation as a digitally driven knowledge-based platform company, we have been investing significantly in enhancing the technical capabilities and succession planning of our workforce, and in managing an appropriate transition in workplace culture.

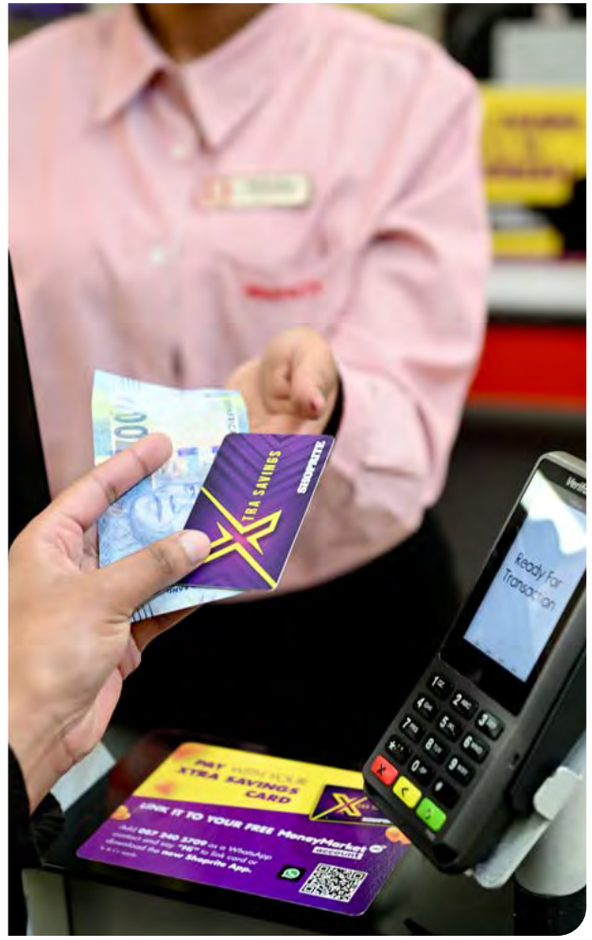
Prior to establishing Shoprite^{X}, our digital innovation hub, most of our digital talent was outsourced to mainly global IT consultancies. With the establishment of Shoprite^{X} we have been bringing together the best of tech, data science and digital talent in-house, to focus on driving personalisation and digital commerce for a future-proof Shoprite, and to accelerate our various data monetisation efforts (reviewed on page 41). This team, which includes scarce digital talent such as data scientists and software engineers, brought the award-winning Xtra Savings rewards programme and the Checkers Sixty60 on-demand delivery platform to the market.

With heightened competition for scarce digital retail skills, we have been actively exploring various external avenues to attract globally competitive digital talent, recognising that agility in skill acquisition is a critical competitive advantage.

In addition to external recruitment, we have placed a very strong focus on developing these critical skills internally. In 2023 we launched our Tech Academy platform specifically to address the shortage of technological expertise by nurturing emerging IT talent. The data science training programme develops skills across software development, cyber security, data analytics, and system applications, with structured learning paths, mentorship and practical exposure.

We are expanding the Tech Academy to cover new growth areas. This year, we trained 36 apprentices and currently employ 43 data scientists within the Group.

A more detailed review of our People strategy is provided in our Sustainability Report 2024



A Smarter Shoprite continued

3. Enable precision retailing

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

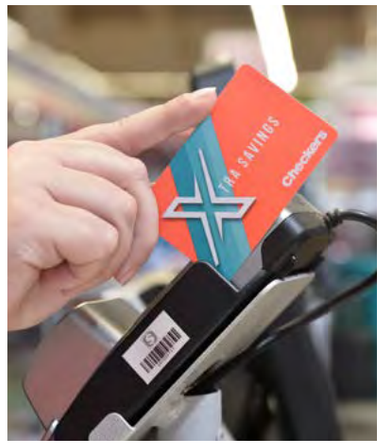
Where previously retail success came from trading alone, today it's increasingly about advanced data, with analytics and systems the critical differentiator. Our substantial investment in data, advanced analytics and cloud enable precision retailing and an improved customer experience, providing actionable customer insights at scale and more rapid decision-making.

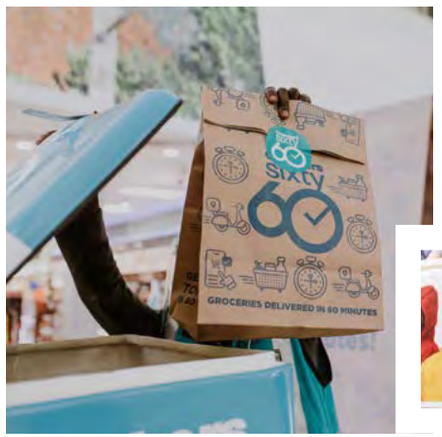
This data is of direct benefit both to:

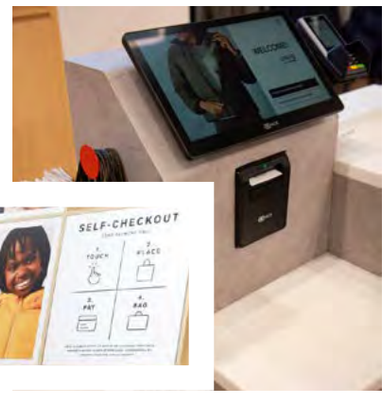
- **The Shoprite Group** – informing trend predictions, enabling effective decision-making on pricing, promotions and on-shelf availability, optimising inventory and reducing waste
- **Our suppliers** – using analytics and customer insights accessible through our Rex platform to adapt their sales and marketing strategies and enhance the sales performance of their products in our stores and online

We are leveraging technology and AI in both the customer-facing and operational aspects of our business:

- New AI pricing engine manages 83 000 item relationships and iterates millions of options for optimal price recommendations. We are helping our buyers work out the best pricing, informed by data on price elasticity, private labels, competitive products, volume and previous promotional pricing.
- In a South African supermarket first, the Group successfully deployed a powerful end-to-end supply chain software solution to replenish stock, forecast future stock needs, and maintain the integrity of our cold chain. Using machine learning, the system considers various external factors when ordering ultra-fresh products including historical data to predict buying patterns of certain products. The implementation has substantially increased year-on-year sales growth, maintained freshness, quality and stock levels, and significantly reduced food wastage.
- To enhance the in-store customer experience, we are applying machine learning to current store floor plans and tweaking the location of shelves or tills. In addition, the Group has developed a computer vision system (QMON) to anonymously monitor queue length and waiting times. It uses state-of-the-art privacy-first models to establish the number of customers queuing in order to reduce the wait time.
- Data and technology are also the driving forces behind our supply chain intelligence, a critical focus for the Group. It starts with meticulous planning – exemplified by stock supply – and encompasses considerations such as distribution destinations, lead time requirements, logistics coordination for promotional and non-promotional stock replenishment, as well as handling seasonal inventory needs such as back-to-school orders.
- To further improve Checkers Sixty60's delivery times, the Group developed a machine learning algorithm to dynamically define optimal delivery regions. The solution overlays a map with the spatial-temporal view of orders, using order data to determine the optimal delivery area for each store. The algorithm also considers packaging and delivery time to determine the areas that can be best served by a driver within 60 minutes. It also uses advanced route optimisation algorithms to overlay geospatial and traffic data with the available delivery time to determine the optimal delivery route.
- In March 2023, we became the first clothing retailer in South Africa to offer self-service checkout in our stand-alone clothing stores, UNIQ clothing by Checkers. With smart tags and advanced RFID, customers can easily scan and pay for items. With real-time tracking of products, RFID enables retailers to maintain accurate stock levels, reduce overstocking or understocking, and enhance supply chain efficiency. This technology eliminates the need for manual inventory checks, freeing up employees to focus on providing exceptional customer service. Given the significant concerns relating to job security and employment creation, we do not anticipate rolling out self-service checkouts at our other retail operations in the foreseeable future.







Targeting headroom opportunities

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

4. 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.

We are leveraging the Group's scale to invest in product development and innovation and build a private label brand portfolio that differentiates the Group from its peers. Our private label products provide customers better choices and value, both through our low-price products as well as affordable premium offerings informed by consumer preference on health, wellness and sustainability.

Growing and broadening our private label brand portfolio

This year, we expanded our private label range by adding five new brands, bringing the total across all categories to 169. Our private label sales increased 12.8%, contributing 21.3% to RSA supermarket sales (excluding Liquor), up from 12.0% six years ago. Over the last three years we have seen a significant increase in the value of our private label brands: three years ago, we had 184 private label brands worth more than R20.9 billion in revenue annually; currently we have 169 brands that are now worth R32.3 billion, highlighting how these brands are becoming more of a national brand in their own right.

Our new Checkers private label products – such as our Simple Truth and Forage & Feast ranges – are positioned for our more affluent consumers. The shopping baskets of Checkers customers buying private label brands are typically larger than our average customers, with our Forage & Feast customers generally having baskets 3.5 times bigger than the average Checkers customer.

We have seen very encouraging uptake this year in our premium private label range, developed to meet growing consumer demand for affordable, accessible and healthier, and more sustainably produced food and grocery products.

- Checkers' premium private label range, **Forage & Feast,** is building momentum, achieving 16.4% sales growth this year. Since its launch in November 2020, Forage & Feast has expanded to include several hundred products across 34 different categories, establishing itself as the benchmark for premium supermarket food products. Endorsed by South Africa's first Michelin star chef, Jan Hendrik van der Westhuizen, the range is responsibly sourced from the best suppliers and artisans, and focuses on quality food, seasonality, taste and the convenience.
- This year, our **Simple Truth** private label range of wellness foods and bio-degradable, naturally derived cleaning products delivered sales growth of 18.2%.
- Our **Lovies** baby brand grew sales by 34.1%, reflecting the impact of our consumer engagement efforts highlighting the benefits of leading quality at better value.
- Shoprite's **Homegrown** private label range offers products that are 100% South African, with 10% of the range sourced from SMMEs that are already suppliers to the Group. This year, sales in the range were up 187%. To date, the Group has procured R9 million and created 36 jobs by collaborating with SMMEs on this programme.
- Our 36 **HealthFirst** private label pharmacy 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.

Shoprite Group's private label products win numerous awards

- In addition to securing strong sales growth, the strength and quality of the Group's private label products is evidenced by their performance in various external awards.
- At the prestigious Food & Home Awards, Checkers' own label brands – Simple Truth, Forage & Feast and Gourmade – placed first in 12 categories including frozen and ready-made meals, sauces, vegan, gluten free and sweet snacks.
- Shoprite, Usave and Checkers' private label products performed incredibly well at the 2024 SA Dairy Awards, the country's largest, oldest and most prestigious dairy event that this year drew a record 1 029 dairy products from 78 producers. Our private label brands achieved the SA Champion Award in four dairy categories, while 12 of our products received 2nd and 3rd place awards.
- Forage & Feast also won the coveted NielsenIQ BASES Breakthrough Innovation Award in the food category for 2023.

Targeting headroom opportunities continued

5. 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.**

Our higher-income customers seek value without compromising on quality and freshness. In addition to placing a strong emphasis on health and wellbeing, many of these customers also increasingly have expectations regarding the sourcing of products, with concerns relating for example to ethical supply chains, fair labour rights, animal welfare and environmental responsibility.

By serving this discerning market segment in South Africa through our differentiated offerings in premium, convenience and responsibly produced fresh food – backed up by exceptional customer service and innovations across the cold chain – we are making meaningful gains in our customers' share-of-wallet, while retaining our industry-leading value position.

The market share growth we have delivered in this sector has been underpinned by the growth in our high-end state-of-the-art Checkers FreshX supermarkets. These distinctly formatted stores focus on establishing a 'fresh food theatre' for customers. They prioritise premium fresh food and convenience and offer an easy-to-navigate layout that takes customers through a world-class selection of premium products and specialist in-store service departments, such as a meat market with free-range chicken and quality meats, a wine cellar with an extensive range of global wines, a bakery with artisanal breads, a quality coffee bar and a sit-down sushi counter, in addition to quality fresh fruit and vegetables. Many of these stores also offer in-store brand leaders, such as Kauai, Starbucks coffee, Krispy Kreme Doughnuts and our in-store, specialty Lindt counter.

First launched in 2017, to compete head-on in the upmarket grocery sector, we now have 115 FreshX supermarkets country-wide, adding 28 stores this year in the FreshX format. At year end, 35.8% of our Checkers stores are 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. This year, we also opened two new Checkers Foods, which offer an expanded fresh food range and premium convenience ranges in smaller neighbourhood-based retail outlets.

Although we have made valuable market share gains in this segment, we recognise that we have not yet realised our full potential and there remains valuable opportunity for further growth.

Targeting headroom opportunities continued

6. Stronger partnerships

We are building broad and diverse relationships with our **franchised stores, 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.

Developing stronger franchisees

This year we delivered 13.6% growth in OK Franchise store numbers, opening 99 new stores in South Africa and six in neighbouring countries, bringing the total to 529 and 79 stores respectively. In South Africa, 158 of our franchise stores are black owned, making an important contribution to our drive for socio-economic transformation in the country.

We see our OK Franchisees as key partners in the Shoprite Group's business. We are working closely with them to provide access to our technology, services and expertise to encourage their success in a particularly tough operating environment, leveraging the Group's strong buying power and supply chain capabilities. We extend a range of resources and support structures to our franchised stores and their employees and invest through margin to ensure the sustainability of our franchised stores' operations. Our investment includes capital, working capital, incentives, systems and software as well as best practice.

We have been providing our franchised stores with training and support through a new training school, expanded our e-learning platform, and developed best-practice standard operating guidelines. We are also leveraging our access to quality consumer data to provide guidance to franchisees regarding the different product ranges – to minimise the likelihood of them being left with costly, obsolete stock on their shelves – and we have been further advancing our data analytical ability to deliver improved efficiencies. We have increased our focus on incorporating private label brands into our offering, providing franchisees with higher margins, increased profitability and better price perception. This year, there was a 37.7% increase in our private label sales through our franchised stores.

Our future focus is to further expand the footprint of our brand, leveraging off the Group's ecosystem to advance precision retailing to the advantage of franchisees, and opening more of the OK Franchise division's new OK Urban upmarket franchise concept.

Supporting SMMEs through Shoprite Next Capital

Recognising the challenges that many small suppliers face in securing funding and scaling operations, we established Shoprite Next Capital in June 2022, to empower and grow commercially viable local SMMEs. Our approach is to seek out and support entrepreneurs who offer a unique product and who operate a commercially viable small-scale business with an annual turnover of R5 million or less. Chosen entrepreneurs receive comprehensive support, including marketing opportunities, working capital at the lowest industry rates, and assistance with packaging and labelling. We also offer data sharing, tailored training and onboarding, and strategies for product and market expansion.

Working capital and favourable payment terms are provided in conjunction with CredX, a division that was established in September 2022. CredX provides working capital funding to SMMEs and black-owned suppliers, as well as wholesale credit through extended payment terms for wholesalers/traders, enabling them to obtain crucial working capital funding at the lowest industry rates.

During the 2024 financial year, Shoprite Next Capital supported 64 SMMEs, with R6 million in loans to selected small businesses, assessed on innovation, quality and value. This brings the total loan value to more than R9 million since its launch.

For further details on SMMEs supported by Shoprite Next Capital see our Sustainability Report 2024

Case study

Shoprite Next Capital

The Group aids various farmers who participate in our seasonal growing programmes and have access to our DCs. Through our procurement activities 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.

Supplier and partner collaborations

In our drive to improve the customer experience, we have entered supplier partnerships with various leading global and local brand leaders – such as Krispy Kreme Doughnuts, Starbucks coffee, Lindt and Kauai – bringing their products to selected Checkers supermarkets, as well as direct to homes via our Checkers Sixty60 delivery app. These partnerships have contributed to the continued growth of Checkers' share in the premium grocery sector.

Through our recent partnership with Discovery Vitality Healthy Food, consumers will see the benefit of up to 75% cash back in healthy food items with Checkers and Checkers Sixty60.

Winning in the long term

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

7. Unlock alternative income

Our platform of 31 million Xtra Savings customers in South Africa – combined with investment in digital commerce – gives us the opportunity to **unlock alternative income in the media and financial 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, insights and data monetisation, as well as **financial services and data ecosystems.**

To deliver growth into the long term, we are leveraging our platform advantage of customers and more than 2 300 core retail stores to unlock alternative income in the retail media, data monetisation and financial services space.

Delivering omnichannel advertising solutions

Rainmaker Media unlocks higher margin, data-driven alternative income powered by rich customer data from the Xtra Savings rewards programme. Through Rainmaker Media, we have created an additional income stream by connecting our suppliers' brands with relevant customers through precision targeting and omnichannel advertising solutions.

Using our first-party customer data, as well as strong partnerships with platforms such as 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, measuring return on ad spend for advertisers that is best-in-class.

Realising opportunities in inclusive financial services

As part of our commitment to pioneering access to the most affordable goods and services, we have been building and rolling out low-cost digital and financial services, focusing on the unbanked and under-banked population. Through these services, we have become a one-stop shop for customers who can conveniently undertake various financial transactions, both in-store and online. The direct income generated for the Group through these services is largely in the form of commissions, with additional benefits in terms of increasing store footfall and brand loyalty.

We have various financial services offerings:

- Our in-store **Money Market counter** is a one-stop financial services hub, available in Shoprite, Usave, Shoprite Cash and Carry, Checkers, OK Furniture, House & Home and some franchise outlets. Through this service, customers can conveniently pay bills, receive government grant payouts, send vouchers and cash, and buy airtime, data and pre-paid electricity.
- **Shoprite's Money Market Account** is a fully-fledged, transactional bank account, the first of its kind offered by a South African retailer. In addition to providing all the services available from our in-store Money Market counters, the bank account can be used from the award-winning app or via a USSD (unstructured supplementary service data) code sent to the customer's cell phone to deposit or withdraw cash. Customers pay a flat R5 fee for cash withdrawals; while all other transactions are free, and there are no monthly fees, making it the most affordable entry-level bank account in South Africa. Since its launch in 2020, the account has rapidly added functionality and customers, providing more than four million banked and unbanked customers with access to basic transactional banking. This year, we achieved over 100% growth in the number of active customers. At financial year end, the account was seeing 913 726 transactions per month. From September 2023, SASSA grant beneficiaries have been able to switch their payments to a Shoprite Money Market Account, free of charge with no obligations to sign up for any additional services. This year, we have been rolling out a new platform for the Money Market Account aimed at improving the quality and breadth of service offerings.
- **Shoprite Send** enables cost-effective and convenient cross-border money transfers.
- **Insurance offerings** in partnership with OUTsurance offer various funeral and pet insurance products.

Monetising customer insights and data ecosystem

In 2022, the Group launched its own customer insights platform, Rex, which shares our customer insights with our suppliers while preserving privacy. It allows for a common customer language to better serve customers, improve joint planning and support our ambition of becoming Africa's most customer-centric retailer. This offering was made possible by Shoprite^{x} successfully developing its own Intellectual Property for core retail optimisation models, taking command of our customer analytics future. Shoprite^{x} data analytics support the Group's investment into AI-led pricing and promotion engines, which is being executed by the national buying team for smarter category management decisions.

This year we launched Xtra Savings Plus, South Africa's first grocery subscription plan that gives customers unlimited free deliveries from Checkers Sixty60 (with a minimum spend), 10% off one in-store shop per month, and double personalised offers in-app and in-store. By year end, Xtra Savings Plus had reached three times our original target for subscriber numbers, enabling us to maximise loyalty from our most valuable customers. This subscriber profile represents the more affluent market segment, with a markedly higher average order value than the Checkers Sixty60 average.

Computicket: ticketing agent in South Africa

This year we completed the replatforming of Computicket – the Group's online and call centre ticketing business – to future-proof our systems and ensure that 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. An important feature of the new technology is that it provides greater opportunities for the local entertainment industry, lending itself to the promotion of events in the less formal sector of the industry. It has been pleasing to see the strong uptake in our Computicket Box Office, which provides an easy-to-use self-service platform for event organisers and is available to customers who wish to buy their tickets in-store.

Overall, we saw a 55.0% year-on-year growth in ticketing sales through the Computicket platform.

Winning in the long term continued

8. 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.

Our ability to win in the long term depends ultimately on the health and wellbeing of the communities and ecosystems within which we operate. This understanding informs our purpose – to uplift lives every day by pioneering access to the most affordable goods and services, creating economic opportunities, and protecting our planet – and is delivered across the Group through our sustainability strategy and activities. A brief summary of our sustainability-related activities is present below, with a more detailed review available in our Sustainability Report https://www.shopriteholdings.co.za/sustainability.html.

Sustainability governance

Managing sustainability-related impacts, risks and opportunities

The Shoprite Board is responsible for overseeing the Group's sustainability governance and management processes, and for overseeing how we approach and address sustainability-related impacts, risks and opportunities. The Board has mandated the SEC to monitor and review the Group's sustainability strategy, policies and performance and the Group's ethics culture (see page 67). The SEC works together with the ARC to oversee management of the Group's sustainability-related risks (see page 67). The ARC is responsible for overseeing the integrity of the Group's risk and compliance management practices, information security and cyber risk systems, and integrated and sustainability reporting process. Shoprite's management team is responsible for the design, implementation and monitoring of our sustainability strategy and risk management processes, and for integrating these into the Group's day-to-day activities. We have a Chief Sustainability Officer, supported by a dedicated sustainability team, who reports to the Deputy CEO and the SEC, and an ERM Department under the leadership of the CFO.

Embedding an ethical culture and respecting human rights

Ethical behaviour is enforced across the Company through our disciplinary code, with any incidents of unethical behaviour investigated and actions taken as necessary. We maintain a zero-tolerance policy towards unethical behaviour and offer a toll-free, independently managed, anonymous hotline for reporting any unethical actions (see page 69). We provide relevant ethics-related training to executives and employees, including specifically on anti-bribery and corruption, fraud, as well as competition and consumer protection requirements. The Group embraces the ten principles of the UN Global Compact that aligns with key global standards on human rights and anti-corruption, and we strive to integrate these into our operations. Our Human Rights Policy confirms our commitment to respect human rights across our operations and supply chain; we use our risk assessment framework to identify human rights risks, and we have systems in place to monitor and evaluate the effectiveness of our mitigation plans.

Our social impact

Customer centricity

Customer-centric decision-making underpins Shoprite's leadership in the South African retail sector. As outlined on page 34, the Group has a long-standing track record in driving affordability and accessibility for consumers across all income levels. Given the extent of economic pressure facing South African households, and the severity of the country's nutritional crisis, we have placed particular emphasis on low-income households, leveraging our bulk-buying power and world-class distribution and inventory management systems to deliver the lowest possible prices. We have consistently maintained our internal food price inflation below the official food inflation rate, subsidised over half a million R5 bread loaves every week, and continued to provide over 847 000 R5 deli meals and R99 essentials bulk combos of five staples such as maize meal, flour, rice and oil. Our Homegrown private label range now includes a 350g one-pot Pasta & Me meal that feeds a family of four for R20.

We have also enhanced accessibility, ensuring market-leading levels of in-store availability of core grocery items, expanding our closer-to-home store formats, and advancing our digital commerce platforms, building off the success of Checkers Sixty60. In the lower-income segment, our smaller-format no-frills brand, Usave, offers basic products at the lowest possible price. Our Usave eKasi stores, constructed out of containers, are providing customers in previously unserved rural areas of South Africa with more convenient access to basic consumer products. In the upper-income segment, we recognise how environmental and social matters are increasingly informing customer choice. Our more recent premium label ranges, such as our Forage & Feast line, prioritise responsible sourcing (for example in palm oil and seafood) and recyclable packaging, while our Better for our Planet campaign is raising consumer awareness on sustainability. Through our partnership with the LIVEKINDLY Collective, we offer more than 300 plant-based alternative-meat products, as well as various dairy-free options, and free-range eggs and chicken at our Checkers FreshX meat markets.

To meet growing consumer demands on health and nutrition, we have been expanding our private label health range. Our Simple Truth brand, for example, meets the demand for healthier and environmentally friendly products, while Oh My Goodness! specifically caters to children's nutritional needs. This year we have seen a sales growth in products labelled and marketed to promote health and nutrition attributes. We anticipate this will grow further, following our partnership with the Discovery Vitality Healthy Food programme that will enable Checkers and Checkers Sixty60 customers to get 75% cash back on healthy food items.

Investing in our people

Our People strategy focuses on attracting, developing and retaining the best talent, and on fostering an inclusive organisational culture that delivers the best customer service, reinforcing the Group's position as the employer of choice in the retail sector and enabling us to deliver effectively on the Group strategy and purpose. This year, we created 6 490 new jobs, maintaining our position as South Africa's largest private sector employer. We continue to provide meaningful opportunities for career advancement, promoting 15 465 employees, boosted by our R122 million investment in skills and leadership development.

Winning in the long term continued

We implement an employment equity (EE) policy to advance diversity throughout our business and actively promote under-represented groups in executive and senior management roles. Over the past three years, we have integrated metrics into long-term incentives for leaders focusing on meeting EE targets, particularly at the top management level.

We strengthen our employee value proposition by providing competitive salary packages and incentive programmes. We have recently concluded a three-year agreement for the bargaining unit, awarding increases at an advantaged 8.0% per year. The Shoprite Employee Trust, established by Shoprite Checkers with 40 million shares in 2022, rewards all qualifying South African employees (those who have served over 24 months and who do not receive other long-term incentives) with annual distributions based on dividends from Shoprite Holdings. In 2024 98% of the beneficiaries within the Trust were black and 69% black women, reinforcing our commitment to transformation and equitable empowerment. Employees outside South Africa receive a cash equivalent bonus.

