INTRODUCING OUR 2020 INTEGRATED ANNUAL REPORT

Our report tells our value creation story
Our 2020 Integrated Annual Report
A message from our Chairman

THIS IS PICK N PAY

About us
What sets us apart
Our store footprint
Our store formats
Creating value through our business model

OUR BUSINESS IN CONTEXT

The environment we operate in
Material issues, risks and opportunities
Engaging with our stakeholders

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Strategic focus

OUR PERFORMANCE

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Five-year review
Value-added statement

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Our Board of directors
Remuneration report

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Analysis of B shareholders
Shareholders’ information
Corporate information
OUR REPORT TELLS OUR VALUE CREATION STORY

How to navigate our value creation story

We use six broad capitals to create sustainable stakeholder value:

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

Refer to pages 20 to 24 for more information.

We consider and address our key stakeholders’ issues and concerns to create lasting value:

- Customers
- Community
- Employees
- Suppliers
- Franchises
- Shareholders

Refer to pages 40 to 43 for more information.

We have six clear engines for long-term strategic growth:

- Pick n Pay, South Africa’s most trusted retailer
- Boxer, Africa’s favourite discounter
- Bear for Growth, helping small businesses to succeed
- Value-added customer services
- Expansion in Africa
- Force for Good

Refer to pages 45 to 51 for more information.

How we create value

Pick n Pay has played a valuable role in the economic and social development of southern Africa for over five decades — and our belief that doing good is good business ensures that we create value not only for our shareholders but for all our stakeholders.

We ensure meaningful and balanced interactions between our different stakeholder groups within the various retail market, regulatory, social and environmental contexts in which we operate. Read more from page 26.

Our business model maintains a virtuous circle that considers our stakeholders and our operating context and effectively manages the trade-offs between the capitals on which we rely. Read more from page 20.

We successfully execute our customer-led, innovative and forward-looking strategy to create sustainable value. Read more from page 45.

We add to this value through our sustainability strategy, which supports our business strategy. Our sustainability strategy is aligned with our stakeholder needs and with the seven United Nations Sustainable Development Goals (SDGs) most relevant to our business. Read more from page 52.

The Board is accountable for the Group’s performance and ensures that the business is adequately positioned to create sustainable long-term value for all stakeholders.

Sustainable value creation is measured across the Group’s environmental, social and governance objectives as set out in our long-term strategy, and with reference to the effective management of our capitals and the balanced and appropriate management of stakeholder needs.

Our ethical value system strengthens our relationships with stakeholders. Read more from page 40.

The value we create for our stakeholders

The value we create for our stakeholders is summarised in our business model from page 20. For further detail on our key stakeholder groups, why we engage with them and the value derived from open and constructive engagement during the year, refer to pages 40 to 43.

Customers

We provide an inclusive and diverse spectrum of customers in southern Africa with convenient and reliable access to high-quality, safe and competitively priced products and value-added services, in outstanding stores, and underpinned by great service.

Community

We give back to the communities we serve through investment aimed at economic and social upliftment. This includes education and literacy programmes, housing, nutrition and poverty relief schemes, such as our Feed the Nation campaign. In addition, we support cultural and theatrical projects, sports development and environmental programmes.

Employees

We provide direct employment to 90 000 people across our owned and franchise businesses – augmented by a focus on training and skills development, and a commitment to diversity and career advancement that is based on merit.

Suppliers

We create substantial economic development and employment opportunities across our value chain, procuring goods and services from around 10 000 local suppliers and service providers. This includes many small to medium-sized businesses that have been mentored through our enterprise development programmes.

Franchises

We support our franchisees and market store partners by helping them build profitable and sustainable businesses through mutually beneficial partnerships. These partnerships are built on the strength of the Pick n Pay brand and are supported by efficient and effective distribution and administrative platforms.

Shareholders

We provide our shareholders with a consistent and sustainable return on investment through a rigorous focus on capital efficiency and strategy execution that takes a sustainable long-term view.

Our enduring values

Pick n Pay is a much-loved brand, valued within society, built on a genuine desire to make life better for our customers and to make a positive contribution to the communities in which we live and work. Our strong and unique family values have guided the business for 53 years, providing a solid foundation for growth, innovation, service excellence and generosity.

We are passionate about our customers and will fight for their rights

We live by honesty and integrity

We foster personal growth and opportunity

We take individual responsibility

We care for and respect each other

We support and participate in our communities

We nurture leadership and vision, and reward innovation

We are all accountable

www.pnp.co.za
We are pleased to present our 2020 Integrated Annual Report for the 52 weeks ended 1 March 2020. The Board assumes accountability for the Group’s performance. The Board guides and oversees the business in the context of material and emerging risks and opportunities to ensure that our strategy remains relevant and responsive. Board oversight includes taking into account environmental, social and governance (ESG) issues as part of its decision-making processes to support sustainable stakeholder value creation.

The Board is confident that this report provides stakeholders with an accurate and balanced view of the Group’s performance, its strategy and its prospects over the short, medium and long term. It further addresses the material issues faced by the Group. The audit, risk and compliance committee reviewed this report and recommended it for approval to the Board. The Board subsequently reviewed and approved it for release to stakeholders on 1 July 2020.

The directors consider the report to be presented in accordance with the International Integrated Reporting Council’s ‘+IR’ Framework. This report provides a fair representation of the financial position of the Group as at 1 March 2020, and its performance for the financial year.

Gareth Ackerman
Chairman
Richard Brasher
Chief Executive Officer
Lerena Olivier
Chief Finance Officer
Richard van Rensburg
Chief Information Systems Officer
Suzanne Ackerman-Berman
Executive director
Jonathan Ackerman
Executive director
Jeff van Rooyen
Independent non-executive director
David Friedland
Independent non-executive director
Hugh Herman
Independent non-executive director
Alex Mathole
Independent non-executive director
Audrey Mohupi
Independent non-executive director
Bakar Jakoet
Non-executive director
David Robins
Non-executive director

Our business depends on a stable and functioning society that is able to thrive and develop. We are mindful of our broad societal and environmental reach and impact, and remain committed to responsible and sustainable business and governance practices across our value chain.

What materiality means to us

We apply materiality to determine the scope and content of the Integrated Annual Report. Materiality is determined, reviewed and approved annually by the Board. For more insight into our materiality determination process and material matters refer to pages 32 to 38.

About the forward-looking information contained in this report

This report contains certain forward-looking statements which relate to the possible future performance and financial position of the Group. All forward-looking statements are solely based on the views and considerations of the directors. These statements involve risk and uncertainty as they relate to events and depend on circumstances that may or may not occur in the future. The Group does not undertake to update or revise any of these forward-looking statements publicly, whether to reflect new information, future events or otherwise. These forward-looking statements have not been reviewed or reported on by the Group’s external auditors.

Assurance on report content

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<tr>
<th>Reporting element</th>
<th>Assurance status and provider</th>
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<td>Accredited service providers and agencies have verified selected non-financial performance metrics contained in the report, including our carbon footprint and our BBBEE rating.</td>
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<tr>
<td>All other non-financial performance information</td>
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Our approach to online reporting

Our Integrated Annual Report is available online on the Group’s website at www.picknpayinvestor.co.za. Printed copies are available on request from our Company Secretary, Debra Muller, at demuller@pnp.co.za or by fax at +27 21 797 0314.

We produce a suite of publications tailored to meet our stakeholders’ specific information requirements. Our reports comply with the reporting frameworks detailed in the table provided.

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<thead>
<tr>
<th>Reporting framework</th>
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The report structure and how to give us feedback

This report includes summarised financial information, with audited financial statements (prepared in terms of IFRS) available on our website at www.picknpayinvestor.co.za. For more information, please email our Company Secretary, Debra Muller at demuller@pnp.co.za. We continue to engage with all stakeholders to ensure that we improve year-on-year.

Please refer to page 86 for further information.
A MESSAGE FROM OUR CHAIRMAN

These are extraordinary circumstances to be presenting a review of the year. While the year ended before the COVID-19 lockdown, it has dominated our operations and our planning for the past few months. At the time of writing, we have entered Level 3 of the crisis, and we hope this will give the economy a chance of recovery.

We don’t know when the pandemic will end, but we can be sure it will leave us profoundly changed. We all know about the severe impact on people’s lives and the economy. But we have a responsibility to remain positive and to look to positive change where possible.

Committed to our customers in time of crisis

I am incredibly proud of how our Group has stepped up to the crisis. One of our core values - business efficiency - has never been more important. The pressure has been immense. From the earliest days of the crisis, we have had to accelerate all our work to stay safe, stay working, stay open and stay fully stocked. Our core value of consumer sovereignty, putting customers first, has been at the forefront of everything we do. Our core value of consumer sovereignty, putting customers first, has been at the forefront of everything we do.

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The crisis. One of our core values - business efficiency - has never been more important. The pressure has been immense. From the earliest days of the crisis, we have had to accelerate all our work to stay safe, stay working, stay open and stay fully stocked. Our core value of consumer sovereignty, putting customers first, has been at the forefront of everything we have done during this crisis, and will remain so.

One of the properties of a crisis is that it strips away the superfluous to reveal the essential, and the essence of Pick n Pay has never shone through more clearly. We have stepped forward when it counted and done truly heroic work on the frontlines of a national emergency. The Pick n Pay and Boxer teams have responded magnificently. Our Information Technology team has delivered faultlessly in responding to substantial additional demands, and our supply chain team has worked tirelessly to keep our stores full. The store teams have laboured under punishing pressure and deserve both praise and thanks.

The Consumer Goods Council of SA has also done important work in representing the consumer goods industry, and they deserve thanks for the role they have played and continue to play.

The pressure has been immense. From the earliest days of the crisis, we have had to accelerate all our work to stay safe, stay working, stay open and stay fully stocked.

Maintaining food security and supporting vulnerable communities

Our vital role in society is to keep the nation fed. Our Pick n Pay and Boxer stores play a major role as suppliers of food and distributors of social grants, and are a critical and highly efficient network in the country. We trust government adequately appreciates the role retailers play in ensuring food security.

One of the properties of a crisis is that it strips away the superfluous to reveal the essential, and the essence of Pick n Pay has never shone through more clearly. We have stepped forward when it counted and done truly heroic work on the frontlines of a national emergency.

True to our value of doing good, our Feed the Nation programme has done incredible work, alongside a large number of NGOs, including the Solidarity Fund, to supply food to some of the most vulnerable in our society. In doing this, we have been supported by wonderful generosity from farmers, suppliers, and customers. We have also instituted a virtual voucher and other electronic systems to facilitate this process.

One of our core values - business efficiency - has never been more important. The pressure has been immense. From the earliest days of the crisis, we have had to accelerate all our work to stay safe, stay working, stay open and stay fully stocked.

This campaign has collected over R80 million from customers, partners and benefactors. This has helped us deliver over 14 million meals to date – an extraordinary result.

One of the properties of a crisis is that it strips away the superfluous to reveal the essential, and the essence of Pick n Pay has never shone through more clearly. We have stepped forward when it counted and done truly heroic work on the frontlines of a national emergency.

I have talked about the importance of food security for many years. It has taken this crisis for the debate to become mainstream.

The pressure has been immense. From the earliest days of the crisis, we have had to accelerate all our work to stay safe, stay working, stay open and stay fully stocked.

We are learning good lessons every day about what is produced at home and abroad, where the vulnerabilities are, and how they can be overcome in the short and long term. We must not forget these lessons when the crisis is over. We must use these lessons to inform how we improve our operations in the future.

The pressure has been immense. From the earliest days of the crisis, we have had to accelerate all our work to stay safe, stay working, stay open and stay fully stocked.

Reducing food waste is one simple and powerful way to increase food security. I am sure the crisis has made many of us more conscious of waste and more determined to use and re-use rather than throw away.

I have talked about the importance of food security for many years. It has taken this crisis for the debate to become mainstream.

Some of our more important activities and achievements include:

- Pick n Pay was the first South African retailer to sign up to the 10x20x30 Food Waste Initiative. It brings together 10 of the most influential retailers globally, and involves working closely with our suppliers to reduce food waste in our supply chain.
- The 10x20x30 target involves working towards a 50% reduction in food waste by 2030, which is aligned with the United Nations Sustainable Development Goal (SDG) 12.3 target.
- Pick n Pay has confirmed that all 20 of our largest suppliers will join us on this initiative and set ambitious goals and targets that will significantly reduce food waste in our extended supply chain.
- We are reducing food waste through more accurate procurement, replenishment and demand planning. Several shelf-life extension projects by our technical and commercial teams are aimed at further reducing food waste in store.
- We have clear food donation policies to distribute surplus food as efficiently as possible while maintaining our food safety standards.
- One of our primary contributions to alleviating hunger is through donating excess food from our stores. Any food that has passed its sell-by date, but not its expiry date, is donated. We donate more than 16 000 tonnes of food every year to NGOs.

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I have talked about the importance of food security for many years. It has taken this crisis for the debate to become mainstream.

The Board has met its targets for gender diversity and, with three new Board appointments in recent months, took additional steps to strengthen female participation on the Board.

Gender diversity – %

Male 67%
Female 33%

Racial diversity – %

White 60%
Black 40%

Non-executive director tenure

<5 years 3
5–10 years 1
10–15 years 2
>15 years 4

The Board has met its targets for gender diversity and, with three new Board appointments in recent months, took additional steps to strengthen female participation on the Board.

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The Board has established a good balance between the experience of long-standing directors and the fresh insights from more recently appointed directors.
Taking action to transform the economy

It is important to focus not only on the immediate crisis, but on how we can play a positive role after the crisis. We must not forget the economic state the country was in before the COVID-19 crisis, and this result reports in a difficult economic period.

As the President of South Africa has made clear, we must take every opportunity to nurture new businesses and hasten the pace of transformation. The Group and the Asherman Pick n Pay Foundation through their enterprise development programmes do brilliant work on this.

We must now find ways to do even more.

In its recent report, the Competition Commission expressed concern that exclusive lease agreements might discourage small and specialty retailers from opening in shopping centres. We want to see thriving centres, where innovative and diverse businesses excite customers and raise the bar for everyone. We have had excellent dialogue with the Competition Commission, and have announced that Pick n Pay will not seek to enforce any exclusivity agreement against a small or specialty retailer in any centre in which we operate.

I hope that, after the current crisis, government and the competition authorities give due priority to stimulating healthy competition. This will enable us to create jobs and transform the economy in the way that will desperately be needed.

Shareholder distribution

The coronavirus pandemic is a massive shock to the economy and the changes we are required to govern operations – while ensuring that our customers had access to quality products, at fair prices, in a safe store environment.

policies became increasingly clear in the context of the lockdown, especially for thecnical and social risks in our operating environment.

risk and compliance committee.

I also welcome Lerena Oliver into the role of CFO. Lerena took over from Bakar Jakoet in September 2019, and we congratulate her on her well-deserved appointment. We look forward to her valuable contribution as an executive director on the Board.
Consumer champion Raymond Ackerman purchased the first four Pick n Pay stores in Cape Town, South Africa, in 1967. Since then, the Group has grown to encompass stores across South Africa, Namibia, Botswana, Zambia, Eswatini and Lesotho. Pick n Pay also owns a 49% share of Zimbabwean supermarket chain, TM Supermarkets.

Pick n Pay is a retail business in the fast-moving consumer goods industry. We operate through multiple store formats under three brands – Pick n Pay, Boxer and TM Supermarkets – and have the largest online grocery business in sub-Saharan Africa.

We procure quality products at the best available prices, and our lean and efficient operating model is supported by a strong and talented team. This enables us to provide our customers with a tailored range of high-quality food, grocery and general merchandise products at competitive prices.

At Pick n Pay, we believe doing good is good business. Greater efficiency and investment in our customer offer enables us to drive sales and grow value for all our stakeholders.

For further information on our business model and the value we create, refer to pages 20 to 24.
The COVID-19 pandemic has tested our team with unprecedented diverse and changing needs and how we can serve them better. Our focus on centralisation across all areas of the business has increased our business efficiency. The Group operates 54 Pick n Pay and three Boxer distribution centres across South Africa, which cater for groceries, fresh and perishable produce, liquor and clothing. Our two largest distribution centres are Longmeadow in Gauteng and Ph样板 in the Western Cape, both distributing fresh produce, perishables and groceries. Over the past seven years, Pick n Pay has taken its centralised supply from 40% to close to 80%, with centralisation in Boxer moving from 5% to 45%.

The Group’s gross profit margin improved from 19.1% to 19.7% this year, notwithstanding low selling price inflation, anchored by improved operational efficiencies across its procurement and distribution channel.

Group centralisation

We are a responsible retailer

We believe that doing good is good business. Customers reward businesses which they believe are at the heart of society and give back to the communities they serve. As customers reward us with their loyalty, we can grow, serve more customers, generate more jobs and help more communities – whether supporting them during times of crisis, helping to develop local suppliers and small businesses, or tackling societal challenges such as food security and climate change. We are particularly proud of our enterprise development and mentorship programmes which drive economic opportunity across our value chain.

The Group invested over R380 million through its enterprise development programme this year, including through preferential procurement from participating small businesses, and mentorship and training initiatives.

Well positioned for long-term growth

The size of the formal retail market in South Africa is estimated at approximately R600 billion, and with an estimated 15% share, the Group sees significant opportunity for growth. Historically, the grocery retail market has grown 10% – 15% ahead of GDP growth plus inflation. Growth is not evenly spread across socio-demographic groups in South Africa, and future success will depend on retailers having a dynamic and flexible approach to growth, mindful that the largest, and less affluent, communities of South Africa are seeking more value than ever before. The Group’s Project Future, launched in January 2020, is a programme of accelerated change. The programme aims to deliver R10 billion in cost savings over two years, with lean and simplified operations, fit for the future.

Pick n Pay’s range of formats and broad product offer, combined with Boxer’s unbeatable value, positions our Group well to serve all consumers in South Africa and beyond.
OUR STORE FOOTPRINT

The Group, through our Pick n Pay and Boxer brands, is the most inclusive retailer in South Africa, well positioned to serve the needs of customers across all socio-economic backgrounds.

Changing customer demographics creates opportunity for the Group to extend its reach and grow turnover without impacting existing stores. Our expansion programme is focused on growing the business by opening stores that reflect the changing habits and needs of our customers and which will bring new customers and communities into the Pick n Pay family. This includes smaller stores focused on customer demand for convenience, and a growing online platform. Greater operating flexibility, efficiency and cost effectiveness allow the Group to operate successfully in a broad range of locations.

Number of stores

<table>
<thead>
<tr>
<th>3 March 2019</th>
<th>Opened</th>
<th>Closed</th>
<th>Converted closures</th>
<th>Converted openings</th>
<th>1March 2020</th>
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<tr>
<td>COMPANY-OWNED</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pick n Pay</td>
<td>749</td>
<td>53</td>
<td>(10)</td>
<td>[1]</td>
<td>3</td>
</tr>
<tr>
<td>Hypermarkets</td>
<td>20</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>1</td>
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<tr>
<td>Supermarkets</td>
<td>286</td>
<td>10</td>
<td>[1]</td>
<td>[1]</td>
<td>1</td>
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<tr>
<td>Clothing</td>
<td>200</td>
<td>32</td>
<td>(7)</td>
<td>–</td>
<td>1</td>
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<tr>
<td>Liquor</td>
<td>241</td>
<td>11</td>
<td>[1]</td>
<td>–</td>
<td>1</td>
</tr>
<tr>
<td>Pharmacy</td>
<td>2</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Boxer</td>
<td>270</td>
<td>27</td>
<td>(3)</td>
<td>–</td>
<td>4</td>
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<tr>
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<td>166</td>
<td>12</td>
<td>[1]</td>
<td>–</td>
<td>4</td>
</tr>
<tr>
<td>Liquor</td>
<td>55</td>
<td>15</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Punch</td>
<td>18</td>
<td>–</td>
<td>(1)</td>
<td>–</td>
<td>–</td>
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<tr>
<td>Total company-owned</td>
<td>1 019</td>
<td>80</td>
<td>(13)</td>
<td>[1]</td>
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<td>FRANCHISE</td>
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<td></td>
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<tr>
<td>Pick n Pay</td>
<td></td>
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<tr>
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<td>304</td>
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<td>(6)</td>
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<tr>
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<td>(1)</td>
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<td>17</td>
<td>–</td>
<td>(1)</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Liquor</td>
<td>226</td>
<td>31</td>
<td>(7)</td>
<td>[1]</td>
<td>–</td>
</tr>
<tr>
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<td>1</td>
<td>2</td>
<td>(1)</td>
<td>–</td>
<td>–</td>
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<tr>
<td>Total franchise</td>
<td>719</td>
<td>77</td>
<td>(16)</td>
<td>[6]</td>
<td>–</td>
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<tr>
<td>Total Group stores</td>
<td>1 738</td>
<td>157</td>
<td>(29)</td>
<td>[7]</td>
<td>7</td>
</tr>
<tr>
<td>TM Supermarkets – associate</td>
<td>57</td>
<td>3</td>
<td>(1)</td>
<td>–</td>
<td>–</td>
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<td>Total with TM Supermarkets</td>
<td>1 795</td>
<td>160</td>
<td>(30)</td>
<td>[7]</td>
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</tr>
</tbody>
</table>

I believe that the key to success in retail is to appeal broadly, to exclude nobody, and to move hand-in-hand with customer needs and aspirations. I believe Pick n Pay, with its rich history of inclusiveness and its deep well of customer loyalty, is uniquely positioned to do this in South Africa.

Richard Brasher
Chief Executive Officer
OUR STORE FORMATS

Pick n Pay is a multi-format, multi-channel retailer with a strong and diverse portfolio of stores. Pick n Pay operates on an owned and franchise basis and provides a wide range of products and value-added services that includes an online offer.

Pick n Pay is an inclusive brand focused on being the retailer for all - from the most affluent in society to those who are less fortunate and for whom price is of the utmost importance. In FY20, Pick n Pay re-organised its store operations into three segments: Value, Core and Select, enabling the team to optimise product range, promotions and engagement for each customer segment served.

Pick n Pay has a strong growth plan that benefits from flexible formats and a leaner operating model – and the business is focused on bringing its offer to communities where it is not yet well represented, including through small convenience stores.

Pick n Pay's long-term strategic plan remains focused on delivering an exceptional customer offer, including through sustained improvements in range, quality, price, availability and service.

Pick n Pay supermarkets serve a wide range of communities, from lower- and middle-income families to the most affluent households. Our supermarkets offer a wide range of groceries and a targeted range of clothing, general merchandise and value-added services. Fresh produce and butchery offerings are complemented by an in-store bakery, deli and hot food counter. Customers can buy everything they need, from a daily top-up to a larger weekly or monthly bulk shop, and product ranges are tailored to meet customers' needs. Some stores focus on basic necessities and local produce while others boast specialist general merchandise categories not always available in our smaller supermarkets.

Our liquor stores are situated close to our supermarkets and hypermarkets but with separate entrances. These stores offer a range of wine, spirits and beer, including innovative local craft products. Pick n Pay Liquor stores provide customers with the added convenience of purchasing liquor at the same time as doing their grocery shopping.

Pick n Pay hypermarkets

Pick n Pay hypermarket is our largest format store, providing customers with an expanded range of groceries, clothing, liquor and general merchandise. Essentially a "one-stop shop", hypermarkets offer fresh produce, a butchery, deli, bakery and hot food counter, plus specialist general merchandise categories not always available in our smaller supermarkets.

Pick n Pay delivered further progress in modernising its hypermarket format in FY20, including the re-opening of our smaller and refurbished Vaal and Steeldale hypermarkets and the conversion of a large supermarket in Witbank to a modern compact hypermarket. 13 of our 21 hypermarkets have been refurbished over the past five years, delivering improved profitability through a stronger fresh offer, more relevant general merchandise, targeted promotional campaigns and competitive pricing, with multi-pack and bulk-buy items. Our Hypermarket division also provides a growing wholesale offer to cater for an expanding customer base of independent traders.

Pick n Pay Clothing

Pick n Pay Clothing provides quality, fashionable clothing and footwear at exceptional prices. Our clothing offer is broad, from baby and children's wear to ladies’ and men’s fashion, and includes casual wear, sleepwear, active wear and more formal attire. Our standalone clothing stores provide the same quality and value for money clothing merchandise as our hypermarkets and supermarkets, but with an extended range.

Pick n Pay Express

Pick n Pay’s partnership with BP, one of the world’s leading international oil and gas companies, provides small 24-hour Pick n Pay Express convenience stores at BP service station forecourts in South Africa.

Pick n Pay Express offers a targeted convenience range to satisfy an immediate top-up shop or a quick meal solution. The range is limited and mainly focused on daily needs. Sites are located in high-traffic-flow areas, including high-density residential areas and public transport intersections.

Pick n Pay’s Smart Shopper loyalty customers are able to buy fuel with accumulated Smart Shopper points.

Pick n Pay Market stores

Pick n Pay’s “Spaza-to-Market Store” partnership with South Africa’s Department of Economic Development aims to revitalise and modernise market (spaza) stores to drive growth. This partnership provides spaza shop owners with access to Pick n Pay’s procurement and distribution channel, business systems, technology, and management advice and mentoring.

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### Pick n Pay supermarkets

<table>
<thead>
<tr>
<th>Countries</th>
<th>Stores</th>
<th>Company-owned stores</th>
<th>Franchise stores</th>
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<th>Net new stores in FY20</th>
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### Select

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### Pick n Pay hypermarkets

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<th>Stores</th>
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<tbody>
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### Pick n Pay Clothing

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<th>Stores</th>
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### Pick n Pay Express

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<th>Stores</th>
<th>Average m²</th>
<th>Net new stores in FY20</th>
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<tbody>
<tr>
<td>South Africa</td>
<td>170</td>
<td>190</td>
<td>19</td>
</tr>
</tbody>
</table>
Pick n Pay Pharmacy
We are committed to giving our customers convenient and affordable basic healthcare by providing a wide range of vitamins, supplements, sports nutrition, self-medication, medical services, clinics and dispensaries.

Pick n Pay Online
Our online shopping platform at www.pickle.co.za is the largest and most developed online grocery business in sub-Saharan Africa. The division is winning customers by offering online convenience, good availability and on-time delivery. The online offer in the Western Cape and Gauteng is supported by two dedicated online picking warehouses.

Pick n Pay Online is a small part of the overall Pick n Pay business; however, the growth in demand for online grocery sales has significantly accelerated as a result of the COVID-19 outbreak. The Pick n Pay team has rapidly increased our capacity and reach, including through our liquor delivery partnership with “Bottles”, which has been re-engineered during the nationwide lockdown to deliver same-day grocery essentials to customers. We have also rolled-out our “Click and Collect” service across many of our Pick n Pay stores, and many of our franchise stores now encourage customers to email or WhatsApp their orders directly to the store, for collection or delivery.

Boxer Punch
Boxer Punch is a smaller-sized supermarket located in compact sites with considerable customer foot traffic. The store has a lower-cost operating model, enabling lower prices, including on key commodity lines. Boxer Punch stores offer a limited but specific range of convenience products that includes basic commodities, pre-packed frozen and fresh meat, and breads and confectionery.

Boxer Liquor
Boxer liquor stores are situated close to Boxer supermarkets, but with separate entrances. These liquor stores provide customers with the added convenience of purchasing liquor at the same time as doing their grocery shopping.

Boxer Supermarkets
Boxer Supermarkets is one of the most trusted retailers in Zimbabwe. The hard work of the TM team over the past few years to build customer and supplier loyalty has paid off under exceptionally difficult trading conditions in Zimbabwe (please refer to page 28 for further information). TM has kept its shelves stocked, and has been rewarded with market share growth. In FY20, TM was recognised as the Retailer of the Year in Zimbabwe and the “Superbrand” of the year, alongside numerous other community-based awards.

The Group has a 49% investment in its associate TM Supermarkets in Zimbabwe. TM Supermarkets, trading under TM and Pick n Pay, is one of the most trusted retailers in Zimbabwe. The hard work of the TM team over the past few years to build customer and supplier loyalty has paid off under exceptionally difficult trading conditions in Zimbabwe (please refer to page 28 for further information). TM has kept its shelves stocked, and has been rewarded with market share growth. In FY20, TM was recognised as the Retailer of the Year in Zimbabwe and the “Superbrand” of the year, alongside numerous other community-based awards.

With its payoff line, “Real Value Always”, customers are offered a wide range of groceries and perishables and a limited range of general merchandise. The fresh offering caters specifically for the communities they serve, at competitive prices. TM Supermarkets draws its customers from all communities and income groups across Zimbabwe, while store formats range from convenient small supermarkets to larger supermarkets.
We provide a competitive customer offer. We provide a leading product range, including value-added services, at competitive prices through high-quality stores that are conveniently located within customer reach. We run cost-effective and efficient operations. This supports an increasingly efficient supply chain, lean operating models in stores and support offices, and a successful franchise mode.

Our stakeholders participate in our shared value creation through a range of engagements and relationships. Read more from page 40.

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We are a food, grocery, liquor, clothing and general merchandise retailer.
We sell a wide range of products at competitive prices under our Pick n Pay, Bower and TM brands.
We create value through our virtuous circle which enables sustainable returns for shareholders, supports ongoing investment in communities, and enables re-investment into our business, our people and responsible business practices.
Market conditions in the regions we operate in can influence our performance – either creating a growth environment or restricting our ability to create value.
Read more about operating environment from page 26.

We have created value for our stakeholders for 53 years.

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Our business activities are supported by a team of retail specialists driven by a high-performance culture.
Our customer-focused, talented and diverse retail team execute our long-term growth plans. These plans support employment within the communities we operate in.

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We rely on the capitals to undertake our primary business activities, supported by our value drivers.

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We use physical infrastructure within our operations that includes our store estate, distribution capacity and information technology platforms. We rely on this manufactured capital to procure, transport, store and display our products in a range of store formats – enabling us to serve customers across a diverse socio-economic spectrum.

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We have developed relationships with our stakeholders, governed by our values and the enduring principle that doing good is good business. We rely on these relationships to earn the loyalty of our customers, generate more jobs, contribute to the communities we serve and to develop local suppliers and small businesses.

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We utilise environmental resources during production, distribution and the sale of consumer products. We are committed to reducing our consumption of natural and scarce resources in our operations and, with thousands of suppliers and millions of customers, we are extremely mindful of our broad reach and our broader impact.

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Our business model describes how we create long-term sustainable value for our stakeholders – through the effective and balanced use of our capitals – while keeping the customer at the centre of everything we do. Our business model is underpinned by strong corporate and social governance, with our unique values at its core.

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Our capital outputs include the wide range of products and services that we sell to our customers under our Pick n Pay and Bower brands, including food, groceries, clothing, general merchandise and other value-added services. As a result of our retail operations, we produce by-products and waste, and we remain committed to reducing our environmental impact.

