



# REMUNERATION REPORT

“The Group’s remuneration policies balance our employees’ needs with those of our shareholders.”

**HUGH HERMAN | CHAIRMAN REMUNERATION COMMITTEE**

Members: Gareth Ackerman, Audrey Mothupi, Jeff van Rooyen

## SECTION 1: COMMITTEE CHAIRMAN'S REPORT

The remuneration committee is mandated by the Board to ensure our remuneration policy promotes the achievement of the Group’s strategic objectives in a fair and responsible way. A key objective is to ensure that the policy helps to deliver value creation over the short, medium and long term.

Our remuneration policy seeks to support the Group’s strategy by incentivising behaviour that will deliver on our strategic plan, measured against clear performance targets across our seven business acceleration pillars. Decisions on pay and reward for the Board and senior management must be appropriate to attract, motivate and retain a winning team while aligning their interests with that of shareholders.

### THE YEAR IN REVIEW

The economic climate became increasingly difficult in South Africa this year, with retailers battling against stagnant economic growth and competing for a constrained consumer facing an escalating cost of living, high levels of household debt and rising levels of unemployment. Financial results across the sector testify to the fact that it has not been easy for retailers in South Africa to find growth in this environment. However, the Pick n Pay Group has done just that. The Group took difficult action last year to become leaner and more productive, with a view to invest the benefits of cost and efficiency savings in its customer offer in more difficult times. The steps taken last year were well timed, and allowed the Group to invest in a more a competitive price position at a time when customers needed it the most. The Group is not only sharper on price. It has delivered solid and sustained progress against its long-term plan, delivering a stronger fresh and own brand offer, greater loyalty rewards, innovation in financial and other services, and an enhanced and expanded store estate focusing on delivering greater relevance to the communities it serves. Customers have responded positively to the tangible improvements in the Group’s offer, and have rewarded the Group through market share gains over the year, and strong like-for-like sales volume growth.

## 2019 FINANCIAL RESULT AND ANNUAL BONUS

The remuneration committee continues to exercise careful judgement, to ensure that its policies and expectations of performance remain relevant in a tough retail environment. In response to the more difficult macroeconomic climate, the committee revised its original FY19 growth targets published last year.

The Group follows a 52-week retail financial calendar, which requires the inclusion of an additional week every few years. The 2019 financial year included an additional 53rd trading week, and its results are not directly comparable with last year. The growth targets set by the remuneration committee are on a comparable 52-week basis.

Primary targets for the award of a short-term incentive bonus:

|           | Growth in profit before tax and exceptional items (PBTAE) |         |
|-----------|---|---------|
|           | Published last year                                       | Revised |
| Threshold | 15%   | 10%     |
| Target    | 20%   | 15%     |
| Stretch   | 25%   | 20%     |

The Group delivered growth in profit before tax and exceptional items (PBTAE) of 15.6%, exceeding the remuneration committee’s threshold hurdle, for the award of a short-term incentive bonus. Group profit growth was in line with the remuneration committee’s target. While the stretch hurdle of 20% was not met, the remuneration committee felt it right to appropriately reward the management team for their determined execution of a clear and customer-centric plan, their delivery of an industry-leading trade performance, and the achievement of sustained earnings growth in an exceedingly tough market. Senior executives were rewarded following an individual personal assessment of the attainment of individual key performance indicators, including progress delivered against long-term strategic objectives. Please refer to page 104 for further information on bonuses awarded to executive directors.

## PARITY OF REMUNERATION ACROSS GENDER AND RACE GROUPS

The Group is committed to fair and reasonable remuneration for all. Fixed and variable benefits are benchmarked against industry norms, and remuneration policies seek to build a strong and diverse team, rewarded and advanced on merit. As a responsible corporate citizen, proud of our history and commitment to all our employees and being an ambassador for employment equity, we devote the necessary focus to important issues of employment equity, gender equity and pay parity. Comprehensive statistical analysis at all levels of remuneration is ongoing, with reference to the scale of each role and length of tenure, to identify and address any differential pay rates based on race or gender. We have made strong progress on our employment equity and gender equity targets across the business, while acknowledging that there is more to do in our most senior roles. Our work in analysing pay to identify any differentials is ongoing. However, the initial findings are encouraging, with good evidence of gender pay parity at all levels across the business. Our work in this area continues on a department-by-department basis, with the following commitments to our employees:

- We will take deliberate action to continue to improve the Group’s employment and gender equity, particularly at senior levels.
- We are equitable in our recruitment and remuneration
- Colleagues will enjoy fair pay for work done – equal pay for equal work
- Everybody will have the opportunity to progress in the Group

## REVIEW OF LONG-TERM SHARE INCENTIVE SCHEMES

The Group implemented its Forfeitable Share Plan (FSP) as a long-term incentive tool for its senior executive team in 2014. After five years, the remuneration committee felt it was timely to evaluate the success of the FSP scheme in meeting the long-term strategic objectives of the business, and to weigh up the merits of the scheme against other long-term employee incentive plans operated across our industry. We engaged an independent expert to assist in our deliberations, and assessed a number of alternative schemes. After a comprehensive review, the remuneration committee elected to retain the structure of the FSP, concluding that the scheme has been effective in attracting and retaining key executives, has provided a meaningful incentive for the delivery of long-term strategy, and has supported long-term value creation for all stakeholders. The remuneration committee will continue to assess the effectiveness and appropriateness of its various share incentive schemes, and seek to modernise its incentive tools when appropriate.

## STABILITY OF LABOUR RELATIONS

The Group has secured three-year labour agreements with its major labour unions in South Africa. These agreements reflect encouraging levels of co-operation with our labour partners, and a commitment to work together for the future success and stability of our business, and for the security and benefit of our employees.

## RETIREMENT OF OUR GROUP CFO

Bakar Jakoet will retire as CFO over the coming months, after 34 years with the Group and eight years in the role. We extend our sincere thanks to Bakar for his outstanding contribution to the Group over a distinguished career, and particularly for his guidance and support over our challenging turnaround period. The Board, with the support of the nominations committee, are following a formal process to identify and appoint a successor. Bakar will stay on during this process and has offered his ongoing support through a handover period. We look forward to Bakar playing a non-executive role in the business going forward.

## LOOKING AHEAD

The Group’s resolute focus on the objectives set out in its long-term plan is building a sustainable and future-fit business, better able to respond to changing customer needs and industry trends. This creates exceptional and exciting opportunities for people looking to build a successful career in retail. We are strengthening a winning team, and with our focus on diversity, skills training and development, we are becoming an employer of choice within the retail industry. The remuneration committee will continue its work this year on employment equity, gender equity and pay parity across the Group and will continue to focus on talent management, retention and succession planning, including through the effective balance of short- and long-term incentives linked to the achievement of Group strategy.

**Hugh Herman**  
Chairman: Remuneration committee  
21 June 2019

## IN ADDITION TO THE KEY DECISIONS AND FOCUS AREAS HIGHLIGHTED, THE REMUNERATION COMMITTEE:

Reviewed the Group’s remuneration policy to ensure alignment with the Group’s strategic objectives of building a winning team and driving long-term value creation

Reviewed the Group’s remuneration policy in line with best practice in the market

Agreed the remuneration packages of executive directors and reviewed the remuneration packages of senior management and key employees in line with market-related benefits

Reviewed and approved performance-related short-term incentives as well as long-term share-based incentives, including the fifth allocation of shares under the Group’s forfeitable share plan

Determined the overall salary increase for salaried staff across the Group – with higher increases provided to lower levels of salaried staff, recognising the greater impact the difficult economic environment has on these employees

Proposed fees for non-executive directors, for shareholder approval

Considered talent management and succession planning, including succession of the Group CFO

## REMUNERATION REPORT (continued)

### REPORTING TO OUR STAKEHOLDERS



The remuneration committee is confident that the remuneration policy achieved its stated objectives in support of the Group's long-term strategy:

- senior management and staff were remunerated fairly, commensurate with market best practice
- current achievements were recognised
- future performance was incentivised in line with the objectives of the Group's long-term strategy and shareholders' interests.

In line with King IV, we will present section 2 and 3 of this report separately to our shareholders for non-binding votes at the AGM on 30 July 2019. The proposed directors' fees for the 2020 and 2021 financial periods will be submitted to shareholders for approval at the AGM. Please refer to page 105 for further information.

In the event that either the remuneration policy or the implementation report receives 25% or more dissenting votes, management will engage directly with shareholders to:

- determine the reasons for the dissenting votes; and address all legitimate objections
- take any reasonable steps to resolve shareholder concerns.