In South Africa, 28.5% of our employees are trade union members, with 42.5% of our workforce unionised across our other markets in Africa. In May 2024, we reached an agreement with our largest union, the South African Commercial Catering and Allied Workers Union (SACCAWU), resolving matters that had been in dispute for several years. This opens the path for enhanced engagement on issues of mutual and long-term interest. Following a recent investment in skill-building, especially in negotiation techniques, we anticipate increased productivity in the future. There were some minor incidents this year within our DCs that led to brief work stoppages, with no significant disruptions.

This year, the Group embarked on a process to benchmark itself against the Top Employer Institute's standards, a global authority in recognising excellence in people practices. We were proud to receive Top Employer accreditation for 2024, underscoring our commitment to a supportive, inclusive workplace that enhances our position as an employer of choice.

Building an inclusive and responsible supplier base

As Africa's largest FMCG retailer, we embrace our role in promoting sustainable, inclusive supply chains. We contribute to strengthening local economies and fostering meaningful economic transformation, using our scale and geographic reach to support small, local suppliers to join the retail sector. This year, we grew our procurement spend on black-owned businesses by 7.8%, with our spending on black women-owned suppliers rising 8.5% to R18.3 billion. Since its launch in June 2022, our dedicated ESD division, Shoprite Next Capital, has provided more than R9 million in loans – as well as additional support such as marketing opportunities, data sharing, and tailored training – helping local entrepreneurs to develop viable small-scale businesses.

Our Supplier Code of Conduct outlines the ethical, social and environmental standards that apply to all current and prospective suppliers, including their subcontractors and others in our value chain, across the countries where we operate. The Code requires adherence to relevant local laws and the UN Global Compact's ten principles, and encompasses expectations for safe working conditions, fair treatment of employees, ethical business practices, environmental stewardship, animal welfare, and the transparent reporting of environmental impact. We carry out an annual supplier sustainability survey to review suppliers' environmental efforts, with a particular focus on climate change, responsible water stewardship, and sustainable packaging.

Enhancing community livelihoods

In delivering on our purpose of uplifting lives every day, our CSI programmes strive to positively impact vulnerable communities by leveraging our scale to promote food security, youth employment and local entrepreneurship. This year we invested R438 million in CSI activities across these focus areas. This included donating R234 million worth of surplus food and goods to more than 500 beneficiary organisations across Africa, serving an average of 1 000 meals per day per truck to vulnerable communities through our fleet of 31 mobile soup kitchens across South Africa, Namibia, Zambia, Angola and Lesotho, and supporting 248 community food gardens across South Africa, Lesotho and Namibia. We support 124 early childhood development centres in South Africa and one in Lesotho, providing nutritious meals and offering practitioner training to enhance educational environments. This year, in collaboration with government and organised labour, we facilitated the training of 6 046 unemployed youth through the RRP and Youth Employment Service (YES) programme, with a total investment of over R1.0 billion over the past four years.

Winning in the long term continued

Our environmental impact

Climate change and energy

We have continued to progress towards our medium- and long-term science-based targets for reducing GHG emissions and increasing renewable energy use. This year, we achieved a 12.4% reduction in emissions intensity (metric tonnes of CO_2e per square metre) from 2021/2022, and a 19.6% reduction since the 2019/2020 base year, primarily through our LED lighting replacements, solar PV installations, renewable electricity procurement, and improvements in refrigeration systems and supply chain logistics. The addition of 343 stores and the 60 436 m^2 expansion of DC floor space has led to a rise in absolute emissions, mainly due to increased energy consumption. By installing rooftop solar PV systems at our stores and on our trailers, and increasing the wheeling of renewable electricity, renewable energy now makes up 6.5% of our total energy consumption. We are working to reduce our absolute Scope 3 GHG emissions from the use of sold products by 25% by 2030, with various efforts underway to provide customers with lower electricity consumption products and appliances.

Water security and wastewater

Operating across countries with acute water security challenges and growing demands for water access, we recognise the critical importance of responsible water stewardship, particularly given our dependence on a reliable water supply for food preparation, hygiene and raw material availability. To strengthen operational resilience, we have installed 2 075 back-up water tanks and 2 232 water pumps across 70% of our facilities. We have boreholes at 199 sites to source renewable groundwater, accounting for 14% of our total water withdrawal. This year we added 227 smart water loggers to our operations, bringing the total to 572. We have made further significant progress in reducing our water use intensity, achieving 100% of our goal to reduce intensity by 20% by 2030, on a 2020 base year.

Waste and recycling

This year, we successfully diverted 80 709 tonnes of waste from landfills; this includes 70 tonnes of electronic waste and 12 765 tonnes of organic waste. Plastic recycling increased by 9.3%, while cardboard recycling increased by 15.8%. As a primary signatory of the Consumer Goods Council of South Africa's Voluntary Agreement on Food Loss and Waste, we are collaborating with farmers, retailers and consumers to reduce food waste. Surplus food fit for human consumption is provided to registered organisations, while non-edible items are repurposed for animal feed and composting. This year, we converted 7 527 tonnes of food into feed for approximately 2 800 cattle daily.

Sustainable packaging

We collaborate with regulators, suppliers, and organisations with a shared vision to enhance packaging sustainability. Our efforts are particularly concentrated on increasing recycled content and the recyclability of our private label product packaging. We also ensure accurate labelling to communicate clearly whether packaging is reusable, recyclable, or compostable. Currently, 98.7% of in-store packaging is reusable, recyclable or compostable, surpassing our FY 2024 target of 98%. The average recycled content within our in-store packaging stands at 83.4%, meeting our FY 2024 goal of 83.4%. All paper and paperboard packaging in our delis, bakeries, and fresh fish departments carry Forest Stewardship Council or Sustainable Forestry Initiative certifications. Our carrier bags are made from 100% recycled material and are 100% recyclable.

Biodiversity

Recognising our dependence on ecosystem services, we are implementing a mitigation hierarchy for biodiversity loss and where suitable have adopted a 'no net loss' or 'net gain' approach for our operations. In 2022, in partnership with the Endangered Wildlife Trust (EWT), we conducted a pilot biodiversity footprint assessment, focusing on the direct biodiversity impacts of ten of our largest sites including DCs, shopping centres and vacant land. The analysis found that 82.0% (206.08 Ha) had negative biodiversity implications, while 18.0% (46.27 Ha) contributed positively. Building on this initial work, we are collaborating with EWT to advance our biodiversity conservation efforts. This includes developing an integrated nature strategy, updating the Group's biodiversity footprint, and creating biodiversity action plans for direct operations and selected commodities.

Winning in the long term continued

9. 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 personalised manner at any time and from anywhere. Leveraging our platform sees us transform into a dynamic retail business that can offer more relevant products and services. It helps commercialise the access to **physical, digital and customer assets,** creating 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 customer scale and frequency advantage the core supermarkets business presents.

Leveraging our world-class supply chain and logistics network

One of the Group's key competitive differentiators is our world-class supply chain and logistics network, with our 32 multi-temperature DCs and expert inventory management delivering significant efficiencies and supporting our industry-leading in-stock levels of 98.0% across our stores for the past three years. Consistently achieving these levels – despite various supplier limitations, and with load-shedding and other infrastructure challenges impacting production levels – reflects our long-term investment in supply chain capabilities, as well as our recent significant progress in leveraging digital technology. Our supply chain capabilities ensure we offer supplier partners the lowest cost route to a very large market of consumers.

To maintain and further enhance our centralisation advantage, we are investing in increasing capacity through our strategic partners, Retail Logistics Fund (RF) (Pty) Ltd as well as Equites Property Fund Ltd. We are currently building an additional 174 225 m^2 in capacity over the next two years, as well as adding infrastructure that will allow us to be more agile and responsive.

We continue to invest in making our DCs and fleet as safe, economical and environmentally responsible as possible. This year, we introduced 201 Euro 5 compliant trucks that are more fuel efficient with lower GHG, particulate and nitrogen oxide (NOx) emissions than standard Euro 3 compliant trucks in South Africa. We were the first local retailer to test a heavy-duty electric vehicle for local deliveries, recharged using our solar installation. We are delivering further efficiencies by optimising our fuel consumption using a fuel anomaly detection model that tracks any anomalies caused for example by fuel theft or driving style, and we realise backhauling opportunities to collect product from suppliers after they have completed a store delivery. We are continuing to roll out our real-time driver fatigue monitoring, detection and management technology on our trucks, supplemented with driver training programmes.

For further details on the environmental and safety activities in our DCs, see Sustainability Report 2024

Leveraging proximity advantage to expand our store and brand network

Given the scale of our core retail platform, and as the preferred anchor tenant in most new shopping mall developments, we are well positioned to open adjacent retail stores with minimal capital and operational cost. In doing so, our supermarket customers benefit from a complementary offering.

In recent years we have opened various non-grocery businesses that we see as a long-term play, leveraging off our platform and using our data to ensure relevant offerings for our customers.

- **Checkers Outdoor:** Serving more affluent consumers, Checkers Outdoor is a specialist outdoor store offering a range of top outdoor brands at great prices. The first Checkers Outdoor store opened in 2022. By year end 2024, there were 22 Outdoor stores (FY 2023: eight stores); we plan to open another five Outdoor stores in FY 2025.
- **Checkers Little Me:** A destination baby store with specialist in-store employees, offers customers a range of top baby brands and maternity wear. By year end 2024, there were 12 Little Me stores, up from nine in FY 2023.
- **Petshop Science:** 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 86 Petshop Science stores, with sales more than doubling over the year.
- **UNIQ clothing by Checkers:** Our stand-alone apparel clothing brand opened 14 new stores this year, bringing the total to 22 stores since UNIQ clothing by Checkers launched in Cape Town at the end of 2023. Known for their quality designs and fabrics, the stores offer an elevated shopping experience with well-trained employees and quick self-service checkout. UNIQ clothing by Checkers was the first local retailer to introduce superior-quality Pima cotton, SUPIMA, to the mass market, and also recently added 100% Merino wool. In keeping with the Group's commitment to convenience through innovation, UNIQ clothing by Checkers is also the first local clothing retailer to offer self-service checkout. Using smart tags and advanced RFID, customers easily scan and pay for their purchases themselves.
- **OK Furniture and House & Home:** These offer affordable homeware, furniture, and electrical appliances, with a host of local and international brands.
- **Medirite and Medirite Plus:** Through our Medirite pharmacy offering, we are well positioned to meet the growing needs for easily accessible and affordable healthcare of customers across all income levels. Located initially inside our supermarkets, we have recently established new stand-alone Medirite Plus pharmacies, a decision that was informed by the extensive customer insights gained from our investment in advanced analytics. Medirite Plus trades from a larger store sales space, carries a wider range of products and offers a more personalised one-stop health and wellness destination adjacent to our supermarkets. This year we opened seven new Medirite Plus pharmacies, bringing the total to 13, complementing 126 Medirite counters in our supermarkets.
- **Transpharm:** Our wholesale pharmaceutical business distributes and offers top-quality medical, front shop, surgical and veterinary products and world-class service. Transpharm supplies 328 private hospitals including Mediclinic, Life Healthcare and Netcare. Transpharm's investment in e-commerce allows the business to manage the content on the platform and provides customers with an easy-to-use order placing and payment facility. 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.

Winning in the long term continued

Addressing the impacts of load-shedding at our DCs

Given the critical role our DCs play in our supply chain – with most of our in-store products coming through our centralised distribution network – it is essential that our DCs have electricity. The heightened levels of load-shedding earlier in the year meant that our generators were running longer and more frequently than expected, increasing the maintenance requirements. This has required us to increase the size of our facilities' teams and introduce new skills to ensure that we have the right people on site 24 hours a day to maintain the generators to provide constant electricity on site. We are also continuing to increase our energy independence, enhancing the size of our solar PV systems at our DCs to 8 204 kWp (FY 2023: 6 747 kWp), and expanding our investment in managing refrigeration and utilities consumption.

Operational performance

Summarises the Group's operational performance for the 2024 financial reporting period.

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With South Africa's youth unemployment at approximately 45.5%[1], our talent attraction and development strategy prioritises providing opportunities for the country's young people.

We do this through our RRP, a seven-week training initiative that equips unemployed youth with core retail skills, as well as through our participation in the Youth Employment Service, a business-driven partnership with government and labour that provides 12 months of on-the-job training. Since the inception of the partnership in November 2018, the Group has created 12 319 youth opportunities through the YES programme. This year, the Shoprite Group created 6 490 new jobs, maintaining its position as South Africa's largest private sector employer.

[1] *Stats SA official unemployment rate Q2 2024 by age group 15-34 years*

Chief Financial Officer's review

Anton de Bruyn
Chief Financial Officer

Group sales
↗ 12.0%
to **R240.7 billion**

Group trading profit
↗ 12.4%
to R13.4 billion

DHEPS
↗ 7.4%
to **1 245.2 cents**

Adjusted DHEPS
↗ 10.3%
to **1 273.2 cents**

ROIC excluding IFRS 16
16.3%
2023: 15.0%

ROE
26.0%
2023: 24.8%

The Group delivered a commendable financial result in a challenging trading environment where the business remained focused on delivering on its nine key drivers of growth.

The year in review

The Group delivered a commendable financial result in a challenging trading environment where the business remained focused on delivering on its nine key drivers of growth. Since the appointment of Pieter Engelbrecht as Group CEO during 2017, key investments were made in developing our digital strategies, fast tracking our store expansion and building out our supply chain network. The results we report this year are on the back of those key investments and will underpin future growth for the Group.

The results referred to in this commentary pertain to the Group's continuing operations after the adoption of IFRS 17: Insurance Contracts (IFRS 17), which replaces IFRS 4: Insurance contracts. Prior year comparative figures, where applicable, have been restated for the adoption of IFRS 17. Furthermore, for the period ended 30 June 2024, the economy of Ghana was assessed to be hyperinflationary. As such, hyperinflation accounting was applied with effect from 3 July 2023.

As a Group, we have once again taken the lead as the largest and most profitable food retailer on the African continent, increasing sales in 2024 by 12.0% to R240.7 billion. The Group's total income increased by 12.1% to R63.5 billion, resulting in a total income margin of 26.4%. Total income growth was derived primarily from gross profit increasing by 11.7% and other operating income increasing by 15.2%. Total expense growth for the period measured 12.1%, resulting in a trading margin of 5.6%. The slowdown in cost growth during the second half of the year was mainly attributable to less load-shedding experienced which resulted in a saving of R573 million in diesel expenditure in our Supermarkets RSA stores. Cost management remains top of mind, and the growth excluding the additional diesel costs is testament to how management succeeded to balance 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 EBITDA measured R20.5 billion (2023: R18.8 billion).

Shoprite is increasingly refining its approach to capital allocation. During the period the Group invested R7.8 billion back into the business, after taking into account a R433 million once-off investment to refurbish the 94 stores acquired from Massmart Holdings Ltd ("Massmart") during 2023 and R209 million to expand our supply chain. In total this spend represents 3.2% of sales and compares to the Group's guidance of 3.0%. Our focus together with the disciplined framework we apply to capital allocation resulted in the Group achieving an increase in our ROIC excluding IFRS 16 from 15.0% in 2023 to 16.3%. The Group's borrowings-to-equity ratio of 21.6% remains below our normal course of business threshold of 25.0% and our R23.6 billion cash generated from operations reflects the Group's inherent cash-generative capability stemming from our defensive food retail operations.

Headline earnings per (HEPS) share from continuing operations increased by 7.2% to 1 250.5 cents while diluted headline earnings per share (DHEPS) from continuing operations improved by 7.4% to 1 245.2 cents.

With this in mind, the Board has declared a final dividend of 445 cents per share, resulting in a full-year dividend of 712 cents per share. This is in line with the Group's policy of 1.75 times dividend cover based on full-year DHEPS from continuing operations and represents year-on-year dividend per share growth of 7.4%. During the second half of the financial year, under authority granted, the Group repurchased 215 172 shares. Since the inception of the Group's share buy-back programme in our 2021 financial year we have repurchased 8.6 million shares to the value of R1.6 billion. This equates to an average purchase price of R180.58 per share.

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

To support our vision of being Africa's most profitable omnichannel retailer, the Group is in advanced discussions to purchase the remaining 50.0% shareholding in our last-mile logistics provider, Pingo Delivery (Pty) Ltd (Pingo). This, in turn, will allow us to have end-to-end control of our last-mile logistics capabilities and on-demand digital platform. This transaction will future proof the Group by protecting the significant investment and intellectual property we've built up in this area of our business, while allowing for continued monetisation of our platform as we continue to enhance our digital strategy.

Furthermore, management has signed an agreement to dispose of our furniture business including the OK Franchise and House & Home brands, excluding Angola and Mozambique operations, to Pepkor Holdings Ltd. In evaluating our furniture retail business, we reached an important decision point. Future growth and profitability in this sector would require significant investments, which would require the reallocation of capital and project management resources currently committed to our food retail operations. We believe the best outcome for both OK Furniture and House & Home is to position the business in an environment where the necessary infrastructure and management expertise are already in place, enabling us to concentrate our resources on our core strengths.

Chief Financial Officer's review continued

Areas of focus for the Group included the following:

Key driver	Measurement
Free cash flow	The Group generated free cash flow of R15.4 billion, representing a year-on-year increase of 33.1%. 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, for the year amounts to 117.1%. A total of R3.9 billion was returned to shareholders through dividends, which amounts to a 7.4% 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.
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. Inventories increased by 13.1% to R28.4 billion (2023: R25.1 billion), representing an inventory to sales ratio of 11.8% (2023: 11.7%). The increase is driven not only by our expanded store footprint and maintenance of world-class in-store inventory levels, but also through the expansion of our supply chain operations in Gauteng and KwaZulu-Natal.
Maintaining trading margin	Trading margin increased to 5.6% during the current year from 5.5% in the comparative year, mainly driven by the saving in diesel costs. Positive growth in the total income margin is underpinned by the alternative revenue growth strategies which will drive further improvement in trading margin expansion.

Summary statement of comprehensive income

	Change %	52 weeks 2024 Rm	Restated* 52 weeks 2023 Rm
Sale of merchandise	12.0	**240 718**	214 956
Cost of sales	12.1	**(182 968)**	(163 250)
Gross profit	11.7	**57 750**	51 706
Other operating income	15.2	**4 307**	3 738
Interest revenue	8.3	**759**	701
Share of profit of equity accounted investments	6.8	**268**	251
Insurance revenue	19.2	**298**	250
Insurance service expenses	33.8	**(178)**	(133)
Depreciation and amortisation	15.2	**(7 264)**	(6 305)
Employee benefits	13.0	**(19 242)**	(17 027)
Credit impairment losses	44.3	**(381)**	(264)
Other operating expenses	9.8	**(23 053)**	(20 998)
Net monetary gain		**135**	–
Trading profit	12.4	**13 399**	11 919
Exchange rate (losses)/gains	>100.0	**(14)**	384
Profit on lease modifications and terminations	68.3	**101**	60
Items of a capital nature	>100.0	**(330)**	(16)
Operating profit	6.6	**13 156**	12 347
Interest received from bank account balances	16.8	**529**	453
Finance costs	17.4	**(4 306)**	(3 668)
Profit before income tax	2.7	**9 379**	9 132
Income tax expense	0.9	**(2 836)**	(2 812)
Profit from continuing operations	3.5	**6 543**	6 320
Loss from discontinued operations (attributable to owners of the parent)		**(322)**	(419)
Profit for the year	5.4	**6 221**	5 901

* *Restated for the adoption of IFRS 17: Insurance Contracts*

Summary statement of comprehensive income continued

	Change %	52 weeks 2024 Rm	Restated* 52 weeks 2023 Rm
Earnings per share for profit from continuing operations attributable to owners of the parent:			
Basic earnings per share (cents)	4.0	**1 207.7**	1 161.4
Diluted earnings per share (cents)	4.2	**1 202.6**	1 154.6
Headline earnings per share (cents)	7.2	**1 250.5**	1 166.2
Diluted headline earnings per share (cents)	7.4	**1 245.2**	1 159.4

* *Restated for the adoption of IFRS 17: Insurance Contracts*

Chief Financial Officer's review continued

Sale of merchandise

The following table outlines the sale of merchandise per segment from total operations:

	Growth %	2024 Rm	2023 Rm
Supermarkets RSA	12.3	**195 041**	173 634
Supermarkets Non-RSA	6.1	**20 822**	19 622
Furniture	2.3	**7 230**	7 064
Other operating segments	21.1	**17 718**	14 636
Total continuing operating segments	12.0	**240 811**	214 956
Hyperinflation effect		**(93)**	–
Consolidated continuing operations	12.0	**240 718**	214 956
Discontinued operations			94
Total operating segments including discontinued operations	11.9	**240 718**	215 050

Supermarkets RSA

The Group's core business, Supermarkets RSA – representing 81.0% of sales from continuing operations – is represented by 2 322 stores across our major trading banners: Shoprite, Usave, Checkers, Checkers Hyper, LiquorShop and other adjacent brands. As a segment, Supermarkets RSA achieved 12.3% sales growth and on a like-for-like basis grew sales by 6.3%. Customer visits for the year increased by 3.7% with average basket spend increasing by 8.4%. Internal selling price inflation measured 5.8% for the year with first half period average inflation of 7.7% declining to an average of 4.2% for our second half period.

The Checkers supermarket chain, inclusive of 38 larger-format Checkers Hypers, increased sale of merchandise by 12.3%. Checkers, inclusive of Checkers Hyper, now operates from 321 stores in South Africa. Of this, the number of stores in the Checkers FreshX format has increased to 115 from 87 stores in the prior year. The strength of the brand continued to gain momentum with over 12 million Xtra Savings rewards programme members and continued market share gains.

Checkers Sixty60, our digital on-demand grocery delivery service, has been rolled out to 539 stores, an increase of 73 stores since the previous financial year. The service continues to maintain its sales growth momentum and reported growth of 58.1% (2023: 81.5%) while simultaneously gaining market share despite the entry of our peers in the on-demand grocery delivery space.

Collectively, the Shoprite and Usave brands increased sales by 10.7% (7.9% excluding the contribution from the 52 stores acquired from Massmart) and continued to gain market share. Individually, Shoprite and Usave reported growth in sales for the year of 10.3% and 13.2% respectively. Our price-fighting Shoprite supermarket business ended the period with a base of 638 stores, up by a net 20 stores. Our low-cost, no-frills, limited assortment discounter Usave opened a net 22 stores and ended the year with 463 outlets (including 44 Usave Ekasi box stores).

The segment's LiquorShop sales increased by 20.0% and contributes 8.6% to the segment's sales. The strong store rollout programme continued during 2024 with a net opening of 71 stores to end the period with 753 stores in South Africa.

Turning to our complementary adjacent stores, at the end of June 2024, the Group had 86 Petshop Science, 12 Little Me, 22 UNIQ clothing by Checkers and 22 Checkers Outdoor stores with a combined sales contribution of R0.7 billion.

Supermarkets Non-RSA

Supermarkets Non-RSA continuing operations contributed 8.6% to Group sales. The segment, operating from nine countries outside of South Africa, recorded a sales increase in constant currency of 22.1% and we estimate internal food inflation for the region averaged 9.3% for the period.

In rand terms, sales increased by 6.1% to R20.8 billion from continuing operations.

Our Angolan supermarkets business reported a 54.7% increase in sales in constant currency terms. In rand terms, sales have decreased by 3.4%. The trading environment in Angola remains challenging and the latest average currency devaluation of 60.1% of the Angola kwanza against the South Africa rand will place 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 30.8% in constant currency terms for the year with a 4.0% sales growth in rand terms. The operations continued to benefit from a stable trading environment, however sales growth in rand terms was negatively impacted by an average currency devaluation of 25.8% of the Zambia kwacha against the South Africa rand.

Our operations in Ghana reported sales growth of 0.3% in rand terms on the back of currency movements and inflationary pressure. The region has been classified as hyper-inflationary for Group reporting purposes as the cumulative three-year inflation reached 105.4% in July 2023 and further increased to 127.1% in June 2024. The hyperinflation impact of Ghana was a R93m decrease in Group sales.

Furniture

Sales in the Group's Furniture segment, representing 3.0% of Group sales, increased by 2.3% to R7.2 billion. Like-for-like sales increased by 2.0%. Credit sales participation remained in line with prior year, measuring 14.9%. The Furniture segment in South Africa remained subdued with sales growth of 1.3%. Sales in the regions outside South Africa increased by 5.5%.

The segment's store base on a net basis decreased with four stores over the period to close with 430 stores (South Africa 341 stores; Non-RSA 89 stores).

Other operating segments

The Group's Other operating segments, representing 7.4% of Group sales and comprising OK Franchise, Medirite Pharmacies, Red Star Wholesale Catering Services and Computicket, achieved sales growth of 21.1% for the year.

	Growth %
OK Franchise	**23.8**
Medirite Pharmacies	**15.3**
Red Star Wholesale Catering Services	**7.7**
Total other operating segments	**21.1**

Sales to our OK Franchise business increased by 23.8%. The OK Franchise ended the year with 608 stores. The Medirite and Transpharm operations increased sales by 15.3%. 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 ended the year with 13 stand-alone stores. Five additional opportunities have been identified and will open during the 2025 financial year.