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Actions to enhance positive outcomes, minimise negative outcomes, and manage our capital trade-offs

Our capitals are transformed by our business activities and strategic business decisions. As part of this, we have to prioritise certain resources and stakeholder requirements above others (capital trade-offs). We have a strong and experienced management team that operates within a sound risk management framework that considers the social and environmental impact of our decisions and operations. This ensures that our business can grow, adapt and innovate, without placing stakeholders under undue risk. Read more about our risk management from page 32.

Our capital trade-offs are further informed by our corporate governance framework, which ensures that we align our interests with those of our stakeholders and deliver sustainable value and a leading customer offer. Our ethical value system further guides our everyday decision-making. Read more in our governance section from page 82.

Examples of capital trade-offs:

**Examples of capital trade-offs:**

**Financial**

**Actions taken to enhance positive and minimise negative outcomes:**

- Group comparable sales growth of 4.7% and 5.1% in South Africa, with greater clarity and relevance from Pick n Pay's store segmentation and range optimisation initiatives.
- Selling price inflation kept to 2.6% with ongoing investment in the customer offer.
- Gross profit margin improvement from 19.1% to 19.7% with optimisation across the supply chain.
- Growth in trading expenses contained at 6.3% – notwithstanding the significant impact of load shedding on operating costs.
- Rest of Africa operations – tight cost control, stronger working capital management and improved operational efficiency, unable to mitigate full impact of currency weakness and hyperinflation, with comparable segmental profits down 57.3% year-on-year.
- Tax rate up 6.9 percentage points to 31.2% driven by losses in jurisdictions outside South Africa, and falling share scheme obligations as a result of the Group's lower share price.

**Examples of capital trade-offs:**

- The COVID-19 pandemic created economic and operational upheaval after year-end, with significant volatility in debt and equity markets. The Board elected to preserve cash until the full impact of the crisis on Group earnings could be reasonably known, and deferred its final FY20 dividend decision. This prudent action has preserved the Group's liquidity and financial capital at a difficult time, but has disappointed some shareholders.
- We are mindful of political and economic risk in Zimbabwe, particularly in respect of currency devaluation and rising inflation, and the impact thereof on Group profitability and the value of our investment in TM Supermarkets. However, the TM business is cash generative and self-funding in Zimbabwe, and will continue to invest in the refurbishment of its stores, and in its customer offer. This enhances social and relationship capital without materially jeopardising financial capital.

**Manufactured**

**Actions taken to enhance positive and minimise negative outcomes:**

- R1.7 billion of capital investment – 83% directed to improving our customer experience.
- R645 million invested in 160 new stores across all formats.
- R874 million invested in modern store refurbishments, including the refresh of our flagship On Nicol store in Johannesburg – with an improved layout, lower shelves, wider aisles and more energy-efficient lighting and refrigeration.
- Converted four under-performing Pick n Pay stores to Boxer stores, leveraging the flexibility of the Group's operating model to maximise returns.
- Closed 30 under-performing stores this year, to improve the overall quality of the estate.
- Increased the volume of centralised supply in Boxer, with the move to a larger distribution centre in KwaZulu-Natal.
- Appointed new online logistics provider, and invested in a dedicated online services team.

**Examples of capital trade-offs:**

- Investment in growing Boxer’s centralised distribution channel adds operating cost and inventory in the short term, but unlocks opportunity for longer-term cost savings and efficiency gains across the distribution channel.
- Changing service providers is often difficult, and can have an impact on social and relationship capital, however, it is important to advance business efficiency wherever possible. Pick n Pay’s new online logistics provider and dedicated customer services team delivered an improved on-time delivery rate of 98% and an improved customer satisfaction rating of 96%.

**Human**

**Actions taken to enhance positive and minimise negative outcomes:**

- Employed over 4 000 new employees and recognised high performance with almost 2 000 promotions.
- Restructured Pick n Pay’s management team to align with re-organised store segments (Value, Core and Select).
- Improved performance management – over 95% of all performance appraisals and goal-setting tasks completed.
- Investment of R65 million in training and education – benefiting 11 000 employees. Investment focused on building a diverse team:
  - 36% of spend on black employees
  - 64% of spend on female employees
- Improved racial diversity in senior management from 74.2% to 76.8%.
- Secured new 3-year labour agreements with the main labour unions in our Pick n Pay and Boxer supermarkets.
- Transitioned our labour model in our distribution centres, which caused some supply chain labour instability over the key festive season.

**Examples of capital trade-offs:**

- The Group remains committed to providing our employees with fair remuneration, including a suite of benefits which promotes the well-being of our employees in a difficult economic climate. The Group provided above-inflation increases in salaries and wages this year, with higher increases paid to lower levels of employees. As a result, we enhanced our human capital, but absorbed on average a 6% increase in salaries and wages.

**Examples of capital trade-offs:**

- The Group is transitioning from a supply chain labour model which included partnerships with numerous labour brokers, to a more formal functional outsourced model. The transition caused some labour disruption in our Longmeadow distribution centre over the key festive period; however, it is an important step in driving formal measures of productivity and efficiency across the supply chain.

**Examples of capital trade-offs:**

- Pick n Pay reorganised its store operations into three customer-focused segments (Value, Core and Select) and tailored its product offer to meet the needs of customers served. In Value stores, this has led to a range reduction, lower stockholdings, improved availability, lesser waste and stronger volume growth. But it has meant more difficult engagement with suppliers, where key product lines have had to be prioritised above others.

**Examples of capital trade-offs:**

- The Group is committed to bringing small local suppliers into our supply chain, in particular in order to expand our fresh produce reach and grow our own brand offer. However, we follow stringent health and safety standards across our supply chain, to protect the well-being of our customers. If small suppliers and entrepreneurs are unable to meet our rigorous health and safety requirements effectively and consistently, we cannot stock their products in our stores.

**Examples of capital trade-offs:**

- Pick n Pay partnered with the SAB Foundation and the National Treasury’s Job Fund initiative, to direct R20 million to developing new small scale farmers, addressing both unemployment and food security in South Africa.
- Low prices on fresh produce and LiveWell products, providing our customers with greater access to healthy choices.
- Ongoing investment in our loyalty customer – issued over R4 billion in personalised vouchers to Smart Shoppers this year, with voucher redemptions up 50% in the customer offer, leveraging the flexibility of the Group's operating model to maximise returns.

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Creating value through our business model (continued)

Examples of capital trade-offs:
Investment in our online and digital capabilities, including greater cyber security, reduced our stock of financial capital in the short term; however, in the longer term this investment will enhance all capital stocks through greater operational efficiency and information security.

Short-term  Longer-term
Due to increased cybersecurity concerns, prepaid electricity purchases and third party bill payments were disabled from the Pick n Pay Online app. This has afforded greater protection for our customers, but has impacted the convenience of our offer.

Actions taken to enhance positive and minimise negative outcomes:
Over 1.0 million new TymeBank accounts – taking the low-cost, fully digital banking platform to 1.2 million customers at year-end
Grew banking transactions at our point of sale by 27% – now accepting cash deposits on behalf of nine South African banks
Partnered with Hollard to offer a broad range of insurance solutions – 8,000 insurance policies sold
190,000 customers now use our Pick n Pay store card – with rigorous processes to ensure a responsible low-cost credit offer
Pick n Pay Online introduced a “Grocery Genius” service – enabling customers to set up an automatic weekly or monthly delivery
Pick n Pay redesigned and relaunched over 5,000 own brand products

Actions taken to enhance positive and minimise negative outcomes:
Sold 2.0 million re-usable shopping bags, 25% more than last year,and recycled 2.7 million plastic bottles in the manufacture thereof
Introduced nude fruit and vegetable walls and re-usable netted produce bags to reduce unnecessary plastic bag usage
Organised community clean-ups and, with over 1,000 volunteers, collected almost 2,000 kilograms of waste
Contributed 16.51 tonnes of edible surplus food to FoodForward SA – for distribution to 800 beneficiary organisations that feed 250,000 people every year
Diverted 60% of our waste from landfill and recycled a total of 14,212 tonnes of cardboard and paper, 1,500 tonnes of plastic and 13 tonnes of metal
Generated 7,726.3 MWh of solar energy, reducing our carbon footprint by 6,058.4 tonnes CO₂. Pick n Pay’s carbon emissions [scope 1 and 2] were up 8.4% year-on-year. Please refer to page 78 for further information.
Partnered with several collaborative initiatives aimed at advancing our progress and contribution towards a healthier planet, including the 10x20x30 Food Waste Initiative and the South African Plastics Pact

Strong performance Satisfactory progress Disappointing, more to do

Outlook for 2021
Over the coming months, businesses will devote much of their focus to navigating the disruption and uncertainty brought by COVID-19. This will require operational flexibility and dexterity in decision-making. The effectiveness of the Group’s operating model has been tested many times over more than five decades, and its sustained value creation under exceedingly challenging economic conditions is testament to the quality of the Group’s management team and the strength of its long-term plan.

We are confident that the actions taken during the year, and indeed over the past seven years of our turnaround strategy, have positioned us well for long-term growth, enabling us to match future capability requirements with available capital inputs, notwithstanding exceedingly challenging circumstances. Furthermore, we recognise the growing risks around climate change and the need for responsible, ethical business practices that support the social and economic well-being of communities. We will therefore continue to place a strong focus on being an environmentally-conscious retailer that is responsive to the needs of our customers and the regions within which we operate.
South Africa – the year in review

The Group traded in increasingly difficult economic conditions throughout the year, characterised by low growth, high unemployment, rising household costs and constrained consumer spending. The South African economy grew by just 0.2% in 2019, the lowest GDP print in a decade. The negative trajectory dampened investor confidence, with the economy contracting by 1% in the fourth quarter of 2019, following a 0.8% contraction in the third quarter.

International investor concerns included the ongoing economic policy uncertainty in South Africa, a lack of structural reform and an unreliable national electricity supply – with prolonged periods of load shedding impacting the Group’s performance in the final quarter of FY20. The local ZAR currency remained weak against the US dollar, but was largely range-bound over the course of the year, closing at 15.6 ZAR to 1 USD at year-end. Internationally, unstable trading relationships between the world’s largest economies added to the global economic slowdown, which exacerbated jitters in emerging market equity markets.

Pick n Pay’s core South African division delivered strong earnings growth in this difficult trading environment, with comparable profit before tax up 15.2% year-on-year, underpinned by sustained gross profit margin improvement and stronger cost discipline. Our South African Pick n Pay and Boxer teams acted decisively in this difficult consumer environment, guided always by a strong long-term plan, designed to meet customers’ changing needs. Pick n Pay re-organised its store operations into three customer segments: Value, Core and Select, which enable the team to deliver a more relevant range, alongside more focused pricing, promotions and engagement for each customer segment served.

Consumer trends continue to evolve, but at the core is the constant need for trusted quality and greater value. The Group has taken deliberate steps to become a more efficient and cost-effective organisation, in order to invest all cost savings and efficiency gains back into its customer offer, including on lower prices on the products that matter most to our customers.

The Group delivered internal selling price inflation of just 2.6% in FY20, well below CPI Food inflation of 3.6%, and alongside thousands of lower prices on food and groceries. Pick n Pay provided even more personalised discounts to its Smart Shopper loyalty customers, and greater value through our newly launched Smart Price promotions. The Group augmented its strong fresh offer with the upgrade and relaunch of over 1 500 produce, bakery, protein and prepared convenience lines, and refreshed over 5 000 own brand products. Boxer continues to provide incredible value to our customers, offering a limited range at affordable prices, and reaffirming their position as the fastest growing limited-range discount format in South Africa.

The South African food and grocery market is highly competitive. Five large retailers, including the Pick n Pay Group, account for between 50% and 55% of sales. With comparable turnover of R85.6 billion from its South African division, the Pick n Pay Group has an almost 10% share of the total market.

Downwards momentum was driven by consumer trends; rising household costs, constrained disposable income and falling consumer sentiment that continued to challenge margins. Food and grocery margin progression was lower than expected, in line with consumer trend changes. The Group’s gross profit margin improved, with savings in procurement, store expenses and an improved product mix.

Our growth in South Africa

5.1% Turnover growth
15.2% Profit before tax growth
124 Net new stores

South African retail environment 2019 calendar year

- Annual retail sales growth: 9.75%
- Prime interest rate: 3.6%
- GDP growth: 29.1%
- Unemployment: 72.8%
- Household debt to disposable income: 0.2%

FY18 FY19 FY20
CPI food inflation 2.2% 3.4% 3.6%
Our internal selling price inflation 5.9% -0.3% 2.6%
Rest of Africa – the year in review

Our Rest of Africa division contributed R4.7 billion of segmental revenue in FY20, up 2.8% in constant currency terms. Difficult trading conditions remain in Zambia and Zimbabwe, which saw the division’s segmental profits before hyperinflation fall 57.3% to R90 million over the year. Our Rest of Africa division now contributes 5% to the Group’s comparable profit before tax, down from 9% last year. Our businesses in Botswana, Namibia, Eswatini and Lesotho remained stable over the course of the year, notwithstanding economic and societal challenges across those southern African regions.

The Group’s business in Zambia has been under strain for a number of years, with the region battling the economic impact of a severe and prolonged drought, including the effects on business of an erratic power supply as a result of the country’s dependence on hydro-electricity. Alongside these challenges, the persistently low copper price has led to higher levels of unemployment and stunted economic growth. Trading conditions in Zambia deteriorated significantly over FY20, with local currency weakness driving up US-dollar based operating costs and fuelling inflation. Power outages were extremely disruptive, with constrained local manufacturing capacity impacting in-store stock availability. Additional costs of working related to power outages include diesel costs, higher levels of waste of perishable items, and escalating repair and maintenance costs.

The Group’s associates in Zimbabwe, TM Supermarkets (TM), has faced a series of challenges over the past 18 months. Zimbabwe has experienced severe currency liquidity and currency devaluation, which has driven high levels of food and cost inflation, and shortages of fuel and other staple goods. The fair market value of the local Zimbabwean dollar fell from 3.3 Zimbabwe dollars to 1 US dollar last year, impacting the translation of foreign liabilities of R79.4 million, and including a net monetary gain of R43.2 million on the application of hyperinflation accounting in the region. The Group assessed the fair value of its investment in TM to be R50.4 million, down from R184.4 million last year. TM remains cash generative and self-funding, and will continue to invest in the store estate and customer offering.

Looking ahead through the COVID-19 crisis

The close of the Group’s FY20 financial year on 1 March 2020 coincided closely with the beginning of the COVID-19 outbreak in South Africa, with the first confirmed case in the country announced a few days later. President Ramaphosa declared a National State of Disaster on 15 March, and imposed a nationwide lockdown from 27 March 2020. Following years of economic decline, South Africa was officially downgraded to sub-investment grade by international credit agency Moody’s on that same day.

It is not yet possible to accurately predict the trajectory and outcome of the COVID-19 outbreak. There is little doubt that the pandemic will have a broad and substantive impact on global and local economies, with far reaching implications for consumer confidence, consumer spending and the future and shape of the grocery retail market. The ultimate size and duration of the economic impact of COVID-19, and specifically the impact of the pandemic on future Group earnings, will depend on:

• the extent and duration of the COVID-19 outbreak globally, and particularly in the southern African regions we serve;
• the speed and effectiveness of the public health response locally and internationally;
• the duration and extent of South Africa’s nationwide lockdown, including the government’s risk-adjusted response and its movement between risk levels (with the greatest economic impact felt at Level 5 and Level 4);
• the risk of reinfection in any part of the globe, leading to a second wave of disruption and economic damage; and
• the global and local policy response, and its ability to mitigate the financial and economic losses resulting from the measures to suppress the pandemic.

Depending on how each of the above factors could play out, economic forecasts (which are constantly being updated) range from:

• an “optimistic” scenario in which disruption to the economy, albeit significant, lasts for three to four months, but is followed by a rapid growth rebound, and
• a “pessimistic” scenario in which the outbreak and the disruption flowing from it extends into 2021, resulting in a prolonged global and local recession.

Under either scenario, the economic recession in South Africa will deepen significantly, with current annual GDP forecasts ranging from around -5% to -9% in real terms. The Group’s earnings are currently impacted as a result of the mitigation measures taken by the government to combat COVID-19. However, the many uncertainties under which we are operating means that it is simply not possible at this stage to estimate or quantify the likely impact over the full FY21 financial year.

In the face of this unprecedented crisis, the Group will remain focused on our long-term plan and will pursue retail growth opportunities across the broad socio-economic spectrum of southern Africa.

The Group has a solid track record of delivering sustainable growth, with increasing returns on investment, in difficult times. Our strategy, while accelerated, is unchanged. We will become a more cost-effective and agile business, in order to provide greater value, relevance, and convenience for customers, in stores with a wider reach. The COVID-19 pandemic has provided our Group with an even deeper understanding of the core range of products on which our customers genuinely depend, in good times and bad. The Group will work closely with suppliers to provide low prices on these essential items, and to ensure we always remain in-stock.
Capturing growth

Our wide range of company-owned and franchise supermarkets are supplemented by a strong clothing, liquor, general merchandise, health and beauty and value-added services offer. The flexibility of our operating model allows for a best-fit approach to growing our footprint. The Group will expand in the growing lower- and middle-income segments of the market through our smaller Pick n Pay and Boxer formats, and with the valued support of franchise partners. The COVID-19 outbreak has provided a catalyst for a rapid acceleration in online grocery shopping in South Africa, and we intend to build on our position as the largest and most reliable player in the market.

The Group will be focused and measured in our capital allocation. We will expand our store network into areas where the Pick n Pay and Boxer brands are currently under-represented, and will continue to refurbish stores to ensure we optimise our existing footprint and drive higher trading densities. There are many communities across the country that would benefit from the Pick n Pay and Boxer offer, and present an opportunity for expansion, be it in urban, peri-urban or rural areas, across the socio-economic spectrum. With this expansion comes the prospect of higher employment opportunities and corporate social investment for the communities in which we operate.

The Group remains committed to its Rest of Africa division as a key engine of growth. We will continue to search for opportunities to expand our footprint outside South Africa in a manner that can deliver adequate return without putting the Group at undue risk. Expansion will be through a limited-range discount format – with a lower cost, more flexible operating model attuned to the needs of local customers.

Our response to current consumer needs and trends

The majority of our customers, in South Africa and across the southern Africa communities we serve, subsist on limited incomes in difficult economic times. COVID-19 has brought further financial pressure and economic dislocation, and our customers need lower prices on essential food and groceries more than ever before.

Lower prices and more value

- Optimise business efficiency to invest cost savings into lower every day prices
- Greater focus on Value, Core and Select structures in Pick n Pay to offer a tailored range with greater quality and value
- Accelerate the roll-out of our Boxer limited-range format
- Increase own brand penetration - with greater control over production cost and sales margin
- More personalised rewards under our Smart Shopper loyalty programme

Customer safety

Customers have heightened concern for their personal health and safety during the COVID-19 pandemic. Customers need a shopping environment that is safe, and upholds rigorous hygiene and social distancing standards in order to minimise the risk of person-to-person transmission.

Customer safety

- Reinforced stringent personal hygiene standards across our operations – including regular handwashing
- Rigorous cleaning and sanitising – including trolleys, shelving and till points
- Cloth masks for all our staff and Perspex screens at till points
- Sanitising wipes and sprays for our customers
- Social distancing in stores – with floor markings and limits on the number of customers in store
- Effective sickness protocols for our staff

Online shopping

The demand for online grocery shopping has significantly accelerated as a result of the COVID-19 pandemic. Many customers feel safer shopping online during the lockdown period, particularly elderly or more vulnerable customers with health concerns.

- Ongoing investment and innovation in our online retail platform and mobile app
- Increased our online capacity and reach with our partnership with ‘Bottles’ for same day delivery
- Rolled-out our “Click and Collect” service across many more stores
- Strengthened our community engagement with many franchise owners encouraging customers to email or WhatsApp their orders for safe collection or delivery

Convenience

The global trend in retail is for greater customer convenience. Time-pressed customers are looking to shop in smaller stores that are closer to home, work and transport. Customers are also demanding more value-added options, including pre-prepared convenience meals, and financial services at till, including banking, bill payments and the purchase of prepaid electricity.

- Our more efficient operating model has enabled Pick n Pay to successfully operate a smaller supermarket on a leaner cost base
- The growth of Boxer has brought a quality retail offer to more informal communities across South Africa
- Express and Spaza-to-Market formats are bringing Pick n Pay closer to customers in smaller communities and neighbourhoods
- Our strong own brand offer includes ready-meal options for customers
- A growing value-added services platform at till point, including a fully digital partnership with TymeBank

The COVID-19 outbreak has provided a catalyst for a rapid acceleration in online grocery shopping in South Africa, and we intend to build on our position as the largest and most reliable player in the market.

Richard Brasher
Chief Executive Officer
MATERIAL ISSUES, RISKS AND OPPORTUNITIES

Our process for determining materiality, material issues, emerging issues, risks and opportunities

Material issues are identified as those items that have the potential to significantly impact the performance and sustainability of the Group.

Our material issues

As an outcome of the Group’s annual materiality review, the Board agreed that all material issues identified in 2019 remained relevant for the 2020 financial year. The Group’s most significant issues last year related to the economic climate and overall health of the consumer in South Africa, and across the southern African regions in which we trade. The Group continued to trade in difficult economic conditions throughout the FY20 year. The COVID-19 outbreak, post the Group’s FY20 financial year-end, has turned a difficult situation into an unprecedented one in terms of new economic and operational challenges. The pandemic, and all related trading and social distancing confines, will have a significant impact on the South African economy, our business and on the customers and communities that we serve. As such, the crisis has not only heightened a number of the Group’s existing material issues, but has brought a number of new material issues to the fore, which the Group has responded to quickly and effectively.

The Group’s Material Issues include:

- Consumer environment: Increased economic pressure on consumer spend
- Regulatory landscape: Trading restrictions under COVID-19 lockdown regulations
- Health and safety: Increased health and safety concerns under COVID-19
- Security of supply: Particularity of essential food and grocery items
- Stability of value chain: Disruption of COVID-19 on business partners, including suppliers and franchisees
- Funding liquidity: Impact of COVID-19 on local debt market, and availability of cost-effective funding
- Digital security: Safe and secure online retail platform, and secure IT platforms
- Foreign investment returns: Earnings volatility within the Group’s Rest of Africa division
- Talent management: Building and retaining a talented, diverse and motivated retail team
- Climate change: Impact of scarce resources and environmental degradation on food and grocery retail
- Competitive landscape: The competitiveness of the domestic retail market

The Board appreciates that the strength of its strategy, the identification of material issues, the effectiveness of its risk management, its commitment to social and environmental sustainability and its financial performance are all inseparable elements of long-term value creation. During the year, the Board undertook some discussions related to key issues and topics that could impact our ability to create and protect value for our stakeholders. These discussions are unpacked in more detail on pages 33 to 38 of this report and reflect the issues identified as material by the Group in FY20, and as a result of the COVID-19 crisis.

We have identified opportunities per material issue to demonstrate how the risks are being mitigated and, where possible, are viewed as growth opportunities for the Group through its strategic long-term plan.

Risks to value creation

- Worsening macro- and socio-economic conditions (including rising unemployment and GDP contraction) as a result of the COVID-19 crisis will further constrain consumer spending
- The weaker ZAR, alongside higher electricity, utility and other operating costs, may drive cost inflation and put pressure on sales volumes

Risk management and opportunities to create value

- The Group is South Africa’s most inclusive retailer. Our Pick n Pay and Boxer brands are well positioned to meet customers’ needs across all socio-economic demographics
- Pick n Pay has been re-organised to more effectively serve customers across our Value, Core and Select supermarkets – providing greater relevance in product range and promotion
- Operational efficiency supports price investment – internal selling price inflation restricted to 2.6% in FY20
- Smart Shopper provides more personalised value to customers, including through loyalty points earned on fuel purchases with BP
- More than 90% of our offer is local – reducing the impact of a weaker ZAR on the value chain
- Our growing own brand offer provides trusted value

The review forms part of the Group’s comprehensive, enterprise-wide risk management and combined assurance programme. The day-to-day responsibility for identifying, evaluating and managing risk resides with senior management. The audit, risk and compliance committee monitor the risk management process across all divisions in the Group. Material issues and opportunities are reviewed annually by senior management, the audit, risk and compliance committee, and the Board.
The South African government’s risk adjusted strategy in response to COVID-19 makes use of five different levels of risk management to slow the spread of the disease. Level 5 and Level 4 are the most severe in terms of economic and societal restrictions, including significant regulation of retail and wholesale trade, and social movement.

South Africa is currently operating under Level 3 lockdown, with social restrictions still apply, however, much of the economy is now open. The government has guided that it will adjust the levels as appropriate, in response to any acceleration or concentration in the spread of the disease.

We are committed to providing our customers with high-quality food and a safe and secure shopping experience. We are protecting the health of our staff and customers through the COVID-19 crisis by upholding rigorous hygiene standards across all our stores, offices and supply chain, and the Group supports the national imperative of minimising person-to-person transmission through clear and appropriate social distancing measures. Our decisions and protocols are guided by the advice of expert scientific bodies, including the South African Department of Health and the National Institute for Communicable Diseases (NICD). Food safety is maintained by robust health and safety standards across the food chain to mitigate the significant risks associated with unsafe food.

Risks to value creation
- The inability to trade in certain high-margin product lines deemed unnecessary under severe lockdown regulations, including clothing, general merchandise, alcohol and tobacco products
- Shortened trading hours
- Movement restrictions for staff and customers
- Working capital impact from higher levels of stock on hand in non-essential categories

Risk management and opportunities to create value
- Engage actively with government in order to trade effectively and in the best interests of our customers
- Work closely with suppliers to maintain high levels of availability in essential items
- Work closely with health and safety regulators to ensure we provide a safe and secure environment for our staff and customers
- Redirect our staff from closed shops and departments into essential areas to bolster service levels and health and safety standards

The COVID-19 crisis has resulted in heightened demand for certain essential products, including cleaning and personal hygiene products and timed and packaged non-perishable food items. Demand for certain products has been elevated as it is expected to induce temporary shortages in some stores, and the Group has worked closely with our supplier base to ensure steady production and distribution of key products. The Group is reliant on its own central supply chain channel, with close to 80% of Pick n Pay’s and 45% of Boswe’s inventory distributed through centralised distribution centres. The Group's central supply infrastructure is increasingly efficient and cost effective, with mature and responsive forecast and replenishment systems.

Security of supply – particularly of essential food and grocery items
- Product recall standards and procedures are in place in independent service providers and internal audit teams
- Suppliers are subject to regular food safety standards audits by independent service providers and internal audit teams
- Franchise agreements regulate minimum in-store safety requirements
- Suppliers are contractually bound to comply with all legislated health and safety requirements, including certain additional minimum standards set by the Group
- Suppliers are subject to regular food safety, standard audits by independent third-party auditors. Non-compliance with food safety standards results in termination of supply agreements until compliance is restored
- All stores undergo regular stringent food safety audits, undertaken by independent service providers and internal audit teams
- Product recall standards and procedures are in place

Risks to value creation
- Inefficient stockholdings and poor on-shelf availability, particularly of what our customers regard as essential food and grocery items in a time of crisis
- Poor quality or shortened shelf life of fresh produce
- Increased waste and cost of distribution, including the consumption of scarce resources
- The catastrophic loss or temporary disruption of a major distribution centre
- Unstable and inconsistent power supply (load shedding)

Risk management and opportunities to create value
- Improved efficiencies from:
  - a single warehouse management system across all distribution centres
  - an enterprise-wide automatic forecast and replenishment system
  - simplified logistics and effective route planning
  - “green” distribution centres, with solar-driven and water-efficient operations
- Our established and dedicated team of procurement and distribution experts maintain strong relationships with our suppliers, logistics providers and warehouse managers
- More than 90% of food sold in our stores is manufactured domestically, and suppliers report that overall production and distribution remains resilient, notwithstanding the challenges of COVID-19
- Business continuity and disaster recovery plans are in place, including generators in all our stores and distribution centres

Working capital impact from higher levels of stock on hand in non-essential categories
- Retail and wholesale trade, and social movement
- Significant regulation of retail and wholesale trade
- Social restrictions still apply

The Group has built strong and strategic partnerships with suppliers and service providers with terms that are fair and reasonable
- The Group operates a cost-effective supply chain finance programme (Pick n Pay Fast Pay) which allows for immediate settlement of supplier invoices through a strategic funding partner
- “Green” distribution centres, with solar-driven and water-efficient operations

Risks to value creation
- Franchise partners require financial assistance or are unable to settle franchise debt, with an impact on the Group's working capital
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The COVID-19 pandemic will have a profound impact on the South African economy with many businesses and consumers experiencing a material loss of earnings during the most restrictive levels of the national lockdown (Level 5 and Level 4), alongside the significant cost of heightened health safety standards and personal protection requirements. Many businesses will also experience disruption to their operations, due to increased staff absences and will subsequently need to faller robust sanitisation and employee isolation protocols. The Group is mindful of the substantial financial and operational impact of the virus across its value-chain, and what it may mean for its valued suppliers, service providers and franchise partners.

Stability of value chain – disruption of COVID-19 on business partners, including suppliers and franchisees
- The Group has built strong and strategic partnerships with suppliers and service providers with terms that are fair and reasonable
- The Group operates a cost-effective supply chain finance programme (Pick n Pay Fast Pay) which allows for immediate settlement of supplier invoices through a strategic funding partner
- “Green” distribution centres, with solar-driven and water-efficient operations
- The Group has built strong and strategic partnerships with suppliers and service providers with terms that are fair and reasonable
Risks to value creation

- The impact of COVID-19 trade restrictions on cash flow
- Increased volatility and risk in debt markets, as a result of COVID-19
- Local market liquidity
- Illiquidity in local debt markets reduces the Group’s access to short-term working capital facilities
- Illiquidity in local debt markets increases the Group’s cost of working capital facilities

Risk management and opportunities to create value

- Conservative gearing strategy with low levels of structured debt on the balance sheet
- Cost effective mix of overnight and three-month funding to meet working capital needs
- Strong strategic partnerships with local and international funders delivers competitive funding costs
- The Group is currently focused on critical operational and capital spend only

Funding liquidity – impact of COVID-19 on local debt market, and availability of cost-effective funding

The Group was well positioned into the COVID-19 crisis, with a stable funding platform and necessary liquidity. However, with trade and social-distancing restrictions in place, COVID-19 will have a sales and earnings impact on the Group, with a temporary need for greater levels of funding. The Group has actively engaged with all of its funding partners to ensure our overall liquidity remains sufficient and stable to meet our working capital and operational needs over the foreseeable future. The Group remains committed to paying all suppliers and service providers in line with agreed terms, and providing our essential staff with the assurance of pay and benefits. We will protect our liquidity through tightly managed operating costs, and the delay of all non-critical capital spend.