We value open and constructive engagement with our shareholders. We therefore encourage them to engage with management on material remuneration issues to ensure that they are informed when voting on the Group's remuneration policy and the application thereof.

### THE REMUNERATION COMMITTEE'S ROLE

The remuneration committee assists the Board in meeting its responsibility to determine and administer an appropriate and effective remuneration policy, which is:

- balanced in the best short- and long-term interests of the Group, its shareholders and its employees
- aligned to the Group's strategic objectives.

The committee considers and recommends the remuneration policy for all levels of staff in the Group, with a particular focus on executive directors, senior management and non-executive directors. It meets at least twice a year, is chaired by an independent non-executive director and comprises only non-executive directors. The committee operates in terms of a Board-approved charter, which is reviewed annually by the Board. No amendments were made to the charter during the year under review.

### COMPOSITION AND MEETING ATTENDANCE

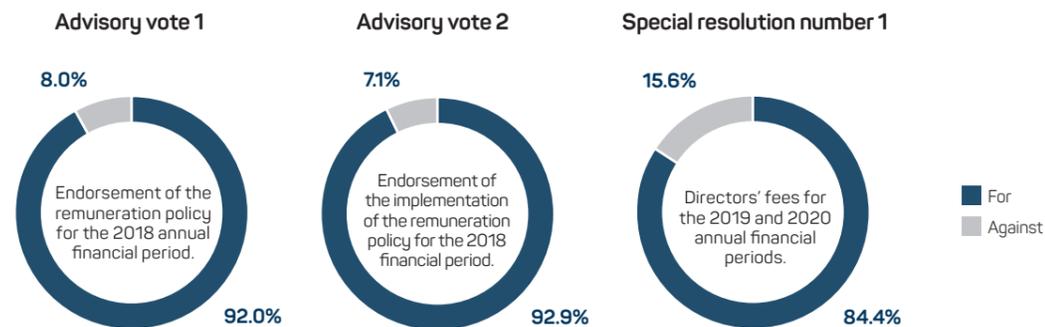
| Director        | Attendance |
|-----------------|------------|
| Hugh Herman     | 3/3        |
| Gareth Ackerman | 3/3        |
| Audrey Mothupi  | 3/3        |
| Jeff van Rooyen | 3/3        |

Although independent expert advice is obtained as required, no external advisers attended the remuneration committee meetings during the year.

### TRAINING

The remuneration committee received training from independent remuneration consultants in April 2019, incorporating an overview of local and international best remuneration practices. The committee was gratified to find that its policies, procedures and focus areas are aligned with best practice.

The remuneration policy and directors' fees for the 2019 financial period were approved by shareholders at the AGM held on 30 July 2018 as follows:



The remuneration committee is satisfied that it has fulfilled its responsibilities in terms of the Board charter and its objectives for the 2019 financial period.



## REMUNERATION REPORT (continued)

### SECTION 2: OVERVIEW OF REMUNERATION POLICY

#### WHAT GUIDES OUR REMUNERATION

##### REMUNERATION PHILOSOPHY

Our remuneration philosophy is to develop and reward a diverse, high-performance team that delivers on our strategic objectives and creates sustainable value for all stakeholders over the short, medium and long term. Our remuneration philosophy reflects the following principles:

- **Performance-driven reward:** Staff are rewarded for creating and delivering sustainable value in line with our strategic objectives
- **Meritocracy:** Staff are recognised and advanced based on merit
- **Most talented South African retail business:** We attract, retain and develop the most talented staff in the retail industry
- **Effective and lean organisation:** We build a high-performance culture that rewards productivity and value creation
- **Diversity:** We offer equal opportunities to people from all walks of life and our team should reflect the communities we serve

##### REMUNERATION POLICY

The Group's underlying remuneration policies support this philosophy through balanced reward that recognises the delivery of short-term performance goals, while incentivising sustainable value creation over the long term. The interests of our team are aligned with those of our shareholders through policies which include the following:

- Remuneration at all levels is benchmarked against the remuneration policies and practices of comparable companies (locally and internationally) to ensure that it is fair and reasonable, and key or scarce skills are remunerated in the upper quartile of the market
- Independent experts assist with remuneration benchmarking to ensure that remuneration decisions made are objective and fair
- Remuneration is balanced between fixed remuneration and variable short- and long-term incentives, applying a higher proportion of variable remuneration to senior management to drive performance, and placing a greater emphasis on fixed pay for middle and junior management
- Non-executive directors do not receive remuneration or incentive awards related to share price or corporate performance

#### ALIGNING REMUNERATION WITH STRATEGY

The Group's remuneration philosophy and policies are aligned with the strategic objectives of the Group. Short- and long-term incentives are linked to the achievement of key performance targets linked to strategic objectives, and will contribute to building a winning team and long-term, sustainable value creation in the business for all stakeholders.

The primary performance target for the management teams' short-term incentive bonus, is growth in profit before tax and exceptional items (PBTAE).

**Primary PBTAE threshold not met**

No short-term incentives are paid

This primary target has a 100% weighting in determining whether an annual bonus will be awarded.

**Primary PBTAE threshold met**

Bonus is payable at the discretion of the remuneration committee, subject to an assessment of changes in the economic environment and a review of the level of delivery of certain secondary performance targets, including individual key performance indicators (refer diagram on page 97).

Thereafter secondary key performance indicators apply, to determine the value of individual bonuses awarded.



**Strategic objectives** (refer to pages 44 to 53)

- Grow sales in line with or ahead of the market
- High levels of operating efficiency
- Sustainable margin improvement

**Business acceleration pillars**

- 1 Better for customers
- 2 A flexible and winning estate
- 3 Efficient and effective operations
- 4 Every product, every day
- 5 A winning team
- 6 Boxer – a national brand
- 7 Rest of Africa – a second engine of growth

**Short-term incentives**  
Primary performance target:

- Growth in profit before tax and exceptional items (PBTAE)

**100% weighting**

**Long-term incentives**  
Primary performance target:

- HEPS
- ROCE
- Share price

**100% weighting**

**Secondary short-term performance targets examples include:**

- Annual individual performance review
- Turnover growth
- Improved cost ratios
- Reduced net finance costs
- Stronger profit margins
- Reduced stock-on-hand days
- BBBEE performance
- Resource efficiency

**Discretionary considerations depending on the level of delivery**

**Primary long-term performance targets:**

- Sustainable HEPS growth over a rolling three-year period
- ROCE > WACC
- Share price appreciation
- PBT margin at or above 3.0% over the medium term