Gross profit

The Group achieved a gross profit margin of 24.0%, 10 basis points lower than the previous year. Despite our core Supermarkets RSA segment reporting a marginal increase in gross margin, this gain was offset by the Group's faster growing, Other operating segments, reporting a reduced gross margin. The Group continues to invest in lower prices, allowing customers to save R16.9 billion through the Xtra Savings rewards programme. Key focus areas in maintaining the margin were as follows:

Chief Financial Officer's review continued

- Data-led decision-making initiatives: implemented an analytical tool during the period under review enabling our buying teams to improve our pricing models and strategies throughout our business, which together with our Rex supplier platform, will drive our growth in total income margin.
- Effective pricing and promotions optimisation: personalised offerings to our 31 million customers on our Xtra Savings rewards programme.
- Supply chain investment: the business invested in additional supply chain capabilities, adding over 50 200 m² of distribution space during the year and plan to add close to 175 000 m² during 2025 in completion of our medium-term expansion programme. The additional supply chain capabilities will ensure we deliver on our in-stock and on-shelf promise to our customer base.

Other operating income

Other operating income increased by 15.2%. Franchise fees received increased by 10.2%, linked to increased franchise sales. Delivery recoveries from our Sixty60 offering increased significantly with the expansion to 539 stores. Commissions received from our Computicket business and financial services offerings achieved double-digit growth, contributing to the Group's alternative revenue stream. Included in the prior year 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 %	2024 Rm	Restated* 2023 Rm
Commissions received*	11.7	**1 236**	1 107
Franchise fees received	10.2	**183**	166
Marketing and media	23.5	**473**	383
Delivery recoveries	22.5	**768**	627
Other revenue from contracts with customers	40.8	**894**	635
Operating lease income	(1.5)	**461**	468
Other income	(83.2)	**46**	273
Dividends received from unlisted share investments	>100.0	**246**	79
Total other operating income	15.2	**4 307**	3 738

* *Restated for the adoption of IFRS 17: Insurance Contracts.*

Growth in the Group's other income can be attributed to a number of areas across the business, some established, others relatively recent in their development:

- Commissions received arise predominantly from our financial services and money market business operating across our core supermarket operations. The growth was driven from increased transactional activities in our in-store Money Market kiosks and value-added services
- Franchise fees earned relate to our franchise business OK Foods and related brands. An improved result in the second half on the back of a 13.7% growth in the prior year
- Marketing and media income, mainly driven by revenue generated by our Rainmaker Media business revenues
- Delivery recoveries increased by 22.5%, driven primarily by the 58.1% increase in Sixty60 sales
- Other revenue includes our Shoprite^{X} Rex customer insights income, subscription income earned through the Xtra Savings Plus subscription model as well as recycling income earned through the recycling of cardboard and plastic in our distribution centres
- Operating lease income relates to rental income earned on Group owned properties
- Other income decreased by 83.2% owing to R244 million received in the prior year relating to a loss of profit insurance claim accounted for as part of other operating income
- Dividends received from unlisted share investments includes dividends received from our investments in insurance cell captive arrangements

Interest revenue

Interest revenue increased by 8.3%. An analysis is tabled below:

	Change %	2024 Rm	Restated* 2023 Rm
Finance income earned from instalment sale receivables	27.4	**437**	343
Interest received from government bonds and bills	(41.2)	**90**	153
Interest received from associates	22.6	**76**	62
Interest received from third-party insurance cell captive arrangements	69.4	**61**	36
Interest received other	(11.2)	**95**	107
Total interest revenue	8.3	**759**	701

* *Restated for the adoption of IFRS 17: Insurance Contracts*

Expenses

Total expense growth for the year measured 12.1%. Expenses are attributed to the following:

- Depreciation and amortisation increased by 15.2% and measured 3.0% of Group sales (2023: 2.9%), in line with the target set
- Employee benefits increased by 13.0% and measured 8.0% of sales. The increase reflects the overall growth of the business, our increased headcount and additional factors, specifically:
  - 6 490 new employment opportunities on the back of 292 net new stores added during the year, with 5 739 forming part of our core supermarket operations.
    - » The Shoprite Employee Trust expensed R245 million to eligible employees in South Africa and equivalent awards granted by subsidiaries in countries outside South Africa
    - » R95 million was spent on training 2 934 participants in the YES (Youth Employment Service) programme which trains unemployed youth and provides them with workplace experience, supporting the South African Government driving this initiative
- Other operating expenses increased by 8.9% before the allocation to cost of sales, inclusive of:
  - » Electricity and water increased by 1.9% to R5.2 billion and measured 2.2% (2023: 2.4%) of Group sales. Despite a respite in diesel costs, it should be noted that R754 million (2023: R1.3 billion) was spent on diesel during the period to ensure our Supermarkets RSA stores traded uninterrupted throughout load-shedding. The saving was however offset by a 18.65% increase from the National Energy Regulator of South Africa
  - » Advertising costs increased by 10.5% to R4.1 billion on the back of increased activity generated by our Rainmaker Media business, driving sales growth in our operations and Sixty60 on-demand business units
  - » Delivery expenses increased by 49.4% on the back of a 58.1% increase in on-demand Sixty60 sales growth, repairs and maintenance by 12.1%, and the cost of security services by 13.4%

Chief Financial Officer's review continued

Trading profit

Group trading profit increased by 12.4% to R13.4 billion and, as a result, the Group's trading margin measured 5.6% (restated 2023: 5.5%).

Supermarkets RSA's trading profit increased by 11.0% to measure R12.0 billion (2023: R10.8 billion) resulting in the segment reporting a 6.2% trading margin, in line with the prior year. Supermarkets Non-RSA reported a R631 million trading profit (2023: R594 million), of which R138 million (2023: R192 million) relates to interest revenue included in trading profit. 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 trading profit increased by 82.2% to R195 million due to the combination of an improved gross margin and increases in finance and other income. Based on the external assessment of expected credit losses, the furniture division's debtors book provision measured 40.3% (2023: 40.3%).

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

	Change %	2024 Rm	Trading margin 2024 %	Restated* 2023 Rm	Restated* trading margin 2023 %
Supermarkets RSA	11.0	**12 036**	**6.2**	10 841	6.2
Supermarkets Non-RSA	6.2	**631**	**3.0**	594	3.0
Furniture*	82.2	**195**	**2.7**	107	1.5
Other operating segments	18.5	**506**	**2.9**	427	2.9
Total continuing operating segments	11.7	**13 368**	**5.6**	11 969	5.6
Hyperinflation effect	–	**31**	**–**	(50)	–
Consolidated continuing operations	12.4	**13 399**	**5.6**	11 919	5.5

* *Restated for the adoption of IFRS 17: Insurance Contracts.*

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 Angola kwanza and the Nigeria naira have weakened 60.1% and 122.7% respectively against the rand during the financial year, which 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 % 2023–2024	2024	2023	2022	2021
US dollar	(1.6)	**18.437**	18.744	16.372	14.486
Euro	(3.3)	**19.716**	20.383	17.126	17.156
Zambia kwacha	(33.1)	**0.717**	1.071	0.972	0.638
Angola kwanza	(4.5)	**0.021**	0.022	0.038	0.022
Mozambique metical	(1.0)	**0.288**	0.291	0.254	0.223
Nigeria naira	(52.0)	**0.012**	0.025	0.039	0.035

Net finance costs

Net finance costs increased by 17.5% to R3.8 billion (restated 2023: R3.2 billion).

This was as a result of the increase in the Group's lease liabilities of 13.8% and the higher interest rates at which new leases are entered or renewed, as evidenced by the prevailing repo rate of 8.25%.

	Change %	2024 Rm	Restated* 2023 Rm
Interest received from bank balances	16.8	**529**	453
Finance charges: lease liabilities	17.3	**(3 602)**	(3 070)
Finance charges: borrowings and other finance charges*	17.7	**(704)**	(598)
Net finance costs	17.5	**(3 777)**	(3 215)

* *Restated for the adoption of IFRS 17: Insurance Contracts.*

Equity accounted investments

Our share of post-acquisition profits from equity accounted investments is R268 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. As at year end, the Group also owned a 50.0% interest in Pingo Delivery (Pty) Ltd, the last-mile delivery service for the Sixty60 on-demand business unit.

During May 2024, the Group invested R112 million to acquire a 20.0% shareholding in a new associate, the W23 Global Fund LP. The Fund was set up to invest in innovative start-ups and scale-ups within the retail industry.

	Change %	2024 Rm	2023 Rm
Associate share of post-acquisition profits	2.4	**213**	208
Joint venture share of post-acquisition profits	27.9	**55**	43
Post-acquisition profits from equity accounted investments	6.8	**268**	251

Income tax expense

The Group's effective income tax rate improved by 60 basis points to measure 30.2% (2023: 30.8%).

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.

Chief Financial Officer's review continued

Statement of financial position

Non-current assets

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

The Group's total capital spend amounted to R7.8 billion (2023: R6.8 billion) and represented 3.2% (2023: 3.1%) of Group sales. The majority of the capital expenditure relates to expanding and upgrading our core Supermarkets RSA store portfolio as well as our continued investment in our supply chain capabilities. Additional to the store expansion, the Group continues to accelerate its digital capabilities and invested R494 million during the year.

During the period under review the Group successfully completed the extension of our DC in the KwaZulu-Natal region and took beneficial occupation of a new DC site in the Gauteng region, over 90 000 m² in size. Our plans to strengthen the support and expansion of our Eastern Cape region include the establishment of a new DC scheduled for completion at the end of October 2024. These aforementioned DC expansions were funded together with the Group's strategic partners Retail Logistics Fund (RF) (Pty) Ltd and Equites Property Fund Limited.

The table below details the R7.8 billion capital spend during the year:

Growth capex (74%)	2024 Rm	2023 Rm
New stores and upgrades	**3 999**	2 940
Information technology	**1 594**	1 534
Supply chain	**157**	132
Trademarks	**–**	20
	5 750	4 626

Maintaining capex (26%)	2024 Rm	2023 Rm
Store refurbs	**1 691**	1 814
Information technology	**269**	225
Supply chain	**52**	90
	2 012	2 129

The right-of-use asset class increased by R3.7 billion to R30.5 billion and lease liabilities by R4.9 billion to R40.5 billion. This is a result of 1 547 new leases, 957 lease renewals and 7 300 lease modifications.

The Group reviews trading stores and considers the need for impairment of assets. For the 12 months reported, impairments to the value of R250 million were accounted for, mainly in the Supermarkets RSA segment owing to a limited number of stores performing below budget in a challenging trading environment. Of this, R36 million related to PPE, R58 million to right-of-use assets, R33 million to intangibles as well as a R123 million impairment to investment properties acquired from Resilient Africa (Pty) Ltd in Nigeria, impacted during our second half by a 57.3% currency devaluation in the Nigeria naira against the South Africa rand. Impairments form part of items of a capital nature and, net of income tax, impacts EPS but not HEPS.

Intangible assets consist mainly of goodwill paid-for acquisitions, trademarks 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.

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 Group however managed to reduce its exposure to Angolan bonds by R172 million and repatriated R1.1 billion. The AOA, USD Index Linked and Angola Government Bonds form part of the hedging strategy against future possible devaluation.

	Change %	2024 Rm	2023 Rm
AOA, USD Index Linked Angola Government Bonds	(19.2)	**515**	637
AOA, Angola Government Bonds	(14.8)	**288**	338
Angola Treasury Bills	(59.3)	**66**	162
Nigeria Treasury Bills		**17**	–
Total government bonds and bills	(22.1)	**886**	1 137

Current assets

Inventories

Inventories increased by 13.1% to R28.4 billion (2023: R25.1 billion). As a percentage of sales, inventory levels of 11.8% were marginally above the prior period (2023: 11.7%).

	Change %	2024 Rm	2023 Rm
Supermarkets RSA	13.4	**22 996**	20 272
Supermarkets Non-RSA	7.9	**2 421**	2 243
Furniture	6.3	**1 861**	1 751
Other operating segments	31.2	**1 081**	824
Total inventories	13.1	**28 359**	25 090

Excluding the impact of the expansion in the DC network, inventory as a percentage of the last 12 months' sales in the Supermarket RSA segment improved to 7.7%, which is testament to the efficiencies driven within supply chain to reduce stockholding in the retail stores and increasing the stock turn.

Stockholding within in the other segments has remained in line with the prior year with no material movements.

The Group accepts its responsibility to support local supplier and enterprise development in the regions. Shoprite Next Capital provides SMMEs with access to market and assists them with preferential trading terms throughout their journey to becoming established businesses within retailers. During the 2024 financial year, Shoprite Next Capital supported 64 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 2024 financial year, CredX assisted 110 suppliers with R10.0 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. Furthermore, the Group has entered into various instalment sale agreements for household furniture. 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: Financial Instruments, the provision against the instalment sale receivable debtor book for household furniture measured 40.3% (2023: 40.3%).

Chief Financial Officer's review continued

Cash and cash equivalents and bank overdrafts

Net cash (including restricted cash and after deducting bank overdrafts) amounted to R8.8 billion. The 34.1% increase in the cash balance is as a result of the Group's cash generating capabilities, supported by year-end cut-off relating to trade payables, which led to a R4.3 billion benefit.

Restricted cash reduced by R647 million to R3 million with management being able to repatriate R165 million from Nigeria.

	Change %	2024 Rm	2023 Rm
Cash and cash equivalents	(6.5)	**11 732**	12 548
Restricted cash	(99.5)	**3**	650
Bank overdrafts	(56.2)	**(2 895)**	(6 604)
Net cash	34.1	**8 840**	6 594

Non-current liabilities

Borrowings and lease liabilities

Total borrowings decreased by R375 million to R6.0 billion (2023: R6.4 billion). The borrowings-to-equity ratio decreased from 24.2% to 21.6%, with the Group further reducing its reliance on US dollar-denominated debt of R104 million. The Group's lease liabilities increased by R4.9 billion owing to new leases and renewals.

	Change %	2024 Rm	2023 Rm
Borrowings	(5.9)	**5 993**	6 368
Lease liabilities	13.8	**40 477**	35 582
Total debt	10.8	**46 470**	41 950
Borrowings consist of:			
ZAR-denominated funding	0.8	**5 599**	5 554
USD-denominated funding	(80.7)	**104**	540
Other local currency funding	5.8	**290**	274
Total borrowings	(5.9)	**5 993**	6 368

	Change %	2024 Rm	2023 Rm
Lease liabilities consist of:			
Long term	13.0	**36 702**	32 482
Short term	21.8	**3 775**	3 100
Total lease liability	13.8	**40 477**	35 582

Current liabilities

Provisions

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

	Change %	2024 Rm	2023 Rm
Post-employment medical benefits	(12.5)	**14**	16
Long-term employee benefits	6.3	**436**	410
Cash-settled share-based payments		**31**	–
Reinstatement provision	2.5	**203**	198
Total provisions	9.6	**684**	624

Looking ahead

The South African consumer has faced numerous considerable headwinds over the past few years including notable increases in living costs as a result of compounding escalations in the cost of transport, food and utilities. As a business providing citizens with basic everyday needs, we have prioritised sheltering our customers to reduce the impact of food price inflation as much as possible. Looking ahead we anticipate much needed relief for consumers as wage growth aligns more with inflation and interest rates decline in line with forecasts. With this, the South African election and the dark hours of crippling electricity load-shedding behind us the outlook for consumer and business confidence, in our view, is considerably better than it has been for many years.

As a business our medium-term plan remains relatively unchanged, focused on the South African market which as a result of our experience, scale, platform, store base and data, we believe provides us with considerable runway for future growth. In terms of noteworthy expenditure in the year ahead our Group capital expenditure is expected to be R8.0 billion.

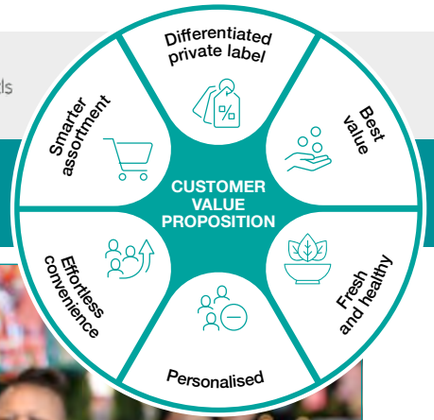
Looking ahead, our plan will result in Shoprite's continued focus on our day-to-day execution of lowest prices for customers. Strategically we are on track with the build out of our supply chain and digital plans while improving our store base across all formats remaining, at all times, unwavering in our customer led purpose.

Anton de Bruyn
Chief Financial Officer

Operational performance

Supermarkets RSA: Checkers | Checkers Hyper | Checkers Foods

Sales	Sales growth	Checkers Xtra Savings Members
R77.9bn	12.3%	12 million



Checkers

Checkers is the Group's mid-to-upper market segment supermarket business.

Checkers meets the needs of customers who require value, but to varying degrees seek other appreciable attributes including quality, affordability, fresh range, promotions, availability, healthy options and convenience.

In addition, its market-leading and award-winning Checkers Sixty60 on-demand grocery delivery app positions Checkers as South Africa's leading omnichannel grocery retailer. Orders are picked and dispatched from 539 locations (FY 2023: 466). As a brand, Checkers strives to make its customers' lives better.

The Checkers FreshX store upgrade programme has driven considerable sales growth and market share gains for the business over the past five years and to date we have 35.8% of the Checkers store base in this format. This store format showcases fresh produce, premium foods, quality deli and prepared meals, meat markets, fish shop, in-store bakery, cheese and wine specialists as well as innovative in-store concession partners, many of them local entrepreneurs.

Checkers prides itself on customer centricity and works tirelessly to democratise premium retail with the goal of bringing quality at affordable prices to its base of 12 million Checkers Xtra Savings rewards programme members. Its private label strategy encompasses Checkers private label and a confined label approach that extends to single categories as well as private labels that range across categories, for example, Forage and Feast, a curated premium range that extends across prepared meals, fresh and frozen, dry grocery and general merchandise as well as Simple Truth, Checkers' private label range, developed for customers seeking a healthier and environmentally friendly option.

Checkers increased its sales by 12.3% in 2024 with Checkers Sixty60 increasing sales by 58.1% from a considerable sales base built up since its inception in 2020. The business opened 26 stores to end the year with 321 Checkers supermarkets, inclusive of our larger-format Checkers Hyper stores, operating from 38 locations, as well as our nine smaller-format Checkers Foods stores, located conveniently in our customers' neighbourhoods.

Checkers is a one-stop shop in terms of ancillary services – customers can conveniently access financial and cellular services.

Future focus: Looking ahead to 2025, Checkers will continue to raise the bar in terms of its FreshX store upgrade programme and new store development, evidenced by 39 new Checkers and Checkers Hyper stores in the pipeline. Customer service is a key focus area with continuous improvement part of the Checkers culture. The business will remain focused on private label and confined label development, managing best-in-class promotions and maintaining in-stock levels and unbeatable operational execution to meet the needs of customers shopping with us in-store and online via Checkers Sixty60.

In essence Checkers will remain focused on making the everyday effortless for our customers by offering better value and better choice.

Number of stores	Sixty60 app downloads
321	1 371 292

Average store size – Checkers	Average store size – Checkers Foods
1 500m² – 4 500m²	850m² – 1 500m²

Operational performance

Supermarkets RSA: Checkers Checkers Hyper Checkers Foods continued

Checkers Hyper

Checkers Hyper serves a cross-section of customers with large-format stores offering a much wider range of products than a standard Checkers supermarket.

Typically positioned in high density urban areas, Checkers Hyper's range amplifies value for customers, often with bigger pack sizes and more comprehensive ranges in bulk groceries and general merchandise such as small appliances, homewares, leaders in toys, stationery, pet and baby. In recent years the Checkers Hyper store format has been upgraded to our FreshX format and in addition redesigned with respect to ranging and in-store convenience areas in order to meet customer needs.

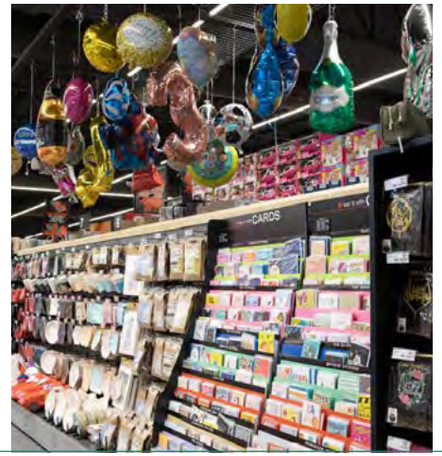
Examples of customer-centric additions include the introduction of the tech bar (cellular, audio visual, tech and gaming products and accessories); the party shop (one-stop shop for parties, gifting and celebrations) with a highly frequented helium balloon kiosk as well as pet, baby and outdoor designated in-store zones.

The personal care department aptly reflects the category in terms of its layout, range, and merchandise and is often accompanied by the Group's in-store Medirite pharmacy and clinic.

During the festive season in particular, the toy department is a must visit destination for children with a wide range to suit all dreams and budgets. Similarly, during back-to-school, Checkers Hyper's range, availability and unbeatable value makes it a destination of choice for stationery supplies. As is the case with our Checkers brand, Checkers Hyper strives to improve daily lives, bringing customers unbeatable value in order to live every day better. Checkers Hyper is accomplished at managing high-volume promotions and is a go-to destination for value, quality and range.

Number of stores
38

Average store size
7 500m² – 9 500m²



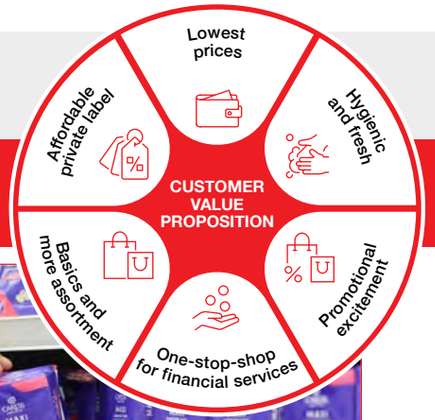
Operational performance

Supermarkets RSA: SHOPRITE U$ave

Sales combined
R99.6bn

Sales growth combined
10.7%

Shoprite Xtra Savings rewards members
19 million



Shoprite

Shoprite is the Group's founding supermarket business and flagship supermarket brand, serving customers in the price-sensitive, mass, mid-to-lower-income market.

As Africa's low-price grocery leader, Shoprite offers the lowest prices on trusted grocery brands without compromising on range, availability, product quality and customer service. Of the Group's four supermarket banners, Shoprite has the largest number of stores and employees. It provides a full-service, one-stop-shop, offering a range of national brands, its affordable Shoprite housebrand, Ritebrand as well as an extensive range of Shoprite confined labels. Its core offer includes a wide range of fresh produce, perishables and deli counter prepared meals. Shoprite supermarkets also offer a variety of in-house departments, such as in-store bakeries and meat markets, and in all instances the focus is on affordability.

The Shoprite brand is known for its "1 000 items under R10", which epitomises its solution-driven approach for customers who are limited in their spending capacity. The brand focuses on meeting daily needs and within this it is constantly developing its R5 affordable meal solutions which began with its R5 (600g) loaf of bread, a price unchanged since its introduction in 2016.

In a highly competitive market, our Shoprite supermarket business, with its base of 19 million Xtra Savings rewards customers, was able to increase sales in 2024 by 10.3% to R88.6 billion.

In addition, the Group's in-store Money Market counters allow customers to transact in store i.e. pay for utilities and other bills, buy airtime, data and insurance as well as gain access to affordable banking, including bank deposits or withdrawals, money transfers and the ability to receive government grant and pension payouts.

Sales growth
10.3%

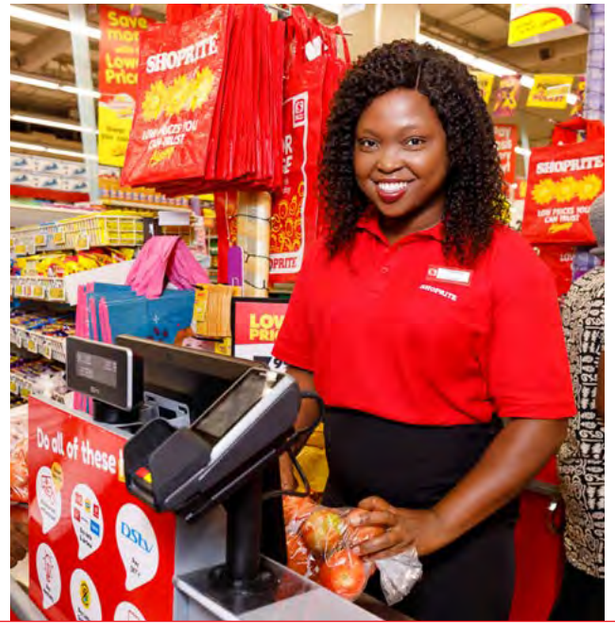
Number of stores
638

Average store size Shoprite
2 000m² – 4 500m²

Average store size Shoprite Mini
1 250m² – 1 800m²

Shoprite ended the period with a base of 638 stores, increasing by a net 20 new stores over the year.

With affordability top of mind, Shoprite's focus in the year ahead will primarily deliver on its low-price promise to customers through best pricing, effective promotions, managing stock availability as well as continued private and confined label innovation and development. In addition, focus on managing shrinkage, waste and productivity will continue to form part of our day-to-day retail operations management. In the year ahead Shoprite plans to open 34 stores.



Operational performance

Supermarkets RSA: SHOPRITE Usave continued

Usave

Usave is the Group's limited assortment, small store supermarket format located in underserved, less affluent communities.

Small on price, big on convenience, the Usave operating model is highly refined and invests in price to shield the Group's most price-sensitive customers. Its proximity-to-home advantage gives customers best priced grocery basics without the cost of transport typically incurred when frequenting larger-format supermarkets.

Usave offers selected key national brands together with its unrivalled value house brand, Ubrand. With fresh produce, chilled and frozen ranges as well as a very limited range of essential household items, toys and stationery, Usave meets daily needs while saving customers money and time.