Digital security – safe and secure online retail platform, and secure IT platforms

Enterprise-wide information technology supports and facilitates critical functions across our operations. This includes point-of-sale transactions, including value-added financial services, product forecast and replenishment, labour scheduling, Smart Shopper, Pick n Pay Online and real-time financial reporting. Online grocery sales have significantly accelerated as a result of the COVID-19 outbreak, with many customers placing significant reliance on our online sales and delivery systems, in order to avoid leaving their homes to do grocery shopping.
Climate change – impact of scarce resources and environmental degradation on food and grocery retail

Climate change and food security is a concern for our Group and for our all stakeholders, particularly as poverty and hunger are so prevalent across South Africa and the regions we serve. In addition, climate change and changing weather patterns could disrupt the availability of raw materials and energy supply as well as operations along our supply chain. The Group is therefore committed to reducing our impact on the environment and building the resilience of our operations. To help mitigate risks that threaten food systems in the long term, we explore opportunities to contribute to a circular economy, source environmentally sustainable commodities and strive to reduce our climate impact across our business and value chain.

Risks to value creation

- Climate change poses a significant threat to:
  - Ecosystems and biodiversity
  - Food availability and food quality
  - Sustainability and prosperity of the agricultural sector
  - Water resources
  - Broad economic and societal well-being

Risk management and opportunities to create value

- Pick n Pay was the first South African retailer to sign up to the 10x20x30 Food Waste Initiative, working with suppliers to reduce food waste by 50% by 2030
- Our Chairman, Gareth Ackerman, co-chaired the international Consumer Goods Forum for two years (2016–2017) and remains the chair of the Consumer Goods Council of South Africa. The international forum brings together consumer goods manufacturers and retailers from around the world to address some of the most important opportunities and risks facing our industry globally. This includes matters linked to climate change and its impact on the food retail industry
- We have joined collaborative initiatives to support our contribution towards a healthier planet. These include, among others, The New Plastics Economy Global Commitment and The Roundtable for Sustainable Palm Oil
- Since starting our energy-efficiency journey, we have reduced our energy use per square metre by 37.4% against a 2008 baseline
- We have increased our percentage of waste diverted from landfill from 43% in 2014 to 60.0% in 2020

Competitor landscape – the competitiveness of the domestic retail market

South Africa’s retail space is strongly contested, with established and emerging retailers operating across the formal and informal markets. The South African retail market has an estimated value of R970 billion, with approximately 60% of the market considered formal and 40% informal. The formal South African food and grocery market is highly competitive, with five large retailers, including the Pick n Pay Group, accounting for between 50% and 55% of formal retail sales.

Risks to value creation

- The impact of a strategic competitive move against a major product category or store format
- Increased price competitiveness and promotional intensity resulting in uncompetitive pricing
- Opening or refurbishing stores that do not deliver sustainable returns, or cannibalise existing revenues
- Missing out on the best locations for new stores
- Not attracting or retaining the best franchisees

Risk management and opportunities to create value

- Pick n Pay’s strong brand loyalty gives the Group a unique competitive advantage
- Boxer is building customer advocacy in South Africa’s lower-income and more rural areas
- Flexible formats and an increasingly lean operating model enable the Group to respond quickly to changing consumer needs, including through smaller, convenience formats
- Our strong opening and refurbishment programme is focused on sustainable investment returns
- We maintain open and constructive engagement with developers and landlords
- Pick n Pay operates one of the most successful and mutually beneficial franchise models in the retail industry — with regular and open engagement with our franchisees to ensure value creation for all

Capitals Stakeholders Strategic growth engines Risk to value creation

INCREASED STABLE
ENGAGING WITH OUR STAKEHOLDERS

Our ability to create sustainable value depends on open and constructive engagement with our stakeholders.

Stakeholders are parties that can affect, or be affected by, our activities, objectives and policies. We identify key stakeholders through ongoing engagement with individuals, groups and organisations. In this section we detail our engagement with these stakeholders, focusing on those that have either a significant interest in the operations of the Group or significant influence over the way we do business and create value.

Engagement enables us to:
• Identify and act on issues affecting our stakeholders and our business
• Improve our understanding of stakeholders’ expectations, aspirations and interests
• Strengthen the transparency and accountability through which we have established valued relationships

Consider the concerns and interests of stakeholders when determining our material issues and strategic response (read more about our material issues on pages 32 to 38).

The tables that follow outline our key stakeholder groups, how we engage with them, and the value derived through proactive, open and constructive stakeholder engagement.

How we engage:• Smart Shopper loyalty programme• Daily engagements in-store• Dedicated customer director• Customer care line• One-on-one meetings, now held online• Regular customer surveys, forums and panel discussions• Social media platforms

What our customers tell us is most important to them:
• Low prices, good value• Product quality, traceability, food safety• Consistently good product availability• Convenience• Great stories and service• Rewards for loyalty• Community involvement• Environmental sustainability, including less waste and less plastic

How our strategy responds to customers’ needs:• Operational efficiency – cost savings invested into lower prices and deeper promotions• Greater relevance – store operations re-organised into Value, Core and Select segments• Leading product range, with more own brand• Effective supply chain• Convenient store locations• Modern stores through a strong refurbishment programme• Customer-focused staff training• South Africa’s favourite loyalty programme• On-line added services, including a competitive financial services offer• Being a “force for good” in the communities we serve

How we engage:
• Our Feed the Nation campaign• Forums such as township cooperatives, university partnerships and the Pick n Pay School Club• Individual stores’ varied social responsibility programmes• Small-business development initiatives• We commit to helping our communities in times of crisis and need• Collaboration with the Askerman Pick n Pay Enterprise Development Fund, including community enterprise development and food security initiatives• Engagement with customers in respect of their environmental concerns, including our work on removing plastic from our business

What our communities tell us is most important to them:
• Food security – access to quality food at low prices

Our success depends on the well-being of the communities we serve. We engage with our local communities to provide meaningful socio-economic support and create opportunities for sustainable economic growth that benefits all. Our community engagement is aligned with stakeholder needs and underpinned by the seven SODs most relevant to our business (refer to page 52).

Doing good is good business remains a strategic imperative for the Group as a “force for good” in the communities it serves: a strategic engine for long-term sustainable growth, recognising that our business will grow hand in hand with our contribution to society.

Our team is the key to the successful execution of our long-term strategy.

Becoming the employer of choice in a highly competitive, retail environment is a strategic advantage for the Group. Our remuneration policies are committed to the development and reward of a diverse, high-performance team that delivers on our strategic objectives and creates sustainable value for all stakeholders.

The Group invested R65 million in staff training this year, reaching 11 000 employees with over 80 different training programmes. We promoted 2 000 staff members into more senior roles and rewarded the value of R80 million for distribution to 800 beneficiary organisations that collectively feed 250 000 people every year.

Doing good is good business – and being a “force for good” in our communities is a strategic engine of growth

Environmentally and socially responsible business practices

Source from and develop diverse and ethical suppliers

Job creation through long-term sustainable growth

Promote healthy and sustainable living

OWNING OUR BUSINESS | 03

COMMUNITIES

Our strategy responds to communities’ needs:
• Do good, do well – and being a “force for good” in our communities is a strategic engine of growth

Environmentally and socially responsible business practices

Source from and develop diverse and ethical suppliers

Job creation through long-term sustainable growth

Promote healthy and sustainable living

CUSTOMERS

We are accountable to those we serve. We engage with customers to quickly respond to their changing needs, in order to strengthen the relevance of our offer and drive long-term sustainable volume growth.

Customers are at the heart of our long-term strategy: getting “Better for Customers” has been the cornerstone of the Group’s strategic progress over the past seven years, and informs all long-term strategic thinking.

How we engage:• Smart Shopper loyalty programme• Daily engagements in-store• Dedicated customer director• Customer care line• One-on-one meetings, now held online• Regular customer surveys, forums and panel discussions• Social media platforms

What our customers tell us is most important to them:
• Low prices, good value• Product quality, traceability, food safety• Consistently good product availability• Convenience• Great stories and service• Rewards for loyalty• Community involvement• Environmental sustainability, including less waste and less plastic

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EMPLOYEES

We are committed to building a winning team and engage with our staff to communicate strategy and responsibilities, identify needs, recognise and reward good performance and hold each team member accountable for their contribution to the success of the Group.

How we engage:
• Regular management updates• Employee surveys• Monthly internal publications – digital and print• Internal social media and interactive app• Skills development and training• Ongoing constructive engagement with labour unions

What our employees tell us is most important to them:
• Job security• Safe working environment• Competitive remuneration and benefits• Training and career development• Fair and reasonable working hours with certainty of hours and shifts• Sustainable business performance• Wellness programmes and work-life balance• Working for a responsible and ethical corporate citizen

How our strategy responds to employees’ needs:
• Our COVID-19 response, including all rigorous hygiene and sanitisation protocols, has protected the health and safety of our employees

Our strategy includes a focus on building South Africa’s most talented and effective retail business

Our remuneration policy drives fair and competitive remuneration and the recognition and development of talent. Refer to our remuneration report on page 56 for more detail.

We provide numerous training and development programmes to upskill our staff.

We are building a lean and effective organisational structure for the benefit of all

We advance employee opportunity and diversity.

Pick n Pay is FoodForward SA’s largest retail partner. During FY20, we contributed 1 611 tonnes of edible surplus food from our stores to the value of R80 million for distribution to 800 beneficiary organisations that collectively feed 250 000 people every year.

How our strategy responds to communities’ needs:
• Do good, do well – and being a “force for good” in our communities is a strategic engine of growth

Environmentally and socially responsible business practices

Source from and develop diverse and ethical suppliers

Job creation through long-term sustainable growth

Promote healthy and sustainable living

OUR BUSINESS IN CONTEXT | 03

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Integrated Annual Report 2020
The Group has developed a fully centralised and increasingly effective procurement and distribution channel over the past seven years – unlocking value across its supply chain and providing greater opportunity for local supplier development.

Long-term strategy is focused on greater business efficiency, including centralised supply:

The Group has developed a fully centralised, and increasingly effective, procurement and distribution channel over the past seven years – unlocking value across its supply chain and providing greater opportunity for local supplier development.

What our suppliers tell us

• Fact-based negotiation as part of our Buy Better programme
• Regular meetings in line with merchandise cycle timelines, with increased engagement as a result of COVID-19
• Direct engagement at an executive level
• Dedicated supplier portal
• Regular food safety audits at production facilities
• Ongoing store visits with suppliers
• Joint business planning sessions
• Supplier conferences
• Dedicated enterprise development programme

What our suppliers tell us is most important to them:

• Fair pricing and transparent negotiation
• Effective and efficient administration
• Sustainable business partnerships
• Long-term relationships
• Timely delivery of products
• Competitive and reliable pricing
• Commitment to fair, efficient and mutually beneficial business relationships
• Building a cost-effective and efficient supply chain
• Product innovation to meet evolving customer needs
• Development of small businesses and diverse and ethical suppliers, including through more own brand products
• Pick n Pay Fast Pay – key banking partners provide competitive funding to participating suppliers for the early settlement of invoices

Pick n Pay’s small business development programme now supports over 200 small businesses in South Africa, with 125 of these businesses supplying their products and services to our Pick n Pay supermarkets.

Our 774 franchise stores are an integral part of the Group, and the success of the franchise model depends on the success of our franchise partners. We engage to find mutually beneficial and sustainable growth opportunities, build our scale and extend our reach.

A flexible and winning estate underpins long-term strategic growth

The Group has improved its customer reach through smaller, flexible store formats in increasingly convenient community-based locations. Our franchise partners continue to provide the Group with sustainable opportunities for growth, and are often a benchmark for innovation and operational excellence.

Our franchisees

• Store visits by franchise management team and service area consultants
• Regular meetings with regional operational teams and national franchise representatives
• CII programmes in the communities in which our franchisees operate
• Franchise conferences

What our franchisees tell us is most important to them:

• The opportunity to build a profitable and sustainable business
• Security and sustainability of supply
• Timely delivery of products, competitive pricing, product innovation, marketing support, quality of products and food safety
• Opportunities for cost reduction

The Group opened nine convenience market stores this year under its Spaza-to-Market programme, partnering with small business owners and entrepreneurs to bring high quality food and groceries at great value to emerging-market communities in South Africa.

How we engage:

• Resource efficiency (energy, water, waste, logistics)
• Transformation and enterprise development

How our strategy responds to franchisees’ needs:

• Pick n Pay offers one of the most successful and mutually beneficial franchise models in the retail industry
• Operating as a sustainable franchisor of choice for 26 years
• Flexible model, committed to supporting start-up businesses, smaller formats, or those struggling in tough trading environments, including through management and administrative support

Access to timely, accurate, transparent and relevant information
Sufficient float of shares for trade
Good corporate governance
A socially responsible and ethical corporate citizen

How our strategy responds to stakeholders’ needs:

• Generate consistent returns in a sustainable manner
• Operate according to the highest corporate governance principles
• Follow innovation business practices at acceptable levels of risk
• Capital efficiency
• Provide attractive returns on investment

The Group’s executive management team expanded its programme of shareholder engagement this year, including regular one-on-one meetings with institutional shareholders and retail analysts, and three investor conferences. As at July 2020, 17 retail analysts cover our stock with investment recommendations split as follows:

Buy/Overweight ... 4
Hold/Neutral ... 6
Sell/Underweight ... 2

Our business in context (continued)
To restore the business to a position of long-term sustainable growth, the Group formulated a strategic, three-stage turnaround plan in 2013. The Group recognised that a sustainable recovery would require a planned, considered and balanced approach over several years, and it continues to avoid short-term thinking that might weaken the business over the longer term.

The Group’s long-term strategic plan seeks to achieve three broad objectives:

- **Grow sales in line with, or ahead of, the market, by providing great value, service and innovation for customers.**
  - The Group is intent on delivering a first-class grocery, fresh and convenience offer, which gives customers unbeatable prices, value and service. The business is developing a strong multi-platform and multi-channel retail offer in South Africa, including building Boxer into a thriving, national limited-range discounter. In addition, the Group is carefully growing its footprint outside South Africa.

- **Achieve high levels of operating efficiency and lower costs to enable maximum re-investment in the customer offer.**
  - The Group will complete the centralisation of its supply chain, with improved efficiencies and lower costs across its distribution channel. The Group further aims to improve the efficiency and cost effectiveness of its store operations and support offices, while minimising increases in rentals, rates, electricity, water and other charges.

- **Restore the underlying profit before tax (PBT) margin to a historically sustainable level.**
  - The Group regards a sustained improvement in its underlying profit margin as a lead indicator of progress in achieving a balanced turnaround, characterised by consistent sales growth and greater operating efficiency. The Group’s comparable PBT margin has consistently improved over the past seven years, to 2.1% in FY20. The Group targets a comparable PBT margin at or above 3% over the medium term.

### 2013 to 2015: Looking back on what the Group achieved under Stage 1 of its plan

**Stage 1: Stabilise the business**

Stage 1 focused on stabilising the Group’s operations and its financial position, while developing a solid foundation and plan for growth. Critical building blocks included faster progress towards a centralised supply chain, the development of a more efficient “Next Generation” supermarket, and restructuring the Boxer business model to enable it to become South Africa’s leading limited-range discounter. The Group’s refocused sustainability initiatives across its ESG landscape contributed to the successful completion of Stage 1 in 2015, in particular the Group’s sustained efforts to reduce resource consumption and increase resource efficiency across its operations.

### 2016 to 2020: Positioning the Group for long-term growth

**Stage 2: Change the trajectory**

Throughout Stage 2, the Group has focused on developing a winning customer offer through optimised product ranges, lower prices, more attractive promotions, better and more innovative products, compelling value-added services, and brighter and more modern stores. This has been achieved by reducing costs and increasing productivity across all operations, enabling the Group to invest more in its customer offer and drive volume growth.

ESG sustainability initiatives remain a cornerstone of the Group’s efforts to build a long-term sustainable business, including greater resource efficiency, a reduced carbon and plastic footprint and lower levels of food waste. Initiatives such as the Pick n Pay market store partnership with independent traders seek to differentiate our proposition and advance economic traction in lower income areas. Our development of smaller suppliers, including through our expanding own brand product range, is promoting food security and building economic growth across our value chain.
Stage 2 is organised around seven business acceleration pillars

1. Better for customers
   Deliver a strong and consistent customer offer that earns customer loyalty across the broad range of communities served, through sustained investment in range, quality, value, innovation and service. Be a responsible retailer, dedicated to the upliftment of our communities, always mindful of the socio-economic needs of our stakeholders and of our impact on the environment.

2. A flexible and winning estate
   Provide sustainable, long-term capital investment returns, underpinned by stores with greater operating flexibility, resource efficiency and cost effectiveness. Operate successfully in a broader range of locations, including through smaller format stores focused on convenience, and an effective online platform.

3. Efficient and effective operations
   Achieve greater business efficiency and financial cost discipline – including through more cost-effective store operations, and streamlined support services, that support sustained investment in our customer offer.

4. Every product, every day
   Develop a cost and resource-efficient, fully centralised procurement and distribution channel to unlock value across the supply chain – including through the development of new suppliers, a simplified logistics network with a reduced carbon footprint, improved on-shelf availability and reduced waste.

5. A winning team
   Build a skilled, talented and diverse retail business in South Africa and in all the southern African countries where we operate. Become the employer of choice in the retail industry, by providing fair pay and benefits, access to skills training and development, career advancement and recognition for a job well done.

6. Boxer – a national brand
   Build Boxer into the leading limited-range discounter in southern Africa, through a strong network of community-based stores and an efficient and cost-effective operating model, specifically tailored to meet the value needs of the middle to lower income communities of South Africa and Eswatini.

7. Rest of Africa – a second engine of growth
   Leverage our established presence in Botswana, Lesotho, Namibia, Eswatini, Zambia and Zimbabwe and actively seek profitable opportunities to grow our footprint in countries outside South Africa that offer political stability, economic growth, ease of business and the prospect of strategic scale.

A successful turnaround
Over the past seven years, the Group has changed beyond recognition, altering the trajectory of its performance and prospects. Long-term achievements include:

Next Generation stores have transformed the shopping trip for Pick n Pay and Boxer customers and now account for well over half of our estate

A step-change in our fresh meat and produce offer, which we believe provides the best combination of quality and value in the market

A centralised supply chain delivering exceptional availability, freshness and reliability to corporate and franchise stores

A transformed and rapidly growing Boxer business which has become the best limited-range discounter in sub-Saharan Africa

A modern online and retail services offer across Pick n Pay and Boxer stores which provides a tangible second engine of growth within the Group

Despite operating in increasingly difficult economies, these and other steps have enabled the Group to deliver substantial improvements in its PBT margin over time, with a clear ambition to deliver more.

Richard Brasher
Chief Executive Officer
### Strategic focus (continued)

The Group’s sustained and consistent execution of a strong long-term strategy over the past seven years has successfully built six clear engines for sustainable long-term growth. These are unpacked in more detail in the table below. We have also identified key performance measures for each of our growth engines that are linked to our remuneration strategy. Please refer to page 100 for more information.

<table>
<thead>
<tr>
<th>South Africa's most trusted retailer</th>
<th>Africa's favourite discounter</th>
<th>Bearing down on costs</th>
<th>Value-added customer services</th>
<th>Expansion in Africa</th>
<th>Force for good</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pick n Pay will strengthen its business and customer offer, while remaining true to its core values of good corporate governance and corporate citizenship.</td>
<td>Boxer is delivering market-leading turnover growth as it provides exceptional value to customers across South Africa and Eswatini.</td>
<td>Capital and operational spend must be actively managed, with financial discipline that delivers improved investment returns, and cost inflation that is contained below sales growth.</td>
<td>We will leverage our substantial store and systems infrastructure to offer customers innovative and low cost, value-added services that increasingly contribute to growth.</td>
<td>Our dedicated Rest of Africa team is growing our business in developing markets outside South Africa sustainably and without putting our core South African division at risk.</td>
<td>We are building a better South Africa through a focus on more jobs, entrepreneurs and support for our schools. We believe that doing good is good business – and as such, our business will grow hand in hand with our contribution to society.</td>
</tr>
</tbody>
</table>

### What we achieved in FY20:

- Pick n Pay operations restructured into three customer-focused divisions: Value, Core and Select
- 130 new net stores across all formats
- Range optimised and reduced by 10%
- 5 000 new or redesigned own brand products – participation to 22% of sales
- Online sales up 17%
- Customer complaints down 24%, compliments up 48%
- Boxer supermarkets delivered the Group’s strongest sales and volume performance
- Competitive pricing and strong promotions
- 12 new supermakets and 16 new liquor stores
- Market share growth in many staple products including maize, sugar and oil
- Sales of own brand products up 30%
- Acceleration of centralised supply to 45%, with move to larger distribution centre in KwaZulu-Natal
- Gross profit margin increased from 19.1% to 19.7% underpinned by supply chain efficiency
- Trading expenses up 3.3%, with store operations reflecting the cost of load shedding
- Gearing remained low, but up year-on-year, with bank interest rising 26.0% as a result of higher inventory levels
- Regulated tariffs drive like-for-like electricity costs up 10.5%
- Energy usage down 37.4% against 2008 baseline
- Income from value-added services up 14.2%
- First retailer in South Africa to offer deposits at till
- Sold 8 000 insurance policies in partnership with Hollard
- 4.6 million domestic and cross-border money transfers
- Deteriorating economic conditions in operations outside South Africa had a negative impact on FY20 earnings:
  - Revenue up 2.8% in constant currency
  - Segmental profit down 57.3%
  - Currency devaluation and hyperinflation
  - Range optimisation in Zambia, tailored to local market
  - Market share growth in Zimbabwe
  - Six net new stores
- Advanced our People n Planet initiatives – refer page 52
- Donated 1 651 tonnes of food with a value of R880 million to FoodForward SA
- Directed 60% of waste from landfill
- International recognition as South Africa’s best performing retailer with an A-rating in the 2019 CDP Climate assessment
- Over 200 suppliers in our enterprise development programme and over 3 000 schools in our schools club

### Future objectives include:

- Keeping our customers and staff safe during the COVID-19 pandemic
- Greater personalisation in our customer offer – across Value, Core and Select
- Tighter ranges – focused on the core range of products on which customers genuinely depend
- Accelerate own brand penetration to improve gross profit margins and provide greater value and innovation
- Accelerate our online and financial services offer
- Grow our clothing and liquor businesses
- Keeping our customers and staff safe during the COVID-19 pandemic
- The accelerated expansion of our Boxer business
- Keen pricing and deep promotions in tough economic times
- More own brand products to develop emerging-market entrepreneurs and provide lower prices
- Greater centralisation of supply – with a new distribution centre to open in Polokwane in 2020
- Sustained social investment through the many charities and communities we support
- Improved optimisation of Pick n Pay supply chain
- Increased centralisation of Boxer supply chain
- Sustainable gross profit margin uplift, with less waste and shrink
- Substantive reduction in store and support office costs, including employee costs, and cost of occupancy
- Tighter range and lower stock holdings
- Lower levels of debt and lower funding costs
- Further reductions: plastic, electricity, water, fuel, carbon footprint
- Expand our excellent retail service offer
- Respond to the accelerated need for online retail by extending our reach into under-served communities, including through innovative logistics partnerships
- Development of a low-cost, limited-range discount format
- Greater personalisation and relevance across customer segment served
- Tighter ranges, lower stock holdings
- Greater efficiency and cost effectiveness
- Improved management of currency risk
- Collaboration with government, scientific bodies and community groups to advance our measures to slow the spread of COVID-19
- Expand the reach of our Feed the Nation campaign
- New suppliers through our supplier development programme
- Fair and equitable remuneration – committed to pay parity across gender and race groups
- Productive and efficient job creation through new stores
- Ongoing social investment to address economic dislocation in South Africa, with a specific focus on feeding projects and educational needs
2021 onwards: Positioning the Group for long-term growth

Food and grocery retail is undergoing major change across the globe. Customers are demanding higher quality and traceability in the products they buy, a seamless offer across online and physical stores, greater convenience in the location and size of stores, and a broad range of services which enable them to fulfill many of their needs under one roof.

Above all, customers continue to demand better value from their retailers.

This is both an international trend and an immutable reality in the South African market, where the vast majority of customers subsist on very limited incomes in a challenging economy. The financial and economic dislocation resulting from the COVID-19 outbreak will heighten the need for retailers to respond by offering even greater value.

As contemplated through our six growth engines, the future priorities for the Group are to:

- Further reduce our costs in order to deliver the better value that customers were demanding before COVID-19, a demand which will be heightened during and after the crisis.
- Become even more customer focused around our Value, Core and Select structures in Pick n Pay, with an optimised range and offer at each level of the market.
- Continue to expand our Boxer business, benefiting more customers in more communities to become the premier limited-range discounter in every region of the country.
- Accelerate own brand penetration across Pick n Pay and Boxer – to provide more unbeatable value and innovation for customers, together with better control of production and margin for the Group.
- Expand our high-quality and great value clothing offer.
- Build rapidly on our excellent online and retail service offer. The COVID-19 outbreak has provided a catalyst for a rapid acceleration in online grocery shopping in South Africa, and we intend to build on our position as the largest and most reliable player in the market.
- Rolling out a limited-range discount format for sustainable growth outside South Africa. We believe that the potential for growth in the rest of Africa can be fulfilled through a more flexible, lower-cost model attuned to the needs of local customers.

A programme for action

To accelerate progress towards delivering the objectives detailed above, the Group launched an internal change programme, Project Future, in January this year. Two objectives are core to this programme:

- A reduction of R1 billion over two years in the costs of the Pick n Pay business. This will be delivered by identifying opportunities for cost reductions across the Company, including by reducing waste across our supply chain and store operations, increasing labour productivity and efficiency, and being more effective in our use of resources including property, energy and water. Labour costs are the single biggest cost in our organisation and efficiency initiatives kicked off with a voluntary severance programme in March 2020, open to all colleagues in Pick n Pay.

- A simpler and more effective organisation. The Group is modernising its ways of working, including the structure and organisation of our head office teams, our meeting and decision-making processes, and our use of information and other technologies. The COVID-19 outbreak is accelerating our use of modern communication platforms, including the ability to implement remote working, and is providing greater insight into what infrastructure is required to run our business effectively, even in these difficult times.

Stage 3: Sustainable long-term growth

Our greater strength and dexterity reflects the progress we have made throughout the execution of our long-term plan, and the substantive steps we have already taken to reach Stage 3, and succeed as a sustainable retail business over the long term. The following markers are reflective of a future fit business:

- A track record of consistent sales and profit growth over a number of years.
- Strong customer loyalty and advocacy.
- A resource-efficient business that is a positive force for good in the countries in which it trades.
- An operating model that benchmarks internationally.
- An employer of choice that delivers opportunity for all, with gender and race diversity that adequately reflects the communities it serves.
- Collaborative and enduring relations with a strong and diverse supplier base.
- A continuing growth strategy, including in under-served communities.
- Ongoing innovation in store and in the customer offer, including through healthier products with greater traceability.
- Values which reflect corporate accountability, transparency and care.

There is more to do on our journey, and the Group is well positioned to deliver on the expectations of customers, colleagues, shareholders and other stakeholders – not just in the current crisis, but in the better years to come.
Sustainability as a strategic imperative

Working together for a sustainable future

We launched our People n Planet initiative in 2019. This is the umbrella under which all our sustainable development programmes fall. In short, People n Planet is our commitment to partner with our employees, customers, suppliers and many other stakeholders to increase the positive impact we have on every life we touch and to reduce the negative impact we have on the environment. It is our promise to take bigger steps and leave smaller footprints.

People n Planet isn’t just a part of our business – it is our business. It is a journey we have been on since the late 1980s. Our sustainability strategy is linked inextricably to our business strategy. What we do aligns with seven of the 17 United Nations Sustainable Development Goals most relevant to our business.

Sustainability governance and management

Our sustainable living strategy sets out the ambition of the Group, defining focus areas and specific key performance indicators. Business units and departments integrate their responses into business plans and report to the Board.

Sustainability performance is overseen by the sustainability steering committee and the social and ethics committee, a subcommittee of the Board. Internally, direct responsibility for the sustainable living strategy is held by the Transformation director. The executive sustainability steering committee meets on a quarterly basis, ensuring frequent review of performance indicators, and allowing a more systematic and multi-faceted response to ESG issues that intersect across our value chain.

These are operationalised by the operational sustainability steering committee and the sustainability team.

Future 2020 to 2030: Innovating in support of People n Planet

• Further aligning our efforts with the global SDGs
• Finding our space within the expanding circular economy by, among others, creating greater demand for recycled plastic while simultaneously providing customers with an affordable and durable alternative to plastic shopping bags.
• This keeps plastics in the economy and out of the environment.
• Applying shared value thinking to value-chain challenges by leveraging the resources and innovation of the Group to create new solutions to some of society’s most pressing issues.
• Applying biomimicry principles to improve product and packaging design. This means creating nature-inspired solutions for a healthier planet.
• Exploring partnerships for Collective Impact

We are committed to achieving our 2025 targets*

30%
• average recycled content in packaging
• reduced packaging weight, 2010 baseline
• increase in re-usable bags sales

50%
• reduction in our food waste, 2015 baseline

100%
• packaging re-usable or recyclable
• paper and cardboard packaging responsibly sourced
• packaging with on-pack recycling logo by 2023

* Reporting boundary – 794 Pick n Pay company-owned stores. Refer to page 4

1 Collective Impact (CI) is the commitment of a group of stakeholders from different sectors to a common agenda for solving a specific social problem, using a structured form of collaboration.
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Value-added statement
This Integrated Annual Report is being published at a time of unprecedented uncertainty and disruption due to the COVID-19 global pandemic. At the time of writing, the level of infection is receding in some countries. However, scientific experts warn that the pandemic has not yet reached its peak in Southern Africa, and that the worst is likely still to come.

Our actions in response to the COVID-19 outbreak

I am exceptionally proud of the role that the Pick n Pay Group is playing in this crisis. From the outset of the crisis, my colleagues across the business have embraced our responsibility to help feed the nation as an essential service provider. In all our actions, the safety and well-being of our colleagues and customers has been our top priority.

As we document elsewhere in this Integrated Annual Report, we were quick to tone down our usual rhythm and pace in the interests of our colleagues and customers. We reduced our front-line staff levels, with stores operating around the clock, with staff changes and shifts committed to propelling the business ahead in these unprecedented times. We provided support to our people, including food aid to colleagues who had been diagnosed with COVID-19. We were thorough and swift in implementing new health and hygiene measures across our stores and operations. We supplied our staff with cloth facemasks before the government required us to do so. We are supporting our staff who have contracted the virus, and have thorough and effective protocols to ensure that their close contacts are traced, and our premises are thoroughly cleaned when each case is identified.