## REMUNERATION REPORT (continued)

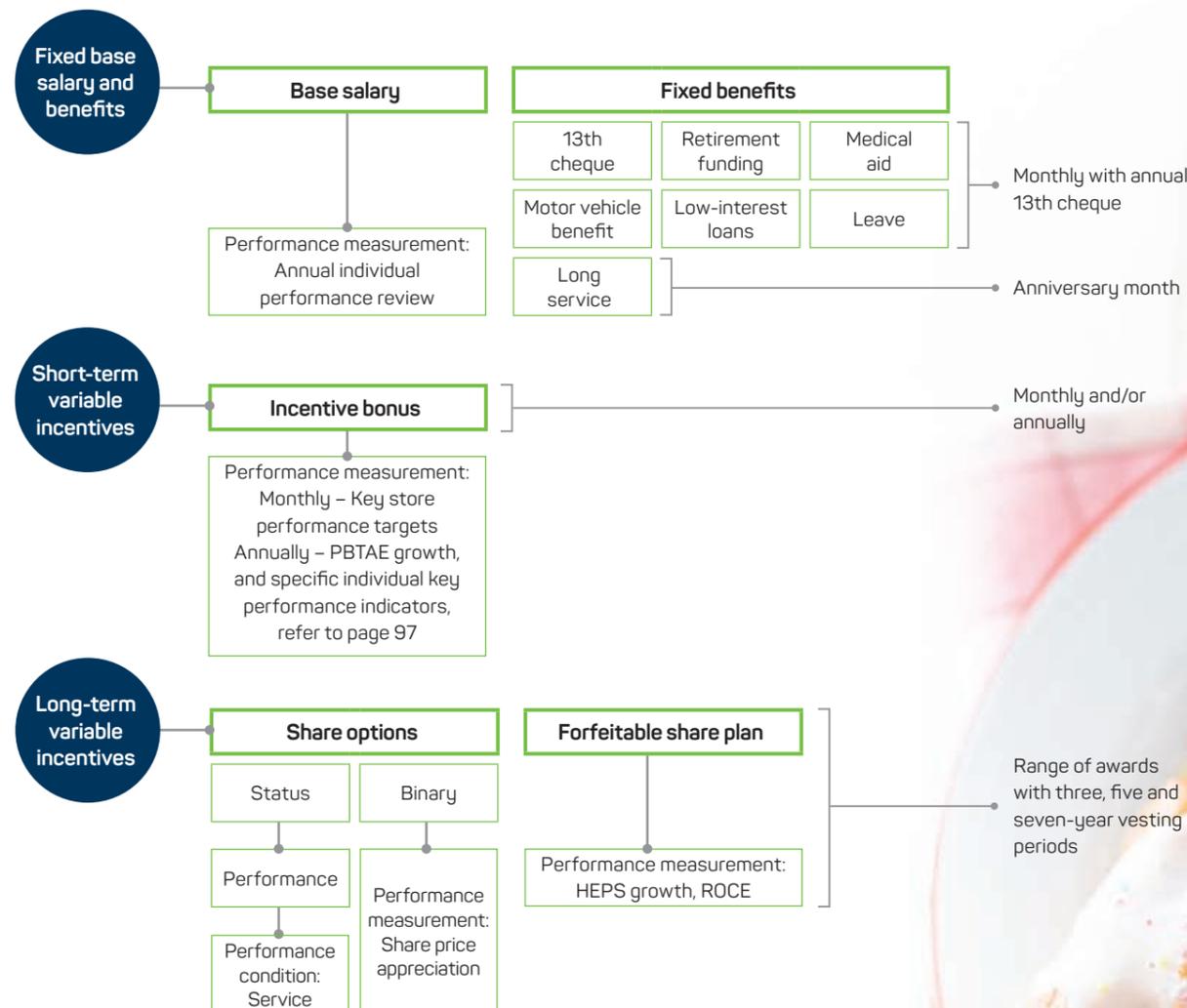
### FAIR AND RESPONSIBLE REMUNERATION

The remuneration committee reviewed the Group's remuneration policies to ensure that executive director remuneration is fair and responsible in the context of overall employee remuneration, particularly given the socio-economic climate of South Africa and the South African retail industry.

The committee is satisfied that the Group's remuneration policies, supported by strong underlying governance principles, ensure that levels of pay awarded to executive directors are set objectively and reasonably, and are free from discrimination, prejudice or favouritism. Executive pay is directly linked to the achievement of strategic objectives set out in the Group's long-term plan, which are reflected in the performance targets set by the remuneration committee.

The remuneration committee recognises its important role in ensuring that the Group's remuneration policies support the Group's strategic goals. And, it also ensures that executive directors are remunerated fairly and for reasonable performance in line with industry benchmarks and shareholder expectations. The executive team will not be unduly rewarded where performance does not meet expectations. However, the committee will strive to find a fair and reasonable balance in order to retain key executives and attract quality executives from outside the business to ensure that the Group delivers on its strategic objectives.

### REMUNERATION STRUCTURE



### FIXED BASE SALARY AND BENEFITS

The Group is committed to furthering the economic empowerment and well-being of employees and, as such, the provision of retirement and medical benefits is a key part of the remuneration policy.

#### Base salary

Annual base salaries, across all levels of the Group, are set at levels that are competitive with the rest of the market. This enables us to attract, motivate and retain the right calibre of diverse people to achieve the Group's strategic business objectives. The fixed base salary reflects the relative skill, experience, contribution and performance of the individual. Remuneration is directly linked to formal annual performance assessments. Annual increases are determined with reference to the scope of the employee's role, his/her competence and performance, the projected consumer price index and comparable increases in the general and retail market.

#### Retirement funding

It is a condition of employment that all employees, including variable-time employees,<sup>3</sup> join one of the retirement funds provided by the Group. The Group contributes up to 8.7% of the individual employee's salary towards retirement funding, depending on the fund and the terms and conditions of employment.

#### Medical aid

Medical aid provisions are in place for all full-time<sup>1</sup>, part-time<sup>2</sup> and variable-time<sup>3</sup> employees. We provide a number of medical aid schemes. Membership is compulsory for all employees at junior grade and above, unless they are covered by a third-party medical aid. Membership of the medical aids provided is optional for NMBU<sup>4</sup> employees. We contribute 50% of medical aid contributions on behalf of employees.

#### 13th cheque

A 13th cheque is paid to qualifying employees in November each year. Variable-time employees<sup>3</sup> participate based on the average number of hours worked in a month. Employees must have been in the employ of the Group for at least three months to be eligible to receive this benefit.

#### Motor vehicle benefit

Certain employees in middle management and above are entitled to a motor vehicle benefit. Depending on the requirements of their role, it may be in the form of a travel allowance or provision of a company car. This benefit may include payment of maintenance, fuel and insurance.

#### Leave

Annual leave accumulates from the date of starting employment and varies between three and five weeks per annum depending on the terms, conditions and length of employment. Variable-time employees<sup>3</sup> accumulate leave based on ordinary hours worked. The Group also provides family responsibility and religious leave, where applicable.

#### Low-interest loans

All employees have access to low-interest loans from the Group. The primary objective is to assist employees with the acquisition of residential property. Loan values are capped at varying amounts, depending on the employee's position. Affordability tests are performed before any loan is granted to ensure that the employee does not experience financial strain.

#### Long service

The Group rewards long service with a cash award in the month an employee attains a five-year service anniversary, and again for every five-year anniversary thereafter. Long service is also recognised with an additional allocation of leave, depending on the terms and conditions of employment, at five-year intervals.

All housing loans are secured by the employee's retirement funding. No financial assistance is provided to assist employees to buy shares in the Group. For further details on employee loans, refer to note 14 on page 63 of the 2019 AFS.

<sup>1</sup> Full-time employees have a fixed contract with the Group and work either 40 or 45 hours per week.

<sup>2</sup> Part-time employees have a fixed contract with the Group and work a maximum of 25 hours per week.

<sup>3</sup> Variable-time employees have a variable contract with the Group, which guarantees either 85 hours per month, or a maximum of 40 hours per week.

<sup>4</sup> NMBU refers to our non-management bargaining unit.

## REMUNERATION REPORT (continued)

### SHORT-TERM VARIABLE INCENTIVES

The short-term incentive bonus is discretionary. It is triggered by the attainment of a threshold target of growth in PBTA, as set by the remuneration committee. The primary short-term performance target is supported by secondary short-term targets aligned to the Group's strategic plan. Refer to page 97.

The bonus pool is self-funding and is created after the achievement of predefined targets, inclusive of the value of the incentive. The bonus pool increases in value as threshold, target or stretch targets are attained. Bonuses are paid as a multiple of basic monthly salary. Each individual's share of the bonus pool is dependent on the overall Group target being reached and on their own individual performance, as measured through the Group's annual performance appraisal process.

Bonuses are capped at the following multiples:

| Grades  | Category          | Bonus cap                 |
|---------|-------------------|---------------------------|
| A       | CEO               | 24 x basic monthly salary |
| A       | Group executive   | 12 x basic monthly salary |
| B       | Senior management | 6 x basic monthly salary  |
| C and D | Middle management | 4 x basic monthly salary  |
| E and F | Junior management | 13th cheque               |

The bonus paid to middle management is reduced by the value of the fixed 13th cheque. Other, more frequent incentive bonuses are paid to qualifying staff at store level. These incentives are linked directly to short-term store performance targets, including turnover, stockholdings, shortages and waste.

### 1. SHARE OPTION SCHEME

The employee share option scheme (the scheme) facilitates broad employee share ownership, fosters trust and loyalty among employees and rewards performance. The scheme incentivises management and employees through the acquisition of Group shares, thereby aligning interests with shareholders and encouraging employee retention. Furthermore, binary share options incentivise senior management to achieve specified market-related performance targets.

During the 2019 financial year, 6.5 million Pick n Pay Stores Limited (PIK) options were issued to employees in respect of their progress and performance. A total of 27.8 million PIK share options were held by employees at year-end, amounting to 5.6% of shares in issue. Refer to note 5 of the 2019 AFS for further information.