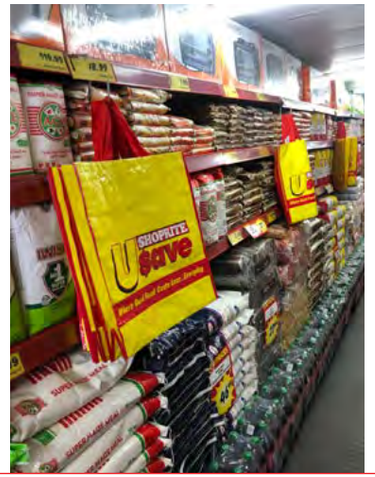
Usave also offers our Money Market services bringing customers the convenience of purchasing airtime and data, receiving social grant payments and pensions, doing money transfer as well as bill payments.

In an effort to bring retail to customers in more remote areas, Usave developed the eKasi Usave container store format.

Usave, South Africa's thriftiest no-frills supermarket increased sales by 13.2% this year. It has a long-term store target of a thousand stores within five years and ended this financial year with 463 stores, of which 44 were eKasi container store formats.

Looking ahead to 2025, Usave will drive customer value through increased development and contribution from its private label Ubrand as well as best pricing and promotions on national brands. The business is focused on streamlining its operating model and managing costs in order to deliver value, remain solution driven and increase sales. The chain plans to add 36 stores in the 2025 year.

Sales growth	Number of stores	Average store size
13.2%	463	450m² – 750m²



Operational performance

Supermarkets RSA: LiquorShop | LiquorShop | Little me | Outdoor | Petshop | UNIQ

Shoprite LiquorShop and Checkers LiquorShop

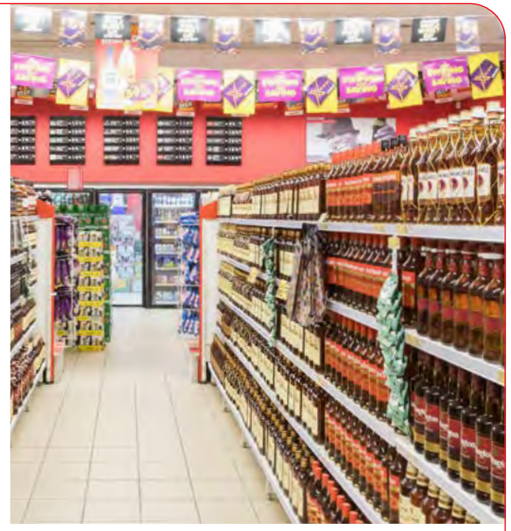
The Group's South African LiquorShop stores cater to our Shoprite, Usave and Checkers customers respectively, operating as either Shoprite LiquorShop or Checkers LiquorShop. Usually trading adjacent or near to our supermarket operations, LiquorShop offers local and international alcoholic and non-alcoholic beverages, as well as barware at supermarket prices.

During the year, our LiquorShop business increased sales by 20.0% while continuing to aggressively expand the brand with the opening of more than one store each week, opening 71 stores to end the year with 753 stores across South Africa.

Total number of SKUs
2 000

Number of stores (RSA)
753

Average store size of
150m² – 300m²



Other adjacencies

Our ecosystem strategy is designed to increase our overall share-of-wallet by growing our existing business and leveraging opportunities adjacent to our core business. With this in mind, we have developed several new store concepts that sit within Checkers' operational structure and leverage the Group's logistics and Home Office functionalities, for example, properties, IT, human resources and finance.

Little Me

Leveraging our experience with the baby category within Checkers Hyper, Checkers Little Me, operating from 12 stores, is a destination specialist baby store ranging top baby brands and products including baby formulas, toiletries, nappies, equipment (prams, car seats, cots) as well as a limited range of maternity wear (www.checkers.co.za/littleme).

Petshop Science

In order to meet the needs of our customers who purchase premium pet food, Checkers opened Petshop Science, a specialist pet store offering a wide range of top pet brands at supermarket prices. Checkers is the first South African supermarket to launch a dedicated pet shop that sells a comprehensive range of specialist pet products (predominately premium pet food) at supermarket prices. By year end, there were 86 Petshop Science stores.

Checkers Outdoor

With a focus on a recreational lifestyle, Checkers Outdoor launched in April 2022 as a stand-alone specialist store that offers premium and affordable camping and braai accessories as well as high-tech gadgets for nature enthusiasts, all conveniently located under one roof. After opening 14 stores this year we trade in 22 locations.

UNIQ clothing by Checkers

Addressing what we identified as a gap in the market for quality basics at affordable prices, UNIQ clothing by Checkers focuses on simplicity, superior fabrics and great value.

Catering for the entire family, UNIQ clothing by Checkers opened its first store in March 2023 at Canal Walk shopping centre in Cape Town. Today the chain trades from 22 stores.

In keeping with the Group's commitment to convenience through innovation, UNIQ clothing by Checkers is 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.

Operational performance

Supermarkets RSA: SHOPRITE Financial Services | MoneyMarket | MoneyMarket account | SHOPRITE send | COMPUTICKET | Entry Ninja

Financial and cellular services

A considerable number of our Group's customers manage their day-to-day life with extremely limited resources and as a result face hardship on several fronts. With this in mind, our Shoprite Financial Services business prioritises financial inclusion by reducing complexity and focusing on the provision and ongoing development of affordable and accessible financial products and services.

Shoprite Financial Services

Our financial services are available in-store at our serviced Money Market counters, with many also available via our digital Money Market Account on any mobile device. Customers can perform a range of necessary services including money transfers (domestic, cross-border and international), cash withdrawals and deposits, the purchase of pre-paid electricity, lotto tickets, grocery vouchers and gift cards, savings stamps, airtime, mobile data, phones, SIMS and insurance. In addition, customers can conveniently pay bills and accounts with hundreds of registered businesses including basic utilities such as electricity and municipal accounts, along with other services such as DStv subscriptions and more.

Customers can also withdraw their South African government pensions and support grant payouts (SASSA) in-store in cash, and those with a Shoprite Money Market Account, can elect to have them (or their salary or wages) paid directly into their bank account and from there withdraw cash, or transact within our Shoprite ecosystem.

Computicket

The Computicket offering is available at every Money Market in-store as well as online at Computicket.com. This service enables customers to purchase event, flight and bus tickets online or in-store, as well as list their own events through the self-service box office platform.

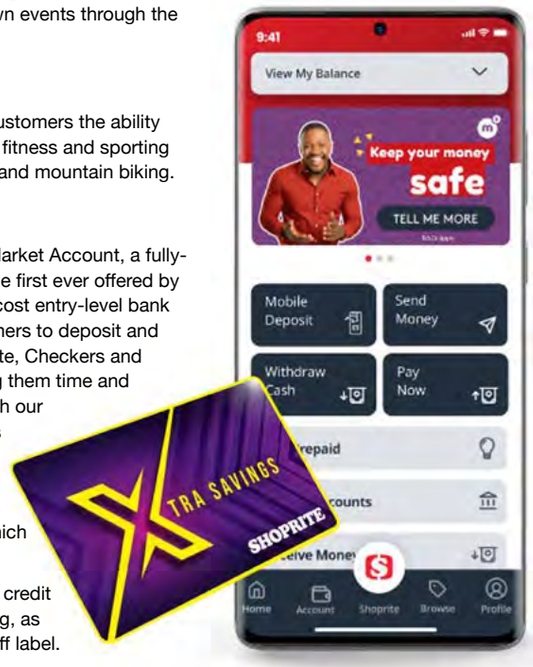
Entry Ninja

The online Entry Ninja platform offers customers the ability to purchase tickets for various outdoor, fitness and sporting events such as running, cycling, hiking and mountain biking.

Money Market Account

Shoprite recently launched its Money Market Account, a fully-fledged transactional bank account – the first ever offered by a South African retailer and the lowest cost entry-level bank account on the market. It allows customers to deposit and withdraw cash at any till point in Shoprite, Checkers and Usave supermarkets nationwide, saving them time and high fees by avoiding ATM charges. With our bank account there are no monthly fees and the only transaction fee is a R5 cash withdrawal fee. The account is PIN-protected, and customers can also transact with their Xtra Savings card which doubles up as a payment card.

CredX, the credit division, manages the credit offering to suppliers via invoice financing, as well as to customers under the Pay It Off label.



Due to the nature of the transactions and services offered, a number of our products and services are offered via partnerships with third parties such as Standard Bank, OUTsurance, African Bank/Grindrod Bank, Aramex and others.

Operational performance

Supermarkets Non-RSA: SHOPRITE, Checkers, Usave, LiquorShop

Furniture: House & Home, OK Furniture

The Group operates in nine African countries outside of South Africa, predominantly with our Shoprite, Usave and LiquorShop formats.

Supermarkets Non-RSA

As a result of operating complexity, currency devaluations and prolonged affordability headwinds for our customers due mostly to years of rampant inflation, we have consolidated our operating footprint on the continent to regions where mostly, we have operational efficiencies and scale.

Our Non-RSA trading segment increased sales in constant currency this year by 22.1%, a reflection of superb operational execution and disciplines despite challenging circumstances.

As a segment, the division focuses particularly on supporting customers with considerable affordability challenges, offering customers in-stock availability and range not available across the market. In addition, the business works continuously to develop local producers which is positive for these regions and ultimately increases our in-country sourcing capabilities.

- Shoprite: 153
- Usave: 47
- Checkers: 10
- LiquorShop: 56

Sales growth in constant currency	Sales growth in rand
22.1%	6.1%

The Group serves the furniture and appliance market with two brands, OK Furniture and House & Home. Both brands trade in South Africa and Non-RSA.

This segment has faced a number of headwinds over recent years – a subdued economic environment with sustained high interest rates; a customer target market which is particularly pressured from a cost of living standpoint and load-shedding which negatively impacted the need for appliances. Notwithstanding these factors, sales in our Furniture segment measured R7.2 billion in 2024, increasing by 2.3%. Credit sales participation remained in line with the prior year at 14.9%.

House & Home

House & Home meets the needs of the mid-to-upper customer segment selling furniture (lounge, dining, bedroom), electrical appliances (small and large household appliances, TVs) and more. Sales are predominantly in cash although credit is available.

Number of RSA stores	Number of Non-RSA stores
40	4
(2023: 40)	(2023: 4)

OK Furniture

OK Furniture, including Power Express, provides quality furniture, electrical appliances and more to serve customers in the middle-income market. The OK Furniture brand is extremely price focused and meets the needs of customers requiring affordable homewares.

Number of RSA stores	Number of Non-RSA stores
301	85
(2023: 305)	(2023: 85)

Operational performance

Other operating segments: Medirite+ Pharmacy | Transpharm | OK Franchise | COMPUTICKET

Medirite

Medirite pharmacy counters are located inside our supermarkets, typically adjacent to our personal care and baby categories. They are well positioned to conveniently meet the growing need for easily accessible and affordable healthcare for customers across all income levels.

Between the pharmacy service, the front shop health products and other general lifestyle options, Medirite encourages customers to be more health conscious and offers its own range of affordable vitamins and medicines.

The expansion of our stand-alone store format is an exciting development for the Group. Our store rollout programme has positioned new stores across South Africa with a focus on beauty (cosmetics, skincare), baby, healthy foods and healthcare supplements. Our most recent store incorporated a Little Me store.

Looking ahead our focus areas for 2025 include continuous improvement in customer service, ongoing private label medicines development and the opening of a further five stand-alone Medirite stores, either as a result of acquiring new licenses or converting in-store pharmacies.

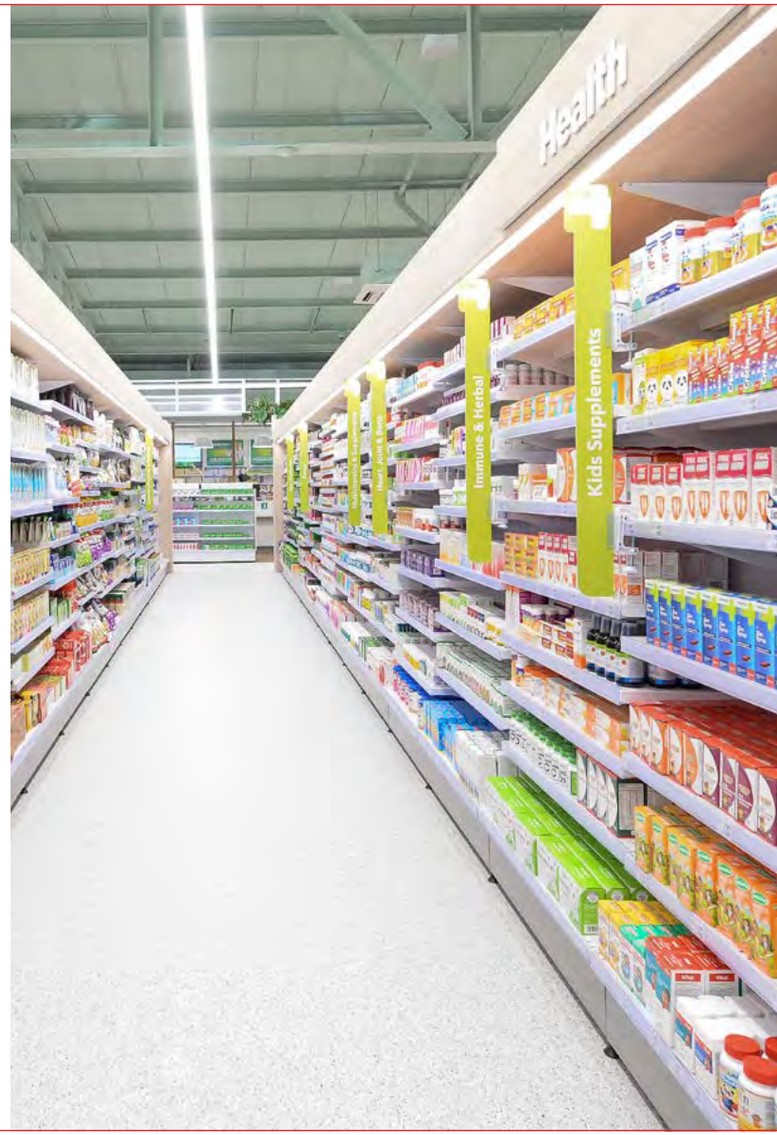
Number of Medirite in-store pharmacies 2024	Number of stand-alone Medirite Plus retail drug stores 2024
126	13
(2023: 134)	(2023: 6)

Transpharm

Transpharm is the Group's wholesale pharmaceutical distributor distributing pharmaceutical products and surgical equipment to the Group's Medirite retail pharmacy base and 328 private hospitals, including Mediclinic, Life Healthcare and Netcare.

Transpharm's recent development of its own e-commerce platform has increased efficiencies and operational execution as its customer base, now fully migrated onto the new platform, have the benefits of a seamless order and payment facility.

In terms of distribution infrastructure development, having outgrown its current Tshwane based DC, Transpharm will expand towards the end of 2025 into a new fully automated DC adjacent to the Group's Centurion DC campus to facilitate larger order processing.



Operational performance

Other operating segments: Medirite+ Pharmacy | Transpharm | OK Franchise | COMPUTICKET

OK Franchise

The Group is an ardent supporter of independent retailers and prides itself on offering a sustainable food retail franchise operating model that leverages the Group's scale to the benefit of individuals who prefer to be self-employed in food retail, serving and growing employment in communities which for many are their own.

Total number of stores	Number of South African based stores	Number of Non-RSA based stores	Number of President Hyper large format stores
608	529	79	3
(2023: 535)	(2023: 456)	(2023: 79)	(2023: 3)

The OK Franchise supermarket brand is a recognised community-based format catering for all needs including OK Foods, OK Express, OK Grocer, OK Urban, OK MiniMark, OK Liquor and OK Express (fuel forecourt stores) and OK Megasave (quasi wholesale offering larger quantities). This year we road-tested our new, more contemporary convenience OK Urban format to serve as a blueprint to increase this footprint over time.

Our support services continue to work closely with our franchised stores to ensure they source as competitively as possible, range an appropriate mix of national brands and private labels, deliver a leading range of fresh produce on a consistent basis while offering customers appropriate value-added services. This year private label sales growth increased by 37.7% and sales from the Group to our franchised stores increased by 23.8%.

The OK Franchise business is gaining considerable traction, evidenced by the addition of a net 73 new stores this year. In the year ahead we expect to strengthen our existing base of franchisees and add to our considerable store base with the opening of a further 48 stores. Furthermore, we anticipate our franchised stores will continue to benefit across a number of areas – our franchise training academy, insights from the Group's data and analytics capabilities and increased integration into the Group's ecosystems and platforms.

> "Our vision is to be the preferred Franchisor in the Supermarket and Convenience industry in Southern Africa, providing a sustainable business model to dedicated entrepreneurial investors."

Computicket

Computicket is the Group's ticketing business servicing all supermarket and corporate customers' event, travel ticketing and related solutions. Its services are available in most supermarkets and furniture stores, online and via the call centre.

Computicket Box Office continues to be an easy-to-use and affordable self-service platform for event organisers, seeing exceptional double-digit growth in customer adoption over the past year. Closely aligned to customer needs, the business is continuously adding and enhancing features and services that even further democratise access to self-service ticketing. Over the past year, it has enhanced its feature set to include marketing assistance, allowing small organisers to effectively promote their events. Additionally, it has introduced unparalleled, bespoke pricing capabilities, enabling organisers to structure their event, thereby ensuring ticket sales revenues are maximised.

This year, it has successfully sold tickets to over 4 400 events, ranging from small gatherings to large-scale productions, catering to all walks of life. The Computicket technology continues to provide opportunities for the local entertainment industry, particularly in the less formal sectors, fostering a thriving environment for diverse events.

Future focus

The future focus will be on continuing to enhance and expand the capabilities of the Box Office and self-service platforms.

The goal is to grow the product offerings to customers, enriching the entertainment experience and providing more variety and choice within the travel portfolio. This includes merging products into unique and meaningful customer experiences, ensuring that customers can solve all their entertainment and travel needs in one place.

Governance

Introduces the Group's Board, governance structure and philosophy, and reviews our remuneration policy and practice.

Our Board	65
Value-enhancing governance	66
Remuneration review	70

The Shoprite Group has recently partnered with four leading global retailers to establish a pioneering collaborative innovation fund, W23 Global.

The fund plans to invest US$125 million over five years in the world's most innovative start-ups and scale-ups with the potential to transform grocery retail and address the sector's sustainability challenges. Each retailer is an equal funder and partner in W23 Global, with each company's CEO sitting on the investment committee. By participating in this initiative, the Shoprite Group aims to find the most affordable and environmentally responsible solutions that will help our customers sustain their livelihoods.

Our Board

Independent Non-executive Directors

Wendy Lucas-Bull [71]
Chairman

BSc
Appointed 1 October 2020
Tenure 4 years

Nonkululeko Gobodo [64]
Lead Independent Director

CA(SA), BCompt (Hons)
Appointed 11 May 2021
Tenure 3 years
Directorships PPC Ltd, Lesaka Technologies Inc

Peter Cooper [68]

CA(SA), BCom (Hons), HDip Tax Law
Appointed 11 August 2021
Tenure 3 years
Directorships Momentum Group Ltd

Linda de Beer [55]

CA(SA), MCom (Tax), CD(SA)
Appointed 11 May 2021
Tenure 3 years
Directorships Aspen Pharmacare Holdings Ltd, Momentum Group Ltd

Graham Dempster [69]

CA(SA), BCom, Advanced Management Programme (Harvard)
Appointed 15 November 2021
Tenure 3 years
Directorships Sun International Ltd

Dawn Marole [64]

BCom (Acc), MBA, DTE
Appointed 4 March 2022
Tenure 2 years
Directorships Resilient REIT Ltd, Sun International Ltd

Sipho Maseko [56]

BA (LLB)
Appointed 27 June 2023
Tenure 1 year
Directorships KAP Ltd

Hlengani Mathebula [57]

BA, BTh (Hons), Master of Management, Entrepreneurship and New Venture Creation, PhD
Appointed 27 June 2023
Tenure 1 year
Directorships Health Professions Council of SA, Chairman of the Media Development and Diversity Agency, Chairman of the Black Business Executive Circle

Paul Norman [58]

MA Psych, MBA
Appointed 4 March 2022
Tenure 2 years
Directorships MTN Ltd

Eileen Wilton [65]

BCom, PGDDB, CD(SA)
Appointed 11 August 2021
Tenure 3 years
Directorships Growthpoint Properties Ltd, Sasfin Holdings Ltd, Sasfin Bank Ltd, Institute of Directors of South Africa

Non-executive Directors

Christo Wiese [83]

BA, LLB, DCom (hc)
Appointed 30 October 1991
Tenure 33 years
Directorships Brait PLC, Invicta Holdings Ltd, Collins Property Group Ltd, Gemfields Group Ltd

Jacob Wiese [43]
Alternate Director

BA, (M International Economics), LLB
Appointed 19 September 2005
Tenure 19 years
Directorships Invicta Holdings Ltd, Fairvest Ltd, Collins Property Group Ltd

Executive Directors

Pieter Engelbrecht [55]
Chief Executive Officer

CA(SA), BCompt (Hons)
Appointed 1 January 2017
Tenure 7 years

Anton de Bruyn [53]
Chief Financial Officer

CA(SA), BCompt (Hons)
Appointed 2 July 2018
Tenure 6 years

Five Board committees
- Audit and Risk Committee
- Social and Ethics Committee
- Remuneration Committee
- Nomination Committee
- Finance and Investment Committee
- C Chair of the committee

For a full Curriculum Vitae of each Director please visit our website at www.shopriteholdings.co.za

OUR BOARD continued

Board diversity profile

Shoprite recognises the benefits of promoting broader diversity at Board level, including diversity of gender, race, culture, age, field of knowledge, skills and experience. These attributes are considered in determining the optimal composition of the Board as well as succession planning, and when possible, will be balanced appropriately for the Board to be effective as a whole. To promote gender diversity, the Board established a target of 40% female representation, and for racial diversity, a target of 40% black representation on the Board.

Skills relevant for the Shoprite Board:

Financial Literacy
Advanced experience in financial accounting and reporting, internal financial and risk controls, including the ability to critically assess the adequacy of financial and risk controls.

Investment Banking
Experience in corporate finance and/or restructuring, corporate transactions and mergers and acquisitions.

Business Leadership
Experience in senior leadership experience in a large, complex organisation or publicly listed company or serving on boards of publicly listed or large companies.

Retail
Retail industry experience at executive level, including experience in or exposure to digital commerce, supply chains and distribution operations in large, complex organisations.

Governance
Knowledge of governance practices and trends, as well as codes of governance. Experience in the implementation and practise of high standards of governance in a publicly listed or large organisation.

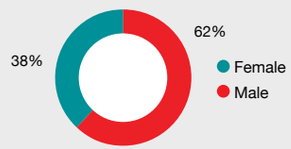
Sustainability and Environment
A developing or working knowledge of climate change, biodiversity loss and/or insight into responsible sourcing strategies to reduce organisational environmental impact.

Remuneration and People Management
Skilled in the development and implementation of remuneration policy with linkage to performance and value creation, and experience in talent management and executive succession planning.

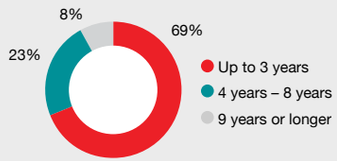
Strategic Thinking
Ability to develop and oversee implementation of successful strategies to achieve sustainable value creation and to critically assess and challenge performance against agreed strategic planning objectives. Clear ability to identify and critically assess strategic opportunities and threats across the value chain.

Technology and Digital Innovation
Experience in the adoption and implementation of digital technologies, including identification of opportunities to leverage digital technology for business advantage. Understanding the use of data and analytics to enhance performance.

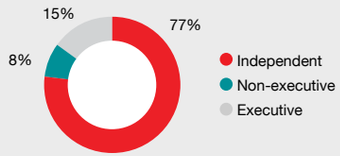
Gender diversity
Target: 40% Female



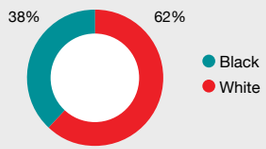
Board tenure



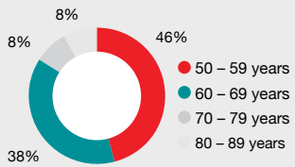
Board independence



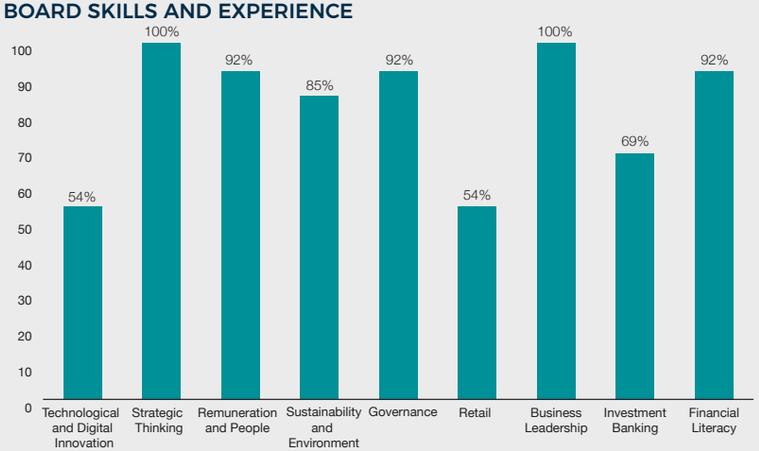
Racial diversity
Target: 40% Black



Age diversity profile



BOARD SKILLS AND EXPERIENCE



Value-enhancing governance

Our governance philosophy

Shoprite views good governance as an important business enabler and is guided by its commitment to embedding sound governance principles and practices at all levels of the Company to support value creation and the long-term sustainability of our business. Recognising the interdependent relationship between the Group and its stakeholders, we have adopted a stakeholder-inclusive approach that balances the needs, interests and expectations of stakeholders with the Group's interests over time.