Our Pick n Pay and Boxer teams are working tirelessly with our suppliers and partners to ensure that – amid all the disruption – our stores remain well-stocked with the food and groceries which our customers need. True to our values, we have, along with our charity partners, provided millions of meals to the most vulnerable in our communities across the country, through our Feed the Nation campaign.

Our customers and communities can rely on us to continue to play our part however challenging the weeks and months ahead may be. We are a united team of tens of thousands of colleagues who are clear on the Company’s purpose and values, and know that millions of people are relying on us at this time more than they have ever done before.

A successful turnaround

Even in these most difficult times, our confidence in our ability to deliver for our customers derives from our confidence that we have improved our business immeasurably over the past seven years. We review elsewhere in this Integrated Annual Report the progress we have made on our key performance metrics. Looking beyond the numbers, we know that our stores are more modern and our products are more relevant. We offer exceptional value at a time when the search for value unites all customers, regardless of income. Our fresh offer provides an unbeatable combination of quality and value, and is essential in ensuring that more and more communities have genuine access to healthy and affordable food.

Our centralised supply chain – built painstakingly over a number of years – gives us speed and resilience in getting products from the farm or factory to customers in our stores. We have built an exceptional business in Boxer, which has a loyal and growing customer base in search of the best of modern retailing, and is rapidly emerging as the best limited-range discounter in sub-Saharan Africa.

These are significant achievements, realised in an economic climate which – even before the COVID-19 pandemic – has been relentlessly difficult. Over the past year, the Company delivered a robust performance in the face of challenging economic conditions, characterised by low growth, high unemployment, rising household costs and constrained consumer spending in all the regions in which we operate. External factors in Zambia and Zimbabwe in particular had a material impact on our result. However, their impact should not obscure what was a resilient and in many respects an impressive performance.

Although the business will inevitably dedicate much of its focus in the coming months to navigating the further challenges of the COVID-19 pandemic, it is very important that we also devote skill and energy to making further progress in delivering our long-term plan for the Company.

Ensuring value for customers, greater efficiency and cost control

Our vision is to have a business which is fully attuned to the needs and aspirations of our customers. Our confidence in our ability to deliver for our customers derives from our confidence that we have improved our business immeasurably over the past seven years.

A programme for action

To accelerate progress on these objectives, the Group launched an internal change programme, Project Future, in January this year. At the heart of this programme, we are seeking to reduce our costs by R1 billion over two years. This will enable us to give the greater value that our customers are seeking. To achieve this, we are cutting out waste in our operations and offices, increasing efficiency in our operations, and being more effective in our use of resources, including property, energy and water. We are committed to reducing other costs before we reduce the number of our people. However, the focus on greater efficiency must include the cost of employing people, which is the single biggest expense in the Group.

As a result, Pick n Pay launched a voluntary severance programme which enables our colleagues to leave the business. The programme is being rolled out across the business, and is already having an impact. However, it is important that we also continue to focus on the cost savings that we can achieve through our operations, and being more effective in our use of resources, including property, energy and water.

As we document elsewhere in this Integrated Annual Report, we were quick to tone down our usual rhythm and pace in the interests of our colleagues and customers. We reduced our front-line staff levels, with stores operating around the clock, with staff changes and shifts committed to propelling the business ahead in these unprecedented times. We supplied our staff with cloth facemasks before the government required us to do so. We are supporting our staff who have contracted the virus, and have thorough and effective protocols to ensure that their close contacts are traced, and our premises are thoroughly cleaned when each case is identified.

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Our customers and communities can rely on us to continue to play our part however challenging the weeks and months ahead may be. We are a united team of tens of thousands of colleagues who are clear on the Company’s purpose and values, and know that millions of people are relying on us at this time more than they have ever done before.
A message from our CEO (continued)

On a personal note, I explained at our annual results presentation that, prior to the COVID-19 pandemic, my intention had been to step down in 2020. I have led the business for seven years, and believe the Company is fundamentally better now than when I arrived. It is a strong platform from which a new leader could begin the next chapter of Pick n Pay’s illustrious story.

However, in the face of the COVID-19 threat, I quickly decided that my retirement must be put on hold. Our Group – including the tens of thousands of colleagues in our stores who are serving customers each day – deserves stable leadership, continuity, and the benefit of experience through this crisis. So, instead of stepping down, I find myself stepping up.

Together with my team, I have rolled up my sleeves for the biggest challenge any of us has experienced in our careers. I have always enjoyed challenges, and want to be on the pitch to face this one. We are approaching it with strength and energy. As well as being there for our customers, we will use the time to make our business fit for the world after COVID-19.

Despite the uncertainties, I am certain we will succeed. We can look forward to better days. When we reach those better days, I want us to look back with pride. We will remember not just the size of the challenge, but how we stepped up, gave our very best, and won through in the end.

Richard Brasher
Chief Executive Officer
1 July 2020
### OUR CFO’S FINANCIAL REVIEW

#### Key financial indicators

<table>
<thead>
<tr>
<th></th>
<th>52 weeks to 1 March 2020</th>
<th>53 weeks to 3 March 2020</th>
<th>Pro forma 52 weeks to 24 February 2019</th>
<th>Pro forma change %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turnover – comparable</td>
<td>R89.2 billion</td>
<td>R872 billion</td>
<td>R85.2 billion</td>
<td>4.7</td>
</tr>
<tr>
<td>Gross profit margin</td>
<td>19.7%</td>
<td>19.1%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Comparable profit before tax and capital items</td>
<td>R1 870.7 million</td>
<td>R1 863.0 million</td>
<td>R1 755.4 million</td>
<td>6.5</td>
</tr>
<tr>
<td>Comparable PBT margin</td>
<td>2.1%</td>
<td>2.1%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Comparable PBT – South Africa</td>
<td>2.1%</td>
<td>2.1%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Comparable PBT margin – South Africa</td>
<td>2.0%</td>
<td>2.0%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reported Headline Earnings per Share (HEPS)</td>
<td>R287.89 cents</td>
<td>300.58 cents</td>
<td>280.60 cents</td>
<td>0.6%</td>
</tr>
<tr>
<td>Reported diluted HEPS (DHEPS)</td>
<td>R286.39 cents</td>
<td>295.83 cents</td>
<td>277.11 cents</td>
<td>3.3%</td>
</tr>
<tr>
<td>Comparable HEPS</td>
<td>R278.81 cents</td>
<td>300.58 cents</td>
<td>280.60 cents</td>
<td>0.6%</td>
</tr>
<tr>
<td>Comparable DHEPS</td>
<td>R277.36 cents</td>
<td>295.83 cents</td>
<td>277.11 cents</td>
<td>3.3%</td>
</tr>
</tbody>
</table>

1. The financial information presented for the prior period is on a restated basis, with the full retrospective adoption of IFRS 16 Leases (IFRS 16). Please refer to page 73 for further information.
2. Comparable Profit before Tax and Capital Items (Comparable PBT) excludes a net monetary hyperinflation gain recognised in the current year in respect of the Group’s investment in its associate, TM Supermarkets in Zimbabwe, under the requirements of IAS 29 Financial Reporting in Hyperinflationary Economies (IAS 29). Comparable PBT excludes the impact of hyperinflation accounting. Refer to page 74 for further information.

The Group’s result was anchored by a resilient performance from the core South African business, which lifted its Comparable Profit before Tax by 15.2% this year, enabling the Group to deliver Comparable Headline Earnings in line with last year.

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### Result overview

**South African operations deliver in a challenging economy**

The Group traded in difficult economic conditions throughout the year, with low growth, high unemployment, rising household costs and constrained consumer spending in all regions.

Group Comparable Turnover growth of 4.7% (South Africa: 5.1%) was delivered against a strong base in the previous year, and reflects the impact of deteriorating economic conditions over the course of the year, including a final quarter significantly disrupted by load shedding in South Africa, and some supply chain labour disruption in our Longmeadow distribution centres in Gauteng. Viewed over a two-year period, the Group delivered comparable compound annual sales growth of 6%, ahead of the South African retail market.

The Group lifted its gross profit margin from 19.1% to 19.7%, supported by greater efficiency across its supply chain, and restricted the growth in trading expenses to 6.3% year-on-year, and just 2.9% in the second half of the year.

Operations in Zambia and Zimbabwe had a significant impact on the Group’s FY20 result, reducing Group earnings by 8.7 percentage points year-on-year. However, the Group’s result was anchored by a resilient performance from the core South African business, which lifted its Comparable Profit before Tax by 15.2% this year, enabling the Group to deliver Comparable Headline Earnings in line with last year.

Group earnings have also been impacted by the increase in the Group’s effective tax rate from 24.3% last year to 31.2% this year. The increase is driven by losses in certain jurisdictions outside South Africa, hyperinflation in Zimbabwe and reduced share scheme obligations as a result of the Group’s lower share price over the year, and the reversal of all related deferred tax assets.

Comparable Headline Earnings per Share, which excludes the impact of hyperinflation accounting in Zimbabwe, at 278.81 cents per share is in line with last year on a comparable 52-week basis.

### Growth in Comparable Headline Earnings per Share – %

- **South Africa Comparable PBT growth**
- **Impact from Rest of Africa**
- **Group Comparable PBT growth**
- **Impact from increase in tax rate**
- **Group Comparable HEPS growth**

<table>
<thead>
<tr>
<th></th>
<th>15.2</th>
<th>(8.7)</th>
<th>6.5</th>
<th>(7.1)</th>
<th>(0.6)</th>
</tr>
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<tbody>
<tr>
<td><strong>Pro forma</strong></td>
<td></td>
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<tr>
<td><strong>2020</strong></td>
<td></td>
<td></td>
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1. Excluding TM Supermarkets

**The Group once again demonstrated tight gross profit management, unlocking further value across the supply chain, notwithstanding sustained investment in the customer offer.**

**Strong free cash flow and low gearing – providing stable liquidity into COVID-19 crisis.**

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The Group’s result was anchored by a resilient performance from the core South African business, which lifted its Comparable Profit before Tax by 15.2% this year, enabling the Group to deliver Comparable Headline Earnings in line with last year.
**Review of financial performance**

The review of the Group’s comparable financial performance for the 52 weeks ended 1 March 2020 focusses on the key elements of the statement of comprehensive income, statement of financial position, statement of changes in equity and statement of cash flows that management considers most relevant to the Group’s performance over the year, and its financial position at year-end. The review should be considered together with the Group’s FY20 audited financial statements, available on our website at www.picknpayinvestor.co.za, and the five-year review of financial performance set out on pages 76 to 78.

Please note the following technical accounting elements in the presentation of these financial results:

**Financial calendar** – the FY20 financial year is a 52-week period and its results are not directly comparable with those of the 53 weeks of FY19. Unless specifically stated otherwise, the result commentary that follows is on a comparable 52-week basis. Refer to page 73 for further information.

**COVID-19 pandemic** – COVID-19 did not impact the Group’s financial performance over FY20. However, it is a significant post-balance sheet event. The Group has considered the impact that the pandemic and the measures taken to date by government to defeat it may have on our financial liquidity and reported financial position, including the value of inventory on hand, the recoverability of receivables, the adequacy of provisions, the availability of debt funding and the Group’s ability to meet its working capital obligations. Please refer to note 31 of the Group’s FY20 audited annual financial statements for further information.

**Turnover**

Group Comparable Turnover increased by 4.7% in FY20 to R4 666.1m, with like-for-like turnover growth of 1.5%. Net new stores added 3.2% to sales growth, with notable growth in new Boxer supermarkets and Pick n Pay clothing stores.

The Group restricted its selling price inflation to 2.6% year-on-year, with inflation increasing moderately from 2.1% in the first half of the year to 2.8% in the second half. Our core South Africa division delivered Comparable Turnover growth of 5.6%, with like-for-like turnover growth of 1.9%.

Group Comparable Turnover growth slowed to 3.5% in the second half of the year from the 6.0% delivered in HT FY20. South African turnover growth slowed from 6.6% in the first half of the year to 3.8% in the second half. This reflects the base effect of a strong performance in the second half of last year alongside increasingly difficult trading conditions, including low consumer confidence and spending, and load shedding in the final quarter. Sales were also impacted by supply chain labour disruption at our Longmeadow distribution centre in Gauteng in December 2019. This had a significant impact on stock availability and sales growth in the region over the festive season. The Group continued to work with its labour partners to improve ways of working.

The Group is particularly pleased with the progress and performance of our Boxer business, together with our Pick n Pay Value stores serving lower- and middle-income customers. Exceptional quality and value are driving positive volume growth for the Group in this important section of the market. Our clothing and liquor businesses once again delivered strong growth over the year, and we remain confident of the sustainable growth potential of these ancillary and complementary formats to our core grocery offer.

Trading conditions in Zambia remained challenging over the year, with the weaker Zambian kwacha and negative revenue growth weighing on Group turnover growth. On a constant currency basis, Group Comparable Turnover grew 5.0% year-on-year.

**Gross profit**

Gross profit increased 6.5% to R176.2 billion, with gross profit margin improving by 0.6 percentage points from 19.1% to 19.7% of turnover. The Group once again demonstrated tight gross profit margin management, unlocking further value across its supply chain, notwithstanding sustained price investment, and the margin impact of supply chain labour disruption in the last quarter of the year.

The Group’s gross profit margin improvement reflects in particular a strong performance from the Group’s Boxer business, which now takes 45% of its volume through its decentralised distribution network, driving greater levels of supply chain productivity and efficiency. In addition, with centralised supply now close to 80% in Pick n Pay, the team has focused on optimising its supply chain systems and infrastructure. Pick n Pay delivered a 10% reduction in fresh waste and an 11% reduction in shrink this year, harnessing the benefits of its range rationalisation and store segmentation initiatives.

**Other income**

Other income increased 6.5% to R16.2 billion. Franchise fee income – increased 2.2% year-on-year, to R398.3 million. The growth in franchise fee income was impacted by the Group’s new agency agreement for cellular airtime and data sales. Franchise fee income excluding the impact of the agency agreement was up 3.6%.

Commissions and other income – increased 6.1% to R10.1 billion, and includes commission and incentive income not directly related to the sale of inventory, such as advertising income from the Group’s Fresh Living magazine, and the provision of data analytics support to suppliers. This broad revenue category includes income from value-added services, which increased 14.2% year-on-year, with growth across all categories of value-added services, including commissions from third-party bill payments, travel and event ticketing, sale of prepaid electricity and financial services.

**Trading expenses**

Trading expenses grew 6.3% year-on-year to R160.2 billion, with like-for-like expense growth contained at 4.0%. The trading expense margin grew from 17.5% to 17.9% of turnover, as operating costs continue to grow ahead of turnover. However, the Group responded effectively to an escalating trend in costs in the second half of the year by restricting the growth in trading expenses in these six months to just 2.9%.

**Employee costs** – increased 3.7% to R74.1 billion, and 1.4% on a like-for-like basis. This reflects the positive impact of the reversal of a portion of share incentive costs in the second half of the year, offset by retirement and other gratuity payments, leading to lower levels of management.

Ignoring this net benefit of R100.0 million, employee costs grew 5.3% year-on-year, and 2.9% like-for-like, representing improvements of 27.5% and 12.5% in the first half of the year.

**Occupancy costs** – grew 9.5% to R23.2 billion, and 8.2% on a like-for-like basis, driven largely by increases in rates, insurance and security costs. The Group remains committed to reducing its cash cost of occupancy, and continues to engage with landlords to secure fair rental and escalation terms which sustain mutual growth.

**Operations costs** – increased 10.8% (7.1% like-for-like) to R38.8 billion. The increase in store operating costs largely reflects the impact of load shedding on the business (for example, the cost of running diesel generators, and higher levels of repairs and maintenance for equipment damaged by power disruptions and surgery) in addition, higher regulated electricity tariffs drove electricity costs up 15.0% year-on-year, with like-for-like increases of 9.2%.

Inflation. The retail sector in Zambia remains highly competitive, and Pick n Pay responded with tight cost control, stronger working capital management and improved operational efficiencies, delivering lower prices and a better shopping experience for customers.

**Zimbabwe** – the difficult economic conditions in Zambia have impacted our business over a number of years. Trading conditions deteriorated further in FY20, and local currency weakness drove up US dollar-based operating costs, fueling higher levels of inflation. The retail sector in Zambia remains highly competitive, and Pick n Pay responded with tight cost control, stronger working capital management and improved operational efficiencies, delivering lower prices and a better shopping experience for customers.

The Group’s Rest of Africa segment contributed R47.4 billion of segmental revenue, down 17.7% on the 52 weeks of last year. Removing the impact of currency weakness, segmental revenue was up 2.8% in constant currency terms.

The performance of the Rest of Africa segment reflects difficult trading conditions across southern Africa, particularly in Zambia and Zimbabwe.

**Net interest**

Net interest paid, including implied interest charges under IFRS 16, increased 2.5% year-on-year to R13.3 billion. The Group’s implied IFRS 16 net interest charge remained flat year-on-year at R12.1 billion, reflecting annual stability in our broad lease portfolio.

The cost of the Group’s net funding increased 26.0% year-on-year, from R90.5 million to R114.0 million, affected by increased borrowings over the second half of the year, driven by higher inventory levels. The Group’s cost of borrowings is actively managed through TM an optimum mix of overnight and three-month capital market funding.

**Rest of Africa segment**

The Group’s Rest of Africa segment contributed R47.4 billion of segmental revenue, down 17.7% on the 52 weeks of last year. Removing the impact of currency weakness, segmental revenue was up 2.8% in constant currency terms.

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Capital items

The Group incurred net capital losses of R177.9 million in FY20, against net capital profits of R25.4 million last year. The capital loss is driven by the Group’s R173.6 million impairment of its investment in associates in Zimbabwe due to hyperinflation, alongside losses on the sale of store assets in respect of store closures and the conversion of company-owned stores to franchise stores. The Group recognised R26.5 million of capital profits on the termination of leases this year, under the provision of IFRS 16 [FY19: R197 million]. Capital items are added back in the calculation of headline earnings.

Comparable Profit before Tax before Capital Items (which excludes hyperinflation gains)

The Group’s Comparable PBT was up 6.5% year-on-year to R1.9 billion, with Comparable PBT margin improving from 2.0% last year to 2.1% of turnover. Comparable PBT from our South African segment increased 15.2% year-on-year, with an improvement in its Comparable PBT margin from 15% to 21% of turnover. Ignoring the one-off benefit of the reversal of share incentive costs during the second half of the year, Comparable PBT from our South African segment increased 8.8% year-on-year.

Tax

The Group’s effective tax rate, excluding the impact of hyperinflation and related impairments, increased from 24.3% last year to 27.9% this year. The significant increase has been driven by losses incurred in operations outside of South Africa and the reversal of related deferred tax assets. In addition, pessimistic investor sentiment across the South African equities market, and the Group’s impairment on the Group share price over the year reduced the deferred tax asset recognised in respect of the Group’s share incentive obligations. Hyperinflation accounting, and all related impairments, further increased the effective tax rate to 31.2%.

Earnings per share

Earnings per share (EPS) – decreased by 11.7% to 250.90 cents, reflecting the impact of the Group’s capital losses this period, largely due to hyperinflation in Zimbabwe, against capital profits in the prior year.

Headline earnings per share (HEPS) – increased by 2.6% to 287.89 cents, reflecting the impact of the Group’s share of hyperinflation gains in TM Supermarkets in Zimbabwe. All related impairment losses and other capital items were added back in the calculation of HEPS.

Comparable Headline Earnings per Share (Comparable HEPS) – is in line with last year at 278.81 cents per share, excluding the impact of hyperinflation accounting in Zimbabwe. Comparable HEPS is also flat year-on-year at 277.36 cents.

Review of financial position

The strength of the Group’s balance sheet reflects the successful execution of a clear long-term strategy over the past seven years – a strategy which has delivered consistent and sustainable profit growth under increasingly challenging economic conditions. The Group has grown its store estate, particularly in the lower- to middle-income communities of South Africa, centralised its supply chain and advanced its systems infrastructure through a programme of measured and considered capital investment. The Group’s net asset value was impacted by the impairment of its investment in TM at a fair value of R50.4 million this year (2019: R184.4 million) driven by the translation of our investment in TM at a rate of 30.8 Zimbabwe dollars to 1 US dollar (FY19: 3.3 Zimbabwe dollars to 1 US dollar).

Stores opened over seven years

<table>
<thead>
<tr>
<th>FY13</th>
<th>FY14</th>
<th>FY15</th>
<th>FY16</th>
<th>FY17</th>
<th>FY18</th>
<th>FY19</th>
<th>FY20</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,040</td>
<td>1,128</td>
<td>1,242</td>
<td>1,490</td>
<td>1,560</td>
<td>1,685</td>
<td>1,795</td>
<td>1,925</td>
</tr>
</tbody>
</table>

Effective tax rate: year-on-year movement – %

<table>
<thead>
<tr>
<th>FY13</th>
<th>Share incentive obligations</th>
<th>Hyperinflationary accounting – TM Supermarkets</th>
<th>Other</th>
<th>FY20</th>
</tr>
</thead>
<tbody>
<tr>
<td>24.3</td>
<td>4.2</td>
<td>3.3</td>
<td>(0.6)</td>
<td>31.2</td>
</tr>
</tbody>
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<td>31.2</td>
</tr>
</tbody>
</table>

Working capital

The Group generated cash from working capital of R249.9 million over the year (52 weeks), compared to an outflow of R705.8 million last year (53 weeks), with positive benefits from the financial calendar cut-off in FY20. The working capital position at 3 March 2019 last year reflected the impact of month-end supplier payments in line with the Group’s normal trade terms, annual provisional tax payments and a substantive increase in rental and other prepayments.

Group inventory balances increased by R826.4 million, or 14.5% year-on-year, to R8.5 billion. The investment in inventory reflects the addition of 73 net new company-owned stores, greater levels of centralisation by Boxer, and strategic investment in buying at period-end to take advantage of competitive prices for customers. On a comparable 52-week basis, excluding the impact of new stores and cost inflation, like-for-like inventory values were up 4.3% on last year.

The Group did not sustain its positive FY19 momentum on reducing stock levels, and this had an impact on cash balances.Removing old and slow moving stock from the business remains a key focus area in unlocking value within working capital.

Trade and other receivables remain well-controlled. On a comparable 52-week basis, excluding the impact of the financial calendar cut-off franchise and other trade debt (current and non-current) is in line with last year, notwithstanding the addition of 55 net new franchise stores from the year and a growing wholesale offer. The Group is satisfied with the overall quality of its debtors’ book, with an impairment allowance of 2.7%.

Cash generation and utilisation – Rbn

<table>
<thead>
<tr>
<th>Cash generated from operations</th>
<th>Working capital</th>
<th>Tax and net funding interest</th>
<th>Capital expenditure</th>
<th>Free cash flow</th>
<th>Dividends</th>
<th>Share purchases</th>
<th>Net cash inflow</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.9</td>
<td>0.2</td>
<td>(0.6)</td>
<td>(1.7)</td>
<td>18</td>
<td>(11)</td>
<td>(0.1)</td>
<td>0.6</td>
</tr>
</tbody>
</table>

Net funding

The Group has maintained a low level of gearing for a number of years. The Group has no long-term funding, and is geared through cost-effective short-term borrowings only, mainly funding the business through internally generated cash flow and an effective working capital cycle.

<table>
<thead>
<tr>
<th>1March 2020</th>
<th>3March 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash balances</td>
<td>1 947.3</td>
</tr>
<tr>
<td>Cost-effective overnight borrowings</td>
<td>(2 050.0)</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>(102.7)</td>
</tr>
<tr>
<td>One to three-month borrowings</td>
<td>(935.0)</td>
</tr>
<tr>
<td>Net funding position</td>
<td>(1 037.7)</td>
</tr>
<tr>
<td>Unutilised and available facilities</td>
<td>R6.0bn</td>
</tr>
</tbody>
</table>

The Group’s improved net funding position at 1 March 2020 reflects the positive impact of financial calendar cut-off, with a greater level of supplier payments reflected last year, in line with the Group’s normal trade terms. The Group’s average level of short-term borrowings increased over the second half of this year, driven by higher inventory levels, with net funding interest up 26.0% year-on-year. The Group’s liquidity position remained strong with R6.0 billion of unutilised and available facilities at period-end.

Capital investment

The Group invested R17.1 billion in capital improvements in FY20. The Group commits the majority of its capital spend to customer-facing initiatives which generate sustainable long-term returns.

Over the year, R454 million was invested in new stores, R874 million on refurbishments; and R298 million on supply chain capability and IT infrastructure. The Group will continue to invest in expanding and modernising its estate, and is confident of its ability to meet its capital investment requirements through internally generated cash flow. The Group delivered return on capital employed of 4.4%, against a weighted average cost of capital of 12% (excluding any impact from IFRS 16).

Return on capital employed – %

<table>
<thead>
<tr>
<th>FY13</th>
<th>FY14</th>
<th>FY15</th>
<th>FY16</th>
<th>FY17</th>
<th>FY18</th>
<th>FY19</th>
<th>FY20</th>
</tr>
</thead>
<tbody>
<tr>
<td>44.3</td>
<td>28%</td>
<td>36</td>
<td>38</td>
<td>38</td>
<td>36</td>
<td>29</td>
<td>25</td>
</tr>
</tbody>
</table>
Looking ahead

Trading conditions for South African grocery retailers were already difficult before the COVID-19 outbreak. However, COVID-19 has turned a difficult economic situation into an unprecedented one in terms of new challenges.

The COVID-19 crisis has been negative for the Group to date, with sales and earnings growth reflecting the impact of stringent economic and social restrictions under Levels 5 and 4 of the South African government’s Risk Adjusted Strategy. It is impossible to predict with any certainty the trajectory and outcome of the COVID-19 outbreak, including the measures that government will need to sustain to slow the spread of the disease, and the resulting impact on the economy, consumer spending and the broader implications for grocery retail.

Independent economic forecasts are wide-ranging. More optimistic scenarios anticipate that the disruption to the South African economy, albeit significant, will last for approximately three to four months, and be followed by a rapid growth rebound. More pessimistic forecasts assume that the outbreak and resultant economic disruption will extend into 2021, resulting in a prolonged global and local recession. Under either scenario, the economic recession in South Africa would deepen significantly, with current annual GDP forecasts ranging from around -5% to -9% in real terms.

It is not possible, in the face of so many uncertainties, for the Group to forecast the earnings impact of COVID-19 over the FY21 financial year; however, the crisis is likely to put pressure on earnings growth and profit margins for the following reasons:

- An inability under Levels 5 and 4 to trade in some key categories, including liquor, tobacco and most clothing and general merchandise lines. These categories make up approximately 20% of our revenues, and have relatively high margins compared with basic food and grocery lines.
- A general reduction in overall consumer and trading activity as a result of social distancing regulations, and the broader impact of deteriorating economic conditions on consumer confidence and consumer spending.
- Additional costs on the business, arising for example from extra hygiene and social distancing measures which are essential in protecting colleagues and customers, and the cost of providing appreciation bonuses to front-line colleagues for their work during the nationwide lockdown.

The Group has consistently followed a prudent gearing strategy, financing its growth and refurbishment initiatives through internally generated cash flow, and focusing its capital investment on lower-risk domestic opportunities, with potential for long-term sustainable returns. The Group has no long-term structured debt, and has actively managed its working capital needs through short-term cost-effective facilities. In so doing, the Group has developed strong strategic partnerships with local and international banks and institutional funders in the capital market.

This approach positioned the Group well for the COVID-19 crisis, providing it with a stable funding platform and necessary liquidity. The Group has constructively engaged with all its strategic funders, and has drawn down 65% of its available facilities to protect itself against possible liquidity pressure in financial markets. Short-term cash resources raised as a result are prudently invested in low-risk call deposit funds.

Furthermore, we are in the advanced stages of turning out a portion of our uncommitted short-term facilities, into six-month and 12-month, fully committed lines, while ensuring our cost of funding remains competitive. Our net gearing remains low and our overall liquidity remains sufficient and stable to meet our working capital and operational needs over the foreseeable future.

The Group remains committed to paying all suppliers and service providers in line with agreed terms, and providing our staff with the assurance of pay and benefits. We will protect our liquidity through tightly managed operating costs, and the dial up of all non-critical capital spend.

Shareholder distribution

In light of the current economic upheaval from the COVID-19 pandemic, the Board decided that it would be prudent not to declare a dividend at this time but rather to preserve cash. It is anticipated that a formal dividend declaration will be considered and communicated once the full impact of the COVID-19 pandemic on the Group’s operations can reasonably be known and assessed.

For the pandemic, the Board would have declared a final dividend of 173.06 cents per share, maintaining the Group’s dividend cover of 1.3 times Comparable HEPS on a 52-week basis. Further communication in this regard will follow at the time of the Group’s FY21 interim results publication.

Appreciation

It was my great privilege to take over the CFO reigns from Bakar Jakiet this year. Bakar built a formidable finance team over his eight-year tenure, ensuring that I benefit from incredible depth in skill and experience, and that I am surrounded by a diverse group of individuals who are committed to the highest levels of financial intelligence, discipline, reporting and corporate governance.

It has not been an easy year for my team, as we navigated the successful implementation of IFRS 16 Leases, and the application of hyperinflation in Zimbabwe, while providing invaluable strategic, professional and administrative support to our Group, particularly through the unprecedented circumstances of the COVID-19 pandemic.

I thank my team for their incredible achievements this year, and for their continued hard work and dedication, even during the most difficult of times. I extend my thanks to our Pick n Pay and Boxer teams, specifically those on the front line, who have worked with urgency and determination to put rigorous health and hygiene measures in place to protect staff and customers, and to keep our shelves stocked at a time when our customers need us the most.

Lorena Olivier
Chief Finance Officer
1 July 2020
**SUMMARY OF FY20 ANNUAL FINANCIAL RESULT**

The following summarised financial information has been extracted by management from both the Group’s audited annual financial statements and unaudited appendices, including pro forma information to the annual financial statements, and for the 52-week period ended 1 March 2020. The Group’s appendix containing unaudited pro forma information, are available on our website: [www.picknpayinvestor.co.za](http://www.picknpayinvestor.co.za) and should be referred to for a full appreciation of the financial affairs of the Group in terms of International Financial Reporting Standards.