#### The future net realisable value of all outstanding share options as at 3 March 2019:

| Year   | Average grant price R | Number of options 000's | Net realisable value* Rm |
|--|-----------------------|-------------------------|--------------------------|
| Outstanding share options may be taken up during this following financial periods: |                       |                         |                          |
| 2020   | 37.67                 | 11 830.5                | 372.2                    |
| 2021   | 57.33                 | 2 294.2                 | 27.1                     |
| 2022   | 58.61                 | 2 217.7                 | 23.3                     |
| 2023   | 68.46                 | 3 251.5                 | 2.2                      |
| 2024 and after   | 67.74                 | 8 178.7                 | 11.4                     |
|  |                       | 27 772.6                | 436.2                    |

\* The net realisable value of outstanding share options was calculated using the prevailing market share price at year-end of R69.13 less the average grant price. Binary share options include performance hurdles that, if met, trigger discounted grant prices.

### LONG-TERM VARIABLE INCENTIVES

It is Group policy to maintain a broad-based share scheme for employees. This is an integral part of our remuneration philosophy and ensures that the long-term interests of staff are aligned with those of shareholders. The primary performance targets are long-term sustainable HEPS growth and share price appreciation. All levels of management can acquire Group shares, affording them the opportunity for economic upliftment, and it encourages employee retention. It is a key differentiator between the Group and other retail employers in South Africa.

The Group operates two share incentive schemes:

1. Share option scheme
2. Forfeitable share plan (FSP)

#### Funding of share incentive schemes

Shareholders have authorised the Board to utilise up to 63.9 million shares of Pick n Pay Stores Limited, representing 13% of issued share capital, for the purpose of managing the Group's share schemes. Both the Group's share schemes fall within this limit, which means the aggregate number of shares that can be awarded under both schemes cannot exceed the authorised limits.

The two share schemes are further constrained by an aggregate limit of 5% of the issued share capital of Pick n Pay Stores Limited, in respect of the amount of new shares that can be issued to cover obligations under the employee share schemes.

The Group issued 5 million shares during the year. The Group has cumulatively issued 15.7 million shares to date and is therefore able to issue a further 8.9 million shares or 1.8% of its issued share capital to fund future obligations under the share schemes. Refer to notes 5 and 18 of the 2019 AFS for further details of the outstanding options and limits available under the schemes.

### Status share options – service conditions attached

Status share options are granted to employees who attain grade F, and further options are granted at each promotion to higher levels of management.

This is a broad-based scheme, rewarding and empowering employees at all levels of management and, as such, no further performance conditions are attached. Vesting is only dependent on the employee remaining in the employ of the Group over the specified vesting period. If the employee leaves the employ of the Group before the end of a vesting period, unvested share options lapse.

### Performance share options – service conditions attached

Middle-management employees may be eligible for performance "top-up" share options in recognition of their individual performance and contribution to the Group. These options vest in the same manner as status share options.

In order to encourage employee retention, status and performance shares vest in three tranches (vesting periods) as follows:



### Binary share options – service and performance conditions attached

Binary share options are granted to employees in senior management positions. These three- to six-year options may only be taken up when prescribed performance conditions linked to the growth of the PIK share price are met. Should further performance hurdles be achieved, discounted grant prices may apply. If the initial eligibility hurdle is not met, the options are forfeited.

### Binary share options issued to executive director

In November 2012, 1 000 000 binary share options were issued to Richard Brasher on his appointment as CEO. The binary share options were issued at a grant price of R42.24 and were initially due to vest in November 2017, subject to the attainment of prescribed share price conditions.

In September 2017 the remuneration committee extended the vesting term of these binary options to November 2018, in light of the earnings impact of the voluntary severance programme (VSP) undertaken in that year, and the potential for a negative short-term impact on the share price in an increasingly volatile local equities market. The VSP was an important step in repositioning the Group for sustainable growth in a difficult economic climate, and the committee agreed that the CEO should not be unreasonably disadvantaged for strategic action taken for the long-term benefit of the Group.

The salient features are summarised below:

| Hurdles              | Share price November 2018 | Annual compound growth rate | Exercise price November 2018 |
|----------------------|---------------------------|-----------------------------|------------------------------|
| Eligibility hurdle   | R68.03                    | 10%                         | R42.24                       |
| Performance hurdle 1 | R84.96                    | 15%                         | R21.12                       |
| Performance hurdle 2 | R128.91                   | 25%                         | R1.00                        |

In addition to the terms above, if the 20-day VWAP up to 14 November 2018 reached R105.11 (representing an annual compound growth rate of 20% from grant date), a cash bonus of R10.6 million would be paid.

The 20-day VWAP on 14 November 2018 was R69.18, and as such the binary shares vested in full and were available for take-up at an exercise price of R42.24. As the 20-day VWAP did not reach R105.11, no further cash bonus was paid.

### 2. THE FORFEITABLE SHARE PLAN (FSP)

The FSP recognises key employees who have a significant role to play in delivering Group strategy and ensuring the growth and sustainability of the business in the future. Through the attachment of performance conditions, the FSP incentivises participating employees to deliver earnings growth in the future. An award of shares may also be used to attract talented prospective employees.

The participant becomes the beneficial owner of the forfeitable shares on the date of the award. Beneficial ownership affords the employee full shareholder voting rights and full rights to any dividends declared.

The shares are held by a Central Securities Depository Participant (CSDP) on behalf of the employee during the time of the vesting period and the employee will not be able to dispose of the shares before the vesting date. If the employee leaves the employ of the Group before the completion of the vesting period (other than on normal retirement, disability or death), all shares will be forfeited.

The remuneration committee awards shares to participants. The actual number of shares awarded takes into account recognised market benchmarks, and each participant's individual contribution to value creation, annual salary, employment grade and other relevant retention and attraction requirements.

The performance conditions are linked to the Group's financial performance, with growth in headline earnings per share (HEPS) as the primary performance measure. Performance conditions are applied on a linear, rising scale, allowing for the vesting of an increasing number of shares, as earnings thresholds are met and exceeded. All growth thresholds are after recognising the applicable IFRS 2 share-based payments expense, which is charged to the income statement over the vesting term of the forfeitable shares. The scheme is therefore self-funding.

To ensure that the FSP is aligned with the best interests of the Group and its shareholders, the performance conditions are subject to an overriding condition that the Group's return on capital employed (ROCE) must be greater than its weighted average cost of capital (WACC) over the vesting period, before any FSP shares are allowed to vest. This is to ensure that the Group has generated a real return for shareholders before rewarding its management team.

## REMUNERATION REPORT (continued)

### FSP awards

The HEPS performance conditions attached to FSP awards are adjusted to reflect relevant changes in accounting policy over the vesting period of the shares, as appropriate.

#### 2015 award (FSP 2)

Issue date: August 2015

Vesting date: June 2018

#### Performance conditions:

| 2015<br>Baseline HEPS<br>Cents | Three-year<br>CAGR<br>% | 2018<br>HEPS<br>Cents | Position of<br>shares which vest<br>% | Number of<br>shares which vest<br>000's | Net realisable<br>value*<br>Rm |
|--------------------------------|-------------------------|-----------------------|---------------------------------------|---|--------------------------------|
| 173.34                         | < 10                    | < 230.72              | All forfeited                         | -                                       | -                              |
| 173.34                         | 10                      | 230.72                | 30                                    | 330.1                                   | 25.9                           |
| 173.34                         | 11                      | 237.07                | 65                                    | 715.3                                   | 56.1                           |
| 173.34                         | 12                      | 243.53                | 100                                   | 1 100.4                                 | 86.3                           |

\* The net realisable value of outstanding FSP shares was calculated using the prevailing market share price at the date of vesting of R78.38.

The Group delivered HEPS of 276.98 cents in FY18, exceeding the stretch target of 243.53 cents per share. FSP fully vested on 25 June 2018, delivering 1.1 million shares to the value of R86.3 million to 98 participants.

#### 2016 award (FSP 3)

Issue date: August 2016

Vesting date: June 2019

#### Performance conditions:

| 2016<br>Baseline HEPS<br>Cents | Three-year<br>CAGR<br>% | 2019<br>HEPS<br>Cents | Position of<br>shares which vest<br>% | Number of<br>shares which vest<br>000's | Net realisable<br>value*<br>Rm |
|--------------------------------|-------------------------|-----------------------|---------------------------------------|---|--------------------------------|
| 215.22                         | < 10                    | < 286.46              | All forfeited                         | -                                       | -                              |
| 215.22                         | 10                      | 286.46                | 30                                    | 456.8                                   | 31.6                           |
| 215.22                         | 12                      | 302.37                | 65                                    | 989.6                                   | 68.4                           |
| 215.22                         | 14                      | 318.86                | 100                                   | 1 522.5                                 | 105.3                          |

\* The net realisable value of outstanding FSP shares was calculated using the prevailing market share price at year-end of R69.13.