The overall role of the Board of Shoprite Holdings is one of strategic leadership to create economic value for all its stakeholders, while retaining the flexibility to innovate and adapt rapidly to changing market conditions. This includes the setting, monitoring and review of strategic targets and objectives, and oversight of 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.

Our governance framework

Our governance framework positions the Board as the custodian of corporate governance and provides it with effective control of the business. The Board sets the tone and leads the Group ethically, providing oversight of the business that is guided by the principles and governance objectives articulated in the King IV and JSE Listings Requirements. A review of our full application of the King IV Principles is presented in a separate report available online:
https://www.shopriteholdings.co.za/docs/shp-king-iv.pdf.

While alignment across our operating platforms and subsidiaries is encouraged, our approach to governance recognises the separate juristic identity of our various legal entities. 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. Our governance framework provides oversight of processes, policies and principles.

Board and committee structure and delegation of authority

The Board is suppageported by five committees to which it delegates certain functions without abdicating any of its own responsibilities. This process of formal delegation involves documented and approved terms of reference, which are reviewed annually, or more often when required. The Board is satisfied that the delegations in place contribute to role clarity and the effective exercise of authority and responsibilities.

The latest approved Board Charter and Committees' terms of reference, containing detailed information regarding their respective responsibilities and mandates, are available online at https://www.shopriteholdings.co.za/governance/board-charters.html.

Governance structure

Board of Shoprite Holdings

- Seeks the long-term sustainability and success of the business, for the mutual benefit of all stakeholders.
- Provides strategic leadership by approving the strategic direction of the Company.
- Includes the approval, monitoring and review of strategic targets and objectives, approval of capital expenditure, acquisitions and disposals, and oversight of governance, internal controls and risk management.

Audit and Risk

- Oversees the integrity of the Group's financial and integrated reporting, the existence of proper internal controls, and risk management processes
- Assesses Shoprite's continuing ability to operate as a going concern, assists the Board with oversight of IT governance and risk and compliance management
- Seeks to ensure the Company has qualified independent external auditors and internal auditors

Social and Ethics

- Assists the Board in monitoring matters relating to public safety, health, the environment and ethical conduct, and to ensure that Shoprite develops and behaves as a responsible corporate citizen
- Oversees the integrity of the Sustainability Report

Remuneration

- Assists the Board in ensuring that Shoprite remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term
- Oversees the integrity of remuneration disclosures

Nomination

- Assists with ensuring the Board's composition and size is appropriate, oversees the performance evaluation of the Board and its committees, as well as the independence assessment, qualification and competence of the Company Secretary
- Develops processes to identify, assess and recommend Board candidates for appointment as Directors, and at the same time considers succession planning for the Board

Finance and Investment

- Oversees individual capital projects and investment and divestment opportunities in line with the Group strategy
- Monitors that project and investment evaluation guidelines and other procedures for capital allocation are consistently and properly applied

Board composition

The Board, assisted by the Nomination Committee, regularly reviews its composition to balance its skills, expertise, independence and diversity attributes to meet the Company's needs to provide effective oversight and well-informed decision-making. The composition of the Board aims to promote the balance of the power and authority and preclude any one Director from dominating decision-making. The Board acts with independence and its members have the appropriate competencies and experience to execute their fiduciary duties.

New Directors are appointed by the Board on recommendation of the Nomination Committee, which conducts credential assessments of each potential candidate. Several factors, including the candidate's qualifications and skills, are considered in appointing new Board members. Their appointments are subject to shareholder approval at the Annual General Meeting following their appointment by the Board. Pursuant to our Memorandum of Incorporation, one-third of Directors are required to retire at each Annual General Meeting and, if eligible and available for re-election, are put forward for re-election by shareholders. The Directors due to retire at the forthcoming Annual General Meeting are Peter Cooper, Graham Dempster, Dawn Marole and Eileen Wilton. They are all eligible and have offered themselves for re-election.

Value-enhancing governance continued

Independence of Directors and conflicts of interest

Shoprite is governed by a unitary Board of Directors, which consists of 13 Directors - of which 10 Non-executive Directors were assessed as being independent in terms of mind, character and judgement for 2024. In determining Director independence, we are guided by King IV, the Companies Act and JSE Listings Requirements, as well as best practice.

Directors are required to declare their interests at least quarterly and disclose any conflicts of interest, as and when they arise, to determine the extent to which the conflict may impact the performance of their duties. Once a conflict has been disclosed, it is managed appropriately by the Board. A Declaration of Interest form is maintained by the Company Secretary and any new interest or potential conflict is declared at each meeting.

Directors' dealings in securities and closed periods

In accordance with statutory and regulatory requirements, Directors and any restricted employees may not deal directly or indirectly in the securities of the Company during specific closed or prohibited periods. All Directors and the Company Secretary require prior approval from the Chairman to deal in the Company's securities.

The Chairman of the Board must obtain written approval from the Lead Independent Director. The directors of major subsidiaries of the Company must obtain written approval from the CEO before dealing in Shoprite securities. The Company Secretary retains a record of all such dealings in securities.

Board and committee effectiveness

An evaluation of the Board and its committees is conducted every two years, with an independent assessment performed every four years by an external service provider. The most recent independent Board and committee assessment was undertaken in June 2022.

For the 2024 year, the evaluation of the performance and effectiveness of the Board and its committees was internally assessed. This evaluation concluded that the diversity of the Board and appropriate balance of skills, experience, knowledge and independence positively contributed to the overall performance and effectiveness of the Board as a whole, and further enhanced the corporate governance standards.

Other aspects of Board effectiveness include a robust induction programme that all new Directors are required to complete to become familiar with the Company, their duties and responsibilities as Directors and receive information required to be effective in their role.

The Board also provides continuing professional training and development for Directors, which covers topics relevant to the operations of the Company, industry and regulatory environment and includes site visits. During the year, the Board focused on the topics of environmental sustainability, key sustainability trends and the Companies Amendment Bill.

Company Secretary

The Company Secretary is responsible for developing, implementing and maintaining effective processes and procedures to support the Board and its committees in the discharge of their duties and responsibilities. The Company Secretary advises the Board and individual Directors on their fiduciary duties and on corporate governance requirements and best practices.

Pieter du Preez retired as Company Secretary and Leeanne Goliath was appointed as Group Company Secretary with effect from 1 January 2024. Leeanne has experience as a Company Secretary and in corporate governance and securities and exchange regulatory requirements applicable in South Africa and other jurisdictions, gained during her tenure working in regulated and listed companies. Leeanne holds BCom and MBA degrees as well as certificates for the Management Advanced Programme and in Advanced Company Law. The Board is of the view that Leeanne has the necessary expertise and experience to act in this role, in accordance with the JSE Listings Requirements.

Board and committee meeting attendance

Directors' attendance at Board and committee meetings during the 2024 financial year was as follows:

	Board	Audit and Risk	Social and Ethics	Remu-nera-tion	Nomination	Finance and Investment
Number of meetings in 2024	**5**	**5**	**3**	**5**	**2**	**4**
Wendy Lucas-Bull	5	5[1]	3[1]	5	2	4
Nonkululeko Gobodo	5	5	3	n/a	2	n/a
Peter Cooper	5	n/a	n/a	5	2	4
Linda de Beer	5	5	n/a	n/a	n/a	4
Anton de Bruyn	5	n/a	3	n/a	n/a	n/a
Graham Dempster	5	5	n/a	n/a	n/a	4
Pieter Engelbrecht	5	n/a	n/a	n/a	n/a	n/a
Dawn Marole	5	n/a	3	n/a	n/a	n/a
Sipho Maseko[2]	5	n/a	n/a	n/a	n/a	3
Hlengani Mathebula[2]	5	n/a	2	n/a	n/a	n/a
Paul Norman	5	n/a	3	5	n/a	n/a
Christo Wiese[3]	3	n/a	n/a	5	2	2
Eileen Wilton	5	5	3	n/a	n/a	n/a

(1) *While not a member, W Lucas-Bull attended all meetings of the Audit and Risk Committee and Social and Ethics Committee by invitation. W Lucas-Bull was subsequently appointed to the Social and Ethics Committee with effect from 23 May 2024*
(2) *On 30 August 2023, S Maseko was appointed to the Finance and Investment Committee and H Mathebula to the Social and Ethics Committee*
(3) *Due to a conflict of interest, C Wiese recused himself from two meetings of the Finance and Investment Committee*

Embedding an ethical culture

The Board is uncompromising in embedding and maintaining an ethical culture in the Group's activities. It has mandated the Audit and Risk Committee and the Social and Ethics Committee to monitor and oversee ethics management and the fight against fraud and corruption. The committees oversee whether relevant policies are embedded and revised where necessary. We have a zero-tolerance approach to corruption and unethical behaviour and will always act in good faith and as a responsible corporate citizen.

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. The code meets the requirements of the King IV Code and is supported by policies intended to embed an ethical culture, address conflicts of interest and protect whistle-blowers. These policies cover anti-bribery, corruption and fraud prevention and detection as well as training modules have been developed to drive employee awareness and compliance.

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

Value-enhancing governance continued

Calls to our whistle-blower line in FY 2024

Our employees are committed to reporting any suspected breaches of our Code of Conduct, recognising their duty in maintaining ethical standards. To support this, we have a well-established process, managed by an experienced investigation team within our Security and Loss Prevention department, which investigates and manages cases anonymously reported to our external provider, Active Service Excellence South Africa (ASESA).

This year, our whistle-blower line received 475 calls, representing a 73.0% increase year-on-year due to greater awareness of the service amongst employees. Most of the calls related to human resource matters, irregularities regarding Company policies, identification of persons of interest in robberies, and theft. Of these, 19.0% of the calls were found to have merit, prompting action from our Security and Loss Prevention department to address breaches of our Code of Conduct or to report cases to the South African Police Service, while 19.0% of calls are still under investigation. The introduction of a Group-wide Supplier Code of Conduct has further reinforced an ethical culture within our value chain, promoting integrity and accountability throughout the Group.

Engagement on regulatory and policy matters

In accordance with our policy on donations and sponsorships (available at www.shopriteholdings.co.za/contactus/donations-and-sponsorships.html) we do not provide funding or in-kind contributions to any political organisation in any of the countries in which we operate.

On specific legislative and policy issues impacting the Company, we engage with regulators and policymakers primarily through our participation in the CGCSA. The CGCSA represents over 9 000 member companies in the consumer goods, retail and services sectors, providing a leading industry platform for advocacy, collaboration and best practice in South Africa and across Africa. The Shoprite Group is a paid-up member of the CGCSA, with an annual membership fee of R2 million. Recent advocacy and lobbying activities undertaken by the CGCSA include engagements on: the National Health Insurance Bill, the National Minimum Wage, Draft Regulations Relating to the Labelling and Advertising of Foodstuffs, the Draft Rates Bill, and the Tobacco Products Bills. Through our participation in the CGCSA's Food Safety & Sustainability Initiative, we are collaborating to minimise food loss and waste, and to support the manufacture of, and facilitate access to, foods and non-alcoholic beverages that contribute to a healthy diet and lifestyle.

In addition to our CGCSA membership, we are also members of the WWF Business Network (annual fee of R63 525), WWF-SASSI (annual fee of R112 000) and Aware.Org (we are an associate member annual fee of R63 250), where we are collaborating to develop more strategic and innovative solutions to environmental and social challenges.

Tax governance

Our Group tax Risk Management Policy outlines the Group's tax strategy and the fundamental principles applied to tax management across the Group. In applying this policy, we aim to achieve the following objectives:

- To pay the correct amount of tax that is legally due
- To ensure that no aggressive tax positions are taken that present a material risk of an adverse finding in court or that can cause damage to our corporate reputation
- To identify opportunities to reduce the Group's overall tax burden within the parameters allowed by statutory regulations
- To submit and file all tax returns on time
- To 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

Transfer pricing is applied to all cross-border transactions between Group companies to ensure all transactions take place at arm's length. The Group's transfer pricing policy should be compliant with local legislation in each of the jurisdictions where the Shoprite Group has a presence. Most jurisdictions follow the internally accepted Organization for Economic Cooperation and Development (OECD) Guidelines on transfer pricing which applies the "arm's length principle" to all cross-border related party transactions.

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 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.

Our tax contributions have significant economic and social impacts in the jurisdictions and communities we serve

	FY 2024
Total ZAR value paid in taxes	**R11.7 billion**
Profit taxes	**R3.3 billion**
Property taxes	**R41 million**
Product and services taxes	**R6.0 billion**
Planet taxes	**R0.2 million**
People taxes*	**R2.4 billion**
ZAR amount collected through product, services and profit taxes on behalf of the government	**R5.1 billion**
Employment Tax Incentive scheme: ZAR amount claimed for qualifying employees	**R260 million**
Employment Tax Incentive scheme: Number of qualifying employees	**27 682**

* *Skills development levy, Unemployment Insurance Fund levy, Occupational injuries and disease levy, Pay-as-you-earn*

Responsibility for achieving and promoting a responsible and transparent approach to tax rests with the Board, which has delegated oversight of tax risk management to the Audit and Risk Committee. The CFO is accountable for applying the Group's Board-approved Tax Policy in compliance with applicable tax legislation and reporting requirements.

IT governance

As a value enabler for the Group's retail services and offerings, IT is fundamental to realising the Group's strategy.

The Group recognises the importance of managing IT assets in a manner that maximises their value and appropriately addresses risk. The Group's approach to IT governance is founded on three principles – partnership, active design and transparency – aimed at assisting the Group to discharge its responsibility to act in the best interests of the Group and all its stakeholders, and to align our governance practices with applicable law and industry-leading standards.

Under the independent oversight of the Group's Audit and Risk Committee, the Group's Chief Technology Officer (CTO) acts as custodian of all IT assets. Empowered by a Board-sanctioned IT Charter, the CTO is mandated to ensure the responsible use of these assets through the establishment of:

- a value-driven culture that fosters ownership, accountability, integrity, transparency and collaboration
- an internal control framework that provides an inter-operative, integrated and cohesive channel through which service delivery is enabled, and stays abreast of technology, business and industry change
- assurance mechanisms that provide regular comfort to various stakeholders (including the Audit and Risk Committee) that the use of the Group's IT assets is governed well

Remuneration review

top EMPLOYER SOUTH AFRICA 2024
CERTIFIED EXCELLENCE IN EMPLOYEE CONDITIONS

Part 1: Background statement

Peter Cooper
Chairman of Remuneration Committee

Remuneration highlights

ALL variable incentive schemes are **performance based**

ALL EDI and ESP deferrals are **share based**

ESG included in performance measures

ALL variable incentive scheme targets are **stretched**

General workforce increases higher than management increases in each of the last 5 years

General assistants (entry role) paid on average **11.0% above** National Regulated Minimum

Shoprite Employee Trust payouts surpassed **R500m** following 5th distribution

Recognised as **2024 Top employer**

Dear stakeholder,

I am pleased to present the remuneration review for FY 2024. We have navigated significant challenges during the year, including the ongoing energy crisis, sustained high levels of interest rates, and increasing rates of national unemployment (reported at 33.5% as of Q2 2024 by StatsSA). These factors provided a climate of uncertainty that was compounded by the lead up to the country's elections at the end of May 2024. Despite these challenges, we have remained committed to driving the Group's long-term success.

This commitment is demonstrated in our financial results. Group sales increased by 12.0%, with our trading profit increasing by 12.4% and dividends per share up by 7.4%. During April 2024 the Group surpassed R500 million in payouts to eligible employees following the fifth distribution since the Shoprite Employee Trust (SET) was formed two years ago. The Group was awarded Top Employer 2024 status for excellence in people practices, and the SET won awards for best governance policies, largest number of beneficiaries and asset value, all a demonstration of our commitment to leadership and people practices.

During the year, the Remuneration Committee undertook the following:

- **FY 2023 Short-term Incentive (STI) and Long-term Incentive (LTI) Outcomes:** We reviewed and approved the outcomes for senior Executives' STI and LTI for FY 2023.
- **Non-executive Director Fees:** We recommend a fee increase proposal for FY 2023/2024, ensuring alignment with market benchmarks and the Company's financial position.
- **FY 2024 Incentive Measures and Targets:** We approved the measures and targets for STI, Executive Deferred Incentive (EDI), and Executive Share Plan (ESP) for FY 2024, aligning executive incentives with the Company's strategic objectives.
- **Executive Super Stretch Incentive Scheme (ESSI):** As announced in FY 2023, we introduced a new once-off incentive scheme to retain and motivate a select group of key senior Executives, including performance conditions and targets aligned with long-term strategic goals.
- **Remuneration Report and Shareholder Engagement:** We engaged with shareholders, focusing on transparency and alignment with shareholder interests.
- **Pay Gap and Gender/Race Equality:** We assessed pay conditions, focusing on promoting fairness and equality. We are committed to ensuring that all employees receive fair and equitable compensation. During the year we conducted a pay gap review. The committee was satisfied with the overall pay equity within Shoprite.
- **EDI Measures for FY 2025:** We reviewed and maintained the EDI performance measures for FY 2025.
- **ESP Performance Measures for FY 2025:** We confirmed the rationale for excluding IFRS 16 from the return on invested capital (ROIC) calculation, highlighting its impact on capital efficiency and operational performance. The financial weighting was reallocated equally between the two performance measures to demonstrate equal importance in support of strategic goals.
- **Executive Pay Review:** We conducted a market comparison of executive pay and concluded that executive pay remains competitive compared to the market.
- **Executive Contracts:** We reviewed executive contracts, addressing any inconsistencies in notice periods and restraint-of-trade clauses to align with standard practices.

Remuneration review continued

Despite the volatility and unpredictability of our operating environment, we believe that many opportunities lie ahead for the Group; we have therefore taken the following decisions for FY 2025:

- We will continue to assess and moderate our fair pay practices.
- In FY 2023 we announced a three-year wage increase settlement agreement with SACCAWU, providing certainty both to our employees and shareholders.
- In the context of the current adverse economic climate and high levels of unemployment, we are proud that we did not action any retrenchments. During the current financial year, 6 490 new jobs were created.
- The weighting of the performance measures in the ESP was adjusted for FY 2025 taking shareholders concerns into consideration. ROIC (excluding IFRS 16 performance measure) and adjusted diluted headline earnings per share (DHEPS) as performance measures will both carry a weighting of 35.0%, demonstrating equal importance in long-term sustained growth.

Key performance and strategic highlights in FY 2024

Achievement of financial measures

2024 sales
12.0%
to **R240.7 billion**

2024 trading profit
12.4%
to **R13.4 billion**

Adjusted DHEPS three-year CAGR growth
12.9%

2024 ROIC excl IFRS 16
16.3%

2024 EBITDA margin
8.5%

2024 inventory to sales ratio
11.8%

Achievement of ESG targets

Renewable energy
6.5%
achieved (target 5.5%)

Waste: cardboard recycling
15.8%
achieved (target 4%)

Waste: plastic recycling
9.3%
achieved (target 4%)

Sustainable in-store packaging
% reusable, recyclable or compostable
98.7%
achieved (target 98%)

Sustainable in-store packaging
% recycled content
83.4%
achieved (target 73%)

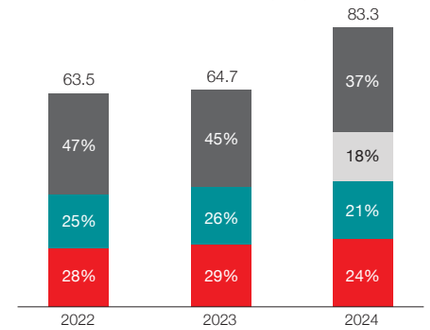
Achievement of Employment Equity targets

% of the approved DoEL (Department of Employment and Labour) plan achieved
98.2%

The tables below detail Executive remuneration outcomes and demonstrate our strong performance-reward link, emphasising the high portion of variable pay:

CEO: Three-year remuneration trend

CEO Total Remuneration Mix (Rm)



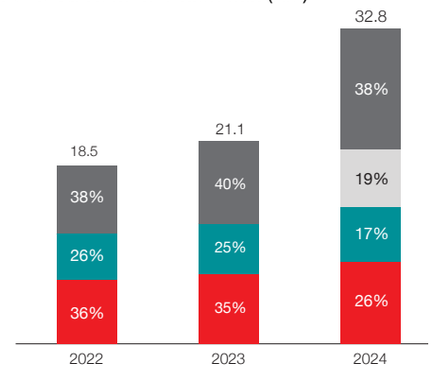
2024 **fixed** remuneration
24%

2024 **variable** remuneration
76%

Total remuneration represents single figure including qualifying dividends

CFO: Three-year remuneration trend

CFO Total Remuneration Mix (Rm)



2024 **fixed** remuneration
26%

2024 **variable** remuneration
74%

The rise in remuneration in FY 2024 is as a result of the introduction of EDI and the single figure reporting because performance has been tested and achieved. The increase is also affected in the current year due to the ESP performance shares being awarded in September 2020 at R184.96 rising by 46.0% to a year end Volume Weighted Average Price (VWAP) of R270.40 for single figure reporting purposes.

Remuneration review continued

The following areas of concern were raised by our shareholders in engagements during the year:

Shareholder Concerns	Details of Concerns	Company Responses
Executive Remuneration	• Rationale for excluding IFRS 16 from ROIC performance measure	• Outlined remuneration policy, emphasising link between pay and performance. • Explained the detailed performance metrics for bonuses and the link to business strategy. • Confirmed the rationale for excluding IFRS 16 from the return on invested capital (ROIC) calculation, highlighting its impact on capital efficiency and operational performance.
	• Weighting of ESP targets (adjusted DHEPS and ROIC excl. IFRS 16)	• Weighting of ESP performance measures reviewed during the year and adjusted to address shareholders' concerns. ROIC (excl IFRS 16) and adjusted DHEPS three-year compound annual growth (CAGR) performance measure will both carry a weighting of 35%.
	• Concern raised that EDI performance measures are over a one-year period, while ESP targets are over a three-year period	• EDI is the deferred portion of the short-term incentive for Executives. Should the Group STI targets be achieved, the incentive is deferred in shares for another two years. Should the eligible employee leave the organisation within the two-year period, the total outstanding amount is forfeited. This deferral is intended as a retention mechanism. In addition, the ESP continues to serve as a three-year incentive.
	• Rationale for inclusion of succession planning as long-term performance measure	• Succession planning remains a performance measure for the long-term incentive, re-emphasising the importance of scarce skills for key positions and in support of the Group's transformation journey.
Sustainability and ESG	• Questions about sustainability initiatives and impact on long-term value • Interest in ESG integration into Executive performance metrics	• Highlighted key sustainability initiatives. • Explained ESG integration into performance assessments. • Provided a summary of achievements and goals.
Board Composition and Diversity	• Questions about the diversity of the board and senior management • Suggestions for increasing diversity	• Acknowledged importance of diversity. • Outlined steps taken and future plans.

Progress on our remuneration journey

Below we discuss our progress on the stated focus areas for the year.

Focus area	Progress made during the year
Remuneration report disclosure	We continue to provide extensive and improved disclosure on our remuneration practices.
Shareholder engagement	We have continued to engage with shareholders and conducted a shareholder roadshow in October 2023 to ensure clear communication and to align our remuneration practices with shareholder expectations.
Fair pay	We maintained our commitment to remunerating our employees above inflation. In addition, general staff continue to receive higher increase percentages when compared to management.
Variable remuneration structure	The committee continuously reviews the plans considering evolving market practice, trends and feedback from shareholders. As announced in the prior year report, we have implemented changes to our STI and LTI structures with the removal of trading margin as a performance measure from FY 2024 and the introduction of EDI in FY 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. As announced last year as a policy change, this year we have continued to enhance our ESG focus through the implementation of succession planning performance measures, which account for 10% of the LTI weighting. This is aligned with our Board focus on succession planning as an enabler of our transformation targets for top management, as well as ensuring long-term Group sustainability.
ESSI (Executive Super Stretch Incentive)	The ESSI was implemented to operate from FY 2024. This once-off LTI has the objective of further aligning shareholder and executive interests over the longer term by motivating exceptional performance and stretching targets over three years. Vesting will occur in thirds after performance achievement, in three, four and five.

Decisions being implemented in the current FY 2025 cycle and areas of focus

Focus area	Details
Fair pay	We will continue to evaluate and monitor fair and ethical remuneration practices.
Remuneration report disclosure	We remain committed to consistently providing annual comprehensive disclosure regarding our remuneration practices.
STI criteria for business units	We will re-evaluate STI performance metrics for business units to ensure continued alignment to the business strategy.
Weighting of long-term performance metrics	ROIC (excluding IFRS 16) performance measure and the adjusted DHEPS three-year compound annual growth (CAGR) performance measure will both carry an equal weighting of 35% from FY 2025, demonstrating equal importance in long-term sustained growth.
Employee Benefits	We will maintain our focus on enhancing employee benefits.

Remuneration review continued

Remuneration governance

In line with best practice, the committee, which is appointed by the Group Board, has delegated authority in accordance with its terms of reference (available at 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, and legislative and regulatory requirements, as well as with the Group's needs. The remuneration policy covers remuneration at all levels, including that of Executive Directors.

There were no changes to the committee during the year. The committee consists of four Non-executive Directors, three of whom are independent. The committee met five times during the reporting period.