**Summary of financial performance**

<table>
<thead>
<tr>
<th>$2 weeks to 1 March 2020</th>
<th>% of turnover</th>
<th>% change</th>
<th>Restated Proforma $2 weeks to 24 February 2019</th>
<th>% of turnover</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turnover</td>
<td>Rm</td>
<td></td>
<td>Rm</td>
<td></td>
</tr>
<tr>
<td>Comparable turnover</td>
<td>89 281.5</td>
<td>4.7</td>
<td>86 271.2</td>
<td></td>
</tr>
<tr>
<td>Turnover from cellular airtime sales recognised on a principal basis</td>
<td>89 166.5</td>
<td></td>
<td>85 150.8</td>
<td></td>
</tr>
<tr>
<td>Gross profit</td>
<td>95.0</td>
<td></td>
<td>1 080.4</td>
<td></td>
</tr>
<tr>
<td>Other income</td>
<td>17 601.7</td>
<td>19.7</td>
<td>16 519.7</td>
<td>18.1</td>
</tr>
<tr>
<td>Franchise fee income</td>
<td>1 570.2</td>
<td>18.6</td>
<td>1 474.8</td>
<td>17</td>
</tr>
<tr>
<td>Operating lease income</td>
<td>398.3</td>
<td>2.2</td>
<td>389.9</td>
<td>0.5</td>
</tr>
<tr>
<td>Commissions and other income</td>
<td>140.7</td>
<td>0.2</td>
<td>112.7</td>
<td>0.1</td>
</tr>
<tr>
<td>Trading expenses</td>
<td>1 031.2</td>
<td>12.6</td>
<td>972.2</td>
<td>11</td>
</tr>
<tr>
<td>Turnover from cellular airtime sales recognised on a principal basis</td>
<td>1 022.3</td>
<td>12.5</td>
<td>972.2</td>
<td>11</td>
</tr>
<tr>
<td>Franchise fee income</td>
<td>1 564.2</td>
<td>18.7</td>
<td>1 474.8</td>
<td>17</td>
</tr>
<tr>
<td>Net interest paid</td>
<td>398.3</td>
<td>2.2</td>
<td>389.9</td>
<td>0.5</td>
</tr>
<tr>
<td>Net interest costs incurred on net funding</td>
<td>(1 300.4)</td>
<td>(15)</td>
<td>(1 268.5)</td>
<td>15</td>
</tr>
<tr>
<td>Net interest costs incurred on net funding</td>
<td>(1 188.4)</td>
<td>(13.7)</td>
<td>(1 163.4)</td>
<td>14</td>
</tr>
<tr>
<td>Net interest costs incurred on net funding</td>
<td>23.1</td>
<td></td>
<td>1039.0</td>
<td>0.1</td>
</tr>
<tr>
<td>Profit before tax before capital items and before net monetary gain</td>
<td>1 870.7</td>
<td></td>
<td>1 756.4</td>
<td>20</td>
</tr>
<tr>
<td>Proforma profit before tax before capital items [Loss]proft on capital items</td>
<td>492</td>
<td></td>
<td>1 919.8</td>
<td></td>
</tr>
<tr>
<td>[Loss]profit on sale of property, plant and equipment</td>
<td>(1 177.9)</td>
<td></td>
<td>25.4</td>
<td></td>
</tr>
<tr>
<td>Impairment loss on property, plant and equipment</td>
<td>(18.8)</td>
<td></td>
<td>110</td>
<td></td>
</tr>
<tr>
<td>Impairment loss on intangible assets</td>
<td>(8.2)</td>
<td></td>
<td>3.2</td>
<td></td>
</tr>
<tr>
<td>Profit on termination of leases</td>
<td>(3.8)</td>
<td></td>
<td>(5.3)</td>
<td></td>
</tr>
<tr>
<td>Impairment loss on investment in associate</td>
<td>25.5</td>
<td></td>
<td>197</td>
<td></td>
</tr>
<tr>
<td>Profit before tax</td>
<td>1 736.0</td>
<td>19.2</td>
<td>1 781.8</td>
<td>21</td>
</tr>
<tr>
<td>Tax</td>
<td>(541.3)</td>
<td>26.3</td>
<td>(432.1)</td>
<td>25</td>
</tr>
<tr>
<td>Profit for the period</td>
<td>1 194.7</td>
<td>13.1</td>
<td>1 349.7</td>
<td>16</td>
</tr>
<tr>
<td>South Africa operating segment</td>
<td>Rm</td>
<td></td>
<td>85 533.3</td>
<td>5.1</td>
</tr>
<tr>
<td>Profit before tax before capital items</td>
<td>Rm</td>
<td></td>
<td>1 780.6</td>
<td>15.2</td>
</tr>
<tr>
<td>Rest of Africa operating segment</td>
<td>Rm</td>
<td></td>
<td>4 666.1</td>
<td>17</td>
</tr>
<tr>
<td>Profit before tax before capital items and before net monetary gain</td>
<td>Rm</td>
<td></td>
<td>81 371.5</td>
<td></td>
</tr>
<tr>
<td>Earnings per share</td>
<td>Rm</td>
<td></td>
<td>Rm</td>
<td></td>
</tr>
<tr>
<td>Basic earnings per share</td>
<td>250.90</td>
<td>(11.7)</td>
<td>284.07</td>
<td></td>
</tr>
<tr>
<td>Diluted earnings per share</td>
<td>248.60</td>
<td>(11.6)</td>
<td>280.53</td>
<td></td>
</tr>
<tr>
<td>Headline earnings per share</td>
<td>287.89</td>
<td>2.6</td>
<td>280.60</td>
<td></td>
</tr>
<tr>
<td>Diluted headline earnings per share</td>
<td>286.39</td>
<td>3.3</td>
<td>277.11</td>
<td></td>
</tr>
<tr>
<td>Comparable earnings per share</td>
<td>Rm</td>
<td></td>
<td>278.81</td>
<td>(0.6)</td>
</tr>
<tr>
<td>Headline earnings per share</td>
<td>277.36</td>
<td>0.1</td>
<td>277.11</td>
<td></td>
</tr>
</tbody>
</table>

**Turnover**
- Group turnover growth of 4.7% against a strong prior year base, with a 2-year CAGR of 8%, ahead of the SA retail market.

**Gross profit**
- Sustained cost savings and efficiency gains across the supply chain, including reductions in waste and shrink, positive for gross profit margin

**Franchise fee income**
- Comparable franchise fee income up 3.6%, excluding the impact of new cellular airtime and data agancy agreement

**Commissions and other income**
- Includes an increasingly important contribution from value-added services income, up 14.2% year-on-year.

**Net finance costs**
- Group funding costs, excluding implied IFRS 16 interest charges, grew 26.0% year-on-year, driven by increased borrowings over the second half of the year, as a result of higher inventory levels.

**Comparable profit before tax**
- Growth in comparable PBT of 6.5% is below the remuneration committee’s primary performance target for the year of 8.0% (refer to page 105) - reflecting challenges in Zambia and Zimbabwe. Comparable PBT from the South African segment is up 15.2%, with the comparable PBT margin in the region improving from 1.9% to 2.1% year-on-year.

**Impairment loss on investment in TM**
- Currency devaluation and currency devaluation in Zambia has resulted in an impairment loss of R173.6 million.

**Tax**
- The Group’s tax effective tax rate increased from 24.3% last year to 31.2% this year, driven by operating losses outside South Africa, a reduction in the Group’s employee share scheme obligation as a result of the Group’s lower share price, and the reversal of all related deferred tax assets. The tax rate is likely to remain over 30% until the performance of the Rest of Africa division improves.

**South Africa operating segment**
- A robust performance from the Group’s core South Africa division, in a difficult consumer environment, protected the Group from significant challenges in Zambia and Zimbabwe including currency weakness and hyperinflation.

**Comparable earnings per share**
- Comparable headline and diluted headline earnings per share exclude the impact of hyperinflation in Zimbabwe.
Summary of financial position

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>As at 1 March 2019</th>
<th>Restated*</th>
<th>As at 25 February 2020</th>
<th>Restated*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-current assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intangible assets</td>
<td>865.4</td>
<td>909.8</td>
<td>944.1</td>
<td></td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>6 622.4</td>
<td>6 189.3</td>
<td>6 054.4</td>
<td></td>
</tr>
<tr>
<td>Right-of-use assets</td>
<td>9 980.6</td>
<td>10 029.3</td>
<td>9 765.0</td>
<td></td>
</tr>
<tr>
<td>Net investment in lease receivables</td>
<td>2 129.9</td>
<td>1 880.8</td>
<td>1 778.8</td>
<td></td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>753.1</td>
<td>785.4</td>
<td>590.1</td>
<td></td>
</tr>
<tr>
<td>Investment in associate</td>
<td>50.4</td>
<td>194.4</td>
<td>365.6</td>
<td></td>
</tr>
<tr>
<td>Loans</td>
<td>86.6</td>
<td>102.0</td>
<td>79.3</td>
<td></td>
</tr>
<tr>
<td>Retirement scheme assets</td>
<td>68.7</td>
<td>72.2</td>
<td>57.6</td>
<td></td>
</tr>
<tr>
<td>Investment in insurance cell captive</td>
<td>54.9</td>
<td>35.2</td>
<td>25.7</td>
<td></td>
</tr>
<tr>
<td>Operating lease assets</td>
<td>13.0</td>
<td>12.8</td>
<td>10.2</td>
<td></td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>33.6</td>
<td>62.3</td>
<td>50.4</td>
<td></td>
</tr>
<tr>
<td>Total current assets</td>
<td>20 819.6</td>
<td>20 337.1</td>
<td>19 816.0</td>
<td></td>
</tr>
<tr>
<td>Non-current assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>9 880.6</td>
<td>9 212.9</td>
<td>8 753.1</td>
<td></td>
</tr>
<tr>
<td>Net investment in lease receivables</td>
<td>753.1</td>
<td>680.4</td>
<td>590.1</td>
<td></td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>50.4</td>
<td>194.4</td>
<td>365.6</td>
<td></td>
</tr>
<tr>
<td>Loans</td>
<td>86.6</td>
<td>102.0</td>
<td>79.3</td>
<td></td>
</tr>
<tr>
<td>Retirement scheme assets</td>
<td>68.7</td>
<td>72.2</td>
<td>57.6</td>
<td></td>
</tr>
<tr>
<td>Investment in insurance cell captive</td>
<td>54.9</td>
<td>35.2</td>
<td>25.7</td>
<td></td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>221.0</td>
<td>248.9</td>
<td>231.6</td>
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</tr>
<tr>
<td>Total non-current assets</td>
<td>11 770.6</td>
<td>10 846.1</td>
<td>9 770.6</td>
<td></td>
</tr>
<tr>
<td>Total assets</td>
<td>32 505.3</td>
<td>31 183.2</td>
<td>29 586.6</td>
<td></td>
</tr>
</tbody>
</table>

Summary of changes in equity

<table>
<thead>
<tr>
<th>Share capital Rm</th>
<th>Treasury shares other reserves Rm</th>
<th>Foreign currency translation reserve Rm</th>
<th>Total equity Rm</th>
</tr>
</thead>
<tbody>
<tr>
<td>As at 25 February 2018 as published</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6 0 (983.4)</td>
<td>4 951.7</td>
<td>(70.7)</td>
<td>4 023.6</td>
</tr>
<tr>
<td>Adoption of IFRS 16 Leases*</td>
<td>–</td>
<td>–</td>
<td>(1 110.6)</td>
</tr>
<tr>
<td>Adoption of IFRS 9 Financial Instruments**</td>
<td>–</td>
<td>–</td>
<td>(30.2)</td>
</tr>
<tr>
<td>Total comprehensive income for the period</td>
<td>–</td>
<td>–</td>
<td>1 423.2</td>
</tr>
<tr>
<td>Profit for the period</td>
<td>–</td>
<td>–</td>
<td>1 444.6</td>
</tr>
<tr>
<td>Foreign currency translations*</td>
<td>–</td>
<td>–</td>
<td>– 3 259.6</td>
</tr>
<tr>
<td>Foreign currency translations*</td>
<td>–</td>
<td>–</td>
<td>– 3 1</td>
</tr>
<tr>
<td>Movement in cash flow hedge</td>
<td>–</td>
<td>–</td>
<td>– 21.4</td>
</tr>
<tr>
<td>Remeasurement in retirement scheme assets</td>
<td>–</td>
<td>–</td>
<td>– 79.5</td>
</tr>
<tr>
<td>Other reserve movements</td>
<td>–</td>
<td>–</td>
<td>– 3.1</td>
</tr>
<tr>
<td>Transactions with owners</td>
<td>–</td>
<td>–</td>
<td>– 91 (91)</td>
</tr>
<tr>
<td>Dividends paid</td>
<td>–</td>
<td>–</td>
<td>(938.0)</td>
</tr>
<tr>
<td>Share purchases</td>
<td>–</td>
<td>–</td>
<td>(311.2)</td>
</tr>
<tr>
<td>Share-based payments expense</td>
<td>–</td>
<td>–</td>
<td>216.4</td>
</tr>
<tr>
<td>At 3 March 2019 restated</td>
<td>6 0 (993.7)</td>
<td>4 331.9</td>
<td>(6.0)</td>
</tr>
<tr>
<td>Total comprehensive income for the period</td>
<td>–</td>
<td>–</td>
<td>1 194.7</td>
</tr>
<tr>
<td>Profit for the period</td>
<td>–</td>
<td>–</td>
<td>1 194.7</td>
</tr>
<tr>
<td>Foreign currency translations</td>
<td>–</td>
<td>–</td>
<td>– 6.3</td>
</tr>
<tr>
<td>Movement in cash flow hedge</td>
<td>–</td>
<td>–</td>
<td>– 6.3</td>
</tr>
<tr>
<td>Remeasurement in retirement scheme assets</td>
<td>–</td>
<td>–</td>
<td>– 4.5</td>
</tr>
<tr>
<td>Other reserve movements</td>
<td>–</td>
<td>–</td>
<td>– 5.0</td>
</tr>
<tr>
<td>Transactions with owners</td>
<td>–</td>
<td>–</td>
<td>– 180.9</td>
</tr>
<tr>
<td>Dividends paid</td>
<td>–</td>
<td>–</td>
<td>(1 125.7)</td>
</tr>
<tr>
<td>Share purchases</td>
<td>–</td>
<td>–</td>
<td>(876.4)</td>
</tr>
<tr>
<td>Share-based payments expense</td>
<td>–</td>
<td>–</td>
<td>25.7</td>
</tr>
<tr>
<td>At 1 March 2020</td>
<td>6 0 (961.7)</td>
<td>4 303.2</td>
<td>5.3</td>
</tr>
</tbody>
</table>

* Prior period amounts restated for the adoption of IFRS 16 Leases, refer to the audited FY20 annual financial statements.
** The Group adopted IFRS 9 during the prior period using a modified retrospective approach. Refer to the audited FY20 annual financial statements.
**Summary of cash flow**

<table>
<thead>
<tr>
<th>Description</th>
<th>52 weeks to 1 March 2020</th>
<th>Restated* 53 weeks to 3 March 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flows from operating activities</strong></td>
<td>Audited</td>
<td>Restated*</td>
</tr>
<tr>
<td>Trading profit</td>
<td>3 148.0</td>
<td>3 054.9</td>
</tr>
<tr>
<td>Adjusted for non-cash items</td>
<td>2 967.5</td>
<td>3 011.0</td>
</tr>
<tr>
<td>Depreciation on property, plant and equipment</td>
<td>1 132.9</td>
<td>1 026.1</td>
</tr>
<tr>
<td>Depreciation on intangible assets</td>
<td>1 646.9</td>
<td>1 581.5</td>
</tr>
<tr>
<td>Amortisation on intangible assets</td>
<td>91.0</td>
<td>173.4</td>
</tr>
<tr>
<td>Share-based payments expense</td>
<td>25.7</td>
<td>216.4</td>
</tr>
<tr>
<td>Trading profit</td>
<td>3 148.0</td>
<td>3 054.9</td>
</tr>
<tr>
<td>Share-based payments expense</td>
<td>27.6</td>
<td>26.4</td>
</tr>
<tr>
<td>Adjusted for non-cash items</td>
<td>2 967.5</td>
<td>2 983.6</td>
</tr>
<tr>
<td>Movements in operating lease assets</td>
<td>[2.0]</td>
<td>[2.6]</td>
</tr>
<tr>
<td>Movements in retirement scheme assets</td>
<td>[2.7]</td>
<td>[4.5]</td>
</tr>
<tr>
<td>Fair value and foreign exchange adjustments</td>
<td>13.9</td>
<td>23.7</td>
</tr>
<tr>
<td><strong>Cash generated before movements in working capital</strong></td>
<td>6 115.5</td>
<td>6 055.9</td>
</tr>
<tr>
<td>Movements in working capital</td>
<td>246.9</td>
<td>708.5</td>
</tr>
<tr>
<td>Movements in trade and other payables and deferred revenue</td>
<td>951.5</td>
<td>182.3</td>
</tr>
<tr>
<td>Movements in inventing and right-of-return assets</td>
<td>(821.2)</td>
<td>238.6</td>
</tr>
<tr>
<td>Movements in trade and other receivables</td>
<td>199.8</td>
<td>794.4</td>
</tr>
<tr>
<td><strong>Cash generated from trading activities</strong></td>
<td>6 355.4</td>
<td>5 347.4</td>
</tr>
<tr>
<td>Other interest received</td>
<td>275.6</td>
<td>258.8</td>
</tr>
<tr>
<td>Other interest paid</td>
<td>(389.6)</td>
<td>(349.3)</td>
</tr>
<tr>
<td>Interest paid on lease receivables</td>
<td>183.3</td>
<td>155.6</td>
</tr>
<tr>
<td>Interest paid on lease liabilities</td>
<td>(1 312.5)</td>
<td>(1 278.6)</td>
</tr>
<tr>
<td><strong>Cash generated from operations</strong></td>
<td>5 122.6</td>
<td>4 133.9</td>
</tr>
<tr>
<td>Dividends paid</td>
<td>(1 267.7)</td>
<td>(938.0)</td>
</tr>
<tr>
<td>Tax paid</td>
<td>(487.5)</td>
<td>(817.3)</td>
</tr>
<tr>
<td><strong>Cash generated from operating activities</strong></td>
<td>3 509.8</td>
<td>2 378.6</td>
</tr>
</tbody>
</table>

**Cash flows from investing activities**

<table>
<thead>
<tr>
<th>Description</th>
<th>52 weeks to 1 March 2020</th>
<th>Restated* 53 weeks to 3 March 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment in intangible assets</td>
<td>(91.5)</td>
<td>(137.9)</td>
</tr>
<tr>
<td>Investment in property, plant and equipment</td>
<td>(1 653.7)</td>
<td>(1 312.5)</td>
</tr>
<tr>
<td>Proceeds on sale of non-current asset held for sale</td>
<td>-</td>
<td>217.2</td>
</tr>
<tr>
<td>Proceeds on disposal of intangible assets</td>
<td>(22.8)</td>
<td>(10.5)</td>
</tr>
<tr>
<td>Proceeds on disposal of property, plant and equipment</td>
<td>(3.3)</td>
<td>612.2</td>
</tr>
<tr>
<td>Principal net investment in lease receivables</td>
<td>220.0</td>
<td>213.1</td>
</tr>
<tr>
<td>Lease incentives</td>
<td>321.0</td>
<td>36.7</td>
</tr>
<tr>
<td>Leases repaid/(advanced)</td>
<td>15.4</td>
<td>(22.7)</td>
</tr>
<tr>
<td><strong>Cash utilised in investing activities</strong></td>
<td>(1 350.1)</td>
<td>(829.4)</td>
</tr>
</tbody>
</table>

**Cash flows from financing activities**

<table>
<thead>
<tr>
<th>Description</th>
<th>52 weeks to 1 March 2020</th>
<th>Restated* 53 weeks to 3 March 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Principal basis liability payments</td>
<td>(1 487.4)</td>
<td>(1 668.5)</td>
</tr>
<tr>
<td>Borrowings raised</td>
<td>12 760.0</td>
<td>4 700.0</td>
</tr>
<tr>
<td>Repayment of borrowings</td>
<td>(19 150.0)</td>
<td>(3 903.8)</td>
</tr>
<tr>
<td>Share purchases</td>
<td>(87.6)</td>
<td>(311.2)</td>
</tr>
<tr>
<td>Proceeds from employees on settlement of share awards</td>
<td>0.7</td>
<td>0.3</td>
</tr>
<tr>
<td><strong>Cash utilised in financing activities</strong></td>
<td>(1 964.3)</td>
<td>(1 862.3)</td>
</tr>
</tbody>
</table>

**Net increase in cash and cash equivalents**

<table>
<thead>
<tr>
<th>Description</th>
<th>52 weeks to 1 March 2020</th>
<th>Restated* 53 weeks to 3 March 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net increase in cash and cash equivalents</td>
<td>185.4</td>
<td>366.0</td>
</tr>
<tr>
<td>Net cash and cash equivalents at beginning of period</td>
<td>(296.6)</td>
<td>(701.5)</td>
</tr>
<tr>
<td>Foreign currency translations</td>
<td>(1.3)</td>
<td>8.1</td>
</tr>
<tr>
<td><strong>Net cash and cash equivalents at end of period</strong></td>
<td>(102.7)</td>
<td>(296.6)</td>
</tr>
</tbody>
</table>

**Consisting of:**

- Cash and cash equivalents: $1 947.3 million
- Overnight borrowings: $2 050.0 million

*Basis of preparation: Prior period 52-week financial information*

The Group manages its retail operations on a 52-week trading calendar where the reporting period will always end on a Sunday. To ensure calendar alignment, a 53rd week of trading is required approximately every six years and, as a result, a 53rd week of trading was included in the prior period.

In order to provide useful and transparent comparative information, a 52-week result for the prior year (‘prior period 52-week financial information’) is presented for comparison against the current year 52-week result. The prior period 52-week financial information constitutes pro forma financial information.

The prior period 52-week financial information is presented for illustrative purposes only and is the responsibility of the Board of directors of the Group. Due to its nature, the prior period 52-week financial information may not fairly represent the Group’s financial position, changes in equity, results of operations and cash flows.

The prior period 52-week financial information has been extracted from the 52-week financial information included in the 2019 Group annual financial statements, which has been restated for the Group’s adoption of IFRS 16. Refer to the Group’s ‘Implementation of IFRS 16 Leases’ SENS announcement which was published on 25 September 2019, available on the Group’s website at www.picknpayinvestor.co.za, for more information on the IFRS 16 restatement impact on the prior period 52-week financial information and the prior period 53-week financial information.

**Comparable turnover growth**

Revenue earned on the sale of cellular airtime and data include both those earned on a principal basis and those earned on an agency basis. Revenue earned on a principal basis is recognised as turnover, with related purchases recognised as costs of sales. Revenue earned on an agency basis is recognised, net of related purchase costs, within other income. Historically the Group transacted as both a principal and an agent when selling airtime and data.

After a strategic change in our arrangements with cellular airtime and data providers this year, the Group now only transacts on an agency basis in accordance with IFRS 15. Revenue from Contracts with Customers [IFRS 15]. Airtime and data sales and related purchases previously recognised on a principal or gross basis within turnover and cost of sales, are now recognised on an agency or net basis within other income. As a result of this strategic change, all future revenue earned on the sale of airtime and data related purchase costs are now recognised on a net basis within other income.

In order to provide stakeholders with a comparable assessment of year-on-year turnover performance, the Group has eliminated the impact of the change from principal to agent and has presented a comparable turnover number, with the impact presented below.

<table>
<thead>
<tr>
<th>52 weeks to 1 March 2020</th>
<th>Pro forma 52 weeks to 24 February 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turnover from airtime sales recognised on a principal basis</td>
<td>$89 186.5 million</td>
</tr>
<tr>
<td>Tax paid</td>
<td>$95.0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>52 weeks to 1 March 2020</th>
<th>Pro forma 52 weeks to 24 February 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turnover from airtime sales recognised on a principal basis</td>
<td>$89 281.5 million</td>
</tr>
</tbody>
</table>
Comparative year-on-year earnings performance, excluding the impact of hyperinflation accounting

During the period under review, Zimbabwe was classified as a hyperinflationary economy. The equity accounted earnings of the Group’s investment in associate operating in Zimbabwe was therefore accounted for under IAS 29, Financial Reporting in Hyperinflationary Economies (IAS 29), with the impact presented below.

<table>
<thead>
<tr>
<th></th>
<th>52 weeks to 1 March 2020</th>
<th>52 weeks to 24 February 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>As reported Rm</td>
<td>Impact of IAS 29 Rm</td>
</tr>
<tr>
<td>Rest of Africa profit before tax before capital items</td>
<td>133.3</td>
<td>(43.2)</td>
</tr>
<tr>
<td>Group profit before tax before capital items</td>
<td>1 913.9</td>
<td>(43.2)</td>
</tr>
<tr>
<td>Group headline earnings</td>
<td>1 370.8</td>
<td>(43.2)</td>
</tr>
<tr>
<td>Headline earnings per share</td>
<td>287.59</td>
<td>(9.08)</td>
</tr>
<tr>
<td>Diluted headline earnings per share</td>
<td>286.39</td>
<td>(9.03)</td>
</tr>
</tbody>
</table>

Profit before tax and headline earnings reported under IAS 29 includes a hyperinflation accounting net monetary gain. In management’s view, this impact of hyperinflation accounting does not provide stakeholders with an accurate assessment of the Group’s comparable year-on-year earnings performance. As a result, the Group has presented its earnings for the current period on a comparable basis, excluding the Group’s share of associate’s net monetary gain of R43.2 million (with no impact on tax). The table below presents the key changes to items presented.
### FIVE-YEAR REVIEW

#### Performance measures

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<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td><strong>Comparable turnover growth</strong></td>
<td>%</td>
<td>4.7</td>
<td>7.1</td>
<td>5.1</td>
</tr>
<tr>
<td><strong>Net profit margin</strong></td>
<td>%</td>
<td>10.7</td>
<td>19.1</td>
<td>19.0</td>
</tr>
<tr>
<td><strong>Other trading income margin</strong></td>
<td>%</td>
<td>1.8</td>
<td>17.8</td>
<td>17.6</td>
</tr>
<tr>
<td><strong>Trading expenses margin</strong></td>
<td>%</td>
<td>17.9</td>
<td>17.5</td>
<td>17.4</td>
</tr>
<tr>
<td><strong>Comparable PBT growth</strong></td>
<td>%</td>
<td>6.5</td>
<td>111.1</td>
<td>19.0</td>
</tr>
<tr>
<td><strong>Comparable PBT margin</strong></td>
<td>%</td>
<td>2.1</td>
<td>2.0</td>
<td>2.0</td>
</tr>
<tr>
<td><strong>Profit before tax growth</strong></td>
<td>%</td>
<td>(2.6)</td>
<td>4.4</td>
<td>13.3</td>
</tr>
<tr>
<td><strong>EBITDA (before capital items) growth</strong></td>
<td>%</td>
<td>5.4</td>
<td>175.3</td>
<td>13.2</td>
</tr>
<tr>
<td><strong>Headline earnings growth</strong></td>
<td>%</td>
<td>2.8</td>
<td>147.3</td>
<td>2.7</td>
</tr>
<tr>
<td><strong>Headline earnings per share (HEPS) growth</strong></td>
<td>cents</td>
<td>287.8</td>
<td>286.0</td>
<td>245.5</td>
</tr>
<tr>
<td><strong>HEPS (before capital items)</strong></td>
<td>%</td>
<td>2.6</td>
<td>143.5</td>
<td>46.8</td>
</tr>
<tr>
<td><strong>Comparable HEPS growth</strong></td>
<td>cents</td>
<td>278.8</td>
<td>280.6</td>
<td>245.5</td>
</tr>
<tr>
<td><strong>Comparable HEPS margin</strong></td>
<td>%</td>
<td>0.6</td>
<td>14.3</td>
<td>46.8</td>
</tr>
<tr>
<td><strong>Return on capital employed (ROCE)</strong></td>
<td>%</td>
<td>43.9</td>
<td>43.7</td>
<td>38.8</td>
</tr>
<tr>
<td><strong>Net asset value per share</strong></td>
<td>cents</td>
<td>776.2</td>
<td>786.7</td>
<td>738.1</td>
</tr>
<tr>
<td><strong>WACC</strong></td>
<td>%</td>
<td>12.0</td>
<td>12.4</td>
<td>12.0</td>
</tr>
</tbody>
</table>

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#### Consolidated statement of comprehensive income

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td><strong>Turnover</strong></td>
<td>Rm</td>
<td>89 281.5</td>
<td>88 271.2</td>
<td>80 523.5</td>
</tr>
<tr>
<td><strong>Comparable turnover</strong></td>
<td>Rm</td>
<td>89 186.5</td>
<td>85 190.8</td>
<td>79 016.4</td>
</tr>
<tr>
<td><strong>Other trading income</strong></td>
<td>Rm</td>
<td>1 570.2</td>
<td>1 474.8</td>
<td>1 450.1</td>
</tr>
<tr>
<td><strong>Trading expenses</strong></td>
<td>Rm</td>
<td>16 029.9</td>
<td>15 078.6</td>
<td>14 228.8</td>
</tr>
<tr>
<td><strong>Profit before tax</strong></td>
<td>Rm</td>
<td>1 726.0</td>
<td>1 781.8</td>
<td>1 707.1</td>
</tr>
<tr>
<td><strong>Comparable PBT</strong></td>
<td>Rm</td>
<td>1 870.7</td>
<td>1 756.4</td>
<td>1 581.2</td>
</tr>
<tr>
<td><strong>Comparable profit for the period</strong></td>
<td>Rm</td>
<td>1 936.1</td>
<td>1 943.7</td>
<td>1 252.8</td>
</tr>
<tr>
<td><strong>Profit for the period</strong></td>
<td>Rm</td>
<td>1 934.7</td>
<td>1 943.7</td>
<td>1 252.8</td>
</tr>
<tr>
<td><strong>EBITDA (before capital items)</strong></td>
<td>Rm</td>
<td>6 102.0</td>
<td>5 787.9</td>
<td>4 925.7</td>
</tr>
<tr>
<td><strong>Headline earnings</strong></td>
<td>Rm</td>
<td>1 370.8</td>
<td>1 333.2</td>
<td>1 163.2</td>
</tr>
<tr>
<td><strong>Comparable headline earnings</strong></td>
<td>Rm</td>
<td>1 326.5</td>
<td>1 333.2</td>
<td>1 163.2</td>
</tr>
</tbody>
</table>

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#### Consolidated statement of financial position

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td>Rm</td>
<td>33 525.3</td>
<td>32 107.7</td>
<td>30 880.1</td>
</tr>
<tr>
<td><strong>Ordinary shareholders’ equity</strong></td>
<td>Rm</td>
<td>3 010.1</td>
<td>3 035.0</td>
<td>2 940.1</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td>Rm</td>
<td>30 495.2</td>
<td>29 207.2</td>
<td>27 940.0</td>
</tr>
</tbody>
</table>

---

#### DEFINITIONS

**Exceptional items**

Exceptional items are determined by the remuneration committee, and are non-recurring items of an exceptional size and nature.