The Group delivered HEPS of 322.65 in FY19 (normalised for a 52-week trading calendar), exceeding the stretch target of 318.86 cents. The 2016 FSP award will vest on 25 June 2019. A total of 1.5 million shares are held by a CSDP on behalf of 103 participants.

#### 2017 award (FSP 4)

Issue date: June 2017

Vesting date: June 2020

#### Performance conditions:

| 2017<br>Baseline HEPS<br>Cents | Three-year<br>CAGR<br>% | 2020<br>HEPS<br>Cents | Position of<br>shares which vest<br>% | Number of<br>shares which vest<br>000's | Net realisable<br>value*<br>Rm |
|--------------------------------|-------------------------|-----------------------|---------------------------------------|---|--------------------------------|
| 258.65                         | < 10                    | < 344.29              | All forfeited                         | -                                       | -                              |
| 258.65                         | 10                      | 344.29                | 30                                    | 1 123.6                                 | 77.7                           |
| 258.65                         | 11                      | 353.76                | 65                                    | 2 434.6                                 | 168.3                          |
| 258.65                         | 12                      | 363.41                | 100                                   | 3 745.5                                 | 258.9                          |

\* The net realisable value of outstanding FSP shares was calculated using the prevailing market share price at year-end of R69.13.

A total of 3.7 million shares are held by a CSDP on behalf of 118 participants.

#### 2018 award (FSP 5)

Issue date: June 2018

Vesting date: June 2021

#### Performance conditions:

| 2018<br>Baseline HEPS<br>Cents | Three-year<br>CAGR<br>% | 2021<br>HEPS<br>Cents | Position of<br>shares which vest<br>% | Number of<br>shares which vest<br>000's | Net realisable<br>value*<br>Rm |
|--------------------------------|-------------------------|-----------------------|---------------------------------------|---|--------------------------------|
| 276.98                         | < 10                    | < 368.66              | All forfeited                         | -                                       | -                              |
| 276.98                         | 10                      | 368.66                | 30                                    | 947.1                                   | 65.5                           |
| 276.98                         | 12                      | 389.14                | 65                                    | 2 052.1                                 | 141.9                          |
| 276.98                         | 14                      | 410.36                | 100                                   | 3 157.0                                 | 218.2                          |

\* The net realisable value of outstanding FSP shares was calculated using the prevailing market share price at year-end of R69.13.

A total of 3.2 million shares are held by a CSDP on behalf of 121 participants.

### SERVICE CONTRACTS

Executive directors and senior management are employed in terms of the Group's standard contract of employment. They are only employed under fixed-term contracts under specific circumstances. Senior management personnel are required to give a reasonable notice period of their intention to terminate their services, which varies from one to 12 calendar months.

Employment contracts do not provide for any exceptional benefits or compensation on the termination of employment. Certain managers who are considered key in carrying out the Group's strategy are subject to contractual restraint of trade provisions. Discretionary termination or restraint of trade payments may be made in this regard.

The retirement age for all employees is 60 years. The Group's Chief Finance Officer, Bakar Jakoet, has reached retirement age and was employed under a fixed-term contract in FY19. Bakar has announced his retirement from the Group, and will step down as Group CFO during FY20.

### REMUNERATION STRUCTURE: NON-EXECUTIVE DIRECTORS

The remuneration committee proposes fees to be paid for the membership of the Board and Board committees. Such fees are market-related, commensurate with the time required for directors to undertake their duties and must be approved by the Board and shareholders. Approved fees are set for the annual financial period. Refer to page 105 for more detail on the proposed fees for 2020. Fees are not subject to attendance of meetings as attendance of Board meetings is generally good.

Non-executive director remuneration is not linked to the performance of the Group or the Group's share price performance. Non-executive directors do not receive performance-related bonuses and are not granted any share awards.

When non-executive directors provide additional consultancy services to the Board and its committees, the related fees are determined and approved by the remuneration committee on an ad hoc basis, taking into account the nature and scope of the services rendered.



## REMUNERATION REPORT (continued)

### SECTION 3: IMPLEMENTATION OF REMUNERATION POLICY

#### WORK PERFORMED AND DECISIONS TAKEN BY REMUNERATION COMMITTEE

The main items considered and approved by the remuneration committee during the 2019 financial period were as follows:

#### EXECUTIVE DIRECTOR REMUNERATION BENCHMARKING, INCLUDING A REVIEW OF ALL BENEFITS PROVIDED

The remuneration committee reviewed the total remuneration of executive directors, including all benefits, to ensure alignment with the Group's strategic objectives and best practice in the market. The balance between guaranteed remuneration and short- and long-term incentives was considered to ensure its appropriateness to drive the delivery of both short- and long-term strategic objectives. The remuneration is considered fair and competitive against market benchmarks and the role and performance of each individual executive director.

#### REVIEWING AND SETTING THE ANNUAL COMPENSATION FOR THE CEO

In setting Richard Brasher's annual base salary at R10.1 million, the remuneration committee considered his extensive experience in the retail industry and the Group's strong and consistent profit growth delivered under Richard's stewardship. The remuneration committee is satisfied that Richard's benchmarked base salary is fair in relation to the market, his expertise and his considerable contribution to date.

#### DETERMINING ANNUAL INCREASES IN FIXED REMUNERATION FOR EXECUTIVE DIRECTORS, AND AN OVERALL SALARY INCREASE FOR SALARIED STAFF ACROSS THE GROUP

The increase in total fixed base salary and benefits (fixed remuneration) paid to executive directors year on year was 3.2%, reflecting lower remuneration in 2019 for Richard van Rensburg and Jonathan Ackerman. Richard van Rensburg's fixed remuneration is up 1.8% year on year, with one-off fringe benefits in the base. The 20.4% decrease in Jonathan Ackerman's remuneration reflects his personal decision to reduce the size of his executive role in the business. On a normalised basis, the increase in executive fixed remuneration is 5.0%, against an average for the Group of 7.0%, excluding employees governed by a labour union agreement (NMBU). The average annual increase for NMBU employees was between 7.5% and 9.6%. Annual increases were determined in April 2018 after formal performance reviews, and reflect individual performance against key performance indicators, the scope of each role, as well as comparable increases in the general and retail market, and a projected consumer price index of 5.0%.

#### DETERMINING AN APPROPRIATE SHORT-TERM INCENTIVE BONUS, AND THE REASONABLE ALLOCATION THEREOF TO EXECUTIVE DIRECTORS AND QUALIFYING EMPLOYEES

The remuneration committee sets annual performance targets (threshold, target and stretch) in line with the Group's strategic objectives that must be achieved before a short-term incentive bonus is payable. The targets are based on profit before tax and exceptional items (PBTAE), which is inclusive of the cost of the short-term incentive.

The PBTAE targets for FY19, on a comparable 52-week financial calendar basis, were as follows:



Secondary performance targets are set, which include turnover growth, improved operating cost and other efficiency ratios and key working capital metrics. However, the overarching PBTAE threshold target must first be met before a short-term bonus is considered. Thereafter, the bonus is allocated based on the level of delivery against the secondary performance targets and individual performance, as evaluated through a formal performance appraisal process.

The Group delivered PBTAE of R2 067.5 million, for the comparable 52 weeks ended 24 February 2019, a 15.6% increase on the prior period, and in line with the target set by the remuneration committee. As a result, a short-term incentive bonus was awarded to all qualifying management personnel, in recognition of progress delivered in a more challenging trading environment.

The remuneration committee agreed to a full bonus of R20.6 million for CEO Richard Brasher, in recognition of his sterling leadership over the past year, and his success in navigating the Group through a difficult economy, while maintaining the Group's positive earnings trajectory. The remuneration committee awarded CFO Bakar Jakoet a full annual bonus of R5.2 million, in recognition of his valuable stewardship over the year. In addition, the remuneration committee granted Bakar an additional award of R10.0 million on his retirement, in appreciation of his outstanding contribution to the Group over the 34 years of his career. Bakar will step down once the Board has formally appointed his successor. The remuneration committee will then assess the value of outstanding share options and FSP shares held by Bakar and determine an appropriate settlement value. CIO Richard van Rensburg was awarded a full bonus of R4.8 million, in recognition of his significant contribution in driving innovation in the Group, with income from value-added services up 41.5% year on year.