Committee members

Peter Cooper
Chairman of Remuneration Committee

Independent Non-executive Director
Appointed as member of the committee on 2 September 2021
Meeting attendance: 5/5

Wendy Lucas-Bull

Independent Non-executive Chairman
Appointed as member of the committee on 12 March 2021
Meeting attendance: 5/5

Christo Wiese

Non-executive Director
Appointed as member of the committee on 28 June 2013
Meeting attendance: 5/5

Paul Norman

Independent Non-executive Director
Appointed as member of the committee on 4 March 2022
Meeting attendance: 5/5

Subsequent to year end Ms Wendy Lucas-Bull stepped down as a member of the committee and Prof. Hlengani Mathebula was appointed to the committee with effect from 29 August 2024.

In addition to committee members, the CEO, CFO, CPO, 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 2024 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, PricewaterhouseCoopers (PwC) and 21st Century as remuneration consultants during FY 2024. VASDEX Associates (Pty) Ltd serves as an independent adviser to the committee. The committee is satisfied that the consultants were independent and objective in providing the relevant services.

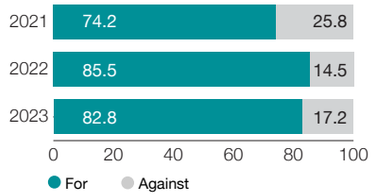
Shareholder engagement and voting outcomes

The committee held shareholder engagement sessions in October 2023 prior to the AGM in November 2023.

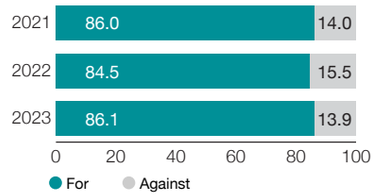
Our engagements included one-on-one sessions with major shareholders and group sessions with other shareholders. They covered several topics, including the Remuneration Committee's composition, performance targets, remuneration benchmarking, Executive remuneration and the independence of Non-executive Directors. These engagements were attended by shareholder representatives, relevant Group representatives, the Chairman of the Board and me as Chairman of the committee.

At the AGM in November 2023, the remuneration policy and implementation report were approved by shareholders after receiving 82.8% (2022: 85.5%) and 86.1% (2022: 84.5%) respectively.

Remuneration policy
(%)



Implementation report
(%)



The remuneration policy and implementation report will be tabled for non-binding votes by shareholders at the AGM on 11 November 2024. As per paragraph 3.84 (k) of the JSE listings requirements 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; and
- if appropriate, amend the remuneration policy or clarify and/or adjust the remuneration governance, processes or disclosure.

Conclusion

The committee strives to produce and apply a remuneration policy that achieves the principles of fair pay, while also achieving approval from a majority of stakeholders (including shareholders), that covers a broad spectrum of performance metrics, both financial and non-financial, aligning the pyramid of performance from Group down to individual. We are 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 matters and the continued improvement of the Group's remuneration governance.

Peter Cooper
Chairman of Remuneration Committee

4 October 2024

Remuneration review continued

Part 2: Overview of the remuneration policy

Given the often challenging and uncertain operating environment, 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. 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, at 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 both a locally and globally competitive retail industry
- provide remuneration in the context of South Africa's socio-economic environment.

We regularly review our remuneration policy to ensure it aligns with leading practice.

Remuneration philosophy

Key principles include:

Attracting talent: Attracting, motivating, retaining and rewarding employees at all levels, including key talent and those with critical skills.

Remunerating employees: Paying equally for work of equal value and for performance and relevant experience where appropriate.

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
	Individual performance	Total Guaranteed Pay (TGP)	Short-term Incentives (STI)	Deferred Short-term Incentives (DSTI)	Executive Deferred Incentive (EDI)	Executive Share Plan (ESP)	Executive Super Stretch Incentive (ESSI)	
A smarter Shoprite								
A truly customer-first culture	✓	✓	✓	✓	✓	✓	✓	Employees are paid 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 (adjusted DHEPS). Employment equity and succession targets are included in the ESP scheme to ensure the business is appropriately staffed, ensuring longer-term business growth and sustainability. Future vesting periods promotes retention of key talent.
Enable precision retailing	✓		✓	✓	✓			Precision retailing requires that EBITDA margins are maintained and enhanced while ensuring that inventory levels relative to sales are optimised.
Target headroom opportunities								
Trusted, profitable private labels	✓		✓	✓	✓			Trading profit aligns with the segment strategy of profitable labels.
Grow share in premium and fresh food	✓		✓		✓		✓	Sales growth in the STI scheme aligns with segment market share strategy. Market share is set as a performance measure in the Executive Super Stretch Incentive (ESSI).
Stronger partnerships	✓		✓		✓		✓	The business offering must meet customer pricing and product needs to grow market share.
Winning in the long term								
Force for good	✓		✓	✓	✓			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 (ROIC) and to supplement earnings while customers are under spending pressure (adjusted DHEPS). Growth in market share and total shareholders return are required for sustained growth.
Leverage platform advantage	✓		✓	✓	✓	✓	✓	

Remuneration review continued

Fair, responsible and transparent remuneration

Fair pay philosophy

At Shoprite we consider fair and responsible pay a principle that stretches beyond fixed pay and that includes a holistic view of reward. 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), as well as Shoprite Employee Trust (SET) distributions.

Fair pay principles

The Group believes fair, responsible and transparent remuneration is essential to our culture and promotes our commitment to our customers.

- Remuneration decisions are inclusive, impartial and free from discrimination based on race, gender and any other forms of exclusion.
- We engage with all relevant stakeholders – including our employees, unions, regulators and shareholders – on our remuneration policy and structure to ensure fair and responsible pay.

How

We continually assess fair pay practices to limit unintentional biases, and to actively address pay fairness.

- For each of the last five years, we have applied higher increases for general staff than for management.
- Investing in a minimum wage remains a priority. As affordability permits, the Group will further invest in entry-level pay, with emphasis on customer engaging roles. On average general assistants (entry role) are currently paid 11.1% above the national regulated minimum.
- The Shoprite Trust serves as the primary vehicle for ensuring that those employees who are not eligible for deferred short-term or long-term incentives benefit from Shoprite's success. During April 2024 the Group surpassed R500.0 million in payouts to eligible employees following the fifth distribution since the Shoprite Employee Trust was formed two years ago.
- We also offer employees additional discounts beyond customer discounts on groceries, furniture, medication, clothing, airtime and data, and we provide educational assistance for employees and their children at both a primary and tertiary level.

The committee is mandated by the Board to act on its behalf, to assess and provide inputs to management recommendations.

The Remuneration Committee:

- applies the principle of equal pay for work of equal value within its recommendations
- benchmarks roles to balance the need for competitive and fair remuneration, and
- entrenches the principle of fair remuneration in our remuneration policy, based on practices that are free from prejudice or self-interest, and that are not inherently biased in any way.

Fair and responsible pay metrics

During FY 2024 we undertook an independent fair pay analysis through PwC and 21Century to assess the overall pay equity within Shoprite. The analysis confirmed that although anomalies exist, in most instances these are justifiable based on years of service and performance.

The Remuneration Committee has embarked on developing suitable metrics for monitoring compliance with our fair and responsible pay principles during FY 2025.

The Group is committed to increasing the overall employee value proposition with benefit offerings to meet employee needs. In addition to the 8.0% annual increase for general staff, permanent employees receive a minimum of a 10.0% discount on all Shoprite retail products across the ecosystem. This 10.0% can be utilised to assist with groceries, buying furniture, medication, clothing, pet, baby or outdoor products. Employees are also offered discounted rates for data through K'nect. These benefits enhance employees' spending power.

The table on the right outlines the benefit offerings employees receive across the ecosystem.

Benefit	Description
Edu Loans	Educational assistance for employees and their children at all school and tertiary levels
Staff buying card	Discount for purchases within the Group of Companies to assist with groceries, buying furniture, medication, clothing, pet, baby or outdoor products
Pension Fund	Dedicated saving towards retirement
Disability Benefit	Insurance cover to replace monthly income in case of disability and inability to work
Death Benefit	Payment to dependents upon death
Funeral Benefit	Lump sum paid to family for funeral assistance
Development Programmes	Providing learning interventions
Salary advances	Advances provided to employees to cope with events that were not financially planned for
Medical Aid	Offering in-house Medical Scheme
Medical Insurance	Employees have access to medical insurance to cover medical expenses
Gap Cover	Assisting with co-payments during hospital procedures
Vitality	Rewards programme covering gym, travel and healthy eating

Remuneration review continued

Overview: Organisation-wide elements of remuneration

Strategy ▲ Performance ▲ Retention ▲ Sustainable performance and skill retention

■ Performance period ■ Cash settlement ■ Awarded ■ Vesting

Overview	Reward element	Description	Strategy	Performance period	Eligible employees	Employees
Fixed pay	Basic salary plus benefit structure	South African three-year wage agreement signed with SACCAWU (2023, 2024, 2025 increases) for 8.0% annual increase. New employees: Aligned to Shoprite minimum wage and/or government-prescribed minimum rates.		Weekly or monthly YR1 YR2 YR3 YR4 YR5 YR6	General staff/bargaining unit	143 037
	Year-end festive bonus	Guaranteed for staff with more than one year of service.		In November YR1 YR2 YR3 YR4 YR5 YR6	General staff/bargaining unit employees that are not on merit bonus/STI	108 947
	Total Guaranteed Package (TGP)	Basic salary + company contribution to medical and pension + allowances. Factors considered when determining salaries: internal parity, market data (50th percentile), current salary, business affordability (budget), alignment to scarce & critical skill framework.		Monthly YR1 YR2 YR3 YR4 YR5 YR6	Management	17 179
Variable pay Short-term	Merit bonus	Equivalent to 13th cheque for permanent staff with more than one year of service. Linked to individual performance.	▲	In December YR1 YR2 YR3 YR4 YR5 YR6	Management employees not eligible for STI	4 306
	Shoprite Employee Trust (SET)	Employees who are employed in South Africa become unit holders in the Trust while non-RSA employees receive equivalent cash benefits through their respective payrolls. Distributions are made twice a year.	▲	April and September YR1 YR2 YR3 YR4 YR5 YR6	All employees employed for more than two years and not eligible for LTI	106 554
	Short-term Incentive (STI)	Cash incentive linked to Group and/or division/business unit performance measured over a financial year.	▲	In September YR1 YR2 YR3 YR4 YR5 YR6	Junior management and above	14 352
Variable pay Short-term deferred	Deferred Short-term Incentive (DSTI)	A deferral of the short-term incentive over a three-year period. Employees can elect deferral in cash or forfeitable shares.	▲	In September YR1 YR2 YR3 YR4 YR5 YR6	Middle management not part of other LTI schemes	2 586
	Executive Deferred Incentive (EDI)	A deferral of the short-term incentive over a two-year period, linked to Group STI targets. Awarded in forfeitable shares after achievement of one-year targets. Vest two years later.	▲	In September YR1 YR2 YR3 YR4 YR5 YR6	Senior management and Executive management	299
Variable pay Long-term	Executive Share Plan (ESP)	Forfeitable shares linked to achievement of three-year Group long-term incentive targets. Award beginning of three-year performance period. Vest three years later.	▲	In September YR1 YR2 YR3 YR4 YR5 YR6	Executive management	40
	Executive Super Stretch Incentive (ESSI)	Once-off incentive scheme intended to retain and motivate a selected group of most senior Executives' that are key to the delivery of the Group's long-term strategy. Performance is measured over a three-year period with a third vesting in year three, four and five respectively.	▲	In October YR1 YR2 YR3 YR4 YR5 YR6	Senior Executives with profit and loss accountability	19

Remuneration review continued

Provisions for termination of employment

	Base salary	Benefits	Short-term Incentive (STI)	Deferred Short-term Incentive (DSTI)	Executive Deferred Incentive (EDI)	Executive Share Plan (ESP)	Executive Super Stretch Incentive (ESSI)/Once-off
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 unpaid bonuses 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.	No vesting. All unvested rights will be forfeited.
Dismissal, termination for cause or early retirement or abscondment	Payment until termination.	Benefits stop when employment ends.	All unpaid bonuses 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.	No vesting. All unvested rights will be forfeited.
Involuntary retrenchment	N/A	Benefits stop when employment ends.	No accelerated payment. Payment will occur on normal payment date subject to pro-rata adjustment for time served.	**All unvested awards made prior to termination date:** Full accelerated vesting of shares or accelerated cash payments. **Current-year award:** Payment will occur in cash on normal payment date subject to pro-rata adjustment for time served.	**All unvested awards made prior to termination date:** Full accelerated vesting of shares or accelerated cash payments. **Current-year award:** Payment will occur in cash on normal payment date subject to pro-rata adjustment for time served.	No vesting. All unvested rights will be forfeited.	No vesting. All unvested rights 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 pro-rata adjustment for time served.	**All unvested awards made prior to termination date:** Full accelerated vesting of shares or accelerated cash payments. **Current-year award:** Payment will occur in cash on normal payment date subject to pro-rata adjustment for time served.	**All unvested awards made prior to termination date:** Full accelerated vesting of shares or accelerated cash payments. **Current-year award:** Payment will occur in cash on normal payment date subject to 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 provide for time to be served from date of award to date of retirement. **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.	Normal vesting if approved by the Remuneration Committee.

Remuneration review continued

Provisions for termination of employment continued

	Base salary	Benefits	Short-term Incentive (STI)	Deferred Short-term Incentive (DSTI)	Executive Deferred Incentive (EDI)	Executive Share Plan (ESP)	Executive Super Stretch Incentive (ESSI)/Once-off
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 pro-rata adjustment for time served.	**All unvested awards made prior to termination date:** Full accelerated vesting of shares or accelerated cash payments. **Current year award:** Payment will occur in cash on normal payment date subject to pro-rata adjustment for time served.	**All unvested awards made prior to termination date:** Full accelerated vesting of shares. **Current year award:** Payment will occur in cash on normal payment date subject to pro-rata adjustment for time served.	**Retention shares:** Full accelerated vesting of all unvested retention shares. **Performance shares:** Accelerated pro-rata vesting of performance shares adjusted for performance and time served during the vesting period.	Normal vesting if approved by the Remuneration Committee.
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 pro-rata adjustment for time served.	No accelerated payment. Payment will occur on normal payment date subject to pro-rata adjustment for time served.	No accelerated payment. Payment will occur on normal payment date subject to 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 provide for the time served during the vesting period.	Normal vesting if approved by Remuneration Committee.
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.	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.	No vesting. All unvested rights will be forfeited.

Remuneration review continued

Remuneration policy

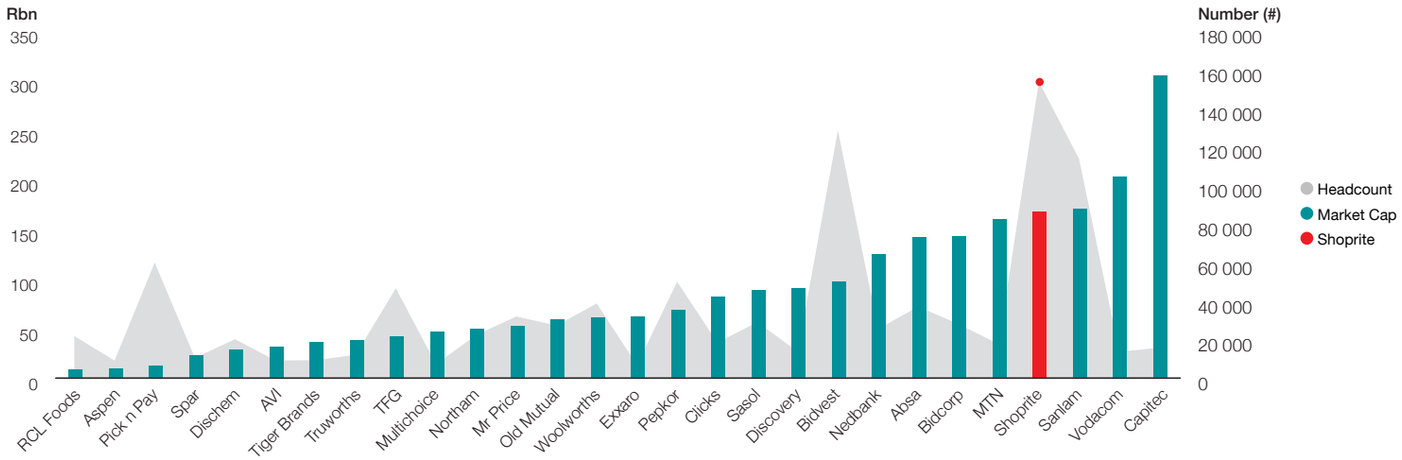
The overall group remuneration policy covers all employees including Executive management, other employees and Non-executive Directors. As is the case with all large corporates, the elements of remuneration applicable to the different categories of employees are varied. This remuneration policy has thus been segmented in order to articulate that which is applicable to each of the three categories described.

Executive management | Management and other employees | Non-executive Directors

Benchmarking remuneration

The Group is 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. Based on market capitalisation, Shoprite is positioned above the 75th percentile of the selected comparator group.

Market cap (Rbn) **and Headcount** (#) **of companies in comparator group**



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, providing both for 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 and 18 non-retail companies. This comparator group metric is used to ensure our Executives are remunerated fairly and in line with the market. These comparator companies have been selected because they operate in the same markets as Shoprite and are viewed as competitors, and/or are of similar size and complexity to Shoprite; in both instances Shoprite competes for talent with these companies.

The Remuneration Committee believes that these companies are appropriate comparators for the purposes of benchmarking remuneration.

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, OLDMUTUAL, NORTHAM, Discovery, exxaro, Bidcorp, sasol, AVI, TIGER BRANDS, RCL FOODS, absa, MULTICHOICE, NEDBANK, MTN

Remuneration review continued

Remuneration policy: Executive management

Detailed overview of the elements of Executive remuneration

The overall benchmarking for Executive remuneration, as well as the composition of TGP, STI, EDI, ESP and ESSI, are outlined in the following tables.

Total remuneration	Description
Positioning	Since Shoprite is at or above the 75th percentile of 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 10.0% of pensionable salary, staff discounts, 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 providing for inflation, relevant benchmarks, and the Group's performance and affordability. The committee annually reviews and approves Executive increases in terms of its mandate.

Remuneration Committee discretion for the adjustment of targets

In FY 2023 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 to power generators across the Group's South Africa store base during load-shedding. The Remuneration Committee did not exercise its discretion during the current financial year.

Executive pay overview

The following scenario graphs for both CEO and CFO, indicate 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 2024 compared to FY 2025 (forward looking) in terms of the policy.

Pay outcomes by performance level

The below performance achievement levels (%) are applicable for each incentive scheme for the CEO and CFO.

STI:
Threshold | 80%
Target | 100%
Stretch | 120%

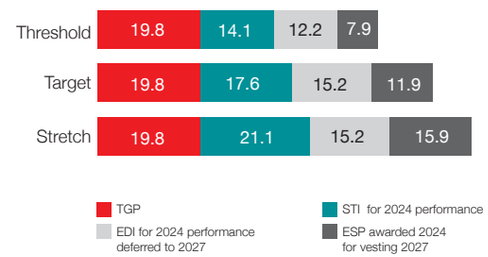
EDI:
Threshold | 80%
Target | 100%
Stretch | capped at 100%

ESP:
Threshold | 50%
Target | 75%
Stretch | 100%

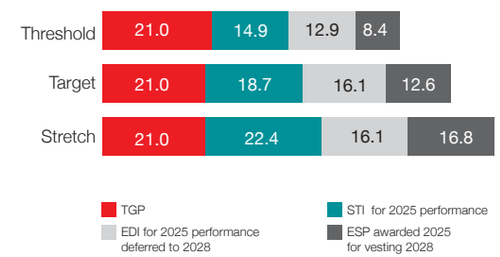
The overall vesting outcome is determined by weighting of financial and non-financial performance measures.

Assumed no share price movement between award and vesting.

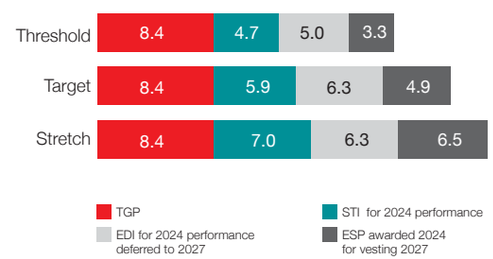
CEO Pay mix per performance level – FY 2024 (Rm)



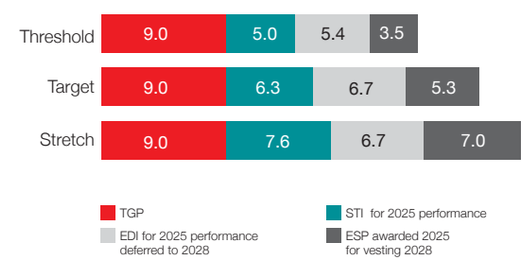
CEO Pay mix per performance level – FY 2025 (Rm)



CFO Pay mix per performance level – FY 2024 (Rm)



CFO Pay mix per performance level – FY 2025 (Rm)



Remuneration review continued

Remuneration policy: Executive management (continued)

STI	Description
Policy changes for FY 2025	No policy changes for FY 2025.
Overview	The Group operates an STI plan, which incorporates financial measures. 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. The Group STI performance measures for Executive management are linked 80% to financial measures and 20% to ESG measures.
Operation	At the beginning of the financial year, an annual bonus pool provision is provided for. The provision calculation is linked to financial performance targets. The provision is adjusted at year end against actual performance target levels achieved at Group and divisional levels. This ensures the scheme is self-funded and within affordability limits.

STI earned = **STI on-target amount** × **Performance score**

STI earned

- Paid in cash
- Annually in September after release of audited financial statements
- After approval by the Remuneration Committee

STI on-target amount

TGP × **Target STI %**

TGP

For the performance year

Target STI %

- Approved by the committee
- Set with reference to seniority of participant in line with market practice

	On-target amount as % of TGP
CEO	
FY 2025	89%
FY 2024	89%
CFO	
FY 2025	70%
FY 2024	70%

Performance score

Each measure has a threshold, target and stretch level that determines the final score assigned to business performance.

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. Non-financial targets are included below.

The following measures and weightings will be used for Executive management for FY 2025:

Allocation		Weight	Performance measures	Threshold 80%	Target 100%	Stretch 120%
Financial 80%		40.0%	Trading profit			
		15.0%	EBITDA margin			
		12.5%	Sales growth			
		12.5%	Inventory to sales			
Non-financial 20%	Renewable energy **10%**	10.0%	Solar PV contribution	5.0%	5.5%	6.0%
	Waste recycling **5%**	2.5%	Cardboard recycling	3.5%	4.0%	4.5%
		2.5%	Plastic recycling	3.5%	4.0%	4.5%
	Sustainable packaging **5%**	2.5%	Reusable, recyclable or compostable packaging	96.0%	98.0%	100.0%
		2.5%	Recycled content	72.0%	73.0%	74.0%
		100.0%				

Linear scoring applies between performance levels.

Remuneration review continued

Remuneration policy: Executive management (continued)

EDI	Description
Policy changes for FY 2025	No policy changes for FY 2025.
Overview	The incentive is the Deferred portion of the Group STI targets for Executive management and deferred for two years after achievement of targets.
Operation	100% linked to performance. Awarded in shares after one-year performance period at the average price of shares purchased in the open market. Vesting occurs two years later. The tax event of the deferred shares will take place on vesting date.
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.

EDI earned = EDI on-target amount × Performance score

EDI earned

- Achievement amount based on one-year performance targets
- Achievement converted to shares at market price
- Full shareholder rights in terms of voting and dividends for two-year deferral period after shares awarded
- Vest after two-year deferral

EDI on-target amount

TGP × **Target EDI %**

For the performance year

- Approved by the committee
- Set with reference to seniority of participant in line with market practice

	On-target amount as % of TGP
CEO	
FY 2025	77%
FY 2024	77%
CFO	
FY 2025	75%
FY 2024	75%

Performance score

Each measure has a threshold, target and stretch level that determines the final score assigned to business performance.

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. Non-financial targets are included below.

The following measures and weightings will be used for Executive management for FY 2025:

Allocation		Weight	Performance measures	Threshold 80%	Target 100%	Stretch 120%
Financial 80%		40.0%	Trading profit			
		15.0%	EBITDA margin			
		12.5%	Sales growth			
		12.5%	Inventory to sales			
Non-financial 20%	Renewable energy **10%**	10.0%	Solar PV contribution	5.0%	5.5%	6.0%
	Waste recycling **5%**	2.5%	Cardboard recycling	3.5%	4.0%	4.5%
		2.5%	Plastic recycling	3.5%	4.0%	4.5%
	Sustainable packaging **5%**	2.5%	Reusable, recyclable or compostable packaging	96.0%	98.0%	100.0%
		2.5%	Recycled content	72.0%	73.0%	74.0%
		100.0%				

Linear vesting applies between performance levels.

The performance measures are separately weighted, however, lower achievement in one measure can be compensated by higher achievement in another measure.

Total achievement is capped at 100% notwithstanding whether the total weighted performance achievement is more than 100%.

Remuneration review continued

Remuneration policy: Executive management (continued)

ESP	Description
Policy changes for FY 2025	ROIC (excluding IFRS 16 performance measure) and adjusted DHEPS three-year compound annual growth (CAGR) performance measure will both carry a weighting of 35% from FY 2025, demonstrating equal importance in long-term sustained growth. This was changed for FY 2025, addressing shareholders' concerns after the weighting of ROIC excluding IFRS 16 performance measure was reduced from 40% to 30% in FY 2024 to accommodate the introduction of succession planning (10%).
Overview	The ESP provides for annual 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. 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. Vesting is subject to continued employment and performance conditions measured over a three-year period.
Share usage limit	The ESP rules limit the allocation of shares to 15 million in aggregate and 4 million shares per participant, representing approximately 2.5% and 0.6% of the current shares in issue, respectively.