**Comparable turnover**

Excludes turnover earned from the sale of cellular airtime and data on a principal basis. Refer to page 73.

**Comparable profit before tax (PBT)**

Excludes profit for the period, before tax, capital items, and exceptional items.

**EBITDA**

Comparable profit for the period, before net interest, tax, depreciation, amortisation and capital items.

**Headline earnings**

Net profit for the period adjusted for the after tax effect of certain capital items.

**Comparable headline earnings**

Headline earnings divided by the weighted average number of shares in issue for the period.

**Return on capital employed**

Comparable headline earnings divided by average shareholders’ equity plus secured borrowings (excluding lease liabilities).

**Comparable headline earnings per share (HEPS)**

Headline earnings per share adjusted for exceptional items and its related tax effect.

**Return on capital employed (ROCE)**

Headline earnings before exceptional items and its related tax effect.

---

### Stock exchange (JSE Limited) performance

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td><strong>Number of shares in issue</strong></td>
<td>millions</td>
<td>493.5</td>
<td>493.5</td>
<td>488.5</td>
</tr>
<tr>
<td><strong>Weighted average number of shares in issue</strong></td>
<td>millions</td>
<td>476.2</td>
<td>475.1</td>
<td>473.7</td>
</tr>
<tr>
<td><strong>Total market capitalisation</strong></td>
<td>Rbn</td>
<td>27.3</td>
<td>34.1</td>
<td>36.3</td>
</tr>
<tr>
<td><strong>Market capitalisation net of treasury shares</strong></td>
<td>Rbn</td>
<td>26.4</td>
<td>32.9</td>
<td>35.3</td>
</tr>
<tr>
<td><strong>Price earnings ratio</strong></td>
<td>times</td>
<td>19.8</td>
<td>24.6</td>
<td>30.3</td>
</tr>
<tr>
<td><strong>Dividend per share</strong></td>
<td>cents</td>
<td>42.8</td>
<td>39.1</td>
<td>33.4</td>
</tr>
<tr>
<td><strong>Final dividend per share</strong></td>
<td>cents</td>
<td>152.0</td>
<td>165.5</td>
<td>155.5</td>
</tr>
<tr>
<td><strong>Comparable dividend cover</strong></td>
<td>times</td>
<td>231.1</td>
<td>188.8</td>
<td>176.3</td>
</tr>
</tbody>
</table>

---

### FIVE-YEAR REVIEW

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**FIVE-YEAR REVIEW**

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**DEFINITIONS**

---

**Exceptional items**

Exceptional items are determined by the remuneration committee, and are non-recurring items of an exceptional size and nature.

**Comparable turnover**

Excludes turnover earned from the sale of cellular airtime and data on a principal basis. Refer to page 73.

**Comparable profit before tax (PBT)**

Excludes profit for the period, before tax, capital items, and exceptional items.

**EBITDA**

Comparable profit for the period, before net interest, tax, depreciation, amortisation and capital items.

**Headline earnings**

Net profit for the period adjusted for the after tax effect of certain capital items.

**Comparable headline earnings**

Headline earnings divided by the weighted average number of shares in issue for the period.

**Return on capital employed**

Comparable headline earnings divided by average shareholders’ equity plus secured borrowings (excluding lease liabilities).

**Comparable headline earnings per share (HEPS)**

Headline earnings per share adjusted for exceptional items and its related tax effect.

**Return on capital employed (ROCE)**

Comparable headline earnings divided by average shareholders’ equity plus secured borrowings (excluding lease liabilities).

**Net asset value per share**

Total value of net assets at period-end, adjusted for directors’ valuations of property, divided by the number of shares in issue at period-end, held outside the Group.

**Weighted average cost of capital (WACC)**

WACC is the average after tax cost of the Group’s debt funding, which includes non-current borrowings and current liabilities (excluding lease liabilities) and the Group’s equity funding, with each source of funding included on a proportional basis.

**Market capitalisation**

The price per share at period-end multiplied by the number of shares in issue at period-end.

**Price earnings ratio**

The price per share at period-end divided by comparable headline earnings per share.

**Comparable dividend cover**

Comparable headline earnings per share divided by the dividends per share which relate to those earnings.

**Dividends per share**

The interim dividend declared during the current financial period and the final dividend declared after period-end, in respect of the current financial year.
OUR PERFORMANCE  |  05

Five-year review (continued)

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Number of employees 000's</td>
<td>54.9</td>
<td>53.6</td>
<td>51.9</td>
<td>54.4</td>
<td>52.9</td>
</tr>
<tr>
<td>Permanent employee turnover %</td>
<td>17.0</td>
<td>17.4</td>
<td>24.3</td>
<td>19.9</td>
<td>16.1</td>
</tr>
<tr>
<td>Top management %</td>
<td>48.5</td>
<td>44.0</td>
<td>40.9</td>
<td>35.0</td>
<td>36.0</td>
</tr>
<tr>
<td>Senior management %</td>
<td>76.8</td>
<td>74.2</td>
<td>71.3</td>
<td>63.0</td>
<td>66.0</td>
</tr>
<tr>
<td>Professionally qualified middle management %</td>
<td>93.8</td>
<td>93.5</td>
<td>92.8</td>
<td>87.0</td>
<td>88.0</td>
</tr>
<tr>
<td>Skilled technical and junior management %</td>
<td>98.2</td>
<td>98.0</td>
<td>97.8</td>
<td>97.0</td>
<td>96.0</td>
</tr>
<tr>
<td>Semi-skilled and discretionary decision-making</td>
<td>99.8</td>
<td>99.8</td>
<td>99.8</td>
<td>99.8</td>
<td>99.7</td>
</tr>
<tr>
<td>Unskilled and defined decision-making %</td>
<td>99.8</td>
<td>99.7</td>
<td>99.7</td>
<td>99.6</td>
<td>99.5</td>
</tr>
</tbody>
</table>

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</thead>
<tbody>
<tr>
<td>Carbon footprint (Scope 1 and 2) CO₂e tonnes</td>
<td>703 437.9</td>
<td>649 192.4</td>
<td>657 387.2</td>
<td>671 052.6</td>
<td>656 765.1</td>
</tr>
<tr>
<td>Energy usage per square metre reduction (2008 baseline) %</td>
<td>37.4%</td>
<td>36.9</td>
<td>37.0</td>
<td>341</td>
<td>314</td>
</tr>
<tr>
<td>CO₂e emissions per square metre reduction (2013 baseline) %</td>
<td>1.9</td>
<td>3.7</td>
<td>2.5</td>
<td>3.5</td>
<td>0.6</td>
</tr>
<tr>
<td>Waste diverted from landfill %</td>
<td>60.0</td>
<td>53.5</td>
<td>54.3</td>
<td>48.4</td>
<td>48.0</td>
</tr>
<tr>
<td>Water used</td>
<td>1117</td>
<td>1 328</td>
<td>1 971</td>
<td>1 332</td>
<td>1 249</td>
</tr>
<tr>
<td>Total CSI spend Rm</td>
<td>3 025</td>
<td>3 025</td>
<td>3 025</td>
<td>3 025</td>
<td>3 025</td>
</tr>
<tr>
<td>Schools in Pick n Pay Schools club</td>
<td>Level 7</td>
<td>Level 8</td>
<td>Level 8</td>
<td>Level 8</td>
<td>Level 4</td>
</tr>
</tbody>
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</tr>
</thead>
<tbody>
<tr>
<td>Total number of stores</td>
<td>1 925</td>
<td>1 795</td>
<td>1 685</td>
<td>1 560</td>
<td>1 410</td>
</tr>
<tr>
<td>Group – excluding associate</td>
<td>1 866</td>
<td>1 738</td>
<td>1 628</td>
<td>1 504</td>
<td>1 353</td>
</tr>
<tr>
<td>Pick n Pay – owned</td>
<td>794</td>
<td>749</td>
<td>722</td>
<td>661</td>
<td>596</td>
</tr>
<tr>
<td>Pick n Pay – franchise</td>
<td>774</td>
<td>799</td>
<td>663</td>
<td>616</td>
<td>549</td>
</tr>
<tr>
<td>Boxer – owned</td>
<td>298</td>
<td>270</td>
<td>246</td>
<td>229</td>
<td>208</td>
</tr>
<tr>
<td>Associate</td>
<td>TM Supermarkets</td>
<td>59</td>
<td>57</td>
<td>57</td>
<td>56</td>
</tr>
<tr>
<td>Total square metres m² – millions</td>
<td>2.6</td>
<td>2.6</td>
<td>2.5</td>
<td>2.4</td>
<td>2.3</td>
</tr>
<tr>
<td>Owned</td>
<td>m² – millions</td>
<td>1.6</td>
<td>1.8</td>
<td>1.8</td>
<td>17</td>
</tr>
<tr>
<td>Franchise</td>
<td>m² – millions</td>
<td>0.8</td>
<td>0.8</td>
<td>0.7</td>
<td>0.7</td>
</tr>
</tbody>
</table>

* Information relates to Pick n Pay owned stores only. Refer to page 4 for more information on the reporting boundaries of this report.

** These measures represent the participation of employment equity candidates, as governed by the Employment Equity Act, No 55 of 1998, in the presented categories.

# The carbon factor of South Africa’s national electricity provider (Eskom) increased from 0.95 kg CO2e per KWh last year to 1.04 CO2e per KWh this year. This drove up Pick n Pay’s total carbon emissions this year, notwithstanding a decline in our year-on-year electricity usage. At the same time, our increased carbon footprint reflects our increased use of diesel generators as a result of load shedding during the final quarter of our FY20 financial year.

VALUE-ADDED STATEMENT

We have created financial value of R10.9 billion during the financial period. The value-added statement illustrates how we have distributed this value to our stakeholders.

R7.4 billion
for our employees – providing economic upliftment and job security

R1.6 billion
paid to providers of capital – generating long-term sustainable returns

R0.5 billion
paid in government taxes and R34.0 million invested in CSI initiatives – for the social upliftment of our communities

R1.4 billion
reinvested for future growth – for the benefit of all stakeholders
AN OVERVIEW BY OUR LEAD INDEPENDENT DIRECTOR

Our approach to corporate governance

The Group’s commitment to the highest standards of corporate governance has contributed to its sustainable value creation over the past 53 years. This has provided effective and ethical leadership and is committed to a governance framework that is built on the principles of honesty, integrity and accountability.

Our ethical value system has built strong relationships with stakeholders who recognise and support the Group as a responsible corporate citizen, with the confidence that we will do what is right. The Board endorses the corporate governance principles encapsulated in King IV, including the concept of integrated thinking, which underpins corporate citizenship, stakeholder inclusivity, sustainable development and integrated reporting.

The Board commits to stakeholders that it will operate in accordance with our values of integrity, competence, fairness, responsibility, transparency and accountability, as captured by our enduring values set out on page 8.

The Board is elected by shareholders and accepts overall accountability for the Group’s performance, and in ensuring that the business is adequately positioned to create sustainable value over the long term for all stakeholders, taking into account the material issues, risks and opportunities of the Group. Sustainable value creation is measured across the triple context of the Group’s economic, social and environmental performance against the objectives set out in our long-term strategy, and with reference to the effective management of our capitals and the balanced and appropriate management of stakeholder needs.

Impact of COVID-19

Subsequent to the conclusion of the FY20 financial period, efforts to curb the spread of the COVID-19 global pandemic led to significant impacts on people and economies. On 15 March 2020, a National State of Disaster was declared in South Africa, with a nationwide lockdown imposed from 27 March 2020. Countries in which the Group operates in the rest of Africa implemented similar measures. As an essential service provider, the Group is proud to support consumers with vital access to essential consumer goods during the lockdown, notwithstanding the constrained operating environment. The regulatory environment in which businesses operated evolved continually as governments grappled with the best means of enforcing social distancing to protect against the spread of the pandemic. The advantage of the Group’s established corporate governance policies became increasingly clear in the context of the lockdown as the business implemented the various regulatory measures governing operations while ensuring that our customers had access to quality products at fair prices in a safe store environment.

Appointment of Jeff van Rooyen as lead independent director

The Chairman, Gareth Ackerman, announced at the 2019 annual general meeting (AGM) that Hugh Herman would step down as lead independent director at the end of the 2020 financial period. With effect from 2 March 2020, the non-executive directors appointed Jeff van Rooyen as the lead independent director, to assist with the co-ordination and liaison between the non-executive directors and the controlling shareholder where there may be concerns or perceived conflicts of interest. The Board is confident that Jeff van Rooyen will strive to meet the consistently high standards set by Hugh. The Board extends its deep gratitude to Hugh for his valuable contribution in the role of lead independent director and is happy to confirm that Hugh’s valued experience and expertise as an independent non-executive director will continue to be available to the Board and the committees on which he serves with distinction.

The Board is satisfied that it has fulfilled its responsibilities in accordance with its corporate governance charter, King IV, the JSE Listings Requirements, the Companies Act and applicable statutory and regulatory requirements for the financial period ended 31 March 2020.

Our corporate governance philosophy and practices are aligned with the four governance outcomes advocated by King IV, namely:

Ethical culture

- An ethical culture builds support structures that underpin our core purpose, values and strategy
- To ensure that we maintain an ethical culture, governance structures are regularly reviewed to align with best practice and reflect regulatory changes
- The Board conducted its annual review of the Group’s Code of Ethics, which outlines the key behaviours and actions expected by employees, suppliers and business partners.
- A Group-wide ethics communications campaign is underway with different illustrations of ethical behaviour being communicated to employees every month.
- The anti-bribery and corruption policy, which is set out in the Group’s Code of Ethics, was reviewed and updated
- The corporate governance charter was reviewed and updated
- The Group adopted a malus and claw-back policy, entitling the Board to claw back performance-based elements of an employee’s remuneration should that employee be involved in a material misstatement of the financial statements.

Effective control

- The Group’s governance and compliance framework is built on the principles of accountability, transparency, ethical management and fairness.
- Areas of governance are delegated to the Group’s various committees.
- The Board’s delegation of authority within its governance framework contributes to role clarity and the effective exercise of responsibilities across the Group’s various committees and within the broader business.
- The Group’s corporate governance structure is regularly reviewed to ensure that the Board exercises effective and ethical leadership, conducts its affairs as a good corporate citizen and takes appropriate decisions to ensure the sustainability of operations.
- The Group’s charter was expanded to provide detailed responsibilities for the Chief Financial Officer (CFO) and Chief Information Systems Officer (CISO) roles, and the mandates of the Chairman and executive directors were reviewed.
- The Board annually conducts an evaluation of its contribution to the Group as a whole, as well as the individual performance of each director.

Legitimacy

- The Board retains overall responsibility for the concept of integrated thinking encapsulated in King IV, which underpins corporate citizenship, stakeholder inclusivity, sustainable development and integrated reporting.
- The Board ensures that the reports issued by the Group enable stakeholders to make informed assessments of its performance, and its longer-term prospects.
- As part of its succession planning strategy and to enable a seamless transition in key leadership roles, the Board, in collaboration with the nominations committee:
  - Oversaw the selection process for the recently appointed CFO of the Group, Lerena Olivier, following the retirement of Bakar Jakizet;
  - Reviewed and worked on the succession planning for the Chief Executive Officer (CEO); and
  - Took steps to boost the resilience and diversity of the Board with the appointment of Aboubakar Jakizet as non-executive director with effect from 6 September 2019, and Mariam Cassim and Haroon Bharat as independent non-executive directors with effect from 18 May 2020. In addition, Annamie van der Merwe will join the Board as an independent non-executive director on 4 August 2020, at which time Alex Mathole will step off the Board. We are confident that our new non-executive directors will provide retail experience coupled with fresh perspectives and relevant strategic input to contribute to the Group’s value-creation through diverse experiences.
- The Board is aware of the King IV principle of having an arms-length relationship with the Company Secretary and has created an environment in which the Company Secretary is able to ensure full adherence to Board procedures and relevant regulations. The Company Secretary is not involved in an executive capacity on the boards of the various companies in the Group.

Good performance

- There are well-entrenched structures within the Group to ensure that proper assurance and oversight are given to strategic and operational performance.
- The Board undertook a number of discussions during the year related to strategy, performance, governance and risk management.
- Recognising that decisive steps were required to improve operating efficiencies, a voluntary severance programme (VSP) was adopted following vigorous debate regarding the socio-economic circumstances leading to, and resulting from, such a programme. It was concluded that the VSP would improve efficiency and productivity of staff by removing roles and functions that were no longer required due to improved working methods, while the reduced labour costs would enable the Group to further expand and create new jobs.
- The details of other material issues under discussion by the Board, as well as the decisions and actions arising, are set out in more detail in this overview.
OUR GOVERNANCE STRUCTURE

The Board is confident that the Group’s governance framework, supported by its Board committees and related administrative structures and compliance processes, contributes to sustainable value creation by driving:

- Accountability to stakeholders
- Sound leadership and effective decision-making
- Strong risk management and risk mitigation
- Comprehensive and transparent integrated reporting
- Remuneration policies that aim to build a winning team

The Group’s governance framework is regularly reviewed to ensure that the Board exercises effective and ethical leadership, conducts its affairs as a good corporate citizen and takes appropriate decisions to ensure the long-term sustainability of the business.

Board committees

The Board is supported by the executive, audit, risk and compliance, remuneration, nominations, corporate finance, corporate governance, and social and ethics committees. The Board’s delegation of authority to these committees contributes to role clarity and the effective exercise of authority and responsibilities within the broader Group.

The role and responsibilities of each committee are set out in the Board’s corporate governance charter, available on our website at www.picknpayinvestor.co.za. The charter is reviewed annually to ensure that the committee mandates remain current and effective and that the requirements of King IV are met. Each committee considers its effectiveness by way of a review of its activities against the approved terms of reference in line with their delegated powers and authority.

Together with the Board, all committees are satisfied that they have carried out their responsibilities during the period.

Audit, risk and compliance committee

The committee provides independent oversight and assessment of the Group’s risk management processes, legal and regulatory compliance, financial reporting, business and financial controls, and internal and external audit processes and acts as a liaison between the Board and external and internal auditors.

Refer to page 32 for more detail of the role this committee plays in determining the material issues faced by the Group and in assessing the adequacy of the Group’s risk management processes.

Corporate finance committee

The committee consists of all independent non-executive directors. It assists the Board in assessing material investment opportunities for the Group, as identified in Stage 2 of the Group’s long-term strategy. Read from page 45.

The committee provides financial oversight of the Group’s sustainability initiatives and assists the Board in considering CEO succession plans.

Remuneration committee

The remuneration committee ensures that the Group’s remuneration policy promotes the achievement of Group strategy, by providing fair and responsible rewards that attract, reward and retain a winning team.

Refer to page 94 for more detail of the role this committee plays in determining the Group’s remuneration philosophy.

Nominations committee

It is the Board’s philosophy that its members should provide a diverse range of professional expertise and experience, and should reflect the gender, race, and ethnic diversity of stakeholders.

The nominations committee is responsible for identifying and evaluating suitable candidates for possible appointment to the Board, with the aim of ensuring a diversified Board with the required skills and diverse sustainable value creation for all stakeholders.

The committee held numerous meetings during the financial period to interview CFO and non-executive director candidates for appointments to the Board, while considering CEO succession plans.

Social and ethics committee

The committee, supported by key management personnel, is tasked with ensuring that the Group’s sustainability strategy is closely aligned with the United Nations Sustainable Development Goals most relevant to our business (refer to page 52 and page 53 for more information).

Employee share incentive trust

The Group’s employee share incentive schemes remain a key part of the Group’s remuneration philosophy, offering employees the opportunity to participate in and drive sustainable value creation for all stakeholders.

The trustees ensure that the employee share incentive schemes are managed in a responsible and appropriate manner, with tax, market-related rewards aimed at attracting and retaining skilled employees who will deliver the objectives of the Group’s long-term strategy.

Corporate governance committee

For 53 years, the Group has ensured that its policy of doing good is good business remains at the centre of how it conducts business. This is underpinned by adopting best practice in corporate governance, which contributes to long-term value creation.

The committee reviews and evaluates the governance practices and structures of the Group and recommends any changes to the Board. No formal meetings were held this year.

Pick n Pay Stores Limited Board

The Board of directors ensures that the Group is managed in a transparent, equitable and responsible manner for the benefit of all its stakeholders.

Attendance

- Four Board meetings were held during the financial year.
- Attendance was 100% for all directors, other than one meeting at which Ulrich von Rembusch was unable to attend due to health.
- All directors attended the annual general meeting held on 30 July 2019.

Audit, risk and compliance committee

Members and attendance

- J van Rooyen (Chair) 2/2
- D Friedland* 2/2
- H Herman** 2/2
- A Mathole* 2/2
- A Mothupi* 2/2

Remuneration committee

Members and attendance

- H Herman (Chair) 2/2
- G Ackerman* 2/2
- A Jakoet** 1/1
- A Mothupi* 2/2
- J van Rooyen* 2/2

Nominations committee

Members and attendance

- G Ackerman (Chair) * 3/3
- A Mathole* 1/3
- R Brasher** 1/3
- J van Rooyen (Chair) 3/3
- D Robins** 1/3
- A Jakoet** 1/3

Corporate governance committee

Members and attendance

- J van Rooyen* 2/2
- G Ackerman* 2/2
- D Friedland* 2/2

Employee share incentive trust

Members and attendance

- G Ackerman (Chair) 2/2
- H Herman* 2/2
- A Jakoet** 1/1
- A Mothupi* 2/2
- J van Rooyen* 2/2

Social and ethics committee

Members and attendance

- S Ackerman-Berman (Chair) 3/3
- A Mathole* 1/3
- D Robins** 1/3
- A Jakoet** 1/3

Executive committee

Members

- R Brasher
- L Olivier
- R von Rembusch

The executive committee is tasked with implementing the strategy of the Board. It serves as the Chief Operating Decision Maker (CODM) of the Group, managing the day to day operations of the Group, to ensure sustainable value creation for all stakeholders. The executive committee meets regularly.

∫ Available for all ad hoc meetings
∫ Appointed to committee during the year
∫ Non-executive director
∫ Independent non-executive director

IRC
Our governance structure (continued)

Board composition

Our directors are strong-minded individuals of integrity, who are successful and experienced professionals in their respective fields. The Group has actively sought to appoint business people to its Board, looking for individuals who play an active role in business, are in a position to offer real, commercial, financial accounting, legal and regulatory knowledge to the Board, and add value through wisdom, and practical business acumen.

- 5 Independent non-executive directors
- 3 Non-executive directors (including our Chairman)
- 5 Executive directors

The above graph indicates the number of directors on the Board who possess the relevant sector experience.

Strategy
Corporate social responsibility
Retail
Risk management
Legal compliance
Sales and marketing
Governance
Human resources
Finance
Climate change
Information technology
Logistics

16
14
14
13
13
13
12
8
6

A competitive advantage for the Board

The Board has broad local and international retail experience. We see this as a strong competitive advantage and a unique strength.

Board development focus areas for the 2021 financial period

- ESG reporting
- Risk management of pandemics
- Security of supply with challenges in the manufacturing sector arising from global efforts to contain the spread of the coronavirus COVID-19 pandemic
- The effectiveness of information technology particularly in the support of office staff working from home during the pandemic

These focus areas are multi-faceted aspects of our business that could have a broad impact on our operational performance and our ability to create sustainable value over the longer term. The Board will continue to build its proficiency in these areas, supported by a skilled management team. The Board believes it has sufficient expertise in specialised information technology, and will continue to closely monitor climate change and supply chain logistics.

Controlling shareholder representation on the Board

The Group’s controlling shareholder, Ackerman Investment Holdings Proprietary Limited (AIH), transferred its shareholding into AIH’s wholly-owned subsidiary, Neweesh 1321 Proprietary Limited, to ringfence it from other portfolio investments. The Company and shareholders were advised of this transaction in October 2019.

The non-executive Chairman of the Group, Gareth Ackerman, non-executive director, David Robins, and two executive directors, Suzanne Ackerman-Berman and Jonathan Ackerman, were nominated as representatives of the controlling shareholder and were elected by shareholders to the Board. All are members of the Ackerman family, and are not considered independent by virtue of their indirect shareholdings in the Company. Between them, they have over 88 years of experience in the Group. Their wealth of retail knowledge assists the Group in making decisions for the benefit of all stakeholders.

To guard against a perception that a conflict of interest could arise between the controlling shareholder and other shareholders, the Board elects an independent non-executive director annually, to act as lead independent director (LID). The role of the LID is to provide leadership and advice to the Board when the Chairman has a conflict of interest, without detracting from the authority of the Chairman. The position also provides an important point of contact for the broader investment and shareholder community should they have concerns with the management of the Group or potential conflicts of interest. Jeff van Rooyen was appointed as LID, on 2 March 2020.

Director appointment and rotation

A third of non-executive directors resign at each annual general meeting.

This enables shareholders to hold directors to account and to appoint directors to the Board who shareholders believe will ensure long-term sustainable value creation for all stakeholders.

When filling vacancies, the Board seeks and appoints qualified individuals who reflect a diverse range of skills and professional backgrounds and who represent the gender and ethnic diversity of the communities we serve. This is guided by the Group’s diversity policies, as well as ensuring that the Board enjoys representation across all elements of sector experience.

Non-executive director tenure

King IV does not consider the length of a non-executive director’s term in office as a determinant of independence. However, the Group’s policy remains that all independent non-executive directors who have served on the Board for more than nine years retire by rotation at the end of every year, instead of the standard three-year term of office.

Non-executive director tenure

- <5 years: 3
- 5 - 10 years: 1
- 10 - 15 years: 2
- >15 years: 4

The Board has established a good balance between the experience of long-standing directors and the fresh insights from more recently appointed directors. Our long-standing non-executive directors are highly respected in the industry and corporate South Africa. They provide the Board with valuable insight and perspective across the South African economic environment, and more particularly across the retail, property and financial sectors. We believe our longer-serving directors continue to act with objectivity and integrity. The Board is strengthened by the depth of their experience and their commitment to robust and meaningful debate.

The Board assesses its composition and its performance on an annual basis, and where it is felt that the Board needs to increase its independence, its skill and experience in any way, the appropriate changes are made.

Gender diversity (%)

At least 25% of our Board should comprise women.

Racial diversity (%)

At least 25% of our Board should comprise South African citizens who are African, coloured or Indian.

All directors receive regular briefings on changes in the Group’s consumer and competitive environment, including relevant updates on regulatory compliance, which focus on the material opportunities and risks facing the Group that could impact on successful execution of the Group’s long-term plan.
Our governance structure (continued)

Independence of non-executive directors

At the end of each term of office, whether one year or three years, the director and the Chairman jointly evaluate directors’ independence.

The Company Secretary distributes an annual questionnaire, which gauges the independence of each non-executive director.

The questionnaire is completed by each non-executive director and submitted to the Chairman for consideration.

Following a discussion between the Chairman and the director, the Chairman makes recommendations to the Board as to independence.

The Board interrogates the recommendations before a final decision is made regarding the independence of each non-executive director.

If so agreed, that director will be nominated for re-election by a shareholder at the Company’s annual general meeting.

By mutual consent the director may be considered for re-election.

Non-executive directors

All directors regularly declare their directorships and commercial interests to the Board. Transparency of commercial interests ensures that directors can be seen to be free from any business or other relationship that may interfere materially with any director’s capacity to act in an independent manner.

What the Board focused on during the year

The directors appreciate that the Group is managed in a transparent, equitable and responsible manner for the benefit of all its stakeholders. The Board supports the materiality approach, which emphasises integrated reporting based on the issues, risks and opportunities that can have a material impact on the sustainable performance of the Group over the short, medium and longer term. It ensures that the reports issued by the Board enable stakeholders to make informed assessments of its performance and its longer prospects.

We consider factors such as:
• The director’s involvement with other companies
• External directorships held
• Relationships with material suppliers and competitors
• Material contracts with the Group, if any
• Whether the director had been employed by the Group in an executive capacity during the preceding three years
• Whether the director’s fees represented a material part (10%) or more of their wealth or income

2019
33
2020
30

70
67

Non-independent – %
Independent – %

Members of:

Audit, risk and compliance committee
Remuneration committee
Nominations committee
Corporate finance committee
Corporate governance committee
Social and ethics committee
Executive committee
Employee Share Incentive Trust

Our Board of Directors

President

Executive directors

Chief Information Systems Officer (CISO)
BSocSci, CMS and AMP (Oxon)
Appointed 2009
Years of service to the Group: 11
Years of service on the Board: 11

Chief Executive Officer (CEO)
BSc (Hons)
Appointed 2013
Years of service to the Group: 7
Years of service on the Board: 7

Richard Brasher (58)

Richard van Rensburg (59)

Gareth Ackerman (62)

Chairman

RmSc, CMS and ACP (Dun)
Appointed 1990
Years of service to the Group: 36
Years of service on the Board: 36
Chairman of the corporate governance committee, the nominations committee and the Employee Share Incentive Trust

Chairman

An executive at Pick n Pay for 15 years until 1999, Gareth headed up various divisions and served as Joint Group Managing Director and the Managing Director of Pick n Pay Group Enterprises. He was appointed to the Board in 1990 as an executive director, until becoming a non-executive director in 1999. From 2002 to 2010 Gareth was Chairman of Pick n Pay Holdings Limited, which at that time was the ultimate holding company of the Group. In 2010 he was appointed non-executive Chairman of Pick n Pay Stores Limited.

Among his other involvements, Gareth is co-chairman of the Consumer Goods Council of South Africa and is previous co-chairman of the international Consumer Goods Forum. He is also a trustee of the Massacre Fund and a member of the international board of the Young Presidents’ Organisation (NPO). He chairs the Ackerman Family interests.

Richard Brasher

A CA(SA) and has extensive experience in retail and information technology with Woolworths, Massmart and Affinity Logic. In 2009 he joined the Board of Pick n Pay as an independent non-executive director. Appointed as an executive director in 2011, Richard is the CISO, taking responsibility for the IT, financial services and e-commerce portfolios of the Group.

Richard van Rensburg

A CA(SA) and on the Board: 11

Gareth Ackerman

Bachelor of Science, Master of Commerce and Accountant of the Institute of Chartered Accountants of England and Wales.

Richard Brasher

A CA(SA) and on the Board: 11

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A CA(SA) and on the Board: 11

Gareth Ackerman

Bachelor of Science, Master of Commerce and Accountant of the Institute of Chartered Accountants of England and Wales.
Executive directors (continued)

Lerena Olivier (44)

Lerena joined the Group nine years ago, taking responsibility for financial reporting and the finance team in the Pick n Pay Group finance division. During her 18 years of experience in JSE-listed companies in the retail sector, Lerena has gained expertise in finance, risk management, strategy, accounting and tax. She was appointed to the position of CFO and to the Board in September 2019.