The remuneration committee has set new and appropriate targets for the 2020 financial period, based on a comparable 52-week financial calendar, which include overarching primary short-term PBTAE growth targets of:



#### REVIEWING THE GROUP'S SHARE OPTION INCENTIVE SCHEME, ITS ALIGNMENT TO LONG-TERM STRATEGY AND ALLOCATIONS TO EXECUTIVE DIRECTORS

The remuneration committee undertook a detailed review of all the share options held by the executive directors, including all the service and performance conditions attached. No new share options were granted to executive directors during the year.

The remuneration committee asked the Group's senior executive team to perform a comprehensive performance review of its middle-management structures (levels C and D) to identify those employees who were considered top performers and would be important contributors to the future success of the business.

#### REVIEWING AND RECOMMENDING NON-EXECUTIVE DIRECTORS' FEES FOR THE 2020 FINANCIAL PERIOD, FOR FINAL APPROVAL BY SHAREHOLDERS AT THE AGM

Fees (excluding value-added tax) for the current and proposed periods are as follows:

|   | Proposed 2020 R | Actual 2019 R | % Change |
|---|-----------------|---------------|----------|
| Chairman of the Board                                     | 4 660 000       | 4 438 000     | 5.0%     |
| Lead independent non-executive director of the Board      | 145 000         | 138 000       | 5.0%     |
| Non-executive director of the Board                       | 435 000         | 413 000       | 5.3%     |
| Chairman of the audit, risk and compliance committee      | 375 000         | 340 000       | 10.0%#   |
| Member of the audit, risk and compliance committee        | 145 000         | 138 000       | 7.0%#    |
| Chairman of the remuneration committee                    | 200 000         | 181 000       | 10.5%#   |
| Member of the remuneration committee                      | 94 500          | 90 000        | 5.0%     |
| Member of the nominations committee <sup>1</sup>          | 90 000          | 85 000        | 5.9%     |
| Member of the social and ethics committee <sup>2</sup>    | 94 500          | 90 000        | 5.0%     |
| Chairman of the corporate finance committee <sup>3</sup>  | 200 000         | 193 000       | 3.6%     |
| Member of the corporate finance committee <sup>3</sup>    | 135 000         | 130 000       | 3.8%     |
| Member of the corporate governance committee <sup>4</sup> | 90 000          | -             | -        |
| Trustee of the employee share purchase trust              | 42 000          | 40 000        | 5.0%     |

# Above inflation increases were agreed for the Chairman and members of the audit, risk and compliance committee, and for the Chairman of the remuneration committee in recognition of the scale of the roles and the increased level of compliance and regulation in these areas.

<sup>1</sup> The Chairman of the nominations committee is the Chairman of the Board and does not receive an additional fee for chairing this committee.

<sup>2</sup> The Chairman of the social and ethics committee is an executive director and does not receive an additional fee for chairing this committee.

<sup>3</sup> The corporate finance committee is an ad hoc committee. The fees payable are determined in relation to the number of meetings held during the financial period, but will not be more than the annual proposed fee. No formal meetings were held during the 2018 financial period, and therefore no fees were paid.

<sup>4</sup> Historically, no fee was paid to members of the corporate governance committee. This anomaly has been corrected. The Chairman of the corporate governance committee is Chairman of the Board and does not receive an additional fee for chairing this committee.

## REMUNERATION REPORT (continued)

### REVIEWING AND RECOMMENDING TO THE BOARD THE OVERALL COMPENSATION FOR THE CHAIRMAN, FOR FINAL APPROVAL BY SHAREHOLDERS AT THE AGM

In setting the Chairman's proposed annual fee of R4.6 million, the remuneration committee (Gareth Ackerman recused himself from the discussion) considered the active role he plays in the corporate governance of the Group and in formulating overarching strategy for the individual companies within the Group. Gareth does not play a day-to-day role in the executive

management and administration of the business but does make himself available to the executive team in an advisory capacity.

### REVIEWING AND APPROVING OF THE GROUP'S REMUNERATION POLICY AND REPORT

This report and the recommendations of the remuneration committee have been approved by the Board and will be submitted to shareholders for consideration at the AGM to be held on 30 July 2019.

### PAYMENTS, ACCRUALS AND AWARDS TO DIRECTORS

#### TOTAL REMUNERATION OF EXECUTIVE DIRECTORS

|                           | Fees for board meetings* R'000 | Base salary R'000 | Retirement and medical contributions R'000 | Fringe and other benefits R'000 | Total fixed remuneration R'000 | Discretionary award** R'000 | Bonus and gratuity <sup>Δ</sup> R'000 | Total remuneration R'000 | Long-term share awards expense <sup>#</sup> R'000 |
|---------------------------|--------------------------------|-------------------|--|---------------------------------|--------------------------------|-----------------------------|---------------------------------------|--------------------------|---|
| <b>2019</b>               |                                |                   |  |                                 |                                |                             |                                       |                          |   |
| Richard Brasher           | -                              | 10 140.0          | 916.4                                      | 293.7                           | 11 350.1                       | -                           | 20 640.0                              | 31 990.1                 | 32 477.3  |
| Bakar Jakoet              | -                              | 5 088.6           | 33.8                                       | 152.6                           | 5 275.0                        | -                           | 15 216.0 <sup>Δ</sup>                 | 20 491.0                 | 4 628.4   |
| Richard van Rensburg      | -                              | 4 720.5           | 408.8                                      | 323.6                           | 5 452.9                        | -                           | 4 800.0                               | 10 252.9                 | 4 628.4   |
| Suzanne Ackerman-Berman   | -                              | 2 832.0           | 262.2                                      | 286.6                           | 3 380.8                        | -                           | 720.0                                 | 4 100.8                  | 2 603.2   |
| Jonathan Ackerman         | -                              | 1 393.7           | 257.0                                      | 297.5                           | 1 948.2                        | -                           | 360.0                                 | 2 308.2                  | 1 733.8   |
| <b>Total remuneration</b> | -                              | <b>24 174.8</b>   | <b>1 878.2</b>                             | <b>1 354.0</b>                  | <b>27 407.0</b>                | -                           | <b>41 736.0</b>                       | <b>69 143.0</b>          | <b>46 071.1</b>                                   |
| <b>2018</b>               |                                |                   |  |                                 |                                |                             |                                       |                          |   |
| Richard Brasher           | 1.5                            | 9 474.0           | 857.1                                      | 288.5                           | 10 621.1                       | 800.0                       | -                                     | 11 421.1                 | 23 618.5  |
| Bakar Jakoet              | 1.5                            | 4 605.0           | 34.6                                       | 389.0                           | 5 030.1                        | 400.0                       | -                                     | 5 430.1                  | 5 882.4   |
| Richard van Rensburg      | 1.5                            | 4 423.5           | 383.1                                      | 547.6                           | 5 355.7                        | 375.5                       | -                                     | 5 731.2                  | 5 882.4   |
| Suzanne Ackerman-Berman   | 1.5                            | 2 586.1           | 245.9                                      | 278.8                           | 3 112.3                        | 224.0                       | -                                     | 3 336.3                  | 3 446.6   |
| Jonathan Ackerman         | 1.5                            | 1 844.8           | 320.2                                      | 282.1                           | 2 448.6                        | 112.0                       | -                                     | 2 560.6                  | 2 940.6   |
| <b>Total remuneration</b> | <b>7.5</b>                     | <b>22 933.4</b>   | <b>1 840.9</b>                             | <b>1 786.0</b>                  | <b>26 567.8</b>                | <b>1 911.5</b>              | -                                     | <b>28 479.3</b>          | <b>41 770.5</b>                                   |

\* Executive directors no longer receive fees for attending board meetings.

\*\* During the prior period, the Group did not meet the required performance measures set by the remuneration committee for the payment of a short-term annual bonus. However, the remuneration committee acknowledged that certain important strategic steps were taken during the comparative period to drive sustainable performance, but which had a negative impact on short-term profitability. The remuneration committee recognised the strategic action taken and progress delivered through the payment of an ex gratia award to executive directors and senior management.

<sup>Δ</sup> A gratuity of R10.0 million was granted to Bakar Jakoet on his retirement, in appreciation of his outstanding contribution to the Group over his 34-year career.

<sup>#</sup> The expense of the long-term share awards is determined in accordance with IFRS 2 Share-based Payments. The fair value is measured at grant date and the cost of the awards granted is spread over the period during which the employees become unconditionally entitled to the options (the vesting period). The amounts in the column represent the current year's charge, as recorded in the statement of comprehensive income and statement of changes in equity. The long-term share awards will vest in the future only if all the criteria set out on pages 102 to 103 are met.