ESP earned = ESP on-target amount × Performance score

ESP earned

- Performance shares
- Full shareholder rights in terms of voting and dividends on number of shares awarded
- Vest after three years taking performance achievement into consideration

ESP on-target amount

TGP × **Target ESP %**

TGP → At award

Target ESP %:

- Approved by the committee
- Set with reference to seniority of participant in line with market practice

	On-target amount as % of TGP
CEO	
FY 2025	80%
FY 2024	80%
CFO	
FY 2025	78%
FY 2024	78%

Performance score

The following measures and weightings will be used for senior Executives for FY 2025:

Allocation	Weight	Performance measures	Threshold 50%	Target 75%	Stretch 100%
Financial 70%	35.0%	Return on invested capital (ROIC) excluding IFRS 16	WACC +2.0%	WACC +2.5%	WACC +3.0%
	35.0%	Adjusted DHEPS per share 3-year CAGR growth	CPI	CPI +1.0%	CPI +2.0%
Non-financial 30%	20.0%	Employment equity	80.0% of DoEL approved plan	90.0% of DoEL approved plan	100.0% of DoEL approved plan
	10.0%	Succession planning	80.0% of approved plan	90.0% of approved plan	100.0% of approved plan
	100.0%				

Linear vesting applies between performance levels.

Each performance measure is measured separately and capped at 100%.

ROIC excluding IFRS 16, Employment equity and Succession planning will be measured at the end of the three-year performance period and adjusted DHEPS is measured over a three-year period based on the compound annual growth rate (CAGR).

WACC = weighted average cost of capital for the Group at the end of the performance period.

CPI = Consumer price inflation over the three-year performance period as published by StatsSA.

Remuneration review continued

Remuneration policy: Executive management (continued)

The introduction of a once-off LTI, the Executive Super Stretch Incentive (ESSI) for targeted Executives

The committee has approved a new once-off Executive Super Stretch Incentive scheme for implementation during FY 2024, running over a three-year period.

This scheme, which is over and above the current suite of multi-year incentives, is intended to strengthen the alignment with shareholders by retaining and motivating 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 the successful delivery of such strategy, the plan seeks to share an element of such out-performance with the Executives who have contributed to the generation of such superior return. Consequently, it is subject to specific stretch performance targets which drive out-performance.

ESSI	Description
Policy changes for FY 2025	None.
Overview	ESSI is a once-off reward for superior out-performance, above and beyond business as usual, over a three-year performance period being FY 2024, FY 2025 and FY 2026. The targets set for this three-year period are super-stretched.
Operation	The scheme uses a Share Appreciation Right (SAR) methodology to calculate the benefits to participants. To the extent that the vesting criteria have been met, the number of units that have vested will be multiplied by the share appreciation above the strike price of R235.63 to determine the benefit value. Vesting of the benefits are deferred and realised in thirds in FY 2027, FY 2028 and FY 2029. Participants have a restraint of trade in place until all amounts due have vested in full. ESSI is a cash-settled scheme. On the first vesting date, participants may elect to defer the entitlements due on the second and third vesting dates to be settled in Shoprite Holdings shares rather than cash. The number of shares will be calculated at the average market price on the first vesting date when shares are purchased in the market and the second and third tranches are deferred (if elected, participants' benefits upon the second and third vesting are subject to share price performance, further aligning Executive and shareholder interests).
Committee discretion	Vesting will forfeit if the participant is not in Group employment on the vesting date. The Remuneration Committee has discretion to approve vesting to participants who will retire during the performance period. This discretion was made on award date where applicable.

ESSI earned = Share appreciation right × Performance score on super-stretch targets

ESSI earned

- Once-off
- Share appreciation rights
- Vest 1/3 in each year in:
  Oct 2026
  Oct 2027
  Oct 2028

Share appreciation right

Units × **Share appreciation**

Units

At award

Share appreciation

- Growth in share price from strike price on award date to vesting price on vesting date

Strike price	
17 Oct 2023	R235.63

Vesting price	
Oct 2026	One-day VWAP on vesting date

VWAP = volume weighted average price

Performance score on super-stretch targets

The scheme has two performance measures and targets approved by the Remuneration Committee. Both performance measures carry equal weighting and can be achieved individually. No linear interpolation will be applied for proportional vesting, i.e. vesting on each measure is binary:

Weighting	Performance measures
50%	Market share growth
50%	Relative Total Shareholders' Return (TSR) vs peer group

Owing to the commercial sensitivity in disclosing prospective targets, we opt to disclose the financial targets on a retrospective basis. The peer group selected for the ESSI scheme was approved by the Remuneration committee.

Remuneration review continued

Remuneration policy: Executive management (continued)

Minimum Shareholding Requirement (MSR)

The Group has a MSR policy in place that applies to Executive Directors and senior Executives.

The policy requires Executives to build up a specific shareholding in Shoprite over a five-year period 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). New participants will have five years since appointment to build up the shareholding.

The target minimum shareholding to be met in 2027 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 before the MSR target is achieved and before the target date, the Group will access their progress towards achieving the MSR target. If after the target date, the Group will assess the impact of the sale on the MSR target.

Malus and clawback policy

To deliver on our strategy and uphold the interest of the Group, we endeavour to build appropriate safeguards into the remuneration structures to discourage behaviour that exposes the Group or shareholders to significant and inappropriate risk. The malus and clawback policy is an important risk mitigator and applies to all recipients of STI, EDI, ESP and ESSI awards made on or after 1 July 2019.

In its discretion and in terms of the malus and clawback policy, the committee 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, and 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 Director service agreements

Executive Director	Notice period	Restraint of trade
Pieter Engelbrecht	Six months	Two years
Anton de Bruyn	Six months	One year

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.

Payments applicable to the various schemes operated by the Group are outlined in this report on pages 77 to 78

Remuneration review continued

Remuneration policy: Management and other employees

Benchmarking management and other 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 and fostering career-progression, we developed a framework in 2022 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 continuous development, and
- motivate employees, with a mix of both financial and non-financial rewards.

These employees are categorised in tiers from #4 (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 #1 (employees already possessing the requisite skills or potential to influence key strategic direction within the Group). Depending on their tier category, these employees are rewarded with bespoke remuneration and non-remuneration mechanisms.

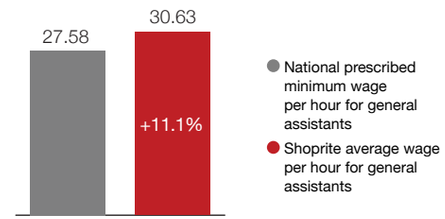
General staff remaining a focus area

The following initiatives reported on in prior years remain a priority:

1. Minimum wage

With effect from 1 March 2024, the national prescribed minimum wage for general assistants was lifted to R27.58 per hour. The Group ensured compliance with this regulated minimum rate for all new appointments. All general staff employed on 1 May 2024 received an annual increase resulting in the average rate for general assistants within the Group of R30.63 per hour, which is 11.1% above the national prescribed minimum wage.

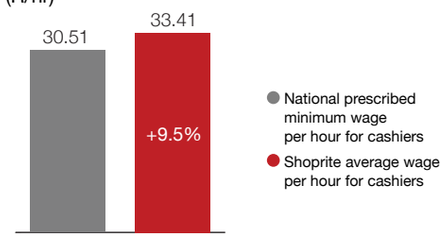
General assistant
(R/hr)



2. Continued focus on our frontline (cashiers)

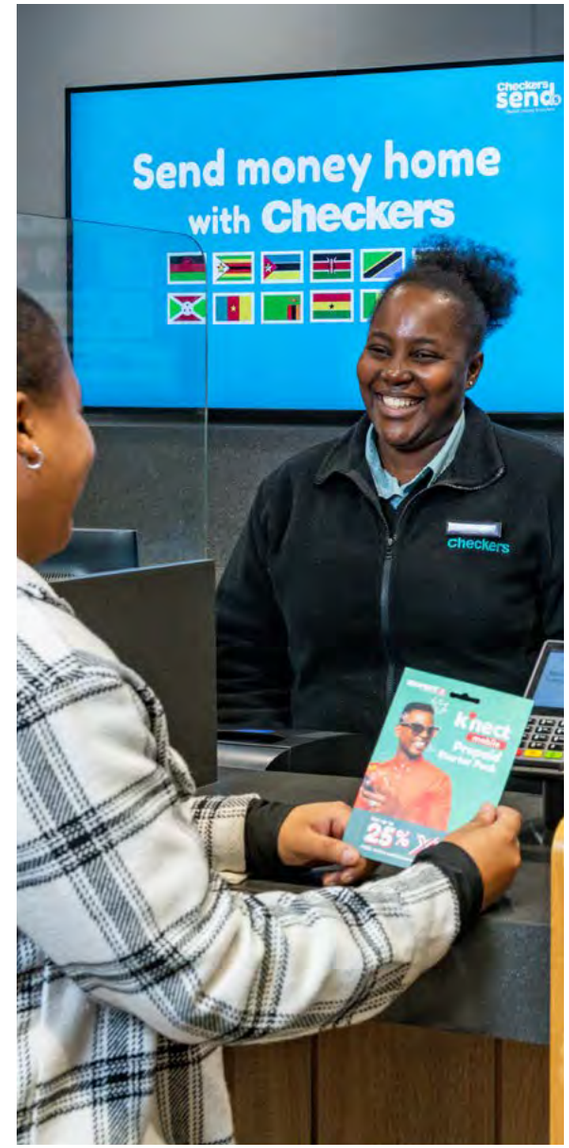
Shoprite cashiers remain instrumental in driving consumer satisfaction. The Group maintained a higher rate of pay than the national prescribed minimum for all cashiers. At year end the average rate of cashiers was 9.5% above the cashier national minimum rate.

Cashier
(R/hr)



3. The Shoprite Employee Trust

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 unit holders 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 a deferred short-term incentive or long-term incentive. During April 2024 the Group surpassed R500.0 million in payouts to eligible employees following the fifth distribution since the Shoprite Employee Trust was formed two years ago.



Remuneration review continued

Remuneration policy: 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.

Positioning

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.

Increases

Non-executive Directors' fees are reviewed every year but, while increases are usually granted every year, the policy does not guarantee that increases will be proposed every year. Affordability and alignment with salary increase for staff is a consideration when proposing increases for Non-executive Directors.

Benchmarking

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 geographical comparators.

The following 20 companies represent the Non-executive Director comparator group:

Retail companies

PEPKOR Holdings Limited
Dis-Chem
SPAR
TRUWORTHS
CLICKS
mr price
Pick n Pay
WOOLWORTHS
TFG

Non-retail companies

vodacom
Bidvest
CAPITEC
Sanlam
aspen HOLDINGS
exxaro
AVI
Bidcorp
MTN
TIGER BRANDS
MULTICHOICE

Remuneration review continued

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 2024 without deviation, details of which are provided below. There were no circumstances that warranted the application of any malus or clawback provisions.

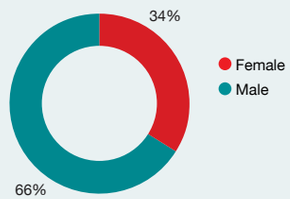
Workforce overview

Diversity in our employee complement across the Group at year end:

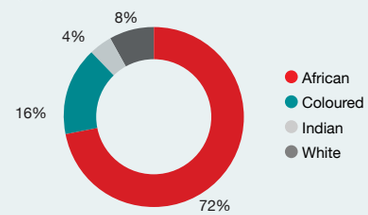
	Number of full-time permanent staff	Number of part-time permanent staff	Total headcount
Female	29 444	61 852	91 296
Male	24 214	26 528	50 742
Total	**53 658**	**88 380**	**142 038**

Diversity at the heart of our retail network

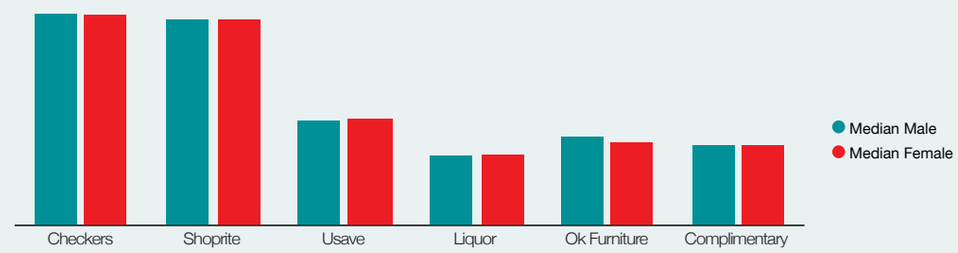
Branch managers by gender
(%)



Branch managers by race
(%)



Branch managers' fair pay analysis
(Median TGP – ZAR)



3 312
Branch managers across our
South African store base

Equal pay for equal work
amongst branch managers

Our stores are the heart and soul of our business, with branch managers playing a leading role in driving employee engagement and having a truly customer-first culture.

The Group recognises Branch managers demonstrating the Shoprite Leadership Way through our Branch manager recognition programme. These exceptional retail leaders have gone above and beyond to keep their teams motivated, foster a friendly working environment, and continuously encourage their teams to excel through learning and training. The Group announces quarterly winners per region with an annual event recognising the annual winner for the year. These leaders uplift the lives of our employees and customers every day by making our stores a great place to work and shop. Their dedication to living Our Shoprite Leadership Way inspires our teams and drives excellence throughout our branches.

2023 Branch Manager Recognition Awards winners. From left to right: Mathew Cave, Shoprite Cash and Carry King William's Town, Mamsie Mgijima, Shoprite Grahamstown, Lindy Mckay, Shoprite Keetmanshoop, Nathan Van Rooyen, Checkers Hyper Eden Meander, and Sphelele Ngcobo, Usave Umlazi U Section.

Remuneration review continued

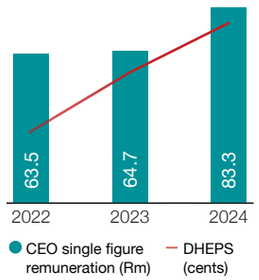
Executive pay for performance

In setting and determining Executive remuneration, due consideration is given to aligning the reward for high levels of performance and effective decision-making with 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.

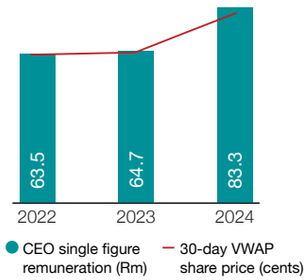
Executive remuneration consists of TGP, STI, deferred STI (EDI) and LTI (ESP and ESSI) participation. Given their accountability, responsibility, line of sight and level of influence over the Group, the STI and LTI components of an Executive Director's remuneration make up a higher proportion of remuneration than that of other employees.

The graphs below illustrate the five-year remuneration overview of the CEO and CFO against adjusted DHEPS growth and share price growth, using a 30-day volume weighted average price (VWAP) price ending at each respective financial year end.

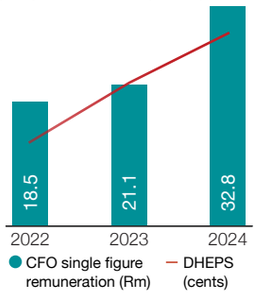
CEO: Three-year remuneration (Rm) **vs DHEPS** (cents)



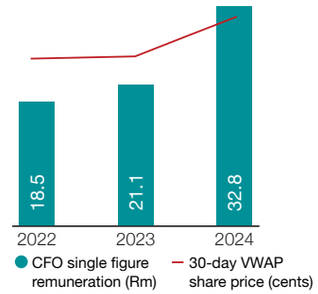
CEO: Three-year remuneration (Rm) **vs share price** (cents)



CFO: Three-year remuneration (Rm) **vs DHEPS** (cents)



CFO: Three-year remuneration (Rm) **vs share price** (cents)



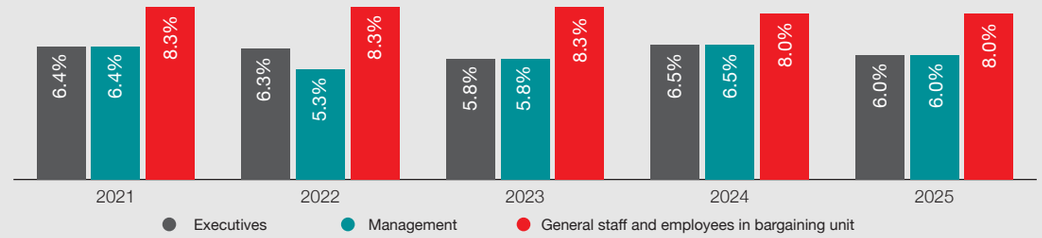
Remuneration review continued

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 2025:

- Executives received an average increase of 6.0%.
- Management across the Group received an average increase of 6.0%.
- Employees in the bargaining unit in South Africa and general staff received an average annual increase of 8.0%.



STI scorecard outcome for Executive management for FY 2024

The following targets, together with the actual outcomes of the targets, applied to the Executive Directors during FY 2024.

Allocation		Weight	Performance measures	Threshold 80%	Target 100%	Stretch 120%	Actual outcome	Weighted vesting % achievement
Financial 80%		40.0%	Trading profit	R10.2bn	R12.7bn	R15.2bn	R13.4bn	42.2%
		15.0%	EBITDA margin	7.7%	8.2%	8.7%	8.5%	16.9%
		12.5%	Sales growth	12.5%	13.0%	13.5%	12.0%	0.0%
		12.5%	Inventory to sales	12.3%	12.0%	11.7%	11.8%	14.2%
Non-financial 20%	Renewable energy **10%**	10.0%	Solar PV contribution	5.0%	5.5%	6.0%	6.5%	12.0%
	Waste recycling **5%**	2.5%	Cardboard recycling	3.5%	4.0%	4.5%	15.8%	3.0%
		2.5%	Plastic recycling	3.5%	4.0%	4.5%	9.3%	3.0%
	Sustainable packaging (in-store) **5%**	2.5%	Reusable, recyclable or compostable packaging	96.0%	98.0%	100.0%	98.7%	2.7%
		2.5%	Recycled content	72.0%	73.0%	74.0%	83.4%	3.0%
		100%	**Total achievement**					**97.0%**

.0

Per the policy the EDI achievement for the 2024 financial year is 97.0%

Minimum Shareholding Requirements (MSR)

The table below reflects Executive Directors' progress on comply with the MSR requirements. The five-year period to achieve the targets set for the CEO and CFO ends in 2027. The percentage shareholding reflected includes Direct and Indirect beneficial shareholding for both vested shares and unvested shares on a post-tax basis. Both Directors are on track to meet and/or exceed the MSR targets by 2027.

Executive Director	MSR target % to be met in 2027	% shareholding at FY 2024 as % of TGP	Rand value of shareholding*
Pieter Engelbrecht	250%	745%	R147.7m
Anton de Bruyn	150%	345%	R29.0m

* Valued at 30-day VWAP share price of R270.40.

Cash STI of Executive Directors for FY 2024

The final cash STIs payable to Executive Directors were calculated as follows:

Name	On-target STI rand value (A) R'000	Executive Director STI achievement (B) %	Outcome A X B R'000
Pieter Engelbrecht	17 610	97.0%	17 082
Anton de Bruyn	5 870	97.0%	5 694

Deferred STI (EDI) of Executive Directors for FY 2024

The final deferred STIs (EDIs) awarded to Executive Directors were calculated as follows:

Name	On-target EDI rand value (A) R'000	Executive Director EDI achievement (B) %	Outcome A X B R'000
Pieter Engelbrecht	15 205	97.0%	14 749
Anton de Bruyn	6 270	97.0%	6 082

Remuneration review continued

LTI vesting outcomes for FY 2024

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 subject to continued employment as opposed to prospective performance conditions. The last portion of the awards vesting in terms of the VOB scheme is 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. Participants were able to receive matching shares on a 1:1 basis by way of co-investment in the Company. Since 2024, co-investment shares were removed from the LTI structure to ensure 100% performance shares. In FY 2024, we introduced EDI, which is a deferred STI. Performance shares are awarded in September 2024 after one-year performance targets are achieved and deferred for another two years until vesting.

The performance measures are separately weighted; however, lower achievement in one measure can be compensated by a higher achievement in another measure.

LTI vesting is capped at 100%, notwithstanding whether the total weighted performance achievement is more than 100%.

LTI scorecard outcome for FY 2024

September 2021 awards: Performance measures for the three-year cycle from FY 2022 to FY 2024 vesting in September 2024:

Allocation	Weight	Performance measures	Threshold 50%	Target 75%	Stretch 100%	Actual outcome	Weighted vesting % achievement
Financial 80%	40.0%	Return on invested capital (ROIC) excluding IFRS 16	ROIC (excl. IFRS16) = WACC	ROIC (excl. IFRS16) = WACC + 0.5%	ROIC (excl. IFRS16) = WACC + 1.0%	16.3%	40.0%
	40.0%	Adjusted DHEPS per share 3-year CAGR growth	Adjusted DHEPS growth at least CPI	Adjusted DHEPS growth at least CPI + 1.0%	Adjusted DHEPS growth at least CPI + 2.0%	12.9%	40.0%
Non-financial 20%	20.0%	Employment equity	80.0% of DoEL approved plan	90.0% of DoEL approved plan	100.0% of DoEL approved plan	98.2%	19.1%
	100%	**Total achievement**					**99.1%**

LTI (ESP) of Executive Directors for FY 2024

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.

Executive Director	Award	Number of shares awarded	Performance factor	Performance adjusted number of shares	Year end 30-day VWAP R	Value of shares vesting R'000
Pieter Engelbrecht	2021 Performance shares	80 894	99.1%	80 166	270.4	21 677
	2021 Retention shares	10 786	100.0%	10 786	270.4	2 917
	2021 Co-investment shares	16 179	100.0%	16 179	270.4	4 375
Total		107 859		107 131	270.4	28 968
Anton de Bruyn	2019 Virtual Option Bonus	4 666	100.0%	4 666	270.4	1 262
	2021 Performance shares	27 476	99.1%	27 229	270.4	7 363
	2021 Retention shares	5 888	100.0%	5 888	270.4	1 592
	2021 Co-investment shares	5 888	100.0%	5 888	270.4	1 592
Total		43 918		43 671	270.4	11 809

Remuneration review continued

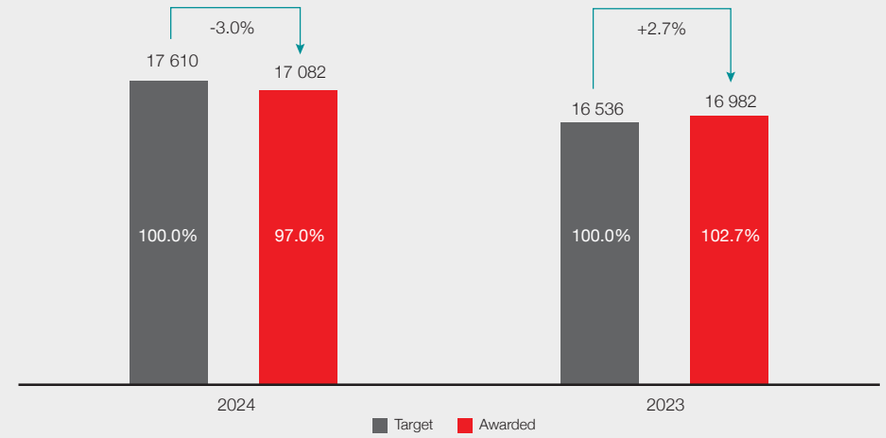
Remuneration tables: CEO | Pieter Engelbrecht

The CEO received an inflationary increase of 6.6% to his salary for the FY 2024. The executive salary structure changed during FY 2024 with the introduction of Executive Deferred Incentive (EDI).

The table below reflects a breakdown of actual earnings of the CEO, including a deferred STI that will only be paid out in FY 2026.

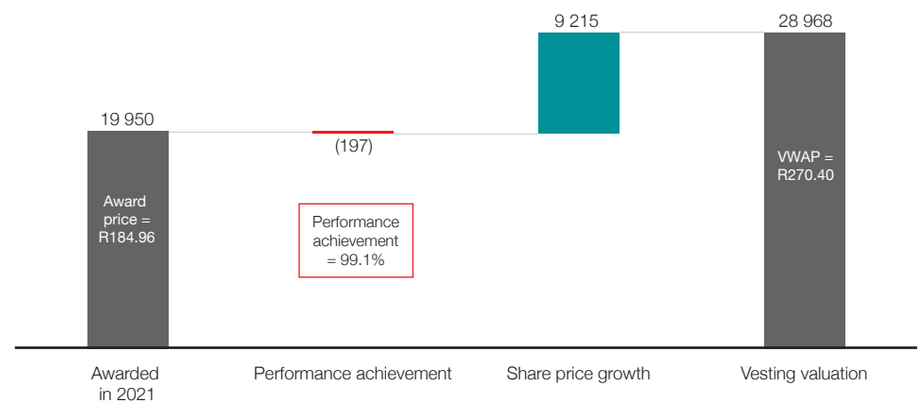
	Single figure		
	2024 R'000	**2023 R'000**	**Comments – FY 2024 payments**
Salary	**18 863**	17 700	Inflation based increase of 6.6% awarded in July 2023
Benefits	**503**	496	Pension Fund and Medical Aid
Other	**919**	556	Car Allowance/Company Car, Subsistence allowances, Employee discounts
Total Guaranteed Salary	**20 285**	18 752	
Short-term Incentive	**17 082**	16 982	Based on 97.0% achievement of 1 year target set for FY 2024
ESP vesting	**28 968**	26 820	Based on 99.1% achievement of 3-year target set in FY 2021
Qualifying dividends	**2 188**	2 112	Dividends received on unvested shares
Total earnings	**68 523**	64 666	
STI Deferral (EDI)	**14 749**	–	STI target achieved and deferred in shares for 2 years. Payment will only be made available in September 2026
Total	**83 272**		

STI Outcome
R'000



The 97% STI performance in FY 2024 results in both a cash and deferred share award lower than target. It should be noted that in a year where the STI results in greater than 100% the EDI award is capped at 100%.