Executive Director

BA, Fellow Asian Business Institute; First Movers

Appointed 2010

Years of service to the Group: 25

Years of service on the Board: 10

Chairman of the social and ethics committee

Jonathan Ackerman (53)

Returning to South Africa after studying and working in the USA, Jonathan joined Pick n Pay in 1992. Having worked in many divisions, Jonathan ensures that the well-being of Pick n Pay’s customers is the primary motivating factor for any strategic decision taken in the Company in his current role as Customer Director. He was appointed to the Board as a representative of the controlling shareholder in March 2010.

Non-executive directors

B.Bus.Sc

Appointed 2002

Years of service to the Group: 26

Years of service on the Board: 18

David was appointed to the Board in 1994 and was appointed in 2005 as the executive responsible for expansion outside South African borders. In 2002 he was appointed as Deputy Chairman of the Group and as an executive director. During 2008 he retired from his executive position. He remains on the Board as a non-executive director and as a representative of the controlling shareholder.

David Robins (66)

CASAg

Appointed as non-executive director September 2019

Other listed company directorships: Outsourc Group

Following his 34-year career in the finance team of Pick n Pay, Bakar retired as CFO in September 2019. Given his extensive experience in retail, strategy, tax and finance, the Group is privileged to retain his expertise and experience in this new capacity as a non-executive director.

Aboubakar (Bakar) Jakoet (64)

Bakar is a member of the University of Cape Town Council and deputy chairman of theUCT finance committee.

Independent non-executive directors

David Friedland (66)

Appointed 2013

Years of service on the Board: 7

Other listed company directorships: Investec Limited, Investec plc, The Foschini Group Limited

Hugh Herman (79)

BA LLB, LLD (hc)

Appointed 1976

Years of service on the Board: 44

Chairman of the remuneration committee

Hugh was a partner at law firm Sonnenberg Hoffmann Galombik before joining Pick n Pay in 1976. He was managing director of Pick n Pay from 1986, before joining Investec Bank in 1993. Hugh was appointed group chairman of Investec Bank Limited in 1994, a position from which he retired in 2001. Hugh was appointed honorary life president of the Investec Group and remains chairman of Ninety One Africa (previously Investec Asset Management).

Alex Mathula (47)

BA (Hons)

Appointed 2013

Years of service on the Board: 7

Other listed company directorships: Life Healthcare Group

Audrey is the CEO of SystemicLogic Group, a global financial innovation and technology disruptor. Audrey's experience spans various business domains including group strategy, talent design, marketing and communications strategy, integrated with strong corporate relationship management. Prior to SystemicLogic Group, Auduy served as the head of industry banking at Standard Bank Group and before that the chief executive of Strategic Services at Liberty Group of companies. Audrey is also completing the executive programmes, Artificial Intelligence Implications for Business Strategy at MIT Sloan School for Management. Audrey serves on the board of Banners Capital, Roedean School South Africa and Orange Babies South Africa.

Audrey Motshapi (50)

CA(SA)

Appointed 2019

Years of service on the Board: 3

Other listed company directorships: Ninety One Financial Services Limited

Hugh was a partner at law firm Sonnenberg Hoffmann Galombik before joining Pick n Pay in 1976. He was managing director of Pick n Pay from 1986, before joining Investec Bank in 1993. Hugh was appointed group chairman of Investec Bank Limited in 1994, a position from which he retired in 2001. Hugh was appointed honorary life president of the Investec Group and remains chairman of Ninety One Africa (previously Investec Asset Management).

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BA LLB, LLD (hc)

Appointed 1976

Years of service on the Board: 44

Chairman of the remuneration committee

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Years of service on the Board: 7

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Audrey Motshapi (50)
Mariam Cassim (38)

CASA(SA) MBA
- Appointed May 2020
- Other listed company directorships: Super Group Limited

Mariam Cassim is the Chief Executive Officer of Vodacom Financial and Digital Services and a member of the Vodacom Group's Executive Committee. Mariam's professional experience includes Corporate Finance and Deal Structuring, Mergers and Acquisitions, Debt Structuring, Commercial Evaluation and now, full CEO responsibility. Her flair for innovation, disruption and new business development allows Mariam to generate creative business solutions, which have a strong purpose element and thereby benefit businesses as well as society. Before her current appointment, Mariam was Executive Head, Commercial, at the Telesure Group and prior to that, she held four positions at Thistle Investment Corporation: first as Senior Corporate Finance Advisor, then as Executive Manager in the Chairman’s Office, then Group Executive: Strategy, and finally, CEO of Thistle Connect. After serving at KPMG Inc., Mariam worked at Eason-Holdings and Sanlam Capital Markets.

Haroon Bhorat (51)

JPhD in Economics
- Appointed May 2020
- Other listed company directorships: Sygnia Asset Management (Independent non-executive Chairman)

Haroon is Professor of Economics in the School of Economics and Director of the Development Policy Research Unit at the University of Cape Town. He is a Board Member of the National Research Foundation; the UNU World Institute for Development Economics Research and the Partnership for Economic Policy. He holds the National Research Chair in Economic Growth. He is a Non-resident Senior Fellow at the Brookings Institution, and a Research Fellow at the Institute for the Study of Labour. He was a member of the World Bank’s Advisory Board of the Commission on Global Poverty and a member of the Programme Committee of the 2017 International Economic Association World Congress. His career appointments include being an Advisor on Parliament’s High-Level Panel on Acceleration of Change and Transformation and serving on the Presidential Economic Advisory Panel. Haroon sits on the Presidential Economic Advisory Council established by President Ramaphosa to generate ideas for economic growth, job creation and addressing poverty.

Jeff van Rooyen (70)

BJCam (SA) BCompt. CASA(SA)
- Appointed 2007
- Years of service on the Board: 13
- Load independent director (LID)
- Chairman of the audit, risk and compliance committee and corporate finance committee
- Other listed company directorships: Exxaro Resources Limited (Independent non-executive Chairman)

A chartered accountant with extensive experience in both the private and public sectors, Jeff is the founder CEO of Uranus Investment Holdings Proprietary Limited. His involvement in the accounting profession over the years is extensive. Former appointments include being a trustee of the IRS Foundation, chairman of the Public Accountants and Auditors Board (now IBA) and founder president of the Association for the Advancement of Black Accountants. His public sector record is equally extensive. Former appointments include chairman of the Financial Reporting Standards Council, executive officer of the Financial Services Board, member of the Advisory Committee, Faculty of Economics and Management Sciences of the University of Pretoria, member of the Standing Advisory Committee on Company Law and director of MTN Group Limited.

Members of:
- Audit, risk and compliance committee
- Remuneration committee
- Nominations committee
- Corporate finance committee
- Corporate governance committee
- Social and ethics committee
- Executive committee
- Employee Share Incentive Trust

Honorary life presidents

Raymond Ackerman
Years of service: 53

Wendy Ackerman
Years of service: 53

Debra Muller (58)

Company Secretary
- Appointed 2010
- Years of service to the Group 14

Debra was admitted as an attorney in 1988. From 1994 she assisted Pick n Pay as a legal consultant, taking on an executive position as in-house legal advisor in 2006, working with Hippo, contractual and compliance issues. Appointed as Company Secretary to the Pick n Pay Group in 2010, Debra continues to head up the legal department. In 2016 Debra was appointed to the board of directors of the Consumer goods and Services Ombud (Pty) NPC, where she also serves as a member of the CSSG audit and risk committee. In addition, Debra serves as a director of St Luke’s Hospice property company.

Annamarie van der Merwe
BJJuris, LLB, LLM, EMP
- To be appointed in August 2020

Annamarie is currently the Executive Chair of the FidzRock Governance Group, a business that she co-founded approximately 15 years ago. Annamarie has been a corporate lawyer and company secretary of companies in the listed environment for more than 30 years. She is a member of the King Committee on Corporate Governance for South Africa and was actively involved in the writing of King II, III and IV with a particular focus on the sections dealing specifically with the functioning of boards and responsibilities of directors. She is a well-known presenter of workshops on issues such as board effectiveness, good corporate governance and statutory duties and liabilities faced by boards and individual directors. Annamarie acted as a facilitator for the IoDSA for more than 15 years and currently chairs the board of the Bureau of Food and Agricultural Policy NPC (BFAP).
In exceptional times, it is important that remuneration policy takes into account the impact of unforeseen events on the ability of management to achieve existing performance targets.

The remuneration committee recognises that challenges in Zambia and Zimbabwe, including severe and rapid currency devaluation over the year, reduced Group earnings by 8.7 percentage points year-on-year. Earnings were reduced by a further 71 percentage points as a result of an increase in the Group’s effective tax rate from 24.3% to 31.2%. This was driven by hyperinflation in Zimbabwe and reduced share scheme obligations as a result of the Group's lower share price over the year. Please refer to the CFO report on page 61 for further information.

The FY20 result was protected by continued strength and consistency within the core South African business.

Our remuneration policies seek to incentivise and reward performance that delivers on the Group’s long-term objectives.

The remuneration committee must exercise careful judgement to ensure that its policies remain relevant in all conditions.

Executive incentives

Short-term incentive – FY20 annual bonus

The Group delivered growth in profit before tax and exceptional items (PBTAE), the Group’s primary short-term performance target, of 6.5% in FY20. This was short of the remuneration committee’s threshold target of 8.0%. As such, the Group did not meet the required performance measures to set the remuneration committee’s target for the payment of a short-term annual bonus, and accordingly, the remuneration committee has not awarded a short-term bonus to its senior executive team this year.

This decision was not taken lightly. The Group once again delivered consistent and sustained progress against its long-term plan under the leadership of its senior team, notwithstanding the increasingly challenging trading environment. However, the FY20 result fell short of the primary earnings target and also missed the mark on a number of secondary targets, including sales growth, expense rates, finance costs and inventory management.

Short-term bonuses have been paid to our Boxer team, for an outstanding performance in sales and earnings performance and to lower levels of Pick n Pay management in recognition of the attainment of individual performance targets.

Long-term incentive – forfeitable shares due in 2020 (FSP 4)

The Group delivered compound annual growth of 4.0% in headline earnings per share (HEPS) over the past three years, short of the 10% threshold target required for the vesting of FSP 4 [awarded in 2017]. The below-target HEPS performance is largely as a result of challenges outside Africa in FY20. Accordingly, the remuneration committee has elected to forfeit approximately 70% of the FSP 4 shares awarded to executives.

In line with the discretion provided within the scheme rules, the remuneration committee will allow approximately 30% of the allocation to vest in June 2020 [subject to service conditions]. This is in recognition of the strong performance of the Group’s South African division over the past three years [10% compound annual earnings growth], and acknowledgement that the Group HEPS target miss was largely due to factors outside of the control of the senior executive team in FY20. This includes hyperinflation in Zimbabwe, currency devaluation in Zambia and a material increase in the Group’s tax rate.

The remuneration committee is satisfied with the difficult decisions it has made. Those include decisions to withhold an annual bonus for its executive team, and to forfeit approximately 70% of the forfeitable shares due to vest later this year. These decisions have provided balanced and fair remuneration for our team in the context of missed financial performance targets in a difficult economy, and are appropriately aligned with the expectations and interests of our shareholders.

Long-term incentive – forfeitable shares due in 2021 and 2022 (FSP 5 and FSP 6)

The COVID-19 pandemic will have a meaningful impact on FY21 Group earnings. During the nationwide lockdown, the Group was unable to trade in many key categories, including liquor, tobacco and most clothing and general merchandise lines. These non-essential categories make up around 20% of revenue, and have higher margins than basic food and grocery lines. Earnings will also reflect additional hygiene and personal protection costs, and consumer confidence and consumer spending markedly changed by a more acute economic recession.

The Group’s long-term strategic objectives are being re-evaluated and re-set by the Board, to reflect the substantially changed economic and trading conditions under COVID-19. Please refer to Richard Brasher’s report for further information on the Group’s plan to accelerate the delivery of its long-term plan, including a cost and efficiency “Project Future” programme to remove R1 billion of operating costs over the next two years.

The remuneration committee is mindful that the historic performance targets set for the Group’s outstanding FSP 5 and FSP 6 awards, due to vest in June 2021 and June 2022 respectively, are likely no longer attainable within the context of the COVID-19 landscape, and may no longer be relevant in terms of the Group’s revised long-term plan. Please refer to page 106 for further information. The remuneration committee is cognisant that performance targets which are no longer relevant due to circumstances outside the control of the management team are discouraging to senior executives and create long-term retention risk.

The remuneration committee will utilise the discretion provided in terms of Section 8 of the FSP scheme rules to revise the HEPS performance targets of FSP 5 and FSP 6 to reflect the changed circumstances of the COVID-19 pandemic and its likely longer-term impact. The objective is unchanged – revised targets will be stretching but attainable, aligned to the Group’s long-term plan, and must drive a performance that delivers long-term value creation for shareholders. The remuneration committee will report to shareholders on the action taken in due course.
Malus and claw-back
In line with best corporate governance practice, and under the direction of the remuneration committee, the Group adopted a malus and claw-back remuneration policy this year. The policy provides that in the event of a material misstatement of the financial statements of the Pick n Pay Group, or of any company in the Pick n Pay Group, the Board is entitled to adjust (malus) or recover (claw-back) any performance-related elements of remuneration from executives implicated in the misstatement, as a result of their fraud, dishonesty or negligence.

Review and restructure of long-term share incentive schemes going forward
Share option scheme
The remuneration committee has tasked the Group’s employee benefits team to re-evaluate the Group’s share option scheme to establish whether there is a more modern and more effective way of incentivising and retaining middle and lower levels of management. In particular, one that is more cost effective for the Group, creates more certain value for employees in the context of poor performing equity markets, and removes the volatility risk from the tax rate. Please refer to page 106 and page 107 of Section 3 for further information.

Forfeitable share plan (FSP)
The remuneration committee assured shareholders last year that it would continue to assess the effectiveness and appropriateness of the FSP scheme, and would seek to modernise it in line with market best practice when appropriate. The remuneration committee will once again re-evaluate the appropriateness of the plan at the beginning of the 2021 financial year. Assisted by industry experts, the committee will seek to ensure that the FSP scheme adequately and reasonably achieves executive retention in a competitive market, while rewarding individual and divisional performance, in a manner that maximises long-term shareholder value creation. As a start, the Group will ask shareholders at the 2020 AGM for greater flexibility around the FSP.

Voluntary severance programme
The Group has experienced some labour disruption in its supply chain and better use of working capital. Targeting labour cost and efficiency, Pick n Pay launched a voluntary severance programme (VSP) in March. Participation in the scheme is entirely voluntary, and acceptance of applications is at the Group’s discretion. The VSP is an opportunity for colleagues to choose to leave the business on a voluntary basis, with a more generous package than would be the case with any statutory retrenchment programme.

FY21 salary increases for executive directors and senior management
In light of the economic disruption and dislocation of COVID-19, the Board and the remuneration committee have agreed not to grant an annual increase to executive directors and senior management for the coming year. Those savings will be directed towards increases for our front-line staff and our colleagues at more junior employment grades. Non-executive Board members have waived their shareholder-approved fee increase for the FY21 financial year.

Stability of labour relations
The Group secured new three-year wage agreements with its main Pick n Pay and Boxer supermarket labour unions in FY20. The agreements deliver fair and reasonable remuneration improvements for our staff, introduce a further increase in minimum guaranteed hours for variable time employees, and provide the Group with long-term stability in labour relations. The Group has experienced some labour disruption in its supply chain operations over recent months. This follows the transition from a model which traditionally included a number of service providers, to a functional outsourced model, which includes the introduction of formal measures of productivity and efficiency. To date, any disruption has been short-lived and the remuneration committee congratulates management on the work it is doing to improve ways of working across its supply chain and to promote long-term labour stability across its operations.

Leadership update – Group CEO
During 2019, the Group’s CEO, Richard Brasher, provided the Board with 12 months’ notice of his intention to retire from the Group at the end of May 2020, post the publication of the Group’s FY20 financial result. Richard expressed his confidence in the strength and stability of the business, and in the depth and skill of the management team, and believed 2020 would be the right time to hand over the reins to a new CEO. The Group, under Richard’s steadfast and determined leadership has transformed over the past seven years. Richard has had a very clear vision for the business and his long-term plan has steered the Pick n Pay and Boxer teams successfully through difficult economic times. The business is leaner and fitter, and with a strong and stable balance sheet has delivered consistent earnings growth. Richard and his team have built the Group into a genuine multi-channel retail platform, with the flexibility to successfully pursue growth in the market.

Richard provided the Board and its nominations committee with sufficient notice to begin the work of identifying and appointing a strong successor to lead the Group in future years. The COVID-19 pandemic reached South Africa in early March 2020 and has brought unprecedented operational challenges. Richard has assured the Board that he intends to stay at the helm throughout the COVID-19 crisis, and will navigate his team through these challenging times.

Richard has once again stepped up as a strong leader with energy and determination. He has committed to stay with the Group until a strong and suitable successor has been appointed, and a reasonable and effective handover period has been completed, or until 31 March 2022, in line with the Group’s retirement policy. In recognition for his unwavering commitment to the Group, the remuneration committee has awarded Richard with 1.2 million FSP shares under the Group’s executive share incentive scheme. This award seeks not only to incentivise Richard adequately or recover (claw-back) any performance-related elements of the Group’s FY20 financial result. Richard expressed his confidence in the strength and stability of the business, and in the depth and skill of the management team, and believed 2020 would be the right time to hand over the reins to a new CEO. Richard provided the Board and its nominations committee with sufficient notice to begin the work of identifying and appointing a strong successor to lead the Group in future years. The COVID-19 pandemic reached South Africa in early March 2020 and has brought unprecedented operational challenges. Richard has assured the Board that he intends to stay at the helm throughout the COVID-19 crisis, and will navigate his team through these challenging times.

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SECTION 2: Overview of remuneration policy

Our 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:

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

Our remuneration policies

The Group’s underlying remuneration policies provide balanced reward that recognises the attainment of short-term performance goals, while incentivising sustainable long-term value creation. The interests of our team are aligned with those of our shareholders through governance practices which include the following:

- Remuneration at all levels is benchmarked against the remuneration practices 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 decisions 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.
- The executive team is not unduly rewarded where performance does not meet expectations. However, the committee strives to find a reasonable balance to retain key executives and attract quality executives from outside the business to ensure delivery against our strategic objectives. Executive remuneration is considered in the context of overall employee remuneration, given South Africa’s socio-economic conditions.

Fair and responsible remuneration

The remuneration committee reviews the Group’s remuneration policies to ensure fair and responsible executive director remuneration in the context of overall employee remuneration, particularly given South Africa’s socio-economic climate and the impact on the local retail industry.

The remuneration committee recognises its responsibility to ensure that our remuneration policies support the Group’s long-term strategic goals. Executive pay is directly linked to the achievement of these goals. This is reflected in the performance targets set by the remuneration committee. The remuneration committee further ensures that executive directors are remunerated fairly and in line with industry benchmarks and shareholder expectations.

Underpinned by strong governance principles, the committee is satisfied that the Group’s remuneration policies ensure objective and reasonable executive director pay that is free from discrimination, prejudice or favouritism.

Parity of remuneration across gender and race groups

The Group’s 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.

Fixed and variable benefits are benchmarked against industry norms. Comprehensive statistical analyses at all levels of remuneration is performed on an ongoing basis, 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.

The Group has made strong progress on our employment equity and gender equity targets across the business – achieving pay parity across all levels of the business, while acknowledging that there is more to do in our most senior roles.

We have committed the following to our employees:

- We will take deliberate action to achieve our employment equity and gender equity targets.
- We are equitable in our recruitment.
- Colleagues will enjoy fair pay for work done – equal pay for equal work.
- Everybody will have the opportunity to progress in the Group.

The remuneration committee is satisfied that it has fulfilled its responsibilities in terms of the Board charter and its objectives for the 2020 financial year.
Aligning remuneration with long-term strategic plan

Short- and long-term incentives are linked to the achievement of performance targets that support our strategic objectives, contribute to building a winning team and create long-term, sustainable value for all stakeholders.

Stage 1: Stabilise the business

- **Strategic objectives** (refer to pages 45 to 53)
  - Grow sales in line with or ahead of the market
  - High levels of operating efficiency
  - Sustainable margin improvement

Stage 2: Change the trajectory

1. SA’s most trusted retailer
   - Pick n Pay
2. Africa’s favourite discounter
   - Boxer
3. Bearing down on costs
   - Efficiency
4. Value-added customer services
   - Innovation
5. Expansion in Africa
   - Profitable footprint outside South Africa
6. Force for good
   - Doing good is good business

Short-term incentives

Primary performance target: Growth in profit before tax and exceptional items (PBTAE)

No short-term incentives are paid to executive and senior management.

Primary PBTAE threshold not 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 below). These performance indicators include financial as well as non-financial measurements, with an increasing focus on including environmental, social and governance-related measurements.

Primary PBTAE threshold met


Stage 3: Sustainable long-term growth

Primary long-term performance targets:

- Sustainable HEPS growth over a rolling three-year period
- ROCE + WACC [excluding impact of IFRS 16]
- Share price appreciation
- PBT margin at or above 3.0% over the medium term

Remuneration structure

**FIXED BASE SALARY AND BENEFITS**

- **Base salary**
- **Fixed benefits**
  - Retirement funding
  - Medical aid
  - Motor vehicle benefit
  - Low-interest housing loans
  - Leave

**SHORT-TERM VARIABLE INCENTIVES**

- **Incentive bonus**
  - Monthly and/or annually

**LONG-TERM VARIABLE INCENTIVES**

- **Share options**
- **Forfeitable share plan**
  - Performance measurement:
    - Service
    - HEPS growth, ROCE
  - Performance condition:
    - Service

Range of awards with three, five and seven-year vesting periods.
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 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 our strategic business objectives.

The fixed base salary reflects the relative skills, experience, contribution and performance of the individual. Remuneration is directly linked to formal annual performance assessments.

The scope of the employee’s role, competence and performance, the projected consumer price index and comparable increases in the general and retail market determine annual increases.

Retirement funding
It is an employment condition that all employees (including variable-time employees1) 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-time1 and variable-time1 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 NMBU2 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-time1 employees2 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. The Group contributes 50% of the 13th cheque to the individual’s salary.

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-time1 employees accumulate leave based on ordinary hours worked. The Group contributes up to 50% of the employee’s salary towards the provision of leave for eligibility.

Training, bursaries and study grants
We offer over 330 training programmes to employees, ranging from basic literacy and numeracy to computer-based training and management and leadership programmes. Our Chartered Accountant (SA) and graduate training programmes attract talented young people into the business and develop them to join our management team. Our corporate academy seeks to fast-track the development of a pool of managers for our stores. We also offer learnership programmes that focus on scarce skills, particularly in the bakery and butchery sectors. Our leadership development programmes, accredited by formal tertiary institutions in South Africa, have been very successful in providing the business with future leaders.

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 recognised with an additional allocation of leave at five-year intervals, depending on the terms and conditions of employment.

Short-term incentives
The annual short-term incentive bonus is discretionary. It is triggered by the attainment of a threshold target of growth in PBTAE, 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 102.

The bonus pool is self-funding and is created after achieving 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 depends on the overall Group target reached and on their individual performance, as measured through the Group’s annual performance appraisal process.

Long-term incentives
It is Group policy to maintain a broad-based share incentive 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. All levels of management can acquire Group shares. This is a key differentiator between the Group and other retail employers in South Africa, encouraging employee retention and creating opportunities for economic upliftment.

The Group operates two share incentive schemes:

Share option scheme
The employee share option scheme incentivises management and employees through the acquisition of Group shares, thereby aligning interests with shareholders. It further fosters trust and loyalty among employees and rewards performance, encouraging employee retention.

Forfeitable share plan (FSP)
The FSP recognises employees who have a significant role to play in delivering Group strategy and ensuring the growth and sustainability of the business. Through the attainment of performance conditions, the FSP incentivises participating employees to deliver long-term earnings growth. An award of shares may also be used to attract talented prospective employees.

Funding of share incentive schemes
Shareholders authorised the Board to utilise up to 63.9 million Pick n Pay Stores Limited (PIK) shares to manage the Group’s share schemes, representing 13% of issued share capital. Both of the Group’s share schemes fall within this limit. Accordingly, the aggregate number of shares awarded under both schemes cannot exceed the authorised limits. In respect of a number of new shares that can be issued to cover obligations under the employee share schemes, the two share schemes are further constrained by an aggregate limit of 5% of the issued share capital of PIK.

The Group’s share option scheme

<table>
<thead>
<tr>
<th>Grades</th>
<th>Category</th>
<th>Bonus cap</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>CEO</td>
<td>36 x basic monthly salary</td>
</tr>
<tr>
<td>B</td>
<td>Group executive</td>
<td>12 x basic monthly salary</td>
</tr>
<tr>
<td>C</td>
<td>Senior management</td>
<td>6 x basic monthly salary</td>
</tr>
<tr>
<td>D</td>
<td>Middle management</td>
<td>4 x basic monthly salary</td>
</tr>
<tr>
<td>E</td>
<td>Junior management</td>
<td>1 x basic monthly salary</td>
</tr>
</tbody>
</table>

Bonuses are capped at the following multiples:

- Status share options – service conditions attached
- Status share options are granted to employees who attain grade F. 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. 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 before the end of a vesting period, unvested share options lapse.
- Performance share options – service conditions attached
- Middle-management employees on grades C and D may be eligible for performance ‘top-up’ share options in recognition of their individual performance and contribution to the Group.
- This is a reward scheme, aimed at high performers, in order to recognise and retain key management personnel over the longer term. To encourage employee retention, status and performance shares vest in three tranches (vesting periods) as follows: 40% in 3 years of service, 30% in 5 years of service and 30% in 7 years of service.
The Group’s forfeitable share plan (FSP)

The FSP recognises key members of senior management who have a significant role to play in delivering Group strategy and ensuring the growth and sustainability of the business in the future. A participant of the FSP becomes the beneficial owner of the forfeitable shares on the date of the award. Beneficial ownership affects the employee full shareholder voting rights and full rights to any dividends declared.

Eligibility

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

Vesting

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

Performance conditions

The performance conditions are linked to the Group’s financial performance, with growth in HEPS as the primary performance measure. Performance conditions are applied on a linear, rising scale. This allows for the vesting of an increasing number of shares as earnings thresholds are met and exceeded. All growth thresholds recognise the applicable IFRS 2 share-based payment 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: ROCE must be greater than WACC (excluding any impact from IFRS 16 liabilities) over the vesting period before any FSP shares can vest. This ensures that the Group generates a real return for shareholders before rewarding its management team.

Service contracts and termination benefits

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 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. Termination or restraint of trade agreements may be made in this regard at the discretion of the remuneration committee.

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. Fees are not subject to attendance of meetings as attendance of Board meetings is generally good. Refer to page 107 for more detail on the proposed fees for FY21.

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.

In the coming year, the remuneration committee will re-evaluate its share option and FSP schemes as effective and appropriate mechanisms for long-term retention and reward.

SECTION 3: Implementation of remuneration policy

The committee chairman’s report on pages 94 to 97 details the key focus areas of the remuneration committee this year, including the important decisions taken to balance short-term and long-term incentives in a tough economic climate, alongside the best interests of shareholders. Additional work performed and decisions taken by the remuneration committee during FY20 include:

Executive director remuneration benchmarking, including an annual review of all benefits provided

CEO remuneration

In setting the CEO’s FY20 base salary at R10.7 million, the remuneration committee considered Richard Brasher’s 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 contribution to date.

CFO remuneration

The Board welcomed Loriena Olivier into her new role as Group CFO this year. Led by the nominations committee, the Board followed a formal process to appoint the right successor for Bakar Jakoet, considering a number of external and internal candidates. Loriena, a qualified chartered accountant, has extensive experience in the retail industry, including eight years’ leading the Group’s financial reporting team. The remuneration committee worked closely with the Board to formulate an appropriate remuneration package for the position, aligned with industry norms, including adequate incentive opportunities.

Other executive and senior management remuneration

The committee evaluated the overall value and composition of short-term and long-term benefits in respect of executive and senior management, to ensure the packages are effective and appropriate to drive the delivery of short- and long-term strategic objectives. Executive remuneration is considered fair and competitive against market benchmarks and the role and performance of each individual executive director.

Determining annual increases in fixed remuneration for executive directors, and an overall salary increase for salaried staff across the Group

Annual increases were determined in April 2019 after formal performance reviews. These increases reflect individual performance against key performance indicators, the scope of each role, as well as comparable increases in the general retail market, and moderate CPI projections.

The increase in total fixed base salary and benefits (fixed remuneration) paid to executive directors’ year-on-year was on average 5%, excluding additional fringe benefits. The average salary increase for the Group was 7% in FY20, excluding employees governed by a labour union agreement (NMU).

Executive directors and senior management received lower annual salary increases (5% on average) than employees on lower employment grades (6% – 7% on average) in recognition of the impact of the tough economic climate on many of our employees. The average annual increase for NMU employees, as governed by labour union agreements, was between 7% and 10%.

Short-term incentives – determining an appropriate annual cash bonus, and the reasonable allocation thereof to executive directors and qualifying management 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 annual 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 remuneration committee’s PBTAE targets for FY20, on a comparable S2-week financial calendar basis, were as follows:

<table>
<thead>
<tr>
<th>Percentage</th>
<th>Threshold</th>
<th>Target</th>
<th>Stretch</th>
</tr>
</thead>
<tbody>
<tr>
<td>8%</td>
<td>8%</td>
<td>12%</td>
<td>15%</td>
</tr>
</tbody>
</table>

As described in Section 2 of this report, secondary performance targets, which include turnover growth, improved operating costs and other efficiency ratios and key working capital metrics are set on an individual basis. However, exceeding the 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 R1 870.7 million for FY20, a 6.5% increase on the prior year. This exceeded the PBTAE threshold target of at least R1 795.5 million. The increase in PBTAE fell short of the threshold target set by the remuneration committee in a year when an appropriate short-term incentive bonus has been awarded to executive directors, or to the senior management team. Refer to the chairman’s report on page 95 for further information.

The remuneration committee will meet later this year to set new and appropriate targets for FY21. It will work closely with the Board to formulate targets which adequately reflect the impact of the COVID-19 pandemic, as well as trade and social distancing restrictions, on Group performance.

Long-term incentives – the vesting of forfeitable shares (FSP 4) in June 2020

The Group has delivered three-year compound annual growth in headline earnings per share (HEPS) of 4.0% per annum (FY18 – FY20). The HEPS performance over three years is short of the required 10% threshold target for FSP 4 to vest in June 2020.