#### TOTAL REMUNERATION OF NON-EXECUTIVE DIRECTORS

|                           | Directors' fees R'000 | Lead independent director R'000 | Audit committee R'000 | Remuneration committee R'000 | Nominations committee R'000 | Corporate finance committee R'000 | Social and ethics committee R'000 | Employee share trust R'000 | Total remuneration R'000 |
|---------------------------|-----------------------|---------------------------------|-----------------------|------------------------------|-----------------------------|-----------------------------------|-----------------------------------|----------------------------|--------------------------|
| <b>2019</b>               |                       |                                 |                       |                              |                             |                                   |                                   |                            |                          |
| Gareth Ackerman           | 4 438.0               | -                               | -                     | -                            | -                           | -                                 | -                                 | -                          | 4 438.0                  |
| David Friedland           | 413.0                 | -                               | 138.0                 | -                            | 85.0                        | -                                 | -                                 | -                          | 636.0                    |
| Hugh Herman               | 413.0                 | 138.0                           | 138.0                 | 181.0                        | -                           | -                                 | -                                 | 40.0                       | 910.0                    |
| Alex Mathole              | 413.0                 | -                               | -                     | -                            | -                           | -                                 | 90.0                              | -                          | 503.0                    |
| Audrey Mothupi            | 413.0                 | -                               | 138.0                 | 90.0                         | -                           | -                                 | -                                 | 40.0                       | 681.0                    |
| Lorato Phalatse*          | 206.5                 | -                               | -                     | -                            | 42.5                        | 61.5                              | 45.0                              | -                          | 355.5                    |
| David Robins              | 413.0                 | -                               | -                     | -                            | -                           | -                                 | -                                 | -                          | 413.0                    |
| Jeff van Rooyen           | 413.0                 | -                               | 340.0                 | 90.0                         | -                           | -                                 | -                                 | 40.0                       | 883.0                    |
| <b>Total remuneration</b> | <b>7 122.5</b>        | <b>138.0</b>                    | <b>754.0</b>          | <b>361.0</b>                 | <b>127.5</b>                | <b>61.5</b>                       | <b>135.0</b>                      | <b>120.0</b>               | <b>8 819.5</b>           |
| <b>2018</b>               |                       |                                 |                       |                              |                             |                                   |                                   |                            |                          |
| Gareth Ackerman           | 4 187.0               | -                               | -                     | -                            | -                           | -                                 | -                                 | -                          | 4 187.0                  |
| David Friedland           | 390.0                 | -                               | 130.0                 | -                            | 80.0                        | -                                 | -                                 | -                          | 600.0                    |
| Hugh Herman               | 390.0                 | 130.0                           | 130.0                 | 171.0                        | -                           | -                                 | -                                 | 38.0                       | 859.0                    |
| Alex Mathole              | 390.0                 | -                               | -                     | -                            | -                           | -                                 | 42.5                              | -                          | 432.5                    |
| Audrey Mothupi            | 390.0                 | -                               | 130.0                 | 85.0                         | -                           | -                                 | -                                 | 38.0                       | 643.0                    |
| Lorato Phalatse           | 390.0                 | -                               | -                     | -                            | 80.0                        | -                                 | 85.0                              | -                          | 555.0                    |
| David Robins              | 390.0                 | -                               | -                     | -                            | -                           | -                                 | -                                 | -                          | 390.0                    |
| Jeff van Rooyen           | 390.0                 | -                               | 321.0                 | 85.0                         | -                           | -                                 | -                                 | 38.0                       | 834.0                    |
| <b>Total remuneration</b> | <b>6 917.0</b>        | <b>130.0</b>                    | <b>711.0</b>          | <b>341.0</b>                 | <b>160.0</b>                | -                                 | <b>127.5</b>                      | <b>114.0</b>               | <b>8 500.5</b>           |

\* Lorato Phalatse resigned as a director of Pick n Pay Stores Limited on 31 August 2018.



## REMUNERATION REPORT (continued)

### SHARE AWARDS GRANTED TO EXECUTIVE DIRECTORS

| 2019                           | Calendar year granted | Award grant price R | Balance held at 25 February 2018 | Granted/ (exercised) | Exercise price R | Balance held at 3 March 2019 | Available for take-up |
|--------------------------------|-----------------------|---------------------|----------------------------------|----------------------|------------------|------------------------------|-----------------------|
| <b>Richard Brasher</b>         |                       |                     |                                  |                      |                  |                              |                       |
| Share options                  | 2012                  | 42.24               | 1 000 000                        | (1 000 000)          | 74.05            | -                            | n/a                   |
|                                | 2012                  | 42.24               | 1 000 000                        | (1 000 000)*         | 74.05            | -                            | n/a                   |
| Forfeitable shares             | 2015                  | Nil                 | 220 000                          | (220 000)            | 78.38            | -                            | n/a                   |
|                                | 2016                  | Nil                 | 230 000                          | -                    | -                | 230 000                      | June 2019             |
|                                | 2017                  | Nil                 | 400 000                          | -                    | -                | 400 000                      | June 2020             |
|                                | 2018                  | Nil                 | -                                | 1 000 000            | -                | 1 000 000                    | June 2021             |
|                                |                       |                     | <b>2 850 000</b>                 | <b>(1 220 000)</b>   |                  | <b>1 630 000</b>             |                       |
| <b>Richard van Rensburg</b>    |                       |                     |                                  |                      |                  |                              |                       |
| Share options                  | 2016                  | 31.14               | 487 464                          | -                    | -                | 487 464                      | Now                   |
| Forfeitable shares             | 2015                  | Nil                 | 35 000                           | (35 000)             | 78.38            | -                            | n/a                   |
|                                | 2016                  | Nil                 | 45 000                           | -                    | -                | 45 000                       | June 2019             |
|                                | 2017                  | Nil                 | 140 000                          | -                    | -                | 140 000                      | June 2020             |
|                                | 2018                  | Nil                 | -                                | 30 000               | -                | 30 000                       | June 2021             |
|                                |                       |                     | <b>707 464</b>                   | <b>(5 000)</b>       |                  | <b>702 464</b>               |                       |
| <b>Bakar Jakoet</b>            |                       |                     |                                  |                      |                  |                              |                       |
| Share options                  | 2003                  | 12.00               | 250 000                          | (250 000)            | 80.67            | -                            | n/a                   |
|                                | 2005                  | 23.59               | 195                              | (195)                | 80.67            | -                            | n/a                   |
|                                | 2007                  | 31.15               | 5 779                            | (5 779)              | 80.67            | -                            | n/a                   |
|                                | 2008                  | 23.24               | 293                              | (293)                | 80.67            | -                            | n/a                   |
|                                | 2008                  | 26.55               | 7 907                            | (7 907)              | 80.67            | -                            | n/a                   |
|                                | 2008                  | 26.14               | 150 000                          | -                    | -                | 150 000                      | Now                   |
|                                | 2009                  | 28.20               | 12 413                           | (12 413)             | 80.67            | -                            | n/a                   |
|                                | 2010                  | 32.82               | 195                              | (195)                | 80.67            | -                            | n/a                   |
|                                | 2010                  | 42.28               | 1 799                            | (1 799)              | 80.67            | -                            | n/a                   |
|                                | 2011                  | 41.70               | 500 000                          | -                    | -                | 500 000                      | Now                   |
| Forfeitable shares             | 2014                  | 46.44               | 195                              | (195)                | 80.67            | -                            | n/a                   |
|                                | 2015                  | Nil                 | 35 000                           | (35 000)             | 78.38            | -                            | n/a                   |
|                                | 2016                  | Nil                 | 45 000                           | -                    | -                | 45 000                       | June 2019             |
|                                | 2017                  | Nil                 | 140 000                          | -                    | -                | 140 000                      | June 2020             |
|                                | 2018                  | Nil                 | -                                | 30 000               | -                | 30 000                       | June 2021             |
|                                |                       |                     | <b>1 148 776</b>                 | <b>(283 776)</b>     |                  | <b>865 000</b>               |                       |
| <b>Suzanne Ackerman-Berman</b> |                       |                     |                                  |                      |                  |                              |                       |
| Share options                  | 2008                  | 26.14               | 100 000                          | (100 000)            | 66.27            | -                            | n/a                   |
|                                | 2008                  | 26.14               | -                                | -                    | -                | -                            | n/a                   |
|                                | 2016                  | 58.10               | 196                              | (196)                | 66.27            | -                            | n/a                   |
| Forfeitable shares             | 2015                  | Nil                 | 20 000                           | (20 000)             | 78               | -                            | n/a                   |
|                                | 2016                  | Nil                 | 25 000                           | -                    | -                | 25 000                       | June 2019             |
|                                | 2017                  | Nil                 | 80 000                           | -                    | -                | 80 000                       | June 2020             |
|                                | 2018                  | Nil                 | -                                | 15 000               | -                | 15 000                       | June 2021             |
|                                |                       |                     | <b>225 196</b>                   | <b>(105 196)</b>     |                  | <b>120 000</b>               |                       |
| <b>Jonathan Ackerman</b>       |                       |                     |                                  |                      |                  |                              |                       |
| Share options                  | 2008                  | 26.14               | 100 000                          | (100 000)            | 66.27            | -                            | n/a                   |
| Forfeitable shares             | 2015                  | Nil                 | 20 000                           | (20 000)             | 78.38            | -                            | n/a                   |
|                                | 2016                  | Nil                 | 25 000                           | -                    | -                | 25 000                       | June 2019             |
|                                | 2017                  | Nil                 | 40 000                           | -                    | -                | 40 000                       | June 2020             |
|                                | 2018                  | Nil                 | -                                | 8 000                | -                | 8 000                        | June 2021             |
|                                |                       |                     | <b>185 000</b>                   | <b>(112 000)</b>     |                  | <b>73 000</b>                |                       |