ESP Vesting | 2021 – 2024 cycle outcome
R'000



Remuneration review continued

Outstanding and settled LTIs

	FY 2024							FY 2023						
	Number of shares					ZAR		Number of shares					ZAR	
P Engelbrecht	Opening balance	Granted during 2024	Forfeited during 2024	Vested during 2024	Closing balance 30 June 2024	Value of receipts during 2024[1]	Estimated closing fair value[2]	Opening balance	Granted during 2023	Forfeited during 2023	Vested during 2023	Closing balance 30 June 2023	Value of receipts during 2023[1]	Estimated closing fair value[2]
ESP (performance shares)														
11 September 2020	**94 757**			**(94 757)**		**11 217 362**		94 757				94 757	582 756	20 114 068
10 September 2021	**80 894**				**80 894**	**551 697**	**21 676 874**	80 894				80 894	497 498	12 878 527
23 September 2022	**92 862**				**92 862**	**633 319**	**18 832 414**		92 862			92 862	571 101	14 783 863
15 September 2023		**62 251**			**62 251**	**424 552**	**12 624 503**							
ESP (retention shares)														
11 September 2020	**12 635**			**(12 635)**		**1 495 718**		12 635				12 635	77 705	2 682 031
10 September 2021	**10 786**				**10 786**	**73 561**	**2 916 534**	10 786				10 786	66 334	2 289 544
ESP (co-investment shares)														
11 September 2020	**18 956**			**(18 956)**		**2 243 839**		18 956				18 956	116 579	4 023 790
10 September 2021	**16 179**				**16 179**	**110 341**	**4 374 802**	16 179				16 179	99 501	3 434 316
23 September 2022	**16 387**				**16 387**	**111 759**	**4 431 045**		16 387			16 387	100 780	3 478 468
Total	**343 456**	**62 251**		**(126 348)**	**279 359**	**16 862 148**	**64 856 171**	366 959	109 249		(132 752)	343 456	31 866 879	63 684 607

1. Value of receipts reflects the dividends received during the year on unvested shares and the cash value earned on the settlement of shares
2. Estimated closing fair value of unvested shares is valued at the 30-day VWAP of R270.40 (FY 2023: R212.27). The performance share awards were adjusted for the expected vesting as follows:
   > 11 September 2020 – 100.0% in FY 2023
   > 10 September 2021 – 75.0% in FY 2023 and 99.0% in FY 2024
   > 23 September 2022 – 75.0% in FY 2023 and 75.0% in FY 2024
   > 15 September 2023 – 75.0% in FY 2024

Remuneration review continued

Remuneration tables: CFO | Anton de Bruyn

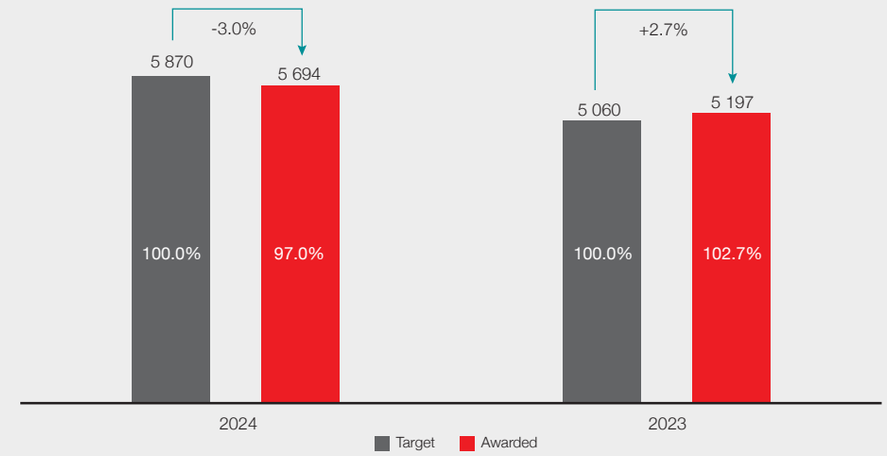
The executive benchmark conducted in the FY 2023 revealed that the Total Guaranteed Package (TGP) for the CFO is below what was observed in the market. A 16.0% increase was awarded to the CFO in July 2023.

The executive salary structure changed during FY 2024 with the introduction of Executive Deferred Incentive (EDI).

The table below reflects a breakdown of actual earnings of the CFO, including a deferred STI that will only be paid out in FY 2026.

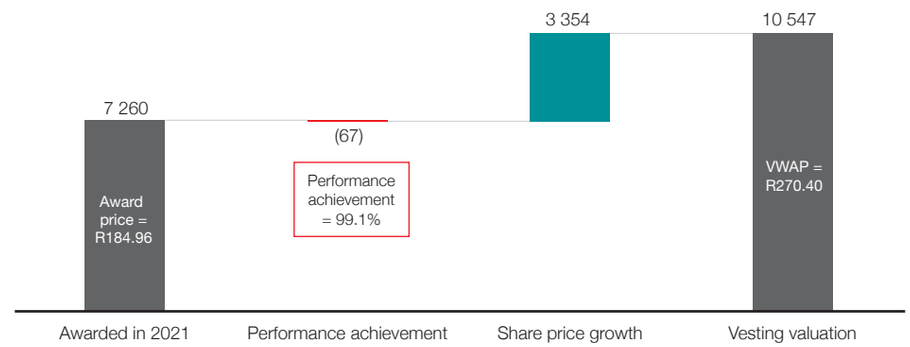
	Single figure		
	2024 R'000	**2023 R'000**	**Comments – FY 2024 payments**
Salary	**7 765**	6 607	16.0% increase awarded in July 2023 based on inflation and market adjustment
Benefits	**393**	394	Pension Fund and Medical Aid
Other	**341**	295	Car Allowance/Company Car, Subsistence allowances, Employee discounts
Total Guaranteed Salary	**8 499**	7 296	
STI cash	**5 694**	5 197	Based on 97.0% achievement of 1 year target set for FY 2024
VOB vesting	**1 262**	1 476	Virtual Option Bonus awarded in 2019 at a share price of R132.39.
ESP vesting	**10 547**	6 405	Based on 99.1% achievement of 3-year target set in FY 2021
Qualifying dividends	**762**	753	Dividends received on unvested shares
Total earnings	**26 764**	21 127	
STI Deferral (EDI)	**6 082**	–	Achievement of 1-year STI target and deferred in shares for 2 year. Payment will only be made available to the CFO in Sept 2026
Total	**32 846**		

STI Outcome
R'000



The 97% STI performance in FY 2024 results in both a cash and deferred share award lower than target. It should be noted that in a year where the STI results in greater than 100% the EDI award is capped at 100%.

ESP Vesting | 2021 – 2024 cycle outcome
R'000



Remuneration review continued

Outstanding and settled LTIs continued

	FY 2024							FY 2023						
	Number of shares					ZAR		Number of shares					ZAR	
A de Bruyn	Opening balance	Granted during 2024	Forfeited during 2024	Vested during 2024	Closing balance 30 June 2024	Value of receipts during 2024[1]	Estimated closing fair value	Opening balance	Granted during 2023	Forfeited during 2023	Vested during 2023	Closing balance 30 June 2023	Value of receipts during 2023	Estimated closing fair value[2]
Virtual Option bonus														
30 October 2018														
Tranche 2								2 290			(2 290)		513 275	
Tranche 3	**2 291**			**(2 291)**		**578 427**		2 291				2 291	14 090	486 311
30 October 2019														
Tranche 1								4 662			(4 662)		1 044 928	
Tranche 2	**4 662**			**(4 662)**		**1 177 052**		4 662				4 662	28 671	989 603
Tranche 3	**4 666**				**4 666**	**19 364**	**1 261 686**	4 666				4 666	28 696	990 452
ESP (performance shares)														
11 September 2020	**21 121**			**(21 121)**		**2 452 824**		21 121				21 121	129 894	4 483 355
10 September 2021	**27 476**				**27 476**	**187 386**	**7 362 645**	27 476				27 476	168 977	4 374 248
23 September 2022	**35 155**				**35 155**	**239 757**	**7 129 434**		35 155			35 155	216 203	5 596 764
15 September 2023					**25 669**	**175 063**	**5 205 673**							
ESP (retention shares)														
11 September 2020	**4 526**			**(4 526)**		**525 407**		4 526				4 526	27 835	960 744
10 September 2021	**5 888**				**5 888**	**40 156**	**1 592 115**	5 888				5 888	36 211	1 249 846
ESP (co-investment shares)														
11 September 2020	**4 526**			**(4 526)**		**525 407**		4 526				4 526	27 835	960 734
10 September 2021	**5 888**				**5 888**	**40 156**	**1 592 115**	5 888				5 888	36 211	1 249 846
23 September 2022	**6 204**				**6 204**	**42 311**	**1 677 562**		6 204			6 204	38 155	1 316 923
Total	**122 403**			**(37 126)**	**110 946**	**6 003 310**	**25 821 230**	81 044	41 359			122 403	752 778	21 794 156

1. Value of receipts reflects the dividends received during the year on unvested shares and the cash value earned on the settlement of shares
2. Estimated closing fair value of unvested shares is valued at the 30-day VWAP of R270.40 (FY 2023: R212.27).
   The performance share awards were adjusted for the expected vesting as follows:
   > 11 September 2020 – 100.0% in FY 2023
   > 10 September 2021 – 75.0% in FY 2023 and 99.0% in FY 2024
   > 23 September 2022 – 75.0% in FY 2023 and 75.0% in FY 2024
   > 15 September 2023 – 75.0% in FY 2024

Remuneration review continued

Non-executive Director remuneration and composition

The table below sets out the fees paid to Non-executive Directors for the year under review.

	FY 2024			FY 2023		
	Board fees paid R'000	Committee fees paid R'000	Total fees paid R'000	Board fees paid R'000	Committee fees paid R'000	Total fees paid R'000
WE Lucas-Bull	**3 775**		**3 775**	3 561		3 561
P Cooper	**549**	**592**	**1 140**	518	506	1 024
L de Beer	**549**	**616**	**1 165**	518	571	1 092
GW Dempster	**549**	**389**	**938**	518	365	883
NN Gobodo	**947**	**633**	**1 581**	772	556	1 328
MLD Marole	**549**	**138**	**687**	518	129	647
PD Norman	**549**	**289**	**838**	518	286	804
CH Wiese	**549**	**592**	**1 140**	818	555	1 073
EA Wilton	**549**	**376**	**924**	518	353	871
S Maseko (appointed 27/06/2023)	**520**	**127**	**647**			
H Mathebula (appointed 27/06/2023)	**520**	**116**	**635**			
Total	**9 603**	**3 867**	**13 469**	8 581	3 771	12 352

Non-executive Directors' remuneration for FY 2024 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.

Fees are paid to Non-executive Directors' quarterly in arrears. The proposed Non-executive Directors' remuneration fees (excluding VAT) for the period 1 November 2024 onwards are summarised as follows:

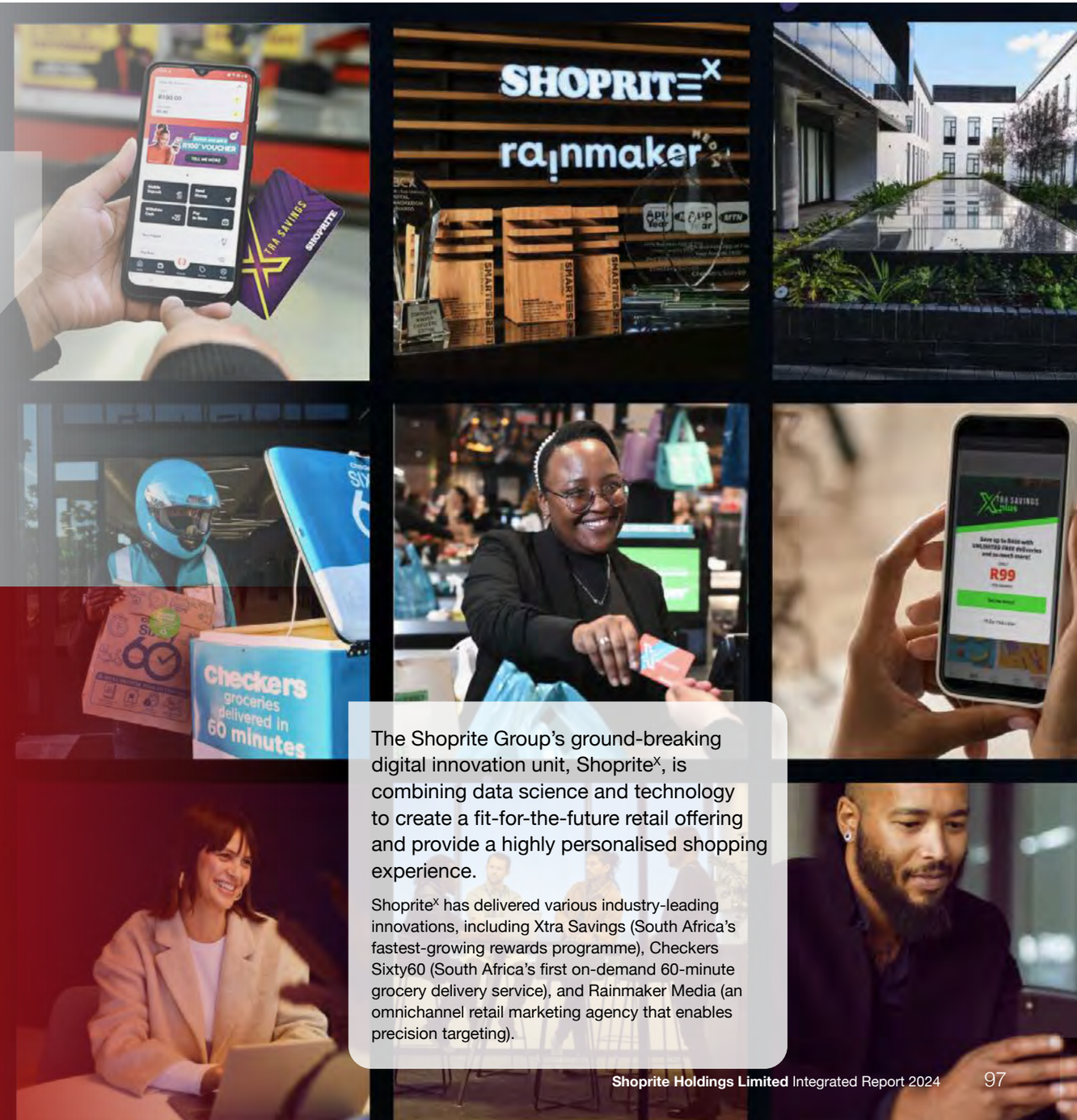
Category	% change	2024 current R	2025 proposed R
Board of Directors			
Chairman	6.0%	**3 853 170**	4 084 360
Lead independent Director	6.0%	**967 020**	1 025 041
Member	6.0%	**560 190**	593 801
Audit and Risk Committee			
Chairman	6.0%	**476 280**	504 857
Member	6.0%	**242 820**	257 389
Remuneration Committee			
Chairman	6.0%	**319 500**	338 670
Member	6.0%	**154 425**	163 691
Nomination Committee			
Chairman	6.0%	**249 210**	264 163
Member	6.0%	**129 930**	137 726
Social and Ethics Committee			
Chairman	6.0%	**273 705**	290 127
Member	6.0%	**140 580**	149 015
Finance and Investment Committee			
Chairman	6.0%	**319 500**	338 670
Member	6.0%	**154 425**	163 691

The proposed fees for FY 2025 are included for approval by way of special resolution in the notice of the AGM.

Appendices

Reviews our approach to IFRS S1 and S2, and provides an ESG performance data table and relevant shareholder information.

IFRS S1 and S2 content index	98
Sustainability-related metrics	99
Retail footprint	100
Administration	101
Glossary	102



The Shoprite Group's ground-breaking digital innovation unit, Shoprite^{X}, is combining data science and technology to create a fit-for-the-future retail offering and provide a highly personalised shopping experience.

Shoprite^{X} has delivered various industry-leading innovations, including Xtra Savings (South Africa's fastest-growing rewards programme), Checkers Sixty60 (South Africa's first on-demand 60-minute grocery delivery service), and Rainmaker Media (an omnichannel retail marketing agency that enables precision targeting).

IFRS S1 and S2 content index

This content index is based on the International Sustainability Standards Board (ISSB)'s IFRS S1 (General Requirements for Disclosure of Sustainability-related Financial Information) and IFRS S2 (Climate-related Disclosures) released in June 2023.

IFRS reference	Disclosure requirement	Location	Additional information
Governance			
Board oversight			
IFRS S1 27(a) IFRS S2 6(a)	Describe the governance body responsible for overseeing sustainability-related risks and opportunities, detailing their mandate and key oversight processes.	IR page 67 SR pages 18-19	
Management's role			
IFRS S1 27(b) IFRS S2 6(b)	Describe management's role in governance processes for monitoring, managing, and overseeing sustainability and climate-related risks and opportunities, detailing key roles and responsibilities, and the integration of formal procedures.	SR pages 21-22	
Strategy			
Sustainability- and climate-related risks and opportunities			
IFRS S1 30-31 IFRS S2 10-12	Describe the sustainability- and climate-related risks and opportunities that could reasonably be expected to affect the entity's prospects over the short, medium and long term.	IR page 27 SR page 21	
Business model and value chain			
IFRS S1 32 IFRS S2 13	Describe the current and anticipated effects of sustainability- and climate-related risks and opportunities on the entity's business model and value chain.	SR page 21 (high-level only)	Details of our climate-, biodiversity- and water-related risks are provided in our separately available CDP Climate Change, Forests, and Water Security responses
Strategy and decision-making			
IFRS S1 33 IFRS S2 14	Describe the effects of sustainability- and climate-related risks and opportunities on the entity's strategy and decision-making, including information about sustainability and transition plans.	SR page 21 SR pages 53-57	Additional detail is provided in our CDP responses as noted above
Financial position, financial performance, and cash flows			
IFRS S1 34-40 IFRS S2 15-21	Describe the effects of sustainability- and climate-related risks and opportunities on the entity's financial position, financial performance and cash flows for the reporting period, and their anticipated effects on the entity's financial position, financial performance and cash flows over the short, medium and long term, taking into consideration how sustainability- and climate-related risks and opportunities have been factored into the entity's financial planning.	SR page 21 (high-level only)	Additional detail is provided in our CDP responses as noted above
Resilience			
IFRS S1 41-42 IFRS S2 22	Describe the resilience of the entity's strategy, business model and finances to sustainability- and climate-related changes, developments and uncertainties, taking into consideration the entity's identified sustainability- and climate-related risks and opportunities, and detailing the specific assessments or scenario analysis processes carried out.	SR page 21 (high-level only)	Additional detail is provided in our CDP responses as noted above
Risk management			
Management processes			
IFRS S1 43-44 IFRS S2 25-26	Describe the processes and related policies the entity uses to identify, assess, prioritise and monitor sustainability and climate-related risks and opportunities, including whether and how climate-related scenario analysis is applied, and the extent to which these processes are integrated into and inform the entity's overall risk management process.	IR pages 26-27 SR page 21	
Metrics and targets			
Performance			
IFRS S1 46-53 IFRS S2 28-37	Describe the entity's performance in relation to its sustainability- and climate-related risks and opportunities, including progress towards any targets it has set, and any targets it is required to meet by law or regulation, as well as information required to clearly understand these metrics and targets, and the entity's sustainability and climate change performance.	SR page 22 SR pages 65-70	A review of our performance on our sustainability-related metrics and targets is provided in the performance section of our SR (pages 25-63), and summarised in the Sustainability/ESG data table SR (pages 65-70)

Sustainability-related metrics

The following table presents the Sustainability Disclosure Topics and Metrics listed in the SASB Food Retailers and Distributors Sustainability Accounting Standard.

Topic	Metric	FY 2024
Fleet fuel management	Fleet fuel consumed (GJ)	40 119 717
	Percentage renewable (tCO_2e)	–
Air emissions from refrigeration	Gross global Scope 1 emissions from refrigerants	525 993
	Percentage of refrigerants consumed with zero ozone-depleting potential (% by weight)	45.8
Energy management	Operational energy consumed (MWh)	1 920 104
	Percentage grid electricity (%)	93.46
	Percentage renewable (%)	6.54
Food safety	High-risk food safety violation rate (%)	–
	Number of recalls	1
	Number of units recalled	8 580
	Percentage of units recalled that are private label products (%)	100
Product health and nutrition	Process to identify and manage products and ingredients related to nutritional and health concerns among consumers	
Labour practices	Average hourly wage (ZAR)	34.29
	Percentage of in-store and DC employees earning minimum wage by region	
	Angola (%)	–
	Botswana (%)	22.0
	Eswatini (%)	–
	Ghana (%)	–
	Lesotho (%)	1.02
	Malawi (%)	–
	Mozambique (%)	45.2
	Namibia (%)	10.0
	Zambia (%)	–
	Percentage of active workforce covered under collective bargaining agreements (%)	30.0
	Number of work stoppages	2
	Total days idle (hours)	2
Management of environmental and social impacts in the supply chain	Discussion of strategy to manage environmental and social risks within the supply chain, including animal welfare	SR pages 44-45
	Discussion of strategies to reduce the environmental impact of packaging	SR pages 61-62

Blank cells denote that data was unavailable at the time of reporting

Retail footprint

4 937 095 m² across our total retail footprint

	South Africa	Angola	Botswana	Eswatini	Ghana	Lesotho	Malawi	Mozambique	Namibia	Zambia
Shoprite	638	24	13	16	7	8	4	15	25	41
Usave	463	1	1	7		10	1	1	26	
Checkers	283		1			1			8	
Checkers Hyper	38									
Other	147									
Checkers LiquorShop	276		1			1			7	
Shoprite LiquorShop	477	1	7	15		5		1	18	
OK Furniture	301	14	17	8		9		9	18	10
House & Home	40		1						3	
Medirite Plus	13									
Total stores excl. franchise	**2 676**	**40**	**41**	**46**	**7**	**34**	**5**	**26**	**105**	**51**
OK Franchise	529			17					62	
Total stores incl. franchise	**3 205**	**40**	**41**	**63**	**7**	**34**	**5**	**26**	**167**	**51**

126 Medirite pharmacies are located within our supermarkets

Administration

Shareholders' diary

June
Financial year end

August
Reviewed results

October
Payment of final ordinary dividend
Publication 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.

Executive Directors
PC Engelbrecht (CEO), A de Bruyn (CFO)

Independent Non-executive Directors
WE Lucas-Bull (Chairman), NN Gobodo, P Cooper, L de Beer, GW Dempster, MLD Marole, SN Maseko, H Mathebula, PD Norman, EA Wilton

Non-executive Director
CH Wiese

Alternate Non-executive Director
JD Wiese

Company Secretary
LM Goliath

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PO Box 215, Brackenfell, 7561, South Africa
Telephone: +27 (0)21 980 4000
Website: **www.shopriteholdings.co.za**

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E-mail: **sharetrack@scs.co.zm**
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Glossary

AGM	Annual General Meeting
AI	Artificial intelligence
ARC	Audit and Risk Committee
B-BBEE	Broad-based Black Economic Empowerment
CAGR	Compound Annual Growth Rate
CDP	Carbon Disclosure Project
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CGCSA	Consumer Goods Council of South Africa
Covid-19	Coronavirus (SARS-CoV-2)
CSI	Corporate social investment
DC	Distribution centre
DHEPS	Diluted Headline Earnings Per Share
DoEL	Department of Employment and Labour
DSTI	Deferred short-term incentive
EBITDA	Earnings before interest, tax, depreciation and amortisation
EDI	Executive deferred incentive
EPS	Earnings per share
ERM	Enterprise risk management
ERP	Enterprise resource planning
ESD	Enterprise and supplier development
ESP	Executive Share Plan
ESSI	Executive Super Stretch Incentive Scheme
ESG	Environmental, social and governance
EWT	Endangered Wildlife Trust
FMCG	Fast-moving Consumer Goods
FY	Financial year
GDP	Gross Domestic Product
GHG	Greenhouse gas
GRI	Global Reporting Initiative
HEPS	Headline earnings per share
IFRS	International Financial Reporting Standards
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
LTI	Long-term Incentive
LuSE	Lusaka Stock Exchange
MRF	Management Risk Forum
MSR	Minimum Shareholding Requirement
MWh	Megawatt-hour
NOx	Nitrogen oxide pollutants
NSX	Namibian Stock Exchange
PPE	Property, plant and equipment
POPIA	Protection of Personal Information Act
(Pty) Ltd	Proprietary Limited
PV	Photovoltaic
PwC	PricewaterhouseCoopers
RFID	Radio-frequency identification
ROIC	Return on invested capital
RRP	Retail Readiness Programme
RSA	Republic of South Africa
SACCAWU	South African Commercial Catering and Allied Workers Union
SASB	Sustainability Accounting Standards Board
SASSA	South African Social Security Agency
SAR	Share Appreciation Right
SDGs	United Nations Sustainable Development Goals
SEC	Social and Ethics Committee
SENS	Stock Exchange News Service
SET	Shoprite Employee Trust
SMME	Small, medium and micro-enterprise
SRD	Social Relief of Distress
STI	Short-term Incentive
tCO_2e	Tonnes of carbon dioxide equivalent
TGP	Total guaranteed pay
TSR	Total Shareholders' Return
UNGC	United Nations Global Compact
USSD	Unstructured Supplementary Service Data
YES	Youth Employment Service
VWAP	Volume Weighted Average Price
ZAR	South African rand