The remuneration committee has utilised the discretion available to it within the rules of the FSP scheme, and will forfeit approximately 70% of the FSP shares, and allow approximately 30% to vest in June 2020 (subject to the service condition being met). This recognises the strong performance of the Group’s South African division over the past three years (10% compound annual earnings growth). It further acknowledges that the Group HEPS under-performance was largely due to factors outside of the control of the senior executive team in FY20, including hyperinflation in Zimbabwe and a material increase in the Group’s tax rate. Please refer to the chairman’s report on page 95 for further information.
Long-term incentives – forfeitable share award to executive directors and qualifying senior management (FSP 6)
The remuneration committee agreed an annual award of forfeitable shares to senior management personnel in FY20, to ensure executives continue to have competitive and market-related long-term incentives in place to drive delivery of the long-term strategy. The FSP 6 award provided the Group with added security over the retention and tenure of key executives.

The remuneration committee set the financial performance conditions to be attached to the June 2019 award (FSP 6) and agreed on the individual participants and the level at which each would participate, with particular focus on allocations to executive directors. Please refer to the disclosure provided below for further information.

Long-term incentives – the re-evaluation of performance hurdles in respect of outstanding forfeitable share awards held by executive directors and senior management (FSP 5 and FSP 6)
The Group’s outstanding forfeitable share awards are as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Scheme</th>
<th>Number of shares (millions)</th>
<th>Number of participants</th>
<th>3-year HEPS CAGR threshold</th>
<th>3-year HEPS CAGR target</th>
<th>3-year HEPS CAGR stretch</th>
<th>Vesting date</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>FSP 5</td>
<td>2.3</td>
<td>117</td>
<td>10%</td>
<td>12%</td>
<td>14%</td>
<td>June 2021</td>
</tr>
<tr>
<td>2019</td>
<td>FSP 6</td>
<td>1.9</td>
<td>124</td>
<td>8%</td>
<td>10%</td>
<td>12%</td>
<td>June 2022</td>
</tr>
<tr>
<td></td>
<td></td>
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</tbody>
</table>

The remuneration committee will utilise the discretion provided in terms of Section 8 of the FSP scheme rules to revise the HEPS performance targets to reflect the changed circumstances of the COVID-19 pandemic and its likely longer-term impact. These targets must be stretchy but attainable, aligned to the Group’s long-term plan, and must deliver a performance that drives long-term value creation for shareholders. The remuneration committee will report to shareholders on the action taken in due course. Please refer to the chairman’s report on page 95 for further information.

Long-term incentives – CEO
FSP Award
The remuneration committee has awarded 1.2 million FSP shares to CEO Richard Brasher. The share award recognises that Richard did not participate in FSP 6 as a result of his planned retirement, and seeks to ensure that Richard is now adequately rewarded over his extended term, and fairly incentivised to lead the Pick n Pay Group through the COVID-19 crisis and deliver on the Board’s revised earnings targets. The shares will have a two-year vesting term, to 31 March 2022, with hurdles aligned with the revised targets for FSP 6 (as detailed above).

Restraint of trade
In recognition of Richard Brasher’s key role in formulating and delivering Group strategy through the COVID-19 crisis and beyond, the remuneration committee has now included a restraint of trade provision in his CEO employment contract. The remuneration committee will have the discretion to pay Richard Brasher up to four times his annual salary on his retirement from the Group, to secure appropriate employment restrictions. This is in line with our remuneration policy in respect of executive service contracts, as detailed on page 104.

Long-term incentives – share options issued in recognition of promotion and performance
During FY20, 3.2 million Pick n Pay Stores Limited (PiP) options were issued to employees in respect of their progress and performance. A further 200 000 share options were awarded to Lenore Olivier on her appointment as Group CFO. Share options were awarded at market price, and vest over a period of three, five and seven years. A total of 23.5 million share options were held by employees at year-end, amounting to 4.8% of shares in issue. Please refer to note 5 of the FY20 annual financial statements for further information.

The future net realisable value of all outstanding share options at 1 March 2020:

<table>
<thead>
<tr>
<th>Year</th>
<th>Outstanding share options may be taken up during the following financial periods</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>R44.85 11 416 3 118.6</td>
</tr>
<tr>
<td>2022</td>
<td>R68.20 3 183.5</td>
</tr>
<tr>
<td>2023</td>
<td>R63.78 2 564.6</td>
</tr>
<tr>
<td>2024</td>
<td>R70.44 2 242.5</td>
</tr>
<tr>
<td>2025</td>
<td>R67.55 4 090.0</td>
</tr>
<tr>
<td>2025 and thereafter</td>
<td>23 501.9 118.6</td>
</tr>
</tbody>
</table>

* The net realisable value of outstanding share options was calculated using the prevailing market share price at year-end of R55.24, less the grant price per award.

In recent years, the Group’s share price performance has mirrored under-performing equity markets across the globe, and increasingly negative investor sentiment towards emerging market economies. In particular, investor confidence in South Africa remains low as a result of stagnant economic growth, high unemployment, and credit agency downgrades that continue to place the country below investment grade. As a result, approximately 65% of 15 million share options held by employees have no value (are currently out-of-the-money), notwithstanding the Group delivering compound annual earnings growth of 19% per annum over the past seven years. As such, these instruments are increasingly ineffective in providing middle and lower levels of management with adequate incentive or reward.

At the same time, the significant reduction in the value of the Group’s employee share scheme obligations over the past year has resulted in a reversal of related deferred tax assets and a material 4.2 percentage point increase in the Group’s tax rate. Please refer to page 64 of the CFO’s report for further detail.

The remuneration committee has tasked management to re-evaluate the Group’s share option scheme to establish whether there is a more modern and effective way to incentivise and retain key members of staff, particularly middle and lower levels of management. The remuneration committee seeks a scheme that is more cost effective for the Group, creates more certain value for employees, and removes the volatility risk from the tax rate. The remuneration committee will communicate its final decision on the Group’s share option scheme in its FY21 report.

Malus and claw-back
No incidents identified in the FY20 financial year.

Reviewing and recommending to the Board the overall compensation for the Chairman, for approval by shareholders at the AGM
In setting the Chairman’s proposed annual fee of R4.7 million in FY20, 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 recommending non-executive directors’ fees for FY21 for approval by shareholders at the AGM
Shareholders approved the FY21 directors’ fees at the AGM held in July 2019, agreeing that the FY20 fees be increased by CPI for the 2021 annual financial period. However, non-executive directors have waived their right to the increase in light of the COVID-19 pandemic. Directors’ fees will remain unchanged for the 2021 annual financial period.

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

<table>
<thead>
<tr>
<th>Proposed</th>
<th>Actual</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>R</td>
<td>R</td>
<td></td>
</tr>
<tr>
<td>Chairman of the Board</td>
<td>4 660 000</td>
<td>4 600 000</td>
</tr>
<tr>
<td>Lead independent non-executive director of the Board</td>
<td>140 000</td>
<td>140 000</td>
</tr>
<tr>
<td>Chairman of the audit, risk and compliance committee</td>
<td>375 000</td>
<td>375 000</td>
</tr>
<tr>
<td>Member of the audit, risk and compliance committee</td>
<td>145 000</td>
<td>145 000</td>
</tr>
<tr>
<td>Chairman of the remuneration committee</td>
<td>200 000</td>
<td>200 000</td>
</tr>
<tr>
<td>Member of the remuneration committee</td>
<td>94 500</td>
<td>94 500</td>
</tr>
<tr>
<td>Member of the nominations committee</td>
<td>90 000</td>
<td>90 000</td>
</tr>
<tr>
<td>Member of the social and ethics committee</td>
<td>94 500</td>
<td>94 500</td>
</tr>
<tr>
<td>Chairman of the corporate finance committee</td>
<td>200 000</td>
<td>200 000</td>
</tr>
<tr>
<td>Member of the corporate finance committee</td>
<td>135 000</td>
<td>135 000</td>
</tr>
<tr>
<td>Member of the corporate governance committee</td>
<td>90 000</td>
<td>90 000</td>
</tr>
<tr>
<td>Trustee of the employee share purchase trust</td>
<td>42 000</td>
<td>42 000</td>
</tr>
</tbody>
</table>

1 The chairman of the nominations committee is the Chairman of the Board and does not receive an additional fee for chairing this committee.
2 The chairman of the social and ethics committee is an executive director and does not receive an additional fee for chairing this committee.
3 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 FY20 and therefore no fees were paid.
4 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 FY20 and therefore no fees were paid.
5 The chairman of the corporate governance committee is a Chairman of the Board and does not receive an additional fee for chairing the committee. No formal meetings were held during FY20 and therefore no fees were paid.
## Remuneration report (continued)

### Total remuneration of executive directors

<table>
<thead>
<tr>
<th>Retirement and medical contributions R'000</th>
<th>Fringe and other benefits R'000</th>
<th>Total fixed remuneration R'000</th>
<th>Bonus and gratuity R'000</th>
<th>Total remuneration R'000</th>
<th>Long-term share award charge R'000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2019</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Richard Brasher</td>
<td>10 107.0</td>
<td>958.0</td>
<td>12 065.0</td>
<td>-</td>
<td>12 065.0</td>
</tr>
<tr>
<td>Aboubakar Jakoet*</td>
<td>2 713.3</td>
<td>52.8</td>
<td>2 766.1</td>
<td>-</td>
<td>2 766.1</td>
</tr>
<tr>
<td>Lorato Phalatse</td>
<td>1 898.0</td>
<td>184.2</td>
<td>2 082.2</td>
<td>-</td>
<td>2 082.2</td>
</tr>
<tr>
<td>Richard van Rensburg</td>
<td>4 980.0</td>
<td>431.3</td>
<td>5 411.3</td>
<td>-</td>
<td>5 411.3</td>
</tr>
<tr>
<td>Suzanne Ackerman-Berman</td>
<td>2 922.3</td>
<td>276.8</td>
<td>3 199.1</td>
<td>-</td>
<td>3 199.1</td>
</tr>
<tr>
<td>Jonathan Ackerman</td>
<td>1 494.1</td>
<td>271.6</td>
<td>1 765.7</td>
<td>-</td>
<td>1 765.7</td>
</tr>
<tr>
<td><strong>Total remuneration</strong></td>
<td>24 710.8</td>
<td>2 182.9</td>
<td>26 893.7</td>
<td>-</td>
<td>26 893.7</td>
</tr>
</tbody>
</table>

* Aboubakar Jakoet has retired as an executive director and was appointed as a non-executive director of Pick n Pay Stores Limited on 6 September 2019.

** During the prior period, a gratuity of R10.0 million was granted to Aboubakar Jakoet on his retirement, in appreciation of his outstanding contribution to the Group’s statement of comprehensive income and statement of changes in equity. The fair value of share awards are determined at grant date, and are recognised as share-based payments expense over the vesting period. Long-term share awards will vest in the future only if all the vesting criteria set out in the rules of the 1997 Employee Share Options Scheme and the Forfeitable Share Plan (FSP) are met. Dependent on the nature of the vesting criteria, long-term share awards expense may be reversed and recouped by the Group if the vesting criteria are not met. During the current year certain vesting criteria relating to FSP awards with a vesting date of 25 June 2020 were not met. As a result, approximately 70% of the cumulative long-term share awards expense relating to the FSP vesting criteria was recouped by the Group.

### Total remuneration of non-executive directors

<table>
<thead>
<tr>
<th>Directors’ fees R'000</th>
<th>Lead independent director</th>
<th>Audit committee</th>
<th>Remuneration committee</th>
<th>Nomination committee</th>
<th>Corporate governance committee</th>
<th>Social and ethics committee</th>
<th>Employee share trust</th>
<th>Total remuneration R'000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2020</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Richard Brasher</td>
<td>4 660.0</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>4 660.0</td>
</tr>
<tr>
<td>David Friedland</td>
<td>4 350.0</td>
<td>145.0</td>
<td>90.0</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>4 585.0</td>
</tr>
<tr>
<td>Hugh Herman</td>
<td>4 350.0</td>
<td>145.0</td>
<td>90.0</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>4 585.0</td>
</tr>
<tr>
<td>Alex Mathies</td>
<td>4 350.0</td>
<td>-</td>
<td>-</td>
<td>94.5</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>4 444.5</td>
</tr>
<tr>
<td>Audrey Mathies</td>
<td>4 350.0</td>
<td>145.0</td>
<td>90.0</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>4 585.0</td>
</tr>
<tr>
<td>Aboubakar Jakoet*</td>
<td>2 175.0</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2 175.0</td>
</tr>
<tr>
<td>Richard Brasher</td>
<td>4 350.0</td>
<td>-</td>
<td>-</td>
<td>94.5</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>4 444.5</td>
</tr>
<tr>
<td>Jeff van Ruyssen</td>
<td>4 350.0</td>
<td>-</td>
<td>-</td>
<td>94.5</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>4 444.5</td>
</tr>
<tr>
<td><strong>Total remuneration</strong></td>
<td>7 487.5</td>
<td>145.0</td>
<td>1 010.0</td>
<td>436.25</td>
<td>180.0</td>
<td>236.25</td>
<td>176.0</td>
<td>9 622.0</td>
</tr>
</tbody>
</table>

* Aboubakar Jakoet has retired as an executive director and was appointed as a non-executive director of Pick n Pay Stores Limited on 6 September 2019.

** Effective 6 September 2019, Aboubakar Jakoet retired as an executive director and was appointed as a non-executive director of Pick n Pay Stores Limited. As a result of his retirement, 30 000 of his forfeitable shares were forfeited.

### Share awards granted to directors

<table>
<thead>
<tr>
<th>Directors</th>
<th>Forfeitable shares</th>
<th>Share options</th>
<th>Forfeitable shares</th>
<th>Share options</th>
<th>Forfeitable shares</th>
<th>Share options</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2019</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Richard Brasher</td>
<td>230 000</td>
<td>-</td>
<td>230 000</td>
<td>-</td>
<td>69.30</td>
<td>-</td>
</tr>
<tr>
<td>Aboubakar Jakoet*</td>
<td>400 000</td>
<td>-</td>
<td>400 000</td>
<td>-</td>
<td>(280 000)</td>
<td>-</td>
</tr>
<tr>
<td>Lorato Phalatse</td>
<td>1 000 000</td>
<td>-</td>
<td>1 000 000</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Jonathan Ackerman</td>
<td>120 000</td>
<td>-</td>
<td>120 000</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>2020</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Richard Brasher</td>
<td>1 200 000</td>
<td>-</td>
<td>1 200 000</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Aboubakar Jakoet*</td>
<td>1 200 000</td>
<td>-</td>
<td>1 200 000</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Lorato Phalatse</td>
<td>1 200 000</td>
<td>-</td>
<td>1 200 000</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Jonathan Ackerman</td>
<td>1 200 000</td>
<td>-</td>
<td>1 200 000</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

* Aboubakar Jakoet has retired as an executive director and was appointed as a non-executive director of Pick n Pay Stores Limited on 6 September 2019.

** Effective 6 September 2019, Aboubakar Jakoet retired as an executive director and was appointed as a non-executive director of Pick n Pay Stores Limited. As a result of his retirement, 30 000 of his forfeitable shares were forfeited.

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**Remuneration report (continued)**

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**Integrated Annual Report 2020**

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**OUR GOVERNANCE | 06**

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Directors’ interest in ordinary shares

<table>
<thead>
<tr>
<th>Directors’ interest in ordinary shares</th>
<th>Balance held at 3 March 2019</th>
<th>Additions/ grants</th>
<th>disposals</th>
<th>Forfeits</th>
<th>Balance held at 1 March 2020</th>
<th>Additions/ grants</th>
<th>disposals</th>
<th>Forfeits</th>
<th>Balance held at 1 March 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2020</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gareth Ackerman</td>
<td>direct</td>
<td>309</td>
<td>–</td>
<td>–</td>
<td>309</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>indirect</td>
<td>1 687 200</td>
<td>17 000</td>
<td>–</td>
<td>1 704 200</td>
<td>5 806</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Ackerman Pick n Pay Foundation***</td>
<td>direct</td>
<td>19 762</td>
<td>–</td>
<td>–</td>
<td>19 762</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>indirect</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
</tbody>
</table>
| Ackerman Investment Holdings
| Proprietary Limited***             | indirect                    | 124 677 238     | –         | [24 677 237] | 1                           | –                | –         | –       | –                           |
| Newshelf 1321
| Proprietary Limited***            | indirect                    | –                | –         | –       | –                           | –                | –         | –       | –                           |
| Newshelf 1321 Proprietary Limited** | indirect                    | 2 735 008        | 32 982    | –       | 2 768 000                    | –                | –         | –       | –                           |
| Richard Brasher                     | direct                      | 463 578          | 230 000   | [693 578] | –                           | –                | –         | –       | –                           |
|                                      | indirect                    | –                | –         | –       | –                           | –                | –         | –       | –                           |
| Lorena Olver****                   | direct                      | 1630 000         | –         | [230 000] | 1 400 000                    | [280 000]        | 1 200 000 | –       | –                           |
|                                      | indirect                    | 810              | –         | –       | 810                          | –                | –         | –       | –                           |
| Richard van Rensburg               | direct                      | 291 439          | 45 000    | [336 439] | –                           | –                | –         | –       | –                           |
|                                      | indirect                    | 215 000          | 150 000   | [45 000] | 320 000                      | [98 000]         | –         | –       | –                           |
| Suzanne Ackerman-Berman             | direct                      | 120 528          | 25 000    | [25 000] | 120 528                      | –                | –         | –       | –                           |
|                                      | indirect                    | 538 809          | 13 500    | –       | 552 307                      | –                | –         | –       | –                           |
| Jonathan Ackerman                   | direct                      | 122 888          | 25 000    | [25 000] | 122 888                      | –                | –         | –       | –                           |
|                                      | indirect                    | 73 000           | 8 000     | [25 000] | 56 000                       | [28 000]         | –         | –       | –                           |
|                                      | indirect                    | 726 886          | 39 200    | –       | 765 886                      | –                | –         | –       | –                           |
|                                      | indirect                    | 11 039           | 3 456     | –       | 14 495                       | –                | –         | –       | –                           |
| Alhoubali Jakarta**                | direct                      | 758 764          | 185 000   | [185 000] | 943 000                      | [30 000]        | 713 000  | –       | –                           |
|                                      | indirect                    | 215 000          | –         | –       | 215 000                      | –                | –         | –       | –                           |
|                                      | indirect                    | 13 059           | –         | –       | 13 059                       | –                | –         | –       | –                           |
| David Friedland                     | indirect                    | 36 888           | 5 000     | –       | 41 888                       | –                | 2 500     | –       | –                           |
| David Robins                        | direct                      | 975              | –         | –       | 975                          | –                | –         | –       | –                           |
|                                      | indirect                    | 90 436           | –         | –       | 90 436                       | –                | –         | –       | –                           |
| Hugh Herman                         | direct                      | 30 000           | –         | –       | 30 000                       | –                | –         | –       | –                           |
|                                      | indirect                    | 256              | –         | –       | 256                          | –                | –         | –       | –                           |
| Alex Mattola                        | direct                      | 86               | 1 700     | [1 706] | –                            | –                | –         | –       | –                           |

**Direct interests represent a holding in the director’s personal capacity. Indirect interests represent a holding by a trust (of which the director is a trustee), a spouse or 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 capacities as trustees.

** In order to ring fence its Pick n Pay shareholding, Ackerman Investment Holdings Proprietary Limited (AIH) transferred its shareholding to a wholly-owned subsidiary of AIH, namely Newshelf 1321 Proprietary Limited. The indirect non-beneficial interest in Newshelf 1321 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 1 March 2020 up to the date of approval of the 2020 audited Group annual financial statements.

& Beneficial interest represents an interest in shares in which a person is entitled to receive income payable in respect of that shareholding and obtain any benefit as a result of holding those shares. Non-beneficial interest represents an interest in shares in which a person will not benefit directly as a result of holding those shares.

Directors’ interest in B shares

<table>
<thead>
<tr>
<th>Directors’ interest in B shares</th>
<th>Balance held at 3 March 2019</th>
<th>Additions</th>
<th>Disposals</th>
<th>Balance held at 1 March 2020</th>
<th>Additions</th>
<th>Disposals</th>
<th>Benefit/ non-beneficial interestagt</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2020</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gareth Ackerman</td>
<td>direct</td>
<td>522</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>Beneficial</td>
</tr>
<tr>
<td></td>
<td>indirect</td>
<td>3 227 861</td>
<td>–</td>
<td>3 227 861</td>
<td>–</td>
<td>3 227 861</td>
<td>Beneficial</td>
</tr>
<tr>
<td>Akerman Investment Holdings Proprietary Limited***</td>
<td>indirect</td>
<td>246 936 847</td>
<td>–</td>
<td>246 936 847</td>
<td>–</td>
<td>246 936 847</td>
<td>Beneficial</td>
</tr>
<tr>
<td>Newshelf 1321 Proprietary Limited**</td>
<td>indirect</td>
<td>246 936 847</td>
<td>–</td>
<td>246 936 847</td>
<td>–</td>
<td>246 936 847</td>
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</tr>
<tr>
<td>Mistral Trust***</td>
<td>indirect</td>
<td>5 349 559</td>
<td>–</td>
<td>5 349 559</td>
<td>–</td>
<td>5 349 559</td>
<td>Non-beneficial</td>
</tr>
<tr>
<td>Suzanne Ackerman-Berman</td>
<td>direct</td>
<td>233 767</td>
<td>–</td>
<td>233 767</td>
<td>–</td>
<td>233 767</td>
<td>Non-beneficial</td>
</tr>
<tr>
<td></td>
<td>indirect</td>
<td>926 084</td>
<td>–</td>
<td>926 084</td>
<td>–</td>
<td>926 084</td>
<td>Non-beneficial</td>
</tr>
<tr>
<td></td>
<td>indirect</td>
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<td>1 135 009</td>
<td>–</td>
<td>1 135 009</td>
<td>Non-beneficial</td>
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<tr>
<td>David Robins</td>
<td>direct</td>
<td>1 171</td>
<td>–</td>
<td>1 171</td>
<td>–</td>
<td>1 171</td>
<td>Non-beneficial</td>
</tr>
</tbody>
</table>

1 Direct interests represent a holding in the director’s personal capacity. Indirect interests represent a holding by a trust (of which the director is a trustee), a spouse or minor children of directors.

* In order to ring fence its Pick n Pay shareholding, Ackerman Investment Holdings Proprietary Limited (AIH) transferred its shareholding to a wholly-owned subsidiary of AIH, namely Newshelf 1321 Proprietary Limited. The indirect non-beneficial interest in Newshelf 1321 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 1 March 2020 up to the date of approval of the 2020 audited Group annual financial statements.

& Beneficial interest represents an interest in shares in which a person is entitled to receive income payable in respect of that shareholding and obtain any benefit as a result of holding those shares. Non-beneficial interest represents an interest in shares in which a person will not benefit directly as a result of holding those shares.

## End of Remuneration report (continued)
SHAREHOLDERS' INFORMATION

114 Analysis of ordinary shareholders
115 Analysis of B shareholders
116 Shareholders' information
IBC Corporate information
## ANALYSIS OF ORDINARY SHAREHOLDERS as at 1 March 2020

### SHAREHOLDER SPREAD

<table>
<thead>
<tr>
<th>Number of shareholders</th>
<th>Number of shares</th>
<th>%</th>
<th>Number of shares</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 - 1 000 shares</td>
<td>8 523</td>
<td>63.1</td>
<td>2 320 568</td>
<td>0.5</td>
</tr>
<tr>
<td>1 001 - 10 000 shares</td>
<td>10 067</td>
<td>7.9</td>
<td>34 663 852</td>
<td>7.0</td>
</tr>
<tr>
<td>10 001 - 1 000 000 shares</td>
<td>247</td>
<td>1.8</td>
<td>71 066 905</td>
<td>14.4</td>
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<tr>
<td>1 000 001 shares and over</td>
<td>67</td>
<td>0.6</td>
<td>373 671 919</td>
<td>75.7</td>
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<tr>
<td>Total</td>
<td>13 502</td>
<td>100.0</td>
<td>483 452 321</td>
<td>100.0</td>
</tr>
</tbody>
</table>

### PUBLIC/NON-PUBLIC SHAREHOLDERS

<table>
<thead>
<tr>
<th>Number of shareholders</th>
<th>Number of shares</th>
<th>%</th>
<th>Number of shares</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-public shareholders</td>
<td>17</td>
<td>0.1</td>
<td>147 965 833</td>
<td>30.0</td>
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<tr>
<td>Newshelf 1321 Proprietary Limited*</td>
<td>1</td>
<td>124 677 237</td>
<td>25.3</td>
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<tr>
<td>Ackerman Investment Holdings Proprietary Limited</td>
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<td>101 900</td>
<td>0.2</td>
<td></td>
</tr>
<tr>
<td>Ackerman Pick n Pay Foundation</td>
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<td>2 768 000</td>
<td>0.6</td>
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<tr>
<td>Mistral Trust</td>
<td>10</td>
<td>1 409 455</td>
<td>0.9</td>
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<tr>
<td>Directors of Pick n Pay Stores Limited</td>
<td>1</td>
<td>7 630 000</td>
<td>1.5</td>
<td></td>
</tr>
<tr>
<td>Pick n Pay Retailers Proprietary Limited</td>
<td>1</td>
<td>662 978</td>
<td>0.1</td>
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</tr>
<tr>
<td>Pick n Pay Employee Share Purchase Trust</td>
<td>1</td>
<td>7 822 262</td>
<td>1.6</td>
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<tr>
<td>Public shareholders</td>
<td>13 485</td>
<td>99.9</td>
<td>345 484 488</td>
<td>70.0</td>
</tr>
<tr>
<td>Total</td>
<td>13 502</td>
<td>100.0</td>
<td>483 452 321</td>
<td>100.0</td>
</tr>
</tbody>
</table>

### BENEFICIAL SHAREHOLDERS HOLDING 1% OR MORE

<table>
<thead>
<tr>
<th>Number of shares</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Newshelf 1321 Proprietary Limited*</td>
<td>124 677 237</td>
</tr>
<tr>
<td>Government Employees Pension Fund</td>
<td>64 084 116</td>
</tr>
<tr>
<td>GIC Private Limited</td>
<td>17 403 304</td>
</tr>
<tr>
<td>Fidelity Series Emerging Markets Opportunities Fund</td>
<td>14 764 156</td>
</tr>
<tr>
<td>Coronation Balanced plus fund</td>
<td>9 218 044</td>
</tr>
<tr>
<td>Pick n Pay Employee Share Purchase Trust</td>
<td>8 022 262</td>
</tr>
<tr>
<td>Alexander Forbes Investments</td>
<td>7 661 572</td>
</tr>
<tr>
<td>Shares held on behalf of FSP participants</td>
<td>7 630 000</td>
</tr>
<tr>
<td>Vanguard Total International Stock Index Fund</td>
<td>5 666 933</td>
</tr>
<tr>
<td>Vanguard Emerging Markets Stock Index Fund</td>
<td>5 573 229</td>
</tr>
</tbody>
</table>

* In order to ring fence its Pick n Pay shareholding, Ackerman Investment Holdings Proprietary Limited (AIH) transferred its shareholding to a wholly-owned subsidiary of AIH, namely Newshelf 1321 Proprietary Limited.

## ANALYSIS OF B SHAREHOLDERS as at 1 March 2020

### SHAREHOLDER SPREAD

<table>
<thead>
<tr>
<th>Number of shareholders</th>
<th>Number of shares</th>
<th>%</th>
<th>Number of shares</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 - 1 000 shares</td>
<td>1</td>
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<td>-</td>
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<tr>
<td>1 001 - 10 000 shares</td>
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<td>26.9</td>
<td>52 988</td>
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<td>10 001 - 100 000 shares</td>
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<tr>
<td>100 001 - 1 000 000 shares</td>
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<td>19.2</td>
<td>1 582 955</td>
<td>99.3</td>
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<tr>
<td>1 000 001 shares and over</td>
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<td>19.2</td>
<td>257 822 955</td>
<td>99.3</td>
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<tr>
<td>Total</td>
<td>26</td>
<td>100.0</td>
<td>258 682 869</td>
<td>100.0</td>
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</table>

### PUBLIC/NON-PUBLIC SHAREHOLDERS

<table>
<thead>
<tr>
<th>Number of shareholders</th>
<th>Number of shares</th>
<th>%</th>
<th>Number of shares</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-public shareholders</td>
<td>6</td>
<td>23.1</td>
<td>258 295 007</td>
<td>99.5</td>
</tr>
<tr>
<td>Newshelf 1321 Proprietary Limited*</td>
<td>1</td>
<td>246 936 847</td>
<td>95.1</td>
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</tr>
<tr>
<td>Directors of Pick n Pay Stores Limited</td>
<td>1</td>
<td>6 008 601</td>
<td>2.3</td>
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<tr>
<td>Mistral Trust</td>
<td>1</td>
<td>5 349 559</td>
<td>2.1</td>
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</tr>
<tr>
<td>Public shareholders</td>
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<td>76.9</td>
<td>1 387 862</td>
<td>0.5</td>
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<tr>
<td>Total</td>
<td>26</td>
<td>100.0</td>
<td>258 682 869</td>
<td>100.0</td>
</tr>
</tbody>
</table>

### BENEFICIAL SHAREHOLDERS HOLDING 1% OR MORE

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<tbody>
<tr>
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</tr>
</tbody>
</table>

* In order to ring fence its Pick n Pay shareholding, Ackerman Investment Holdings Proprietary Limited (AIH) transferred its shareholding to a wholly-owned subsidiary of AIH, namely Newshelf 1321 Proprietary Limited.

### GEOGRAPHIC SPREAD OF SHAREHOLDERS - %

- South Africa ordinary shares with B shares stapled: 26.6%
- South Africa ordinary shares excluding B shares: 7.2%
- United States of America: 0.6%
- Great Britain: 0.6%
- Other countries: 46.7%
Annual general meeting – 4 August 2020
The 52nd annual general meeting of shareholders of Pick n Pay Stores Limited (AGM) will be conducted entirely by electronic communication as permitted by the Companies Act, No 71 of 2008, as amended and the Company’s Memorandum of Incorporation. The AGM will be held at 08:30 on Tuesday, 4 August 2020.

The minutes of the previous year’s AGM held on 30 July 2019 are available on our investor relations website at www.picknpayinvestor.co.za.

FY21 Results announcements
<table>
<thead>
<tr>
<th>Interim to 1 September 2020</th>
<th>October 2020</th>
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<tbody>
<tr>
<td>Final to 28 February 2021</td>
<td>April 2021</td>
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Publication of annual financial statements

<table>
<thead>
<tr>
<th>2020</th>
<th>July 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>June 2021</td>
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Publication of Integrated Annual Report and Corporate Governance Report

<table>
<thead>
<tr>
<th>2020</th>
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</tr>
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<tbody>
<tr>
<td>2021</td>
<td>June 2021</td>
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Publication of Sustainability Report (every two years)

<table>
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<tbody>
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