\* The exercising of these binary options was subject to specific performance criteria relating to the growth of the Company's share price over the term of the option. These performance criteria were met during the period under review; refer to page 101 for more information.

### DIRECTORS' INTERESTS IN PICK N PAY STORES LIMITED ORDINARY SHARES

| 2019  | How held*    | Balance held at 25 February 2018 | Additions/ grants | Disposals | Balance held at 3 March 2019 <sup>Ⓢ</sup> | Beneficial/ non-beneficial interest |
|---|--------------|----------------------------------|-------------------|-----------|---|-------------------------------------|
| Gareth Ackerman                                     | direct       | 309                              | -                 | -         | 309                                       | Beneficial                          |
|   | indirect     | 1 653 200                        | 34 000            | -         | 1 687 200                                 | Beneficial                          |
|   | indirect     | 19 762                           | -                 | -         | 19 762                                    | Non-beneficial                      |
| Ackerman Pick n Pay Foundation**                    | indirect     | 101 900                          | -                 | -         | 101 900                                   | Non-beneficial                      |
| Ackerman Investment Holdings Proprietary Limited*** | indirect     | 124 677 238                      | -                 | -         | 124 677 238                               | Non-beneficial                      |
| Mistral Trust****                                   | indirect     | 2 720 008                        | 15 000            | -         | 2 735 008                                 | Non-beneficial                      |
| Richard Brasher                                     | direct       | 604 770                          | 220 000           | (361 192) | 463 578                                   | Beneficial                          |
|   | direct - FSP | 850 000                          | 1 000 000         | (220 000) | 1 630 000                                 | Beneficial                          |
| Bakar Jakoet  | direct       | 758 764                          | -                 | -         | 758 764                                   | Beneficial                          |
|   | direct - FSP | 220 000                          | 30 000            | (35 000)  | 215 000                                   | Beneficial                          |
|   | indirect     | 13 059                           | -                 | -         | 13 059                                    | Non-beneficial                      |
| Richard van Rensburg                                | direct       | 291 439                          | 35 000            | (35 000)  | 291 439                                   | Beneficial                          |
|   | direct - FSP | 220 000                          | 30 000            | (35 000)  | 215 000                                   | Beneficial                          |
| Suzanne Ackerman-Berman                             | direct       | 120 528                          | -                 | -         | 120 528                                   | Beneficial                          |
|   | direct - FSP | 125 000                          | 15 000            | (20 000)  | 120 000                                   | Beneficial                          |
|   | indirect     | 554 356                          | 53 313            | (9 060)   | 598 609                                   | Beneficial                          |
| Jonathan Ackerman                                   | direct       | 122 888                          | -                 | -         | 122 888                                   | Beneficial                          |
|   | direct - FSP | 85 000                           | 8 000             | (20 000)  | 73 000                                    | Beneficial                          |
|   | indirect     | 655 190                          | 80 556            | (9 060)   | 726 686                                   | Beneficial                          |
|   | indirect     | 11 039                           | -                 | -         | 11 039                                    | Non-beneficial                      |
| David Friedland                                     | direct       | 31 688                           | 5 000             | -         | 36 688                                    | Beneficial                          |
| David Robins  | direct       | 975                              | -                 | -         | 975                                       | Beneficial                          |
|   | indirect     | 90 436                           | -                 | -         | 90 436                                    | Non-beneficial                      |
| Hugh Herman   | direct       | 30 000                           | -                 | -         | 30 000                                    | Beneficial                          |
|   | indirect     | 256                              | -                 | -         | 256                                       | Beneficial                          |
| Alex Mathole  | direct       | 86                               | -                 | -         | 86  | Beneficial                          |

\* Direct interests represent a holding in the director's personal capacity and indirect interests represent a holding by a trust, of which the director is a trustee, or a spouse and minor children of directors.

\*\* The indirect non-beneficial interest in the Ackerman Pick n Pay Foundation represents the holdings of Gareth Ackerman and Suzanne Ackerman-Berman in their capacity as trustees.

\*\*\* The indirect non-beneficial interest in the Ackerman Investment Holdings Proprietary Limited represents a portion of the holdings of Gareth Ackerman, Suzanne Ackerman-Berman and Jonathan Ackerman.

\*\*\*\* The indirect non-beneficial interest in Mistral Trust represents a portion of the holdings of Gareth Ackerman, Suzanne Ackerman-Berman and Jonathan Ackerman in their capacity as trustees and/or potential beneficiaries.

Ⓢ There have been no changes in the directors' interest in shares since 3 March 2019 up to the date of approval of the 2019 audited Group annual financial statements.

## REMUNERATION REPORT (continued)

### DIRECTORS' INTERESTS IN PICK N PAY STORES LIMITED B SHARES

| 2019   | How held* | Balance held at 25 February 2018 | Additions/ (disposals) | Balance held at 3 March 2019 <sup>®</sup> | Beneficial/ non-beneficial interest |
|--|-----------|----------------------------------|------------------------|---|-------------------------------------|
| Gareth Ackerman                                    | direct    | 522                              | -                      | 522                                       | Beneficial                          |
|  | indirect  | 3 227 861                        | -                      | 3 227 861                                 | Beneficial                          |
|  | indirect  | 39 140                           | -                      | 39 140                                    | Non-beneficial                      |
| Ackerman Investment Holdings Proprietary Limited** | indirect  | 246 936 847                      | -                      | 246 936 847                               | Non-beneficial                      |
| Mistral Trust ***                                  | indirect  | 5 349 559                        | -                      | 5 349 559                                 | Non-beneficial                      |
| Suzanne Ackerman-Berman                            | direct    | 233 767                          | -                      | 233 767                                   | Beneficial                          |
|  | indirect  | 926 084                          | -                      | 926 084                                   | Beneficial                          |
| Jonathan Ackerman                                  | direct    | 243 307                          | -                      | 243 307                                   | Beneficial                          |
|  | indirect  | 1 135 009                        | -                      | 1 135 009                                 | Beneficial                          |
|  | indirect  | 21 862                           | -                      | 21 862                                    | Non-beneficial                      |
| David Robins                                       | direct    | 1 931                            | -                      | 1 931                                     | Beneficial                          |
|  | indirect  | 179 118                          | -                      | 179 118                                   | Non-beneficial                      |

\* Direct interests represent a holding in the director's personal capacity and indirect interests represent a holding by a trust, of which the director is a trustee, or a spouse and minor children of directors.

\*\* The indirect non-beneficial interest in Ackerman Investment Holdings Proprietary Limited represents a portion of the holdings of Gareth Ackerman, Suzanne Ackerman-Berman and Jonathan Ackerman.

\*\*\* The indirect non-beneficial interest in Mistral Trust represents a portion of the holdings of Gareth Ackerman, Suzanne Ackerman-Berman and Jonathan Ackerman in their capacity as trustees and/or potential beneficiaries.

® There have been no changes in the directors' interest in shares since 3 March 2019 up to the date of approval of the 2019 audited Group annual financial statements.

